OFFICIAL STATEMENT DATED AS OF JULY 21, 2020

NEW ISSUES - BOOK-ENTRY ONLY **RATINGS: Moody's "Aaa"**
S&P "AAA"
(See "RATINGS" herein)

In the opinion of Bracewell LLP and the Hardwick Law Firm, LLC, Co-Bond Counsel, under existing law, (i) interest on the Series 2020A-1 Bonds (as defined below) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not a specific preference item for purposes of the alternative minimum tax, and (ii) interest on the Series 2020A-2 Bonds (as defined below) is excludable from gross income for federal income tax purposes under Section 103 of the Code, except for any period during which a Series 2020A-2 Bond is held by a person who is a "substantial user" of the facilities refinanced with proceeds of the Series 2020A-2 Bonds or a "related person" to such a substantial user, each within the meaning of Section 147(a) of the Code, and is not a specific preference item for purposes of the alternative minimum tax. See "TAX MATTERS – The Series 2020A Bonds" for a discussion of the opinion of Co-Bond Counsel with respect to the Series 2020A Bonds (as defined below). Interest on the Series 2020B Bonds (as defined below) is not excludable from gross income for federal tax purposes under existing law. See "TAX MATTERS – The Series 2020B Bonds" herein. See "TAX MATTERS" for a discussion of the opinion of Co-Bond Counsel.

PORT OF HOUSTON AUTHORITY OF HARRIS COUNTY, TEXAS

$6,550,000	$222,925,000	$19,490,000
UNLIMITED TAX REFUNDING BONDS, SERIES 2020A-1 (NON-AMT)	**UNLIMITED TAX REFUNDING BONDS, SERIES 2020A-2 (NON-AMT)**	**UNLIMITED TAX REFUNDING BONDS, SERIES 2020B (TAXABLE)**

(A political subdivision of the State of Texas having boundaries generally coterminous with Harris County)

Interest Accrual Date: Date of Delivery **CUSIP Prefix: 734260** **Due: October 1 (see pages i, ii and iii)**

The Port of Houston Authority of Harris County, Texas, Unlimited Tax Refunding Bonds, Series 2020A-1 (Non-AMT) (the "Series 2020A-1 Bonds") and Port of Houston Authority of Harris County, Texas, Unlimited Tax Refunding Bonds, Series 2020A-2 (Non-AMT) (the "Series 2020A-2 Bonds" and, together with the Series 2020A-1 Bonds, the "Series 2020A Bonds") and Unlimited Tax Refunding Bonds, Series 2020B (Taxable) (the "Series 2020B Bonds," and collectively with the Series 2020A Bonds, the "Bonds") are hereby offered for sale by the Port of Houston Authority of Harris County, Texas (the "Authority"). The Bonds are payable from the receipts of an annual ad valorem tax levied, without legal limit as to rate or amount, on all taxable property within the Authority. **The Bonds are not obligations of Harris County, Texas or the City of Houston, Texas.** See "DESCRIPTION OF THE BONDS—Source of Payment of the Bonds" and "AUTHORITY AD VALOREM TAXES" herein.

The Bonds are issued pursuant to the constitution and laws of the State of Texas, including particularly (i) Article XVI, Section 59 of the Texas Constitution, (ii) Chapter 5007, Texas Special District Local Laws Code, as amended, (iii) Chapter 1201, Texas Government Code, as amended, (iv) Chapter 1207, Texas Government Code, as amended, and (v) Chapter 1371, Texas Government Code, as amended, and orders adopted by the Port Commission of the Authority and the Commissioners Court of Harris County, Texas (together, the "Order"). In the Order, the Port Commission and the Commissioners Court delegated the authority to certain officials to execute pricing certificates that evidence the final pricing terms of the Bonds.

Interest on the Bonds will accrue from the later of their Date of Delivery (as defined below) to the underwriters identified below (the "Underwriters") or the most recent interest payment date to which interest has been paid or duly provided for, calculated on the basis of a 360-day year of twelve 30-day months, payable on October 1, 2020, and each April 1 and October 1 thereafter until maturity or earlier redemption by check mailed to the registered owner of record as of the 15th day of the month next preceding each interest payment date. The Bonds will be issued only in fully-registered form in the denomination of $5,000 principal amount, or integral multiples thereof. See "DESCRIPTION OF THE BONDS."

The Bonds will be initially registered solely in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds, until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, the Bonds will be payable by Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (the "Paying Agent/Registrar") from amounts paid by the Authority to Cede & Co., which will, in turn, remit such amounts to DTC participants for subsequent disbursement to the beneficial owners of the Bonds. See "APPENDIX B — BOOK-ENTRY-ONLY SYSTEM."

Proceeds of the Bonds will be used to (i) refund certain outstanding bonds of the Authority (the "Refunded Bonds") in order to achieve debt service savings; and (ii) pay the costs of issuance of the Bonds and the costs of refunding the Refunded Bonds. See "PLAN OF FINANCING" and "DESCRIPTION OF THE BONDS – Refunded Bonds" and "SCHEDULE I – DESCRIPTION OF REFUNDED BONDS."

The Series 2020A-2 Bonds and Series 2020B Bonds are subject to redemption prior to their maturity as provided herein. See "DESCRIPTION OF THE BONDS – Redemption." The Series 2020A-1 Bonds are not subject to redemption prior to maturity.

SEE PAGES i, ii AND iii FOR THE MATURITY AND PRICING SCHEDULES AND REDEMPTION PROVISIONS

The Bonds are offered for delivery, when, as, and if issued by the Authority, subject to the approving opinion of the Attorney General of Texas, and the opinions of Bracewell LLP, Houston, Texas, and the Hardwick Law Firm LLC, Houston, Texas, Co-Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Orrick Herrington & Sutcliffe LLP, Houston, Texas and Sara Leon & Associates, LLC, Houston, Texas, co-counsel to the Underwriters. Certain legal matters will be passed upon for the Authority by Bracewell LLP, Houston, Texas and the Hardwick Law Firm LLC, Houston, Texas, as Co-Disclosure Counsel to the Authority. The Bonds are expected to be available for delivery through the facilities of the DTC in New York, New York on or about August 12, 2020 (the "Date of Delivery").

JEFFERIES

BOFA SECURITIES	**CITIGROUP**	**GOLDMAN SACHS & CO. LLC**
STERN BROTHERS		**UBS**

PORT OF HOUSTON AUTHORITY

MATURITY AND PRICING SCHEDULE AND REDEMPTION PROVISIONS

PORT OF HOUSTON AUTHORITY OF HARRIS COUNTY, TEXAS

$6,550,000
UNLIMITED TAX REFUNDING BONDS
SERIES 2020A-1 (NON-AMT)

CUSIP PREFIX: 734260[a]

Maturity (October 1)[b]	Principal Amount	Interest Rate	Initial Yield[c]	CUSIP Suffix[a]
2021	$1,530,000	5.000%	0.160%	5S7
2022	1,605,000	5.000%	0.200%	5T5
2023	785,000	5.000%	0.220%	5U2
2024	835,000	5.000%	0.290%	5V0
2025	875,000	5.000%	0.390%	5W8
2026	920,000	5.000%	0.520%	5X6

(a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Underwriters, the Authority, nor the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

(b) The Series 2020A-1 Bonds are not subject to redemption prior to maturity.

(c) The initial yields were established by and are the sole responsibility of the Underwriters, and may subsequently be changed.

MATURITY AND PRICING SCHEDULE AND REDEMPTION PROVISIONS

PORT OF HOUSTON AUTHORITY OF HARRIS COUNTY, TEXAS

$222,925,000 UNLIMITED TAX REFUNDING BONDS SERIES 2020A-2 (NON-AMT)

CUSIP PREFIX: 734260[a]

Maturity (October 1)[b]	Principal Amount	Interest Rate	Initial Yield[c]	CUSIP Suffix[a]
2021	$ 1,095,000	5.000%	0.160%	5Y4
2022	1,155,000	5.000%	0.200%	5Z1
2023	3,925,000	5.000%	0.220%	6A5
2024	8,230,000	5.000%	0.290%	6B3
2025	8,640,000	5.000%	0.390%	6C1
2026	9,070,000	5.000%	0.520%	6D9
2027	10,655,000	5.000%	0.640%	6E7
2028	11,340,000	5.000%	0.760%	6F4
2029	11,905,000	5.000%	0.840%	6G2
2030	13,270,000	5.000%	0.920%	6H0
2031	13,930,000	5.000%	0.980%	6J6
2032	11,000,000	5.000%	1.060%	6K3
2033	11,250,000	5.000%	1.160%	6L1
2034	12,750,000	5.000%	1.190%	6M9
2035	13,400,000	4.000%	1.430%	6N7
2036	17,910,000	4.000%	1.480%	6P2
2037	18,625,000	4.000%	1.520%	6Q0
2038	19,375,000	4.000%	1.560%	6R8
2039	25,400,000	3.000%	1.780%	6S6

[a] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Underwriters, the Authority, nor the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

[b] The Series 2020A-2 Bonds maturing on or after October 1, 2031, are subject to redemption prior to maturity, at the option of the Authority, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on October 1, 2030, or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See "DESCRIPTION OF THE BONDS – Redemption – The Series 2020A Bonds – Optional Redemption."

[c] The initial yields were established by and are the sole responsibility of the Underwriters, and may subsequently be changed. Initial yields are calculated to the earlier of maturity or the first optional call date.

MATURITY AND PRICING SCHEDULE AND REDEMPTION PROVISIONS

PORT OF HOUSTON AUTHORITY OF HARRIS COUNTY, TEXAS

$19,490,000
UNLIMITED TAX REFUNDING BONDS
SERIES 2020B (TAXABLE)

CUSIP PREFIX: 734260[(a)]

Maturity (October 1)[(b)]	Principal Amount	Interest Rate	Initial Yield[(c)]	CUSIP Suffix[(a)]
2022	$3,695,000	2.250%	0.393%	6T4
2023	3,800,000	2.250%	0.470%	6U1
2024	3,900,000	2.250%	0.672%	6V9
2025	3,995,000	2.250%	0.822%	6W7
2026	4,100,000	2.250%	1.004%	6X5

(a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Underwriters, the Authority, nor the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

(b) The Series 2020B Bonds are subject to redemption prior to maturity, at the option of the Authority, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof at the Make Whole Redemption Price (as defined herein). See "DESCRIPTION OF THE BONDS – Redemption – The Series 2020B Bonds– Make-Whole Optional Redemption."

(c) The initial yields were established by and are the sole responsibility of the Underwriters, and may subsequently be changed.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation with respect to the Bonds to be issued, other than those contained in this Official Statement, and, if given or made, such other information or representations not so authorized must not be relied upon as having been given or authorized by the Authority or the Underwriters.

This Official Statement, which includes the cover page, the Schedule and Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy, nor will there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

All financial and other information presented herein, except for the information expressly attributed to other sources, has been provided by the Authority from its records and is intended to show recent historical information. Such information is not guaranteed as to accuracy or completeness. No representation is made that past performance, as might be shown by such financial and other information, will necessarily continue or be expected in the future. All descriptions of laws and documents contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that the information contained herein has remained unchanged since the respective dates as of which such information is given herein.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

Neither the Authority, the Financial Advisor, nor the Underwriters make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company or its Book-Entry-Only System.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. See "FORWARD-LOOKING STATEMENTS" herein.

References to web-site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for any purposes.

Port of Houston Authority of Harris County, Texas

PORT COMMISSION

Ric Campo, Chairman

Dean E. Corgey, Commissioner	Clyde Fitzgerald, Commissioner
Cheryl D. Creuzot, Commissioner	Stephen H. DonCarlos, Commissioner
Roy D. Mease, Commissioner	Wendy Montoya Cloonan, Commissioner

ADMINISTRATION

Roger Guenther, Executive Director

Thomas J. Heidt, Chief Operating Officer

Erik A. Eriksson, Chief Legal Officer

Tim Finley, Chief Financial Officer

Maxine N. Buckles, Chief Audit Officer

Dylan Osborne, Harris County Treasurer

CONSULTANTS AND ADVISORS TO THE AUTHORITY

Auditors .... Grant Thornton LLP

Financial Advisor .... Masterson Advisors LLC

Co-Bond Counsel and Co-Disclosure Counsel.. Bracewell LLP

.... Hardwick Law Firm, LLC

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SOURCE OF PAYMENT OF THE BONDS

The Bonds are payable from the receipts of an annual ad valorem tax levied, without limit as to rate or amount, on all taxable property within the Authority. See "AUTHORITY AD VALOREM TAXES." Pursuant to the provisions of the County Order, the Commissioners Court, on behalf of the Authority, has levied and agreed to assess and collect such annual ad valorem taxes. In each year the Commissioners Court, on behalf of the Authority, will determine the specific tax to be collected to pay interest as it accrues and principal as it matures on the Bonds and will assess such taxes for that year. The receipts of such taxes are to be credited to separate funds to be used solely for the payment of the principal of and interest on the Bonds. **None of the revenues (other than the ad valorem tax receipts and interest earned thereon as described above) of the Authority are pledged as security for the Bonds.**

SELECTED AUTHORITY AD VALOREM TAX DATA

(dollar amounts in thousands)

	Tax (Calendar) Year[a]				
	2015	2016	2017	2018	2019
Total Assessed Value, Net of Exemptions	$376,944,565	$409,383,647	$425,789,832	$437,676,928	$470,416,444
Ad Valorem Tax Rate (Per $100 of Assessed Value)	0.01342	0.01334	0.01256	0.01155	0.01074
Current Collections of Ad Valorem Taxes Levied[b]	$48,208	$51,946	$50,738	$48,252	$48,165
Current Collections as a Percentage of Ad Valorem Taxes Levied	94.91%	94.78%	94.57%	98.96%	95.11%
Total Ad Valorem Collections[c]	$49,975	$53,926	$52,746	$49,754	N/A
Total Collections as a Percentage of Ad Valorem Taxes Levied	98.38%	98.39%	98.31%	102.04%	N/A
	2015	2016	2017	2018	2019
Ad Valorem Tax Bonds Outstanding[d]	$674,269	$657,994	$638,829	$593,754	$572,569
Ad Valorem Tax Bonds Outstanding as a Percentage of Assessed Value	0.18%	0.16%	0.15%	0.14%	0.12%

[a] As of April 17, 2020, the Authority received from the Harris County Appraisal District certified taxable values net of exemptions for Tax Year 2019 of approximately $470 billion. The amount certified does not include amounts under protest (including the owners' uncontested valuations) and amounts for which the Appraisal District has not completed the certification process. Certified additional amounts will be added to the certified values by supplement. Tax Rates for 2020 are scheduled to be adopted by Commissioners Court in late October 2020. The dollar amounts contained in this footnote are not reported in thousands.

[b] Taxes levied in any year which are collected beginning October 1 of such year through June 30 of the following year are shown as current collections. Such amounts include that portion of the current levy collected on or after February 1, the date taxes become legally delinquent. See "AUTHORITY AD VALOREM TAXES" herein.

[c] Such amounts include collections of delinquent taxes from prior years' levies of taxes collected during the period beginning on July 1 of the year shown and ending on June 30 of the following year.

[d] Includes the principal amount of the Authority's outstanding ad valorem tax bonds, including the Refunded Bonds.

Source of ad valorem tax bond information: The Authority, as of December 31 for each year.

Source of ad valorem tax information: Harris County Tax Assessor-Collector, as of December 31 for each year.

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OFFICIAL STATEMENT

relating to

PORT OF HOUSTON AUTHORITY OF
HARRIS COUNTY, TEXAS

$6,550,000	$222,925,000	$19,490,000
UNLIMITED TAX REFUNDING BONDS, SERIES 2020A-1 (NON-AMT)	UNLIMITED TAX REFUNDING BONDS, SERIES 2020A-2 (NON-AMT)	UNLIMITED TAX REFUNDING BONDS, SERIES 2020B (TAXABLE)

(a political subdivision of the State of Texas having boundaries generally coterminous with Harris County)

INTRODUCTION

This Official Statement is furnished in connection with the offering by the Port of Houston Authority of Harris County, Texas (the "Authority"), a political subdivision of the State of Texas (the "State"), having boundaries generally coterminous with Harris County, Texas (the "County"), of its Unlimited Tax Refunding Bonds, Series 2020A-1 (Non-AMT) (the "Series 2020A-1 Bonds"), Port of Houston Authority of Harris County, Texas, Unlimited Tax Refunding Bonds, Series 2020A-2 (Non-AMT) (the "Series 2020A-2 Bonds" and, together with the Series 2020A-1 Bonds, the "Series 2020A Bonds") and Unlimited Tax Refunding Bonds, Series 2020B (Taxable) (the "Series 2020B Bonds," and collectively with the Series 2020A Bonds, the "Bonds"). The Bonds are issued pursuant to the provisions of an order (the "County Bond Order"), by the Commissioners Court of Harris County, Texas (the "Commissioners Court"), on behalf of the Authority. In the County Bond Order, as permitted by the provisions of Chapters 1207 and 1371, the Commissioners Court delegated the authority to certain officials to execute pricing certificates (each a "Pricing Certificate") for the Bonds that evidence the final pricing terms of the Bonds. The Pricing Certificate and the County Bond Order are collectively referred to herein as the "County Order." The Authority also adopted an order (the "Authority Bond Order") authorizing the sale of the Bonds, containing its continuing disclosure undertaking and authorizing and approving certain other matters in connection with the issuance and delivery of the Bonds. In the Authority Bond Order, as permitted by the provisions of Chapters 1207 and 1371, the Port Commission of the Authority (the "Port Commission") delegated the authority to certain officials to execute Pricing Certificates that evidence the final pricing terms of the Bonds (each an "Authority Pricing Certificate"). The Authority Pricing Certificate and the Authority Bond Order are collectively referred to herein as the "Authority Order." The Authority Order and the County Order are collectively referred to herein as the "Order."

The Authority is a navigation district and a political subdivision of the State. The Authority owns and operates public wharves, docking facilities, freight handling facilities and related equipment, land, warehouses, railroad rights-of-way and trackage adjoining the Houston Ship Channel (the "Houston Ship Channel" or the "Channel"). The Channel is the center of the Port of Houston ("Port") complex and extends 52 miles inland. With authorized depths ranging from 37.5 feet to 46.5 feet, the Channel links the City of Houston, Texas with the Gulf of Mexico. The Authority also owns and operates two container terminals, one at the Bayport Industrial Complex in Pasadena, Texas, and the other at Morgan's Point, Texas. By statute, the Harris County Treasurer serves as treasurer of the Authority. See "THE AUTHORITY" herein. **The Bonds are not obligations of the County or the City of Houston**. See "DESCRIPTION OF THE BONDS — Source of Payment of the Bonds."

The Authority's financial statements, included in this Official Statement as APPENDIX A, present information on the general financial condition of the Authority at the dates and for the periods shown. The Bonds, however, are payable solely from the receipts of annual unlimited ad valorem taxes, and the inclusion of the Authority's financial statements and financial information addressing revenues other than ad valorem tax revenues is not intended to imply that any such other tax receipts, revenues, or moneys of the Authority will be used to pay the principal of or interest on the Bonds.

The financial and operating data contained herein and in the appendices hereto, including the section entitled "AUTHORITY AD VALOREM TAXES" and in "APPENDIX A - Audited Financial Statements of the Authority," are as of the dates and for the periods indicated therein. To the extent any such periods were prior to the outbreak of the Pandemic (as defined herein) such information is not indicative of the current economic condition or future economic prospects of the Authority and is provided for historical reference purposes only. See "INFECTIOUS DISEASE OUTBREAK" herein.

PLAN OF FINANCING

Purpose

The proceeds of the Bonds will be used to (i) refund certain outstanding bonds of the Authority (the "Refunded Bonds") (see "SCHEDULE I – SCHEDULE OF BONDS TO BE REFUNDED" for a more complete description of the Refunded Bonds) in order to achieve debt service savings; and (ii) pay the costs of issuance of the Bonds and the costs of refunding the Refunded Bonds.

The Refunded Bonds

The Refunded Bonds and the interest due thereon are to be paid on the scheduled redemption dates from funds to be deposited with Zions Bancorporation, National Association, Amegy Bank Division (the "Escrow Agent"), pursuant to the escrow agreement (the "Escrow Agreement") between the Authority and the Escrow Agent.

The Order provides that the Authority will deposit with the Escrow Agent a portion of the proceeds from the sale of the Bonds, together with other lawfully available funds of the Authority, if any, in an amount which, when added to the investment earnings thereon, will be sufficient to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in separate escrow accounts (the "Escrow Funds") established under the Escrow Agreement in connection with each series of Bonds and used to purchase a portfolio of securities authorized by Chapter 1207, Texas Government Code, which authorized securities include (a) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States; (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by at least one nationally recognized investment rating firm not less than AAA or its equivalent on the date that the Commissioners Court adopts or approves the proceedings authorizing the issuance of ad valorem tax refunding bonds if the transaction involves the issuance of ad valorem tax refunding bonds; and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by at least one nationally recognized investment rating firm not less than AAA or its equivalent (the "Escrowed Securities"). Under the Escrow Agreement, the Escrow Funds created under the Escrow Agreement are irrevocably pledged to the payment of principal of and interest on the Refunded Bonds addressed by such Escrow Agreement.

Public Finance Partners LLC (the "Verification Agent") will verify at the time of delivery of the Bonds to the Underwriters that the Escrowed Securities deposited under the Escrow Agreement will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Funds established under each Escrow Agreement, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds addressed by such Escrow Agreement on their respective scheduled redemption dates and maturity dates. Such maturing principal of and interest on the Escrowed Securities will not be available to pay the debt service on the Bonds. See "VERIFICATION OF ARITHMETICAL COMPUTATIONS."

By the deposit of the Escrowed Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the Authority will have effected the defeasance of the Refunded Bonds pursuant to the terms of Chapter 1207, Texas Government Code, as amended, and the orders authorizing the issuance of the Refunded Bonds. As a result of such defeasance, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Escrowed Securities and cash held for such purpose by the Escrow Agent, and the Refunded Bonds will not be deemed as being outstanding obligations of the Authority.

It is the opinion of Co-Bond Counsel that as a result of such deposit and in reliance upon the report of the Verification Agent, firm banking arrangements will have been made for the discharge and final payment of the

Refunded Bonds, and such Refunded Bonds will be deemed to be fully paid and no longer outstanding except for the purpose of being paid from funds provided therefor, in the Escrow Agreement.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds will be applied approximately as follows:

	Series 2020A-1 Bonds (Non-AMT)	Series 2020A-2 Bonds (Non-AMT)	Series 2020B Bonds (Taxable)	Total
Sources of Funds:				
Principal Amount	$6,550,000.00	$222,925,000.00	$19,490,000.00	$248,965,000.00
Original Issue Premium	980,404.10	60,790,046.30	1,196,189.40	62,966,639.80
Transfer from Debt Service Fund	135,457.64	5,041,466.77	335,755.73	5,512,680.14
Total Sources of Funds	$7,665,861.74	$288,756,513.07	$21,021,945.13	$317,444,319.94
Uses of Funds:				
Deposit with Escrow Agent	$7,612,863.24	$287,207,754.74	$20,889,076.06	$315,709,694.04
Underwriters' Discount	21,259.83	891,032.90	64,366.45	976,659.18
Costs of Issuance(1)	31,738.67	657,725.43	68,502.62	757,966.72
Total Uses of Funds	$7,665,861.74	$288,756,513.07	$21,021,945.13	$317,444,319.94

(1) Includes legal fees of the Authority, financial advisory fees, rating agency fees, fees of the Paying Agent/Registrar, Escrow Agent and Verification Agent, and other costs of issuance.

DESCRIPTION OF THE BONDS

General

The Bonds will be dated as set forth in the Order, but will bear interest from the later of their date of delivery to the Underwriters or the most recent interest payment date to which interest has been paid or duly provided for, calculated on the basis of a 360-day year of twelve 30-day months, at the per annum rates shown on pages i and ii hereof. Interest on the Bonds will be payable on October 1, 2020, and each April 1 and October 1 thereafter until maturity or earlier redemption.

The Bonds will initially be registered only in the name of Cede & Co., the nominee of The Depository Trust Company ("DTC"), New York, New York, pursuant to the book-entry-only system described in APPENDIX B to this Official Statement. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 principal amount or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the Beneficial Owners (as defined in APPENDIX B) thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar, initially Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas, to Cede & Co., which will make distributions of the payments to the participating members of DTC for subsequent remittance to the Beneficial Owners. See "APPENDIX B – BOOK-ENTRY-ONLY SYSTEM."

In the event that any date for payment of the principal of or interest on the Bonds is a Saturday, Sunday, legal holiday or day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which such banking institutions are authorized to close. Payment on such later date will not increase the amount of interest due and will have the same force and effect as if made on the original date payment was due. Notwithstanding the foregoing, during any period in which ownership of the Bonds is determined only by a book-entry at a securities depository for the Bonds, any payment to the securities depository, or its nominee or registered assigns, will be made in accordance with existing arrangements between the Port Commission and the securities depository.

Redemption

The Series 2020A-1 Bonds

No Optional Redemption. The Series 2020A-1 Bonds are not subject to redemption prior to maturity.

The Series 2020A-2 Bonds

Optional Redemption. The Series 2020A-2 Bonds maturing on or after October 1, 2031 are subject to redemption prior to maturity at the option of the Authority, on and after October 1, 2030, in whole or from time to time in part, on any date in principal amounts equal to authorized denominations, at a price of par, plus accrued interest to the redemption date.

Method of Selecting Series 2020A-2 Bonds to be Redeemed. If less than all of the Series 2020A-2 Bonds are to be redeemed, and the Authority elects to redeem or defease less than all of the principal amount of a maturity of the Series 2020A-2 Bonds, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Series 2020A-2 Bonds to be defeased by lot or such other random method as it deems fair and appropriate; provided, however, that during any period in which ownership of such Series 2020A-2 Bonds to be redeemed is determined only by a book-entry at DTC, or a successor securities depository, if fewer than all of such Series 2020A-2 Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Series 2020A-2 Bonds of such maturity and bearing such interest rate will be selected in accordance with the arrangements between the Authority and DTC or successor securities depository. In selecting for redemption portions of Series 2020A-2 Bonds in excess of an authorized denomination, each such Series 2020A-2 Bond will be treated as representing that number of Series 2020A-2 Bonds of an authorized denomination that is obtained by dividing the principal amount of such Series 2020A Bond by the authorized denomination of such Series 2020A-2 Bond.

The Series 2020B Bonds

Make-Whole Optional Redemption. The Series 2020B Bonds are subject to redemption prior to maturity at the option of the Authority, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof on any date at the make-whole redemption price (the "Make-Whole Redemption Price"), which is equal to the greater of:

(a) 100% of the principal amount of the Series 2020B Bonds to be redeemed, or

(b) the sum of the present value of the remaining scheduled payments of principal of and interest to the optional redemption date of such Series 2020B Bonds to be redeemed, not including any portion of those payments of interest thereon accrued and unpaid as of the date on which the Bonds are to be redeemed, discounted to the date on which the Series 2020B Bonds are to be redeemed on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months, at the "Treasury Rate" (as defined below) plus five (5) basis points, plus, in each case, accrued and unpaid interest on the Series 2020B Bonds to be redeemed on the date of redemption.

For the purpose of determining the Make-Whole Redemption Price "Treasury Rate" means, with respect to any redemption date for a particular Series 2020B Bond, the yield to maturity as of such redemption date of the United States Treasury securities with a constant maturity (as compiled and published in the Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days, but not more than 45 calendar days, prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data as determined by the chief financial officer of the Authority)) most nearly equal to the period from the redemption date to the earlier of (1) the maturity date of the Series 2020B Bonds to be redeemed or (2) the optional redemption date of the Series 2020B Bonds to be redeemed.

The Make-Whole Redemption Price of the Series 2020B Bonds to be redeemed will be determined by an independent certified public accountant or an independent municipal advisor retained by the Authority to determine the Make-Whole Redemption Price and perform all actions and make all calculations required to determine the Make-Whole Redemption Price. The Authority may conclusively rely upon such independent certified public accountant's or independent municipal advisor's calculations in connection with, and its determination of, the Make-Whole Redemption Price, and the Authority will not have any liability for such reliance. The determination of the Make-Whole Redemption Price by such independent certified public accountant or independent municipal advisor will be conclusive and binding on the Authority and the owners of the Series 2020B Bonds absent manifest error.

Method of Selecting Series 2020B Bonds to be Redeemed. If less than all of the Series 2020B Bonds are to be redeemed pursuant to a make-whole optional redemption, the Authority shall determine the maturity or maturities and the amounts thereof to be redeemed, and if less than the entire maturity is redeemed, the Authority shall direct the Paying Agent/Registrar to redeem the Series 2020B Bonds of such maturity on a Pro Rata basis to each Owner in whose name such Series 2020B Bonds are registered on the Record Date immediately preceding the redemption date. A portion of a single Series 2020B Bond of a denomination greater than $5,000 may be redeemed, but only in a principal amount equal to $5,000 or any integral multiple thereof. The Paying Agent/Registrar shall treat each $5,000 portion of such Series 2020B Bond as though it were a single Series 2020B Bond for purposes of selection for redemption.

"Pro Rata" is determined in connection with any partial make-whole optional redemption by multiplying the principal amount of the Series 2020B Bonds of such maturity to be redeemed on the applicable redemption date by a fraction, the numerator of which is equal to the principal amount of the Series 2020B Bonds of such maturity owned by an Owner, and the denominator of which is equal to the amount of the Series 2020B Bonds of such maturity then Outstanding immediately prior to such redemption date, and then rounding the product down to the next lower integral of $5,000, provided that the portions of the Series 2020B Bonds being redeemed are required to be in authorized denominations, and all Series 2020B Bonds of a maturity to remain outstanding following any redemption are required to be in authorized denominations.

Notice of Redemption

Not less than 30 days prior to a redemption date for the Series 2020A-2 Bonds or Series 2020B Bonds, the Paying Agent/Registrar, at the direction of the Authority, shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Series 2020A-2 Bonds or Series 2020B Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE SERIES 2020A-2 BONDS OR SERIES 2020B BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY SERIES 2020A-2 BOND OR SERIES 2020B BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH SERIES 2020A-2 BOND OR SERIES 2020B BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The Authority reserves the right, in the case of an optional redemption, to give notice of its election or direction to redeem Series 2020A-2 Bonds or Series 2020B Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the Authority retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the Authority delivers a certificate of the Authority to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded.

The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected registered owners. Any Series 2020A-2 Bonds or Series 2020B Bonds subject to conditional redemption where such redemption has been rescinded shall remain outstanding, and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the Authority to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

Partial Redemption

Any Series 2020A-2 Bond or Series 2020B Bond that is to be redeemed only in part will be surrendered to the Paying Agent/Registrar (with, if the Authority or the Paying Agent/Registrar so requires, due endorsement by, or written instrument of transfer in form satisfactory to the Authority and the Paying Agent/Registrar duly executed by, the holder thereof or such holder's authorized representative), and the Authority will execute and the Paying Agent/Registrar will authenticate and deliver to the holder of such a new Series 2020A-2 Bond or Series 2020B Bond or Series 2020A-2 Bonds or Series 2020B Bonds of the same series and maturity and of any authorized denomination or denominations as requested by such holder in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Series 2020A-2 Bond or Series 2020B Bond so surrendered.

Authority for the Bonds

The Bonds are issued pursuant to the Order and the provisions of the constitution and laws of the State of Texas, including particularly (i) Article XVI, Section 59 of the Texas Constitution, (ii) Chapter 5007, Texas Special District Local Laws Code, as amended, (iii) Chapter 1201, Texas Government Code, as amended, (iv) Chapter 1207, Texas Government Code, as amended, and (v) Chapter 1371, Texas Government Code, as amended.

Source of Payment of the Bonds

The Bonds are payable from the receipts of an annual ad valorem tax levied, without limit as to rate or amount, on all taxable property within the Authority. See "AUTHORITY AD VALOREM TAXES." Pursuant to the provisions of the County Order adopted at a meeting of the Commissioners Court, the Commissioners Court, on behalf of the Authority, has levied and agreed to assess and collect such annual ad valorem taxes. In each year the Commissioners Court, on behalf of the Authority, will determine the specific tax to be collected to pay interest as it accrues and principal as it matures on the Bonds and will assess such taxes for that year. The receipts of such taxes are to be credited to separate funds to be used solely for the payment of the principal of and interest on the Bonds. None of the revenues (other than the ad valorem tax receipts and interest earned thereon as described above) of the Authority are pledged as security for the Bonds.

Book-Entry-Only System

APPENDIX B describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by DTC, New York, New York, while the Bonds are registered in its nominee name. The information in APPENDIX B concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Authority believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The Authority and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of each such maturity and will be deposited with DTC.

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

Paying Agent/Registrar

The initial Paying Agent/Registrar is Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas. In the Order, the Authority retains the right to replace the Paying Agent/Registrar. The Authority covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State, or any other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds.

Ownership

The Authority, the Paying Agent/Registrar, and any agent of either may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of the principal thereof, and for the further purpose of making and receiving payment of the interest thereon, and for all other purposes. Neither the Authority, the Paying Agent/Registrar, nor any agent of either of them will be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the owner of any Bond in accordance with the Order and the issuance of such Bonds will be valid and effective and will discharge the liabilities of the Authority and the Paying Agent/Registrar for such Bond to the extent of the sums paid.

Record Date for Interest Payment

The record date ("Record Date") for determining the person to whom interest is payable on the Bonds on any interest payment date means the close of business on the fifteenth day of the calendar month next preceding such interest payment date. In the event of a nonpayment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Authority. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

TRANSFER, EXCHANGE AND REGISTRATION

Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the Designated Payment/Transfer Office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bond surrendered for exchange or transfer. See "APPENDIX B – BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

In the event the Book-Entry-Only System should be discontinued, printed certificates will be delivered to the Owners and thereafter, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer.

Limitation on Transfer of Bonds

The Paying Agent/Registrar shall not be required to make any transfer or exchange any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

Replacement Bonds

If any Bond is mutilated, destroyed, stolen or lost, a new Bond in the same principal amount as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon surrender and cancellation of such mutilated Bond. In the case of any Bond issued in lieu of and in substitution for a Bond which has been destroyed, stolen or lost, such new Bond will be delivered only (a) upon filing with the Authority and the Paying Agent/Registrar of satisfactory evidence to the effect that such Bond has been destroyed, stolen or lost and proof of the ownership thereof, (b) upon furnishing the Authority and the Paying Agent/Registrar with indemnity satisfactory to them, (c) upon paying all expenses and charges in connection therewith and (d) upon satisfying any other reasonable requirements imposed by the Authority and the Paying Agent/Registrar. The person requesting the authentication and delivery of a new Bond must pay such expenses as the Paying Agent/Registrar may incur in connection therewith and satisfy any other reasonable requirements imposed by the Authority and the Paying Agent/Registrar.

Amendments

The Commissioners Court and the Authority, as the case may be, may, without the consent of or notice to any bondholder, from time to time and at any time, amend the Order authorizing the issuance of a particular series of Bonds in any manner not detrimental to the interest of the bondholders of such series of Bonds, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the Commissioners Court and the Authority, as the case may be, may, with the written consent of bondholders holding a majority in aggregate principal amount of the Bonds of a particular series then outstanding and affected thereby, if any, amend, add to or rescind any of the provisions of the Order authorizing the issuance of a particular series of Bonds, provided that, without the consent of all bondholders of the outstanding Bonds of such series affected thereby, no such amendment, addition or rescission shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required to consent to any such amendment, addition or rescission.

Defeasance

The Series 2020A-1 Bonds and the Series 2020B Bonds

The provisions of the Order and the obligations to the registered owners of any or all of the Series 2020A-1 Bonds or the Series 2020B Bonds to pay the principal of and interest thereon may be defeased in any manner now or hereafter permitted by law, including by depositing with the Paying Agent/Registrar, the Comptroller of Public Accounts of the State (the "Comptroller") or any other entity with which such deposits may be made (as specified by Section 1207.061, Texas Government Code, as amended) either: (a) cash in an amount equal to the principal amount of such Bonds plus interest thereon to the date of maturity or redemption, or (b) pursuant to an escrow or trust agreement (or, if payment or redemption shall occur on or before the next Interest Payment Date, by deposit to the debt service fund for the Bonds), cash and/or:

(1) direct, noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States;

(2) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Commissioners Court adopts or approves the proceedings authorizing the deposit, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent;

(3) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Commissioners Court adopts or approves the proceedings authorizing the deposit, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; and/or

(4) any other securities or obligations which, at the time of such defeasance, are authorized by state law to be used to effectuate a defeasance of the Bonds,

in principal amounts and maturities and bearing interest at rates sufficient to provide for the timely payment of the principal amount of the Series 2020A-1 or Series 2020-B Bonds plus interest thereon to the date of maturity or redemption; provided, however, that if any of the Series 2020A-1 or Series 2020-B Bonds are to be redeemed prior to their respective dates of maturity, provision shall have been made for giving notice of redemption. Any surplus amounts not required to accomplish such defeasance shall be returned to the Authority. Upon such deposit, such Series 2020A-1 or Series 2020-B Bonds will no longer be regarded to be Outstanding or unpaid.

The Authority is under no obligation to maintain a particular rating for escrowed securities, and ratings conditions are satisfied by a sufficient rating from any nationally recognized rating firm.

The Series 2020A-2 Bonds

The Series 2020A-2 Bonds may be defeased, refunded or discharged in instances when the payment of principal of and premium, if any, of such Series 2020A-2 Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise) has been provided for by irrevocably depositing with the Paying Agent/Registrar or other authorized escrow agent, in trust, (or, if payment or redemption shall occur on or before the next Interest Payment Date, by deposit to the debt service fund for the Series 2020A-2 Bonds):

(i) money sufficient to make such payment; and/or

(ii) Governmental Securities to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment,

and all necessary and proper fees, compensation and expenses of the Paying Agent/Registrar or other authorized escrow agent.

"Governmental Securities" for purposes of the Series 2020A-2 Bonds means:

(i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America (collectively, the "Federal Securities"); or

(ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. In addition, to the extent then allowed by state law, the term Governmental Securities shall include noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm with a rating that is not less than the rating assigned by such firm to the Federal Securities.

The Authority has the right, subject to satisfying the requirements of (i) and (ii) above, to substitute other Governmental Securities for the Governmental Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the Authority moneys in excess of the amount required for such defeasance.

Any surplus amounts from the deposits described above that are not required to accomplish such defeasance shall be returned to the Authority. Upon such deposit, such Series 2020A-2 Bonds will no longer be regarded to be Outstanding or unpaid. The Authority is under no obligation to maintain a particular rating for escrowed securities, and ratings conditions are satisfied by a sufficient rating from any nationally recognized rating firm.

AUTHORITY AD VALOREM TAXES

The Commissioners Court is responsible for levying ad valorem taxes on behalf of the Authority.

Property Subject to Taxation

Except for certain exemptions provided by State law, including certain exemptions that the Authority has elected to allow, or certain abatements the County has authorized on behalf of the Authority, all real and certain tangible personal property and certain intangible personal property with a tax situs in the Authority is subject to taxation by the Authority. See "AUTHORITY AD VALOREM TAXES – TABLE 2 –AUTHORITY TAX VALUES AND TAX RATES – Footnote (a)" for a description of the exemptions applicable to the Authority. The Commissioners Court sets the Authority's tax rate using the Authority's taxable value. See "AUTHORITY AD VALOREM TAX DEBT – TABLE 5 – AD VALOREM TAX DEBT COMPARISONS" and TABLE OF COUNTY-WIDE AD VALOREM TAX RATES."

Principal categories of exempt property include: property owned by the State or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain improvements to real property and certain tangible personal property located in designated reinvestment zones on which ad valorem taxes have been abated for a specified period of time pursuant to tax abatement agreements; farm products owned by the producer; certain property owned by qualified charitable, religious, veterans and their families, surviving spouses of members of the armed services killed in action, surviving spouses of first responders killed or fatally wounded in the line of duty, youth, fraternal, or educational organizations; property of a non-profit corporation that is used in scientific research and educational activities benefiting a college or university; designated historic sites; solar and wind powered energy devices; nonprofit cemeteries; and tangible personal property not held or used for production of income.

During the 2019 legislative session the Texas Legislature adopted Section 11.35 of the Tax Code. It entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. There is no historical judicial precedent for how the statute will be applied, but Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

Reference is made to Title I of the Texas Tax Code (the "Property Tax Code"), for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Valuation of Property for Taxation

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the Authority is the responsibility of the Harris County Appraisal District (the "Appraisal District"). The Appraisal District is governed by a six-member board ("Appraisal District Board") whose members are appointed by vote of the Commissioners Court and the governing bodies of the cities, towns, school districts and conservation and reclamation districts in the County under a voting system weighted in direct proportion to the amount of taxes imposed by the voting entities. Cumulative voting for Appraisal District Board members is permitted, and, through the exercise of that right, the Commissioners Court, the Houston City Council and the Houston Independent School District ("HISD") Board of Education may each select one member. The cities and towns other than the City of Houston choose one member by election. The school districts other than HISD choose one member by election. The conservation and reclamation districts choose one member by election.

Except as described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised. See "TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT" for the reduction in taxable valuation attributable to the 10% Homestead Cap.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the Authority, in establishing their tax rolls and tax rates.

Authority and Taxpayer Remedies

Under certain circumstances, the Authority and its taxpayers may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the Authority may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value of at least $50 million and situated in a county with a population of one million or more as of the most recent federal decennial census may additionally protest the determinations of appraisal district directly to a three-member special panel of the appraisal review board, selected by a State district judge, consisting of highly qualified professionals in the field of property tax appraisal.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the Authority and provides for taxpayer referenda that could result in the repeal of certain tax increases. See "– PUBLIC HEARING AND MAINTENANCE AND OPERATIONS TAX RATE LIMITATIONS." The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Public Hearing and Maintenance and Operation Tax Rate Limitations

The County **does not** currently levy a maintenance and operations tax for the benefit of the Authority, and there are no current plans to implement such a tax. The implementation of a maintenance and operations tax would require a vote of the qualified voters within the boundaries of the Authority. **The calculations described in this section do not limit or impact the County's ability to set a debt service tax rate for the Authority in each year that is sufficient to pay debt service on all of the Authority's tax-supported debt obligations, including the Bonds.**

The following terms as used in this section have the meanings provided below:

"adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

"de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional $500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

"special taxing unit" means a taxing unit for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per $100 of taxable value.

"unused increment rate" means the cumulative difference between a taxing unit's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a taxing unit's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

"voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate."

The Authority's tax rate generally may consist of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). However, as described above, the Authority does not currently levy a maintenance and operations tax rate. Under State law, the assessor for the Authority must submit to the Commissioners Court an appraisal roll showing the total appraised, assessed, and taxable values of all property in the Authority by August 1 or as soon as practicable thereafter.

The Commissioners Court must annually calculate the Authority's "voter-approval tax rate" and "no-new-revenue tax rate" (as such terms are defined above) in accordance with forms prescribed by the Comptroller and provide notice of such rates to each owner of taxable property within the Authority and the county tax assessor-collector for each county in which all or part of the Authority is located. The Commissioners Court must adopt a tax rate for the Authority before the later of September 30 or the 60th day after the Authority's receipt of its certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If the Commissioners Court fails to timely adopt a tax rate, the tax rate for the Authority is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the Authority for the preceding tax year.

As described below, the Property Tax Code provides that if the Commissioners Court adopts a tax rate for the Authority that exceeds the Authority's voter-approval tax rate or, in certain cases, its "de minimis rate," an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

The Commissioners Court may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until the Appraisal District has delivered notice to each taxpayer within the Authority of the estimated total amount of property taxes owed and the Commissioners Court has held a public hearing on the proposed tax increase.

If the adopted tax rate for the Authority for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the Commissioners Court must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate for the Authority to the voter-approval tax rate. However, for any tax year during which the Authority does not qualify as a special taxing unit, if the adopted tax rate for the Authority is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the Authority's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the Authority would require that an election be held to determine whether or not to reduce the adopted tax rate for the Authority to the voter-approval tax rate.

Any taxing unit located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its "voter-approval tax rate" using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such taxing unit's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred. See "INFECTIOUS DISEASE OUTBREAK" for a discussion of recent disaster declarations relating to the COVID-19 pandemic.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the County's ability to set a debt service tax rate for the Authority in each year sufficient to pay debt service on all of the Authority's tax-supported debt obligations, including the Bonds.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

Collections, Penalty and Interest

The County Tax Assessor-Collector is responsible for the collection of taxes. The Property Tax Code contains provisions that allow the assessment and collection of Authority taxes by the Appraisal District or another taxing unit if the Commissioners Court elects to enter into a contract for that purpose and the County Tax Assessor-Collector approves such contract. The Property Tax Code also provides for assessment and collection of Authority taxes by the Appraisal District or another taxing unit if that procedure is approved at an election which may be initiated by petition of 10,000 qualified voters of the County.

Tax statements are required to be mailed by October 1, or as soon thereafter as practicable, and taxes thereon become delinquent on February 1 of the following year. If tax statements are mailed after January 10, the delinquency date is postponed to the first day of the next month that will provide a period of at least 21 days between the date the statement is mailed and the date taxes become delinquent. So long as the Commissioners Court or voters have not transferred responsibility for collection of the taxes to another taxing unit or the Appraisal District, the Commissioners Court may permit payment without penalty or interest of one-half of the taxes due from each taxpayer by July 1 if one-half of the taxes due for the current year from such taxpayers are paid prior to December 1. Delinquent taxes are subject to a 6% penalty for the first month of delinquency, 1% for each month thereafter to July 1, and 12% total if any taxes are unpaid on July 1. Delinquent taxes also accrue interest at the rate of 1% per month during the period they remain outstanding. If the delinquency date is postponed, then the postponed date is the date from which penalty and interest accrues on the delinquent taxes. The Commissioners Court may impose an additional penalty for collection costs for certain delinquent taxes if there is a contract with a collection attorney. The Commissioners Court may waive penalties and interest on delinquent taxes if the error or omission of a representative of the County or of the Appraisal District, as applicable, caused the failure to pay the tax before delinquency and if the tax is paid within 21 days after the taxpayer knows or should know of the delinquency.

The Texas Tax Code permits taxpayers owning homes or certain businesses physically damaged by a declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1. See "—Property Subject to Taxation" and "WEATHER EVENTS."

Tax Liens

The Property Tax Code provides that taxes levied by the County for the benefit of the Authority are a personal obligation of the property owner as of January 1 of the year for which the tax is imposed. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the Authority, having power to tax the property. The tax lien on real property has priority over the claims of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the other debt or lien existed before the attachment of the tax lien. Taxes levied for the Authority are the personal obligation of the property owner and, under certain circumstances, personal property is subject to seizure and sale for the payment of delinquent taxes, penalty and interest thereon. Except with respect to taxpayers aged 65 and older (whom State law permits to defer ad valorem taxes), any time after taxes on property become delinquent, the Authority may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax or both. In filing a suit to foreclose a tax lien on real property, the Authority must join other taxing units that have claims for delinquent taxes against all or part of the same property.

