

PORT OF HOUSTON AUTHORITY  
OF HARRIS COUNTY, TEXAS



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2009

**Prepared By:**

THE OFFICE OF THE CONTROLLER  
PORT OF HOUSTON AUTHORITY

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

**Comprehensive Annual Financial Report  
For the Year Ended December 31, 2009**

**Prepared By:  
The Office of the Corporate Controller  
Port of Houston Authority**

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**Comprehensive Annual Financial Report**  
For the Year Ended December 31, 2009

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## **Introductory Section**



# PORT OF HOUSTON AUTHORITY

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Alec G. Dreyer  
Chief Executive Officer

June 25, 2010

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, 2009. 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 592 regular employees as of December 31, 2009, and during 2009 employed 452 casual employees from various longshoremen union halls.

The Port of Houston ("Port") has been a deep draft port since 1914. The Houston Ship Channel (the "Channel"), the heart of the Port complex, extends 52 miles inland and links the City of Houston with the Gulf of Mexico. The Port consists not only of the Authority's wharves, but also a large number of privately owned wharves. Some of 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 the Bayport Industrial complex.

### **Business of the Authority**

The Authority owns a diverse group of facilities designed for handling any type of cargo including general cargo, containers, grain, dry and liquid bulk, and 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 wharf at Fentress Bracewell Barbour's Cut Terminal ("BCT"), Bulk Materials Handling Plant, Care Terminal Wharf, Jacintoport Terminal Wharf, and Woodhouse Terminal Wharf which are subject to preferential, but not exclusive, berthing arrangements; Container Terminal 6 and a portion of Terminal 5 at BCT, 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, LLC and Seaboard Corporation, 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 Basin 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 International, LLC.



Care Terminal is near Jacintoport Terminal and consists of two wharves, sheds, rail access, and a paved marshalling 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.

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.

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 is complete on a cruise ship berth 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 17) 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 2009, 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 during the fall of 2008, which caused minor damage at the Authority.

High commodity, energy and construction prices, financial market turmoil, and weaknesses in the housing market as well as the auto industry continued to afflict the slow economic recovery during the first half of 2009. However, there were signs of recovery during the last half of the year as indicated by growth in the GDP. Yields on 10 year Treasury notes started January 2009 at 2.46% and finished the year below 3.85%.

Moderate economic growth is anticipated during 2010 as the U.S continues its recovery from the recession. The Authority anticipates a moderate increase in revenue during 2010 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. 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 non-federal 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, \$15.7 million for fiscal year 2008, and \$124 million for fiscal year 2009. Stimulus (ARRA) funds in the amount of \$98.8 million were provided to continue the deferred construction portion of the project in fiscal year 2009. As of December 31, 2009 the Authority has spent \$161.4 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 (Beneficial Uses Group).

The Houston Ship Channel project is currently in its annual maintenance dredging cycle. The Authority has deferred construction elements that will be included in future fiscal year construction programs to provide for additional dredged material capacity needs for the channel. In an effort to address capacity needs, projects have been planned and programmed to raise 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 more marsh/habitat sites in Galveston Bay.

The Authority's future cost sharing obligations for the deferred construction elements are expected to be derived from annual 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 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 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.

Construction of Phase 1A and Phase 1 Stage 1 and 2 container yards at Bayport is complete. At the completion of Phase 1, the terminal will provide truck entry and exit gates, administration, maintenance and marine buildings, over 160 acres of container yard, 9 wharf cranes and 27 rubber-tired gantry cranes. Construction of the Phase 1 wharf is complete, expanding the capacity to a total of 3,300 feet of wharf. To facilitate access to the container terminal facility, dedicated entrances are planned during later phases to directly connect Port Road 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 container yards allow for the annual handling of approximately 960,000 TEUs. 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 Terminal Complex and in the long term. 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. In this regard, most recently the Authority announced its Bayport Mitigation Solution program, to address concerns of the La Porte and Shoreacres communities north of Bayport.

## **Environmental Affairs**

The Environmental Affairs Department (“EAD”) maintained the Authority’s commitment of pollution prevention, environmental compliance and continual improvement throughout 2009. 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.

Throughout the year, the EAD continued work started in 2006 to align the various goals in the programs for the Texas Commission on Environmental Quality (TCEQ)’s Clean Texas Program (Bronze Level), with the Authority’s EMS. These performance-based programs maintained the Authority’s vision of continual improvement and tracking of environmental performance.

## **Sustainability Strategy**

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.

Throughout 2009, the EAD continued to lead the organization’s commitments to environmental stewardship, compliance, pollution prevention and continual improvement in the pursuit of environmental sustainability. Discussions on the development of a training program for sustainability were initiated in 2009.

## **Air Quality Program**

Among the Authority’s most significant accomplishments in 2009 were air quality compliance and stewardship. The diverse air quality projects in which the Authority participated ranged from grant applications to regulatory support comments and program implementation. As part of environmental stewardship, the Authority designed the Clean Air Strategy Plan (“CASP”) as a comprehensive air quality management plan to promote voluntary emissions reductions for the common good of the Houston-Galveston-Brazoria (“HGB”) area. This multi-source, multi-pollutant, multi-year program is intended to find economically feasible ways and means to prompt emissions reductions from intermodal interests throughout the port area.

With drayage trucks being the CASP’s primary focus in 2009, the Authority hosted a workshop for participants in the CASP truck stakeholder group, independent and corporate trucking entities, to showcase EPA’s grant and loan programs, Houston Galveston Area Council’s (“H-GAC”) Drayage Truck Loan program, and TCEQ’s Texas Emission Reduction Plan (“TERP”)

program. The Authority will continue to play a vital role in education and outreach targeting local trucking fleets and independent owner/operators to successfully utilize the SmartWay loan program.

Included in the Authority 2009 CASP were efforts to develop solutions to address particulate matter and dust control related to operations at the Industrial Park East facility. To advance its commitment to reduce its particulate matter impact on the Clinton Drive monitor, a dust control program was continued from previous years, involving the aggressive application of a suppression product known as emulsified asphalt, SS-1.

The Authority continually recognizes the importance of demonstrating emerging technologies for maritime operations. In 2009, the Authority conducted two demonstrations of viable strategies for future emission reduction measures.

The Authority's Operations and Environmental Affairs departments participated in a two-week long diesel-electric hybrid yard tractor demonstration with satisfactory results. Therefore, the Authority staff recommended utilizing a \$150,000 grant from the U.S. Environmental Protection Agency (EPA) to help the Authority procure one hybrid yard tractor for routine cargo-handling usage at the Barbours Cut Container Terminal. The vehicle was delivered in October 2009.

In order to demonstrate the feasibility of low sulfur diesel fuel switching for ocean-going vessels, in conjunction with EPA's Office of International Affairs, the Authority partnered with two shipping lines which call on ports in Mexico for the purpose of feasibility study. The Maersk and Hamburg Süd shipping lines agreed to participate in fuel switching at ports in Progreso, Vera Cruz and Altamira, Mexico, as well as Houston. The results of the study are expected to help Mexican government officials develop an Emission Control Area ("ECA") strategy for future implementation through the International Maritime Organization.

During 2009, the Authority initiated discussions with leading experts including FEV, Inc., General Electric-Transportation and the Houston Advanced Research Center regarding the feasibility of developing and deploying an advanced powertrain engine technology to significantly reduce emissions and improve fuel economy from marine vessels and adjunct markets. Through the CASP, the Authority proposed a project to support the early introduction and commercialization of Tier 3 (particulate matter) and Tier 4 (NOx) compliant engines. These projects will be further developed in 2010 and demonstrations of new emerging technologies and partnerships will be pursued.

Goals set and reached in 2009 for the CASP were all activity-based in nature. Efforts have been focused on writing, participating, and implementing recent grant opportunities and accomplishing the awards and program development for on-road trucks, locomotives, cargo-handling equipment, ocean-going and harbor vessels. The CASP was further evaluated for stakeholder participation and potential development into a Port of Houston Environmental District, in which air quality issues would serve as a foundation. Through the EAD's strategic

plan, quantifiable goals are expected to be established for the CASP during 2010 for further implementation over the course of several years. Strategic meetings with various stakeholders will continue in 2010 to maintain and establish vital relationships for future CASP programs.

### **Environmental Grant Funding**

The year began with the application and award of \$3.4 million in grants from the American Recovery and Reinvestment Act (“ARRA”) aimed at replacements, retrofits and repowers of diesel engines operated by the Authority, its tenants and users. ARRA also provided increased funding for the EPA to administer additional grants under the Diesel Emissions Reduction Act (“DERA”). The Authority prepared and submitted six applications requesting a total of \$15.4 million for engine replacements, retrofits, repowers, auxiliary power units and cleaner fuel for cargo handling equipment, on-road trucks, marine vessels, tugboats and ocean going vessels. With EPA’s award of \$3.4 million, the Authority signed contracts with six private sector partners to administer the DERA funds for 180 cleaner diesel engine replacements, retrofits and repowers. By the end of 2009, nine pieces of equipment had been replaced. The remaining DERA grant-funded projects are expected to be completed by September 2010.

The Authority partnered with H-GAC and the Environmental Defense Fund (“EDF”) to develop a Port Drayage Truck Bridge Loan Program with funding from the EPA’s DERA SmartWay Program. The program is aimed at drayage trucks that operate in the Houston-Galveston area and are associated with the port or similar goods movement facilities, such as rail yards. For this loan program application, the Authority provided funds in the amount of \$50,000 used as leverage for the SmartWay application. The H-GAC, the Authority, EDF and other partners were successful in receiving \$9 million in SmartWay funds, which is the nation’s largest award to date. While H-GAC provides all project oversight and has administrative responsibility for distributing the loans, the Authority actively participates in the education and outreach of this program as it is consistent with the goals of the CASP.

The TCEQ administers the TERP program, from which the Authority has successfully applied for and received funding. During 2009, the Authority received TERP reimbursements totaling approximately \$830,000 for rubber tire gantry crane repowers and yard tractor replacements.

In 2009, Authority was awarded \$110,500 for the repower of the *M/V Sam Houston* public tour boat. The Authority’s application to the H-GAC requesting \$760,242 in TERP funding for the replacement of 15 yard tractors was also selected for funding.

### **Employee Commuter Program**

The Authority is currently leasing eleven (11) vans from VPSI, Inc. for the vanpool program. Approximately 68 employees have committed to participate in this program, resulting in better air quality as well as improved employee relationships and morale. The Authority vanpool program is part of the METROVan program, sponsored by the Houston Metropolitan Transportation Authority (“METRO”) and by the H-GAC. In 2009, H-GAC recognized the Authority as a “Best Workplace for Commuters” employer by having the options of carpooling, vanpooling, flextime workweeks, and the use of pool cars by carpool riders and named the

Authority a ‘Clean Air Champion’ based its commitment towards clean air measures. The specific benefits of the vanpool program in 2009 include:

- Reduction of approximately 900,000 miles driven per year
- Reduction of NO<sub>x</sub> by 0.51 tons per year, VOC by 0.44 tons per year and CO<sub>2</sub> by 447 tons per year
- Reduction of gasoline consumption by about 95,521 gallons per year

### **Water Quality**

The Authority complies with Federal, State and local government regulations for drinking water, storm water, waste water, vessel discharge and oil pollution prevention. Under the direction of the EAD, the staff continued to conduct inspections to monitor storm water management, and spill prevention, control, and countermeasures.

The renewal of Authority’s Municipal Separate Storm Sewer System Permit (MS4) storm water permit in early 2009 included a requirement to implement minimum control measures and establish a set of five-year goals. The new and revised goals were to be integrated into the Authority’s Storm Water Management Plan (“SWMP”) and the revised document submitted to the TCEQ. Working with environmental consultants, the Authority developed the five-year MS4 goals, revised the SWMP, submitted all required documentation to the TCEQ and completed all regulatory required sampling.

As a requirement of its MS4, the Authority continued to implement its illicit discharge investigation program during 2009. The program focused on two major areas: outfall screening and geospatial mapping of all storm water drainage features. The outfall screening program entails a survey of each outfall to determine if a potential illicit discharge point is present. If a point is found, the source of the discharge is traced and a corrective action is implemented. The geospatial mapping builds upon previous efforts to update current maps and correct deficiencies in order to assure the representation of the Authority’s drainage system is accurate. In addition to achieving one of the MS4 permit goals, the mapping effort also is expected to serve as a valuable tool in emergency spill response, illicit discharge tracking and ultimately the goal of improving water quality.

Teaming up with CLF Ventures, the non-profit affiliate of the Conservation Law Foundation, the Authority conducted research to identify and evaluate opportunities for the use of Low Impact Design (“LID”) measures to improve water quality and conservation. LID promotes the use of ecological and landscape-based systems to manage storm water by increasing retention, detention, infiltration and treatment of storm water runoff at its source.

The survey provided effectiveness rankings for storm water best management practices showing the largest potential for improvement to be at the Turning Basin Terminal. Bayport showed the

greatest use of LID, with the BCT falling between the other Terminals. The project resulted in a report that included guidance for future implementation of LID techniques at the Authority's properties.

The Authority continued to operate two waste water treatment plants at Jacintoport Terminal and Care Terminal within permit limits throughout 2009. Additionally, the Authority conducted monitoring of its Public Water System at BCT and maintained compliance with all drinking water regulations.

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

The Authority's recycling effort continued to gain momentum during 2009 with the collection of more than 6.4 tons of waste paper. Plastic and aluminum recycling services were added at the Executive Office Building with plans to expand similar services at the Central Maintenance Facility, Barbours Cut and Bayport terminals in 2010.

In 2009, the Authority collected approximately 1200 tons of dunnage material at Turning Basin Terminal; as a service provided to the Authority's client shipping lines. In 2009, the Authority recycled 252 tons or 21% of dunnage.

Of more than 138,000 pounds of industrial solid waste generated by the Authority's maintenance departments and marine department fireboats, 90 percent was recycled. The Authority also recycled more than 900 tires, more than a third of which were from 18-wheel trucks or larger vehicles.

The Authority owns and operates petroleum storage tanks (PST) at three of its terminals. The EAD ensured compliance with PST and Stage II Vapor recovery requirements.

### **Bayport Memorial Mitigation Tract**

Following the completion of the Phase I monitoring period from 2006 through 2009, the Authority submitted its final report to the U.S. Army Corps of Engineers ("USACE") titled, "Bayport Wetland Mitigation – Memorial Tract." The report documented the status of mitigation success criteria for the site and requests the USACE concurrence that Phase I is complete and Phase II may begin. The two-year Phase II monitoring period began in the fourth quarter of 2009 and is targeted for completion in the third quarter of 2011.

