

## Port of Houston Authority

### **Comprehensive Annual** For the Years Ended December 31, 2016 and 2015



Port of Houston Authority

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Prepared By: Office of the Controller Port of Houston Authority



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

Comprehensive Annual Financial Report For the Years Ended December 31, 2016 and 2015

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## Port of Houston Authority of Harris County, Texas Comprehensive Annual Financial Report For the Years Ended December 31, 2016 and 2015

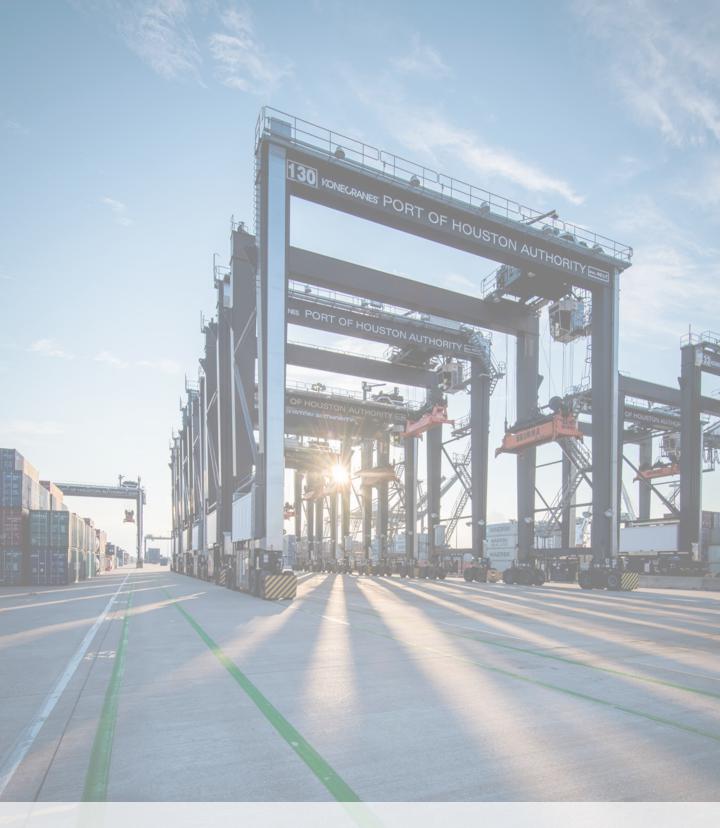
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**INTRODUCTORY SECTION** 



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April 18, 2017

Port Commissioners

Port of Houston Authority of Harris County, Texas

Houston, Texas

Dear Commissioners:

We are pleased to present the Comprehensive Annual Financial Report ("CAFR") of the Port of Houston Authority of Harris County, Texas ("Authority") for the year ended December 31, 2016. Dollar amounts within this letter of transmittal are rounded to the nearest million and to the nearest thousand in the Management's Discussion and Analysis ("MD&A"), financial statements and the accompanying notes to the financial statements.

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

#### **Profile of the Authority**

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

The Authority had 597 active, regular employees as of December 31, 2016 and in addition, utilized 312 full-time equivalent workers throughout the year hired from local longshoremen union halls.



The greater Port of Houston ("Port") opened as a deep draft port in November 1914. The Houston Ship Channel (the "Channel"), the heart of the Port complex, extends 52 miles inland from the Gulf of Mexico to the City of Houston. The Port consists not only of the Authority's public terminals and wharves, but also includes more than 150 privately-owned facilities along the upper half of the Channel. The Port is host to the world's second largest petrochemical complex and is ranked first in the nation for foreign waterborne tonnage, and second in terms of total tonnage.

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

#### **Business of the Authority**

These improvements include a diverse group of facilities designed to accommodate a variety of cargo, including general cargo, containers, grain, coal, pet coke, dry and liquid bulk and project and heavy-lift cargo. These facilities are operated in a manner to achieve maximum utilization of the Authority's assets, both by direct operations or offering certain facilities for lease.

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

Container cargo is handled by the Authority at the Barbours Cut Container Terminal ("BCT") and Bayport Container Terminal ("Bayport"). Today, these terminals combined have 22 wharf cranes, 81 yard cranes and additional heavy-duty tractors and other cargo handling equipment. The Authority handles approximately two-thirds of all the containerized cargo in the U.S. Gulf of Mexico through these container terminals.

The Authority owns over 3,600 acres of undeveloped properties and manages approximately 3,348 acres of developed properties, including approximately five million square feet of improvements. The Authority's revenues derive in large part from operations of the container terminals. However, its other assets are a source of revenues as well, including those leased or rented to third parties who independently maintain and operate facilities within the leased premises.

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

The Maersk, Inc. lease at BCT was terminated in 2015 and Maersk vessels now call at the Bayport Terminal operated by the Authority. Empty container storage yards at BCT are leased to Integrated Marine Services LLC while Terminal Link, LLC and Houston Terminal, LLC lease similar yards at Bayport. The Care Terminal is leased to Coastal Cargo of Texas, Inc. In 2016 Houston Fuel Oil Terminal Company elected to exercise its option for a 30-year lease on property next to the Care Terminal for construction and operation of a liquid bulk dock. The facilities at Jacintoport Terminal are leased to Jacintoport International, LLC, a subsidiary of Seaboard Corporation. The Bulk Materials Handling Plant is leased to Kinder Morgan Petcoke, L.P. The grain elevator at Woodhouse Terminal is leased to LD Commodities, LLC

and the grain elevator at the Turning Basin Terminal is leased to the Hansen Mueller Company.

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

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

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

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

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

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

The Authority also leases land, provides railroad rights-of-way to rail operators, licenses pipeline crossings, issues marine construction permits, and maintains expansive areas for dredged material. The Authority also provides private terminal berths and collects fees for placement areas.

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

The Authority also owns or manages over 12,750 acres of submerged land in Harris County.

The Authority is the non-federal sponsor of the Houston Ship Channel, responsible primarily for development of 3,000 acres of created marsh along the main channel of Galveston Bay and will assume responsibility for perpetual maintenance of marshes after their establishment.

The Authority owns a four-story office building located in the Turning Basin Terminal which houses the Authority's administrative staff. In April 2016, the Port terminated its relationships with Princess and Norwegian Cruise Lines and the former cruise terminal adjacent to Bayport was converted to an automotive processing facility and leased to the Auto Warehousing Co.

In 2014, the Authority secured permits to deepen channels, berths and turning basins serving Bayport and BCT. The BCT channel improvements were completed in 2015 and the U.S. Army Corps of Engineers ("Corps") officially assumed maintenance of that channel. The Corps also approved assumption of maintenance of the Jacintoport Channel and is expected to reassume maintenance of the Bayport Channel upon its completion. These federal actions are expected to relieve the Authority from millions of dollars of annual channel maintenance costs.

In 2016, Bayport container terminal berths were deepened and the project to deepen and widen that channel was substantially completed. The Authority prepared design documents for the Corps which enabled the Bayport Flare project, necessary for safe navigation, to be awarded. When that cost-shared project is complete, very large container vessels will be cleared to call at Bayport. An analysis performed by the Corps estimated the initial annual transportation cost savings resulting from deepening the Bayport and BCT channels to be over \$18 million, with the benefit to industry increasing to \$36 million within five years.

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

#### **Economic Outlook**

The U.S. economy experienced slow growth in 2016. According to the latest estimate released by the U.S. Department of Commerce, Bureau of Economic Analysis, real gross domestic product ("GDP") grew 1.6% in 2016 (measured from the fourth quarter of the prior year) compared to 2.6% in 2015. Real GDP in the fourth quarter of 2016 primarily reflected positive contributions from personal consumption expenditures, residential fixed investment, exports and state, local and federal government spending that were partly offset by negative contributions from private inventory investment and nonresidential fixed investment. Imports, a subtraction in the calculation of GDP, increased.

U.S. markets soared during the fourth quarter of 2016. The Dow Jones Industrial Average rose nearly 9% in the six weeks following the election and peaked at over 20,000 in early 2017. For the quarter, the Dow was up 7.9%, the S&P 500 was up 3.3%, and the NASDAQ was up 1.3%. These markets may be additionally affected by comments and executive orders from President Donald Trump, especially those relating to less regulation, lower individual and corporate tax brackets, greater infrastructure spending, and changes to the Affordable Care Act. The promise of lower taxes is additionally believed to have had an immediate negative impact on municipal bond demand, with muni funds losing \$28 billion over an eight week period.

Economic indicators supported a quarter-point interest rate hike by the Federal Reserve on December 14, 2016, the only rate increase in 2016. Two-year Treasuries climbed 50 basis points to 1.28%, while the 10-year gained a full point to 2.60%, the highest in more than two years. With bond yields rising in the U.S. and global bond yields remaining low, the dollar

strengthened. The downside is that exports become more expensive.

The oil and gas industry continued to face challenges in 2016, with increased volatility in oil prices. On November 30, 2016, 24 leading producers, including members of the Organization of Petroleum Exporting Countries ("OPEC") and Russia, agreed to the first concerted production cut since 2008. The price of West Texas Intermediate ("WTI") crude closed the year at \$53.72, a 24% increase from a November 14, 2016 quarterly low of \$43.32, and a 45% increase for all of 2016. The domestic industry prospects for 2017 may improve as President Trump signed executive orders to advance the approval of the Keystone XL and Dakota Access pipelines, which when completed could carry more than 1.2 million barrels a day to refineries on the Gulf Coast.

The labor market appeared positive with November 2016 unemployment at 4.6%, the lowest since August 2007. Federal Reserve Bank Chair Janet Yellen characterized the U.S. job market as being "the strongest in a decade." Jobless claims hovered below 300,000 per week for 95 straight weeks, the longest stretch since 1970. A recent Atlanta Federal Reserve Bank model predicted unemployment falling to 3.9% within 12 months. The Consumer Price Index ("CPI") increased 0.3% in December 2016 and 2.1% year-over-year. Core CPI was up 0.2% in November, with the year-over-year percentage at 2.2%.

The U.S. economic outlook for 2017 appears brighter with projected real GDP growth of 2.3%, on an annual-average over annual-average basis, according to the Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters released in February 2017. The GDP growth estimates for 2018, 2019 and 2020 are also positive at 2.4%, 2.6% and 2.1%, respectively. With regard to the labor market, forecasters predict that the unemployment rate will average 4.6% in 2017, before falling slightly to 4.5% in 2018, 4.5% in 2019, and 4.6% in 2020. In addition, the forecasters have revised upward their estimates for job gains in the annual-average level of nonfarm payroll employment, with a monthly rate of 180,300 in 2017 and 164,500 in 2018.

According to the International Trade Report released by the U.S. Census Bureau and the U.S. Bureau of Economic Analysis in February 2017, Texas ranks as the top exporting state in the nation. With exports of over \$232 billion, Texas accounted for 16% of U.S. goods exported in 2016. The greater Houston metropolitan area is also recognized as the largest export market in the nation since 2012, when it surpassed the New York metropolitan area. The top exporting industries are petroleum and mineral products, chemicals, computer and electronic products, non-electrical machinery, civilian aircraft, engines and other transportation equipment. A significant portion of this export commerce is accommodated through the Authority's public terminals.

While the Texas energy industry has struggled in recent years with layoffs and reductions in capital investment, the Authority and the local region should continue to benefit from positive job growth in 2017, which is anticipated at least in part due to its diversification. The Greater Houston Partnership forecasts 1% job growth for Houston in 2017. In addition, it is estimated that Super Bowl LI held in Houston in early February 2017 contributed approximately \$350 million to the local economy.

#### **Financial Planning**

The Authority's mission includes promotion of maritime trade and commerce, delivery of economic prosperity to the local region, Texas and the nation. Management considers transparency and fiscally sound business practices, prudent evaluation of risks and opportunities to be necessary elements for achieving such goals. In addition, a strong focus on

financial planning and liquidity management is considered essential, in light of significant infrastructure investments expected to be required in the next few years. Expense management and the creation of operating efficiencies also continue as major objectives for the Authority.

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

For 2017, the Authority has budgeted total operating revenues of \$312 million. This represents a 5% increase over the 2016 budget of \$296 million, primarily reflecting anticipated growth of import and export container loads. Total operating, general and administrative expenses are budgeted at \$261 million, a 7% increase versus the prior year, related to capital investments and container volumes. Excluding revenues and expenses related to property taxes, the Authority projects net income of \$57 million for 2017, or 4% higher than the 2016 budget. The Authority also expects to generate annual cash flows of \$132-172 million per annum over the next several years.

During 2016, the Authority invested \$151.5 million in capital improvements, fully funded from the Authority's general fund and grant monies received from federal and other governmental programs. The proceeds from tax bonds issued in prior years have been fully spent in past years.

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

In 2017, the Authority expects to commit \$73 million for various capital projects. Approximately \$32 million will be allocated to its container terminals for continuing development of Bayport and modernization at BCT, \$5 million is designated for channel development projects, and another \$13 million relates to improvements at the general cargo and bulk terminals in the Turning Basin Terminal area. The remaining 2017 capital budget funds will be used for railroad improvements, port security, building renovations and information technology.

#### **Major Initiatives**

#### Strategic Plan

With an eye toward the future, the Port Authority continues to strategically plan to become *America's Distribution Hub for the Next Generation*. Throughout 2016, staff has focused on four key strategic goals, which include investing in people and organizing for success (people and organization), growing and diversifying the business base (growth), providing and facilitating infrastructure to meet demand (infrastructure), and sustaining the business for the long term (stewardship). The goals and objectives help focus Port Authority efforts and resources and guide planning and decision-making by staff to fulfill our vision and mission.

#### **Terminal Improvements**

The Authority evaluates its strategic plans to ensure a competitive position in the global marketplace. This can only be accomplished by focusing on high service levels to carriers and customers, optimizing expansion and redevelopment activities, and investing in terminal infrastructure to meet demand.

Development at Bayport continues with Wharf 2 and the Container Yard 6 North and South expansion projects. The Authority was awarded a \$10 million Transportation Investment Generating Economic Recovery ("TIGER") grant by the U.S. Department of Transportation to be used toward the Container Yard 6 expansion project. When completed, it will provide a total of 4,000 feet of wharf area and create the capacity for three additional Super Post Panamax ("SPP") Ship-To-Shore ("STS") cranes, increasing the terminal total to twelve. Container Yard 6 North, with 25 acres of grounded container marshaling area and nine new rubber-tired gantry ("RTG") cranes, was completed in 2016. Construction of Container Yard 6 South, for another 25 acres of grounded container marshaling area, began in 2016. The additional yard and cranes should provide the necessary space and equipment to meet volume projections as the container footprint grows.

Other projects completed at Bayport in 2016 include the construction of eight additional entry gate lanes, the installation of an upgraded wireless network to provide better connectivity, as well as the dredging of the Bayport channel to match the depth of the Houston Ship Channel. To facilitate the expansion of Bayport further south and provide eventual intermodal warehousing and rail access, a container freight station road was also completed in 2016.

Redevelopment at BCT is also progressing. The Authority capped off the Wharf 1 reconstruction and rehabilitation project at the end of 2015 with the commissioning of four new SPP STS cranes. These four cranes, similar to the configuration of those at Bayport, are a major component in the revitalization of the terminal and provide the capability to service growing vessel sizes.

The next phase of BCT wharf redevelopment continues with rehabilitation of Wharf 2, currently scheduled for completion in the summer of 2017. The project consists of 1,000 feet of refurbished berthing and capacity for three new SPP STS cranes, which will bring the total at BCT to seven SPP STS cranes. In addition, to provide the necessary power to operate these next-generation cranes, an electrical substation is being constructed on the west end of the terminal by CenterPoint Energy.

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

Proper phasing of the BCT redevelopment is critical to ensure the terminal maintains current operating capacity during construction activities. Utility and power upgrades are considered as key elements in modernizing this facility. The BCT Master Plan is expected to undergo updates throughout 2017 to include the property formerly leased by Maersk, Inc.

In order to enhance the value of the Authority's general cargo operations, a number of projects are contemplated to restore aging infrastructure and facilitate incremental commerce at those terminals. Some obsolete assets at the Turning Basin and Woodhouse are being demolished for the purpose of redevelopment of prime waterfront property. Aging storm water drains on the south side of the Turning Basin are being repaired by widening a pass-through area. Several projects stem from ongoing dock assessments used to determine what repairs may be

necessary, including a new fender system for City Dock 17 and the rehabilitation of City Dock 23. New cleats and bollards are also being installed to improve the safety and security of the Turning Basin wharves.

The Authority has also committed to partner with the U. S. Army Corps of Engineers in a three-year federal study that will evaluate the need for modifications necessary to improve the efficiency and safety of the main channel and side channels, such as those leading into the Bayport and BCT terminals. A number of issues have been identified, including inefficient vessel utilization and safety concerns due to channel depth and width constraints, and finding suitable placement areas for dredged materials.

#### Health, Safety, Security and Emergency Management

The Health, Safety, Security and Emergency Management Division ("HSSE") operates by the divisional mission statement of "Safely Secure People and Commerce," with a primary focus on supporting all other divisions in public safety elements. Each department within the division continued to refine their roles and effectiveness in 2016. These efforts included the completion of a Safety Perception Survey, the deployment of an emergency alert system, several awards and recognitions for the Fire Department, Emergency Medical Services, and the continuation of "no deficiencies noted" by the U.S. Coast Guard.

In early 2017, the Authority accepted delivery of a new Mobile Command Center purchased with the assistance of a Port Security grant. Future projects include an outdoor warning system, enhanced dispatch system, a safety video, and a re-certification audit for our ISO 28000 Security Management System.

#### Environmental

The Environmental Affairs Division manages the Authority's environmental impacts through the administration of an environmental management system ("EMS") and various environmental programs, including air quality, waste management, drinking water, storm water, wastewater, remediation and compliance auditing. In 2016, as recipient of the Galveston Bay Foundation's Guardian of the Bay Award, the Authority was recognized as a maritime industry leader in environmental stewardship. In addition, the Authority became the world's first publicly-owned port to certify its EMS under the newest international standard, ISO 14001:2015, a rigorous standard that requires a culture of environmental awareness to succeed.

Tenants operating on Authority property were generally audited at least annually for compliance with the environmental terms of their leases. In 2016, the Authority conducted 112 compliance audits of tenant facilities. A total of 182 audit findings were identified, a 20% decrease from 2015. Audit summaries were reported at the Tenant Audit Review Board ("TARB"), a collaborative process which included Authority staff members from the Environmental Affairs, Operations, Real Estate and Legal departments.

#### **Financial Information**

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

It is the policy of the Authority to record nonoperation-related sources of income and expense outside of the Operating income section of the Statements of Revenues, Expenses and Changes in Net Position. Accordingly, during 2016 the Authority recognized \$2.1 million of

contributions to state and local agencies in the Nonoperating revenues (expenses) section of the statements.

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

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

#### **Internal Control**

Management, with oversight from the Audit Committee of the Port Commission, is responsible for establishing and maintaining internal controls. The Authority's Internal Audit Department ("IAD") enhances focus and provides structure to this function. The IAD adheres to: (1) the Government Auditing Standards (commonly referred to as the "Yellow Book") as promulgated by the Government Accountability Office; and (2) the International Standards for the Professional Practice of Internal Auditing as issued by the Institute of Internal Auditors (known as the "Red Book"). Management utilizes IAD's annual internal audit plan, supported by an enterprise risk assessment, as a tool in fulfilling its responsibility. Management also utilizes its best estimates and judgment to assess the expected benefits and related costs of controls.

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

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

#### **Independent Audit**

The financial statements for the years ended December 31, 2016 and 2015 listed in the foregoing Table of Contents were audited by an independent audit firm appointed by the Port Commission. The audit opinions, rendered by Grant Thornton LLP for December 31, 2016 and 2015, are included in the Financial Section of this report.

#### **Certificates of Achievement**

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2015.

This was the 42nd consecutive year that the Authority has achieved this award. In order to be awarded a Certificate of Achievement, a governmental entity must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. Management believes the current report continues to meet the Certificate of Achievement Program's requirements.

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

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

#### Acknowledgements

The preparation of this report could not have been accomplished without the professionalism and dedication demonstrated by the staff of the Authority's Finance Division and many other departments. We express our appreciation to all who assisted and contributed to the preparation of this report.

