HARRIS COUNTY, TEXAS

COMMISSIONERS COURT

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Ed Emmett	El Franco Lee	Jack Morman	Steve Radack	Jerry Eversole
County Judge	*Commissioner, Precinct 1*	*Commissioner, Precinct 2*	*Commissioner, Precinct 3*	*Commissioner, Precinct 4*

CAPITAL IMPROVEMENTS

June 21, 2011

9:00 a.m.

1. **Port of Houston Authority**
2. **Harris County Hospital District**
3. **PID Flood Control District**
4. **PID Roads and Parks**
5. **PID Toll Road Authority**
6. **PID Buildings**
7. **PID Master Plan**
8. **PID Family Law Center**
9. **PID Institute of Forensic Sciences**
10. **Libraries**
11. **Sports & Convention Corporation**
12. **Population and Economic Environment**

1. **Port of Houston Authority**

The annual update of the Port Authority is attached.

PORT OF HOUSTON AUTHORITY

June 10, 2011

The Honorable Ed Emmett, Harris County Judge
The Honorable El Franco Lee, Harris County Commissioner, Precinct One
The Honorable Jack Morman, Harris County Commissioner, Precinct Two
The Honorable Steve Radack, Harris County Commissioner, Precinct Three
The Honorable Jerry Eversole, Harris County Commissioner, Precinct Four

Dear Members of the Harris County Commissioners Court:

On behalf of the Port Commission and staff of the Port of Houston Authority, I am pleased to submit this update on the Port Authority, its finances and its activities.

As you are all aware, the Port Authority plays an integral role in the mission of the overall Port of Houston, which is a major economic engine for the Houston region and the state of Texas. Annually, the port generates more than 785,000 direct, induced and indirect jobs, statewide, and nearly $118 billion of statewide economic activity. In addition, the port helps generate $3.7 billion, annually, in local and state taxes.

The port is also a vital link to the rest of the world, engaging in trade and commerce with more than 90 percent of the world's countries, including the four BRIC nations (Brazil, Russia, India and China), which boast the world's fastest-growing economies.

The Port Authority, which owns/operates the public terminals of the Port of Houston, performed significantly better financially and in tonnage handled in 2010 than it did in 2009 – a year in which a slumping economy prevented the Port Authority from posting its 10th consecutive year of record-setting operating income.

A total of 31.3 million tons – 8.5 percent more than in 2009 – of cargo moved through Port Authority facilities in 2010. In addition, the Port Authority posted a 9.7-percent increase in operating revenue of $184.5 million. Strong throughput in steel – particularly, export steel – and a modest increase in the number of containers moved were primary contributors to last year's solid performance.

That upward trend continued through the first four months of 2011. Total tonnage through the end of April is 22 percent higher and operating revenue increased by 16 percent, compared to the first four months of last year, primarily due to increased activity at the Port Authority's Turning Basin terminal, and container terminals at Bayport and Barbours Cut.

James T. Edmonds • Chairman
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In addition to last year's growth in operations and revenue, policies and programs were implemented with the goal of ensuring substantial success in Port Authority security, environmental, marketing, business origination and community relations efforts.

The Port Authority strives to serve as a model for safety and security, environmental stewardship and sustainability to our maritime partners in the region, and is continually enhancing Houston's role as a major urban port.

It is a privilege to present this update to you and the communities you represent.

TURNING BASIN TERMINAL ACTIVITY

Significant capital investments 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 RO/RO cargo.

The Cargo Bay Road portal, an $11.8 million project that provides an entry-exit gate on the northeast edge of the terminal, opened in January 2011. The project, which includes a nearly two-mile-long road and four at-grade railroad crossings, consolidates commercial truck traffic that previously flowed through three gates at the Turning Basin.

In addition to rerouting traffic from those three gates and separately handling most commercial truck traffic, the gate makes for more efficient vehicle movements by providing areas for trucks to queue during peak periods.

It also includes two state-of-the-art radiation scanners used for security screening of cargo exiting the terminal.

The Port Authority is spending $1.16 million on a demolition project that removed two transit sheds from Dock 24 and Dock 25 of the Turning Basin, freeing up an additional 220,000 square feet of open dock area to allow for easier handling of steel, and out-of-gauge cargo.

This project was in response to higher demand for open berth space at the Turning Basin, where the occupancy rate for open berths is more than 2½ times greater than that of covered wharves.

2011 – REVENUE PERFORMANCE HIGHLIGHTS

Through the first four months of this year, Houston Public Grain Elevator 2 posted a 321-percent year-to-date revenue increase, compared to the same period in 2010. Double-digit increases were realized at four terminals – Turning Basin (35%), Woodhouse (33%), Bayport (30%) and Jacintoport (18%).

CARGO UPDATE

As indicated earlier, the increases in cargo tonnage and operating revenue that marked 2010 continue into 2011. Through the first four months of 2011, steel shipments were up 69 percent over the prior year, with twice as much export steel and 55 percent more import steel crossing Port Authority docks. Through the first four months of this year, the Port Authority has handled 1.1 million tons of steel.

It is a remarkable improvement for the commodity compared to first-quarter 2010, where a 1.1 million-ton decline from 2009 year-to-date performance put the Port Authority at a 62-percent deficit. However, a resurgent 2.1 million tons was handled through the remainder of 2010 to bring Port Authority totals to 2.7 million tons.

The 249,000 tons moved in December 2010 alone nearly tripled 2009's December throughput and ensured the Port Authority a 2-percent yearly gain over 2009's figures. Notably, the surge in steel was dominated by a rare, 71-percent increase in export steel.

Current cargo activity also reflects an increase in container handling – 654,000 twenty-foot equivalent units (TEUs) were moved through the first four months of 2011 for a year-to-date increase of 9-percent – a 26-percent increase in automobile imports and a 100-percent increase in bulk grain.

BAYPORT CONTAINER AND CRUISE TERMINAL

The first phase of the Bayport Container Terminal opened in February 2007, and significant milestones in its development were reached in 2010. The construction of two environmentally friendly office buildings and 50 acres of new container yards at Bayport Container Terminal, completion of Bayport's Wharf 3 and the acquisition of three additional wharf cranes essentially places the terminal at 50-percent completion. The midyear arrival of the three wharf cranes brings the terminal total to nine cranes and follows the terminal's master plan, which calls for three cranes per berth. In addition, there are 27 RTG (rubber tired gantry) cranes at Bayport – nine of which have been delivered since 2010 – to accommodate the increase in loads, as well as the associated vessel and yard support activities. The additional container yard acreage allows for an expected 6% increase in total vessel lifts for 2011.

Another notable capital project was the incorporation of an Optical Character Recognition system in the exit gate processes at Bayport and Barbours Cut. The system allows up to 60 percent of trucks to free flow through the gate with transaction verification, resulting in a decrease in truck idling time and shortening overall turn times at both terminals. Plans are under way to integrate similar technology into the inbound gate systems at Bayport and Barbours Cut.

Construction has been completed on both the $8.6 million Administration and $15 million Maintenance and Repair (M&R) buildings at Bayport. Each building was designed and constructed to U.S. Green Building Council Leadership in Energy & Environmental Design (LEED) specifications. LEED is "an internationally recognized

green building certification system, providing third-party verification that a building . . . was designed and built using strategies aimed at improving performance in all the metrics that matter most: energy savings, water efficiency, CO2 emissions reduction, improved indoor environmental quality, and stewardship of resources and sensitivity to their impacts."

The Administration building has been selected for certification, and is on track to meet the LEED Gold level – the second highest level of certification.

Bayport already moved 700,596 TEUs in 2010 – but these capital investments will meet the demands of vessels that will call more frequently and grow ever larger. Earlier this year, history was made as three super post-panamax vessels, capable of handling 8,200 TEUs, each called at Bayport, the largest container ships ever to call at the Port of Houston. We can expect even larger vessels, as shipping line MSC is presently petitioning the Houston Pilots for permission to dispatch a 9,200 TEU vessel to the port.

