OFFICIAL STATEMENT DATED JUNE 19, 2018

NEW ISSUES - BOOK-ENTRY ONLY

RATINGS: Moody's "Aaa"
S&P "AAA"
(See "RATINGS" herein)

In the opinion of Bracewell LLP, Bond Counsel, under existing law, (i) interest on the Bonds is excludable from gross income for federal income tax purposes, except with respect to interest on any Bond for any period during which such Bond is held by a person who, within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"), is a "substantial user" or a "related person" to such a "substantial user" of the facilities financed or refinanced with the proceeds of the Bonds and (ii) interest on the Bonds is an item of tax preference that is includable in alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on individuals. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.

$176,555,000
PORT OF HOUSTON AUTHORITY OF HARRIS COUNTY, TEXAS
UNLIMITED TAX REFUNDING BONDS, SERIES 2018A (AMT)

(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 page i)**

The Port of Houston Authority of Harris County, Texas, Unlimited Tax Refunding Bonds, Series 2018A (AMT) (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 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 a pricing certificate, which evidenced 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, 2018, 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 ZB, National Association, dba Amegy Bank, 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 Bonds maturing on or after October 1, 2029 are subject to redemption prior to maturity at the option of the Authority, on and after October 1, 2028, 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. See "DESCRIPTION OF THE BONDS – Redemption – Optional Redemption."

SEE PAGE i FOR THE MATURITY AND PRICING SCHEDULE

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 opinion of Bracewell LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Haynes and Boone, LLP, Houston, Texas, counsel to the Underwriters. Certain legal matters will be passed upon for the Authority by Bracewell LLP, Houston, Texas, as 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 July 18, 2018 ("Date of Delivery").

J.P. MORGAN

DREXEL HAMILTON, LLC **FTN FINANCIAL CAPITAL MARKETS**

PIPER JAFFRAY & CO. **SIEBERT CISNEROS SHANK & CO., LLC**

PORT OF HOUSTON AUTHORITY

MATURITY AND PRICING SCHEDULE

PORT OF HOUSTON AUTHORITY OF HARRIS COUNTY, TEXAS

$176,555,000
UNLIMITED TAX REFUNDING BONDS,
SERIES 2018A (AMT)

CUSIP PREFIX: 734260[a]

Maturity (October 1)[b]	Principal Amount	Interest Rate	Initial Offering Price Yield[c]	CUSIP Suffix[a]
2024	$ 2,175,000	5.000%	2.460%	5A6
2025	2,290,000	5.000	2.590	5B4
2026	2,410,000	5.000	2.710	5C2
2027	10,825,000	5.000	2.800	5D0
2028	12,325,000	5.000	2.880	5E8
2029	4,440,000	3.000	3.060	5G3
2029	8,500,000	5.000	2.940	5F5
2030	12,480,000	5.000	3.000	5H1
2031	13,100,000	5.000	3.040	5J7
2032	13,275,000	5.000	3.070	5K4
2033	13,945,000	5.000	3.120	5L2
2034	14,620,000	5.000	3.170	5M0
2035	15,355,000	5.000	3.210	5N8
2036	16,120,000	5.000	3.240	5P3
2037	16,925,000	5.000	3.260	5Q1
2038	17,770,000	5.000	3.280	5R9

(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 Bonds maturing on or after October 1, 2029, 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, 2028, 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 – Optional Redemption."

(c) The initial yields will be established by and are the sole responsibility of the Underwriters, and may subsequently be changed. Yields shown are calculated to maturity or the first optional redemption date, whichever produces the lowest yield.

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 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 purposes of, and as that term is defined in Rule 15c2-12 of the United States Securities and Exchange Commission.

Port of Houston Authority of Harris County, Texas

PORT COMMISSION

Janiece M. Longoria, Chairman

John D. Kennedy, Commissioner	Dean E. Corgey, Commissioner
Clyde Fitzgerald, Commissioner	Theldon R. Branch, III, Commissioner
Stephen H. DonCarlos, Commissioner	Roy D. Mease, Commissioner

ADMINISTRATION

Roger Guenther, Executive Director

Thomas J. Heidt, Chief Operating Officer

Erik A. Eriksson, Chief Legal Officer

Tim Finley, Chief Financial Officer

Ramon Yi, Senior Director, Treasury

Maxine N. Buckles, Chief Audit Officer

Orlando Sanchez, Harris County Treasurer

CONSULTANTS AND ADVISORS TO THE AUTHORITY

Auditors .... Grant Thornton LLP

Financial Advisor .... Hilltop Securities Inc.

Bond Counsel .... Bracewell LLP

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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]

	2013	2014	2015	2016	2017
Total Assessed Value, Net of Exemptions	$303,771,932	$337,271,273	$376,944,565	$409,383,647	$425,789,832
Ad Valorem Tax Rate (Per $100 of Assessed Value)	0.01716	0.01531	0.01342	0.01334	0.01256
Current Collections of Ad Valorem Taxes Levied[b]	$49,790	$49,400	$48,208	$51,946	$50,738
Current Collections as a Percentage of Ad Valorem Taxes Levied	95.22%	95.26%	94.91%	94.78%	94.78%
Total Ad Valorem Collections[c]	$51,526	$51,054	$49,975	$53,926	N/A
Total Collections as a Percentage of Ad Valorem Taxes Levied	98.54%	98.45%	98.38%	98.39%	N/A
	2013	2014	2015	2016	2017
Ad Valorem Tax Bonds Outstanding[d]	$717,624	$702,379	$674,269	$657,994	$638,829
Ad Valorem Tax Bonds Outstanding as a Percentage of Assessed Value	0.24%	0.21%	0.18%	0.16%	0.15%

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[a] As of March 23, 2018, the Authority received from the Harris County Appraisal District certified taxable values net of exemptions for Tax Year 2017 of approximately $427.5 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 2018 are scheduled to be adopted by Commissioners Court in late October 2018. See "HURRICANE HARVEY" for a discussion on the impact on property values and property taxes. 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.

OFFICIAL STATEMENT

relating to

$176,555,000
PORT OF HOUSTON AUTHORITY OF
HARRIS COUNTY, TEXAS
UNLIMITED TAX REFUNDING BONDS,
SERIES 2018A (AMT)

(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 2018A (AMT) (the "Bonds"). The Bonds are issued pursuant to the provisions of an order (the "County Bond Order") adopted on June 12, 2018, 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 a pricing certificate (the "Pricing Certificate") for the Bonds, which evidenced 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 a Pricing Certificate, which evidenced the final pricing terms of the Bonds (the "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 such statements and other financial information is not intended to imply that any other tax receipts, revenues, or moneys of the Authority will be used to pay the principal of or interest on the Bonds.

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 ZB, National Association, dba Amegy Bank (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 will consist of United States Treasury Securities – State and Local Government Series (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.

Grant Thornton LLP, Certified Public Accountants, (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 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 2018A Bonds (AMT)
Sources of Funds:	
Principal Amount	$176,555,000.00
Net Original Issue Premium	28,030,151.00
Transfer from Debt Service Fund	3,478,713.04
Total Sources of Funds	$208,063,864.04
Uses of Funds:	
Deposit with Escrow Agent	$206,674,789.43
Underwriters' Discount	847,403.89
Costs of Issuance[(1)]	541,670.72
Total Uses of Funds	$208,063,864.04

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

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 the inside cover page hereof. Interest on the Bonds will be payable on October 1, 2018, 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 ZB, National Association, dba Amegy Bank, 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

Optional Redemption. The Bonds maturing on or after October 1, 2029 are subject to redemption prior to maturity at the option of the Authority, on and after October 1, 2028, 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 Bonds to be Redeemed. If less than all of the Bonds of a series are to be redeemed, the Authority may select the maturity or maturities to be redeemed and the amounts of such Bonds to be redeemed. In the event that the Authority elects to redeem or defease less than all of the principal amount of a maturity of the Bonds, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Bonds to be defeased by such random method as it deems fair and appropriate; provided, however, that during any period in which ownership of such Bonds to be redeemed is determined only by a book-entry at DTC, or a successor securities depository, if fewer than all of such Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular 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 Bonds in excess of an authorized denomination, each such Bond will be treated as representing that number of Bonds of an authorized denomination that is obtained by dividing the principal amount of such Bond by the authorized denomination of such Bond.

Notice of Redemption. Not less than 30 days prior to a redemption date for the 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 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 BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH 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 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 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 Bond which 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 Bond or 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 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 ZB, National Association, dba Amegy Bank, 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 provisions of the Order and the obligations to the registered owners of any or all of the Bonds to pay the principal of and interest thereon may be defeased by depositing with the Paying Agent/Registrar, the Comptroller of Public Accounts of the State of Texas 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), (1) cash; and/or (2) 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 provide for the timely payment of the principal amount of the Bonds plus interest thereon to the date of maturity or redemption and all necessary and proper fees, compensation and expenses of the Paying Agent/Registrar or other authorized escrow agent; provided, however, that if any of the Bonds are to be redeemed prior to their respective dates of maturity, provision shall have been made for giving notice of redemption.

"Governmental Securities" for purposes of the Bonds means:

(a) 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

(b) 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 by the Authority, 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 (1) and (2) 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 not required to accomplish such defeasance shall be returned to the Authority. Upon such deposit, such 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, 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 (b)" 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 – Footnote (b)."

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.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Additionally, the governing body of a political subdivision may grant an exemption of up to 20% of the market value of all residence homesteads, with a minimum exemption of $5,000. The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of $5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000. A disabled veteran who receives from the United States Department of Veterans Affairs or its successor a rating of 100% disabled is entitled to an exemption from taxation of the total appraised value of the resident's homestead. A surviving spouse of deceased veteran who had received a rating of 100% disabled is entitled to receive an exemption equal to the total appraised value of the homestead until the surviving spouse remarries.

A partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption equal to the percentage of the veteran's disability, if the residence was donated at no cost or, effective January 1, 2018, at some cost to the veteran by a charitable organization.

Also effective January 1, 2018, the surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), 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. The same land may not be qualified under both Section 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Article VIII, section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by a provision of the Tax Code, which is effective for tax years 2008 and thereafter, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory.

The Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the freeport exemption or the goods-in-transit exemption for items of personal property.

Valuation of Property for Taxation

The Property Tax Code generally requires all taxable property (except property utilized for a qualified agricultural use, timberland, and recreational, park, and scenic land) to be appraised at 100% of market value as of January 1 of each year. Residential property that has never been occupied as a residence and is being held for sale is treated as inventory for property tax purposes. Residential homestead property may be valued solely based on its use as residential property, without regard to other potential uses. The cost of the correction, mitigation, or prevention of environmental change may be considered in establishing the market value for certain properties. The appraisal of taxable property for the County, the Authority, and all other taxing units in the County is the responsibility of the Harris County Appraisal District (the "Appraisal District"), an independent subdivision of the State created under the Property Tax Code for that purpose.

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.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of all taxable property in the County, and reappraisal must be effected at least once every three years. The Appraisal District has established a schedule of reappraisal for different classifications of property to comply with such requirements.

Taxable values determined by the chief appraiser of the Appraisal District are submitted for review and equalization to an appraisal review board (the "Appraisal Review Board") appointed by the Appraisal District. Appraisals may be contested before the Appraisal Review Board by taxpayers or, under limited circumstances, the County, and the Appraisal Review Board's order are appealable to a State district court.

Limitations on Tax Rate Increases

The Commissioners Court is required to set the Authority's tax rate before the later of September 30 or the 60th day after the certified appraisal roll is received by the Authority. If the Commissioners Court does not adopt a tax rate before the required date, the tax rate for the Authority is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the County for the benefit of the Authority for the preceding tax year. Such rates are based on the assessed values at January 1 of each year, as shown on the tax roll approved by the Appraisal Review Board, which must be used by the Commissioners Court for such purpose. The Property Tax Code imposes limitations on certain tax increases. The Commissioners Court may under certain circumstances be required to publish notice and hold a public hearing on a proposed tax rate before voting on the tax rate. If the tax rate adopted exceeds by more than 8% the rate needed to pay debt service and certain contractual obligations, and to produce, when applied to the property which was on the prior year's roll, the prior year's taxes levied for purposes other than debt service and such contractual obligations, such excess portion of the levy may be repealed at an election within the Authority held upon petition of 10% of the qualified voters of the Authority.

Collections, Penalty and Interest

The County Tax Assessor-Collector is responsible for collection of taxes. 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. 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. 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.

On or about August 23, 2017, in anticipation of Hurricane Harvey's landfall, Governor Greg Abbott issued a proclamation declaring a state of disaster in numerous counties located along the Texas gulf coast, including the County. The Texas Tax Code permits taxpayers owning homes or certain businesses 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 "HURRICANE HARVEY."

Tax Liens

The Property Tax Code provides that 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, 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, 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 2013 through 2017. 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]

Purpose	2013	2014	2015	2016	2017
Debt Service	$0.01716	$0.01531	$0.01342	$0.01334	$0.01256

[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 2013 through 2017. 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
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[(c)]	486,904,155	48,036,665	109,150,988	425,789,832	0.01256

(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 15, 2017, was approximately $38 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 March 23, 2018, the Authority received from the Appraisal District updated certified taxable values net of exemptions for Tax Year 2017 of approximately $427.5 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, 2018, the Authority received the Appraisal District's certified estimate of taxable values for the County for Tax Year 2018 of approximately $450.37 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 2018 are scheduled to be adopted by Commissioners Court in late October 2018. See "HURRICANE HARVEY" for a discussion on the impact on property values and property taxes. 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 2013 through 2017.

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)]
2013	$52,289	$49,790	95.22%	$1,736	$51,526	98.54%	$785
2014	51,860	49,400	95.26	1,654	51,054	98.45	787
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[(c)]	53,652	50,738	94.57	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 28, 2018.

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	2017 Taxable Valuations[a]	Rank	Percentage of Total 2017 Taxable Valuation[b]
CenterPoint Energy Inc.	$ 3,344,794	1	0.79%
EXXON Mobil Corp.	3,263,728	2	0.77
Chevron Chemical Co.	2,814,440	3	0.66
Shell Oil Co.	1,625,656	4	0.38
Palmetto Transoceanic LLC	1,296,880	5	0.30
Equistar Chemicals LP	1,296,073	6	0.30
National Oilwell Inc.	987,145	7	0.23
Crescent HC and 4HC Investors LP	873,921	8	0.21
Walmart	869,096	9	0.20
One Two and Three Allen Center Co LLC	857,457	10	0.20
Valero Energy	841,934	11	0.20
Cousins Greenway	715,139	12	0.17
Celanese LTD	715,012	13	0.17
HG Galleria I II III LP	679,041	14	0.16
Liberty Property	625,960	15	0.15
Total	$20,806,276		4.89%

[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 22, 2017, 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 2013 through 2017. 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	**2013**	**2014**	**2015**	**2016**	**2017**
County:					
Operating Fund	$0.34000	$0.34000	$0.34000	$0.34000	$0.34000
Public Improvement Contingency Fund	0.00547	0.00547	0.00547	0.00500	0.00500
Debt Service	0.05158	0.04802	0.05237	0.05111	0.05234
Total ($0.80 Limited Tax Rate)	0.39705	0.39349	0.39784	0.39611	0.39734
Road Bond Debt Service:					
(Unlimited Tax Rate)	0.01750	0.02382	0.02139	0.02045	0.02067
Toll Road Authority Tax Bond:					
Debt Service (Unlimited Tax Rate)[a]	--	--	--	--	--
Total County Tax Rate	0.41455	0.41731	0.41923	0.41656	0.41801
Harris County Flood Control District[b]					
Operating Fund	0.02620	0.02620	0.02620	0.02745	0.02736
Debt Service	0.00207	0.00116	0.00113	0.00084	0.00095
Total	0.02827	0.02736	0.02733	0.02829	0.02831
Port of Houston Authority Debt Service[c]	0.01716	0.01531	0.01342	0.01334	0.01256
Harris County Hospital District[d]	0.17000	0.17000	0.17000	0.17000	0.17000
Debt Service	--	--	--	0.00179	0.00110
Total	0.17000	0.17000	0.17000	0.17179	0.17110
Total County-Wide Ad Valorem Tax Rate	$0.62998	$0.62998	$0.62998	$0.62998	$0.62998

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[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, 2013, through December 31, 2017, 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
2013	$717,624	$303,771,932	0.24%	4,336,853	$165
2014	702,379	337,271,273	0.21%	4,441,370	158
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

(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, 2017.*

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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.

TABLE 6 – DEBT SERVICE SCHEDULE

Port FYE	Outstanding Debt Service	Less Debt Service on Refunded Bonds	The Bonds Principal	The Bonds Interest	Adjusted Outstanding Debt Service[(a)]
12/31/2018	$52,991,411	$ 2,373,328	-	$ 1,772,065	$ 52,390,148
12/31/2019	53,247,486	11,704,081	-	8,738,950	50,282,355
12/31/2020	52,750,461	11,704,081	-	8,738,950	49,785,330
12/31/2021	52,729,373	11,704,081	-	8,738,950	49,764,242
12/31/2022	52,070,673	11,704,081	-	8,738,950	49,105,542
12/31/2023	47,793,873	11,704,081	-	8,738,950	44,828,742
12/31/2024	48,775,098	14,349,081	$ 2,175,000	8,738,950	45,339,967
12/31/2025	48,773,930	14,358,769	2,290,000	8,630,200	45,335,361
12/31/2026	48,771,084	14,372,519	2,410,000	8,515,700	45,324,266
12/31/2027	49,645,600	22,809,394	10,825,000	8,395,200	46,056,406
12/31/2028	49,801,100	23,766,644	12,325,000	7,853,950	46,213,406
12/31/2029	49,802,106	23,768,581	12,940,000	7,237,700	46,211,225
12/31/2030	49,800,694	22,748,831	12,480,000	6,679,500	46,211,363
12/31/2031	49,794,056	22,745,588	13,100,000	6,055,500	46,203,969
12/31/2032	49,907,888	22,265,650	13,275,000	5,400,500	46,317,738
12/31/2033	49,908,025	22,269,450	13,945,000	4,736,750	46,320,325
12/31/2034	49,905,806	22,251,594	14,620,000	4,039,500	46,313,713
12/31/2035	49,910,275	22,254,563	15,355,000	3,308,500	46,319,213
12/31/2036	49,909,275	22,248,813	16,120,000	2,540,750	46,321,213
12/31/2037	49,910,113	22,251,813	16,925,000	1,734,750	46,318,050
12/31/2038	49,912,181	22,249,906	17,770,000	888,500	46,320,775
12/31/2039	34,608,000	-	-	-	34,608,000
	$1,090,718,509[(a)]	$375,604,928	$176,555,000	$130,222,765	$1,021,891,346

[(a)] Totals may not tie due to rounding.
Source: Hilltop Securities Inc.

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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]	Port of Houston Authority UL Tax Bonds[e]	Grand Total[f]
2019	$131,970,666	$88,084,755	$41,187,050	$ 3,920,050	$ 48,730,472	$ 52,390,148	$ 366,283,141
2020	127,732,176	81,691,125	40,622,563	3,920,050	49,162,171	50,282,355	353,410,440
2021	124,238,202	84,478,525	40,049,775	3,920,050	49,160,858	49,785,330	351,632,740
2022	128,310,706	65,105,950	28,930,613	3,920,050	49,164,008	49,764,242	325,195,569
2023	102,590,636	93,072,450	28,689,022	3,920,050	49,162,558	49,105,542	326,540,258
2024	95,167,211	91,847,700	28,084,903	3,920,050	49,162,308	44,828,742	313,010,914
2025	119,679,738	80,415,800	27,462,059	3,920,050	48,740,558	45,339,967	325,558,172
2026	81,171,488	68,191,050	17,500,338	8,995,050	43,968,450	45,335,361	265,161,737
2027	78,379,488	66,036,050	16,886,138	34,791,300	17,746,200	45,324,266	259,163,442
2028	76,592,363	63,884,300	16,275,756	13,860,050	37,619,700	46,056,406	254,288,575
2029	68,854,488	61,854,800	15,659,194	13,252,550	37,250,700	46,213,406	243,085,138
2030	43,316,238	49,400,550	15,046,450	12,646,050	34,855,700	46,211,225	201,476,213
2031	43,117,863	45,181,550	14,432,394	12,035,550	20,753,450	46,211,363	181,732,170
2032	42,947,563	43,797,375	13,817,025	-	15,336,800	46,203,969	162,102,732
2033	38,488,450	17,422,500	13,205,213	-	15,338,300	46,317,738	130,772,201
2034	16,139,450	17,425,000	12,586,956	-	15,338,800	46,320,325	107,810,531
2035	16,139,200	17,424,750	-	-	15,337,050	46,313,713	95,214,713
2036	16,136,450	-	-	-	15,336,800	46,319,213	77,792,463
2037	14,279,950	-	-	-	15,342,600	46,321,213	75,943,763
2038	14,275,950	-	-	-	15,343,000	46,318,050	75,937,000
2039	14,284,950	-	-	-	15,342,400	46,320,775	75,948,125
2040	14,284,950	-	-	-	15,340,000	34,608,000	64,232,950
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
	$1,434,966,426	$1,035,314,230	$370,435,449	$123,020,900	$673,532,883	$1,021,891,346	$4,659,161,228

(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) Includes the Bonds and excludes the Refunded Bonds.

(f) Discrepancies in totals due to rounding.

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 "AUTHORITY AD VALOREM TAX DEBT – 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]	2,208,674	
Harris County Hospital District[c]	59,490	
Port of Houston Authority[d]	613,699	$ 2,964,939
Cities:		
Houston[e]	$3,742,955	$ 5,301,665
Other cities[f]	1,558,710	
Independent School Districts, Junior College Districts and the Harris County Department of Education:[f]		$18,064,689
Utility Districts:[f]		$ 6,001,584
Total		$32,332,877

(a) As of March 31, 2018.
(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 syndicated note program that authorizes the Authority to borrow up to $300 million for authorized purposes of the Authority. The Note Program is currently scheduled to expire in September 2018. 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.

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 U.S. Army Corps of Engineers ("USACE") along most of the Channel. Many berths were draft restricted and will require dredging. The Authority has applied for FEMA funding to partially offset costs of dredging and debris removal, but the reimbursement process may take several years. The initial emergency dredging by the USACE to restore the water draft and facilitate safer navigation in a six-to-eight mile section of the Houston Ship Channel is mostly completed. It is expected that portions of the upper Channel area, which include the Authority's Turning Basin Terminal berths, will remain draft restricted for another six to nine months. As of the date of this Official Statement, the draft restrictions in place for the Turning Basin Terminal berths have not had a material adverse impact on the revenues of the Authority. The Authority has sufficient berths with adequate drafts to accommodate the vessels currently wishing to utilize the Turning Basin Terminal berths. If the Authority were to experience a period of increased demand for use of the Turning Basin Terminal berths, the draft restrictions could lead to delays or vessels choosing to utilize privately-owned terminals or other ports while the draft restrictions are in place. See "THE AUTHORITY — TABLE 7 – PHYSICAL CHARACTERISTICS OF THE PORT FACILITIES OF THE AUTHORITY," for a description of the Authority's facilities and water depth. The Authority is currently exploring additional dredging and resilience projects in preparation for future weather events. See "THE AUTHORITY – Authority's Capital Improvement Program – *Houston Ship Channel*" for a description of an ongoing cost-shared federal study assessing the feasibility of further improvements to the Houston Ship Channel and its tributaries.

The Authority anticipates that property values within the Authority may be temporarily impacted for homes that sustained flood damage and that were still being repaired on January 1, 2018, the date on which property values are set for next year's ad valorem property taxes. These homes, once repaired, are expected to return to approximately pre-storm values. As a result, the Authority expects a short-term impact on property taxes. While such amount cannot be determined yet, the impact is not expected to be significant. See "AUTHORITY AD VALOREM TAXES – TABLE 2 – AUTHORITY TAXABLE VALUES AND TAX RATES, Footnote (c)" for a discussion of the estimated taxable assessed valuation for tax year 2018. The Authority does not expect the impact of Hurricane Harvey on assessed valuations to have a material adverse effect on its ability to pay debt service on the Bonds.

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. The Authority was originally constituted in 1911 as the Harris County Houston Ship Channel Navigation District to sponsor deepening and widening of the Houston Ship Channel, and 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 150 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 2017 were nearly $333 million, an increase of 15% from operating revenues for 2016. Revenue tonnage totaled 38.3 million tons in 2017, increasing approximately 10% from 2016. The Authority's container facilities handled 22.8 million tons for the year, an increase of 12% from 2016.

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 revenues from private wharves located in the Bayport Industrial District and served by the Bayport Channel and Bayport Turning Basin. See "– Physical Characteristics of the Port Facilities of the Authority – Table 7."

As of December 31, 2017, the Authority had 620 regular employees. During fiscal year 2017, the Authority also contracted for casual labor from longshoremen union halls, equating to 379 full-time equivalent employees working 40 hours a week for 52 weeks per year.