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

Roger Guenther **Executive Director**  Tim Finley Chief Financial Officer

Curtis Duncan Controller



Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

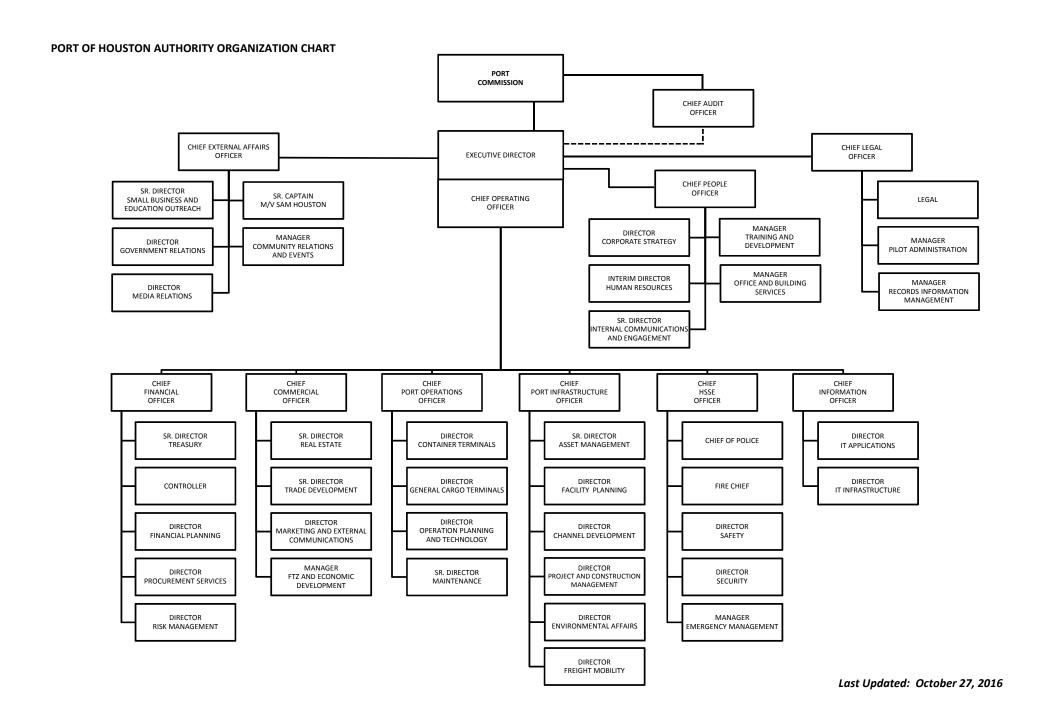
Presented to

#### Port of Houston Authority Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

Executive Director/CEO



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

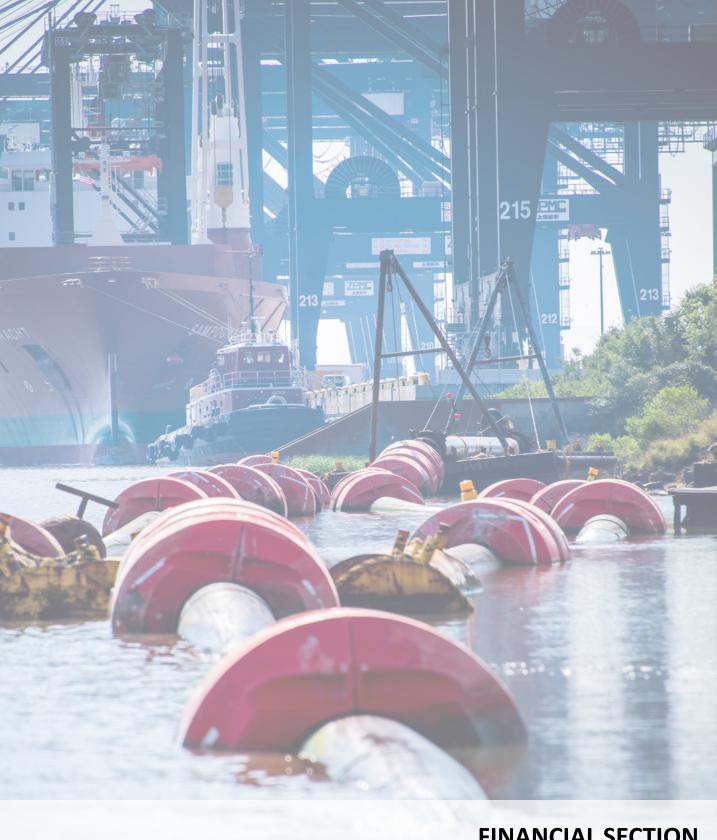
#### **Port Commission**

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

#### Other Officials

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





**FINANCIAL SECTION** 





#### REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Port Commission Port of Houston Authority of Harris County Grant Thornton LLP 700 Milam Street Suite 300 Houston, TX 77002 T 832-476-3600 www.GrantThornton.com

#### Report on the financial statements

We have audited the accompanying statements of net position and the related statements of revenues, expenses, and changes in net position, and cash flows, of the Port of Houston Authority of Harris County, Texas (the "Authority") as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

#### Management's responsibility for the financial statements

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

#### Auditor's responsibility

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

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

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



#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2016 and 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Other matters

#### Required supplementary information

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

#### Other information

The introductory section and statistical section on pages 1 through 13 and 79 through 106 respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

#### Other reporting required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report, dated April 18, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

Houston, Texas April 18, 2017

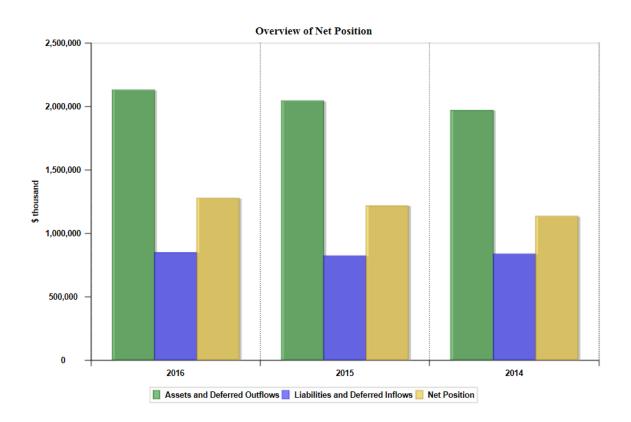
Grant Thouston LLP

#### Port of Houston Authority of Harris County, Texas Management's Discussion and Analysis For the Years Ended December 31, 2016 and 2015 (unaudited)

The following Management's Discussion and Analysis ("MD&A") of the Port of Houston Authority of Harris County, Texas ("Authority") provides an overview of the activities and financial performance for the fiscal years ended December 31, 2016 and 2015.

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

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



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

#### Financial highlights for fiscal year 2016

- The net position of the Authority at December 31, 2016 was \$1,277,245, increasing \$57,895 or 5% over the prior year.
- The Authority's total assets and deferred outflows increased by \$85,910 or 4% during the fiscal year ended December 31, 2016. The majority of this change stems from a decrease in cash and investments of \$26,323 plus an increase in capital assets of \$105,860.
- The Authority's total liabilities and deferred inflows increased by \$28,015 or 3%; the majority of this change stems from an increase of \$29,975 in accounts payable and other current liabilities.
- Current assets exceeded current liabilities by \$329,922.
- Net investment in capital assets (net of accumulated depreciation and debt) grew 16% to \$919,177.
- Operating revenues were \$290,226, reflecting a decrease of 1% over the prior year.
- Total operating expenses were \$265,103, a growth of 17% over the prior year.
- The Authority generated operating income of \$25,123, reflecting a decrease of 63% from fiscal 2015.

#### **Overview of the Financial Statements**

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

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

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

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

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

#### **Financial Analysis**

The largest portion of the Authority's net position (72%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets. The Authority uses these assets to provide services to its customers; consequently these assets are not available for future spending. Although the Authority's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Authority's net position (4%) represents resources that are restricted for debt service. The remaining balance of unrestricted net position (24%) may be used to meet the Authority's ongoing obligations.

#### Port of Houston Authority of Harris County, Texas Condensed Statements of Net Position

(in thousands)

	2016	2015	2014
Assets Current and other assets Capital assets Total Assets	\$ 494,692 1,611,496 2,106,188	\$ 518,278 1,505,636 2,023,914	\$ 482,885 1,480,184 1,963,069
Deferred Outflows of Resources	21,902	18,266	7,870
Total Assets and Deferred Outflows of Resources	2,128,090	2,042,180	1,970,939
Liabilities Long-term liabilities (including current portion) Other liabilities Total Liabilities	768,733 78,693 847,426	773,991 44,605 818,596	791,442 41,263 832,705
Deferred Inflows of Resources	3,419	4,234	4,297
Total Liabilities and Deferred Inflows of Resources	850,845	822,830	837,002
Net Position			
Net investment in capital assets	919,177	794,075	749,755
Restricted Unrestricted	45,705	41,853	43,290
Total Net Position	312,363	383,422	340,892
TOTAL INCL POSITION	\$ 1,277,245	\$ 1,219,350	\$ 1,133,937

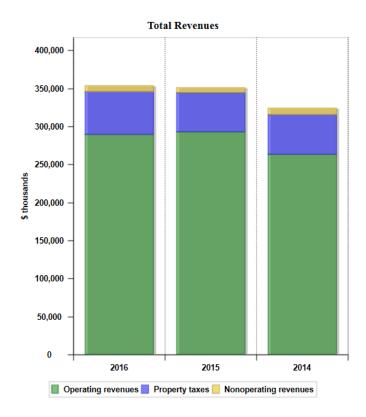
The Authority's net position increased by \$57,895 during the fiscal year ended December 31, 2016. Net investment in capital assets increased \$125,102 resulting from a net increase in capital assets of \$105,860 and a decrease in outstanding bonds payable of \$20,509. During fiscal year 2016, restricted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

The Authority's net position increased by \$85,413 during the fiscal year ended December 31, 2015. Net investment in capital assets increased \$44,320 resulting from a net increase in capital assets of \$25,452 and a decrease in outstanding bonds payable of \$19,113. During fiscal year 2015, restricted net position decreased \$1,437, while unrestricted net position increased \$42,530.

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

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

	2016		2015		2014	
Operating revenues:						
Vessel and cargo services	\$	266,703	\$	267,277	\$	238,083
Rental of equipment and facilities	Ψ	15,869	Ψ	17,120	Ψ	17,763
Grain elevator		1,199		1,567		1,821
Bulk materials		3,941		4,019		4,270
Other		2,514		3,753		1,960
Nonoperating revenues:						
Investment income		4,896		4,142		4,913
Contribution in aid of construction		=		610		=
Other		2,690		1,279		3,291
Nonoperating revenues related to property taxes:						
Property taxes		55,749		51,280		51,955
Investment income on bond proceeds	_	119		120	_	162
<b>Total Revenues</b>		353,680		351,167	_	324,218
Operating expenses:						
Maintenance and operations of facilities		141,102		123,433		121,899
General and administrative		44,286		42,297		37,812
Depreciation and amortization		64,601		60,198		57,190
Impairment of Capital Assets		15,114		-		-
Nonoperating expenses:						
Contributions to state and local agencies		2,127		2,147		1,464
(Gain) \ Loss on disposal of assets		(2,976)		2,849		1,220
Other		1,033		338		-
Nonoperating expenses related to property taxes:						
Interest expense on unlimited tax bonds		31,548		33,114		33,459
Property tax collection expense		1,100		1,039		1,175
Other		303		455	_	408
<b>Total Expenses</b>		298,238	_	265,870		254,627
Income before capital contributions		55,442		85,297		69,591
Capital contributions from federal agencies		2,453	. <u> </u>	116		2,370
Changes in net position		57,895		85,413		71,961
Net position, January 1		1,219,350		1,133,937		1,061,976
Net position, December 31	<u>\$</u>	1,277,245	\$	1,219,350	<u>\$</u>	1,133,937



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

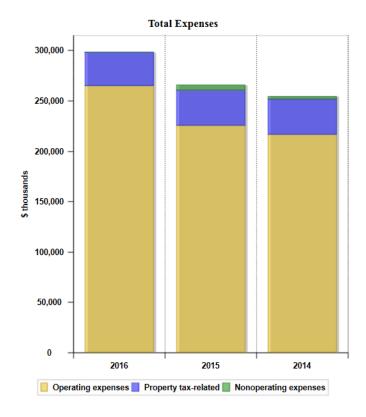
Nonoperating revenues related to property taxes in fiscal 2016 increased \$4,468 due to an increase in property valuations, though tax rates declined from \$0.01342 in 2015 to \$0.01334 in 2016 per \$100 assessed valuation.

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

In 2015, Operating revenues increased \$29,839 or 11% to \$293,736 led by growth in Vessel and cargo services revenues. The Authority's container facilities experienced a record-high 2.1 million TEUs for the year, an increase of 9% from 2014, though total Authority tonnage declined 3% to 45 million tons in 2015 as steel imports dropped as a result of slowdowns tied to depressed oil prices. Other operating revenues increased \$1,793 or 91% primarily from growth in dredge material placement fees.

Nonoperating revenues related to property taxes in fiscal 2015 decreased \$717 due to a decrease in the property tax rate from \$0.01531 in 2014 to \$0.01342 in 2015 per \$100 assessed valuation.

Nonoperating revenues in 2015 decreased \$2,173 due primarily to a decline in insurance recoveries and expense reimbursements associated with deepening and widening projects.



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

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

Nonoperating expenses in 2016 decreased \$5,150 due primarily to gains recorded this year on asset dispositions.

In 2015, Operating expenses increased by \$9,027 or 4%, largely driven by higher maintenance and operation of facilities expenses tied to growth in container volumes. General and administrative expenses increased by \$4,485 or 12% from 2014 relating primarily to investments in strategic planning and related initiatives. Depreciation increased by \$3,008 or 5% due in large part to projects at the container terminals.

Nonoperating expenses related to property taxes, reflecting primarily interest expense on unlimited tax bonds, decreased \$434 over 2014.

Nonoperating expenses in 2015 increased \$2,650 due in part to higher losses on disposal of assets incurred this year.

#### **Capital Assets**

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

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

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

The Authority's investment in capital assets as of December 31, 2015, was \$1,505,636 (net of accumulated depreciation), an increase of \$25,452 or 2% over the prior year.

Major capital asset activity (before depreciation) during 2015 included the following:

- Land and channel improvements and Land use rights increased by \$7,979 primarily due to projects associated with deepening and widening of the Barbours Cut ship channel.
- Buildings increased \$5,413 due to construction at the Turning Basin.
- Improvements other than buildings increased \$40,534 primarily due to the expansion of the Staging Yard at Industrial Park East and repavement of Middle Yard 4 at Barbours Cut.
- Machinery and equipment net increases totaled \$64,084 in 2015. This includes additions of \$66,858, offset by \$2,774 of retirements. The additions primarily consisted of the purchase of four wharf cranes for \$53,446 at Barbours Cut.
- No net capitalized interest was added to the cost of assets for 2015 as all construction funds were expended in 2014.
- Construction-in-progress decreased \$36,969 in 2015 due primarily to the 4 wharf cranes placed in service at Barbours Cut.
- Accumulated depreciation net of retirements increased by \$56,481 in 2015.

#### Port of Houston Authority of Harris County, Texas Capital Assets

(net of depreciation)
(in thousands)

		2016		2015	2014
Land and channel improvements	\$	404,711	\$	394,626	\$ 386,849
Land use rights - intangible Buildings		11,777 76,089		11,777 87,138	11,575 86,671
Improvements other than buildings		656,115		689,570	681,685
Railroads Machinery and equipment		22,144 212,935		23,395 211,643	24,657 163,659
Computer software - intangible		3,588		2,100	2,732
Construction-in-progress	_	224,137	_	85,387	 122,356
Total Capital Assets, net	\$	1,611,496	\$	1,505,636	\$ 1,480,184

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

#### Debt

At the end of 2016, the Authority had total debt outstanding of \$697,123 (net of premiums/discounts), consisting of Unlimited Tax Port Improvement Bonds and Unlimited Tax Refunding Bonds (collectively, the "General Obligation Bonds"), for which debt service is funded from ad valorem taxes approved by Harris County taxpayers, levied by the Harris County Commissioners Court on behalf of the Authority and collected by the Harris County Tax Assessor-Collector.

At the end of 2015, the Authority had total debt outstanding of \$717,632 (net of premiums/discounts), consisting of General Obligation Bonds.

#### Port of Houston Authority of Harris County, Texas Outstanding Debt General Obligation Bonds

(net of premiums/discounts) (in thousands)

		2016	2015	 2014
General Obligation Bonds				
Unlimited Tax Port Improvement Bonds	\$	90,084	\$ 90,202	\$ 95,268
Unlimited Tax Refunding Bonds		607,039	627,430	641,477
Total General Obligation Bonds		697,123	717,632	736,745
Less Current Maturities	_	(19,165)	 (16,275)	 (15,950)
Long-Term Debt (net of unamortized premiums/discounts)	\$	677,958	\$ 701,357	\$ 720,795

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

During 2015, the Authority issued \$115,970 par value of Series 2015A, 2015B and 2015C unlimited tax refunding bonds at a premium. The bond proceeds net of issuance cost, were used to refund \$128,130 in par value relating to Series 2002A, 2005A, 2005B, 2006B and 2006C. Interest expense for 2015 on the unlimited tax bonds decreased by \$345.

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

Year	Fitch	Moody's	S & P
2016	AAA	Aaa	AAA
2015	AAA	Aaa	AAA

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

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

#### **Economic Factors**

A number of factors were considered in preparing the Authority's operating budget for the 2017 fiscal year, including the global economy, tonnage statistics, and expected growth in domestic and international trade. The Authority's budgets and other financial information are made available on its website, porthouston.com, as part of its commitment to financial transparency.

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

Acknowledging the likelihood of fiscal stimulus, the latest IMF estimates show the U.S. economy continuing its recovery with GDP growth of 2.3% and 2.5% expected in 2017 and 2018, respectively. According to the Bureau of Labor Statistics, the consumer price index ("CPI") increased 2.1% in 2016 on an unadjusted basis, compared to an average annual increase of 1.8% over the last 10 years. Low inflation is expected to continue in 2017, increasing about 2.1% according to Trading Economics, a global economics research firm.

The Texas regional economy experienced accelerated growth in the second half of 2016. Improvement was broad based, with stronger employment, manufacturing output and higher service sector revenue as well as solid real estate activity. The energy sector continued to

show signs of improvement. Texas payroll employment grew at a 1.7% annual rate in the fourth quarter of 2016, close to its historical average of 2.1%. While this is well below the 3.7% rate that prevailed in 2014, it represents the second consecutive quarter in which Texas' employment growth surpassed the national average. The Federal Reserve Bank of Dallas forecasts 2017 employment growth in Texas of 1.9%, which would be the state's strongest growth since 2014.

The Authority's 2017 budget reflects expected growth of export and import loads of 8.8%, with a 2.5% increase in empty container volume. Steel tonnage is expected to increase slightly by 0.3% in 2017, along with 6.9% growth in general cargo.

