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# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended  
December 31, 2008

**Port of Houston Authority  
of Harris County, Texas**

111 East Loop North • Houston, Texas 77029



Port of Houston Authority of Harris County, Texas  
**Comprehensive Annual Financial Report**  
For the Year Ended December 31, 2007

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## **Introductory Section**

# PORT OF HOUSTON AUTHORITY

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WADE M. BATTLES  
Managing Director  
(713) 670-2453

June 24, 2009

Port Commissioners  
Port of Houston Authority of Harris County, Texas  
Houston, Texas

Dear Commissioners:

Presented herewith is the Comprehensive Annual Financial Report ("CAFR") of the Port of Houston Authority of Harris County, Texas ("Authority") for the year ended December 31, 2008. Responsibility for both the accuracy of the data and the completeness and fairness of presentation, including all disclosures, rests with management of the Authority. To the best of our knowledge and belief, 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. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

Certain demographic information and miscellaneous statistics included in the CAFR do not come from accounting records of the Authority but are presented for the reader's information.

## Introduction

The Authority is a navigation district and a political subdivision of the state of Texas, having boundaries generally coterminous with Harris County, Texas. It is an independent governmental entity and governance of the activities of the Authority is the responsibility of a Port Commission composed of seven commissioners. Two are appointed by the county judge and Commissioners Court of Harris County, Texas; 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 Harris County and the City of Houston. The Authority had 595 regular employees as of December 31, 2008, and during 2008 employed 500 casual employees from various longshoremen union halls.

The Authority has been a deep draft port since 1914. The Houston Ship Channel (the "Channel"), the heart of the Port of Houston ("Port") complex, extends 50 miles inland and links the City of Houston with the Gulf of Mexico. The Port consists not only of the Authority's wharves, but also a large number of privately owned wharves. The privately owned terminals within the Port compete directly with the Authority's terminals. The Authority neither regulates

the tariffs charged by, nor derives any revenues from, any of the privately owned terminals, except for certain revenues from private terminals located at Bayport.

### **Business of the Authority**

The Authority owns a diverse group of facilities designed for handling any type of cargo including general, containers, grain, dry and liquid bulk, project and heavy-lift cargo. In addition, the Authority leases land and railroad rights-of-way to others; licenses pipeline crossings of its property and maintain areas for depositing dredged materials.

All of these facilities are operated for hire on a first-come, first-served basis, except for parts of the Jacintoport Terminal Wharf, Bulk Materials Handling Plant, and Care Terminal Wharf, which are subject to preferential, but not exclusive, berthing arrangements; Container Terminal 6 and a portion of Terminal 5 at Barbours Cut, which is leased to Maersk, Inc.; empty container storage yards at Bayport Container Terminal ("Bayport"), which are leased to Terminal Link LLC and Houston Terminal LLC; Care Terminal, which is leased to Coastal Cargo of Texas; the automated facility at Jacintoport, which is leased to Jacintoport International, the Bulk Materials Handling Plant, which is leased to Kinder Morgan Petcoke, L.P.; the grain elevator at Woodhouse Terminal, which is leased to Louis Dreyfus Corporation; and the grain elevator at the Turning Base Terminal, which is leased to Hansen-Mueller Company.

The Authority owns general cargo wharves at the Turning Basin Terminal in the upper channel area. Each wharf can berth one or more ships depending on the length of the ship. These wharves have substantial dockside facilities, including open and enclosed short-term storage space. Wharf 32, located within this terminal, was specifically designed for handling project and heavy-lift cargoes and has eighteen and one-half acres of heavy-duty paved marshalling area.

Woodhouse Terminal is located on a 100-acre tract a short distance downstream from the Turning Basin Terminal. The terminal includes over 230,000 square feet of shed space, three general cargo wharves with rail access, a roll-on/roll-off ("RO/RO") ramp, and a modern six-million-bushel-capacity grain elevator and ancillary property, which is under lease to Louis Dreyfus Corporation through May, 2018.

The Authority owns the Bulk Materials Handling Plant, a two-berth dry bulk terminal in the mid-channel area. Each berth has the capacity for one ship. Berth 1 has a high-capacity loading crane supplied by a conveyor belt system. Portions of the terminal are leased to Kinder Morgan Petcoke L.P. through June 2017.

In the same mid-channel area the Authority owns Jacintoport Terminal. 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 leased to Seaboard Corporation and Jacintoport Acquisition Partnership, LP.

Care Terminal is near Jacintoport Terminal and consists of two wharves, sheds, rail access, and a paved marshaling area. Coastal Cargo of Texas is leasing portions of the terminal through 2012.

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 the barge facility and two of the other facilities.

Fentress Bracewell Barbours Cut Terminal (“BCT”) provides special-purpose facilities for container ships. This terminal is located 25 miles downstream from the Turning Basin near the point where the Channel enters Galveston Bay and is two hours sailing time from the Gulf of Mexico. BCT’s six berths provide 6,000 feet of continuous quay. Numerous wharf cranes ensure efficient and reliable handling of containers and 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. The container freight station, a railroad ramp point and a RO/RO platform can handle the loading and unloading of ships carrying cargo on wheeled vehicles. This platform can serve ships using Container Terminal 1, RO/RO cargoes and transit shed cargoes.

The Bayport Container Terminal (“Bayport”) provides special-purpose facilities for container ships. This terminal is located approximately 5 miles south of BCT. Bayport’s two existing berths provide 2,000 feet of continuous quay. As at BCT, wharf cranes ensure efficient and reliable handling of containers and can traverse the wharves to serve ships simultaneously or singly, as required, and container yard cranes are in use in the Authority’s marshalling areas behind container berths. This facility also includes paved marshalling areas. Work continues on additional expansion of the facility, which when completed is expected to have seven container berths. Work also is nearing completion on the first of three cruise ship berths, and a cruise ship terminal facility.

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 Port Terminal Railroad Association (PTRA), an association of line railroads serving Houston and the Authority. The Authority also owns a 315-acre industrial park adjacent to the Turning Basin Terminal. The park includes undeveloped channel frontage. Much of this property is leased or rented to various private parties that independently maintain and operate these facilities. The Authority also 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.

The Authority's channel and turning basin at Bayport were developed in cooperation with the Exxon Company U.S.A. and its subsidiary, Exxon Land Development Inc. The channel and turning basin currently serve Bayport as well as the industries located within the Bayport Industrial Complex area.

See the Table of Physical Characteristics of the Port Facilities of the Authority (Schedule 16) in the Operating Information area Statistical Section of this CAFR.

## **Economic Condition and Outlook**

Notwithstanding the official December 2007 start of the U.S. recession, growth continued in the Texas economy during the first half of 2008, finally halting during the second half of the year.. Even so, the Texas economy has been perhaps the least affected region in the nation, even after the impact of Hurricane Ike, which caused minor damage at the Authority.

Record high commodity, energy and construction prices, financial market turmoil, and weaknesses in the housing market as well as the auto industry all were contributors to the recession in 2008. In addition, the liquidity problems of national and international markets grew and accelerated. Yields on 10 year Treasury notes started January 2008 at 4.10% and finished the year below 2.2%, as the market anticipated the Federal Reserve to lower the Target Rate (which moved from 5.25% in August 2007 to 0.25% in December 2008).

Looking at the 2009 forecast, most economists suggest the weakness will continue in the first half of 2009, followed by a recovery in the second half of the year. The Authority anticipates a 10% decline in revenue in 2009 from the prior year.

## **Houston Ship Channel**

The initial construction phase of the Houston Ship Channel widening and deepening project was completed and a channel opening celebration was held in August 2005, sponsored by the Authority and the United States Army Corp of Engineers (USACE). The channel was deepened from -40 feet to -45 feet, and widened from 400 feet to 530 feet.

The continuing cost of the project over the 50-year life is expected to be \$705.2 million, to be shared by the federal government, the Authority and other nonfederal interests. Federal funding for the project must be approved through individual appropriation bills each fiscal year. Congress appropriated \$53.5 million for fiscal year 2001, \$33.8 million for fiscal year 2002, \$36 million for fiscal year 2003, \$35.5 million for fiscal year 2004, \$22 million for fiscal year 2005, \$26 million for fiscal year 2006, \$43 million for fiscal year 2007 and \$15.7 million for fiscal year 2008. Construction funds in the amount of \$17.5 million were requested to continue the deferred construction portion of the project in fiscal year 2008. As of December 31, 2008. the Authority has spent \$135.2 million towards its share of the project. As part of the Houston Ship Channel project, the Authority will create 4,250 acres of marsh in Galveston Bay, a bird island and boater destinations. This marsh creation project using dredged material is the largest of its kind, and has been conducted with cooperation and support from local resource agencies.

The Houston Ship Channel project has completed activities associated with its first maintenance cycle dredging operations. The Authority has deferred construction elements that have already been designed, to be included in future fiscal year construction programs to provide for additional capacity needs in the channel. In an effort to address capacity needs, projects have been planned and programmed to elevate the levees of the upland sites along the channel. The Authority also continues working closely with the Beneficial Use Group of eight local resource agencies to plan two more marsh/habitat sites at Atkinson Island. Construction on cells M5/M6 at Atkinson Island was completed in 2008.



The Authority's future cost sharing obligations for the deferred construction elements are expected to be derived from yearly operating revenues and approved by the Port Commission on a year-to-year basis.

## **Bayport**

The Authority determined over a decade ago that a new container and cruise complex was needed to accommodate the expanding needs of existing customers and growth arising from new customers. In response to this need, in May 1998 the Port Commission approved a conceptual master plan for the Bayport Container and Cruise Terminal Complex. The facility is being built on a site adjoining the Bayport Industrial District, an industrial complex in southeast Harris County. The Bayport Terminal Complex is linked by that channel to the Houston Ship Channel. Because the site is only five miles from the BCT site, customers at Bayport are expected to benefit from the competitive rail and trucking charges and affordable ancillary services that are currently available at BCT.

At completion, Bayport will include 7,000 feet of berth, 378 acres of container yard, additional acres for buildings, equipment, cranes, and an intermodal rail yard. At capacity, the facility is expected to move 2.3 million Twenty-foot Equivalent Units (TEUs) annually. While the primary purpose of the Bayport Container and Cruise Terminal Complex is to provide container facilities to keep pace with the expanding growth in Gulf container traffic, the plan also includes provisions for a cruise terminal, with up to three cruise berths and an east-end turning basin.

Construction of Phase 1A and Phase 1 Stage 1 at Bayport is complete along with virtually all of the construction of the first cruise terminal. At the completion of Phase 1, the terminal will provide gate(s), administration and maintenance buildings, over 160 acres of container yard, 6 wharf cranes and 18 rubber-tire gantry cranes. Construction of the Phase 1 wharf is underway, expanding the capacity to a total of 3,300 feet of wharf at completion. To facilitate access to the container terminal and cruise facility, dedicated entrances are planned during later phases to divert access to and from State Highway 146. These dedicated entrances will also minimize the mixing of truck traffic with automobile traffic; and, thereby, providing a safer traffic environment. Taken together, Phases 1A and 1 allow for the annual handling of 623,000 TEUs. Planning of Phase 1 Stage 2 at Bayport is also now underway. The entire project, to be completed over an estimated 15 to 20 year period according to market demand, has been estimated to cost approximately \$1.8 billion.

The Authority is committed to being a good neighbor during the building of the Bayport Container and Cruise Terminal Complex and in the long term. The Authority's record of working through tough development issues, such as the widening and deepening project, is a good indicator of its concern for the health of Galveston Bay. This track record illustrates that the Authority strives for policies and programs that allow the community, the environment and industry to co-exist successfully. The Port Commission and staff will continue to work cooperatively with neighbors and environmental groups to accomplish its economic development goals and to provide resources and synergy for a beneficial and productive Galveston Bay.

## **Environmental Affairs**

The Environmental Affairs Department (“EAD”) maintained the Authority’s commitment of pollution prevention, environmental compliance and continual improvement throughout 2008. The EAD operates in specific program areas to improve environmental compliance and more effectively manage its work. Environmental Affairs Program Coordinators assist in managing and tracking the Authority’s Environmental Management System (“EMS”), Air and Sediment Quality Program, and Water and Waste Management Program. EAD continued to maintain and improve the EMS for the Turning Basin Terminal-Central Maintenance Facility and the Barbours Cut Container Terminal, while continuing to prepare the Bayport Container Terminal for certification to the ISO 14001:2004 standard.

Throughout the year, the EAD continued work started in 2006 to align the various goals in the programs for the Environmental Protection Agency (EPA)’s National Environmental Performance Track, the Texas Commission on Environmental Quality (TCEQ)’s Clean Texas Program (Bronze Level), the Authority’s Environmental Management System (“EMS”) and the Authority’s Balanced Scorecard (“BSC”). All of these performance-based programs maintained the Authority’s vision of continual improvement and tracking of environmental performance.

## **Grant Funding**

The Authority was awarded a grant through the TCEQ’s Texas Emission Reduction Plan (“TERP”) program to replace 5 yard tractors with new lower emission and more fuel efficient engines. The Authority was also awarded a TERP grant for 14 Rubber Tire Gantry Crane engines (which will have fewer emissions and be more efficient than the current engines) in 2007. The air emission reductions (nitrogen oxides) associated with these projects will be applied to the State Implementation Plan, to assist the region in its efforts to achieve attainment of the 8-hour Ozone Standard.

## **Employee Commuter Program**

The Authority vanpool program, consisting of eleven (11) leased vans, is part of the METROVan program, sponsored by the Houston Metropolitan Transportation Authority (METRO) and by the Houston-Galveston Area Council (H-GAC). The Authority vanpool program was initiated to continue the Authority’s role as an environmental steward in air quality and to enhance the Authority’s employee commuting options. In 2008, H-GAC recognized the Authority as a “Best Workplace for Commuters” employer by having the options of carpooling, vanpooling, flextime (9/80s) workweeks, and the use of pool cars by carpool riders. The specific benefits of the vanpool program include:

- Reduction of approximately 900,000 miles driven per year
- Reduction of NO<sub>x</sub> by 0.47 tons per year, VOC by 0.48 tons per year and CO<sub>2</sub> by 490 tons per year
- Reduction of gasoline consumption by about 43,000 gallons per year

## **Sustainability Strategy**

Sustainable development (sustainability) was defined more than 20 years ago by the United Nations Environmental Program's Brundtland Commission as "Development that meets the needs of the present without compromising the ability of future generations to meet their own needs." The sustainability reporting framework coined as the "triple bottom line" of economic benefit, environmental stewardship, and social responsibility is a management principle that the Authority is working to integrate into daily operations.

A newly established Sustainability Core Team in 2008 began drafting a Sustainability Strategy that aligns directly to the Balanced Scorecard Initiative, to integrate sustainability goals and strategies into other planning efforts undertaken by the Authority. This plan includes a schedule, estimated cost and prioritization of Sustainable Development Objectives, and recommendation/guidance for implementation which is to be finalized in 2009.

## **Air Quality Program**

The Authority continues to meet commitments towards improving air quality in the Houston-Galveston-Brazoria Area through air emission reductions of nitrogen oxides (NOx) and Volatile Organic Compounds (VOC) through its operations of off-road and on-road fleets. In 2008, the Authority continued to work towards reducing NOx emissions in its cargo-handling equipment fleet at the Barbours Cut Container Terminal (BCT) through accelerated engine turnover. During 2008, federal standards for marine and locomotive engines went into effect, which mandated a reduction in sulfur content and which will result in cleaner emissions from this equipment type. In 2008, the Authority's on-road fleet included 11 new ultra-low and low emission vehicles. With the Authority's policy of purchasing the cleanest vehicles possible when available per specifications, the Authority has reduced emission per vehicle by over 30%. The Authority has continued to initiate a Clean Fleet Policy Program at the Bayport Container Terminal (BPT) for its terminal users, where those users will be required to operate clean equipment on port property.

During 2008, the Authority continued to refine its process for monitoring air emissions from construction activities. The Authority previously participated in developing an emission calculator, which includes a modeling equation that captures emissions from construction equipment operations. This model calculates emissions based on the equipment type and length of operation, and calculates air emissions (NOx, VOC, PM) from construction operations, to assist the Authority in ensuring that its federally-permitted construction projects are being developed within general conformity standards. In 2008, the Authority continued to utilize the emission calculator for the Bayport project, which is being constructed under general conformity of 25 tons NOx/year.

In 2008, the Authority conducted an emission inventory targeting all goods movement related to port operations. This emission inventory captured ocean-going vessels, harbor crafts, cargo handling equipment, on-road heavy-duty diesel trucks and locomotive activities along the Houston Ship Channel. The data will be used to not only calculate NOx, VOC and Particulate Matter, but also calculate Greenhouse Gases (GHG). The Goods Movement Emission Inventory ("GMEI") was completed in December 2008 and posted on Authority's website in January 2009.

The GMEI will become the foundation for developing the Authority's Clean Air Strategy Plan in 2009.

The Authority continued to work with local and state regulatory entities in the development of Houston-Galveston-Brazoria ("HGB") state implementation plan to meet the 8-hour ozone attainment standard. Non-road sources are potentially contributing 33% of NOx emissions, and commercial marine activities are a large percentage of this non-road source. The Authority was instrumental in providing comments to H-GAC on its voluntary control measures submitted to the TCEQ. During 2008, Authority worked with the TCEQ and other local stakeholders to determine viable control options from the maritime sector. These efforts are to be highlights within the development and implementation of the Authority's Clean Air Strategy Plan ("CASP"). The CASP will evaluate potential measures and implementation options with input from various experts and stakeholders. Each measure will benefit the HGB area and affect the surrounding communities in a positive manner.

### **Storm Water**

Storm water samples were collected and analyzed for all sites during 2008 to meet Multi-Sector General Permit (MSGP) and Municipal Separate Storm Sewer System Permit (MS4) requirements. The Authority had a MS4 inspection by the TCEQ in the fourth quarter of 2007. The audit resulted in water-related findings that were addressed and considered closed by the TCEQ during the first quarter 2008. The Authority added a storm water monitoring location at Industrial Park East to satisfy a request from the regional TCEQ office.

The MSGP permit requires an annual review of the Storm Water Pollution Prevention Plans, which was completed during the fourth quarter 2008. The sampling results were reviewed for compliance with the permit limits and all sampling sites were below regulatory limits. Several locations were identified to be above benchmark levels, and these locations will be reviewed to determine what best management practices should be implemented to reduce contaminant levels.

The Texas General Land Office conducted inspections at the Sam Houston Pavilion and the Barbours Cut Terminal; the audits resulted in no findings. A partnership with CLF Ventures was approved during the fourth quarter; this partnership will evaluate the opportunity for Low Impact Design at the Turning Basin Terminal (TBT) and BCT facilities. The project is anticipated to start during the first quarter 2009.

### **Waste Minimization - Pollution Prevention**

The Authority maintenance shops and marine fireboats generate both hazardous and non-hazardous industrial waste regulated by the TCEQ and EPA. In 2008, the Authority generated 195,484 pounds of industrial waste; of which 85% was recycled. The Authority also collected and recycled 476 passenger tires, 628 truck tires, and 252 oversize tires.

The Executive Building participates in an office paper-recycling program. In 2008, the building recycled approximately 21 tons of office paper. This translates to a savings of 357 trees, 86,100 Kilowatt hours (KwH) of energy, 73 cubic yards of landfill space; 154,000 gallons of water; and 1320 tons of various air pollutants.

In 2008, the Authority collected approximately 11,454 tons of dunnage material at TBT; a service provided to the Authority's client shipping lines. The recycling goal for this material in the Authority's BSC is to establish a baseline from which to improve upon in subsequent years. In 2008, the Authority recycled 585.3 tons or 5.4% of dunnage.

### **Remediation Projects**

The TCEQ has agreed with the Authority's recommendation to close the Wharf 10 remediation project. The site was remediated under the TCEQ Leaking Petroleum Storage Tank (LPST) Program. The Authority successfully recovered more than 22,000 gallons of gasoline from the ground water, leaving no free phase product in the ground water. The gasoline originated from a former tenant-operated gas station located several hundred feet from its location at the bulkhead separating the Upper and Lower Level Roads at Wharf 10. The Authority successfully kept the gasoline from entering the Houston Ship Channel via a dual phase ground water and vapor extraction system and thermal oxidizer.