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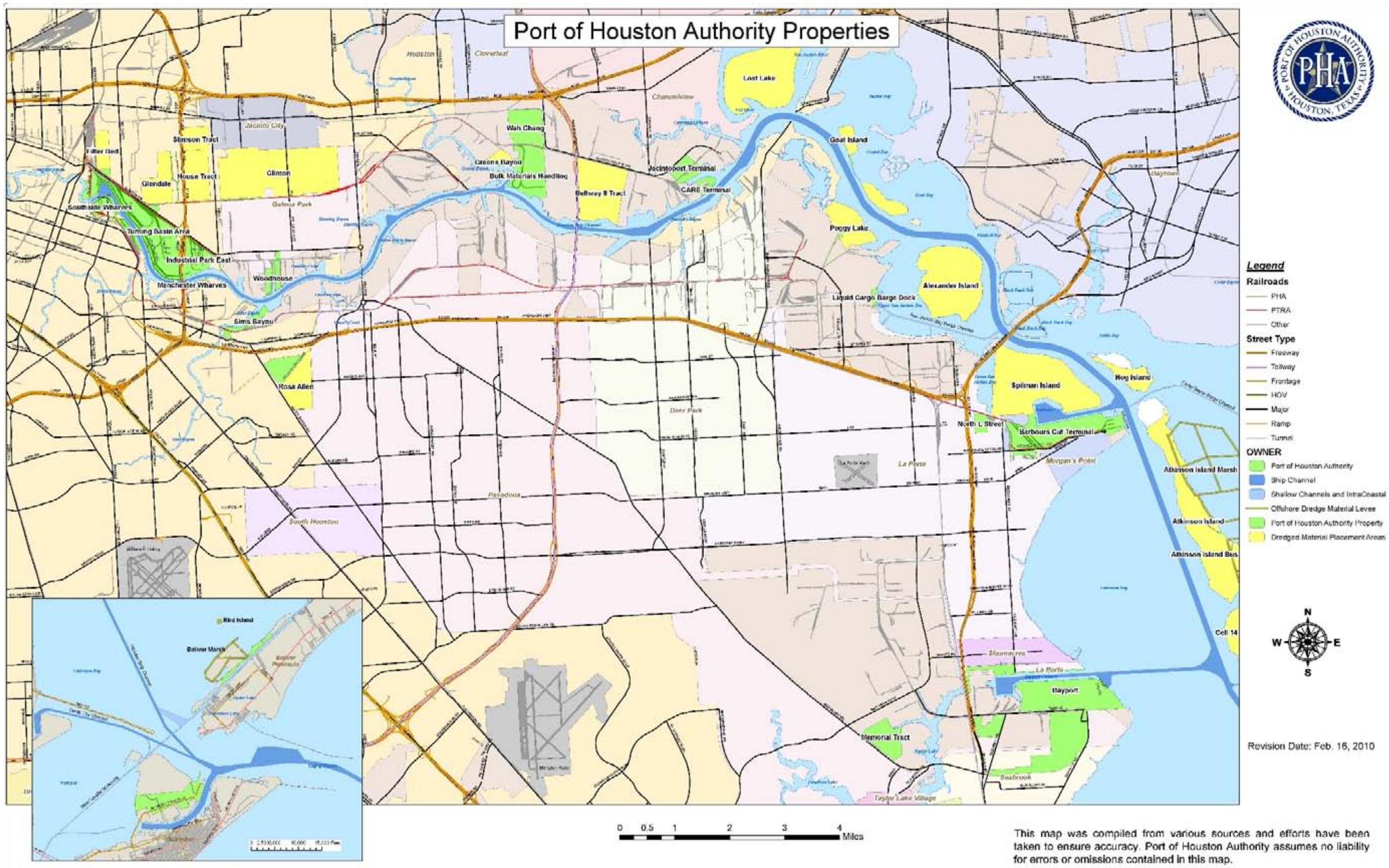
Map of Authority Properties and Port Facilities



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 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. See "Authority's Capital Improvement Program – Houston Ship Channel."

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, 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 20 acres of heavy duty paved marshalling 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 112,000 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 was under a 10-year lease through May 2018. The Authority is currently in discussion with prospective tenants for lease of the grain elevator and ancillary property.

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, in 2017 the Authority entered into a 50-year lease agreement for approximately 386 acres of unimproved land adjoining this facility, with a multi-year feasibility and construction period for development of a chemical and petrochemical storage and export facility.

Jacintoport Terminal. The Authority owns the Jacintoport Terminal, also located in the mid-Channel area. This approximately 125-acre site 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, and another lease scheduled to expire in February 2020, including one that provides for certain preferential berthing rights.

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 property near 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 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. Approximately 80 acres at Barbours Cut Terminal were previously leased to Maersk and an affiliate, but reverted to Authority use in 2015, facilitating future capital improvement and more efficient use of the facility. Barbours Cut Terminal has current capacity for handling approximately 1,200,000 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 has begun 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, 9 Ship-To-Shore ("STS") wharf cranes, and 38 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 (Roll on / Roll off) 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 cost of which has been reduced by 30-60% over the past five years. 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, 2017 (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	376-600	28.5-37.5[a]	36	1,150,000
5 liquid bulk wharves	226-570	34.5-37.5[a]	-	-
Wharf – 32 Project Cargo	800	37.5[a]	20	-
Woodhouse Terminal[c]				
Wharf 1	660	40.5[a]	2	-
Wharves 2 and 3	1,250	36.5	-	231,750
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	40.5	10	45,000
Wharf 2	618	41.5	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]				
LASH Berth	810	41.5	-	-
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 "HURRICANE HARVEY" 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), 42 RTG container yard cranes, 12 pencil/side-pick cranes for handling empty containers, three top-loading container-handling machines, 52 heavy-duty tractors, and 100 heavy-duty yard chassis are available for rent from the Authority.
(e) On site equipment consists of nine STS wharf cranes (three Super Post Panamax, and six Post Panamax), 38 RTG container yard cranes, 18 heavy duty terminal tractors, one top-loading container-handling machine and 8 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.

One of the increases in cargo resulting from the expansion of the Panama Canal is containerized cargo. 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 and bringing 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 both for terminal construction and improvement, and for the maintenance and operation of the Houston Ship Channel, and the channels into the Bayport and Barbours Cut Terminals.

For example, the cost of dredging to widen and deepen the Bayport and Barbours Cut channels to accommodate larger vessels after the Panama Canal expansion was estimated to be $80 million. Under normal circumstances, this would be borne primarily by federal appropriations to the USACE; however, its timeline would not meet the Panama Canal's target completion date. Therefore, the Authority decided to bear the full cost of this project, which was completed in 2016. See *"—Bayport Container Terminal"* below, for a discussion of the dredging project.

During 2017, the Authority invested $165 million in capital improvements. Such improvements were funded primarily from the Authority's general fund and also 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 is exploring various short-term and long-term financing alternatives (e.g., the Note Program, additional ad valorem tax bonds, equipment financing, etc.) in order to grow the Port, meet the capital needs of both the Port and the Authority, and not unduly burden the taxpayers of the County.

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

	2018	2019	2020
Container Terminals	$169,386	$ 45,160	$231,739
Turning Basin Terminals	24,314	18,900	11,725
Channel Development	13,835	48,830	18,435
Bayport Railroad	14,985	6,356	-
Other	52,018	29,457	29,056
Total New Capital Investment	$274,538	$148,703	$290,955

(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 14, 2017.

Houston Ship Channel. As noted in "– Overview of Authority Port Facilities," the initial construction phase of the 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 $705.2 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, 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 are currently at the midpoint of a four-year cost-shared federal study assessing the feasibility of further improvements to the Houston Ship Channel and its tributaries. The improvements would enable deeper draft and generally larger ships to call further upstream to benefit many petrochemical industry participants located on or near the Port and allow for more efficient transportation up through the Turning Basin Terminal. Additional widening of the channels up to and including the container terminals will 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 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 is ongoing in order to determine if repairs are necessary and if potential improvements would enable incremental commerce and provide an economic return for the Authority. The Authority anticipates capital expenditures of $24 million in 2018 for rehabilitation of wharves, replacement of a transit shed roof, construction of a potable water system, renovations at the executive office building, and other infrastructure projects at the Turning Basin, Jacintoport and Woodhouse terminals.

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 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 2016, the Authority completed deepening of the Bayport and Barbours Cut ship channels and berths without federal funds. This work accelerated the availability of the channels to receive the deeper draft and larger vessels that are necessary to maintain competitiveness in shipping. Soon after completion, the channel improvements were accepted by the federal government and the USACE resumed maintenance at full federal cost. The completed assumption of maintenance will relieve the Authority of millions of dollars associated with annual channel maintenance dredging costs. Annualized national economic development benefits for the channel improvements completed by the Authority were estimated by the USACE to be over $32 million.

Development at the Bayport Terminal has continued with the Wharf 2 and Container Yard 6 South expansion projects. The Authority was awarded a $10 million Transportation Investment Generating Economic Recovery grant by the U.S. Department of Transportation to be used toward the Wharf 2 expansion project. Completed in early 2018, it provides a total of 4,000 feet of wharf area and creates the capacity for three additional Super Post Panamax STS cranes, increasing the terminal total to twelve. These STS cranes will be delivered in the third quarter of 2018. Construction of Container Yard 6, which includes 50 acres of grounded container marshaling area, was fully completed in early 2018.

For 2018, the Authority expects to allocate approximately $84 million towards construction of Container Yard 7, purchase of nine RTG cranes, pipeline relocation, a differential global positioning system, fill management and other projects, and another $15 million for Bayport railroad projects. Over the next five years, the capital improvements will likely total over $260 million.

The entire Bayport Container Terminal project, to be completed over an estimated 15 to 20 year period according to market demand, is currently estimated to cost approximately $1.8 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.

Barbours Cut Terminal. Redevelopment at Barbours Cut Terminal continues to progress. The Authority has completed reconstruction and rehabilitation of Wharves 1 and 2. It recently commissioned three Super Post Panamax STS wharf cranes that arrived in late 2017 with capacity for handling ships that are 22 containers wide. These three Super Post Panamax STS wharf cranes, similar to the configuration of the four 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. In addition, to ensure the necessary power to operate these next-generation cranes and growing STS fleet, an electrical substation was constructed on the west end of the terminal and is now operational. As noted in the discussion of the Bayport Container Terminal, above, the Barbours Cut Channel improvements were also completed without the use of federal funds.

A project to reconstruct 43 acres at the east end of the terminal began in the second quarter of 2016 and the first phase was completed in October 2017. The second and final phase of the project is scheduled for completion in the third quarter of 2018. 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 Wharf 3 at Barbours Cut Terminal, including the purchase of three additional Super Post Panamax STS cranes and 8 RTG cranes, and to commence a study for the redesign of a new truck gate. Proper phasing of the Barbours Cut redevelopment is critical to ensure the terminal maintains current operating capacity during construction activities.

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 2008-2016. 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 U.S. Army Corps of Engineers and the U.S. Department of Commerce.

ANNUAL CARGO AMOUNTS
(in thousands)

Year	Short Tons
2016	247,982
2015	240,933
2014	234,304
2013	229,246
2012	238,185
2011	237,798
2010	227,133
2009	211,341
2008	212,207

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, 2013 through December 31, 2017.

TABLE 8 – AUTHORITY CARGO STATISTICS (UNAUDITED)
(in thousands of short tons)

	2017	2016	2015	2014	2013
Total Revenue Tonnage					
Including Bayport companies[(a)]	44,281	44,839	45,168	46,637	44,669
Excluding Bayport companies	38,274	34,847	35,744	37,620	35,825
General Cargo[(b)]	28,878	25,226	27,360	26,854	24,735
Bulk Materials Handling Plant	3,230	3,330	2,908	5,191	5,152
Grain Elevator #2	2,140	2,872	2,350	2,311	2,264
Other Bulk Movements					
Excluding Bayport companies[(c)]	4,026	3,419	3,126	3,265	3,675
Including Bayport companies	6,007	9,992	9,424	9,016	8,843
Barbours Cut Terminal					
Bulk[(c)]	3	3	-	-	-
General cargo[(b)]	9,808	9,467	11,395	11,100	10,559
Bayport Container Terminal					
General cargo[(b)]	13,027	10,855	8,589	6,977	7,265
Steel[(b)]					
Import	3,626	2,288	4,643	6,343	4,350
Export	68	80	141	236	303
Autos - Turning Basin					
Tons – import[(b)]	141	161	168	129	143
Tons – export[(b)]	3	8	14	13	21
Units – import (in thousands)	74	83	82	63	71
Units – export (in thousands)	1	2	6	5	8
Bagged Goods[(b)]					
Import	232	168	167	65	53
Export	45	40	46	57	191
Container TEU	2,459	2,183	2,131	1,951	1,950

[(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 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.

Since joining the Authority in 1988, Mr. Guenther has 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 all container handling cranes and equipment over the last two decades.

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, People, Health, Safety, Security and Emergency Management.

Mr. Heidt began his 36-year 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 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 from the State of Texas and the designation of County Investment Officer Level I as issued by the Texas Association of Counties.

Ramon Yi – Senior Director, Treasury.

Ramon Yi is Senior Director, Treasury, for the Authority. He has primary responsibility for cash, debt and investment management, banking and rating agency relationships, and pension and benefit finance.

Mr. Yi has more than 40 years of finance, accounting, credit and risk management experience in a variety of industries, including the energy, healthcare and high-tech sectors. Prior to joining the Authority in September 2010, he held positions in large multinational corporations, including Vice President and Treasurer for Transocean and Treasurer for Ensco, both global providers of contract drilling services, Treasurer for Sunrise Medical and Fresenius Medical Care, both manufacturers of medical devices and equipment, and Treasurer for Symbios, a manufacturer of semiconductor chips.

Mr. Yi graduated cum laude from Harvard and earned an MBA degree with honors from Boston University. He holds the designation of Certified Cash Manager and is a member of the Board of Directors of the National Association of Corporate Treasurers, where he serves on the Executive Committee as the Immediate Past Chairman.

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 invests its funds, 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 Senior 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. First Southwest Asset Management, Inc. 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 is 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); (8) certificates of deposit (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 either has 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 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; (9) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) 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; (10) 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 at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (11) commercial paper with a stated maturity of 270 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; (12) 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 (13) no-load mutual funds registered with the Securities and Exchange Commission that: have an average weighted maturity of less than two years; and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or 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 (11) through (13) 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 under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or 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, 2018, the market value of the Authority's investment portfolio was approximately $413.9 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)]	6%
Money Market Mutual Funds (including Local Government Investment Pools)	21%
U.S. Government Agencies Securities	8%
Municipal Bonds	30%
Commercial Paper	35%
TOTAL	100%

(a) Unaudited information as reported by the Authority as of March 31, 2018.
(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. Compass Bank serves as trustee of the Plan. The Plan issues a standalone financial report that is available on the Authority's website (www.portofhouston.com). The Authority's payroll for employees covered by the Plan for the fiscal years ended July 31, 2017 and 2016 was $29,960,300 (66% of the total payroll of $45,403,075) and $30,210,365 (69% of the total payroll of $43,884,692), respectively.

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 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 $9,600,000 and $4,500,000 during the Plan's fiscal years ending July 31, 2017 and 2016, respectively. At the time of an actuarial valuation dated August 1, 2017, the funded ratio of the Plan was 95.1%. 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 the 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 $528,000 and $444,000 during the DC Plan's fiscal years ended July 31, 2017 and 2016, respectively. For additional information on the DC Plan, see "APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY, Note 8."

Other Post-Employment Benefits

It is the current 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, 2017 and 2016, there were 334 and 322 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 Risk 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 is valued at a flat $5,000, $10,000 or $15,000. Effective January 1, 2010, new hires become 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 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 based on projected pay-as-you-go basis, which is expected to continue. For the years ended December 31, 2017 and 2016, the cost of retiree health benefits, recorded on a pay-as-you-go basis was $2,037,000 and $2,239,000, respectively. Retiree life-benefit costs for 2017 and 2016 were $138,000 and $139,000 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 Compass Bank acting as trustee.

In addition to the pay-as-you-go expenses referenced above for current benefits, the Authority has contributed $51,000,000 to the trust through December 31, 2017. 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.

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. The County is part of the eight-county Houston-Galveston-Brazoria ozone nonattainment area ("HGB Area"). The HGB Area has been designated by the EPA as a moderate non-attainment area under the EPA's 2008 ozone standard. Under that designation, the HGB area has a current attainment deadline of July 20, 2018.

In 2015, the EPA adopted a new ozone standard that lowered the standard from 0.075 parts per million (ppm) (the 2008 ozone standard) to 0.070 ppm. EPA's adoption of the 2015 ozone standard did not automatically rescind the 2008 ozone standard or the requirements established in the State Implementation Plan (SIP) designed to bring the HGB Area into attainment with the 2008 ozone standard. On June 4, 2018, the EPA published its initial area designations under the 2015 ozone standard, and the County is part of a six-county ozone nonattainment area that the EPA has designated as a marginal nonattainment area under the 2015 ozone standard. Under the federal Clean Air Act, marginal nonattainment areas have three years from the date of designation to attain the standard.

Ozone nonattainment areas are required to demonstrate progress in reducing ozone concentrations each year until compliance with EPA's standards is achieved. To provide for annual reductions in ozone concentrations, the EPA and the TCEQ have imposed increasingly stringent limitations on emissions of volatile organic compounds and nitrogen oxides ("NOx") from existing stationary sources of air emissions. In addition, any new source of significant air emissions, such as a new industrial plant, must provide for a net reduction of air emissions by arranging for other industries to reduce their emissions by 1.3 times the amount of pollutants proposed to be emitted by the new source. Even though existing air emissions controls are quite stringent, studies have indicated that even more stringent air emissions controls may be necessary in order for the HGB Area to achieve compliance with the ozone standards. Due to the magnitude of air emissions reductions required, as well as a shortage of economically reasonable control options, the development of a successful air quality compliance plan has been and continues to be extremely challenging and will inevitably impact a wide cross-section of the business and residential community. Extremely stringent controls on sources of air emissions in the HGB Area could make the Houston area a less attractive location to do business in comparison to other areas of the country that do not impose similar stringent emissions controls. If the HGB Area fails to demonstrate progress in reducing ozone concentrations or fails to meet EPA's 2008 or 2015 ozone standards by the applicable attainment deadlines, it will be subject to additional planning and control requirements, including additional emissions offset requirements for new major sources of volatile organic compounds or NOx emissions, and the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects.

Other constraints on economic growth and development include lawsuits filed under the Clean Air Act 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.

It remains to be seen exactly what additional steps will ultimately be required to meet federal air quality standards, how the EPA may respond to developments as they occur and what impact such steps and any EPA responses may have upon the economy and the business and residential communities in the HGB Area.

The Authority continues to work towards improving air quality in the HGB Area with air emission reductions of NOx and VOC through off-road and on-road truck fleet updating. The Authority has won two grant awards pursuant to the Diesel Emissions Reduction Act ("DERA") to support a drayage truck replacement program in order to promote emission reduction. The Authority has also partnered with the Houston-Galveston Area Council ("H-GAC"), a voluntary association of local governments, on the Voluntary PM2.5 Advance Path Forward Plan submitted to the EPA to help the area stay in attainment of the PM2.5 standard for particulate matter. In addition, the Authority's Clean Air Strategy Plan ("CASP") is a multi-source, multi-pollutant program initiated in 2009 to reduce emissions from maritime and associated maritime transportation sources. The CASP goals and objectives continue to be evaluated to measure progress toward these goals and to update the CASP as needed.

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 additional 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.

Periodic Flooding

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. See "HURRICANE HARVEY." 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.

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.

Orion Construction, LP ("Orion") has asserted claims against the Authority stemming from downtime and delays Orion claims to have incurred in connection with its May 2014 contract for the improvement of the Barbours Cut and Bayport ship channels. As of February 2018, Orion has claimed damages in the amount of $28,212,000. The Authority does not intend to pay this amount and intends to vigorously contest Orion'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.

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.

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 opinion of 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

Tax Exemption

In the opinion of Bracewell LLP, Bond Counsel, under existing law, (i) interest on the Bonds is excludable from gross income for federal income tax purposes, except with respect to interest on any Bond for any period during which such Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" or a "related person" to such a "substantial user" of the facilities financed or refinanced with the proceeds of the Bonds and (ii) interest on the Bonds is an item of tax preference that is includable in alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on individuals.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, 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 Bond Order that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Order pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the Authority, the Authority's Financial Advisor and the Underwriters with respect to matters solely within the knowledge of the Authority, the Authority's Financial

Advisor and the Underwriters, respectively, which Bond Counsel has not independently verified. If the Authority fails to comply with the covenants in the Bond Order or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

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

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent 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 opinions. 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 as to whether or not the Service will commence an audit of the 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 Bonds could adversely affect the value and liquidity of the Bonds regardless of the ultimate outcome of the audit.

Additional Federal Income Tax Considerations

Collateral Tax Consequences. Prospective purchasers of the 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 assistance credit and individuals otherwise qualifying for the earned income 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 Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the 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 Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium. The issue price of a portion of the Bonds exceeds the stated redemption price payable at maturity of such Bonds. Such 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 Accounting Treatment of Original Issue Discount. The issue price of a portion of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the "Original Issue Discount Bonds"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions "TAX MATTERS – Tax Exemption" and "TAX MATTERS – Additional Federal Income Tax Considerations – Collateral Tax Consequences" and "—Tax Legislative Changes" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (ii) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither the Authority nor Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount 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 Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Tax Legislative Changes. Public Law No. 115-97 (i.e., Tax Cuts and Jobs Act), which makes significant changes to the Code, including changing certain provisions affecting tax-exempt obligations, such as the Bonds, was signed into law on December 22, 2017. The changes include, among others, changes to the federal income tax rates for individuals and corporations and the alternative minimum tax for tax years beginning after December 31, 2017. Further, current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the 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 Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

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, 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 form of opinion of Bond Counsel is set forth in APPENDIX C. The opinion of 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 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, Bond Counsel has been engaged by and only represents the Authority in connection with the issuance of the Bonds. In its capacity as Bond Counsel, such firm has 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," "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 fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

Certain legal matters will be passed upon for the Underwriters by their counsel, Haynes and Boone, LLP, Houston, Texas. The legal fee of such firm is 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 2018.

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 Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bonds calls, if material, and tender offers; (9) defeasances; (10) release, substitution or sale of property securing repayment of the Bonds, 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; and (14) the appointment of a successor or additional trustee or the change in the name of the trustee, if material. In addition, the Authority will provide timely notice of any failure by the Authority to provide information, data or financial statements in accordance with its agreement described above under "— Annual Reports."

For these purposes, an event described in the immediately preceding paragraph (12) 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.

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, 2017. The financial statements of the Authority as of and for the year ended December 31, 2017, 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, 2017 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 Bonds are being purchased pursuant to a purchase contract (the "Purchase Contract") between the Authority and J.P. Morgan Securities 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 Bonds at a price of $203,737,747.11, which is the principal amount of the Bonds plus a net premium of $28,030,151.00 and less the Underwriters' discount of $847,403.89.

The Purchase Contract provides that the Underwriters will purchase all of the Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Purchase Contract, 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 the inside cover page. 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.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

FTN Financial Capital Markets is a division of First Tennessee Bank National Association and FTB Advisors, Inc. is a wholly owned subsidiary of First Tennessee Bank National Association. FTN Financial Capital Markets has entered into a distribution agreement with FTB Advisors, Inc. for the distribution of the Offered Bonds at the original issue prices. Such arrangement generally provides that FTN Financial Capital Markets will share a portion of its underwriting compensation or selling concession with FTB Advisors, Inc.

VERIFICATION OF ARITHMETICAL COMPUTATIONS

Grant Thornton LLP, a firm of independent certified public accountants, will deliver to the Authority, on or before the settlement date of the Bonds, its verification report indicating that it has verified, in accordance with the Statement on Standards for Consulting Services established by the American Institute of Certified Public Accountants, the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrow Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds.

Grant Thornton LLP 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, Grant Thornton LLP has relied on any information provided to it by the Authority's retained advisors, consultants or legal counsel. Grant Thornton LLP was not engaged to perform audit or attest services under AICPA auditing or attestation standards or to provide any form of attest report or opinion under such standards in conjunction with this engagement.

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, Hilltop Securities Inc. (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. An affiliate of the Financial Advisor, First Southwest Asset Management, Inc., has been engaged to provide investment advisory services to the Authority, which may include the investment of bond proceeds associated with these 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.

* * *

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.

Unlimited Tax Refunding Bonds,
Series 2006B (AMT)

Maturity Date (October 1)	Interest Rate	Outstanding Principal Amount	Par Amount to be Refunded	Call Date (August 20)	Call Price
2027	5.000%	$3,555,000.00	$3,555,000.00	2018	100
2028	5.000%	3,730,000.00	3,730,000.00	2018	100
2029	5.000%	3,920,000.00	3,920,000.00	2018	100
2030	5.000%	4,115,000.00	4,115,000.00	2018	100
2031	5.000%	4,320,000.00	4,320,000.00	2018	100

Unlimited Tax Refunding Bonds,
Series 2008A (AMT)

Maturity Date (October 1)	Interest Rate	Outstanding Principal Amount	Par Amount to be Refunded	Call Date (October 1)	Call Price
2024	6.250%	$ 2,645,000.00	$ 2,645,000.00	2018	100
2025	6.250%	2,820,000.00	2,820,000.00	2018	100
2026	6.250%	3,010,000.00	3,010,000.00	2018	100
2027[(a)]	6.250%	8,080,000.00	8,080,000.00	2018	100
2028[(a)]	6.250%	9,545,000.00	9,545,000.00	2018	100
2029[(a)]	6.250%	10,140,000.00	10,140,000.00	2018	100
2030[(b)]	6.125%	9,755,000.00	9,755,000.00	2018	100
2031[(b)]	6.125%	10,350,000.00	10,350,000.00	2018	100
2032[(b)]	6.125%	15,040,000.00	15,040,000.00	2018	100
2033[(b)]	6.125%	15,965,000.00	15,965,000.00	2018	100
2034[(c)]	5.625%	16,925,000.00	16,925,000.00	2018	100
2035[(c)]	5.625%	17,880,000.00	17,880,000.00	2018	100
2036[(c)]	5.625%	18,880,000.00	18,880,000.00	2018	100
2037[(c)]	5.625%	19,945,000.00	19,945,000.00	2018	100
2038[(c)]	5.625%	21,065,000.00	21,065,000.00	2018	100

[(a)] Part of a term bond maturing October 1, 2029.
[(b)] Part of a term bond maturing October 1, 2033.
[(c)] Part of a term bond maturing October 1, 2038.

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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, 2017 and 2016

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 Authority's Barbours Cut Container Terminal celebrated 40 years of operation during 2017. Redevelopment of the terminal's infrastructure continues in order to provide capacity for larger vessels and sustained growth in container volumes at the port.