The ability of the Authority to collect delinquent taxes by foreclosure may be adversely affected by the amount of taxes owed to other taxing units, certain affirmative defenses, adverse market conditions affecting the liquidation of such property, taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed is filed in the County records), general principles of equity or bankruptcy proceedings that restrain the collection of a taxpayer's debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents enforcement of liens for post-petition taxes from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Authority Tax Rates

The following table shows the ad valorem tax rates per $100 of assessed value levied by the Commissioners Court on behalf of the Authority for each of the tax years 2015 through 2019. The table does not show the ad valorem tax rates levied by other County-wide taxing entities. See "AUTHORITY AD VALOREM TAXES ─ County-Wide Ad Valorem Tax Rates." The tax year of the Authority is the calendar year. The ad valorem tax rate that the Commissioners Court may levy on behalf of the Authority to pay the Authority's tax bonds is unlimited.

Table 1 – Authority Tax Rates[a]

	Tax Year				
Purpose	2015	2016	2017	2018	2019
Debt Service	$0.01342	$0.01334	$0.01256	$0.01155	$0.01074

[a] Operations and maintenance expenses of the Authority are paid from other available revenues of the Authority.

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Authority Taxable Values and Tax Rates

The following table shows the Authority's taxable values and tax rates for each of the tax years 2015 through 2019. Taxable property is assessed at 100% of the appraised value as established by the Appraisal District.

Table 2 – Authority Taxable Values And Tax Rates

(dollar amounts in thousands)

	Certified Taxable Value as of December 31 of each tax year				
Tax Year	Real Property	Personal Property	Less Exemptions and Abatements[(a)(b)]	Total[(a)(b)]	Authority Tax Rate per $100 of Taxable Value
2015	$420,143,010	$57,162,124	$100,360,569	$376,944,565	$0.01342
2016	467,478,230	51,201,800	109,296,383	409,383,647	0.01334
2017	486,904,155	48,036,665	109,150,988	425,789,832	0.01256
2018	507,215,984	49,241,694	118,780,750	437,676,928	0.01155
2019[(c)]	546,249,496	50,880,252	126,713,304	470,416,444	0.01074

(a) Includes statutory exemptions including public purpose and charitable property exempt by federal law, farm products owned by producers, and solar and wind energy devices. Additionally, by action of the Commissioners Court and Port Commission or through a process of petition and referendum initiated by residents an exemption for residential homesteads of persons 65 years or older and of certain disabled persons may be granted. Such an exemption for residential homesteads for persons 65 years of age or older and disabled persons has been granted for up to $160,000 of assessed value. If requested, exemptions must be granted to disabled veterans or certain surviving dependents of disabled veterans or of persons who died while on active military duty in an amount not to exceed $3,000 of assessed value. Exemptions of up to 20% of the value of residential homesteads from ad valorem taxation may also be granted. Such 20% exemption has been granted. The Authority also offers a goods-in-transit exemption.

(b) The County and certain taxing units located within the County, including the Authority, may enter into tax abatement agreements to encourage economic development. Under such agreements, a property owner agrees to construct certain improvements on its property. The County or taxing unit (as applicable) in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. Any such abatement agreement may last for a period of up to 10 years. If the County or taxing unit (as applicable) enters into a tax abatement agreement with owners of taxable property within the Authority, the Authority must abate taxes on the improvements in the same manner as the County or taxing unit. The estimated value of property in the County that was subject to tax abatement as of September 20, 2019, was approximately $110 million. Assessed taxable value figures herein are net of abatements. The dollar amounts contained in this footnote are not shown in thousands.

(c) As of April 17, 2020, the Authority received from the Appraisal District updated certified taxable values net of exemptions for Tax Year 2019 of approximately $470 billion. The amount certified does not include amounts under protest (including the owners' uncontested valuations) and amounts for which the Appraisal District has not completed the certification process. Certified additional amounts will be added to the certified values by supplement. As of April 30, 2020, the Authority received the Appraisal District's certified estimate of taxable values for the County for Tax Year 2020 of approximately $505 billion. The Authority's taxable assessed valuation is generally two to three percent less than the County's taxable assessed valuation. The certified estimate takes into account estimates of potential hearing loss, but tax protests, late filed applications for exemptions and productivity valuations, and other appeals and corrections could lead to a reduction in the estimated taxable values. Tax Rates for 2020 are scheduled to be adopted by Commissioners Court in late October 2020. The dollar amounts contained in this footnote are not shown in thousands.

Sources: Harris County Tax Assessor-Collector, Harris County Appraisal District, and the Authority.

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Authority Tax Levies, Collections, and Delinquencies

The table below sets forth a comparison of the ad valorem taxes levied and collected by the Commissioners Court on behalf of the Authority for the tax years 2015 through 2019.

Table 3 – Authority Tax Levies, Collections, and Delinquencies

(dollar amounts in thousands)

Tax Year	Total Tax Levy	Current Tax Collections [a]	Percent of Current Levy	Delinquent Collections[b]	Total Tax Collections	Percent of Total Collections to Levy	Delinquent Taxes Receivables[b]
2015	$50,796	$48,208	94.91%	$1,767	$49,975	98.38%	$896
2016	54,806	51,946	94.78	1,981	53,926	98.39	888
2017	53,652	50,738	94.57	2,008	52,746	98.31	833
2018	48,760	48,252	98.96	1,502	49,754	102.04	731
2019[c]	50,643	48,165	95.11	N/A	N/A	N/A	N/A

(a) Taxes levied in any year that are collected beginning October 1 of such year through June 30 of the following year are shown as current collections. Such amounts include that portion of the current levy collected on or after February 1, which is the date taxes become legally delinquent.

(b) Collections of prior years' levies of taxes during the period beginning July 1 of the year shown and ending on June 30 of the following year are shown as delinquent collections. The accumulation of all unpaid ad valorem taxes that were due at the end of the collection period beginning on July 1 of the year shown and ending on June 30 of the following year is shown as delinquent taxes receivable. The Authority writes off uncollectible personal property and real property taxes annually. Pursuant to Section 33.05, subsection (c) of the Property Tax Code, the County Tax Assessor Collector is required to cancel and remove from the delinquent tax roll a tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years. The delinquent taxes may not be canceled if litigation concerning the taxes is pending.

(c) Interim estimates per the Appraisal District's supplemental reports as of February 29, 2020.

Sources: Harris County Tax Assessor-Collector, Harris County Appraisal District, and the Authority.

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Principal Taxpayers

The following table lists the 15 taxpayers with the largest taxable values in the Authority.

Table 4 – Principal Taxpayers

(dollar amounts in thousands)

Taxpayers	2019 Taxable Valuations[a]	Rank	Percentage of Total 2019 Taxable Valuation[b]
EXXON Mobil Corp.	$ 4,199,416	1	0.89%
Chevron Chemical Co.	3,743,504	2	0.80
CenterPoint Energy Inc.	3,678,077	3	0.78
Shell Oil Co.	2,068,217	4	0.44
Equistar Chemicals LP	1,603,335	5	0.34
Palmetto Transoceanic LLC	1,202,472	6	0.25
Valero Energy	1,035,551	7	0.22
Walmart	930,843	8	0.20
Pky City West 1-4, POC, San Felipe Pipe	843,913	9	0.18
AT&T Southwestern Bell	817,844	10	0.17
One Two and Three Allen Center Co LLC	788,054	11	0.17
BSREP 1HC-4HC	786,878	12	0.17
National Oilwell Inc.	786,335	13	0.17
Enterprise	785,327	14	0.17
Magellan Terminal Holding	728,895	15	0.15
Total	$ 23,998,661		5.10%

[a] Amounts shown for these taxpayers do not include taxable valuations, which may be substantial, attributable to certain subsidiaries and affiliates that are not grouped on the tax rolls with the taxpayers shown.
[b] Based on the County's total taxable value as of December 20, 2019, which approximates the Authority's total taxable value as of such date.
Source: Harris County Appraisal District

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County-Wide Ad Valorem Tax Rates

In addition to the Authority's ad valorem taxes, the Commissioners Court levies taxes on property in the County on behalf of the County, the Harris County Flood Control District and the Harris County Hospital District. As with the Authority, the County Tax Assessor-Collector collects ad valorem taxes for the Harris County Flood Control District and the Harris County Hospital District using the same property values as the County, except that certain freeport goods, the State of Texas rolling stock of railroads and intangible properties of railroads and certain common carriers are taxable only by the County.

The following table shows the ad valorem tax rates per $100 of assessed value levied by the County for each of the tax years 2015 through 2019. The tax rates are based on assessment of taxable property at 100% of appraised value. (The tax year of the County is the calendar year, but its fiscal year begins March 1 and ends on the last day of February of the next year).

Table of County-Wide Ad Valorem Tax Rates

	Tax Years				
Purpose	**2015**	**2016**	**2017**	**2018**	**2019**
County:					
Operating Fund	$0.34000	$0.34000	$0.34000	$0.34000	$0.34000
Public Improvement Contingency Fund	0.00547	0.00500	0.00500	0.01000	0.00174
Debt Service	0.05237	0.05111	0.05234	0.05084	0.04711
Total ($0.80 Limited Tax Rate)	0.39784	0.39611	0.39734	0.40084	0.38885
Road Bond Debt Service:					
(Unlimited Tax Rate)	0.02139	0.02045	0.02067	0.01774	0.01828
Toll Road Authority Tax Bond:					
Debt Service (Unlimited Tax Rate)[a]	--	--	--	--	--
Total County Tax Rate	0.41923	0.41656	0.41801	0.41858	0.40713
Harris County Flood Control District[b]					
Operating Fund	0.02620	0.02745	0.02736	0.02738	0.02670
Debt Service	0.00113	0.00084	0.00095	0.00139	0.00122
Total	0.02733	0.02829	0.02831	0.02877	0.02792
Port of Houston Authority Debt Service[c]	0.01342	0.01334	0.01256	0.01155	0.01074
Harris County Hospital District[d]	0.17000	0.17000	0.17000	0.17000	0.16491
Debt Service	--	0.00179	0.00110	0.00108	0.00100
Total	0.17000	0.17179	0.17110	0.17108	0.16591
Total County-Wide Ad Valorem Tax Rate	$0.62998	$0.62998	$0.62998	$0.62998	$ 0.61170

[a] The County's policy and practice has been to provide for payment of debt service on the Toll Road Authority Tax Bond debt from toll revenues and certain other funds, and no taxes have been collected to-date to provide for such debt service.
[b] The ad valorem tax rate that the Commissioners Court may levy on behalf of the Flood Control District is limited by law to a maximum of $0.30 per $100 of assessed value.
[c] The ad valorem tax rate that the Commissioners Court may levy on behalf of the Authority to pay its bonds is by law unlimited.
[d] The ad valorem tax rate that the Commissioners Court may levy on behalf of the Hospital District/Harris Health for all purposes including debt service is limited by law to a maximum of $0.75 per $100 assessed value.
Sources: Harris County Tax Assessor-Collector and Harris County Auditor's Office.

AUTHORITY AD VALOREM TAX DEBT

Ad Valorem Tax Debt Comparisons

The following table sets forth the Authority's ad valorem tax debt outstanding, as of the end of the fiscal years ended December 31, 2015, through December 31, 2019, as a percentage of taxable value and per capita.

Table 5 – Ad Valorem Tax Debt Comparisons

Fiscal Year Ended (12/31)	Authority's Debt Outstanding[(a)] (in thousands)	Authority's Taxable Value[(b)] (in thousands)	Authority's Debt Outstanding as a Percentage of Taxable Value	Estimated Population[(c)]	Authority's Tax Debt Outstanding Per Capita
2015	$674,269	$376,944,565	0.18%	4,538,028	$149
2016	657,994	409,383,647	0.16%	4,589,928	143
2017	638,829	425,789,832	0.15%	4,652,980	137
2018	593,754	437,676,928	0.14%	4,698,619	126
2019	572,569	470,416,444	0.12%	N/A	N/A

(a) Principal amount of the Authority's outstanding ad valorem tax debt.
(b) Net of exemptions and abatements. Property is assessed at 100% of appraised value. Source: Harris County Appraisal District
(c) *Sources: U.S. Census Bureau and Harris County, Texas Comprehensive Annual Financial Report for the Fiscal Year Ended February 28, 2019.*

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Debt Service Schedule

The following table sets forth the annual debt service schedule on the Authority's outstanding ad valorem tax debt assuming the issuance of the Bonds and the refunding of the Refunded Bonds.

Table 6 –Debt Service Schedule

Port FYE	Outstanding Debt Service	Less Debt Service on Refunded Bonds	Series 2020A-1 Bonds		Series 2020A-2 Bonds		Series 2020B Bonds		Adjusted Outstanding Debt Service
			Principal	Interest	Principal	Interest	Principal	Interest	
12/31/2020	$49,785,330	$2,061,995	--	$44,576	--	$1,353,645	--	$ 59,688	$49,181,245
12/31/2021	49,764,242	17,559,350	$1,530,000	327,500	$1,095,000	9,945,150	--	438,525	45,541,067
12/31/2022	49,105,542	21,069,650	1,605,000	251,000	1,155,000	9,890,400	$3,695,000	438,525	45,070,817
12/31/2023	44,828,742	23,779,350	785,000	170,750	3,925,000	9,832,650	3,800,000	355,388	39,918,180
12/31/2024	45,339,967	29,233,613	835,000	131,500	8,230,000	9,636,400	3,900,000	269,888	39,109,142
12/31/2025	45,335,361	29,242,588	875,000	89,750	8,640,000	9,224,900	3,995,000	182,138	39,099,561
12/31/2026	45,324,266	29,257,788	920,000	46,000	9,070,000	8,792,900	4,100,000	92,250	39,087,628
12/31/2027	46,056,406	25,127,900			10,655,000	8,339,400			39,922,906
12/31/2028	46,213,406	25,323,400			11,340,000	7,806,650			40,036,656
12/31/2029	46,211,225	25,322,000			11,905,000	7,239,650			40,033,875
12/31/2030	46,211,363	26,341,300			13,270,000	6,644,400			39,784,463
12/31/2031	46,203,969	26,340,350			13,930,000	5,980,900			39,774,519
12/31/2032	46,317,738	22,722,238			11,000,000	5,284,400			39,879,900
12/31/2033	46,320,325	22,728,575			11,250,000	4,734,400			39,576,150
12/31/2034	46,313,713	23,514,213			12,750,000	4,171,900			39,721,400
12/31/2035	46,319,213	23,515,713			13,400,000	3,534,400			39,737,900
12/31/2036	46,321,213	27,660,463			17,910,000	2,998,400			39,569,150
12/31/2037	46,318,050	27,658,300			18,625,000	2,282,000			39,566,750
12/31/2038	46,320,775	27,662,275			19,375,000	1,537,000			39,570,500
12/31/2039	34,608,000	34,608,000			25,400,000	762,000			26,162,000
	$919,218,843 (a)	$490,729,057	$6,550,000	$1,061,076	$222,925,000	$119,991,545	$19,490,000	$1,836,401	$800,343,808 (a)

(a) Totals may not tie due to rounding.
Source: Masterson Advisors LLP

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County-Wide Ad Valorem Tax Debt Service Requirements

The following table sets forth the debt service requirements on County-wide outstanding ad valorem tax debt, excluding commercial paper.

Fiscal Year (Ended Feb. 28/29)	County Limited Tax Bonds[a]	County Unlimited Tax Bonds	Toll Road Unlimited Tax Bonds[b]	Flood Control District Limited Tax Bonds[c]	Flood Control District Contract Tax Bonds[d]	Hospital District Tax Bonds	Port of Houston Authority Unlimited Tax Bonds	Grand Total[e]
2021	$123,920,521	$83,554,689	$40,049,775	$3,920,050	$46,639,199	$7,992,494	$49,181,245	$355,257,973
2022	128,008,956	64,185,200	28,930,613	3,920,050	48,809,439	8,761,250	45,541,067	328,156,575
2023	102,289,136	92,146,450	28,689,022	3,920,050	46,637,989	8,763,500	45,070,817	327,516,964
2024	94,591,461	90,923,700	28,084,903	3,920,050	46,636,239	8,762,750	39,918,180	312,837,283
2025	119,333,238	80,415,800	27,462,059	3,920,050	46,218,489	8,763,500	39,109,142	325,222,278
2026	80,824,238	68,191,050	17,500,338	8,995,050	43,968,450	8,764,300	39,099,561	267,342,987
2027	78,032,238	66,036,050	16,886,138	34,791,300	17,746,200	8,762,800	39,087,628	261,342,354
2028	76,245,863	63,884,300	16,275,756	13,860,050	37,619,700	8,761,800	39,922,906	256,570,375
2029	68,854,488	61,854,800	15,659,194	13,252,550	37,250,700	8,764,550	40,036,656	245,672,938
2030	43,316,238	49,400,550	15,046,450	12,646,050	34,855,700	8,765,050	40,033,875	204,063,913
2031	43,117,863	45,181,550	14,432,394	12,035,550	20,753,450	4,692,550	39,784,463	179,997,820
2032	42,947,563	43,797,375	13,817,025	-	15,336,800	4,691,900	39,774,519	160,365,182
2033	38,488,450	17,422,500	13,205,213	-	15,338,300	4,692,800	39,879,900	129,027,163
2034	16,139,450	17,425,000	12,586,956	-	15,338,800	4,690,100	39,576,150	105,756,456
2035	16,139,200	17,424,750	-	-	15,337,050	4,688,800	39,721,400	93,311,200
2036	16,136,450	-	-	-	15,336,800	4,690,400	39,737,900	75,901,550
2037	14,279,950	-	-	-	15,342,600	-	39,569,150	69,191,700
2038	14,275,950	-	-	-	15,343,000	-	39,566,750	69,185,700
2039	14,284,950	-	-	-	15,342,400	-	39,570,500	69,197,850
2040	14,284,950	-	-	-	15,340,000	-	26,162,000	55,786,950
2041	14,279,450	-	-	-	-	-	-	14,279,450
2042	4,195,800	-	-	-	-	-	-	4,195,800
2043	4,196,600	-	-	-	-	-	-	4,196,600
2044	4,196,400	-	-	-	-	-	-	4,196,400
Total[e]	$1,172,379,400	$861,843,764	$288,625,834	$115,180,800	$565,191,306	$115,008,544	$800,343,808	$3,918,573,460

[a] Includes debt supported by both the County's limited ad valorem tax and its hotel occupancy tax.

[b] The County's policy and practice has been to provide for payment of debt service on the Toll Road Unlimited Tax Bonds from toll road revenues and certain other funds, and no tax has been collected to-date to provide for such debt service.

[c] Flood Control District Limited Tax Bonds are secured by a pledge of a limited tax levied by the Commissioners Court on behalf of the Flood Control District.

[d] Flood Control District Contract Tax Bonds are payable from contractual payments made by the County to the Flood Control District secured by the County's limited tax pursuant to the Flood Control Projects Contract.

[e] Discrepancies in totals due to rounding.

Source: Harris County

Authorized Debt of the Authority

The Authority has no authorized but unissued debt. The Authority may issue additional ad valorem tax obligations in the future if additional debt is authorized at an election of the authorized voters of the Authority. The Authority may also issue revenue debt without an election. See "– Revenue Debt of the Authority" for a description of the Authority's revenue debt program.

Estimated Authority and Overlapping Ad Valorem Tax Debt

In addition to the taxing entities mentioned above, approximately 33 cities, towns and villages, 25 independent school districts, four community college districts and approximately 380 utility districts are empowered to levy taxes on property within the County.

The following summary of estimated outstanding ad valorem tax debt of taxing entities in the County was compiled by the Authority's Financial Advisor from a variety of sources, including Texas Municipal Reports as compiled and published by the Municipal Advisory Council of Texas. The Authority believes such sources to be reliable, but the Authority takes no responsibility for the accuracy or completeness thereof. The table reflects debt outstanding as of various dates. Certain entities listed below may have issued substantial amounts of tax debt since the latest available data and may have capital improvement programs requiring the issuance of a substantial amount of additional tax debt.

	Long Term Debt Outstanding (dollar amounts in thousands)	
County-Wide Taxing Entities:[a]		
Harris County Flood Control District	$ 83,075	
Harris County[b]	1,885,182	
Harris County Hospital District[c]	86,050	
Port of Houston Authority[d]	514,174	$ 2,568,481
Cities:		
Houston[e]	$ 3,741,325	
Other cities[f]	1,194,218	4,935,543
Independent School Districts, Junior College Districts and the Harris County Department of Education:[f]		19,062,270
Utility Districts:[f]		$ 6,674,094
Total		$33,240,388

[a] As of April 30, 2020, but including the Harris County Hospital District Combination Tax and Revenue Certificates of Obligation, Series 2020 that were issued in May of 2020.
[b] Includes Flood Control District Contract Tax Bonds secured by County contract payments. Excludes all outstanding Toll Road Tax Bonds which are secured by a pledge of ad valorem taxes and a subordinate lien on toll road net revenues. No tax has ever been required to pay such bonds. See "– County-Wide Ad Valorem Tax Debt Service Requirements, Footnote (d)."
[c] Secured by ad valorem taxes and a subordinate lien on hospital revenues.
[d] Includes the Bonds and excludes the Refunded Bonds.
[e] Includes ad valorem tax bonds of utility districts assumed by the City of Houston and certain contract tax bonds substantially equivalent to ad valorem tax bonds. Excludes commercial paper balances.
[f] Aggregate net debt as estimated by the Municipal Advisory Council of Texas as of various dates for other cities (not including the City of Houston) located within the County, 25 independent school districts and four community college districts and approximately 400 utility districts located within the County.

Sources: Harris County Office of Financial Management and Municipal Advisory Council of Texas

Revenue Debt of the Authority

Revenue Bonds. In addition to the unlimited tax bonds of the Authority, the Authority may issue, from time to time, debt secured by certain revenues of the Authority other than taxes. Currently, the Authority has no outstanding revenue debt.

Interim Note Program. Pursuant to a master resolution and a first supplemental resolution, the Authority has established a senior lien note program (the "Note Program"). The Note Program is a direct purchase revolving note program that authorizes the Authority to borrow up to $100 million for authorized purposes of the Authority. The Note Program is currently scheduled to expire in December 2023. The Note Program is intended to provide interim financing for the Authority's capital improvement program. No notes are currently outstanding under the Note Program. The notes issued under the Note Program, if any, will be secured by a first lien on and a pledge of the net revenues of the Authority and the funds and accounts pledged under the master resolution and the first supplemental resolution. The notes issued under the Note Program are not secured by the ad valorem taxes securing the Bonds. However, if approved by the voters at an election called for that purpose, the Authority may issue ad valorem tax bonds for the purposes of taking out the interim financing. The Authority currently anticipates extending the Note Program or entering into a new note program in connection with the expiration of the current Note Program.

THE AUTHORITY

General

The Authority is a navigation district and independent political subdivision of the State of Texas, operating pursuant to Texas statutes, including Chapter 5007, Texas Special District Local Laws Code, as amended, and Texas Water Code Chapters 60, 61 and 62, as amended. Originally constituted in 1911 as the Harris County Houston Ship Channel Navigation District to sponsor deepening and widening of the Houston Ship Channel, the Authority began operating terminals along the Channel in 1922. The Authority by statute operates independently of other governmental entities, except that the Commissioners Court, upon request of the Authority, sets the Authority's tax rate, levies the Authority's tax and issues and authorizes the Authority's general obligation bonds. By statute, the County Treasurer serves as the Treasurer of the Authority. Responsibility for all other activities of the Authority is exercised by a Port Commission composed of seven commissioners. Two members of the Port Commission are appointed by the County Judge and Commissioners Court; two by the Mayor and City Council of the City of Houston, Texas; one by the Mayor and City Council of the City of Pasadena, Texas; and one by the Harris County Mayors' and Councils' Association. The Chairman of the Port Commission is jointly appointed by the governing bodies of the County and the City of Houston.

The Port has been a deep draft port since 1914. The Channel, the center of the Port complex, extends 52 miles inland and links the City of Houston with the Gulf of Mexico. The Port consists not only of the Authority's public terminals and wharves, but also includes more than 200 privately-owned wharves, docks and other facilities. The Port (which includes facilities not owned by the Authority) is ranked first in the nation for foreign waterborne tonnage and second in terms of total tonnage.

Business of the Authority

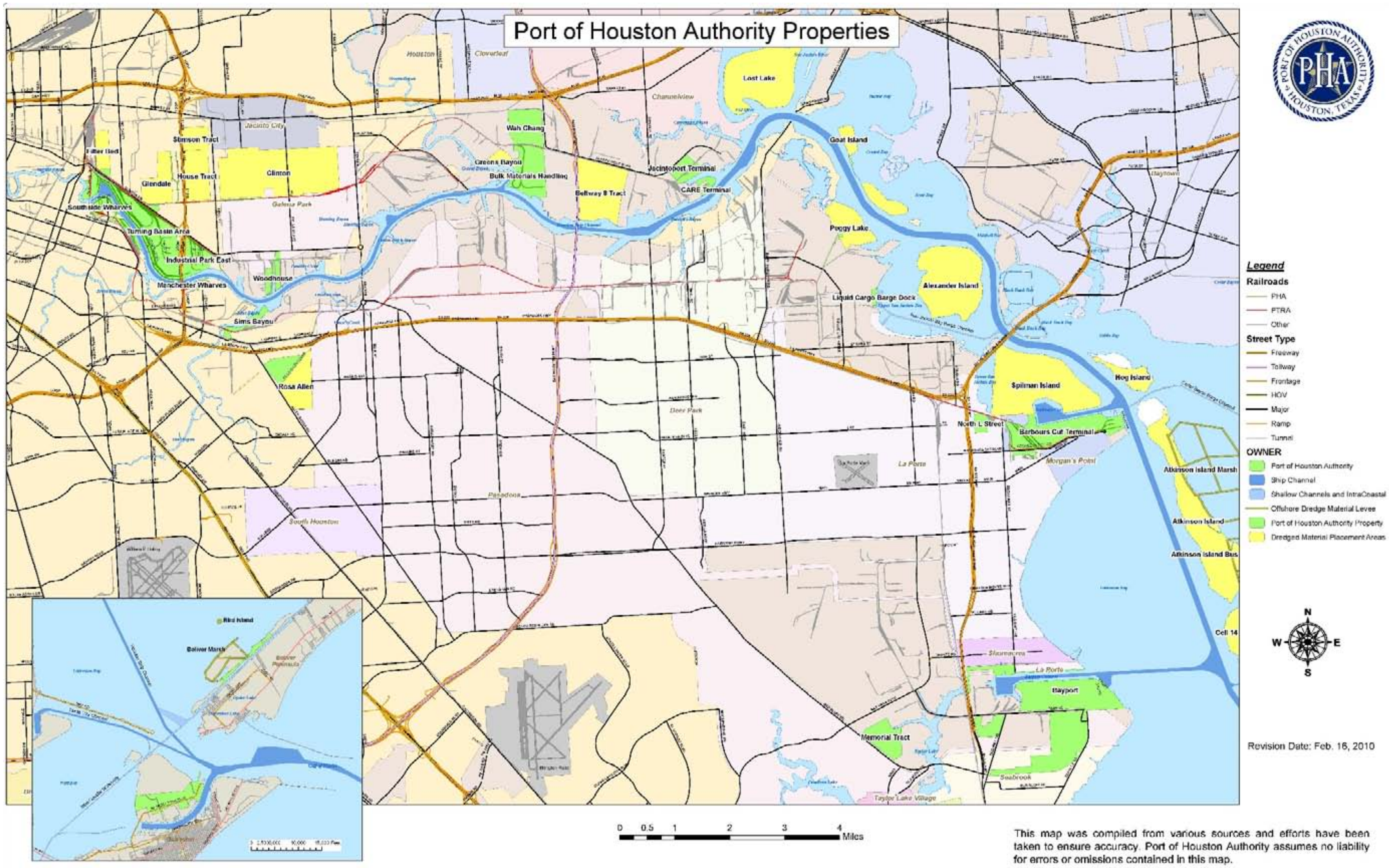
The Authority owns a diverse group of facilities designed to accommodate a variety of cargo, including general cargo, containers, grain, coal, pet coke, dry and liquid bulk and project and heavy-lift cargo. In addition, the Authority leases land to others, provides railroad rights-of-way for the Port Terminal Railway Association ("PTRA"), licenses pipeline crossings of its property, and owns and maintains areas for depositing dredged materials.

The Authority's operating revenues for fiscal year 2019 were $391 million, an increase of approximately 6% from operating revenues for 2018. Revenue tonnage totaled 43.1 million tons in 2019, increasing approximately 6% from 2018. The Authority's container facilities handled 27.8 million tons for the year, an increase of approximately 10% from 2018.

Facilities owned by the Authority are either operated for hire on a first-come, first-served basis, or leased to private operators, and in some cases are subject to preferential or exclusive berthing arrangements. Other privately-owned wharves-for-hire located at the Port compete directly with the Authority's general cargo wharves. The Authority neither regulates the tariffs charged by, nor derives any revenues from, any of the privately- owned wharves, except for certain fees it may collect from private wharves located in the Bayport Industrial District in connection with their location on the Bayport Channel and Bayport Turning Basin. See "– Physical Characteristics of the Port Facilities of the Authority – Table 7."

As of December 31, 2019, the Authority had 680 regular employees. During fiscal year 2019, the Authority also contracted for casual labor from longshoremen union halls, equating to 447 full-time equivalent employees working 40 hours a week for 52 weeks per year.

Map of Authority Properties and Port Facilities



Overview of Authority Port Facilities

The following is a general overview of the Authority's primary facilities (the "Port Facilities"). The Port Facilities are generally described in order from the west to southeast along the Channel from the Turning Basin Terminal to the Bayport Container Terminal. See "Map of Authority Properties and Port Facilities" for more detailed information on the locations of the Port Facilities described herein.

Houston Ship Channel. The Channel is the center of the Port complex and extends 52 miles inland and links the City of Houston with the Gulf of Mexico. The Channel serves some of the largest petrochemical terminals and refineries in the world. In August 2005, the Authority and the U.S. Army Corps of Engineers ("USACE") completed a Channel deepening and widening project, as a result of which portions of the Channel were deepened from 40 feet to 46.5 feet, and widened from 400 feet to 530 feet. The Authority is currently working with the USACE on the further deepening and widening of the majority of the Houston Ship Channel. See "—Authority's Capital Improvement Program."

Turning Basin Terminal. The Authority owns 41 breakbulk and general cargo wharves at the Turning Basin Terminal in the upper Channel area, a multipurpose complex with substantial dockside facilities, including rail, covered storage and open storage, and which may be subject to freight handling assignments. Wharf 32, located within this terminal, was specifically designed for handling project and heavy lift cargoes and has 36 acres of heavy duty paved marshalling area. The Manchester Terminal is a liquid bulk facility lease on a 16-acre site within the Turning Basin Terminal area. Various cargo storage areas within the upper level of the terminal adjoining the wharves are subject to leases. See "—Authority's Capital Improvement Program – Turning Basin Terminal."

Woodhouse Terminal. The Authority's Woodhouse Terminal is located on a 100-acre tract a short distance downstream from the Turning Basin Terminal. The terminal includes over 112,740 square feet of covered shed space, three general cargo wharves with rail access, a roll-on/roll-off ("RO/RO") ramp, and 25 acres of open storage. In addition, the facility includes a modern six-million-bushel capacity grain elevator and ancillary property, totaling approximately 26 acres, which is currently under lease through May 2021.

Bulk Materials Handling Plant. The Authority owns the Bulk Materials Handling Plant, a three-berth dry bulk terminal in the mid-Channel area. Berth 1 has a high-capacity loading crane supplied by a conveyor belt system. Berth 2 is used for lay berth only, and the third functions as a barge dock. The bulk terminal is currently leased through 2022. In addition, the Authority owns approximately 386 acres of unimproved land adjoining this facility, which is available for leasing and development.

Jacintoport Terminal. The Authority owns the Jacintoport Terminal, also located in the mid-Channel area. This site is approximately 125-acres and consists of three wharves, various warehouse facilities and buildings, rail access, and four high-capacity automated loader cranes. Also available are refrigerated, frozen, and dry cargo facilities used for both cargo handling and storage. Portions of the terminal are currently under a month-to-month lease.

Care Terminal. The Authority's Care Terminal is located near the Jacintoport Terminal in the mid-Channel area, and consists of two wharves, 45,000 square feet of shed space, 14 acres of paved marshaling area, and rail access. The Care Terminal is leased through September 2026. The Authority also entered into a 30-year lease, expiring September 2043, for submerged property adjacent to this facility, for construction and operation of a liquid bulk dock.

Barbours Cut Terminal. The Authority's Barbours Cut Terminal provides special-purpose facilities for container ships. This terminal, which opened in 1977, is located 25 miles downstream from the Turning Basin near the point where the Channel enters Galveston Bay and is three and a half hours sailing time from the Gulf of Mexico. Barbours Cut Terminal's six berths provide 6,000 feet of continuous quay. Numerous wharf cranes for handling of containers can traverse the wharves to serve ships simultaneously or singly, as required. Container yard cranes are in use in the Authority's marshalling areas behind container berths to transfer containers to and from land carriers. This facility also includes paved marshalling areas and warehouse space. Barbours Cut Terminal has current capacity for handling approximately 1.2 million to 2.0 million TEUs (Twenty-Foot Equivalent Units, a measure of container volume) on an annual basis. The Authority has entered into Marine Terminal Service Agreements with several shipping lines calling at Barbours Cut Terminal and Bayport Container Terminal. The Authority is carrying out a comprehensive project to redevelop the terminal to higher operational standards to accommodate larger container vessels. See "—Authority's Capital Improvement Program – Barbours Cut Terminal."

Bayport Container Terminal. The Authority's Bayport Container Terminal is considered the most modern and environmentally sensitive container terminal on the U.S. Gulf Coast. This facility became operational in January 2007 and is located approximately 5 miles south of the Barbours Cut Terminal. Currently, the Bayport Container Terminal includes almost 4,000 feet of wharf, 165 acres of container yard, Administration, Maintenance & Repair, Marine Emergency, and Stevedore Support buildings, 12 Ship-To-Shore ("STS") wharf cranes, and 48 rubber tired gantry ("RTG") cranes. Wharf cranes for handling of containers traverse the wharves to serve ships simultaneously or singly, as required, and RTG cranes are in use in the Authority's marshalling areas behind container berths. Work continues on additional expansion of the facility, which when completed is expected to have seven container berths and capacity for the annual handling of 2.3 million TEUs. See "—Authority's Capital Improvement Program – Bayport Container Terminal" for a description of the additional plans for expansion of the facility.

Liquid Cargo Facilities. The Authority owns wharves used for bulk liquid cargo, one of which is located in the San Jacinto Bay area. Other wharves may serve both ships and barges and are located in the Turning Basin Terminal area. Preferential, but not exclusive, berthing rights have been granted at a barge facility and two other facilities.

Bayport Auto Terminal. Adjacent to the Bayport Container Terminal, this facility, with 1,000 feet of wharf, opened for business in November 2016. Originally used for cruise operations, it has been re-purposed to accommodate Ro/Ro operations for new inbound vehicles for auto distribution.

Submerged Land and Dredge Material Placement Areas. The Authority also owns or manages over 12,750 acres of submerged land in Harris County. As the non-federal sponsor of the Houston Ship Channel, the Authority has provided to USACE over 7,000 acres of land in Harris County and Galveston Bay as dredge material placement areas, and sponsors the development of 3,000 acres of created marsh in Galveston Bay for which the Authority will have perpetual maintenance responsibility. The Authority performs environmental management and operational oversight of its placement areas and bird sanctuaries through professional service and maintenance contracts. The Authority derives revenues from licenses, permits and leases relating to submerged land and dredge material placement areas.

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Physical Characteristics of the Port Facilities of the Authority

Below in Table 7 are the physical characteristics of the Port Facilities along with information regarding equipment at certain sites. Such information is updated as of the Authority's most recent financial statements through December 31, 2019 (see APPENDIX A), included in the Statistical Section (unaudited), except for updated information relating to the Covered Storage at the Barbours Cut Terminal.

Table 7 - Physical Characteristics Of The Port Facilities Of The Authority

	Berth Lengths (Feet)	Water Depth Below Mean Tide (Feet)	Paved Marshalling Areas (Acres)	Covered Storage (Sq. Ft.)
Turning Basin Terminal[b]				
36 general cargo wharves	376-624	28.5-37.5[a]	36	1,150,000
5 liquid bulk wharves	226-570	34.5-37.5[a]	-	-
Wharf – 32 Project Cargo	806	37.5[a]	20	-
Woodhouse Terminal[c]				
Wharf 1	660	40.5[a]	2	-
Wharves 2 and 3	1,250	36.5	-	112,740
Grain Dock	600	43.5	-	-
Dry Bulk Cargo Facility				
Wharf 1	800	43.5	-	-
Wharf 2	400	43.5	-	-
Jacintoport Terminal				
Wharves 1 — 3	1,830	41.5	8	82,500
Care Terminal				
Wharf 1	500	38.5	10	45,000
Wharf 2	618	40.5	4	-
Sims Bayou Liquid Bulk Facility				
Berths	320	35.5-41.5	-	-
San Jacinto Barge Terminal				
Berths	200-700	17.5[a]	-	-
Barbours Cut Terminal[d]				
Container Berths 1 — 6	6,000	46.5	190	
Bayport[e]				
Container Berths 2 - 5	3,964	46.5	165	-
Bayport Auto Terminal	1,000	34.5	-	-

[a] The maximum depth allowable in this area due to federally authorized channel project depths. See "WEATHER EVENTS" for a discussion of storm-related impacts on channel depths at the Turning Basin Terminal.
[b] Privately-owned mobile cranes and additional cargo handling equipment are available for hire on an hourly basis.
[c] Woodhouse Terminal is the location of Houston Public Grain Elevator No. 2, a 6,000,000-bushel capacity grain elevator having an average loading capacity of 80,000 bushels per hour.
[d] On site equipment consists of 15 STS wharf cranes (seven Super Post Panamax, five Post Panamax, two Panamax, and one training crane), 50 RTG container yard cranes, 12 pencil/side-pick cranes for handling empty containers, three top-loading container-handling machines, 44 heavy-duty tractors, and 100 heavy-duty yard chassis are available for rent from the Authority.
[e] On site equipment consists of 12 STS wharf cranes (six Super Post Panamax, and six Post Panamax), 48 RTG container yard cranes, 28 heavy duty terminal tractors, two top-loading container-handling machine and 92 heavy-duty yard chassis.
Source: The Authority.

Other Facilities of the Authority

In addition to its wharves, the Authority owns numerous miles of railroad track and rights-of-way and has ample storage yard capacity for railroad cars near all its facilities. These yards are located on property made available to the PTRA, an association of line railroads serving Houston, and the Authority. The Authority also owns the East Industrial Park, a 315-acre industrial park adjacent to the Turning Basin Terminal. The East Industrial Park includes undeveloped channel frontage and adjoins the terminal's heavy-lift cargo wharf described above. Much of this property is leased or rented to various private industries that independently maintain and operate these facilities.

The Authority owns a four-story office building located in the Turning Basin Terminal which houses the Authority's executive offices and much of the Authority's administrative staff.

Authority's Capital Improvement Program

General. The Authority is committed to developing, expanding and renewing port facilities and making appropriate infrastructure investments that contribute to the economic health of the region and generate and sustain jobs. A number of opportunities relate to the expansion of the Panama Canal, which was completed in June 2016, providing greater shipping options and supply-chain reliability. By increasing the waterway's capacity to meet the growing demand of maritime trade using larger Super Post Panamax size vessels (8,000-14,000 TEUs), shippers gain economies of scale. The U.S. East Coast and Gulf Coast markets, including the Houston region, benefit from increased cargo traffic via the Panama Canal due to a more efficient link with growing markets across multiple commodities and industries in the Pacific Rim (primarily East Asia), the west coast countries of South America, and the southern ports of Central America.

The expansion of the Panama Canal helped support a significant increase in the containerized cargo volumes. The Authority is building new facilities at the Bayport Container Terminal and redeveloping the Barbours Cut Terminal to accommodate this demand. Additionally, shipping lines are currently working with the Authority to bring in larger container vessels to the Port. Since 2011, Authority terminals have received ships with capacities to carry over 8,000 TEUs. These Super Post Panamax vessels require significant infrastructure investment, which investment includes improvements within the terminals as well as improvements in the tributary channels that adjoin them. With these larger ships and increased cargo volumes, the Authority is expanding and diversifying its efforts to obtain adequate funding for terminal construction, channel development, capital improvements, and for the ongoing maintenance and operation of the Houston Ship Channel, and the channels into the Bayport and Barbours Cut Terminals.

During 2019, the Authority invested $116 million in capital improvements. Such improvements were funded primarily from the Authority's general fund with support from grant monies received from federal and other governmental programs.

The following information generally describes the Authority's Capital Improvement Program and major initiatives at its Port Facilities. The Authority continuously evaluates its strategic plans to ensure a competitive position in the market, with an emphasis on leading the market with high service levels to carriers and customers, by optimizing expansion and redevelopment activities. The Authority currently generates cash flows from operations sufficient to cover its operating expenses and a significant portion of its capital expenditures. The Authority currently expects that it will need to identify additional funding sources for capital expenditures in the next mid-range planning cycle (five to ten years). As a result, the Authority has continued to explore various short-term and long-term financing alternatives (e.g., the Note Program, revenue bonds, additional ad valorem tax bonds, equipment financing, etc.) to support the continuous growth of the Port Facilities and to meet the capital needs of both the Port and the Authority, while minimizing the burden on taxpayers of the County.

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Projected Capital Spending Plan[a][b]
(dollar amounts in thousands)

	2020	2021	2022
Container Terminals	$144,792	$139,162	$ 24,090
Turning Basin Terminals	26,207	13,215	7,743
Channel Development	28,813	300,004	7,782
Bayport Railroad	4,600	-	-
Other	27,091	24,991	15,470
Total New Capital Investment	$231,503	$477,372	$ 55,085

[a] Includes projects relating to asset management, real estate, security, and contingency funds relating to the Container Terminals, Turning Basin Terminals and Bayport Railroad.
[b] The Projected Capital Spending Plan is subject to change.
Source: The Authority, as shown in the Five-Year Plan presented to the Port Commission on November 11, 2019.

Houston Ship Channel. As noted in "– Overview of Authority Port Facilities," the previous Channel deepening and widening project was completed in August 2005. The continuing cost of the project over its 50-year life is expected to be $890 million, including operations and maintenance, to be shared by the federal government, the Authority and other nonfederal interests. Federal funding for the project must be approved through individual appropriations bills each fiscal year.

As part of the Channel project, the Authority will create approximately 3,000 acres of marsh in Galveston Bay, which will include a bird island and boater destination. This beneficial use project using dredged material is the largest marsh creation project in the region and is being conducted with cooperation and support from local resource agencies.

The Channel project requires annual maintenance dredging using federal funds. To provide for the capacity needs for such dredging, and other additional capacity needs in the Channel, the Authority has designed deferred construction elements to be included in future fiscal year construction programs. These projects will be cost shared. The Authority also continues working closely with the Beneficial Use Group comprised of the Authority, the USACE and six federal and state natural resource agencies to complete and manage the marshes.

The Authority and USACE have completed a cost-shared federal study assessing the feasibility of further improvements to the Houston Ship Channel and its tributaries ("Project 11"). The recommended improvements would allow for more efficient transportation through Galveston Bay and to the Turning Basin Terminal, enabling larger ships to call, benefitting the Authority and many petrochemical industry participants located on or near the Port. Additional widening of the channels up to and including the container terminals will also assure the capability of those channels to satisfy the growing demand for containerized cargo for decades to come. The Authority's 50% cost share of the study is approximately $5.3 million.

Turning Basin. To add to the economic value of the Authority's Turning Basin operations, construction is underway to repurpose aging facilities, and to expand capacity. This includes demolishing aged and obsolete assets at the Turning Basin, for the purpose of redevelopment of prime waterfront property and other real estate assets. An assessment of docks at the general cargo facilities supported determinations as to whether repairs were necessary and if potential improvements would enable incremental commerce and provide an economic return for the Authority. The Authority anticipates capital expenditures of $26 million in 2020 for rehabilitation of wharves, replacement of a transit shed roof, construction of restrooms, and other infrastructure projects at the Turning Basin.

Barbours Cut Terminal. Redevelopment at Barbours Cut Terminal continues to progress. The Authority has completed the reconstruction and rehabilitation of Wharf 3 and Container Yards 1 and 2 North.

Reconstruction of Wharf 3 will continue throughout 2020 with completion scheduled for the first quarter of 2021. Three ship-to-shore ("STS") cranes will accompany the reconstruction effort raising the fleet size of 100 gage cranes to 10. Two older, 50 gage cranes are expected to be declared surplus during 2020 to allow for the arrival of the 100 gage cranes. When complete Barbours Cut Terminal will house seven Super-Post-Panamax, three Post-Panamax and five 50 gage Panamax class STS cranes for a total of 15. These Super Post Panamax STS wharf cranes, similar to the configuration of the seven already in operation at Barbours Cut Terminal, are a major component in the revitalization of the terminal and provide the capability to service the growing vessel size of the industry.

Reconstruction of Container Yards 1 and 2 North began in 2019 and are scheduled to be completed in 2020. The first phase of this project will be turned over to operations in the second quarter of 2020 with the total completion occurring in the fourth quarter of 2020. When complete it will have redeveloped over 15 acres of the most utilized container yard at Barbours Cut Terminal, increasing the density of its footprint as well as adding bypass lanes to increase velocity and safety.

The new Barbours Cut Terminal Entry Gate Facility design was completed in 2019 and construction has begun. When complete, this redesigned gate will consist of 29 entry lanes and utilize new "weigh in motion" technology to increase cargo velocity supporting the expected growth of the facility. This will also transition the entry gate from a two-stage complex into one stage, mirroring the processing found at the Bayport Terminal today. Completion of phase one is currently slated for the second quarter of 2021 with the final phase coming online in early 2022.

Repurposing warehouse and freight handling areas for container stacking and rebuilding aging infrastructure to support higher cargo velocities will eventually allow expansion of Barbours Cut Terminal capacity to reach as much as 2,000,000 to 2,500,000 TEUs annually.

Over the next few years, the Authority expects to complete the redevelopment of Container Yard 3 at Barbours Cut Terminal and the rebuild of the Maintenance Facility. Proper phasing of the Barbours Cut redevelopment is critical to ensure the terminal maintains current operating capacity during construction activities. Over the next five years, the capital improvements will likely total over $218 million.

Bayport Container Terminal. The Bayport Container Terminal is located on an industrial complex in southeast Harris County, and is linked by the Bayport Channel to the Houston Ship Channel. Bayport's proximity to the Barbours Cut Terminal benefits the customers at the Bayport Container Terminal due to competitive rail and trucking charges and affordable ancillary services.

The Authority continues the development of the Bayport Container Terminal to accommodate the expanding needs of existing and new customers. In 2019, the Authority commissioned three new STS cranes and ten new RTG cranes. The STS cranes that were commissioned in early 2019 brought the fleet total to 12 at Bayport and the ten RTGs increased the total fleet size to 48. Expansion of grounded container marshaling areas saw the beginning of construction for Container Yard Seven. Container Yard Seven is expected to be completed in 2020, and when completed will consist of 50 acres of grounded and wheeled storage. The Authority also transitioned a previously leased area, consisting of approximately 15 acres of empty container storage, into grounded storage for loaded containers in 2019. Finally, the Bayport South Rail Spur project is underway and construction will continue into 2020.