#### **Requests for Information**

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

Statements of Net Position
As of December 31, 2016 and 2015
(in thousands)

Assets           Current Assets           Cash and cash equivalents         \$ 39,356         \$ 59,894           Short-term investments         290,711         225,710           Receivables (net of allowance for uncollectibles)         31,930         30,318           Restricted assets         16,149         11,078           Cash and cash equivalents         47,216         44,129           Prepaid and other current assets         2,418         3,262           Total Current Assets         427,780         374,391           Noncurrent Assets           Investments         60,723         136,580           Prepaid and other noncurrent assets         61,89         7,307           Capital Assets (net of accumulated depreciation)           Land and channel improvements         404,711         394,626           Land and channel improvements         11,777         11,777           Buildings         76,089         87,138           Improvements other than buildings         656,115         689,570           Railroads         22,144         23,395           Machinery and equipment         212,935         211,643           Computer software - intangible         3,588         2,100 </th <th></th> <th colspan="2">2016</th> <th></th> <th>2015</th>		2016			2015	
Cash and cash equivalents         \$ 39,356         \$ 59,894           Short-term investments         290,711         225,710           Receivables (net of allowance for uncollectibles)         31,930         30,318           Restricted assets         16,149         11,078           Property tax receivables         47,216         44,129           Prepaid and other current assets         2,418         3,262           Total Current Assets         427,780         374,391           Noncurrent Assets         60,723         136,580           Prepaid and other noncurrent assets         6,189         7,307           Capital Assets (net of accumulated depreciation)         2         11,777         11,777           Land use rights - intangible         11,777         11,777         11,777           Buildings         76,089         87,138           Improvements other than buildings         56,6115         689,570           Railroads         22,144         23,395           Machinery and equipment         212,935         211,643           Computer software - intangible         3,588         2,100           Construction-in-progress         224,137         85,387           Total Capital Assets         1,611,496         1,505,636	Assets					
Short-term investments         290,711         225,710           Receivables (net of allowance for uncollectibles)         31,930         30,318           Restricted assets         16,149         11,078           Cash and cash equivalents         16,149         11,078           Property tax receivables         47,216         44,129           Prepaid and other current assets         2,418         3,262           Total Current Assets         427,780         374,391           Noncurrent Assets         60,723         136,580           Prepaid and other noncurrent assets         6,189         7,307           Capital Assets (net of accumulated depreciation)         404,711         394,626           Land use rights - intangible         11,777         11,777         11,777           Buildings         76,089         87,138           Improvements other than buildings         656,115         689,570           Railroads         22,144         23,395           Machinery and equipment         212,935         211,643           Computer software - intangible         3,588         2,100           Construction-in-progress         224,137         85,387           Total Capital Assets         1,678,408         1,649,523	Current Assets					
Receivables (net of allowance for uncollectibles)         31,930         30,318           Restricted assets         16,149         11,078           Cash and cash equivalents         47,216         44,129           Property tax receivables         47,216         44,129           Prepaid and other current assets         2,418         3,262           Total Current Assets         427,780         374,391           Noncurrent Assets           Investments         60,723         136,580           Prepaid and other noncurrent assets         6,189         7,307           Capital Assets (net of accumulated depreciation)           Land and channel improvements         404,711         394,626           Land use rights - intangible         11,777         11,777           Buildings         76,089         87,138           Improvements other than buildings         656,115         689,570           Railroads         22,144         23,395           Machinery and equipment         212,935         211,643           Computer software - intangible         3,588         2,100           Construction-in-progress         224,137         85,387           Total Capital Assets         1,611,496         1,505,636	Cash and cash equivalents	\$	39,356	\$	59,894	
Restricted assets         16,149         11,078           Cash and cash equivalents         47,216         44,129           Property tax receivables         2,418         3,262           Total Current Assets         2,418         3,262           Total Current Assets         427,780         374,391           Noncurrent Assets         60,723         136,580           Prepaid and other noncurrent assets         6,189         7,307           Capital Assets (net of accumulated depreciation)         394,626           Land and channel improvements         404,711         394,626           Land use rights - intangible         11,777         11,777           Buildings         76,089         87,138           Improvements other than buildings         656,115         689,570           Railroads         22,144         23,395           Machinery and equipment         212,935         211,643           Computer software - intangible         3,588         2,100           Construction-in-progress         224,137         85,387           Total Capital Assets         1,611,496         1,505,636           Total Noncurrent Assets         1,678,408         1,649,523           Total Assets         2,106,188         2,023,914 </td <td>Short-term investments</td> <td></td> <td></td> <td></td> <td>225,710</td>	Short-term investments				225,710	
Cash and cash equivalents         16,149         11,078           Property tax receivables         47,216         44,129           Prepaid and other current assets         2,418         3,262           Total Current Assets         427,780         374,391           Noncurrent Assets           Investments         60,723         136,580           Prepaid and other noncurrent assets         6,189         7,307           Capital Assets (net of accumulated depreciation)           Land and channel improvements         404,711         394,626           Land use rights - intangible         11,777         11,777           Buildings         76,089         87,138           Improvements other than buildings         656,115         689,570           Railroads         22,144         23,395           Machinery and equipment         212,935         211,643           Computer software - intangible         3,588         2,100           Construction-in-progress         224,137         85,387           Total Capital Assets         1,611,496         1,505,636           Total Noncurrent Assets         1,678,408         1,649,523           Total Assets         2,106,188         2,023,914 <td colspa<="" td=""><td></td><td></td><td>31,930</td><td></td><td>30,318</td></td>	<td></td> <td></td> <td>31,930</td> <td></td> <td>30,318</td>			31,930		30,318
Property tax receivables         47,216         44,129           Prepaid and other current assets         2,418         3,262           Total Current Assets         427,780         374,391           Noncurrent Assets           Investments         60,723         136,580           Prepaid and other noncurrent assets         6,189         7,307           Capital Assets (net of accumulated depreciation)         404,711         394,626           Land use rights - intangible         11,777         11,777           Buildings         76,089         87,138           Improvements other than buildings         656,115         689,570           Railroads         22,144         23,395           Machinery and equipment         212,935         211,643           Computer software - intangible         3,588         2,100           Construction-in-progress         224,137         85,387           Total Capital Assets         1,611,496         1,505,636           Total Noncurrent Assets         1,611,496         1,505,636           Total Noncurrent Assets         2,106,188         2,023,914           Deferred Outflows of Resources         2,106,188         2,023,914           Deferred Outflows of resources related to pensions perferred o						
Prepaid and other current assets         2,418         3,262           Total Current Assets         427,780         374,391           Noncurrent Assets         60,723         136,580           Prepaid and other noncurrent assets         6,189         7,307           Capital Assets (net of accumulated depreciation)         404,711         394,626           Land and channel improvements         404,711         394,626           Land use rights - intangible         11,777         11,777         11,777           Buildings         76,089         87,138           Improvements other than buildings         656,115         689,570           Railroads         22,144         23,395           Machinery and equipment         212,935         211,643           Computer software - intangible         3,588         2,100           Construction-in-progress         224,137         85,387           Total Capital Assets         1,611,496         1,505,636           Total Noncurrent Assets         1,678,408         1,649,523           Total Assets         2,106,188         2,023,914           Deferred Outflows of Resources         16,500         11,642           Deferred Outflows of resources related to pensions         16,500         11,642					,	
Total Current Assets         427,780         374,391           Noncurrent Assets         80,723         136,580           Prepaid and other noncurrent assets         6,189         7,307           Capital Assets (net of accumulated depreciation)         404,711         394,626           Land and channel improvements         404,711         394,626           Land use rights - intangible         11,777         11,777           Buildings         76,089         87,138           Improvements other than buildings         656,115         689,570           Railroads         22,144         23,395           Machinery and equipment         212,935         211,643           Computer software - intangible         3,588         2,100           Construction-in-progress         224,137         85,387           Total Capital Assets         1,611,496         1,505,636           Total Noncurrent Assets         1,678,408         1,649,523           Total Assets         2,106,188         2,023,914           Deferred Outflows of Resources         2,106,188         2,023,914           Deferred Outflows of Resources related to pensions         16,500         11,642           Deferred Outflows of Resources related to pensions on bond refunding         5,402         <						
Noncurrent Assets         60,723         136,580           Investments         60,723         136,580           Prepaid and other noncurrent assets         6,189         7,307           Capital Assets (net of accumulated depreciation)           Land and channel improvements         404,711         394,626           Land use rights - intangible         11,777         11,777           Buildings         76,089         87,138           Improvements other than buildings         656,115         689,570           Railroads         22,144         23,395           Machinery and equipment         212,935         211,643           Computer software - intangible         3,588         2,100           Construction-in-progress         224,137         85,387           Total Capital Assets         1,611,496         1,505,636           Total Noncurrent Assets         1,678,408         1,649,523           Total Noncurrent Assets         2,106,188         2,023,914           Deferred Outflows of Resources           Deferred Outflows of resources related to pensions         16,500         11,642           Deferred Outflows of Resources         21,902         6,624           Total Deferred Outflows of Resources         21,902	Prepaid and other current assets		2,418		3,262	
Investments	Total Current Assets		427,780		374,391	
Prepaid and other noncurrent assets         6,189         7,307           Capital Assets (net of accumulated depreciation)           Land and channel improvements         404,711         394,626           Land use rights - intangible         11,777         11,777           Buildings         76,089         87,138           Improvements other than buildings         656,115         689,570           Railroads         22,144         23,395           Machinery and equipment         212,935         211,643           Computer software - intangible         3,588         2,106           Construction-in-progress         224,137         85,387           Total Capital Assets         1,611,496         1,505,636           Total Noncurrent Assets         1,678,408         1,649,523           Total Noncurrent Assets         2,106,188         2,023,914           Deferred Outflows of Resources         2,106,188         2,023,914           Deferred Outflows of resources related to pensions         16,500         11,642           Deferred loss on bond refunding         5,402         6,624           Total Deferred Outflows of Resources         21,902         18,266	Noncurrent Assets					
Capital Assets (net of accumulated depreciation)         Land and channel improvements       404,711       394,626         Land use rights - intangible       11,777       11,777         Buildings       76,089       87,138         Improvements other than buildings       656,115       689,570         Railroads       22,144       23,395         Machinery and equipment       212,935       211,643         Computer software - intangible       3,588       2,100         Construction-in-progress       224,137       85,387         Total Capital Assets       1,611,496       1,505,636         Total Noncurrent Assets       1,678,408       1,649,523         Total Assets       2,106,188       2,023,914         Deferred Outflows of Resources       16,500       11,642         Deferred loss on bond refunding       5,402       6,624         Total Deferred Outflows of Resources       21,902       18,266						
Land and channel improvements       404,711       394,626         Land use rights - intangible       11,777       11,777         Buildings       76,089       87,138         Improvements other than buildings       656,115       689,570         Railroads       22,144       23,395         Machinery and equipment       212,935       211,643         Computer software - intangible       3,588       2,100         Construction-in-progress       224,137       85,387         Total Capital Assets       1,611,496       1,505,636         Total Noncurrent Assets       1,678,408       1,649,523         Total Assets       2,106,188       2,023,914         Deferred Outflows of Resources         Deferred loss on bond refunding       5,402       6,624         Total Deferred Outflows of Resources       21,902       18,266	Prepaid and other noncurrent assets		6,189		7,307	
Land use rights - intangible       11,777       11,777         Buildings       76,089       87,138         Improvements other than buildings       656,115       689,570         Railroads       22,144       23,395         Machinery and equipment       212,935       211,643         Computer software - intangible       3,588       2,100         Construction-in-progress       224,137       85,387         Total Capital Assets       1,611,496       1,505,636         Total Noncurrent Assets       1,678,408       1,649,523         Total Assets       2,106,188       2,023,914         Deferred Outflows of Resources       2,06,188       2,023,914         Deferred loss on bond refunding       5,402       6,624         Total Deferred Outflows of Resources       21,902       18,266	- · · · · · · · · · · · · · · · · · · ·					
Buildings       76,089       87,138         Improvements other than buildings       656,115       689,570         Railroads       22,144       23,395         Machinery and equipment       212,935       211,643         Computer software - intangible       3,588       2,100         Construction-in-progress       224,137       85,387         Total Capital Assets       1,611,496       1,505,636         Total Noncurrent Assets       1,678,408       1,649,523         Total Assets       2,106,188       2,023,914         Deferred Outflows of Resources       16,500       11,642         Deferred loss on bond refunding       5,402       6,624         Total Deferred Outflows of Resources       21,902       18,266					,	
Improvements other than buildings       656,115       689,570         Railroads       22,144       23,395         Machinery and equipment       212,935       211,643         Computer software - intangible       3,588       2,100         Construction-in-progress       224,137       85,387         Total Capital Assets       1,611,496       1,505,636         Total Noncurrent Assets       1,678,408       1,649,523         Total Assets       2,106,188       2,023,914         Deferred Outflows of Resources       2,106,188       2,023,914         Deferred loss on bond refunding       5,402       6,624         Total Deferred Outflows of Resources       21,902       18,266						
Railroads       22,144       23,395         Machinery and equipment       212,935       211,643         Computer software - intangible       3,588       2,100         Construction-in-progress       224,137       85,387         Total Capital Assets       1,611,496       1,505,636         Total Noncurrent Assets       1,678,408       1,649,523         Total Assets       2,106,188       2,023,914         Deferred Outflows of Resources       2       16,500       11,642         Deferred loss on bond refunding       5,402       6,624         Total Deferred Outflows of Resources       21,902       18,266						
Machinery and equipment       212,935       211,643         Computer software - intangible       3,588       2,100         Construction-in-progress       224,137       85,387         Total Capital Assets       1,611,496       1,505,636         Total Noncurrent Assets       1,678,408       1,649,523         Total Assets       2,106,188       2,023,914         Deferred Outflows of Resources       16,500       11,642         Deferred loss on bond refunding       5,402       6,624         Total Deferred Outflows of Resources       21,902       18,266	•					
Computer software - intangible         3,588         2,100           Construction-in-progress         224,137         85,387           Total Capital Assets         1,611,496         1,505,636           Total Noncurrent Assets         1,678,408         1,649,523           Total Assets         2,106,188         2,023,914           Deferred Outflows of Resources         16,500         11,642           Deferred loss on bond refunding         5,402         6,624           Total Deferred Outflows of Resources         21,902         18,266						
Construction-in-progress         224,137         85,387           Total Capital Assets         1,611,496         1,505,636           Total Noncurrent Assets         1,678,408         1,649,523           Total Assets         2,106,188         2,023,914           Deferred Outflows of Resources         16,500         11,642           Deferred loss on bond refunding         5,402         6,624           Total Deferred Outflows of Resources         21,902         18,266						
Total Capital Assets         1,611,496         1,505,636           Total Noncurrent Assets         1,678,408         1,649,523           Total Assets         2,106,188         2,023,914           Deferred Outflows of Resources         5,402         11,642           Deferred loss on bond refunding         5,402         6,624           Total Deferred Outflows of Resources         21,902         18,266					,	
Total Noncurrent Assets         1,678,408         1,649,523           Total Assets         2,106,188         2,023,914           Deferred Outflows of Resources           Deferred outflows of resources related to pensions         16,500         11,642           Deferred loss on bond refunding         5,402         6,624           Total Deferred Outflows of Resources         21,902         18,266	Construction-in-progress		224,137		85,387	
Total Assets         2,106,188         2,023,914           Deferred Outflows of Resources           Deferred outflows of resources related to pensions         16,500         11,642           Deferred loss on bond refunding         5,402         6,624           Total Deferred Outflows of Resources         21,902         18,266	Total Capital Assets		1,611,496		1,505,636	
Deferred Outflows of Resources  Deferred outflows of resources related to pensions Deferred loss on bond refunding  Total Deferred Outflows of Resources  21,902  18,266	Total Noncurrent Assets		1,678,408		1,649,523	
Deferred outflows of resources related to pensions Deferred loss on bond refunding  Total Deferred Outflows of Resources  16,500 11,642 5,402 6,624  Total Deferred Outflows of Resources 21,902 18,266	Total Assets		2,106,188	_	2,023,914	
Deferred loss on bond refunding 5,402 6,624  Total Deferred Outflows of Resources 21,902 18,266	<b>Deferred Outflows of Resources</b>					
Total Deferred Outflows of Resources 21,902 18,266	Deferred outflows of resources related to pensions		16,500		11,642	
	Deferred loss on bond refunding		5,402		6,624	
Total Assets and Deferred Outflows of Resources \$ 2,128,090 \$ 2,042,180	Total Deferred Outflows of Resources		21,902	_	18,266	
	<b>Total Assets and Deferred Outflows of Resources</b>	\$	2,128,090	\$	2,042,180	

Statements of Net Position
As of December 31, 2016 and 2015
(in thousands)

	2016		2016	
Liabilities				
Current Liabilities				
Accounts payable and other current liabilities Fees received in advance and other reserves	\$	62,262 7,937	\$	32,287 3,628
Liabilities payable from restricted assets:  Current maturities of long-term debt				
Unlimited tax bonds		19,165		16,275
Accrued interest payable		,		-,
Unlimited tax bonds		8,494		8,690
Total Current Liabilities Payable from Restricted Assets		27,659		24,965
Total Current Liabilities		97,858		60,880
Noncurrent Liabilities				
Long-term debt, net of current maturities		677,958		701,357
Net pension liability		13,472		5,061
Other noncurrent liabilities		50 120		51.200
Due in more than one year		58,138		51,298
Total Noncurrent Liabilities		749,568		757,716
Total Liabilities		847,426		818,596
Deferred Inflows of Resources				
Deferred inflows of resources related to pensions Deferred gain on bond refunding		3,210 209		3,973 261
Total Deferred Inflows of Resources	_	3,419		4,234
Total Liabilities and Deferred Inflows of Resources		850,845		822,830
<b>Commitments and Contingencies</b>		-		-
Net Position				
Net investment in capital assets Restricted for:		919,177		794,075
Debt Service		45,705		41,853
Unrestricted		312,363		383,422
Total Net Position		1,277,245		1,219,350
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	\$	2,128,090	\$	2,042,180

Statements of Revenues, Expenses and Changes in Net Position For the Years Ended December 31, 2016 and 2015 (in thousands)

	2016		201:	5
Operating revenues				
Vessel and cargo services	\$	266,703	\$ 26	7,277
Rental of equipment and facilities	Ψ	15,869		7,120
Grain elevator		1,199		1,567
Bulk materials		3,941		4,019
Other		2,514		3,753
Total operating revenues		290,226	29:	3,736
Operating expenses				
Maintenance and operations of facilities		141,102	12:	3,433
General and administrative		44,286	4:	2,297
Depreciation and amortization		64,601	6	0,198
Impairment of Capital Assets		15,114		
Total operating expenses		265,103	22:	5,928
Operating income		25,123	6	7,808
Nonoperating revenues (expenses)				
Investment income		4,896		4,142
Contributions to state and local agencies		(2,127)		2,147)
Contribution in aid of construction		-	`	610
Gain \ (Loss) on disposal of assets		2,976	(2	2,849)
Other, net		1,657		941
Total nonoperating revenues (expenses)		7,402		697
Income before nonoperating revenues (expenses) related to				
property taxes		32,525	6	8,505
Nonoperating revenues (expenses) related to property taxes				
Property taxes, net of estimated uncollectible amounts		55,749	5	1,280
Investment income on bond proceeds		119		120
Interest expense on unlimited tax bonds		(31,548)	,	3,114)
Property tax collection expense		(1,100)	(	1,039)
Other, net		(303)		(455)
Total nonoperating revenues (expenses) related to				
property taxes		22,917	1	6,792
Income before capital contributions		55,442	8	5,297
Capital contributions from federal agencies		2,453		116
Change in net position		57,895	8:	5,413
Net position, January 1		1,219,350		3,937
Net position, December 31	\$	1,277,245	\$ 1,21	9,350



Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015
(in thousands)

		2016		2015
Cash flows from operating activities:				
Cash received from customers	\$	296,173	\$	290,596
Cash paid to suppliers for goods and services	Ф	(44,512)	Ф	(65,743)
Cash paid to suppliers for goods and services  Cash paid to employees for services				(73,828)
Cash paid to employees for services  Cash paid for employee benefits		(82,102)		
Cash received / (paid) for other services		(21,812) 813		(32,110)
				(3,174)
Cash received for other purposes		6,888	_	4,054
Net cash provided by operating activities	_	155,448		119,795
Cash flows from noncapital financing activities:				
Property taxes received		53,165		45,725
Contributions paid to others		(2,127)		(1,430)
Property tax collection expenses paid		(1,995)		(2,054)
Net cash provided by noncapital financing activities		49,043	_	42,241
Cash flows from capital and related financing activities:				
Contributions received from federal agencies		927		95
Proceeds from issuance of long-term debt		-		115,970
Interim financing costs		(1,081)		(1,553)
Repayment of long-term debt and funding of escrow		(16,275)		(131,920)
Interest on long-term debt		(34,759)		(35,244)
Acquisition and construction of capital assets		(183,958)		(84,274)
Proceeds from retirement of assets		324		682
Net cash used in capital financing activities		(234,822)		(136,244)
Cash flows from investing activities:				
Purchase of investments		(389,036)		(277,550)
Proceeds from maturities of investments		400,195		263,415
Interest on investments		3,705		3,552
Net cash provided by (used in) investing activities		14,864		(10,583)
Net (decrease) \ increase in cash and cash equivalents		(15,467)		15,209
Cash and cash equivalents, January 1		70,972		55,763
Cash and cash equivalents, December 31	\$	55,505	\$	70,972
Cash and cash equivalents Unrestricted	\$	39,356	\$	59,894
Cash and cash equivalents Restricted		16,149		11,078

Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015
(in thousands)

		2016		2015
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$	25,123	\$	67,808
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization		64,601		60,198
Impairment of capital assets		15,114		-
Gain / (Loss) on disposal of assets		2,976		(2,849)
Provision for doubtful accounts		139		172
Net Pension deferrals		(5,623)		(10,628)
Miscellaneous nonoperating income, net		3,625		345
Change in assets and liabilities				
Increase in trade and other receivables		(786)		(2,876)
Decrease / (increase) in prepaids and other current assets		8		(404)
Decrease in inventories		-		16
(Decrease) / increase in dredging expenses paid in advance		798		(3,732)
Increase in accounts payable and other liabilities		36,581		1,833
Increase in net pension liability and compensated absences		8,643		9,823
Increase in revenues received in advance		4,249		89
Net cash provided by operating activities	\$	155,448	\$	119,795
Noncash investing, capital and financing activities:				
Increase in fair value of investments	\$	(615)	\$	(528)
Capital contributions from federal agencies	Ψ	1,547	Ψ	21
capture continuations from reactar agencies		1,5 . /		

# Port of Houston Authority of Harris County, Texas Statements of Fiduciary Trust Net Position

Statements of Fiduciary Trust Net Position As of December 31, 2016 and 2015 (in thousands)

	Contr	fined ibution /2016	Cont	efined ribution 1/2015	OPEB 2/31/2016	12	OPEB 2/31/2015
Assets							
Cash and cash equivalents	\$	29	\$	20	\$ 1,518	\$	1,755
Investment Securities		0.5		4.5	26 601		21 270
Domestic Equity		95 12		45	26,601		21,370
International Equity Fixed Income		12		6	2,394		2,078
		6		2	22,372		17,964
Balanced Funds*		821		415	-		-
Accrued investment income		-			181		162
Total Assets		963		488	53,066		43,329
Liabilities							
Administrative fees		-		-	17		-
Investment Expenses		_		_	57		_
Total Liabilities		-		-	74		
Assets held in trust for pension / OPEB	\$	963	\$	488	\$ 52,992	\$	43,329

<sup>\*</sup> Mutual funds that include both equity and fixed income securities.