Port of Houston Authority of Harris County, Texas

Comprehensive Annual Financial Report
For the Years Ended December 31, 2017 and 2016

Prepared By:
Office of the Controller
Port of Houston Authority

Port of Houston Authority of Harris County, Texas
Comprehensive Annual Financial Report
For the Years Ended December 31, 2017 and 2016

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

April 10, 2018

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, 2017. Dollar amounts within this letter of transmittal are rounded to the nearest million 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 our 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 a 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 620 active, regular employees as of December 31, 2017 and in addition, utilized 379 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 150 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 terms of 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 harbor fees and certain payments from private terminals located at the Bayport Industrial Complex.

Business of the Authority

The Authority continues to make improvements to the wharfs. These improvements include 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 Port's terminals are operated to achieve maximum utilization of the Authority's assets, both by direct operations or offering certain facilities for lease.

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.

Container cargo is handled by the Authority at the Barbours Cut Container Terminal ("BCT") and Bayport Container Terminal ("Bayport"). Today, these terminals combined have 23 operating wharf cranes, 80 yard cranes and additional heavy-duty tractors and other cargo handling equipment. The Authority handles approximately two-thirds of all the containerized cargo in the U.S. Gulf of Mexico through these container terminals.

The Authority owns over 3,400 acres of undeveloped properties and manages approximately 3,548 acres of developed properties. The Authority's revenues derive in large part from operations of the container terminals. However, its other assets are a source of revenues as well, including those leased or rented to third parties who independently maintain and operate facilities within the leased premises.

The Manchester Terminal, considered part of the Turning Basin Terminal, is a liquid bulk complex on 16 acres under lease to Valero Refining Texas, L.P., Contanda Terminals LLC, South Coast Terminals, Inc., and Huntsman International LLC.

Empty container storage yards at BCT are leased to Integrated Marine Services LLC while Terminal Link, LLC and Houston Terminal, LLC lease similar yards at Bayport. The Care Terminal is leased to Coastal Cargo of Texas, Inc. In 2016 Houston Fuel Oil Terminal Company elected to exercise its option for a 30-year lease on property next to the Care Terminal for construction and operation of a liquid bulk dock. The dock is nearing completion and expected to become operational in July 2018. The facilities at Jacintoport Terminal are leased to Jacintoport International, LLC, a subsidiary of Seaboard Corporation. The Bulk Materials Handling Plant is leased to Kinder Morgan Petcoke, L.P. The grain elevator at Woodhouse Terminal is currently leased to LD Commodities, LLC and the grain elevator at the Turning Basin Terminal is leased to the Hansen Mueller Company.

In June of 2014, the Authority and Enterprise Products Partners L.P. entered into a 30-year lease and announced that Enterprise intended to build the world's largest ethane export complex at the BCT Terminal adjacent to the container terminal operations. Enterprise successfully reconstructed Wharf 7 and Wharf 8 which became operational in November 2015 and December 2016 respectively.

In 2016, the Authority signed a 50-year lease with Agro Merchants LLC for a 217,000 square foot cold storage warehouse at Bayport Industrial Park 1. The facility is intended to be used primarily for import and export of chilled and frozen meat, poultry, seafood, fruits and vegetables. The Authority also signed a 50-year lease with Ridge Development for a 450,000 square foot warehouse at the Bayport Industrial Park 1. The facility is intended to be used for packaging and shipping resin and exports to various regions in the world. Both projects are in the feasibility phase and lease commitments are subject to the commencement of construction.

In October 2016, the Authority executed a 50-year lease with LBC Houston, L.P. for 16.3 acres adjoining the north side of the Bayport channel. The property is subleased to Seabrook Logistics LLC, a joint venture between LBC Houston L.P. and Magellan Midstream Partners L.P., which was formed to construct and operate a liquid bulk dock to handle crude oil and condensate.

In 2015, the Authority entered into a lease with Frontier Logistics, LP for an initial term of 29 years and four months, and four extension options of five years each, for approximately 55 acres at the Authority's North L Street property that is being developed into a rail-served warehouse and resin packaging facility at the Barbours Cut Container Terminal. The property received its benchmark plat approval from the City of La Porte, Texas and commenced clearing of the property in 2016. In February of 2018, the project will receive its full non-objection letter from the Authority to commence construction. The project is scheduled for completion in early 2019.

In April 2016, the Authority entered into a Memorandum of Understanding ("MOU") with Galveston County, Texas to explore development of a new vehicular bridge and potential freight rail bridge connecting Pelican Island and Galveston Island, for the benefit of landowners, academic interests and commercial stakeholders. The MOU recognizes that the most feasible alignment for the bridge may be located on the Authority's 1,112-acre Pelican Island property, and certain rights-of-way on that property may be required for connectivity to Seawolf Parkway and the existing road system. A significant amount of construction funds have been secured by Galveston County from the Texas Department of Transportation clearing the way for construction of the bridge.

In October 2017, the Authority executed a 50-year lease agreement with Contanda Wah Chang Terminals LLC for approximately 386 acres at the Authority's Bulk Materials Handling Plant and Wah Chang Properties. The lease contains a multi-year feasibility and construction period for development of a chemical and petrochemical storage and export facility.

Sections of the wharves at BCT, Care Terminal, Jacintoport Terminal, Bulk Materials Handling Plant, Sims Bayou, Turning Basin Terminal and Woodhouse Terminals are subject to preferential, but not exclusive berthing arrangements.

The Authority also leases land, 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, as well as approximately 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 and the Authority serving the Port of Houston.

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 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, 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 cost of which has been reduced by 30-60% over the past five years.

In 2016, the Authority completed deepening of the Bayport and Barbours Cut ship channels and berths without federal funds. This work accelerated the availability of the channels to receive the deeper draft and larger vessels that are necessary to maintain competitiveness in shipping. Soon after completion, the channel improvements were accepted by the federal government and the Corps resumed maintenance at full federal cost. The completed assumption of maintenance will relieve the Authority of millions of dollars associated with annual channel maintenance dredging costs. Annualized national economic development benefits for the channel improvements completed by the Authority were estimated by the Corps to be over $32 million.

2018 will mark the midpoint of the four-year cost-shared federal study which is considering the feasibility of further improvements to the Houston Ship channel and its tributaries. 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 up through the Turning Basin Terminal. 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 Port Authority’s 50% cost share of the study is approximately $5 million.

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

The U.S. economy experienced solid growth in 2017. According to an initial estimate released by the U.S. Department of Commerce, Bureau of Economic Analysis, real gross domestic product ("GDP") grew 2.5% in 2017 (measured from the fourth quarter of the prior year) compared to 1.8% in 2016, and modestly above the 2.2% average pace since the end of the Great Recession. Real GDP in the fourth quarter of 2017 reflected positive contributions from personal consumption expenditures, residential and nonresidential fixed investment, exports and state, local and federal government spending that were partly offset by negative contributions from private inventory investment. Imports, a subtraction in the calculation of GDP, increased.

On December 13, 2017, the Federal Reserve ("Fed") raised the federal funds rate by a quarter point, to a target range of 1.25% to 1.50%. Additional rate hikes are expected, with the overnight rates projected at 2.10% this year and 2.70% by 2019. With higher global economic growth and the Fed tightening, U.S. short-term yields rose sharply. The two-year Treasury note closed the year at 1.88%, a 79-basis point advance on the year, and reached as high as 2.16% in early February 2018.

On December 22, 2017, after much wrangling in Congress, President Donald J. Trump signed the Tax Cuts and Jobs Act into law. Prominent among the features of this legislation is the reduction of the corporate tax rate from a maximum rate of 35% to a flat rate of 21%. For individuals, the top tax rate was reduced from 39.6% to 37%, although this reduction is temporary and currently expires at the end of 2025. Changes in certain deductions available under current law may potentially offset this benefit to taxpayers, including the reduction of the mortgage interest deduction from $1 million to $750,000 for married filers, and the new $10,000 cap for deduction of state and local taxes.

The Consumer Price Index ("CPI") for all items increased 2.1% in 2017. The holiday shopping season was reportedly the best since 2010, although retail sales data since December 2017 appear to show some weakness in consumer spending. Rising energy prices contributed significantly to gains in inflation, with West Texas Intermediate ("WTI") crude oil prices increasing 12% to close the year at $60.42 per barrel. The stock markets continued to rally in 2017, with the Dow Jones Industrial Average reaching 24,719 at year-end, an increase of 25.1%. Equity markets have been very volatile in early 2018. Unemployment held steady at a 17-year low of 4.1% in December 2017.

The U.S. economic outlook for 2018 appears stronger with projected real GDP growth of 2.8%, on an annual-average over annual-average basis, according to the Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters released in February 2018. The GDP growth estimates for 2019, 2020 and 2021 are also positive at 2.5%, 2.0% and 1.7%, respectively. With regard to the labor market, forecasters predict that the unemployment rate will average 4.0% in 2018, before falling to 3.8% in 2019, 3.9% in 2020, and 4.0% in 2021. In addition, the forecasters point to a brighter outlook for job gains in the annual-average level of nonfarm payroll employment, with a monthly rate of 175,100 in 2018 and 150,300 in 2019.

According to the International Trade Report released by the U.S. Census Bureau and the U.S. Bureau of Economic Analysis in February 2018, Texas ranks as the top exporting state in the nation. With exports of over $264 billion, Texas accounted for 17% of U.S. goods exported in 2017. In the last five years, the greater Houston metropolitan area has been ranked as the first or second largest export market in the nation based on dollar value of goods and services. The top exporting industries are petroleum and mineral products, chemicals, computer and electronic products, non-electrical machinery, civilian aircraft, engines and other transportation equipment. A significant portion of this export commerce is accommodated through the Authority's terminals.

While the Texas energy industry has struggled in recent years, the Authority and the local region should continue to benefit from positive job growth in 2018 and rising demand for crude oil. According to a Bloomberg report, lifting the 40-year old ban on U.S. oil exports in 2015 and the explosive growth of shale production have changed the flow of petroleum around the world. Shipments from U.S. ports have increased from about 100,000 barrels a day in 2013 to over 1.5 million in 2017, traveling as far as China, the United Kingdom and even the Middle East. The United Arab Emirates may not be the most obvious customer for Texan oil, but it is interesting that a cargo of American condensate was shipped from the Port of Houston and arrived at the Port of Ruwais in Abu Dhabi in January 2018. Such exports contribute to a positive balance of trade for the U.S. in this global economy.

Financial Planning

The Authority's mandate is to advance sustainable maritime trade and commerce, ensure navigable waterways, and promote job creation, economic development and opportunity for the local region, Texas and the nation. Transparency, fiscally sound and safe business practices, and prudent evaluation of risks and opportunities are necessary elements for achieving such goals. In addition, a strong focus on financial planning and liquidity management is considered essential, in light of extensive infrastructure investments expected to be required in the next number of years. Expense management and creating operating efficiencies also continue as major objectives for the Authority.

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 2018, the Authority has budgeted operating revenues of $368 million. This represents an 18% increase over the 2017 budget of $312 million, reflecting growth in container volumes (especially export loads), and an increase in channel development revenues (primarily dredge management placement fees and leases of submerged lands). Non-operating revenues in 2018 reflect an expected decrease in federal grant reimbursements, and reduced interest income as cash balances continue to be expended for capital infrastructure projects. Total expenses are budgeted at $284 million, a 7% increase versus the prior year, due primarily to higher terminal operating and union labor resulting from increased volumes, as well as depreciation and amortization, asset maintenance, and general and administrative expenses. Excluding revenues and expenses related to property taxes, the Authority projects net income of $90 million for 2018, or 57% higher than the 2017 budget. The Authority also expects to generate cash flows of over $150 million per annum over the next several years.

During 2017, the Authority invested $165 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. The proceeds from tax bonds issued in prior years were fully spent by 2014.

Infrastructure improvements, including deepening and widening of the Houston Ship Channel, help ensure that the Authority and the private sector entities comprising the Port of Houston are better prepared to accommodate the larger vessels that carriers are building for their shipping fleets, as well as the increased cargo volumes resulting from future demographic growth in the region and other factors. Replacing aging facilities with more modern equipment and terminals also supports the Authority's goals to facilitate commerce, navigation, and safe waterways.

In 2018, the Authority expects to commit $275 million for various capital projects. Approximately $183 million will be allocated to its container terminals for continuing development of Bayport and modernization at BCT, while $14 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 area. The remaining 2018 capital budget funds will be used for railroad improvements, port security, building renovations and information technology.

Major Initiatives

Strategic Plan

The Strategic Plan, developed in 2015, is a 5 year roadmap designed to help the Authority realize its vision of becoming *America's Distribution Hub for the Next Generation*. Throughout 2017, the Authority's staff continued to execute strategic goals by investing in people and organizing for success, growing and diversifying the business base, providing and facilitating infrastructure to meet demand, and sustaining the business for the long term. These goals help focus resources, guide staff decision-making and planning, and promote continued successes that allow the Authority to maintain a sustainable competitive advantage.

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 increased service levels to carriers and customers, optimizing expansion and redevelopment activities, and investing in terminal infrastructure to meet demand.

Development at Bayport Terminal continued throughout 2017 with the Wharf 2 and Container Yard 6 South expansion projects. The Authority was awarded a $10 million Transportation Investment Generating Economic Recovery ("TIGER") grant by the U.S. Department of Transportation to be used toward the Wharf 2 expansion project. It will complete construction in January 2018 and provides a total of 4,000 feet of wharf area and creates the capacity for three additional Super Post Panamax ("SPP") Ship-To-Shore ("STS") cranes, increasing the terminal total to twelve. These STS cranes will be delivered in the third quarter of 2018. Construction of Container Yard 6, which includes 50 acres of grounded container marshaling area, continued throughout all of 2017. Container Yard 6 North was completed and turned over at the end of 2016 and Container yard 6 South will be complete in the first quarter of 2018.

Also currently under construction is a tenant-operated yard being built by the tenant Terminal Link Texas ("TLT"). When completed it will consist of 25 acres of empty container and freight handling areas. This is part of a long-term lease agreement with the tenant and is scheduled to complete construction in the third quarter of 2018.

Another project completed at Bayport in 2017 included the installation of an upgraded Gate Operating System ("GOS") to provide better connectivity and increased throughput in and out of the container terminal.

Redevelopment at Barbours Cut Terminal ("BCT") continues to progress as well. The Port Authority capped off the Wharf 2 reconstruction and rehabilitation project in 2017. The commissioning of the three new SPP STS cranes, built, delivered and commissioned by ZPMC North America Inc., is in its final stages and will be fully operational soon. These three cranes, similar to the configuration of the four already in operation at BCT, are a major component in the revitalization of the terminal and provide the capability to service growing vessel sizes. It brings the total SPP STS cranes to seven at BCT. In addition, to provide the necessary power to operate these next-generation cranes and growing STS fleet, an electrical substation was constructed on the west end of the terminal by CenterPoint Energy and is now operational.

A project to reconstruct 43 acres at the east end of BCT began in the second quarter of 2016 and the first phase was completed in October of 2017. The second and final phase of the project is scheduled for completion in the third quarter of 2018. The objective is to repurpose warehouse and freight handling areas for container stacking, rebuild aging infrastructure, and add truck bypass lanes to support higher cargo velocity within the terminal.

Proper phasing of the BCT redevelopment is critical to ensure the terminal maintains current operating capacity during construction activities. Utility and power upgrades are considered as key elements in modernizing this facility. During 2017, the BCT Master Plan began to undergo updates to ensure we are in line with future capacity needs and obligations. The updates continue and should be finalized in 2018.

In order to enhance the value of the Authority's general cargo operations, a number of projects are contemplated to restore aging infrastructure and facilitate incremental commerce at those terminals. Some obsolete assets at the Turning Basin and Woodhouse are being demolished for the purpose of redevelopment of prime waterfront property. Aging storm water drains on the south side of the Turning Basin have been repaired by widening a pass-through area. Several projects stem from ongoing dock assessments used to determine what repairs may be necessary, including a new fender system for City Dock 17 and the rehabilitation of City Dock 23. New cleats and bollards have been installed to improve the safety and security of the Turning Basin wharves.

Health, Safety, Security and Emergency Management

The Health, Safety, Security and Emergency Management Division (HSSE) continued to support operations under its divisional mission statement of "Safely Secure People and Commerce". In 2017, the Security Department led HSSE in obtaining full recertification to the ISO 28000 Supply Chain Security Standard, while adding Woodhouse Terminal to the certification. The Authority remains the only Port Authority in the United States to hold this certification.

Our Emergency Manager, was named the "Emergency Manager of the Year" by the Emergency Management Association of Texas, in part for his efforts during the multi-agency response to a downed Apache helicopter at the Bayport Terminal in January 2017. Our Safety team continued to lower the Lost Time Incident Frequency Rate, down from 1.11 to 0.97 in 2017, which is outstanding compared to an industry average of 3.5.

The Police and Fire Departments saved several lives and mitigated several potentially dangerous events. In August, Port Police observed a motorcycle stopped on the 610 Bridge and saw the motorcyclist climb over the rail, preparing to jump off the bridge. Assisted by other officers, he was able to prevent a potential suicide. The Fire Department fireboats responded to several shipboard fires along the ship channel in 2017, capably utilizing their state-of-the-art fireboats as one of the premier marine firefighting departments in the nation.

Hurricane Harvey was obviously a devastating blow to the Houston area. The entire HSSE staff responded, assisting with the safety and security of our terminals, while also assisting many others in the community. As a result, our facilities were relatively undamaged and we were ready to return to operations when the ship channel re-opened, receiving one of the first ships into port.

Environmental

The Environmental Affairs Division manages the Authority's environmental impacts 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. In 2016, as recipient of the Galveston Bay Foundation's Guardian of the Bay Award, the Authority was recognized as a maritime industry leader in environmental stewardship. In addition, the Authority became the world's first publicly-owned port to certify its EMS under the newest international standard, ISO 14001:2015, a rigorous standard that requires a culture of environmental awareness to succeed.

Tenants operating on Authority property were generally audited at least annually for compliance with the environmental terms of their leases. In 2017, the Authority conducted 52 compliance audits of tenant and PHA facilities. A total of 27 audit findings were identified. Tenant audit summaries were reported at the Tenant Audit Review Board ("TARB"), a collaborative process which included Authority staff members from the Environmental Affairs, Operations, Real Estate and Legal departments.

Technology

The Technology division, ("IT") operates with the divisional mission to "Be the Trusted Advisor for IT Goods and Services" and a principal responsibility to support port wide applications, infrastructure and information security. The IT Master Plan for 2017 – 2019 is the blueprint for the division as an internal service provider. The goals of the division are: (1) Be the Trusted Advisor for IT Goods and Services; (2) Recruit, Retain and Grow IT Staff Competencies; (3) Support Operations and the Revenue They Deliver; (4) Implement Information and Cybersecurity into Every Asset and Service. After receiving Port Security Grants for Cybersecurity and security camera replacements, multi-project programs are in flight. All efforts are completely 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 of America 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 2017 the Authority recognized $4.2 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: (1) the Government Auditing Standards (commonly referred to as the "*Yellow Book*") as promulgated by the Government Accountability Office; and (2) the International Standards for the Professional Practice of Internal Auditing as issued by the Institute of Internal Auditors (known as the "*Red Book*"). 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 of America. 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, 2017 and 2016 listed in the foregoing Table of Contents were audited by an independent audit firm appointed by the Port Commission. The audit opinions, rendered by Grant Thornton LLP for December 31, 2017 and 2016, are 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, 2016. This was the 43nd 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 and 2017. The GTOT certificate is valid for two years.

The Texas Comptroller of Public Accounts launched the Leadership Circle program in 2009 to encourage local governments to meet high standards for online financial transparency. The Authority is committed to such transparency, and earned Gold Leadership Circle Awards in 2012 and 2013, and Platinum Level Awards in 2014 and 2015. In 2016, the Comptroller’s office announced a new Transparency Stars program, recognizing local governments for going above and beyond in their transparency efforts to provide clear and meaningful financial information through summaries, visualizations, and downloadable data. The Authority was awarded two Transparency Stars in December 2016 in the areas of Traditional Finances and Debt Obligations, and a third Star in the area of Public Pensions in November 2017.

Acknowledgements

The preparation of this report could not have been accomplished without the professionalism and dedication demonstrated by the staff of the Authority's Finance Division and many other departments. 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

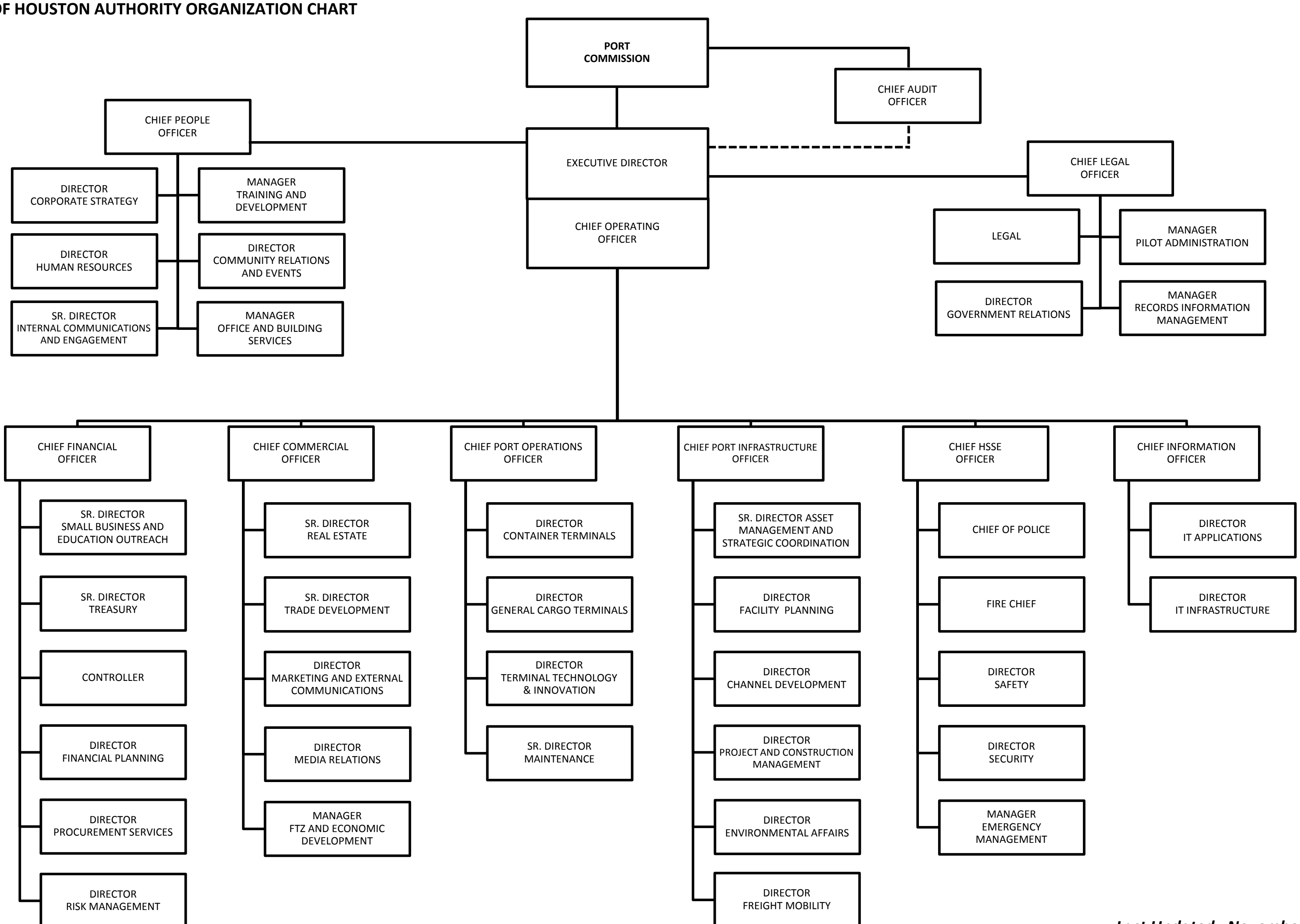
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morrill

Executive Director/CEO

PORT OF HOUSTON AUTHORITY ORGANIZATION CHART



Last Updated: November 13, 2017

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

Port Commission

Janiece Longoria, Chairman
John D. Kennedy, Commissioner
Dean E. Corgey, Commissioner
Clyde E. Fitzgerald, Commissioner
Theldon R. Branch III, Commissioner
Stephen H. DonCarlos, Commissioner
Roy D. Mease, 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
Ricky Kunz, Chief Commercial Officer
Jessica Shaver, Chief People Officer
Charles Thompson, Chief Information Officer
Marcus Woodring, Chief Health, Safety, Security
and Emergency Operations Officer
Maxine N. Buckles, Chief Audit Officer
Curtis E. Duncan, Controller
Orlando Sanchez, County Treasurer

FINANCIAL SECTION

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Grant Thornton LLP
700 Milam Street
Suite 300
Houston, TX 77002

T 832-476-3600
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To the Port Commission
Port of Houston Authority of Harris County, Texas

Report on the financial statements

We have audited the accompanying statements of net position and the related statements of revenues, expenses, and changes in net position, and cash flows, of the Port of Houston Authority of Harris County, Texas (the "Authority") as of and for the years ended December 31, 2017 and 2016, 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 audit 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 Authority as of December 31, 2017 and 2016, and the changes in financial position and cash flows thereof 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 Changes in Net OPEB Liability and Related Ratios, OPEB Plan Schedule of Actuarially Determined Contributions, OPEB Plan Schedule of Money Weighted Rate of Return, OPEB Trust Schedule of Funding Progress, and OPEB Trust Schedule of Employer 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.