Development at the Bayport Terminal has continued with the recent Praxair pipeline relocation as well as the addition of nine RTG cranes at Container Yard 7. The total investment for each of these projects were $12.5 million and $18.8 million, respectively. The additional nine hybrid RTGs will raise the total fleet size to 57 when fully commissioned at the end of 2020.

For 2020, the Authority expects to allocate approximately $92 million towards construction of Container Yard 2, the nine RTG crane purchase, strengthening Wharves 4 and 5, the construction of Port Road Phase 3, and other projects, and another $5 million for Bayport railroad projects. Over the next five years, the capital improvements may total over $394 million.

The entire Bayport Container Terminal project, to be completed over an estimated 15 to 20 year period, as required by market demand, is currently estimated to cost approximately $1.9 billion. At completion, the Bayport Container Terminal is planned to include 7,000 feet of berth, 376 acres of container yard, additional acres for buildings, equipment, cranes and an intermodal rail yard. At capacity, the facility is expected to be able to move 2.3 million TEUs.

Project 11

Since 2010, in its role as the non-federal sponsor of the Houston Ship Channel, the Authority has been planning the next major channel improvement project in coordination with the USACE. The now-completed feasibility study considered the economic benefits and environmental impacts of various proposed channel improvements through the entire 52-mile waterway. The proposed project has internally been labeled Project 11, as it is arguably the eleventh major improvement to the waterway in its history.

The improvements planned in Project 11 include widening the channel from 530 feet to 700 feet through Galveston Bay, other widening upstream, and the deepening of upstream segments to 46.5 feet. During the study period, it was noted that the growth in U.S. energy production, manufacturing, and exports as well as the increased size of ships has created significant demand and pressure on the Houston Ship Channel and regional infrastructure, thereby increasing the urgency for these improvements.

Safety is also a primary driver for an expanded Houston Ship Channel. Widening the Galveston Bay segment, in particular, is critical in maintaining safe two-way traffic on the busiest waterway in the nation with 20,000 annual ship transits and 200,000 barge movements annually.

The cost of this project is currently estimated at close to $1 billion, and once authorized, would customarily be built and funded using the traditional federal process. However, if constructed in this manner, it would not be expected to be completed until the year 2030 or later. Because these channel improvements can provide immediate benefits, the Authority is working with the USACE and industry partners to expedite the design and construction of the project, with the expectation that this accelerated method would enable a wider, deeper, and safer channel in less than five years. The Authority's commitment to finance portions of the Galveston Bay reach without the customary federal support, along with this accelerated approach, would require the Authority to make greater contributions and funding commitments than the statutory 70 percent federal and 30 percent local cost-sharing.

Following the completion of the project's feasibility study, the Chief of Engineer's Report was prepared in April 2020 and is expected to be submitted to Congress for consideration thereafter.

Congress will review the report and consider authorizing the project in legislation typically termed as the Water Resources Development Act ("WRDA"). In recent years Congress has passed WRDA legislation every two years, issuing project and policy direction to USACE in all of its mission areas, including navigation, flood control, and environmental restoration. It is anticipated that Congress will consider its next WRDA legislation in 2020, and the Authority and industry partners are working collaboratively to secure Project 11's authorization among WRDA measures.

Recent Legislation Related to Board of Pilot Commissioners

During the 2019 legislative session, the Legislature made several modifications to the governance and operations of the Board of Pilot Commissioners for the Ports of Harris County (the "Board"). The Legislature moved the governance of the organization to a new board composed of nine appointed pilot commissioners, with two members appointed by the City of Houston, two members appointed by Harris County, one member appointed by the City of Pasadena, one member appointed by the Harris County Mayors' and Councils' Association, and two members appointed by the Governor. The Board was previously governed by the Port Commission. The Legislature also adopted legislation that sets the maximum vessel length for certain segments of the Ship Channel at 1,100 feet, unless following the recommendation of the Houston Pilots, the Board determines that two-way traffic can be conducted efficiently with vessels of a longer length and adopts rules relating to the same.

Annual Cargo Amounts

The following table shows the amount of cargo handled by the entire Port (which includes facilities not owned by the Authority) for each of the years 2010-2018. The entire Port ranks first in foreign tonnage and second in total tonnage as compared to other United States ports. The information in the table below is compiled and published by the USACE and the U.S. Department of Commerce.

ANNUAL CARGO AMOUNTS
(in thousands)

Year	Short Tons
2017	260,071
2016	247,982
2015	240,933
2014	234,304
2013	229,246
2012	238,185
2011	237,798
2010	227,133

Source: U.S. Army Corps of Engineers/U.S. Department of Commerce.

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The following table shows the amount of cargo handled by facilities owned by the Authority for each of the fiscal years ended December 31, 2015 through December 31, 2019.

Table 8 – Authority Cargo Statistics (Unaudited)

(in thousands of short tons)

	2019	2018	2017	2016	2015
Total Revenue Tonnage					
Including Bayport companies[a]	48,142	46,679	44,281	44,839	45,168
Excluding Bayport companies	43,137	40,863	38,274	34,847	35,744
General Cargo[b]	34,074	31,653	28,878	25,226	27,360
Bulk Materials Handling Plant	3,057	3,796	3,230	3,330	2,908
Grain Elevator #2	2,298	1,375	2,140	2,872	2,350
Other Bulk Movements					
Excluding Bayport companies[c]	3,708	4,039	4,026	3,419	3,126
Including Bayport companies	5,005	5,815	6,007	9,992	9,424
Barbours Cut Terminal					
Bulk[c]	42	51	3	3	-
General cargo[b]	11,185	10,687	9,808	9,467	11,395
Bayport Container Terminal					
General cargo[b]	16,603	14,605	13,027	10,855	8,589
Steel[b]					
Import	3,980	4,303	3,626	2,288	4,643
Export	72	61	68	80	141
Autos - Turning Basin					
Tons – import[b]	134	152	141	161	168
Tons – export[b]	4	4	3	8	14
Units – import (in thousands)	61	74	74	83	82
Units – export (in thousands)	1	1	1	2	6
Bagged Goods[b]					
Import	263	133	232	168	167
Export	18	84	45	40	46
Container TEU	2,987	2,700	2,459	2,183	2,131

[a] The Bayport companies are privately owned facilities located at the Bayport industrial complex that pay the Authority harbor fees and certain other payments based on tonnage for use of the Bayport channel.
[b] Tonnage included in General Cargo above.
[c] Tonnage included in Bulk Cargo above.
Source: The Authority.

Administration

Roger D. Guenther – Executive Director.

Roger D. Guenther was named the Executive Director of the Authority in January 2014. Mr. Guenther has over 30 years of experience at the Authority, where he previously served as Deputy Executive Director of Operations and was responsible for all container and breakbulk cargo operations, management and construction of capital development projects, facility and asset maintenance, and real estate interests.

After joining the Authority in 1988, Mr. Guenther served in various capacities related to facilities management, including master planning of the Bayport Container Terminal, redevelopment of the existing Barbours Cut Terminal, and procurement of container handling cranes and equipment.

Mr. Guenther earned a Bachelor of Science degree in Mechanical Engineering from Texas A&M University and has an MBA in International Trade and Finance from the University of St. Thomas. Prior to joining the Port of Houston Authority, Mr. Guenther was an engineer with Emscor, Inc. in Atlanta, Georgia. Mr. Guenther currently serves on the Port Authority Advisory Committee to the Texas Department of Transportation.

Thomas J. Heidt – Chief Operating Officer.

Thomas J. Heidt was named Chief Operating Officer for the Authority in June 2015. He has oversight responsibility for all operating areas, including Finance, Commercial, Port Operations, Infrastructure, Technology, and Port Security and Emergency Operations.

Mr. Heidt began his career at the Authority in the Accounting Department, including management positions in Payables, Customer Billing Services and Financial Accounting. From 1993 to 2005, he was the Market Development Manager in the Trade Development Division with responsibility for identifying opportunities and vulnerabilities in the Authority's markets. In 2005, Mr. Heidt became the Planning Manager – Container Terminals, where he oversaw the operating and capital budgets of those terminals. In October 2009, he was named Director of Finance and Administration and in November 2012, Deputy Executive Director of Finance and Administration.

Mr. Heidt holds a bachelor's degree in finance from Michigan State University. He has received certification in the Professional Port Management program from the American Association of Port Authorities, and belongs to numerous trade and traffic organizations.

Erik A. Eriksson – Chief Legal Officer.

Erik A. Eriksson serves as Chief Legal Officer of the Authority, overseeing its Legal, Government Affairs, Pilot Administration, and Records Management functions. Prior to joining the Authority in 2005, Mr. Eriksson held successively more responsible legal and management positions at a multi-billion dollar publicly-listed holding company. A graduate of Columbia University and Harvard Law School, Mr. Eriksson is a member of the bar in Texas, California, and New York.

Tim Finley – Chief Financial Officer.

Tim Finley was named Chief Financial Officer of the Authority in June 2015, with oversight responsibility for Accounting, Treasury, Financial Planning, Procurement Services, and Risk Management. He joined the Authority in 2010 as Assistant Controller, and was named Controller in January 2013 responsible for the financial reporting and general accounting functions.

Prior to joining the Authority, Mr. Finley held various leadership roles in business finance over a 21-year period for the Hewlett-Packard Company ("HP"), including Finance Director for Americas Server and Storage business and Vice President, Finance for HP's global commercial desktop and display division. Mr. Finley also served as the Business Ethics officer for HP's Personal Computing business group for a 3-year period. Before joining HP, Mr. Finley was with Ernst & Young in the audit services group.

Mr. Finley earned a bachelor's degree in accounting from Stephen F. Austin State University and holds a Certified Public Accountant license of the State of Texas, a Certified Public Finance Officer designation by the Government Finance Officers Association of the U.S. and Canada and the designation of County Investment Officer as issued by the Texas Association of Counties.

Mr. Finley serves on the boards of the Houston Minority Supplier Development Council and the Maritime Workers Emergency Medical Fund as Treasurer.

Maxine N. Buckles, Chief Audit Officer.

Maxine N. Buckles is Chief Audit Officer for the Authority. She is responsible for the planning and execution of operational, financial and compliance audits to evaluate the effectiveness of internal controls, as well as monitoring and coordination of all Authority audit activity.

Ms. Buckles' prior experience includes three years as the Authority's Controller with responsibility for financial accounting and reporting functions, including management and regulatory reporting, accounts receivable, accounts payable, payroll, and customer credit monitoring, as well as oversight of annual independent financial audits; five years as Senior Financial Consultant with Opportune LLP, an energy consulting firm; four years as Chief Financial Officer of the Electric Reliability Council of Texas ("ERCOT") in Austin, Texas, where she oversaw all of ERCOT's financial operations, including corporate finance, treasury, credit, accounting, purchasing and financial reporting; and five years as Chief Financial Officer and Treasurer of the Plantation Pipe Line Co. (an ExxonMobil/Kinder Morgan joint venture) in Atlanta, Georgia.

Ms. Buckles, a Certified Public Accountant, began her career in public accounting with a major firm, and has held a number of senior-level financial positions primarily within energy-related entities. She holds a Bachelor of Science degree in Accounting with honors from Xavier University of Louisiana and an MBA with emphasis in Accounting from Tulane University. She is also a member of several professional organizations, including the Institute of Internal Auditors and Financial Executives International.

INVESTMENTS

The Authority may invest its funds (including bond proceeds and money pledged to the payment of or as security for bonds or other indebtedness issued by the Authority or obligations under a lease, installment sale, or other agreement of the Authority), subject to investment, in such investments as are authorized by State law, and in accordance with written investment policies approved by the Port Commission of the Authority. Both State law and the Authority's investment policies are subject to change.

The Director, Treasury of the Authority serves as Investment Officer responsible for investment of all funds of the Authority. The Authority and the County have separate investment portfolios that are not commingled into a single pool of investments. Hilltop Securities Asset Management, LLC has been engaged to provide investment advisory services to the Authority, which may include advice on the Authority's written investment policies and investment of bond proceeds associated with these Bonds.

Legal Investments

Available Authority funds are invested as authorized by Texas law and in accordance with investment policies approved by the Authority. Both Texas law and the Authority's investment policies are subject to change. In accordance with the Public Funds Investment Act, Texas Government Code, Chapter 2256 (the "PFIA"), the Authority is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by Subdivision (7) if: (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in this state that the investing entity selects; (B) the broker or depository institution selected as described by Paragraph (A) arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by Paragraph (A); (ii) an entity described by Section 2257.041(d); or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit or share certificates (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that has either its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8) or in accordance with Chapter 2257, Texas Government Code or in any other manner and amount provided by law for Authority deposits or, (ii) where (a) the funds are invested by the Authority through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the Authority as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the Authority; (b) the broker or the depository institution selected by the Authority arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the Authority; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the Authority appoints the depository institution selected under (ii) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the Authority with respect to the certificates of deposit issued for the account of the Authority; (10) fully collateralized repurchase agreements as defined in the Public Funds Investment Act that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (13) in this paragraph require the securities being purchased by the Authority or cash held by the Authority to be pledged to the Authority, held in the Authority's name, and deposited at the time the investment is made with the Authority or with a third party selected and approved by the Authority, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, that will be, in accordance with their terms, liquidated in full at maturity; that are eligible for collateral for borrowing from a Federal Reserve Bank, if the short-term obligations of the accepting bank or its parent are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A 1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that provides the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.), and comply with federal Securities and Exchange Commission Rule 2a-7; and (14) no-load mutual funds registered with the Securities and Exchange Commission that: have an average weighted maturity of less than two years; and either (a) have a duration of one year or more and are invested exclusively in obligations described in this paragraph or (b) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks, in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below; and is pledged to the Authority and deposited with the Authority or with a third party selected and approved by the Authority.

A political subdivision such as the Authority may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, other than the prohibited obligations described below, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the Authority, held in the Authority's name and deposited at the time the investment is made with the Authority or a third party designated by the Authority; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The Authority may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service if the governing body of the Authority authorizes such investment in the particular pool by order, ordinance, or resolution and the investment pool complies with the requirements of Section 2256.016, Texas Government Code.

The Authority may also contract with an investment management firm registered (x) under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or (y) with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the Authority retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the Authority must do so by order, ordinance, or resolution.

The Authority is specifically prohibited from investing in (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal, (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest, (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years, and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Additional Provisions

Under Texas law, the Authority is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for Authority funds, maximum allowable stated maturity of any individual investment, and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All Authority funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment.

Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield. Under Texas law, Authority investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the Authority submit an investment report detailing: (1) the investment position of the Authority, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value and the ending market value and fully accrued interest during the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest Authority funds without express written authority from the Port Commission.

Under Texas law the Authority is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt an order or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the said order or resolution,

(3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Port Commission; (4) require the registered principal of firms seeking to sell securities to the Authority to: (a) receive and review the Authority's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the Authority's investment policy; (6) provide specific investment training for the treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict the investment in mutual funds in the aggregate to no more than 15% of the Authority's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt services, and to invest no portion of bond proceeds, reserves and funds held for debt service in mutual funds; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the Authority.

Current Investment Distribution

At March 31, 2020, the market value of the Authority's investment portfolio was approximately $546 million. The following percentages of the Authority's funds subject to investment were invested in the following categories of investments. The average remaining maturity of such investments was 170 days based on par value. The Authority's investments in U.S. Government Agencies securities are callable.

Table 9 – Current Investment Distribution[(a)]

Interest Bearing Bank Deposits[(b)]	8%
Money Market Mutual Funds (including Local Government Investment Pools)	28%
U.S. Government Agencies Securities	1%
Municipal Bonds	43%
Commercial Paper	20%
TOTAL	100%

[(a)] Unaudited information as reported by the Authority as of March 31, 2020.
[(b)] Collateralized in accordance with the Public Funds Collateral Act, Chapter 2257, Texas Government Code.
Source: The Authority.

RETIREMENT PLANS AND OTHER POST-EMPLOYMENT BENEFITS

Defined Benefits Plan

The Authority sponsors the Port of Houston Authority Restated Retirement Plan ("Plan"), a single-employer defined benefit plan covering eligible employees hired prior to August 1, 2012. Employees hired on or after that date are covered by the Port of Houston Authority Defined Contribution Plan described below. The Plan is a governmental plan not subject to the federal Employee Retirement Income Security Act of 1974 ("ERISA"), and contributions are solely made by the Authority. The Port Commission maintains the authority to amend the Plan and Plan's investment policy. BBVA USA (formerly Compass Bank) serves as trustee of the Plan. The Plan issues a standalone financial report that is available on the Authority's website (www.porthouston.com). The Authority's payroll for employees covered by the Plan for the fiscal years ended July 31, 2019 and 2018 was $30,401,742 and $30,327,556, respectively.

Plan participants vested after completing five (5) years of employment. Vested employees are eligible to receive benefits upon Normal Retirement, Early Retirement, or Late Retirement (capitalized terms in this paragraph are from the Plan documents). The Plan also provides for disability and survivor death benefits. The Normal Retirement Benefit (equal to 2.3% of the Average Monthly Compensation multiplied by the years of benefit service not to exceed 30.435 years) is payable monthly for a minimum of five years certain and for life thereafter, with other payment options available, if an employee retires on the Normal Retirement Date after attaining age 65. The Early Retirement Benefit is available upon completion of 30 years or more of vesting service, attainment of age 62, or when the sum of the employee's age and years of service equals 85 or more and the employee has attained the age of 55 or more. Late Retirement commences when an employee works beyond the Normal Retirement Date. Benefits are adjusted for both Early Retirement and Late Retirement. Vested employees whose employment ends for reasons other than for retirement, disability, or death, receive a pension benefit upon reaching the Normal Retirement Date or Early Retirement Date.

The Authority's funding policy is to make cash contributions to the Plan in amounts computed by the Plan's independent actuary using the entry age normal cost method and includes amortization of the unfunded accrued liability over a 30-year period. The Authority contributed $4,658,000 and $5,256,900 during the Plan's fiscal years ending July 31, 2019 and 2018, respectively. At the time of an actuarial valuation dated August 1, 2019, the funded ratio of the Plan was 92.9%. For additional information on the Plan, actuarial assumptions and contributions, see "APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY, Note 8."

Defined Contribution Plan

In July of 2012, the Port Commission authorized creation of the Port of Houston Authority Defined Contribution Plan ("DC Plan"), a contributory benefit plan covering all permanent, full-time employees hired on or after August 1, 2012. The Authority manages the operation and administration of the DC Plan and the Authority's Chief Operating Officer serves as trustee. The Port Commission maintains and has recently exercised its authority to amend the DC Plan provisions, including revisions in contribution requirements and investment alternatives offered to employees.

The DC Plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code and all contributions are tax-deferred until time of withdrawal. Under the provisions of the DC Plan, employees do not contribute to the DC Plan and are not permitted to rollover any distributions from other qualified plans or individual retirement accounts to the DC Plan. The Authority, as Plan Sponsor, may make Employer Contributions to the DC Plan at its discretion. Contributions from the Authority to an employee's account are based on a percentage of base salary. The Authority contributed $771,272.86 and $654,219.95 during the DC Plan's fiscal years ended July 31, 2019 and 2018, respectively. For additional information on the DC Plan, see "APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY, Note 8."

Other Post-Employment Benefits

In January of 2019, the Port Commission formally authorized the policy of the Authority to provide certain post-employment health and welfare benefits ("OPEB") to eligible retired employees and their dependents ("OPEB Plan"). At December 31, 2019 and 2018, there were 319 and 357 retirees, respectively, who were eligible for these benefits. The Authority funds all of the premiums for retiree life insurance and the majority of the health insurance premiums. Continuation of these benefits and the Authority's contributions to the trust are dependent on periodic authorization by the Port Commission.

The health insurance benefits provided to pre-Medicare retirees are the same as those offered to active employees. In addition, Medicare-eligible retirees have the option of enrolling in Medicare Advantage plans offered by the Authority or securing their own insurance and receiving a monthly reimbursement from the Authority for a portion of the cost. The supplied benefits include hospital, doctor, and prescription drug charges.

Basic life insurance coverage provided to retirees is based upon the retirees' annual compensation at retirement and, effective January 1, 2020, is valued at a flat $15,000. Effective January 1, 2010, new hires became eligible for Postemployment Benefits after completion of 12 years of employment and upon retirement from the Authority. Employees hired prior to that date who reach their Early or Normal Retirement date and retire from the

Authority are eligible for Postemployment Benefits. An eligible employee may elect coverage for his or her dependents. Disabled employees are covered, for a period of up to 40 weeks, in the Port of Houston Authority Group Health Plan from the date of disability. The widow/widower of a retiree who has health care coverage through the Authority may continue coverage upon the death of the retiree.

The Authority's contribution is currently based on projected pay-as-you-go basis, which is expected to continue at least in part. For the years ended December 31, 2019 and 2018, the cost of retiree health benefits, recorded on a pay-as-you-go basis was $2,265,000 and $2,149,000, respectively. Retiree life-benefit costs for 2019 and 2018 were $139,000 and $129,000 respectively.

During 2011, the Authority entered a multiple-employer pooled account trust designed to prefund postemployment benefits for the Authority's eligible retired employees and their eligible dependents. The PEB Trust Board of Trustees served as the trustee for the trust assets. In February 2015, the Authority established a new, standalone trust for OPEB assets and transferred all holdings from the multiple employer pooled account with PEB Trust of Texas into the new trust, with BBVA USA acting as trustee.

In addition to the pay-as-you-go expenses referenced above for current benefits, the Authority has contributed $61,500,000 to the trust through December 31, 2019. For additional information on the annual OPEB cost and net OPEB obligation, actuarial assumptions and contributions, see "APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY, Note 9."

REGULATION AND LITIGATION

Environmental Regulation

The Authority is subject to the environmental regulations of the State and the United States. These laws and regulations are subject to change, and the Authority may be required to expend substantial funds to meet the requirements of such regulatory authorities.

Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality ("TCEQ") may curtail new industrial, commercial and residential development in the County. Under the Clean Air Act ("CAA") Amendments of 1990, the eight county Houston Galveston-Brazoria Area (the "HGB Area") has been designated by the EPA as a non-attainment area under three separate federal ozone standards: the one-hour (124 parts per billion ("ppb")) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the "1997 Ozone Standards"); the more rigorous, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the "2008 Ozone Standard"), and the EPA's most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the "2015 Ozone Standard"). While the State has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remained subject to CAA nonattainment requirements.

The HGB Area is currently designated as a severe ozone nonattainment area under the 1997 Ozone Standards. While the EPA has revoked the 1997 Ozone Standards, EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB Area remained subject to continuing severe nonattainment area "anti-backsliding" requirements, despite the fact that the HGB Area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, EPA approved the TCEQ's "redesignation substitute" for the HGB Area under the revoked 1997 Ozone Standards, leaving the HGB Area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard). 81 Fed. Reg. 78691 (Nov. 8, 2016).

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in South Coast Air Quality Management District v. EPA, 882 F.3d 1138 (D.C. Cir. 2018). The court vacated the EPA redesignation substitute rule that provided the basis for EPA's decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. The court has not responded to the EPA's April 2018 request for rehearing of the case. To address the uncertainty created by the South Coast court's ruling, the TCEQ has developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners adopted an HGB Area redesignation request under the 1997 Ozone Standards on December

12, 2018, and submitted that redesignation request to the EPA on December 14, 2018. In a final rule that became effective on March 16, 2020, the EPA determined that the HGB Area had met the CAA redesignation criteria and terminated the anti-backsliding obligations that had applied in the HGB Area under the 1997 Ozone Standards.

The HGB Area was designated as a "moderate" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2018; however, the EPA determined that the HGB Area failed to meet the attainment deadline. Effective September 23, 2019, the HGB Area is now designated as a "Serious" nonattainment area with an attainment date of July 20, 2021. The State will be required to submit State Implementation Plan revisions to the EPA by August 3, 2020. The HGB Area could be subject to more-stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB Area is currently designated as a "marginal" nonattainment area for the 2015 Ozone Standard, with an attainment date of August 3, 2021. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

In order to demonstrate progress toward attainment of the EPA's ozone standards, the TCEQ has established a state implementation plan ("SIP") for the HGB Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB Area to attainment the ozone standards by the EPA's attainment deadlines. These additional controls could have a negative impact on the HGB Area's economic growth and development.

Other constraints on economic growth and development include lawsuits filed under the CAA by plaintiffs seeking to require emission reduction measures that are even more stringent than those adopted by TCEQ and approved by EPA. From time to time, various plaintiff environmental organizations have filed lawsuits against TCEQ and EPA seeking to compel the early adoption of additional emission reduction measures, many of which could make it more difficult for businesses to construct or expand industrial facilities or which could result in travel restrictions or other limitations on the actions of businesses, governmental entities and private citizens. Any successful court challenge to the currently effective air emissions control plan could result in the imposition of even more stringent air emission controls that could threaten continued growth and development in the HGB Area.

WEATHER EVENTS

Weather Events and Periodic Flooding

Land located along the Texas Gulf Coast is susceptible to high winds, heavy rain, and flooding caused by rain events, hurricanes, tropical storms, and other tropical disturbances. Due in part to its relatively flat topography and moist coastal climate, and partly due to the effects of subsidence, certain areas of the County are subject to periodic flooding and associated severe property damage as a result of rain events, tropical storms and hurricanes. The County and most of the municipalities located within the County participate in the National Flood Insurance Program administered by the Federal Emergency Management Agency ("FEMA"). Communities participating in the National Flood Insurance Program are required by FEMA to adopt restrictions on development in designated flood-prone areas. In exchange, the National Flood Insurance Program makes federally subsidized flood insurance available to property owners located in the participating communities. Given the ongoing effects of subsidence as well as increased development and urbanization within the County, FEMA periodically updates and revises its maps designating the areas of the County that are subject to special flood hazards. Properties that are currently located outside of a designated flood-prone area may suffer a reduction in value if they are placed within the boundaries of a special flood hazard area the next time FEMA updates and revises its flood maps.

Not all flood hazards are mapped on the FEMA flood maps, nor is every bayou or creek in the County studied. Flooding can occur from ponding or overland sheet flow when intense rainfall overwhelms the local street drainage system. The mapped floodplain is only an estimate of where flooding is predicted to occur from a bayou or creek, given a set of parameters including a hypothetical rainfall occurring over a watershed for an assumed amount of time. During an actual rain event, natural conditions can result in greater amounts of rainfall or runoff, resulting in flood levels deeper and wider than shown on the FEMA maps.

If flooding or another weather-related event were to significantly damage improvements within the County, the assessed value of property within the Authority could be reduced, which could result in a decrease in tax revenues and/or necessitate an increase in the Authority's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the Authority will be covered by insurance (or property owners will choose to carry flood insurance), any insurance company will fulfill its obligations to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair damaged improvements within the authority. Even if insurance proceeds are available and improvements are rebuilt, there could be a period of time in which assessed values within the Authority would be adversely affected.

Area Topography and Land Subsidence

The land surface in certain areas of the County has subsided several feet over the past 75 years and the subsidence is continuing. The principal causes of subsidence are considered to be the withdrawal of groundwater and, to a lesser extent, oil and gas production. Subsidence may impair development in certain areas and expose such areas to flooding and severe property damage in the event of storms and hurricanes, and thus may affect assessed valuations in those areas. In 1975, the Texas Legislature created the Harris-Galveston Coastal Subsidence District ("Subsidence District") to provide regulatory control over the withdrawal of groundwater in Harris and Galveston Counties in an effort to limit subsidence. This groundwater conservation district, with no powers to levy taxes or incur debt, has required most suppliers of water to reduce consumption of groundwater and to convert their primary source of supply to surface water.

With the reduction of withdrawal of groundwater, the rate of subsidence has been reduced. However, Subsidence District regulations that require conversion to surface water can be costly to industries, municipalities, and other water suppliers since the process of converting from a groundwater supply to a surface water supply can result in substantial capital expenditures. The per-unit cost of supplying surface water is substantially higher due to the greater cost of treatment and transportation. In response to the Subsidence District's requirements, local municipalities within the County, water authorities and water districts have initiated several measures and programs to provide treated surface water in the region, including the negotiation and execution of water supply contracts and capital cost sharing agreements to support the development and expansion of water purification plants in the region.

Hurricane Harvey

Hurricane Harvey made landfall on August 25, 2017 near Corpus Christi, Texas, 200 miles south of the Authority. Over the next four days, the storm slowly moved through the greater Houston area as a tropical storm. An average of 33 inches of rain was recorded in the County, with some surrounding areas reportedly receiving over 50 inches of rain. For the area within the County, this was primarily a historic flooding event, with minimal damage from wind, storm surge or other factors traditionally associated with a hurricane.

The Authority closed its terminals on August 25, 2017, in advance of Hurricane Harvey's arrival, and reopened on September 1, 2017 to normal operations. The Authority did not experience significant loss or damage to Port Facilities from wind or surge. The damage to Authority property and facilities was approximately $200,000, for which the Authority filed a claim for reimbursement with the Federal Emergency Management Agency ("FEMA"). While the Authority experienced minimal damage to property and facilities, huge quantities of sediment washed into the Houston Ship Channel causing severe shoaling of the main Channel and ship berths along the waterway. This necessitated emergency dredging by the USACE along most of the Channel, and many berths were draft restricted and required dredging; such dredging has been completed. The Authority has applied for FEMA funding to partially offset costs of dredging and debris removal. As of April 2020, the process of dredging and debris removal necessary as a result of Hurricane Harvey is now complete and financial matters are being closed out.

PENDING LITIGATION AND CLAIMS

The following matters are considered by the Authority to be material for purposes of this Official Statement. Uncertainties are inherent in the final outcome of these matters, and it is presently impossible to determine their resolution and the costs that may ultimately be incurred in connection with such resolution. In addition to the matters specifically listed, the Authority is involved in other litigation and claims. While uncertainties are also inherent in the final outcome of such other matters and it is presently impossible to determine the costs in connection with them that may ultimately be incurred or their effect on the Authority, management believes that the resolution of such uncertainties and the incurrence of such costs, regarding such other matters, should not result in a material adverse effect on the Authority's financial position, results of operations or liquidity.

Trans-Global Solutions, Inc. ("TGS") has asserted claims against the Authority stemming from delays TGS claims to have incurred in connection with its December 2014 contract for the construction of a container yard at the Authority's Bayport Container Terminal. As of February 2018, TGS has claimed damages in the amount of \$6,873,000. The Authority does not intend to pay the amount sought by TGS and intends to vigorously contest TGS's claims; however, it has not reached any judgment as to the likely outcome or the range of potential loss in the event of litigation.

INFORMATION TECHNOLOGY AND OTHER RISK FACTORS

Information Technology/Cyber Security

The Authority depends upon information and computing technology to conduct general business operations. The Authority may be the target of cybersecurity incidents that could result in adverse consequences to the Authority's information and computing technology; thereby requiring a response action to mitigate the consequences. Cybersecurity incidents could result from unintentional incidents, or from deliberate attacks by entities or individuals attempting to gain access to the Authority's computing technology for the purposes of misappropriating assets or information, damaging the Authority's reputation, or causing operational disruption or physical harm and damage. To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the Authority's Technology Division invests in multiple forms of cybersecurity and operational safeguards. While the Authority's cybersecurity and operational safeguards are periodically tested, no assurances can be given by the Authority that such measures will prevent all cybersecurity threats and attacks. Furthermore, no assurance can be given that such measures will fully prevent potential business continuity or cybersecurity risks arising from incidents wholly or partially beyond the Authority's control, including electrical telecommunications outages, natural disasters, or cyber-attacks, or larger scale political events, including terrorist attacks. Any such occurrence could lead to decreased financial performance that insurance may not cover and may require the Authority to expend significant resources to correct the failure or disruption.

Risk to Port Operations as a result of International Trade Tariffs

In 2018, Section 232 Tariffs on steel and aluminum and Section 301 Tariffs on certain Chinese products were introduced. The scope and levels of these tariffs have been adjusted many times since their initial imposition. These tariffs and associated retaliatory tariffs by the affected countries have generally acted as a headwind on trade volumes at the Authority but have been just one factor among many influencing trade volumes in 2018 to present. Trade with the countries and products affected is continuing at a somewhat reduced level. If these or similar additional tariffs are expanded in level or scope, cargo volumes at the Authority's facilities may be negatively impacted.

Exposure to Oil and Gas Industry

Recent declines in oil prices in the United States and across the world may lead to materially adverse conditions in the oil and gas industry. Such adverse conditions may increase the likelihood of reduced revenues, declines in capital and operating expenditures, business failures, and the layoff of workers within the oil and gas industry. In the past, the greater Houston area has been affected by adverse conditions in the oil and gas industry, and adverse conditions in the oil and gas industry and spillover effects into other industries could adversely impact the businesses of ad valorem property taxpayers and the property values in the Authority, resulting in a reduction in property tax revenue. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds.

INFECTIOUS DISEASE OUTBREAK

The outbreak of COVID-19 ("COVID-19"), a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States. Although the ultimate economic and fiscal impacts of Pandemic on the Authority are unknown and cannot be reasonably estimated at the current time, certain actions by State and local officials in an effort to curb the spread of the disease are outlined below.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic, which disaster declaration he has subsequently extended. In addition, certain local officials, including the County Judge of Harris County and the Mayor of the City of Houston, also declared a local state of disaster. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has issued a series of executive orders relating to COVID-19 preparedness and mitigation in order to restrict the spread of the disease. On May 1, the State announced a phased-in plan to reopen affected activities. Due to a recent spike in COVID-19 cases, recent executive orders modified the phased reopening of businesses in Texas, subject to further restrictions in the Governor's discretion. For example, Executive Order GA-28, which was issued on June 26, 2020, and remains in effect until modified, amended, rescinded or superseded by the Governor, established occupancy limits of 50 percent for most businesses in Texas, limited bars and similar establishments to drive-through, pickup or delivery options, and made most outdoor gatherings of more than 100 people subject to approval by local authorities, subject to exceptions outlined in the order. Businesses otherwise subject to a 50 percent occupancy limit and located in a county meeting certain Department of State Health Services criteria are eligible to operate at up to 75 percent of occupancy. The Governor retains the authority to impose additional restrictions on activities. The Authority falls into a category of commerce under the U.S. Department of Homeland Security's Cybersecurity and Infrastructure Security Agency Guidance on Essential Critical Infrastructure Workforce known as the "transportation systems sector" under which "maritime transportation workers," including port workers, mariners, and equipment operators, are considered essential to the continuation of industry that is critical to society's stability and progress. Under the Executive Order GA-28, the activities of maritime transportation workers are not subject to an occupancy limitation. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue to negatively affect worldwide economic growth and financial markets. The Pandemic is also expected to generally have a negative impact on international trade volumes, by reducing both supply and demand around the world. Relatively low impact on the Authority's cargo volumes have been registered so far. As of the end of May 2020, the Authority's year-to-date container volumes were 1% greater than the container volumes for the same period for 2019. Additionally, while the Authority has experienced an approximate 1% percent reduction in year-over-year operating revenues through the end of May 2020, the Authority has absorbed $1.2 million of COVID-19 related expenses, with minimal adverse effect on its operating performance. However, this may change and the Authority's cargo volume may decline and/or expenses increase if, as a result of the Pandemic and associated restrictions on worker and consumer mobility, the economy pushes into a recession or global economic activity declines. The Authority will continue to monitor the international spread of COVID-19 and undertake efforts to address its impact, and may, as a precautionary matter, defer certain elements of its budgeted capital improvement plan to preserve flexibility and liquidity during the pendency of the Pandemic, if necessary. However, the Authority cannot provide any assurances regarding the impact on the operations that may arise from such events. The Bonds are secured by ad valorem taxes. They are not secured by operating revenues of the Authority.

The Bonds are secured by an unlimited ad valorem tax. Since the Pandemic's impacts on travel, commerce, and financial markets may reduce or negatively affect property values and ad valorem tax revenues within the Authority, a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds. The financial and operating data contained herein are the latest available, but are for the dates and the periods stated herein, which are for periods prior to the economic impact of the Pandemic and efforts to slow it. It is unclear at this time what effect, if any, COVID-19 and resulting economic disruption may have on future assessed values or the collection of taxes, either because of delinquencies or collection and valuation relief resulting from the declared emergency.

The duration, severity and degree of the impact of the Pandemic is extremely difficult to predict at this time due to the dynamic nature of the outbreak. The Authority is not able at this time to determine the full impact that the various events surrounding the Pandemic will have on its economy, budget and financial condition.

BONDHOLDERS' REMEDIES

The Order does not provide for the appointment of a trustee to represent the interests of the Bondholders upon any failure of the County or the Authority to perform in accordance with the terms of the Order or upon any other condition and, in the event of any such failure to perform, the registered owners would be responsible for the initiation and cost of any legal action to enforce performance of the Order. Furthermore, the Order does not establish specific events of default with respect to the Bonds and, under State law, there is no right to the acceleration of maturity of the Bonds upon the failure of the County or the Authority to observe any covenant under the Order. A registered owner of Bonds could seek a judgment against the County and/or the Authority if a default occurred in the payment of principal of or interest on any such Bonds; however, such judgment could not be satisfied by execution against any property of the County or the Authority and a suit for monetary damages would be subject to a jurisdictional challenge because of governmental immunity. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the Commissioners Court to levy, assess and collect an annual ad valorem tax for the Authority sufficient to pay principal of and interest on the Bonds as it becomes due or to compel the County or the Authority to perform other material terms and covenants contained in the Order. In general, Texas courts have held that a writ of mandamus may be issued to require a public official to perform legally imposed ministerial duties necessary for the performance of a valid contract, and Texas law provides that, following their approval by the Attorney General and issuance, the Bonds are valid and binding obligations for all purposes according to their terms. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis.

The Authority is also eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not expressly recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the Authority avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Co-Bond Counsel will note that all opinions relative to the enforceability of the Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the Bankruptcy Code.

TAX MATTERS – THE SERIES 2020A BONDS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Series 2020A Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Series 2020A Bonds.

Tax Exemption

In the opinion of Bracewell LLP, and the Hardwick Law Firm, LLC, Co-Bond Counsel, under existing law, (i) interest on the Series 2020A-1 Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not a specific preference item for purposes of the alternative minimum tax, and (ii) interest on the Series 2020A-2 Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Code, except for any period during which a Series 2020A-2 Bond is held by a person who is a "substantial user" of the facilities refinanced with proceeds of the Series 2020A-2 Bonds or a "related person" to such a substantial user, each within the meaning of Section 147(a) of the Code, and is not a specific preference item for purposes of the alternative minimum tax.

The Code imposes a number of requirements that must be satisfied in order for interest on state or local obligations such as the Series 2020A Bonds, to be excludable from gross income for federal income tax purposes. These requirements include, among other things, limitations on the use of the bond-financed project, limitations on the use of bond proceeds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States, and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The Authority has covenanted in the Authority Order that it will comply with these requirements.

Co-Bond Counsel's opinions will assume continuing compliance with the covenants of the Authority Order pertaining to those sections of the Code that affect the excludability of the interest on the Series 2020A Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the Authority, the Financial Advisor and the Underwriters with respect to matters solely within the knowledge of the Authority, the Financial Advisor and the Underwriters, respectively, which Co-Bond Counsel have not independently verified. If the Authority fails to comply with the covenants in the Authority Order or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Series 2020A Bonds could become includable in gross income from the date of original delivery of the Series 2020A Bonds, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, Co-Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, acquisition, ownership or disposition of, the Series 2020A Bonds.

Co-Bond Counsel's opinions are based on existing law, which is subject to change. Such opinion is further based on Co-Bond Counsel's knowledge of facts as of the date thereof. Co-Bond Counsel assume no duty to update or supplement their opinions to reflect any facts or circumstances that may thereafter come to its attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Co-Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Co-Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinion. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Series 2020A Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Authority as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Series 2020A Bonds could adversely affect the value and liquidity of the Series 2020A Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

Additional Federal Income Tax Considerations

Collateral Tax Consequences. Prospective purchasers of the Series 2020A Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium credit, and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax exempt interest such as interest on the Series 2020A Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Series 2020A Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Series 2020A Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium. The issue price of all of the Series 2020A Bonds exceeds the stated redemption price payable at maturity of such Series 2020A Bonds. Such Series 2020A Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

Tax Legislative Changes. Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Series 2020A Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Series 2020A Bonds. Prospective purchasers of the Series 2020A Bonds should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

TAX MATTERS – THE SERIES 2020B BONDS

THE FOLLOWING DISCUSSION OF CERTAIN U.S. FEDERAL INCOME CONSIDERATIONS IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR AS TO THE TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE SERIES 2020B BONDS, INCLUDING THE EFFECT AND APPLICABILITY OF (I) U.S. FEDERAL, STATE, LOCAL OR FOREIGN TAX LAWS, (II) GIFT AND ESTATE TAX LAWS, AND (III) ANY INCOME TAX TREATY.

General

The following discussion summarizes certain material U.S. federal income tax considerations that may be relevant to the acquisition, ownership and disposition of the Series 2020B Bonds by an initial holder (as described below). This discussion is based upon the provisions of the Code, applicable U.S. Treasury Regulations promulgated thereunder, judicial authority and administrative interpretations, as of the date of this document, all of which are subject to change, possibly with retroactive effect, or are subject to different interpretations. Neither the Authority nor Co-Bond Counsel offers any assurance that the Service will not challenge one or more of the tax consequences described in this discussion, and neither the Authority nor Co-Bond Counsel has obtained, nor do the Authority or Co-Bond Counsel intend to obtain, a ruling from the Service or an opinion of counsel with respect to the U.S. federal tax consequences of acquiring, holding or disposing of the Series 2020B Bonds.

This discussion is limited to holders who purchase the Series 2020B Bonds in this initial offering for a price equal to the issue price of the Series 2020B Bonds (i.e., the first price at which a substantial amount of the Series 2020B Bonds is sold for cash other than to bondhouses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers, the "Issue Price") and who hold the Series 2020B Bonds as capital assets (generally, property held for investment). This discussion does not address the tax considerations arising under the laws of any foreign, state, local or other jurisdiction or income tax treaties or any U.S. federal estate or gift tax considerations. In addition, this discussion does not address all tax considerations that may be important to a particular holder in light of the holder's circumstances or to certain categories of investors that may be subject to special rules, such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Series 2020B Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences for individuals or (ii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Series 2020B Bonds under state, local or non-U.S. tax laws.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds the Series 2020B Bonds, the tax treatment of such partnership or a partner of such partnership generally will depend upon the status of the partner and the activities of the partnership. ***Partnerships acquiring Series 2020B Bonds and partners of partnerships acquiring the Series 2020B Bonds should consult their own tax advisors about the U.S. federal income tax consequences of acquiring, holding and disposing of the Series 2020B Bonds.***

INVESTORS CONSIDERING THE PURCHASE OF THE SERIES 2020B BONDS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE SERIES 2020B BONDS UNDER THE LAWS OF ANY STATE, LOCAL OR FOREIGN JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

Certain Tax Consequences to U.S. Bondholders

As used herein "U.S. Bondholder" means a beneficial owner of a Series 2020B Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust).

Interest on the Series 2020B Bonds. A U.S. Bondholder generally will be required to include as ordinary interest income any stated interest payments in income in accordance with its method of accounting for U.S. federal income tax purposes.

Premium. If the Issue Price of the Series 2020B Bonds of any stated maturity is greater than its stated redemption price at maturity, such beneficial owner will be considered to have purchased such Series 2020B Bond with "amortizable bond premium" equal in amount to such excess. A beneficial owner may elect to amortize such premium using a constant yield method over the remaining term of such Series 2020B Bond and may offset interest otherwise required to be included in respect of such Series 2020B Bond during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on such Series 2020B Bond held by a beneficial owner that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of such Series 2020B Bond. However, if such Series 2020B Bond may be optionally redeemed after the beneficial owner acquires it at a price in excess of its stated redemption price at maturity, special rules would apply under the U.S. Treasury Regulations which could result in a deferral of the amortization of some Series 2020B Bond premium until later in the term of such Series 2020B Bond. Any election to amortize Series 2020B Bond premium applies to all taxable debt instruments held by the beneficial owner on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the Service.

Disposition of the Series 2020B Bonds. A U.S. Bondholder will generally recognize capital gain or loss on the sale, redemption, exchange, retirement or other taxable disposition of a Series 2020B Bond. This gain or loss will equal the difference between the U.S. Bondholder's adjusted tax basis in the Series 2020B Bond and the amount realized (excluding any proceeds attributable to accrued but unpaid stated interest which will be recognized as ordinary interest income to the extent any such Bondholder has not previously included such amounts in income) by the Bondholder. A U.S. Bondholder's adjusted tax basis in the Series 2020B Bonds will generally equal the amount the U.S. Bondholder paid for the Series 2020B Bonds increased by any original issue discount previously included in the Bondholder's income and decreased by the amount of the Series 2020B Bond premium that has been previously amortized. The gain or loss generally will be long-term capital gain or loss if the Bondholder held the Series 2020B Bonds for more than one year at the time of the sale, redemption, exchange, retirement or other taxable disposition. Long-term capital gains of individuals, estates and trusts currently are subject to a reduced rate of U.S. federal income tax. The deductibility of capital losses is subject to certain limitations.

Information Reporting and Backup Withholding. Information reporting will apply to payments of principal and interest made by the Authority on, or the proceeds of the sale or other disposition of, the Series 2020B Bonds with respect to U.S. Bondholders (unless such holder is an exempt recipient such as a corporation), and backup withholding may apply unless the recipient of such payment provides the appropriate intermediary with a taxpayer identification number, certified under penalties of perjury, as well as certain other information or otherwise establishes an exemption from backup withholding. Backup withholding is not an additional tax. Any amount withheld under the backup withholding rules is allowable as a credit against the U.S. Bondholder's U.S. federal income tax liability, if any, and a refund may be obtained if the amounts withheld exceed the U.S. Bondholder's actual U.S. federal income tax liabilities provided the required information is timely provided to the Service.

Additional Tax on Investment Income. An additional 3.8% net investment income tax, or the "NIIT," is imposed on the "net investment income" of certain U.S. Bondholders who are individuals and on the undistributed "net investment income" of certain estates and trusts, to the extent the sum of net investment income and other modified adjusted gross income exceeds specified dollar amounts. Among other items, "net investment income" would generally include interest income and net gain from the disposition of property, such as the Series 2020B Bonds, less certain deductions. ***U.S. Bondholders should consult their tax advisors with respect to the tax consequences of the NIIT.***

Certain Tax Consequences to Non-U.S. Bondholders

As used herein, a "non-U.S. Bondholder" means a beneficial owner of Series 2020B Bonds that is an individual, corporation, estate or trust that is not a U.S. Bondholder.

