



Port of Houston Authority of Harris County Texas
Debt Information
As of December 31, 2014 and 2013

At the end of 2014, the Authority had total debt outstanding of \$736.8 million (net of premiums/discounts), consisting of Unlimited Tax Port Improvement Bonds and Unlimited Tax Refunding Bonds (collectively, the "General Obligation Bonds"), for which debt service is funded from ad valorem taxes approved by Harris County taxpayers, levied by the Harris County Commissioners Court on behalf of the Authority and collected by the Harris County Tax Assessor-Collector.

At the end of 2013, the Authority had total debt outstanding of \$754.3 million (net of premiums/discounts), consisting of General Obligation Bonds.

Port of Houston Authority of Harris County, Texas
Outstanding Debt
General Obligation Bonds
 (net of premiums/discounts)
 (in millions)

| | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|--|-----------------|-----------------|-----------------|
| General Obligation Bonds | | | |
| Unlimited Tax Port Improvement Bonds | \$ 95.3 | \$ 95.4 | \$ 95.5 |
| Unlimited Tax Refunding Bonds | <u>641.5</u> | <u>658.9</u> | <u>675.6</u> |
| Total General Obligation Bonds | \$ 736.8 | \$ 754.3 | \$ 771.1 |
| Less Current Maturities | <u>(16.0)</u> | <u>(15.2)</u> | <u>(14.3)</u> |
| Long-Term Debt (net of unamortized premiums/discounts) | <u>\$ 720.8</u> | <u>\$ 739.1</u> | <u>\$ 756.8</u> |

The proceeds of such General Obligation Bonds have been used solely to fund the Authority's infrastructure investments and capital projects, as well as to refund prior bond issuances.

During 2014, the Authority issued no new debt. The Authority's total principal debt outstanding decreased \$15.2 million during 2014 due to scheduled debt service payments. Interest expense for 2014 on the unlimited tax bonds increased by \$0.3 million.

During 2013, the Authority issued no new debt. The Authority's total principal debt outstanding decreased \$14.3 million during 2013 due to scheduled debt service payments. Interest expense for 2013 on the unlimited tax bonds decreased by \$0.6 million.

A summary of the Authority's General Obligation bond ratings is provided in the table below:

| <u>Year</u> | <u>Fitch</u> | <u>Moody's</u> | <u>S & P</u> |
|-------------|--------------|----------------|------------------|
| 2014 | AAA | Aaa | AAA |
| 2013 | AAA | Aaa | AAA |

On the next few pages, we show additional information on the Authority's debt, extracted from the Authority's Comprehensive Annual Financial Report for the fiscal year ended December 31, 2014.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements

For the Years Ended December 31, 2014 and 2013

(in thousands)

6. Long-Term Debt and Noncurrent Liabilities

The following is a summary of bonds payable and other noncurrent liabilities, and the changes therein, which comprise the Authority's long-term liabilities for the years ended December 31, 2014 and 2013.

Changes in Long-Term Liabilities - 2014

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deductions</u> | <u>Ending Balance</u> | <u>Current Portion</u> |
|--|------------------------------|------------------|--------------------|---------------------------|----------------------------|
| Bonds Payable | | | | | |
| Unlimited tax bonds | \$ 717,624 | \$ - | \$ (15,245) | \$ 702,379 | \$ 15,950 |
| Accreted interest on capital appreciation bonds | 154 | 63 | - | 217 | - |
| Less unamortized premiums / discounts, net | <u>36,520</u> | <u>-</u> | <u>(2,371)</u> | <u>34,149</u> | <u>-</u> |
| Total Bonds Payable | <u>754,298</u> | <u>63</u> | <u>(17,616)</u> | <u>736,745</u> | <u>15,950</u> |
| Other Noncurrent Liabilities | | | | | |
| Net OPEB obligation | 32,556 | 6,395 | (11,363) | 27,588 | - |
| Compensated absences | 4,740 | 5,324 | (4,561) | 5,503 | 566 * |
| Fees received in advance | 5,364 | 2,397 | (2,491) | 5,270 | 1,013 * |
| Claims liability | 3,502 | 1,267 | (924) | 3,845 | - |
| Other liabilities | <u>-</u> | <u>14,070</u> | <u>-</u> | <u>14,070</u> | <u>-</u> |
| Total Other Noncurrent Liabilities | <u>\$ 46,162</u> | <u>\$ 29,453</u> | <u>\$ (19,339)</u> | <u>\$ 56,276</u> | <u>\$ 1,579</u> |