### **Energy Efficiency**

The Authority Energy Management Program established an Energy Management Policy in 2006. In 2008, the Energy Management Core Team's objective was to consider energy conservation measures for future projects relating to the Executive Office and various transit sheds at TBT and BCT. A detailed Utility Assessment Report (UAR) of Turning Basin and Barbours Cut was completed. The UAR addressed electrical consumption for lighting and building equipment. Possible energy efficiencies for money saving opportunities were identified. After reviewing the UAR the conservation measures are being re-evaluated because of a longer than desirable payback time. The Authority's Engineering and Environmental staff continue research into the most beneficial funding options.

### **EMS Program Area**

EAD continued to maintain and improve the EMS for the Turning Basin Terminal-Central Maintenance Facility and the Barbours Cut Container Terminal, while continuing to prepare the Bayport Container Terminal for certification to the ISO 14001:2004 standard. The Det Norske Veritas Certification, Inc. audit to renew the Port's ISO 14001 certification (including a scope extension of the Bayport Terminal) was completed in early 2009.

### **Auditing Program Area**

The Authority conducted two internal audits of the Environmental Management System to ensure compliance with the ISO 14001:2004 standard.

EAD maintained its protocol for conducting internal audits for both the Authority facilities and tenants. In 2008, the department conducted 94 tenant site audits and audited all the Authority operated facilities for various regulatory compliance elements, including:

- Waste Management

- Water Quality
- Above/Underground petroleum storage tanks
- Hazardous materials management
- Spill prevention
- Air Quality
- PCB Management
- Asbestos Management
- Pesticide Management

### **Risk Management**

The Authority has an active risk management program, administered by in-house personnel. The risk management program provides on-going safety training to the employees of the Authority that is aimed at reducing accidents and on-the-job injuries. The Authority also purchases insurance policies to cover risk of loss inherent in the operations of the Authority. Types of coverage include a primary casualty insurance program that provides Worker's Compensation, General Liability and Automobile Liability under a Funded Deductible Cash Flow Program and a "Port Package" policy which combines property, marine, excess general and automobile liability coverage, and public official liability coverage into one placement. The "Port Package" policy has deductibles that range between \$25,000 and \$2,500,000.

### **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 to the financial statements.

The integrity and objectivity 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. By state statute, the county auditor of Harris County, Texas is the auditor of the Authority. The Harris County auditor maintains staff at the Authority to carry out the statutory duties required of the auditor.

We direct the reader's attention to the Management's Discussion and Analysis (MD&A) immediately following the Audit Opinion letter which provides an analytical overview of the Authority's financial activities and serves as an introduction to the basic financial statements

### **Internal Control**

Management is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required 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 control 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. Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of internal control 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 independent internal audit functions performed by the Harris County auditor, adequately safeguard assets and provide reasonable assurance of properly recording financial transactions.

### **Employee Pension Plan Funding**

The Authority has a noncontributory defined benefit retirement plan which covered 95% of permanent full-time employees during both 2008 and 2007. The plan’s assets available for benefits, at fair market value, were \$96.7 million at August 1, 2008 and \$101.1 million at August 1, 2007. The estimated pension benefit obligation exceeded assets by \$21.0 million and \$8.8 million for 2008 and 2007, respectively. The plan is funded primarily through investments in equity and fixed-income securities.

### **Investment and Cash Management**

The Authority’s investment portfolio, including cash and cash equivalents, amounted to \$299.7 million at December 31, 2008, and was invested throughout the year in accordance with the Authority’s stated investment policy, governed by the following objects in order of priority: (a) preservation and safety of principal; (b) liquidity; and (c) yield. The Authority currently has the ability and intent to hold the investments to maturity.

Cash temporarily idle during the year was invested in mutual funds managed by major fund managers. The mutual funds were invested primarily in direct obligations of the U.S. government or its agencies. Interest earned for the year totaled \$8.2 million, of which approximately \$.3 million was capitalized to construction projects. The Authority’s portfolio at December 31, 2008 was as follows: (amounts in millions)

	Amount	Portfolio Percentage
Cash and cash equivalents	\$188.7	63.0%
U.S. government agencies	70.6	23.6%
Commercial paper	15.3	5.1%
Municipal Bonds	25.1	8.4%
Total	\$299.7	100.0%

## Independent Audit

The financial statements for the years ended December 31, 2008 and 2007 listed in the foregoing Table of Contents were audited by independent auditors selected by the Port Commission. The audit opinion, rendered by Deloitte & Touche LLP, is included in the financial section of this report.

## Certificate 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 Port of Houston Authority of Harris County, Texas for its comprehensive annual financial report for the fiscal year ended December 31, 2007. This was the 34th consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

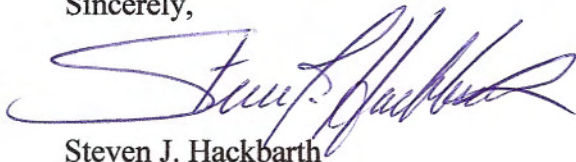
A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

## Acknowledgments

The preparation of this report could not have been accomplished without the dedicated services of the Authority's accounting staff and Harris County auditors. We express our appreciation to them, particularly to those who contributed directly to the preparation of this report.

In closing, we would like to thank the members of the Port Commission and all the officials of the Authority for their support in planning and conducting the financial affairs of the Authority in a responsible and progressive manner.

Sincerely,



Steven J. Hackbarth  
Controller



Wade Battles  
Acting Executive Director



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Port of Houston Authority  
of Harris County  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



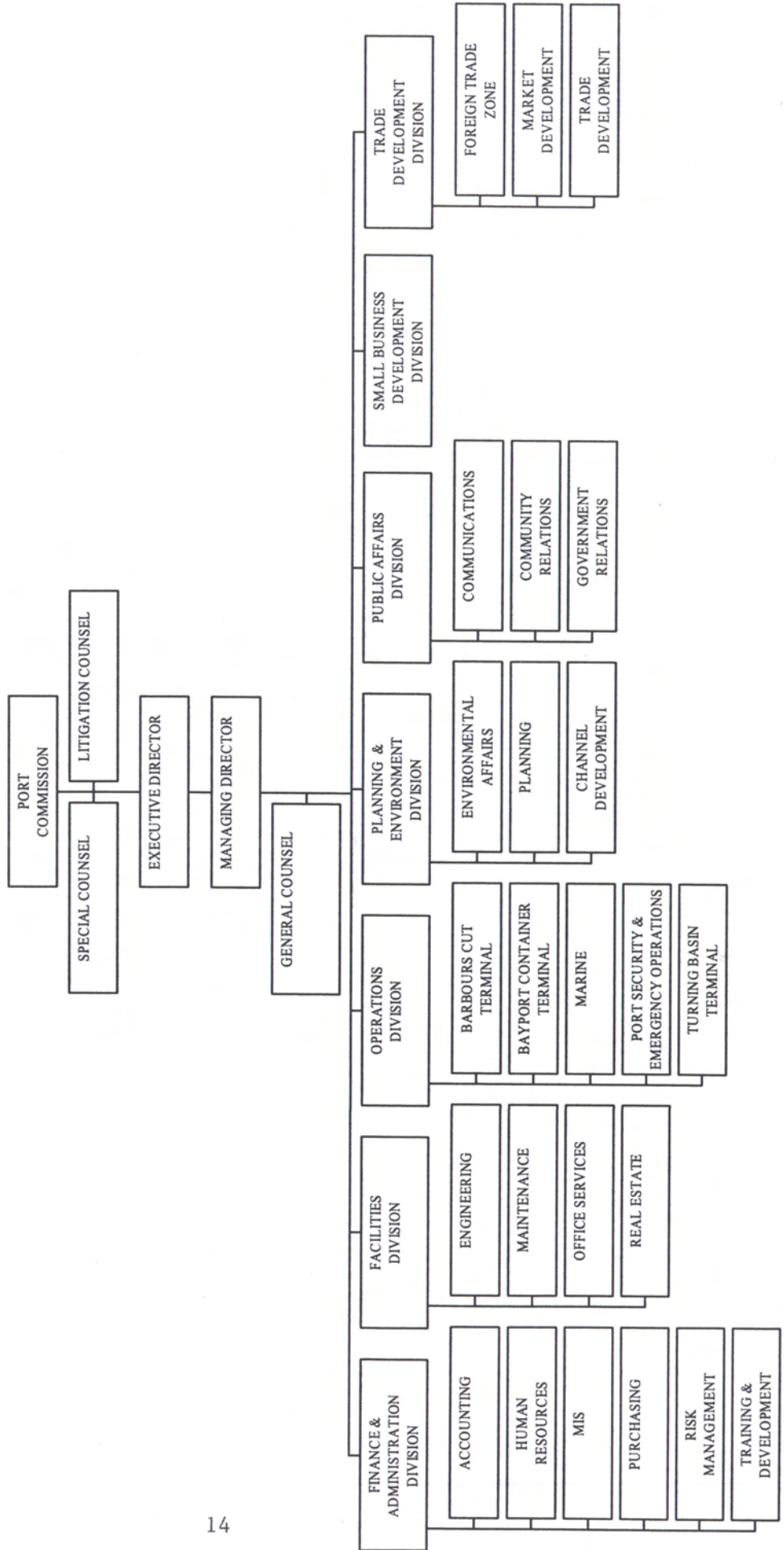
A handwritten signature in black ink, appearing to read "M. L. R. T.", positioned above the title "President".

President

A handwritten signature in black ink, reading "Jeffrey R. Emer", positioned above the title "Executive Director".

Executive Director

# PORT OF HOUSTON AUTHORITY ORGANIZATIONAL CHART 2008



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

**Port Commission**

James T. Edmonds, Chairman  
Stephen L. Phelps, Commissioner  
James W. Fonteno Jr., Commissioner  
Kase L. Lawal, Commissioner  
Jimmy Burke, Commissioner  
Janiece Longoria, Commissioner  
Elyse Lanier, Commissioner

**Other Officials**

Wade M. Battles, Acting Executive Director  
Thomas J. Heidt, Acting Director of Administration  
James B. Jackson, Director of Facilities  
Argentina M. James, Director of Public Affairs  
Jimmy M. Jamison, Director of Operations  
Charles D. Jenkins, Director of Planning & Environment  
Ricky W. Kunz, Acting Director of Trade Development  
Gilda Ramirez, Director of Small Business Development  
Erik A. Eriksson, General Counsel  
Steven J. Hackbarth, CPA, Controller  
Orlando Sanchez, County Treasurer  
Barbara Schott, CPA, County Auditor

## **Financial Section**

## INDEPENDENT AUDITORS' REPORT

Port Commission  
Port of Houston Authority of  
Harris County, Texas

We have audited the accompanying statements of net assets of the Port of Houston Authority of Harris County, Texas (the "Authority"), as of December 31, 2008 and 2007, and the related statements of revenues, expenses, and changes in net assets and of cash flows for the years then ended, which collectively comprise the Authority's basic financial statements. These financial statements are the responsibility of the Authority's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Authority as of December 31, 2008 and 2007, and the respective changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, schedule of funding progress – Port of Houston Authority Restated Retirement Plan, and schedule of funding progress – Port of Houston Authority Group Health Plan are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements. The introductory section, statistical section and other information are presented for purposes of additional analysis and is not a required part of the basic financial statements. This supplementary

information is the responsibility of the Authority's management. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Deloitte & Touche LLP

June 24, 2009

**Port of Houston Authority**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2008**  
(unaudited)

As management of the Port of Houston Authority of Harris County, Texas ("Authority") we offer readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended December 31, 2008 and December 31, 2007. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

**Financial Highlights**

- The net assets of the Authority at December 31, 2008 were \$902,404. Of this amount, \$214,339 are considered unrestricted net assets.
- The Authority's net assets increased by \$48,411 for the fiscal year ended December 31, 2008.
- The Authority's total assets increased by \$130,253 during the fiscal year ended December 31, 2008. The major component in this increase was the increase in capital assets of \$54,328 offset by a decrease in current assets of \$16,247, an increase in non-current assets of \$64,300 and an increase in restricted assets of \$27,872.
- The Authority's total liabilities increased by \$81,842 during the fiscal year ended December 31, 2008. The major component in this increase was the addition of \$106,967 in long-term debt, net of current maturities, a decrease of \$32,632 in current liabilities less current portion of debt and an increase of \$7,507 in non-current liabilities
- The Authority follows enterprise fund accounting and reporting requirements, including the accrual basis of accounting and application of all Governmental Accounting Standards Board ("GASB") pronouncements.

**Overview of Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise the following: 1) statements of net assets, 2) statements of revenues, expenses, and changes in net assets, 3) statements of cash flows, and 4) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

The statements of net assets present information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statements of revenues, expenses, and changes in net assets present information showing how the Authority's net assets changed during the most recent fiscal year. All

changes in net assets 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 will only result in cash flows in future fiscal periods (e.g., uncollected property taxes and earned but unused vacation leave).

The basic financial statements include not only the Port of Houston Authority (known as the primary government), but also two legally separate blended component units, Port Development Corporation (“PDC”) and Port of Houston Authority International Corporation (“POHAIC”). Financial information for these component units is reported in conjunction with the primary government.

Since the Authority follows enterprise fund accounting and reporting requirements, 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 also presents certain required supplementary information concerning the Authority’s progress in funding its obligation to provide pension benefits to its employees which can be found immediately after these notes. Also on this page is the schedule of funding progress for the Authority’s OPEB obligation.

### **Financial Analysis**

By far, the largest portion of the Authority’s net assets (72%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets, and excluding any remaining debt proceeds that are still outstanding. 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 assets (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (24%) may be used to meet the Authority’s ongoing obligations to employees and creditors.



**Port of Houston Authority Condensed Statements of Net Assets**

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current and other assets	<b>\$366,256</b>	\$290,331	\$327,369
Capital assets	<b>1,187,033</b>	1,132,705	976,095
 Total assets	 <b><u>1,553,289</u></b>	 1,423,036	 <u>1,303,464</u>
 Long-term liabilities	 <b>601,951</b>	487,477	404,242
Other liabilities	<b>48,934</b>	81,566	86,045
 Total liabilities	 <b><u>650,885</u></b>	 569,043	 <u>490,287</u>
 Invested in capital assets, net of related debt	 <b>646,777</b>	676,785	615,169
Restricted net assets	<b>41,288</b>	32,620	52,772
Unrestricted net assets	<b><u>214,339</u></b>	<u>144,588</u>	<u>145,236</u>
 Total net assets	 <b><u><u>\$902,404</u></u></b>	 <u>\$853,993</u>	 <u>\$813,177</u>

The Authority's net assets increased by \$48,411 during the fiscal year ended December 31, 2008. During fiscal year 2008, net assets invested in capital assets net of related debt decreased \$30,008 with an increase in capital assets of \$54,328 plus an increase in outstanding debt net of unspent proceeds of \$84,337. During fiscal year 2008, restricted net assets increased \$8,668 as a result of increased tax receipts offset by the use of restricted proceeds for construction. Unrestricted net assets increased \$69,751.

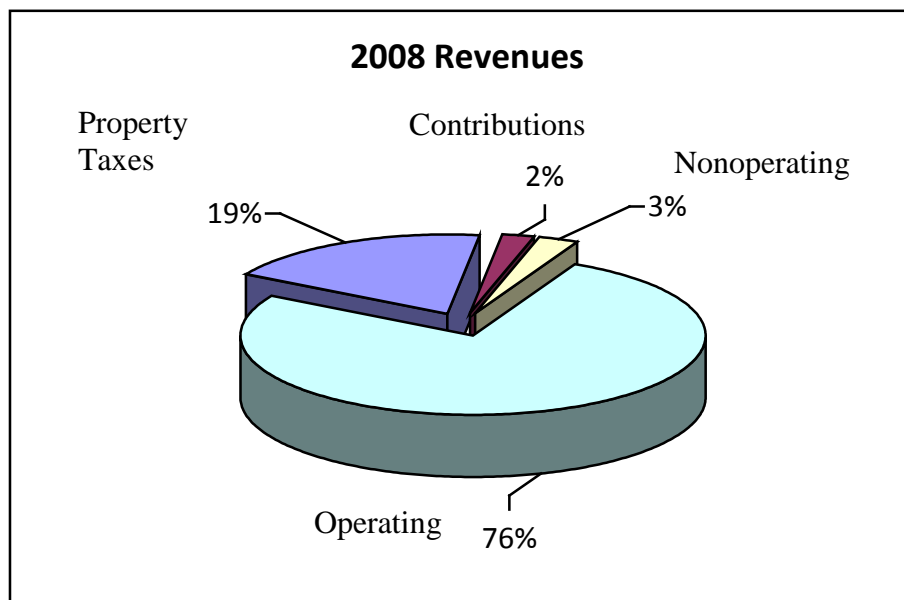
The Authority's net assets increased by \$40,816 during the fiscal year ended December 31, 2007. During fiscal year 2007, net assets invested in capital assets net of related debt increased \$61,616 with an increase in capital assets of \$156,610 plus and increase in outstanding debt net of unspent proceeds of \$94,994. During fiscal year 2007, restricted net assets decreased \$20,152 as a result of the use of restricted proceeds for construction. Unrestricted net assets decreased \$648.

Key elements of this increase are identified in the following schedule of Changes in Net Assets and related explanations.

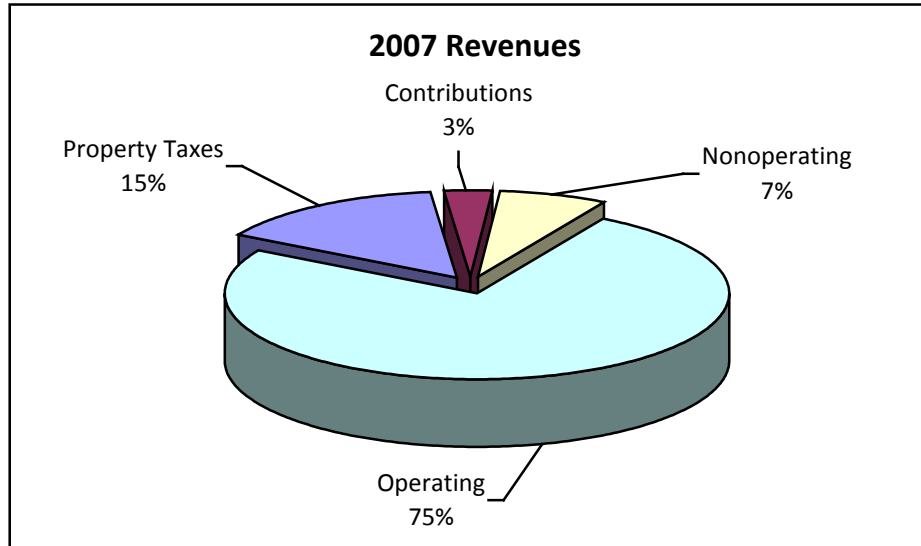
**Port of Houston Authority  
Changes in Net Assets**

	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Operating revenues:</b>			
Vessel and cargo services	\$ 172,381	\$ 164,595	\$ 143,550
Rental of equipment & facilities	19,984	18,872	18,103
Grain elevator	787	809	717
Bulk materials	2,319	2,903	3,221
Other	2,522	3,679	2,072
<b>Nonoperating revenues:</b>			
Investment income	7,154	10,019	11,606
Other	982	6,734	1,060
<b>Nonoperating revenues related to property taxes:</b>			
Property taxes	48,675	35,819	29,454
Interest income on unlimited tax bonds	1,113	2,045	2,077
<b>Total Revenues</b>	<u>255,917</u>	<u>245,475</u>	<u>211,860</u>
<b>Operating expenses:</b>			
Maintenance and operation of facilities	105,579	98,343	80,809
General and administrative	36,898	40,063	29,527
Depreciation and amortization	44,016	34,161	28,436
<b>Nonoperating expenses-</b>			
Interest expense on revenue bonds	0	0	176
Contribution to federal and state agency	4,224	29,017	5,457
<b>Nonoperating expenses related to property taxes:</b>			
Interest expense on unlimited tax bonds	21,344	10,124	10,775
Property tax expense	1,083	480	67
Other, net	423	357	360
<b>Total Expenses</b>	<u>213,567</u>	<u>212,545</u>	<u>155,607</u>
<b>Income before contributions</b>	42,350	32,930	56,253
<b>Contributions from federal and state agency</b>	<u>6,061</u>	<u>7,886</u>	<u>6,490</u>
<b>Net Income</b>	48,411	40,816	62,743
<b>Net assets, January 1</b>	<u>853,993</u>	<u>813,177</u>	<u>750,434</u>
<b>Net assets, December 31</b>	<u><u>\$902,404</u></u>	<u><u>\$853,993</u></u>	<u><u>\$813,177</u></u>

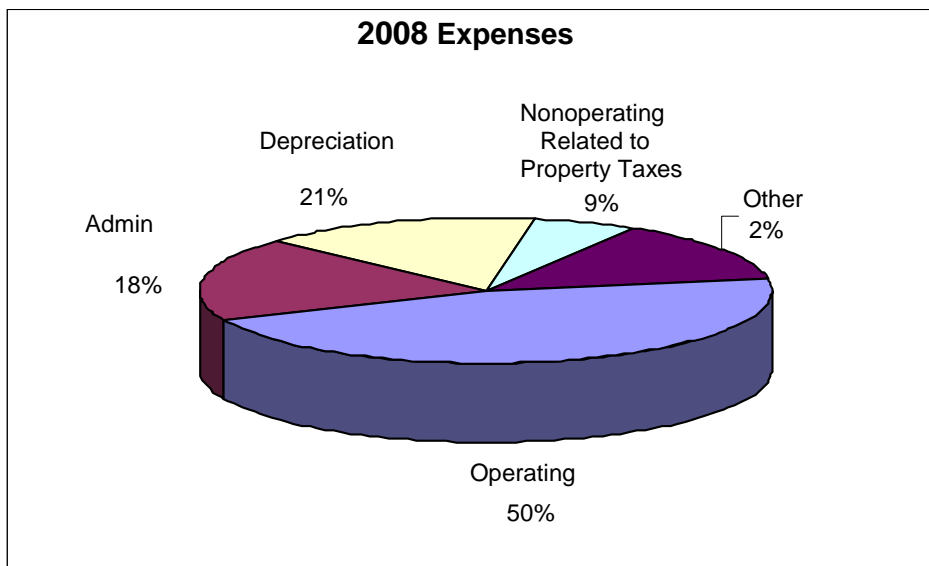
Vessel and cargo services revenues increased 4.7% in 2008 to \$172,381. Tariffs were increased in 2008 over 2007 an average of 3%. Tariffs for steel increased to \$1.85 per short ton, which was a \$.05 per short ton increase from 2007. Volumes increased in general cargo (8%), bulk grain (20%), and container TEU's (1%). Total Authority tonnage of 42.7 million tons increased 6% from 2007. Nonoperating revenues' investment income in 2008 decreased \$2.9 million due to investments maturing and utilized to increase capital assets as well as falling interest rates. Nonoperating revenues related to property taxes in 2008 increased approximately \$12.9 million. This was due primarily to an increase in the property tax rate in 2008 and increased property valuations.