Interest on the Series 2020B Bonds-Portfolio Interest. Subject to the discussions below under the headings "—Information Reporting and Backup Withholding" and "Foreign Account Tax Compliance," payments to a non-U.S. Bondholder of interest on the Series 2020B Bonds generally will be exempt from withholding of U.S. federal tax under the "portfolio interest" exemption if the non-U.S. Bondholder properly certifies as to the non-U.S. Bondholder's foreign status as described below, and that:

- the non-U.S. Bondholder does not own, actually or constructively, 10% or more of the Authority's voting stock;
- the non-U.S. Bondholder is not a "controlled foreign corporation" for U.S. federal income tax purposes that is related to the Authority (actually or constructively); and
- the non-U.S. Bondholder is not a bank whose receipt of interest on the Series 2020B Bonds is in connection with an extension of credit made pursuant to a loan agreement entered into in the ordinary course of such Bondholder's trade or business.

The foregoing exemption from withholding tax will not apply unless (i) the non-U.S. Bondholder provides his, her or its name and address on an IRS Form W-8BEN or IRS Form W-8BEN-E (or successor form), and certifies under penalties of perjury, that such holder is not a U.S. person, (ii) a financial institution holding the Series 2020B Bonds on a non-U.S. Bondholder's behalf certifies, under penalties of perjury, that it has received an IRS Form W-8BEN or IRS Form W-8BEN-E (or successor form) from such holder and provides the Trustee with a copy, or (iii) the non-U.S. Bondholder holds their Series 2020B Bonds directly through a "qualified intermediary," and the qualified intermediary has sufficient information in its files indicating that such holder is not a U.S. Bondholder.

If a non-U.S. Bondholder cannot satisfy the requirements described above, payments of principal and interest made to such holder will be subject to the 30% U.S. federal withholding tax, unless such non-U.S. Bondholder provides the Trustee with a properly executed (a) IRS Form W-8BEN or IRS Form W-8-BEN-E or successor form claiming an exemption from or a reduction of withholding under an applicable tax treaty or (b) IRS Form W-8ECI (or successor form) stating that interest paid on the Series 2020B Bonds is not subject to withholding tax because it is effectively connected with such non-U.S. Bondholder's conduct of a trade or business in the United States.

If a non-U.S. Bondholder is engaged in an active trade or business in the United States and interest on the Series 2020B Bonds is effectively connected with the active conduct of that trade or business (and, in the case of an applicable income tax treaty, is attributable to a U.S. permanent establishment maintained by such holder), such non-U.S. Bondholder will be subject to U.S. federal income tax on the interest on a net income basis (although exempt from the 30% withholding tax) in the same manner as if such non-U.S. Bondholder were a U.S. person as defined under the Code. In addition, if a non-U.S. Bondholder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or lower applicable treaty rate) of such holder's earnings and profits for the taxable year, subject to certain adjustments, including earnings and profits from an investment in the Series 2020B Bonds, that is effectively connected with the active conduct by such non-U.S. Bondholder of a trade or business in the United States.

Disposition of the Series 2020B Bonds. Subject to the discussions below under the headings "—Information Reporting and Backup Withholding" and "Foreign Account Tax Compliance," a non-U.S. Bondholder generally will not be subject to U.S. federal income tax on any gain realized on the sale, redemption, exchange, retirement or other taxable disposition of a Series 2020B Bond unless:

- the gain is effectively connected with the conduct by the non-U.S. Bondholder of a U.S. trade or business (and, if required by an applicable income tax treaty, is treated as attributable to a permanent establishment maintained by the Bondholder in the United States);

- the non-U.S. Bondholder is a nonresident alien individual who has been present in the United States for 183 days or more in the taxable year of disposition and certain other requirements are met;

- the gain represents accrued interest, in which case the rules for taxation of interest would apply.

If a non-U.S. Bondholder is described in the first bullet point above, the non-U.S. Bondholder generally will be subject to U.S. federal income tax in the same manner as a U.S. Bondholder. If a non-U.S. Bondholder is described in the second bullet point above, the Bondholder generally will be subject to U.S. federal income tax at a flat rate of 30% or lower applicable treaty rate on the gain derived from the sale or other disposition, which may be offset by U.S. source capital losses.

Information Reporting and Backup Withholding. Payments to non-U.S. Bondholders of interest on their Series 2020B Bonds and any amounts withheld from such payments generally will be reported to the Service and such holder. Backup withholding will not apply to payments of principal and interest on the Series 2020B Bonds if the non-U.S. Bondholder certifies as to his, her or its non-U.S. Bondholder status on an IRS Form W-8BEN or IRS Form W-8BEN-E (or successor form) under penalties of perjury or such non-U.S. Bondholder otherwise qualifies for an exemption (provided that neither the Authority nor its agent, if any, know or have reason to know that such Bondholder is a U.S. person or that the conditions of any other exemptions are not in fact satisfied).

The payment of the proceeds of the disposition of Series 2020B Bonds to or through the U.S. office of a U.S. or foreign broker will be subject to information reporting and backup withholding unless a non-U.S. Bondholder provides the certification described above or such Bondholder otherwise qualifies for an exemption. Backup withholding is not an additional tax. Any amount withheld under the backup withholding rules is allowable as a credit against the non-U.S. Bondholder's U.S. federal income tax liability, if any, and a refund may be obtained if the amounts withheld exceed the non-U.S. Bondholder's actual U.S. federal income tax liabilities provided the required information is timely provided to the Service.

Foreign Account Tax Compliance

Pursuant to the Foreign Account Tax Compliance Act ("FATCA"), withholding at a rate of 30% generally will be required in certain circumstances on payments of interest in respect of, and, after December 31, 2018, gross proceeds from the sale or other disposition (including payments of principal) of, Series 2020B Bonds held by or through certain foreign financial institutions (including investment funds) that do not qualify for an exemption from these rules, unless the institution either (i) enters into, and complies with, an agreement with the Service to undertake certain diligence and to report, on an annual basis, information with respect to interests in, and accounts maintained by, the institution that are owned by certain U.S. persons and by certain non-U.S. entities that are wholly or partially owned by U.S. persons and to withhold 30% on certain payments, or (ii) if required under an intergovernmental agreement between the United States and an applicable foreign country, undertakes such diligence and reports such information to its local tax authority, which will exchange such information with the U.S. authorities. An intergovernmental agreement between the United States and an applicable foreign country, or future Treasury Regulations or other guidance, may modify these requirements. Accordingly, the entity through which the Series 2020B Bonds are held will affect the determination of whether such withholding is required. Similarly, in certain circumstances, payments of interest in respect of, and, after December 31, 2018, gross proceeds from the sale or other disposition of, Series 2020B Bonds held by or through a non-financial foreign entity that does not qualify under certain exemptions generally will be subject to withholding at a rate of 30%, unless such entity either (a) certifies that such entity does not have any "substantial United States owners" or (b) provides certain information regarding the entity's "substantial United States owners," which will be provided to the Service, as required. Prospective Bondholders should consult their tax advisors regarding the possible implications of these rules on their investment in the Series 2020B Bonds.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code, as amended) provides that the Bonds are negotiable instruments; are investment securities governed by Chapter 8, Texas Business and Commerce Code; and are legal and authorized investments for insurance companies, fiduciaries, and Paying Agent/Registrars, and for the sinking fund of municipalities or other political subdivisions or public agencies of the State of Texas. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in the State which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended), the Bonds may have to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. No review by the Authority has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

The Authority has made no investigation of any other laws, rules, regulations, or investment criteria that might affect the suitability of the Bonds for any of the above purposes or limit the authority of any of the above persons or entities to purchase or invest in the Bonds.

LEGAL MATTERS

The delivery of the Bonds is subject to the approving opinion of the Attorney General of Texas and the legal opinion of Bracewell LLP, Houston, Texas, and the Hardwick Law Firm, LLC, Co-Bond Counsel, as to the validity of the Bonds under the Constitution and laws of the State of Texas, and the excludability of interest on the Bonds from the gross income of the owners thereof for federal tax purposes. The forms of opinion of Co-Bond Counsel is set forth in APPENDIX C. The opinion of Co-Bond Counsel will be based upon an examination of a transcript of certain proceedings taken by the Authority and the County incident to the issuance and delivery of the Bonds. The fees of Co-Bond Counsel for its services with respect to the Bonds are contingent upon the issuance and delivery of the Bonds.

Though they represent the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Co-Bond Counsel has been engaged by and only represents the Authority in connection with the issuance of the Bonds. In their capacities as Co-Bond Counsel, such firms have reviewed the information appearing under captions or subcaptions, "PLAN OF FINANCING," "DESCRIPTION OF THE BONDS" and "CONTINUING DISCLOSURE OF INFORMATION" and such firm is of the opinion that the statements and information contained therein fairly and accurately reflect the provisions of the Order; further, such firm has reviewed the information appearing under the captions and subcaptions "LEGAL MATTERS" (except for the last two sentences thereof), "TAX MATTERS – THE SERIES 2020A BONDS," "TAX MATTERS – THE SERIES 2020B BONDS," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," and "REGISTRATION, SALE AND DISTRIBUTION" and such firm is of the opinion that legal matters contained under such captions and subcaptions are accurate and fair descriptions of the laws and legal issues addressed therein. The legal fees to be paid Co-Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Certain legal matters will be passed upon for the Underwriters by their co-counsel, Orrick Herrington & Sutcliffe LLP, Houston, Texas and Sara Leon & Associates, LLC, Houston, Texas. The legal fees of such firms are contingent upon the sale and delivery of the Bonds.

CONTINUING DISCLOSURE OF INFORMATION

In the Authority Order, the Authority made the following agreements for the benefit of the holders and beneficial owners of the Bonds. The Authority is required to observe these agreements for so long as it remains obligated to advance funds to pay the Bonds. Under the Authority Order, the Authority will be obligated to provide certain updated financial information and operating data annually and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

Annual Reports

The Authority annually will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data of the general type included in this Official Statement under schedules listed in APPENDIX D and the portions of the audited financial statements of the Authority appended to this Official Statement in APPENDIX A but for the most recently concluded Fiscal Year. Any financial statements to be provided will be (i) prepared in accordance with the accounting principles described in APPENDIX A or such other accounting principles as the Authority may be required to employ from time to time pursuant to State law or regulation, and (ii) audited if the Authority commissions an audit and the audit is completed by the required time. If audited financial statements are not available by the required time, the Authority will provide audited financial statements when and if they become available, but if such audited financial statements are unavailable, the Authority will provide such financial statements on an unaudited basis and any additional financial information required within this Official Statement within the required time. The Authority will update and provide this information within six months after the end of each fiscal year ending in or after 2020.

The Authority may provide updated information in full text, or may incorporate by reference other publicly available documents, or in such other form consistent with the agreement, as permitted by SEC Rule 15c2-12 (the "Rule").

The Authority's current fiscal year-end is the last day of December. Accordingly, the Authority must provide updated information by the last day in June in each year, unless the Authority changes its fiscal year. If the Authority changes its fiscal year, it will notify the MSRB of the change.

Certain Event Notices

The Authority will provide to the MSRB timely notice, not in excess of ten business days after the occurrence of the event, of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the

Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Authority; (13) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material, (15) incurrence of a Financial Obligation of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Authority, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Authority, any of which reflect financial difficulties.

For these purposes, (A) any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Authority in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority, (B) as used in (15) and (16), "Financial Obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule, and (C) the Authority intends the words used in paragraphs (15) and (16) and the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018 (the "2018 Release"), and any further or written guidance provided by the SEC or its staff with respect to the amendments to the rule effected by the 2018 Release.

The Authority will notify the MSRB through EMMA, in a timely manner, of any failure by the Authority to provide the required annual financial information described above under "- Annual Reports" in accordance with the Ordinance by the time required.

Availability of Information

The Authority has agreed to provide the foregoing information only to the MSRB. Such information will be available from the MSRB via the EMMA system at www.emma.msrb.org.

Limitations and Amendments

The Authority has agreed to update information and to provide notices of certain events only as described above. The Authority has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that has been provided except as described above. The Authority makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Authority disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the Authority to comply with its agreement. Nothing in this paragraph is intended or shall act to disclaim, waive or limit the Authority's duties under federal or state securities laws.

The Authority may amend a continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Authority, if the agreement, as amended, would have permitted an underwriter to purchase or sell the particular series of Bonds to which the agreement relates in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Bonds of the particular series of Bonds to which the agreement relates, consents or any qualified person unaffiliated with the Authority (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds of the particular series to which the agreement relates. The Authority may also amend or repeal an agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, and the Authority may amend an agreement in its discretion in any other circumstance or manner, but in either case only to the extent that its right to do so would not prevent an underwriter from the Authority from purchasing such Bonds in the offering described herein in compliance with the Rule. If the Authority amends an agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and operating data so provided. See "APPENDIX D — SUMMARY OF TABLES RELATED TO CONTINUING DISCLOSURE OF INFORMATION."

FINANCIAL STATEMENTS

APPENDIX A to this Official Statement contains the audited financial statements of the Authority for the fiscal year ended December 31, 2019. The financial statements of the Authority as of and for the year ended December 31, 2019, included in this Official Statement have been audited by Grant Thornton LLP, independent auditors, as stated in their report appearing herein. Grant Thornton LLP, the Authority's independent auditor, has not reviewed, commented on, or approved, and is not associated with, this Official Statement. The report of Grant Thornton LLP relating to the Authority's financial statements for the fiscal year ended December 31, 2019 is included in this Official Statement in APPENDIX A; however, Grant Thornton LLP has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the Authority, including without limitation any of the information contained in this Official Statement.

REGISTRATION, SALE, AND DISTRIBUTION

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The Authority assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

UNDERWRITING

The Series 2020A Bonds and the Series 2020B Bonds are being purchased pursuant to separate purchase contracts (each a "Purchase Contract") between the Authority and Jefferies LLC, as representative (the "Representative") of the several underwriters named on the cover page (collectively, the "Underwriters").

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2020A-1 Bonds at a price of $7,509,144.27, which is the principal amount of the Series 2020A-1 Bonds plus a premium of $980,404.10 and less the Underwriters' discount of $21,259.83.

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2020A-2 Bonds at a price of $282,824,013.40, which is the principal amount of the Series 2020A-2 Bonds plus a premium of $60,790,046.30 and less the Underwriters' discount of $891,032.90.

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2020B Bonds at a price of $20,621,822.95, which is the principal amount of the Series 2020B Bonds plus a premium of $1,196,189.40 and less the Underwriters' discount of $64,366.45.

Each of the Purchase Contracts provides that the Underwriters will purchase all of the Bonds covered by such Purchase Contract, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Purchase Contracts, the approval of certain legal matters by counsel and certain other conditions. The Underwriters may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices, or yields higher than the yields, stated on pages i, ii and iii hereof. The offering prices and yields may be changed from time to time by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the issuer for which they received or will receive customary fees and expenses.

Jefferies LLC has entered into an agreement (the "*Jefferies Distribution Agreement*") with E*TRADE Securities LLC ("*E*TRADE*") for the retail distribution of municipal securities. Pursuant to the Jefferies Distribution Agreement, Jefferies LLC may sell a portion of the Bonds to E*TRADE and will share a portion of its selling concession compensation with E*TRADE.

BofA Securities, Inc., an underwriter of the Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.

Citigroup Global Markets Inc., an Underwriter of the Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

Stern Brothers & Co., an Underwriter of the Bonds, has entered into agreements (the "Stern Brothers Agreement") each with 280 Securities LLC ("280 Securities") and BNY Mellon Capital Markets, LLC ("BNYMCM") for the distribution of certain municipal securities offerings at the original issue price. Pursuant to each Stern Brothers Agreement, Stern Brothers & Co. may sell the Bonds to each 280 Securities and BNYMCM and will share a portion of its selling concession compensation with each, if applicable.

VERIFICATION OF ARITHMETICAL COMPUTATIONS

Public Finance Partners LLC will deliver to the Authority, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, as applicable, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds. Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the Authority. In addition, Public Finance Partners LLC has relied on any information provided to it by the Authority's retained advisors, consultants and legal counsel.

RATINGS

The rating agencies of Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings, a division of Standard & Poor's Financial Services, LLC ("S&P") have assigned their municipal bond ratings of "Aaa" and "AAA," respectively, to the Bonds as the Authority's underlying long-term ratings.

Ratings reflect only the views of the rating companies at the time each rating is assigned, and an explanation of the significance of such ratings may be obtained from such rating agencies. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by one or more of the rating companies, if in the sole judgment of such rating company, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. The Authority will undertake no responsibility to notify Bondholders of any such revision or withdrawal of ratings; however, the Authority must comply with the continuing disclosure requirements related to rating changes. See "CONTINUING DISCLOSURE OF INFORMATION — Certain Event Notices."

Due to the ongoing uncertainty regarding the economy of the United States of America including, without limitation, matters such as the future political uncertainty regarding the United States debt limit, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default, other financial crisis or budgetary reductions should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Bonds.

FINANCIAL ADVISOR

In connection with the issuance of the Bonds, Masterson Advisors LLP (the "Financial Advisor") has assisted the Authority in the preparation of Bond-related documents. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor or an affiliate may from time to time provide other services to the Authority for a fee, such as assistance with arbitrage rebate calculations. All fees and other remuneration received for the provision of investment advisory services to the Authority or other ancillary services are separate and distinct from the fees associated with this Bond issue and are not contingent upon the sale and issuance of the Bonds.

Although the Financial Advisor has read and participated in the preparation of this Official Statement, it has not independently verified any of the information set forth herein. The information contained in this Official Statement has been obtained primarily from the Authority's records and from other sources that are believed to be reliable, including financial records of the Authority, reports of consultants and other entities that may be subject to interpretation. No guarantee is made as to the accuracy or completeness of any such information. No person, therefore, is entitled to rely upon the participation of the Financial Advisor as an implicit or explicit expression of opinion as to the completeness and accuracy of the information contained in this Official Statement.

FORWARD-LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the Authority, that are not purely historical are forward-looking statements, including statements regarding expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Authority on the date thereof, and the Authority assumes no obligation to update any such forward-looking statements. It is important to note that the actual results of the Authority could differ materially from those in such forward-looking statements.

The forward-looking statements in this Official Statement are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Authority. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

MISCELLANEOUS

All information contained in this Official Statement is subject in all respects to the complete information contained in the original sources thereof. No opinions, estimates or assumptions, whether or not expressly identified as such, should be considered statements of fact. Statements made herein regarding the Bonds are qualified in their entirety by reference to the forms thereof included in the Order and the information with respect thereto included in the Order.

Distribution of this Official Statement was approved by the Port Commission.

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SCHEDULE I

DESCRIPTION OF REFUNDED BONDS

The Authority expects to redeem bonds in whole or in part, at or prior to maturity, by applying proceeds of the Bonds, to provide for the payment of the principal of and interest and redemption premium, if any, on such bonds to the extent and to the payment dates set forth below. The refunding is contingent upon the delivery of the Bonds. The following list includes possible bonds to be refunded with proceeds of the Bonds. The bonds ultimately to be refunded will be determined by the Authority at its sole discretion due to market factors or other factors deemed relevant by the Authority, and the actual bonds to be refunded may differ from the list of bonds below.

I. Bonds to be Refunded with the Series 2020A-1 Bonds

Unlimited Tax Refunding Bonds
Series 2010B (Non-AMT)

Maturity Date (October 1)	Interest Rate	Outstanding Principal Amount	Par Amount to be Refunded	Call Date (September 14)	Call Price
2021	5.00%	$1,660,000.00	$1,660,000.00	2020	100
2022	5.00%	1,745,000.00	1,745,000.00	2020	100
2023	5.00%	930,000.00	930,000.00	2020	100
2024	5.00%	985,000.00	985,000.00	2020	100
2025	5.00%	1,035,000.00	1,035,000.00	2020	100
2026	5.00%	1,090,000.00	1,090,000.00	2020	100

II. Bonds to be Refunded with the Series 2020A-2 Bonds

Unlimited Tax Refunding Bonds
Series 2010C (Non-AMT)

Maturity Date (October 1)	Interest Rate	Outstanding Principal Amount	Par Amount to be Refunded	Call Date (September 14)	Call Price
2021	4.00%	$ 420,000.00	$ 420,000.00	2020	100
2022	4.00%	440,000.00	440,000.00	2020	100
2023	4.00%	455,000.00	455,000.00	2020	100
2024	4.00%	475,000.00	475,000.00	2020	100
2025	4.00%	495,000.00	495,000.00	2020	100
2026	4.00%	515,000.00	515,000.00	2020	100
2027	5.00%	2,035,000.00	2,035,000.00	2020	100
2028	5.00%	2,310,000.00	2,310,000.00	2020	100
2029	5.00%	2,425,000.00	2,425,000.00	2020	100
2030[(a)]	5.00%	3,390,000.00	3,390,000.00	2020	100
2031[(a)]	5.00%	3,560,000.00	3,560,000.00	2020	100
2034[(b)]	5.00%	1,820,000.00	1,820,000.00	2020	100
2035[(b)]	5.00%	1,905,000.00	1,905,000.00	2020	100
2036[(b)]	5.00%	2,000,000.00	2,000,000.00	2020	100
2037[(b)]	5.00%	2,105,000.00	2,105,000.00	2020	100
2038[(b)]	5.00%	2,205,000.00	2,205,000.00	2020	100

(a) Part of a term bond maturing October 1, 2031.
(b) Part of a term bond maturing October 1, 2038.

Unlimited Tax Refunding Bonds
Series 2010D-1 (Non-AMT)

Maturity Date (October 1)	Interest Rate	Outstanding Principal Amount	Par Amount to be Refunded	Call Date (October 1)	Call Price
2023	5.000%	$ 3,590,000.00	$ 3,590,000.00	2020	100
2024	5.000%	9,200,000.00	9,200,000.00	2020	100
2025	5.000%	9,660,000.00	9,660,000.00	2020	100
2026	5.000%	10,140,000.00	10,140,000.00	2020	100
2027	5.000%	10,555,000.00	10,555,000.00	2020	100
2028	5.000%	11,090,000.00	11,090,000.00	2020	100
2029	5.000%	11,645,000.00	11,645,000.00	2020	100
2030	5.000%	12,225,000.00	12,225,000.00	2020	100
2031	5.000%	12,835,000.00	12,835,000.00	2020	100
2032[(a)]	5.000%	13,470,000.00	13,470,000.00	2020	100
2033[(a)]	5.000%	14,150,000.00	14,150,000.00	2020	100
2034[(a)]	5.000%	14,850,000.00	14,850,000.00	2020	100
2035[(a)]	5.000%	14,530,000.00	14,530,000.00	2020	100

[(a)] Part of a term bond maturing October 1, 2035.

Unlimited Tax Refunding Bonds
Series 2010D-2 (Non-AMT)

Maturity Date (October 1)	Interest Rate	Outstanding Principal Amount	Par Amount to be Refunded	Call Date (October 1)	Call Price
2035[(a)]	5.000%	$ 1,070,000.00	$ 1,070,000.00	2020	100
2036[(a)]	5.000%	16,380,000.00	16,380,000.00	2020	100
2037[(a)]	5.000%	17,195,000.00	17,195,000.00	2020	100
2038[(a)]	5.000%	18,060,000.00	18,060,000.00	2020	100
2039[(a)]	5.000%	32,960,000.00	32,960,000.00	2020	100

[(a)] Part of a term bond maturing October 1, 2039.

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Unlimited Tax Refunding Bonds
Series 2010E (Non-AMT)

Maturity Date (October 1)	Interest Rate	Outstanding Principal Amount	Par Amount to be Refunded	Call Date (October 1)	Call Price
2021	3.000%	$ 330,000.00	$ 330,000.00	2020	100
2022	3.000%	340,000.00	340,000.00	2020	100
2023	3.250%	355,000.00	355,000.00	2020	100
2024	3.500%	365,000.00	365,000.00	2020	100
2025	4.000%	375,000.00	375,000.00	2020	100
2026	4.000%	390,000.00	390,000.00	2020	100
2027	4.000%	500,000.00	500,000.00	2020	100
2028	4.000%	535,000.00	535,000.00	2020	100
2029	4.000%	555,000.00	555,000.00	2020	100
2030	4.000%	755,000.00	755,000.00	2020	100
2031[(a)]	4.250%	785,000.00	785,000.00	2020	100
2032[(a)]	4.250%	945,000.00	945,000.00	2020	100
2033[(a)]	4.250%	985,000.00	985,000.00	2020	100
2036[(b)]	4.250%	2,545,000.00	2,545,000.00	2020	100
2037[(b)]	4.250%	2,730,000.00	2,730,000.00	2020	100
2038[(b)]	4.250%	2,730,000.00	2,730,000.00	2020	100
2036[(c)]	5.000%	1,600,000.00	1,600,000.00	2020	100
2037[(c)]	5.000%	1,600,000.00	1,600,000.00	2020	100
2038[(c)]	5.000%	1,800,000.00	1,800,000.00	2020	100

(a) Part of a term bond maturing October 1, 2033.
(b) Part of a term bond maturing October 1, 2038.
(c) Part of a term bond maturing October 1, 2038.

III. Bonds to be Refunded with the Series 2020B Bonds

Unlimited Tax Refunding Bonds,
Series 2011A (AMT)

Maturity Date (October 1)	Interest Rate	Outstanding Principal Amount	Par Amount to be Refunded	Call Date (October 1)	Call Price
2022	5.000%	$3,505,000.00	$3,505,000.00	2021	100
2023	5.000%	3,700,000.00	3,700,000.00	2021	100
2024	5.000%	3,900,000.00	3,900,000.00	2021	100
2025	5.000%	4,105,000.00	4,105,000.00	2021	100
2026	3.750%	4,325,000.00	4,325,000.00	2021	100

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APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY

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PORT OF HOUSTON AUTHORITY

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Years Ended December 31, 2019 and 2018

Port of Houston Authority
111 East Loop North
Houston, Texas 77029
Phone: 713.670.2400
Fax: 713.670.2554
porthouston.com
Prepared By: Office of the Controller Port of Houston Authority

On the cover: The Houston Ship Channel near one of the many petrochemical complexes and the San Jacinto Monument.

Port of Houston Authority of Harris County, Texas

Comprehensive Annual Financial Report
For the Years Ended December 31, 2019 and 2018

Prepared By:
Office of the Controller
Port of Houston Authority

PORT OF HOUSTON AUTHORITY
PHA
HOUSTON, TEXAS

Port of Houston Authority of Harris County, Texas
Comprehensive Annual Financial Report
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INTRODUCTORY SECTION

Port of **Houston** Authority
111 East Loop North
Houston, Texas 77029-4326
Office: 713.670.2400
portofhouston.com

April 21, 2020

Port Commissioners

Port of Houston Authority of Harris County, Texas

Houston, Texas

Dear Commissioners:

We are pleased to present the Comprehensive Annual Financial Report ("CAFR") of the Port of Houston Authority of Harris County, Texas ("Authority") for the year ended December 31, 2019. Dollar amounts are rounded to the nearest million within this letter of transmittal, and to the nearest thousand in the Management's Discussion and Analysis ("MD&A"), financial statements and the accompanying notes to the financial statements.

Responsibility for the accuracy of the data and the completeness and fairness of presentation, as well as all disclosures, rests with management of the Authority. To the best of its knowledge the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Authority. We have included disclosures necessary to enable the reader to gain an understanding of the Authority's financial position.

Profile of the Authority

Originally constituted in 1911, the Authority is an independent political subdivision of the state of Texas, operating as a navigation district under Chapter 5007, Texas Special District Local Laws Code, having boundaries generally coterminous with Harris County, Texas. Governance of the activities of the Authority is the responsibility of the Port Commission composed of seven commissioners. Two are appointed by Harris County Commissioners Court, two by the City Council of the City of Houston, one by the City Council of the City of Pasadena and one by the Harris County Mayors' and Councils' Association. The chairman of the Port Commission is jointly appointed by the governing bodies of Harris County and the City of Houston.

The Authority had 680 active, regular employees as of December 31, 2019 and in addition, utilized 447 full-time equivalent workers throughout the year hired from local longshoremen union halls.

The greater Port of Houston ("Port") opened as a deep draft port in November 1914. The Houston Ship Channel (the "Channel"), the heart of the Port complex, extends 52 miles inland from the Gulf of Mexico to the City of Houston. The Port consists not only of the Authority's public terminals and wharves, but also includes more than 200 privately-owned facilities along the upper half of the Channel. The Port is host to the world's second largest petrochemical complex and is ranked first in the nation for foreign waterborne tonnage, and second in total tonnage.

Some of the privately-owned terminals within the Port compete directly with the Authority's terminals, but serve to increase commerce through competitive rates. The Authority neither regulates the tariffs charged by, nor derives any revenues from, any of the privately-owned terminals, except for certain lease payments, harbor fees for fire protection and emergency services, and certain payments that may be received from private terminals located at the Bayport Industrial Complex.

Business of the Authority

The Authority owns and operates a diverse group of facilities designed to accommodate a variety of cargo, including general cargo, containers, grain, coal, pet coke, dry and liquid bulk and project and heavy-lift cargo. The Authority continues to make capital infrastructure improvements and operates its terminals to achieve optimum utilization of its assets. In addition to its 3,557 acres of developed properties, the Authority also owns 4,271 acres of undeveloped properties, including dredged material placement areas.

The Authority's Turning Basin Terminal in the upper Channel area is a multipurpose complex of breakbulk and general cargo wharves with substantial dockside facilities, as well as open and enclosed short-term storage space. Wharf 32, located within this terminal, was specifically designed for handling project and heavy-lift cargo, and has 36 acres of heavy-duty paved marshalling area.

The Manchester Terminal, considered part of the Turning Basin Terminal complex, is a liquid bulk facility on a 16 acre leased site.

The Authority's container cargo facilities are Barbours Cut Container Terminal ("BCT") and Bayport Container Terminal ("Bayport"), which handle approximately two-thirds of all the containerized cargo in the U.S. Gulf of Mexico area.

BCT is located in the cities of Morgan's Point and La Porte, and at the mouth of Galveston Bay, three and a half hours sailing time to the open waters of the Gulf of Mexico. In addition to its container handling and storage facilities, intermodal rail service and connecting terminal warehouses are available at BCT. A modernization program is underway to increase cargo handling efficiency and increase annual capacity from 1.2 million to 2 million twenty-foot equivalent units (TEUs) when completed.

Bayport is the Authority's newest container terminal and located within an industrial complex in southeast Harris County linked by the Bayport Channel to the Houston Ship Channel. Bayport's proximity to BCT benefits the customers at Bayport due to competitive rail and trucking charges and affordable ancillary services. At the completion of current development activities, Bayport is expected to annually handle 2.3 million TEUs.

Care Terminal, Jacintoport Terminal, the Bulk Materials Handling Plant, the grain elevator at Woodhouse Terminal, and the grain elevator at the Turning Basin Terminal are leased by the Authority to third-party operators. In addition, 58 acres at the Authority's Beltway 8 property is leased for petrochemical liquid bulk storage.

The world's largest ethane export complex is located on leased land at the BCT Terminal.

16.3 acres along the north side of the Bayport channel are leased and now being developed to operate a liquid bulk dock to handle crude oil and condensate.

Certain wharves at BCT, Care Terminal, Jacintoport Terminal, the Bulk Materials Handling Plant, Sims Bayou, and in the Turning Basin Terminal area may be subject to preferential treatment, but not exclusive berthing arrangements.

The Authority also provides railroad rights-of-way to rail operators, licenses pipeline crossings, issues marine construction permits, and maintains expansive areas for dredged material.

The Authority owns approximately 165 miles of railroad track with operating rights on an additional 10 miles of track and 734 acres of rights-of-way with storage yard capacity for railroad cars near its facilities. These yards are located on property made available to the Port Terminal Railroad Association, an association of line railroads that serve the Port.

The Authority also owns or manages over 12,750 acres of submerged land in Harris County. In 2019, the Authority expanded its leasing program to begin leasing these lands to owners of adjacent property.

As the Non-Federal Sponsor of the Houston Ship Channel, the Authority has provided to the U.S. Army Corps of Engineers (Corps) over 7,000 acres of land in Harris County and Galveston Bay as dredge material placement areas. The Authority performs environmental management and operational oversight of these placement areas through professional services and maintenance contracts, the cost of which has been reduced by 30-60% over the past five years.

In 2019, the four-year cost-shared federal study which is considering the feasibility of further improvements to the Houston Ship channel, and its tributaries, was submitted by the local Corps district office for administrative approval. The Authority is actively pursuing administration and Congressional approval of this project, has commenced design work on its own in advance of that approval, and seek to begin construction once approval is in hand. The tentatively selected plan will enable deeper draft and generally larger ships to call further upstream in the heart of the channel petrochemical reach and allow for more efficient transportation through Galveston Bay to channel endpoint at the Turning Basin. Additional widening of the ship channels up to and including the container terminals will assure the capability of those channels to satisfy the growing demand for containerized cargo for the next 20-50 years. The Authority’s 50% cost share of the study is approximately $5 million.

In 2019, the Bayport flare improvements were completed allowing for easier access into the Bayport channel. Channel Development also renegotiated the Operations and Maintenance for Disposal Area Management Program with the Corps of Engineers resulting in the Corps accepting responsibility for all ditching construction resulting in a savings of $1 million or more annually.

For additional information, please refer to the Table of Physical Characteristics of the Port Facilities of the Authority in the Statistical Section of this CAFR, under Operating Information (Schedule 18).

Economic Outlook

In early March 2020, the Federal Reserve’s Federal Open Market Committee (“FOMC”) stated that the fundamentals of the U.S. economy remained strong. However, subsequent concerns that the "coronavirus poses evolving risks to economic activity" prompted the FOMC to unexpectedly reduce the federal funds rate to a new target range of 0.00% 0.25%, lower the reserve requirement to zero, and commence enhanced open market operations. This was an abrupt shift to address rapidly deteriorating financial market conditions, including a drop of about 30% in equity indices as industry and investors respond to the disruption of global supply chains and fears of the unknown longevity of the slowdown from the coronavirus. Further exasperating the geopolitical environment was the sharp fall in crude oil prices prompted by Russia and Saudi Arabia vying for market share, the impact of which is yet to be realized in the energy sector.

The interim March 2020 report of the Organization for Economic Cooperation and Development ("OECD") has scaled back global gross domestic product ("GDP") growth from 2.9% in 2019 to 2.4% in 2020. China is driving this, projected to dip to 5% GDP growth in 2020 then rise to 6% in 2021. The Authority will continue to monitor market conditions for impacts on its revenue streams, and will adjust its strategy and capital spending as necessary to maintain liquidity and flexibility during these uncertain times.

The Consumer Price Index ("CPI") for all items increased 2.3% in 2019. The index for all items less food and energy also rose 2.3% percent over the 12month period. The food index increased 1.8% in 2019, a slightly larger increase than the 2018 rise of 1.6%. The energy index rose 3.4% in 2019 after falling slightly in 2018. The Authority uses a CPI measure as the basis for annual rate adjustments in many lease agreements and marine terminal services agreements.

Financial Planning

In accordance with statutory requirements, the Port Commission reviews and must approve an annual budget and a one-year capital plan. The Authority also develops a five-year forecast and a long range plan addressing goals, strategies, and priorities.

For 2020, the Authority budgeted revenues of $437 million. This represents an 8% increase over the 2019 budgeted revenues of $404 million, reflecting growth in container volumes and an increase in channel development revenues (primarily leases of submerged lands). Budgeted nonoperating revenues in 2020 reflect an expected increase in federal grant reimbursements and reduced interest income. Total expenses are budgeted at $333 million, a 9% increase versus the prior year, due primarily to higher terminal operating and labor costs resulting from increased volumes, as well as depreciation and amortization, and general and administrative expenses. Excluding revenues and expenses related to property tax-supported debt and collection, the Authority projects net income of $103 million for 2020 or 7% higher than the 2019 budget. The Authority also expects to generate cash flows of over $183 million in 2020.

During 2019, the Authority invested $255 million in capital improvements, funded primarily from the Authority's general fund and in part from grant monies received from federal and other governmental programs.

In 2020, the Authority expects to commit $232 million for various capital projects. Approximately $136 million will be allocated to its container terminals for continuing development of Bayport and modernization at BCT, while $29 million is designated for channel development projects, and another $24 million relates to improvements at the general cargo and bulk terminals in the Turning Basin Terminal. The remaining 2020 capital budget funds will be used for railroad improvements, port security, building renovations and information technology.

Major Initiatives

Strategic Plan

The Authority's Five-year Strategic Plan, developed in 2015 and approved by the Port Commission, defines success for the Authority and provides a roadmap to help provide direction and alignment, focus resources, and guide staff decision-making to allow the Authority to maintain a sustainable competitive advantage. Since its adoption, the Authority has focused on its mission to *Move the World and Drive Regional Prosperity* and its vision to become *America's Distribution Hub for the Next Generation* by driving the strategic goals of People, Growth, Infrastructure, and Stewardship.

In response to new challenges and opportunities, and in accordance with the statutory requirement to re-evaluate the strategic plan every five years, Port Houston collaboratively engaged in a comprehensive evaluation of its priorities during 2019, with targeted adoption of a new plan in early 2020.

Terminal Improvements

The Authority evaluates its strategic plans to ensure a competitive position in the global marketplace. This can only be accomplished by focusing on consistent and quality levels of service to all customers and stakeholders, optimizing expansion and redevelopment activities, and investing in terminal infrastructure and technologies.

Containerized cargo is handled by the Authority at BCT and Bayport Container Terminals. Today, these terminals combined have 26 operating wharf cranes, 98 Rubber Tired Gantry ("RTG") cranes, and additional heavy duty tractors and other cargo handling equipment.

Development at Bayport continued in 2019 with the commissioning of three new ShipToShore ("STS") and ten new RTG cranes. Expansion of grounded container marshaling areas saw the beginning of construction for Container Yard Seven. When completed later this year, it will consist of 50 acres of grounded and wheeled storage. 2019 also transitioned a previously leased area, consisting of approximately 15 acres of empty container storage, into grounded storage for loaded containers. Finally, the Bayport South Rail Spur project began in 2019 and will continue into 2020.

The STS cranes were commissioned in early 2019 brought the fleet total to 12 at Bayport and the ten RTG's increased the total fleet size at that terminal to 48. In addition, the Authority ordered an additional nine hybrid RTGs that will raise the total fleet size to 57 when fully commissioned at the end of 2020. Following in 2021 an additional nine RTG's will be delivered, bringing the total to 66 at Bayport.

Construction of Container Yard Seven began in the fourth quarter of 2018 and is expected to be complete in the fourth quarter of 2020. When complete it will add an additional 50 acres to the footprint of Bayport and will conclude the container yard marshalling expansion at the west end of the terminal.

The new BCT Entry Gate Facility design was completed in 2019 and started construction the same year. When complete, this redesigned gate will consist of 29 entry lanes and utilize new weigh-in-motion technology to increase velocity supporting the expected growth of the facility. This will also transition the entry gate from a two-stage complex into one stage, mirroring the processing today found at BPT. Completion of phase one is currently slated for the second quarter of 2021 with the final phase coming online in early 2022.

Eight hybrid RTGs are expected to be delivered to BCT in the first quarter of 2020. This brings the total fleet size at BCT to 50. These cranes will grow our current hybrid fleet to 15 at BCT.

Reconstruction of Wharf 3 will continue throughout 2020 with completion scheduled for the first quarter of 2021. Three STS cranes will accompany the reconstruction effort, raising the fleet size of 100 gage cranes to seven. During 2020, three cranes will also be relocated from Bayport, and two older 50 gage cranes will be surplussed to allow for the arrival of the 100 gage cranes. When complete, BCT will house seven Super-Post-Panamax, three Post-Panamax, and five 50 gage Panamax class STS cranes, for a total of 15.

Reconstruction of Container Yard 1 and 2 North began in 2019 and is expected to be completed in 2020, the first phase turned over to operations in the second quarter of 2020 with the total completion occurring in the fourth quarter0. When complete, over 15 acres of the most utilized Container Yard at BCT will have been redeveloped, increasing the density of the yard footprint as well as adding bypass lanes to increase velocity and safety.

Port Security and Emergency Operations (PSEO)

The Port Security and Emergency Operations Division ("PSEO") had a very busy year in 2019, responding to multiple large events, implementing new technology and processes, and focusing on its people.

The Fire and Emergency Management Departments were fully engaged in the joint regional response to the fire at ITC Terminals in Deer Park. All three fireboats were on scene for the first ten days, pumping over 70 million gallons of water through hoses stretching a mile inland to provide firefighting water to the effort. Emergency Management maintained communications with all the other agencies in the area to coordinate and share information. Just a few months later, a collision between a barge and ship on the Houston Ship Channel spilled several thousand gallons of Reformate (a gasoline-like substance). Authority fireboats were the first on scene, ensuring the safety of those involved and relaying critical information to decision makers ashore as well as monitoring air quality.

The Security Department continues to operate under the Security Management System via the Authority's ISO 28000 Supply Chain Security certification, which mandates continuous improvement. The Authority remains the only port authority in the United States to hold this certification, now entering its 12th year. Security also worked closely with the Operations Division to implement a facial recognition software and protocol for truckers entering the container terminals. To date, over 5,000 truckers have been registered in the system, which speeds the entry procedure to reduce turn time.

Our most important asset is our people. Both the Police and Fire Departments have implemented new shift schedules at the request of personnel to provide a better work-life balance. In 2019, Christian Kibbe, a member of the Police Department staff, was recognized as the Authority Employee of the Year. The Police and Fire Departments worked together on Active Shooter training, to not only coordinate stopping any such event but also respond to injuries. During the Christmas holiday season the entire PSEO Division, under the leadership of the Police Department, continued the tradition of providing bicycles (22 this year) for deserving students at Port Houston Elementary, holiday gifts and a meal to over 70 residents of the Jacinto City Health Care Center, and additional holiday gifts to the Mexican Heritage Center, evidence of the commitment to the local community.

Environment

The Environmental Affairs Department manages the Authority's environmental affairs through the administration of an environmental management system ("EMS") and various environmental programs, including air quality, waste management, drinking water, storm water, wastewater, remediation, and compliance auditing. The Authority was the world's first publicly-owned port to certify its EMS under the newest international standard, ISO 14001:2015.

Tenants operating on Authority property are generally audited at least annually for compliance with the environmental terms of their leases. In 2019, the Authority conducted 40 compliance audits of tenant and Authority facilities.

Technology

The principal responsibility of the Technology Division is to support port-wide applications, infrastructure, and information security. The Information Technology Master Plan for 2020 – 2022 is the blueprint for the division as an internal service provider. With support from Port Security Grants for cybersecurity and security camera replacements, multi-project programs are in flight and aligned to the Authority's Strategic Plan.

Financial Information

The accounting policies of the Authority and this report conform to accounting principles generally accepted in the United States for local governmental units as prescribed by the Governmental Accounting Standards Board. A summary of significant accounting policies can be found in Note 1 of the financial statements.

It is the policy of the Authority to record nonoperation-related sources of income and expense outside of the Operating income section of the Statements of Revenues, Expenses and Changes in Net Position. Accordingly, during 2019 the Authority recognized $4.3 million of contributions to state and local agencies in the Nonoperating revenues (expenses) section of the statements.

The integrity and accuracy of data in these financial statements and supplemental schedules, including estimates and judgments relating to matters not concluded at year-end, are the responsibility of the management of the Authority. However, by state statute, the Harris County Treasurer serves as the treasurer of the Authority with certain responsibilities related to bank accounts and funds of the Authority and tax bonds issued by the Authority.

We direct the reader's attention to the MD&A section immediately following the independent auditor's report, which provides an analytical overview of the Authority's financial activities and serves as an introduction to the basic financial statements.

Internal Control

Management, with oversight from the Audit Committee of the Port Commission, is responsible for establishing and maintaining internal controls. The Authority's Internal Audit Department ("IAD") enhances focus and provides structure to this function. The IAD adheres to: the International Standards for the Professional Practice of Internal Auditing as issued by the Institute of Internal Auditors (known as the "*Red Book*"), and the Government Auditing Standards (commonly referred to as the "*Yellow Book*") as promulgated by the Government Accountability Office. Management utilizes IAD's annual internal audit plan, supported by an enterprise risk assessment, as a tool in fulfilling its responsibility. Management also utilizes its best estimates and judgment to assess the expected benefits and related costs of controls.

In developing and evaluating the Authority's accounting system, consideration is given to the adequacy of internal accounting controls. The objectives of internal controls are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States. Due to inherent limitations in any internal controls, misstatements arising from error or fraud may occur and not be detected. Also, projections of any evaluation of internal controls to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

All internal control evaluations occur within the above framework. Management believes the Authority's financial accounting controls, with ongoing internal audit reviews and statutory audit functions, adequately safeguard assets and provide reasonable assurance of properly recorded financial transactions.

Independent Audit

The financial statements for the years ended December 31, 2019 and 2018 listed in the foregoing Table of Contents were audited by an independent audit firm appointed by the Port Commission. The audit opinion rendered by Grant Thornton LLP for December 31, 2019 is included in the Financial Section of this report.

Certificates of Achievement

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2018. This was the 45th consecutive year that the Authority has achieved this award. In order to be awarded a Certificate of Achievement, a governmental entity must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. Management believes the current report continues to meet the Certificate of Achievement Program's requirements.

The Government Treasurers' Organization of Texas ("GTOT") sponsors an Investment Policy Certification Program designed to provide assistance to local governments in developing policies that fully comply with the Texas Public Funds Investment Act, and to recognize outstanding examples of written investment policies. The Authority was first awarded a Certificate of Distinction for its investment policy in March 2013 and received additional certificates in 2015, 2017, and 2019. The GTOT certificate is valid for two years.

Acknowledgements

We express our appreciation to all who assisted and contributed to the preparation of this report.

In addition, we would like to thank the members of the Port Commission and the staff of the Authority for their support in planning and conducting the financial affairs of the Authority in a responsible and progressive manner, to ensure fiscal transparency and accountability, and to maintain the Authority's financial statements in conformance with the highest professional standards.