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 10, 2018, 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

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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 10, 2018

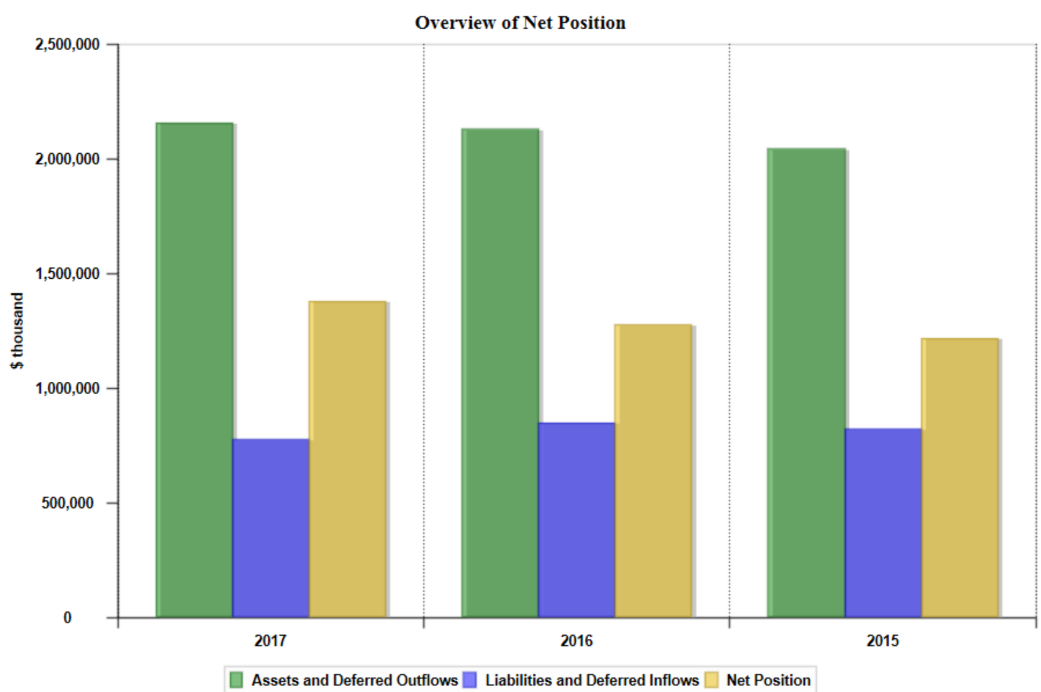
PORT OF HOUSTON AUTHORITY
PHA
HOUSTON, TEXAS

Port of Houston Authority of Harris County, Texas
Management's Discussion and Analysis
For the Years Ended December 31, 2017 and 2016
(unaudited)

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, 2017 and 2016.

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 2017

- The net position of the Authority at December 31, 2017 was $1,380,327, increasing $103,082 or 8% over the prior year.
- The Authority's total assets and deferred outflows increased by $29,167 or 1% during the fiscal year ended December 31, 2017. The majority of this change stems from a decrease in cash and investments of $45,464, offset by an increase in capital assets of $81,547.
- The Authority's total liabilities and deferred inflows decreased by $73,915 or 9%; the majority of this change stems from a decrease of $17,672 in accounts payable and other current liabilities, a decrease in other noncurrent liabilities due in more than one year of $26,583 and a decrease in long-term debt, net of current maturities of $24,005.
- Current assets exceeded current liabilities by $318,346.
- Net investment in capital assets (net of accumulated depreciation and debt) grew 11% to $1,023,578.
- Operating revenues were $332,873, reflecting growth of 15% over the prior year.
- Total operating expenses were $261,076, a decrease of 2% over the prior year.
- The Authority generated operating income of $71,797, reflecting growth of 186% from fiscal 2016.

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 (74%) 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 (23%) 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)

	2017	2016	2015
Assets			
Current and other assets	$ 446,776	$ 494,692	$ 518,278
Capital assets	1,693,043	1,611,496	1,505,636
Total Assets	2,139,819	2,106,188	2,023,914
Deferred Outflows of Resources	17,438	21,902	18,266
Total Assets and Deferred Outflows of Resources	2,157,257	2,128,090	2,042,180
Liabilities			
Long-term liabilities (including current portion)	715,730	768,733	773,991
Other liabilities	60,197	78,693	44,605
Total Liabilities	775,927	847,426	818,596
Deferred Inflows of Resources	1,003	3,419	4,234
Total Liabilities and Deferred Inflows of Resources	776,930	850,845	822,830
Net Position			
Net investment in capital assets	1,023,578	919,177	794,075
Restricted	45,622	45,705	41,853
Unrestricted	311,127	312,363	383,422
Total Net Position	$ 1,380,327	$ 1,277,245	$ 1,219,350

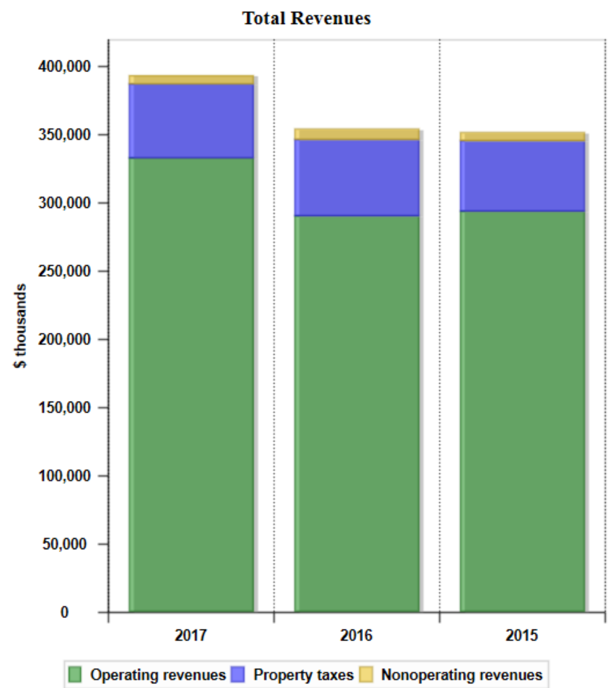
The Authority's net position increased by $103,082 during the fiscal year ended December 31, 2017. Net investment in capital assets increased $104,401 resulting from a net increase in capital assets of $81,547 and a decrease in outstanding bonds payable of $23,225. During fiscal year 2017, restricted net position decreased $83 while unrestricted net position decreased $1,236.

The Authority's net position increased by $57,895 during the fiscal year ended December 31, 2016. Net investment in capital assets increased $125,102 resulting from a net increase in capital assets of $105,860 and a decrease in outstanding bonds payable of $20,509. During fiscal year 2016, restricted net position increased $3,852, while unrestricted net position decreased $71,059.

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)

	2017	2016	2015
Operating revenues:			
Vessel and cargo services	$ 309,058	$ 266,703	$ 267,277
Rental of equipment and facilities	15,976	15,869	17,120
Grain elevator	902	1,199	1,567
Bulk materials	4,004	3,941	4,019
Other	2,933	2,514	3,753
Nonoperating revenues:			
Investment income	4,553	4,896	4,142
Contribution in aid of construction	-	-	610
Other	1,703	2,690	1,279
Nonoperating revenues related to property taxes:			
Property taxes	53,842	55,749	51,280
Investment income on bond proceeds	264	119	120
Total Revenues	393,235	353,680	351,167
Operating expenses:			
Maintenance and operations of facilities	152,166	141,102	123,433
General and administrative	42,423	44,286	42,297
Depreciation and amortization	66,487	64,601	60,198
Impairment of Capital Assets	-	15,114	-
Nonoperating expenses:			
Contributions to state and local agencies	4,243	2,127	2,147
(Gain) \ Loss on disposal of assets	33	(2,976)	2,849
Other	2,187	1,033	338
Nonoperating expenses related to property taxes:			
Interest expense on unlimited tax bonds	30,010	31,548	33,114
Property tax collection expense	1,100	1,100	1,039
Other	400	303	455
Total Expenses	299,049	298,238	265,870
Income before capital contributions	94,186	55,442	85,297
Capital contributions from federal agencies	8,896	2,453	116
Changes in net position	103,082	57,895	85,413
Net position, January 1	1,277,245	1,219,350	1,133,937
Net position, December 31	$ 1,380,327	$ 1,277,245	$ 1,219,350



In 2017, Operating revenues increased $42,647 or 15% to $332,873 due primarily to an increase in Vessel and cargo services revenue. The Authority's container facilities' volume increased to 2.5 million twenty-foot equivalent units ("TEUs") for the year, an increase of 13% from 2016, while total Authority tonnage declined 2% to 44.3 million tons in 2017. Other operating revenues increased $419 or 17% primarily from growth in dredge material placement fees.

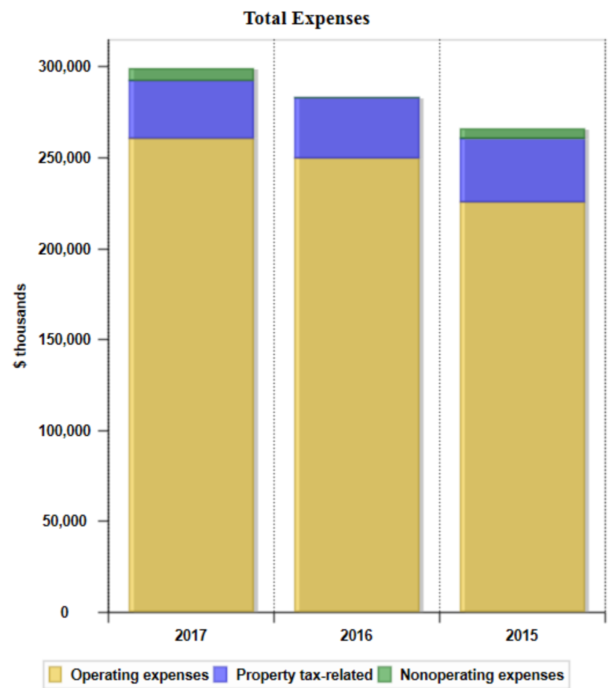
Nonoperating revenues related to property taxes in fiscal 2017 decreased $1,762 due to the decreased property tax rate from $0.01334 in 2016 to $0.01256 in 2017 per $100 assessed valuation.

Nonoperating revenues in 2017 decreased $1,330 due primarily to lower Port Terminal Railroad Association loaded rail car fees versus 2016.

In 2016, Operating revenues decreased $3,510 or 1% to $290,226 due primarily to a continued slowdown in steel imports and related cargo activities. The Authority's container facilities' volume increased to 2.2 million TEUs for the year, an increase of 2% from 2015, while total Authority tonnage declined 2% to 44.8 million tons in 2016, as steel imports continued to drop as a result of slowdowns tied to depressed oil prices. Other operating revenues decreased $1,239 or 33% driven mainly by a decrease in Dredge Material Area (DMA) fees related to the conclusion of placement contracts.

Nonoperating revenues related to property taxes in fiscal 2016 increased $4,468 due to an increase in property valuations, though tax rates declined from $0.01342 in 2015 to $0.01334 in 2016 per $100 assessed valuation.

Nonoperating revenues in 2016 increased $1,555 due primarily to a rise in revenues from the Port Terminal Railroad Association for loaded rail car fees.



For fiscal 2017, Operating expenses decreased by $4,027 or 2%, primarily due to an impairment charge to the Cruise Terminal in 2016 of $15,114, offset by higher maintenance and operation of facilities expenses tied to growth in container volumes. General and administrative expenses decreased by $1,863 or 4% primarily due to investments in strategic planning and related initiatives in 2016 with lower comparable spend in 2017. Depreciation increased by $1,886 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 $1,441 over 2016.

Nonoperating expenses in 2017 increased $6,279 due primarily to gains recorded in 2016 on asset dispositions with no comparable gain in 2017.

For fiscal 2016, Operating expenses increased by $39,174 or 17%, largely driven by higher maintenance and operation of facilities expenses tied to growth in container volumes. An impairment charge associated with the Cruise Terminal resulted in an increase of $15,114. General and administrative expenses increased by $1,989 or 5% from 2015 relating primarily to investments in strategic planning and related initiatives. Depreciation increased by $4,403 or 7% due primarily to new assets at the container terminals.

Nonoperating expenses related to property taxes, reflecting predominantly interest expense on unlimited tax bonds, decreased $1,657 over 2015.

Nonoperating expenses in 2016 decreased $5,152 due primarily to gains recorded this year on asset dispositions.

Capital Assets

The Authority's investment in capital assets as of December 31, 2017 totaled $1,693,043 (net of accumulated depreciation), an increase of $81,547 or 5% over the prior year.

Major capital asset activity (before depreciation) during 2017 included the following:

- Land and channel improvements and land use rights increased by $62,159 primarily due to projects associated with deepening and widening of the Bayport ship channel.
- Improvements other than buildings increased $90,873 primarily due to Wharf 2 construction at Bayport and Wharf 2 construction at Barbours Cut.
- Buildings increased $784 due to construction of the Stevedore Support Building #2 at Barbours Cut.
- Machinery and equipment net increase totaled $4,875 in 2017. This increase primarily consisted of the purchase of cloud data storage, mobile command center and port vehicles.
- Intangible assets increased $339 due to the JD Edwards upgrade.
- Construction-in-progress decreased $12,620 in 2017 due to the completion of various projects.
- Accumulated depreciation net of retirements increased by $64,863 in 2017.

The Authority's investment in capital assets as of December 31, 2016, was $1,611,496 (net of accumulated depreciation), an increase of $105,860 or 7% over the prior year.

Major capital asset activity (before depreciation) during 2016 included the following:

- Land and channel improvements and Land use rights increased by $10,085 primarily due to projects associated with deepening and widening of the Barbours Cut ship channel.
- Buildings increased $629 due to construction of the guardhouse at Industrial Park East.
- Improvements other than buildings increased $8,352 primarily due to repavement of Container Freight Station road at Bayport.
- Machinery and equipment net increase totaled $21,101 in 2016. This includes additions of $23,087, offset by $1,986 of retirements. The additions primarily consisted of the purchase of 9 RTG cranes for Bayport.
- No net capitalized interest was added to the cost of assets for 2016 as all construction funds were expended in 2014.
- Construction-in-progress increased $138,750 in 2016 due to various projects at Bayport and Barbours Cut.
- Accumulated depreciation net of retirements increased by $75,759 in 2016.

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

	2017	2016	2015
Land and channel improvements	$ 466,114	$ 404,711	$ 394,626
Land use rights - intangible	12,533	11,777	11,777
Buildings	71,931	76,089	87,138
Improvements other than buildings	711,001	656,115	689,570
Railroads	20,896	22,144	23,395
Machinery and equipment	196,233	212,935	211,643
Computer software - intangible	2,818	3,588	2,100
Construction-in-progress	211,517	224,137	85,387
Total Capital Assets, net	$ 1,693,043	$ 1,611,496	$ 1,505,636

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 2017, the Authority had total debt outstanding of $673,898 (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 2016, the Authority had total debt outstanding of $697,123 (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)

	2017	2016	2015
General Obligation Bonds			
Unlimited Tax Port Improvement Bonds	$ 89,960	$ 90,084	$ 90,202
Unlimited Tax Refunding Bonds	583,938	607,039	627,430
Total General Obligation Bonds	673,898	697,123	717,632
Less Current Maturities	(19,945)	(19,165)	(16,275)
Long-Term Debt (net of unamortized premiums/discounts)	$ 653,953	$ 677,958	$ 701,357

During 2017, the Authority issued no new debt. The Authority's total debt principal outstanding decreased $19,165 during 2017 due to the scheduled debt service payment. Interest expense for 2017 on the unlimited tax bonds decreased by $1,538.

During 2016, the Authority issued no new debt. The Authority's total debt principal outstanding decreased $16,275 during 2016 due to the scheduled debt service payment. Interest expense for 2016 on the unlimited tax bonds decreased by $1,566.

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

Year	Fitch	Moody's	S & P
2017	AA	Aaa	AAA
2016	AAA	Aaa	AAA

In September 2015, the Authority executed a $300 million note purchase program with a group of banks in order to provide the capability for the Port Commission to continue to award capital projects, as unencumbered operating cash flows were projected to be depleted in fiscal 2016. This form of financing is not considered a long-term solution as any funds actually drawn must be repaid by September 2018, but is an interim measure while decisions are being made regarding financing alternatives. No encumbrances or draw-downs against the program have occurred as of December 31, 2017.

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 2018 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, 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.

Acknowledging that global economic activity continues to firm up, the latest IMF estimates show global growth forecasts for 2018 and 2019 revised upward to 3.9%. The revision reflects the expected impact of the recently approved U.S. tax policy changes, with U.S. GDP growth of 2.7% and 2.5% expected in 2018 and 2019, respectively. According to the Bureau of Labor Statistics, the consumer price index ("CPI") increased 2.1% in 2017 on an unadjusted basis, the same increase as in 2016, but larger than the average annual increase of 1.6% over the last 10 years. Inflation is expected to increase to 2.5% by the fourth quarter of 2018 according to Trading Economics, a global economics research firm.

The Texas economy continues its broad expansion, benefiting from oil prices above $60 per barrel, rising exports, and business optimism due to the impact of federal tax reform. On the other hand, uncertainty regarding the North American Free Trade Agreement renegotiations, a tight labor market, mounting price pressures and the recently announced tariffs on steel and aluminum imports may serve to dampen economic growth. Texas added jobs at a 2.4% rate in 2017, ranking fourth in the nation, after falling below the national average in 2015 and 2016 due to layoffs in the energy sector. Texas job growth during the fourth quarter of 2017 was especially robust and far reaching across all major metropolitan areas and industries. The Houston economy rebounded from Hurricane Harvey's decline in the third quarter, with the metropolitan area finishing the year with 1.4% job growth after two years of flat employment. The Federal Reserve Bank of Dallas forecasts 2018 employment growth in Texas of 2.8%.

The Authority's 2018 budget reflects expected growth of export loads at 15.5% and import loads at 3.0%, with a 5.8% increase in empty container volume. Steel tonnage is expected to increase modestly by 3.2% in 2018, while general cargo growth will be modest at under 1% after rising 8% in 2017.

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, 2017 and 2016
(in thousands)

	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	$ 75,522	$ 39,356
Short-term investments	228,527	290,711
Receivables (net of allowance for uncollectibles)	31,029	31,930
Restricted assets		
Cash and cash equivalents	19,576	16,149
Property tax receivables	40,295	47,216
Prepaid and other current assets	3,539	2,418
Total Current Assets	398,488	427,780
Noncurrent Assets		
Investments	37,850	60,723
Prepaid and other noncurrent assets	10,438	6,189
Capital Assets (net of accumulated depreciation)		
Land and channel improvements	466,114	404,711
Land use rights - intangible	12,533	11,777
Buildings	71,931	76,089
Improvements other than buildings	711,001	656,115
Railroads	20,896	22,144
Machinery and equipment	196,233	212,935
Computer software - intangible	2,818	3,588
Construction-in-progress	211,517	224,137
Total Capital Assets	1,693,043	1,611,496
Total Noncurrent Assets	1,741,331	1,678,408
Total Assets	2,139,819	2,106,188
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	12,341	16,500
Deferred loss on bond refunding	5,097	5,402
Total Deferred Outflows of Resources	17,438	21,902
Total Assets and Deferred Outflows of Resources	$ 2,157,257	$ 2,128,090

See accompanying notes to the financial statements.

Port of Houston Authority of Harris County, Texas

Statements of Net Position
As of December 31, 2017 and 2016
(in thousands)

	2017	2016
Liabilities		
Current Liabilities		
Accounts payable and other current liabilities	$ 44,590	$ 62,262
Fees received in advance and other reserves	7,345	7,937
Liabilities payable from restricted assets:		
Current maturities of long-term debt		
Unlimited tax bonds	19,945	19,165
Accrued interest payable		
Unlimited tax bonds	8,262	8,494
Total Current Liabilities Payable from Restricted Assets	28,207	27,659
Total Current Liabilities	80,142	97,858
Noncurrent Liabilities		
Long-term debt, net of current maturities	653,953	677,958
Net pension liability	10,277	13,472
Other noncurrent liabilities		
Due in more than one year	31,555	58,138
Total Noncurrent Liabilities	695,785	749,568
Total Liabilities	775,927	847,426
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	843	3,210
Deferred gain on bond refunding	160	209
Total Deferred Inflows of Resources	1,003	3,419
Total Liabilities and Deferred Inflows of Resources	776,930	850,845
Commitments and Contingencies	-	-
Net Position		
Net investment in capital assets	1,023,578	919,177
Restricted for:		
Debt Service	45,622	45,705
Unrestricted	311,127	312,363
Total Net Position	1,380,327	1,277,245
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 2,157,257	$ 2,128,090

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, 2017 and 2016
(in thousands)

	2017	2016
Operating revenues		
Vessel and cargo services	$ 309,058	$ 266,703
Rental of equipment and facilities	15,976	15,869
Grain elevator	902	1,199
Bulk materials	4,004	3,941
Other	2,933	2,514
Total operating revenues	332,873	290,226
Operating expenses		
Maintenance and operations of facilities	152,166	141,102
General and administrative	42,423	44,286
Depreciation and amortization	66,487	64,601
Impairment of Capital Assets	-	15,114
Total operating expenses	261,076	265,103
Operating income	71,797	25,123
Nonoperating revenues (expenses)		
Investment income	4,553	4,896
Contributions to state and local agencies	(4,243)	(2,127)
Gain \ (Loss) on disposal of assets	(33)	2,976
Other, net	(484)	1,657
Total nonoperating revenues (expenses)	(207)	7,402
Income before nonoperating revenues (expenses) related to property taxes	71,590	32,525
Nonoperating revenues (expenses) related to property taxes		
Property taxes, net of estimated uncollectible amounts	53,842	55,749
Investment income on bond proceeds	264	119
Interest expense on unlimited tax bonds	(30,010)	(31,548)
Property tax collection expense	(1,100)	(1,100)
Other, net	(400)	(303)
Total nonoperating revenues related to property taxes	22,596	22,917
Income before capital contributions	94,186	55,442
Capital contributions from federal agencies	8,896	2,453
Change in net position	103,082	57,895
Net position, January 1	1,277,245	1,219,350
Net position, December 31	$ 1,380,327	$ 1,277,245

See accompanying notes to the financial statements.

PORT OF HOUSTON AUTHORITY

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HOUSTON, TEXAS

Port of Houston Authority of Harris County, Texas

Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016
in thousands

	2017	2016
Cash flows from operating activities:		
Cash received from customers	$ 331,485	$ 296,173
Cash paid to suppliers for goods and services	(106,349)	(44,512)
Cash paid to employees for services	(81,855)	(82,102)
Cash paid for employee benefits	(51,348)	(21,812)
Cash (paid) / received for other services	(4,229)	813
Cash (paid) / received for other purposes	(923)	6,888
Net cash provided by operating activities	86,781	155,448
Cash flows from noncapital financing activities:		
Property taxes received	60,611	53,165
Contributions paid to others	(4,243)	(2,127)
Property tax collection expenses paid	(1,475)	(1,995)
Other non operating revenue	475	-
Net cash provided by noncapital financing activities	55,368	49,043
Cash flows from capital and related financing activities		
Contributions received from federal agencies	7,948	927
Interim Financing Costs	(1,099)	(1,081)
Repayment of long-term debt and funding of escrow	(19,165)	(16,275)
Interest on long-term debt	(33,976)	(34,759)
Acquisition and construction of capital assets	(146,486)	(183,958)
Proceeds from retirement of assets	942	324
Net cash used in capital financing activities	(191,836)	(234,822)
Cash flows from investing activities:		
Purchase of investments	(244,294)	(389,036)
Proceeds from maturities of investments	329,073	400,195
Interest on investments	4,501	3,705
Net cash provided by investing activities	89,280	14,864
Net cash increase (decrease) in cash and cash equivalents	39,593	(15,467)
Cash and cash equivalents, January 1	55,505	70,972
Cash and cash equivalents, December 31	$ 95,098	$ 55,505
Cash and cash equivalents Unrestricted	$ 75,522	$ 39,356
Cash and cash equivalents Restricted	19,576	16,149

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, 2017 and 2016

in thousands

	2017	2016
Reconciliation of net income to net cash provided by operating activities:		
Operating Income	$ 71,797	$ 25,123
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	66,487	64,601
Impairment of capital assets	-	15,114
Gain on disposal of assets	-	2,976
Provision for doubtful accounts	946	139
Net Pension deferrals	389	(5,623)
Miscellaneous nonoperating income, net	-	3,625
Changes in assets and liabilities		
Decrease / (increase) in trade and other receivables	420	(786)
(Increase) / decrease in prepaids and other current assets	(752)	8
(Increase) / decrease in dredging expenses paid in advance	(4,614)	798
(Decrease) / increase in accounts payable and other liabilities	(39,889)	36,581
(Decrease) / increase in net pension liability and compensated absences	(7,144)	8,643
(Decrease) / increase in revenues received in advance	(859)	4,249
Net cash provided by operating activities	$ 86,781	$ 155,448
Noncash investing, capital and financing activities		
Increase in fair value of investments	$ 343	$ (615)
Capital contributions from federal agencies	1,329	1,547

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, 2017 and 2016
(in thousands)

	Defined Contribution 7/31/2017	Defined Contribution 7/31/2016	OPEB 12/31/2017	OPEB 12/31/2016
Assets				
Cash and cash equivalents	$ 44	$ 29	$ 1,196	$ 1,518
Investment Securities				
Domestic Equity	145	95	33,625	26,601
International Equity	23	12	3,441	2,394
Fixed Income	11	6	26,101	22,372
Balanced Funds*	1,426	821	-	-
Accrued investment income	-	-	216	181
Total Assets	1,649	963	64,579	53,066
Liabilities				
Administrative fees	-	-	7	17
Investment Expenses	-	-	39	57
Total Liabilities	-	-	46	74
Assets held in trust for pension / OPEB	$ 1,649	$ 963	$ 64,533	$ 52,992

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

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, 2017 and 2016
(in thousands)

	Defined Contribution 7/31/2017	Defined Contribution 7/31/2016	OPEB 12/31/2017	OPEB 12/31/2016
Additions:				
Employer contributions	$ 528	$ 444	$ 5,800	$ 5,300
Net investment income	158	31	7,923	6,758
Total additions	686	475	13,723	12,058
Deductions:				
Benefit payments and withdrawals	-	-	(2,175)	(2,378)
Administrative expenses	-	-	(7)	(17)
Total deductions	-	-	(2,182)	(2,395)
Net increase in net position	686	475	11,541	9,663
Assets held in trust for pension / OPEB, beginning of year	963	488	52,992	43,329
Assets held in trust for pension / OPEB, end of year	$ 1,649	$ 963	$ 64,533	$ 52,992

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 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 has 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.