The Port Authority continues as well its unstinting efforts to bring a cruise line to Houston. Among its many initiatives, in 2010 the Port Authority prepared a Request for Proposals to supplement its effort to reach out to the cruise industry, and help definitively determine the current interest of cruise lines in establishing a homeport in Houston. The Port Authority may explore other options for development of the cruise terminal in the coming months as well.

Last year, as part of its ongoing commitment toward being a responsible and responsive industrial neighbor, the Port Authority unveiled its Bayport Mitigation Solution Program in March 2010.

The program was the cornerstone of several initiatives designed to mitigate the impact of sounds related to terminal operations on residential neighbors along the north shore of the Bayport Channel in La Porte and Shoreacres. The owners of 411 residential properties (in an area defined by the results of a comprehensive, independent acoustics study) were provided the opportunity to apply for a mitigation payment in return for granting an easement to the Port Authority.

Response to the Bayport Mitigation Solution Program has been positive, with the following results as of April 2011:

- Total of 278 applications were received from eligible property owners interested in participating in the program. This number represents 78 percent of all owners in the program boundary area.
- We have closed on 270, or 97 percent, of these applications resulting in total mitigation payments of $9.6 million. Of these applications, 86 percent pertain to homes.

SECURITY INITIATIVES

The Port Authority continues its efforts to set exemplary standards for security at all its facilities. We are proud to have played an important role in conceptualizing and helping to start the Houston Ship Channel Security District (HSCSD). HSCSD was formed to enhance security along the ship channel by funding operations and maintenance costs associated with port security grants. HSCSD provides:

- A layered approach to port security, involving local, state and federal law enforcement officers
- An ideal model since its creation in June 2009
- A funding mechanism for portwide security projects

Three years ago, the Port Authority became the world's first port authority to attain International Organization for Standardization (ISO) 28000:2007 certification for its security management system (SMS). Earlier this year, as the result of an independent audit of our SMS, we were recertified to the ISO model, committing ourselves to even more stringent security management standards with our Port Police and perimeter security operations.

STRATEGIC MARKETING EFFORTS

The Port Authority continuously competes in the global marketplace to attract and maintain customers, generate revenue and build market share. With that in mind, the Port Authority has committed itself to its most aggressive, comprehensive and expansive international marketing strategy ever.

Under the direction of the newly organized Origination Division, the Port Authority marketed itself, the Port of Houston and the Houston region energetically and effectively. These efforts yielded notable results.

Relationships with Brazilian partners resulted in the launching of Houston Express Service (HES), which connects Brazil and Houston to the rest of the world. HES, a product of Brazilian consolidator and logistics service provider Uniship Transporte Internacional Ltda, effectively makes Houston the world's first international hub for Brazilian exports, particularly over-dimensioned cargo.

The service synergizes the Port Authority's pre-eminence as operator of first-class breakbulk and heavy lift cargo terminals, Houston's geographic presence as an international gateway to the heartland of North America, and the growing demands of international shippers in need of efficient consolidation, handling of oversized shipments and connectivity to the global markets.

This also marks a significant milestone in an ever-strengthening relationship between the Port of Houston and one of the world's fastest-growing economies. Late last year, Houston overtook New York-New Jersey as Brazil's No. 1 U.S. trading partner. Today, Brazil ranks as the Port of Houston's second leading trading partner in both tonnage and cargo value.

HES was unveiled at the 2010 Breakbulk Americas Transportation Conference, held at the Hilton Americas Hotel in October. Port Authority representatives, in concert with the City of Houston, the Greater Houston Partnership, the George R. Brown Convention Center, the Hilton Americas-Houston Hotel and the Greater Houston Convention and Visitors Bureau, worked hard to secure a commitment from conference organizer Journal of Commerce (JOC) to bring the conference to Houston for the first time in its 21-year history.

JOC officials were so impressed with Houston that they have committed to return to Houston as host city on alternate years.

Breakbulk Americas 2010 generated more than $4.9 million in direct and indirect economic impact on Houston, according to a report from the Port of Houston Authority's Economic Analysis Division and the Greater Houston Convention and Visitors Bureau. The analysis considered many factors, including hotel accommodations, transportation, food and beverage services and more during the two-day conference.

In order to ensure a constant presence in Asia, the world's largest and most populous market, in 2010 the Port Authority entered into a historic, two-year professional services agreement with Ben Line Agencies Limited of Singapore. Ben Line was enlisted to represent the Port Authority in promoting all-water direct trade between Asia and Houston.

With Ben Line's assistance, the Port Authority established a presence for itself and its port in 90 cities across 15 countries, including Cambodia, China, Hong Kong, India, Indonesia, Japan, Malaysia, Myanmar, the Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand and Vietnam. That presence is essential, considering that more trade currently flows across the Pacific Ocean than any other trade lane, and Asia has been the Port Authority's fastest-growing trade segment for the last 10 years, currently accounting for 16 percent of the Port Authority's overall trade and 32 percent of its import container trade.

In late September of 2010, the Port Authority launched the Gulf Coast Advantage, an innovative and unprecedented collaborative among three U.S. Gulf coast ports – Houston, Mobile (Ala.) and Tampa (Fla.). The Gulf Coast Advantage gives shippers and carriers total Gulf Coast coverage by linking these three regional seaports.

The marketing initiative is designed to address the anticipated growth in cargo volume that the Panama Canal expansion will bring. It also showcases to shippers the potency of a regional market anchored by huge consumption centers like Houston and Tampa and a growing industrial base such as the one found in Mobile.

The Gulf Coast Advantage also presents a viable alternative to the traditional east-west trade routes that have long served the continental U.S. by providing intermodal service into America's heartland and delivering access to a market of more than 100 million people.

SMALL BUSINESS DEVELOPMENT PROGRAM

In 2002, the Port Commission made a commitment to nurture small businesses in our region, establishing the Small Business Development Program. Since its inception and through the first quarter of 2011, the program has facilitated the awarding of $333.1 million to eligible small businesses.

In an effort to help small businesses grow and prosper, the Small Business Development Division enlisted in the "Guiding Protégés to Success" (GPS) program in September 2010. GPS is a partnership among the Port of Houston Authority, City of Houston Small Business Opportunity, Houston Independent School District and METRO. It is designed to foster long-term relationships between prime contractors and certified small businesses registered with the Port of Houston Authority.

GPS helps small businesses become more self-sustaining and provides broad-based training and professional guidance. The program works by pairing small businesses with mentors who have proven track records of success in their particular fields.

The Port Authority's GPS program got off to a healthy start in 2010, pairing 10 protégé businesses with mentors. Mentors are continuously being sought as the number of protégé applicants to the program exceeds the number of mentors available by a ratio of 2.5-to-1.

In 2010, eleven small business development forums were held that included speakers from the Port Authority, certifying agency partners (Houston Minority Supplier Development Council, Women's Business Enterprise Alliance, City of Houston, METRO), and the U.S. Small Business Administration. The number of registered small businesses working with the Small Business Development Division also grew by 3 percent, with a total of 1,298 involved by year end.

The Port of Houston Partners in Maritime Education program, which operates under the auspices of the Small Business Development Division, continues to grow.

Its efforts have resulted in maritime academies first implemented in partnership with public and private sector entities during the 2009-2010 school year at two local Houston I.S.D. schools – Stephen F. Austin High and Jack Yates High.

For the 2010-2011 school year, the student enrollment of both high schools in the maritime academy program grew by 13 percent to include 396 students. The maritime program has also gained momentum and expanded to area local school districts by

offering dual credit opportunities to students enrolled in the La Porte, Pasadena, Galena Park, Deer Park and other school districts.

The Maritime Transportation Management program also began its first semester at Texas Southern University in the fall of 2010. TSU enrolled 33 students for the fall semester with 12 students receiving full scholarships and 11 students receiving partial scholarships. The Port of Houston Authority has committed a total of $2 million over a five-year period to the program.