Roger Guenther Executive Director	Tim Finley Chief Financial Officer	Curtis Duncan Controller

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Port of Houston Authority

Texas

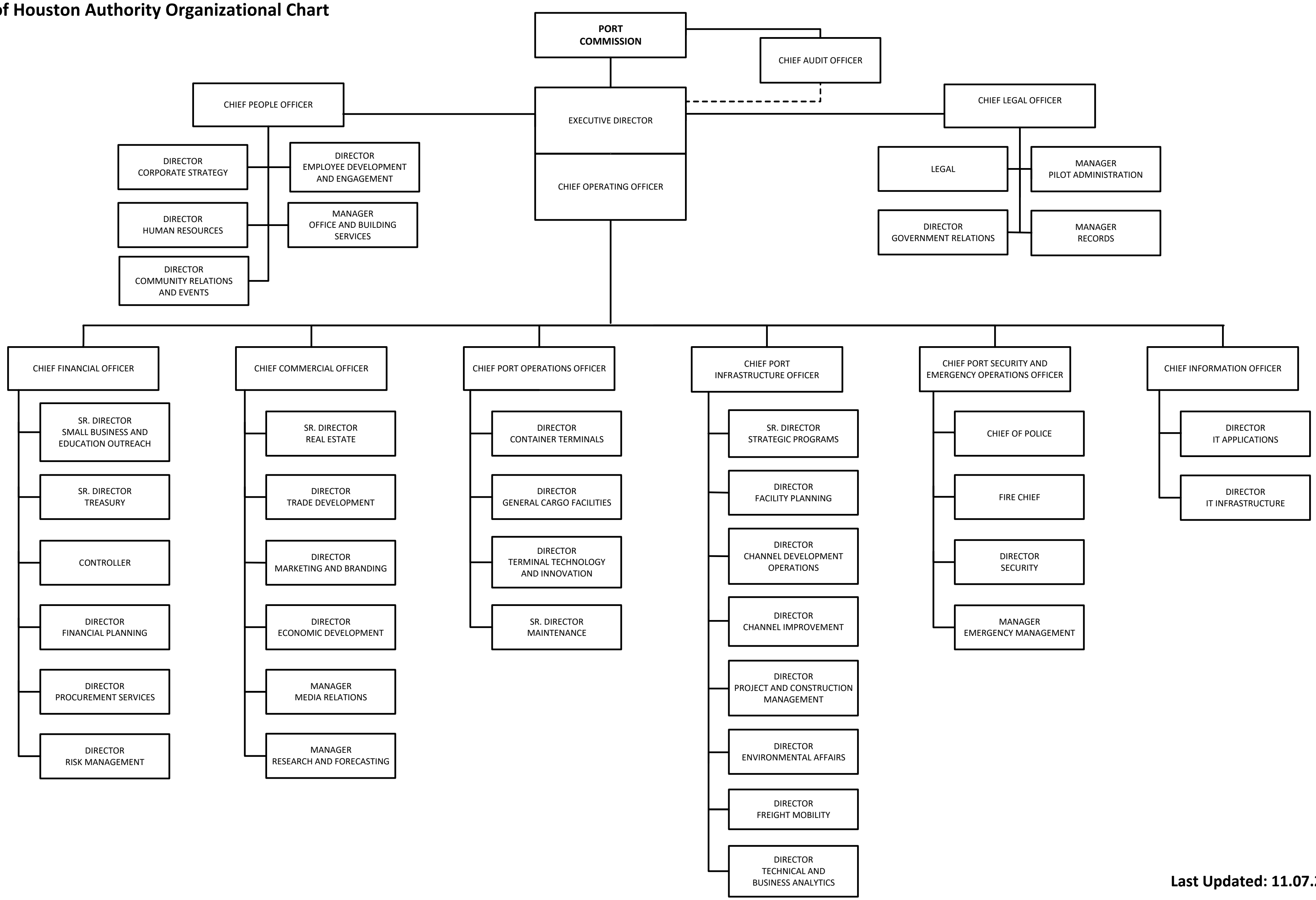
For its Comprehensive Annual Financial Report for the Fiscal Year Ended

December 31, 2018

Christopher P. Morrill

Executive Director/CEO

Port of Houston Authority Organizational Chart



Last Updated: 11.07.2019

Port of Houston Authority of Harris County, Texas
Directory of Officials

Port Commission

Ric Campo, Chairman
Dean E. Corgey, Commissioner
Clyde E. Fitzgerald, Commissioner
Theldon R. Branch III, Commissioner
Stephen H. DonCarlos, Commissioner
Roy D. Mease, Commissioner
Wendolynn "Wendy" Montoya Cloonan, Commissioner

Other Officials

Roger D. Guenther, Executive Director
Thomas J. Heidt, Chief Operating Officer
Rich Byrnes, Chief Port Infrastructure Officer
Jeff Davis, Chief Port Operations Officer
Erik A. Eriksson, Chief Legal Officer
Tim Finley, Chief Financial Officer
John Moseley, Chief Commercial Officer
Jessica Shaver, Chief People Officer
Charles Thompson, Chief Information Officer
Marcus Woodring, Chief Port Security and Emergency Operations Officer
Maxine N. Buckles, Chief Audit Officer
Curtis E. Duncan, Controller
Dylan Osborne, County Treasurer

FINANCIAL SECTION

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Port Commission
Port of Houston Authority of Harris County, Texas

Report on the financial statements

We have audited the accompanying financial statements of the Port of Houston Authority of Harris County, Texas (the "Authority") as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port of Houston Authority of Harris County, Texas as of December 31, 2019 and 2018, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Restated Retirement Plan Schedule of Changes in Net Pension Liability and Related Ratios, Restated Retirement Plan Schedule of Port Authority Contributions, OPEB Plan Schedule of Annual Money Weighted Rate of Return, OPEB Plan Schedule of Changes in Net OPEB Liability and Related Ratios, and OPEB Plan Schedule of Actuarially Determined Contributions be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Combining Statements of Fiduciary Trust Net Position and Combining Statements of Changes in Fiduciary Trust Net Position are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Grant Thornton

Other information
The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated April 21, 2020, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Grant Thornton LLP

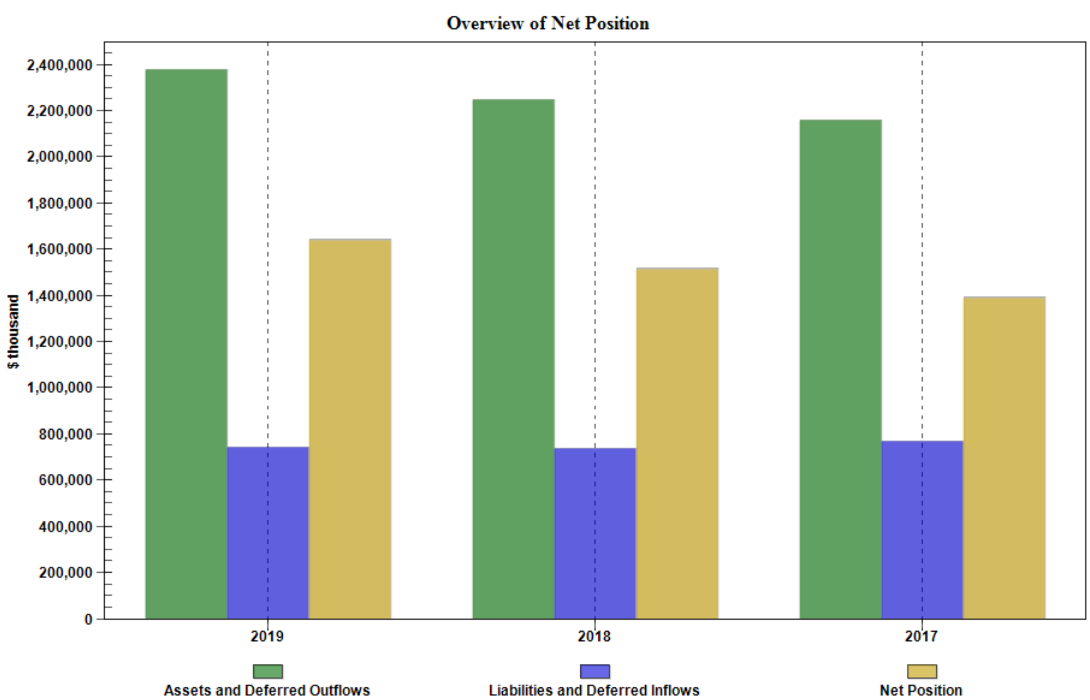
Houston, Texas
April 21, 2020

PHA
PORT OF HOUSTON AUTHORITY
HOUSTON, TEXAS

The following Management's Discussion and Analysis ("MD&A") of the Port of Houston Authority of Harris County, Texas ("Authority") provides an overview of the activities and financial performance for the fiscal years ended December 31, 2019 and 2018.

The MD&A supplements the basic financial statements by presenting certain information regarding the statements and an analysis of the Authority's overall financial position and results of operations. Additionally, this section contains information surrounding capital assets and long-term debt activity during the year and concludes with a discussion regarding budgeting and economic factors effecting the Authority.

The information contained in this MD&A has been prepared by management and should be considered in conjunction with the financial statements and the accompanying notes, which follow this section and are integral to the data contained in the financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.



Net position is the difference between the Authority's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Over time, increases or decreases in net position may serve as an indicator of whether the Authority's financial position is improving or deteriorating.

Financial highlights for fiscal year 2019

- The net position of the Authority at December 31, 2019 was $1,638,933, increasing $127,575 or 8% over the prior year.

- The Authority's total assets and deferred outflows of resources increased by $134,336 or 6% during the fiscal year ended December 31, 2019. The majority of this change stems from an increase in cash and investments of $77,432, an increase in capital assets of $43,851 and an increase in Net OPEB assets of $11,505; offset by a decrease in deferred outflows of resources related to OPEB of $6,760.

- The Authority's total liabilities and deferred inflows of resources increased by $6,762 or 1%; the majority of this change stems from an increase of $25,123 in accounts payable and other current liabilities, and a decrease in long-term debt, net of current maturities of $27,786, offset by a decrease of $8,884 in net OPEB liability and an increase of $7,939 in deferred inflows of resources related to OPEB.

- Current assets exceeded current liabilities by $319,601.

- Net investment in capital assets (net of accumulated depreciation and debt) grew 7% to $1,119,856.

- Operating revenues were $391,437, reflecting growth of 6% over the prior year.

- Total operating expenses were $301,561, a growth of 8% over the prior year.

- The Authority generated operating income of $89,876 in 2019 and $90,157 in 2018.

Overview of the Financial Statements

The Authority's basic financial statements consist of the following: 1) Statements of Net Position, 2) Statements of Revenues, Expenses, and Changes in Net Position, 3) Statements of Cash Flows, and 4) Notes to the Financial Statements. Fiduciary fund statements associated with the Authority's Defined Contribution and Other Postemployment Benefits ("OPEB") plans are included as well. This report also contains required supplementary information.

The Statements of Net Position present information on all of the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position.

The Statements of Revenues, Expenses, and Changes in Net Position present information showing how the Authority's net position changed during the fiscal year. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that are expected to result in cash flows in future fiscal periods (e.g., uncollected property taxes and earned but unused vacation leave).

The Authority follows enterprise fund accounting and reporting requirements, including the accrual basis of accounting and application of Governmental Accounting Standards Board ("GASB") pronouncements, hence there are Statements of Cash Flows included as part of the basic financial statements.

In addition to the basic financial statements and accompanying notes, this report includes required supplementary information concerning the Authority's retirement plans and other postemployment benefits.

Financial Analysis

The largest portion of the Authority's net position (68%) reflects its net investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets. The Authority uses these assets to provide services to its customers; consequently these assets are not available for future spending. Although the Authority's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Authority's net position (3%) represents resources that are restricted for debt service. The remaining balance of unrestricted net position (29%) may be used to meet the Authority's ongoing obligations.

Port of Houston Authority of Harris County, Texas
Condensed Statements of Net Position
(in thousands)

	2019	2018	2017
Assets			
Current and other assets	$ 623,109	$ 529,199	$ 446,776
Capital assets	1,741,467	1,697,616	1,693,043
Total Assets	2,364,576	2,226,815	2,139,819
Deferred Outflows of Resources	15,616	19,040	17,438
Total Assets and Deferred Outflows of Resources	2,380,192	2,245,855	2,157,257
Liabilities			
Long-term liabilities (including current portion)	650,123	676,312	702,755
Other liabilities	79,121	54,869	64,870
Total Liabilities	729,244	731,181	767,625
Deferred Inflows of Resources	12,015	3,316	1,003
Total Liabilities and Deferred Inflows of Resources	741,259	734,497	768,628
Net Position			
Net investment in capital assets	1,119,856	1,050,604	1,023,578
Restricted	45,346	44,646	45,622
Unrestricted	473,731	416,108	319,429
Total Net Position	$ 1,638,933	$ 1,511,358	$ 1,388,629

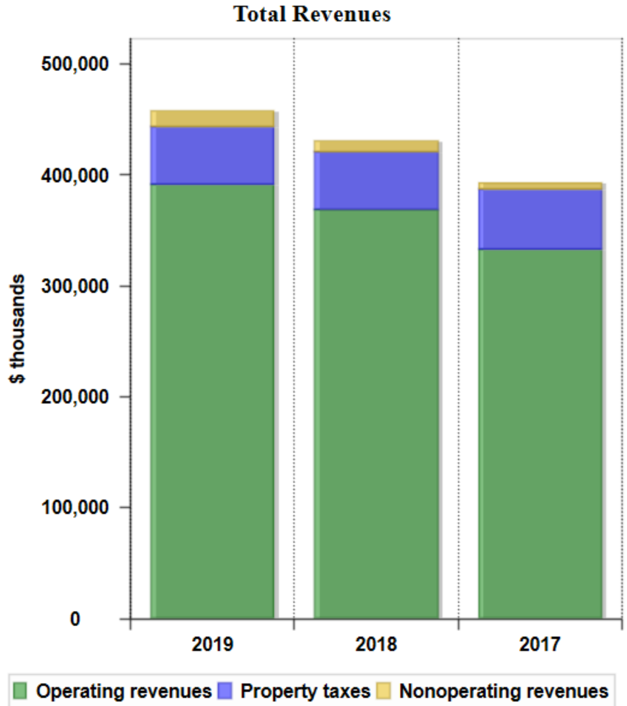
The Authority's net position increased by $127,575 during the fiscal year ended December 31, 2019. Net investment in capital assets increased $69,252 resulting from a net increase in capital assets of $43,851 and a decrease in outstanding bonds payable of $27,236. During fiscal year 2019, restricted net position increased $700 while unrestricted net position increased $57,623.

The Authority's net position increased by $122,729 during the fiscal year ended December 31, 2018. Net investment in capital assets increased $27,026 resulting from a net increase in capital assets of $4,573 and a decrease in outstanding bonds payable of $23,435. During fiscal year 2018, restricted net position decreased $976, while unrestricted net position increased $96,679.

Key elements of these increases in net position are identified in the following schedule of Changes in Net Position and related explanations.

Port of Houston Authority of Harris County, Texas
Changes in Net Position
(in thousands)

	2019	2018	2017
Operating revenues:			
Vessel and cargo services	$ 365,086	$ 344,272	$ 309,058
Rental of equipment and facilities	18,065	18,079	15,976
Grain elevator	1,439	1,182	902
Bulk materials	4,265	4,131	4,004
Other	2,582	1,652	2,933
Nonoperating revenues:			
Investment income	13,017	9,319	4,553
Other	1,282	345	1,703
Nonoperating revenues related to property taxes:			
Property taxes	51,060	50,951	53,842
Investment income on bond proceeds	967	721	264
Total Revenues	457,763	430,652	393,235
Operating expenses:			
Maintenance and operations of facilities	177,121	157,524	147,185
General and administrative	50,420	49,608	39,102
Depreciation and amortization	74,020	72,027	66,487
Nonoperating expenses:			
Contributions to state and local agencies	4,327	2,095	4,243
Loss on disposal of assets	4	1	33
Other	107	1,440	2,187
Nonoperating expenses related to property taxes:			
Interest expense on unlimited tax bonds	24,451	28,927	30,010
Property tax collection expense	1,100	1,100	1,100
Other	410	420	400
Total Expenses	331,960	313,142	290,747
Income before capital contributions	125,803	117,510	102,488
Capital contributions from federal agencies	1,772	5,219	8,896
Changes in net position	127,575	122,729	111,384
Net position, January 1	1,511,358	1,388,629	1,277,245
Net position, December 31	$ 1,638,933	$ 1,511,358	$ 1,388,629



In 2019, operating revenues increased $22,121 or 6% to $391,437 due primarily to an increase in Vessel and cargo services revenue. The Authority's container facilities' volume increased to 3.0 million twenty-foot equivalent units ("TEUs") for the year, an increase of 11% from 2018, while total Authority tonnage increased 2% to 48.1 million tons in 2019. Other operating revenues increased $930 or 56% primarily due to a rise in dredge material placement fees, as well as in pipeline license fees.

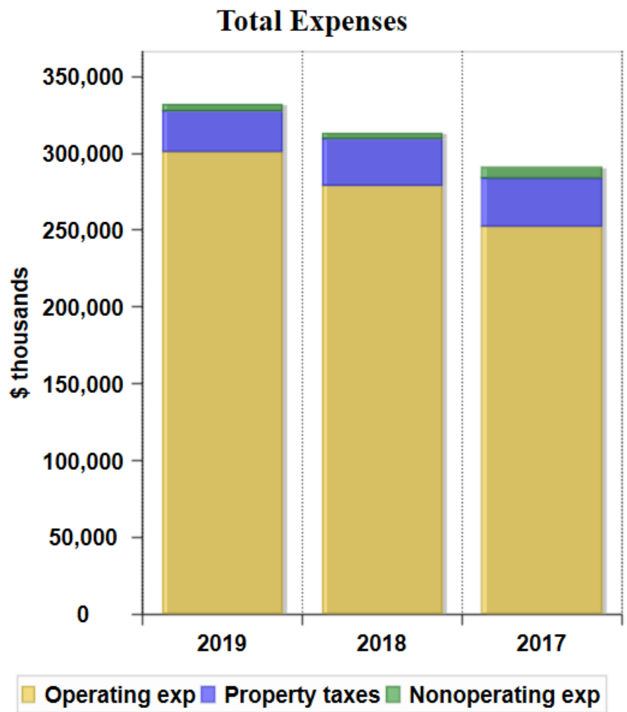
Nonoperating revenues related to property taxes in fiscal 2019 increased $355 due to an increase in property valuations, though tax rates declined slightly from $0.01155 in 2018 to $0.01074 in 2019 per $100 assessed valuation.

Nonoperating revenues in 2019 increased $4,635 due primarily to improved interest income and higher market valuation of investments.

In 2018, operating revenues increased $36,443 or 11% to $369,316 due primarily to an increase in Vessel and cargo services revenue. The Authority's container facilities' volume increased to 2.7 million TEUs for the year, an increase of 10% from 2017, while total Authority tonnage increased 6% to 46.7 million tons in 2018. Other operating revenues decreased $1,281 or 44% primarily from decline in dredge material placement fees.

Nonoperating revenues related to property taxes in fiscal 2018 decreased $2,434 due to the decreased property tax rate from $0.01256 in 2017 to $0.01155 in 2018 per $100 assessed valuation.

Nonoperating revenues in 2018 increased $3,408 due primarily to improved interest income and higher market valuation of investments.



For fiscal 2019, Operating expenses increased by $22,402 or 8%, primarily due to higher maintenance and operation of facilities expenses resulting from growth in container volumes. General and administrative expenses increased by $812 or 2% primarily due to investments in information technology and related initiatives. Depreciation increased by $1,993 or 3% due primarily to new assets at the container terminals.

Nonoperating expenses related to property taxes, reflecting predominantly interest expense on unlimited tax bonds, decreased $4,486 over 2018.

Nonoperating expenses in 2019 increased $902 due to contributions for projects.

For fiscal 2018, Operating expenses increased by $26,385 or 10%, primarily due to higher maintenance and operation of facilities expenses resulting from record growth in container volumes. General and administrative expenses increased by $10,506 or 27% primarily due to investments in strategic planning, information technology and related initiatives with lower comparable spend in 2017. Depreciation increased by $5,540 or 8% due primarily to new assets at the container terminals.

Nonoperating expenses related to property taxes, reflecting predominantly interest expense on unlimited tax bonds, decreased $1,063 over 2017.

Nonoperating expenses in 2018 decreased $2,927 due to contributions for projects with no comparable spend in 2018.

Capital Assets

The Authority's investment in capital assets as of December 31, 2019 totaled $1,741,467 (net of accumulated depreciation), an increase of $43,851 or 2.6% over the prior year.

Major capital asset activity (before depreciation) during 2019 included the following:

- Land and channel improvements and land use rights increased by $4,379 primarily due to land acquisitions of seven acres at Bayport and five acres at Turning Basin.
- Improvements other than buildings increased $9,253 primarily due to Wharf 2 construction at Bayport and Wharf 17 fender system construction at Turning Basin.
- Buildings increased $274 due to C-1 building renovations at Barbours Cut.
- Machinery and equipment net increase totaled $16,944 in 2019. This increase primarily consisted of the purchase of a wharf crane at Bayport and the purchase of vehicles Port-wide.
- Intangible assets increased $970 primarily due to the SharePort records management system.
- Construction-in-progress increased $82,226 in 2019 due to various projects including Container Yard 7 and the Rail Spur at Bayport, and Wharf 3 and eight RTG cranes at Barbours Cut.
- Accumulated depreciation net of retirements increased by $70,195 in 2019.

The Authority's investment in capital assets as of December 31, 2018, was $1,697,616 (net of accumulated depreciation), an increase of $4,573 or 0.3% over the prior year.

Major capital asset activity (before depreciation) during 2018 included the following:

- Land and channel improvements and land use rights increased by $14,289 primarily due to projects associated with deepening and widening of the Bayport channel.
- Improvements other than buildings increased $130,198 primarily due to Container Yard 6 North and South construction at Bayport and East End and Container Yard 1 construction at Barbours Cut.
- Buildings increased $276 due to Building 52 renovations at Industrial Park East.
- Machinery and equipment net increase totaled $74,622 in 2018. This increase consisted primarily of the purchase of 2 wharf cranes and 10 RTG cranes at Bayport, and 3 wharf cranes at Barbours Cut.
- Intangible assets increased $233 due to the SharePort self-service phase 2 upgrade.
- Construction-in-progress decreased $151,467 in 2018 due to the substantial completion of various projects at Bayport and Barbours Cut.
- Accumulated depreciation net of retirements increased by $65,789 in 2018.

Port of Houston Authority of Harris County, Texas
Capital Assets
(net of depreciation)
(in thousands)

	2019	2018	2017
Land and channel improvements	$ 483,987	$ 479,950	$ 466,114
Land use rights - intangible	13,328	12,986	12,533
Buildings	62,548	67,247	71,931
Improvements other than buildings	773,494	803,509	711,001
Railroads	20,533	21,833	20,896
Machinery and equipment	243,365	249,928	196,233
Computer software - intangible	1,936	2,113	2,818
Construction-in-progress	142,276	60,050	211,517
Total Capital Assets, net	$ 1,741,467	$ 1,697,616	$ 1,693,043

Additional information on the Authority's capital assets can be found in Note 4 in the accompanying notes to the financial statements.

Debt

At the end of 2019, the Authority had total debt outstanding of $623,227 (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 2018, the Authority had total debt outstanding of $650,463 (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 thousands)

	2019	2018	2017
General Obligation Bonds			
Unlimited Tax Port Improvement Bonds	$ 89,694	$ 89,831	$ 89,960
Unlimited Tax Refunding Bonds	533,533	560,632	583,938
Total General Obligation Bonds	623,227	650,463	673,898
Less Current Maturities	(21,735)	(21,185)	(19,945)
Long-Term Debt (net of unamortized premiums/discounts)	$ 601,492	$ 629,278	$ 653,953

During 2019, the Authority issued no new debt. The Authority's total debt principal outstanding decreased $21,185 during 2019 due to the scheduled debt service payments. Interest expense for 2019 on the unlimited tax bonds decreased by $4,476.

During 2018, the Authority issued $176,555 par value of Series 2018A unlimited tax refunding bonds at a premium. The bond proceeds net of issuance cost were used to refund $201,685 in par value relating to Series 2006B and Series 2008A. Interest expense for 2018 on the unlimited tax bonds decreased by $1,083.

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

Year	Fitch	Moody's	S & P
2019	AA	Aaa	AAA
2018	AA	Aaa	AAA

In December 2018, the Authority executed a five-year $100 million note purchase. As of December 2019, the Authority has an outstanding and unused line of credit of $100 million.

Additional information on the Authority's debt can be found in Note 6 in the accompanying notes to the financial statements.

Economic Factors

A number of factors were considered in preparing the Authority's operating budget for the 2020 fiscal year, including the global economy, tonnage statistics and expected growth in domestic and international trade. The Authority's budgets and other financial information are made available on its website (https://porthouston.com), as part of its commitment to financial transparency.

The Authority reviews information published by various research and advisory organizations, including the International Monetary Fund ("IMF") World Economic Outlook, the Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters, and the Federal Reserve Bank of Dallas Regional and U.S. Economic Updates.

While tariffs and trade policy uncertainty, geopolitical tensions, and stress in key emerging market economies continued to impact global economic activity in 2019, the latest IMF projections show global growth rising from an estimated 2.9% in 2019 to 3.3% in 2020 and 3.4% for 2021. This was a slight downward revision from the estimates published in their October 2019 World Economic Outlook, due primarily to negative sentiment in a few emerging markets, notably India, which led to a reassessment of growth prospects.

According to the Bureau of Labor Statistics, the consumer price index ("CPI") increased 2.3% in 2019 on an unadjusted basis. The index for all items less food and energy also rose 2.3% over the 12-month period. This was larger than the CPI increase of 1.9% in 2018 and the 1.8% average annual rate over the last 10 years. Although inflation spiked to 2.5% in January 2020, it is expected to moderate to 2.0% by the end of 2020 and 1.9% in 2021 according to Trading Economics, a global economics research firm.

The Texas economy saw healthy growth in 2019, with payrolls expanding 2.0%, roughly in line with the state’s long-term job growth rate of 2.1%. Unemployment remains at a near-record low of 3.5%, indicative of a tight labor market. Expansion in the services industry, which accounts for 70% of private-sector output in Texas, was stable, while manufacturing output growth slowed. Activity in the energy sector was weak, while migration to the state picked up last year. The Federal Reserve Bank of Dallas forecasts 2020 employment growth in Texas will be close to the state's long-run average of 2.1%.

The Authority's 2020 budget reflects expected growth of container export loads at 8%, as plastic resin production by the petrochemical industry continues to ramp up, and import loads are forecast up 1%. Steel tonnage is expected to decrease by 10% in 2020, while general cargo growth is projected at 6%.

Requests for Information

The financial report is designed to provide an overview of the Authority's finances for those with an interest in the Authority's finances. Questions concerning the information provided in this report, or requests for additional information, should be addressed to the Office of the Controller, Port of Houston Authority, 111 East Loop North, Houston, Texas 77029.

Port of Houston Authority of Harris County, Texas

Statements of Net Position
As of December 31, 2019 and 2018
(in thousands)

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	$ 175,160	$ 74,597
Short-term investments	130,530	230,837
Receivables (net of allowance for uncollectibles)	43,276	43,925
Restricted assets		
Cash and cash equivalents	18,290	18,585
Property tax receivables	44,417	40,518
Prepaid and other current assets	8,784	3,788
Total Current Assets	420,457	412,250
Noncurrent Assets		
Investments	180,029	102,558
Net OPEB asset	11,505	-
Prepaid and other noncurrent assets	11,118	14,391
Capital Assets (net of accumulated depreciation)		
Land and channel improvements	483,987	479,950
Land use rights - intangible	13,328	12,986
Buildings	62,548	67,247
Improvements other than buildings	773,494	803,509
Railroads	20,533	21,833
Machinery and equipment	243,365	249,928
Computer software - intangible	1,936	2,113
Construction-in-progress	142,276	60,050
Total Capital Assets, net	1,741,467	1,697,616
Total Noncurrent Assets	1,944,119	1,814,565
Total Assets	2,364,576	2,226,815
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	11,130	7,489
Deferred outflows of resources related to OPEB	-	6,760
Deferred loss on bond refunding	4,486	4,791
Total Deferred Outflows of Resources	15,616	19,040
Total Assets and Deferred Outflows of Resources	$ 2,380,192	$ 2,245,855

See accompanying notes to the financial statements.

Port of Houston Authority of Harris County, Texas
Statements of Net Position
As of December 31, 2019 and 2018
(in thousands)

	2019	2018
Liabilities		
Current Liabilities		
Accounts payable and other current liabilities	$ 58,610	$ 33,487
Fees received in advance and other reserves	13,498	14,107
Liabilities payable from restricted assets:		
Current maturities of long-term debt		
Unlimited tax bonds	21,735	21,185
Accrued interest payable		
Unlimited tax bonds	7,013	7,275
Total Current Liabilities Payable from Restricted Assets	28,748	28,460
Total Current Liabilities	100,856	76,054
Noncurrent Liabilities		
Long-term debt, net of current maturities	601,492	629,278
Net pension liability	13,001	5,343
Net OPEB liability	-	8,884
Other noncurrent liabilities	13,895	11,622
Total Noncurrent Liabilities	628,388	655,127
Total Liabilities	729,244	731,181
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	2,026	2,621
Deferred inflows of resources related to OPEB	7,939	-
Deferred gain on bond refunding	2,050	695
Total Deferred Inflows of Resources	12,015	3,316
Total Liabilities and Deferred Inflows of Resources	741,259	734,497
Net Position		
Net investment in capital assets	1,119,856	1,050,604
Restricted for:		
Debt Service	45,346	44,646
Unrestricted	473,731	416,108
Total Net Position	1,638,933	1,511,358
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 2,380,192	$ 2,245,855

See accompanying notes to the financial statements.

Port of Houston Authority of Harris County, Texas

Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2019 and 2018
(in thousands)

	2019	2018
Operating revenues		
Vessel and cargo services	$ 365,086	$ 344,272
Rental of equipment and facilities	18,065	18,079
Grain elevator	1,439	1,182
Bulk materials	4,265	4,131
Other	2,582	1,652
Total operating revenues	391,437	369,316
Operating expenses		
Maintenance and operations of facilities	177,121	157,524
General and administrative	50,420	49,608
Depreciation and amortization	74,020	72,027
Total operating expenses	301,561	279,159
Operating income	89,876	90,157
Nonoperating revenues (expenses)		
Investment income	13,017	9,319
Contributions to state and local agencies	(4,327)	(2,095)
Loss on disposal of assets	(4)	(1)
Other, net	1,175	(1,095)
Total nonoperating revenues	9,861	6,128
Income before nonoperating revenues (expenses) related to property taxes	99,737	96,285
Nonoperating revenues (expenses) related to property taxes		
Property taxes, net of estimated uncollectible amounts	51,060	50,951
Investment income on bond proceeds	967	721
Interest expense on unlimited tax bonds	(24,451)	(28,927)
Property tax collection expense	(1,100)	(1,100)
Other, net	(410)	(420)
Total nonoperating revenues related to property taxes	26,066	21,225
Income before capital contributions	125,803	117,510
Capital contributions from federal agencies	1,772	5,219
Change in net position	127,575	122,729
Net position, January 1	1,511,358	1,388,629
Net position, December 31	$ 1,638,933	$ 1,511,358

See accompanying notes to the financial statements.

PORT OF HOUSTON AUTHORITY
PHA
HOUSTON, TEXAS

Port of Houston Authority of Harris County, Texas

Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018
(in thousands)

	2019	2018
Cash flows from operating activities:		
Cash received from customers	$ 390,870	$ 359,939
Cash paid to suppliers for goods and services	(54,049)	(72,006)
Cash paid to employees for services	(100,367)	(92,113)
Cash paid for employee benefits	(55,460)	(51,662)
Cash (paid) / received for other services	3,196	(3,946)
Cash (paid) / received for other purposes	196	(6,939)
Net cash provided by operating activities	184,386	133,273
Cash flows from noncapital financing activities:		
Property taxes received	47,423	51,012
Contributions paid to others	(4,327)	(2,095)
Property tax collection expenses paid	(1,561)	(1,683)
Other non operating revenue	1,140	234
Net cash provided by noncapital financing activities	42,675	47,468
Cash flows from capital and related financing activities		
Contributions received from federal agencies	2,165	2,724
Interim Financing Costs	(111)	(2,499)
Repayment of long-term debt and funding of escrow	(21,185)	(19,945)
Interest on long-term debt	(29,098)	(31,032)
Acquisition and construction of capital assets	(115,591)	(74,344)
Proceeds from retirement of assets	93	167
Net cash used in capital financing activities	(163,727)	(124,929)
Cash flows from investing activities:		
Purchase of investments	(334,815)	(411,222)
Proceeds from maturities of investments	359,657	343,527
Interest on investments	12,092	9,967
Net cash (used in) provided by investing activities	36,934	(57,728)
Net (decrease) increase in cash and cash equivalents	100,268	(1,916)
Cash and cash equivalents, January 1	93,182	95,098
Cash and cash equivalents, December 31	$ 193,450	$ 93,182
Cash and cash equivalents Unrestricted	$ 175,160	$ 74,597
Cash and cash equivalents Restricted	18,290	18,585

See accompanying notes to the financial statements.

Port of Houston Authority of Harris County, Texas

Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

(in thousands)

	2019	2018
Reconciliation of net income to net cash provided by operating activities:		
Operating Income	$ 89,876	$ 90,157
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	74,020	72,027
Provision for doubtful accounts	191	173
Net Pension\OPEB deferrals	8,194	(2,508)
Changes in assets and liabilities		
(Increase) in trade and other receivables	(22)	(10,233)
(Increase) in prepaids and other current assets	(4,681)	(2,737)
Decrease / (increase) in dredging expenses paid in advance	2,920	(1,492)
Increase / (decrease) in accounts payable and other liabilities	26,169	(11,432)
(Decrease) in net pension\OPEB liability and compensated absences	(12,243)	(1,986)
(Decrease) / (increase) in fees received in advance	(38)	1,304
Net cash provided by operating activities	$ 184,386	$ 133,273
Noncash investing, capital and financing activities		
Increase in fair value of investments	$ (1,024)	$ (1,074)
Capital contributions from federal agencies	2,848	2,989
Refunding of General Obligation Bonds (GOB)	-	16

See accompanying notes to the financial statements.

Port of Houston Authority of Harris County, Texas

Statements of Fiduciary Trust Net Position
As of December 31, 2019 and 2018
(in thousands)

	2019	2018
Assets		
Cash and cash equivalents	$ 3,599	$ 3,818
Investment Securities		
Domestic Equity	120,891	129,855
International Equity	23,696	6,949
Fixed Income	118,042	108,965
Balanced Funds*	2,517	2,122
Accrued investment income	821	1,065
Total Assets	269,566	252,774
Liabilities		
Administrative fees	-	-
Investment Expenses	56	56
Total Liabilities	56	56
Net position restricted for pension / OPEB**	$ 269,510	$ 252,718

* Mutual funds that include both equity and fixed income securities.

	2019	**2018**
**Net position restricted for OPEB	82,262	65,964
Net position restricted for Defined Contribution	2,840	2,466
Net position restricted for Pension	184,408	184,288
	269,510	252,718

See accompanying notes to the financial statements.

Port of Houston Authority of Harris County, Texas

Statements of Changes in Fiduciary Trust Net Position
For the Years Ended December 31, 2019 and 2018
(in thousands)

	2019	2018
Additions:		
Employer contributions	$ 10,379	$ 11,312
Net investment income (loss)	17,243	8,682
Total additions	27,622	19,994
Deductions:		
Benefit payments and withdrawals	(10,494)	(10,096)
Administrative expenses	(336)	(355)
Total deductions	(10,830)	(10,451)
Net increase in net position	16,792	9,543
Net position restricted for pension / OPEB, beginning of year	252,718	243,175
Net position restricted for pension / OPEB, end of year	$ 269,510	$ 252,718

See accompanying notes to the financial statements.

1. Summary of Significant Accounting Policies

Reporting Entity

The Port of Houston Authority of Harris County, Texas ("Authority") is an independent political subdivision of the State of Texas, operating as a navigation district pursuant to Chapter 5007 of the Texas Special District Laws Code. The Port Commission, composed of seven commissioners, governs the Authority. Harris County, Texas ("County") and the City of Houston, each appoint two commissioners to the Port Commission and jointly appoint the chairman. The City of Pasadena and the Harris County Mayors' and Councils' Association ("Association"), each appoint one commissioner. Under state law, the County Treasurer serves as the treasurer of the Authority. The Authority is not a component unit of the County, the City of Houston, the City of Pasadena, or the Association, since none of these entities exercises financial control over the Authority. The Authority is considered a primary government entity based on satisfying the following criteria: (a) no entity appoints a voting majority of its governing body; (b) it is legally separate from other entities; and (c) it is fiscally independent of other state and local governments. The Fiduciary Trust Fund is not included as part of the primary government as its activities are fiduciary in nature.

The financial statements of the Authority include operations and activities of the Authority and its blended component unit for which the Port Commission has financial accountability as defined below. Blended component units, although legally separate entities, are, in substance, part of the government's operations.

Blended Component Unit

The Port Development Corporation ("PDC") was organized by the Authority under the State of Texas Development Corporation Act of 1979. PDC is a nonprofit corporation that previously issued industrial development revenue bonds to promote and develop commercial, industrial and manufacturing enterprises and to promote and encourage employment and public welfare, and is currently legally active. PDC is considered a blended component unit of the Authority as the governing boards of the Authority and PDC are the same, the Authority has operational responsibility for the PDC and is able to impose its will on PDC, as defined in Governmental Accounting Standards Board ("GASB") Statement No. 61, *"The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34."* There has been no financial activity for PDC since 2007.

1. Summary of Significant Accounting Policies (continued)

Basis of Accounting

The Authority follows enterprise fund accounting and reporting requirements, including the accrual basis of accounting and application of GASB pronouncements.

Use of Estimates

The preparation of the Authority's financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are used to record certain transactions, such as pension benefits, other postemployment benefits, allowances for doubtful accounts, loss contingencies, and insurance recoveries. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash, highly liquid time deposits, investments in local government investment pools, money market mutual funds, and short-term investments with original maturities of three months or less when purchased are classified herein as cash and cash equivalents.

The requirements of GASB Statement No. 79, "*Certain External Investment Pools and Pool Participants*" (GASB 79), are applicable to the Authority. GASB 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes, and further outlines additional note disclosure requirements for governmental entities that participate in those pools.

GASB 79 delinks money market local government investment pools from Securities and Exchange Commission Rule 2a-7, enabling such pools to continue to utilize amortized cost for valuation and financial reporting, so that the $1.00 per unit value they pursue will not need to change to a fluctuating price. As a prerequisite to the continued use of amortized cost, GASB 79 puts forth risk-mitigating measures such as limits on certain repo collateral investments, daily and weekly liquidity buckets, and “Know Your Customer” provisions, among others.

1. Summary of Significant Accounting Policies (continued)

Investments

The Authority's cash equivalents and investments are recorded at fair value based upon quoted market prices in active or inactive markets for similar assets with the difference between the purchase price and market price being recorded as investment income. Gains or losses due to market valuation changes as well as realized gains or losses are recognized in the Statements of Revenues, Expenses, and Changes in Net Position.

Accounts Receivable

Trade receivables are shown net of an allowance for uncollectible accounts. Allowances are estimated at approximately 4% of total accounts receivable, based on historical experience. Bad debts are written off against the accounts receivable allowance when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of expenses when received.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Maintenance Dredging

The cost of periodic maintenance dredging of berthing areas adjacent to the Authority's wharves, and of certain ship channels not maintained by the federal government, is capitalized in prepaid and other current assets and amortized over two years. Amortization for 2019 and 2018 amounted to $3,014 and $2,931, respectively, and is included in depreciation and amortization in the Statements of Revenues, Expenses and Changes in Net Position.

Property Taxes

Property taxes (net of collection expenses) are used to pay debt service on outstanding General Obligation Bonds. Property is appraised, and a lien on such property becomes enforceable, as of January 1, subject to certain procedures generally in accordance with Harris County Appraisal District rules for rendition, appraisal, appraisal review, and judicial review. Property taxes are generally levied in October or November for the year in which assessed. Taxes become delinquent February 1 of the following year and are subject to interest and penalty charges. The Harris County Tax Assessor-Collector bills and collects property taxes of the Authority for a fee and remits collections to the Authority. Property tax collection expenses incurred by the Authority for the years ended December 31, 2019 and 2018

(in thousands)

1. Summary of Significant Accounting Policies (continued)

Property Taxes (continued)

were $1,100 and $1,100, respectively. These expenses are reflected as property tax expense in the Statements of Revenues, Expenses and Changes in Net Position. The tax rates levied on behalf of the Authority for the years ended December 31, 2019 and 2018 were $0.01074 and $0.01155, respectively, per one hundred dollars of assessed valuation.

Restricted Assets

Assets which are use-restricted to specific purposes by bond indenture or otherwise are segregated on the Statements of Net Position. These assets, which may include cash and investments, are primarily restricted for construction and debt service purposes.

Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of more than five thousand dollars and an estimated useful life of three years or greater. Property constructed or acquired by purchase is stated at cost. Property received as a contribution is stated at estimated acquisition value on the date received. Donated assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add value to the assets or materially extend asset lives are expensed. The Authority capitalizes, as a cost of its constructed assets, the weighted average interest expense applied to average cumulative expenditures. No interest was capitalized in 2019 and 2018.

Depreciation is computed using the straight-line method over the following useful lives:

Railroads	25-40 years
Buildings	10-40 years
Improvements other than buildings	10-50 years
Machinery and equipment	3-20 years
Computer software - intangible	5 years

1. Summary of Significant Accounting Policies (continued)

Premiums (Discounts) on Bonds Payable and Issuance Costs

Bond premiums and discounts are amortized using the effective interest method. Bond issuance costs are expensed as incurred. Bonds payable are reported net of the applicable bond premium or discount.

Deferred Compensation

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The plan, which is administered by the Nationwide Trust Company, permits employees to defer income taxation on retirement savings into future years. Amounts deferred under the plan are not available to employees until termination, retirement, death, or unforeseeable emergency.

Compensated Absences

Compensated absences, which include unpaid accrued vacation and sick leave, are accumulated during employment and are accrued over the first nine months of the calendar year. Employees earn vacation at rates of 10 to 25 days per year and may accumulate a maximum of 20 to 50 days, depending on their length of employment. Upon termination or retirement, employees are paid for any unused accumulated vacation days at their current pay rate. Employees earn sick leave at the rate of 12 days per year. Upon termination or retirement, employees are paid for any unused sick leave days at their current pay rate up to a maximum of 60 days. With sufficient accruals, employees are allowed to receive payments following year-end of up to a maximum of 12 days of their unused sick leave, at their current pay rate.

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the Statements of Net Position includes a separate section for deferred outflows and deferred inflows of resources. These separate financial statement elements represent consumption (outflow or asset) or acquisition (inflow or liability) of net position that applies to a future period.

The Authority has several types of deferred outflows of resources that are included in this category: deferred charges on bond refundings and pension contributions made after measurement date, differences between expected and actual experience, net difference between projected and actual earnings and changes of assumptions. Deferred inflows of resources include: deferred gains on bond refunding, the differences between expected and actual experience, net difference between projected and actual earnings and changes of assumptions.

1. Summary of Significant Accounting Policies (continued)

Net Position

Net position represents the residual interest in the Authority's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consist of three sections: net investment in capital assets; restricted; and unrestricted. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position. Net position is reported as restricted when constraints are imposed by third parties and consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The remaining net position that does not meet the definition of net investment in capital assets or restricted is classified as unrestricted. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first and then unrestricted resources, as they are needed.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing activities and result from non-exchange transactions or ancillary activities.

The Authority's operating revenues for vessel and cargo services are collected from charges assessed pursuant to its tariffs and from lease revenues associated with facilities located within the operating terminals. These revenues are recognized and accrued during the period earned. Revenues from rental of equipment and facilities are derived from leases outside of the operating terminals combined with fees associated with an agreement with respect to use of railroad rights-of-way. These revenues are recognized during the period earned by accrual or prepayment amortization, as appropriate pursuant to agreement terms.

Current Year Accounting Pronouncements

GASB issued Statement No. 83, *"Certain Asset Retirements Obligations."* This Statement addresses accounting and financial reporting for certain asset retirement obligations ("AROs"). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should

1. Summary of Significant Accounting Policies (continued)

Current Year Accounting Pronouncements (continued)

recognize a liability based on the guidance in this Statement.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. As of 2019, the Authority believes this not to be material.

GASB issued Statement No. 84, *"Fiduciary Activities."* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The Authority implemented this standard in 2019 as our Pension Trust is a fiduciary component unit of the Port.

GASB issued Statement No. 88, *"Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements."* The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The Authority implemented this standard in 2019. See also Note 6.

1. Summary of Significant Accounting Policies (continued)

Current Year Accounting Pronouncements (continued)

The Authority has an outstanding and unused note purchase program in the amount of $100,000,000. This is disclosed in the Debt section to provide for the implementation of GASB Statement No. 88.

GASB issued Statement No. 90, *"Majority equity Interests – An Amendment of GASB Statement No. 14 and No 61."* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The Authority has determined that the requirements of GASB 90 are not applicable to the Authority.

Future Accounting Pronouncements

In June 2017, GASB issued Statement No. 87, *"Leases."* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Authority is currently evaluating potential changes to the financial statements as a result of implementation of this statement.

In June 2018, GASB issued Statement No. 89, *"Accounting for Interest Cost incurred Before the End of a Construction Period."* The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for

1. Summary of Significant Accounting Policies (continued)

Future Accounting Pronouncements (continued)

interest cost incurred before the end of a construction period.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The Authority is currently evaluating potential changes to the financial statements as a result of implementation of this statement.

In May 2019, GASB issued Statement No. 91, *"Conduit Debt Obligations."* The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements. The Authority is currently evaluating potential changes to the financial statements as a result of implementation of this statement.

2. Cash and Investments

The Authority's cash and cash equivalents of $193,450 and $93,182 as of December 31, 2019 and 2018, respectively, are maintained in demand deposit accounts and local government investment pools. Pursuant to the Texas Public Funds Collateral Act, Chapter 2257, Texas Government Code, the demand deposit account balances are fully covered by the Federal Deposit Insurance Corporation ("FDIC") or collateralized with securities deposited by the Authority's depository institution in a safekeeping account at the Federal Reserve Bank in the Authority's name and under the Authority's control.

2. Cash and Investments (continued)

In accordance with its Investment Policy and the PFIA, the Authority may invest in fully-collateralized or insured time deposits, direct debt securities of the United States or its agencies, municipal and state obligations, commercial paper, money market mutual funds, guaranteed investment contracts, bankers' acceptances, collateralized mortgage obligations (the underlying security for which is guaranteed by an agency of the United States) and local government investment pools.

The Authority's Investment Policy is formally reviewed and approved at least annually by the Port Commission. The policy emphasizes safety of principal and liquidity, outlines investment strategies by fund group, and includes guidelines for diversification, risk tolerance, yield, and maturity of investments. All investment transactions, except for demand and time deposits, investment pools and mutual funds, are settled on a delivery versus payment basis, with safekeeping at the Authority's custodian, JPMorgan Chase Bank N.A. A copy of the Investment Policy is available for download from the Authority's website (http://porthouston.com).

During 2018 and 2019, the Authority made investments in the Local Government Investment Cooperative ("LOGIC"), Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS"), and the Texas Local Government Investment Pool ("TexPool Prime"). These local government investment pools are subject to the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code ("PFIA"), which requires the pools to have the following investment objectives, in order of priority: (i) preservation and safety of principal; (ii) liquidity; and (iii) yield. The investment policies for the pools specify that they will seek to maintain a "AAAm" credit rating by at least one nationally-recognized rating service. As they offer daily liquidity similar to money market mutual funds, the pools are classified as cash and cash equivalents. Deposits in the investment pools are not insured or guaranteed by any government or government agency. Authorized investments include U.S. government and agency securities, repurchase agreements, certain mutual funds, commercial paper, and certificates of deposit.

LOGIC assets are valued using the amortized cost valuation technique, which generally approximates the market value of the assets and has been deemed to be a proxy for fair value. LOGIC measures investments at fair value and has done so since 2011, while it meets criteria under GASB 79, to report at amortized cost.