Levees and weirs remain structurally sound; thus, the size of the full pool remains at 70.8 acres. Some plants were stressed or killed because of flooding that occurred during Hurricane Ike in



2008. However, desirable emergent and transitional vegetation generally appear healthy and are exhibiting excellent survival rates. By the end of 2009, wetland species had recovered to nearly 65 percent in the south basin and exceeded 70 percent in the north basin. A full recovery from Hurricane Ike is expected during the next growing season. Undesirable species, primarily cattails, exceeded the performance criteria limit of 10 percent. As aggressive plans of attack are being prepared for 2010, the Authority will continue conducting monitoring, chemical control and mechanical manipulation of the invasive plant species during the next growing season.

Pockets of open water attract many different waterfowl species, and wetland vegetation provides superior habitat for native and migratory birds. The number of bird species increased from 50 in 2008 to 54 in 2009. Mammal, amphibian and reptile activity is also high.

### **Bayport Permit Compliance**

In 2009, the Authority continued to comply with the conditions of the USACE permit for the Bayport Container and Cruise Terminal construction project. For Bayport air quality requirements, the Authority continued to collect particulate matter (PM<sup>2.5</sup>) data over a 24-hour period every six days. Upon comparison to the National Ambient Air Quality Standards, the PM<sup>2.5</sup> data was found to be significantly lower than the 98<sup>th</sup> percentile daily maximum of 35 ug/m<sup>3</sup> and the annual average of 15 ug/m<sup>3</sup> concentrations. The Emissions Calculator indicates that the rolling four-quarter project emission estimates for 2009 were below the threshold of the 25 tons per year of NOx. For Bayport storm water requirements, the Authority conducted weekly storm water inspections at the construction site throughout 2009. Collaborations with construction managers provided effective resolution of identified issues.

### **Bayport Permit Renewal**

In late 2009, the USACE approved a 10-year extension and amendment of the Bayport Permit. The permit amendments included adding Dredge Material Placement Areas and Beneficial Use Sites for new work and maintenance dredged material from the Bayport Ship Channel, consolidation of the entry and pre-check gates to improve efficiency and reduce the amount of truck emissions, limiting the use of turbidity curtains to mechanical dredging, and continuing successful dust control.

### **Bayport Sound Mitigation**

As a solution to mitigate sound related to Bayport operations, a pilot program was initiated in 2008 to evaluate potential attenuation options for the residences on the north shore of the Bayport Ship Channel. Working with a nationally-known firm with expertise in airport sound mitigation, the Authority installed acoustically-rated treatments, including windows, doors and insulation, in two test homes and developed a formal Sound Mitigation Solution Program based on the results.

Testing was completed in the third quarter of 2009. The results were considered highly favorable proof that the sound mitigation program works by reducing interior noise levels below 45 dBA, during current operations and at full build out of the terminal.

The consultant prepared a draft plan for a residential sound insulation program based on its initial feasibility study, the test phase of the pilot program, and real-time data from the Authority's monitors. The Authority has now implemented the Bayport Mitigation Solution program based on the consultant's recommendations and community input.

### **Energy Efficiency**

The Authority Energy Management Program established an Energy Management Policy in 2006. In 2009, lighting assessments were performed at the Authority's Executive Office Building to evaluate the potential benefits of upgrading existing lighting. All data was compiled into a report to show the cost savings and return on investment of a lighting upgrade. Meanwhile, the Authority continued to research various possibilities to prepare a financial analysis, including identification of buildings and land areas suitable for generating solar energy to provide electricity and hot water. Additional investigations into alternative lighting sources such as LED are being completed, and pilot projects are scheduled for 2010. The Authority continues to actively seek opportunities for new and innovative energy conservation and alternative energy projects.

### **EMS and Compliance Assurance Program Area**

Following an extensive review by the independent third-party auditor Det Norske Veritas (DNV), the Bayport was certified for compliance with ISO 14001, the global standard in environmental excellence, and the Turning Basin Terminal Central Maintenance Facility and BCT were recertified for a second time. Within its audit report, DNV remarked that the Authority's top management commitment to EMS implementation was well focused and very positive. EMS awareness was high and consistent at all the Authority facility levels and personnel were well aware of the impact of their duties, operational control and communication channels. The auditor also noted that housekeeping was well maintained in all facilities visited and that representatives were fully committed into EMS implementation and innovation.

### **Auditing Program Area**

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

The EAD conducts environmental compliance audits at its operational facilities, maintenance shops and marine department locations. These audits are conducted on a quarterly basis, divided between formalized announced and un-announced visits. The objectives of the audits are to review pertinent documentation and records, to monitor environmental compliance, and to

ensure that best management practices (preferred actions taken to prevent pollution) are incorporated to minimize environmental liability and impacts.

The Authority has an active tenant audit program that prioritizes tenants to quarterly, semi-annual or annual audit schedules. The audit schedule is dependent on the operations, identified impacts, potential impacts and compliance with federal, state and local environmental laws, regulations, permits and the Authority tariffs. A total of 116 audits were conducted at tenant facilities in 2009, with topics covering a variety of regulatory compliance elements.

### **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. Also by state statute, the county treasurer serves as the treasurer of the Authority.

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.

### **Independent Audit**

The financial statements for the years ended December 31, 2009 and 2008 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, 2008. This was the 35th 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,



Maxine N. Buckles  
Corporate Controller



Alec G. Dreyer  
Chief Executive Officer

# 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, 2008

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.



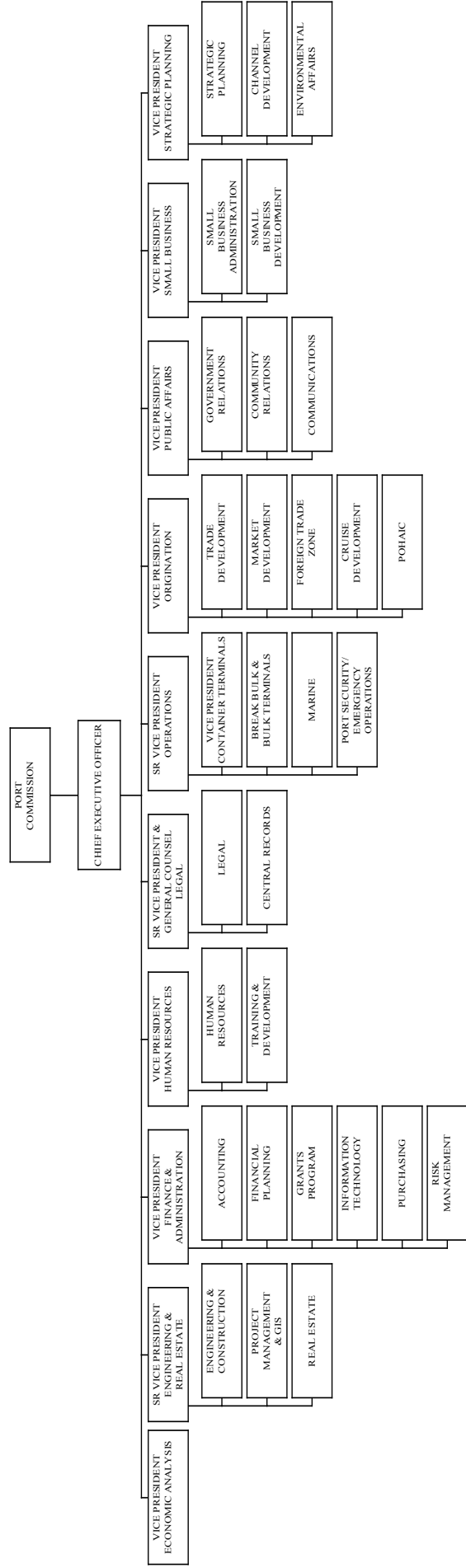
A stylized, handwritten signature in black ink, appearing to be "JHR".

President

A handwritten signature in black ink that reads "Jeffrey R. Enow".

Executive Director

**PORT OF HOUSTON AUTHORITY  
ORGANIZATIONAL CHART  
2010**



05/01/2010

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 A. Burke, Commissioner  
Janiece Longoria, Commissioner  
Elyse Lanier, Commissioner

**Other Officials**

Alec G. Dreyer, Chief Executive Officer  
Erik A. Eriksson, Senior Vice President & General Counsel  
James B. Jackson, Senior Vice President of Engineering & Real Estate  
Jimmy M. Jamison, Senior Vice President of Operations  
Roger Guenther, Vice President of Container Terminals  
Thomas J. Heidt, Vice President of Finance & Administration  
Argentina M. James, Vice President of Public Affairs  
Charles D. Jenkins, Vice President of Strategic Planning  
Ricky W. Kunz, Vice President of Origination  
Gilda Ramirez, Vice President of Small Business  
Olga Rodriguez, Vice President of Economic Analysis  
Melanie Sherman, Vice President of Human Resources  
Maxine N. Buckles, Corporate 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, 2009 and 2008, 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. An audit also includes 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, 2009 and 2008, 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 and 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 are supplementary information required by accounting principles generally accepted in the United States of America. 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 required supplementary information. However, we did not audit the information and we express no 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 are 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 25, 2010

**Port of Houston Authority  
Management's Discussion and Analysis  
For the Year Ended December 31, 2009  
(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, 2009 and 2008. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

**Financial Highlights**

- The net assets of the Authority at December 31, 2009 were \$909,133. Of this amount, \$191,830 is considered unrestricted net assets.
- The Authority's net assets increased by \$6,729 for the fiscal year ended December 31, 2009.
- The Authority's total assets increased by \$82,794 during the fiscal year ended December 31, 2009. The major component in this increase was the increase in capital assets of \$108,238 offset by a decrease in current assets of \$163,561, an increase in non-current assets of \$138,117 and a decrease in restricted assets of \$22,436.
- The Authority's total liabilities increased by \$76,066 during the fiscal year ended December 31, 2009. The major component in this increase was the addition of \$175,461 in current liabilities, a decrease of \$109,151 in long term debt, net of current maturities, and an increase of \$9,756 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 the notes to the financial statements. Also on this page is the schedule of funding progress for the Authority’s Other Post Employment Benefits (“OPEB”) obligation.

### **Financial Analysis**

By far, the largest portion of the Authority’s net assets (74%) 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 (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (21%) may be used to meet the Authority’s ongoing obligations to employees and creditors.

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Current and other assets	<b>\$ 340,812</b>	\$ 366,256	\$ 290,331
Capital assets	<b><u>1,295,272</u></b>	<u>1,187,033</u>	<u>1,132,705</u>
 Total assets	 <b><u>1,636,084</u></b>	 <u>1,553,289</u>	 <u>1,423,036</u>
 Long-term liabilities (including current portion)	 <b>665,781</b>	601,951	487,477
Other liabilities	<b><u>61,170</u></b>	<u>48,934</u>	<u>81,566</u>
 Total liabilities	 <b><u>726,951</u></b>	 <u>650,885</u>	 <u>569,043</u>
 Invested in capital assets, net of related debt	 <b>669,843</b>	646,777	676,785
Restricted net assets	<b>47,460</b>	41,288	32,620
Unrestricted net assets	<b><u>191,830</u></b>	<u>214,339</u>	<u>144,588</u>
 Total net assets	 <b><u><u>\$ 909,133</u></u></b>	 <u><u>\$ 902,404</u></u>	 <u><u>\$ 853,993</u></u>

The Authority's net assets increased by \$6,729 during the fiscal year ended December 31, 2009. During fiscal year 2009, net assets invested in capital assets net of related debt increased \$23,066 with an increase in capital assets of \$108,238 plus an increase in outstanding debt of \$76,066. During fiscal year 2009, restricted net assets increased \$6,172 as a result of increased tax receipts offset by the use of restricted proceeds for construction. Unrestricted net assets decreased \$22,509.

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 of \$81,842. 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.

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

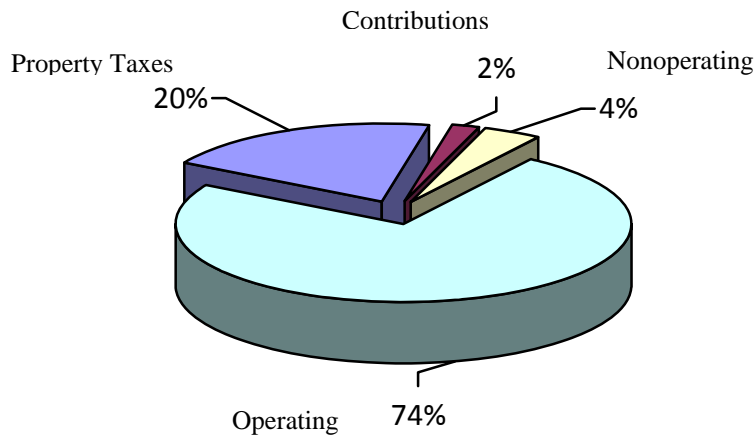
**Port of Houston Authority  
Changes in Net Assets**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Operating revenues:</b>			
Vessel and cargo services	\$ 145,781	\$ 172,381	\$ 164,595
Rental of equipment & facilities	20,524	19,984	18,872
Grain elevator	1,155	787	809
Bulk materials	2,243	2,319	2,903
Other	2,040	2,522	3,679
<b>Nonoperating revenues:</b>			
Investment income	4,136	7,154	10,019
Other	4,588	982	6,734
<b>Nonoperating revenues related to property taxes:</b>			
Property taxes	46,911	48,675	35,819
Interest income on unlimited tax bonds	165	1,113	2,045
<b>Total Revenues</b>	<u>227,543</u>	<u>255,917</u>	<u>245,475</u>
<b>Operating expenses:</b>			
Maintenance and operation of facilities	83,758	99,034	98,343
General and administrative	48,183	43,443	40,063
Depreciation and amortization	48,892	44,016	34,161
<b>Nonoperating expenses:</b>			
Contribution to federal and state agency	17,468	4,224	29,017
<b>Nonoperating expenses related to property taxes:</b>			
Interest expense on unlimited tax bonds	26,072	21,344	10,124
Property tax expense	506	1,083	480
Other, net	901	423	357
<b>Total Expenses</b>	<u>225,780</u>	<u>213,567</u>	<u>212,545</u>
<b>Income before contributions</b>	1,763	42,350	32,930
Contributions from federal and state agencies	4,966	6,061	7,886
<b>Net Income</b>	6,729	48,411	40,816
<b>Net assets, January 1</b>	<u>902,404</u>	<u>853,993</u>	<u>813,177</u>
<b>Net assets, December 31</b>	<u>\$ 909,133</u>	<u>\$ 902,404</u>	<u>\$ 853,993</u>



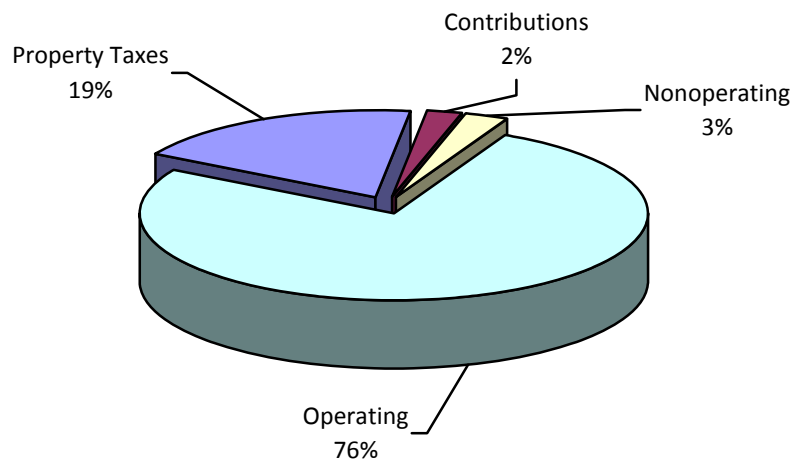
Vessel and cargo services revenues decreased 15.4% in 2009 to \$145,781. Tariff rates were increased in 2009 over 2008 an average of 5%. Tariffs for steel increased to \$1.98 per short ton, which was a \$.13 per short ton increase from 2008. Volumes decreased in general cargo (21%) and bulk grain (26%). Total Authority tonnage of 36.8 million tons decreased 14% from 2008. Nonoperating revenues related to investment income in 2009 decreased \$3 million due to smaller investment balances and falling interest rates. Nonoperating revenues related to property taxes in 2009 decreased approximately \$1.8 million. This was due primarily to a decrease in the property tax rate in 2009 partially offset by an increase in property valuations.