ENVIRONMENTAL STEWARDSHIP

The foundation for the Port Authority's sustainability activities is the Environmental Management System (EMS). The EMS has been certified to the ISO 14001 standard since 2002 and continues to improve and expand each year. In 2009, the new Bayport Container Terminal was included under a scope extension of the certification, and in 2010, the six facilities and five vessels of the Marine Department were added to the Port Authority's certification.

Our Environmental Stewardship video was revised and updated during 2010. This tool conveys the Port Authority's commitment to sustainability and the importance of that commitment being shared by employees, vendors and those routinely coming to the port. It is available on the Vendor Information System and Port Authority website. It is also played during employee orientation and is required viewing for all visitors applying for entry badges to Port Authority facilities.

A number of key environmental initiatives have been launched since last year, with the goal of expanding the impact of the Port Authority's environmental stewardship portfolio beyond its own footprint, as the Port Authority assumes a larger role in improving the region's air, water and waste management.

The Port Authority began rolling out its Clean Air Strategy Plan (CASP) in late 2010, recognizing the important role of the Port Authority in facilitating and encouraging significant emission reductions and promoting air quality awareness along the Houston Ship Channel and throughout the region.

The purpose of the CASP is to develop and implement voluntary programs to reduce emissions from maritime and associated transportation sources servicing ship channel industries. CASP benefits the entire Houston-Galveston-Brazoria community, assisting the state of Texas and Environmental Protection Agency (EPA) in reducing the harmful health effects of multiple pollutants and potential economic repercussions.

The latest version of the CASP was released earlier this month and is available for review on our website at www.portofhouston.com.

In 2010, the Port Authority and Maersk Line, which partnered with EPA on the first-ever low-sulfur "fuel switch" demonstration on a container ship in the Gulf of Mexico in

November 2009, were selected to receive a $1.5 million grant from the National Clean Diesel Emissions Reduction Program.

The grant pays the differential costs incurred when Maersk Line vessels switch from high-sulfur bunker fuel to lower-sulfur marine diesel while approaching Texas waters. Maersk Line vessels call at the APM Terminal located at the Port Authority's Barbours Cut complex.

The program began in August 2010 and runs through March 31, 2012, with 20 Maersk Line vessels participating. Once those vessels are within 24 nautical miles of the Texas coast, they switch to lower-sulfur fuels. The cleaner marine diesel fuel contains no more than 0.2 percent sulfur, compared to the 2.7 percent sulfur contained in regular bunker fuel.

These emission reductions are aimed at improving local air quality and public health in the Houston-Galveston-Brazoria non-attainment area. Since the inception of the program, estimated emission reductions from fuel switching activities include 8.15 tons of Nitrous Oxide (6% reduction), 11.76 tons of Particulate Matter 10 (87% reduction), 9.82 tons of Particulate Matter 2.5 (87% reduction), 99.98 tons of sulfur dioxide (97% reduction) and 298.50 tons of carbon dioxide (5% reduction).

Continuing its efforts to improve regional air quality and in order to help drayage businesses and owner operators in need of newer, safer and more fuel-efficient trucks, the Port Authority, in partnership with Houston-Galveston Area Council and Environmental Defense Fund, hosted a drayage truck fair at a Port Authority facility in April 2011.

The event gave drayage business owners and operators the opportunity to learn about the H-GAC Drayage low interest, reduced requirements loan program, as well as information on regional Texas Emissions Reduction Plan (TERP) incentives. More than 150 people attended this year's event, generating more than 50 truck loan applications for the program.

COMMUNITY AFFAIRS

Community Affairs initiatives are among the most interactive of all Port Authority relationships. Economic development is supported by the Port Authority through partnerships with chambers of commerce and economic development organizations, including nineteen formal strategic partnerships.

Education, particularly related to the maritime industry, conservation and environment, is a cornerstone of the Port Authority's community affairs efforts.

More than 1,500 young people sailed along the Houston Ship Channel or in Galveston Bay in floating "classrooms" during 2010, thanks to the BaySmart program that uses the waterways as an outdoor learning experience. BaySmart's overriding theme is to show students that what they study in school is relevant to the outside world. The marine

component is part of a curriculum that also teaches subjects such as geography and history.

Students learn about marine vessels, career opportunities, commercial and recreational fishing, wetlands and wildlife. They also learn about homeland security, international trade and the economic contributions of bay-related activities. Finally, they are introduced to the fact that the Port of Houston brings millions of dollars in revenue into the local economy and provides thousands of jobs, some of which could be available to them in the future.

The Port Authority has continued its involvement with the City of Houston Water Festival. The WaterFest focuses on teaching elementary and middle school-aged children the importance of water conservation and water pollution avoidance. The Port Authority uses a hands-on model to illustrate how pollution can travel through local Houston waterways to Galveston Bay.

Last year was also the seventh year that Port Authority employees have participated in the Junior Achievement (JA) program, which involves teaching five-week-long classes with the goal of helping the students make practical, day-to-day economic application of the subjects they learn in school. In addition, the students were taught lessons on citizenship, how to be good neighbors and how interaction among different countries helps drive global economies.

A total of 25 Port Authority employees taught JA classes at Port Houston and Pleasantville elementary schools.

Free tours of the port aboard the *M/V Sam Houston* still rank as one of the most popular maritime education initiatives of the Community Affairs Department. Last year, more than 15,000 passengers on 425 trips toured the Houston Ship Channel aboard the *M/V Sam Houston* and more than 4,000 had done so through the first three months of this year.

An additional 60 special tours – most of which included catering, were also conducted aboard the tour vessel. Those tours included trade representatives from other countries, organizations affiliated with higher education, such as the Harvard Club of Houston, Rice Alumni Association, Brown University Club of Houston, U.S. Merchant Marine Academy Alumni Association and Texas Southern University's Maritime Transportation Management and Security, public officials such as the Harris County Mayors and Councils Association, and Houston City Council Members.

Buffalo Bayou is the primary tributary for the Houston Ship Channel and its environmental integrity is important to the Port Authority. Since 2007, the Port Authority has joined with the Buffalo Bayou Partnership, Shell Oil Company, the East End Improvement Corporation, the Greater East End Management District, the Precinct 6 Harris County Constable's Office, the Harris County Flood Control District, and others to help clean up Buffalo Bayou through the Clean and Green Port of Houston program. Five days a week, land-based and waterborne crews work to keep the bayou clean of debris.

Periodically, volunteer groups from the Port Authority, Shell and the community volunteer their time to keep the bayou clear of debris.

The Port Authority partners with Gulf Coast Regional Blood Center to host quarterly blood drives each year in the Executive Office training room and a mobile unit at Barbours Cut Terminal. In 2010, the Port Authority gave more than 100 units of blood – equivalent to saving 300 lives in the Houston region.

KEEPING THE SHIP CHANNEL SAFE AND NAVIGABLE

One of the important mandates given the Port Authority is oversight of the development and maintenance of the Houston Ship Channel. Activity along the channel is responsible for hundreds of thousands of jobs and billions of dollars in economic impact, and it is a critical economic engine for the Houston region, the state of Texas and the United States. The channel is also integral to our nation's energy security as host to the second-largest petrochemical complex in the world.

Maintaining this dynamic waterway system is essential to protecting these economic benefits.

In 2010, the Port Authority used the results from a federally-funded security grant project to expand its Geographic Information System (GIS) to include pipeline crossings of the ship channel and rail lines. This will facilitate improved administration and management of the thousands of pipelines which could potentially interfere or otherwise impact ship and train traffic. Overall, in 2010 the Port Authority processed 122 permits and licenses for channel and pipeline improvements.

In 2010, the Port Authority continued its recovery from the cumulative effects of Hurricane Ike on the berthing areas at its many docks. Storm siltation and an extraordinary quantity of debris were and continue to be systematically removed. The Port Authority is helping coordinate up to $11 million in FEMA dredging damage recovery, which is scheduled to be completed in 2012.

However, 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.