Texas CLASS utilizes Financial Accounting Standards Board ("FASB") Accounting Standards Topic (ASC) 820 *"Fair Value Measurement and Disclosure"* to define fair value, establish a framework for measuring fair value and expand disclosure requirements regarding fair value measurements. ASC 820 does not require new fair value measurements but is applied to the extent that other accounting pronouncements require or permit fair value measurements. The standard emphasizes

2. Cash and Investments (continued)

that fair value is a market-based measurement that should be determined based on the assumptions that market participants would use in pricing an asset or liability.

TexPool Prime uses amortized cost to value portfolio assets, consistent with the criteria and guidance established by GASB 79. Generally, it seeks to preserve principal and minimize market and credit risks by investing in a diversified pool of assets of high credit quality, with adequate collateralization and use of delivery versus payment procedures. The maturities of the investments are distributed such that there is a continuing stream of securities maturing at frequent intervals.

At December 31, 2019, the Authority had investments in LOGIC, Texas CLASS, and TexPool Prime of $47,247, $53,488, and $63,788, respectively.

In accordance with GASB Statement No. 40, "*Deposit and Investment Risk Disclosures*," the Authority's financial statements are required to address credit risk, concentration of credit risk, interest rate risk, and foreign currency risk of investments.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize this risk, the Authority's Investment Policy establishes minimum acceptable credit ratings for fixed income securities of "A" or its equivalent. U.S. government and agency securities are currently rated "AA+" by Standard & Poor's and "Aaa" by Moody's Investors Service. Commercial paper must be rated not less than "A-1", "P-1", or the equivalent by at least two nationally recognized credit rating organizations or must be rated at least "A-1", "P-1" or the equivalent by at least one nationally recognized credit rating agency and be fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state thereof.

Obligations of states, agencies, counties, cities, and other political subdivisions of any state must be rated not less than single "A" or its equivalent. Ratings of "SP-1" by Standard & Poor’s or "MIG-1" by Moody’s Investors Service are acceptable, as those are the highest ratings assigned to short-term municipal securities. Money market mutual funds and public funds investment pools must be rated "AAA" or its equivalent by at least one nationally recognized rating firm.

Concentration of Credit Risk – Concentration of credit risk exists when investments are concentrated in the securities of a few issuers. The Authority mitigates such risks by emphasizing the importance of a diversified portfolio. The Authority's investments at December 31, 2019 included the following securities which comprised more than 5% of the total portfolio (excluding cash and cash equivalents):

(in thousands)

2. Cash and Investments (continued)

Commercial Paper:	
Banco Santander SA/NY	13%
MUFG Bank	5%
Santander UK PLC	10%
Municipal Bonds:	
Connecticut ST	8%
Florida St Brd Admin	7%
New York City, NY	5%
NYC Transitional Fina Auth	13%
U.S. Agency Securities:	
Federal Home Loan Bank	5%
Federal National Mortgage Association	5%

These securities meet the diversification and credit quality requirements specified in the Investment Policy, including provisions requiring that no more than 20% of the overall portfolio may be invested in a single municipal security or commercial paper issuer, and no more than 30% in a single government agency issuer.

Interest Rate Risk - Interest rate risk occurs when changes in interest rates adversely affect the fair value of the Authority's investments. Generally speaking, the fair value of longer-dated securities have greater sensitivity to changes in market interest rates. The Authority minimizes its exposure to this risk by purchasing a mix of shorter-term investments and longer-term securities with maturities largely staggered to avoid undue concentration of assets in a specific maturity sector, and by structuring the portfolio to provide for stability of income and reasonable liquidity necessary to meet operational and capital needs.

The Investment Policy includes a general objective to hold investments to maturity, with final maturity of up to five years for certain instruments, and no more than 40% of the portfolio invested beyond two years at the time of purchase. It also provides that the maximum weighted average maturity of the overall portfolio shall not exceed two years. See the tables on the following pages showing fair value and weighted average maturity of the Authority’s investments for the fiscal years ended December 31, 2019 and 2018.

Foreign Currency Risk – Foreign currency risk occurs when changes in exchange rates adversely affect the fair value of an investment or a deposit. As of December 31, 2019 and 2018, the Authority had no foreign currency risk in its general cash and investment portfolio, which is denominated in U.S. dollars. The Authority’s defined benefit plan and its OPEB Plan, as described in Notes 8 and 9 in the accompanying notes to the financial statements, respectively, have indirect exposure to currency risk

2. Cash and Investments (continued)

due to investments in American Depositary Receipts ("ADRs"); however, they are not included in foreign currency as they are denominated in U.S. dollars and accounted for at fair value. As of December 31, 2019 and 2018, the indirect exposure to foreign currency risk for the defined benefit plan was $14,055 and $10,865, respectively, and for the OPEB Plan, the indirect currency exposure was $6,543 and $4,717, respectively

The Authority has estimated the fair value of financial instruments in accordance with the guidance provided in GASB Statement No. 72, "*Fair Value Measurement and Application*," ("GASB 72") which requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. Valuation techniques should be applied consistently, though a change may be appropriate in certain circumstances. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Determining the level at which an asset falls within the hierarchy requires significant judgment considering the lowest level input that is significant to the fair value measurement as a whole. The hierarchy consists of three broad levels, as shown on following page, with Level 1 being the most observable:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.
Level 2 - Quoted market prices in active or inactive markets for similar assets or liabilities and inputs other than quoted prices that are observable.
Level 3 - Unobservable inputs for an asset or liability, which reflect those that market participants would use.

For its cash and investments, the Authority utilizes the market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities. Within this approach, the matrix pricing technique is used principally to value some types of financial instruments, such as debt securities, without relying exclusively on quoted prices for the specific securities. Instead, matrix pricing relies on the securities' relationship to other benchmark quoted securities.

(in thousands)

2. Cash and Investments (continued)

The Authority's significant financial instruments consist of cash and cash equivalents, and investment securities. As of December 31, 2019, the Authority had the following recurring fair value measurements for such financial instruments:

- Local Government Investment Pools totaling $164,523 have been valued at amortized cost under GASB 79 or fair value under GASB 72. The LOGIC and Texas CLASS portfolios have been measured at fair value with TexPool Prime at amortized cost.
- U.S. Agency Securities of $42,418, Municipal Bonds of $183,871, and Commercial Paper of $84,270 are valued using the matrix pricing technique with quoted prices for similar assets in active markets, provided by SVC, IDC and other pricing sources (Level 2 inputs).

The Authority had no nonrecurring fair value measurements at December 31, 2019, nor any changes in valuation technique with a significant impact to fair value.

The following table summarizes the Authority's investments that are measured at fair value as of December 31, 2019 and 2018, and indicate the fair value hierarchy of the valuation techniques utilized to determine such fair value.

Security Type	Level 1 12/31/19	Level 2 12/31/19	Level 3 12/31/19	Total
U.S. Agency Securities	$ -	$ 42,418	$ -	$ 42,418
Commercial Paper	-	84,270	-	84,270
Municipal Bonds	-	183,871	-	183,871
Total	$ -	$ 310,559	$ -	$ 310,559

Security Type	Level 1 12/31/18	Level 2 12/31/18	Level 3 12/31/18	Total
U.S. Agency Securities	$ -	$ 29,978	$ -	$ 29,978
Commercial Paper	-	119,154	-	119,154
Municipal Bonds	-	184,263	-	184,263
Total	$ -	$ 333,395	$ -	$ 333,395

(in thousands)

2. Cash and Investments (continued)

The following table details the U.S. Dollar holdings (excluding cash and cash equivalents) and their weighted average maturity as of December 31, 2019.

Security Type	Ratings	Fair Value	Weighted Average Maturity (In Years)
Agency Securities:			
FNMA NOTE	AA+/Aaa	$ 15,004	1.66
FHLMC NOTE	AA+/Aaa	12,415	1.44
FHLB NOTE	AA+/Aaa	14,999	1.67
Total		42,418	
Commercial Paper:			
Banco Santander SA/NY	A-1/P-1	24,865	0.09
Banco Santander SA/NY	A-1/P-1	14,833	0.10
MUFG Bank	A-1/P-1	14,836	0.10
Santander UK PLC	A-1/P-1	14,882	0.08
Santander UK PLC	A-1/P-1	14,854	0.10
Total		84,270	
Municipal Bonds			
Atlantic Cty Imprv Auth, NJ	MIG1	5,222	0.00
Bartow Cty, GA Dev Auth	AA-/Aa2	1,075	0.00
Bartow Cty, GA Dev Auth	AA-/Aa2	715	0.00
City of Bloomington, MN	AA+	4,153	0.08
City of Derby, CT	A+	1,106	0.02
City of Derby, CT	A+	785	0.02
City of Gardner, KS	SP-1+	2,510	0.02
City of Jersey City, NJ	MIG1	13,210	0.07
City of Lawrenceville, GA	AA+/Aa3	1,031	0.02
City of New Britain, CT	AA+/Aaa	811	0.01

(Continued on Next Page)

(in thousands)

2. Cash and Investments (continued)

Security Type	Ratings	Fair Value	Weighted Average Maturity (In Years)
Municipal Bonds:			
City of New Orleans, LA	AA+/A2	6,373	0.14
City of Suffolk, VA	AAA/Aaa	1,246	0.02
City of Suffolk, VA	AAA/Aaa	1,298	0.03
City of Wausau, WI	MIG1	8,143	0.14
City of Wausau, WI Rev	Aa3	3,609	0.04
Creek Cty ISD #33, OK	AA-	2,920	0.01
FL SBA Rev	AA/Aa3	22,103	0.18
Honolulu City & Cty, HI	Aa3	1,705	0.01
Hudson Cty, NJ Imprv Auth	SP-1+	6,519	0.01
Hudson Cty, NJ Imprv Auth	SP-1+	4,031	0.02
Hurst-Euless-Bedford ISD	AAA	1,009	0.01
Indianapolis, IN LPIBB	AA+/Aaa	3,095	0.00
Kent Cty, MI	SP-1+	2,756	0.02
New York City, NY	AA+/Aa1	14,941	0.37
NYC Transitional Fina Auth	AA+/Aa2	10,158	0.09
NYC Transitional Fina Auth	AAA/Aa1	11,969	0.18
NYC Transitional Fina Auth	AAA/Aa1	14,852	0.29
NYC Transitional Fina Auth	AAA/Aa1	4,987	0.13
Oneida Cty, NY GO	AA-/A1	750	0.00
State of CT	A/A1	6,076	0.02
State of CT	A/A1	15,614	0.17
State of CT	A/A1	1,036	0.02
State of CT	A/A1	1,039	0.03
Town of Oxford, CT	Aa2	1,033	0.01
Town of Oxford, CT	Aa2	1,360	0.03
West Haymarket Jt Pub Agcy, NE	AAA/Aa1	2,219	0.05
Ypsilanti Cmnty Schools, MI	AA	2,412	0.04
Total		183,871	
Total Investment Fair Value		$ 310,559	
Portfolio Weighted Average Maturity			2.14

The above calculation excludes cash and cash equivalents. As of December 31, 2019, the Authority's weighted average maturity of the portfolio as defined in the Investment Policy including cash and cash equivalents was 1.34 years.

(in thousands)

2. Cash and Investments (continued)

The following table details the U.S. Dollar holdings (excluding cash and cash equivalents) and their weighted average maturity as of December 31, 2018.

Security Type	Ratings	Fair Value	Weighted Average Maturity (In Years)
Agency Securities:			
FFCB NOTE	AA+/Aaa	$ 14,994	1.56
FNMA NOTE	AA+/Aaa	14,984	0.04
Total		29,978	
Commercial Paper:			
Banco Santander SA/NY	A-1/P-1	14,753	0.08
Banco Santander SA/NY	A-1/P-1	14,735	0.09
Bayerische Landesbank	A-1/P-1	9,974	0.01
J.P. Morgan Sec	A-1/P-1	19,993	0.00
J.P. Morgan Sec	A-1/P-1	7,988	0.00
J.P. Morgan Sec	A-1/P-1	14,787	0.07
MUFG Bk	A-1/P-1	6,989	0.00
Natixis NY	A-1/P-1	19,961	0.01
Natixis NY	A-1/P-1	9,974	0.01
Total		119,154	

(Continued on Next Page)

(in thousands)

2. Cash and Investments (continued)

Security Type	Ratings	Fair Value	Weighted Average Maturity (In Years)
Municipal Bonds			
Bartow Cty, GA Dev Auth	AA-/Aa2	1,072	0.01
Bartow Cty, GA Dev Auth	AA-/Aa2	712	0.01
Bergen County, NJ	MIG1	1,675	0.01
City & Cty of Denver, CO	AA-/Aa3	4,424	0.01
City of Bloomington, MN	AA+	4,157	0.10
City of Dodge City, KS	SP-1+	4,937	0.02
City of Jersey City, NJ	MIG1	10,023	0.05
City of New Britain, CT	AA/Aaa	800	0.01
City of Norfolk, VA	AA+/Aa2	1,577	0.00
City of Sheboygan, WI	MIG1	8,415	0.00
City of Wausau, WI	MIG1	8,089	0.19
City of Wausau, WI Rev	Aa3	3,605	0.06
Cranford Township, NJ GO	MIG1	4,939	0.00
Creek Cty ISD #33, OK	AA-	2,917	0.02
FL SBA Rev	AA/Aa3	9,971	0.03
FL SBA Rev	AA/Aa3	13,181	0.18
Honolulu City & Cty, HI	Aa3	1,682	0.02
Hudson Cty, NJ Imprv Auth	SP-1+	4,998	0.01
Hudson Cty, NJ Imprv Auth	SP-1+	6,450	0.01
Hurst-Euless-Bedford ISD	AAA	992	0.01
Indianapolis, IN LPIBB	AA+/Aaa	3,071	0.02
Jersey City, NJ GO	SP-1+	6,828	0.02
Jersey City, NJ GO	AA+/Aa2	1,014	0.00
NYC Transitional Fina Auth	AAA/Aa1	10,100	0.14
NYC Transitional Fina Auth	AA-/Aa1	14,365	0.36
Oneida Cty, NY GO	AA-/A1	742	0.00
Passaic Cty, NJ	SP-1+	15,061	0.08
Racine Cty, WI	MIG2	7,872	0.08
State of CT	A/A1	995	0.00
State of CT	A/A1	841	0.00
State of CT	A/A1	14,207	0.23
Town of Dover, NJ BANS	SP-1+	9,995	0.02
Town of Woodbridge, CT	MIG1	4,556	0.01
Total		184,263	
Total Fair Value		$ 333,395	
Portfolio Weighted Average Maturity			1.20

The above calculation excludes cash and cash equivalents. As of December 31, 2018, the Authority's weighted average maturity of the portfolio as defined in the Investment Policy including cash and cash equivalents was 0.94 years.

(in thousands)

3. Receivables

Receivables as of December 31, including the applicable allowances for uncollectible accounts, are as follows:

	2019	2018
Trade Receivables, Net		
Trade receivables	$ 40,246	$ 40,166
Damage claims receivable	699	730
Allowance for doubtful accounts	(2,703)	(2,540)
Total trade receivables, net	38,242	38,356
Other Receivables		
Interest receivable	2,034	2,148
Due from federal agencies	2,989	3,383
Other	11	38
Total other receivables	5,034	5,569
Total Receivables, Net	$ 43,276	$ 43,925

PORT OF HOUSTON AUTHORITY
PHA
HOUSTON, TEXAS

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018
(in thousands)

4. Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Additions	Retirements / Transfers	Ending Balance
Capital assets not being depreciated				
Land other than channel	$ 108,353	$ 3,659	$ -	$ 112,012
Land use rights - intangible	12,986	342	-	13,328
Channel land	371,597	378	-	371,975
Construction-in-progress	60,050	83,340	(1,114)	142,276
Total capital assets not being depreciated	552,986	87,719	(1,114)	639,591
Capital assets being depreciated				
Buildings	171,679	274	-	171,953
Improvements other than buildings	1,355,763	9,253	-	1,365,016
Railroads	62,140	-	-	62,140
Machinery and equipment	513,906	17,299	(355)	530,850
Computer software - intangible	13,964	970	-	14,934
Total capital assets being depreciated	2,117,452	27,796	(355)	2,144,893
Less accumulated depreciation for				
Buildings	(104,432)	(4,973)	-	(109,405)
Improvements other than buildings	(552,254)	(39,268)	-	(591,522)
Railroads	(40,307)	(1,300)	-	(41,607)
Machinery and equipment	(263,978)	(24,018)	511	(287,485)
Computer software - intangible	(11,851)	(1,147)	-	(12,998)
Total accumulated depreciation	(972,822)	(70,706)	511	(1,043,017)
Total capital assets being depreciated, net	1,144,630	(42,910)	156	1,101,876
Total capital assets, net	$ 1,697,616	$ 44,809	$ (958)	$ 1,741,467

(in thousands)

4. Capital Assets (continued)

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Additions	Retirements / Transfers	Ending Balance
Capital assets not being depreciated				
Land other than channel	$ 108,267	$ 86	$ -	$ 108,353
Land use rights - intangible	12,533	453	-	12,986
Channel land	357,847	13,750	-	371,597
Construction-in-progress	211,517	85,218	(236,685)	60,050
Total capital assets not being depreciated	690,164	99,507	(236,685)	552,986
Capital assets being depreciated				
Buildings	171,403	303	(27)	171,679
Improvements other than buildings	1,225,565	131,720	(1,522)	1,355,763
Railroads	59,929	2,211	-	62,140
Machinery and equipment	439,284	75,915	(1,293)	513,906
Computer software - intangible	13,731	233	-	13,964
Total capital assets being depreciated	1,909,912	210,382	(2,842)	2,117,452
Less accumulated depreciation for				
Buildings	(99,472)	(4,960)	-	(104,432)
Improvements other than buildings	(514,564)	(37,690)	-	(552,254)
Railroads	(39,033)	(1,274)	-	(40,307)
Machinery and equipment	(243,051)	(22,142)	1,215	(263,978)
Computer software - intangible	(10,913)	(938)	-	(11,851)
Total accumulated depreciation	(907,033)	(67,004)	1,215	(972,822)
Total capital assets being depreciated, net	1,002,879	143,378	(1,627)	1,144,630
Total capital assets, net	$ 1,693,043	$ 242,885	$ (238,312)	$ 1,697,616

(in thousands)

5. Operating Leases

The Authority leases office equipment as lessee under a variety of agreements. Operating lease payments are recorded as expenses during the life of the lease. Rental expenses related to operating leases for the year ended December 31, 2019 and 2018 were $273 and $257, respectively. As of December 31, 2019, future minimum rental obligations to be paid by the Authority under noncancelable operating leases are as follows:

Year Ending	Future Minimum Lease Payments
2020	$ 250
2021	250
2022	195
2023	17
Total	$ 712

Additionally, the Authority leases certain assets as lessor to others. These leases pertain to land, buildings and improvements, and cargo handling equipment. As of December 31, 2019, future minimum rentals anticipated to be received by the Authority under the operating leases with initial or remaining noncancelable lease terms in excess of one year are as follows:

Year Ending	Future Minimum Lease Rentals
2020	$ 36,247
2021	36,272
2022	30,657
2023	26,085
2024	20,952
Thereafter	437,093
Total	$ 587,306

(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, 2019 and 2018.

Long-term liability activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	
Bonds Payable						
Unlimited tax bonds	$ 593,754	$ -	$ (21,185)	$ 572,569	$ 21,735	
Accreted interest on capital appreciation bonds	646	175	-	821	-	
Less unamortized premiums / discounts, net	56,063	-	(6,226)	49,837	-	
Total Bonds Payable	$ 650,463	$ 175	$ (27,411)	$ 623,227	$ 21,735	
Net Pension Liability	$ 5,343	$ 8,403	$ (745)	$ 13,001	$ -	
Net OPEB Liability	$ 8,884	$ -	$ (8,884)	$ -	$ -	
Other Noncurrent Liabilities						
Compensated absences	6,723	6,305	(5,816)	7,212	5,500	*
Fees received in advance	5,287	3,570	(2,466)	6,391	1,204	*
Claims liability	6,095	1,746	(532)	7,309	313	*
Total Other Noncurrent Liabilities	$ 18,105	$ 11,621	$ (8,814)	$ 20,912	$ 7,017	

* Included in Fees received in advance and other reserves

The Authority's long-term debt consists of Unlimited Tax Port Improvement Bonds and Unlimited Tax Refunding Bonds (collectively, the "General Obligation Bonds"). Repayment of the outstanding principal of these General Obligation Bonds and interest thereon is made solely from property taxes and not from the Authority's general funds. Additional information on property taxes can be found in Note 1 in the accompanying notes to the financial statements.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018
(in thousands)

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

Long-term liability activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	
Bonds Payable						
Unlimited tax bonds	$ 638,829	$ 176,555	$(221,630)	$ 593,754	$ 21,185	
Accreted interest on capital appreciation bonds	504	142	-	646	-	
Less unamortized premiums / discounts, net	34,565	25,943	(4,445)	56,063	-	
Total Bonds Payable	$ 673,898	$ 202,640	$(226,075)	$ 650,463	$ 21,185	
Net Pension Liability	$ 10,277	$ -	$ (4,934)	$ 5,343	$ -	
Net OPEB Liability	$ 6,200	$ 13,849	$ (11,165)	$ 8,884	$ -	
Other Noncurrent Liabilities						
Compensated absences	6,460	5,648	(5,385)	6,723	5,000	*
Fees received in advance	5,276	2,698	(2,687)	5,287	1,030	*
Claims liability	5,018	1,750	(673)	6,095	453	*
Other liabilities	1,314	-	(1,314)	-	-	
Total Other Noncurrent Liabilities	$ 18,068	$ 10,096	$ (10,059)	$ 18,105	$ 6,483	

* Included in Fees received in advance and other reserves

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 2019	December 31 2018
General Obligation Bonds						
Unlimited Tax Refunding Bonds						
Series 2010A	$ 38,095	1.00-5.00	2/17/2010	2019	$ -	$ 3,660
Series 2010B	22,930	1.00-5.00	2/17/2010	2026	9,025	10,535
Series 2010C	30,254	2.00-5.00	2/3/2010	2038	27,079	27,474
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	20,555	20,870
Series 2011A	47,345	1.00-5.00	10/20/2011	2026	26,085	29,130
Series 2015A	62,805	3.125-5.00	8/26/2015	2031	57,720	62,805
Series 2015B	25,905	5.00	8/26/2015	2023	1,600	6,355
Series 2015C	27,260	3.054-5.00	8/26/2015	2026	20,345	22,765
Series 2018A	176,555	3.00-5.00	7/18/2018	2038	176,555	176,555
					486,904	508,089
Unamortized premiums / (discounts), net					45,808	51,897
Series 2010C and 2010E CAB Accretion, net					821	646
Unlimited Tax Refunding Bonds, net					533,533	560,632
Unlimited Tax Port Improvement Bonds						
Series 2010D-2	85,665	5.00	8/19/2010	2039	85,665	85,665
Total Unlimited Tax Port Improvement Bonds					85,665	85,665
Unamortized premiums / (discounts), net					4,029	4,166
Unlimited Tax Port Improvement Bonds, net					89,694	89,831
Total Debt					623,227	650,463
Less Current Maturities					(21,735)	(21,185)
Long - Term Debt (net of unamortized premiums / (discounts))					$ 601,492	$ 629,278

* Interest rate of original issue

(in thousands)

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

Debt Service Requirements

Total debt service requirements for outstanding bonds as of December 31, 2019 are as follows:

Year Ending December 31	Bond Principal General Obligation	Capital Appreciation Bond Accreted Interest	Bond Interest General Obligation	Total
2020	$ 21,735	$ -	$ 28,050	$ 49,785
2021	22,790	-	26,974	49,764
2022	23,260	-	25,846	49,106
2023	20,135	-	24,694	44,829
2024	21,585	-	23,755	45,340
2025-2029	126,805	-	102,336	229,141
2030-2034	148,664	13,846	68,857	231,367
2035-2039	187,595	4,130	28,162	219,887
	$ 572,569	$ 17,976	$ 328,674	$ 919,219

General Obligation Bonds

The Authority's cash flows from operations fully support its operating needs and a significant portion of its capital infrastructure investments required for its mandate to maintain the flow of cargo, job creation and positive economic impact for the region. At times, when the projected cash flow is inadequate to fully cover the capital improvement plan, the Authority has obtained approval from voters at bond elections for issuance of unlimited ad valorem tax General Obligation Bonds or unlimited ad valorem tax short-term commercial paper notes to supply the shortfall. At the last bond referendum held in 2007, voters authorized the issuance of $250 million in General Obligation Bonds.

The proceeds of past General Obligation Bond issuances have been applied towards dredging of the Houston Ship Channel, acquisition of wharf cranes and other major equipment, security and environmental enhancements, and construction of docks, wharves and container facilities. The support of taxpayers, industry partners, and many other stakeholders have made these capital improvements possible. Such investments contribute to the Authority's mandate for economic development.

The following table lists the Authority's bonds outstanding as of December 31, 2019, along with the stated purpose for which the debt was issued:

(in thousands)

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

General Obligation Bonds (continued)

Outstanding Bond Issue	Use of Proceeds
Unlimited Tax Refunding Bonds, Series 2010A (AMT)	Refund and defease a portion of the Unlimited Tax Port Improvement Bonds, Series 1998A (AMT)
Unlimited Tax Refunding Bonds, Series 2010B (Non-AMT)	Refund a portion of the Unlimited Tax Port Improvement Bonds, Series 1997A (Non-AMT), Series 2001A (Non-AMT), and Series 2002A (Non-AMT)
Unlimited Tax Refunding Bonds, Series 2010C (Non-AMT)	Refund a portion of the Unlimited Tax Refunding Bonds, Series 2008A (AMT)
Unlimited Tax Refunding Bonds, Series 2010D-1 (Non-AMT)	Refund all of the outstanding ad valorem tax commercial paper notes
Unlimited Tax Port Improvement Bonds, Series 2010D-2 (Non-AMT)	Pay costs of projects to acquire, purchase, construct, enlarge, extend, repair or develop facilities or aids incident to or useful or necessary in the operation or development of the Authority's ports and waterways or in aid of navigation and commerce thereon
Unlimited Tax Refunding Bonds, Series 2010E (Non-AMT)	Refund a portion of the Unlimited Tax Refunding Bonds, Series 2008A (AMT)
Unlimited Tax Refunding Bonds, Series 2011A (AMT)	Refund a portion of the Unlimited Tax Port Improvement Bonds, Series 2001B (AMT)
Unlimited Tax Refunding Bonds, Series 2015A (Tax Exempt Non-AMT)	Refund the Unlimited Tax Port Improvement Bonds, Series 2002A (Non-AMT), Unlimited Tax Refunding Bonds, Series 2005B (Non-AMT), and Unlimited Tax Refunding Bonds, Series 2006C (Non-AMT)
Unlimited Tax Refunding Bonds, Series 2015B (AMT)	Refund the Unlimited Tax Refunding Bonds, Series 2005A (AMT)
Unlimited Tax Refunding Bonds, Series 2015C (Taxable)	Refund the Unlimited Tax Refunding Bonds, Series 2005A (AMT)
Unlimited Tax Refunding Bonds, Series 2018A (AMT)	Refund the Unlimited Tax Refunding Bonds, Series 2006B (AMT), and Unlimited Tax Refunding Bonds, Series 2008A (AMT)

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. At various times the Authority has defeased certain bonds by placing the proceeds of new bonds, together with other available funds, in an irrevocable escrow with a trustee to provide for future debt service on the refunded bonds. During 2019, the Authority did not issue or refund any bonds.

Bond Restrictions

The bond resolutions require that during the period in which the bonds are

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

Bond Restrictions (continued)

outstanding, the Authority must create and maintain certain segregated accounts or funds to receive the proceeds from the sale of the bonds and the ad valorem taxes levied and collected. 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.

Note Purchase Program

In December 2018, the Authority executed a five-year $100 million senior lien variable rate revolving note purchase program with two financial institutions, to replace its previous $300 million note program that expired in September 2018 with no borrowings since inception. The new facility provides liquidity for additional opportunities or requirements for capital infrastructure investments. No encumbrances or drawdowns against the new facility have occurred as of December 31, 2019.

The Authority may issue either taxable or tax-exempt variable rate notes (the "Notes") in an aggregate principal amount not to exceed $100 million. To provide security for payment of principal of and interest on the Notes, the Authority has pledged (i) the proceeds from (a) the sale or exchange of other Notes issued for the purpose of refunding, refinancing, renewing, replacing, or redeeming Notes and (b) the sale of one or more series of obligations by the Authority for the purpose of refunding, refinancing, renewing, or redeeming Notes, assuming voter approval has been obtained in the case of ad valorem tax obligations, and (ii) a first lien on the net revenues of the Authority as provided in the Master Resolution adopted by the Port Commission dated November 13, 2018, as may be amended. Generally, net revenues are calculated as the gross revenues received each month less the amount of operation and maintenance expenses due in such month.

Under the program, the Authority's Notes from direct borrowings related to business-type activities have a termination event. Upon the occurrence of an event of default, the lender may cease purchasing Notes and may terminate the facility. Such events include (i) failure to pay when due any fee or expense payable under the program and such default shall continue for a period of three days after such payment is due; (ii) a final unappealable judgment or order in excess of $10 million payable from pledged revenues shall be rendered against the Authority and such judgment or order shall continue unsatisfied for a period of sixty (60) days; (iii) default by the Authority in the payment of any Senior Lien Obligations or Junior Lien Obligations when due or within any applicable grace period; and (iv) default by the Authority in the performance or observance of any other of the covenants, agreements or conditions in

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

Note Purchase Program (continued)

the Master Resolution or First Supplemental Resolution, the Notes, or the program, and such default shall continue for a period of 30 days after written notice thereof.

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 rebate liability for tax-exempt debt subject to the Tax Reform Act through December 31, 2019 and 2018. The estimated liability is updated annually for any tax-exempt issuance or changes in yields until payment of the calculated liability is due.

Impact of Tax Legislation

President Donald Trump signed the Tax Cuts and Jobs Act on December 22, 2017, which permanently reduced the corporate tax rate to 21%, and lowered individual tax rates on a temporary basis through 2025. The final bill retained all categories of tax-exempt private activity bonds ("PAB's"), including bonds issued for airports, docks, wharves, and ports, sewage and solid waste facilities, and most of the Authority's outstanding ad valorem tax bonds are considered PAB's.

The legislation also eliminated the alternative minimum tax ("AMT") for corporations for tax years beginning after December 31, 2017, and temporarily increased the AMT exemption amount for individuals for tax years beginning after December 31, 2017, but before January 1, 2026. Previously, interest earnings on PAB's were treated as an item of tax preference includable in alternative minimum taxable income for purposes of determining the AMT imposed on individuals and corporations. As a result, in the past purchasers of PAB's generally demanded higher interest rates than they would for tax-exempt governmental bonds; this may no longer be the case.

The Tax Cuts and Jobs Act also curtailed the ability of governmental issuers and issuers of qualified 501(c)(3) bonds to benefit from issuing advance refunding bonds (i.e., bonds issued more than 90 days prior to redemption of the refunded bonds) on a tax-exempt basis. Effective January 1, 2018, the elimination of tax-exempt advance refundings limits the flexibility of issuers and borrowers to achieve debt service savings or to restructure to improve the terms and conditions of a financing vis-à-vis the entity's needs.

7. Bayport Facilities

Certain facilities at Bayport were acquired or constructed using the proceeds from the Special Purpose Revenue bonds, Series 1964, and advances from the developer of an adjacent industrial park. The developer also advanced to the Authority amounts necessary to cover bond repayments, and maintenance and operating expenses of these Bayport facilities.

Effective October 27, 1997, the Authority, the developer, and other operators within the Bayport area ("the Bayport operators") entered into an Agreement of Compromise and Settlement (the "Agreement") that resolved various legal disputes in connection with these arrangements.

Past liabilities under the Agreement were paid in full during fiscal 2012. The Agreement remains in effect with regards to user fees to be paid by the Bayport operators and the Authority, with such funds accumulated by the Authority in order to fund certain future capital expenditures associated with the Bayport Ship Channel.

8. Retirement Plans

Defined Benefit Plan Description

The Authority sponsors the Port of Houston Authority Restated Retirement Plan ("Plan"), a single-employer defined benefit plan covering eligible employees hired prior to August 1, 2012. Employees hired on or after that date are covered by the Port of Houston Authority Defined Contribution Plan. The Plan is a governmental plan not subject to the federal Employee Retirement Income Security Act of 1974, and contributions are solely made by the Authority. The Port Commission maintains the authority to amend the Plan and Plan's investment policy. BBVA USA (formerly known as Compass Bank) serves as trustee of the Plan. The Plan issues a stand-alone financial report that is available on the Authority's website and may also be obtained by requesting such report from the Port of Houston Authority, P.O. Box 2562, Houston, TX 77252, Attention: Controller.

Plan participants become vested after completion of five (5) years of employment. Vested employees are eligible to receive benefits upon Normal Retirement, Early Retirement, or Late Retirement (capitalized terms in this paragraph are from the plan documents). The Plan also provides for disability and survivor death benefits. The Normal Retirement Benefit (equal to 2.3% of the Average Monthly Compensation multiplied by the years of benefit service not to exceed 30.435 years) is payable monthly for a minimum of five years certain and for life thereafter, with other payment options available, if an employee retires on the Normal Retirement Date after attaining age 65. The Early Retirement Benefit is available upon completion of 30 years or more of vesting service, attainment of age 62, or when the sum of the

(in thousands)

8. Retirement Plans (continued)

Defined Benefit Plan Description (continued)

employee's age and years of service equals 85 or more and the employee has attained the age of 55 or more. Late Retirement commences when an employee works beyond the Normal Retirement Date. Benefits are adjusted for both Early Retirement and Late Retirement. Vested employees whose employment ends for reasons other than for retirement, disability, or death, receive a pension benefit upon reaching the Normal Retirement Date or Early Retirement Date.

At December 31, 2019, the following participants were covered under the Plan:

Retirees and beneficiaries receiving payments	546
Terminated vested participants not yet receiving benefits	170
Disabled participants	5
Active participants	340
Total	1,061

Contributions

Contributions to provide benefits under the Plan are made solely by the Authority. The Authority’s funding policy adopted on September 14, 1997 prescribes a contribution equal to 100% of the actuarially determined contribution amount as provided by the plan's actuary. The funding policy was revised on July 28, 2015 to allow flexibility to fund the Plan throughout the year for an aggregate amount not to exceed 105% of the amount calculated by the actuary. The policy may be further amended by the Port Commission at its discretion. The implementation of this funding policy and the actuarial assumptions have been designed to provide sufficient funds to pay benefits as they become payable under the Plan.

In accordance with Texas Legislature Senate Bill No. 2224 (SB 2224), the Authority adopted a formal Pension Plan funding policy on December 11, 2019. This funding policy is intended to meet the requirements of SB 2224 and the guidelines set forth by the Texas Pension Review Board. SB 2224 mandates that the governing body of a public retirement system adopt a written funding policy that details the plan to achieve a funded ratio that is equal to or greater than 100%. The provisions in this funding policy cancel and supersede any conflicting provisions previously adopted by the Port Commission relating to funding of the Plan.

Net Pension Liability

The Authority's net pension liability was measured as of July 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an

(in thousands)

8. Retirement Plans (continued)

Net Pension Liability (continued)

actuarial valuation as of August 1, 2018.

Actuarial assumptions. The total pension liability in the August 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Investment rate of return	6.50%

Mortality rates were based on the RP-2006 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per MP-2018.

The actuarial assumptions used in the August 31, 2018 valuation were based on the results of an actuarial experience study for the period August 1, 2009 – August 1, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future rates of return (expected returns, net of pension plan investment expense) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of arithmetic rates of return for each major asset class included in the Plan's target asset allocation as of July 31, 2019 are summarized in the following table:

(in thousands)

8. Retirement Plans (continued)

Asset Class	Target allocation	Long-term expected rate of return*
Core Fixed Income	40.0 %	2.5 %
High Yield Fixed Income	5.0 %	2.5 %
Large Cap US Equity	15.0 %	7.5 %
Mid Cap US Equity	7.5 %	7.5 %
Small Cap US Equity	10.0 %	7.5 %
International Equity	7.5 %	8.5 %
Real Estate (REITs)	5.0 %	4.5 %
Master Limited Partnerships	10.0 %	7.5 %
Long-term expected (weighted) rate of return:		5.17 %
Actuarial assumed long-term investment rate of return or discount rate:		6.50 %

*Assumed rates of return utilized by the Plan's investment consultant for the current fiscal period's allocation.

Discount rate. The discount rate used to measure the total pension liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that the Authority's contributions will be made at rates equal to the actuarially determined contribution. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 6.50 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(in thousands)

8. Retirement Plans (continued)

Changes in the Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of December 31, 2018	$ 189,631	$ (184,288)	$ 5,343
Service cost	3,321	-	3,321
Interest on total pension liability	12,592	-	12,592
Effect of economic\demographic gains or losses	(1,325)	-	(1,325)
Effect of assumption changes or inputs	3,516	-	3,516
Benefit payments	(10,326)	10,326	-
Administrative expenses	-	243	243
Expected investment income, net of investment expenses	-	(6,031)	(6,031)
Employer contributions	-	(4,658)	(4,658)
Balances as of December 31, 2019	$ 197,409	$ (184,408)	$ 13,001

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Authority, calculated using the discount rate of 6.50 percent, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage point higher (7.50 percent) than the current rate:

	1% decrease 5.50%	Current discount rate 6.50%	1% increase 7.50%
Net pension liability (asset)	$ 36,004	$ 13,001	$ (6,406)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Port of Houston Authority Restated Retirement Plan.

Pension Expense and Deferred Outflows / Inflows of Resources

For the year ended December 31, 2019, the Authority recognized pension expense of $8,380. At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(in thousands)

8. Retirement Plans (continued)

Pension Expense and Deferred Outflows / Inflows of Resources (continued)

Deferred Outflows / Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,296
Changes of assumptions	3,390	730
Net difference between projected and actual earnings	5,340	-
Contributions made subsequent to measurement date	2,400	-
Total	$ 11,130	$ 2,026

The $2,400 reported as deferred outflows of resources resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended July 31	
2020	$ 3,129
2021	1,209
2022	1,123
2023	1,243
Total	$ 6,704

Defined Contribution Plan Description

In July of 2012, the Port Commission authorized the creation of the Port of Houston Authority Defined Contribution Plan ("DC Plan"). The DC Plan is a single-employer, defined contribution plan covering a single class of members, namely, all permanent, full-time employees of the Authority hired on or after August 1, 2012.

The Authority manages the operation and administration of the DC Plan, with third party custody, recordkeeping and other administrative services provided by Nationwide Retirement Solutions. The Authority's Chief Operating Officer serves as trustee. The Port Commission maintains the authority to terminate the DC Plan or amend its provisions, including revisions in contribution requirements and investment alternatives offered to employees.

The DC Plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code and all contributions are tax-deferred until time of withdrawal. Under the provisions of the DC Plan, employees do not contribute to the DC Plan and are not permitted to rollover any distributions from other qualified plans or individual

(in thousands)

8. Retirement Plans (continued)

Defined Contribution Plan Description (continued)

retirement accounts to the DC Plan. The Authority, as Plan Sponsor, may make Employer Contributions to the DC Plan at its discretion.

Contributions from the Authority to an employee's account are based on a percentage of base salary:

Years of Service	% Contribution by the Authority
0 to 5	3.5%
Greater than 5 up to 10	4.5%
Greater than 10 up to 15	5.5%
Greater than 15 up to 20	6.5%
Greater than 20	7.5%

DC Plan benefits are to be paid to employees with at least five years of service, or to their beneficiaries. Contributions on behalf of each employee are invested in accordance with the employee's instructions, entirely in one fund or in any combination of the investment options offered. Individual accounts are maintained for each DC Plan participant. If applicable, each employee's account is credited with the Authority's contribution and account investment earnings and charged with withdrawals and account investment losses. The Authority funds administrative expenses associated with the DC Plan from its general fund.

The DC Plan does not issue stand-alone financial reports, but includes the DC Plan Net Position in the fiduciary fund statements.

The DC Plan's assets, contributions and participants as of the last two fiscal years are as follows:

	July 31, 2019	July 31, 2018
Total assets	$ 2,840	$ 2,466
Contributions during the year	721	655
Number of participants	334	403

9. Postemployment Retiree Benefits

Plan Description

In addition to retirement benefits as described in Note 8, it is the current policy of the Authority to provide certain postemployment health and welfare benefits ("OPEB") to eligible retired employees and their dependents (the "OPEB Plan"). This is a single-employer irrevocable trust and the Port Commission is responsible for the

9. Postemployment Retiree Benefits (continued)

Plan Description (continued)

administration of the Trust and for the investment of the Trust's assets. The Authority currently funds all premiums for retiree life insurance and the majority of health insurance premiums. Notwithstanding any accounting and financial reporting characterization herein, continuation of these benefits and the Authority's contributions to the trust are dependent on the continued authorization of the Port Authority's current Other Post-Employment Benefits Plan by the Port Commission.

The OPEB Plan does not issue stand-alone financial reports, but includes the OPEB Plan Net Position in the fiduciary fund statements and presents the Net OPEB Asset in the noncurrent asset section of the Statements of Net Position.

The health insurance benefits provided to pre-Medicare retirees are the same as those offered to active employees. In addition, Medicare-eligible retirees have the option of enrolling in Medicare Risk plans offered by the Authority or in limited circumstances securing their own insurance and receiving a monthly reimbursement from the Authority towards the cost. The supplied benefits include hospital, doctor, and prescription drug charges.

Basic life insurance coverage provided to retirees is based upon the retirees' annual compensation at retirement and is valued at a flat $5, $10 or $15.

Effective January 1, 2010, new hires become eligible for postemployment benefits after completion of twelve years of employment and upon retirement from the Authority. Employees hired prior to that date who reach their Early or Normal Retirement date and retire from the Authority are eligible for postemployment benefits. An eligible employee may also elect coverage for his or her eligible dependents, provided that such election is made at the time of the employee’s retirement and not thereafter.

Disabled employees are covered in the Port of Houston Authority Group Health Plan from the date of disability.

The widow/widower of a retiree who has health care coverage through the Authority may in most instances continue coverage upon the death of the retiree.

(in thousands)

9. Postemployment Retiree Benefits (continued)

Plan Description (continued)

At December 31, 2019, the following participants were covered under the plan:

Actives	644
Retired and disabled members	319
Covered spouses of retirees	209
	1,172

Funding Policy

Historically, the Authority's OPEB contribution has been based on a projected pay-as-you-go basis. For the years ended December 31, 2019 and 2018, the cost of retiree health benefits, recorded on a pay-as-you-go basis was $2,265 and $2,149, respectively. Retiree life-benefit costs for 2019 and 2018 were $139 and $129, respectively. In addition to the pay-as-you-go expenses referenced above for current benefits, the Authority has contributed $61,500 to the OPEB trust through December 31, 2019.

The Commission approved a revised funding policy that allows flexibility to fund the OPEB trust throughout the year for an aggregate amount not to exceed 105% of the annually required contribution amount ("ARC") as calculated by the Authority's actuary. The policy may be further amended by the Commission at its discretion.

The Commission is responsible for administration of the OPEB Trust and for the investment of the Trust's assets. The Commission is authorized to retain professional consultants and investment managers to assist in the investment of the Trust's assets. The Commission also establishes investment guidelines and evaluates investment manager performance. The OPEB trust investment policy may be amended by the Commission by a majority vote or its members.

Investment Valuation and Income Recognition

Investments are stated at fair value. If available, quoted market prices are used to value investments. In the case of any unlisted asset, the trustee will determine the market value utilizing pricing obtained from independent pricing services. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Net OPEB Liability/(Asset)

The following table shows the components of the Authority's total OPEB liability,

(in thousands)

9. Postemployment Retiree Benefits (continued)

Net OPEB Liability/(Asset) (continued)

fiduciary net position and net OPEB Liability/(Asset).

	2019	2018
Total OPEB liability	$ 70,757	$ 74,848
Fiduciary net position	82,262	65,964
Net OPEB liability/(asset)	(11,505)	8,884
Fiduciary net position as a % of total OPEB liability	116.26 %	88.13 %
Covered payroll	49,778	40,287
Net OPEB liability/(asset) as a % of covered payroll	(23.11)%	22.05 %

The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumption below, and was then projected forward to the measurement date. There have been no significant changes between the valuation date and the fiscal year end.

Discount Rate

	2019	2018
Discount rate	6.50 %	6.75 %
Long-term expected rate of return, net of investment expense	6.50 %	6.75 %

The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total OPEB liability is equal to the long-term expected rate of return.

Annual Money-Weighted Rate of Return

For the year ended December 31, 2019, the annual money-weighted rate of return on the OPEB trust investments, net of investment expense, was 16.61%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested. The following table shows the money-weighted rate of return since the inception.

(in thousands)

9. Postemployment Retiree Benefits (continued)

Annual Money-Weighted Rate of Return (continued)

Fiscal Year Ending December 31	Net Money-Weighted Rate of Return
2016	10.50%
2017	10.90%
2018	-5.80%
2019	16.61%

Other Key Actuarial Assumptions

The actuarial assumptions that determined the total OPEB liability as of December 31, 2019 were based on the results of an actuarial experience study for the period August 1, 2007 - August 1, 2012.

Valuation date	January 1, 2019
Measurement date	December 31, 2019
Inflation	2.20%
Salary increases including inflation	Age based
Mortality	RP-2006 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per Scale MP-2018
Actuarial cost method	Entry Age Normal

The health care cost trend rate used for the 2019 annual OPEB expense was 3.90% climbing to 7.90% before trending down to 4.00% (pre-Medicare) and 12.00% trending down to 4.50% (post-Medicare) over 55 years. The health care cost trend rate used for the 2019 year end valuation of total and net OPEB asset was 3.90% climbing to 5.10% before trending down to 3.80% (pre-Medicare) and 12.00% trending down to 3.80% (post-Medicare) over 55 years.

Long-Term Expected Rate of Return

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of December 31, 2019.

(in thousands)

9. Postemployment Retiree Benefits (continued)

Long-Term Expected Rate of Return (continued)

Asset Class	Index	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
US Long Bonds	Barclays LT Gvt/Credit	20.00 %	2.45 %	1.98 %
US Gvt Bonds	Barclays Gvt	20.00 %	1.34 %	1.21 %
Emerging Markets Bonds	JPM EMBI Plus	5.00 %	3.48 %	2.54 %
US Large Caps	S&P 500	15.00 %	4.29 %	3.13 %
US Large & Mid Caps	Russell 1000	7.50 %	4.49 %	3.27 %
US Small Caps	Russell 2000	10.00 %	5.50 %	3.62 %
Foreign Developed Equity	MSCI EAFE NR	7.50 %	5.50 %	3.91 %
US REITs	FTSE NAREIT Equity REIT	5.00 %	5.01	3.27
Master Limited Partnerships	Alerian MLP	10.00 %	4.18 %	2.83 %
Assumed Inflation - Mean			2.20 %	2.20 %
Assumed Inflation - Standard Deviation			1.65 %	1.65 %
Portfolio Real Mean Return			3.43 %	3.07 %
Portfolio Nominal Mean Return			5.65 %	5.34 %
Portfolio Standard Deviation				8.32 %
Long-Term Expected Rate of Return				**6.50 %**

Sensitivity Analysis

The following presents the net OPEB asset of the Authority, calculated using the discount rate of 6.50%, as well as what the Authority's net OPEB asset would be if it were calculated using a discount rate that is 1 percentage point lower (5.50%) or 1 percentage point higher (7.50%) than the current rate.