### 2009 Revenues

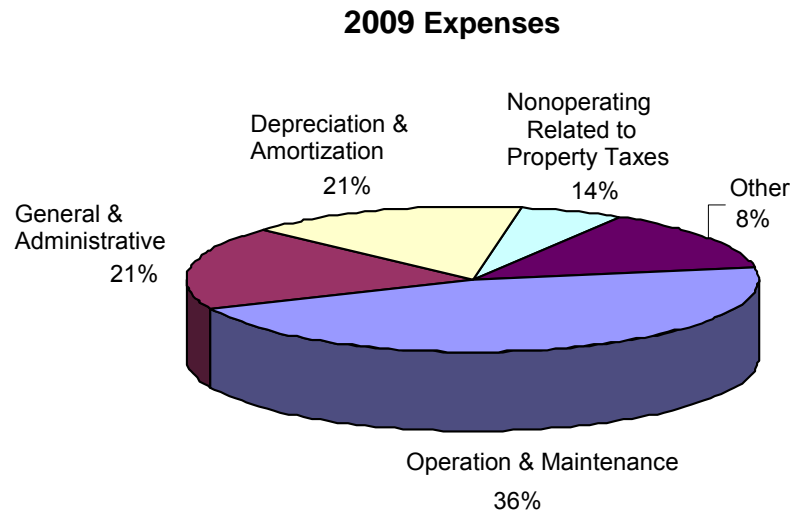


Vessel and cargo services revenues increased 4.7% in 2008 to \$172,381. Tariff rates were increased in 2008 over 2007 an average of 3%. Tariffs for steel increased to \$1.85 per short ton, which was a \$.05 per short ton increase from 2007. Volumes increased in general cargo (8%), bulk grain (20%), and container TEU's (1%). Total Authority tonnage of 42.7 million tons increased 6% from 2007. Nonoperating revenues related to investment income in 2008 decreased \$2.9 million due to smaller investment balances and 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.

### 2008 Revenues

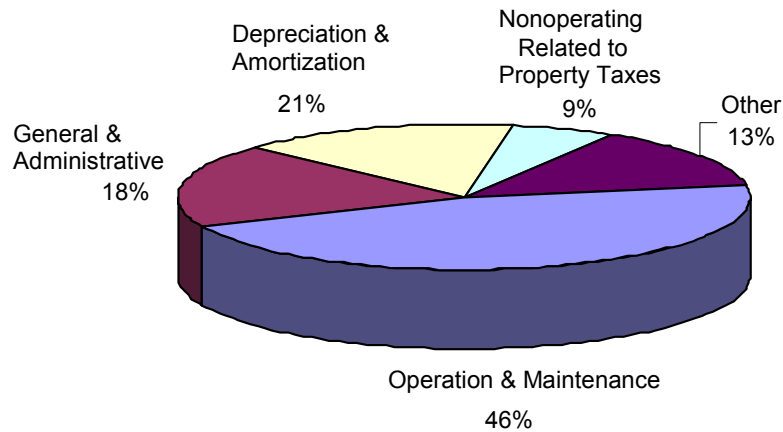


In 2009, operation and maintenance of facilities expenses decreased by \$15.3 million (15.4%) from 2008. The majority of the decreases were made up of the following: a) decreases in salaries and benefits of \$3.9 million; b) a decrease of \$4.6 million in legal and professional fees; c) a decrease of \$1.4 million in other expenses, and d) a decrease in contract labor of \$1.2 million. General and administrative expenses increased by \$4.7 million (10.9%) from 2008. The majority of the increases were made up of the following: a) an increase in salaries and benefits of \$5.6 million; b) an increase in legal and professional fees of \$4.2 million. Depreciation and amortization increased \$4.9 million.



In 2008, operation and maintenance of facilities expenses increased by \$0.7 million (0.7%) from 2007. General and administrative expenses increased by \$3.4 million (8.4%) from 2007. The majority of the increase was made up of the following: a) an increase in salaries and benefits of \$1.5 million; b) an increase in legal and professional fees of \$3.5 million. Depreciation and amortization increased \$9.9 million.

## 2008 Expenses



### Capital Asset and Debt Administration

**Capital assets:** The Authority's investment in capital assets as of December 31, 2009, amounts to \$1,295.3 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 9.1%.

Major capital asset events during 2009 included the following:

- Land and Channel Improvements increased by \$30.0 million due primarily to Bayport Terminal expansion and Houston Ship Channel projects.
- Buildings increased \$16.8 million due primarily to construction of Bayport.
- Machinery and equipment net additions totaled approximately \$14.0 million in 2009. The additions primarily consisted of security and telecommunications equipment for \$8.3 million, gate facility equipment for \$2.4 million, and other machinery and equipment totaling \$3.3 million.
- Improvements other than buildings increased \$7.4 million primarily due to various Security enhancements of \$3.4 million, Turning Basin wharf improvements of \$2.8 million, and additional improvements other than buildings of \$1.8 million.
- Railroads increased \$1.8 million.
- Capitalized interest (net of capitalized income) totaling \$3.9 million was added to the cost of assets for 2009.
- Construction-in-progress increased \$84.6 million in 2009 due primarily to the construction of various projects at Bayport.
- Accumulated depreciation had an increase of \$46.4 million net of retirements in 2009.

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.
- Buildings increased \$28.9 million due primarily to construction of Bayport.
- Machinery and 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 BCT of \$26.7 million, various Security enhancements of \$4.9 million, and additional improvements other than buildings of \$13.4 million.
- 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.
- Accumulated depreciation had an increase of \$40.1 million net of retirements in 2008.

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Land and Channel Improvements	\$ 362,774	\$ 332,805	\$ 298,900
Buildings	64,357	50,736	23,799
Improvements other than buildings	504,686	520,549	380,712
Railroads	30,204	29,747	30,885
Machinery and equipment	139,629	144,207	123,098
Construction-in-progress	193,622	108,989	275,311
	<u>\$ 1,295,272</u>	<u>\$ 1,187,033</u>	<u>\$ 1,132,705</u>

Additional information on the Authority's capital assets can be found in Note 4.

**Long-term debt:**

At the end of 2009, the Authority had total long-term debt outstanding of \$625.4 million (net of deferred amounts). Of this amount, \$555.2 million was Unlimited Tax Port Obligation Bonds and for which debt service is paid from ad valorem taxes levied and collected by Harris County Tax Assessor and Collector. The remainder consisted of \$70.2 million of Commercial Paper from which debt service is paid for ad valorem taxes.

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 for which debt service is paid from ad valorem taxes levied and collected by Harris County Tax Assessor and Collector.

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Obligation Bonds			
Unlimited Tax Port Improvement Bonds	\$124.9	\$132.1	\$139.3
Unlimited Tax Refunding Bonds	430.3	439.2	211.6
Total General Obligation Bonds	<u>555.2</u>	<u>571.3</u>	<u>350.9</u>
Commercial Paper	<u>70.2</u>	-	<u>113.5</u>
Total Long-Term Debt	<b>625.4</b>	571.3	464.4
Less Current Maturities	<u>(178.8)</u>	<u>(15.6)</u>	<u>(129.1)</u>
Long-Term Debt (net of deferred amounts)	<u>\$446.6</u>	<u>\$555.7</u>	<u>\$335.3</u>

During 2009, the Authority issued \$70.2 million of Series A (NON-AMT) Commercial Paper Notes.

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

The Authority's total long-term debt increased \$54.1 million during the current fiscal year. The key factors in this increase were the sale of \$70.2 million in commercial paper offset by \$15.6 million in debt service payments.

There were no bonds issued in 2009 by the Authority.

Additional information on the Authority's long-term debt can be found in Note 6.

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

- Inflation remained at less than 1% for 2009 with an upward trend expected to continue in 2010.
- Due to the overall market conditions, the total number of ships calling on Authority docks decreased in 2009 (3,194) versus 2008 (3,569).
- The container ships that did call at the Authority's docks carried less tons in 2009 (15,905) versus 2008 (16,866).

All of the above factors were considered in preparing the Authority's budget for the 2010 fiscal year. The Authority increased tariff rates 2-3% effective January 2010 and this is estimated to increase operating revenues for 2010.

### **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, 2009 and 2008  
(in thousands)

<b>Assets</b>	<b>2009</b>	<b>2008</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 36,001	\$ 141,726
Investments	10,000	46,305
Receivables (net of allowance for uncollectibles)	18,217	17,698
Restricted assets:		
Cash and cash equivalents	27,399	49,182
Property tax receivables	40,064	40,717
Inventories	288	271
Prepays	3,002	2,633
	<b>134,971</b>	<b>298,532</b>
<b>Non-current Assets</b>		
Investments Long-Term	199,077	64,665
Deferred charges	6,764	3,059
<b>Capital Assets (net of accumulated depreciation):</b>		
Land and Channel Improvements	362,774	332,805
Buildings	64,357	50,736
Improvements other than buildings	504,686	520,549
Railroads	30,204	29,747
Machinery and equipment	139,629	144,207
Construction-in-progress	193,622	108,989
	<b>1,295,272</b>	<b>1,187,033</b>
Total Capital Assets	<b>1,295,272</b>	<b>1,187,033</b>
Total Non-current assets	<b>1,501,113</b>	<b>1,254,757</b>
Total Assets	<b>\$ 1,636,084</b>	<b>\$ 1,553,289</b>

See notes to the financial statements

Port of Houston Authority  
**Statements of Net Assets**  
December 31, 2009 and 2008  
(in thousands)

**Liabilities**

**Current Liabilities**

Accounts payable and other current liabilities	\$ 35,424	\$ 27,626
Deferred revenue	9,301	3,796
Liabilities payable from restricted assets:		
Current maturities of long-term debt		
Commercial Paper	70,245	-
Unlimited tax bonds	108,580	15,600
Accrued interest payable		
Unlimited tax bonds	7,298	10,047
Contracts payable and accrued liabilities	<u>9,147</u>	<u>7,465</u>
Total current liabilities payable from restricted assets	<u>195,270</u>	<u>33,112</u>
Total Current Liabilities	239,995	64,534

**Non-current Liabilities**

Long-term debt, net of current maturities	446,604	555,755
Other non-current liabilities		
Due in more than one year	<u>40,352</u>	<u>30,596</u>
Total Non-current Liabilities	<u>486,956</u>	<u>586,351</u>
Total liabilities	<u>726,951</u>	<u>650,885</u>

**Commitments and Contingencies (Note 11)**

**Net Assets**

Invested in capital assets, net of related debt	669,843	646,777
Restricted for:		
Capital	8,388	3,978
Debt Service	39,072	37,310
Unrestricted	<u>191,830</u>	<u>214,339</u>
Total net assets	<u>\$ 909,133</u>	<u>\$ 902,404</u>

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, 2009 and 2008  
(in thousands)

	<b>2009</b>	2008
<b>Operating revenues:</b>		
Vessel and cargo services	<b>\$ 145,781</b>	\$ 172,381
Rental of equipment and facilities	<b>20,524</b>	19,984
Grain elevator	<b>1,155</b>	787
Bulk materials	<b>2,243</b>	2,319
Other	<b>2,040</b>	2,522
Total	<b>171,743</b>	197,993
<b>Operating expenses:</b>		
Operations and maintenance of facilities	<b>83,758</b>	99,034
General and administrative	<b>48,183</b>	43,443
Depreciation and amortization	<b>48,892</b>	44,016
Total	<b>180,833</b>	186,493
<b>Operating income (loss)</b>	<b>(9,090)</b>	11,500
<b>Nonoperating revenues (expenses):</b>		
Investment income	<b>4,136</b>	7,154
Contribution to federal and state agencies	<b>(17,468)</b>	(4,224)
Other, net	<b>4,588</b>	982
Total	<b>(8,744)</b>	3,912
<b>Income (loss) before nonoperating revenues (expenses) related to property taxes</b>	<b>(17,834)</b>	15,412
<b>Nonoperating revenues (expenses) related to property taxes:</b>		
Property taxes	<b>46,911</b>	48,675
Investment income on unlimited tax bonds proceeds	<b>165</b>	1,113
Interest expense on unlimited tax bonds	<b>(26,072)</b>	(21,344)
Property tax expense	<b>(506)</b>	(1,083)
Other, net	<b>(901)</b>	(423)
Total	<b>19,597</b>	26,938
<b>Income (loss) before contributions</b>	<b>1,763</b>	42,350
<b>Contribution from federal and state agencies</b>	<b>4,966</b>	6,061
<b>Net income</b>	<b>6,729</b>	48,411
<b>Net assets, January 1</b>	<b>902,404</b>	853,993
<b>Net assets, December 31</b>	<b>\$ 909,133</b>	\$ 902,404

See notes to the financial statements

Port of Houston Authority of Harris County, Texas

**Statements of Cash Flows**

For the years ended December 31, 2009 and 2008

(in thousands)