For Fiscal Year 2011, the Houston Ship Channel needed at least $40.6 million to meet critical (but not all) dredging and capacity requirements, which 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. Eventually that is reflected in higher costs to consumers.

CAPITAL FUNDING PROGRAM

The Port Authority invested a total of $158.3 million in capital improvements during 2010, which reflects its continuing commitment to development, expansion and renewal of Port Authority facilities while promoting economic vitality throughout the region. Approximately $104.1 million of these improvements were funded with proceeds from commercial paper and unlimited tax bonds issued in 2010, with the balance paid from the Port Authority's general fund.

With the advent of larger ships and increased cargo coming to our terminals, we will expand and diversify our efforts to obtain adequate funding both for terminal construction and improvement, and for the maintenance and operation of the Houston Ship Channel, our marine highway to the world.

As part of the Port Authority's strategic initiatives review, we develop mid and long-range plans and analyze our revenue sources and capital needs. We estimate that we will need to make capital investments of about $1.2 billion over the next five years. However, cognizant of the fact that the economy has not fully recovered from the financial crisis of 2008, we have modified our capital improvements plans to better match our near term cash flows and postpone the need for additional external financing until 2012.

We have included on the next page a liquidity forecast through 2013, showing estimated capital expenditures of $118.4 million, $235.9 million and $126.5 million in 2011, 2012 and 2013, respectively. Although not presented in this report, our 2014 capital plans include $137.0 million in estimated dredging costs needed to deepen and widen the Bayport Ship Channel in anticipation of the increased large vessel traffic associated with the opening of the expanded Panama Canal in 2014.

The Port Authority expects to seek additional financing in order to further develop the facilities necessary to drive and support our region's economic growth and employment opportunities. We continue to appreciate your support and assistance, and the community's support and assistance, in these efforts. Going forward, we are exploring a variety of means by which to grow the Port of Houston, meet the capital needs of both the Port of Houston and the Port Authority itself, and not unduly burden the citizens of Harris County who have so greatly helped these efforts in the past.

Port of Houston Authority
Liquidity Forecast (000's)

	2011	2012	2013
Funds Available, Beginning of Year	$337,751	$169,064	$ 9,796
Sources:			
Operating Cash Flow *	70,565	76,657	82,124
Available Resources	$408,316	$245,721	$ 91,920
Uses:			
Outstanding Capital PO's and Commitments	(70,144)	-	-
New Capital Investment **			
Container Terminals	(66,979)	(178,849)	(80,381)
Turning Basin Terminals	(11,100)	(23,410)	(21,360)
Houston Ship Channel	(2,750)	(2,420)	(3,595)
Marine (incl. fireboats)	(15,695)	(1,931)	-
Security	(8,937)	(13,429)	(7,743)
Other	(12,962)	(15,886)	(13,455)
Subtotal - New Capital Investment	(118,423)	(235,925)	(126,534)
Net Resources	219,749	9,796	(34,614)
Less: Funds Not Available for Capex			
Contingency	(35,000)		
Debt Service and Other Reserves	(15,685)		
Funds Available, End of Year	**$169,064**	**$ 9,796**	**$(34,614)**

* 2011 reflects latest quarterly forecast
** Capital budget estimate as of 4/13/2011

SUMMARY

The Port Commission and staff take seriously our mandate to create jobs and contribute to the economic welfare of our local region, Texas and the nation through development of deep water navigation, waterways and facilities, and the promotion of commerce within our region. In addition, we remain committed to enhancing the competitive position of the Port of Houston in a global economy, while being a model environmental and security steward, and a community-focused and fiscally responsible organization.

This commitment comes with even more resolve, as we address the serious challenges facing the Port Authority including remaining competitive in the global marketplace, ensuring that the necessary infrastructure is in place to meet cargo demands, and providing answers to the questions brought to light in recent media reports.

We also welcome the opportunity to continue to improve the Port Authority as we undertake the upcoming state sunset review process.

I look forward to attending the June 21 Commissioners Court meeting, and I will be available to answer any questions you may have about the Port Authority, its recent activities and its future plans.

Respectfully,

James T. Edmonds, Chairman

cc: Steve Phelps, Port Commissioner
James W. Fonteno, Jr., Port Commissioner
Kase L. Lawal, Port Commissioner
Jimmy A. Burke, Port Commissioner
Janiece Longoria, Port Commissioner
Elyse Lanier, Port Commissioner
Alec G. Dreyer, Chief Executive Officer

2. **Harris County Hospital District**

The strategic capital update from the Hospital District is attached.

FY 2012 Strategic Capital Update
(June 2011)

Harris County Hospital District

FY 2012 Strategic Capital Update
Executive Summary

Introduction

The District completed its strategic planning process, and had the plan approved by the Board of Managers in May of 2010. The document – "Harris County Hospital District, Strategic Plan 2011 to 2015, Positioned for the Future" – was presented to County Commissioners on June 22, 2010. Critical success factors identified in the plan related to capital construction and improvements included the following:

- The completion of all Board-approved capital construction; balancing our integrated healthcare delivery program to ensure timely and appropriate access to primary and specialty clinic care, as well as hospital care services.

- Modernize and upgrade HCHD facilities to meet/exceed patient needs, including the conversion of hospital inpatient rooms to private / semi-private configuration (from four-bed wards) by February 2014.

- Consider innovative ways of providing additional primary care, and the associated specialty and inpatient care, to Harris County residents, within the constraints of HCHD's budget and resources.

- Implement IT systems that provide timely information for clinical, financial and administrative decision making.

On January 27, 2011, the District's Board of Managers approved the District's Operating Budget, Standard Capital Budget, and affirmed the multi-year Strategic Capital Plan (initially approved January 31, 2008). The multi-year Strategic Capital Plan outlines the District's plan to build new or replacement facilities in areas with a demonstrated need and to expand diagnostic and treatment capability to better serve the residents of Harris County.

Accomplishments / Status of Strategic Capital Projects

- The El Franco Lee Community Health Center, along with the Eligibility Center, was completed at a cost of approximately $19.0 million, and opened in May 2009. Total patient visits were 56,444 in FY 2011. It is on track for 75,000 visits in FY 2012, making it the second busiest primary care clinic in the District behind People's Clinic, which had 87,476 visits last year.

- Construction of the replacement MLK Community Health Center and adjacent Eligibility Center was completed at a cost of about $21.6 million and opened at the end of May 2010. Total patient visits were 53,105 in FY 2011.

- During October and November 2010, the District automated the inpatient physicians and nursing clinical order entry and documentation, completing the transformation of our medical records from paper to electronic medical records (EMR). The path to achieving the total transformation of our patient business systems and medical records has taken many years, and a cumulative capital investment since FY 2003 of over $70 million. The integration of certain supporting systems (radiology upgrade, operating room, obstetrics, oncology, etc.) will continue during the next two budget years. In addition, new decision support and business intelligence software tools, that will significantly enhance our analysis of cost, clinical utilization and efficiency, are being implemented in FY 2012 and 2013.

- Construction was completed on the new LBJ General Hospital Emergency Center (EC), and the new facility was opened in February 2011. The new facility increases the EC capacity at LBJ by 20%. The second phase of the project – renovation of the old EC space to relocate the infusion therapy (chemotherapy) and inpatient dialysis functions, and reclaim 15 beds for inpatient use at LBJ – is currently underway, and expected to be completed by February 2012. The final project cost is expected to be $49.2 million.

- Construction on the Ambulatory Care Center on the Holly Hall campus is proceeding well. The 1,200 space parking garage for the project was completed and opened for employee parking in September 2010. The infrastructure for the five-story, 167,807 square foot, ambulatory center was topped out in May, 2011, and the $118.4 million project is scheduled to be completed by September 2012.