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Net OPEB liability/(asset)	$ (2,009)	$ (11,505)	$ (19,308)

(in thousands)

9. Postemployment Retiree Benefits (continued)

Sensitivity Analysis (continued)

The following presents the net OPEB asset of the Authority, calculated using the current healthcare cost trend rates as well as what the Port of Houston's net OPEB asset would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB liability/(asset)	$ (20,516)	$ (11,505)	$ (281)

OPEB Expense and Deferred Inflows of Resources

For the year ended December 31, 2019, the Authority recognized OPEB expense of $2,774. At December 31, 2019, the Authority reported deferred inflows of resources from the following sources:

	Deferred Inflows of Resources
Differences between expected and actual experience	$ (6,381)
Changes of assumption	(1,207)
Net difference between projected and actual earnings	(351)
Total	$ (7,939)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expenses as follows:

Year ended: December 31	
2020	$ (930)
2021	(930)
2022	(930)
2023	(2,620)
2024	(1,265)
Thereafter	(1,264)
Total	$ (7,939)

(in thousands)

9. Postemployment Retiree Benefits (continued)

Changes in Net OPEB Liability/(Asset)

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance as of December 31, 2018	$ 74,848	$ 65,964	$ 8,884
Service cost	3,080	-	3,080
Effect of economic/demographic gains or losses	(7,445)	-	(7,445)
Effect of assumptions changes or inputs	(1,408)	-	(1,408)
Interest on total OPEB liability	5,145	-	5,145
Benefit payments	(3,463)	(3,463)	-
Employer contributions	-	8,463	(8,463)
Expected net investment income	-	4,615	(4,615)
Investment gains or losses	-	6,776	(6,776)
Administrative expense	-	(93)	93
Balances as of December 31, 2019	$ 70,757	$ 82,262	$ (11,505)

10. Risk Management

The Authority is exposed to risk of financial loss from property and casualty exposures. Property exposures include potential losses due to fire, windstorm, and other perils that could damage or destroy assets and result in loss of income should specific assets be shut down for an extended period of time. Casualty exposures include potential losses resulting from third-party claims for bodily injury and/or property damage arising from the Authority's operations and/or ownership of its assets, as well as workers' compensation claims.

Effective March 1, 2010, the Authority began self-insuring certain risks; the Authority's current self-insured retention (SIR) limit is $350 for Liability claims and $500 for Workers' Compensation claims; Police and Fire is $750. The Authority has unlimited excess coverage for any workers' compensation claim that exceeds its SIR. The balance of claim liabilities at December 31, 2019 and 2018 was $7,309 and $6,095, respectively.

Plan Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2018	$ 5,018	$ 1,750	$ (673)	$ 6,095
2019	$ 6,095	$ 1,746	$ (532)	$ 7,309

The Texas Tort Claims Act limits the liability of monetary damages for any single occurrence involving certain circumstances. These limits cap the Authority's liability

10. Risk Management (continued)

at $100 maximum per person for bodily injury or death per occurrence; $300 maximum for all persons for bodily injury or death per occurrence; and $100 maximum for property damage per occurrence.

These claim liabilities include an estimate for incurred but not reported and allocated claims-adjustment expenses and assessment of loss development factors, trend rates, and loss costs. The liability is included in the other noncurrent liabilities of the Statements of Net Position.

Claims liability is based on the requirements of GASB Statement No. 10, "*Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,*" which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Such liability is based upon actual reserves and is not considered material.

11. Commitments and Contingencies

Commitments

At December 31, 2019 and 2018, the Authority had commitments of approximately $88,099 and $51,156, respectively, for supplies, services, and the purchase of equipment and the expansion of facilities.

Litigation and Claims

The Authority is a defendant in various legal actions, and may become involved in other disputes arising in the normal course of business; it cannot predict the results of such matters. However, based on consultation with outside counsel, the Authority generally believes the outcome of such matters will not materially affect its financial position, except that it cannot reach such conclusion at this time regarding the matters described below.

Trans-Global Solutions, Inc. ("TGS") has asserted claims against the Authority stemming from delays TGS claims to have incurred in connection with its December 2014 contract for the construction of a container yard at the Authority's Bayport Terminal. TGS has claimed damages in the amount of $6,873. The Port Authority does not intend to pay the amount sought by TGS and intends to vigorously contest TGS's claims; however, it has not reached any judgment as to the likely outcome or the range of potential loss in the event of litigation.

12. Tax Abatement

GASB Statement 77 defines a tax abatement as a reduction in tax revenues resulting from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forego tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement was entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

GASB 77 states, "governments should disclose in the notes to financial statements the following information related to tax abatement agreements that are entered into by other governments and that reduce the reporting government's tax revenues." The Port is subject to tax abatements granted by Harris County under the Economic Development Opportunity Act (EDOA).

For year ending 2019, Harris County's gross tax and abated values were $1,027,960 and $110,054, respectively. Therefore, under agreements entered into by Harris County, the Authority's property tax revenues were reduced by $12.

13. Subsequent Events

In December 2019, a novel coronavirus outbreak was first documented in Wuhan, Hubei Province, China. The spread of this virus, referred to as coronavirus disease 2019 or "COVID-19", resulted in supply chain and general business disruption beginning in January 2020. In March 2020, the World Health Organization declared the outbreak of COVID-19 to be a pandemic and the U.S. economy began to experience pronounced effects. While the Port has experienced minimal interruption through March, we expect to encounter a slowdown in volumes due to Chinese mandated factory shutdowns and reduced regional consumer demand. The Port of Houston Authority falls into a category of commerce known as "transportation and logistics" for which "maritime transportation workers - port workers, mariners, equipment operators" are considered essential to the continuation of industry that is critical to society's stability and progress. While the disruption is currently expected to be temporary, there is uncertainty around the extent and duration. Therefore, while we expect this matter to negatively impact our results, the related financial impact cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

PORT OF HOUSTON AUTHORITY

PHA

HOUSTON, TEXAS

Port of Houston Authority of Harris County, Texas
Required Supplementary Information

Port of Houston Authority Restated Retirement Plan
Schedule of Changes in Net Pension Liability and Related Ratios
Last Six Years
in thousands
(unaudited)

	2019	2018	2017	2016	2015	2014
Total Pension Liability:						
Service cost	3,321	3,402	3,198	3,229	3,186	3,425
Interest on total pension liability	12,592	12,454	12,251	11,883	10,940	10,724
Effect of economic/demographic gains or losses	(1,325)	(1,207)	(116)	(695)	(1,278)	-
Effects of assumption changes or inputs	3,516	(2,203)	5,012	-	9,569	-
Benefit payments	(10,326)	(10,085)	(9,858)	(9,552)	(9,590)	(9,509)
Net change in total pension liability	7,778	2,361	10,487	4,865	12,827	4,640
Total pension liability - beginning	189,631	187,270	176,783	171,918	159,091	154,451
Total pension liability - ending (a)	197,409	189,631	187,270	176,783	171,918	159,091
Fiduciary net position:						
Employer contributions*	4,658	5,257	9,600	4,500	4,094	8,282
Investment income net of investment expenses**	6,031	12,378	14,220	1,741	7,786	14,825
Benefit payments	(10,326)	(10,085)	(9,858)	(9,552)	(9,590)	(9,509)
Administrative expenses	(243)	(255)	(280)	(235)	(249)	(237)
Net change fiduciary net position	120	7,295	13,682	(3,546)	2,041	13,361
Fiduciary net position, beginning	184,288	176,993	163,311	166,857	164,816	151,455
Fiduciary net position, ending (b)	184,408	184,288	176,993	163,311	166,857	164,816
Net pension liability (asset), ending = (a) - (b)	13,001	5,343	10,277	13,472	5,061	(5,725)
Fiduciary net position as a % of total pension liability	93.41 %	97.18 %	94.51 %	92.38 %	97.06 %	103.60 %
Covered Payroll	29,889	29,960	30,210	30,412	31,377	33,690
Net pension liability (asset) as a % of covered payroll	43.50 %	17.83 %	34.02 %	44.30 %	16.13 %	(16.99)%

* The increase in employer contributions from 2016 to 2019 is due primarily to additional funding of $4.0 million authorized by the Port Commission to partially offset the increase in the Plan's unfunded actuarial accrued liability resulting from a reduction of the actuarial assumption rate from 7.00% to 6.75%.

** 2016 is lower primarily due to domestic and global market conditions. This included issues related to China's economy, declining oil prices as a result of OPEC's abandonment of its production ceiling, a weakening dollar and the Federal Reserve's reluctance to raise the fed funds rate.

Per GASB 68, until a 10-year trend is compiled, pension plans may present information for those years for which information available; information is not available under the GASB 68 methodologies for the fiscal years prior to 2014.

Port of Houston Authority of Harris County, Texas

Required Supplementary Information

Port of Houston Authority Restated Retirement Plan

Schedule of Port Authority Contributions

Last Ten Fiscal Years

in thousands

(unaudited)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	$ 4,437	$ 5,007	$ 5,153	$ 4,481	$ 4,094	$ 5,278	$ 9,870	$ 8,133	$ 10,809	$ 9,857
Contributions in relation to the actuarially determined contribution	4,658	5,257	9,600	4,500	4,094	8,282	9,870	8,133	10,809	9,857
Contribution deficiency (excess)	$ (221)	$ (250)	$ (4,447)	$ (19)	$ -	$ (3,004)	$ -	$ -	$ -	$ -
Covered payroll	$ 29,889	$ 29,960	$ 30,210	$ 30,412	$ 31,377	$ 33,690	$ 35,082	$ 35,571	$ 34,939	$ 32,695
Contributions as a percentage of covered payroll	15.58 %	17.55 %	31.78 %	14.80 %	13.05 %	24.58 %	28.14 %	22.86 %	30.94 %	30.15 %

Notes to Schedule:

Valuation timing	Actuarially determined contribution rates are calculated as of July 31 of the fiscal year in which the contributions are reported
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Remaining amortization period	1 year at July 31, 2019, resulting from a net pension liability of $13,001
Asset valuation method	Market value
Inflation	2.50%
Salary Increases	Graded from 7.5% at age 20 to 3.0% at age 60
Investment rate of return	6.50%
Cost of living adjustments	None
Retirement age	Ranging from 5% at age 55 to 100% at age 70
Turnover	Rates from most recent assumption study performed August 1, 2015
Mortality	RP-2006 Mortality for Employees, Healthy Annuitants and Disabled Annuitants with generational projection per MP–2018

The table was updated to reflect current actuarial assumptions used.

Port of Houston Authority of Harris County, Texas
Required Supplementary Information

Port of Houston Authority OPEB Plan
Schedule of Annual Money-Weighted Rate of Return
(unaudited)

Fiscal Year Ending December 31,	Net Money-Weighted Rate of Return
2016	10.50 %
2017	10.90 %
2018	(5.80)%
2019	16.61 %

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

Port of Houston Authority of Harris County, Texas

Required Supplementary Information

Port of Houston Authority OPEB Plan

Schedule of Changes in Net OPEB Liability and Related Ratios

Fiscal Year Ending December 31, 2019, 2018 and 2017

in thousands

(unaudited)

	2019	2018	2017
Total OPEB Liability			
Service cost	$ 3,081	$ 3,289	$ 3,081
Interest on total OPEB liability	5,145	4,864	4,593
Effect of economic/demographic (gains) or losses	(7,445)	-	-
Effect of assumption changes or inputs	(1,408)	-	-
Benefit payments	(3,464)	(4,084)	(3,654)
Net change in total OPEB liability	(4,091)	4,069	4,020
Total OPEB liability - beginning	74,848	70,779	66,759
Total OPEB liability - ending (a)	70,757	74,848	70,779
Fiduciary Net Position			
Employer contributions	8,464	9,484	9,454
Net investment (loss) income	11,391	(3,915)	5,714
Benefit payments	(3,464)	(4,084)	(3,655)
Administrative expense	(93)	(100)	-
Net change in plan fiduciary net position	16,298	1,385	11,513
Fiduciary net position - beginning	65,964	64,579	53,066
Fiduciary net position - ending (b)	82,262	65,964	64,579
Net OPEB liability/(asset) ending (a) - (b)	$ (11,505)	$ 8,884	$ 6,200
Fiduciary net position as a % of total OPEB liability	116.26 %	88.13 %	91.24 %
Covered payroll	$ 49,778	$ 40,287	$ 40,287
Net OPEB liability/(asset) as a % of covered payroll	(23.11)%	22.05 %	15.39 %

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

Port of Houston Authority of Harris County, Texas
Required Supplementary Information

Port of Houston Authority OPEB Plan
Schedule of Actuarially Determined Contributions
Last Ten Fiscal Years
in thousands
(unaudited)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution*	$ 3,324	$ 4,384	$ 5,402	$ 5,798	$ 5,537	$ 6,568	$ 6,909	$ 7,913	$ 8,115	$ 14,580
Contributions in relation to the actuarially determined contribution	8,464	9,484	9,454	8,772	11,203	11,363	11,226	10,776	10,536	2,897
Contribution deficiency (excess)	$ (5,140)	$ (5,100)	$ (4,052)	$ (2,974)	$ (5,666)	$ (4,795)	$ (4,317)	$ (2,863)	$ (2,421)	$ 11,683
Covered payroll	$ 49,778	$ 40,287	$ 40,287	$ 38,907	$ 38,907	$ 33,690	$ 34,615	$ 34,939	$ 34,939	$ 32,310
Contributions as a percentage of covered payroll	17.00 %	23.54 %	23.47 %	22.55 %	28.79 %	33.73 %	32.43 %	30.84 %	30.16 %	8.97 %

Notes to Schedule

Valuation timing	Actuarial valuations for funding purposes are performed biennially as of January 1. The most recent valuation was performed as of January 1, 2019
Actuarial cost method	Entry Age Normal
Amortization method	
Level percent or level dollar	Level dollar
Closed, open, or layered periods	Open
Amortization period at January 1, 2019	10 years
Asset valuation method	Market Value
Inflation	2.20%
Salary Increases	Age based
Discount Rate	6.50%
Healthcare Cost Trend Rates	12% for 2019, gradually decreasing to an ultimate rate of 3.8%
Mortality	RP-2006 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per Scale MP-2018

* Annual required contributions for 2017 and prior years are under GASB 45. Subsequent contributions are under GASB 74 and 75.

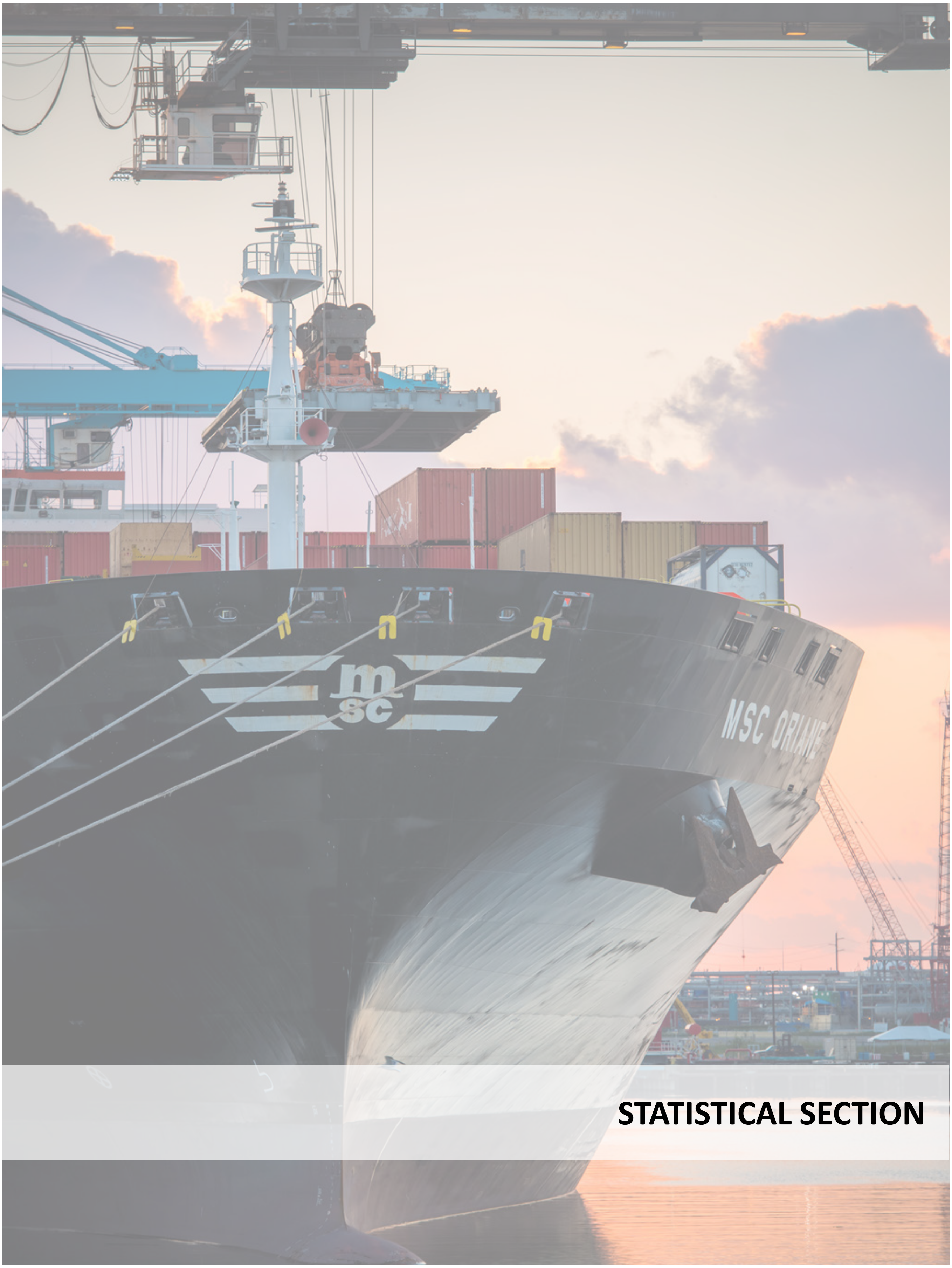
Port of Houston Authority of Harris Couty, Texas
Combining Statement of Fiduciary Trust Net Position
As of December 31, 2019 and 2018
(in thousands)

	Defined Contribution 7/31/2019	Pension 7/31/2019	OPEB 12/31/2019	Total	Defined Contribution 7/31/2018	Pension 7/31/2018	OPEB 12/31/2018	Total
Assets								
Cash and cash equivalents	$ 9	$ 2,730	$ 860	$ 3,599	$ 48	$ 2,696	$ 1,074	$ 3,818
Investment Securities								
Domestic Equity	253	84,926	35,712	120,891	245	97,545	32,065	129,855
International Equity	40	15,145	8,511	23,696	33	3,718	3,198	6,949
Fixed Income	21	81,051	36,970	118,042	18	79,545	29,402	108,965
Balanced Funds *	2,517	-	-	2,517	2,122	-	-	2,122
Accrued Investment Income	-	612	209	821	-	840	225	1,065
Total Assets	2,840	184,464	82,262	269,566	2,466	184,344	65,964	252,774
Liabilities								
Investment Expenses	-	56	-	56	-	56	-	56
Total Liabilities	-	56	-	56	-	56	-	56
Assets held in trust	$ 2,840	$ 184,408	$ 82,262	$ 269,510	$ 2,466	$ 184,288	$ 65,964	$ 252,718

* Mutual funds that include both equity and fixed income securities

Port of Houston Authority of Harris Couty, Texas
Combining Statements of Changes in Fiduciary Trust Net Position
As of December 31,2019 and 2018
(in thousands)

	Defined Contribution 7/31/2019	Pension 7/31/2019	OPEB 12/31/2019	Total	Defined Contribution 7/31/2018	Pension 7/31/2019	OPEB 12/31/2018	Total
Additions :								
Employer contributions	$ 721	$ 4,658	$ 5,000	$ 10,379	$ 655	$ 5,257	$ 5,400	$ 11,312
Net Investment Income	(179)	6,031	11,391	17,243	173	12,378	(3,869)	8,682
Total additions	542	10,689	16,391	27,622	828	17,635	1,531	19,994
Deductions:								
Benefit payments and withdrawals	(168)	(10,326)	-	(10,494)	(11)	(10,085)	-	(10,096)
Administrative Expenses	-	(243)	(93)	(336)	-	(255)	(100)	(355)
Total deductions	(168)	(10,569)	(93)	(10,830)	(11)	(10,340)	(100)	(10,451)
Net increase in net position	374	120	16,298	16,792	817	7,295	1,431	9,543
Assets held in trust for pension/ OPEB, beginning of year	2,466	184,288	65,964	252,718	1,649	176,993	64,533	243,175
Assets held in trust for pension/ OPEB, end of year	$ 2,840	$ 184,408	$ 82,262	$ 269,510	$ 2,466	$ 184,288	$ 65,964	$ 252,718



STATISTICAL SECTION

PORT OF HOUSTON AUTHORITY
PHA
HOUSTON, TEXAS

Statistical Section

This part of the Authority's comprehensive annual financial report presents detailed information as a context to better understand what the information in the financial statements, note disclosures and required supplementary information discloses concerning the Authority's overall financial health.

Contents

Financial Trends
These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

Revenue Capacity
These schedules contain information to help the reader assess the Authority's two most significant revenue sources, operating revenues and property taxes.

Debt Capacity
These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.

Demographic and Economic Information
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.

Operating Information
These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.

Sources
Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

PORT OF HOUSTON AUTHORITY
PHA
HOUSTON, TEXAS

FINANCIAL TRENDS

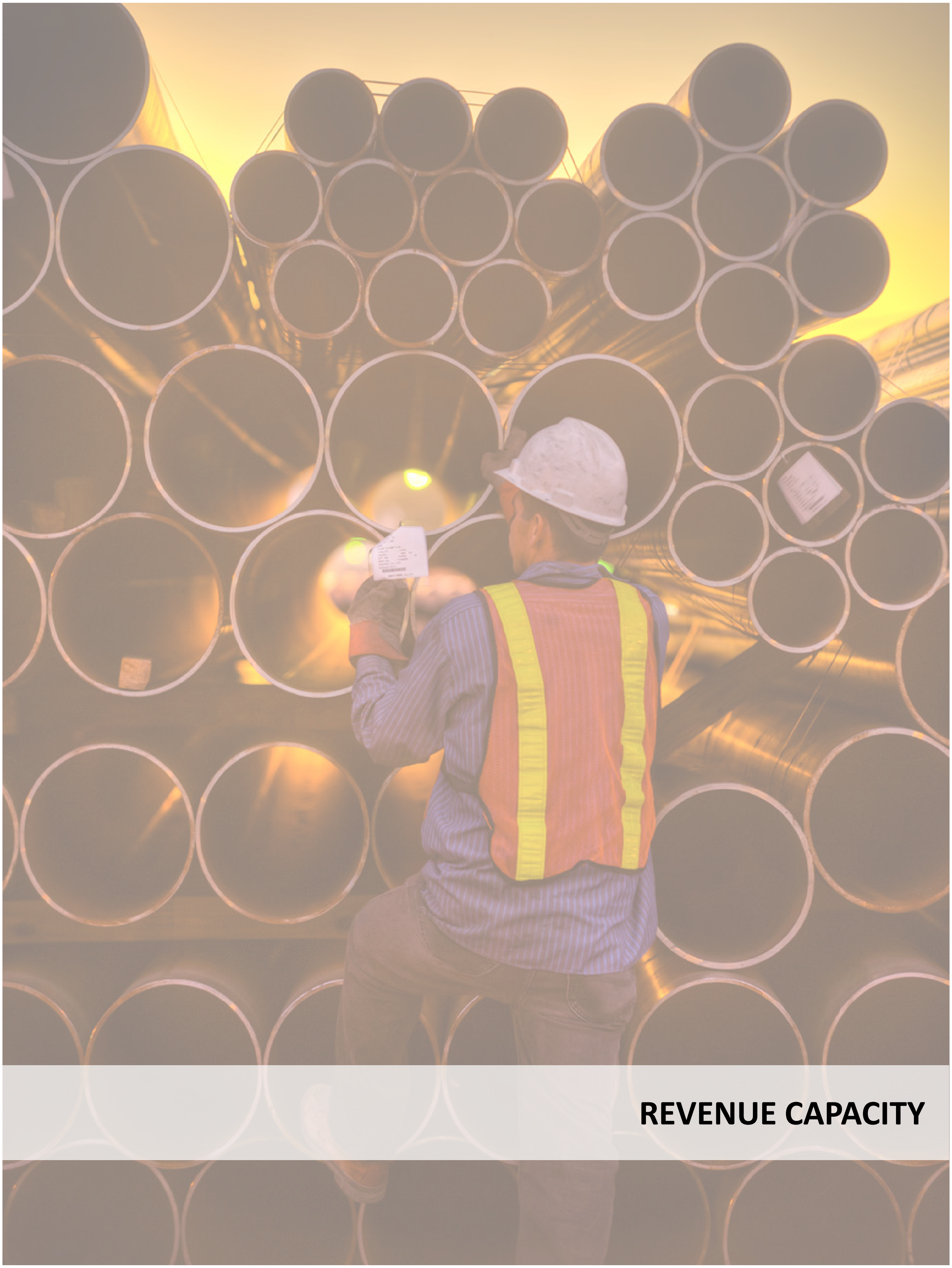
Schedule 1

Port of Houston Authority of Harris County, Texas
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(unaudited)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Net investment in capital assets	$1,119,856	$1,050,604	$1,023,578	$ 919,177	$ 794,075	$ 749,755	$ 685,717	$596,224	$574,224	$571,828
Restricted										
Capital	-	-	-	-	-	-	7,195	29,713	60,204	79,270
Debt Service	45,346	44,646	45,622	45,705	41,853	43,290	44,598	44,916	41,455	44,248
Other	-	-	-	-	-	-	-	2,755	196	4,302
Unrestricted	473,731	416,108	311,127	312,363	383,422	340,892	324,466	320,673	263,802	207,113
Total Net Position	$1,638,933	$1,511,358	$1,380,327	$1,277,245	$1,219,350	$1,133,937	$1,061,976	$994,281	$939,881	$906,761

Port of Houston Authority of Harris County, Texas
Changes in Net Position
Last Ten Fiscal Years
(in thousands)
(unaudited)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Operating revenues:										
Vessel and cargo services	$ 365,086	344,272	$ 309,058	$ 266,703	$ 267,277	$ 238,083	$ 200,101	$ 190,618	$ 177,405	$ 159,799
Rental of equipment and facilities	18,065	18,079	15,976	15,869	17,120	17,763	25,114	23,077	22,030	20,346
Grain elevator	1,439	1,182	902	1,199	1,567	1,821	592	683	1,923	911
Bulk materials	4,265	4,131	4,004	3,941	4,019	4,270	2,665	2,485	2,131	2,368
Other	2,582	1,652	2,933	2,514	3,753	1,960	5,201	8,512	3,356	3,272
Nonoperating revenues:										
Investment (loss) income	13,017	9,319	4,553	4,896	4,142	4,913	(435)	2,410	3,123	3,573
Contribution in aid of construction	-	-	-	-	610	-	5,000	-	1,077	-
Other	1,282	345	1,703	2,690	1,279	3,291	683	1,583	2,765	3,836
Nonoperating revenues related to property taxes:										
Property taxes	51,061	50,951	53,842	55,749	51,280	51,955	52,534	56,429	49,826	53,833
Investment income / (loss) on bond proceeds	967	721	264	119	120	162	348	302	657	(47)
Total Revenues:	457,764	430,652	393,235	353,680	351,167	324,218	291,803	286,099	264,293	247,891
Operating expenses:										
Maintenance and operations of facilities	177,122	157,524	147,185	141,102	123,433	121,899	103,353	101,095	97,461	95,918
General and administrative	50,420	49,608	39,102	44,286	42,297	37,812	41,845	43,875	39,894	51,742
Depreciation and amortization	74,020	72,027	66,487	64,601	60,198	57,190	56,057	56,551	55,661	53,731
Impairment of Capital Assets	-	-	-	15,114	-	-	-	-	-	-
Nonoperating expenses:										
Contributions to state and local agencies	4,327	2,095	4,243	2,127	2,147	1,464	1,949	882	1,232	1,742
Loss on disposal of assets	4	1	33	(2,976)	2,849	1,220	91	3,295	-	3,294
Other	107	1,440	2,187	1,033	338	-	-	98	-	-
Nonoperating expenses related to property taxes:										
Interest expense on unlimited tax bonds	24,451	28,927	30,010	31,548	33,114	33,459	33,188	33,803	36,843	34,265
Property tax collection expense	1,100	1,100	1,100	1,100	1,039	1,175	994	1,091	996	1,270
Other	410	420	400	303	455	408	477	442	525	480
Total Expenses:	331,961	313,142	290,747	298,238	265,870	254,627	237,954	241,132	232,612	242,442
Income before contributions	125,803	117,510	102,488	55,442	85,297	69,591	53,849	44,967	31,681	5,449
Capital contributions from federal agencies	1,772	5,219	8,896	2,453	56	2,370	13,827	9,373	1,439	2,944
Contributions from federal agency-FEMA	-	-	-	-	60	-	19	60	-	3,804
Total Contributions from federal and state agencies	1,772	5,219	8,896	2,453	116	2,370	13,846	9,433	1,439	6,748
Change in net position	127,575	122,729	111,384	57,895	85,413	71,961	67,695	54,400	33,120	12,197
Net position, January 1	1,511,358	1,388,629	1,277,245	1,219,350	1,133,937	1,061,976	994,281	939,881	906,761	894,564
Net position, December 31	$ 1,638,933	$ 1,511,358	$ 1,388,629	$ 1,277,245	$1,219,350	$1,133,937	$1,061,976	$ 994,281	$ 939,881	$ 906,761



REVENUE CAPACITY

Port of Houston Authority of Harris County, Texas
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

(amounts in thousands)
(unaudited)

Year Levied	Real Property	Personal Property	Less: Exemptions (a)	Total Taxable Assessed Value	Total Direct Tax Rate
2010	$ 300,557,174	$ 43,837,867	$ 80,137,056	$ 264,257,985	$ 0.02054
2011	306,488,194	43,891,522	82,109,248	268,270,468	0.01856
2012	317,458,948	47,105,465	85,096,445	279,467,968	0.01952
2013	338,787,938	51,399,961	86,415,967	303,771,932	0.01716
2014	375,147,134	54,650,315	92,526,176	337,271,273	0.01531
2015	420,143,010	57,162,124	100,360,569	376,944,565	0.01342
2016	467,478,230	51,201,800	109,296,383	409,383,647	0.01334
2017	486,904,155	48,036,665	109,150,988	425,789,832	0.01256
2018	507,215,984	49,241,694	118,780,750	437,676,928	0.01155
2019	546,249,496	50,880,252	126,713,304	470,416,444	0.01074

- Source: Harris County Appraisal District Property Use Recap as of 12/2019
- Note: Property is assessed at actual value and is reassessed each year. Tax rates are per $100 of assessed value.
- Note (a) Exemptions are primarily made up of the homestead property exemption of 20%. In addition, persons 65 years of age or older receive an exemption up to a maximum individual amount of $160,000.

Schedule 4

Port of Houston Authority of Harris County, Texas
County-Wide Ad Valorem Tax Rates
Last Ten Fiscal Years
Year Levied
(unaudited)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Harris County										
General Fund	$ 0.34174	$ 0.35000	$ 0.34500	$ 0.34500	$ 0.34547	$ 0.34547	$ 0.34547	$ 0.33271	$ 0.33444	$ 0.33401
General Bonds Debt Service	0.04711	0.05084	0.05234	0.05111	0.05237	0.04802	0.05158	0.04468	0.03825	0.03635
Total Constitutional Funds	0.38885	0.40084	0.39734	0.39611	0.39784	0.39349	0.39705	0.37739	0.37269	0.37036
County - Wide Road Debt Service	0.01828	0.01774	0.02067	0.02045	0.02139	0.02382	0.01750	0.02282	0.01848	0.01769
Total - Harris County	0.40713	0.41858	0.41801	0.41656	0.41923	0.41731	0.41455	0.40021	0.39117	0.38805
Flood Control District										
Maintenance	0.02670	0.02738	0.02736	0.02745	0.02620	0.02620	0.02620	0.02522	0.02727	0.02727
Debt Service	0.00122	0.00139	0.00095	0.00084	0.00113	0.00116	0.00207	0.00287	0.00082	0.00196
Total - Flood Control	0.02792	0.02877	0.02831	0.02829	0.02733	0.02736	0.02827	0.02809	0.02809	0.02923
Port of Houston Authority										
Debt Service	0.01074	0.01155	0.01256	0.01334	0.01342	0.01531	0.01716	0.01952	0.01856	0.02054
Hospital District										
General	0.16491	0.17000	0.17000	0.17000	0.17000	0.17000	0.17000	0.18216	0.19216	0.19216
Debt Service	0.00100	0.00108	0.00110	0.00179	-	-	-	-	-	-
Total Hospital District	0.16591	0.17108	0.17110	0.17179	0.17000	0.17000	0.17000	0.18216	0.19216	0.19216
Total	$ 0.61170	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998

- Source: Harris County Appraisal District
- Note: Tax rates are stated per $100 assessed valuation.

Schedule 5

Port of Houston Authority of Harris County, Texas
Direct and Overlapping Debt and Property Tax Rates

December 31, 2019

(unaudited)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
County-Wide Taxing Jurisdiction										
Harris County	$ 0.40713	$ 0.41858	$ 0.41801	$ 0.41656	$ 0.41923	$ 0.41731	$ 0.41455	$ 0.40021	$ 0.39117	$ 0.38805
Harris County Flood Control District	0.02792	0.02877	0.02831	0.02829	0.02733	0.02736	0.02827	0.02809	0.02809	0.02923
Port of Houston Authority	0.01074	0.01155	0.01256	0.01334	0.01342	0.01531	0.01716	0.01952	0.01856	0.02054
Harris County Hospital District	0.16591	0.17108	0.17110	0.17179	0.17000	0.17000	0.17000	0.18216	0.19216	0.19216
Total County-wide	$ 0.61170	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998
Cities										
Baytown	$ 0.80203	$ 0.81203	$ 0.82203	$ 0.82203	$ 0.82203	$ 0.82203	$ 0.82203	$ 0.82203	$ 0.82202	$ 0.78703
Bellaire	0.44730	0.43130	0.41590	0.38740	0.38050	0.39360	0.39990	0.39990	0.39990	0.39990
Deer Park	0.72000	0.72000	0.72000	0.72000	0.71435	0.72000	0.72000	0.72000	0.72000	0.70500
Houston	0.56792	0.58831	0.58421	0.58642	0.60112	0.63108	0.63875	0.63875	0.63875	0.63875
La Porte	0.71000	0.71000	0.71000	0.71000	0.71000	0.71000	0.71000	0.71000	0.71000	0.71000
League City	0.54858	0.56380	0.56500	0.57000	0.57350	0.59700	0.59700	0.59700	0.61000	0.61600
Missouri City	0.63000	0.63000	0.60000	0.56010	0.54468	0.56500	0.57375	0.54480	0.52840	0.52840
Pasadena	0.57034	0.61545	0.57539	0.57539	0.57539	0.57690	0.59159	0.59159	0.59159	0.59159
Pearland	0.74121	0.70916	0.68506	0.68120	0.70530	0.71210	0.70510	0.70510	0.68510	0.66510
Seabrook	0.55198	0.55198	0.57491	0.56518	0.61261	0.64003	0.65123	0.66523	0.64998	0.62681
South Houston	0.69991	0.65050	0.64330	0.63221	0.69954	0.64453	0.66988	0.70825	0.68755	0.67316
Webster	0.36200	0.34794	0.31725	0.28450	0.23447	0.24874	0.26960	0.28528	0.28528	0.25750
West University Place	0.30921	0.31680	0.31680	0.31680	0.33179	0.36179	0.37400	0.37411	0.37411	0.37411
School Districts	1.1367-1.5684	1.2067-1.6700	1.2067-1.6700	1.2067-1.6700	1.1967-1.6700	1.1967-1.6700	1.1867-1.6700	1.1567-1.5700	.0972-1.5400	.0922-1.54000

- Source: Harris County Appraisal District jurisdiction information as of 12/31/19; includes all tax bonds.

Schedule 6

Port of Houston Authority of Harris County, Texas
Principal Property Tax Payers
Current Year and Nine Years Ago
(amounts in thousands)
(unaudited)

	2019			2010		
Tax Payers	2019 Taxable Valuations (a)	Rank	Percentage of Total 2019 Taxable Valuation (b)	2010 Taxable Valuations (a)	Rank	Percentage of Total 2010 Taxable Valuation (c)
EXXON Mobil Corp.	$ 4,199,416	1	0.89 %	$ 2,664,569	1	1.01 %
Chevron Chemical Co.	3,743,504	2	0.80	1,206,070	4	0.46
CenterPoint Energy Inc.	3,678,077	3	0.78	2,396,880	2	0.91
Shell Oil Co.	2,068,217	4	0.44	1,863,832	3	0.70
Equistar Chemicals LP	1,603,335	5	0.34	788,660	8	0.30
Palmetto Transoceanic LLC	1,202,472	6	0.25	-		-
Valero Energy	1,035,551	7	0.22	-		-
Walmart	930,843	8	0.20	733,661	10	0.28
Pky City West 1-4, POC, San Felipe Pipe	843,913	9	0.18	425,711	19	0.16
AT&T Southwestern Bell	817,844	10	0.17	-		-
One Two and Three Allen Center Co LLC	788,054	11	0.17	-		-
BSREP 1HC-4HC	786,878	12	0.17	-		-
National Oilwell Inc.	786,335	13	0.17	552,545	14	0.21
Enterprise	785,327	14	0.17	-		-
Magellan Terminal Holding	728,895	15	0.15	-	3	-
HEB Grocery Co. LP	717,114	16	0.15	-		-
Liberty Property	670,408	17	0.14	-		-
Intercontinental Terminal	650,739	18	0.14	-		-
GWP East Nine West	635,609	19	0.14	-		-
HG Galleria I II III LP	619,382	20	0.13	-		-
Hines Interests LTD Partnership	-		-	1,071,150	5	0.40
Houston Refining	-		-	953,784	6	0.36
AT&T Mobility LLC	-		-	871,744	7	0.33
Crescent Real Estate	-		-	740,434	9	0.28
Hewlett Packard	-		-	639,066	11	0.24
Cullen Allen Holdings LP	-		-	632,089	12	0.24
Comcast of Houston LLC	-		-	588,773	13	0.22
Amoco Chemical Co.	-		-	550,776	15	0.21
Lyondell Chemical Co.	-		-	525,146	16	0.20
Dow Chemical	-		-	518,229	17	0.20
Kroger Co.	-		-	431,249	18	0.16
Air Liquide	-		-	413,949	20	0.16
Total	$ 27,291,913		5.80 %	$ 18,568,318		7.03 %

- Source: Harris County Appraisal District
- Note (a) Amounts shown for these taxpayers do not include taxable valuations, which may be substantial, attributable to certain subsidiaries and affiliates which are not grouped on the tax rolls with the taxpayers shown.
- Note (b) Based on the County's total taxable value as of December 20, 2019;
- Note (c) Based on the County's total taxable value as of December 30, 2010.

Port of Houston Authority of Harris County, Texas
Property Taxes Levies and Collections
For the Years 2010 through 2019

(in thousands)
(unaudited)

Fiscal Year	Taxes Levied for Fiscal Year	Collections within the Fiscal Year of the Levy		Collections After One Year (a)	Total Collections After One Year (a)	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2010	$ 54,364	$ 50,650	93.17 %	$ 2,669	$ 53,319	98.08 %
2011	49,814	47,012	94.38 %	1,911	48,923	98.21 %
2012	54,624	51,755	94.75 %	1,917	53,672	98.26 %
2013	52,289	49,790	95.22 %	1,736	51,526	98.54 %
2014	51,860	49,400	95.26 %	1,654	51,054	98.45 %
2015	50,796	48,208	94.91 %	1,767	49,975	98.38 %
2016	54,806	51,946	94.78 %	1,981	53,926	98.39 %
2017	53,652	50,738	94.57 %	2,008	52,746	98.31 %
2018	48,760	48,252	98.96 %	1,502	49,754	102.04 %
2019	50,643	48,165	95.11 %	N/A	N/A	N/A

- Source: Harris County Tax Assessor - Collector as of February 28, 2020
- Note (a) Collections after one year reflect monies collected in the year following the levy and are not updated annually.
- N/A - Not Available

Schedule 8

Port of Houston Authority of Harris County, Texas
Operating Revenues by Type
Last Ten Fiscal Years

(in thousands)
(unaudited)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Operating revenues: (a) (b) (c)										
Vessel and cargo services	$ 365,086	$ 344,272	$ 309,058	$ 266,703	$ 267,277	$ 238,083	$ 200,101	$ 190,618	$ 177,405	$ 159,799
Rental of equipment and facilities	18,065	18,079	15,976	15,869	17,120	17,763	25,114	23,077	22,030	20,346
Grain elevator	1,439	1,182	902	1,199	1,567	1,821	592	683	1,923	911
Bulk materials	4,265	4,131	4,004	3,941	4,019	4,270	2,665	2,485	2,131	2,368
Other	2,582	1,652	2,933	2,514	3,753	1,960	5,201	8,512	3,356	3,272
Total Operating Revenue	$ 391,437	$ 369,316	$ 332,873	$ 290,226	$ 293,736	$ 263,897	$ 233,673	$ 225,375	$ 206,845	$ 186,696
Revenue Tonnage (Short Tons)*										
General Cargo	34,074	31,653	28,878	25,226	27,360	26,854	24,735	25,278	23,387	20,809
Bulk	9,063	9,210	9,396	9,621	8,384	10,766	11,090	9,781	10,162	10,508
Total Revenue Tonnage	43,137	40,863	38,274	34,847	35,744	37,620	35,825	35,059	33,549	31,317

- Source: The Authority
- Note (a) Vessel and cargo services, grain elevator and bulk material revenues are generated by general cargo and bulk tonnage.
- Note (b) Revenues are defined by tariffs based upon terminal and type of services. Some units of measure used (depending on type of service) are units, weight, number of days and gallons.
- Note (c) Excludes Port Development Corporation and Port of Houston Authority International Corporation
- * Short ton equals 2,000 pounds

Port of Houston Authority of Harris County, Texas
Revenue Tonnage
Last Ten Fiscal Years
(in short tons)
(unaudited)

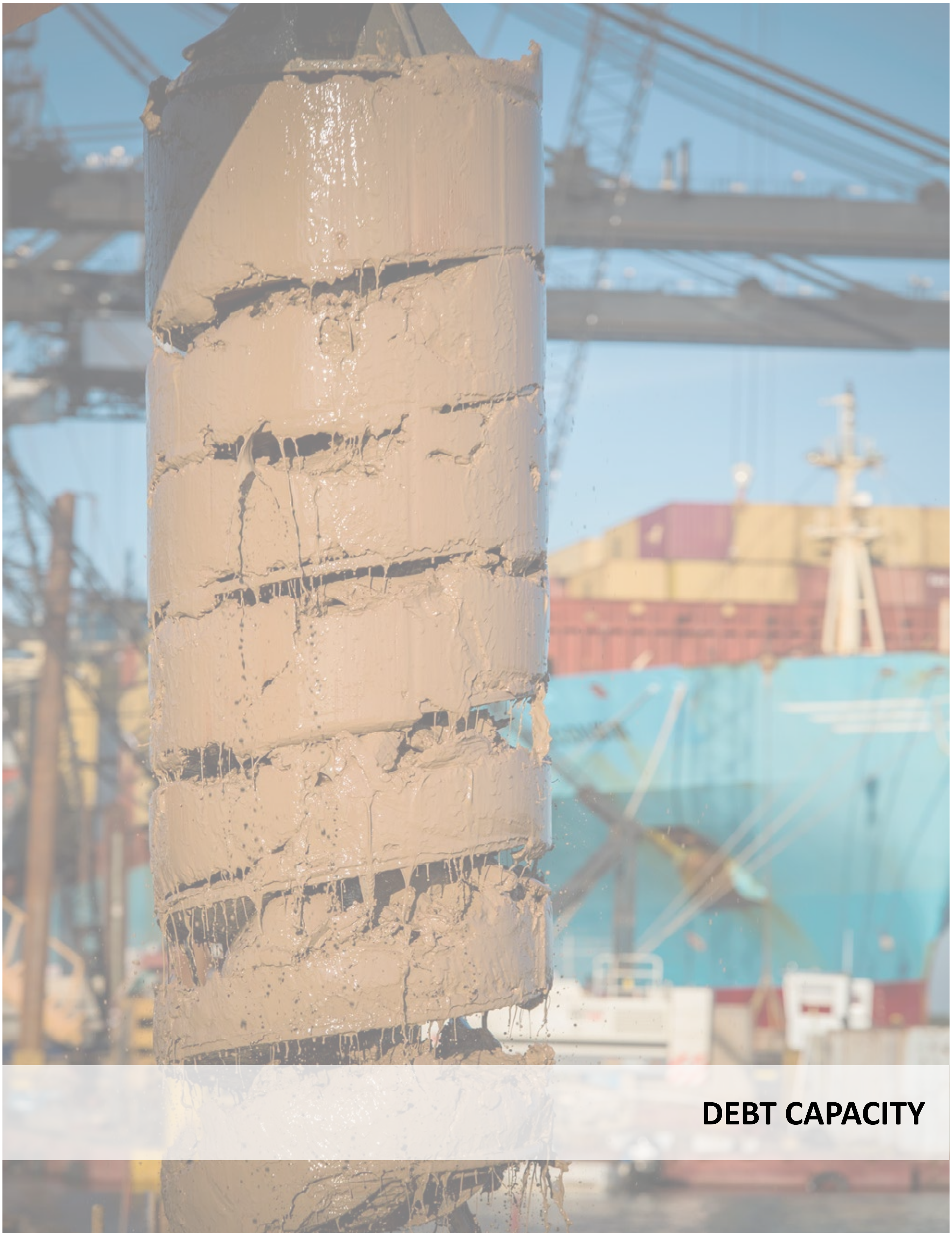
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Cargo										
Barbours Cut										
All other	11,226,819	10,737,680	9,811,047	9,470,902	9,322,892	7,689,686	7,010,712	6,177,766	5,605,703	5,709,735
Lease	-	-	-	-	2,072,132	3,410,214	3,548,416	3,939,218	3,887,146	3,888,444
	11,226,819	10,737,680	9,811,047	9,470,902	11,395,024	11,099,900	10,559,128	10,116,984	9,492,849	9,598,179
Bayport Container Terminal	16,603,071	14,605,339	13,026,783	10,854,617	8,588,556	6,977,231	7,264,595	7,354,870	7,365,318	6,567,986
Turning Basin										
Autos import	117,531	127,448	119,081	161,246	167,383	128,564	143,132	175,553	124,351	109,713
Autos export	2,058	1,089	3,396	4,744	13,240	11,430	17,905	23,655	26,972	25,844
Steel imports	2,030,908	2,744,586	2,988,636	1,823,357	3,800,730	5,397,341	3,613,445	4,247,410	3,193,843	2,005,659
All other	513,023	375,924	474,629	492,551	707,345	607,127	519,978	723,762	1,177,341	778,667
	2,663,520	3,249,047	3,585,742	2,481,898	4,688,698	6,144,462	4,294,460	5,170,380	4,522,507	2,919,883
Jacintoport	1,466,353	1,553,325	1,737,072	1,883,785	1,751,839	1,411,724	1,579,197	1,428,240	1,285,363	1,235,498
Care Terminal	731,216	734,480	603,271	457,294	562,217	747,372	649,545	598,914	350,422	188,279
Woodhouse	1,382,598	768,830	113,888	77,299	373,497	473,389	388,133	608,369	370,436	299,098
Total General Cargo	34,073,577	31,652,701	28,877,803	25,225,795	27,359,831	26,854,078	24,735,058	25,277,757	23,386,895	20,808,923
Bulk										
Barbours Cut	-	-	-	-	-	-	-	-	-	3,136
Jacintoport	1,465	1,635	9,758	692	1,100	-	-	1,780	553	1,653
Care Terminal	12,340	112,975	162,014	130,545	18,298	82,016	253,942	408,225	359,286	446,801
Woodhouse	-	7,081	20,224	12,981	6,882	31,549	14,290	7,547	35,089	31,857
Sims Bayou	1,157,376	1,199,628	1,157,368	624,280	624,278	675,175	700,350	770,395	763,723	783,041
S.J.B. Liquid Facility	379,141	560,342	522,019	552,752	428,895	493,582	541,227	585,263	474,880	551,405
Turning Basin	2,157,920	2,157,461	2,154,936	2,097,919	2,046,714	1,982,330	2,164,880	2,022,492	1,948,735	1,978,411
	3,708,242	4,039,122	4,026,319	3,419,169	3,126,167	3,264,652	3,674,689	3,795,702	3,582,266	3,796,304
Bulk Materials Terminal	3,056,749	3,796,229	3,230,116	3,329,834	2,908,018	5,190,900	5,151,720	4,691,785	4,209,509	4,669,560
Grain Elevator #2	2,298,347	1,375,234	2,139,655	2,871,965	2,350,374	2,310,757	2,263,983	1,294,120	2,370,689	2,042,395
Total Bulk Cargo	9,063,338	9,210,585	9,396,090	9,620,968	8,384,559	10,766,309	11,090,392	9,781,607	10,162,464	10,508,259
Grand Total	43,136,915	40,863,286	38,273,893	34,846,763	35,744,390	37,620,387	35,825,450	35,059,364	33,549,359	31,317,182

- Source: The Authority
- Revenue tonnage is tonnage from which Authority revenues are derived; does not include non-Authority tonnage figures.