Basis of Accounting

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

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of the Authority's financial statements, in conformity with accounting principles generally accepted in the United States of America, 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 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,*" are applicable to the Authority with regard to investments made in 2017 in two Texas local government investment pools. 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 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 three years. Amortization for 2017 and 2016 amounted to $1,258 and $1,270, 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 General Obligation Bonds outstanding. 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, 2017 and 2016 were $1,100 and $1,100,

(in thousands)

1. Summary of Significant Accounting Policies (continued)

Property Taxes (continued)

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, 2017 and 2016 were $0.01256 and $0.01334, respectively, per one hundred dollars of assessed valuation.

Restricted Assets

Assets whose use is 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 fair value on the date received. 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 2017 and 2016.

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 at 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 statement 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, pension contributions made after measurement date, deferred charges on actuarial losses and differences in projected and actual earnings on pension assets. Deferred inflows of resources include: deferred gains on bond refunding, the differences between expected and actual experience and the net difference between projected and actual earnings.

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 a use agreement with respect to 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

In June 2015, GASB issued Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*" This Statement is intended to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB

1. Summary of Significant Accounting Policies (continued)

Current Year Accounting Pronouncements (continued)

plans for making decisions and assessing accountability. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. The Authority implemented this standard in 2017. See Note 9.

In March 2016, GASB issued Statement No. 81, *"Irrevocable Split-Interest Agreements."* This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged. The Authority has determined that the requirements of GASB 81 are not applicable to the Authority.

In March 2016, GASB issued Statement No. 82, *"Pension Issues – Amendment of GASB Statements No.67, No. 68, and No.73."* The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement also clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of

1. Summary of Significant Accounting Policies (continued)

Current Year Accounting Pronouncements (continued)

assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The Authority implemented this standard in 2017.

Future Accounting Pronouncements

In June 2015, GASB issued Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*." This Statement is intended to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The Authority anticipates implementation of this statement in fiscal year 2018.

In November 2016, GASB issued Statement No. 83, *"Certain Asset Retirement 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 recognize a liability based on the guidance in this Statement.

This Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. In addition, it requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. A government should remeasure an ARO only when the result of the evaluation indicates there is a significant change in the estimated outlays. The deferred outflows of resources should be reduced and recognized as outflows of resources (for example, as an expense) in a systematic and rational manner over the estimated useful life of the tangible capital asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The Authority anticipates implementation of this statement in fiscal year 2019.

In January 2017, GASB issued Statement No. 84, *"Fiduciary Activities."* The objective of this Statement is to improve guidance regarding the identification of

1. Summary of Significant Accounting Policies (continued)

Future Accounting Pronouncements (continued)

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.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The Authority anticipates implementation of this statement in fiscal year 2019.

In March 2017, GASB issued Statement No. 85, *"Omnibus2017."* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and "negative" goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest-earning

1. Summary of Significant Accounting Policies (continued)

Future Accounting Pronouncements (continued)

investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The Authority anticipates implementation of this statement in fiscal year 2018.

In May 2017, GASB issued Statement No. 86, *"Certain Debt Extinguishment Issues."* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The Authority anticipates implementation of this statement in fiscal year 2018.

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

1. Summary of Significant Accounting Policies (continued)

Future Accounting Pronouncements (continued)

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 requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Authority anticipates implementation of this statement in fiscal year 2020.

2. Cash and Investments

The Authority's cash and cash equivalents of $95,098 and $55,505 as of December 31, 2017 and 2016, respectively, are maintained in demand deposit accounts, local government investment pools and money market mutual funds. 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. The mutual funds are invested primarily in direct obligations of the U.S. government or its agencies, and are managed by major fund managers.

In 2017, the Authority made investments in the Local Government Investment Cooperative ("LOGIC") 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 two pools specify that they will seek to maintain (i) a stable net asset value of $1.00 per unit to preserve the principal of all participants, (ii) a credit rating no lower than "AAA" or its equivalent by at least one nationally recognized rating service, and (iii) a dollar weighted average maturity of 60 days or less. As they offer daily liquidity similar to money market mutual funds, both 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. It should be noted, however, that for financial reporting purposes, LOGIC has elected to measure its investments at fair value, even though it may meet all criteria under GASB Statement No. 79, *"Certain External Investment*

2. Cash and Investments (continued)

Pools and Pool Participants" ("GASB 79"), to report at amortized cost. This is an accounting election and LOGIC has been using fair value reporting for financial statement presentation since its 2011 fiscal year annual audit.

The 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, 2017, the Authority had investments in LOGIC and TexPool Prime of $27,526 and $29,527, respectively.

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).

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

2. Cash and Investments (continued)

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, 2017 included the following securities which comprised more than 5% of the total portfolio (excluding cash and cash equivalents):

Commercial Paper:	
ING Funding	6%
J.P. Morgan Sec	15%
Landesbank Baden-Wurtt	9%
U.S. Agency Securities:	
Federal National Mortgage Association	13%
Municipal Bonds:	
City of Jersey City NJ GO	6%
Hudson Cty NJ Imprv Auth Rev	5%
Nassau Cty NY BANS	6%

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 is the risk that changes in interest rates will 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.

2. Cash and Investments (continued)

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. The maximum weighted average maturity of the overall portfolio shall not exceed two years. See the tables on the following page showing fair value and weighted average maturity of the Authority's investments for the fiscal years ended December 31, 2017 and 2016.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. As of December 31, 2017 and 2016, the Authority had no foreign currency risk as all of its investments were denominated in U.S. dollars.

The Authority has estimated the fair value of financial instruments in accordance with the guidance provided in GASB Statement No. 72. Significant financial instruments consist of cash and cash equivalents, and investment securities. The carrying amounts for cash and cash equivalents approximate fair value due to the short-term nature of these items.

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 follows, 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.

The tables on following page present information about the Authority's investments that are measured at fair value as of December 31, 2017 and 2016, and indicate the fair value hierarchy of the valuation techniques utilized to determine such fair value:

(in thousands)

2. Cash and Investments (continued)

Security Type	Level 1 12/31/17	Level 2 12/31/17	Level 3 12/31/17	Total
U.S. Agency Securities	$ -	$ 34,873	$ -	$ 34,873
Commercial Paper	-	95,598	-	95,598
Municipal Bonds	-	135,906	-	135,906
Total	$ -	$ 266,377	$ -	$ 266,377

Security Type	Level 1 12/31/16	Level 2 12/31/16	Level 3 12/31/16	Total
U.S. Agency Securities	$ -	$ 34,892	$ -	$ 34,892
Commercial Paper	-	200,255	-	200,255
Municipal Bonds	-	116,287	-	116,287
Total	$ -	$ 351,434	$ -	$ 351,434

(in thousands)

2. Cash and Investments (continued)

The following table details the U.S. Dollar holdings and their weighted average maturity as of December 31, 2017.

Security Type	Ratings	Fair Value	Weighted Average Maturity (In Years)
Agency Securities:			
FNMA NOTE	AA+/Aaa	$ 19,964	0.22
FNMA NOTE	AA+/Aaa	14,909	0.46
Total		34,873	
Commercial Paper:			
BNP Paribas NY	A-1/P-1	4,983	0.01
Credit Agricole	A-1/P-1	9,974	0.02
ING Funding	A-1/P-1	14,922	0.05
J.P. Morgan Sec	A-1/P-1	19,932	0.05
J.P. Morgan Sec	A-1/P-1	9,950	0.03
J.P. Morgan Sec	A-1/P-1	10,939	0.04
Landesbank Baden-Wurtt	P-1	24,898	0.07
Total		95,598	

(Continued on Next Page)

(in thousands)

2. Cash and Investments (continued)

Security Type	Ratings	Fair Value	Weighted Average Maturity (In Years)
Municipal Bonds:			
Borough of Lodi, NJ BANS	SP-1+	5,372	0.01
City of Dallas, TX GO	AA-/A1	1,227	0.00
City of Johnstown, NY BANS	SP-1+	6,753	0.03
City of Wausau, WI Rev	Aa3	3,655	0.11
City of Worcester, MA	MIG1	10,003	0.00
Cranford Township, NJ GO	MIG1	9,997	0.01
FL SBA Rev	AA/Aa3	9,978	0.11
Gloucester City, NJ GO	SP-1+	2,162	0.00
Gloucester City, NJ GO	SP-1+	2,742	0.00
Houston Cmty Clg, TX Rev	AA-/Aa2	1,296	0.00
Hudson Cty, NJ Imprv Auth Rev	SP-1+	4,240	0.01
Hudson Cty, NJ Imprv Auth Rev	SP-1+	8,004	0.03
Jersey City, NJ GO	SP-1+	6,959	0.02
City of Jersey City, NJ GO	SP-1+	9,737	0.07
Nassau Cty, NY BANS	SP-1/A2	14,950	0.10
Oklahoma Cty Fina Auth Ed Rev	A+	4,669	0.01
Oneida Cty, NY BANS	MIG1	7,747	0.02
Oneida Cty, NY GO	AA-/A1	746	0.01
Passaic Cty, NJ GO	SP-1+	10,010	0.07
Racine Cnty, WI	MIG1	7,970	0.17
State of CT GO	A+/A1	995	0.01
Town of W Bridgewater, MA	SP-1+	2,192	0.01
Village of Ocean Beach, NY	SP-1+	4,502	0.01
Total		135,906	
Total Investment Fair Value		$ 266,377	
Portfolio Weighted Average Maturity			0.61

The above calculation of weighted average maturity of the portfolio excludes cash and cash equivalents. As of December 31, 2017, the Authority's weighted average maturity of the overall portfolio as defined in the Investment Policy including cash and cash equivalents was 0.47 years.

(in thousands)

2. Cash and Investments (continued)

The following table details the U.S. Dollar holdings and their weighted average maturity as of December 31, 2016.

Security Type	Ratings	Fair Value	Weighted Average Maturity (In Years)
Agency Securities:			
FNMA NOTE	AA+/Aaa	$ 14,924	0.89
FNMA NOTE	AA+/Aaa	19,968	0.79
Total		34,892	
Commercial Paper:			
Abbey Nat'l Treas Srvc	A-1/P-1	19,927	0.04
Abbey Nat'l Treas Srvc	A-1/P-1	9,917	0.04
Bk of Tokyo Mitsubishi NY	A-1/P-1	9,981	0.01
Bk of Tokyo Mitsubishi NY	A-1/P-1	9,977	0.01
Bk of Tokyo Mitsubishi NY	A-1/P-1	19,944	0.03
Bk of Tokyo Mitsubishi NY	A-1/P-1	10,926	0.03
BNP Paribas NY	A-1/P-1	19,865	0.06
BNP Paribas Fortis SA/NY	A-1/P-1	14,945	0.03
Credit Agricole	A-1/P-1	9,988	0.01
J.P. Morgan Sec	A-1/P-1	14,965	0.02
Mitsubishi Intl Corp	A-1/P-1	19,992	0.01
Natixis NY	A-1/P-1	9,988	0.01
Natixis NY	A-1/P-1	24,874	0.06
Natixis NY	A-1/P-1	4,966	0.02
Total		200,255	

(Continued on Next Page)

(in thousands)

2. Cash and Investments (continued)

Security Type	Ratings	Fair Value	Weighted Average Maturity (In Years)
Municipal Bonds:			
Bergen County, NJ GO	MIG1	2,410	0.02
Township of Bloomfield, NJ GO	MIG1	1,073	0.01
Bloomfield NJ Pkg Auth Rev	MIG1	3,058	0.02
City of Carmel, IN Redev Auth	AA+	2,695	0.00
City of Carmel, IN Redev Auth	AA+	2,804	0.01
Clinton Cty NY BANS	MIG1	10,061	0.04
FL SBA Rev	AA/Aa3	10,069	0.22
Haverstraw Village, NY GO	MIG1	5,718	0.05
Houston TX Cmty Clg Rev	AA-/Aa2	1,301	0.01
Hudson Cty NJ Imprv Auth Rev	SP-1+	12,153	0.03
Hudson County NJ Improve Auth GO	SP-1+	10,025	0.07
IN Bond Bk Rev	AA+	4,455	0.00
City of Jersey City, NJ GO	SP-1+	10,054	0.08
Mount Holly Township NJ GO	SP-1+	6,030	0.05
N Orange Cty CA CC Dist	AA+/Aa1	4,248	0.02
OK Cty FIna Auth Ed Rev	A+	4,785	0.05
Cty of Oneida NY GO	SP-1+	1,912	0.01
Passaic Cty, NJ GO	SP-1+	10,042	0.08
St. Louis MO Spl Admin Sch Dist	AA+	2,014	0.00
San Bernardino CA Cmty Clg	AA-/Aa2	1,253	0.01
Worcester, MA BANS	MIG1	10,127	0.09
Total		116,287	
Total Fair Value		$ 351,434	
Portfolio Weighted Average Maturity			0.66

The above calculation of weighted average maturity of the portfolio excludes cash and cash equivalents. As of December 31, 2016, the Authority's weighted average maturity of the overall portfolio as defined in the Investment Policy including cash and cash equivalents is 0.58 years.

(in thousands)

3. Receivables

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

	2017	2016
Trade Receivables, Net		
Trade receivables	$ 30,346	$ 30,786
Damage claims receivable	294	337
Allowance for doubtful accounts	(2,407)	(1,542)
Total trade receivables, net	28,233	29,581
Other Receivables		
Interest receivable	1,399	804
Due from federal agencies	1,337	1,547
Other	60	(2)
Total other receivables	2,796	2,349
Total Receivables, Net	$ 31,029	$ 31,930

(in thousands)

4. Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Additions	Retirements / Transfers	Ending Balance
Capital assets not being depreciated				
Land other than channel	$ 104,335	$ 3,939	$ (7)	$ 108,267
Land use rights - intangible	11,777	756	-	12,533
Channel land	300,376	57,471	-	357,847
Construction-in-progress	224,137	163,874	(176,494)	211,517
Total capital assets not being depreciated	640,625	226,040	(176,501)	690,164
Capital assets being depreciated				
Buildings	170,619	784	-	171,403
Improvements other than buildings	1,134,692	90,873	-	1,225,565
Railroads	59,929	-	-	59,929
Machinery and equipment	434,409	4,930	(55)	439,284
Computer software - intangible	13,392	339	-	13,731
Total capital assets being depreciated	1,813,041	96,926	(55)	1,909,912
Less accumulated depreciation for				
Buildings	(94,530)	(4,942)	-	(99,472)
Improvements other than buildings	(478,577)	(35,987)	-	(514,564)
Railroads	(37,785)	(1,248)	-	(39,033)
Machinery and equipment	(221,474)	(21,594)	17	(243,051)
Computer software - intangible	(9,804)	(1,109)	-	(10,913)
Total accumulated depreciation	(842,170)	(64,880)	17	(907,033)
Total capital assets being depreciated, net	970,871	32,046	(38)	1,002,879
Total capital assets, net	$ 1,611,496	$ 258,086	$ (176,539)	$ 1,693,043

(in thousands)

4. Capital Assets (continued)

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Additions	Retirements / Transfers	Ending Balance
Capital assets not being depreciated				
Land other than channel	$ 99,521	$ 190	$ 4,624	$ 104,335
Land use rights - intangible	11,777	-	-	11,777
Channel land	295,105	5,271	-	300,376
Construction-in-progress	85,387	179,156	(40,406)	224,137
Total capital assets not being depreciated	491,790	184,617	(35,782)	640,625
Capital assets being depreciated				
Buildings	169,990	629	-	170,619
Improvements other than buildings	1,126,340	10,306	(1,954)	1,134,692
Railroads	59,929	-	-	59,929
Machinery and equipment	413,308	23,130	(2,029)	434,409
Computer software - intangible	10,690	2,702	-	13,392
Total capital assets being depreciated	1,780,257	36,767	(3,983)	1,813,041
Less accumulated depreciation for				
Buildings	(82,852)	(11,678)	-	(94,530)
Improvements other than buildings	(436,770)	(42,202)	395	(478,577)
Railroads	(36,534)	(1,251)	-	(37,785)
Machinery and equipment	(201,665)	(21,749)	1,940	(221,474)
Computer software - intangible	(8,590)	(1,214)	-	(9,804)
Total accumulated depreciation	(766,411)	(78,094)	2,335	(842,170)
Total capital assets being depreciated, net	1,013,846	(41,327)	(1,648)	970,871
Total capital assets, net	$ 1,505,636	$ 143,290	$ (37,430)	$ 1,611,496

4. Capital Assets (continued)

Pursuant to GASB Statement No. 42, *"Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,"* the Authority performed a review of significant capital assets to evaluate the existence of any impairment. One such asset was identified during the 2016 fiscal year. The service utility of the Cruise Terminal building located at Bayport was deemed impaired due to minimal interest from cruise lines as a destination stop. It was determined that securing any new cruise lines as customers was not feasible and the building should be repurposed. Based on application of Service Units method used in the event of changes in the manner or duration of use, the Authority determined that the revised carrying value of the asset was less than its current book value and therefore an impairment charge was necessary. The impairment loss of $15,114 was included in operating expenses in the Statements of Revenues, Expenses and Changes in Net Position in 2016.

(in thousands)

5. Operating Leases

The Authority leases office equipment 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, 2017 and 2016 were $334 and $298, respectively. As of December 31, 2017, future minimum rental obligations to be paid by the Authority under noncancelable operating leases are as follows:

Year Ending	Future Minimum Lease Payments
2018	$ 243
2019	225
2020	225
2021	225
2022	169
Total	$ 1,087

Additionally, the Authority leases certain assets to others. These leases pertain to land, buildings and improvements, and cargo handling equipment. As of December 31, 2017, 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
2018	$ 22,670
2019	21,233
2020	17,909
2021	15,974
2022	14,952
Thereafter	218,786
Total	$ 311,524

(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, 2017 and 2016.

Changes in Long-Term Liabilities - 2017

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds Payable					
Unlimited tax bonds	$ 657,994	$ -	$ (19,165)	$ 638,829	$ 19,945
Accreted interest on capital appreciation bonds	388	116	-	504	-
Less unamortized premiums / discounts, net	38,741	-	(4,176)	34,565	-
Total Bonds Payable	$ 697,123	$ 116	$ (23,341)	$ 673,898	$ 19,945
Net Pension Liability	$ 13,472	$ 10,285	$ (13,480)	$ 10,277	$ -
Other Noncurrent Liabilities					
Net OPEB obligation	$ 18,669	$ 1,633	$ (5,800)	$ 14,502	$ -
Compensated absences	6,242	4,664	(4,446)	6,460	-
Fees received in advance	5,659	1,013	(1,396)	5,276	1,015 *
Claims liability	4,307	1,725	(1,014)	5,018	-
Other liabilities	24,363	10,508	(33,557)	1,314	-
Total Other Noncurrent Liabilities	$ 59,240	$ 19,543	$ (46,213)	$ 32,570	$ 1,015

* 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.

The Authority had no long-term, capital leases outstanding during 2017 or 2016.

(in thousands)

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

Changes in Long-Term Liabilities - 2016

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	
Bonds Payable						
Unlimited tax bonds	$ 674,269	$ -	$ (16,275)	$ 657,994	$ 19,165	
Accreted interest on capital appreciation bonds	293	95	-	388	-	
Less unamortized premiums / discounts, net	43,070	-	(4,329)	38,741	-	
Total Bonds Payable	$ 717,632	$ 95	$ (20,604)	$ 697,123	$ 19,165	
Net Pension Liability	$ 5,061	$ 16,083	$ (7,672)	$ 13,472	$ -	
Other Noncurrent Liabilities						
Net OPEB obligation	$ 21,776	$ 2,193	$ (5,300)	$ 18,669	$ -	
Compensated absences	6,009	6,041	(5,808)	6,242	-	
Fees received in advance	5,706	1,826	(1,873)	5,659	1,102	*
Claims liability	3,836	1,533	(1,062)	4,307	-	
Other liabilities	15,635	8,728	-	24,363	-	
Total Other Noncurrent Liabilities	$ 52,962	$ 20,321	$ (14,043)	$ 59,240	$ 1,102	

* 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 2017	December 31 2016
General Obligation Bonds						
Unlimited Tax Refunding Bonds						
Series 2006A	$ 28,380	5.00	7/19/2006	2017	$ -	$ 2,545
Series 2006B	47,085	4.75-5.00	10/18/2006	2031	19,640	19,640
Series 2008A	234,630	5.625-6.25	7/24/2008	2038	182,045	182,045
Series 2010A	38,095	1.00-5.00	2/17/2010	2019	7,340	11,035
Series 2010B	22,930	1.00-5.00	2/17/2010	2026	11,965	13,345
Series 2010C	30,254	2.00-5.00	2/3/2010	2038	27,854	28,224
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	21,175	21,475
Series 2011A	47,345	1.00-5.00	10/20/2011	2026	32,035	34,805
Series 2015A	62,805	3.125-5.00	8/26/2015	2031	62,805	62,805
Series 2015B	25,905	5.00	8/26/2015	2023	15,295	21,210
Series 2015C	27,260	3.054-5.00	8/26/2015	2026	25,070	27,260
					553,164	572,329
Unamortized premiums / (discounts), net					30,270	34,322
Series 2010C and 2010E CAB Accretion, net					504	388
Unlimited Tax Refunding Bonds, net					583,938	607,039
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					4,295	4,419
Unlimited Tax Port Improvement Bonds, net					89,960	90,084
Total Debt					673,898	697,123
Less Current Maturities					(19,945)	(19,165)
Long - Term Debt (net of unamortized premiums / (discounts))					$ 653,953	$ 677,958

* 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, 2017 are as follows:

Year Ending December 31	Bond Principal General Obligation	Capital Appreciation Bond Accreted Interest	Bond Interest General Obligation	Total
2018	$ 19,945	$ -	$ 33,046	$ 52,991
2019	21,185	-	32,063	53,248
2020	21,735	-	31,015	52,750
2021	22,790	-	29,939	52,729
2022	23,260	-	28,811	52,071
2023-2027	115,840	-	127,920	243,760
2028-2032	150,125	4,855	94,126	249,106
2033-2037	185,129	13,121	51,294	249,544
2038-2039	78,820	-	5,700	84,520
	$ 638,829	$ 17,976	$ 433,914	$ 1,090,719

General Obligation Bonds

Although the Authority's cash flows from operations fully support day-to-day operating needs and a significant portion of its capital infrastructure investments, the Authority's operating revenues alone have not been considered by the Authority sufficient to sustain the pace of market driven port infrastructure required 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 a bond election for issuance of unlimited ad valorem tax General Obligation Bonds or unlimited ad valorem tax short-term commercial paper notes to supply the shortfall.

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, as well as 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, 2017, 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 2006B (AMT)	Refund a portion of the outstanding ad valorem tax commercial paper notes
Unlimited Tax Refunding Bonds, Series 2008A (AMT)	Refund all of the outstanding ad valorem tax commercial paper notes
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 a portion of the Unlimited Tax Refunding Bonds, Series 2006B (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.

Bond Restrictions

The bond resolutions require that during the period in which the bonds are outstanding, the Authority must create and maintain certain segregated accounts or

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

Bond Restrictions (continued)

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 September 2015, the Authority executed a three-year $300 million note purchase program with a group of banks in order to provide for liquidity and the capability for the Port Commission to continue to award capital projects, as unencumbered operating cash flows were projected to be depleted. This form of financing is not considered a long-term solution as any funds actually drawn must be repaid by September 2018, but is an interim measure while decisions are being made regarding financing alternatives. No encumbrances or draw-downs against the program have occurred as of December 31, 2017.

Arbitrage

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the U.S. Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The U.S. Treasury requires payment, if applicable, for each issue every five years. There was no arbitrage liability for tax-exempt debt subject to the Tax Reform Act through December 31, 2017 and 2016. 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. It is expected to fuel the economy in the near-term at an estimated cost of $1.5 trillion over 10 years. Interest rates on tax exempt bonds will also rise due to the decrease in the value of the tax-exemption.

It is too early to determine the full extent of how the income tax rate reductions will affect the public finance industry, but it is likely that interest rates on tax-exempt bonds will increase due to the decrease in the value of the tax-exemption. This is especially true with regard to corporate investors that are now subject to a much lower tax rate.

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

Impact of Tax Legislation (continued)

Fortunately for the Authority, 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. 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, despite being tax-exempt, 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, purchasers of PAB's generally demanded higher interest rates than they would for tax-exempt governmental bonds. With tax reform, 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 severely 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. The municipal bond market will likely develop alternative arrangements to simulate the economics of advance refundings, but they may not be as efficient for issuers.

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 the 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

7. Bayport Facilities (continued)

operators and the Authority, with such funds accumulated by the Authority in order to fund 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 ("ERISA"), and contributions are solely made by the Authority. The Port Commission ("Commission") maintains the authority to amend the Plan and Plan's investment policy. Compass Bank (the "Trustee") serves as trustee of the Plan. The Plan issues a stand-alone financial report that is available on the Authority's website (porthouston.com) 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 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.

(in thousands)

8. Retirement Plans (continued)

Defined Benefit Plan Description (continued)

At December 31, 2017, the following participants were covered under the Plan:

Retirees and beneficiaries receiving payments	530
Terminated vested participants not yet receiving benefits	191
Disabled participants	12
Active participants	370
Total	1,103

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 Commission at its discretion. This method and the actuarial assumptions have been designed to provide sufficient funds to pay benefits as they become payable under the Plan.

Net Pension Liability

The Authority's net pension liability was measured as of July 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability in the August 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Investment rate of return	6.75%

Mortality rates were based on the RP-2014 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per MP-2015.

The actuarial assumptions used in the July 31, 2017 valuation were based on the results of an actuarial experience study for the period August 1, 2009 – August 1, 2015.