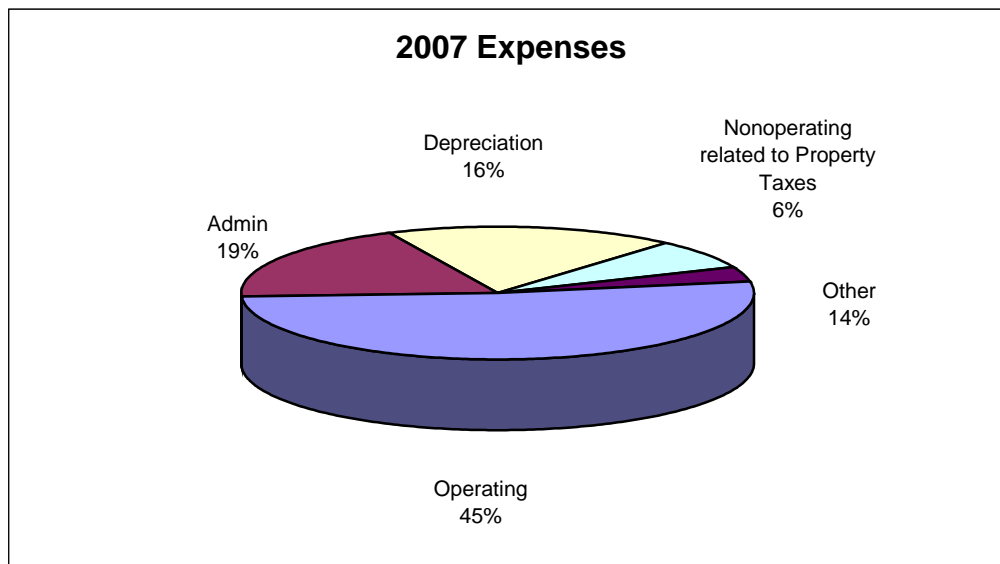
Vessel and cargo services revenues increased 14.7% in 2007 to \$164,595. Tariffs were increased in 2007 over 2006 an average of 5%. Tariffs for steel increased to \$1.80 per short ton, which was a \$.05 per short ton increase from 2006. Volumes increased in bulk materials handling plant (9%), bulk grain (9%), and container TEU's (10%). Total Authority tonnage of 40.4 million tons steady from 2006. Nonoperating revenues investment income in 2007 increased \$1.6 million due to investments maturing and utilized to increase capital assets. Nonoperating revenues related to property taxes in 2007 increased approximately \$6.3 million. This was due primarily to an increase in the property tax rate in 2007.



Maintenance and operation of facilities expenses increased by \$7.2 million (7.4%) from 2007. The majority of the increase was made up of the following: a) increases in salaries and benefits of \$3.3 million; b) an increase of \$1.7 million in fees and services; and c) an increase of \$2.2 million in other expense. General and administrative expenses decreased by \$3.2 million (7.9%) from 2007. The majority of the decrease was made up of the following: a) an increase in salaries and benefits of \$1.5 million; b) a decrease in legal and professional fees of \$3.4 million; c) a decrease of \$1.7 million in entertainment expenses, d) an increase of \$.4 million in other expenses. Depreciation and amortization increased \$9.9 million.



Maintenance and operation of facilities expenses increased by \$17.5 million (21.7%) from 2006. The majority of the increase was made up of the following: a) increases in salaries and benefits of \$5.2 million; b) increase in maintenance of buildings, machinery and equipment, materials and supplies of \$3.0 million; (c) increase in utilities of \$3.0 million; and (d) increase of \$6.3 million due to OPEB obligation. General and administrative expenses increased by \$10.5 million (35.7%) from 2006. The majority of the increase was made up of the following: a) increase in salaries and benefits of \$2.8 million; b) increase in legal and professional fees of \$3.2 million; c) an increase of \$1.6 million in Economic Development Support; d) recognition of \$3.3 million in OPEB obligations; and e) a decrease of \$.4 million in other expenses. Depreciation and amortization increased \$5.7 million.



### Capital Asset and Debt Administration

**Capital assets:** The Authority’s investment in capital assets as of December 31, 2008, amounts to \$1,187.0 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, railroads, machinery and equipment, and construction-in-progress. The total increase in the Authority’s investment in capital assets for the current fiscal year was 4.8%.

Major capital asset events during 2008 included the following:

- Land and Channel Improvements increased by \$33.9 million due primarily to the creation of additional dredge disposal site capacity along the Houston Ship Channel and Land improvements due to Bayport Terminal.
- Buildings increased \$28.9 million due primarily to construction of Bayport.
- Machinery & equipment net additions totaled approximately \$36.3 million in 2008 of which there were \$38.1 million in additions offset by the retirement of \$1.8 million. The additions primarily consisted of the purchase of two (2) wharf cranes for Bayport Terminal for \$17.9 million, security equipment for \$10.7 million and other machinery and equipment totaling \$9.6 million.

- Improvements other than buildings increased \$161.7 million primarily due to Bayport Container Yards of \$96.7 million, Bayport Cruise Terminal of \$15.1 million, Jacintoport fender system for \$4.9 million, entry/exit gates at Barbour's Cut Terminal of \$26.7 million, various Security enhancements of \$4.9 million, and additional improvements other than buildings of \$13.4 million.
- Railroads decreased \$.1 million due to retirements.
- Capitalized interest (net of capitalized income) totaling \$2.7 million was added to the cost of assets for 2008.
- Construction-in-progress decreased \$154.0 million in 2008. This included additions of \$90.6 million and offset by transfers to other capital asset classes of \$244.6 million and due primarily to the construction of various projects at the Bayport Terminal.
- Accumulated depreciation had an increase of \$40.1 million net of retirements in 2008.

The Authority's investment in capital assets as of December 31, 2007, amounts to \$1,132.7 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, railroads, machinery and equipment, and construction-in-progress. The total increase in the Authority's investment in capital assets for the current fiscal year was 16%.

Major capital asset events during 2007 included the following:

- Land and Channel Improvements increased by \$34.0 million due primarily to the creation of additional dredge disposal site capacity along the Houston Ship Channel and Land improvements due to Bayport Terminal.
- Buildings increased \$5.8 million due primarily to construction of Bayport.
- Machinery & equipment net additions totaled approximately \$61.9 million in 2007 of which there were \$62.1 million in additions offset by the retirement of \$.2 million. The additions primarily consisted of the purchase of RTG cranes for Bayport Terminal for \$25.8 million, dockside electric cranes for Bayport Terminal for \$28.0 million and other machinery and equipment totaling \$8.1 million.
- Improvements other than buildings increased \$219.4 million primarily due to Marine Terminal gate at Bayport for \$30.9 million, Phase 1A of Bayport Container Terminal Wharves for \$117.0 million, Cruise Terminal Wharf at Bayport for \$42.3 million, replacement of fender system at Wharf 16 for \$1.6 million, C1-C4 Return Road for \$3.1 million, lift station at Bayport for \$1.8 million, relocation of the main gate at Turning Basin \$1.7 million, slope failure at Manchester \$1.8 million, and additional improvements other than buildings of \$19.2 million.
- Railroads increased \$1.0 million.
- Capitalized interest (net of capitalized income) totaling \$7.8 million was added to the cost of assets for 2007.
- Construction-in-progress decreased \$133.2 million in 2007. This included additions of \$218.0 million and offset by transfers to other capital asset classes of \$351.2 million and due primarily to the construction of various projects at the Bayport Terminal.

- Accumulated depreciation had an increase of \$32.2 million net of retirements in 2007.

**PORT OF HOUSTON AUTHORITY Capital Assets**  
(net of depreciation)

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Land and Channel Improvements	<b>\$332,805</b>	\$298,900	\$264,937
Buildings	<b>50,736</b>	23,799	20,057
Improvements other than buildings	<b>520,549</b>	380,712	176,886
Railroads	<b>29,747</b>	30,885	31,130
Machinery and equipment	<b>144,207</b>	123,098	74,578
Construction-in-progress	<b>108,989</b>	275,311	408,507
	<u><b>\$1,187,033</b></u>	<u>\$1,132,705</u>	<u>\$976,095</u>

Additional information on the Authority's capital assets can be found in Note 5.

**Long-term debt:**

At the end of 2008, the Authority had total long-term debt outstanding of \$571.3 million (net of deferred amounts). Of this amount, \$571.3 million was Unlimited Tax Port Improvement Bonds and Unlimited Tax Refunding Bonds (referred to as General Obligation Bonds) and whose debt service is paid from ad valorem taxes levied and collected by Harris County Tax Assessor and Collector.

At the end of 2007, the Authority had total long-term debt outstanding of \$464.4 million (net of deferred amounts). Of this amount, \$350.9 million was Unlimited Tax Port Improvement Bonds and Unlimited Tax Refunding Bonds (referred to as General Obligation Bonds) and whose debt service is paid from ad valorem taxes levied and collected by Harris County Tax Assessor and Collector. The remainder consisted of \$113.5 million of Commercial Paper.

**Outstanding Debt**  
**General Obligation, Revenue Bonds and Commercial Paper**  
**(net of deferred amounts)**  
**(in millions)**

	<u>2008</u>	<u>2007</u>	<u>2006</u>
General Obligation Bonds			
Unlimited Tax Port Improvement Bonds	<b>\$132.1</b>	\$139.3	\$146.3
Unlimited Tax Refunding Bonds	<b>439.2</b>	211.6	220.6
Total General Obligation Bonds	<b>571.3</b>	350.9	366.9
Commercial Paper	<b>0.0</b>	113.5	21.7
Total Long-Term Debt	<b>571.3</b>	464.4	388.6
Less Current Maturities	<b>(15.6)</b>	(129.1)	(37.2)
Long-Term Debt (net of deferred amounts)	<b><u>\$555.7</u></b>	<u>\$335.3</u>	<u>\$351.4</u>

The Authority's total long-term debt increased \$106.9 million during the current fiscal year. The key factors in this increase were the sale of \$122.5 million in commercial paper offset by \$15.6 million in debt service payments.

During 2008, the Authority issued \$234.6 million of unlimited tax refunding bonds and used the proceeds, net of issuance cost, to term out \$236.0 million of Series A (AMT) Commercial Paper Notes.

The Authority's total long-term debt increased \$75.8 million during 2007. The key factors in this increase were the sale of \$91.8 million in commercial paper offset by \$16.0 million in debt service payments.

There were no bonds issued in 2007 by the Authority.

Additional information on the Authority's long-term debt can be found in Note 7.

**Economic Factors and Next Year's Budget and Rates**

- Inflation averaged upward for 2008 at 3.9% with a downward trend in late 2008 continuing into 2009.
- Due to the overall market conditions, the total number of ships calling on Authority docks decreased in 2008 (3,569) versus 2007 (3,599).
- The container ships that did call at the Authority's docks carried more tons in 2008 (16,865) versus 2007 (16,425).



All of the above factors were considered in preparing the Authority's budget for the 2009 fiscal year. The Authority increased tariffs an average of 5% effective January 2009 and this is estimated to increase operating revenues for 2009.

### **Requests for Information**

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of 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  
**Statements of Net Assets**  
December 31, 2008 and 2007  
(in thousands)

	2008	2007
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$141,726	\$133,340
Investments	46,305	60,408
Receivables (net of allowance for uncollectibles)	17,698	28,215
Restricted assets:		
Cash and cash equivalents	49,182	21,710
Property tax receivables	40,717	28,918
Investments	0	11,399
Inventories	271	278
Prepays	2,633	2,639
Total Current Assets	<b>298,532</b>	286,907
<b>NonCurrent Assets</b>		
Investments Long-Term	64,665	0
Deferred charges	3,059	3,424
<b>Capital Assets (net of accumulated depreciation):</b>		
Land and Channel Improvements	332,805	298,900
Buildings	50,736	23,799
Improvements other than buildings	520,549	380,712
Railroads	29,747	30,885
Machinery and equipment	144,207	123,098
Construction-in-progress	108,989	275,311
Total Capital Assets	<b>1,187,033</b>	1,132,705
Total Noncurrent assets	<b>1,254,757</b>	1,136,129
Total Assets	<b>1,553,289</b>	1,423,036
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and other current liabilities	27,626	56,822
Deferred revenue	3,796	3,806
Liabilities payable from restricted assets:		
Current maturities of long-term debt		
Commercial Paper	0	113,478
Unlimited tax bonds	15,600	15,580
Accrued interest payable		
Unlimited tax bonds	10,047	4,728
Contracts payable and accrued liabilities	7,465	16,210
Total current liabilities payable from restricted assets	<b>33,112</b>	149,996
Total Current Liabilities	<b>64,534</b>	210,624
<b>NonCurrent Liabilities</b>		
Long-term debt, net of current maturities	555,755	335,330
Other noncurrent liabilities		
Due in more than one year	30,596	23,089
Total NonCurrent Liabilities	<b>586,351</b>	358,419
Total liabilities	<b>650,885</b>	569,043
<b>Net Assets</b>		
Invested in capital assets, net of related debt	646,777	676,785
Restricted for:		
Capital	3,978	3,846
Debt Service	37,310	28,774
Unrestricted	214,339	144,588
Total net assets	<b>\$902,404</b>	\$853,993

See notes to the financial statements

Port of Houston Authority  
**Statements of Revenues, Expenses and Changes in Net Assets**  
For the Years Ended December 31, 2008 and 2007  
(in thousands)

	2008	2007
<b>Operating revenues:</b>		
Vessel and cargo services	\$172,381	\$164,595
Rental of equipment and facilities	19,984	18,872
Grain elevator	787	809
Bulk materials	2,319	2,903
Other	2,522	3,679
Total	197,993	190,858
<b>Operating expenses:</b>		
Maintenance and operation of facilities	105,579	98,343
General and administrative	36,898	40,063
Depreciation and amortization	44,016	34,161
Total	186,493	172,567
<b>Operating income</b>	<b>11,500</b>	18,291
<b>Nonoperating revenues (expenses):</b>		
Investment income	7,154	10,019
Contribution to federal and state agencies	(4,224)	(29,017)
Recognition of deferred revenue	0	5,000
Other, net	982	1,734
Total	3,912	(12,264)
<b>Income before nonoperating revenues (expenses) related to property taxes</b>	<b>15,412</b>	6,027
<b>Nonoperating revenues (expenses) related to property taxes:</b>		
Property taxes	48,675	35,819
Investment income on unlimited tax bonds proceeds	1,113	2,045
Interest expense on unlimited tax bonds	(21,344)	(10,124)
Property tax expense	(1,083)	(480)
Other, net	(423)	(357)
Total	26,938	26,903
<b>Income before contributions</b>	<b>42,350</b>	32,930
<b>Contribution from federal and state agencies</b>	<b>6,061</b>	7,886
<b>Net income</b>	<b>48,411</b>	40,816
<b>Net assets, January 1</b>	<b>853,993</b>	813,177
<b>Net assets, December 31</b>	<b>\$902,404</b>	\$853,993

See notes to the financial statements

Port of Houston Authority of Harris County, Texas  
**Statements of Cash Flows**  
For the years ended December 31, 2008 and 2007  
(in thousands)

	<u>2008</u>	<u>2007</u>
<b>Cash Flows from operating activities</b>		
Cash received from customers	\$205,377	\$189,552
Cash paid to suppliers for goods and services	(68,635)	(67,490)
Cash paid to employees for services	(37,038)	(32,057)
Cash paid for employee benefits	(28,652)	(28,280)
Cash from other services	472	641
Cash paid for other purposes	786	(33)
	<u>72,310</u>	<u>62,333</u>
Net cash provided by operating activities		
<b>Cash flows from noncapital financing activities</b>		
Repayment of advances from developer	(2,661)	(2,323)
Property taxes received	36,394	32,691
Contributions paid to others	(4,224)	(6,829)
Property tax collection expenses paid	(1,035)	(943)
	<u>28,474</u>	<u>22,596</u>
Net cash provided by noncapital financing activities		
<b>Cash flows from capital and related financing activities</b>		
Contributions received from state and federal agencies	9,606	6,134
Proceeds from issuance of long-term debt	123,086	91,734
Issuance costs of long-term debt	(428)	0
Repayment of long-term debt and funding of escrow	(15,580)	(15,470)
Interest on long-term debt	(19,532)	(19,613)
Acquisition and construction of capital assets	(130,541)	(207,199)
Proceeds from retirement of assets	(160)	467
	<u>(33,549)</u>	<u>(143,947)</u>
Net cash used in capital financing activities		
<b>Cash flows from investing activities</b>		
Purchase of investments	(228,878)	(201,344)
Proceeds from maturities of investments	192,080	250,750
Interest on investments	5,421	9,467
	<u>(31,377)</u>	<u>58,873</u>
Net cash provided by investing activities		
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>35,858</b>	<b>(145)</b>
<b>Cash and cash equivalents, January 1</b>	<b>155,050</b>	<b>155,195</b>
<b>Cash and cash equivalents, December 31</b>	<b>\$190,908</b>	<b>\$155,050</b>
<b>Current cash and cash equivalents</b>	<b>\$141,726</b>	<b>\$133,340</b>
<b>Restricted cash and cash equivalents</b>	<b>\$49,182</b>	<b>\$21,710</b>

See notes to the financial statements

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	<b>2008</b>	2007
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	<b>\$11,500</b>	\$18,291
Adjustments to reconcile operating income to		
Net cash provided by operating activities		
Depreciation and amortization	<b>44,015</b>	34,161
Provision for doubtful accounts	<b>120</b>	120
Miscellaneous nonoperating income (expense), net	<b>1,655</b>	5,922
Change in assets and liabilities		
Increase/(Decrease) in trade and other receivables	<b>6,805</b>	(2,721)
Decrease in prepaids	<b>(1,036)</b>	(2,582)
Increase/(Decrease) in inventories	<b>8</b>	(35)
(Increase)/Decrease in accounts payable and accrued liabilities	<b>8,637</b>	13,020
Increase in accrued vacation and sick leave	<b>326</b>	310
Increase/(Decrease) in deferred revenue	<b>280</b>	(4,153)
	<b>\$72,310</b>	\$62,333
Noncash investing, capital, and financing activities:		
Increase in fair value of investments	<b>409</b>	28
Contributions to others	<b>7</b>	22,188

See notes to the financial statements

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**1. Summary of Significant Accounting Policies**

**Reporting Entity**

The Port of Houston Authority of Harris County, Texas (“Authority”) is an independent political subdivision created under the constitution of the state of Texas. The Port Commission, composed of seven commissioners, governs the Authority. Harris County, Texas (“County”) and the City of Houston, Texas (“City of Houston”) each appoint two commissioners to the Port Commission and jointly appoint the chairman. The City of Pasadena, Texas (“City of Pasadena”) and the Harris County Mayors and Councils Association (“Association”), representing 26 cities, each appoint one commissioner. Under state law, the County auditor serves as the auditor of the Authority and 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 exercise financial accountability over the Authority. The Authority is considered a primary government entity since it satisfies all of 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 all operations and activities of the Authority and its blended component units for which the Port Commission has financial accountability as defined above. Blended component units, although legally separate entities, are, in substance, part of the government’s operations.