  On April 20, the Harris County Hospital District announced its largest single, private donation — a gift of $15 million from The Lester and Sue Smith Foundation to the Harris County Hospital District through the Harris County Hospital District Foundation. The donation is dedicated to the ambulatory care center. The new five-story facility, designed exclusively for outpatients, will be named Smith Clinic in recognition of the couple's commitment to improving healthcare for all residents of the region. Smith Clinic, with more than 100 exam rooms, will house outpatient cancer treatment and comprehensive diagnostic services, including two linear accelerators, two MRIs, three ultrasound units, a PET scanner, six digital mammography units, two

stereotactic biopsy units and 26 infusion therapy stations. Many of the specialty clinics currently located at Ben Taub General Hospital will be relocating to the Smith Clinic when it opens.

- Construction on the new Ambulatory Care Center on the LBJ campus should begin in June 2011. The project includes the construction of a 367 space parking garage to complement the three-story, 83,000 square foot center and the 30,000 square foot structure connecting the clinic to the hospital. The relocation of the specialty clinics from LBJ will allow the recapture of 19 beds that are currently being used as clinic space for inpatient use in the hospital. In addition, the center will contain a day surgery unit with four operating rooms and appropriate pre-op and recovery areas. Expected completion is estimated to be early 2013, at a total projected cost of $60.1 million.

- The District will be opening a new pediatric clinic in Pasadena on June 27, 2011. The Baylor College of Medicine pediatric primary care practice will relocate from Ben Taub Hospital to the 10,000 square foot leased space in Pasadena, providing room for growth in the practice.

Projects still in design or approval process

- HCHD is also finalizing lease arrangements to open two group practice primary care clinics in northwest Harris County, currently projected to be ready to open early in 2012. Each clinic will have four primary care providers, in a standard physician office design.

- Construction is planned to begin in July 2011 on the Old Tower (the old Ben Taub Hospital building) renovation project at Ben Taub. The purpose of the project is to move the laboratory, medical records, coding, biomedical engineering and the employee health clinic into the vacant space in the old tower and recapture prime hospital space for future patient care expansion.

- Ben Taub and Holly Hall Data Centers – this project is in the Architectural and Engineering phase (A&E). In order to provide updated facilities and an acceptable backup plan in the event of a disaster, data centers are being integrated into the new Holly Hall and renovated Ben Taub sites. The total expected cost is $12.4 million, with expected completion of September 2012 at Holly Hall and early 2014 at Ben Taub.

- Ben Taub EC Holding area remodel – we are targeting the commencement of the A&E phase of this project in August, 2011. The purpose is to facilitate better rooming / separation of patients in the current EC holding area, to

improve patient care and privacy, and reduce infection control risks, as we bring the physical emergency room facility up to the community standard of care. The early estimate of project cost is $41.8 million, with an estimated completion in October 2012.

- Ben Taub 2nd Floor Day Surgery – this project is not yet out of the concept stage, with the goal being to create an outpatient surgery venue that is separate from the inpatient surgery suites and the trauma program, and more convenient for patients. A preliminary option proposes the addition of six outpatient surgery suites, pre-op holding and recovery areas, endoscopy and expanded central sterile processing. A possible 12-bed observation unit to relieve the stress in the emergency center has also been proposed. No design work has been done, and a definite time frame has not yet been established, although the option identified could not occur until after the old tower renovation project is completed.

- Future considerations – Facility Master Plan. HCHD has been working with the architectural planning firm HOK (founded in 1955 by Hellmuth, Obata and Kassabaum) to develop a facility master plan to supplement and enhance the strategic plan approved last year. The plan is nearing completion, and has as its key tenets the following: Improving the standard of community care, minimizing the growth in care delivery cost, growing access to Primary Care, optimizing inpatient beds and hospital resources, controlling the overuse of Emergency Centers for low acuity care, and reducing amount of capital spent on buildings versus process and operations improvements. Some additional capital opportunities are being considered to assist in the accomplishment of our strategic plan objectives in future years.

The approved annual Capital Budget (Exhibits A) for the fiscal year ending February 28, 2012 and the multi-year Strategic Capital Plan (Exhibit B) reflect the District's continuing commitment to provide high quality health care services to Harris County residents in a cost effective manner. This past year, we have seen an increase in the number of Harris County residents coming to the District for their health care services. In FY 2009, the District treated 272,882 unduplicated patients. In FY 2010 that number increased by 9.8% to 299,583 and for FY 2011 it was 310,532, a 3.7% increase over FY 2010.

Standard Capital Expenditures (Exhibit A)

For the FY 2012 Capital Budget, the District conducted an assessment of its facilities, equipment and technology to determine the priorities for replacement, repair and any new acquisitions. The assessment and prioritization process included representatives of the medical staff from both Baylor College of Medicine and The

University of Texas Health Science Center. The assessment and prioritization process addressed patient safety, obsolescence, new technology, building safety and code compliance requirements.

Given the final operating margin for FY 2011 and the uncertainty for FY 2012, and the resulting cash flow impact, the regular capital budget recommendation was limited to $29 million in FY 2012, about 68% of the prior year depreciation of $42 million.

Multi-year Capital Plan (Exhibit B)

In addition, the Hospital District expects to commit approximately $60 million of capital funds related to the strategic capital projects during FY 2012, while the total cash outflow for the strategic capital projects is forecast to be $83.8 million (many of the commitments for the Holly Hall project were made in FY 2011, with much of the cash outflow scheduled to occur in FY 2012 and FY 2013).

Exhibit B provides a listing of Phase I, II and III projects, as well as the source of financing for those projects. In addition to the 2007 bond funds of $158 million, the District is funding the projects from a combination of internally generated funds and the capital campaign being conducted by the Harris County Hospital District Foundation.

Discussion of FY 2012 Operating Challenges

The District prepared a breakeven budget for FY 2012, compared to the loss of $11.0 million for FY 2011. The Texas legislature recently completed the regular session of the budget for the next biennium, resulting in an additional 8% cut in Medicaid rates for the state fiscal year which begins September 1, 2011. If the reduction is applied to current HCHD rates, the impact on the last six months of our fiscal year would be approximately $6 million ($12 million annualized impact). However, the special session that is currently going on has already seen several attempts to amend the legislation. In addition, the Texas Health and Human Services department is also proposing to restructure the Medicaid SDA (Standard Dollar Amount – the equivalent of the Medicare DRG case rate) methodology, which could mitigate some or all of the negative rate impact for HCHD.

Operating results for the first quarter show HCHD slightly favorable to budget year-to-date FY 2012 (see Exhibit C). Management's goal of a breakeven margin for this fiscal year will be achieved through ongoing revenue cycle improvement, as well as numerous initiatives and redesign and reengineering efforts currently being evaluated. Included in those initiatives are the following:

Work with medical staff to prioritize, develop and implement evidence based protocols for high volume, high cost admissions and outpatient procedures. Goals include timely services, elimination of medically unnecessary procedures or visits, and timely patient discharge or dismissal.

Project management teams to facilitate evaluation, work flow redesign and implementation of plans for high impact improvement opportunities. Goals are to substantially reduce rework and to eliminate work flow barriers to timely service.

Ongoing evaluation of fixed positions which are not directly involved in patient care, in conjunction with the work flow redesign, to reassign existing staff, or not replace departing staff, as the improvements are realized.

Evaluate changes to the HCHD post-employment health plan, for new hires and employees who have not yet attained full eligibility for plan benefits.

Conclusion

Together, the FY 2012 Capital Budget, and Multi-year Capital Plan represent the District's continuing progress to improve the health status of the residents of Harris County. Balancing the facilities platform for primary care, specialty care and inpatient acute care is imperative if HCHD wishes to achieve the greatest efficiency – both in terms of cost and clinical efficacy – in healthcare delivery in future years.

While there is still uncertainty as to the final FY 2012 impact of legislative and regulatory changes to Medicaid reimbursement rates, and possible changes to the Disproportionate Share and Upper Payment Limit (DSH/UPL) programs, management remains confident that revenue cycle improvements, work flow redesign, and utilization and expense management initiatives that we have undertaken will allow us to meet or exceed our breakeven target for the year.