* Included in accounts payable and other current liabilities

The Authority's long-term debt consists primarily of ad valorem tax General Obligation bonds. Repayment of the outstanding principal of these General Obligation bonds and interest thereon is made from property taxes. During 2014 and 2013, the Authority did not issue or refund any bonds.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013
(in thousands)

6. Long-Term Debt and Noncurrent Liabilities (continued)

Changes in Long-Term Liabilities - 2013

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deductions</u> | <u>Ending Balance</u> | <u>Current Portion</u> |
|--|------------------------------|------------------|--------------------|---------------------------|----------------------------|
| Bonds Payable | | | | | |
| Unlimited tax bonds | \$ 731,969 | \$ - | \$ (14,345) | \$ 717,624 | \$ 15,245 |
| Accreted interest on capital appreciation bonds | 102 | 52 | - | 154 | - |
| Less unamortized premiums / discounts | <u>39,058</u> | <u>-</u> | <u>(2,538)</u> | <u>36,520</u> | <u>-</u> |
| Total Bonds Payable | <u>771,129</u> | <u>52</u> | <u>(16,883)</u> | <u>754,298</u> | <u>15,245</u> |
| Other Noncurrent Liabilities | | | | | |
| Net OPEB obligation | 37,072 | 6,711 | (11,227) | 32,556 | - |
| Compensated absences | 5,508 | 4,007 | (4,775) | 4,740 | 473 * |
| Fees received in advance | 4,974 | 3,972 | (3,582) | 5,364 | 1,013 * |
| Claims liability | <u>2,736</u> | <u>1,603</u> | <u>(837)</u> | <u>3,502</u> | <u>-</u> |
| Total Other Noncurrent Liabilities | <u>\$ 50,290</u> | <u>\$ 16,293</u> | <u>\$ (20,421)</u> | <u>\$ 46,162</u> | <u>\$ 1,486</u> |

* Included in accounts payable and other current liabilities

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013
(in thousands)

6. Long-Term Debt and Noncurrent Liabilities (continued)

Long-term debt is summarized as follows (in thousands):

Outstanding Long-Term Debt

| | Original Issue | Interest Rate % * | Issue Date | Maturity | December 31 | |
|--|----------------|-------------------|------------|----------|-------------------|-------------------|
| | | | | | 2014 | 2013 |
| General Obligation Bonds | | | | | | |
| Unlimited Tax Refunding Bonds | | | | | | |
| Series 2004 | \$ 9,000 | 3.00-5.00 | 12/8/2004 | 2016 | \$ 1,370 | \$ 2,075 |
| Series 2005A | 36,665 | 4.25-5.00 | 9/8/2005 | 2023 | 32,745 | 36,665 |
| Series 2005B | 62,485 | 4.125-5.00 | 6/8/2005 | 2023 | 58,315 | 58,315 |
| Series 2006A | 28,380 | 5.00 | 7/19/2006 | 2017 | 7,685 | 10,275 |
| Series 2006B | 47,085 | 4.75-5.00 | 10/18/2006 | 2031 | 47,085 | 47,085 |
| Series 2006C | 9,160 | 4.00-5.00 | 10/18/2006 | 2031 | 9,160 | 9,160 |
| Series 2008A | 234,630 | 5.625-6.25 | 7/24/2008 | 2038 | 182,045 | 182,045 |
| Series 2010A | 38,095 | 1.00-5.00 | 2/17/2010 | 2019 | 18,475 | 22,205 |
| Series 2010B | 22,930 | 1.00-5.00 | 2/17/2010 | 2026 | 15,940 | 17,170 |
| Series 2010C | 30,254 | 2.00-5.37 | 2/3/2010 | 2033 | 28,934 | 29,274 |
| Series 2010D-1 | 147,940 | 5.00 | 8/19/2010 | 2035 | 147,940 | 147,940 |
| Series 2010E | 22,330 | 2.00-5.00 | 8/19/2010 | 2038 | 22,050 | 22,330 |
| Series 2011A | 47,345 | 1.00-5.00 | 10/20/2011 | 2026 | 39,990 | 42,440 |
| | | | | | <u>611,734</u> | <u>626,979</u> |
| Unamortized premiums / (discounts), net | | | | | 29,526 | 31,791 |
| Series 2010C and 2010E CAB Accretion, net | | | | | 217 | 154 |
| Unlimited Tax Refunding Bonds, net | | | | | <u>641,477</u> | <u>658,924</u> |
| Unlimited Tax Port Improvement Bonds | | | | | | |
| Series 2002A | 16,000 | 3.00-5.00 | 12/12/2002 | 2027 | 4,980 | 4,980 |
| Series 2010D-2 | 85,665 | 5.00 | 8/19/2010 | 2039 | 85,665 | 85,665 |
| Total Unlimited Tax Port Improvement Bonds | | | | | <u>90,645</u> | <u>90,645</u> |
| Unamortized premiums / (discounts), net | | | | | 4,623 | 4,729 |
| Unlimited Tax Port Improvement Bonds, net | | | | | <u>95,268</u> | <u>95,374</u> |
| Total Debt | | | | | <u>736,745</u> | <u>754,298</u> |
| Less Current Maturities | | | | | <u>(15,950)</u> | <u>(15,245)</u> |
| Long - Term Debt (net of unamortized premiums / (discounts)) | | | | | <u>\$ 720,795</u> | <u>\$ 739,053</u> |