(in thousands)

8. Retirement Plans (continued)

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, 2017 are summarized in the following table:

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 %
Developed Foreign Equity	7.5 %	8.5 %
Real Estate (REITs)	5.0 %	4.5 %
Masters Limited Partnerships	10.0 %	7.5 %
Long-term expected (weighted) rate of return:		5.10 %
Actuarial assumed long-term investment rate of return or discount rate:		6.75 %

*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 6.75 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 6.75 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Actuarial audit. Pursuant to the requirements of Chapter 802, Texas Government Code, the actuarial assumptions employed by the Authority's retained actuary are to be audited by a separate independent actuary once every five years. The Authority's actuarial assumptions as of August 1, 2017 were audited and determined to be reasonable.

(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, 2016	$ (176,783)	$ 163,311	$ (13,472)
Service cost	(3,198)	-	(3,198)
Interest on total pension liability	(12,251)	-	(12,251)
Effect of liability gains or losses	116	-	116
Effect of assumption changes or inputs	(5,012)	-	(5,012)
Benefit payments	9,858	(9,858)	-
Administrative expenses	-	(280)	(280)
Expected investment income, net of investment expenses	-	11,413	11,413
Investment gains or losses	-	2,807	2,807
Employer contributions	-	9,600	9,600
Balances as of December 31, 2017	$ (187,270)	$ 176,993	$ (10,277)

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 6.75 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 (5.75 percent) or 1-percentage point higher (7.75 percent) than the current rate:

	1% decrease 5.75%	Current discount rate 6.75%	1% increase 7.75%
Net pension liability (asset)	$ 32,683	$ 10,277	$ (8,548)

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.

(in thousands)

8. Retirement Plans (continued)

Pension Expense and Deferred Outflows / Inflows of Resources

For the year ended December 31, 2017 the Authority recognized pension expense of $8,197. At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows / Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 843
Changes of assumptions	6,734	-
Net difference between projected and actual earnings	3,507	-
Contributions made subsequent to measurement date	2,100	-
Total	$ 12,341	$ 843

The $2,100 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, 2017. 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	
2018	$ 3,881
2019	3,713
2020	2,365
2021	(561)
Total	$ 9,398

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.

(in thousands)

8. Retirement Plans (continued)

Defined Contribution Plan Description (continued)

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:

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 (5) 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 investment earnings and charged with withdrawals and 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, 2017	July 31, 2016
Total assets	$ 1,649	$ 963
Contributions during the year	528	444
Number of participants	320	264

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 ("OPEB Plan"). This is a single-employer irrevocable trust and the Port Commission is responsible for the administration of the Trust and for the investment of the Trust's assets. At December 31, 2017 and 2016, there were 334 and 322 retirees, respectively, who were eligible for these benefits. The Authority 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 periodic authorization 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 Obligation in the noncurrent liabilities 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 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 is valued at a flat $5, $10 or $15.

Effective January 1, 2010, new hires become 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 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.

9. Postemployment Retiree Benefits (continued)

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, 2017 and 2016, the cost of retiree health benefits, recorded on a pay-as-you-go basis was $2,037 and $2,239, respectively. Retiree life-benefit costs for 2017 and 2016 were $138 and $139, respectively.

In February 2015, the Authority established a new, stand-alone trust for the OPEB Plan with Compass Bank as trustee. All asset holdings previously held in a multiple-employer pooled account with PEB Trust of Texas were transferred into the new trust. In addition to the pay-as-you-go expenses referenced above for current benefits, the Authority has contributed $51,100 to the OPEB trust through December 31, 2017.

In July 2015, 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. For more information on the ARC, please refer to the section "Annual OPEB Cost and Net OPEB Obligation" below.

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.

Annual OPEB Cost and Net OPEB Obligation

The annual OPEB cost (expense) is calculated based on the annual contribution of the employer ("ARC") actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The table on the following page shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation.

(in thousands)

9. Postemployment Retiree Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

	2017	2016
Normal Cost at year end	$ 3,211	$ 3,102
Amortization of UAAL	2,191	2,696
Annual Required Contribution (ARC)	5,402	5,798
Determination of Net OPEB Obligation		
Annual Required Contribution	5,402	5,798
Interest on prior year Net OPEB Obligation	1,260	1,470
Adjustment to ARC	(1,374)	(1,603)
Annual OPEB Cost	5,288	5,665
Contributions made	(9,455)	(8,772)
Decrease in Net OPEB Obligation	(4,167)	(3,107)
Net OPEB Obligation - beginning of year	18,669	21,776
Net OPEB Obligation - end of year	$ 14,502	$ 18,669

The end of year net OPEB Obligation is included in other noncurrent liabilities on the Statements of Net Position.

The table below reflects the schedule of OPEB Funding Progress.

a) Actuarial Valuation Date	January 1, 2017	January 1, 2016	January 1, 2015
b) Actuarial Value of Assets	$ 53,066	$ 43,167	$ 36,560
c) Actuarial Accrued Liability (AAL)*	68,911	64,907	59,029
d) Unfunded Actuarial Accrued Liability (UAAL) (c-b)	15,845	21,740	22,469
e) Funded Ratio (b/c)	77.0 %	66.5 %	61.9 %
f) Annual Covered Payroll (Actuarial)	40,287	38,907	38,907
g) UAAL as a % of Covered Payroll (d/f)	39.3 %	55.9 %	57.8 %

*Actuarial valuations are performed every two years.

The following table shows the annual OPEB cost and net OPEB obligation.

Plan Year Ended	2017	2016	2015
Annual OPEB Cost	$ 5,288	$ 5,665	$ 5,390
Percentage of OPEB Cost Contributed	178.8 %	154.9 %	207.8 %
Net OPEB Obligation	$ 14,502	$ 18,669	$ 21,776

9. Postemployment Retiree Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. These determinations regarding the funded status of the plan are subject to continual revision as actual results are compared with past expectations and new estimates are made about future events. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

The actuarial cost method used to determine the OPEB obligation is computed using the Projected Unit Credit Actuarial Cost Method which consists of the following cost components:

1. The Normal Cost is the actuarial present value of benefits allocated to the valuation year.
2. The Actuarial Accrued Liability is the actuarial present value of benefits accrued as of the valuation date.
3. Valuation Assets are equal to the market value of assets as of the valuation date, if any.
4. Unfunded Actuarial Accrued Liability is the difference between the actuarial accrued liability and the valuation assets. The UAAL is being amortized as a level dollar amount over the maximum of 30 years, as permissible under GASB 45.

Projections of benefits for financial reporting purposes are based on the plan as understood by the Authority and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Authority and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The actuarial valuation used a closed amortization period with an equivalent single amortization period of 20 years as of the latest measurement. Actuarial assumptions used included a discount rate of 6.75% compounded annually, inflation rate of 2.50%, investment return of 7.00%, mortality table, withdrawal rates, disability rates, retirement rates, participation, health care cost trend rates, marriage assumptions, annual retiree claim

(in thousands)

9. Postemployment Retiree Benefits (continued)

Actuarial Methods and Assumptions (continued)

costs, age slope, and retiree premiums.

The health care cost trend rates assume claim costs in future years equal the starting claim costs adjusted for the assumed ongoing cost trends. Such trends are based on the health care cost trend rate adjusted for the impact of plan design, cost containment features, and Medicare coordination. The health care cost trend rate used for the 2017 valuation was 8.1% trending down to 4.4% (pre-Medicare) and 7.6% trending down to 4.7% (post-Medicare) over 85 years.

GASB 74 Disclosure

The Authority implemented GASB 74, ***Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans***, in 2017 to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB). This disclosure includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans. Currently the Authority holds no positions in any single organization that represents 5% or more of the OPEB plan's fiduciary net position. At December 31, 2017, the following participants were covered under the plan:

Actives	524
Retired and disabled members	357
Covered spouses of retirees	199
	1,080

Annual Net OPEB Liability

The table on the following page shows the components of the Authority's total annual OPEB liability, fiduciary net position and net OPEB Liability.

(in thousands)

9. Postemployment Retiree Benefits (continued)

Annual Net OPEB Liability (continued)

	January 1, 2017	December 31, 2017
Total OPEB liability	$ 66,759	$ 70,779
Fiduciary net position	53,066	64,580
Net OPEB liability	13,693	6,199
Fiduciary net position as a % of total OPEB liability	79.49 %	91.24 %
Covered payroll	38,907	40,287
Net OPEB liability as a % of covered payroll	35.20 %	15.39 %

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. Any significant changes during this period must be reflected as prescribed by GASB 74.

Discount Rate

Discount rate	6.75 %	6.75 %
Long-term expected rate of return, net of investment expense	6.75 %	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, 2017, the annual money-weighted rate of return on the OPEB trust investments, net of investment expense, was 10.9%. 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 of GASB 74.

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

(in thousands)

9. Postemployment Retiree Benefits (continued)

Other Key Actuarial Assumptions

The actuarial assumptions that determined the total OPEB liability as of December 31, 2017 were based on the results of an actuarial experience study for the period July 1, 2007 - July 1, 2012.

Valuation date	January 1, 2017
Measurement date	December 31, 2017
Inflation	2.50%
Salary increases including inflation	Age based
Mortality	RP-2006 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per Scale MP-2016
Actuarial cost method	Entry Age Normal

The health care cost trend rate used for the 2017 valuation was 8.1% trending down to 4.4% (pre-Medicare) and 7.6% trending down to 4.7% (post-Medicare) over 85 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, 2017.

(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
Core Fixed Income	Barclays Aggregate	40.00 %	1.60 %	1.49 %
High Yield Bonds	Barclays High Yield	5.00 %	4.11 %	3.59 %
Large Cap US Equities	S&P 500	15.00 %	4.14 %	2.98 %
Mid Cap US Equities	Russell Microcaps	7.50 %	4.49 %	2.96 %
Small Cap US Equities	Russell 2000	10.00 %	5.18 %	3.29 %
Developed Foreign Equities	MSCI EAFE NR	7.50 %	4.96 %	3.38 %
Private Equity	Cambridge Associates	10.00 %	4.08 %	2.73 %
Real Estate (REITS)	FTSE NAREIT Equity REIT	5.00 %	4.73 %	3.00 %
Assumed Inflation - Mean			2.30 %	2.30 %
Assumed Inflation - Standard Deviation			1.85 %	1.85 %
Portfolio Real Mean Return			3.34 %	2.90 %
Portfolio Nominal Mean Return			5.65 %	5.26 %
Portfolio Standard Deviation			9.36 %	2.08 %
Long-Term Expected Rate of Return				**6.75 %**

Sensitivity Analysis

The following presents the net OPEB liability of the Authority, calculated using the discount rate of 6.75%, as well as what the Port of Houston's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate.

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net OPEB liability	$ 15,119	$ 6,199	$ (1,184)

(in thousands)

9. Postemployment Retiree Benefits (continued)

Sensitivity Analysis (continued)

The following presents the net OPEB liability of the Authority, calculated using the current healthcare cost trend rates as well as what the Port of Houston's net OPEB liability 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	$ (2,492)	$ 6,199	$ 16,944

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 and 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, 2017 and 2016 was $5,018 and $4,307, respectively.

Plan Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2016	$ 3,836	$ 1,533	$ (1,062)	$ 4,307
2017	$ 4,307	$ 1,725	$ (1,014)	$ 5,018

The Texas Tort Claims Act limits the liability of monetary damages for any single occurrence involving motor-driven vehicles or equipment. These limits cap the Authority's liability 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,

10. Risk Management (continued)

and loss costs. The liability is included in the other noncurrent liabilities of the Statements of Net Position.

Claims liability, if any, 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, 2017 and 2016, the Authority had commitments of approximately $23,587 and $44,342, 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.

Orion Construction, LP ("Orion") has asserted claims against the Authority stemming from downtime and delays Orion claims to have incurred in connection with its May 2014 contract for the improvement of the Barbours Cut Ship Channel and Bayport Ship Channel. As of February 2018, Orion has claimed damages in the amount of $28,212. The Authority does not intend to pay this amount and intends to vigorously contest Orion'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.

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. As of February 2018, TGS has claimed damages in the amount of $6,873. 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

11. Commitments and Contingencies (continued)

Litigation and Claims (continued)

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 2017, Harris County's gross tax and abated values were $418,283 and $42,707, respectively. Therefore, under agreements entered into by Harris County, the Authority's property tax revenues were reduced by $5.

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REQUIRED SUPPLEMENTARY INFORMATION

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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
Fiscal Year Ending July 31, 2017, 2016, 2015 and 2014
in thousands
(unaudited)

	July 31, 2017	July 31, 2016	July 31, 2015	July 31, 2014
Total Pension Liability:				
Service cost	$ 3,198	$ 3,229	$ 3,186	$ 3,425
Interest on total pension liability	12,251	11,883	10,940	10,724
Effect of economic/demographic gains/losses	(116)	(695)	(1,278)	-
Effects of assumption changes or inputs	5,012	-	9,569	-
Benefit payments	(9,858)	(9,552)	(9,590)	(9,509)
Net change in total pension liability	10,487	4,865	12,827	4,640
Total pension liability - beginning	176,783	171,918	159,091	154,451
Total pension liability - ending (a)	187,270	176,783	171,918	159,091
Fiduciary net position:				
Employer contributions	9,600	4,500	4,094	8,282
Investment income net of investment expenses	14,220	1,741	7,786	14,825
Benefit payments	(9,858)	(9,552)	(9,590)	(9,509)
Administrative expenses	(280)	(235)	(249)	(237)
Net change fiduciary net position	13,682	(3,546)	2,041	13,361
Fiduciary net position, beginning	163,311	166,857	164,816	151,455
Fiduciary net position, ending (b)	176,993	163,311	166,857	164,816
Net pension liability (asset), ending = (a) - (b)	$ 10,277	$ 13,472	$ 5,061	$ (5,725)
Fiduciary net position as a % of total pension liability	94.51 %	92.38 %	97.06 %	103.60 %
Covered Payroll	$ 30,210	$ 30,412	$ 31,377	$ 33,690
Net pension liability (asset) as a % of covered payroll	34.02 %	44.30 %	16.13 %	(16.99)%

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 10 Fiscal Years

in thousands

(unaudited)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	$ 5,153	$ 4,481	$ 4,094	$ 5,278	$ 9,870	$ 8,133	$ 10,809	$ 9,857	$ 7,357	$ 3,929
Contributions in relation to the actuarially determined contribution	9,600	4,500	4,094	8,282	9,870	8,133	10,809	9,857	7,357	3,929
Contribution deficiency (excess)	$ (4,447)	$ (19)	$ -	$ (3,004)	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 30,210	$ 30,412	$ 31,377	$ 33,690	$ 35,082	$ 35,571	$ 34,939	$ 32,695	$ 32,270	$ 28,621
Contributions as a percentage of covered payroll	31.78 %	14.80 %	13.05 %	24.58 %	28.14 %	22.86 %	30.94 %	30.15 %	22.80 %	13.73 %

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, 2017, resulting from a net pension liability of $10,277
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	6.75%
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-2014 Mortality for Employees, Healthy Annuitants and Disabled Annuitants with generational projection per MP–2015

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

Port of Houston Authority OPEB Trust
Schedule of Funding Progress
(in thousands)
(unaudited)

a) Actuarial Valuation Date	January 1 2017	January 1 2016	January 1 2015
b) Actuarial Value of Assets	$ 53,066	$ 43,167	$ 36,560
c) Actuarial Accrued Liability (AAL)	$ 68,911	$ 64,907	$ 59,029
d) Unfunded Actuarial Accrued Liability (UAAL) (c-b)	$ 15,845	$ 21,740	$ 22,469
e) Funded Ratio (b/c)	77.0 %	66.5 %	61.9 %
f) Annual Covered Payroll (Actuarial)	$ 40,287	$ 38,907	$ 38,907
g) UAAL as a % of Covered Payroll (d/f)	39.3 %	55.9 %	57.8 %

Port of Houston Authority OPEB Trust
Schedule of Employer Contributions
(in thousands)
(unaudited)

Plan Year Ended	2017	2016	2015
Annual Required Contribution (ARC)	$ 5,402	$ 5,798	$ 5,537
Percentage of ARC Contributed	175 %	151 %	202 %

Port of Houston Authority OPEB Trust
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%

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 OPEB Plan
Schedule of Changes in Net OPEB Liability and Related Ratios
Fiscal Year Ending December 31, 2017
in thousands
(unaudited)

	2017
Total OPEB Liability	
Service cost	$ 3,081
Interest on total OPEB liability	4,593
Benefit payments	(3,654)
Net change in total OPEB liability	4,020
Total OPEB liability - beginning	66,759
Total OPEB liability - ending (a)	70,779
Fiduciary Net Position	
Employer contributions	9,454
Net investment income	5,714
Benefit payments	(3,654)
Net change in plan fiduciary net position	11,514
Fiduciary net position - beginning	53,066
Fiduciary net position - ending (b)	64,580
Net OPEB liability - ending (a) - (b)	$ 6,199
Fiduciary net position as a % of total OPEB liability	91.24 %
Covered payroll	$ 40,287
Net OPEB liability as a % of covered payroll	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.

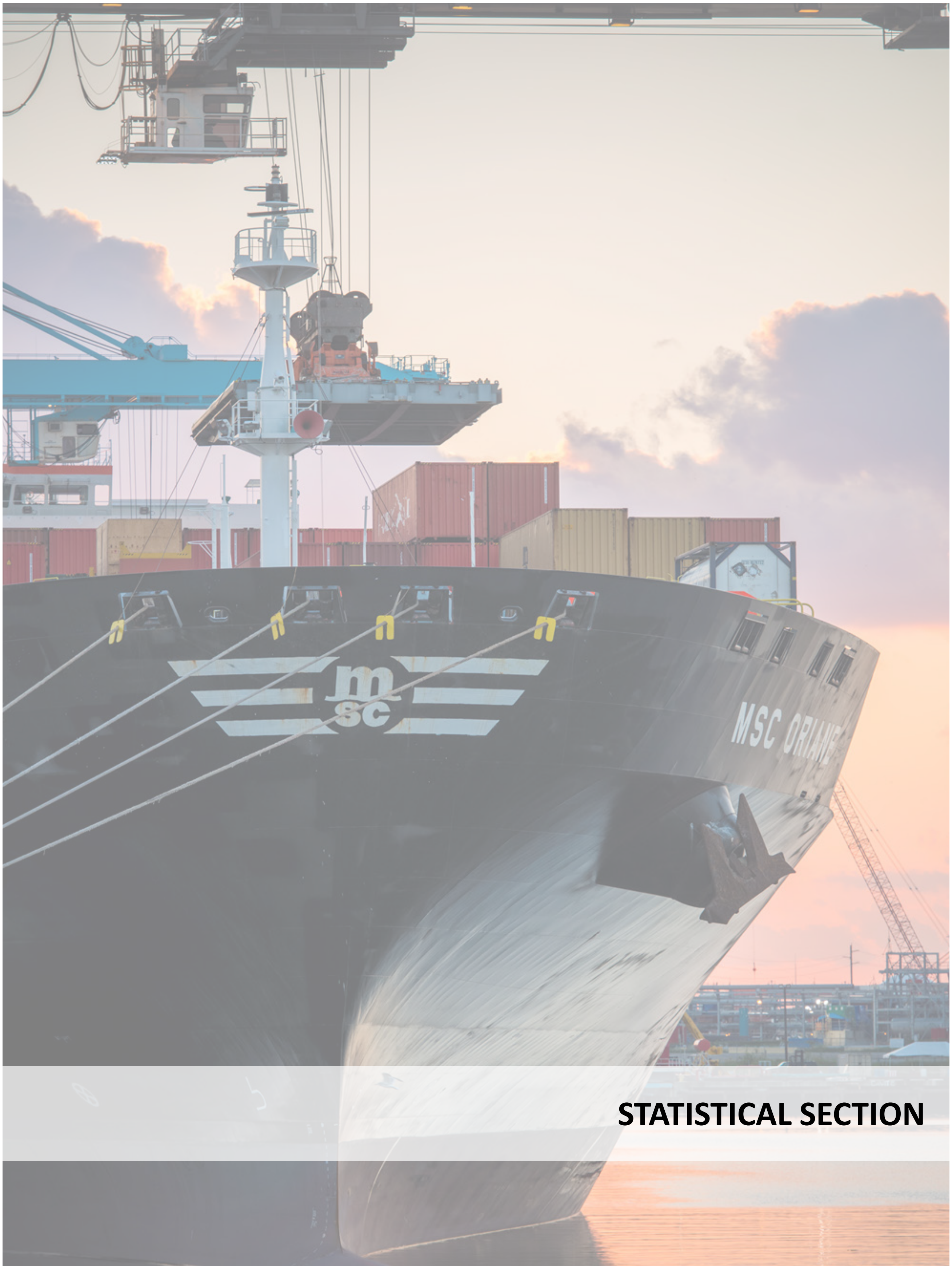
Port of Houston Authority of Harris County, Texas
Required Supplementary Information

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	$ 5,217	$ 5,798	$ 5,537	$ 6,568	$ 6,909	$ 7,913	$ 8,115	$ 14,580	$ 14,580	$ 12,290
Contributions in relation to the actuarially determined contribution	9,454	8,772	11,203	11,363	11,226	10,776	10,536	2,897	2,373	2,784
Contribution deficiency (excess)	$ (4,237)	$ (2,974)	$ (5,666)	$ (4,795)	$ (4,317)	$ (2,863)	$ (2,421)	$ 11,683	$ 12,207	$ 9,506
Covered payroll	$ 40,287	$ 38,907	$ 38,907	$ 33,690	$ 34,615	$ 34,939	$ 34,939	$ 32,310	$ 32,310	$ 26,286
Contributions as a percentage of covered payroll	23.47 %	22.55 %	28.79 %	33.73 %	32.43 %	30.84 %	30.16 %	8.97 %	7.34 %	10.59 %

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, 2017
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, 2017	10 years
Asset valuation method	Market Value
Inflation	2.50%
Salary Increases	Age based
Discount Rate	6.75%
Healthcare Cost Trend Rates	8.1% for 2017, gradually decreasing to an ultimate rate of 4.4% for 2071 and beyond
Mortality	RP-2006 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per Scale MP-2016



STATISTICAL SECTION

PORT OF HOUSTON AUTHORITY
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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.