Port of Houston Authority of Harris County, Texas
Top Ten Vessel and Cargo Customers
Current Year and Ten Years Ago
(amounts in thousands)
(unaudited)

	2019			2010		
Customer	2019 Revenue	Rank	% V&C Revenue	2010 Revenue	Rank	% V&C Revenue
Mediterranean Shipping Co. (USA)	$ 58,217	1	15.60 %	$ 29,696	1	18.58 %
Maersk Line	48,553	2	13.30	-		-
CMA-CGM (America), Inc.	38,165	4	10.45	14,418	3	9.02
Hapag-Lloyd AG	37,909	3	10.38	21,597	2	13.52
Cosco North America, Inc.	18,146	5	4.97	-		-
Hamburg Sud North America	12,441	6	3.41	7,889	4	4.94
Zim Integrated Shipping	6,579	7	1.80	5,532	6	3.46
Evergreen Shipping Agency	6,362	8	1.74	-		-
ONE Line	5,550	9	1.52	-		-
Seaboard Marine, Ltd.	5,414	10	1.48	4,187	7	2.62
Companhia Libra de Navegacao	-		-	5,732	5	3.59
Biehl & Company - Vessel	-		-	3,293	8	2.06
OOCL(USA) Inc.	-		-	2,420	9	1.51
Biehl & Company - SSA Line	-		-	2,127	10	1.33
Total	$ 237,336		65.01 %	$ 96,891		60.63 %

- Source: The Authority



DEBT CAPACITY

PORT OF HOUSTON AUTHORITY
PHA
HOUSTON, TEXAS

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)

	General Obligation Bonds											
Fiscal Year	Unlimited Tax Refunding Bonds	Unlimited Tax Port Improvement Bonds	Unlimited Tax Commercial Paper	Premiums (Discounts)	General Bonded Debt	Less Debt Service Funds Cash	Net General Bonded Debt	Percentage of Actual Property Value	GOB Debt per Capita	Total Outstanding Debt	Percentage of Personal Income	Total Debt Per Capita
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	179	762,345	0.34 %	179
2013	626,979	90,645	-	36,674	754,298	9,672	744,626	0.25	172	744,626	0.32 %	172
2014	611,734	90,645	-	34,366	736,745	13,854	722,891	0.21	163	722,891	0.29 %	163
2015	588,604	85,665	-	43,363	717,632	6,414	711,218	0.19	157	711,218	0.28 %	157
2016	572,329	85,665	-	39,129	697,123	6,983	690,140	0.17	150	690,140	0.29 %	150
2017	553,164	85,665	-	35,069	673,898	13,589	660,309	0.16	142	660,309	0.27 %	142
2018	508,089	85,665	-	56,709	650,463	11,402	639,061	0.15	136	639,061	N/A	136
2019	486,904	85,665	-	50,658	623,227	7,942	615,285	0.13	N/A	615,285	N/A	N/A

- Additional information on the Authority's debt can be found in the accompanying notes to the financial statements.
- Premiums (Discounts) are inclusive of accreted interest on capital appreciation bonds.
- Updates are made to prior years.
- See Schedule 3 for property value data.
- Population data can be found in Schedule 15.
- N/A - Not Available

Schedule 12

Port of Houston Authority of Harris County, Texas
Net Revenues Available for Debt Service on Revenue Obligations
For each of the Ten Years in the Period Ended December 31, 2019
(in thousands)
(unaudited)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Gross Revenues										
Operating Revenues (a)										
Vessel and cargo services	$ 365,086	$ 344,272	$ 309,058	$ 266,266	$ 266,305	$ 235,929	$ 197,974	$ 188,457	$ 175,297	$ 157,633
Rental of equipment and facilities	18,065	18,079	15,976	15,869	17,120	17,763	25,114	23,077	22,030	20,325
Grain Elevator	1,439	1,182	902	1,199	1,567	1,821	592	683	1,923	911
Bulk materials	4,265	4,131	4,004	3,941	4,019	4,270	2,665	2,485	2,131	2,368
Other	2,582	1,652	2,933	2,514	3,753	1,960	5,201	8,512	3,356	3,272
Total	391,437	369,316	332,873	289,789	292,764	261,743	231,546	223,214	204,737	184,509
NonOperating Revenues										
Investment (loss) income	12,876	9,145	4,425	4,850	4,100	4,881	(452)	2,406	3,126	3,572
Other, net	3,053	5,564	10,599	5,144	2,004	5,661	19,529	11,014	5,358	11,319
Total	15,929	14,709	15,024	9,994	6,104	10,542	19,077	13,420	8,484	14,891
Total Gross Revenues	407,366	384,025	347,897	299,783	298,868	272,285	250,623	236,634	213,221	199,400
Operation Expenses										
Maintenance and Operation of Facilities										
Vessel and cargo services	161,897	143,401	141,857	131,998	115,757	115,341	93,483	91,534	89,547	90,861
Rental of port facilities	1,099	1,219	2,093	2,140	1,130	1,164	1,387	1,174	6,893	3,945
Grain Elevator	621	456	275	330	293	260	288	219	322	263
Bulk Materials Handling Plant	29	31	26	8	11	9	9	22	46	34
Other	12,854	8,617	7,915	7,107	7,114	8,223	9,919	9,958	2,415	2,385
Total	176,500	153,724	152,166	141,583	124,305	124,997	105,086	102,907	99,223	97,488
General and Administrative	50,420	49,608	42,423	44,286	42,297	39,152	41,845	43,875	39,894	51,487
Total Operating Expenses	226,920	203,332	194,589	185,869	166,602	164,149	146,931	146,782	139,117	148,975
Nonoperating Expenses	4,446	3,489	6,533	259	5,673	2,694	2,998	3,906	3,350	5,872
Total Expenses	231,366	206,821	201,122	186,128	172,275	166,843	149,929	150,688	142,467	154,847
Net Revenues Available For Debt Service on Revenue Obligations	$ 176,000	$ 177,204	$ 146,775	$ 113,655	$ 126,593	$ 105,442	$ 100,694	$ 85,946	$ 70,754	$ 44,553

- Note (a) The Bayport user fees described in Note 7 were excluded from this calculation as per the bond documents.

Schedule 13

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

Fiscal Year Ending December 31	Outstanding Debt Service Requirements
2020	$ 49,785,330
2021	49,764,242
2022	49,105,542
2023	44,828,742
2024	45,339,967
2025	45,335,361
2026	45,324,266
2027	46,056,406
2028	46,213,406
2029	46,211,225
2030	46,211,363
2031	46,203,969
2032	46,317,738
2033	46,320,325
2034	46,313,712
2035	46,319,212
2036	46,321,212
2037	46,318,050
2038	46,320,775
2039	34,608,000
Total	**$ 919,218,844**

- The table sets forth the annual debt service requirements on the Authority's ad valorem tax bonds as of December 31, 2019, excluding bonds that have been refunded and defeased.

PORT OF HOUSTON AUTHORITY

PHA

HOUSTON, TEXAS

DEMOGRAPHIC AND ECONOMIC INFORMATION

PORT OF HOUSTON AUTHORITY

PHA

HOUSTON, TEXAS

Port of Houston Authority of Harris County, Texas
Miscellaneous Statistical Data
December 31, 2019
(unaudited)

Port of Houston Authority Facts:

Date of Establishment: 1911

Form of Government: A political subdivision of the State of Texas

Area: 1,778 Square Miles

Altitude: Harris County (generally coterminous with Port of Houston Authority) - Sea level to 310 feet
City of Houston - Center of downtown area - 41 feet

Selected Economic Statistics

Year	GDP (a)	National Unemployment (b)	Total U.S. Exports (c)	Total U.S. Imports (c)	U.S. Rig Count (d)	Oil Price $/Bbl (e)	PMI (f)
2019	2.1%	3.5%	2,499.8	3,116.5	805	59.88	47.8
2018	2.6%	3.9%	2,500.0	3,121.0	1,083	49.52	54.3
2017	2.6%	4.4%	2,329.3	2,895.3	989	57.88	59.1
2016	1.9%	4.9%	2,209.4	2,711.7	672	51.97	56.0
2015	0.7%	5.2%	2,230.3	2,761.8	738	37.21	48.2
2014	2.6%	5.6%	2,345.4	2,850.5	2,003	59.29	53.5
2013	3.2%	7.4%	2,272.3	2,743.9	1,862	97.63	57.0
2012	1.7%	7.6%	1,564.1	2,299.4	1,734	94.05	50.2
2011	5.5%	8.9%	1,497.4	2,235.7	2,003	94.88	52.9
2010	2.8%	9.6%	1,288.7	1,934.6	1,546	79.48	57.3

- Note (a) Gross Domestic Product percent change based on 2009 dollars; Source: Bureau of Economic Analysis
- Note (b) Average monthly unemployment rate per year; Source: Bureau of Labor Statistics
- Note (c) Billions of dollars; Source: Customs data from Department of Commerce, U.S. Census Bureau
- Note (d) Annual average total U.S. rig count; Source: Baker Hughes rig count data
- Note (e) Cushing, OK WTI spot price; Source: Energy Information Administration (EIA)
- Note (f) Purchasing Managers Index value above 50 means growth; Source: Institute for Supply Management

Port of Houston Authority of Harris County, Texas
Demographic and Economic Statistics
Last Ten Calendar Years
(unaudited)

Calendar Year Ending December 31	Population	Unemployment Rate	Personal Income (amounts in thousands)	Per Capita Personal Income
2010	4,092,459	8.3%	$ 183,899,347	$ 44,936
2011	4,178,574	7.2%	204,593,455	48,963
2012	4,253,700	6.0%	224,617,980	52,805
2013	4,336,853	5.5%	230,462,963	53,141
2014	4,441,370	4.0%	252,694,912	56,896
2015	4,538,028	4.6%	249,989,494	55,088
2016	4,589,928	5.3%	240,752,454	52,452
2017	4,652,980	5.0%	247,482,118	53,188
2018	4,698,619	4.4%	N/A	N/A
2019	N/A	N/A	N/A	N/A

- Source: Harris County, Texas Comprehensive Annual Financial Report for the Fiscal Year Ended February 28, 2019
- N/A - Not Available

Schedule 16

Port of Houston Authority of Harris County, Texas
Principal Corporate Employers
Current Year and Nine Years Ago*

(amount in thousands)
(unaudited)

	2018**			2010		
Employer	**Employees**	**Rank**	**Percentage of Area Employment**	**Employees**	**Rank**	**Percentage of Area Employment**
Walmart Stores Inc.	34,000	1	1.09%	-		-
HEB	26,956	2	0.87%	-		-
Memorial Hermann Healthcare Systems	26,011	3	0.83%	-		-
The Methodist Hospital System	22,247	4	0.71%	-		-
UT MD Anderson Cancer Center	20,189	5	0.65%	-		-
Kroger	17,188	6	0.55%	-		-
McDonald's Corporation	16,100	7	0.52%	-		-
United Airlines (formerly Continental)	14,084	8	0.45%	14,792	1	0.56%
Texas Children Hospital	13,445	9	0.43%	-		-
ExxonMobil Corporation	13,000	10	0.42%	13,500	2	0.51%
Shell Oil Company	-		-	12,700	3	0.48%
National Oilwell Varco Inc.	-		-	8,500	4	0.32%
Chevron Companies	-		-	7,000	5	0.26%
JP Morgan Chase	-		-	6,750	6	0.26%
Jacobs Technology	-		-	6,500	7	0.25%
AT&T Inc.	-		-	6,214	8	0.23%
Halliburton Company	-		-	5,675	9	0.21%
CenterPoint Energy	-		-	4,744	10	0.18%
	203,220		6.52%	86,375		3.26%

- Source: Greater Houston Partnership, Harris County, Texas Comprehensive Annual Financial Report for the fiscal year February 28, 2019.
- Note: Houston area employment for 2019 was approximately 3,225,700 and for 2010 was 2,650,000.
- * Based on calendar year
- ** Information for 2019 is not available.

Schedule 17

Port of Houston Authority of Harris County, Texas
Harris County Population Statistical Data
(unaudited)

Regional Population (a)

Year	City of Houston	Harris County	Year	City of Houston	Harris County
1880	16,513	27,985	1950	596,163	806,701
1890	27,557	37,249	1960	938,219	1,243,158
1900	44,633	63,786	1970	1,232,802	1,741,912
1910	78,800	115,693	1980	1,594,086	2,409,544
1920	138,276	186,667	1990	1,632,833	2,818,199
1930	292,352	359,328	2000	1,953,631	3,400,578
1940	384,514	528,961	2010	2,099,451	4,092,459

Harris County Voters in Presidential Elections (b)

	2016	2012	2008	2004	2000
Registered Voters	2,182,980	1,942,566	1,974,177	1,876,296	1,886,661
Votes Cast	1,338,821	1,204,167	1,188,731	1,088,793	995,631
Percentage of Registered Voters Voting	61.33 %	61.99 %	60.21 %	58.03 %	52.77 %

Motor Vehicle Registration (c)

	2019	2018	2017	2016	2015
Passenger Cars, Small Trucks and Misc.	3,744,668	3,685,230	3,629,194	3,748,343	3,750,880
Large Trucks	48,256	47,689	46,076	31,247	34,797
Total	3,792,924	3,732,919	3,675,270	3,779,590	3,785,677

- Note (a) Source: Department of Commerce, U.S. Census Bureau
- Note (b) Source: Harris County Clerk - Elections Division/Harris County Clerk's Website
- Note (c) Source: Harris County Tax Assessor - Collector and Voter Registrar

Schedule 17a

Port of Houston Authority of Harris County, Texas
Harris County Miscellaneous Statistical Data
(unaudited)

Students enrolled in colleges and universities located within Harris County (d)

	2019	2018	2017	2016	2015
Baylor College of Medicine	1,577	1,574	1,575	1,562	1,564
Houston Baptist University	3,741	3,432	3,325	3,270	3,160
Houston Community College	47,703	48,190	49,782	47,197	46,344
Lone Star College System	77,810	78,255	69,452	77,109	74,160
Rice University	7,135	6,955	7,052	6,883	6,719
San Jacinto College:					
Central, South and North	39,303	35,948	35,455	33,183	32,346
South Texas College of Law	975	946	931	969	1,038
Texas Southern University	9,034	10,188	10,237	8,862	8,965
Texas Woman's University: Houston (f)	1,184	1,181	1,281	1,361	1,365
University of Houston:					
University Park	46,137	46,327	45,364	43,774	42,704
Downtown	14,680	14,265	13,913	14,245	14,255
Clear Lake	9,092	8,967	8,542	8,669	8,906
University of St. Thomas	3,454	3,222	3,151	3,224	3,343
University of Texas: (e)					
Dental Branch	579	570	565	560	548
Graduate School of Biomedical Sciences	480	454	406	425	437
Medical School	1,071	1,097	1,077	1,075	1,060
School of Biomedical Informatics	254	255	289	291	245
School of Nursing	1,626	1,722	1,647	1,477	1,247
School of Public Health	1,302	1,237	1,257	1,223	1,274
Total	267,137	264,785	255,301	255,359	249,680

Number of Employees

	2019	2018	2017	2016	2015
Harris County (g)	16,980	17,072	16,488	16,166	15,761
Flood Control District (g)	316	290	293	287	291
Port of Houston Authority	683	652	620	597	583

- Note (d) Source: Fall 2019 Enrollment Data from Texas Higher Education Coordinating Board and above school websites
- Note (e) Source: University of Texas Office of Registrar (Fact Book 2020)
- Note (f) Source: Texas Women's University Office of Institutional Research & Data Mgmt (Fact Book 2019)
- Note (g) Source: Harris County Auditor's Office

OPERATING INFORMATION

PORT OF HOUSTON AUTHORITY

PHA

HOUSTON, TEXAS

Schedule 18

Port of Houston Authority of Harris County, Texas
Table of Physical Characteristics of the Port Facilities of the Authority
(unaudited)

	Berth Lengths (Feet)	Water Depth Below Mean Low Tide (Feet)	Paved Marshalling Area (Acres)	Covered Storage (Sq. Feet)
Turning Basin				
36 general Cargo Wharves	376-624	28.5-37.5	36	1,150,000
5 Liquid Bulk Wharves	226-570	34.5-37.5	-	-
Wharf - 32 Project Cargo	806	37.5	20	-
Woodhouse Terminal**				
Wharf 1	660	40.5	2	-
Wharf 2 and 3 (RoRo Dock)	1,250	36.5	-	112,740
Grain Dock**	600	43.5	-	-
Dry Bulk Cargo Facility				
Wharf 1	800	43.5	-	-
Wharf 2	400	43.5	-	-
Jacintoport				
Wharves 1 - 3	1,830	41.5	8	82,500
Care Terminal				
Wharf 1	500	38.5	10	45,000
Wharf 2	618	40.5	4	-
Sims Bayou Liquid Bulk Facility				
Berths	320	35.5-41.5	-	-
San Jacinto Barge Terminal				
Berth	200-700	17.5*	-	-
Barbours Cut Terminal				
Container Berths 1 - 6	6,000	46.5	190	-
Bayport				
Container Berths 2 - 5	3964	46.5	165	-
BPT Auto Terminal	1,000	34.5	-	-

* The maximum depth allowable due to federally authorized channel project depths
** Woodhouse Terminal is the location of Houston Public Grain Elevator No. 2.

EQUIPMENT: (a)
<u>Turning Basin</u>
- Privately-owned mobile cranes and additional cargo handling equipment are available for hire on an hourly basis.

<u>Barbours Cut Terminal</u>
Container Cranes:
- Ship to Shore (STS) = 15 total (7 SPP, 5 PP, 2 P, and 1 training crane)
- Rubber-Tire Gantry (RTG) = 50
- Empty Handling (Pencil/Side-pick) = 12
- Other load handling equipment (Top Loader) = 3

Other Equipment:
- Heavy-duty yard tractors (UTR/PIT) = 44
- Heavy-duty yard Chassis = 100

<u>Bayport</u>
Container Cranes:
- Ship to Shore (STS) = 12 total (6 SPP, 6 PP)
- Rubber-Tire Gantry (RTG) = 48
- Empty Handling (Pencil/Side-pick) = 0 (empty containers handled on terminal by 3rd party)
- Other load handling equipment (Top Loader) = 2

Other Equipment:
- Heavy-duty yard tractors (UTR/PIT) = 28
- Heavy-duty yard Chassis (Bucket) = 92

(a) SPP=Super Post Panamax, PP=Post Panamax, P=Panamax, UTR=Utility Truck, PIT=Powered Industrial Truck

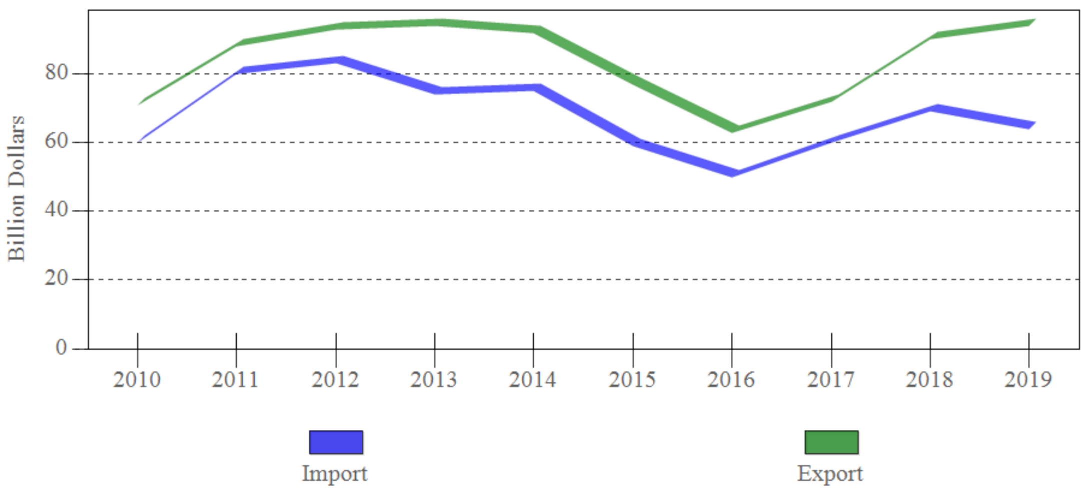
Port of Houston Authority of Harris County, Texas
Freight Traffic Statistics
(in thousands)
(unaudited)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Freight handled by the Authority only (excluding tonnages handled by private terminals) - short tons (a) (d)										
Breakbulk cargo	5,030	5,065	4,587	3,423	5,796	7,454	5,623	6,688	5,652	3,771
Container cargo	29,043	26,588	24,291	21,960	21,564	19,400	19,112	18,590	17,735	17,038
Bulk grain	2,298	1,375	2,140	2,872	2,350	2,311	2,264	1,294	2,371	2,042
Bulk plant	3,057	3,796	3,230	3,330	2,905	5,191	5,152	4,692	4,209	4,670
Other bulk	8,714	9,855	10,033	13,254	12,550	12,281	12,518	12,771	12,474	12,725
Total	48,142	46,679	44,281	44,839	45,165	46,637	44,669	44,035	42,441	40,246
Freight handled by entire Port of Houston (includes tonnage handled by both the Authority and private terminals) - short tons (b) (c) (d)										
Foreign										
Imports	(e)	(e)	72,386	69,110	71,388	76,688	76,449	83,816	88,889	88,508
Exports	(e)	(e)	100,825	94,876	92,024	83,849	83,102	78,627	78,188	71,053
Total Foreign (e)	-	-	173,211	163,986	163,412	160,537	159,551	162,443	167,077	159,561
Domestic										
Receipts	(e)	(e)	35,745	36,417	36,010	34,267	32,442	35,349	32,429	31,091
Shipments	(e)	(e)	30,058	26,635	24,375	23,194	22,116	23,338	22,937	21,389
Total Domestic (e)	-	-	65,803	63,052	60,385	57,461	54,558	58,687	55,366	52,480
Local	(e)	(e)	21,057	20,944	17,136	16,306	15,137	17,055	15,355	15,092
Total	-	-	260,071	247,982	240,933	234,304	229,246	238,185	237,798	227,133
Value of foreign trade handled by entire Port of Houston (c)										
Imports	$ 63,704,252	$ 69,090,105	$ 59,594,077	$ 49,616,268	$ 59,493,988	$ 75,023,441	$ 74,287,778	$ 83,252,965	$ 80,221,005	$ 60,110,140
Exports	93,841,724	90,159,307	71,905,598	63,303,533	76,535,738	92,016,308	94,050,299	93,407,834	88,078,301	70,726,052
Total	$157,545,976	$159,249,412	$131,499,675	$112,919,801	$136,029,726	$167,039,749	$168,338,077	$176,660,799	$168,299,306	$130,836,192

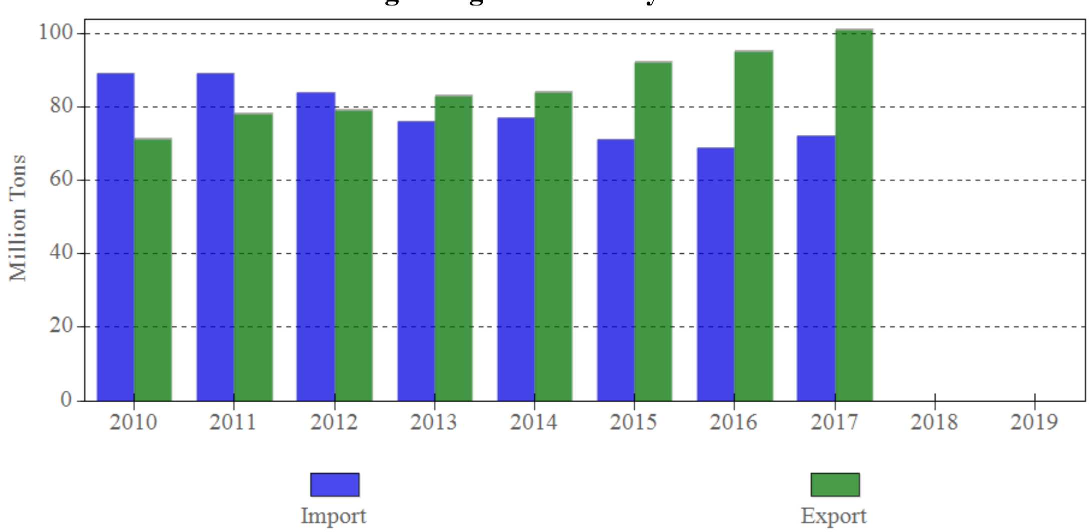
- Note (a) Source: The Authority
- Note (b) Source: U.S. Army Corps of Engineers, Waterborne Commerce of the U.S.
- Note (c) Source: Bureau of Census U.S. Department of Commerce
- Note (d) Prior year amounts may have been restated to reflect actual volumes after year-end adjustments.
- Note (e) Amounts not available for 2018 and 2019.

Port of Houston Authority of Harris County, Texas
Freight Traffic Statistics Graph
Last Ten Years

Value of foreign freight handled by Port of Houston



Tons of foreign freight handled by Port of Houston



- Note: Foreign tonnage is not available for 2018 and 2019

Port of Houston Authority of Harris County, Texas
Cargo Statistics
Last Ten Fiscal Years
(in thousands of short tons)
(unaudited)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total Revenue Tonnage										
Including Bayport companies	48,142	46,679	44,281	44,839	45,168	46,637	44,669	44,035	42,441	40,246
Excluding Bayport companies	43,137	40,863	38,274	34,847	35,744	37,620	35,825	35,059	33,549	31,317
General Cargo (a)	34,074	31,653	28,878	25,226	27,360	26,854	24,735	25,278	23,387	20,809
Bulk Materials Handling Plant	3,057	3,796	3,230	3,330	2,908	5,191	5,152	4,692	4,210	4,670
Grain Elevator #2	2,298	1,375	2,140	2,872	2,350	2,311	2,264	1,294	2,371	2,042
Other Bulk Movements										
Excluding Bayport companies (b)	3,708	4,039	4,026	3,419	3,126	3,265	3,675	3,796	3,582	3,796
Including Bayport companies	5,005	5,815	6,007	9,992	9,424	9,016	8,843	8,975	8,892	8,929
Barbours Cut Terminal										
Bulk (b)	42	51	3	3	-	-	-	-	-	3
General cargo (a)	11,185	10,687	9,808	9,467	11,395	11,100	10,559	10,117	9,493	9,598
Bayport Container Terminal										
General cargo (a)	16,603	14,605	13,027	10,855	8,589	6,977	7,265	7,355	7,365	6,568
Steel (a)										
Import	3,980	4,303	3,626	2,288	4,643	6,343	4,350	5,093	3,674	2,296
Export	72	61	68	80	141	236	303	391	626	425
Autos - Turning Basin										
Tons - import (a)	134	152	141	161	168	129	143	176	124	110
Tons - export (a)	4	4	3	8	14	13	21	28	27	26
Units - import	61	74	74	83	82	63	71	94	65	59
Units - export	1	1	1	2	6	5	8	11	13	12
Bagged Goods (a)										
Import	263	133	232	168	167	65	53	137	309	50
Export	18	84	45	40	46	57	191	88	198	206
Container TEU	2,987	2,700	2,459	2,183	2,131	1,951	1,950	1,935	1,866	1,817

- Source: The Authority
- Note (a) Tonnage included in General Cargo above
- Note (b) Tonnage included in Bulk Cargo above

Port of Houston Authority of Harris County, Texas
Vessel Arrivals
(unaudited)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Houston Ship Channel										
Break bulk	623	642	667	744	883	987	1,019	998	914	840
Bulk carrier	773	743	860	827	876	1,003	809	729	702	626
Containers	1,041	962	912	940	1,003	1,012	966	1,013	1,037	1,028
Cruise	-	-	-	31	48	38	9	-	-	-
Roll-on/roll-off	-	6	30	35	12	9	29	49	49	69
Tankers	5,417	5,445	4,851	5,129	5,047	4,746	4,955	4,983	4,885	4,816
Tug Tow	412	450	503	448	384	386	369	454	355	297
Vehicle carrier	99	129	110	109	111	112	119	138	104	103
Other	10	10	13	6	12	46	16	31	27	70
Total Vessel Arrivals	8,375	8,387	7,946	8,269	8,376	8,339	8,291	8,395	8,073	7,849
PHA Public Wharves										
Turning Basin										
Ships	699	779	839	864	1,066	1,258	1,121	1,130	1,046	999
Barges	890	1,182	1,063	935	971	1,016	1,789	1,585	1,528	1,416
Bulk Plant, Jacintoport, Care, Woodhouse, and HPGE#2										
Ships	534	435	872	517	502	597	596	581	613	595
Barges	568	547	443	504	424	611	492	632	586	545
Barbours Cut										
Ships	554	527	500	560	581	664	822	771	688	695
Barges	35	54	33	36	98	113	23	88	51	32
Bayport Container Terminal										
Ships	523	476	463	490	494	356	349	355	374	330
Barges	111	172	164	175	119	107	68	63	59	2
Bayport Cruise Terminal										
Cruise	-	-	-	31	48	38	9	-	-	-
Layberth	-	-	-	-	42	39	42	48	56	49
Bayport Companies										
Ships	843	765	777	793	856	672	732	713	643	704
Barges	1,327	1,635	1,679	2,402	2,166	2,145	2,148	2,160	2,206	2,115
Total PHA Arrivals										
Ships (a)	3,165	3,005	3,027	3,248	3,528	3,654	3,661	3,593	3,409	3,372
Barges	3,673	4,480	4,153	4,693	4,348	4,611	4,521	4,533	4,441	4,110

- Source: Piers Global Intelligence Solutions
- Note (a) Included in Total Vessel Arrivals for the Houston Ship Channel

Schedule 22

Port of Houston Authority of Harris County, Texas
Bulk Commodity Statistics
Last 10 Fiscal Years

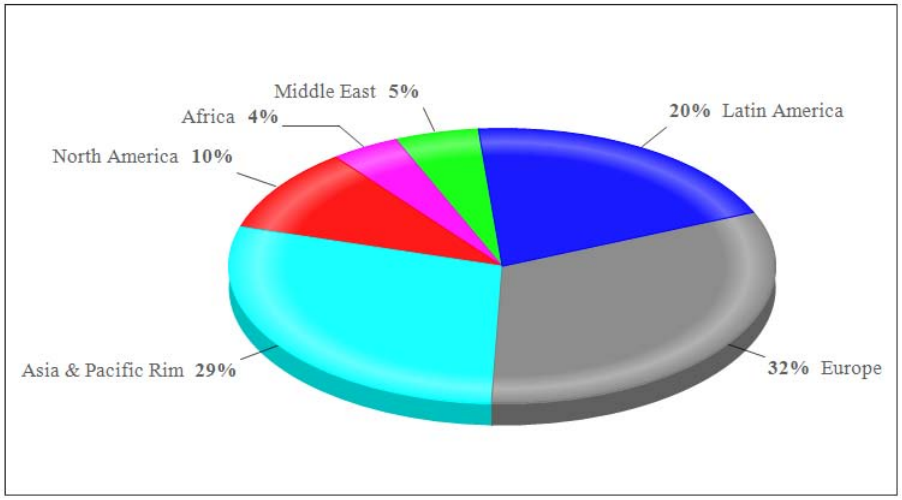
(in thousands)
(short tons)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Coke	2,439	3,012	2,898	3,313	2,809	3,282	2,712	2,970	3,698	4,673
Coal	618	784	333	16	100	1,909	2,441	1,729	549	-
Fertilizer	109	90	71	90	51	62	75	18	-	27
Grain	2,298	1,375	2,140	2,872	2,350	2,311	2,264	1,286	2,376	2,042
Industrial Chemical	7,347	8,362	8,451	11,957	11,240	10,864	10,563	10,895	10,682	10,989
Molasses	367	301	242	243	255	253	249	263	241	121
Petroleum Products	444	645	554	508	458	361	581	621	509	549
Tallow	155	180	275	152	154	191	182	251	259	345
Dry Bulk	173	142	269	287	242	356	525	601	555	504
Vegetable Oil	119	135	170	175	150	194	341	105	178	159
Miscellaneous Bulk	-	-	-	-	-	-	-	17	7	28
Totals	14,069	15,026	15,403	19,613	17,809	19,783	19,933	18,756	19,054	19,437

- Source: The Authority

Port of Houston Authority of Harris County, Texas
Foreign Trade through the Port of Houston

2019 Foreign Trade Through the Port of Houston by Region ($ Value)

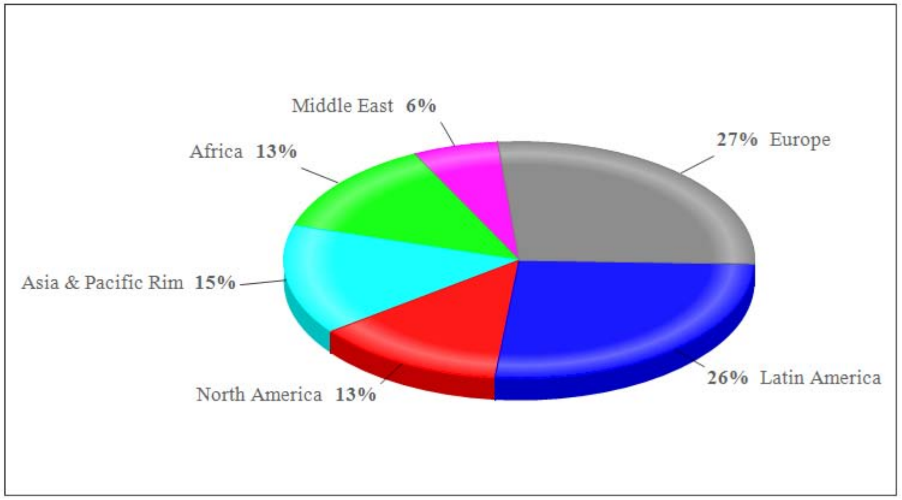


TRADE THROUGH THE PORT OF HOUSTON BY REGION IN 2019 (000s)

	Imports	Exports	Total	Percent of World Total
Europe	$ 25,405,685	$ 24,527,917	$ 49,933,602	32 %
Asia & Pacific Rim	21,100,485	25,263,891	46,364,376	29 %
Latin America	8,005,647	23,201,891	31,207,538	20 %
North America	5,177,595	11,119,907	16,297,502	10 %
Middle East	3,037,975	5,031,949	8,069,924	5 %
Africa	976,865	4,696,169	5,673,034	4 %
Worldwide Totals	$ 63,704,252	$ 93,841,724	$ 157,545,976	100 %

Port of Houston Authority of Harris County, Texas
Foreign Trade through the Port of Houston

2010 Foreign Trade Through the Port of Houston by Region ($ Value)



TRADE THROUGH THE PORT OF HOUSTON BY REGION IN 2010 (000s)

	Imports	Exports	Total	Percent of World Total
Europe	$ 9,426,498	$ 26,390,757	$ 35,817,255	27 %
Latin America	17,246,379	16,955,605	34,201,984	26 %
Asia & Pacific Rim	7,656,188	12,010,425	19,666,613	15 %
North America	11,271,868	6,002,521	17,274,389	13 %
Africa	10,624,630	5,710,324	16,334,954	13 %
Middle East	3,937,221	3,604,004	7,541,225	6 %
Worldwide Totals	$ 60,162,784	$ 70,673,636	$ 130,836,420	100 %

- Source: Global Trade Atlas, U.S. Dept. of Commerce, Bureau of Census

Port of Houston Authority of Harris County, Texas
Number of Regular Authority Employees by Type
Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Exempt Employees	244	222	215	207	199	179	183	182	190	183
Non Exempt Maintenance	229	211	215	171	169	205	194	206	237	257
Non Exempt Employees	210	219	190	219	215	158	151	154	151	152
Total Active Employees	683	652	620	597	583	542	528	542	578	592

- Source: The Authority

PORT OF HOUSTON AUTHORITY
111 East Loop North
Houston, Texas 77029

Phone: 713.670.2400
Fax: 713.670.2554

PortHouston.com

APPENDIX B

BOOK-ENTRY-ONLY SYSTEM

The Bonds will be available only in book-entry form. Consequently, purchasers of ownership interests in the Bonds will not receive certificates representing their respective interests in the Bonds. This section describes how ownership of the Bonds is to be transferred and how the payments of principal of and interest on the Bonds are to be paid to and accredited by The Depository Trust Company, New York, New York ("DTC"), while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Underwriters and the Authority believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The Authority cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission ("SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each issue of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased, through its Participant, to the Paying Agent/Registrar, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent/Registrar. The requirement for physical delivery of Bonds in connection with a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent/Registrar's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Paying Agent/Registrar as set forth in the Order. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

APPENDIX C

FORMS OF CO-BOND COUNSEL OPINIONS

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EXHIBIT C-1

[CLOSING DATE]

BRACEWELL LLP **711 LOUISIANA STREET** **SUITE 2300** **HOUSTON, TEXAS 77002**	**HARDWICK LAW FIRM LLC.** **1200 SMITH STREET** **SUITE 1600** **HOUSTON, TEXAS 77002**

$6,550,000 PORT OF HOUSTON AUTHORITY OF HARRIS COUNTY, TEXAS
UNLIMITED TAX REFUNDING BONDS, SERIES 2020A-1 (NON-AMT)
AND
$222,925,000 PORT OF HOUSTON AUTHORITY OF HARRIS COUNTY, TEXAS
UNLIMITED TAX REFUNDING BONDS, SERIES 2020A-2 (NON-AMT)

We have acted as co-bond counsel for Port of Houston Authority of Harris County, Texas (the "Authority") in connection with the bonds described as follows:

> PORT OF HOUSTON AUTHORITY OF HARRIS COUNTY, TEXAS UNLIMITED TAX REFUNDING BONDS, SERIES 2020A-1 (NON-AMT), dated August 12, 2020, in the principal amount of $6,550,000 (the "Series 2020A-1 Bonds") and PORT OF HOUSTON AUTHORITY OF HARRIS COUNTY, TEXAS UNLIMITED TAX REFUNDING BONDS, SERIES 2020A-2 (NON-AMT), dated August 12, 2020, in the principal amount of $222,925,000 (the "Series 2020A-2 Bonds" and, together with the Series 2020A-1 Bonds, the "Bonds").
>
> The Bonds mature, bear interest, are subject to redemption prior to maturity, and may be transferred and exchanged as set out in the Bonds, the orders adopted by the Port Commission of the Authority and the Commissioners Court of Harris County, Texas (the "Bond Orders") and in the pricing certificate executed pursuant thereto (the "Pricing Certificate," and together with the Bond Orders, the "Order").

We have acted as co-bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and the excludability of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of certified proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Authority in connection with the sale of the Bonds. Our role in connection with the Authority's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein. Capitalized terms used herein and not otherwise defined are used with the meanings assigned to such terms in the Order.

In our capacity as co-bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the authorization and issuance of the Bonds and the refunding and defeasance of the Refunded Bonds by the proceeds of the Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Authority; an Escrow Agreement between the Authority and Zions Bancorporation, National Association, Amegy Bank Division as Escrow Agent; a report (the "Report") of Public Finance Partners LLC, verifying the sufficiency of the deposits made with the Escrow Agent for the Refunded Bonds; customary certificates of officers, agents and representatives of the Authority, the County and other public officials; and other certified showings relating to the authorization and issuance of the Bonds and the refunding of the Refunded Bonds. We have also analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. Moreover, we have examined executed Bond No. I-1.

In providing the opinions set forth herein, we have relied on representations and certifications of the Authority, the County and other parties involved with issuance of the Bonds with respect to matters solely within the knowledge of the Authority, the County and such parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Order, including, but not limited to, covenants relating to the tax-exempt status of the Bonds.

Based on such examination, it is our opinion that:

1. The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and therefore the Bonds constitute a valid and legally binding obligation of the Authority.

2. A continuing ad valorem tax, without limit as to rate or amount, has been levied on all taxable property in the Authority and pledged irrevocably to the payment of the principal of and interest on the Bonds.

3. Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Bonds pursuant to the Order, the Escrow Agreement and the Report, and therefore such bonds are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor under the Escrow Agreement.

4. Interest on the Series 2020A-1 Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In addition, interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax.

5. Interest on the Series 2020A-2 Bonds is excludable from gross income for federal income tax purposes under section 103 of the Code, except for any period during which a Series 2020A-2 Bond is held by a person who is a "substantial user" of the facilities refinanced with proceeds of the Series 2020A-2 Bonds or a "related person" to such a substantial user, each within the meaning of section 147(a) of the Code, and is not a specific preference item for purposes of the alternative minimum tax.

The rights of the owners of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

Except as stated above, we express no opinion as to the amount of interest on the Bonds or any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership, or disposition of the Bonds. Further, in the event that the representations of the Authority, the County and other parties are determined to be inaccurate or incomplete or the Authority or the

County fails to comply with the covenants of the Order, interest on the Bonds could become includable in gross income for federal income tax purposes from the date of the original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Our opinions are based on existing law and our knowledge of the facts as to the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, actions, taken or omitted, after the date hereof.

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EXHIBIT C-2

[CLOSING DATE]

BRACEWELL LLP **711 LOUISIANA STREET** **SUITE 2300** **HOUSTON, TEXAS 77002**	**HARDWICK LAW FIRM LLC.** **1200 SMITH STREET** **SUITE 1600** **HOUSTON, TEXAS 77002**

$19,490,000
PORT OF HOUSTON AUTHORITY OF HARRIS COUNTY, TEXAS
UNLIMITED TAX REFUNDING BONDS, SERIES 2020B (TAXABLE)

We have acted as co-bond counsel for Port of Houston Authority of Harris County, Texas (the "Authority") in connection with the bonds described as follows:

> PORT OF HOUSTON AUTHORITY OF HARRIS COUNTY, TEXAS UNLIMITED TAX REFUNDING BONDS, SERIES 2020B (TAXABLE), dated August 12, 2020, in the principal amount of $19,490,000 (the "Bonds").
>
> The Bonds mature, bear interest, are subject to redemption prior to maturity, and may be transferred and exchanged as set out in the Bonds, the orders adopted by the Port Commission of the Authority and the Commissioners Court of Harris County, Texas (the "Bond Orders") and in the pricing certificate executed pursuant thereto (the "Pricing Certificate," and together with the Bond Orders, the "Order").

We have acted as co-bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of certified proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Authority in connection with the sale of the Bonds. Our role in connection with the Authority's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein. Capitalized terms used herein and not otherwise defined are used with the meanings assigned to such terms in the Order.

In our capacity as co-bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the authorization and issuance of the Bonds and the refunding and defeasance of the Refunded Bonds by the proceeds of the Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Authority; an Escrow Agreement between the Authority and Zions Bancorporation, National Association, Amegy Bank Division as Escrow Agent; a report (the "Report") of Public Finance Partners LLC, verifying the sufficiency of the deposits made with the Escrow Agent for the Refunded Bonds; customary certificates of officers, agents and representatives of the Authority, the County and other public officials; and other certified showings relating to the authorization and issuance of the Bonds and the refunding of the Refunded Bonds. We have also analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. Moreover, we have examined executed Bond No. I-1.

In providing the opinions set forth herein, we have relied on representations and certifications of the Authority, the County and other parties involved with issuance of the Bonds with respect to matters solely within the knowledge of the Authority, the County and such parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Order.

Based on such examination, it is our opinion that:

1. The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and therefore the Bonds constitute a valid and legally binding obligation of the Authority.

2. A continuing ad valorem tax, without limit as to rate or amount, has been levied on all taxable property in the Authority and pledged irrevocably to the payment of the principal of and interest on the Bonds.

3. Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Bonds pursuant to the Order, the Escrow Agreement and the Report, and therefore such bonds are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor under the Escrow Agreement.

The rights of the owners of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

Except as stated above, we express no opinion as to the amount of interest on the Bonds or any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership, or disposition of the Bonds.

Our opinions are based on existing law and our knowledge of the facts as to the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, actions, taken or omitted, after the date hereof.

APPENDIX D

SUMMARY OF TABLES RELATED TO CONTINUING DISCLOSURE OF INFORMATION

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PORT OF HOUSTON AUTHORITY OF HARRIS COUNTY, TEXAS • UNLIMITED TAX REFUNDING BONDS, SERIES 2020A-1 (NON-AMT), SERIES 2020A-2 (NON-AMT) AND SERIES 2020B (TAXABLE)

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