* Interest rate of original issue

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013
(in thousands)

6. Long-Term Debt and Noncurrent Liabilities (continued)

Debt Service Requirements

Total debt service requirements for outstanding bonds as of December 31, 2014 are as follows:

| Year Ending December 31 | <u>Bond Principal</u> General Obligation | <u>Capital Appreciation Bond</u> Accreted Interest | <u>Bond Interest</u> General Obligation | <u>Total</u> |
|----------------------------|--|--|---|---------------------|
| 2015 | \$ 15,950 | \$ - | \$ 36,194 | \$ 52,144 |
| 2016 | 16,725 | - | 35,425 | 52,150 |
| 2017 | 19,720 | - | 34,617 | 54,337 |
| 2018 | 20,685 | - | 33,730 | 54,415 |
| 2019 | 22,420 | - | 32,709 | 55,129 |
| 2020-2024 | 118,035 | - | 146,174 | 264,209 |
| 2025-2029 | 131,755 | - | 116,485 | 248,240 |
| 2030-2034 | 157,894 | 13,846 | 77,804 | 249,544 |
| 2035-2039 | 199,195 | 4,130 | 30,926 | 234,251 |
| | <u>\$ 702,379</u> | <u>\$ 17,976</u> | <u>\$ 544,064</u> | <u>\$ 1,264,419</u> |

Bond Refundings

Bonds generally mature serially based on stated maturity dates. However, bonds may be redeemed prior to their maturities if provided for under the applicable bond indenture.

Bond Restrictions

The bond resolutions require that during the period in which the bonds are outstanding, the Authority must create and maintain certain accounts ("funds") to receive the proceeds from the sale of the bonds and ad valorem taxes levied. These assets can be used only in accordance with the terms of the bond resolutions to fund the capital costs of enlarging, extending or improving the Authority's facilities or to pay the debt service cost of the related bonds.

Arbitrage

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the U.S. Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The U.S. Treasury requires payment, if applicable, for each issue every five years. There was no arbitrage liability for tax-exempt debt subject to the Tax Reform Act through December 31, 2014 and 2013. The estimated liability is updated annually for any tax-exempt issuance or changes in

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements

For the Years Ended December 31, 2014 and 2013

(in thousands)

6. Long-Term Debt and Noncurrent Liabilities (continued)

Arbitrage (continued)

yields until payment of the calculated liability is due.

Port of Houston Authority of Harris County, Texas
Ratios of Net General Bonded Debt by Type
Last Ten Fiscal Years
(in thousands, except per capita)
(unaudited)