# **Port of Houston Authority of Harris County, Texas**Statements of Changes in Fiduciary Trust Net Position

Statements of Changes in Fiduciary Trust Net Position For the Years Ended December 31, 2016 and 2015 (in thousands)

	Defined Contribution		Defined Contribution		OPEB	OPEB
		//31/2016		31/2015	12/31/2016	12/31/2015
Additions:					,	
Employer contributions	\$	444	\$	263	\$ 5,300	\$ 8,000
Net investment income		31		15	6,758	970
Total additions		475		278	12,058	8,970
<b>Deductions:</b>						
Benefit payments and withdrawals		=		-	(2,378)	(1,980)
Administrative expenses		-			(17)	(231)
Total deductions					(2,395)	(2,211)
Net increase in net position		475		278	9,663	6,759
Assets held in trust for pension /						
OPEB, beginning of year		488		210	43,329	36,570
Assets held in trust for pension /	Φ.	0.62	Φ.	400	<b>*</b> 52 002	Ф. 42.222
OPEB, end of year	\$	963	\$	488	\$ 52,992	\$ 43,329

Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015 (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 of the State of Texas, operating as a navigation district pursuant to Chapter 5007 of the Texas Special District Laws Code. The Port Commission, composed of seven commissioners, governs the Authority. Harris County, Texas ("County") and the City of Houston, each appoint two commissioners to the Port Commission and jointly appoint the chairman. The City of Pasadena and the Harris County Mayors' and Councils' Association ("Association"), each appoint one commissioner. Under state law, the County Treasurer serves as the treasurer of the Authority. The Authority is not a component unit of the County, the City of Houston, the City of Pasadena, or the Association, since none of these entities exercises financial control over the Authority. The Authority is considered a primary government entity based on satisfying the following criteria: (a) no entity appoints a voting majority of its governing body; (b) it is legally separate from other entities; and (c) it is fiscally independent of other state and local governments.

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

#### **Blended Component Unit**

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

#### **Basis of Accounting**

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

Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015 (in thousands)

#### 1. Summary of Significant Accounting Policies (continued)

#### **Use of Estimates**

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

#### Cash and Cash Equivalents

Cash, highly liquid time deposits, and short-term investments with original maturities of three months or less when purchased are classified herein as cash and cash equivalents.

#### Investments

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

#### **Accounts Receivable**

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

#### **Prepaid Items**

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

#### **Maintenance Dredging**

The cost of periodic maintenance dredging of berthing areas adjacent to the Authority's wharves, and of certain ship channels not maintained by the federal government, is capitalized in prepaid and other current assets and amortized over

Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015 (in thousands)

#### 1. Summary of Significant Accounting Policies (continued)

#### **Maintenance Dredging (continued)**

three years. Amortization for 2016 and 2015 amounted to \$1,270 and \$1,035, respectively, and is included in depreciation and amortization in the Statements of Revenues, Expenses and Changes in Net Position.

#### **Property Taxes**

Property taxes (net of collection expenses) are used to pay debt service on General Obligation Bonds outstanding. Property is appraised, and a lien on such property becomes enforceable, as of January 1, subject to certain procedures generally in accordance with Harris County Appraisal District rules for rendition, appraisal, appraisal review, and judicial review. Property taxes are generally levied in October or November for the year in which assessed. Taxes become delinquent February 1 of the following year and are subject to interest and penalty charges. The Harris County Tax Assessor-Collector bills and collects property taxes of the Authority for a fee and remits collections to the Authority. Property tax collection expenses incurred by the Authority for the years ended December 31, 2016 and 2015 were \$1,100 and \$1,039, respectively. These expenses are reflected as property tax expense in the Statements of Revenues, Expenses and Changes in Net Position. The tax rates levied on behalf of the Authority for the years ended December 31, 2016 and 2015 were \$0.01334 and \$0.01342, respectively, per one hundred dollars of assessed valuation.

#### **Restricted Assets**

Assets whose use is restricted to specific purposes by bond indenture or otherwise are segregated on the Statements of Net Position. These assets are primarily restricted for construction and debt service purposes.

#### **Capital Assets**

Capital assets are defined by the Authority as assets with an initial, individual cost of more than five thousand dollars and an estimated useful life of three years or greater. Property constructed or acquired by purchase is stated at cost. Property received as a contribution is stated at estimated fair value on the date received. The cost of normal maintenance and repairs that do not add value to the assets or materially extend asset lives are expensed. The Authority capitalizes, as a cost of its constructed assets, the weighted average interest expense applied to average cumulative expenditures. No interest was capitalized in 2016 and 2015.

Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015 (in thousands)

#### 1. Summary of Significant Accounting Policies (continued)

#### **Capital Assets (continued)**

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

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

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

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

#### **Deferred Compensation**

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

#### **Compensated Absences**

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

Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015 (in thousands)

#### 1. Summary of Significant Accounting Policies (continued)

#### **Deferred Outflows and Inflows of Resources**

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

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

#### Net Position

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

#### **Operating Revenues and Expenses**

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

The Authority's operating revenues for vessel and cargo services are collected from charges assessed pursuant to its tariffs and from lease revenues associated with

Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015 (in thousands)

#### 1. Summary of Significant Accounting Policies (continued)

#### **Operating Revenues and Expenses (continued)**

facilities located within the operating terminals. These revenues are recognized and accrued during the period earned. Revenues from rental of equipment and facilities are derived from leases outside of the operating terminals combined with fees associated with a use agreement with respect to railroad rights-of-way. These revenues are recognized during the period earned by accrual or prepayment amortization, as appropriate pursuant to agreement terms.

#### **Current Year Accounting Pronouncements**

In February 2015, GASB issued Statement 72, "Fair Value Measurement and Application". This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. The Authority implemented this Statement in fiscal year 2016. See Footnote 2 for implication of the new standard.

In June 2015, GASB issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68." In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. The Authority has determined there is no implication to the Authority.

In June 2015, GASB issued Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments." This Statement is intended to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles ("GAAP"). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. The provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015. The Authority implemented this standard in 2016.

Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015 (in thousands)

#### 1. Summary of Significant Accounting Policies (continued)

#### **Current Year Accounting Pronouncements (continued)**

In August 2015, GASB issued Statement No. 77, "Tax Abatement Disclosures." This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015. The Authority implemented this statement in fiscal year 2016. See Note 12.

In December 2015, GASB issued Statement No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans." This Statement is intended to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The Authority has determined that the requirements of GASB 78 are not applicable to the Authority.

In December 2015, GASB issued Statement No. 79, "Certain External Investment Pools and Pool Participants." This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23, 26 and 40, which are effective for reporting periods beginning after December 15, 2015. The Authority has determined that the requirements of GASB 79 are not applicable to the Authority.

Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015 (in thousands)

#### 1. Summary of Significant Accounting Policies (continued)

#### **Future Accounting Pronouncements**

In June 2015, GASB issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." This Statement is intended to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. The Authority anticipates implementation of this statement in fiscal year 2017.

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

In January 2016, GASB issued Statement No. 80, "Blending Requirements for Certain Component Units — An amendment of GASB Statement No 14." This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged. The Authority anticipates implementation of this statement in fiscal year 2017.

In March 2016, GASB issued Statement No. 81, "Irrevocable Split-Interest Agreements." This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become

Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015 (in thousands)

#### 1. Summary of Significant Accounting Policies (continued)

#### **Future Accounting Pronouncements (continued)**

applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged. The Authority anticipates implementation of this statement in fiscal year 2017.

In March 2016, GASB issued Statement No. 82, "Pension Issues – Amendment of GASB Statements No.67, No. 68, and No.73." The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67. Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Statement also clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The Authority anticipates implementation of this statement in fiscal year 2017.

#### 2. Cash and Investments

The Authority's cash and cash equivalents of \$55,505 and \$70,972 as of December 31, 2016 and 2015, respectively, are maintained in demand accounts and money market mutual funds managed by major fund managers. The demand account balance is fully covered by the Federal Deposit Insurance Corporation ("FDIC") or collateralized with securities deposited by the Authority's depository institution in

Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015 (in thousands)

#### 2. Cash and Investments (continued)

safekeeping at the Federal Reserve Bank in the Authority's name. The mutual funds are invested primarily in direct obligations of the U.S. government or its agencies.

In accordance with its Investment Policy and the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code ("PFIA"), the Authority may invest in fully-collateralized or insured time deposits, direct debt securities of the United States or its agencies, municipal and state obligations, commercial paper, money market mutual funds, guaranteed investment contracts, bankers' acceptances, collateralized mortgage obligations (the underlying security for which is guaranteed by an agency of the United States) and local government investment pools. The Authority may also invest in fully-collateralized repurchase agreements as authorized by the PFIA under a master repurchase agreement which includes appropriate provisions regarding delivery, substitution, margin maintenance, margin amounts, seller representations, and governing law. The Authority held no investments in guaranteed investment contracts, bankers' acceptances, or repurchase agreements during 2016 or 2015.

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

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize this risk, the Authority's Investment Policy does not allow any fixed income securities below the rating of "A" or its equivalent. U.S. agencies are rated "AA+" by Standard & Poor's and "Aaa" by Moody's Investors Service. Commercial paper must be rated not less than "A1", "P1", or the equivalent by at least two nationally recognized credit rating agencies or must be rated at least "A1", "P1" or the equivalent by at least one nationally recognized credit rating agency and be fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state thereof. Obligations of states, agencies, counties, cities, and other political subdivisions of any state must be rated not less than "A" or its equivalent. Ratings of "SP1" by Standard & Poor's or "MIG1" by Moody's Investors Service are acceptable, as those are the highest ratings assigned to short-term municipal securities.

Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015 (in thousands)

#### 2. Cash and Investments (continued)

Concentration of Credit Risk - Concentration of credit risk exists when investments are concentrated in securities of a few issuers. The Authority's investments at December 31, 2016 included the following securities which comprised more than 5% of the total portfolio (excluding cash and cash equivalents):

Commercial Paper:	
Abbey Nat'l Treas Srvc	8%
Bk of Tokyo Mitsubishi NY	14%
BNP Paribas NY	10%
Mitsubishi Intl Corp	6%
Natixis NY	11%
U.S. Agency Securities:	
Federal National Mortgage Association	10%
Municipal Bonds:	
Hudson Cty NJ Imprv Auth Rev	6%

These securities meet the diversification and credit quality requirements specified in the Investment Policy.

*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 minimizes this risk by generally holding long-term fixed-rate securities to maturity. See table on following page.

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, 2016 and 2015, the Authority had no foreign currency risk.

The Authority has estimated the fair value of financial instruments in accordance with the guidance provided in GASB Statement 72. Significant financial instruments consist of cash and cash equivalents, and investment securities. The carrying amounts for cash and cash equivalents approximate fair value due to the short-term nature of these items.

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

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015
(in thousands)

## 2. Cash and Investments (continued)

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

The following table presents information about the Authority's investments that are measured at fair value as of December 31, 2016 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

Security Type	Le	evel 1	Level 2	Level 3	 Total
U.S. Agency Securities	\$	-	\$ 34,892	\$ -	\$ 34,892
Commercial Paper		-	200,255	-	200,255
Municipal Bonds		-	 116,287	 -	 116,287
Total	\$	-	\$ 351,434	\$ -	\$ 351,434

Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015
(in thousands)

# 2. Cash and Investments (continued)

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

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

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Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015
(in thousands)

# 2. Cash and Investments (continued)

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

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

Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015
(in thousands)

# 2. Cash and Investments (continued)

The following table details the U.S. Dollar holdings and their weighted average maturity as of December 31, 2015.

Security Type	Ratings	Fair Value	Weighted Average Maturity (In Years)
Agency Securities:			
FHLMC NOTE	AA+/Aaa	\$ 24,753	0.52
FNMA NOTE	AA+/Aaa	34,853	0.42
FNMA NOTE	AA+/Aaa	19,923	0.26
FNMA NOTE	AA+/Aaa	19,794	0.42
FNMA NOTE	AA+/Aaa	14,881	0.41
Total		114,204	
Commercial Paper:			
Credit Agricole	A-1/P-1	24,991	0.02
Credit Agricole	A-1/P-1	19,959	0.05
Credit Agricole	A-1/P-1	19,940	0.06
Credit Agricole	A-1/P-1	9,961	0.04
J.P. Morgan Sec	A-1/P-1	24,977	0.04
J.P. Morgan Sec	A-1/P-1	14,989	0.02
Natixis Finance	A-1/P-1	19,988	0.02
Natixis Finance	A-1/P-1	14,941	0.05
Natixis Finance	A-1/P-1	9,928	0.05
Total		159,674	

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Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015
(in thousands)

# 2. Cash and Investments (continued)

Security Type	Ratings	Fair Value	Weighted Average Maturity (In Years)
Municipal Bonds:			
AZ School Facilities Board	AAA/Aaa	3,236	0.02
City of Carmel, IN Redev Auth	AA+	2,157	0.01
City of Carmel, IN Redev Auth	AA+	2,697	0.03
City of Carmel, IN Redev Auth	AA+	2,802	0.05
City of Oakland, CA TXBL Trans	SP-1/MIG1	1,000	0.01
FL Hurricane Catastrophe	AA-/Aa3	7,234	0.04
Fresno Cty CA Fina Auth Lease Rev	AA-	1,982	0.01
Harris Cty Hou Sports Auth Rev	A-/A2	3,782	0.04
Hudson County NJ Imprv Auth	SP-1+	10,868	0.11
Indiana Bond Bk Rev	AA+	4,452	0.05
Metro Nashville & Davidson Cty TN GO	AA/Aa2	2,003	0.01
N Orange Cty CA CC Dist	AA/Aa1	4,247	0.08
New York City, NY GO	AA/Aa2	1,954	0.02
NJ Eco Develop Auth Sch Const	A-/A3	2,200	0.00
NY St Dorm Auth Tax Rev	AAA/Aa1	1,501	0.00
NY St Dorm Auth Tax Rev	AAA/Aa1	1,481	0.01
OK Cty Fina Auth Ed Rev	A+	4,919	0.12
Passaic County NJ GO	SP-1+	13,046	0.14
PMA WI Levy & Aid	MIG1	8,259	0.07
PMA WI Levy & Aid	MIG1	3,003	0.03
San Bernardino CA Cmty Clg	AA-/Aa2	1,256	0.02
St. Louis MO Spl Admin Sch Dist	AA+	1,261	0.00
St. Louis MO Spl Admin Sch Dist	AA+	2,070	0.03
State of CT GO	AA/Aa3	1,002	0.01
Total		88,412	
Total Fair Value		\$ 362,290	
Portfolio Weighted Average Maturity			1.02
·			

The above calculation of weighted average maturity of the portfolio excludes cash and cash equivalents. As of December 31, 2015, the Authority's weighted average maturity of the overall portfolio as defined in the Investment Policy including cash and cash equivalents is 0.86 years.

Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015
(in thousands)

# 3. Receivables

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

	2016		2015
Trade Receivables, Net			
Trade receivables Damage claims receivable Allowance for doubtful accounts  Total trade receivables, net	\$ 30,786 337 (1,542) 29,581	\$	29,995 1,182 (1,402) 29,775
Total trade receivables, net	29,361		29,113
Other Receivables			
Interest receivable Due from federal agencies Other	 804 1,547 (2)		520 21 2
Total other receivables	 2,349	_	543
<b>Total Receivables, Net</b>	\$ 31,930	\$	30,318



Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015
(in thousands)

# 4. Capital Assets

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

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

Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015
(in thousands)

# 4. Capital Assets (continued)

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Additions	Retirements / Transfers	Ending Balance
Capital assets not being depreciated				
Land other than channel	\$ 102,495	\$ 1,650	\$ (4,624)	\$ 99,521
Land use rights - intangible	11,575	202	-	11,777
Channel land	284,354	10,751	=	295,105
Construction-in-progress	122,356	76,211	(113,180)	85,387
Total capital assets not being depreciated	520,780	88,814	(117,804)	491,790
Capital assets being depreciated				
Buildings	164,577	5,413	-	169,990
Improvements other than buildings	1,085,806	40,715	(181)	1,126,340
Railroads	59,929		· -	59,929
Machinery and equipment	349,224	66,858	(2,774)	413,308
Computer software - intangible	9,798	892		10,690
Total capital assets being depreciated	1,669,334	113,878	(2,955)	1,780,257
Less accumulated depreciation for				
Buildings	(77,906)	(4,946)	_	(82,852)
Improvements other than buildings	(404,121)	(32,830)	181	(436,770)
Railroads	(35,272)	(1,262)	=	(36,534)
Machinery and equipment	(185,565)	(18,252)	2,152	(201,665)
Computer software - intangible	(7,066)	(1,524)		(8,590)
Total accumulated depreciation	(709,930)	(58,814)	2,333	(766,411)
Total capital assets being depreciated, net	959,404	55,064	(622)	1,013,846
Total capital assets, net	\$ 1,480,184	\$ 143,878	\$ (118,426)	\$ 1,505,636

Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015 (in thousands)

## 4. Capital Assets (continued)

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

Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015
(in thousands)

#### 5. Operating Leases

The Authority leases office equipment under a variety of agreements. Operating lease payments are recorded as expenses during the life of the lease. Rental expenses related to operating leases for the year ended December 31, 2016 and 2015 were \$298 and \$354, respectively. As of December 31, 2016, future minimum rental obligations to be paid by the Authority under noncancelable operating leases are as follows:

	Future Minimum	
Year Ending_	_	Lease yments
2017	\$	277
2018		18
Total	\$	295

Additionally, the Authority leases certain assets to others. These leases pertain to land, buildings and improvements, and cargo handling equipment. As of December 31, 2016, future minimum rentals anticipated to be received by the Authority under the operating leases with initial or remaining noncancelable lease terms in excess of one year are as follows:

V E. P	Future Minimum Lease		
Year Ending	Rentals		
2017	\$ 23,715		
2018	21,954		
2019	20,923		
2020	17,493		
2021	15,533		
Thereafter	182,677		
Total	\$ 282,295		

Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015 (in thousands)

# 6. Long-Term Debt and Noncurrent Liabilities

The following is a summary of bonds payable and other noncurrent liabilities, and the changes therein, which comprise the Authority's long-term liabilities for the years ended December 31, 2016 and 2015.

# **Changes in Long-Term Liabilities - 2016**

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

<sup>\*</sup> Included in accounts payable and other current liabilities

The Authority's long-term debt consists of ad valorem tax General Obligation Bonds. Repayment of the outstanding principal of these General Obligation Bonds and interest thereon is made from property taxes. Additional information on property taxes can be found in Note 1 in the accompanying notes to the financial statements.

The Authority had no long-term, capital leases outstanding during 2016 or 2015.

Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015
(in thousands)

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

# **Changes in Long-Term Liabilities - 2015**

	Beginning Balance	Additions	<b>Deductions</b>	Ending Balance	Current Portion
Bonds Payable Unlimited tax bonds Accreted interest on capital	\$ 702,379	\$ 115,970	\$(144,080)	\$ 674,269	\$ 16,275
appreciation bonds	217	76	-	293	-
Less unamortized premiums / discounts, net	34,149	15,253	(6,332)	43,070	
Total Bonds Payable	\$ 736,745	\$ 131,299	\$(150,412)	\$ 717,632	\$ 16,275
Net Pension (Asset) Liability	\$ (5,725)	\$ 27,478	\$ (16,692)	\$ 5,061	\$ -
Other Noncurrent Liabilities Net OPEB obligation Compensated absences Fees received in advance Claims liability Other liabilities	\$ 27,588 5,503 5,270 3,845 14,070	\$ 5,390 5,361 3,708 1,200 1,565	\$ (11,202) (4,855) (3,272) (1,209)	\$ 21,776 6,009 5,706 3,836 15,635	\$ - 575 * 1,089 *
Total Other Noncurrent Liabilities	\$ 56,276	\$ 17,224	\$ (20,538)	\$ 52,962	\$ 1,664

<sup>\*</sup> Included in accounts payable and other current liabilities

During 2015, the Authority issued long-term debt of \$115,970, which was used to extinguish a portion of the long-term debt described herein.

Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015
(in thousands)

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

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

# **Outstanding Long-Term Debt**

					December 31	
	Original	Interest				
	Issue	Rate % *	Issue Date	Maturity	2016	2015
<b>General Obligation Bonds</b>						
<b>Unlimited Tax Refunding Bonds</b>						
Series 2004A	\$ 9,000	3.00-5.00	12/8/2004	2016	\$ -	\$ 680
Series 2006A	28,380	5.00	7/19/2006	2017	2,545	5,105
Series 2006B	47,085	4.75-5.00	10/18/2006	2031	19,640	19,640
Series 2008A	234,630	5.625-6.25	7/24/2008	2038	182,045	182,045
Series 2010A	38,095	1.00-5.00	2/17/2010	2019	11,035	14,750
Series 2010B	22,930	1.00-5.00	2/17/2010	2026	13,345	14,670
Series 2010C	30,254	2.00-5.00	2/3/2010	2038	28,224	28,584
Series 2010D-1	147,940	5.00	8/19/2010	2035	147,940	147,940
Series 2010E	22,330	2.00-5.00	8/19/2010	2038	21,475	21,765
Series 2011A	47,345	1.00-5.00	10/20/2011	2026	34,805	37,455
Series 2015A	62,805	3.125-5.00	8/26/2015	2031	62,805	62,805
Series 2015B	25,905	5.00	8/26/2015	2023	21,210	25,905
Series 2015C	27,260	3.054-5.00	8/26/2015	2026	27,260	27,260
					572,329	588,604
Unamortized premiums / (discounts), net					34,322	38,533
Series 2010C and 2010E CAB					Ź	,
Accretion, net					388	293
Unlimited Tax Refunding Bonds, net					607,039	627,430
2						,
<b>Unlimited Tax Port Improvement</b>						
Bonds						
Series 2010D-2	85,665	5.00	8/19/2010	2039	85,665	85,665
Total Unlimited Tax Port Improvement Bonds					85,665	85,665
Unamortized premiums / (discounts),					05,005	05,005
net					4,419	4,537
Unlimited Tax Port Improvement Bonds, net					90,084	90,202
Total Debt					697,123	717,632
Less Current Maturities					(19,165)	(16,275)
Long - Term Debt (net of unamortized						
premiums / (discounts))					\$ 677,958	\$ 701,357

<sup>\*</sup> Interest rate of original issue

Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015 (in thousands)

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

#### **Debt Service Requirements**

Total debt service requirements for outstanding bonds as of December 31, 2016 are as follows:

Year Ending	Bond Principal General	Capital Appreciation Bond Accreted	Bond Interest General	
December 31	<b>Obligation</b>	Interest	Obligation	Total
2017	\$ 19,165	\$ -	\$ 33,976	\$ 53,141
2018	19,945	-	33,046	52,991
2019	21,185	-	32,063	53,248
2020	21,735	-	31,015	52,750
2021	22,790	-	29,939	52,729
2022-2026	112,830	-	133,355	246,185
2027-2031	146,875	-	101,969	248,844
2032-2036	171,074	17,976	60,491	249,541
2037-2039	122,395		12,035	134,430
	\$ 657,994	\$ 17,976	\$ 467,889	\$ 1,143,859

#### **General Obligation Bonds**

Although the Authority's cash flows from operations fully support day-to-day operating needs and a significant portion of its capital infrastructure investments, the Authority's operating revenues alone have not been considered by the Authority to sustain the pace of market driven port infrastructure required to maintain the flow of cargo, job creation and positive economic impact for the region. At times, when the projected cash flow is insufficient to fully cover the capital improvement plan, the Authority has obtained approval at a bond election for issuance of ad valorem tax General Obligation Bonds or short-term commercial paper notes to supply the shortfall.

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

The following table lists the Authority's bonds outstanding as of December 31, 2016, along with the stated purpose for which the debt was issued:

Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015
(in thousands)

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

## **General Obligation Bonds (continued)**

<b>Outstanding Bond Issue</b>	Use of Proceeds
Unlimited Tax Refunding	Refund a portion of the Unlimited Tax Port
Bonds, Series 2006A	Improvement Bonds, Series 1996
Unlimited Tax Refunding	Refund a portion of the outstanding
Bonds, Series 2006B	commercial paper notes
Unlimited Tax Refunding Bonds, Series 2008A	Refund all of the outstanding commercial paper notes
Unlimited Tax Refunding	Refund a portion of the Unlimited Tax Port
Bonds, Series 2010A	Improvement Bonds, Series 1998A
Unlimited Tax Refunding	Refund a portion of the Unlimited Tax Port
Bonds, Series 2010B	Improvement Bonds, Series 1997A, Series 2001A, Series 2002A
Unlimited Tax Refunding	Refund a portion of the Unlimited Tax Port
Bonds, Series 2010C	Improvement Bonds, Series 2008A
Unlimited Tax Refunding Bonds, Series 2010D-1	Refund all of the outstanding commercial paper notes
Unlimited Tax Port	Pay costs of projects to acquire, purchase, construct,
Improvement Bonds, Series	enlarge, extend, repair or develop facilities or aids
2010D-2 (Non-AMT)	incident to or useful or necessary in the operation or
,	development of the Authority's ports and waterways or
	in aid of navigation and commerce thereon
Unlimited Tax Refunding	Refund a portion of the Unlimited Tax Refunding
Bonds, Series 2010E	Bonds, Series 2008A
Unlimited Tax Refunding	Refund a portion of the Unlimited Tax Port
Bonds, Series 2011A	Improvement Bonds, Series 2001B
Unlimited Tax Refunding	Refund the Unlimited Tax Port Improvement Bonds,
Bonds, Series 2015A (Non-	Series 2002A, Series 2005B, Series 2006C
AMT)	
Unlimited Tax Refunding	Refund the Unlimited Tax Refunding Bonds, Series
Bonds, Series 2015B	2005A
Unlimited Tax Refunding	Refund a portion of the Unlimited Tax Refunding
Bonds, Series 2015C	Bonds, Series 2006B

#### **Bond Refundings**

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

At various times the Authority defeased certain bonds by placing the proceeds of new bonds, together with other available funds, in an irrevocable escrow with a trustee to provide for future debt service on the refunded bonds. Accordingly, the trust account assets and the liabilities for the bonds to be defeased are not included in the

Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015 (in thousands)

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

#### **Bond Refundings (continued)**

Authority's financial statements. The outstanding defeased unlimited tax bonds as of December 31, 2016 and 2015 were \$0 and \$36,605, respectively. During 2016, there were no bond issues or refundings.

#### **Bond Restrictions**

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

## **Note Purchase Program**

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

#### **Arbitrage**

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the U.S. Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The U.S. Treasury requires payment, if applicable, for each issue every five years. There was no arbitrage liability for tax-exempt debt subject to the Tax Reform Act through December 31, 2016 and 2015. 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 facilities at Bayport were acquired or constructed using the proceeds from the Special Purpose Revenue bonds, Series 1964, and advances from the developer of an adjacent industrial park. The developer also advanced to the Authority amounts necessary to cover bond repayments, and maintenance and operating expenses of

Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015
(in thousands)

#### 7. Bayport Facilities (continued)

these Bayport facilities.

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

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

#### 8. Retirement Plans

#### **Defined Benefit Plan Description**

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

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

Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015 (in thousands)

#### 8. Retirement Plans (continued)

#### **Defined Benefit Plan Description (continued)**

for retirement, disability, or death, receive a pension benefit upon reaching the Normal Retirement Date or Early Retirement Date.

At December 31, 2016, the following participants were covered under the Plan:

Retirees and beneficiaries receiving payments	503
Terminated vested participants not yet receiving benefits	219
Disabled participants	7
Active participants	383
Total	1,112

#### **Contributions**

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

#### **Net Pension Liability**

The Authority's net pension liability was measured as of July 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015 (in thousands)

#### 8. Retirement Plans (continued)

Actuarial assumptions. The total pension liability in the July 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	2.5% - 10.0%
Investment rate of return	7.0%

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

The actuarial assumptions used in the July 31, 2016 valuation were based on the results of an actuarial experience study for the period August 1, 2009 – August 1, 2015.

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

These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of arithmetic rates of return for each major asset class included in the Plan's target asset allocation as of July 31, 2016 are summarized in the following table:

Asset Class	Target allocation	Long-term expected rate of return*
Core Fixed Income	40.0 %	2.5 %
High Yield Bonds	5.0 %	2.5 %
Large Cap US Equities	15.0 %	7.5 %
Mid Cap US Equities	7.5 %	7.5 %
Small Cap US Equities	10.0 %	7.5 %
Developed Foreign Equities	7.5 %	8.5 %
Real Estate (REITs)	5.0 %	4.5 %
Masters Limited Partnerships	10.0 %	7.5 %
Long-term expected (weighted) rate of return:		5.10 %
Actuarial assumed long-term investment rate of return or discount		
rate:		7.00 %

<sup>\*</sup>Assumed rates of return utilized by the Plan's investment consultant for the current fiscal period's allocation.

Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015 (in thousands)

#### 8. Retirement Plans (continued)

Discount rate. The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that the Authority's contributions will be made at rates equal to the actuarially determined contribution. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. It should be noted that the Port Commission approved a reduction in the actuarial assumption rate to 6.75 percent at its meeting on December 13, 2016. Future valuations will be performed using this lower discount rate.

Actuarial audit. Pursuant to the requirements of Chapter 802, Texas Government Code, the actuarial assumptions employed by the Authority's retained actuary are to be audited by a separate independent actuary once every five years. The Authority's actuarial assumptions as of August 1, 2016 were audited and determined to be reasonable.

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#### **Changes in the Net Pension Liability**

	Total Pension Liability		Pension Fiduciary		ary Pensio	
Balances as of December 31, 2015	\$	(171,918)	\$ 166,85	7	\$	(5,061)
Service cost		(3,229)		-		(3,229)
Interest on total pension liability		(11,883)		-		(11,883)
Effect of liability gains or losses		695		-		695
Benefit payments		9,552	(9,55	2)		-
Administrative expenses		-	(71	2)		(712)
Expected investment income, net of investment expenses		-	11,48	1		11,481
Investment gains or losses		-	(9,26	3)		(9,263)
Employer contributions			4,50	0		4,500
Balances as of December 31, 2016	\$	(176,783)	\$ 163,31	1	\$	(13,472)

Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015 (in thousands)

#### 8. Retirement Plans (continued)

# **Changes in the Net Pension Liability (continued)**

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Authority, calculated using the discount rate of 7.0 percent, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate:

		Current				
			te 1% increase			
	6.00%	7.00%	8.00%			
Net pension liability (asset)	\$ 34,448	\$ 13,472	\$ (4,162)			

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

## Pension Expense and Deferred Outflows / Inflows of Resources

For the year ended December 31, 2016 the Authority recognized pension expense of \$7,514. At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows / Inflows of Resources	Ou	eferred atflows of esources	Ir	Deferred of the sources of the source of the source of the source of the sources of the source of the sourc
Differences between expected and actual experience	\$	-	\$	1,219
Changes of assumptions		5,205		-
Net difference between projected and actual earnings		9,195		1,991
Contributions made subsequent to measurement date		2,100		
Total	\$	16,500	\$	3,210

Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015 (in thousands)

#### 8. Retirement Plans (continued)

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

The \$2,100 reported as deferred outflows of resources resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Year ended		
	July 31	_	
_	2017	\$	3,172
	2018		3,172
	2019		3,005
	2020		1,841

# **Defined Contribution Plan Description**

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

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

The DC Plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code and all contributions are tax-deferred until time of withdrawal. Under the provisions of the DC Plan, employees do not contribute to the DC Plan and are not permitted to rollover any distributions from other qualified plans or individual retirement accounts to the DC Plan. The Authority, as Plan Sponsor, may make Employer Contributions to the DC Plan at its discretion.

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

Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015 (in thousands)

#### 8. Retirement Plans (continued)

## **Defined Contribution Plan Description (continued)**

% Contribution by the Authority
3.5%
4.5%
5.5%
6.5%
7.5%

DC Plan benefits are to be paid to employees with at least five (5) years of service, or to their beneficiaries. Contributions on behalf of each employee are invested in accordance with the employee's instructions, entirely in one fund or in any combination of the investment options offered. Individual accounts are maintained for each DC Plan participant. If applicable, each employee's account is credited with the Authority's contribution and investment earnings and charged with withdrawals and investment losses. The Authority funds administrative expenses associated with the DC Plan from its general fund.

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

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

	<u>July</u>	July 31, 2015		
Total assets	\$	963	\$	488
Contributions during the year		444		263
Number of participants		264		181

Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015 (in thousands)

#### 9. Postemployment Retiree Benefits

#### Plan Description

In addition to retirement benefits as described in Note 8, it is the current policy of the Authority to provide certain postemployment health and welfare benefits ("OPEB") to eligible retired employees and their dependents ("OPEB Plan"). At December 31, 2016 and 2015, there were 322 and 323 retirees, respectively, who were eligible for these benefits. The Authority funds all premiums for retiree life insurance and the majority of health insurance premiums. Notwithstanding any accounting and financial reporting characterization herein, continuation of these benefits and the Authority's contributions to the trust are dependent on periodic authorization by the Port Commission.

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

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

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

Effective January 1, 2010, new hires become eligible for Postemployment Benefits after completion of 12 years of employment and upon retirement from the Authority. Employees hired prior to that date who reach their Early or Normal Retirement date and retire from the Authority are eligible for Postemployment Benefits. An eligible employee may also elect coverage for his or her eligible dependents, provided that such election is made at the time of the employee's retirement and not thereafter.

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

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

#### **Funding Policy**

Historically, the Authority's OPEB contribution has been based on a projected pay-as-

Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015 (in thousands)

#### 9. Postemployment Retiree Benefits (continued)

#### **Funding Policy (continued)**

you-go basis. For the years ended December 31, 2016 and 2015, the cost of retiree health benefits, recorded on a pay-as-you-go basis was \$2,239 and \$1,849, respectively. Retiree life-benefit costs for 2016 and 2015 were \$139 and \$131, respectively.

In February 2015, the Authority established a new, stand-alone trust for the OPEB Plan with Compass Bank as trustee. All asset holdings previously held in a multiple-employer pooled account with PEB Trust of Texas were transferred into the new trust. In addition to the pay-as-you-go expenses referenced above for current benefits, the Authority has contributed \$45,300 to the OPEB trust through December 31, 2016.

In July 2015, the Commission approved a revised funding policy that allows flexibility to fund the OPEB trust throughout the year for an aggregate amount not to exceed 105% of the annual required contribution amount ("ARC") as calculated by the Authority's actuary. The policy may be further amended by the Commission at its discretion. For more information on the ARC, please refer to the section "Annual OPEB Cost and Net OPEB Obligation" below.

#### **Investment Valuation and Income Recognition**

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

#### **Annual OPEB Cost and Net OPEB Obligation**

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

The 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.

Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015
(in thousands)

# 9. Postemployment Retiree Benefits (continued)

# **Annual OPEB Cost and Net OPEB Obligation (continued)**

	2016			2015
Normal Cost at year end Amortization of UAAL	\$	3,102 2,696	\$	2,962 2,575
Annual Required Contribution (ARC)		5,798		5,537
Determination of Net OPEB Obligation				
Annual Required Contribution		5,798		5,537
Interest on prior year Net OPEB Obligation		1,470		1,931
Adjustment to ARC		(1,603)		(2,078)
Annual OPEB Cost		5,665		5,390
Contributions made		(8,772)		(11,202)
Decrease in Net OPEB Obligation		(3,107)		(5,812)
Net OPEB Obligation - beginning of year	_	21,776	_	27,588
Net OPEB Obligation - end of year	\$	18,669	\$	21,776

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

The table below reflects the schedule of OPEB Funding Progress.

a) Actuarial Valuation Date	January 1, 2016		January 1, 2015		, January 1 2014		
b) Actuarial Value of Assets	\$	43,167	\$	36,560	\$	27,151	
c) Actuarial Accrued Liability (AAL)*		64,907		59,029		60,737	
d) Unfunded Actuarial Accrued Liability							
(UAAL) (c-b)		21,740		22,469		33,586	
e) Funded Ratio (b/c)		66.5 %		61.9 %		44.7 %	
f) Annual Covered Payroll (Actuarial)		38,907		38,907		33,690	
g) UAAL as a % of Covered Payroll (d/f)		55.9 %		57.8 %		99.7 %	

<sup>\*</sup>Actuarial valuations are performed every two years.

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

Plan Year Ended	2016		2016 2015			2014
Annual OPEB cost	\$	5,665	\$	5,390	\$	6,395
Percentage of OPEB Cost Contributed		154.9 %		207.8 %		177.7 %
Net OPEB Obligation	\$	18,669	\$	21,776	\$	27,588

Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015 (in thousands)

#### 9. Postemployment Retiree Benefits (continued)

## **Annual OPEB Cost and Net OPEB Obligation (continued)**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. These determinations regarding the funded status of the plan 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 future events. 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 Projected Unit Credit Actuarial Cost Method which consists of the following cost components:

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

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

Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015 (in thousands)

#### 9. Postemployment Retiree Benefits (continued)

#### **Actuarial Methods and Assumptions (continued)**

participation, health care cost trend rates, marriage assumptions, annual retiree claim costs, age slope, and retiree premiums.

The health care cost trend rates assume claim costs in future years equal the starting claim costs adjusted for the assumed ongoing cost trends. Such trends are based on the health care cost trend rate adjusted for the impact of plan design, cost containment features, and Medicare coordination. The health care cost trend rate used for the 2015 valuation was 6.9% trending down to 4.4% (pre-Medicare) and 7.6% trending down to 4.7% (post-Medicare) over 85 years.

#### 10. Risk Management

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

The Authority's self-insured retention (SIR) limit is \$350 for General\Auto Liability claims and \$500 for Workers Compensation claims; Police and Fire is \$750. The Authority has unlimited excess coverage for any workers' compensation claim that exceeds its SIR. The balance of claim liabilities at December 31, 2016 and 2015 was \$4,307 and 3,836, respectively.

	В	eginning	Cui	rent Year				
	0	f Fiscal	Cl	aims and			В	Salance at
		Year	Cl	nanges in		Claim	Fi	iscal Year
Plan Year	L	Liability		stimates	<u>F</u>	Payments		End
2015	\$	3,845	\$	1,200	\$	(1,209)	\$	3,836
2016	\$	3,836	\$	1,533	\$	(1,062)	\$	4,307

As of December 31, 2016 the Authority had no liability for workers' compensation, general liability, or auto liability claims which occurred prior to March 1, 2010.

The Texas Tort Claims Act limits the liability of monetary damages for any single occurrence involving motor-driven vehicles or equipment. These limits cap the Authority's liability at \$100 maximum per person for bodily injury or death per occurrence; \$300 maximum for all persons for bodily injury or death per occurrence; and \$100 maximum for property damage per occurrence.

Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015 (in thousands)

#### 10. Risk Management (continued)

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

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

#### 11. Commitments and Contingencies

#### **Commitments**

At December 31, 2016 and 2015, the Authority had commitments of approximately \$44,342 and \$11,198, respectively, for supplies, services, and the purchase of equipment and the expansion of facilities.

#### **Litigation and Claims**

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

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.

Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015 (in thousands)

#### 11. Commitments and Contingencies (continued)

#### **Litigation and Claims (continued)**

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 Authority and Zachry cross-appealed the lower court's judgment.

On August 9, 2012, the Court of Appeals rendered its opinion in favor of the Authority.

In September 2012, Zachry filed a petition for review with the Texas Supreme Court.

On August 29, 2014, the Texas Supreme Court rendered its opinion, reversing the Court of Appeals on its rulings and remanding the case back to the Court of Appeals for consideration of other issues raised by the Authority.

On December 15, 2016, the Court of Appeals rendered its opinion, overruling ten additional issues raised by the Authority on appeal.

In January 2017, the Authority filed a petition for review with the Texas Supreme Court.