**Blended Component Units**

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 issues industrial development revenue bonds to promote and develop commercial, industrial and manufacturing enterprises and to promote and encourage employment and public welfare. The issuance of any such bonds is approved by the Board of Directors (the “Board”) of PDC and the Texas Economic Development Commission (“TEDC”). Net earnings of PDC may be distributed to the Authority by action of the Board or upon dissolution of PDC. PDC is considered a blended component unit of the Authority as the governing boards of the Authority and PDC are substantially the same, and the Authority is able to impose its will on PDC, as defined in Governmental Accounting Standards Board (“GASB”) Statement No. 14, “The Financial Reporting Entity.”

The Port of Houston Authority International Corporation (“POHAIC”), was organized during the fiscal year 2002 for the purpose of aiding, assisting and acting on behalf of the Authority in the performance of its governmental functions to promote the common good and general welfare of the Authority by providing consulting services to international port authorities and private businesses, including, but not limited to, terminal operators, engineering firms and construction companies, in the areas, among others, of trade development, administration, facilities, land, equipment, operations,

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security/protection and general management and to promote, develop, encourage and maintain employment, commerce and economic development in the Authority. POHAIC is considered a blended component unit of the Authority under the provisions of GASB Statement No. 14 as the Authority (1) appoints a voting majority of POHAIC's board, (2) is able to impose its will on POHAIC and (3) the board of the Authority and POHAIC are substantially the same.

**Basis of Accounting**

The Authority follows enterprise fund accounting and reporting requirements, including the accrual basis of accounting and application of all GASB pronouncements as well as the Financial Accounting Standards Board ("FASB") pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The preparation of 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 amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Operating revenues and expenses generally result from providing services in connection with ongoing operations. The principal revenues of the Authority are charges to customers for sales and services. The Authority also recognizes revenue in the form of rents and consulting fees. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Cash and Cash Equivalents**

All cash and highly liquid time deposits and short-term investments with original maturities of three months or less when purchased are considered to be cash equivalents. Certificates of deposit with maturities over three months are considered time deposits.

**Investments**

All investments are recorded at fair value based upon quoted market prices with the difference between the purchase price and market price being recorded as investment income. For disclosure of custodial risk for all investments see Note 2.

**Trade Receivables**

All trade receivables are shown net of an allowance for uncollectible accounts. Allowances are calculated utilizing a two-part formula. An average of the last five years' bad debt write-offs is calculated. Since this number is usually small, substantially

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the allowance is calculated at 5% of total receivables that, in the opinion of management, is reasonable.

**Inventory**

Inventory consists of materials and supplies and is stated at cost, determined on an average cost method.

**Prepaid Items**

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

**Deferred 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 deferred charges and amortized over three to four years. Amortization for 2008 amounted to \$1.9 million and is included in depreciation and amortization in the Statement of Revenues, Expenses and Changes in Net Assets.

**Property Taxes**

Property taxes (net of collection expenses) are used to pay debt service of the unlimited tax bonds. Property is appraised, and a lien on such property becomes enforceable, as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Property taxes are levied September 1 for the year in which assessed. Taxes become delinquent February 1 of the following year and are subject to interest and penalty charges. Harris County 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, 2008 and 2007 were \$600 and \$587 respectively.

The tax rates levied for the years ended December 31, 2008 and 2007 were \$.01773 and \$.01437, respectively, per \$100 assessed valuation.

**Restricted Assets**

Unspent net proceeds for unlimited tax improvement bonds and proceeds available from taxes receivable are classified as restricted assets because their use is limited by applicable bond covenants.

**Capital Assets**

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5 and an estimated useful life of one year or greater. Property constructed or



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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 asset or materially extend asset lives are not capitalized. The Authority capitalizes, as a cost of its constructed assets, the interest expense of related borrowings less the interest earned on temporary investment of the proceeds of those borrowings from the date of borrowing. Capitalized interest increased the cost of assets constructed by the Authority by approximately \$2,691 and \$7,842 in 2008 and 2007, respectively.

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

Railroads	25-40 years
Buildings	20-40 years
Improvements other than buildings	20-50 years
Machinery and equipment	3-20 years

**Premiums (Discounts) on Bonds Payable and Issuance Costs**

Issuance costs, premiums and discounts are amortized using the interest cost basis. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**Vacation and Sick Leave**

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, 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, limited to \$.235 per day or \$2.8 for 96 hours.

**New Accounting Pronouncements**

In November 2006, GASB issued Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2007 with measurement of pollution remediation liabilities required at the beginning of that period so that beginning net assets

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can be restated. Management of the Authority has implemented GASB Statement No 49 and has determined that there is no material effect upon its financial position, results of operations or cash flows for 2008.

In May 2007, GASB issued Statement No. 50, "Pension Disclosures." This statement requires disclosure in the notes to the financial statements of a) the current funded status of the plan, b) governments that use the aggregate actuarial cost method to disclose the funded status and present a multi-year schedule of funding progress using the entry age actuarial cost method as a surrogate and c) disclosure by governments participating in multi-employer cost-sharing pension plans of how the contractually required contribution is determined. The provisions of Statement No. 50 generally are effective for periods beginning after June 15, 2007. Management of the Authority has adopted GASB Statement No. 50 in 2008 and has disclosed the relevant information in Note 9.

In June 2007, GASB issued Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." This statement requires that an intangible asset be recognized in the statement of net assets only if it is considered identifiable. Additionally, this Statement establishes a specified-conditions approach to recognizing intangible assets that are internally generated. This Statement also provides guidance on recognizing internally generated computer software as an intangible assets. The requirements in this Statement improve financial reporting by reducing inconsistencies that have developed in accounting and financial reporting for intangible assets. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009 and are required to be applied retroactively. Management of the Authority has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In November 2007, GASB issued Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments." This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. Reporting land and other real estate held as investments at fair value enhances user' ability to meaningfully evaluate an entity's investment decisions and performance. This statement is effective for periods beginning after June 15, 2008. Management of the Authority has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2008, GASB issued Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. This Statement improves financial reporting by requiring governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts (SGIC's) that are fully benefit-responsive, at fair value in their economic

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resources measurement focus financial statements. Changes in fair value of hedging derivative instruments are reported in statement of net assets as deferrals while changes in fair value of investment derivative instruments are reported within the investment revenue classification. This Statement is effective for financial statements for periods beginning after June 15, 2009. Management of the Authority has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2009, GASB issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definition. The definitions of the general fund, special revenue fund type, capital projects type, debt service fund type and permanent fund type are clarified by provisions in this Statement. The fund balance classification approach in this Statement will require governments to classify amounts consistently. This Statement is effective for periods beginning after June 15, 2010. Management of the Authority has determined that there is no impact upon its financial position, results of operations or cash flows upon adoption.

In March 2009, GASB issued Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments." The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The Statement will improve financial reporting by contributing to the GASB's efforts to codify all GAAP for state and local governments so that they derive from a single source. This Statement is effective immediately and does not result in a change in current practice.

In March 2009, GASB issued Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards." The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement does not establish new accounting standards but rather incorporates the existing guidance (to the extent appropriate in a governmental environment) into the GASB standards. This Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. This statement is effective immediately and does not have a significant impact on the Authority's financial statements.

## **2. Cash and Investments**

The Authority's cash and cash equivalents of \$190,908 and \$155,050 as of December 31, 2008 and 2007, respectively, are maintained in demand accounts and mutual funds

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managed by a major fund manager. The bank balance at December 31, 2008 and 2007 was \$195,343 and \$157,113, respectively, of which the amount on deposit in demand accounts is fully covered by the federal deposit insurance through the FDIC or collateralized with securities held by the Authority's depository institution in joint safekeeping at the Federal Reserve Bank of Chicago in the Authority's name. The mutual funds are invested primarily in direct obligations of the U.S. government or its agencies and are not subject to categorization in accordance with GASB Statement No. 3, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools."

In accordance with authorized state statutes, the Authority invests in fully collateralized or insured time deposits, direct debt securities of the United States or its agencies, commercial paper, money market mutual funds, collateralized mortgage obligations, the underlying security for which is guaranteed by an agency of the United States, and fully collateralized repurchase agreements. Repurchase agreements must be purchased pursuant to a master repurchase agreement which specifies the rights and obligations of both parties and requires that the securities involved in the transactions be held in a safekeeping account subject to the control and custody of the Authority. Investments in security repurchase agreements may be made only with the Authority's depository bank or with state or national banks domiciled in the state of Texas. The Authority did not invest in repurchase agreements during 2008 or 2007.

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 Statement of Investment Policy does not allow any fixed income securities below the investment grade of BAA. U. S. Agencies are rated AAA by Standard & Poors and Aaa by Moody's Investors Service. Commercial Paper is rated A-1+ by Standard & Poors and P-1 by Moody's Investors Service.

*Concentration of Credit Risk* - Concentration of credit risk exists when investments are concentrated in one issue. More than 5% of the Authority's investments at December 31, 2008 are in FHLB DISC notes (6.4%), FNMA DISC notes (5.3%), FHLB NOTE (9.8%), FHLMC NOTE (42.1%), American International Group (AIG) CP (13.8%), and HARRIS COUNTY TEXAS Municipal Bond (22.6%).

*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. The Authority's fixed income accounts are managed by the Harris County Financial Services Department and monitored monthly for compliance with the Authority's investment policy which limits the overall investment portfolio's weighted average maturity to 2.5 years maximum. The following table details the U.S. Dollar holdings and their weighted average maturity as of December 31, 2008.

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Security Type	Ratings	Fair Value	Weighted Average Maturity (years)
<b>Agency Securities:</b>			
FHLB DISC	AAA/Aaa	\$7,097	0.1234
FHLB NOTE	AAA/Aaa	10,893	0.2525
FHLMC NOTE	AAA/Aaa	6,939	0.1859
FHLMC NOTE	AAA/Aaa	20,025	0.8514
FHLMC NOTE	AAA/Aaa	19,735	0.1088
FNMA DISC	AAA/Aaa	5,067	0.0744
FNMA DISC	AAA/Aaa	<u>803</u>	0.0118
<b>Total</b>		<u><b>70,559</b></u>	<b>0.2298</b>
<b>Commercial Paper:</b>			
AIG CP	A-1+/P-1	<u>15,304</u>	0.2395
<b>Total</b>		<u><b>15,304</b></u>	<b>0.2395</b>
<b>Municipal Bonds:</b>			
Harris County Texas	A-1,A	<u>25,133</u>	12.1645
<b>Total</b>		<u><b>25,133</b></u>	<b>12.1645</b>
<b>Total Fair Value</b>		<u><u><b>\$110,996</b></u></u>	
<b>Portfolio Weighted Average Maturity</b>			<b>4.2113</b>

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The following table details the U.S. Dollar holdings and their weighted average maturity as of December 31, 2007.

Security Type	Ratings	Fair Value	Weighted Average Maturity (years)
<b>Agency Securities:</b>			
FHLMC DISC	AAA/Aaa	\$6,438	0.0143
FNMA DISC	AAA/Aaa	4,892	0.0016
FNMA DISC	AAA/Aaa	776	0.0002
FNMA DISCe	AAA/Aaa	<u>5,122</u>	0.0073
<b>Total</b>		<u><b>17,228</b></u>	<b>0.0234</b>
<b>Commercial Paper:</b>			
AGFC CP	A-1+/P-1	10,676	0.0247
AIG CP	A-1+/P-1	11,903	0.0191
General Electric CP	A-1+/P-1	2,801	0.0138
General Electric CP	A-1+/P-1	5,333	0.0321
General Electric CP	A-1+/P-1	6,728	0.0415
TMCC CP	A-1+/P-1	8,630	0.0017
TMCC CP	A-1+/P-1	3,695	0.0267
TMCC CP	A-1+/P-1	<u>4,813</u>	0.0425
<b>Total</b>		<u><b>54,579</b></u>	<b>0.2021</b>
<b>Total Fair Value</b>		<u><u><b>\$71,807</b></u></u>	
<b>Portfolio Weighted Average Maturity</b>			<b>0.1593</b>

*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, 2008 and 2007 there was no foreign currency risk.

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**3. Receivables**

Receivables as of year end including the applicable allowances for uncollectible accounts are as follows:

<b>Trade receivables, net:</b>	<u><b>2008</b></u>	<u><b>2007</b></u>
Trade accounts	\$16,613	\$24,418
Damage claims	650	434
Less allowance for doubtful accounts	<u>(899)</u>	<u>(1,334)</u>
Trade accounts, net	16,364	23,518
 <b>Other receivables:</b>		
Accrued interest	653	0
Due from federal/state agency	68	3,612
Other	<u>613</u>	<u>1,085</u>
Total other receivables	<u>1,334</u>	<u>4,697</u>
<b>Total receivables, net</b>	<u><u>\$17,698</u></u>	<u><u>\$28,215</u></u>

**4. Sale of World Trade Building**

In January 1999 the World Trade Building was sold by the Authority to Paladio Development Ltd, a Texas limited partnership, with Paladio Management Inc., a Texas corporation as the sole general partner, for the sum of \$4,000. The Authority received a down payment of \$400 and a promissory note for \$3,600 payable in nine equal annual installments of \$400 with the first installment due on or before one year from the date of the promissory note. This transaction resulted in a deferred gain of approximately \$2,998, which totaled \$0 and \$290 as of December 31, 2008 and 2007, respectively. The last installment was received in January 2008.

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**5. Capital Assets**

Capital asset activity for the year ended December 31, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$85,852	\$4,781	(\$2)	\$90,631
Channel improvements	213,048	29,126	(0)	242,174
Construction-in-progress	<u>275,311</u>	<u>93,765</u>	<u>(260,089)</u>	<u>108,989</u>
Total capital assets, not being depreciated	<u>574,211</u>	<u>127,672</u>	<u>(260,089)</u>	<u>441,794</u>
Capital assets, being depreciated:				
Buildings	79,970	28,975	(45)	108,900
Improvements other than buildings	603,601	161,748	0	765,349
Railroads	57,336	100	(202)	57,234
Machinery and equipment	<u>232,753</u>	<u>38,091</u>	<u>(1,778)</u>	<u>269,066</u>
Total capital assets, being depreciated	<u>973,660</u>	<u>228,914</u>	<u>(2,025)</u>	<u>1,200,549</u>
Less accumulated depreciation for:				
Buildings	(56,171)	(2,038)	45	(58,164)
Improvements other than buildings	(222,889)	(21,911)	0	(244,800)
Railroads	(26,451)	(1,238)	202	(27,487)
Machinery and equipment	<u>(109,655)</u>	<u>(16,982)</u>	<u>1,778</u>	<u>(124,859)</u>
Total accumulated depreciation	<u>(415,166)</u>	<u>(42,169)</u>	<u>2,025</u>	<u>(455,310)</u>
Total capital assets, being depreciated, net	<u>558,494</u>	<u>186,745</u>	<u>(0)</u>	<u>745,239</u>
Total capital assets, net	<u>\$1,132,705</u>	<u>\$314,417</u>	<u>(\$260,089)</u>	<u>\$1,187,033</u>



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Capital asset activity for the year ended December 31, 2007 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$70,818	\$15,090	(\$56)	\$85,852
Channel improvements	194,119	18,934	(5)	213,048
Construction-in-progress	<u>408,507</u>	<u>218,044</u>	<u>(351,240)</u>	<u>275,311</u>
Total capital assets, not being depreciated	<u>673,444</u>	<u>252,068</u>	<u>(351,301)</u>	<u>574,211</u>
Capital assets, being depreciated:				
Buildings	74,180	5,790	0	79,970
Improvements other than buildings	384,246	219,355	0	603,601
Railroads	56,378	958	0	57,336
Machinery and equipment	<u>170,884</u>	<u>62,090</u>	<u>(221)</u>	<u>232,753</u>
Total capital assets, being depreciated	<u>685,688</u>	<u>288,193</u>	<u>(221)</u>	<u>973,660</u>
Less accumulated depreciation for:				
Buildings	(54,123)	(2,048)	0	(56,171)
Improvements other than buildings	(207,360)	(15,529)	0	(222,889)
Railroads	(25,248)	(1,203)	0	(26,451)
Machinery and equipment	<u>(96,306)</u>	<u>(13,570)</u>	<u>221</u>	<u>(109,655)</u>
Total accumulated depreciation	<u>(383,037)</u>	<u>(32,350)</u>	<u>221</u>	<u>(415,166)</u>
Total capital assets, being depreciated, net	<u>302,651</u>	<u>255,843</u>	<u>0</u>	<u>558,494</u>
Total capital assets, net	<u><u>\$976,095</u></u>	<u><u>\$507,911</u></u>	<u><u>(\$351,301)</u></u>	<u><u>\$1,132,705</u></u>

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**6. Operating Leases**

The Authority leases to others some of its land, buildings and improvements and cargo handling equipment. Cost of the assets under lease totaled \$51,037 consisting of \$5,851 in buildings, \$10,552 in improvements, \$1,886 of machinery and equipment and \$32,749 of railroads with a total carrying value of \$27,283 and current year depreciation of \$1,232. As of December 31, 2008 minimum rental payments to be received by the Authority under the operating leases that have initial or remaining noncancelable lease terms in excess of one year are as follows:

2009	\$ 11,571
2010	8,193
2011	7,179
2012	6,221
2013	5,602
Thereafter	<u>61,257</u>
Total	<u>\$ 100,023</u>

In addition, the Port Terminal Railroad Association (“PTRA”) leases certain railroad facilities from the Authority under a ten-year renewable agreement. The agreement provides for a yearly adjustment in rent on August 1, based on the percentage change in the Producer Price Index (all commodities) from the previous August 1. The monthly rental was \$131 and \$127 for 2008 and 2007, respectively. The Authority invoiced PTRA approximately \$1,888 and \$1,472 under this agreement in 2008 and 2007, respectively.

On July 21, 2007, a new lease agreement began for the Bulk Plant facilities. The agreement is for ten (10) years, with four (4) five (5) year extensions. The yearly adjustment in rent on July 1 is based on the percentage change in the Producer Price Index (all commodities) from the previous July 14. The monthly rental for 2008 was \$244. The Authority invoiced the lessor approximately \$1,500 under the agreement in 2008.