	<u>2009</u>	<u>2008</u>
<b>Cash Flows from operating activities</b>		
Cash received from customers	\$ 171,197	\$ 205,377
Cash paid to suppliers for goods and services	(54,278)	(68,635)
Cash paid to employees for services	(32,036)	(37,038)
Cash paid for employee benefits	(26,882)	(28,652)
Cash paid for other services	(4,535)	-
Cash from other services	1,258	472
Cash received for other purposes	6,336	786
	<hr/>	<hr/>
Net cash provided by operating activities	<b>61,060</b>	72,310
<b>Cash flows from noncapital financing activities</b>		
Repayment of advances from developer	(1,969)	(2,661)
Property taxes received	47,080	36,394
Contributions paid to others	(8,547)	(4,224)
Property tax collection expenses paid	(923)	(1,035)
	<hr/>	<hr/>
Net cash provided by noncapital financing activities	<b>35,641</b>	28,474
<b>Cash flows from capital and related financing activities</b>		
Contributions received from state and federal agencies	4,966	9,606
Proceeds from issuance of long-term debt	70,257	123,086
Issuance costs of long-term debt	(136)	(428)
Repayment of long-term debt and funding of escrow	(16,183)	(15,580)
Interest on long-term debt	(25,936)	(19,532)
Acquisition and construction of capital assets	(162,620)	(130,541)
Proceeds from retirement of assets	13	(160)
	<hr/>	<hr/>
Net cash used in capital financing activities	<b>(129,639)</b>	(33,549)
<b>Cash flows from investing activities</b>		
Purchase of investments	(307,041)	(228,878)
Proceeds from maturities of investments	208,855	192,080
Interest on investments	3,616	5,421
	<hr/>	<hr/>
Net cash used in investing activities	<b>(94,570)</b>	(31,377)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(127,508)</b>	35,858
<b>Cash and cash equivalents, January 1</b>	<b>190,908</b>	155,050
	<hr/>	<hr/>
<b>Cash and cash equivalents, December 31</b>	<b>\$ 63,400</b>	<b>\$ 190,908</b>
	<hr/>	<hr/>
<b>Current cash and cash equivalents</b>	<b>\$ 36,001</b>	<b>\$ 141,726</b>
<b>Restricted cash and cash equivalents</b>	<b>\$ 27,399</b>	<b>\$ 49,182</b>

See notes to the financial statements

Port of Houston Authority of Harris County, Texas  
**Statements of Cash Flows - continued**  
For the years ended December 31, 2009 and 2008  
(in thousands)

	<b>2009</b>	<b>2008</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>		
Operating income (loss)	<b>\$ (9,090)</b>	\$ 11,500
Adjustments to reconcile operating income (loss) to Net cash provided by operating activities		
Depreciation and amortization	<b>48,893</b>	44,015
Provision for doubtful accounts	<b>79</b>	120
Miscellaneous nonoperating income (expense), net	<b>4,716</b>	1,655
Change in assets and liabilities		
Increase/(Decrease) in trade and other receivables	<b>(2,778)</b>	6,805
Decrease (Increase) in Deferred Dredging	<b>(900)</b>	-
Increase in prepaids	<b>(2,124)</b>	(1,036)
Increase/(Decrease) in inventories	<b>(17)</b>	8
Increase in accounts payable and accrued liabilities	<b>16,909</b>	8,637
Increase/(Decrease) in accrued vacation and sick leave	<b>(133)</b>	326
Increase in deferred revenue	<b>5,505</b>	280
Net cash provided by operating activities	<b><u>\$ 61,060</u></b>	<b><u>\$ 72,310</u></b>
Noncash investing, capital, and financing activities:		
Increase in fair value of investments	<b>\$ 416</b>	\$ 409
Contributions to others	<b>8,921</b>	7

See notes to the financial statements

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

## Notes to the Financial Statements

For the Years Ended December 31, 2009 and 2008

(in thousands)

### **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 exercises financial control 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 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 members of the Port Commission acting as 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 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,

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

### Notes to the Financial Statements

For the Years Ended December 31, 2009 and 2008

(in thousands)

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 the same.

### **Basis of Accounting**

The Authority follows enterprise fund accounting and reporting requirements, including the accrual basis of accounting and application of 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 operating revenues of the Authority are charges to customers for sales and services. The Authority also recognizes operating revenue in the form of rents and consulting fees. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### **Cash and Cash Equivalents**

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**

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 investments see Note 2.

### **Accounts Receivables**

Trade receivables are shown net of an allowance for uncollectible accounts. Allowances are estimated at approximately 5% of total accounts receivable, based on historical experience. Bad debts are written off against the accounts receivable allowance when

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

Notes to the Financial Statements

For the Years Ended December 31, 2009 and 2008

(in thousands)

deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

**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 2009 amounted to \$1.6 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 and commercial paper. 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, 2009 and 2008 were \$720 and \$600 respectively.

The tax rates levied for the years ended December 31, 2009 and 2008 were \$.01636 and \$.01773, 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

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

Notes to the Financial Statements

For the Years Ended December 31, 2009 and 2008

(in thousands)

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 expensed. 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 \$3,943 and \$2,691 in 2009 and 2008, 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, at their current pay rate.

**New Accounting Pronouncements**

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.

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

Notes to the Financial Statements

For the Years Ended December 31, 2009 and 2008

(in thousands)

In June 2007, the GASB issued Statement No. 51, Accounting and Financial Reporting for Intangible Assets, which provides comprehensive guidance on identifying, accounting for, and reporting intangible assets. This statement requires that an intangible asset be recognized in the statement of net assets only if it is considered identifiable. This statement establishes a specified-conditions approach for recognizing internally generated intangible assets. It also provides guidance on recognizing internally generated computer software and establishes specific guidance for the amortization of intangible assets. This statement is effective for periods beginning after June 15, 2009. The Authority has not determined the impact, if any, of the adoption of this standard on its financial position, results of operations or cash flows.

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 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. The Authority has not determined the impact, if any, of the adoption of this standard on its financial position, results of operations or cash flows.

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



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

### Notes to the Financial Statements

For the Years Ended December 31, 2009 and 2008

(in thousands)

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.

In December 2009, the GASB issued Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.” The Statement is intended to improve consistency in the measurement and financial reporting of other postemployment benefits (OPEB) such as retiree health insurance. Statement No. 57, which is intended to improve consistency in the measurement and financial reporting of other postemployment benefits (OPEB) such as retiree health insurance, addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. (In agent multiple-employer plans, separate liabilities are calculated and separate asset accounts are kept for each participating government, rather than being administered and accounted for as a single plan as is done in a cost-sharing plan.) Statement No. 57 amends Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This Statement is effective immediately and does not have a significant impact on the Authority’s financial statements.

In December 2009, the GASB issued Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies.” Statement No. 58 is intended to improve consistency in the measurement and financial reporting of the effects of municipal bankruptcy and provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs. This Statement is effective for financial statements for periods beginning after June 15, 2009. The Authority does not expect the adoption of this standard to have an impact on its financial position, results of operations or cash flows.

### **Reclassifications and Presentation**

A reclass between Operation and Maintenance and General and Administrative for OPEB expense was made to prior year balances to conform to the current year presentation. Such reclassification did not affect total operating revenues, operating income, increase in net assets, total current or long-term assets or liabilities or net cash provided by operating activities.

## Port of Houston Authority of Harris County, Texas

### Notes to the Financial Statements

For the Years Ended December 31, 2009 and 2008

(in thousands)

## 2. Cash and Investments

The Authority's cash and cash equivalents of \$63,400 and \$190,908 as of December 31, 2009 and 2008, respectively, are maintained in demand accounts and mutual funds managed by major fund managers. The demand account balance at December 31, 2009 and 2008 was \$65,727 and \$195,343, 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 New York 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 2009 or 2008.

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 & Poor's and Aaa by Moody's Investors Service. Commercial Paper is rated A-1+ by Standard & Poor's 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, 2009 are invested in Federal Home Loan Banks Discount Notes (33.3%), Fannie Mae Discount Notes (24.2%), Federal Home Loan Mortgage Corporation Note (23.3%), and HARRIS COUNTY TEXAS Revenue Bond (12.0%)

*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

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

Notes to the Financial Statements

For the Years Ended December 31, 2009 and 2008

(in thousands)

income accounts are managed by the Harris County Financial Services Department and monitored monthly for compliance with the Authority's investment policy.

The following table details the U.S. Dollar holdings and their weighted average maturity as of December 31, 2009.

<u>Security Type</u>	<u>Ratings</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u> (years)
<b>Agency Securities:</b>			
FHLMC NOTE	AAA/Aaa	\$5,011	1.15
FHLMC NOTE	AAA/Aaa	20,084	2.53
FHLMC NOTE	AAA/Aaa	10,048	2.25
FAMCA NOTE	AAA/Aaa	10,559	1.56
FNMA NOTE	AAA/Aaa	20,056	1.18
FNMA STEP NOTE	AAA/Aaa	20,047	2.38
FHLMC STEP NOTE	AAA/Aaa	13,557	2.58
FHLB STEP NOTE	AAA/Aaa	15,049	2.69
FHLB STEP NOTE	AAA/Aaa	19,979	2.87
FHLB STEP NOTE	AAA/Aaa	9,902	2.95
FHLB NOTE	AAA/Aaa	24,790	2.97
<b>Total</b>		<b>169,082</b>	<b>2.28</b>
<b>Commercial Paper:</b>			
FCAR CP	A-1+/P-1	10,000	.01
<b>Total</b>		<b>10,000</b>	<b>.01</b>
<b>Municipal Bonds:</b>			
Harris County, TX Revenue Bond	AAA/Aaa	24,996	11.73
NY, NY General Obligation Bond	AA/Aa2	4,999	2.79
<b>Total</b>		<b>29,995</b>	<b>7.26</b>
<b>Total Fair Value</b>		<b>\$209,077</b>	
<b>Portfolio Weighted Average Maturity</b>			<b>3.19</b>

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

Notes to the Financial Statements

For the Years Ended December 31, 2009 and 2008

(in thousands)

The following table details the U.S. Dollar holdings and their weighted average maturity as of December 31, 2008.

<u>Security Type</u>	<u>Ratings</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u> (years)
<b>Agency Securities:</b>			
FHLB DISC	AAA/Aaa	\$7,097	0.12
FHLB NOTE	AAA/Aaa	10,893	0.25
FHLMC NOTE	AAA/Aaa	6,939	0.19
FHLMC NOTE	AAA/Aaa	20,025	0.85
FHLMC NOTE	AAA/Aaa	19,735	0.10
FNMA DISC	AAA/Aaa	5,067	0.07
FNMA DISC	AAA/Aaa	803	0.01
<b>Total</b>		<b>70,559</b>	<b>0.23</b>
<b>Commercial Paper:</b>			
AIG CP	A-1+/P-1	15,304	0.24
<b>Total</b>		<b>15,304</b>	<b>0.24</b>
<b>Municipal Bonds:</b>			
Harris County, TX	A-1,A	25,133	12.16
<b>Total</b>		<b>25,133</b>	<b>12.16</b>
<b>Total Fair Value</b>			
<b>Portfolio Weighted Average Maturity</b>		<b>\$110,996</b>	<b>4.21</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, 2009 and 2008 there was no foreign currency risk.

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

Notes to the Financial Statements

For the Years Ended December 31, 2009 and 2008

(in thousands)

**3. Receivables**

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

<b>Trade receivables, net:</b>	<b><u>2009</u></b>	<b><u>2008</u></b>
Trade accounts	\$ 16,763	\$ 16,613
Damage claims	595	650
Less allowance for doubtful accounts	<u>(975)</u>	<u>(899)</u>
Trade accounts, net	16,383	16,364
<b>Other receivables:</b>		
Accrued interest	1,277	653
Due from federal/state agency	448	68
Other	<u>109</u>	<u>613</u>
Total other receivables	<u>1,834</u>	<u>1,334</u>
<b>Total receivables, net</b>	<b><u><u>\$ 18,217</u></u></b>	<b><u><u>\$ 17,698</u></u></b>

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

Notes to the Financial Statements

For the Years Ended December 31, 2009 and 2008

(in thousands)

**4. Capital Assets**

Capital asset activity for the year ended December 31, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 90,631	\$ 4,129	\$ -	\$ 94,760
Channel improvements	242,174	25,840	-	268,014
Construction-in-progress	<u>108,989</u>	<u>173,359</u>	<u>(88,726)</u>	<u>193,622</u>
Total capital assets, not being depreciated	<u>441,794</u>	<u>203,328</u>	<u>(88,726)</u>	<u>556,396</u>
Capital assets, being depreciated:				
Buildings	108,900	16,829	-	125,729
Improvements other than buildings	765,349	8,020	(613)	772,756
Railroads	57,234	1,831	-	59,065
Machinery and equipment	<u>269,066</u>	<u>14,093</u>	<u>(102)</u>	<u>283,057</u>
Total capital assets, being depreciated	<u>1,200,549</u>	<u>40,773</u>	<u>(715)</u>	<u>1,240,607</u>
Less accumulated depreciation for:				
Buildings	(58,164)	(3,208)	-	(61,372)
Improvements other than buildings	(244,800)	(23,883)	613	(268,070)
Railroads	(27,487)	(1,374)	-	(28,861)
Machinery and equipment	<u>(124,859)</u>	<u>(18,671)</u>	<u>102</u>	<u>(143,428)</u>
Total accumulated depreciation	<u>(455,310)</u>	<u>(47,136)</u>	<u>715</u>	<u>(501,731)</u>
Total capital assets, being depreciated, net	<u>745,239</u>	<u>(6,363)</u>	<u>-</u>	<u>738,876</u>
Total capital assets, net	<u>\$ 1,187,033</u>	<u>\$ 196,965</u>	<u>\$ (88,726)</u>	<u>\$ 1,295,272</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 85,852	\$ 4,781	\$ (2)	\$ 90,631
Channel improvements	213,048	29,126	-	242,174
Construction-in-progress	<u>275,311</u>	<u>93,765</u>	<u>(260,087)</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	-	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)	-	(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>-</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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**5. 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 \$55,902 consisting of \$6,698 in buildings, \$12,731 in improvements, \$3,478 of machinery and equipment and \$32,995 of railroads with a total carrying value of \$29,382 and current year depreciation of \$1,986. As of December 31, 2009 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:

2010	\$ 17,594
2011	16,965
2012	15,846
2013	15,332
2014	15,272
Thereafter	<u>63,931</u>
Total	<u>\$144,940</u>

A new lease agreement began for the Houston Public Grain Elevator #2 on June 1, 2008. The agreement is for ten (10) years. The agreement provides for a yearly adjustment in rent on June 1, based on the Forecasted Texas Gulf All Wheat Exports. In the event that the Forecasted Texas Gulf All Wheat Exports for any Lease Year is revised by the reporting agency for the second half of the Lease Year, the Estimated Monthly Wheat Base Rent for the second half of the Lease Year (from December 1 through May31) shall be revised based on the Estimated Monthly Wheat Base Rent Schedule.