We are cautiously optimistic that there will be no significant or unexpected changes that negatively impact the recently approved state budget for Medicaid, or the rule setting process for the establishment of the modified Medicaid SDA rates. The rules are expected to be finalized and go to print in early July, with a thirty day comment period, and implementation to be effective September 1, 2011; the beginning of the state fiscal year. We expect to be able to calculate the final impact of the changes before our mid-year report is due to Commissioners Court in September.

David S. Lopez, President and Chief Executive Officer	Michael Norby, Executive VP and Chief Financial Officer

EXHIBITS

EXHIBIT A

Capital Budget Summary

(In Thousands)

Category Totals		FY2012 Budget
Facility Projects	$	8,685
Information Technology – Ongoing Projects		8,675
Information Technology – New Projects		2,664
Medical Equipment		3,571
Other (Pyxis Capital Leases, Emergency Capital)		5,001
Community Health Choice (HMO) Capital		375
Total FY 2012 Standard Capital Budget	$	28,971

Notes:

- FY2011 Projected Depreciation is $41.5 million
- Community Health Choice strategic capital budget of $5 million for replacement of the managed care software system (claims and utilization management software) is not included above.

EXHIBIT B

Multi-Year Capital Plan

(In Thousands)

Phase I Capital Projects	Current Cost Projected	Status (Planned Completion)
El Franco Lee Health Clinic and Eligibility Center	$ 18,951	Completed April 2009
MLK Primary Care Clinic and Eligibility Center	21,564	Completed June 2010
Holly Hall Parking Garage	17,025	Completed September 2010
Holly Hall Ambulatory Care Center	101,378	Construction in progress (August 2012)
LBJ Emergency Center Expansion	49,188	Construction in progress (February 2012)
Total Phase I	**208,106**	
Phase II Capital Projects		
Ben Taub - Old Tower Renovation	46,105	Design development (October 2012)
LBJ Ambulatory Care Center	60,092	Design development (May 2013)
QM - Physical Therapy Rehab Center	2,052	Completed June 2010
Total Phase II	**108,249**	
Phase III Capital Projects		
Ben Taub 2nd Floor - Day Surgery	19,000	A&E funding approved (October 2013)
Ben Taub EC Remodel - Holding Area	41,751	A&E funding approved (October 2013)
Ben Taub and Holly Hall Data Centers	12,395	A&E funding approved (October 2012)
Total Phase III	**73,146**	
Total Estimated Cost of Strategic Projects	**$ 389,501**	($83.761 million projected cash expenditures for strategic projects in FY2012)
Projected Cash Funding of Projects		
Series 2007A Bond Funds	$ 158,003	Bonds issued October 2007
Board Designated for Future Expansion	32,818	As of February 28, 2007
Set Aside from FY2008 Operating Income	87,631	75% of Actual Margin for FY 2008
Set Aside from FY2009 Operating Income	43,095	75% of Actual Margin for FY 2009
Set Aside from FY2010 Operating Income	10,868	75% of Actual Margin for FY 2010
Investment income - Bond & Designated Funds	21,614	As of February 2011
HCHD Foundation	35,000	Includes $15 million Smith Pledge
TOTAL Funds Available for Projects	**$ 389,029**	

EXHIBIT C

FY 2012 – April YTD Operating Performance

(In Thousands)

	May YTD Actual	May YTD Budget	Variance	FY 2012 Budget
Net Patient Revenue	$ 78,922	$ 82,566	$ (3,644)	$ 324,000
Net Ad Valorem Tax Revenue	124,908	126,248	(1,340)	505,000
Other Operating Revenue	53,278	49,721	3,557	211,837
Tobacco Settlement Revenue	10,753	11,000	(247)	11,000
Interest Revenue and Non-operating	6,594	2,248	4,346	9,300
Total Net Revenue	274,455	271,783	2,672	1,061,137
Total Salaries and Benefits	157,175	155,438	(1,737)	618,991
Total Drugs and Supplies	40,045	40,328	283	158,959
Medicaid Services IGT	30,340	30,340	0	127,000
Purchased Services	9,451	9,529	78	37,015
Utilities	3,263	3,536	273	13,091
Maintenance and Repairs	6,184	5,817	(367)	23,270
Rentals and Leases	1,663	1,977	314	8,042
Other Services	5,216	5,638	422	24,516
Depreciation, Amortization, Interest	13,631	12,792	(839)	50,252
Total Operating Expenses	266,968	265,395	(1,573)	1,061,137
Net Revenue Over Expenses	$ 7,487	$ 6,388	$ 1,099	$ 0

3. PID Flood Control District

The Flood Control director reports that $419.4 million is available as part of the five-year cycle that began in March 2011. Programming by category, activity, fund, and watershed are shown in the following four tables.

Programming by Category

Category	Available Funds	Percent of Total Funds
Federal Flood Damage Reduction Projects	$109,371,640	26.1%
FEMA Mitigation Grants	$69,474,807	16.6%
Main Channel Flood Damage Reduction Projects	$39,772,723	9.5%
Tributary Flood Damage Reduction Projects	$71,111,539	17.0%
Major Maintenance Projects	$85,000	0.0%
Floodplain Acquisition and Preservation Projects	$7,267,612	1.7%
Frontier Projects	$2,834,131	0.7%
Local Participation Projects	$8,150,306	1.9%
Contingency and Escalation Funds	$111,375,369	26.6%
Total	$419,443,127	100.0%

Programming by Activity

Activity	Available Funds	Percent of Total Funds
Feasibility Studies	$16,877,090	4.0%
Project Development Phase	$3,798,554	0.9%
Design Phase	$4,554,747	1.1%
Right-of-Way Acquisition	$102,318,887	24.4%
Utility/Pipeline Adjustments	$12,045,677	2.9%
Construction Phase	$149,822,290	35.7%
Turnover & Startup Phase	$8,022,708	1.9%
Support Activities	$10,627,805	2.5%
Contingency and Escalation Funds	$111,375,369	26.6%
Total	$419,443,127	100.0%

Programming by Fund

Fund	Available Funds	Encumbered	Programmed
3310 – Reimbursement	$58,621,539	$13,687,951	$44,933,588
3320 – Bond	$11,238,726	$3,801,920	$7,436,806
3330 – HCFCD Bond	$36,084,345	$9,311,675	$26,772,670
3970 – Commercial Paper	$266,208,428	$9,992,501	$256,215,927
FEMA Grants	$32,512,492	$2,291,153	$30,221,339
Impact Fees	$14,777,597	$1,040,159	$13,737,438
Total	$419,443,127	$40,125,359	$379,317,768

Programming by Watershed

Watershed	Available Funds	Percent of Total Funds
Addicks Reservoir	$9,616,911	2.3%
Armand Bayou	$11,379,182	2.7%
Barker Reservoir	$1,002,466	0.2%
Brays Bayou	$48,480,657	11.6%
Buffalo Bayou	$30,552,525	7.3%
Carpenters Bayou	$0	0.0%
Cedar Bayou	$0	0.0%
Clear Creek	$14,085,508	3.4%
Cypress Creek	$4,901,348	1.2%
Galveston Bay	$1,504,394	0.4%
Goose Creek & Spring Gully	$506,081	0.1%
Greens Bayou (Without Halls Bayou)	$33,079,903	7.9%
Halls Bayou	$11,734,370	2.8%
Hunting Bayou	$9,997,954	2.4%
Jackson Bayou	$0	0.0%
Little Cypress Creek	$46,565	0.0%
Luce Bayou	$0	0.0%
San Jacinto River	$4,292,050	1.0%
Sims Bayou	$41,154,348	9.8%
Spring Creek	$621,870	0.1%
Vince Bayou	$0	0.0%
White Oak Bayou	$20,108,735	4.8%
Willow Creek	$200,092	0.0%
County Wide	$64,802,799	15.4%
Contingency and Escalation Funds	$111,375,369	26.6%
Total	$419,443,127	100.0%

The director recommends that the projects and sources in the above tables be approved. Added projects will be recommended if funds can be made available, including the beginning of construction of channel improvements on the Hunting Bayou federal flood damage reduction project.