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**7. Long-Term Debt and NonCurrent Liabilities**

<b>Changes in Long-Term Liabilities – 2008</b>					
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds Payable					
Commercial Paper	\$113,478	\$122,522	\$236,000	\$0	\$0
Unlimited Tax Bonds	343,965	234,630	15,580	563,015	15,600
Less Deferred Amounts	<u>6,945</u>	<u>1,940</u>	<u>539</u>	<u>8,346</u>	<u>0</u>
<b>Total Bonds Payable</b>	<u>\$464,388</u>	<u>\$359,092</u>	<u>\$252,119</u>	<u>\$571,361</u>	<u>\$15,600</u>
Other noncurrent liabilities:					
Compensated Absences	\$5,173	\$4,132	\$3,805	\$5,500	\$343 (1)
Advances from Developer	8,423	0	2,661	5,762	0
OPEB Obligation	9,584	9,937	0	19,521	0
Other	<u>224</u>	<u>0</u>	<u>68</u>	<u>156</u>	<u>0</u>
<b>Total other noncurrent liabilities</b>	<u>\$23,404</u>	<u>\$14,069</u>	<u>\$6,534</u>	<u>\$30,939</u>	<u>\$343</u>

(1) Included in accounts payable and current liabilities

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**Changes in Long-Term Liabilities – 2007**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds Payable					
Commercial Paper	\$21,744	\$91,734	\$0	\$113,478	\$113,478
Unlimited Tax Bonds	357,105	0	13,140	343,965	15,580
Accreted Interest on Unlimited Tax Bonds	2,330	0	2,330	0	0
Less Deferred Amounts	<u>7,518</u>	<u>0</u>	<u>573</u>	<u>6,945</u>	<u>0</u>
 Total Bonds Payable	 <u>\$388,697</u>	 <u>\$91,734</u>	 <u>\$16,043</u>	 <u>\$464,388</u>	 <u>\$129,058</u>
 Other noncurrent liabilities:					
Compensated Absences	\$4,864	\$3,630	\$3,321	\$5,173	\$315 (1)
Advances from Developer	10,746	0	2,323	8,423	0
OPEB Obligation	0	12,291	2,707	9,584	0
Other	<u>224</u>	<u>0</u>	<u>0</u>	<u>224</u>	<u>0</u>
 Total other noncurrent liabilities	 <u>\$15,834</u>	 <u>\$15,921</u>	 <u>\$8,351</u>	 <u>\$23,404</u>	 <u>\$315</u>

(1) Included in accounts payable and current liabilities

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**Outstanding Long Term Debt**

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

	<u>Original Issue</u>	<u>Interest Rate %</u>	<u>Issue Date</u>	<u>Maturity</u>	<u>December 31</u>	
					<u>2008</u>	<u>2007</u>
<b>Commercial Paper:</b>	\$0				\$0	\$113,478
<b>General Obligation Bonds:</b>						
<b>Unlimited Tax Refunding Bonds:</b>						
Series 1997	28,000	4.75 - 5.00	10/23/97	2013	6,595	9,795
Series 1999B	6,435	5.00 - 5.25	09/28/99	2009	585	1,180
Series 2000B	8,700	4.55 - 5.50	10/15/00	2011	2,160	2,900
Series 2002B	7,060	5.50 - 4.25	12/12/02	2013	2,560	3,110
Series 2004	9,000	3.00 - 5.00	12/08/04	2016	5,775	6,550
Series 2005A	36,665	4.25 - 5.00	09/08/05	2023	36,665	36,665
Series 2005B	62,485	4.125 - 5.00	06/08/05	2023	62,485	62,485
Series 2006A	28,380	5.00	07/19/06	2017	23,365	26,005
Series 2006B	47,085	4.75 - 5.00	10/18/06	2031	47,085	47,085
Series 2006C	9,160	4.00 - 5.00	10/18/06	2031	9,160	9,160
Series 2008A	234,600	5.625-6.25	07/24/08	2038	234,630	0
					<u>431,065</u>	<u>204,935</u>
Unamortized Premiums/(Discounts) and Deferred Loss					8,142	6,680
					<u>439,207</u>	<u>211,615</u>
<b>Unlimited Tax Port Improvement Bonds:</b>						
Series 1998A	81,000	3.80 - 5.00	11/17/98	2019	44,550	48,600
Series 2001A	17,000	5.00	11/01/01	2026	14,455	14,970
Series 2001B	70,000	4.00 - 5.00	11/01/01	2026	58,810	60,840
Series 2002A	16,000	3.00 - 5.00	12/12/02	2027	14,135	14,620
Total Unlimited Tax Port Improvement Bonds					<u>131,950</u>	<u>139,030</u>
Unamortized Premiums/(Discounts)					198	265
Unlimited Tax Port Improvement Bonds, Net					<u>132,148</u>	<u>139,295</u>
Total Long Term Debt					571,355	464,388
Less Current Maturities					<u>(15,600)</u>	<u>(129,058)</u>
<b>Long - Term Debt (net of unamortized premium/(discount) and deferred loss</b>					<u>\$555,755</u>	<u>\$335,330</u>

The Authority periodically issues long term debt for the purpose of improving the facilities of the Authority, improving marine safety, and enhancing environmental protection. At December 31, 2008, the Authority had \$1,272 remaining of the \$387,000 in authorized but not issued unlimited tax bonds for construction of the Bayport Terminal which was approved

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by the voters in an election in November 1999. During 2003, the Authority certified that a necessity existed for the issuance of up to \$150,000 of the remaining authorized but not issued Unlimited Tax Bonds in the form of commercial paper notes (“Notes”). This was increased to \$236,000 during 2007 and was utilized for all but \$1,272 of the remaining authorized but not issued 1999 unlimited tax bonds. The Notes were extinguished with long term debt. The Notes were collateralized by a Letter of Credit that expired on October 3, 2008 at which time a new Letter of Credit was issued which expires on October 3, 2010. As of December 31, 2008, \$341,428 in commercial paper has been issued of which \$341,428 has been refunded.

There is no legal debt margin as to the issuance of the unlimited tax bonds.

**Debt Service Requirements**

Total debt service requirements for outstanding bonds as of December 31, 2008 are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Bond Principle</u> <u>General</u> <u>Obligation</u>	<u>Bond Interest</u> <u>General</u> <u>Obligation</u>	<u>Total</u>
2009	15,600	32,489	48,089
2010	13,635	29,191	42,826
2011	12,790	28,544	41,334
2012	13,775	27,934	41,709
2013	14,440	27,272	41,712
2014-2018	88,235	124,828	213,063
2019-2023	113,550	99,259	212,809
2024-2028	71,345	75,902	147,247
2029-2033	94,320	52,922	147,242
2034-2038	125,325	21,919	147,244
	<u>\$563,015</u>	<u>\$520,260</u>	<u>\$1,083,275</u>

All bonds generally mature serially based on stated maturity dates. However, all bonds may be redeemed prior to their maturities in accordance with provisions of the various bond resolutions at par.

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**Conduit Debt - Outstanding Industrial Development Revenue Bonds**

PDC has issued bonds on behalf of various users to promote industrial development. Each bond issue includes a covenant that indemnifies PDC and the Authority against any and all losses related to the projects funded by the bond. The bonds are payable solely by payments from the users, as defined under the loan agreements, and PDC is under no obligation to repay the bonds from any other source. All payments are made directly by the users to the trustees. The balance of such bonds outstanding was \$750 as of December 31, 2008 and 2007 according to information received from the trustees. No bond was written off as uncollectible during 2008. The Revenue Bonds were paid off as of 1/1/09.

**Revenue Bonds Outstanding**

<u>Receiving Entity</u>	<u>Date Issued</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Issued</u>
Mine Safety Appliances Co.	12/01/83	Variable	01/01/09	\$750

**Bond Refundings**

At various times the Authority defeased certain bonds by placing the proceeds of new bonds, together with other available funds, in an irrevocable escrow with a trustee to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the liabilities for the bonds to be defeased are not included in the Authority's financial statements. The outstanding defeased unlimited tax bonds as of December 31, 2008 and 2007 were \$20,795 and \$25,800 respectively. The Authority issued refunding bonds in 2008 which termed out \$236.0 million in commercial paper.

**Bond Restrictions**

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

**Arbitrage**

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the U.S. Treasury of investment income received at yields that exceed the issuer's tax-exempt

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borrowing rates. The U.S. Treasury requires payment for each issue every five years. There is no arbitrage liability for tax-exempt debt subject to the Tax Reform Act issued through December 31, 2008. The estimated liability is updated annually for any tax-exempt issuance or changes in yields until payment of the calculated liability is due.

## **8. Bayport Facilities**

Certain land and port facilities of the Bayport division were acquired or constructed using the proceeds from the Special Purpose Revenue bonds, Series 1964, and interest-free advances (including the interest earnings on the invested portions thereof) from the developer of an adjacent industrial park. The developer also agreed to advance to the Authority amounts necessary to cover maintenance and operating expenses of the Bayport facilities if, and to the extent that, gross revenues from the operations of the Bayport facilities were insufficient. The liability for construction and operating advances amounted to approximately \$5,762 and \$8,423 at December 31, 2008 and 2007, respectively. All such advances are to be repaid only from net revenues, if any, of the Bayport division earned through the year 2013.

Effective October 27, 1997, the Authority, the developer, and the Bayport operators entered into an Agreement of Compromise and Settlement (the "Agreement") that resolves various legal disputes in connection with the Authority's property at Bayport, including disputes as to reimbursement of the developer for amounts previously advanced. The Agreement provides for an increased user fee (from 22¢ per ton of liquid to 24¢) to be credited to the Bayport reimbursement account through July 31, 2013. All proceeds of this fee will be used for payment of amounts then due upon the Special Purpose Revenue Bonds, Series 1964, for payment of certain of the Authority's operating expenses relating to Bayport, and for the repayment of amounts advanced to the Authority by the developer. The Agreement limits repayments to the developer to the sum of \$21,500 (plus any additional advances made by the developer, none through December 31, 2008) and also provides that all repayment obligations of the Authority to the developer shall terminate on July 13, 2013. The Agreement provided for the payment of \$2,232 by the Authority to the developer in exchange for the developer's final release of all of the developer's rights concerning the Authority's property at Bayport. The Agreement contains various other provisions, including provisions addressing allocation of maintenance costs for the Bayport Channel and Turning Basin among the Authority, the developer and Private Operators at Bayport. The Agreement supersedes all prior agreements between the Authority and developer and was contingent upon the U.S. Corps of Engineers' approval of offshore disposal of Bayport dredge material. Such approval was received in October of 1998.

The Authority recorded \$19,900 in advances from the developer at the time the new agreement was signed and recorded an additional \$1,600 in possible repayments during 2003 since at that time it was determined that future net revenues would be sufficient to pay all of the existing advances. The repayments during the years ended December 31, 2008 and 2007 were approximately \$2,656 and \$2,150, respectively.



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**9. Retirement Plan**

**Plan Description**

The Port of Houston Authority Restated Retirement Plan (“ Plan”) is a single-employer noncontributory defined benefit retirement plan covering all permanent, full-time employees after the completion of one year of employment. The Authority’s Port Commission, the Pension Committee and the plan administrator, control and manage the operation and administration of the Plan. Compass Bank (the Trustee”) serves as the trustee of the Plan. The Plan issues a stand-alone financial report that may be obtained by requesting such report from the Port of Houston Authority of Harris County, P.O. Box 2562, Houston, TX 77252, Attention: Controller. Employees vest in the Plan after five years of continuous service with the Authority. The Authority’s payroll for employees covered by the Plan for the plan years ended July 31, 2008 and 2007 was \$32,270 (78% of the total payroll of \$41,641) and \$28,621 (78% of total payroll of \$36,700), respectively.

Employees become participants in the plan after completion of one year of employment and become fully vested after five (5) years. Vested employees are eligible to receive a normal pension benefit if they retire on the Normal Retirement date at age 65. This Normal Retirement Benefit is payable monthly for a minimum of five years certain (other options are available) and for life thereafter. It is an amount equal to 2.3% of the Average Monthly Compensation multiplied by the years of benefit service not to exceed 30.435 years. The plan provides for Early Retirement 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 accordingly for both Early Retirement and Late Retirement. The plan also provides for disability and death benefits. Terminated employees, other than for retirement, disability or death, will receive a pension benefit when that former employee reaches the Normal Retirement date.

**Funding Policy**

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

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**Port of Houston Authority Restated Retirement Plan  
Schedule of Funding Progress**

a)	Actuarial Valuation Date	8/01/08	8/01/07	8/01/06
b)	Actuarial Value of Assets	\$ 96,724	\$101,148	\$ 89,737
c)	Actuarial Accrued Liability (AAL)	\$117,731	\$109,919	\$104,322
d)	Unfunded Actuarial Accrued Liability (UALL) (c-b)	\$ 21,007	\$ 8,771	\$ 14,585
e)	Funded Ratio (b/c)	82.2%	92.0%	86.0%
f)	Annual Covered Payroll (Actuarial)	\$ 32,270	\$ 28,621	\$26,286
g)	UAAL as a % of Covered Payroll (d/f)	65.1%	30.6%	55.5%

**Actuarially Determined Contribution Requirements and Contributions Made**

The Authority's funding policy provides for actuarially determined annual contributions, which include the normal cost and amortization of the unfunded frozen actuarial accrued liability.

**Actuarial Valuation Method**

Actuarial Valuation Date	08/01/08	08/01/07	08/01/06
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level Dollar, (closed)	Level Dollar, (closed)	Level Dollar, (closed)
Amortization Period in Years	30	30	30
Asset Valuation Method	Market Value	Market Value	Market Value
Actuarial Assumptions: Investment Return	7.5%	7.5%	7.5%
Projected Salary Increases	3.0% - 8.0%	3.0% - 8.0%	3.0% - 8.0%
Inflation	3.5%	3.5%	3.5%
Cost of Living Adjustment	None	None	None

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The required contributions to the Plan, including payments of the unfunded actuarial accrued liability, are actuarially determined as if the Authority were subject to Sections 412 and 404 of the Internal Revenue Code, even though the Authority is not subject to these rules.

Components of the unfunded actuarial liability are amortized as level dollar amounts using the closed basis. Components consisting of actuarial gains and losses are amortized over five years. Components consisting of amendments are amortized over 30 years, except the August 1995 amendment that is amortized over 5 years. Components consisting of revised assumptions are amortized over ten years. Components consisting of revised actuarial methods are amortized over 30 years. The resulting equivalent single amortization base is amortized over a maximum of 30 years.

**Plan Statistics**  
**For Plan Years July 31, 2008, 2007, and 2006**  
**Actuarial Valuation Report As of August 1, 2008, 2007, and 2006**

	<u>2008</u>	% <u>Covered</u> <u>Payroll</u>	<u>2007</u>	% <u>Covered</u> <u>Payroll</u>	<u>2006</u>	% <u>Covered</u> <u>Payroll</u>
Actuarial Determined Employer Contribution Normal Cost	\$3,278	10.2%	\$2,843	9.9%	\$2,566	9.0%
Annual Pension Cost	\$3,929		\$6,510		\$5,813	
% of APC Contributed	100%		100%		100%	
Net Pension Obligation	None		None		None	

**10. Postretirement Benefits**

The Authority provides certain postretirement health care and life insurance benefits to eligible retired employees and their spouses through provisions enacted by the authority of the Port Commission. At December 31, 2008, 256 former employees were eligible for these benefits. The Authority funds all of the premiums for retiree life insurance and a portion of the health insurance premiums. Continuation of these benefits and the Authority's contributions are dependent on periodic authorization by the Port Commission.

The health insurance benefits provided to retirees are the same as those offered to active employees though retirees have the option of securing their own insurance and receiving a

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monthly reimbursement from the Authority for a portion of the costs. 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. Active employees receive life insurance coverage valued at 150% of their current annual salary. Retirees receive life insurance coverage valued at \$5, \$10 or \$15 based on the salary at retirement date.

Employees who have reached age 62, or employees who have reached age 55 with 85 points or employees who have 30 years of service at the time service terminates with the Authority, may continue coverage in the Port of Houston Authority Group Health Plan as a retiree. An eligible employee may elect coverage for his or her dependents.

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

The widow/widower of a retiree who has coverage as a retiree of the Port of Houston Authority group Health Plan may continue coverage upon the death of the retiree.

**Funding Policy**

The required contribution is based on projected pay-as-you-go basis which is expected to continue. For the years ended December 31, 2008 and 2007, the cost of retiree health benefits, recorded on a pay-as-you-go basis was \$2,961 and \$2,850, respectively. Retiree life benefit costs for 2008 and 2007 were \$90 and \$90, respectively.

**Annual OPEB Cost and Net OPEB Obligation.**

The annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 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 following table 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.

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Determination of Annual Required Contribution

	<b>2008</b>	2007
Normal Cost at year end	<b>\$5,704</b>	\$5,704
Amortization of UAAL	<b>6,587</b>	<u>6,587</u>
Annual Required Contribution (ARC)	<b>12,291</b>	<b>12,291</b>

Determination of Net OPEB Obligation

Annual Required Contribution	<b>12,291</b>	12,291
Interest on prior year Net OPEB Obligation	<b>431</b>	0
Adjustment to ARC	<b>(563)</b>	<u>0</u>
Annual OPEB Cost	<b>12,159</b>	12,291
Contributions made	<b>2,222</b>	<u>2,707</u>
Increase in Net OPEB Obligation	<b>9,937</b>	9,584
 Net OPEB Obligation - beginning of year	 <b>9,584</b>	 0
 Net OPEB Obligation - end of year	 <b><u>\$19,521</u></b>	 <b><u>\$9,584</u></b>

The end of year net OPEB Obligation is shown as a non-current liability on the Statement of Net Assets.

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The table below reflects the schedule of OPEB Funding Progress.

a)	Actuarial Valuation Date	1/01/08	1/01/07*
b)	Actuarial Value of Assets	\$ 0	\$ 0
c)	Actuarial Accrued Liability (AAL)	\$ 107,292	\$107,292
d)	Unfunded Actuarial Accrued Liability (UALL) (c-b)	\$ 107,292	\$107,292
e)	Funded Ratio (b/c)	0.00%	0.00%
f)	Annual Covered Payroll (Actuarial)	\$ 26,286	\$ 26,286
g)	UAAL as a % of Covered Payroll (d/f)	408.2%	408.2%

\* 2007 is the year of implementation. Actuarial valuations completed every two years

The following table shows the annual OPEB cost and net OPEB obligation assuming the plan is not prefunded.

Plan Year Ended	2008	2007
Annual OPEB cost	\$12,159	\$12,290
Percentage of OPEB Cost Contributed	18.0%	22.0%
Net OPEB Obligation	\$19,521	\$9,584

The Authority implemented the provisions of GASB Statement No. 45 in 2007. In future years, the table above will include 3 years of data as it becomes available.

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 the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the Authority are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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**Actuarial Methods and Assumptions**

The actuarial cost method used to determine the OPEB obligation is computed using the 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 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 Liability which is the difference between the Actuarial 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. Actuarial assumptions used included a discount rate of 4.5% compounded annually, mortality table, withdrawal rates, disability rates, retirement rates, participation, health care cost trend rates, marriage assumptions, annual retiree claim 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 rates range from 10% for a duration of one year to 4.5% with a duration of nine plus years.

**11. Risk Management**

The Authority is exposed to risk of financial loss from fire, windstorm, explosion and other perils that could damage or destroy assets and properties and cause loss of income should assets and properties be shut down for an extended period of time. The Authority is also exposed to third-party bodily injury and property damage claims arising from the operation and ownership of its properties and from losses resulting from on-the-job injuries sustained by employees.

The Authority has purchased retrospective-rated insurance policies for workers' compensation, general liability and automobile liability. At December 31, 2008, the Authority was insured for the following loss limitations:

Port of Houston Authority of Harris County, Texas  
**Notes to the Financial Statements**  
For the Years Ended December 31, 2008 and 2007  
(in thousands)

	Workers' Compensation	General Liability	Automobile Liability
Per Accident Bodily Injury	\$200		
Each Accident Property Damage		\$200 \$100	\$200 \$100

The Authority’s insurance policy also includes a maximum loss liability provision of \$3,500 for the period from March 1, 2008 through March 1, 2009. Settled claims did not exceed the insurance coverage during the last three fiscal years.

The claims liability of \$0 and \$392 reported at December 31, 2008 and 2007, respectively, is based on the requirements of GASB Statement No. 10, 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 was actuarially determined and is not material for further disclosure.

## 12. Commitments and Contingencies

### Commitments

At December 31, 2008 the Authority had committed approximately \$31,183 for supplies, services, the purchase of equipment and the expansion of facilities.

### Litigation and Claims

The Authority is a defendant in various legal actions arising in the normal course of business; it cannot predict the results of such litigation. 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 lawsuits described below.

The Authority is the defendant in a breach of contract action brought by Zachry Construction Corporation (“Zachry”) in November 2006. The lawsuit arises out of a contract which the Authority entered into with Zachry in June 2004, for the construction of the initial 1,660 feet of wharf at the Bayport Terminal. An additional 332 feet of dock was later added to the contract by change order.

Zachry seeks damages in the approximate amount of \$31,000, faulting the Authority for Zachry’s decision to abandon the use of a freeze wall cofferdam to construct the dock “in the dry,” and complete



Port of Houston Authority of Harris County, Texas  
**Notes to the Financial Statements**  
For the Years Ended December 31, 2008 and 2007  
(in thousands)

the work “in the wet.” The Authority disputes all of Zachry’s contentions and intends to continue to vigorously contest the matter. Trial is set in this matter for July 2009.

The Authority has been named in a lawsuit filed in April 2008 by Hapag-Lloyd Aktiengesellschaft. Plaintiff asserts a claim for property damages, which approximates \$1,000, resulting from a shore crane spreader bar that fell damaging a hatch cover on a vessel docked at the Authority’s Barbours Cut Terminal.