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**6. Long-Term Debt and Non Current Liabilities**

<b>Changes in Long-Term Liabilities – 2009</b>					
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds Payable					
Commercial Paper	\$ -	\$ 70,245	\$ -	\$ 70,245	\$ 70,245
Unlimited Tax Bonds	563,015	-	15,600	547,415	108,580
Less Deferred Amounts	<u>8,346</u>	<u>-</u>	<u>577</u>	<u>7,769</u>	<u>-</u>
Total Bonds Payable	<u>571,361</u>	<u>70,245</u>	<u>16,177</u>	<u>625,429</u>	<u>178,825</u>
Other noncurrent liabilities:					
Compensated Absences	5,500	4,558	4,690	5,368	425 (1)
Advances from Developer	5,762	-	1,969	3,793	-
OPEB Obligation	19,521	11,939	-	31,460	-
Other	<u>156</u>	<u>-</u>	<u>-</u>	<u>156</u>	<u>-</u>
Total other noncurrent liabilities	<u>\$ 30,939</u>	<u>\$ 16,497</u>	<u>\$ 6,659</u>	<u>\$ 40,777</u>	<u>\$ 425</u>

(1) Included in accounts payable and current liabilities

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**Changes in Long-Term Liabilities – 2008**

	<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	\$ -	\$ -
Unlimited Tax Bonds	343,965	234,630	15,586	563,009	15,600
Less Deferred Amounts	<u>6,945</u>	<u>1,940</u>	<u>539</u>	<u>8,346</u>	<u>-</u>
Total Bonds Payable	<u>464,388</u>	<u>359,092</u>	<u>252,125</u>	<u>571,355</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	-	2,661	5,762	-
OPEB Obligation	9,584	9,937	-	19,521	-
Other	<u>224</u>	<u>-</u>	<u>68</u>	<u>156</u>	<u>-</u>
Total other noncurrent liabilities	<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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**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>2009</u>	<u>2008</u>
<b>Commercial Paper:</b>	\$ 70,245	*	*	*	\$ 70,245	\$ -
<b>General Obligation Bonds:</b>						
<b>Unlimited Tax Refunding Bonds:</b>						
Series 1997	28,000	4.75 - 5.00	10/23/97	2013	3,445	6,595
Series 1999B	6,435	5.00 - 5.25	09/28/99	2009	-	585
Series 2000B	8,700	4.55 - 5.50	10/15/00	2011	1,430	2,160
Series 2002B	7,060	5.50 - 4.25	12/12/02	2013	2,025	2,560
Series 2004	9,000	3.00 - 5.00	12/08/04	2016	5,010	5,775
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	20,730	23,365
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	234,630
					<u>422,665</u>	<u>431,065</u>
Unamortized Premiums/(Discounts) and Deferred Loss					7,639	8,142
Unlimited Tax Refunding Bonds, Net					<u>430,304</u>	<u>439,207</u>
<b>Unlimited Tax Port Improvement Bonds:</b>						
Series 1998A	81,000	3.80 - 5.00	11/17/98	2019	40,500	44,550
Series 2001A	17,000	5.00	11/01/01	2026	13,920	14,455
Series 2001B	70,000	4.00 - 5.00	11/01/01	2026	56,695	58,810
Series 2002A	16,000	3.00 - 5.00	12/12/02	2027	13,635	14,135
Total Unlimited Tax Port Improvement Bonds					<u>124,750</u>	<u>131,950</u>
Unamortized Premiums/(Discounts)					130	198
Unlimited Tax Port Improvement Bonds, Net					<u>124,880</u>	<u>132,148</u>
Total Long Term Debt					<u>555,184</u>	<u>571,355</u>
Less Current Maturities					(108,580)	(15,600)
<b>Long - Term Debt (net of unamortized premium/(discount) and deferred loss</b>					<u>\$446,604</u>	<u>\$555,755</u>

\*Commercial paper is issued at various dates, and has various interest rates and maturities.

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The Authority periodically issues long term debt for the purpose of improving the assets of the Authority, including security facilities and environmental enhancements. There is no legal debt margin as to the issuance of such debt. \$387,000 in unlimited tax bonds for these purposes was approved by Harris County voters in November 1999, and \$250,000 was approved by voters in November 2007. The Authority has separately authorized the issuance of up to \$236,000 of such voter-approved but unissued debt in the form of commercial paper notes (“Notes”). The Notes are currently collateralized by a Letter of Credit which expires on October 3, 2010.

As of December 31, 2008, the then outstanding Notes were extinguished with long term debt. As of December 31, 2009, \$70,245 in Notes has been newly issued and remains outstanding.

**Debt Service Requirements**

Total debt service requirements for outstanding bonds as of December 31, 2009 are as follows:

<u>Year Ending December 31</u>	<u>Bond Principal</u>	<u>Bond Interest</u>	<u>Total</u>
	<u>General Obligation</u>	<u>General Obligation</u>	
2010	\$ 108,580	\$ 29,191	\$ 137,771
2011	6,880	28,544	35,424
2012	8,060	27,934	35,994
2013	8,675	27,272	35,947
2014	9,845	26,569	36,414
2015-2019	68,140	120,460	188,600
2020-2024	94,055	93,682	187,737
2025-2029	63,517	71,956	135,473
2030-2034	86,959	47,294	134,253
2035-2038	92,704	14,869	107,573
	<u>\$ 547,415</u>	<u>\$ 487,771</u>	<u>\$ 1,035,186</u>

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

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**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, 2009 and 2008 were \$9,373 and \$20,795 respectively. The Authority issued refunding bonds in 2008 which refunded \$236,000 in commercial paper. The Authority had no refunding during 2009.

Subsequent to year end the Authority issued Refunding Bonds 2010A, 2010B and 2010C to refund approximately \$94,030 in bonds outstanding as of December 31, 2009.

**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 borrowing rates. The U.S. Treasury requires payment, if applicable, 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, 2009. The estimated liability is updated annually for any tax-exempt issuance or changes in yields until payment of the calculated liability is due.

**7. 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 \$3,793 and \$5,762 at December 31, 2009 and 2008, respectively. All such advances are to be repaid only from net revenues, if any, of the Bayport division earned through the year 2013.

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Effective October 27, 1997, the Authority, the developer, and the Bayport operators entered into an Agreement of Compromise and Settlement (the “Agreement”) that resolved 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 are 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, 2009) 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, 2009 and 2008 were approximately \$2,032 and \$2,656, respectively.

## **8. 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 and the plan administrator, control and manages 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, and Attention: Controller. The Authority’s payroll for employees covered by the Plan for the plan years ended July 31, 2009 and 2008 was \$32,695 (77% of the total payroll of \$42,509) and \$32,270 (77% of total payroll of \$41,641), respectively.

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Employees become participants in the plan after completion of one year of employment and become 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, 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.

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

	August 1, 2009	August 1, 2008	August 1, 2007
a) Actuarial Valuation Date			
b) Actuarial Value of Assets	\$ 93,179	\$ 96,724	\$101,148
c) Actuarial Accrued Liability (AAL)	\$122,093	\$117,731	\$109,919
d) Unfunded Actuarial Accrued Liability (UALL) (c-b)	\$ 28,914	\$ 21,007	\$ 8,771
e) Funded Ratio (b/c)	76.3%	82.2%	92.0%
f) Annual Covered Payroll (Actuarial)	\$ 32,695	\$ 32,270	\$ 28,621
g) UAAL as a % of Covered Payroll (d/f)	88.4%	65.1%	30.6%

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**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 actuarial accrued liability.

**Actuarial Valuation Method**

Actuarial Valuation Date	<u>August 1, 2009</u>	<u>August 1, 2008</u>	<u>August 1, 2007</u>
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level Dollar, (closed)	Level Dollar, (closed)	Level Dollar, (closed)
Amortization Period in Years	Various	Various	Various
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

Components of the unfunded actuarial liability are amortized as level dollar amounts using closed basis amortization. The closed basis amortization method amortizes actuarial bases over a fixed number of years with a defined beginning and end. Components consisting of actuarial gains and losses are amortized over five years. Components consisting of amendments are amortized over 30 years. Components consisting of revised assumptions are amortized over ten years. The resulting equivalent single amortization base is amortized over a maximum of 30 years.



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**Plan Statistics**  
**For Plan Years July 31, 2009, 2008, and 2007**

	<u>2009</u>	% <u>Covered</u> <u>Payroll</u>	<u>2008</u>	% <u>Covered</u> <u>Payroll</u>	<u>2007</u>	% <u>Covered</u> <u>Payroll</u>
Actuarial Determined						
Employer Contribution						
Normal Cost	\$3,347	10.2%	\$3,278	10.2%	\$2,843	9.9%
Annual Pension Cost	\$7,357		\$3,929		\$6,510	
% of APC Contributed	100%		100%		100%	
Net Pension Obligation	None		None		None	

Note: Actuarial Valuation Report as of August 1, 2009, 2008, and 2007

**9. Postretirement Benefits**

The Authority provides certain postretirement health care and life insurance benefits to eligible retired employees and their spouses. At December 31, 2009, 259 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 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.

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**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, 2009 and 2008, the cost of retiree health benefits, recorded on a pay-as-you-go basis was \$1,466 and \$2,961, respectively. Retiree life benefit costs for 2009 and 2008 were \$91 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.

Determination of Annual Required Contribution

	<b>2009</b>	2008
Normal Cost at year end	<b>\$7,073</b>	\$5,704
Amortization of UAAL	<b>7,507</b>	6,587
Annual Required Contribution (ARC)	<b>14,580</b>	12,291

Determination of Net OPEB Obligation

Annual Required Contribution	<b>14,580</b>	12,291
Interest on prior year Net OPEB Obligation	<b>877</b>	431
Adjustment to ARC	<b>(1,146)</b>	(563)
Annual OPEB Cost	<b>14,311</b>	12,159
Contributions made	<b>2,372</b>	2,222
Increase in Net OPEB Obligation	<b>11,939</b>	9,937
Net OPEB Obligation - beginning of year	<b>19,521</b>	9,584
Net OPEB Obligation - end of year	<b>\$31,460</b>	\$19,521

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.

	<u>January 1, 2009</u>	<u>January 1, 2008</u>	<u>January 1, 2007</u>
a) Actuarial Valuation Date			
b) Actuarial Value of Assets	\$ -	\$ -	\$ -
c) Actuarial Accrued Liability (AAL)	\$ 118,692	\$ 107,292	\$ 107,292
d) Unfunded Actuarial Accrued Liability (UALL) (c-b)	\$ 118,692	\$ 107,292	\$ 107,292
e) Funded Ratio (b/c)	0.0%	0.0%	0.0%
f) Annual Covered Payroll (Actuarial)	\$ 32,310	\$ 26,286	\$ 26,286
g) UAAL as a % of Covered Payroll (d/f)	367.4%	408.2%	408.2%

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

Plan Year Ended	<u>2009</u>	<u>2008</u>	<u>2007</u>
Annual OPEB cost	\$14,580	\$12,159	\$12,290
Percentage of OPEB Cost Contributed	16.6%	18.0%	22.0%
Net OPEB Obligation	\$31,460	\$19,521	\$ 9,584

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.

### 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.

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- 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 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.

**10. 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, 2009, the Authority was insured for the following loss limitations:

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

The Authority's insurance policy also includes a maximum loss liability provision of \$3,500 for the period from March 1, 2009 through March 1, 2010. Settled claims did not exceed the insurance coverage during the last three fiscal years.

**Port of Houston Authority of Harris County, Texas**  
Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008  
(in thousands)

There were no claims liabilities at December 31, 2009 and 2008. Claims liability, if any, 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.

## **11. Commitments and Contingencies**

### **Commitments**

At December 31, 2009 the Authority had committed approximately \$65,746 for supplies, services, and the purchase of equipment and the expansion of facilities.

### **Litigation and Claims**

The Authority is a defendant in various legal actions 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 a 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 with Zachry in June 2004 for the construction of the initial 1,660 feet of dock at Bayport. A change order later added an additional 332 feet of dock. Zachry originally intended to construct the dock “in the dry” behind an earthen cofferdam, which was to be made rigid and water impermeable through soil freezing technology.

In general, Zachry sought to fault the Authority for Zachry’s decision to abandon the plan to freeze the cofferdam and complete the work “in the wet.” Zachry also claimed that the Authority wrongfully withheld \$2,600 in liquidated damages. The Authority disputed all of Zachry’s contentions.

The case proceeded to a jury trial on October 20, 2009 and ended with an adverse jury verdict returned on January 21, 2010 after 35 days of evidence. On April 28, 2010, judgment was entered by the trial court in favor of Zachry on its claims totaling \$19,993, with prejudgment interest totaling \$3,451. The trial court denied the Authority’s motion for judgment *non obstante veredicto*.

The Authority intends to file a motion for new trial, and if necessary will appeal the case.

**Required Supplementary Information**

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

	<u>August 1,</u> <u>2009</u>	<u>August 1,</u> <u>2008</u>	<u>August 1,</u> <u>2007</u>
a) Actuarial Valuation Date			
b) Actuarial Value of Assets	\$ 93,179	\$ 96,724	\$ 101,148
c) Actuarial Accrued Liability (AAL)	\$ 122,093	\$ 117,731	\$ 109,919
d) Unfunded (Overfunded) Actuarial Accrued Liability (UALL) (c-b)	\$ 28,914	\$ 21,007	\$ 8,771
e) Funded Ratio (b/c)	76.3%	82.2%	92.0%
f) Annual Covered Payroll (Actuarial)	\$ 32,695	\$ 32,270	\$ 28,621
g) UAAL as a % of Covered Payroll (d/f)	88.4%	65.1%	30.6%

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

	<u>January 1,</u> <u>2009</u>	<u>January 1,</u> <u>2008</u>	<u>January 1,</u> <u>2007</u>
a) Actuarial Valuation Date			
b) Actuarial Value of Assets	\$ -	\$ -	\$ -
c) Actuarial Accrued Liability (AAL)	\$ 118,692	\$ 107,292	\$ 107,292
d) Unfunded (Overfunded) Actuarial Accrued Liability (UALL) (c-b)	\$ 118,692	\$ 107,292	\$ 107,292
e) Funded Ratio (b/c)	0.0%	0.0%	0.0%
f) Annual Covered Payroll (Actuarial)	\$ 32,310	\$ 26,286	\$ 26,286
g) UAAL as a % of Covered Payroll (d/f)	367.4%	408.2%	408.2%

## **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)

	2009	2008	2007	2006	2005	2004	2003
<b>Invested in capital, net of related debt</b>	\$ 669,843	\$ 646,777	\$ 676,785	\$ 615,169	\$ 476,709	\$ 431,595	\$ 397,063
<b>Restricted</b>							
Capital	8,388	3,978	3,846	24,863	23,841	24,012	22,874
Debt Service	39,072	37,310	28,774	27,909	32,465	35,391	34,970
<b>Unrestricted</b>	<b>191,830</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>Total Net Assets</b>	<b>\$ 909,133</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>