| Fiscal Year | General Obligation Bonds | | | Premiums (Discounts) | General Bonded Debt | Less Debt Service Funds Cash | Net General Bonded Debt | Percentage of Actual Property Value | GOB Debt per Capita | Revenue Bonds | Total Outstanding Debt | Percentage of Personal Income | Total Debt Per Capita |
|-------------|-------------------------------|--------------------------------------|--------------------------------|----------------------|---------------------|------------------------------|-------------------------|-------------------------------------|---------------------|---------------|------------------------|-------------------------------|-----------------------|
| | Unlimited Tax Refunding Bonds | Unlimited Tax Port Improvement Bonds | Unlimited Tax Commercial Paper | | | | | | | | | | |
| 2005 | \$ 130,620 | \$ 184,085 | \$ 21,034 | \$ 8,229 | \$ 343,968 | \$ 6,897 | \$ 337,071 | 0.17 % | \$ 91 | \$ 4,363 | \$ 341,434 | 0.22 % | \$ 92 |
| 2006 | 211,100 | 146,005 | 21,744 | 9,848 | 388,697 | 7,000 | 381,697 | 0.18 % | 98 | - | 381,697 | 0.21 % | 98 |
| 2007 | 204,935 | 139,030 | 113,478 | 6,345 | 463,788 | 5,000 | 458,788 | 0.19 % | 117 | - | 458,788 | 0.24 % | 117 |
| 2008 | 431,065 | 131,950 | - | 8,340 | 571,355 | 7,000 | 564,355 | 0.21 % | 142 | - | 564,355 | 0.30 % | 142 |
| 2009 | 422,665 | 124,750 | 70,245 | 7,769 | 625,429 | 6,000 | 619,429 | 0.22 % | 154 | - | 619,429 | 0.35 % | 154 |
| 2010 | 616,814 | 146,805 | - | 28,629 | 792,248 | 10,900 | 781,348 | 0.30 % | 190 | - | 781,348 | 0.41 % | 190 |
| 2011 | 654,674 | 91,200 | - | 42,139 | 788,013 | 10,456 | 777,557 | 0.29 % | 186 | - | 777,557 | 0.38 % | 186 |
| 2012 | 641,324 | 90,645 | - | 39,160 | 771,129 | 8,784 | 762,345 | 0.27 % | 176 | - | 762,345 | 0.24 % | 176 |
| 2013 | 626,979 | 90,645 | - | 36,674 | 754,298 | 9,672 | 744,626 | 0.25 % | 120 | - | 744,626 | 0.23 % | 120 |
| 2014 | 611,734 | 90,645 | - | 34,366 | 736,745 | 13,854 | 722,891 | 0.21 % | 114 | - | 722,891 | N/A | 114 |

- Additional information on the Authority's debt can be found in Note 6 in the accompanying notes to the financial statements.
- See Schedule 3 for property value data.
- Population data can be found in Schedule 15.
- N/A - Not Available

Port of Houston Authority of Harris County, Texas
Net Revenues Available for Debt Service on First - Revenue Obligations
For each of the Ten Years in the Period Ended December 31, 2014
(in thousands)
(unaudited)