The district has identified through its watershed master planning process at least $12 billion in projects that are needed to reach a standard level of service that can protect against a 25-year storm event. Today, according to the report, “many areas” of Harris County will experience flooding in storms of up to five-year events.

The district's goal, according to the director, is to plan, design and construct projects at a pace of $200 million each year "in a reliable and predictable manner." Technology has been used to estimate future needs for flood reduction projects, and has provided tools to quantify benefits from work that has been accomplished. In the past 11 years, the report says, the district has been able to spend $1.5 billion which resulted in over $2 billion in flood reduction projects and modifications to floodplain maps that remove from the floodplain approximately 30,000 homes and reduces risk of flooding "to tens of thousands of other homes."

However, in Harris County, which has 22 watersheds, 2,600 miles of channels, 500 square miles of defined floodplains, and the possibility of flood waters from storms, flood control work is never complete. Each year's assessment by the district to update its ongoing five-year plan must consider changing priorities. The population, now over 4 million, continues to grow. The number of structures add to risks. Existing control facilities decay over time, and available funding sources can change.

The county increased its contribution by another $200 million last fall and is developing plans for a subsequent amount to keep plans in motion. Meanwhile, it must be recognized that funding available from the federal government, which has been a valuable resource for major flood control projects, is beginning to decline. The director said this reduction is the first to occur in 30 years and could impact the county's primary channel systems that involve critical flooding areas. "At this time," the director said, "there is no sign that the federal funding situation will improve for the foreseeable future." He said federal reimbursements and grants have been a critical part of the district's control strategy. The answer now will be to seek an increase in local funding sources.

The director's report notes that "when people in this region understand they live with the risk of flooding, they also believe something can and should be done to minimize its threat."

4. PID Roads and Parks

Roads The estimated dollar values of precinct projects under design and available to bid are shown on page 20 of the PID report. The total estimate is $229.2 million.

The PID report notes that it is important the road and bridge program be adequately and reliably planned and funded over time because population and economic growth in Harris County will increase demands for additional roadway capacity.

Parks Lists of county parks and greenway trails by precinct are shown on pages 22-24 of the PID report. The county has 181 parks sites on 26,585 acres of land with 25 greenway trails covering a total of 74 miles.

As noted by the Flood Control director, certain park areas and trailways have been blended with flood control storm water detention sites for the benefit of public use while retaining a primary purpose of flood control protection.

Street and Drainage Systems PID reports that the number of county subdivision street and drainage systems are reaching the end of their design life. Also, the City of Houston by policy is no longer annexing subdivisions, increasing the county's funding requirements to maintain street and drainage systems.

PID recommends that a task force, headed by PID, be designated to determine how adequate funding could be made available to maintain and/or reconstruct the subdivision street and drainage systems if the county retains responsibility.

5. PID Toll Road Authority

Hardy Downtown Connector The Toll Road Authority recommends that the county proceed in final agreements with the Houston Belt & Terminal Railroad to purchase existing rail lines to develop the Hardy Downtown Connector. The report says the rail connector "is the requisite framework" on which the downtown connection can be built. Grade separations will be required at Collingsworth, Quitman, and Lorraine. The total estimated cost for the above portions of the connector would be $110 million. Estimates for the complete connector project are to be updated and will be provided at a later date.

Sam Houston Tollway A widening of the Sam Houston Tollway from US-59 south to SH-288 is planned to help with traffic growth on that section of the tollway. The estimated cost is $125 million.

Toll Collection The Toll Road Authority plans to contract for replacement of the existing toll collection system later in the fiscal year. Implementation will require about two years at an estimated cost of $80 million, depending on technical elements.

System Improvements The Harris County toll road system began development after election in 1983 and has expanded over the years to its present form of 120 road miles in Harris County and 12 miles in Fort Bend County, for a total of 132 road miles. Use of the system continues to increase. The director points to a continuing need for greater emphasis on maintenance and system improvements.

Plans at this time include, at an estimated cost of $52 million:

- reconstruction of entrance and exit ramp plazas at Clay Road, Hammerly Road, and FM-1960, including dedicated EZ Tag lanes;
- replace and upgrade signage and striping of Sam Houston Tollway between US-59 South and US-290; and
- replacement of certain network equipment and components.

In addition, the Toll Road Authority will provide for maintenance projects identified in the annual System Inspection Report that is required in bond trust indentures for toll road bonds.

The Authority is beginning design for a south to west direct connector project at SH-249. Other projects will be the widening of Sam Houston Tollway between SH-288 and IH-45 South, and the addition of auxiliary lanes that could improve traffic flow at peak times in various congested areas.

6. PID Buildings

PID lists 58 projects at a total cost of $510 million. After evaluation the department recommends the court authorize 19 projects at a total cost of $77.6 million that involve environmental, regulatory, safety issues, and critical infrastructure needs. These priority projects are listed on page 38 of the PID report.

PID said it will coordinate with Management Services for allocation of necessary funds and presentation of the projects to court. Other projects from the department's overall list may be forwarded to court for consideration after further review, subject to available funds.

Included in the priority list of proposed projects on page 38 of the PID report are elevator replacements and additions where necessary at various facilities; replacement of an elections equipment warehouse; construction of a new North Bayou Central Plant; and numerous repairs, renovations, and corrections to facilities for public safety and to meet code requirements.

The PID report on page 39 lists 17 projects completed in the last fiscal period, including various safety repairs and modifications. In the list is the new Phelps Courthouse Annex 4 in Pasadena which opened in September 2010.

There are 13 projects listed on page 40 of the PID report that are in progress. Included is renovation of the 1910 Courthouse at 301 Fannin for the appellate court system. Construction began in May 2009 and the court facility is expected to be ready to open in September 2011.

The in-progress list also includes the new Plaza/Jury Assembly facility, a project that began in July 2009 and is expected to be completed in July 2011.

The PID report includes on pages 41-45 brief reviews of buildings that need to be razed, projects that need design and those that are ready for construction, safety and environmental projects, Fire Marshal projects, Juvenile Probation projects, and office space issues. The County Attorney's Office, for example, has been authorized by court to have renovations prepared in the Congress Plaza Building to relocate staff from outlying facilities once the District Clerk's Jury Assembly operation moves to the new Plaza/Jury Assembly facility this summer. Another issue is relocation of the radio shop operation of Information Technology from rental space at 2500 Texas Avenue because of plans by Metro to expand its light rail line along Texas Avenue. This project would limit access to the ITC radio shop.

Projects requested by the Sheriff's Department are listed on pages 45-46 of the PID report. They include the need to relocate the 911 communications section and the Automated Fingerprint System and other sections from the 1301 Franklin facility which is to be razed. The list also includes the need for a facility for the Marine Command & Control Section and Marine Division. The project would be located near the Lynchburg Ferry at 1001 South Lynchburg in Baytown at an estimated cost of $1.4 million.

The Sheriff will be requesting relocation of the Traffic Enforcement Section from 3400 Clinton Drive by the end of November 2011. The property is being sold by the owner, KBR.

The Sheriff is also working with PID for location of space for video visitation operations that could be provided for jail inmate visitors. The Sheriff also seeks repairs for the 1307 Baker Jail and a possible purchase of the facility.

Another future project the Sheriff has addressed, which is not in the current listing from PID, is for the court to consider a revised plan for a new inmate processing center in cooperation with the City of Houston. A proposal for such a project did not receive voter approval in a 2007 bond election.

Projects that did receive voter approval in 2007, a new Family Law Center and a new project for what is now named the Institute of Forensic Sciences, are included on page 46 of the PID report. Additional comments and recommendations regarding those two projects are provided on pages 8-9 of this CIP report.