The Authority contends that the spreader bar parted due to defects in the “twist lock pins” securing the spreader bar to its head block, and that the accident was thus entirely the fault of the crane manufacturer, IMPSA. IMPSA contends that the failure was due to defective maintenance by the Authority.

The Authority disputes IMPSA’s contentions and intends to vigorously contest the matter.

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 that ultimately may 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.

**Required Supplementary Information**

**Port of Houston Authority Restated Retirement Plan  
Schedule of Funding Progress  
(in thousands)  
(unaudited)**

a) Actuarial Valuation Date	8/1/2008	8/1/2007	8/1/2006
b) Actuarial Value of Assets	\$96,724	\$101,148	\$89,737
c) Actuarial Accrued Liability (AAL)	\$117,731	\$109,919	\$104,322
d) Unfunded (Overfunded) Actuarial Accrued Liability (UALL) (c-b)	\$21,007	\$8,771	\$14,585
e) Funded Ratio (b/c)	82.2%	92.0%	86.0%
f) Annual Covered Payroll (Actuarial)	\$32,270	\$28,621	\$26,286
g) UAAL as a % of Covered Payroll (d/f)	65.1%	30.6%	55.5%

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

a) Actuarial Valuation Date	1/1/2008	1/01/07*
b) Actuarial Value of Assets	\$0	\$0
c) Actuarial Accrued Liability (AAL)	\$107,292	\$107,292
d) Unfunded Actuarial Accrued Liability (UALL) (c-b)	\$107,292	\$107,292
e) Funded Ratio (b/c)	0.00%	0.00%
f) Annual covered Payroll (Actuarial)	\$26,286	\$26,286
g) UAAL as of % of Covered Payroll (d/f)	408.2%	408.2%

\* 2007 is the year of implementation

## **Statistical Section**

## **Statistical Section**

This part of the Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about 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. The Authority implemented GASB Statement 34 in 2002; schedules presenting financial information begin in that year.

## **Financial Trends Information**

Port of Houston Authority  
**Net Assets by Component**  
 Last Seven Fiscal Years  
 (accrual basis of accounting)  
 (unaudited)

	2008	2007	2006	2005	2004	2003	2002
<b>Invested in capital, net of related debt</b>	<b>\$ 646,777</b>	<b>\$ 676,785</b>	<b>\$ 615,169</b>	<b>\$ 476,709</b>	<b>\$ 431,595</b>	<b>\$ 397,063</b>	<b>\$ 359,244</b>
<b>Restricted</b>							
Capital	3,978	3,846	24,863	23,841	24,012	22,874	30,683
Debt Service	37,310	28,774	27,909	32,465	35,391	34,970	26,245
<b>Unrestricted</b>	<b>214,339</b>	<b>144,588</b>	<b>145,236</b>	<b>217,419</b>	<b>199,901</b>	<b>186,737</b>	<b>179,327</b>
<b>Total Net Assets</b>	<b>\$ 902,404</b>	<b>\$ 853,993</b>	<b>\$ 813,177</b>	<b>\$ 750,434</b>	<b>\$ 690,899</b>	<b>\$ 641,644</b>	<b>\$ 595,499</b>

Schedule 2

Port of Houston Authority  
Changes in Net Assets  
Last seven fiscal years  
(in thousands)  
(unaudited)

	2008	2007	2006	2005	2004	2003	2002
<b>Operating revenues:</b>							
Vessel and cargo services	\$ 172,381	\$ 164,595	\$ 143,550	\$ 132,283	\$ 116,506	\$ 101,085	88,923
Rental of equipment & facilities	19,984	18,872	18,103	17,473	15,878	14,977	15,340
Grain elevator	787	809	717	590	835	840	838
Bulk materials	2,319	2,903	3,221	2,568	2,348	2,978	2,662
Other	2,522	3,679	2,072	2,454	1,246	1,022	568
<b>Nonoperating revenues:</b>							
Investment income	7,154	10,019	11,606	7,478	2,963	3,243	5,650
Other	982	6,734	1,060	5,718	5,106	8,207	226
<b>Nonoperating revenues related to property taxes:</b>							
Property taxes (a)	48,675	35,819	29,454	29,568	33,088	37,396	35,447
Investment income on unlimited tax bonds	1,113	2,045	2,077	1,432	346	(286)	2,179
<b>Total Revenues</b>	<b>255,917</b>	<b>245,475</b>	<b>211,860</b>	<b>199,564</b>	<b>178,316</b>	<b>169,462</b>	<b>151,833</b>
<b>Operating expenses:</b>							
Maintenance and operation of facilities	105,579	98,343	80,809	74,901	65,535	63,735	55,713
General and administrative	36,898	40,063	29,527	28,656	31,856	26,776	28,494
Depreciation and amortization	44,016	34,161	28,436	25,383	24,448	23,499	22,580
<b>Nonoperating expenses:</b>							
Interest expense on revenue bonds	0	0	176	328	808	1,176	1,541
Contribution to federal and state agencies (b)	4,224	29,017	5,457	8,400	0	0	0
Other, Net							
<b>Nonoperating expenses related to property taxes:</b>							
Interest expense on unlimited tax bonds	21,344	10,124	10,775	9,580	8,217	7,639	7,344
Property tax expense	1,083	480	67	148	715	931	1,329
Other, net (a)	423	357	360	369	391	431	338
<b>Total Expenses</b>	<b>213,567</b>	<b>212,545</b>	<b>155,607</b>	<b>147,765</b>	<b>131,970</b>	<b>124,187</b>	<b>117,339</b>
<b>Income before contributions</b>	<b>42,350</b>	<b>32,930</b>	<b>56,253</b>	<b>51,799</b>	<b>46,346</b>	<b>45,275</b>	<b>34,494</b>
<b>Contribution from federal and state agencies</b>	<b>6,061</b>	<b>7,886</b>	<b>6,490</b>	<b>7,736</b>	<b>2,909</b>	<b>870</b>	<b>14</b>
<b>Net Income</b>	<b>48,411</b>	<b>40,816</b>	<b>62,743</b>	<b>59,535</b>	<b>49,255</b>	<b>46,145</b>	<b>34,508</b>
<b>Net assets, January 1</b>	<b>853,993</b>	<b>813,177</b>	<b>750,434</b>	<b>690,899</b>	<b>641,644</b>	<b>595,499</b>	<b>512,992</b>
<b>Net assets, December 31</b>	<b>\$ 902,404</b>	<b>\$ 853,993</b>	<b>\$813,177</b>	<b>\$750,434</b>	<b>\$690,899</b>	<b>\$641,644</b>	<b>\$547,500</b>

(a) Property taxes increased in 2008 due to an increase in the tax rate and property valuations

(b) Contributions Harris County for Road Improvements

## **Revenue Capacity Information**



Schedule 3

Port of Houston Authority of Harris County, Texas  
 Assessed Value and Actual Value of Taxable Property  
 Last Ten Fiscal Years

(Unaudited)  
 (amounts in thousands)

Year Levied	Real Property	Personal Property	Less Exemptions(a)	Total Taxable Assessed Value	Total Direct Tax Rate
1999	136,224,525	29,258,029	24,396,209	141,086,345	0.02040
2000	150,684,234	28,349,189	25,039,054	153,994,369	0.01830
2001	166,766,060	29,648,949	28,562,178	167,852,831	0.01826
2002	177,384,368	30,086,451	31,497,120	175,973,699	0.01989
2003	188,724,992	30,104,266	34,561,745	184,267,513	0.02000
2004	198,837,806	32,119,652	37,273,945	193,683,513	0.01673
2005	225,099,703	37,135,876	58,291,042	203,944,537	0.01474
2006	245,978,734	34,366,780	62,806,433	217,539,081	0.01302
2007	276,832,919	40,024,020	69,264,770	247,592,169	0.01437
2008	303,289,718	41,639,012	76,330,731	268,597,998	0.01773

(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 \$156,240.

Source: Harris County Appraisal District Property Use Recap as of 12/24/08

Note: Property in the county is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax raters are per \$100 of assessed value.

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

Purpose	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>Harris County</b>										
General Fund (b)	\$0.33815	\$0.33918	\$0.34221	\$0.34728	\$0.33117	\$0.34490	\$0.33538	\$0.33606	\$0.32599	\$0.35780
General Bonds Debt Service	0.03192	0.03200	0.03465	0.03047	0.04303	0.01889	0.03056	0.02368	0.01772	0.01930
Total Constitutional Funds	0.37007	0.37118	0.37686	0.37775	0.37420	0.36379	0.36594	0.35974	0.34371	0.37710
County - Wide Road Debt Service	0.01916	0.02121	0.02553	0.02211	0.02566	0.02424	0.02220	0.02419	0.01531	0.01773
	0.38923	0.39239	0.40239	0.39986	0.39986	0.38803	0.38814	0.38393	0.35902	0.39483
<b>Flood Control District</b>										
Maintenance	0.02754	0.02754	0.02733	0.02733	0.02553	0.02981	0.02853	0.02853	0.04001	0.04920
Debt Service	0.00332	0.00352	0.00508	0.00589	0.00765	0.01193	0.01321	0.01905	0.02172	0.03080
	0.03086	0.03106	0.03241	0.03322	0.03318	0.04174	0.04174	0.04758	0.06173	0.08000
<b>Port of Houston Authority</b>										
Debt Service	0.01773	0.01437	0.01302	0.01474	0.01673	0.02000	0.01989	0.01826	0.01830	0.02040
<b>Hospital District</b>										
General	0.19216	0.19216	0.19216	0.19216	0.19021	0.19021	0.19021	0.19021	0.20268	0.14650
Total	\$0.62998	\$0.62998	\$0.63998	\$0.63998	\$0.63998	\$0.63998	\$0.63998	\$0.63998	\$0.64173	\$0.64173

(a) Tax rates are stated per \$100 assessed valuation. Source: Harris County Auditor.

(b) For the 1995 through 2001 tax years, the tax levied by Harris County for General Fund purposes includes Jury Fund & Road & Bridge Fund purposes.

Port of Houston Authority of Harris County, Texas  
 Direct and Overlapping Debt and Property Tax Rates (a)  
 December 31, 2008  
 (Unaudited)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>County - Wide Taxing Jurisdiction</b>										
Harris County	\$0.3924	\$0.4024	\$0.3999	\$0.3999	\$0.3880	\$0.3881	\$0.3839	\$0.3590	\$0.3948	\$0.4186
Harris County Flood Control District	0.0311	0.0324	0.0332	0.0332	0.0417	0.0417	0.0475	0.0617	0.0800	0.0800
Port of Houston Authority	0.0144	0.0130	0.0147	0.0167	0.0200	0.0198	0.0183	0.0183	0.0204	0.0213
Harris County Hospital District	0.1922	0.1922	0.1922	0.1902	0.1902	0.1902	0.1902	0.2027	0.1465	0.1238
	<u>\$0.6301</u>	<u>\$0.6400</u>	<u>\$0.6400</u>	<u>\$0.6400</u>	<u>\$0.6399</u>	<u>\$0.6398</u>	<u>\$0.6399</u>	<u>\$0.6417</u>	<u>\$0.6417</u>	<u>\$0.6437</u>
<b>Cities</b>										
Baytown	0.7370	0.7370	0.7370	0.7370	0.7370	0.7370	0.7370	0.7370	0.7370	0.7370
Bellaire	0.4400	0.4400	0.4700	0.4800	0.4800	0.4900	0.4900	0.4900	0.4900	0.5100
Deer Park	0.7200	0.7200	0.7200	0.7200	0.7000	0.6990	0.7000	0.7000	0.7000	0.7000
Houston	0.6450	0.6450	0.6500	0.6550	0.6550	0.6550	0.6650	0.6650	0.6650	0.5540
La Porte	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100
League City	0.6088	0.6088	0.6275	0.6400	0.6400	0.6625	0.6700	0.6700	0.7250	0.7500
Missouri City	0.4993	0.4945	0.4980	0.5017	0.5100	0.5330	0.5200	0.5503	0.5679	0.5686
Pasadena	0.5670	0.5670	0.5670	0.5670	0.5670	0.5670	0.5790	0.5790	0.5790	0.6430
Pearland	0.6526	0.6527	0.6744	0.6950	0.6960	0.6860	0.6860	0.6950	0.6950	0.6950
Seabrook	0.6203	0.6210	0.6307	0.6196	0.6082	0.6006	0.6010	0.5840	0.5530	0.5545
South Houston	0.6770	0.6588	0.6863	0.7000	0.7000	0.0000	0.6950	0.6910	0.6951	0.6951
Webster	0.2489	0.2575	0.2575	0.2680	0.2510	0.2400	0.2600	0.2600	0.2900	0.2901
West University Place	0.3660	0.4020	0.4300	0.4467	0.4467	0.4300	0.4200	0.4000	0.4000	0.4200
<b>School Districts</b>										
	.1144-1.6450	.1167-1.8150	.1207-2.000	.1145-2.000	.1145-1.970	.1055-1.940	.0110-1.920	.110-1.868	.110-1.862	.110-1.820

(a) Includes all Tax Bonds.

Schedule 6

HARRIS COUNTY, TEXAS  
 PRINCIPAL PROPERTY TAX PAYERS  
 CURRENT YEAR AND NINE YEARS AGO  
 (amounts in thousands)  
 (Unaudited)

Taxpayers	2008			1999		
	2008 Taxable Valuations (a)	Rank	Percentage of Total 2008 Taxable Valuation (b)	1999 Taxable Valuations (a)	Rank	Percentage of Total 1999 Taxable Valuation (c)
Exxon Mobil Corporation	\$ 4,041,151	1	1.43	\$ 3,030,376	1	2.15
Shell Oil Company	2,714,716	2	0.96	1,160,775	5	0.82
Centerpoint Energy, Inc.	2,484,393	3	0.88	-	-	0.00
Chevron Chemical Company	1,484,564	4	0.53	477,197	9	0.34
Hines Interests Ltd Partnership	1,248,633	5	0.44	-	-	0.00
Crescent Real Estate	1,218,690	6	0.43	754,892	6	0.54
AT&T Mobility LLC	999,732	7	0.35	-	-	0.00
Hewlett Packard Company	806,530	8	0.29	-	-	0.00
Cullen Allen Holdings LP	740,183	9	0.26	-	-	0.00
Walmart	736,663	10	0.26	-	-	0.00
BP Amoco	706,808	11	0.25	-	-	0.00
Valero Energy Corp	646,305	12	0.23	-	-	0.00
Rohm & Haas Co	602,639	13	0.21	-	-	0.00
TPG Towers I, II, III and San Felipe Pipe	522,827	14	0.19	-	-	0.00
National Oilwell Inc	476,910	15	0.17	-	-	0.00
Houston Lighting and Power Company	-	-	0.00	2,028,171	2	1.44
Southwestern Bell Telephone	-	-	0.00	1,449,120	3	1.03
Equistar Chemicals Limited Partnership	-	-	0.00	1,290,425	4	0.92
Lyondell Chemical	-	-	0.00	753,476	7	0.53
Compaq Computer Corporation	-	-	0.00	739,107	8	0.52
Occidental Chemical Corporation	-	-	0.00	464,241	10	0.33
Celanese Ltd	-	-	0.00	425,815	11	0.30
Conoco, Inc.	-	-	0.00	386,412	12	0.27
Phillips 66 Company	-	-	0.00	383,520	13	0.27
Fina Oil & Chemical Company	-	-	0.00	353,241	14	0.25
Weingarten Realty	-	-	0.00	346,030	15	0.25
<b>Total</b>	<b>\$ 19,430,744</b>		<b>6.88%</b>	<b>\$ 14,042,798</b>		<b>9.96%</b>

Source: Harris County Appraisal District.

(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.

(b) Based on the County's total taxable value as of February 29, 2009

(c) Based on the County's total taxable value as of February 20, 2000

Port of Houston Authority of Harris County, Texas  
**Property Tax Levies and Collections (a)**  
 For the Years 1999 Through 2008  
 (Unaudited)  
 (in thousands)

Fiscal Year	Taxes levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percent of Levy
1999	28,788	26,989	93.7	684	27,673	96.1
2000	28,191	26,144	92.7	789	26,933	95.5
2001	30,659	28,574	93.2	825	29,399	95.9
2002	34,904	32,558	93.3	887	33,445	95.8
2003	36,923	34,417	93.2	1085	35,502	96.2
2004	32,403	30,064	92.8	1216	31,280	96.5
2005	29,689	26,805	90.3	1119	27,924	94.1
2006	28,671	26,131	91.1	955	27,086	94.5
2007	35,566	32,795	92.2	703	33,498	94.2
2008	48,288	43,622	90.3	688	44,310	91.8

(a) Source: Harris County Tax Assessor - Collector as of February 28, 2009

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

(c) Noncurrent collections of real and personal property taxes during the period beginning on July 1 of the year indicated and ending on June 30 of the following year are shown as delinquent collections.

(d) The accumulation of all unpaid ad valorem taxes at the end of the collection period, beginning on July 1 of the year indicated and ending on June 30 of the following year, is shown as delinquent taxes receivable.

Port of Houston Authority  
 Operating Revenues by Type  
 Last ten fiscal years  
 (unaudited)  
 (in thousands)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>Operating revenues: (a) (b)</b>										
Vessel and cargo services	\$ 169,584	\$ 162,636	\$ 143,550	\$ 132,283	\$ 116,506	\$ 101,085	\$88,923	\$86,906	\$88,297	\$74,327
Rental of equipment & facilities	19,911	18,801	18,103	17,473	15,878	14,977	15,340	15,510	14,878	13,872
Grain elevator	787	809	717	590	835	840	838	1,511	1,980	4,300
Bulk materials	2,319	2,903	3,221	2,568	2,348	2,978	2,662	2,134	1,543	1,121
Other	2,435	3,630	2,072	2,454	1,246	1,022	568	2,278	1,442	1,808
	<u>\$ 195,036</u>	<u>\$188,779</u>	<u>\$167,663</u>	<u>\$155,368</u>	<u>\$136,813</u>	<u>\$120,902</u>	<u>\$108,331</u>	<u>\$108,339</u>	<u>\$108,140</u>	<u>\$95,428</u>
<b>Revenue Tonnage</b>										
General Cargo	24,874	23,051	23,657	19,942	18,441	15,184	14,704	14,091	14,723	12,687
Bulk	10,370	10,096	9,696	8,623	7,909	9,012	8,637	7,890	7,779	6,910
	<u>35,244</u>	<u>33,147</u>	<u>33,353</u>	<u>28,565</u>	<u>26,350</u>	<u>24,196</u>	<u>23,341</u>	<u>21,981</u>	<u>22,502</u>	<u>19,597</u>

(a) General Cargo Tonnage and Bulk Tonnage generate Operating Revenues from Vessel and Cargo Services, Grain Elevator and Bulk Material

(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.