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FINANCIAL TRENDS

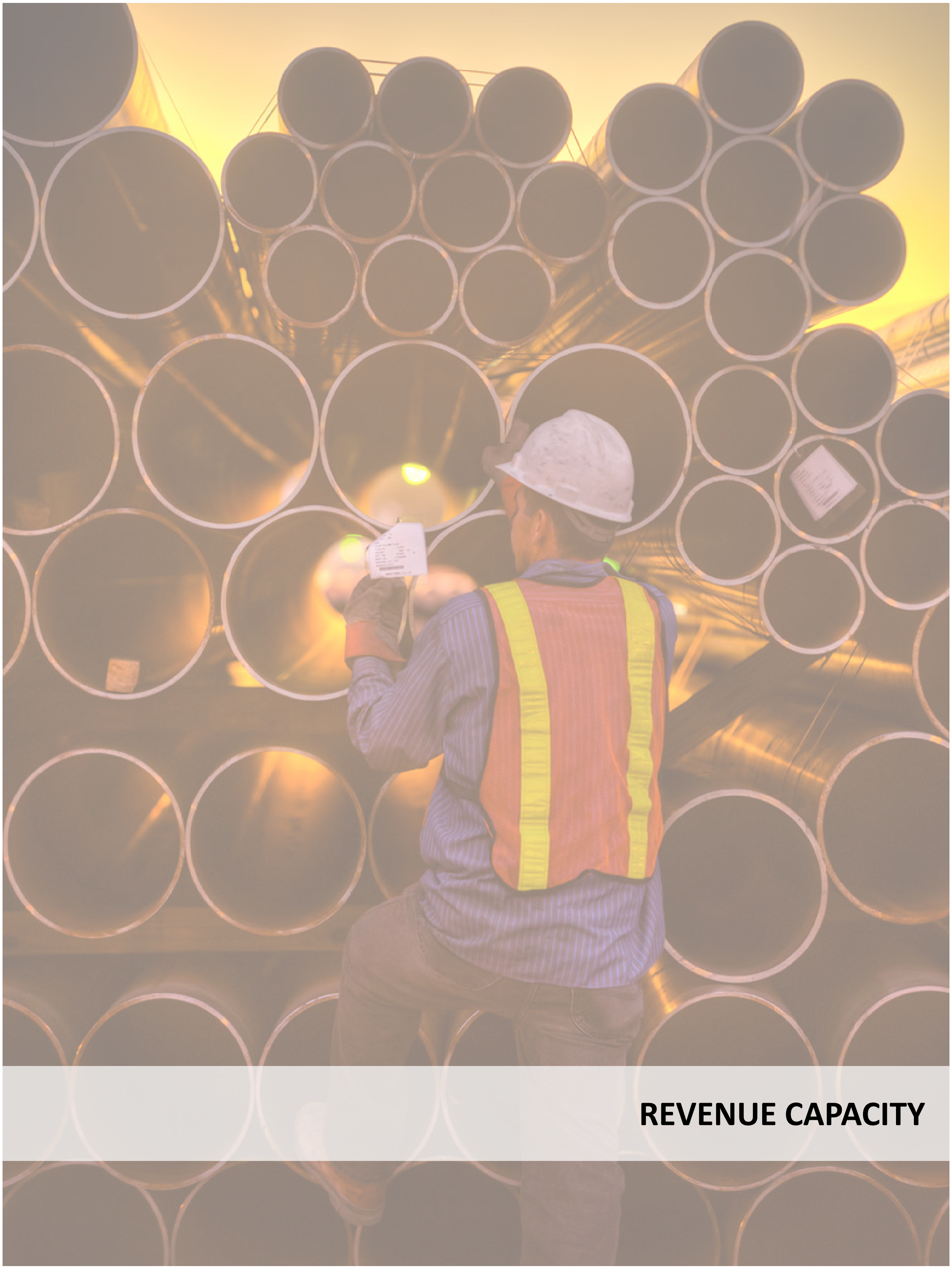
Schedule 1

Port of Houston Authority of Harris County, Texas
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(unaudited)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Net investment in capital assets	$1,023,578	$ 919,177	$ 794,075	$ 749,755	$ 685,717	$596,224	$ 574,224	$ 571,828	$ 655,571	$ 646,777
Restricted										
Capital	-	-	-	-	7,195	29,713	60,204	79,270	8,388	3,978
Debt Service	45,622	45,705	41,853	43,290	44,598	44,916	41,455	44,248	39,072	37,310
Other	-	-	-	-	-	2,755	196	4,302	122	200
Unrestricted	311,127	312,363	383,422	340,892	324,466	320,673	263,802	207,113	191,411	214,139
Total Net Position	$1,380,327	$1,277,245	$1,219,350	$1,133,937	$1,061,976	$994,281	$ 939,881	$ 906,761	$ 894,564	$ 902,404

Port of Houston Authority of Harris County, Texas
Changes in Net Position
Last Ten Fiscal Years
(in thousands)
(unaudited)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Operating revenues:										
Vessel and cargo services	$ 309,058	266,703	$ 267,277	$ 238,083	$ 200,101	$ 190,618	$ 177,405	$ 159,799	$ 144,365	$ 171,373
Rental of equipment and facilities	15,976	15,869	17,120	17,763	25,114	23,077	22,030	20,346	20,524	19,984
Grain elevator	902	1,199	1,567	1,821	592	683	1,923	911	1,155	787
Bulk materials	4,004	3,941	4,019	4,270	2,665	2,485	2,131	2,368	2,243	2,319
Other	2,933	2,514	3,753	1,960	5,201	8,512	3,356	3,272	2,040	2,522
Nonoperating revenues:										
Investment (loss) income	4,553	4,896	4,142	4,913	(435)	2,410	3,123	3,573	4,136	7,154
Contribution in aid of construction	-	-	610	-	5,000	-	1,077	-	-	-
Other	1,703	2,690	1,279	3,291	683	1,583	2,765	3,836	4,588	982
Nonoperating revenues related to property taxes:										
Property taxes	53,842	55,749	51,280	51,955	52,534	56,429	49,826	53,833	46,911	48,675
Investment income / (loss) on bond proceeds	264	119	120	162	348	302	657	(47)	165	1,113
Total Revenues:	393,235	353,680	351,167	324,218	291,803	286,099	264,293	247,891	226,127	254,909
Operating expenses:										
Maintenance and operations of facilities	152,166	141,102	123,433	121,899	103,353	101,095	97,461	95,918	88,124	98,026
General and administrative	42,423	44,286	42,297	37,812	41,845	43,875	39,894	51,742	57,827	43,443
Depreciation and amortization	66,487	64,601	60,198	57,190	56,057	56,551	55,661	53,731	48,035	44,016
Impairment of Capital Assets	-	15,114	-	-	-	-	-	-	-	-
Nonoperating expenses:										
Contributions to state and local agencies	4,243	2,127	2,147	1,464	1,949	882	1,232	1,742	17,468	4,224
Loss on disposal of assets	33	(2,976)	2,849	1,220	91	3,295	-	3,294	-	-
Other	2,187	1,033	338	-	-	98	-	-	-	-
Nonoperating expenses related to property taxes:										
Interest expense on unlimited tax bonds	30,010	31,548	33,114	33,459	33,188	33,803	36,843	34,265	26,072	21,344
Property tax collection expense	1,100	1,100	1,039	1,175	994	1,091	996	1,270	506	1,083
Other	400	303	455	408	477	442	525	480	901	423
Total Expenses:	299,049	298,238	265,870	254,627	237,954	241,132	232,612	242,442	238,933	212,559
Income before contributions	94,186	55,442	85,297	69,591	53,849	44,967	31,681	5,449	(12,806)	42,350
Capital contributions from federal agencies	8,896	2,453	56	2,370	13,827	9,373	1,439	2,944	3,549	6,061
Contributions from federal agency-FEMA	-	-	60	-	19	60	-	3,804	1,417	-
Total Contributions from federal and state agencies	8,896	2,453	116	2,370	13,846	9,433	1,439	6,748	4,966	6,061
Change in net position	103,082	57,895	85,413	71,961	67,695	54,400	33,120	12,197	(7,840)	48,411
Net position, January 1	1,277,245	1,219,350	1,133,937	1,061,976	994,281	939,881	906,761	894,564	902,404	853,993
Net position, December 31	$ 1,380,327	$ 1,277,245	$ 1,219,350	$ 1,133,937	$1,061,976	$ 994,281	$ 939,881	$ 906,761	$ 894,564	$ 902,404



REVENUE CAPACITY

PORT OF HOUSTON AUTHORITY

PHA

HOUSTON, TEXAS

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
2008	$ 303,289,718	$ 41,639,012	$ 76,330,731	$ 268,597,999	$ 0.01773
2009	311,188,647	45,005,241	80,505,070	275,688,818	0.01636
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

- Source: Harris County Appraisal District Property Use Recap as of 12/22/17
- 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.

Port of Houston Authority of Harris County, Texas
County-Wide Ad Valorem Tax Rates
Last Ten Fiscal Years
Year Levied
(unaudited)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Harris County										
General Fund	$ 0.34500	$ 0.34500	$ 0.34547	$ 0.34547	$ 0.34547	$ 0.33271	$ 0.33444	$ 0.33401	$ 0.33401	$ 0.33815
General Bonds Debt Service	0.05234	0.05111	0.05237	0.04802	0.05158	0.04468	0.03825	0.03635	0.03642	0.03192
Total Constitutional Funds	0.39734	0.39611	0.39784	0.39349	0.39705	0.37739	0.37269	0.37036	0.37043	0.37007
County - Wide Road Debt Service	0.02067	0.02045	0.02139	0.02382	0.01750	0.02282	0.01848	0.01769	0.02181	0.01916
Total - Harris County	0.41801	0.41656	0.41923	0.41731	0.41455	0.40021	0.39117	0.38805	0.39224	0.38923
Flood Control District										
Maintenance	0.02736	0.02745	0.02620	0.02620	0.02620	0.02522	0.02727	0.02727	0.02754	0.02754
Debt Service	0.00095	0.00084	0.00113	0.00116	0.00207	0.00287	0.00082	0.00196	0.00168	0.00332
Total - Flood Control	0.02831	0.02829	0.02733	0.02736	0.02827	0.02809	0.02809	0.02923	0.02922	0.03086
Port of Houston Authority										
Debt Service	0.01256	0.01334	0.01342	0.01531	0.01716	0.01952	0.01856	0.02054	0.01636	0.01773
Hospital District										
General	0.17000	0.17000	0.17000	0.17000	0.17000	0.18216	0.19216	0.19216	0.19216	0.19216
Debt Service	0.00110	0.00179	-	-	-	-	-	-	-	-
Total Hospital District	0.17110	0.17179	0.17000	0.17000	0.17000	0.18216	0.19216	0.19216	0.19216	0.19216
Total	$ 0.62998	$ 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.

Port of Houston Authority of Harris County, Texas
Direct and Overlapping Debt and Property Tax Rates
December 31, 2017
(unaudited)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
County-Wide Taxing Jurisdiction										
Harris County	$ 0.41801	$ 0.41656	$ 0.41923	$ 0.41731	$ 0.41455	$ 0.40021	$ 0.39117	$ 0.38805	$ 0.39224	$ 0.38923
Harris County Flood Control District	0.02831	0.02829	0.02733	0.02736	0.02827	0.02809	0.02809	0.02923	0.02922	0.03086
Port of Houston Authority	0.01256	0.01334	0.01342	0.01531	0.01716	0.01952	0.01856	0.02054	0.01636	0.01773
Harris County Hospital District	0.17110	0.17179	0.17000	0.17000	0.17000	0.18216	0.19216	0.19216	0.19216	0.19216
Total County-wide	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998
Cities										
Baytown	$ 0.82203	$ 0.82203	$ 0.82203	$ 0.82203	$ 0.82203	$ 0.82203	$ 0.82202	$ 0.78703	$ 0.78700	$ 0.73703
Bellaire	0.41590	0.38740	0.38050	0.39360	0.39990	0.39990	0.39990	0.39990	0.37590	0.44000
Deer Park	0.72000	0.72000	0.71435	0.72000	0.72000	0.72000	0.72000	0.70500	0.70500	0.72000
Houston	0.58421	0.58642	0.60112	0.63108	0.63875	0.63875	0.63875	0.63875	0.63880	0.64500
La Porte	0.71000	0.71000	0.71000	0.71000	0.71000	0.71000	0.71000	0.71000	0.71000	0.71000
League City	0.56500	0.57000	0.57350	0.59700	0.59700	0.59700	0.61000	0.61600	0.63000	0.60880
Missouri City	0.60000	0.56010	0.54468	0.56500	0.57375	0.54480	0.52840	0.52840	0.52840	0.49930
Pasadena	0.57539	0.57539	0.57539	0.57690	0.59159	0.59159	0.59159	0.59159	0.56200	0.56700
Pearland	0.68506	0.68120	0.70530	0.71210	0.70510	0.70510	0.68510	0.66510	0.65260	0.65260
Seabrook	0.57491	0.56518	0.61261	0.64003	0.65123	0.66523	0.64998	0.62681	0.58840	0.62030
South Houston	0.64330	0.63221	0.69954	0.64453	0.66988	0.70825	0.68755	0.67316	0.67320	0.67700
Webster	0.31725	0.28450	0.23447	0.24874	0.26960	0.28528	0.28528	0.25750	0.23250	0.24890
West University Place	0.31680	0.31680	0.33179	0.36179	0.37400	0.37411	0.37411	0.37411	0.35880	0.36600
School Districts	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	.1101-1.5266	.1144-1.6450

- Source: Harris County Appraisal District jurisdiction information as of 12/31/17; includes all tax bonds.

Port of Houston Authority of Harris County, Texas
Principal Property Tax Payers
Current Year and Nine Years Ago
(amounts in thousands)
(unaudited)

Tax Payers	2017 Taxable Valuations (a)	2017 Rank	Percentage of Total 2017 Taxable Valuation (b)	2008 Taxable Valuations (a)	2008 Rank	Percentage of Total 2008 Taxable Valuation (c)
CenterPoint Energy Inc.	$ 3,344,794	1	0.79 %	$ 2,484,393	3	0.88 %
EXXON Mobil Corp.	3,263,728	2	0.77	4,041,151	1	1.43
Chevron Chemical Co.	2,814,440	3	0.66	1,484,564	4	0.53
Shell Oil Co.	1,625,656	4	0.38	2,714,716	2	0.96
Palmetto Transoceanic LLC	1,296,880	5	0.30	-		-
Equistar Chemicals LP	1,296,073	6	0.30	-		-
National Oilwell Inc.	987,145	7	0.23	476,910	15	0.17
Crescent HC and 4HC Investors LP	873,921	8	0.21	-		-
Walmart	869,096	9	0.20	736,663	10	0.26
One Two and Three Allen Center Co LLC	857,457	10	0.20	-		-
Valero Energy	841,934	11	0.20	646,305	12	0.23
Cousins Greenway	715,139	12	0.17	-		-
Celanese LTD	715,012	13	0.17	-		-
HG Galleria I II III LP	679,041	14	0.16	-		-
Liberty Property	625,960	15	0.15	-		-
HEB Grocery Co LP	610,054	16	0.14	-		-
Kroger Co.	588,473	17	0.14	-		-
Shell Services Co.	548,998	18	0.13	-		-
Lyondell Chemical Co.	534,397	19	0.13	-		-
Kinder Morgan	521,965	20	0.12	-		-
Hines Interests LTD Partnership	-		-	1,248,633	5	0.44
Crescent Real Estate	-		-	1,218,690	6	0.43
AT&T Mobility LLC	-		-	999,732	7	0.35
Hewlett Packard	-		-	806,530	8	0.29
Cullen Allen Holdings LP	-		-	740,183	9	0.26
BP Amoco	-		-	706,808	11	0.25
Rohm & Haas Co.	-		-	602,639	13	0.21
TGP Towers I, II, III and San Felipe Pipe	-		-	522,827	14	0.19
Total	$ 23,610,163		5.55 %	$ 19,430,744		6.88 %

- 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 22, 2017;
- Note (c) Based on the County's total taxable value as of February 28, 2009.

Schedule 7

Port of Houston Authority of Harris County, Texas
Property Taxes Levies and Collections
For the Years 2008 through 2017

(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
2008	$ 48,288	$ 43,622	90.34 %	$ 3,926	$ 47,548	98.47 %
2009	45,086	41,875	92.88 %	2,180	44,055	97.71 %
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 %	N/A	N/A	N/A

- Source: Harris County Tax Assessor - Collector as of February 28, 2018
- 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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Operating revenues: (a) (b) (c)										
Vessel and cargo services	$ 309,058	$ 266,703	$ 267,277	$ 238,083	$ 200,101	$ 190,618	$ 177,405	$ 159,799	$ 144,365	$ 171,373
Rental of equipment and facilities	15,976	15,869	17,120	17,763	25,114	23,077	22,030	20,346	20,524	19,984
Grain elevator	902	1,199	1,567	1,821	592	683	1,923	911	1,155	787
Bulk materials	4,004	3,941	4,019	4,270	2,665	2,485	2,131	2,368	2,243	2,319
Other	2,933	2,514	3,753	1,960	5,201	8,512	3,356	3,272	2,040	2,522
Total Operating Revenue	$ 332,873	$ 290,226	$ 293,736	$ 263,897	$ 233,673	$ 225,375	$ 206,845	$ 186,696	$ 170,327	$ 196,985
Revenue Tonnage (Short Tons)*										
General Cargo	28,878	25,226	27,360	26,854	24,735	25,278	23,387	20,809	19,681	24,871
Bulk	9,396	9,621	8,384	10,766	11,090	9,781	10,162	10,508	9,184	10,371
Total Revenue Tonnage	38,274	34,847	35,744	37,620	35,825	35,059	33,549	31,317	28,865	35,242

- 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

Schedule 9

Port of Houston Authority of Harris County, Texas
Revenue Tonnage
Last Ten Fiscal Years
(in short tons)
(unaudited)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Cargo										
Barbours Cut										
All other	9,811,047	9,470,902	9,322,892	7,689,686	7,010,712	6,177,766	5,605,703	5,709,735	5,571,883	7,592,527
Lease	-	-	2,072,132	3,410,214	3,548,416	3,939,218	3,887,146	3,888,444	3,848,608	4,224,952
	9,811,047	9,470,902	11,395,024	11,099,900	10,559,128	10,116,984	9,492,849	9,598,179	9,420,491	11,817,479
Bayport Container Terminal	13,026,783	10,854,617	8,588,556	6,977,231	7,264,595	7,354,870	7,365,318	6,567,986	5,802,758	4,198,520
Turning Basin										
Autos import	119,081	161,246	167,383	128,564	143,132	175,553	124,351	109,713	73,325	115,660
Autos export	3,396	4,744	13,240	11,430	17,905	23,655	26,972	25,844	23,641	32,211
Steel imports	2,988,636	1,823,357	3,800,730	5,397,341	3,613,445	4,247,410	3,193,843	2,005,659	2,195,728	4,961,811
All other	474,629	492,551	707,345	607,127	519,978	723,762	1,177,341	778,667	622,113	1,559,870
	3,585,742	2,481,898	4,688,698	6,144,462	4,294,460	5,170,380	4,522,507	2,919,883	2,914,807	6,669,552
Jacintoport	1,737,072	1,883,785	1,751,839	1,411,724	1,579,197	1,428,240	1,285,363	1,235,498	1,072,605	1,220,081
Care Terminal	603,271	457,294	562,217	747,372	649,545	598,914	350,422	188,279	249,001	421,064
Woodhouse	113,888	77,299	373,497	473,389	388,133	608,369	370,436	299,098	221,798	544,590
Total General Cargo	28,877,803	25,225,795	27,359,831	26,854,078	24,735,058	25,277,757	23,386,895	20,808,923	19,681,460	24,871,286
Bulk										
Barbours Cut	-	-	-	-	-	-	-	3,136	2,426	4,409
Jacintoport	9,758	692	1,100	-	-	1,780	553	1,653	10,803	-
Care Terminal	162,014	130,545	18,298	82,016	253,942	408,225	359,286	446,801	192,753	756,891
Woodhouse	20,224	12,981	6,882	31,549	14,290	7,547	35,089	31,857	30,468	6,031
Sims Bayou	1,157,368	624,280	624,278	675,175	700,350	770,395	763,723	783,041	648,650	571,557
S.J.B. Liquid Facility	522,019	552,752	428,895	493,582	541,227	585,263	474,880	551,405	492,921	428,698
Turning Basin	2,154,936	2,097,919	2,046,714	1,982,330	2,164,880	2,022,492	1,948,735	1,978,411	1,732,249	1,985,245
	4,026,319	3,419,169	3,126,167	3,264,652	3,674,689	3,795,702	3,582,266	3,796,304	3,110,270	3,752,831
Bulk Materials Terminal	3,230,116	3,329,834	2,908,018	5,190,900	5,151,720	4,691,785	4,209,509	4,669,560	4,513,258	4,520,962
Grain Elevator #2	2,139,655	2,871,965	2,350,374	2,310,757	2,263,983	1,294,120	2,370,689	2,042,395	1,560,258	2,096,735
Total Bulk Cargo	9,396,090	9,620,968	8,384,559	10,766,309	11,090,392	9,781,607	10,162,464	10,508,259	9,183,786	10,370,528
Grand Total	38,273,893	34,846,763	35,744,390	37,620,387	35,825,450	35,059,364	33,549,359	31,317,182	28,865,246	35,241,814

- Source: The Authority
- Revenue tonnage is tonnage from which Authority revenues are derived; does not include non-Authority tonnage figures.

Schedule 10

Port of Houston Authority of Harris County, Texas
Top Ten Vessel and Cargo Customers
Current Year and Ten Years Ago

(amounts in thousands)
(unaudited)

	2017			2008		
Customer	**2017 Revenue**	**Rank**	**% V&C Revenue**	**2008 Revenue**	**Rank**	**% V&C Revenue**
Mediterranean Shipping Inc. SA	$ 41,832	1	15.71 %	$ 24,951	1	15.19 %
Maersk Line	37,188	2	13.97	-		-
CMA-CGM (America), Inc	29,791	3	11.19	13,027	3	7.93
Hapag-Lloyd AG	29,755	4	11.17	22,893	2	13.94
Cosco North America, Inc.	22,284	5	8.37	-		-
Hamburg Sud North America	11,946	6	4.49	6,505	4	3.96
Zim Integrated Shipping	6,590	7	2.47	6,212	6	3.78
Seaboard Marine, Ltd.	5,430	8	2.04	4,019	8	2.45
Biehl & Company - Vessel	4,245	9	1.59	6,315	5	3.85
OOCL(USA) Inc.	3,944	10	1.48	-		-
Compania Libra de Navegacion	-		-	5,690	7	3.46
Norton Lilly International	-		-	3,954	9	2.41
ISS-RioMar, LLC	-		-	3,626	10	2.21
Total	$ 193,005		72.48 %	$ 97,192		59.18 %

- Source: The Authority

DEBT CAPACITY

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
2008	$ 431,065	$ 131,950	$ -	$ 8,340	$ 571,355	$ 7,000	$ 564,355	0.21	$ 142	$ 564,355	0.30 %	$ 142
2009	422,665	124,750	70,245	7,769	625,429	6,000	619,429	0.22	154	619,429	0.35 %	154
2010	616,814	146,805	-	28,629	792,248	10,900	781,348	0.30	190	781,348	0.41 %	190
2011	654,674	91,200	-	42,139	788,013	10,456	777,557	0.29	186	777,557	0.38 %	186
2012	641,324	90,645	-	39,160	771,129	8,784	762,345	0.27	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	N/A	150
2017	553,164	85,665	-	35,069	673,898	13,589	660,309	0.16	N/A	660,309	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

Port of Houston Authority of Harris County, Texas
Net Revenues Available for Debt Service on First - Revenue Obligations
For each of the Ten Years in the Period Ended December 31, 2017
(in thousands)
(unaudited)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Gross Revenues										
Operating Revenues (a)										
Vessel and cargo services	$ 309,058	$ 266,266	$ 266,305	$ 235,929	$ 197,974	$ 188,457	$ 175,297	$ 157,633	$ 142,310	$ 169,584
Rental of equipment and facilities	15,976	15,869	17,120	17,763	25,114	23,077	22,030	20,325	20,451	19,910
Grain Elevator	902	1,199	1,567	1,821	592	683	1,923	911	1,155	787
Bulk materials	4,004	3,941	4,019	4,270	2,665	2,485	2,131	2,368	2,243	2,319
Other	2,933	2,514	3,753	1,960	5,201	8,512	3,356	3,272	2,040	2,435
Total	332,873	289,789	292,764	261,743	231,546	223,214	204,737	184,509	168,199	195,035
NonOperating Revenues										
Investment (loss) income	4,425	4,850	4,100	4,881	(452)	2,406	3,126	3,572	4,552	6,736
Other, net	10,599	5,144	2,004	5,661	19,529	11,014	5,358	11,319	9,798	7,198
Total	15,024	9,994	6,104	10,542	19,077	13,420	8,484	14,891	14,350	13,934
Total Gross Revenues	347,897	299,783	298,868	272,285	250,623	236,634	213,221	199,400	182,549	208,969
Operation Expenses										
Maintenance and Operation of Facilities										
Vessel and cargo services	141,857	131,998	115,757	115,341	93,483	91,534	89,547	90,861	77,591	94,473
Rental of port facilities	2,093	2,140	1,130	1,164	1,387	1,174	6,893	3,945	3,774	3,311
Grain Elevator	275	330	293	260	288	219	322	263	221	163
Bulk Materials Handling Plant	26	8	11	9	9	22	46	34	88	94
Other	7,915	7,107	7,114	8,223	9,919	9,958	2,415	2,385	1,796	1,797
Total	152,166	141,583	124,305	124,997	105,086	102,907	99,223	97,488	83,470	99,838
General and Administrative	42,423	44,286	42,297	39,152	41,845	43,875	39,894	51,487	63,411	41,930
Total Operating Expenses	194,589	185,869	166,602	164,149	146,931	146,782	139,117	148,975	146,881	141,768
Nonoperating Expenses	6,533	259	5,673	2,694	2,998	3,906	3,350	5,872	18,473	4,461
Total Expenses	201,122	186,128	172,275	166,843	149,929	150,688	142,467	154,847	165,354	146,229
Net Revenues Available For Debt Service on First Lien Revenue Bonds	$ 146,775	$ 113,655	$ 126,593	$ 105,442	$ 100,694	$ 85,946	$ 70,754	$ 44,553	$ 17,195	$ 62,740

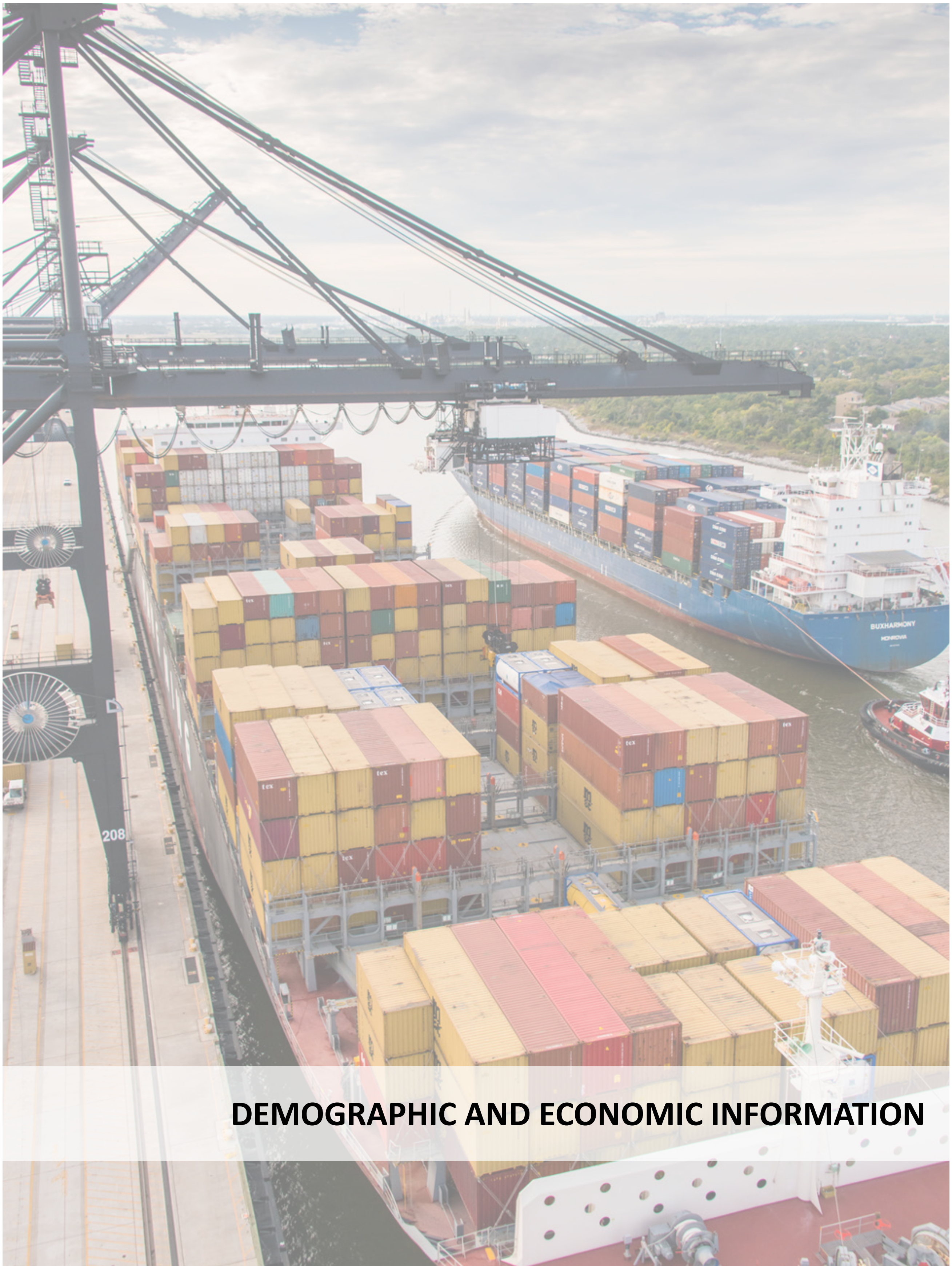
- Note (a) The Bayport user fees described in Note 7 were excluded from this calculation as per the bond documents.