Due to the continued pendency of the case, the Authority previously determined that recognition of a loss contingency in the financial statements was appropriate. The Authority intends to continue to vigorously prosecute the appeal.

Orion Construction, LP ("Orion") has asserted claims against the Authority stemming from downtime and delays Orion claims to have incurred in connection with its May 2014 contract for the improvement of the Barbours Cut Ship Channel and Bayport Ship Channel. As of February 2017, Orion has claimed damages in the amount of \$28,212. The Authority does not intend to pay the amount sought by Orion and intends to vigorously contest Orion's claims; however, it has not reached any judgment as to the likely outcome or the range of potential loss in the event of litigation.

Trans-Global Solutions, Inc. ("TGS") has asserted claims against the Authority stemming from delays TGS claims to have incurred in connection with its December 2014 contract for the construction of a container yard at the Authority's Bayport Terminal. As of March 2017, TGS has claimed damages in the amount of \$6,873. The Authority does not intend to pay the amount sought by TGS and intends to

Notes to the Financial Statements For the Years Ended December 31, 2016 and 2015 (in thousands)

#### 11. Commitments and Contingencies (continued)

#### **Litigation and Claims (continued)**

vigorously contest TGS's claims; however, it has not reached any judgment as to the likely outcome or the range of potential loss in the event of litigation.

#### 12. Tax Abatement

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

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

For year ending 2016, Harris County's gross tax and abated values were \$298,206 and \$56,470, respectively. Therefore, under agreements entered into by Harris County, the Port's property tax revenues were reduced by \$8.





Required Supplementary Information

# Port of Houston Authority Restated Retirement Plan Schedule of Changes in Net Pension Liability and Related Ratios

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

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

Per GASB 67, until a 10-year trend is compiled, pension plans may present information for those years for which information available; information is not available under the GASB 67 methodologies for the fiscal years prior to 2014.

Required Supplementary Information

# Port of Houston Authority Restated Retirement Plan

Schedule on Port Authority Contributions
Last 10 Fiscal Years
in thousands
(unaudited)

		2016		2015		2014	 2013	2012	2011		2010		2009		2008		2007
Actuarially determined contribution Contributions in relation to the	\$	4,481	\$	4,094	\$	5,278	\$ 9,870	\$ 8,133	\$ 10,809	\$	9,857	\$	7,357	\$	3,929	\$	6,510
actuarially determined contribution		4,500		4,094		8,282	9,870	8,133	 10,809		9,857		7,357		3,929		6,510
Contribution deficiency (excess)	\$	(19)	\$	-	\$	(3,004)	\$ -	\$ -	\$ -	\$	-	\$	-	\$	-	\$	_
Covered employee payroll Contributions as a percentage of	\$	30,412	\$	31,377	\$	33,690	\$ 35,082	\$ 35,571	\$ 34,939	\$	32,695	\$	32,270	\$	28,621	\$ 2	26,286
covered payroll	1	4.80 %	]	3.05 %	4	24.58 %	28.14 %	22.86 %	30.94 %	3	0.15 %	2	22.80 %	1	13.73 %	2	4.77 %

#### **Notes to Schedule:**

Valuation timing Actuarially determined contribution rates are calculated as of July 31 of the fiscal year in which the contributions are reported

Actuarial cost method Entry Age Normal

Amortization method Level dollar

Remaining amortization period 1 year at July 31, 2016, resulting from a net pension liability of \$13,472

Asset valuation method Market Value

Inflation 2.50%

Salary Increases Graded from 7.5% at age 20 to 3.0% at age 60

Investment rate of return 7.00% Cost of living adjustments none

Retirement age Ranging from 5% at age 55 to 100% at age 70

Turnover Rates from most recent assumption study performed August 1, 2015

Mortality RP-2014 Mortality for Employees, Healthy Annuitants and Disabled Annuitants with generational projection per MP-2015

Required Supplementary Information

# **Port of Houston Authority OPEB Trust Schedule of Funding Progress**

(in thousands) (unaudited)

	January 1	January 1	January 1
a) Actuarial Valuation Date	2016	2015	 2014
b) Actuarial Value of Assets	\$ 43,167	\$ 36,560	\$ 27,151
c) Actuarial Accrued Liability (AAL)	\$ 64,907	\$ 59,029	\$ 60,737
d) Unfunded Actuarial Accrued Liability (UAAL) (c-b)	\$ 21,740	\$ 22,469	\$ 33,586
e) Funded Ratio (b/c)	66.5 %	61.9 %	44.7 %
f) Annual Covered Payroll (Actuarial)	\$ 38,907	\$ 38,907	\$ 33,690
g) UAAL as a % of Covered Payroll (d/f)	55.9 %	57.8 %	99.7 %

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

(unaudited)

Plan Year Ended	 2016	2015	2014
Annual Required Contribution (ARC)	\$ 5,798	\$ 5,537	\$ 6,568
Percentage of ARC Contributed	151 %	202 %	173 %







#### **Statistical Section**

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

#### **Contents**

#### **Financial Trends**

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

#### **Revenue Capacity**

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

#### **Debt Capacity**

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

## **Demographic and Economic Information**

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

#### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.

#### Sources

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.







# Port of Houston Authority of Harris County, Texas Net Position by Component Last Ten Fiscal Years

(accrual basis of accounting) (unaudited)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
				-	-	•	-	-	-	
Net investment in capital assets	\$ 919,177	\$ 794,075	\$ 749,755	\$ 685,717	\$596,224	\$ 574,224	\$ 571,828	\$ 655,571	\$ 646,777	\$676,785
Restricted										
Capital	=	=	-	7,195	29,713	60,204	79,270	8,388	3,978	3,846
Debt Service	45,705	41,853	43,290	44,598	44,916	41,455	44,248	39,072	37,310	28,774
Other	-	-	-	-	2,755	196	4,302	122	200	181
Unrestricted	312,363	383,422	340,892	324,466	320,673	263,802	207,113	191,411	214,139	144,407
<b>Total Net Position</b>	\$1,277,245	\$1,219,350	\$1,133,937	\$1,061,976	\$994,281	\$939,881	\$906,761	\$ 894,564	\$ 902,404	\$853,993

# Port of Houston Authority of Harris County, Texas Changes in Net Position Last Ten Fiscal Years

(in thousands) (unaudited)

		(unau	anea)							
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating revenues:		•	•	i.		-1	-1	•	-1	-
Vessel and cargo services	\$ 266,703	267,277		\$ 200,101	\$ 190,618	\$ 177,405	\$ 159,799	. ,	\$ 171,373	\$ 164,230
Rental of equipment and facilities	15,869	17,120	17,763	25,114	23,077	22,030	20,346	20,524	19,984	18,872
Grain elevator	1,199	1,567	1,821	592	683	1,923	911	1,155	787	809
Bulk materials	3,941	4,019	4,270	2,665	2,485	2,131	2,368	2,243	2,319	2,903
Other	2,514	3,753	1,960	5,201	8,512	3,356	3,272	2,040	2,522	3,679
Nonoperating revenues:										
Investment (loss) income	4,896	4,142	4,913	(435)	2,410	3,123	3,573	4,136	7,154	10,019
Contribution in aid of construction	-	610	-	5,000	-	1,077	-	-	-	-
Other	2,690	1,279	3,291	683	1,583	2,765	3,836	4,588	982	6,734
Nonoperating revenues related to property taxes:										
Property taxes	55,749	51,280	51,955	52,534	56,429	49,826	53,833	46,911	48,675	35,819
Investment income / (loss) on bond proceeds	119	120	162	348	302	657	(47)	165	1,113	2,045
Total Revenues:	353,680	351,167	324,218	291,803	286,099	264,293	247,891	226,127	254,909	245,110
Operating expenses:										
Maintenance and operations of facilities	141,102	123,433	121,899	103,353	101,095	97,461	95,918	88,124	98,026	97,978
General and administrative	44,286	42,297	37,812	41,845	43,875	39,894	51,742	57,827	43,443	40,063
Depreciation and amortization	64,601	60,198	57,190	56,057	56,551	55,661	53,731	48,035	44,016	34,161
Impairment of Capital Assets	15,114	-	-	-	-	-	-	-	-	-
Nonoperating expenses:										
Contributions to state and local agencies	2,127	2,147	1,464	1,949	882	1,232	1,742	17,468	4,224	29,017
Loss on disposal of assets	(2,976)	2,849	1,220	91	3,295	-	3,294	-	-	-
Other	1,033	338	-	-	98	-	-	-	-	-
Nonoperating expenses related to property taxes:										
Interest expense on unlimited tax bonds	31,548	33,114	33,459	33,188	33,803	36,843	34,265	26,072	21,344	10,124
Property tax collection expense	1,100	1,039	1,175	994	1,091	996	1,270	506	1,083	480
Other	303	455	408	477	442	525	480	901	423	357
Total Expenses:	298,238	265,870	254,627	237,954	241,132	232,612	242,442	238,933	212,559	212,180
Income before contributions	55,442	85,297	69,591	53,849	44,967	31,681	5,449	(12,806)	42,350	32,930
Capital contributions from federal agencies	2,453	56	2,370	13,827	9,373	1,439	2,944	3,549	6,061	7,886
Contributions from federal agency-FEMA	-	60	· -	19	60	-	3,804	1,417	-	-
Total Contributions from federal and state agencies	2,453	116	2,370	13,846	9,433	1,439	6,748	4,966	6,061	7,886
Change in net position	57,895	85,413	71,961	67,695	54,400	33,120	12,197	(7,840)	48,411	40,816
Net position, January 1	1,219,350	1,133,937	1,061,976	994,281	939,881	906,761	894,564	902,404	853,993	813,177
Net position, December 31	\$ 1,277,245	\$ 1,219,350	\$ 1,133,937	\$ 1,061,976	\$ 994,281	\$ 939,881	\$ 906,761	\$ 894,564	\$ 902,404	\$ 853,993





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

(amounts in thousands) (unaudited)

Year Levied	Real Property	_	Personal Property	<u> </u>	Less: Exemptions (a)	Total Taxable Assessed Value	Tot	tal Direct Tax Rate
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	268,597,999		0.01773
2009	311,188,647		45,005,241		80,505,070	275,688,818		0.01636
2010	300,557,174		43,837,867		80,137,056	264,257,985		0.02054
2011	306,488,194		43,891,522		82,109,248	268,270,468		0.01856
2012	317,458,948		47,105,465		85,096,445	279,467,968		0.01952
2013	338,787,938		51,399,961		86,415,967	303,771,932		0.01716
2014	375,147,134		54,650,315		92,526,176	337,271,273		0.01531
2015	420,143,010		57,162,124		100,360,569	376,944,565		0.01342
2016	467,478,230		51,201,800		109,296,383	409,383,647		0.01334

- Source: Harris County Appraisal District Property Use Recap as of 12/23/16
- Note: Property is assessed at actual value and is reassessed each year. Tax rates are per \$100 of assessed value.
- Note (a) Exemptions are primarily made up of the homestead property exemption of 20%. In addition, persons 65 years of age or older receive an exemption up to a maximum individual amount of \$160,000.

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

(unaudited)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Harris County										
General Fund	\$ 0.34500	\$ 0.34547	\$ 0.34547	\$ 0.34547	\$ 0.33271	\$ 0.33444	\$ 0.33401	\$ 0.33401	\$ 0.33815	\$ 0.33918
General Bonds Debt Service	0.05111	0.05237	0.04802	0.05158	0.04468	0.03825	0.03635	0.03642	0.03192	0.03200
<b>Total Constitutional Funds</b>	0.39611	0.39784	0.39349	0.39705	0.37739	0.37269	0.37036	0.37043	0.37007	0.37118
County - Wide Road Debt Service	0.02045	0.02139	0.02382	0.01750	0.02282	0.01848	0.01769	0.02181	0.01916	0.02121
Total - Harris County	0.41656	0.41923	0.41731	0.41455	0.40021	0.39117	0.38805	0.39224	0.38923	0.39239
Flood Control District										
Maintenance	0.02745	0.02620	0.02620	0.02620	0.02522	0.02727	0.02727	0.02754	0.02754	0.02754
Debt Service	0.00084	0.00113	0.00116	0.00207	0.00287	0.00082	0.00196	0.00168	0.00332	0.00352
Total - Flood Control	0.02829	0.02733	0.02736	0.02827	0.02809	0.02809	0.02923	0.02922	0.03086	0.03106
Port of Houston Authority										
Debt Service	0.01334	0.01342	0.01531	0.01716	0.01952	0.01856	0.02054	0.01636	0.01773	0.01437
Hospital District										
General	0.17000	0.17000	0.17000	0.17000	0.18216	0.19216	0.19216	0.19216	0.19216	0.19216
Debt Service	0.00179			-				-		
Total Hospital District	0.17179	0.17000	0.17000	0.17000	0.18216	0.19216	0.19216	0.19216	0.19216	0.19216
Total	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 0.62998

Source: Harris County Appraisal DistrictNote: Tax rates are stated per \$100 assessed valuation.

# Port of Houston Authority of Harris County, Texas Direct and Overlapping Debt and Property Tax Rates

December 31, 2016 (unaudited)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
County-Wide Taxing										
Jurisdiction										
Harris County	\$ 0.41656	\$ 0.41923	\$ 0.41731	\$ 0.41455	\$ 0.40021	\$ 0.39117	\$ 0.38805	\$ 0.39224	\$ 0.38923	\$ 0.39239
Harris County Flood Control										
District	0.02829	0.02733	0.02736	0.02827	0.02809	0.02809	0.02923	0.02922	0.03086	0.03106
Port of Houston Authority	0.01334	0.01342	0.01531	0.01716	0.01952	0.01856	0.02054	0.01636	0.01773	0.01437
Harris County Hospital										
District	0.17179	0.17000	0.17000	0.17000	0.18216	0.19216	0.19216	0.19216	0.19216	0.19216
Total County-wide	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 0.62998
Cities										_
Baytown	\$ 0.82203	\$ 0.82203	\$ 0.82203	\$ 0.82203	\$ 0.82203	\$ 0.82202	\$ 0.78703	\$ 0.78700	\$ 0.73703	\$ 0.73703
Bellaire	0.38740	0.38050	0.39360	0.39990	0.39990	0.39990	0.39990	0.37590	0.44000	0.44000
Deer Park	0.72000	0.71435	0.72000	0.72000	0.72000	0.72000	0.70500	0.70500	0.72000	0.72000
Houston	0.58642	0.60112	0.63108	0.63875	0.63875	0.63875	0.63875	0.63880	0.64500	0.64500
La Porte	0.71000	0.71000	0.71000	0.71000	0.71000	0.71000	0.71000	0.71000	0.71000	0.71000
League City	0.57000	0.57350	0.59700	0.59700	0.59700	0.61000	0.61600	0.63000	0.60880	0.60880
Missouri City	0.56010	0.54468	0.56500	0.57375	0.54480	0.52840	0.52840	0.52840	0.49930	0.49450
Pasadena	0.57539	0.57539	0.57690	0.59159	0.59159	0.59159	0.59159	0.56200	0.56700	0.56700
Pearland	0.68120	0.70530	0.71210	0.70510	0.70510	0.68510	0.66510	0.65260	0.65260	0.65270
Seabrook	0.56518	0.61261	0.64003	0.65123	0.66523	0.64998	0.62681	0.58840	0.62030	0.62100
South Houston	0.63221	0.69954	0.64453	0.66988	0.70825	0.68755	0.67316	0.67320	0.67700	0.65880
Webster	0.28450	0.23447	0.24874	0.26960	0.28528	0.28528	0.25750	0.23250	0.24890	0.25750
West University Place	0.31680	0.33179	0.36179	0.37400	0.37411	0.37411	0.37411	0.35880	0.36600	0.40200
<b>School Districts</b>	1.2067-1.6700	1.1967-1.6700	1.1967-1.6700	1.1867-1.6700	1.1567-1.5700	.0972-1.5400	.0922-1.54000	.1101-1.5266	.1144-1.6450	.1167-1.8150

<sup>-</sup> Source: Harris County Appraisal District jurisdiction information as of 12/31/16; includes all tax bonds.

# Port of Houston Authority of Harris County, Texas Principal Property Tax Payers Current Year and Nine Years Ago

(amounts in thousands) (unaudited)

		2016		2007						
Tax Payers	2016 Taxable Valuations (a)	Rank	Percentage of Total 2016 Taxable Valuation (b)	2007 Taxable Valuations (a)	Rank	Percentage of Total 2006 Taxable Valuation (c)				
CenterPoint Energy Inc.	\$ 3,298,690	1	0.81 %	\$ 2,526,174	3	1.02 %				
EXXON Mobil Corp.	3,090,728	2	0.75	3,845,810	1	1.55				
Chevron Chemical Co.	2,417,947	3	0.59	1,296,919	6	0.52				
Shell Oil Co.	2,219,995	4	0.54	2,830,089	2	1.14				
Equistar Chemicals LP	1,448,840	5	0.35	1,309,415	5	0.53				
Palmetto Transoceanic LLC	1,289,093	6	0.31	-		-				
Cousins Greenway	1,090,950	7	0.27	-		-				
Crescent HC and 4HC Investors LP	986,584	8	0.24	1,374,136	4	0.56				
One Two and Three Allen Center Co LLC	924,340	9	0.23	-		-				
Walmart	877,125	10	0.21	675,896	12	0.27				
National Oilwell Inc.	760,983	11	0.19	-		-				
Valero Energy	749,776	12	0.18	-		-				
Celanese LTD	736,644	13	0.18	-		-				
HG Galleria I II III LP	687,115	14	0.17	-		-				
Hewlett Packard	631,122	15	0.15	1,062,117	9	0.43				
United Airlines	629,727	16	0.15	-		-				
Kroger Co	554,166	17	0.14	-		-				
Conoco Philips Co	551,676	18	0.13	-		-				
1000 Louisiana LP	551,073	19	0.13	-		-				
Texas Tower LTD	547,809	20	0.13	-		-				
Houston Refining	-		-	1,174,204	7	0.48				
Hines Interests LTD Partnership	-		-	1,066,965	8	0.43				
Southwestern Bell	-		-	1,022,144	10	0.41				
Lyondell Chemical Co	-		-	896,558	11	0.36				
Rohm & Haas Co	-		-	594,154	13	0.24				
Teachers Insurance	-		-	589,278	14	0.24				
Nabors Drilling USA LP			<u>-</u>	507,727	15	0.21				
Total	\$ 24,044,383		5.85 %	\$ 20,771,586		8.39 %				

- Source: Harris County Appraisal District
- Note (a) Amounts shown for these taxpayers do not include taxable valuations, which may be substantial, attributable to certain subsidiaries and affiliates which are not grouped on the tax rolls with the taxpayers shown.
- Note (b) Based on the County's total taxable value as of December 23, 2016;
- Note (c) Based on the County's total taxable value as of February 29, 2008.

## Port of Houston Authority of Harris County, Texas Property Taxes Levies and Collections For the Years 2007 through 2016

(in thousands) (unaudited)

			ithin the Fisca the Levy	l _	Total Collections After One Year (a)			
Fiscal Year	Taxes Levied for Fiscal Year	Amount	Percentage of Levy	Collections After One Year (a)	Amount	Percentage of Levy		
2007	\$ 35,566	\$ 32,795	92.21 %	\$ 2,109	\$ 34,904	98.14 %		
2008	48,288	43,622	90.34 %	3,926	47,548	98.47 %		
2009	45,086	41,875	92.88 %	2,180	44,055	97.71 %		
2010	54,364	50,650	93.17 %	2,669	53,319	98.08 %		
2011	49,814	47,012	94.38 %	1,911	48,923	98.21 %		
2012	54,624	51,755	94.75 %	1,917	53,672	98.26 %		
2013	52,289	49,790	95.22 %	1,736	51,526	98.54 %		
2014	51,860	49,400	95.26 %	1,654	51,054	98.45 %		
2015	50,796	48,208	94.91 %	1,767	49,975	98.38 %		
2016	54,806	51,946	94.78 %	N/A	N/A	N/A		

<sup>-</sup> Source: Harris County Tax Assessor - Collector as of February 28, 2017

<sup>-</sup> Note (a) Collections after one year reflect monies collected in the year following the levy and are not updated annually.