Port of Houston Authority  
Financial & Statistical Results - December 2008

**Revenue Tonnage (a)**

Last Ten Fiscal Years  
(unaudited)  
(in short tons)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>General Cargo</b>										
Barbours Cut	7,582,894	10,044,562	9,550,199	8,897,900	8,103,018	7,382,472	6,620,054	5,983,853	5,604,541	5,080,387
All other	4,224,952	3,959,332	5,676,018	5,369,441	4,852,423	3,744,455	3,564,903	3,021,031	2,871,918	2,640,682
Lease	11,807,846	14,003,894	15,226,217	14,267,341	12,955,441	11,126,927	10,184,957	9,004,884	8,476,459	7,721,069
Bayport Container Terminal	4,198,520	1,522,186	-	-	-	-	-	-	-	-
Turning Basin										
Autos Import	115,660	113,567	95,719	121,370	114,124	142,706	132,056	123,235	88,989	111,475
Autos Export	30,816	21,585	18,216	24,654	20,901	14,222	10,479	12,768	9,499	5,453
Steel Imports	4,967,338	3,631,363	4,206,717	2,008,066	1,861,318	1,104,480	1,510,864	1,837,728	2,499,536	1,824,408
All other	1,589,542	1,571,635	1,610,654	1,524,844	1,185,115	1,038,280	942,259	813,373	1,044,956	1,047,484
	6,703,356	5,338,150	5,931,306	3,678,934	3,181,458	2,299,688	2,595,658	2,787,104	3,642,980	2,988,820
Jacintoport	1,217,633	1,509,501	1,312,717	1,285,578	1,328,490	1,118,457	1,003,913	1,007,195	1,002,217	861,000
Care Terminal	406,516	438,722	522,501	427,792	552,025	373,560	402,195	354,885	571,707	371,857
Woodhouse	539,839	289,586	638,609	204,494	274,128	164,597	243,710	312,355	405,329	234,719
Galveston	-	-	25,131	77,677	149,251	100,777	274,048	624,969	623,984	509,883
	24,873,710	23,102,039	23,656,481	19,941,816	18,440,793	15,184,006	14,704,481	14,091,392	14,722,676	12,687,348
<b>Bulk</b>										
Barbours Cut	4,409	-	-	3,438	1,110	1,346	-	-	4,754	5,635
Galveston	-	-	-	-	-	-	-	-	2,550	46,356
Jacintoport	-	626	-	4,529	-	-	-	298,206	1,957	2,423
Care Terminal	756,891	610,965	399,887	388,737	312,168	185,787	194,457	2,756	189,731	125,774
Woodhouse	6,031	45,780	11,003	36,447	11,525	30,181	38,318	82,308	94,549	46,923
Sims Bayou	571,557	860,009	1,108,220	1,292,821	996,984	865,383	917,982	968,014	1,019,104	1,102,479
S.J.B. Liquid Facility	428,698	404,359	410,613	364,969	309,205	217,285	264,269	194,953	285,706	237,390
Turning Basin	1,985,269	1,505,652	1,608,685	1,640,084	1,533,430	1,551,894	1,436,370	1,373,977	1,603,857	1,479,515
	3,752,855	3,427,391	3,538,408	3,731,025	3,164,422	2,851,876	2,851,396	2,920,214	3,202,208	3,046,495
Bulk Materials Terminal	4,520,962	4,949,954	4,551,697	3,561,052	3,694,483	4,808,372	3,846,720	2,979,139	2,275,081	2,105,486
Grain Elevator #2	2,096,735	1,746,128	1,606,343	1,330,575	1,050,119	1,351,313	1,938,668	1,990,476	2,301,755	1,757,651
	10,370,552	10,123,473	9,696,448	8,622,652	7,909,024	9,011,561	8,636,784	7,889,829	7,779,044	6,909,632
Grand Total	35,244,262	33,225,512	33,352,929	28,564,468	26,349,817	24,195,567	23,341,265	21,981,221	22,501,720	19,596,980

**Based on information as received and estimates.**

Source: Port of Houston Authority

(a) Revenue tonnage is tonnage from which PHA revenues are derived. Does not include non-Authority tonnage figures

Schedule 10

Port of Houston Authority  
 Top Ten Vessel and Cargo Customers  
 Current Year and nine Years Ago  
 (amounts in thousands)  
 (Unaudited)

Taxpayers	2008			1999		
	2008 Customers	Rank	Percentage of Total 2008 Wharfage and Dockage Revenue	1999 Customers	Rank	Percentage of Total 1999 Wharfage and Dockage Revenue
Mediterranean Shipping Inc. SA	\$ 24,951	1	14.71%	\$ 4,583	3	6.17%
Hapag-Lloyd AG	22,893	2	13.50	2,127	5	2.86
CMA-CGM (America), Inc	13,027	3	7.68			
Hamburg Sud North America	6,505	4	3.84			
Biehl & Company - Vessel	6,315	5	3.72	2,504.00	4	3.37
Zim Integrated Shipping	6,212	6	3.66			
Cia Libra de Navegacao	5,690	7	3.36			
Seaboard Marine, Ltd.	4,019	8	2.37			
Norton Lily International	3,954	9	2.33			
ISS-RioMar, L.L.C.	3,626	10	2.14			
P & O Ned Lloyd Limited				5,070.00	1	6.82
Lykes Lines Limited, LLC				5,037.00	2	6.78
Kerr Norton Strachan Agency				1,814.00	6	2.44
OOCL(USA) Inc./				1,787.00	7	2.40
Biehl & Co. - CLB Line				1,387.00	8	1.87
Fritz Maritime Agency				1,334	9	1.79
Biehl & Co. - SSA Line				1,327	10	1.79
<b>Total</b>	<b>\$ 97,192</b>		<b>56.38%</b>	<b>\$ 26,970</b>		<b>36.29%</b>

Source: Port of Houston Authority Billing Department



## **Debt Capacity Information**

Port of Houston Authority of Harris County, Texas  
 Ratios of net General Bonded Debt by Type  
 Last Ten Fiscal Years

(unaudited)  
 (in thousands, except per capita)

Fiscal Year	General Obligation Bonds					Net General Bonded Debt	Percentage of Actual Property Value	Per Capita
	Unlimited Tax Refunding Bonds	Unlimited Tax Port Improvement Bonds	Commerical Paper	Gross General Bonded Debt	Less Debt Service Funds Cash			
1999	41,115	218,870		259,985	9	259,976	0.18	80
2000	44,405	219,070		263,475	3	263,472	0.17	77
2001	38,135	286,570		324,705	9	324,696	0.19	94
2002	40,495	291,160		331,655	7	331,648	0.19	93
2003	34,685	271,560		306,245	8	306,237	0.17	85
2004	37,975	249,925	\$ 6,800	294,700	11	294,689	0.15	81
2005	130,620	184,085	21,034	335,739	7	335,732	0.16	91
2006	211,100	146,005	21,744	378,849	7	378,842	0.17	97
2007	204,935	139,030	113,478	457,443	5	457,438	0.18	116
2008	431,065	131,950	0	563,015	7	563,008	0.21	141

Fiscal Year	Special Purpose Revenue Bonds			Total Outstanding Debt	Percentage of Personal Income	Per Capita
	Revenue Bonds	Revenue Bonds	Revenue Bonds			
1999	30,145	380		290,501	2.65	89
2000	26,280	310		290,062	2.39	85
2001	22,125	240		347,061	2.68	100
2002	17,175	160		348,983	2.72	98
2003	12,935	80		319,252	2.39	89
2004	8,620	0		303,309	2.11	83
2005	4,363	0		340,095	2.17	92
2006	0	0		378,842	2.13	97
2007	0	0		457,438	2.36	116
2008	0	0		563,008	n/a	141

**Note:** Details regarding the Authority's outstanding debt can be found in the notes to the financial statements  
 See Schedule 3 for property value data  
 Population data can be found in Schedule 14  
 n/a - Not available

Port of Houston Authority of Harris County, Texas  
**Net Revenues Available for Debt Service on First - Lien Revenue Bonds**  
For Each of the Ten Years in the Period Ended December 31, 2008  
(Unaudited)  
(in thousands)

	2008	2007	2006	2005	2004
<b>Gross Revenues</b>					
<b>Operating Revenues</b>					
Vessel and Cargo Services	\$169,584	\$162,636	\$141,697	\$131,007	\$114,915
Rental of Port Facilities	19,910	18,800	18,033	17,412	15,817
Grain Elevator	787	809	717	589	835
Bulk Materials Handling Plant	2,319	2,903	3,221	2,568	2,348
Other	2,435	3,630	1,915	2,361	1,036
Total	<u>195,035</u>	<u>188,778</u>	<u>165,583</u>	<u>153,937</u>	<u>134,951</u>
<b>Nonoperating Revenues</b>					
Interest on Investments	6,736	9,992	11,292	7,427	3,500
Other	7,198	14,699	8,255	13,660	8,172
Total	<u>13,934</u>	<u>24,691</u>	<u>19,547</u>	<u>21,087</u>	<u>11,672</u>
Total Gross Revenues	<u>208,969</u>	<u>213,469</u>	<u>185,130</u>	<u>175,024</u>	<u>146,623</u>
<b>Operation Expenses</b>					
<b>Maintenance and Operation of Facilities</b>					
Vessel and Cargo Services	99,819	85,178	73,236	66,918	60,906
Rental of Port Facilities	3,328	4,185	3,560	6,151	2,954
Grain Elevator	163	404	557	477	197
Bulk Materials Handling Plant	94	307	723	435	589
Other	1,866	1,916	358	919	888
Total	<u>105,270</u>	<u>91,990</u>	<u>78,434</u>	<u>74,900</u>	<u>65,534</u>
<b>General and Administrative Expenses</b>	<u>36,498</u>	<u>46,029</u>	<u>28,846</u>	<u>28,380</u>	<u>31,316</u>
Total Operating Expenses	<u>141,768</u>	<u>138,019</u>	<u>107,280</u>	<u>103,280</u>	<u>96,850</u>
<b>Nonoperating Expenses</b>	<u>4,461</u>	<u>29,151</u>	<u>5,869</u>	<u>8,550</u>	<u>686</u>
Total Operation Expenses	<u>146,229</u>	<u>167,170</u>	<u>113,149</u>	<u>111,830</u>	<u>97,536</u>
<b>Net Revenues Available For Debt</b>					
Service on First Lien Revenue Bonds	<u>\$62,740</u>	<u>\$46,299</u>	<u>\$71,981</u>	<u>\$63,194</u>	<u>\$49,087</u>
<b>Average Annual Debt Service</b>					
on First Lien Revenue Bonds	\$0	\$0	\$4,456	\$4,514	\$4,619
<b>Coverage by Net Revenues</b>	0%	0%	1615%	1399%	1063%

Port of Houston Authority of Harris County, Texas  
**Net Revenues Available for Debt Service on First - Lien Revenue Bonds**  
For Each of the Ten Years in the Period Ended December 31, 2008  
(Unaudited)  
(in thousands)

	<u>2003</u>	<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
<b>Gross Revenues</b>					
<b>Operating Revenues</b>					
Vessel and Cargo Services	\$99,655	\$87,666	\$87,666	\$85,575	\$86,793
Rental of Port Facilities	14,929	15,294	15,294	15,497	14,866
Grain Elevator	840	838	838	1,511	1,980
Bulk Materials Handling Plant	2,978	2,662	2,662	2,133	1,543
Other	971	548	548	2,279	1,442
Total	<u>119,373</u>	<u>107,008</u>	<u>107,008</u>	<u>106,995</u>	<u>106,624</u>
<b>Nonoperating Revenues</b>					
Interest on Investments	3,713	5,472	5,472	9,267	9,869
Other	9,611	639	639	4,638	491
Total	<u>13,324</u>	<u>6,111</u>	<u>6,111</u>	<u>13,905</u>	<u>10,360</u>
Total Gross Revenues	<u>132,697</u>	<u>113,119</u>	<u>113,119</u>	<u>120,900</u>	<u>116,984</u>
<b>Operation Expenses</b>					
<b>Maintenance and Operation of Facilities</b>					
Vessel and Cargo Services	58,506	51,837	51,837	47,878	44,036
Rental of Port Facilities	2,962	3,059	3,059	2,618	2,863
Grain Elevator	221	412	412	123	227
Bulk Materials Handling Plant	268	265	265	230	142
Other	899	865	865	407	25
Total	<u>62,856</u>	<u>56,438</u>	<u>56,438</u>	<u>51,256</u>	<u>47,293</u>
<b>General and Administrative Expenses</b>	<u>26,250</u>	<u>28,360</u>	<u>28,360</u>	<u>22,504</u>	<u>16,385</u>
Total Operating Expenses	<u>89,106</u>	<u>84,798</u>	<u>84,798</u>	<u>73,760</u>	<u>63,678</u>
<b>Nonoperating Expenses</b>	<u>1,053</u>	<u>269</u>	<u>269</u>	<u>122</u>	<u>87</u>
Total Operation Expenses	<u>90,159</u>	<u>85,067</u>	<u>85,067</u>	<u>73,882</u>	<u>63,765</u>
<b>Net Revenues Available For Debt</b>					
Service on First Lien Revenue Bonds	<u>\$42,538</u>	<u>\$28,052</u>	<u>\$28,052</u>	<u>\$47,018</u>	<u>\$53,219</u>
<b>Average Annual Debt Service</b>					
on First Lien Revenue Bonds	\$4,938	\$5,675	\$5,675	\$5,225	\$5,280
<b>Coverage by Net Revenues</b>	861%	494%	494%	900%	1008%

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

<u>Fiscal Year Ending December 31</u>	<u>Outstanding Debt Service Requirements</u>
2009	\$48,089,497
2010	42,825,951
2011	41,334,282
2012	41,709,282
2013	41,712,002
2014	41,718,587
2015	41,720,217
2016	41,724,030
2017	43,910,880
2018	43,989,442
2019	44,695,245
2020	44,662,483
2021	44,641,293
2022	43,925,168
2023	34,884,343
2024	29,448,298
2025	29,449,835
2026	29,449,945
2027	29,451,675
2028	29,447,238
2029	29,447,613
2030	29,447,363
2031	29,449,238
2032	29,450,475
2033	29,447,213
2034	29,449,531
2035	29,449,531
2036	29,448,656
2037	29,447,969
2038	29,448,246
<b>Total</b>	<b><u>\$1,083,275,528</u></b>

(a) The table sets forth the annual debt service requirements on the Authority's ad valorem tax bonds as of December 31, 2008, excluding bonds that have been refunded and defeased.

## Demographic and Economic Information

**Schedule 14**

Port of Houston Authority of  
Harris County, Texas  
**Demographic and Economic Statistics**  
Last Ten Calendar Years  
(Unaudited)

<u>Calendar Year</u>	<u>Population</u>	<u>Unemployment Rate</u>	<u>Personal Income (amounts in thousands)</u>	<u>Per Capita Personal Income</u>
1999	3,250,404	4.1%	109,635,167	33,730
2000	3,400,578	3.2%	121,592,842	35,600
2001	3,460,589	5.7%	129,728,437	37,165
2002	3,557,055	5.4%	128,298,585	35,919
2003	3,596,086	6.3%	133,463,543	36,719
2004	3,644,285	5.9%	143,417,824	38,810
2005	3,693,050	5.4%	156,920,733	41,703
2006	3,886,207	4.5%	178,160,838	45,961
2007	3,935,855	4.2%	194,177,877	49,634
2008	3,984,349	5.6%	n/a	n/a

Sources: Population - Bureau of the Census  
Unemployment Rate - Texas Workforce Commission  
Personal Income - Bureau of Economic Analysis  
n/a - not available

Port of Houston Authority  
of Harris County, Texas  
**Principal Employers**  
Current Year and Nine Years Ago (a)  
(unaudited)  
(in thousands)

	2008			1999		
	Employees	Rank	Percentage of total county employment	Employees	Rank	Percentage of total county employment
Administaff Inc.	22,475	1	0.84%			
Wal-Mart Stores, Inc.	17,260	2	0.65%			
Continental Airlines	15,522	3	0.58%	16,000	2	0.72%
Exxon Mobil	15,340	4	0.58%			
CenterPoint Energy (former Houston Industries)	8,568	5	0.32%			
Baker Hughes Inc.	8,500	6	0.32%			
National Oilwell Varco	7,400	7	0.28%			
AT&T Inc. (former SBC/Southwestern Bell)	7,018	8	0.26%			
Chevron/Texaco	7,011	9	0.26%			
JP Morgan Chase (former Texas Commerce Bank)	5,900	10	0.22%			
Halliburton Companies				16,622	1	0.74%
Shell Oil Company				14,000	3	0.63%
Compaq Computer				13,778	4	0.62%
Houston Industries (HL&P & Entex)				13,412	5	0.60%
Columbia/HCA				12,900	6	0.58%
Kroger Food Stores				9,600	7	0.43%
Randalls Food Markets, Inc.				8,900	8	0.40%
Pappas Restaurants, Inc.				8,500	9	0.38%
SBC				7,600	10	0.34%
	<u>114,994</u>			<u>121,312</u>		

(a) Based on calendar year 2008 and 1999.  
Source: Houston Business Journal, Business First Survey/Greater Houston Partnership/HBJ  
Note: Total County Employment for 2008 was approximately 2,664,000 and for 1999 was 2,237,663



Port of Houston Authority of Harris County, Texas  
**Miscellaneous Statistical Data**  
 December 31, 2008  
 (Unaudited)

**Date of Incorporation** \_\_\_\_\_ 1909

**Form of Government** \_\_\_\_\_ A public corporation and political  
 subdivision of the State of Texas

**Area - Square Miles** \_\_\_\_\_ 1,778

**Altitude:** Harris County (coterminous with  
 Port of Houston Authority) \_\_\_\_\_ Sea level to 310 feet  
 City of Houston \_\_\_\_\_ Center of downtown area - 41 feet

Population (a) _____	Year	City of Houston	Harris County
	1870	9,332	17,375
1880	16,513	27,985	
1890	27,557	37,249	
1900	44,633	63,786	
1910	78,800	115,693	
1920	138,276	186,667	
1930	292,352	359,328	
1940	384,514	528,961	
1950	596,163	806,701	
1960	938,219	1,243,158	
1970	1,232,802	1,741,912	
1980	1,594,086	2,409,544	
1990	1,632,833	2,818,199	
2000	1,953,631	3,400,578	

**Harris County Voters in Presidential Elections (b)**

	2008	2004	2000	1996	1992
Registered Voters	1,974,777	1,876,296	1,886,661	1,597,211	1,337,405
Votes Cast	1,188,731	1,088,793	995,631	871,656	958,234
Percentage of Registered Voters Voting	62.81%	58.03%	52.78%	54.60%	71.60%

**Motor Vehicle Registration (c)**

	2008	2007	2006	2005	2004
Passenger Cars, Small Trucks and Misc.	3,207,888	2,814,918	2,814,918	2,908,646	2,847,426
Large Trucks	32,468	22,367	22,367	29,729	25,221
Total	3,240,356	2,837,285	2,837,285	2,938,375	2,872,647

Port of Houston Authority  
**Miscellaneous Statistical Data**  
 December 31, 2008  
 (Unaudited)

**Students enrolled in colleges and universities located within Harris County**

	<u>2 0 0 8</u>	<u>2 0 0 7</u>	<u>2 0 0 6</u>	<u>2 0 0 5</u>	<u>2 0 0 4</u>
Baylor College of Medicine	1,385	1,398	1,358	1,340	1,290
Houston Baptist University	2,564	2,339	2,143	2,296	2,227
Houston Community College	61,396	57,457	57,168	52,443	55,090
Lone Star College System	51,483	49,253	46,048	43,433	39,900
Rice University	5,132	5,243	5,119	5,207	4,855
San Jacinto College:	-	-	-	-	-
Central, South, North	24,616	25,556	26,712	26,775	23,441
South Texas College of Law	1,267	1,252	1,237	1,240	1,254
Texas Southern University	9,102	9,540	11,224	11,903	11,635
Texas Woman's University: Houston Center	1,184	1,247	1,339	1,243	1,264
University of Houston:	-	-	-	-	-
University Park	36,104	34,663	34,334	35,344	35,180
Downtown	12,283	11,793	11,449	11,484	11,408
Clear Lake	7,658	7,522	7,706	7,853	7,785
University of St. Thomas	3,246	3,350	3,607	3,776	3,648
University of Texas:	-	-	-	-	-
Dental Branch	471	452	439	390	377
Graduate School of Biomedical Sciences	570	578	544	545	514
Medical School	963	935	912	869	847
Health Information Sciences	99	80	73	123	64
School of Nursing	759	771	753	755	760
School of Public Health	1,003	959	930	979	837
Total	<u>221,285</u>	<u>214,388</u>	<u>213,095</u>	<u>207,998</u>	<u>202,376</u>

**Number of Employees**

	<u>2 0 0 8</u>	<u>2 0 0 7</u>	<u>2 0 0 6</u>	<u>2 0 0 6</u>	<u>2 0 0 5</u>
Harris County	15,693	15,237	15,313	15,313	15,191
Flood Control District	326	339	346	346	320
Port of Houston Authority	595	580	560	560	522

(a) Source: Department of Commerce, Bureau of Census

(b) Source: Harris County Tax Assessor - Collector

(c) Source: Harris County Clerk

(d) Source: Rice University website

(e) Revised

Port of Houston Authority of Harris County, Texas  
**Table of Physical Characteristics of the Port Facilities of the Authority**  
(Unaudited)

	<u>Berth Lengths (Feet)</u>	<u>Water Depth Below Mean Low Tide (Feet)</u>	<u>Paved Marshalling Area (Acres)</u>	<u>Covered Storage (Sq. Feet)</u>
<b>Turning Basin</b>				
36 general Cargo Wharves	376 - 600	27 - 37*	27.3	1,400,000
5 Liquid Bulk Wharves	226 - 570	33 - 36	-	-
Wharf - 32 Project Cargo	800	37*	20.2	-
<b>Woodhouse Terminal**</b>				
Wharf 1	660	39	2.2	-
Wharves 2 and 3	1,250	35	-	231,750
Grain Dock**	600	42	-	-
<b>Dry Bulk Cargo Facility</b>				
Wharf 1	800	42	-	-
Wharf 2	400	42	-	-
<b>Jacintoport</b>				
Wharves 1 - 3	1,830	40	7.5	82,500
<b>Care Terminal</b>				
Wharf 1	500	36	9.6	45,000
Wharf 2	618	38	4	-
<b>Sims Bayou Liquid Bulk Facility</b>				
Berths	320	40	-	-
<b>San Jacinto Barge Terminal</b>				
Berth	200 - 700	16	-	-
<b>Barbours Cut Terminal</b>				
LASH Berth	810	36	-	-
Container Berths 1 - 6	6,000	40	230	255,000
<b>Passenger Berth</b>				
Bayport T-5	900	36	-	-
Bayport T-5	1000	40	60	0

\* The maximum depth allowable due to Channel Project depths.