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
2018	$ 52,991,411
2019	53,247,486
2020	52,750,461
2021	52,729,374
2022	52,070,673
2023	47,793,873
2024	48,775,098
2025	48,773,930
2026	48,771,084
2027	49,645,600
2028	49,801,100
2029	49,802,106
2030	49,800,694
2031	49,794,056
2032	49,907,888
2033	49,908,025
2034	49,905,806
2035	49,910,275
2036	49,909,275
2037	49,910,113
2038	49,912,181
2039	34,608,000
Total	**$ 1,090,718,509**

- The table sets forth the annual debt service requirements on the Authority's ad valorem tax bonds as of December 31, 2017, excluding bonds that have been refunded and defeased.



DEMOGRAPHIC AND ECONOMIC INFORMATION

PORT OF HOUSTON AUTHORITY

PHA

HOUSTON, TEXAS

Port of Houston Authority of Harris County, Texas
Miscellaneous Statistical Data
December 31, 2017
(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)
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
2009	-2.6%	9.3%	1,056.0	1,559.6	1,089	61.95	46.2
2008	-%	5.8%	1,287.4	2,103.6	1,879	99.67	45.5

- 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 (RIGDATA)
- 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
2008	3,984,349	5.5%	$ 190,226,395	$ 47,743
2009	4,070,989	8.1%	196,779,227	48,337
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%	N/A	N/A
2017	N/A	N/A	N/A	N/A

- Source: Harris County, Texas Comprehensive Annual Financial Report for the Fiscal Year Ended February 28, 2017
- 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)

Employer	2017 Employees	2017 Rank	2017 Percentage of Area Employment	2008 Employees	2008 Rank	2008 Percentage of Area Employment
Memorial Hermann Healthcare Systems	26,000	1	0.84%	-		-
HEB	23,732	2	0.77%	-		-
The Methodist Hospital System	21,195	3	0.69%	-		-
MD Anderson Cancer Center	20,113	4	0.65%	-		-
Kroger	17,000	5	0.55%	-		-
UTMB Health	12,939	6	0.42%	-		-
Landry's	10,800	7	0.35%	-		-
Harris Health System	9,174	8	0.30%	-		-
Baylor College of Medicine	9,071	9	0.29%	-		-
UT Health	8,600	10	0.28%	-		-
Administaff Inc.	-		-	22,475	1	0.84%
Wal-Mart Stores Inc.	-		-	17,260	2	0.65%
United Airlines (formerly Continental)	-		-	15,522	3	0.58%
ExxonMobil Corporation	-		-	15,340	4	0.58%
CenterPoint Energy	-		-	8,568	5	0.32%
Baker Hughes	-		-	8,500	6	0.32%
National Oilwell Varco	-		-	7,400	7	0.28%
AT&T Inc.	-		-	7,018	8	0.26%
Chevron/Texaco	-		-	7,011	9	0.26%
JP Morgan Chase	-		-	5,900	10	0.22%
	158,624		5.14%	114,994		4.31%

- Source: Greater Houston Partnership, Houston Business Journal and U.S. Department of Labor-Bureau of Labor Statistics.
- Note: Combined Houston-Sugar Land-Woodlands, TX area employment for 2017 was approximately 3,082,000 and for 2008 was 2,664,000.
- * Based on calendar year

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	99,507	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)

	2017	2016	2015	2014	2013
Passenger Cars, Small Trucks and Misc.	3,629,194	3,748,343	3,750,880	3,778,534	3,486,077
Large Trucks	46,076	31,247	34,797	32,603	30,307
Total	3,675,270	3,779,590	3,785,677	3,811,137	3,516,384

- 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

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)

	2017	2016	2015	2014	2013
Baylor College of Medicine	1,575	1,562	1,564	1,582	1,549
Houston Baptist University	3,325	3,270	3,160	3,128	2,910
Houston Community College	49,782	47,197	46,344	47,415	47,699
Lone Star College System	69,452	77,109	74,160	82,818	77,827
Rice University	7,052	6,883	6,719	6,498	6,490
San Jacinto College:					
Central, South and North	35,455	33,183	32,346	27,911	32,627
South Texas College of Law	931	969	1,038	1,116	1,185
Texas Southern University	10,237	8,862	8,965	9,233	8,619
Texas Woman's University: Houston	1,281	1,361	1,365	1,347	1,262
University of Houston:					
University Park	45,364	43,774	42,704	40,803	39,498
Downtown	13,913	14,245	14,255	14,439	13,353
Clear Lake	8,542	8,669	8,906	8,668	8,260
University of St. Thomas	3,151	3,224	3,343	3,192	3,525
University of Texas: (e)					
Dental Branch	565	560	548	536	522
Graduate School of Biomedical Sciences	406	425	437	472	514
Medical School	1,077	1,075	1,060	1,045	1,062
School of Biomedical Informatics	289	291	245	171	127
School of Nursing	1,647	1,477	1,247	1,072	1,116
School of Public Health	1,257	1,223	1,274	1,260	1,274
Total	255,301	255,359	249,680	252,706	249,419

Number of Employees

	2017	2016	2015	2014	2013
Harris County (f)	16,488	16,166	15,761	15,244	14,557
Flood Control District (f)	293	287	291	300	290
Port of Houston Authority	620	597	583	542	528

- Note (d) Source: Fall 2017 Enrollment Data from Texas Higher Education Coordinating Board and above school websites
- Note (e) Source: University of Texas Office of Registrar (Fact Book 2018)
- Note (f) 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	376-600	28.5-37.5	36	1,150,000
5 Liquid Bulk Wharves	226-570	34.5-37.5	-	-
Wharf - 32 Project Cargo	800	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	40.5	10	45,000
Wharf 2	618	41.5	4	-
Sims Bayou Liquid Bulk Facility				
Berths	320	35.5-41.5	-	-
San Jacinto Barge Terminal				
Berth	200-700	17.5*	-	-
Barbours Cut Terminal				
LASH Berth	810	41.5	-	-
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)

Turning Basin
- Privately-owned mobile cranes and additional cargo handling equipment are available for hire on an hourly basis.

Barbours Cut Terminal

Container Cranes:
- Ship to Shore (STS) = 15 total (7 SPP, 5 PP, 2 P, and 1 training crane)
- Rubber-Tire Gantry (RTG) = 42
- Empty Handling (Pencil/Side-pick) = 12
- Other load handling equipment (Top Loader) = 3

Other Equipment:
- Heavy-duty yard tractors (UTR/PIT) = 52
- Heavy-duty yard Chassis = 100

Bayport

Container Cranes:
- Ship to Shore (STS) = 9 total (3 SPP, 6 PP)
- Rubber-Tire Gantry (RTG) = 38
- Empty Handling (Pencil/Side-pick) = 0 (empty containers handled on terminal by 3rd party)
- Other load handling equipment (Top Loader) = 1

Other Equipment:
- Heavy-duty yard tractors (UTR/PIT) = 18
- Heavy-duty yard Chassis (Bucket) = 87

(a) SPP=Super Post Panamax, PP=Post Panamax, P=Panamax, UTR=Utility Truck, PIT=Powered Industrial Truck

Schedule 19

Port of Houston Authority of Harris County, Texas
Freight Traffic Statistics
(in thousands)
(unaudited)

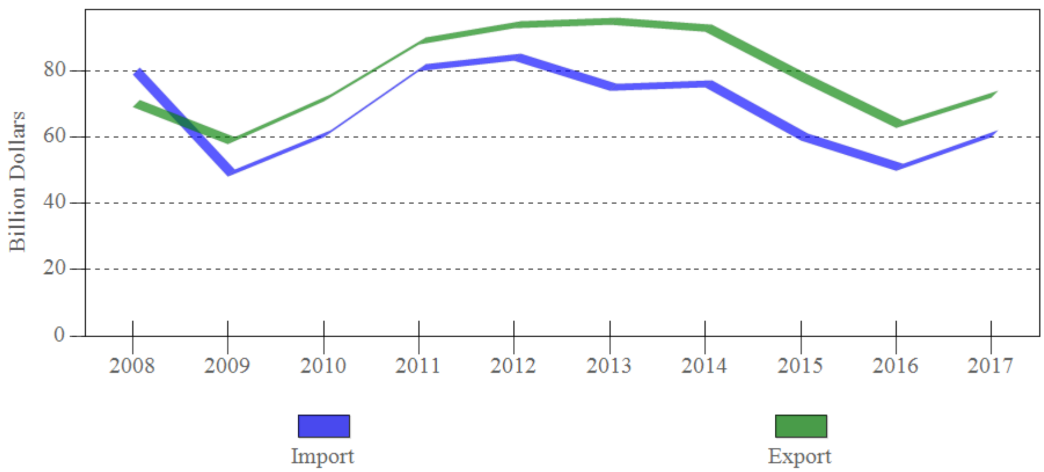
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Freight handled by the Authority only (excluding tonnages handled by private terminals) - short tons (a) (d)										
Breakbulk cargo	4,587	3,423	5,796	7,454	5,623	6,688	5,652	3,771	3,768	8,006
Container cargo	24,291	21,960	21,564	19,400	19,112	18,590	17,735	17,038	15,914	16,866
Bulk grain	2,140	2,872	2,350	2,311	2,264	1,294	2,371	2,042	1,560	2,097
Bulk plant	3,230	3,330	2,905	5,191	5,152	4,692	4,209	4,670	4,513	4,521
Other bulk	10,033	13,254	12,550	12,281	12,518	12,771	12,474	12,725	11,032	11,248
Total	44,281	44,839	45,165	46,637	44,669	44,035	42,441	40,246	36,787	42,738
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)	69,110	71,388	76,688	76,449	83,816	88,889	88,508	84,629	92,019
Exports	(e)	94,876	92,024	83,849	83,102	78,627	78,188	71,053	63,340	54,380
Total Foreign (e)	-	163,986	163,412	160,537	159,551	162,443	167,077	159,561	147,969	146,399
Domestic										
Receipts	(e)	36,417	36,010	34,267	32,442	35,349	32,429	31,091	28,460	28,322
Shipments	(e)	26,635	24,375	23,194	22,116	23,338	22,937	21,389	20,397	22,739
Total Domestic (e)	-	63,052	60,385	57,461	54,558	58,687	55,366	52,480	48,857	51,061
Local	(e)	20,944	17,136	16,306	15,137	17,055	15,355	15,092	14,515	14,747
Total	-	247,982	240,933	234,304	229,246	238,185	237,798	227,133	211,341	212,207
Value of foreign trade handled by entire Port of Houston (c)										
Imports	$ 59,594,077	$ 49,616,268	$ 59,493,988	$ 75,023,441	$ 74,287,778	$ 83,252,965	$ 80,221,005	$ 60,110,140	$ 48,427,840	$ 78,873,301
Exports	71,905,598	63,303,533	76,535,738	92,016,308	94,050,299	93,407,834	88,078,301	70,726,052	57,834,409	68,783,597
Total	$131,499,675	$112,919,801	$136,029,726	$167,039,749	$168,338,077	$176,660,799	$168,299,306	$130,836,192	$106,262,249	$147,656,898

- 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 2017.

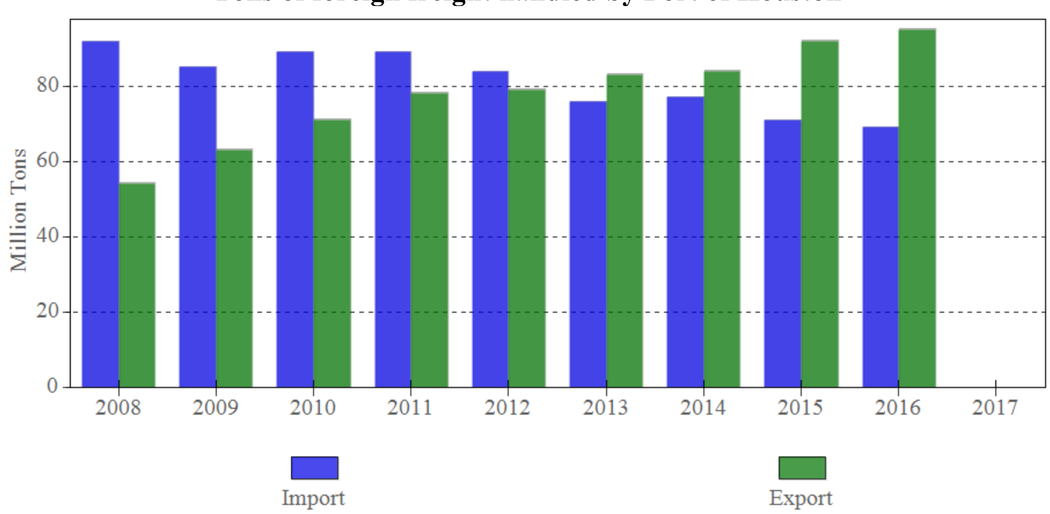
Schedule 19a

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 2017.

Port of Houston Authority of Harris County, Texas
Cargo Statistics
Last Ten Fiscal Years
(in thousands of short tons)
(unaudited)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total Revenue Tonnage										
Including Bayport companies	44,281	44,839	45,168	46,637	44,669	44,035	42,441	40,246	36,787	42,738
Excluding Bayport companies	38,274	34,847	35,744	37,620	35,825	35,059	33,549	31,317	28,865	35,242
General Cargo (a)	28,878	25,226	27,360	26,854	24,735	25,278	23,387	20,809	19,681	24,871
Bulk Materials Handling Plant	3,230	3,330	2,908	5,191	5,152	4,692	4,210	4,670	4,513	4,521
Grain Elevator #2	2,140	2,872	2,350	2,311	2,264	1,294	2,371	2,042	1,560	2,097
Other Bulk Movements										
Excluding Bayport companies (b)	4,026	3,419	3,126	3,265	3,675	3,796	3,582	3,796	3,110	3,753
Including Bayport companies	6,007	9,992	9,424	9,016	8,843	8,975	8,892	8,929	7,922	7,496
Barbours Cut Terminal										
Bulk (b)	3	3	-	-	-	-	-	3	2	4
General cargo (a)	9,808	9,467	11,395	11,100	10,559	10,117	9,493	9,598	9,420	11,817
Bayport Container Terminal										
General cargo (a)	13,027	10,855	8,589	6,977	7,265	7,355	7,365	6,568	5,803	4,199
Steel (a)										
Import	3,626	2,288	4,643	6,343	4,350	5,093	3,674	2,296	2,405	5,976
Export	68	80	141	236	303	391	626	425	251	310
Autos - Turning Basin										
Tons - import (a)	141	161	168	129	143	176	124	110	73	116
Tons - export (a)	3	8	14	13	21	28	27	26	24	32
Units - import	74	83	82	63	71	94	65	59	41	64
Units - export	1	2	6	5	8	11	13	12	12	12
Bagged Goods (a)										
Import	232	168	167	65	53	137	309	50	1	16
Export	45	40	46	57	191	88	198	206	352	346
Container TEU	2,459	2,183	2,131	1,951	1,950	1,935	1,866	1,817	1,799	1,795

- 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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Houston Ship Channel										
Break bulk	667	744	883	987	1,019	998	914	840	801	891
Bulk carrier	860	827	876	1,003	809	729	702	626	653	920
Containers	912	940	1,003	1,012	966	1,013	1,037	1,028	953	966
Cruise	-	31	48	38	9	-	-	-	-	17
Roll-on/roll-off	30	35	12	9	29	49	49	69	105	130
Tankers	4,851	5,129	5,047	4,746	4,955	4,983	4,885	4,816	4,335	4,595
Tug Tow	503	448	384	386	369	454	355	297	280	411
Vehicle carrier	110	109	111	112	119	138	104	103	75	43
Other	13	6	12	46	16	31	27	70	75	77
Total Vessel Arrivals	7,946	8,269	8,376	8,339	8,291	8,395	8,073	7,849	7,277	8,050
PHA Public Wharves										
Turning Basin										
Ships	839	864	1,066	1,258	1,121	1,130	1,046	999	962	1,255
Barges	1,063	935	971	1,016	1,789	1,585	1,528	1,416	1,186	1,546
Bulk Plant, Jacintoport, Care, Woodhouse, and HPGE#2										
Ships	872	517	502	597	596	581	613	595	541	669
Barges	443	504	424	611	492	632	586	545	525	485
Barbours Cut and Galveston										
Ships	500	560	581	664	822	771	688	695	704	809
Barges	33	36	98	113	23	88	51	32	43	46
Bayport Container Terminal										
Ships	463	490	494	356	349	355	374	330	314	225
Barges	164	175	119	107	68	63	59	2	1	1
Bayport Cruise Terminal										
Cruise	-	31	48	38	9	-	-	-	-	17
Layberth	-	-	42	39	42	48	56	49	21	-
Bayport Companies										
Ships	777	793	856	672	732	713	643	704	652	611
Barges	1,679	2,402	2,166	2,145	2,148	2,160	2,206	2,115	1,754	1,657
Total PHA Arrivals										
Ships (a)	3,027	3,248	3,528	3,654	3,661	3,593	3,409	3,372	3,194	3,569
Barges	4,153	4,693	4,348	4,611	4,521	4,533	4,441	4,110	3,509	3,735

- Source: Piers Global Intelligence Solutions
- Note (a) Included in Total Vessel Arrivals for the Houston Ship Channel

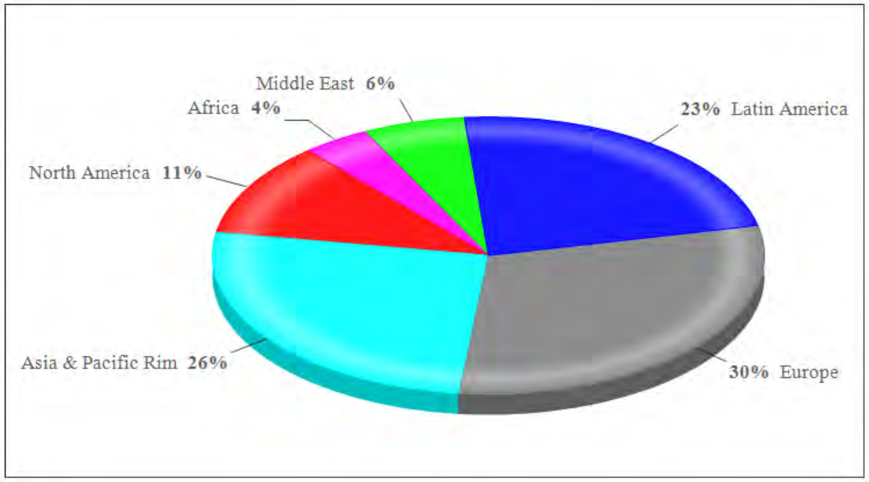
Port of Houston Authority of Harris County, Texas
Bulk Commodity Statistics
Last 10 Fiscal Years
(in thousands)
(short tons)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Coke	2,898	3,313	2,809	3,282	2,712	2,970	3,698	4,673	4,518	4,563
Coal	333	16	100	1,909	2,441	1,729	549	-	-	-
Fertilizer	71	90	51	62	75	18	-	27	26	37
Grain	2,140	2,872	2,350	2,311	2,264	1,286	2,376	2,042	1,560	2,097
Industrial Chemical	8,451	11,957	11,240	10,864	10,563	10,895	10,682	10,989	9,490	8,929
Molasses	242	243	255	253	249	263	241	121	206	234
Petroleum Products	554	508	458	361	581	621	509	549	343	125
Tallow	275	152	154	191	182	251	259	345	320	518
Dry Bulk	269	287	242	356	525	601	555	504	377	964
Vegetable Oil	170	175	150	194	341	105	178	159	252	375
Miscellaneous Bulk	-	-	-	-	-	17	7	28	14	24
Totals	15,403	19,613	17,809	19,783	19,933	18,756	19,054	19,437	17,106	17,866

- Source: The Authority

Port of Houston Authority of Harris County, Texas
Foreign Trade through the Port of Houston

2017 Foreign Trade Through the Port of Houston by Region ($ Value)

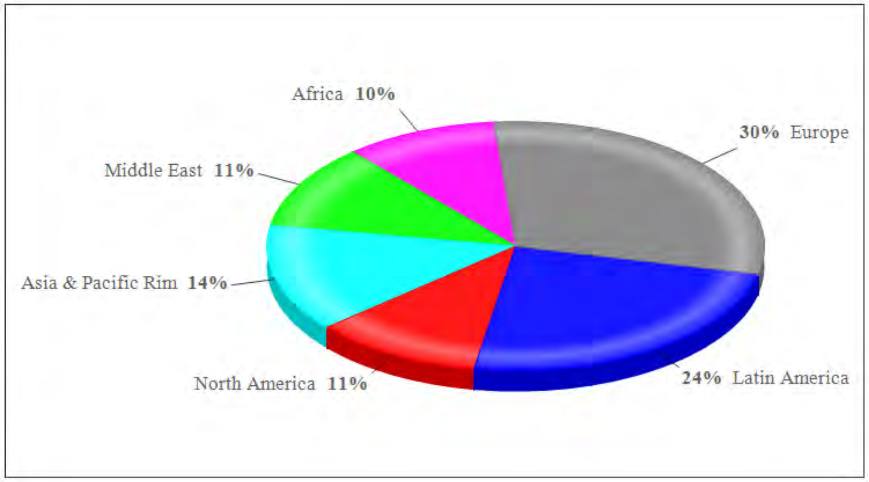


TRADE THROUGH THE PORT OF HOUSTON BY REGION IN 2017 (000s)

	Imports	Exports	Total	Percent of World Total
Europe	$ 22,391,216	$ 16,882,156	$ 39,273,372	30 %
Asia & Pacific Rim	17,531,368	16,638,758	34,170,126	26 %
Latin America	7,862,376	21,828,805	29,691,181	23 %
North America	6,252,546	8,849,797	15,102,343	11 %
Middle East	4,429,822	3,875,621	8,305,443	6 %
Africa	1,126,749	3,830,461	4,957,210	4 %
Worldwide Totals	$ 59,594,077	$ 71,905,598	$ 131,499,675	100 %

Port of Houston Authority of Harris County, Texas
Foreign Trade through the Port of Houston

2008 Foreign Trade Through the Port of Houston by Region ($ Value)



TRADE THROUGH THE PORT OF HOUSTON BY REGION IN 2008 (000s)

	Imports	Exports	Total	Percent of World Total
Europe	$ 22,997,219	$ 21,093,023	$ 44,090,242	30 %
Latin America	12,644,687	22,804,897	35,449,584	24 %
Asia & Pacific Rim	12,675,624	8,755,491	21,431,115	14 %
North America	11,081,807	5,027,068	16,108,875	11 %
Middle East	10,863,523	4,905,190	15,768,713	11 %
Africa	8,621,301	6,213,530	14,834,831	10 %
Worldwide Totals	$ 78,884,161	$ 68,799,199	$ 147,683,360	100 %

- Source: 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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Exempt Employees	215	207	199	179	183	182	190	183	182	177
Non Exempt Maintenance	215	171	169	205	194	206	237	257	253	256
Non Exempt Employees	190	219	215	158	151	154	151	152	157	162
Total Active Employees	620	597	583	542	528	542	578	592	592	595

- Source: The Authority

PORT OF HOUSTON AUTHORITY
PHA
HOUSTON, TEXAS

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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

FORM OF BOND COUNSEL OPINION

[CLOSING DATE]

WE HAVE ACTED as 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 2018A (AMT), dated July 1, 2018, in the principal amount of $176,555,000 (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 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 with respect to the exclusion 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 or the disclosure thereof in connection with the sale of the Bonds.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of proceedings pertaining to the authorization and issuance of the Bonds and the refunding and defeasance of the bonds being refunded with the proceeds of the Bonds (the "Refunded Bonds"), on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Authority; an escrow agreement (the "Escrow Agreement") between the Authority and ZB, National Association dba Amegy Bank, as escrow agent (the "Escrow Agent"); a report of Grant Thornton LLP (the "Verification Agent"), verifying the sufficiency of the deposits made with the Escrow Agent for the defeasance of the Refunded Bonds (the "Report"); customary certificates of officers, agents and representatives of the Authority and Harris County, Texas and other public officials; and other certified showings relating to the authorization and issuance of the Bonds and the refunding and defeasance of the Refunded Bonds. We have also examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have also examined executed Bond No. I-1 of this issue.

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; and

(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.

IT IS OUR FURTHER OPINION that, under existing law:

(4) Interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, except with respect to interest on any Bond for any period a Bond is held by a "substantial user" or a "related person" to such a "substantial user" of the facilities financed or refinance with the proceeds of the Bonds; and

(5) The Bonds are "private activity bonds" under the code and interest on the Bonds is an item of tax preference that is includable in alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on individuals.

In providing such opinions, we have relied on representations of the Authority, the Authority's financial advisor and the underwriters of the Bonds, with respect to matters solely within the knowledge of the Authority, the Authority's financial advisor and the underwriters of the Bonds, respectively, which we have not independently verified, and have assumed continuing compliance with the covenants in the Order pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. We have further relied on the Report of the Verification Agent regarding the mathematical accuracy of certain computations. If such representations or the Report are determined to be inaccurate or incomplete or the Authority fails to comply with the foregoing provisions of the Order, interest on the Bonds could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership, or disposition of the Bonds.

Owners of the 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, 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 qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income 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 Bonds).

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. 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 as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Authority as the taxpayer. We observe that the Authority has covenanted in the Order not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

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 2018A (AMT)

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

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