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

	2009	2008	2007	2006	2005	2004	2003
<b>Operating revenues:</b>							
Vessel and cargo services	\$ 145,781	\$ 172,381	\$ 164,595	\$ 143,550	\$ 132,283	\$ 116,506	\$ 101,085
Rental of equipment & facilities	20,524	19,984	18,872	18,103	17,473	15,878	14,977
Grain elevator	1,155	787	809	717	590	835	840
Bulk materials	2,243	2,319	2,903	3,221	2,568	2,348	2,978
Other	2,040	2,522	3,679	2,072	2,454	1,246	1,022
<b>Nonoperating revenues:</b>							
Investment income	4,136	7,154	10,019	11,606	7,478	2,963	3,243
Other	4,588	982	6,734	1,060	5,718	5,106	8,207
<b>Nonoperating revenues related to property taxes:</b>							
Property taxes	46,911	48,675	35,819	29,454	29,568	33,088	37,396
Investment income on unlimited tax bonds	165	1,113	2,045	2,077	1,432	346	(286)
<b>Total Revenues</b>	<b>227,543</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>Operating expenses:</b>							
Maintenance and operation of facilities	83,758	105,579	98,343	80,809	74,901	65,535	63,735
General and administrative	48,183	36,898	40,063	29,527	28,656	31,856	26,776
Depreciation and amortization	48,892	44,016	34,161	28,436	25,383	24,448	23,499
<b>Nonoperating expenses-</b>							
Interest expense on revenue bonds	-	-	-	176	328	808	1,176
Contribution to federal and state agencies	17,468	4,224	29,017	5,457	8,400	-	-
Other, Net							
<b>Nonoperating expenses related to property taxes:</b>							
Interest expense on unlimited tax bonds	26,072	21,344	10,124	10,775	9,580	8,217	7,639
Property tax expense	506	1,083	480	67	148	715	931
Other, net	901	423	357	360	369	391	431
<b>Total Expenses</b>	<b>225,780</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>Income (loss) before contributions</b>	<b>1,763</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>Contribution from federal and state agencies</b>	<b>3,549</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>Contribution from federal and state agencies-FEMA</b>	<b>1,417</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Contribution from federal and state agencies</b>	<b>4,966</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>Net Income</b>	<b>6,729</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>Net assets, January 1</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>
<b>Net assets, December 31</b>	<b>\$ 909,133</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>

## **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	Direct Tax Rate
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
2009	311,188,647	45,005,241	80,505,070	275,688,818	0.01636

(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 12/28/09

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 rates 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)

<b>Purpose</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
<b>Harris County</b>										
General Fund (b)	\$0.33401	\$0.33815	\$0.33918	\$0.34221	\$0.34728	\$0.33117	\$0.34490	\$0.33538	\$0.33606	\$0.32599
General Bonds Debt Service	0.03642	0.03192	0.03200	0.03465	0.03047	0.04303	0.01889	0.03056	0.02368	0.01772
Total Constitutional Funds	<u>0.37043</u>	<u>0.37007</u>	<u>0.37118</u>	<u>0.37686</u>	<u>0.37775</u>	<u>0.37420</u>	<u>0.36379</u>	<u>0.36594</u>	<u>0.35974</u>	<u>0.34371</u>
County - Wide Road Debt Service	0.02181	0.01916	0.02121	0.02553	0.02211	0.02566	0.02424	0.02220	0.02419	0.01531
	<u>0.39224</u>	<u>0.38923</u>	<u>0.39239</u>	<u>0.40239</u>	<u>0.39986</u>	<u>0.39986</u>	<u>0.38803</u>	<u>0.38814</u>	<u>0.38393</u>	<u>0.35902</u>
<b>Flood Control District</b>										
Maintenance	0.02754	0.02754	0.02754	0.02733	0.02733	0.02553	0.02981	0.02853	0.02853	0.04001
Debt Service	0.00168	0.00332	0.00352	0.00508	0.00589	0.00765	0.01193	0.01321	0.01905	0.02172
	<u>0.02922</u>	<u>0.03086</u>	<u>0.03106</u>	<u>0.03241</u>	<u>0.03322</u>	<u>0.03318</u>	<u>0.04174</u>	<u>0.04174</u>	<u>0.04758</u>	<u>0.06173</u>
<b>Port of Houston Authority</b>										
Debt Service	0.01636	0.01773	0.01437	0.01302	0.01474	0.01673	0.02000	0.01989	0.01826	0.01830
<b>Hospital District</b>										
General	0.19216	0.19216	0.19216	0.19216	0.19216	0.19021	0.19021	0.19021	0.19021	0.20268
Total	<u>\$0.62998</u>	<u>\$0.62998</u>	<u>\$0.62998</u>	<u>\$0.63998</u>	<u>\$0.63998</u>	<u>\$0.63998</u>	<u>\$0.63998</u>	<u>\$0.63998</u>	<u>\$0.63998</u>	<u>\$0.64173</u>

(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

Schedule 5

Port of Houston Authority of Harris County, Texas  
**Direct and Overlapping Debt and Property Tax Rates (a)**  
 December 31, 2009  
 (Unaudited)

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
<b>County - Wide Taxing Jurisdiction</b>										
Harris County	0.3922	\$0.3924	\$0.4024	\$0.3999	\$0.3999	\$0.3880	\$0.3881	\$0.3839	\$0.3590	\$0.3948
Harris County Flood Control District	0.0292	0.0311	0.0324	0.0332	0.0332	0.0417	0.0417	0.0475	0.0617	0.0800
Port of Houston Authority	0.0164	0.0144	0.0130	0.0147	0.0167	0.0200	0.0198	0.0183	0.0183	0.0204
Harris County Hospital District	0.1922	0.1922	0.1922	0.1922	0.1902	0.1902	0.1902	0.1902	0.2027	0.1465
	<u>\$0.6301</u>	<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>
<b>Cities</b>										
Baytown	0.7870	0.7370	0.7370	0.7370	0.7370	0.7370	0.7370	0.7370	0.7370	0.7370
Bellaire	0.3759	0.4400	0.4400	0.4700	0.4800	0.4800	0.4900	0.4900	0.4900	0.4900
Deer Park	0.7050	0.7200	0.7200	0.7200	0.7200	0.7000	0.6990	0.7000	0.7000	0.7000
Houston	0.6388	0.6450	0.6450	0.6500	0.6550	0.6550	0.6550	0.6650	0.6650	0.6650
La Porte	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100
League City	0.6300	0.6088	0.6088	0.6275	0.6400	0.6400	0.6625	0.6700	0.6700	0.7250
Missouri City	0.5284	0.4993	0.4945	0.4980	0.5017	0.5100	0.5330	0.5200	0.5503	0.5679
Pasadena	0.5620	0.5670	0.5670	0.5670	0.5670	0.5670	0.5670	0.5790	0.5790	0.5790
Pearland	0.6526	0.6526	0.6527	0.6744	0.6950	0.6960	0.6860	0.6860	0.6950	0.6950
Seabrook	0.5884	0.6203	0.6210	0.6307	0.6196	0.6082	0.6006	0.6010	0.5840	0.5530
South Houston	0.6732	0.6770	0.6588	0.6863	0.7000	0.7000	0.0000	0.6950	0.6910	0.6951
Webster	0.2325	0.2489	0.2575	0.2575	0.2680	0.2510	0.2400	0.2600	0.2600	0.2900
West University Place	0.3588	0.3660	0.4020	0.4300	0.4467	0.4467	0.4300	0.4200	0.4000	0.4000
<b>School Districts</b>	.1101-1.5266	.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

(a) Includes all Tax Bonds.

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

Taxpayers	2009			2000		
	2009 Taxable Valuations (a)	Rank	Percentage of Total 2009 Taxable Valuation (b)	2000 Taxable Valuations (a)	Rank	Percentage of Total 2000 Taxable Valuation (c)
Exxon Mobil Corporation	\$ 3,173,961	1	1.11	\$ 3,036,331	1	1.97
Centerpoint Energy, Inc.	2,515,491	2	0.88	-		0.00
Shell Oil Company	2,098,922	3	0.74	1,319,878	4	0.86
Houston Refining	1,506,923	4	0.53	-		0.00
Chevron Chemical Company	1,504,773	5	0.53	466,393	10	0.30
AT&T Corporation	922,964	6	0.32	-		0.00
Hewlett Packard Company	902,828	7	0.32	-		0.00
Hines Interests Ltd Partnership	846,907	8	0.30	452,264	11	0.29
Crescent Real Estate	824,060	9	0.29	369,976	15	0.24
Equistar Chemicals LP	777,240	10	0.27	1,248,405	5	0.81
Walmart	768,751	11	0.27	-		0.00
National Oilwell Inc	708,729	12	0.25	-		0.00
Amoco Chemical Company	689,661	13	0.24	-		0.00
Cullen Allen Holdings LP	679,739	14	0.24	-		0.00
Lyondell Chemical	585,844	15	0.21	923,706	6	0.60
Houston Lighting and Power Company	-		0.00	2,034,703	2	1.32
Southwestern Bell Telephone	-		0.00	1,352,634	3	0.88
Compaq Computer Corporation	-		0.00	710,101	7	0.46
Crescent Real Estate Equities	-		0.00	589,342	8	0.38
Lyondell-Citgo Refining Company	-		0.00	496,316	9	0.32
Occidental Chemical Corporation	-		0.00	415,896	12	0.27
Celanese Ltd	-		0.00	399,033	13	0.26
Anhuesser Busch Incorporated	-		0.00	392,509	14	0.25
<b>Total</b>	<b>\$ 18,506,793</b>		<b>6.50%</b>	<b>\$ 14,207,487</b>		<b>9.21%</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 28, 2010.
- (c) Based on the County's total taxable value as of February 20, 2001.

Port of Houston Authority of Harris County, Texas

**Property Tax Levies and Collections (a)**

For the Years 2000 Through 2009

(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
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
2009	45,086	41,875	92.9	611	42,486	94.2

(a) Source: Harris County Tax Assessor - Collector as of February 28, 2010 (Harris County Year End)

(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)**

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
<b>Operating revenues: (a) (b) (c)</b>										
Vessel and cargo services	\$ 142,310	\$ 169,584	\$ 162,636	\$ 143,550	\$ 132,283	\$ 116,506	\$ 101,085	\$ 88,923	\$ 86,906	\$ 88,297
Rental of equipment & facilities	20,451	19,911	18,801	18,103	17,473	15,878	14,977	15,340	15,510	14,878
Grain elevator	1,155	787	809	717	590	835	840	838	1,511	1,980
Bulk materials	2,243	2,319	2,903	3,221	2,568	2,348	2,978	2,662	2,134	1,543
Other	2,040	2,435	3,630	2,072	2,454	1,246	1,022	568	2,278	1,442
	<u>\$ 168,199</u>	<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>
<b>Revenue Tonnage</b>										
General Cargo	19,681	24,871	23,051	23,657	19,942	18,441	15,184	14,704	14,091	14,723
Bulk	9,184	10,371	10,096	9,696	8,623	7,909	9,012	8,637	7,890	7,779
	<u>28,865</u>	<u>35,242</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>

(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.

(c) Excludes Port Development Corporation and Port of Houston Authority International Corporation.

Port of Houston Authority  
Financial & Statistical Results - December 2009

**Revenue Tonnage (a)**  
Last Ten Fiscal Years  
(unaudited)  
(in short tons)

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
<b>General Cargo</b>										
Barbours Cut	5,571,883	7,592,527	10,044,562	9,550,199	8,897,900	8,103,018	7,382,472	6,620,054	5,983,853	5,604,541
All other	3,848,608	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
Lease	9,420,491	11,817,479	14,003,894	15,226,217	14,267,341	12,955,441	11,126,927	10,184,957	9,004,884	8,476,459
Bayport Container Terminal	5,802,758	4,198,520	1,522,186	-	-	-	-	-	-	-
Turning Basin										
Autos Import	73,325	115,660	113,567	95,719	121,370	114,124	142,706	132,056	123,235	88,989
Autos Export	23,641	32,211	21,585	18,216	24,654	20,901	14,222	10,479	12,768	9,499
Steel Imports	2,195,728	4,961,811	3,631,363	4,206,717	2,008,066	1,861,318	1,104,480	1,510,864	1,837,728	2,499,536
All other	622,113	1,559,870	1,571,635	1,610,654	1,524,844	1,185,115	1,038,280	942,259	813,373	1,044,956
	2,914,807	6,669,552	5,338,150	5,931,306	3,678,934	3,181,458	2,299,688	2,595,658	2,787,104	3,642,980
Jacintoport	1,072,605	1,220,081	1,509,501	1,312,717	1,285,578	1,328,490	1,118,457	1,003,913	1,007,195	1,002,217
Care Terminal	249,001	421,064	438,722	522,501	427,792	552,025	373,560	402,195	354,885	571,707
Woodhouse	221,798	544,590	289,586	638,609	204,494	274,128	164,597	243,710	312,355	405,329
Galveston	-	-	23,102,039	25,131	77,677	149,251	100,777	274,048	624,969	623,984
	19,681,460	24,871,286	23,102,039	23,656,481	19,941,816	18,440,793	15,184,006	14,704,481	14,091,392	14,722,676
<b>Bulk</b>										
Barbours Cut	2,426	4,409	-	-	3,438	1,110	1,346	-	-	4,754
Galveston	-	-	-	-	-	-	-	-	-	2,550
Jacintoport	10,803	-	626	-	4,529	-	-	-	298,206	1,957
Care Terminal	192,753	756,891	610,965	399,887	388,737	312,168	185,787	194,457	2,756	189,731
Woodhouse	30,468	6,031	45,780	11,003	36,447	11,525	30,181	38,318	82,308	94,549
Sims Bayou	648,650	571,557	860,009	1,108,220	1,292,821	996,984	865,383	917,982	968,014	1,019,104
S.J.B. Liquid Facility	492,921	428,698	404,359	410,613	364,969	309,205	217,285	264,269	194,953	285,706
Turning Basin	1,732,249	1,985,245	1,505,652	1,608,685	1,640,084	1,533,430	1,551,894	1,436,370	1,373,977	1,603,857
	3,110,270	3,752,831	3,427,391	3,538,408	3,731,025	3,164,422	2,851,876	2,851,396	2,920,214	3,202,208
Bulk Materials Terminal	4,513,258	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
Grain Elevator #2	1,560,258	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
	9,183,786	10,370,528	10,123,473	9,696,448	8,622,652	7,909,024	9,011,561	8,636,784	7,889,829	7,779,044
Grand Total	28,865,246	35,241,814	33,225,512	33,352,929	28,564,468	26,349,817	24,195,567	23,341,265	21,981,221	22,501,720