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006* | 2005 |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Gross Revenues | | | | | | | | | | |
| Operating Revenues (a) | | | | | | | | | | |
| Vessel and cargo services | \$ 235,929 | \$ 197,974 | \$ 188,457 | \$ 175,297 | \$ 157,633 | \$ 142,310 | \$ 169,584 | \$ 162,636 | \$ 141,697 | \$ 131,007 |
| Rental of equipment and facilities | 17,763 | 25,114 | 23,077 | 22,030 | 20,325 | 20,451 | 19,910 | 18,800 | 18,033 | 17,412 |
| Grain Elevator | 1,821 | 592 | 683 | 1,923 | 911 | 1,155 | 787 | 809 | 717 | 589 |
| Bulk materials | 4,270 | 2,665 | 2,485 | 2,131 | 2,368 | 2,243 | 2,319 | 2,903 | 3,221 | 2,568 |
| Other | 1,960 | 5,201 | 8,512 | 3,356 | 3,272 | 2,040 | 2,435 | 3,630 | 1,915 | 2,361 |
| Total | 261,743 | 231,546 | 223,214 | 204,737 | 184,509 | 168,199 | 195,035 | 188,778 | 165,583 | 153,937 |
| NonOperating Revenues | | | | | | | | | | |
| Investment (loss) income | 4,881 | (452) | 2,406 | 3,126 | 3,572 | 4,552 | 6,736 | 9,992 | 11,292 | 7,427 |
| Other, net | 5,661 | 19,529 | 11,014 | 5,358 | 11,319 | 9,798 | 7,198 | 14,699 | 8,255 | 13,660 |
| Total | 10,542 | 19,077 | 13,420 | 8,484 | 14,891 | 14,350 | 13,934 | 24,691 | 19,547 | 21,087 |
| Total Gross Revenues | 272,285 | 250,623 | 236,634 | 213,221 | 199,400 | 182,549 | 208,969 | 213,469 | 185,130 | 175,024 |
| Operation Expenses | | | | | | | | | | |
| Maintenance and Operation of Facilities | | | | | | | | | | |
| Vessel and cargo services | 115,341 | 93,483 | 91,534 | 89,547 | 90,861 | 77,591 | 94,473 | 85,178 | 73,236 | 66,918 |
| Rental of port facilities | 1,164 | 1,387 | 1,174 | 6,893 | 3,945 | 3,774 | 3,311 | 4,185 | 3,560 | 6,151 |
| Grain Elevator | 260 | 288 | 219 | 322 | 263 | 221 | 163 | 404 | 557 | 477 |
| Bulk Materials Handling Plant | 9 | 9 | 22 | 46 | 34 | 88 | 94 | 307 | 723 | 435 |
| Other | 8,223 | 9,919 | 9,958 | 2,415 | 2,385 | 1,796 | 1,797 | 1,916 | 358 | 919 |
| Total | 124,997 | 105,086 | 102,907 | 99,223 | 97,488 | 83,470 | 99,838 | 91,990 | 78,434 | 74,900 |
| General and Administrative | | | | | | | | | | |
| Total Operating Expenses | 39,152 | 41,845 | 43,875 | 39,894 | 51,487 | 63,411 | 41,930 | 46,029 | 28,846 | 28,380 |
| Total Operating Expenses | 164,149 | 146,931 | 146,782 | 139,117 | 148,975 | 146,881 | 141,768 | 138,019 | 107,280 | 103,280 |
| Nonoperating Expenses | | | | | | | | | | |
| Total Expenses | 2,694 | 2,998 | 3,906 | 3,350 | 5,872 | 18,473 | 4,461 | 29,151 | 5,869 | 8,550 |
| Total Expenses | 166,843 | 149,929 | 150,688 | 142,467 | 154,847 | 165,354 | 146,229 | 167,170 | 113,149 | 111,830 |
| Net Revenues Available For Debt Service on | | | | | | | | | | |
| First Lien Revenue Bonds | | | | | | | | | | |
| Average Annual Debt Service on First Lien Revenue Bonds | \$ 105,442 | \$ 100,694 | \$ 85,946 | \$ 70,754 | \$ 44,553 | \$ 17,195 | \$ 62,740 | \$ 46,299 | \$ 71,981 | \$ 63,194 |
| Coverage by Net Revenues | - | - | - | - | - | - | - | - | \$ 4,456 | \$ 4,514 |
| | - | - | - | - | - | - | - | - | 1,615 % | 1,400 % |

- * Revenue Bonds were retired during 2006.
- Note (a) The Bayport user fees described in Note 7 were excluded from this calculation as per the bond documents.

Port of Houston Authority of Harris County, Texas
Table of Bonded Debt Service Requirements
(unaudited)

| <u>Fiscal Year Ending December 31</u> | <u>Outstanding Debt Service Requirements</u> |
|---|--|
| 2015 | \$ 52,144,219 |
| 2016 | 52,149,969 |
| 2017 | 54,337,144 |
| 2018 | 54,415,094 |
| 2019 | 55,129,169 |
| 2020 | 55,492,394 |
| 2021 | 55,470,806 |
| 2022 | 54,715,731 |
| 2023 | 49,267,056 |
| 2024 | 49,263,444 |
| 2025 | 49,256,606 |
| 2026 | 49,249,556 |
| 2027 | 49,910,044 |
| 2028 | 49,910,794 |
| 2029 | 49,912,581 |
| 2030 | 49,911,631 |
| 2031 | 49,910,188 |
| 2032 | 49,907,888 |
| 2033 | 49,908,025 |
| 2034 | 49,905,806 |
| 2035 | 49,910,275 |
| 2036 | 49,909,275 |
| 2037 | 49,910,113 |
| 2038 | 49,912,181 |
| 2039 | 34,608,000 |
| Total | <u>\$ 1,264,417,989</u> |

- The table sets forth the annual debt service requirements on the Authority's ad valorem tax bonds as of December 31, 2014, excluding bonds that have been refunded and defeased.