7. PID Master Plan

It is recommended that the court authorize PID to organize and prepare a comprehensive master buildings plan for the downtown complex. A second phase would be for outlying annexes. Both phases should tie together in an overall plan that, once approved by court, could be followed in providing public services during the first half of the 21st Century. An evolutionary process, the plan would enable the court to provide confirmations of developments or modifications as necessary through the years. The foundation of the plan should be presented to the court during FY 2012-13.

The Master Plan should consider and provide recommendations for the proper disposition of outdated, ineffective buildings. Studies for the ongoing plan should review the needs of all functions of county government, from criminal and civil justice to public health to public infrastructure. A primary focus in each element of the plan, as it evolves through the years, should be the mission of providing good and effective public service.

8. PID Family Law Center

Voters in 2007 approved for the county to provide bond funds in the amount of $70 million for a new Family Law Center. The court decided that the building would be placed at 1301 Franklin after that property is cleared for new construction.

The Franklin property is bounded by Franklin, Austin, Commerce, and Caroline streets. The new Family Law Center would be across Franklin Street from the new Civil Courthouse which has four family courts on the 15th floor.

Before consideration of design and what should be included in the new facility, the court requested that the civil and family district judges study how they could improve coordination and consolidate functions and staff support. The juvenile courts are also in a nearby location across Caroline and Congress and tunnel-connected to the Civil Courthouse Building and would also be connected by tunnel to a new Family Law Center. The juvenile courts, which are family district courts, could also participate in the study.

A letter from the District Court Administrator on behalf of the Administrative Judge has been placed on the regular agenda of June 21. The letter requests approval for the judges to obtain the services of a specialist to conduct an assessment and provide recommendations.

9. PID Institute of Forensic Sciences

Voters at the 2007 election approved $80 million in bond fund authorization for forensic facilities. Since that election, the Medical Examiner's department has been renamed by the court as the Institute of Forensic Sciences. It is located in, and is part of, the Texas Medical Center.

In planning for new facilities, it should be noted that the City of Houston has requested that Harris County work with the city to absorb the city's crime lab functions and develop an independent regional crime lab. A letter from the city on this subject has been placed on the court's regular June 21 agenda. The city's letter states that the regional crime lab should include all aspects of forensic science, "including but not limited to DNA, serology, computer-based analysis, toxicology, ballistics, and finger printing."

A goal in county discussions of these operations over time has been to consider development of a regional forensic center with expanded crime lab functions. In cooperation with the city, county absorption of Houston's crime lab operations would be a major step in development of a regional program.

It is recommended that the court authorize the following:

a. Request for approval to begin the steps necessary to develop an independent regional crime lab program as a part of the Institute of Forensic Sciences in the Texas Medical Center.

b. Request for approval to continue cooperation with the City of Houston so that the independent crime lab created will include all aspects of forensic science and that the program will be organized and managed over time to provide necessary services for entities that will be participants.

c. Request for approval to continue to work with the City of Houston for a timetable and agreement for the city's capital contributions and payment of a proportional share of operational costs as the program develops.

d. Request for approval for the County Attorney to prepare an agreement for the Institute of Forensic Sciences to provide a pilot program with the City of Houston whereby the county will receive at its current Forensic Center a limited number of sexual assault cases for analyses. A proposed outline of the pilot program with fee amounts is included in attachments that are part of the item on the court's regular June 21 agenda. The pilot program will begin after final approval of the agreement by the court and the City of Houston.

e. As requested by the Harris County District Attorney, Harris County will work with the City of Houston to provide toxicology testing of blood evidence and reduce the city's use of outsourcing for the services by an agency in Dallas. The District Attorney desires to reduce the average turnaround time that has been involved with outsourcing along with the added cost of witness travel.

f. Request that the court approve the recommendation by the Chief Medical Examiner that the Forensic Genetics Lab for DNA operations be moved from the current Forensics Center to the nearby McGovern Campus of the Texas Medical Center at 2450 Holcombe Boulevard. The move will allow more space in the current facility that would be available for expanded services.

   The new DNA space at the TMC facility will allow for expansion of work on City of Houston cases. PID has estimated it will take approximately four months to design a renovation of space for the lab and six months for construction at an estimated cost of $1.8 million. An added two months may be required in obtaining accreditation. Security will be available as the TMC facility has 24-hour security guards and surveillance systems.

   Using the TMC facility, HCIFS can expand case processing capacity and phase in the city's cases. It is estimated that to reach 100% of the city's new DNA cases would require about 18 months with the hiring and training of added staff plus new equipment. The projected cost to absorb 100% of the city's new cases would be about $6 million on an annual basis, with the total cost estimate depending on the number of property crime tests that may be added to analytical requirements.

   The IFS director said that his plans for the future would be to keep certain units of the Forensic Genetics Lab at the TMC location because of proximity and cooperation in the facility with Baylor College of Medicine's Molecular Genetics Laboratory.

   An agreement would be prepared by the County Attorney for lease and preparation of the TMC space, subject to funding through Management Services.

g. Request for approval for Management Services to prepare for adjustments in staffing for the Institute of Forensic Sciences as necessary to maintain all professional certifications now in effect for the department and to begin the process to provide added services for the City of Houston.

h. Management Services is working with Forensic Sciences regarding equipment items that have been requested.

i. Request for approval for PID to begin preparation for design of the new center for the Institute of Forensic Sciences as authorized by voters in 2007. It has been suggested that the facility could be placed on TMC property across from the current Forensic Center, subject to recommendations by PID. With court approval, Management Services will provide funding for the design contract when it is presented to court. Design work would require approximately 18 months to two years and construction would require an additional two years.

10. County Library

The Library director has listed three projects for future consideration should funding become available.

1. Renovation of the Parker Williams Branch in Precinct 1 at an estimated cost of $3,340,000, including $240,000 for technology and $600,000 in furnishings.

2. Construction of a new replacement project for the Baldwin Boettcher Branch in Precinct 4. This facility could be a joint project with North Harris College with the county paying a share of the costs.

3. Construction of a new replacement project for the Fairbanks Branch in Precinct 4. This facility could be a joint project with Cy-Fair College with the county paying a share of the costs.

The rebuilt and expanded Meador Branch in Seabrook in Precinct 2 will have opening ceremonies on June 28, 2011.

11. Sports & Convention Corporation

The Harris County Sports & Convention Corporation is requesting approval to contract with CSL/Populous Group to provide a feasibility study of the proposed Reliant Park Master Plan. The study, at an approximate cost of $500,000, would consider recommendations on the future of the Reliant Astrodome and possible replacement of the Reliant Arena.

HCSCC is requesting that the county fund $50,000 of the cost for the study with the balance of $450,000 coming from the Greater Houston Visitors & Convention Bureau, Houston Livestock Show & Rodeo, Houston Texans, Harris County-Houston Sports Authority, and Aramark Corporation.

The study by CSL/Populous would begin in July 2011 and projected completion would be in December 2011.

Another request is for funding to provide a concrete pad in a parking lot for exhibition space for the Offshore Technology Conference to use during the May 2012 Conference.

The estimated cost for the project is $1.5 million. The Offshore Technology Conference would pay $750,000. The Sports Corporation is requesting that the county provide the other $750,000.

HCSCC reports that damage repairs to Reliant Park caused by Hurricane Ike have been completed. Final settlement negotiations with the corporation's insurer, Zurich, are underway.

The Sports Corporation is requesting $18.5 million for various projects and purchases that are listed in the report behind the HCSCC tab.

A section at the end of the HCSCC report provides an update of utility cost management efforts of an Energy Management Team that includes representatives of Reliant Energy, SMG, Houston Texans, Houston Livestock Show & Rodeo, Aramark, and HCSCC. The team monitors the use and costs for electricity, water, and natural gas.

Utility expenses for CY 2010 compared to CY 2009 are shown in the following table.

	$ 2010	$ 2009	$ Difference	%
Electricity	9,747,390	9,297,709	449,681	4.8
Gas	664,870	563,255	101,615	18.0
Water	1,230,508	1,183,176	47,332	4.0
Total	11,642,768	11,044,140	598,628	5.4

12. Population and Economic Environment

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