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

Source: The 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	2009			2000		
	2009 Customers	Rank	Percentage of Total 2009 Revenue	2000 Customers	Rank	Percentage of Total 2000 Revenue
Mediterranean Shipping Inc. SA	\$ 24,191	1	14.18%	\$ 5,864	2	5.11%
Hapag-Lloyd AG	19,718	2	11.56	2,762	6	2.41
CMA-CGM (America), Inc	13,658	3	8.01			
Hamburg Sud North America	6,243	4	3.66			
Cia Libra de Navegacao	4,658	5	2.73			
Zim Integrated Shipping	4,065	6	2.38			
Biehl & Company - Vessel	3,764	7	2.21	2,783	5	2.43
Seaboard Marine, Ltd.	3,168	8	1.86			
ISS-RioMar, L.L.C.	2,965	9	1.74			
OOCL(USA) Inc./	2,261	10	1.33	2,159	7	1.88
CP Ships US Agency, LLC				6,931	1	6.05
P & O Ned Lloyd Limited				5,679	3	4.95
Kerr Norton Strachan Agency				3,684	4	3.21
APL Limited				2,107	8	1.84
Lykes Lines Limited, LLC				2,030	9	1.77
American Shipping & Chartering				1,830	10	1.60
<b>Total</b>	<b>\$ 84,691</b>		<b>49.65%</b>	<b>\$ 35,829</b>		<b>31.25%</b>

Source: The 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						Percentage of Actual Property Value	Per Capita
	Unlimited Tax Refunding Bonds	Unlimited Tax Port Improvement Bonds	Commercial Paper	Gross General Bonded Debt	Less Debt Service Funds Cash	Net General Bonded Debt		
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	-	563,015	7	563,008	0.21	141
2009	422,665	124,750	70,245	617,660	6	617,654	0.22	152

Fiscal Year	Special Purpose Revenue Bonds			Total Outstanding Debt	Percentage of Personal Income	Per Capita
	Revenue Bonds	Revenue Bonds	Revenue Bonds			
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	-	303,309	2.11	83	
2005	4,363	-	340,095	2.17	92	
2006	-	-	378,842	2.13	97	
2007	-	-	457,438	2.36	116	
2008	-	-	563,008	2.96	141	
2009	-	-	620,289	n/a	152	

**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, 2009  
(Unaudited)  
(in thousands)

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Gross Revenues</b>					
<b>Operating Revenues</b>					
Vessel and Cargo Services	<b>\$142,310</b>	\$169,584	\$162,636	\$141,697	\$131,007
Rental of Port Facilities	<b>20,451</b>	19,910	18,800	18,033	17,412
Grain Elevator	<b>1,155</b>	787	809	717	589
Bulk Materials Handling Plant	<b>2,243</b>	2,319	2,903	3,221	2,568
Other	<b>2,040</b>	2,435	3,630	1,915	2,361
Total	<b>168,199</b>	195,035	188,778	165,583	153,937
<b>Nonoperating Revenues</b>					
Interest on Investments	<b>4,552</b>	6,736	9,992	11,292	7,427
Other	<b>9,806</b>	7,198	14,699	8,255	13,660
Total	<b>14,358</b>	13,934	24,691	19,547	21,087
Total Gross Revenues	<b>182,557</b>	208,969	213,469	185,130	175,024
<b>Operation Expenses</b>					
<b>Maintenance and Operation of Facilities</b>					
Vessel and Cargo Services	<b>77,591</b>	94,473	85,178	73,236	66,918
Rental of Port Facilities	<b>3,774</b>	3,311	4,185	3,560	6,151
Grain Elevator	<b>221</b>	163	404	557	477
Bulk Materials Handling Plant	<b>88</b>	94	307	723	435
Other	<b>1,796</b>	1,797	1,916	358	919
Total	<b>83,470</b>	99,838	91,990	78,434	74,900
<b>General and Administrative Expenses</b>	<b>47,986</b>	41,930	46,029	28,846	28,380
Total Operating Expenses	<b>131,456</b>	141,768	138,019	107,280	103,280
<b>Nonoperating Expenses</b>	<b>18,469</b>	4,461	29,151	5,869	8,550
Total Operation Expenses	<b>149,925</b>	146,229	167,170	113,149	111,830
<b>Net Revenues Available For Debt</b>					
<b>Service on First Lien Revenue Bonds</b>	<b>\$32,632</b>	\$62,740	\$46,299	\$71,981	\$63,194
<b>Average Annual Debt Service</b>					
<b>on First Lien Revenue Bonds</b>	\$ -	\$ -	\$ -	\$4,456	\$4,514
<b>Coverage by Net Revenues</b>	<b>0%</b>	0%	0%	1615%	1399%

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, 2009  
(Unaudited)  
(in thousands)

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
<b>Gross Revenues</b>					
<b>Operating Revenues</b>					
Vessel and Cargo Services	\$114,915	\$99,655	\$87,666	\$85,575	\$86,793
Rental of Port Facilities	15,817	14,929	15,294	15,497	14,866
Grain Elevator	835	840	838	1,511	1,980
Bulk Materials Handling Plant	2,348	2,978	2,662	2,133	1,543
Other	1,036	971	548	2,279	1,442
Total	<u>134,951</u>	<u>119,373</u>	<u>107,008</u>	<u>106,995</u>	<u>106,624</u>
<b>Nonoperating Revenues</b>					
Interest on Investments	3,500	3,713	5,472	9,267	9,869
Other	8,172	9,611	639	4,638	491
Total	<u>11,672</u>	<u>13,324</u>	<u>6,111</u>	<u>13,905</u>	<u>10,360</u>
Total Gross Revenues	<u>146,623</u>	<u>132,697</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	60,906	58,506	51,837	47,878	44,036
Rental of Port Facilities	2,954	2,962	3,059	2,618	2,863
Grain Elevator	197	221	412	123	227
Bulk Materials Handling Plant	589	268	265	230	142
Other	888	899	865	407	25
Total	<u>65,534</u>	<u>62,856</u>	<u>56,438</u>	<u>51,256</u>	<u>47,293</u>
<b>General and Administrative Expenses</b>	<u>31,316</u>	<u>26,250</u>	<u>28,360</u>	<u>22,504</u>	<u>16,385</u>
Total Operating Expenses	<u>96,850</u>	<u>89,106</u>	<u>84,798</u>	<u>73,760</u>	<u>63,678</u>
<b>Nonoperating Expenses</b>	<u>686</u>	<u>1,053</u>	<u>269</u>	<u>122</u>	<u>87</u>
Total Operation Expenses	<u>97,536</u>	<u>90,159</u>	<u>85,067</u>	<u>73,882</u>	<u>63,765</u>
<b>Net Revenues Available For Debt</b>					
<b>Service on First Lien Revenue Bonds</b>	<u>\$49,087</u>	<u>\$42,538</u>	<u>\$28,052</u>	<u>\$47,018</u>	<u>\$53,219</u>
<b>Average Annual Debt Service</b>					
<b>on First Lien Revenue Bonds</b>	\$4,619	\$4,938	\$5,675	\$5,225	\$5,280
<b>Coverage by Net Revenues</b>	1063%	861%	494%	900%	1008%

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

<b>Fiscal Year Ending December 31</b>	<b>Outstanding Debt Service Requirements</b>
2010	\$ 137,770,951
2011	35,424,283
2012	35,994,282
2013	35,947,003
2014	36,413,587
2015	36,360,218
2016	36,304,030
2017	38,425,880
2018	38,439,442
2019	39,070,245
2020	43,012,482
2021	42,911,293
2022	42,105,167
2023	32,633,276
2024	27,074,665
2025	26,946,702
2026	25,977,376
2027	26,882,803
2028	27,881,812
2029	27,784,187
2030	27,682,068
2031	26,884,468
2032	26,729,034
2033	26,558,784
2034	26,398,629
2035	26,227,128
2036	26,045,082
2037	25,852,907
2038	29,448,247
<b>Total</b>	<b>\$ 1,035,186,031</b>

(a) The table sets forth the annual debt service requirements on the Authority's ad valorem tax bonds as of December 31, 2009, 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	4.6%	190,226,395	47,788
2009	4,070,989	7.6%	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

**HARRIS COUNTY, TEXAS  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO\***  
(amounts in thousands)  
(Unaudited)

Employer	2009				2000			
	Employees	Rank	Percentage of Total County Employment	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment	Percentage of Total County Employment
Continental Airlines (merger pending w/ United Airlines)	14,651	1	0.54%		16,779	1		0.74%
Exxon Mobil	13,353	2	0.49%					
Shell Oil Company	11,855	3	0.44%		7,425	10		0.33%
Chevron Companies	7,000	4	0.26%					
JP Morgan Chase	6,500	5	0.24%					
AT&T Inc. (former Southwestern Bell)	6,047	6	0.22%					
Baker Hughes Incorporated	5,369	7	0.20%					
KBR Inc. (spun off from Halliburton)	5,089	8	0.19%		15,550	3		0.68%
CenterPoint Energy (spun off from Reliant Energy)	4,750	9	0.17%					
Aramark	4,500	10	0.17%					
Halliburton Company	4,500	10	0.17%					
Administrative					16,458	2		0.72%
Enron					13,669	4		0.60%
Compaq Computer					13,400	5		0.59%
Wal-Mart					9,560	6		0.42%
Kroger Food Stores					9,100	7		0.40%
Southwestern Bell/SWB					7,800	8		0.34%
Reliant Energy Inc./Center Point Energy					7,670	9		0.34%
	<u>83,614</u>				<u>117,411</u>			

\* Based on calendar year.

**Source:** Houston Business Journal, Business First Survey/Greater Houston Partnership/HBJ

**Note:** Total County Employment for 2009 was approximately 2,715,000 and for 2000 was 2,278,600

**Schedule 16**

Port of Houston Authority of Harris County, Texas  
**Miscellaneous Statistical Data**  
 December 31, 2009  
 (Unaudited)

**Date of Incorporation:** 1911

**Form of Government:** A political subdivision of the State of Texas

**Area :** 1,778 Square Miles

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

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

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

	<b>2 0 0 8</b>	2 0 0 4	2 0 0 0	1 9 9 6	1 9 9 2
Registered Voters	<b>1,974,777</b>	1,876,296	1,886,661	1,597,211	1,337,405
Votes Cast	<b>1,188,731</b>	1,088,793	995,631	871,656	958,234
Percentage of Registered Voters Voting	<b>60.20%</b>	58.03%	52.78%	54.60%	71.60%

**Motor Vehicle Registration (c)**

	<b>2 0 0 9</b>	2 0 0 8	2 0 0 7	2 0 0 6	2 0 0 5
Passenger Cars, Small Trucks and Misc.	<b>3,341,255</b>	3,207,888	2,814,918	2,814,918	2,908,646
Large Trucks	<b>31,418</b>	32,468	22,367	22,367	29,729
Total	<b>3,372,673</b>	3,240,356	2,837,285	2,837,285	2,938,375

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

(b) Source: Harris County Tax Assessor - Collector

(c) Source: Harris County Clerk

Port of Houston Authority  
**Miscellaneous Statistical Data**  
 December 31, 2009  
 (Unaudited)

**Schedule 16**

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

	<u>2 0 0 9</u>	<u>2 0 0 8</u>	<u>2 0 0 7</u>	<u>2 0 0 6</u>	<u>2 0 0 5</u>
Baylor College of Medicine	1,431	1,385	1,398	1,358	1,340
Houston Baptist University	2,710	2,564	2,339	2,143	2,296
Houston Community College	69,755	61,396	57,457	57,168	52,443
Lone Star College System	58,844	51,483	49,253	46,048	43,433
Rice University	5,556	5,132	5,243	5,119	5,207
San Jacinto College:	-	-	-	-	-
Central, South, North	27,011	24,616	25,556	26,712	26,775
South Texas College of Law	1,270	1,267	1,252	1,237	1,240
Texas Southern University	9,394	9,102	9,540	11,224	11,903
Texas Woman's University: Houston Center	1,252	1,184	1,223	1,184	1,266
University of Houston:	-	-	-	-	-
University Park	37,000	36,104	34,663	34,334	35,344
Downtown	12,742	12,283	11,793	11,449	11,484
Clear Lake	7,644	7,658	7,522	7,706	7,853
University of St. Thomas	3,234	3,246	3,350	3,607	3,776
University of Texas:	-	-	-	-	-
Dental Branch	474	471	452	439	390
Graduate School of Biomedical Sciences	593	570	578	544	545
Medical School	1,009	963	935	912	869
Health Information Sciences	103	99	80	73	123
School of Nursing	765	759	771	753	755
School of Public Health	1,025	1,003	959	930	979
Total	<u>241,812</u>	<u>221,285</u>	<u>214,364</u>	<u>212,940</u>	<u>208,021</u>

**Number of Employees**

	<u>2 0 0 9</u>	<u>2 0 0 8</u>	<u>2 0 0 7</u>	<u>2 0 0 6</u>	<u>2 0 0 6</u>
Harris County	15,809	15,693	15,237	15,313	15,313
Flood Control District	382	326	339	346	346
Port of Houston Authority	592	595	580	560	560

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

(b) Source: Harris County Tax Assessor - Collector

(c) Source: Harris County Clerk

## **Operating Information**



## Port of Houston Authority

Table of Physical Characteristics of the Port Facilities of the Authority  
(Unaudited)

	<b>Berth Lengths (Feet)</b>	<b>Water Depth Below Mean Low Tide (Feet)</b>	<b>Paved Marshalling Area (Acres)</b>	<b>Covered Storage (Sq. Feet)</b>
<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>				
	900	36	-	-
<b>Bayport</b>				
Container Berths 4 & 5	2,000	40	60	-

\* 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

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

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
<b>Freight handled by the Authority only (excluding tonnages handled by private terminals) - short tons (2,000 lbs.) (a) (d)</b>										
Breakbulk Cargo	3,768	8,006	6,678	7,545	4,679	4,481	3,244	3,697	3,971	4,971
Container Cargo	15,914	16,866	16,425	16,111	15,156	13,960	11,941	11,007	10,120	9,752
Bulk Grain	1,560	2,097	1,746	1,606	1,331	1,050	1,351	1,939	1,991	2,302
Bulk Plant	4,513	4,521	4,950	4,552	3,561	3,694	4,808	3,847	2,979	2,275
Other Bulk	11,032	11,248	10,621	10,622	10,064	9,588	8,675	8,170	8,399	9,417
<b>Total</b>	<b>36,787</b>	<b>42,738</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>