\*\* 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.

#### Equipment

##### Turning Basin

One 40-long ton capacity container crane which serves 9 berths on a rental basis. Privately owned mobile cranes and additional cargo handling equipment are available for hire on an hourly basis.

##### Barbours Cut Terminal

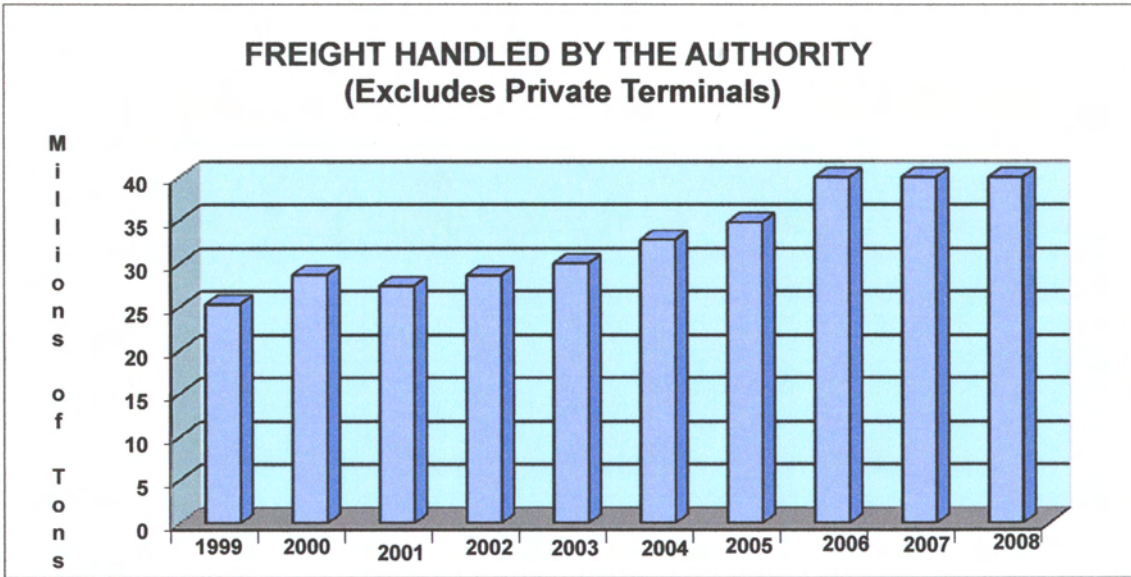
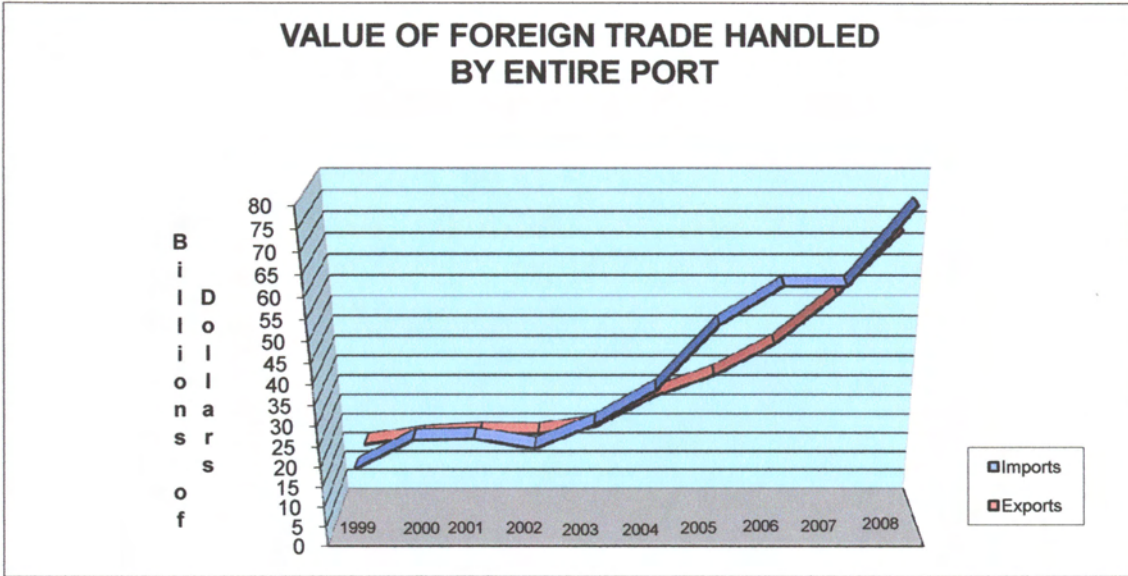
**Container Cranes:** six 40 long ton, four 50 long ton  
**Yard Cranes:** forty 40 long ton  
**Other Cranes:** four 20,000-pound lifters for handling empty containers and two 80,000 pound container handling machines  
**Other Equipment:** 33 heavy duty yard tractors and 125 heavy duty yard chassis are available for rent from the Authority. Private firms also provide this equipment as well as heavy lift equipment.

##### Bayport

**Container Cranes:** six 65 long ton  
**Yard Cranes:** 18 40 long ton  
**Other Equipment:** 6 heavy duty terminal tractors and 20 yard chassis  
one 80,000 pound container handling machine

## **Operating Information**

**PORT OF HOUSTON AUTHORITY  
OF HARRIS COUNTY, TEXAS  
FREIGHT STATISTICS  
LAST TEN YEARS**



See Freight Traffic Statistics on Page 83

Port of Houston Authority  
**Freight Traffic Statistics**  
 (unaudited)  
 (in thousands)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>Freight handled by the Authority only (excluding tonnages handled by private terminals) - short tons (2,000 lbs.) (a) (d)</b>										
Breakbulk Cargo	8,007	6,678	7,545	4,679	4,481	3,244	3,697	3,971	4,971	3,681
Container Cargo	16,866	16,425	16,111	15,156	13,960	11,941	11,007	10,120	9,752	9,006
Bulk Grain	2,097	1,746	1,606	1,331	1,050	1,351	1,939	1,991	2,302	1,758
Bulk Plant	4,521	4,950	4,552	3,561	3,694	4,808	3,847	2,979	2,275	2,105
Other Bulk	11,249	10,621	10,622	10,064	9,588	8,675	8,170	8,399	9,417	8,799
<b>Total</b>	<b>42,740</b>	<b>40,420</b>	<b>40,437</b>	<b>34,791</b>	<b>32,773</b>	<b>30,019</b>	<b>28,660</b>	<b>27,460</b>	<b>28,717</b>	<b>25,349</b>
<b>Freight handled by entire Port of Houston (includes tonnage handled by both the Authority and private terminals) - short tons (2,000 lbs.) (b) (c) (d)</b>										
<b>Foreign</b>										
Imports	(e)	(e)	106,905	103,190	97,713	90,335	80,027	85,485	87,032	69,919
Exports	(e)	(e)	45,972	41,860	39,824	36,558	35,161	35,108	36,918	32,173
<b>Total Foreign</b>			<b>152,877</b>	<b>145,051</b>	<b>137,537</b>	<b>126,893</b>	<b>115,188</b>	<b>120,593</b>	<b>123,950</b>	<b>102,092</b>
<b>Coastwise</b>										
Receipts	(e)	(e)	4,625	3,045	2,064	2,901	2,659	3,324	2,987	2,518
Shipments	(e)	(e)	5,366	6,789	6,450	7,791	9,622	8,207	8,352	8,449
<b>Total Coastwise</b>			<b>9,991</b>	<b>9,834</b>	<b>8,514</b>	<b>10,692</b>	<b>12,281</b>	<b>11,531</b>	<b>11,339</b>	<b>10,967</b>
<b>Internal</b>										
Receipts	(e)	(e)	28,035	25,514	26,314	25,055	22,230	22,921	21,744	19,473
Shipments	(e)	(e)	17,787	17,114	16,833	15,963	14,923	16,255	16,247	14,611
<b>Total Internal</b>			<b>45,822</b>	<b>42,628</b>	<b>43,147</b>	<b>41,018</b>	<b>37,153</b>	<b>39,176</b>	<b>37,991</b>	<b>34,084</b>
<b>Local</b>										
	(e)	(e)	13,457	14,153	12,848	12,320	12,939	13,750	13,287	11,685
<b>Total</b>			<b>222,147</b>	<b>211,666</b>	<b>202,046</b>	<b>190,923</b>	<b>177,561</b>	<b>185,050</b>	<b>186,567</b>	<b>158,828</b>
<b>Value of foreign trade handled by entire Port of Houston (c)</b>										
Imports	\$78,873,336	\$61,005,734	\$61,032,718	\$52,172,024	\$36,835,357	\$28,454,318	\$22,545,812	\$24,966,895	\$24,633,060	\$17,419,086
Exports	68,821,466	53,805,807	41,957,426	34,266,240	29,063,697	21,455,130	19,395,811	19,521,665	18,732,234	16,680,576
<b>Total</b>	<b>\$147,694,802</b>	<b>\$114,811,541</b>	<b>\$102,990,144</b>	<b>\$86,438,264</b>	<b>\$65,899,054</b>	<b>\$49,909,448</b>	<b>\$41,941,623</b>	<b>\$44,488,560</b>	<b>\$43,365,294</b>	<b>\$34,099,662</b>

(a) Source: Annual Review published by the Authority.  
 (b) Source: U.S. Army Corps of Engineers, Waterborne Commerce of the U. S.  
 (c) Source: Bureau of Census, U.S. Department of Commerce.  
 (d) The amounts are restated to reflect actual volumes after year - end adjustments.  
 (e) Amounts not available.

Port of Houston Authority  
Cargo Statistics  
Last Ten Fiscal Years  
(in thousands)  
(unaudited)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>Total Revenue tonnage</b>										
Including Bayport Companies	42,740	40,342	40,437	34,791	32,773	30,019	28,660	27,460	28,717	25,343
Excluding Bayport Companies	35,244	33,147	33,353	28,458	26,350	24,196	23,341	21,981	22,502	19,597
<b>General Cargo (a)</b>	24,874	23,051	23,656	19,835	18,441	1,584	14,704	14,091	14,723	12,687
<b>Bulk Materials Handling Plant</b>	4,521	4,950	4,552	3,561	3,694	4,808	3,847	2,979	2,275	2,105
<b>Grain Elevator #2</b>	2,097	1,746	1,606	1,331	1,050	1,351	1,939	1,990	2,302	1,758
<b>Other Bulk Movements</b>										
Bulk (Excluding Bayport Companies) (b)	3,753	3,400	3,538	3,731	3,164	2,852	2,851	2,920	3,202	3,046
Bulk Bayport companies	7,496	7,194	7,084	6,333	6,423	5,823	5,319	5,479	6,215	5,752
<b>Barbours Cut Terminal</b>										
Bulk (b)	0	0	0	3	1	1	0	0	5	6
General Cargo (a)	11,808	13,991	15,226	14,161	12,955	11,127	10,185	9,005	8,476	7,721
<b>Steel</b>										
Import	5,966	4,398	5,385	2,559	2,618	1,403	1,970	2,367	3,288	2,201
Export	338	319	243	243	180	178	107	115	109	126
<b>Auto Units - Turning Basin</b>										
Import	64	61	51	65	63	81	81	76	55	67
Export	12	7	7	11	9	7	4	4	2	2
<b>Bagged Goods (a)</b>										
Import	16	44	58	39	59	66	142	37	31	3
Export	376	551	620	526	569	590	540	376	501	375
<b>Container TEU</b>	1,794	1,769	1,608	1,584	1,440	1,244	1,147	1,058	1,062	1,031

(a) Tonnage included in General Cargo above

(b) Tonnage included in Bulk Cargo above

Source: PHA billing department

Houston Ship Channel Including PHA  
**Vessel Arrivals**  
 (unaudited)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>American Flag</b>										
Break Bulk	15	17	24	15	34	24	23	16	18	10
Bulk Carrier	18	13	15	14	10	18	16	11	12	11
Containers	130	139	139	148	166	174	168	159	159	182
Roll-On/Roll-Off	9	7	13	10	12	9	22	15	14	2
Tankers	199	175	191	220	208	210	219	335	285	306
Tug Tow	410	470	402	164	165	384	457	382	300	257
Vehicle Carrier	4	12	16	12	4	7	3	3	2	2
Other	7	18	7	4	5	3	7	3	6	8
	792	851	807	587	604	829	915	924	796	778

<b>Foreign Flag</b>										
Break Bulk	893	866	802	757	659	705	754	948	879	891
Bulk Carrier	902	865	979	844	838	663	698	729	765	837
Containers	836	799	859	866	759	709	738	670	601	636
Roll-On/Roll-Off	129	125	154	154	169	137	176	396	247	148
Tankers	4,396	4,086	3,832	3,703	3,358	3,117	2,977	2,793	3,334	3,048
Tug Tow	1	0	0	0	0	0	0	0	0	1
Vehicle Carrier	39	49	34	66	50	79	81	57	47	57
Other	70	62	81	80	102	62	75	96	132	120
	7,266	6,852	6,741	6,470	5,935	5,472	5,499	5,689	6,005	5,738
<b>Total Vessel Arrivals</b>	8,058	7,703	7,548	7,057	6,539	6,301	6,414	6,613	6,801	6,516

Source: Piers Global Intelligence Solutions



Schedule 20

Port of Houston Authority  
**PHA Public Wharves**  
**Vessel Arrivals (continued)**  
(unaudited)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>Turning Basis</b>										
Ships	1,255	1,196	1,177	1,021	911	832	910	979	1,006	987
Barges	1,546	1,492	1,596	1,556	1,391	1,052	1,092	1,279	1,415	1,505
<b>Bulk Plant, Jacintoport, Care Woodhouse, and HPG#2</b>										
Ships	669	705	684	710	624	622	609	631	674	716
Barges	485	496	805	635	704	998	709	518	461	322
<b>Barbours Cut and Galveston</b>										
Ships	809	969	1,067	1,122	1,010	927	943	970	1,013	994
Barges	46	58	280	517	471	409	286	167	154	105
<b>Bayport Container Terminal</b>										
Ships	225	97	-	-	-	-	-	-	-	-
Barges	1	4	-	-	-	-	-	-	-	-
<b>Bayport Companies</b>										
Ships	611	632	583	518	466	494	511	480	597	591
Barges	1,657	1,620	1,597	1,597	1,483	1,305	1,241	1,223	1,437	1,259
<b>Total PHA Arrivals</b>										
Ships (a)	3,569	3,599	3,511	3,371	3,011	2,875	2,973	3,060	3,290	3,288
Barges	3,735	3,670	4,278	4,305	4,049	3,764	3,328	3,187	3,467	3,191

(a) Included in Total of Vessel Arrivals for the Houston Ship Channel

Schedule 21

Port of Houston Authority  
**Bulk Commodity Statistics**  
 Last Ten Fiscal Years  
 (in thousands)  
 (short tons) (a)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
<b>Cement</b>	0	0	158	179	0	0	0	0	84	26
<b>Coke</b>	4,564	4,974	4,404	3,382	3,660	4,808	3,835	2,970	1,703	1,403
<b>Cotton Seed Oil</b>	0	0	0	0	0	6	0	5	0	0
<b>Crude Petroleum</b>	0	0	0	0	0	0	0	0	0	0
<b>Fertilizer</b>	37	0	0	0	3	0	24	0	0	0
<b>Grain</b>	2,097	1,746	1,606	1,331	1,050	1,351	1,939	1,990	2,302	1,758
<b>Industrial Chemical</b>	8,942	8,943	8,938	8,335	7,986	7,319	6,807	6,709	7,585	7,119
<b>Molasses</b>	230	161	347	283	330	344	281	464	565	388
<b>Petroleum Products</b>	123	40	32	72	71	73	53	156	268	25
<b>Sand &amp; Clay</b>	0	0	0	0	0	0	0	0	14	0
<b>Tallow</b>	518	480	419	328	402	382	423	319	405	482
<b>Dry Bulk</b>	963	869	824	995	737	496	562	719	1,034	1,193
<b>Miscellaneous Bulk</b>	392	78	53	51	93	56	31	36	35	47
<b>Totals</b>	17,866	17,291	16,780	14,956	14,332	14,834	13,955	13,368	13,994	12,441

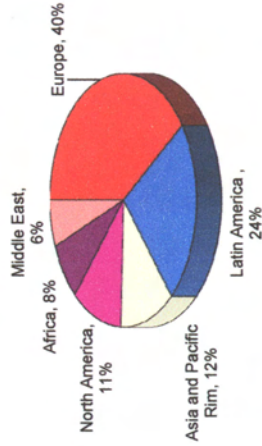
(a) Short tons equal 2000 pounds  
 Source: Billing Department



### Houston's Foreign Seaborne Trade by Region

Europe and Latin America are Houston's top seaborne trading partners.

1999 Foreign Trade Through the Port of Houston by Region (\$ Value)



Europe was Houston's top seaborne trading region in 1999, accounting for 40 percent of total foreign shipments through the Port of Houston. The countries of Latin America account for 24 percent, making the region Houston's second largest trading area

TRADE THROUGH THE PORT OF HOUSTON BY REGION IN 1999 (000S)				
	Imports	Exports	Total	Percent of World Total
Europe	8,537,580	5,083,914	13,621,494	40%
Latin America	3,143,804	4,951,749	8,095,553	24%
Asia and Pacific Rim	1,473,304	2,614,478	4,087,782	12%
North America	2,195,514	1,523,754	3,719,268	11%
Africa	1,183,211	1,395,184	2,578,395	8%
Middle East	890,070	1,120,827	2,010,897	6%
Worldwide Total	17,423,483	16,689,910	34,113,393	100%

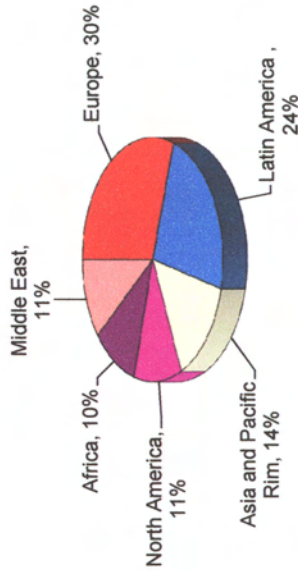
Source: U.S. Maritime Administration



### Houston's Foreign Seaborne Trade by Region

Europe and Latin America are Houston's top seaborne trading partners.

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



Europe was Houston's top seaborne trading region in 2008, accounting for 30 percent of total foreign shipments through the Port of Houston. The countries of Latin America account for 24 percent, making the region Houston's second largest trading area

TRADE THROUGH THE PORT OF HOUSTON BY REGION IN 2008 (000S)				
	Imports	Exports	Total	Percent of World Total
Europe	22,987,445	21,108,358	44,095,803	30%
Latin America	12,644,395	22,815,067	35,459,462	24%
Asia and Pacific Rim	12,680,518	8,718,252	21,398,770	14%
North America	11,076,534	5,027,825	16,104,359	11%
Africa	8,620,912	6,213,901	14,834,813	10%
Middle East	10,863,497	4,900,194	15,763,691	11%
Worldwide Total	78,873,336	66,821,466	147,694,802	100%

Source: U.S. Dept. of Commerce, Bureau of Census

Port of Houston Authority  
**Number of Authority Employees by Type**  
 Last Ten Fiscal Years  
 (unaudited)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Exempt Employees	177	160	146	141	130	127	125	107	101	102
Non-Exempt Employees	418	420	414	379	367	365	356	366	355	366
<b>Total Employees</b>	<b>595</b>	<b>580</b>	<b>560</b>	<b>520</b>	<b>497</b>	<b>492</b>	<b>481</b>	<b>473</b>	<b>456</b>	<b>468</b>
Hourly Employees (in above)	162	158	154	147	135	133	130	135	134	135
Operations Staff	163	143	140	127	112	111	110	112	108	122
General & Administrative Staff	432	437	420	393	385	381	371	361	348	346

Source: Authority Human Resources Department