<sup>-</sup> N/A - Not Available

## Port of Houston Authority of Harris County, Texas Operating Revenues by Type Last Ten Fiscal Years

(in thousands) (unaudited)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating revenues: (a) (b) (c)										
Vessel and cargo services	\$ 266,703	\$ 267,277	\$ 238,083	\$ 200,101	\$ 190,618	\$ 177,405	\$ 159,799	\$ 144,365	\$ 171,373	\$ 164,230
Rental of equipment and facilities	15,869	17,120	17,763	25,114	23,077	22,030	20,346	20,524	19,984	18,872
Grain elevator	1,199	1,567	1,821	592	683	1,923	911	1,155	787	809
Bulk materials	3,941	4,019	4,270	2,665	2,485	2,131	2,368	2,243	2,319	2,903
Other	2,514	3,753	1,960	5,201	8,512	3,356	3,272	2,040	2,522	3,679
Total Operating Revenue	\$ 290,226	\$ 293,736	\$ 263,897	\$ 233,673	\$ 225,375	\$ 206,845	\$ 186,696	\$ 170,327	\$ 196,985	\$ 190,493
Revenue Tonnage (Short Tons)*										
General Cargo	25,226	27,360	26,854	24,735	25,278	23,387	20,809	19,681	24,871	23,102
Bulk	9,621	8,384	10,766	11,090	9,781	10,162	10,508	9,184	10,371	10,123
Total Revenue Tonnage	34,847	35,744	37,620	35,825	35,059	33,549	31,317	28,865	35,242	33,225

- Source: The Authority
- Note (a) Vessel and cargo services, grain elevator and bulk material revenues are generated by general cargo and bulk tonnage.
- Note (b) Revenues are defined by tariffs based upon terminal and type of services. Some units of measure used (depending on type of service) are units, weight, number of days and gallons.
- Note (c) Excludes Port Development Corporation and Port of Houston Authority International Corporation
- \* Short ton equals 2,000 pounds

## Port of Houston Authority of Harris County, Texas Revenue Tonnage

## Last Ten Fiscal Years

(in short tons) (unaudited)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Cargo										
Barbours Cut										
All other	9,470,902	9,322,892	7,689,686	7,010,712	6,177,766	5,605,703	5,709,735	5,571,883	7,592,527	10,044,562
Lease	<u>-</u> _	2,072,132	3,410,214	3,548,416	3,939,218	3,887,146	3,888,444	3,848,608	4,224,952	3,959,332
	9,470,902	11,395,024	11,099,900	10,559,128	10,116,984	9,492,849	9,598,179	9,420,491	11,817,479	14,003,894
Bayport Container Terminal	10,854,617	8,588,556	6,977,231	7,264,595	7,354,870	7,365,318	6,567,986	5,802,758	4,198,520	1,522,186
Turning Basin										
Autos import	161,246	167,383	128,564	143,132	175,553	124,351	109,713	73,325	115,660	113,567
Autos export	4,744	13,240	11,430	17,905	23,655	26,972	25,844	23,641	32,211	21,585
Steel imports	1,823,357	3,800,730	5,397,341	3,613,445	4,247,410	3,193,843	2,005,659	2,195,728	4,961,811	3,631,363
All other	492,551	707,345	607,127	519,978	723,762	1,177,341	778,667	622,113	1,559,870	1,571,635
	2,481,898	4,688,698	6,144,462	4,294,460	5,170,380	4,522,507	2,919,883	2,914,807	6,669,552	5,338,150
Jacintoport	1,883,785	1,751,839	1,411,724	1,579,197	1,428,240	1,285,363	1,235,498	1,072,605	1,220,081	1,509,501
Care Terminal	457,294	562,217	747,372	649,545	598,914	350,422	188,279	249,001	421,064	438,722
Woodhouse	77,299	373,497	473,389	388,133	608,369	370,436	299,098	221,798	544,590	289,586
Total General Cargo	25,225,795	27,359,831	26,854,078	24,735,058	25,277,757	23,386,895	20,808,923	19,681,460	24,871,286	23,102,039
Bulk										
Barbours Cut	_	_	_	_	_	_	3,136	2,426	4,409	_
Jacintoport	692	1,100	_	_	1,780	553	1,653	10,803	-,407	626
Care Terminal	130,545	18,298	82,016	253,942	408,225	359,286	446,801	192,753	756,891	610,965
Woodhouse	12,981	6,882	31,549	14,290	7,547	35,089	31,857	30,468	6,031	45,780
Sims Bayou	624,280	624,278	675,175	700,350	770,395	763,723	783,041	648,650	571,557	860,009
S.J.B. Liquid Facility	552,752	428,895	493,582	541,227	585,263	474,880	551,405	492,921	428,698	404,359
Turning Basin	2,097,919	2,046,714	1,982,330	2,164,880	2,022,492	1,948,735	1,978,411	1,732,249	1,985,245	1,505,652
	3,419,169	3,126,167	3,264,652	3,674,689	3,795,702	3,582,266	3,796,304	3,110,270	3,752,831	3,427,391
<b>Bulk Materials Terminal</b>	3,329,834	2,908,018	5,190,900	5,151,720	4,691,785	4,209,509	4,669,560	4,513,258	4,520,962	4,949,954
Grain Elevator #2	2,871,965	2,350,374	2,310,757	2,263,983	1,294,120	2,370,689	2,042,395	1,560,258	2,096,735	1,746,128
Total Bulk Cargo	9,620,968	8,384,559	10,766,309	11,090,392	9,781,607	10,162,464	10,508,259	9,183,786	10,370,528	10,123,473
Grand Total	34,846,763	35,744,390	37,620,387	35,825,450	35,059,364	33,549,359	31,317,182	28,865,246	35,241,814	33,225,512

- Source: The Authority

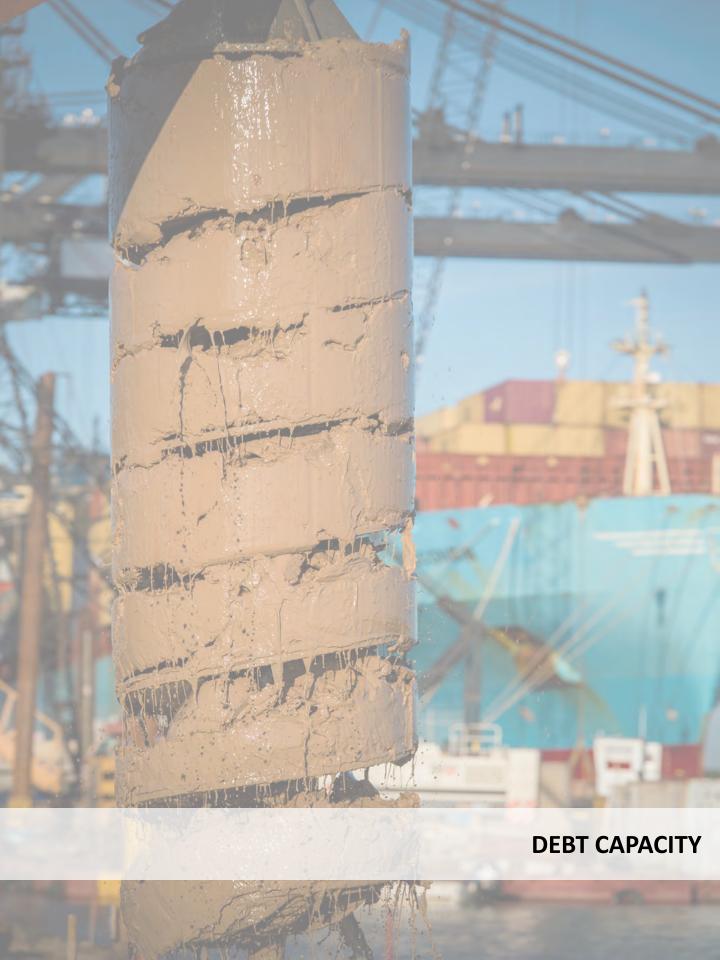
<sup>-</sup> Revenue tonnage is tonnage from which Authority revenues are derived; does not include non-Authority tonnage figures.

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

(amounts in thousands) (unaudited)

		2016		2007				
Customer	2016 Revenue	Rank	% V&C Revenue	2007 Revenue	Rank	% V&C Revenue		
Mediterranean Shipping Inc. SA	\$ 31,503	1	11.81 %	\$ 19,937	2	12.14 %		
Maersk Line	30,534	2	11.45	-		-		
Hapag-Lloyd AG	26,724	3	10.02	23,471	1	14.29		
CMA-CGM (America), Inc	23,866	4	8.95	12,285	3	7.48		
Cosco North America, Inc.	17,292	5	6.48	· -		-		
Hamburg Sud North America	12,860	6	4.82	6,956	4	4.24		
Seaboard Marine, Ltd.	6,010	7	2.25	3,890	8	2.37		
Zim Integrated Shipping	5,787	8	2.17	6,446	5	3.92		
Hanjin Shipping Company	3,829	9	1.44	-		-		
Biehl & Company - Vessel	3,754	10	1.41	5,732	6	3.49		
Norasia Container Lines Limited	-		-	5,204	7	3.17		
Norton Lilly International	-		-	2,974	9	1.81		
APL Limited	_		-	2,894	10	1.76		
Total	\$ 162,159	-	60.80 %	\$ 89,789	•	54.67 %		

- Source: The Authority





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

(in thousands, except per capita) (unaudited)

	_	GUI	101	ai Obligation	<b>D</b> 0.	ius											
Fiscal Year		Unlimited Tax Refunding Bonds		Inlimited Tax Port Improvement Bonds		Unlimited Tax ommercial Paper	Premiums Discounts)	General Bonded Debt	Less Debt Service Funds Cash	Net General Bonded Debt	Percentage of Actual Property Value	GOB Debt per Capita	o	Total utstanding Debt	Percentage of Personal Income	De	Fotal ebt Per Capita
2007	\$	204,935	\$	139,030	\$	113,478	\$ 6,345	\$ 463,788	\$ 5,000	\$ 458,788	0.19	\$ 117	\$	458,788	0.24 %	\$	117
2008		431,065		131,950		´ -	8,340	571,355	7,000	564,355	0.21	142		564,355	0.30 %		142
2009		422,665		124,750		70,245	7,769	625,429	6,000	619,429	0.22	154		619,429	0.35 %		154
2010		616,814		146,805		-	28,629	792,248	10,900	781,348	0.30	190		781,348	0.41 %		190
2011		654,674		91,200		-	42,139	788,013	10,456	777,557	0.29	186		777,557	0.38 %		186
2012		641,324		90,645		-	39,160	771,129	8,784	762,345	0.27	179		762,345	0.34 %		179
2013		626,979		90,645		-	36,674	754,298	9,672	744,626	0.25	172		744,626	0.32 %		172
2014		611,734		90,645		-	34,366	736,745	13,854	722,891	0.21	163		722,891	0.29 %		163
2015		588,604		85,665		-	43,363	717,632	6,414	711,218	0.19	157		711,218	N/A		157
2016		572,329		85,665		-	39,129	697,123	6,983	690,140	0.17	N/A		690,140	N/A		N/A

- Additional information on the Authority's debt can be found in the accompanying notes to the financial statements.
- Premiums (Discounts) are inclusive of accreted interest on capital appreciation bonds.
- Updates are made to prior years.
- See Schedule 3 for property value data.
- Population data can be found in Schedule 15.
- N/A Not Available

## Port of Houston Authority of Harris County, Texas Net Revenues Available for Debt Service on First - Revenue Obligations For each of the Ten Years in the Period Ended December 31, 2016

(in thousands) (unaudited)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Gross Revenues		_	•							
Operating Revenues (a)										
Vessel and cargo services	\$ 266,266	\$ 266,305	\$ 235,929	\$ 197,974	\$ 188,457	\$ 175,297	\$ 157,633	\$ 142,310	\$ 169,584	\$ 162,636
Rental of equipment and facilities	15,869	17,120	17,763	25,114	23,077	22,030	20,325	20,451	19,910	18,800
Grain Elevator	1,199	1,567	1,821	592	683	1,923	911	1,155	787	809
Bulk materials	3,941	4,019	4,270	2,665	2,485	2,131	2,368	2,243	2,319	2,903
Other	2,514	3,753	1,960	5,201	8,512	3,356	3,272	2,040	2,435	3,630
Total	289,789	292,764	261,743	231,546	223,214	204,737	184,509	168,199	195,035	188,778
NonOperating Revenues										
Investment (loss) income	4,850	4,100	4,881	(452)	2,406	3,126	3,572	4,552	6,736	9,992
Other, net	5,144	2,004	5,661	19,529	11,014	5,358	11,319	9,798	7,198	14,699
Total	9,994	6,104	10,542	19,077	13,420	8,484	14,891	14,350	13,934	24,691
Total Gross Revenues	299,783	298,868	272,285	250,623	236,634	213,221	199,400	182,549	208,969	213,469
Operation Expenses Maintenance and Operation of Facilities										
Vessel and cargo services	131,998	115,757	115,341	93,483	91,534	89,547	90,861	77,591	94,473	85,178
Rental of port facilities	2,140	1,130	1,164	1,387	1,174	6,893	3,945	3,774	3,311	4,185
Grain Elevator	330	293	260	288	219	322	263	221	163	404
Bulk Materials Handling Plant	8	11	9	9	22	46	34	88	94	307
Other	7,107	7,114	8,223	9,919	9,958	2,415	2,385	1,796	1,797	1,916
Total	141,583	124,305	124,997	105,086	102,907	99,223	97,488	83,470	99,838	91,990
General and Administrative	44,286	42,297	39,152	41,845	43,875	39,894	51,487	63,411	41,930	46,029
Total Operating Expenses	185,869	166,602	164,149	146,931	146,782	139,117	148,975	146,881	141,768	138,019
Nonoperating Expenses	259	5,673	2,694	2,998	3,906	3,350	5,872	18,473	4,461	29,151
Total Expenses	186,128	172,275	166,843	149,929	150,688	142,467	154,847	165,354	146,229	167,170
Net Revenues Available For Debt Service on First Lien	·		-							
Revenue Bonds	\$ 113,655	\$ 126,593	\$ 105,442	\$ 100,694	\$ 85,946	\$ 70,754	\$ 44,553	\$ 17,195	\$ 62,740	\$ 46,299

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

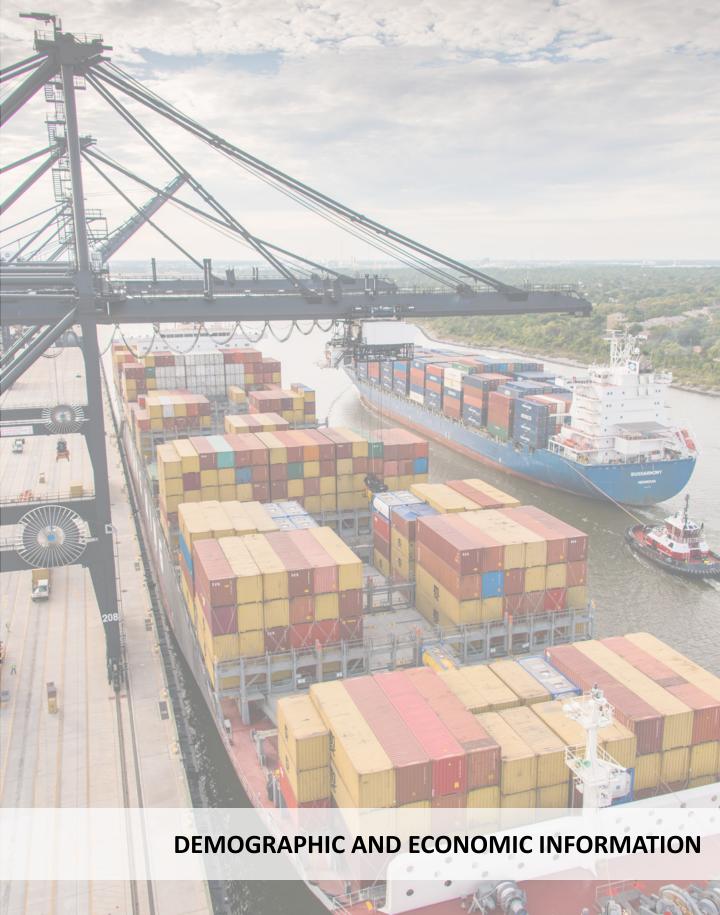
## Port of Houston Authority of Harris County, Texas Table of Bonded Debt Service Requirements

(unaudited)

Fiscal Year Ending December 31	Outstanding Debt Service Requirements
2017	\$ 53,140,961
2018	52,991,411
2019	53,247,486
2020	52,750,461
2021	52,729,374
2022	52,070,673
2023	47,793,873
2024	48,775,098
2025	48,773,930
2026	48,771,084
2027	49,645,600
2028	49,801,100
2029	49,802,106
2030	49,800,694
2031	49,794,056
2032	49,907,888
2033	49,908,025
2034	49,905,806
2035	49,910,275
2036	49,909,275
2037	49,910,113
2038	49,912,181
2039	34,608,000
Total	\$ 1,143,859,470

<sup>-</sup> The table sets forth the annual debt service requirements on the Authority's ad valorem tax bonds as of December 31, 2016, excluding bonds that have been refunded and defeased.







## Port of Houston Authority of Harris County, Texas Miscellaneous Statistical Data

December 31, 2016 (unaudited)

Port of Houston Authority Facts:

**Date of Establishment:** 1911

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

**Area:** 1,778 Square Miles

Altitude: Harris County (generally coterminous with Port of Houston Authority) - Sea level to 310 feet

City of Houston - Center of downtown area - 41 feet

	Selected Economic Statistics											
Year	GDP (a)	National Unemployment (b)	Total U.S. Exports (c)	Total U.S. Imports (c)	U.S. Rig Count (d)	Oil Price \$/Bbl (e)	PMI (f)					
2016	1.9%	4.9%	2,209.4	2,711.7	672	51.97	56.0					
2015	0.7%	5.2%	2,230.3	2,761.8	738	37.21	48.2					
2014	2.6%	5.6%	2,345.4	2,850.5	2,003	59.29	53.5					
2013	3.2%	7.4%	2,272.3	2,743.9	1,862	97.63	57.0					
2012	1.7%	7.6%	1,564.1	2,299.4	1,734	94.05	50.2					
2011	5.5%	8.9%	1,497.4	2,235.7	2,003	94.88	52.9					
2010	2.8%	9.6%	1,288.7	1,934.6	1,546	79.48	57.3					
2009	-2.6%	9.3%	1,056.0	1,559.6	1,089	61.95	46.2					
2008	-%	5.8%	1,287.4	2,103.6	1,879	99.67	45.5					
2007	1.9%	4.6%	1.148.2	1.957.0	1.768	72.34	51.1					

- Note (a) Gross Domestic Product percent change based on 2009 dollars; Source: Bureau of Economic Analysis
- Note (b) Average monthly unemployment rate per year; Source: Bureau of Labor Statistics
- Note (c) Billions of dollars; Source: Customs data from Department of Commerce, U.S. Census Bureau
- Note (d) Annual average total U.S. rig count; Source: Baker Hughes rig count data (RIGDATA)
- Note (e) Cushing, OK WTI spot price; Source: Energy Information Administration (EIA)
- Note (f) Purchasing Managers Index value above 50 means growth; Source: Institute for Supply Management

## Port of Houston Authority of Harris County, Texas Demographic and Economic Statistics Last Ten Calendar Years

(unaudited)

Calendar Year Ending December 31	Population	Unemployment Rate	 Personal Income (amounts in thousands)	Per Capita Personal Income
2007	3,935,855	4.2%	\$ 194,177,877	\$ 49,336
2008	3,984,349	5.5%	190,226,395	47,743
2009	4,070,989	8.1%	196,779,227	48,337
2010	4,092,459	8.3%	183,899,347	44,936
2011	4,178,574	7.2%	204,593,455	48,963
2012	4,253,700	6.0%	224,617,980	52,805
2013	4,336,853	5.5%	230,462,963	53,141
2014	4,441,370	4.0%	252,694,912	56,896
2015	4,538,028	4.6%	N/A	N/A
2016	N/A	N/A	N/A	N/A

<sup>-</sup> Source: Harris County, Texas Comprehensive Annual Financial Report for the Fiscal Year Ended February 29, 2016

<sup>-</sup> N/A - Not Available

## Port of Houston Authority of Harris County, Texas Principal Corporate Employers Current Year and Nine Years Ago\*

(amount in thousands) (unaudited)

	2016			2006			
Employer	Employees	Rank	Percentage of Area Employment	Employees	Rank	Percentage of Area Employment	
Memorial Hermann Healthcare Systems	24,000	1	0.80%	12,561	3	0.50%	
MD Anderson Cancer Center	20,000	2	0.66%	-		-	
United Airlines (formerly Continental)	15,000	3	0.50%	-		-	
The Methodist Hospital System	14,985	4	0.49%	7,969	6	0.32%	
ExxonMobil Corporation	13,000	5	0.43%	-		-	
UTMB Health	12,448	6	0.41%	-		-	
Kroger Company	12,000	7	0.40%	-		-	
Shell Oil Company	11,892	8	0.39%	11,621	4	0.46%	
National Oilwell Varco	11,563	9	0.38%	-		-	
Schlumberger Limited	10,000	10	0.33%	-		-	
Halliburton (KBR spun off)	· -		-	11,217	5	0.44%	
Administaff Inc.	-		-	19,851	1	0.79%	
JP Morgan Chase	-		-	6,749	7	0.27%	
St. Luke's Episcopal Health System	-		-	5,647	8	0.22%	
Texas Childrens's Integrated Delivery System	-		-	5,355	9	0.21%	
Wal-Mart Stores Inc.	-		-	12,957	2	0.51%	
HEB	-		-	5,225	10	0.21%	
	144,888		4.79%	99,152		3.93%	

<sup>-</sup> Source: Greater Houston Partnership, Houston Business Journal and U.S. Department of Labor-Bureau of Labor Statistics. 2007 Employer Information is N/A.