**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>Foreign</b>										
Imports	(e)	92,019	94,692	106,905	103,190	97,713	90,335	80,027	85,485	87,032
Exports	(e)	54,380	50,650	45,972	41,860	39,824	36,558	35,161	35,108	36,918
<b>Total Foreign</b>		<b>146,399</b>	<b>145,342</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>Coastwise</b>										
Receipts	(e)	3,143	4,182	4,625	3,045	2,064	2,901	2,659	3,324	2,987
Shipments	(e)	4,909	4,717	5,366	6,789	6,450	7,791	9,622	8,207	8,352
<b>Total Coastwise</b>		<b>8,052</b>	<b>8,899</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>Internal</b>										
Receipts	(e)	25,179	29,227	28,035	25,514	26,314	25,055	22,230	22,921	21,744
Shipments	(e)	17,830	17,948	17,787	17,114	16,833	15,963	14,923	16,255	16,247
<b>Total Internal</b>		<b>43,009</b>	<b>47,175</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>Local</b>	(e)	14,747	14,648	13,457	14,153	12,848	12,320	12,939	13,750	13,287
<b>Total</b>		<b>212,207</b>	<b>216,064</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>

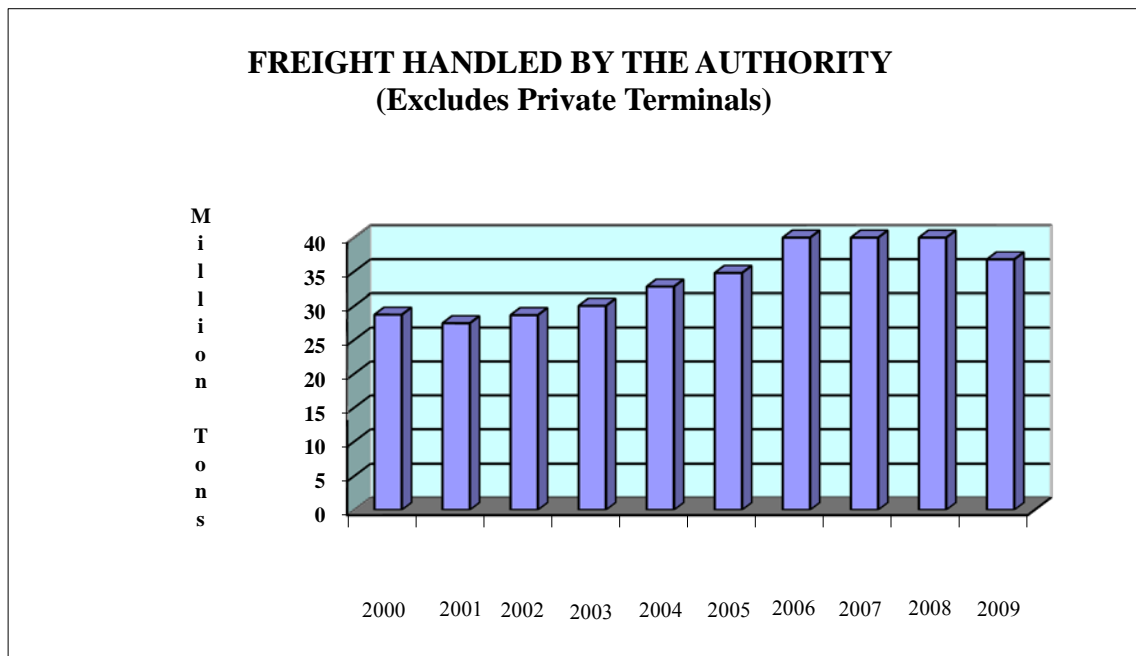
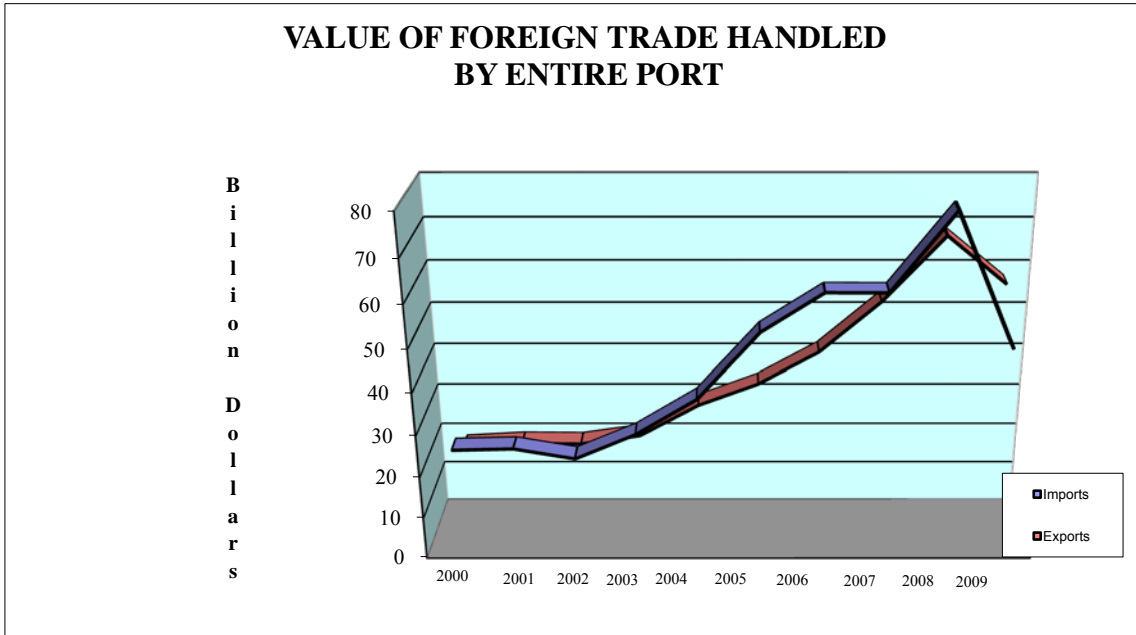
**Value of foreign trade handled by entire Port of Houston (c)**

Imports	\$ 48,435,089	\$ 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
Exports	57,866,051	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
<b>Total</b>	<b>\$ 106,301,140</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>

(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  
OF HARRIS COUNTY, TEXAS  
FREIGHT STATISTICS  
LAST TEN YEARS**



See Freight Traffic Statistics on Page 82

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

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
<b>Total Revenue Tonnage</b>										
Including Bayport Companies	36,787	42,738	40,342	40,437	34,791	32,773	30,019	28,660	27,460	28,717
Excluding Bayport Companies	28,865	3,522	33,147	33,353	28,458	26,350	24,196	23,341	21,981	22,502
<b>General Cargo (a)</b>	19,681	24,871	23,051	23,656	19,835	18,441	1,584	14,704	14,091	14,723
<b>Bulk Materials Handling Plant</b>										
<b>Grain Elevator #2</b>	1,560	2,097	1,746	1,606	1,331	1,050	1,351	1,939	1,990	2,302
<b>Other Bulk Movements</b>										
Bulk (Excluding Bayport Companies) (b)	3,110	3,753	3,400	3,538	3,731	3,164	2,852	2,851	2,920	3,202
Bulk Bayport companies	7,922	7,496	7,194	7,084	6,333	6,423	5,823	5,319	5,479	6,215
<b>Barbours Cut Terminal</b>										
Bulk (b)	2	4	-	-	3	1	1	-	-	5
General Cargo (a)	9,420	11,817	13,991	15,226	14,161	12,955	11,127	10,185	9,005	8,476
<b>Steel</b>										
Import	2,405	5,976	4,398	5,385	2,559	2,618	1,403	1,970	2,367	3,288
Export	251	310	319	243	243	180	178	107	115	109
<b>Auto Units - Turning Basin</b>										
Import	41	64	61	51	65	63	81	81	76	55
Export	12	12	7	7	11	9	7	4	4	2
<b>Bagged Goods (a)</b>										
Import	1	16	44	58	39	59	66	142	37	31
Export	352	346	551	620	526	569	590	540	376	501
<b>Container TEU</b>	1,799	1,795	1,769	1,608	1,584	1,440	1,244	1,147	1,058	1,062

(a) Tonnage included in General Cargo above

(b) Tonnage included in Bulk Cargo above

Source: The Authority Billing Department

**Schedule 20**

Houston Ship Channel Including Port of Houston Authority

**Vessel Arrivals**  
(unaudited)

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
<b>American Flag</b>										
Break Bulk	20	15	17	24	15	34	24	23	16	18
Bulk Carrier	15	18	13	15	14	10	18	16	11	12
Containers	118	130	139	139	148	166	174	168	159	159
Roll-On/Roll-Off	3	9	7	13	10	12	9	22	15	14
Tankers	144	199	175	191	220	208	210	219	335	285
Tug Tow	265	410	470	402	164	165	384	457	382	300
Vehicle Carrier	2	4	12	16	12	4	7	3	3	2
Other	3	7	18	7	4	5	3	7	3	6
	570	792	851	807	587	604	829	915	924	796
<b>Foreign Flag</b>										
Break Bulk	702	893	866	802	757	659	705	754	948	879
Bulk Carrier	692	902	865	979	844	838	663	698	729	765
Containers	886	836	799	859	866	759	709	738	670	601
Roll-On/Roll-Off	134	129	125	154	154	169	137	176	396	247
Tankers	4,209	4,396	4,086	3,832	3,703	3,358	3,117	2,977	2,793	3,334
Tug Tow	-	1	-	-	-	-	-	-	-	-
Vehicle Carrier	61	39	49	34	66	50	79	81	57	47
Other	25	70	62	81	80	102	62	75	96	132
	6,709	7,266	6,852	6,741	6,470	5,935	5,472	5,499	5,689	6,005
<b>Total Vessel Arrivals</b>	7,279	8,058	7,703	7,548	7,057	6,539	6,301	6,414	6,613	6,801

Source: Piers Global Intelligence Solutions

Schedule 20

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

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
<b>Turning Basin</b>										
Ships	962	1,255	1,196	1,177	1,021	911	832	910	979	1,006
Barges	1,186	1,546	1,492	1,596	1,556	1,391	1,052	1,092	1,279	1,415
<b>Bulk Plant, Jacintoport, Care Woodhouse, and HPGE#2</b>										
Ships	541	669	705	684	710	624	622	609	631	674
Barges	525	485	496	805	635	704	998	709	518	461
<b>Barbours Cut and Galveston</b>										
Ships	704	809	969	1,067	1,122	1,010	927	943	970	1,013
Barges	43	46	58	280	517	471	409	286	167	154
<b>Bayport Container Terminal</b>										
Ships	335	225	97	-	-	-	-	-	-	-
Barges	1	1	4	-	-	-	-	-	-	-
<b>Bayport Companies</b>										
Ships	652	611	632	583	518	466	494	511	480	597
Barges	1,754	1,657	1,620	1,597	1,597	1,483	1,305	1,241	1,223	1,437
<b>Total PHA Arrivals</b>										
Ships (a)	3,194	3,569	3,599	3,511	3,371	3,011	2,875	2,973	3,060	3,290
Barges	3,509	3,735	3,670	4,278	4,305	4,049	3,764	3,328	3,187	3,467

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

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

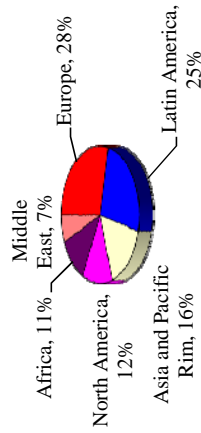
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
<b>Cement</b>	-	-	-	158	179	-	-	-	-	84
<b>Coke</b>	4,518	4,563	4,979	4,404	3,382	3,660	4,808	3,835	2,970	1,703
<b>Cotton Seed Oil</b>	-	-	-	-	-	-	6	-	5	-
<b>Fertilizer</b>	26	37	-	-	-	3	-	24	-	-
<b>Grain</b>	1,560	2,097	1,746	1,606	1,331	1,050	1,351	1,939	1,990	2,302
<b>Industrial Chemical</b>	9,490	8,929	8,957	8,938	8,335	7,986	7,319	6,807	6,709	7,585
<b>Molasses</b>	206	234	156	347	283	330	344	281	464	565
<b>Petroleum Products</b>	342	125	43	32	72	71	73	53	156	268
<b>Sand &amp; Clay</b>	-	-	-	-	-	-	-	-	-	14
<b>Tallow</b>	320	518	480	419	328	402	382	423	319	405
<b>Dry Bulk</b>	377	964	870	824	995	737	496	562	719	1,034
<b>Vegetable Oil</b>	252	375	64	-	-	-	-	-	-	-
<b>Miscellaneous Bulk</b>	14	24	23	53	51	93	56	31	36	35
<b>Totals</b>	17,105	17,866	17,318	16,780	14,956	14,332	14,834	13,955	13,368	13,994

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

### Houston's Foreign Seaborne Trade by Region

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

**2009 Foreign Trade Through the Port of Houston by Region (\$ Value)**



Europe was Houston's top seaborne trading region in 2009, accounting for 28 percent of total foreign shipments through the Port of Houston. The countries of Latin America account for 25 percent, making the region Houston's second largest trading area

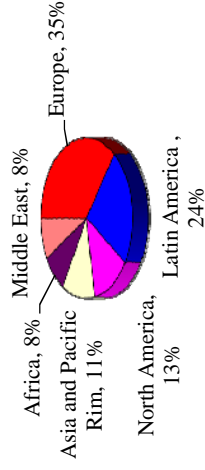
TRADE THROUGH THE PORT OF HOUSTON BY REGION IN 2009 (000s)				
	Imports	Exports	Total	Percent of World Total
Europe	14,592,491	15,542,062	30,134,553	28%
Latin America	8,732,180	18,352,458	27,084,638	25%
Asia and Pacific Rim	7,245,432	9,918,885	17,164,317	16%
North America	8,395,402	4,779,624	13,175,026	12%
Africa	6,042,860	5,598,487	11,641,347	11%
Middle East	3,419,475	3,642,893	7,062,368	7%
Worldwide Total	48,427,840	57,834,409	106,262,249	100%

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

### Houston's Foreign Seaborne Trade by Region

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

**2000 Foreign Trade Through the Port of Houston by Region (\$ Value)**



Europe was Houston's top seaborne trading region in 2000, accounting for 35 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 2000 (000s)				
	Imports	Exports	Total	Percent of World Total
Europe	9,366,313	5,921,696	15,288,009	35%
Latin America	4,927,180	5,473,397	10,400,577	24%
North America	3,579,255	2,046,021	5,625,276	13%
Asia and Pacific Rim	2,090,543	2,867,472	4,958,015	11%
Africa	2,105,266	1,366,430	3,471,696	8%
Middle East	2,564,503	1,057,218	3,621,721	8%
Worldwide Total	24,633,060	18,732,234	43,365,294	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>2009</u>	<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>
Exempt Employees	182	177	160	146	141	130	127	125	107	101
Non-Exempt Employees	410	418	420	414	379	367	365	356	366	355
Total Employees	592	595	580	560	520	497	492	481	473	456
Hourly Employees (in above)	157	162	158	154	147	135	133	130	135	134
Operations Staff	143	148	143	140	127	112	111	110	112	108
General & Administrative Staff	400	403	382	360	337	329	324	314	303	294

Source: The Authority Human Resources Department