<sup>-</sup> Note: Combined Houston-Sugar Land-Woodlands, TX area employment for 2016 was approximately 3,036,100 and for 2007 was 2,635,900.

<sup>- \*</sup> Based on calendar year

## Port of Houston Authority of Harris County, Texas Harris County Population Statistical Data

(unaudited)

## **Regional Population (a)**

<u>Year</u>	City of Houston	Harris County	Year	City of Houston	Harris County
1880	16,513	27,985	1950	596,163	806,701
1890	27,557	37,249	1960	938,219	1,243,158
1900	44,633	63,786	1970	1,232,802	1,741,912
1910	78,800	115,693	1980	1,594,086	2,409,544
1920	138,276	186,667	1990	1,632,833	2,818,199
1930	292,352	359,328	2000	1,953,631	3,400,578
1940	384,514	528,961	2010	2,099,451	4,092,459

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

	2016	2012	2008	2004	2000
Registered Voters	2,182,980	1,942,566	1,974,177	1,876,296	1,886,661
Votes Cast	99,507	1,204,167	1,188,731	1,088,793	995,631
Percentage of Registered Voters Voting	61.33 %	61.99 %	60.21 %	58.03 %	52.77 %

#### **Motor Vehicle Registration (c)**

	2016	2015	2014	2013	2012
Passenger Cars, Small Trucks and Misc.	3,748,343	3,750,880	3,778,534	3,486,077	3,480,675
Large Trucks Total	31,247 3,779,590	34,797 3,785,677	32,603 3,811,137	30,307 3,516,384	38,523 3,519,198

<sup>-</sup> Note (a) Source: Department of Commerce, U.S. Census Bureau

<sup>-</sup> Note (b) Source: Harris County Clerk - Elections Division/Harris County Clerk's Website

<sup>-</sup> Note (c) Source: Harris County Tax Assessor - Collector and Voter Registrar

## Port of Houston Authority of Harris County, Texas Harris County Miscellaneous Statistical Data

(unaudited)

Students enrolled in colleges and universities located within Harris County (d)

	2016	2015	2014	2013	2012
					_
Baylor College of Medicine	1,562	1,564	1,582	1,549	1,525
Houston Baptist University	3,270	3,160	3,128	2,910	2,589
Houston Community College	47,197	46,344	47,415	47,699	47,784
Lone Star College System	77,109	74,160	82,818	77,827	70,833
Rice University	6,883	6,719	6,498	6,490	6,402
San Jacinto College:					
Central, South and North	33,183	32,346	27,911	32,627	33,106
South Texas College of Law	969	1,038	1,116	1,185	1,230
Texas Southern University	8,862	8,965	9,233	8,619	9,967
Texas Woman's University: Houston	1,361	1,365	1,347	1,262	1,270
University of Houston:					
University Park	43,774	42,704	40,803	39,498	38,758
Downtown	14,245	14,255	14,439	13,353	13,568
Clear Lake	8,669	8,906	8,668	8,260	8,301
University of St. Thomas	3,224	3,343	3,192	3,525	3,626
University of Texas: (e)					
Dental Branch	560	548	536	522	503
Graduate School of Biomedical					
Sciences	425	437	472	514	555
Medical School	1,075	1,060	1,045	1,062	1,037
School of Biomedical Informatics	291	245	171	127	140
School of Nursing	1,477	1,247	1,072	1,116	956
School of Public Health	1,223	1,274	1,260	1,274	1,298
Total	255,359	249,680	252,706	249,419	243,448

## Number of Employees

	2016	2015	2014	2013	2012
Harris County (f)	16,166	15,761	15,244	14,557	14,275
Flood Control District (f)	287	291	300	290	308
Port of Houston Authority	597	583	542	528	542

<sup>-</sup> Note (d) Source: Fall 2016 Enrollment Data from Texas Higher Education Coordinating Board and above school websites

<sup>-</sup> Note (e) Source: University of Texas Office of Registrar (Fact Book 2017)

<sup>-</sup> Note (f) Source: Harris County Auditor's Office







## Port of Houston Authority of Harris County, Texas Table of Physical Characteristics of the Port Facilities of the Authority

(unaudited)

	Berth Lengths (Feet)	Water Depth Below Mean Low Tide (Feet)	Paved Marshalling Area (Acres)	Covered Storage (Sq. Feet)
Turning Basin				
36 general Cargo Wharves	376-600	27-36*	36	1,150,000
5 Liquid Bulk Wharves	226-570	33-36	-	-
Wharf - 32 Project Cargo	800	36	20	-
Woodhouse Terminal**				
Wharf 1	660	39	2	-
Wharf 2 and 3 (RoRo Dock)	1,250	35	-	19,260
Grain Dock**	600	42	-	-
Dry Bulk Cargo Facility				
Wharf 1	800	42	-	-
Wharf 2	400	42	-	-
Jacintoport				
Wharves 1 - 3	1,830	40	8	82,500
Care Terminal				
Wharf 1	500	37	10	45,000
Wharf 2	618	39	4	-
Sims Bayou Liquid Bulk Facility				
Berths	320	40	-	-
San Jacinto Barge Terminal				
Berth	200-700	16	-	-
<b>Barbours Cut Terminal</b>				
LASH Berth	810	36	_	-
Container Berths 1 - 6	6,000	45	190	-
	<b>-</b>	-	_	-
Bayport				
Container Berths 3 - 5	3,300	45***	165	-
BPT Auto Terminal	1,000	33	-	-

<sup>\*</sup> The maximum depth allowable due to federally authorized channel project depths

EQUIPMENT: (a)

#### **Turning Basin**

- Privately-owned mobile cranes and additional cargo handling equipment are available for hire on an hourly basis. Barbours Cut Terminal

#### Container Cranes:

- Ship to Shore (STS) = 14 total (4 SPP, 5 PP, 4 P, and 1 training crane)
- Rubber-Tire Gantry (RTG) = 42
- Empty Handling (Pencil/Side-pick) = 12
- Other load handling equipment (Top Loader) = 3

#### Other Equipment:

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

#### **Bayport**

#### Container Cranes:

- Ship to Shore (STS) = 9 total (3 SPP, 6 PP)
- Rubber-Tire Gantry (RTG) = 39
- Empty Handling (Pencil/Side-pick) = 0 (empty containers handled on terminal by 3rd party)
- Other load handling equipment (Top Loader) = 1

#### Other Equipment:

- Heavy-duty yard tractors (UTR/PIT) = 18
- Heavy-duty yard Chassis (Bucket) = 87
- (a) SPP=Super Post Panamax, PP=Post Panamax, P=Panamax, UTR=Utility Truck, PIT=Powered Industrial Truck

<sup>\*\*</sup> Woodhouse Terminal is the location of Houston Public Grain Elevator No. 2.

<sup>\*\*\*</sup> Dredging complete, not yet certified to 45' operating depth

## Port of Houston Authority of Harris County, Texas Freight Traffic Statistics

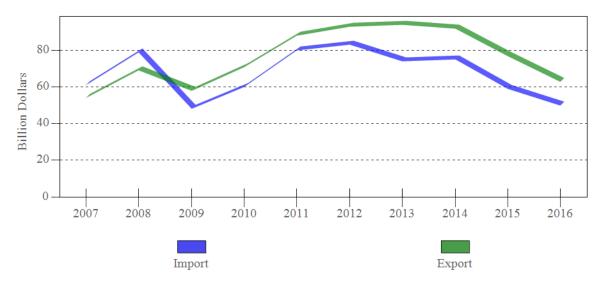
(in thousands) (unaudited)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Freight handled by the Authority only (excluding tonnages handled by private terminals) - short tons (a) (d)										
Breakbulk cargo	3,423	5,796	7,454	5,623	6,688	5,652	3,771	3,768	8,006	6,678
Container cargo	21,960	21,564	19,400	19,112	18,590	17,735	17,038	15,914	16,866	16,425
Bulk grain	2,872	2,350	2,311	2,264	1,294	2,371	2,042	1,560	2,097	1,746
Bulk plant	3,330	2,905	5,191	5,152	4,692	4,209	4,670	4,513	4,521	4,950
Other bulk	13,254	12,550	12,281	12,518	12,771	12,474	12,725	11,032	11,248	10,621
Total	44,839	45,165	46,637	44,669	44,035	42,441	40,246	36,787	42,738	40,420
Freight handled by entire Port of Houston (includes tonnage handled by both the Authority and private terminals) - short tons (b) (c) (d) Foreign										
Imports	(e)	71,388	76,688	76,449	83,816	88,889	88,508	84,629	92,019	94,692
Exports	(e)	92,024	83,849	83,102	78,627	78,188	71,053	63,340	54,380	50,650
Total Foreign (e)	-	163,412	160,537	159,551	162,443	167,077	159,561	147,969	146,399	145,342
Domestic							_	_		
Receipts	(e)	36,010	34,267	32,442	35,349	32,429	31,091	28,460	28,322	33,409
Shipments	(e)	24,375	23,194	22,116	23,338	22,937	21,389	20,397	22,739	22,665
Total Domestic (e)		60,385	57,461	54,558	58,687	55,366	52,480	48,857	51,061	56,074
Local	(e)	17,136	16,306	15,137	17,055	15,355	15,092	14,515	14,747	14,648
Total		240,933	234,304	229,246	238,185	237,798	227,133	211,341	212,207	216,064
Value of foreign trade handled by entire Port of Houston (c)		,	,							
Imports	\$ 49,616,268	\$ 59,493,988	\$ 75,023,441	\$ 74 287 778	\$ 83,252,965	\$ 80 221 005	\$ 60,110,140	\$ 48,427,840	\$ 78 873 301	\$ 61,004,983
Exports	63,303,533	76,535,738	92,016,308	94,050,299	93,407,834	88,078,301	70,726,052	57,834,409	68,783,597	53,776,671
Total	\$112,919,801	\$136,029,726	\$167,039,749	\$168,338,077	\$176,660,799	\$168,299,306	\$130,836,192	\$106,262,249	\$147,656,898	\$114,781,654

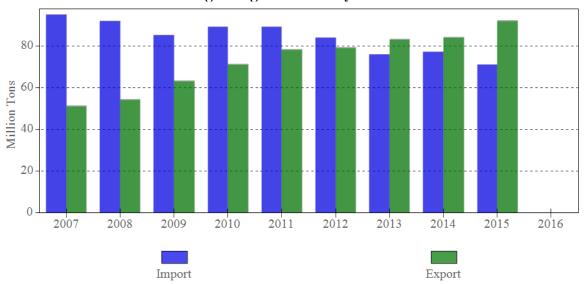
- Note (a) Source: The Authority
- Note (b) Source: U.S. Army Corps of Engineers, Waterborne Commerce of the U.S.
- Note (c) Source: Bureau of Census U.S. Department of Commerce
- Note (d) Prior year amounts may have been restated to reflect actual volumes after year-end adjustments.
- Note (e) Amounts not available for 2016.
- Domestic and local freight breakdown for 2015 is based on prior year averages.

## Port of Houston Authority of Harris County, Texas Freight Traffic Statistics Graph Last Ten Years

## Value of foreign freight handled by Port of Houston



## Tons of foreign freight handled by Port of Houston



- Note: Foreign tonnage is not available for 2016.

## Port of Houston Authority of Harris County, Texas **Cargo Statistics Last Ten Fiscal Years**

(in thousands of short tons) (unaudited)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total Revenue Tonnage Including Bayport companies Excluding Bayport companies	44,839 34,847	45,168 35,744	46,637 37,620	44,669 35,825	44,035 35,059	42,441 33,549	40,246 31,317	36,787 28,865	42,738 35,242	40,420 33,225
General Cargo (a)	25,226	27,360	26,854	24,735	25,278	23,387	20,809	19,681	24,871	23,102
<b>Bulk Materials Handling Plant</b>	3,330	2,908	5,191	5,152	4,692	4,210	4,670	4,513	4,521	4,950
Grain Elevator #2	2,872	2,350	2,311	2,264	1,294	2,371	2,042	1,560	2,097	1,746
Other Bulk Movements Excluding Bayport companies (b) Including Bayport companies	3,419 9,992	3,126 9,424	3,265 9,016	3,675 8,843	3,796 8,975	3,582 8,892	3,796 8,929	3,110 7,922	3,753 7,496	3,427 7,194
Barbours Cut Terminal Bulk (b) General cargo (a)	3 9,467	11,395	11,100	10,559	10,117	9,493	3 9,598	2 9,420	4 11,817	- 14,004
Bayport Container Terminal General cargo (a)	10,855	8,589	6,977	7,265	7,355	7,365	6,568	5,803	4,199	1,522
Steel (a) Import Export	2,288 80	4,643 141	6,343 236	4,350 303	5,093 391	3,674 626	2,296 425	2,405 251	5,976 310	4,406 336
Autos - Turning Basin  Tons - import (a)  Tons - export (a)  Units - import  Units - export	161 8 83 2	168 14 82 6	129 13 63 5	143 21 71 8	176 28 94 11	124 27 65 13	110 26 59 12	73 24 41 12	116 32 64 12	114 22 61 8
Bagged Goods (a) Import Export	168 40	167 46	65 57	53 191	137 88	309 198	50 206	1 352	16 346	44 562
Container TEU	2,183	2,131	1,951	1,950	1,935	1,866	1,817	1,799	1,795	1,771

<sup>-</sup> Source: The Authority

<sup>Note (a) Tonnage included in General Cargo above
Note (b) Tonnage included in Bulk Cargo above</sup> 

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

(unaudited)

_	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Houston Ship Channel Break bulk Bulk carrier Containers Cruise Roll-on/roll-off Tankers Tug Tow Vehicle carrier Other	744 827 940 31 35 5,129 448 109 6	883 876 1,003 48 12 5,047 384 111 12	987 1,003 1,012 38 9 4,746 386 112 46	1,019 809 966 9 29 4,955 369 119	998 729 1,013 - 49 4,983 454 138 31	914 702 1,037 - 49 4,885 355 104 27	840 626 1,028 - 69 4,816 297 103 70	801 653 953 - 105 4,335 280 75 75	891 920 966 17 130 4,595 411 43 77	883 878 938 - 132 4,261 470 61 80
Total Vessel Arrivals	8,269	8,376	8,339	8,291	8,395	8,073	7,849	7,277	8,050	7,703
PHA Public Wharves										
<b>Turning Basin</b> Ships Barges	864 935	1,066 971	1,258 1,016	1,121 1,789	1,130 1,585	1,046 1,528	999 1,416	962 1,186	1,255 1,546	1,196 1,492
Bulk Plant, Jacintoport, Care, Woodhouse, and HPGE#2 Ships Barges	517 504	502 424	597 611	596 492	581 632	613 586	595 545	541 525	669 485	705 496
Barbours Cut and Galveston Ships Barges	560 36	581 98	664 113	822 23	771 88	688 51	695 32	704 43	809 46	969 58
Bayport Container Terminal Ships Barges	490 175	494 119	356 107	349 68	355 63	374 59	330 2	314 1	225 1	97 4
Bayport Cruise Terminal Cruise Layberth	31	48 42	38 39	9 42	- 48	- 56	- 49	- 21	17 -	- -
Bayport Companies Ships Barges	793 2,402	856 2,166	672 2,145	732 2,148	713 2,160	643 2,206	704 2,115	652 1,754	611 1,657	632 1,620
Total PHA Arrivals Ships (a) Barges	3,248 4,693	3,528 4,348	3,654 4,611	3,661 4,521	3,593 4,533	3,409 4,441	3,372 4,110	3,194 3,509	3,569 3,735	3,599 3,670

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

## Port of Houston Authority of Harris County, Texas Bulk Commodity Statistics Last 10 Fiscal Years

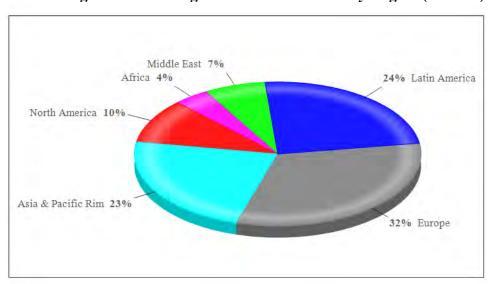
(in thousands) (short tons)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Coke	3,313	2,809	3,282	2,712	2,970	3,698	4,673	4,518	4,563	4,979
Coal	16	100	1,909	2,441	1,729	549	-	-	-	-
Fertilizer	90	51	62	75	18	-	27	26	37	-
Grain	2,872	2,350	2,311	2,264	1,286	2,376	2,042	1,560	2,097	1,746
Industrial Chemical	11,957	11,240	10,864	10,563	10,895	10,682	10,989	9,490	8,929	8,957
Molasses	243	255	253	249	263	241	121	206	234	156
Petroleum Products	508	458	361	581	621	509	549	343	125	43
Tallow	152	154	191	182	251	259	345	320	518	480
Dry Bulk	287	242	356	525	601	555	504	377	964	870
Vegetable Oil	175	150	194	341	105	178	159	252	375	64
Miscellaneous Bulk					17	7	28	14	24	23
Totals	19,613	17,809	19,783	19,933	18,756	19,054	19,437	17,106	17,866	17,318

- Source: The Authority

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

### 2016 Foreign Trade Through the Port of Houston by Region (\$ Value)

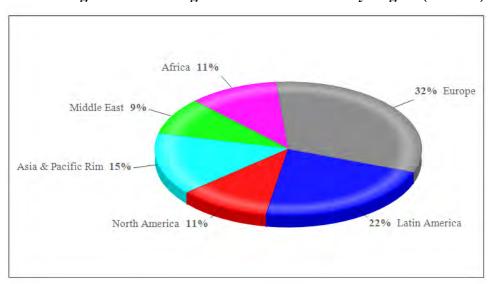


## TRADE THROUGH THE PORT OF HOUSTON BY REGION IN 2016 (000s)

	Imports	Exports	Total	World Total
Latin America	\$ 7,090,128	\$ 19,998,727	\$ 27,088,855	24 %
Europe	19,731,761	15,882,372	35,614,133	32 %
Asia & Pacific Rim	13,289,891	12,984,553	26,274,444	23 %
North America	4,956,241	6,343,161	11,299,402	10 %
Middle East	3,624,235	4,159,153	7,783,388	7 %
Africa	924,012	3,935,567	4,859,579	4 %
Worldwide Totals	\$ 49,616,268	\$ 63,303,533	\$ 112,919,801	100 %

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

### 2007 Foreign Trade Through the Port of Houston by Region (\$ Value)



## TRADE THROUGH THE PORT OF HOUSTON BY REGION IN 2007 (000s)

				Percent of
	Imports	Exports	 Total	World Total
Europe	\$ 19,867,970	\$ 16,911,790	\$ 36,779,760	32 %
Latin America	10,304,634	15,185,369	25,490,003	22 %
North America	9,052,945	4,074,940	13,127,885	11 %
Asia & Pacific Rim	8,943,641	7,996,500	16,940,141	15 %
Middle East	5,831,596	4,110,314	9,941,910	9 %
Africa	6,996,257	5,543,220	12,539,477	11 %
Worldwide Totals	\$ 60,997,043	\$ 53,822,133	\$ 114,819,176	100 %

<sup>-</sup> Source: U.S. Dept. of Commerce, Bureau of Census

## Port of Houston Authority of Harris County, Texas Number of Regular Authority Employees by Type Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Exempt Employees	207	199	179	183	182	190	183	182	177	160
Non Exempt Maintenance	171	169	205	194	206	237	257	253	256	262
Non Exempt Employees	219	215	158	151	154	151	152	157	162	158
Total Active Employees	597	583	542	528	542	578	592	592	595	580

<sup>-</sup> Source: The Authority





## PORT OF HOUSTON AUTHORITY

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