Port of Houston Authority

CAFR

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Years Ended December 31, 2018 and 2017

Port of Houston Authority
111 East Loop North
Houston, Texas 77029
Phone: 713.670.2400
Fax: 713.670.2554
porthouston.com

Prepared By: Office of the Controller Port of Houston Authority

On the cover: Turning Basin Terminal, The Authority's primary breakbulk facility in 2018. Steel, an essential commodity in the Port's diverse portfolio.

Port of Houston Authority of Harris County, Texas

Comprehensive Annual Financial Report
For the Years Ended December 31, 2018 and 2017

Prepared By:
Office of the Controller
Port of Houston Authority

PORT OF HOUSTON AUTHORITY
PHA
HOUSTON, TEXAS

Port of Houston Authority of Harris County, Texas
Comprehensive Annual Financial Report
For the Years Ended December 31, 2018 and 2017

TABLE OF CONTENTS

TABLE OF CONTENTS

INTRODUCTORY SECTION

PORT OF HOUSTON AUTHORITY

PHA

HOUSTON, TEXAS

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

April 16, 2019

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, 2018. 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 the Port Commission composed of seven commissioners. Two are appointed by Harris County Commissioners Court, two by the City Council of the City of Houston, one by the City Council of the City of Pasadena and one by the Harris County Mayors' and Councils' Association. The chairman of the Port Commission is jointly appointed by the governing bodies of Harris County and the City of Houston.

The Authority had 652 active, regular employees as of December 31, 2018 and in addition, utilized 413 full-time equivalent workers throughout the year hired from local longshoremen union halls.

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

Business of the Authority

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

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

The Manchester Terminal, considered part of the Turning Basin Terminal, is a liquid bulk complex on 16 acres under lease.

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

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

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

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

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

The Authority has leased a 55-acre property at the Bayport Industrial Park 1. The facility would include a 525,000 square foot warehouse intended to be used for packaging and shipping resin and exports to various regions in the world. The project is now in the construction phase. 16.3 acres along the north side of the Bayport channel are leased and now being developed to operate a liquid bulk dock to handle crude oil and condensate.

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

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

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

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

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

2018 marked the midpoint of the four-year cost-shared federal study which is considering the feasibility of further improvements to the Houston Ship channel and its tributaries. The tentatively selected plan will enable deeper draft and generally larger ships to call further upstream in the heart of the channel petrochemical reach and allow for more efficient transportation up through the Turning Basin Terminal. Additional widening of the ship channels up to and including the container terminals will assure the capability of those channels to satisfy the growing demand for containerized cargo for the next 20-50 years. The Authority’s 50% cost share of the study is approximately $5 million.

In 2018, the Bayport flare improvements were completed allowing for easier access into the Bayport channel. Channel Development also renegotiated the Operations and Maintenance for Disposal Area Management Program with the Corps of Engineers resulting in the Corps accepting responsibility for all ditching construction resulting in a savings of $1M or more annually.

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

Economic Outlook

The U.S. economy continued its expansion in 2018. This growth was partly attributable to strong consumption and rising wages, among other factors. Inflation remained near the Federal Reserve’s 2.0% target, while volatility emerged in the financial markets. Preliminary estimates for real gross domestic product ("GDP") suggest that output growth remains healthy though it slowed during the fourth quarter of 2018, possibly due to the waning effects of the tax cuts enacted in 2017 and uncertainty surrounding trade disputes.

Accordingly, the economic outlook for 2019 remains positive, although growth is decelerating. Forecasts from the Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters released in November 2018, following fourth-quarter GDP growth of 2.6%, show estimates of 2.4%, 2.7%, 2.4%, and 2.2% for the next four quarters. Another survey, conducted in February 2019 by Bloomberg News, of approximately 60 top economists reflects slightly lower numbers, with median forecasts of GDP growth of 2.6%, 2.0%, 2.5%, 2.2%, and 2.0% for the fourth quarter of 2018 and the next four quarters of 2019, respectively.

The unemployment rate is expected to remain low, in the range of 3.7% to 4.0%, from 2018 to 2021, on an annual-average basis. Estimates for job gains in 2018 and 2019 have been revised upward. The projections for the annual-average level of nonfarm payroll employment suggest job gains at a monthly rate of 181,900 in 2019, compared to 167,800 in the prior estimate.

The Consumer Price Index ("CPI") for all items increased 1.9% in 2018, which was the first time the 12-month change has been under 2.0% since August 2017. The index for all items less food and energy rose 2.2% percent over the last 12 months, while the food index rose 1.6% over the past year. The energy index declined 0.3% percent. The Authority uses a CPI measure as the basis for annual rate adjustments in many lease agreements and marine terminal services agreements.

Financial Planning

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

For 2019, the Authority budgeted revenues of $404 million. This represents an 8% increase over the 2018 budgeted revenues of $374 million, reflecting growth in container volumes and an increase in channel development revenues (primarily dredge management placement fees and leases of submerged lands). Non-operating revenues in 2019 reflect an expected increase in federal grant reimbursements and reduced interest income as well as reduced income from FEMA due to Hurricane Ike. Total expenses are budgeted at $307 million, an 8% increase versus the prior year, due primarily to higher terminal operating and union labor resulting from increased volumes, as well as depreciation and amortization and general and administrative expenses. Excluding revenues and expenses related to property taxes, the Authority projects net income of $97 million for 2019 or 8% higher than the 2018 budget. The Authority expects to generate cash flows of over $171 million in 2019.

During 2018, the Authority invested $118 million in capital improvements, funded primarily from the Authority's general fund and in part from grant monies received from federal and other governmental programs.

In 2019, the Authority expects to commit $287 million for various capital projects. Approximately $223 million will be allocated to its container terminals for continuing development of Bayport and modernization at BCT, while $20 million is designated for channel development projects, and another $19 million relates to improvements at the general cargo and bulk terminals in the Turning Basin Terminal. The remaining 2019 capital budget funds will be used for railroad improvements, port security, building renovations and information technology.

Major Initiatives

Strategic Plan

The Strategic Plan, developed in 2015, is a 5-year roadmap designed to help focus resources, guide staff decision-making and planning, and promote continued successes that allow the Authority to maintain a sustainable competitive advantage. The Authority is committed to driving the strategic goals of People, Growth, Infrastructure, and Stewardship, and staff remains steadfast in the priorities of the Plan.

As the Authority continues to execute its mission to *Move the World and Drive Regional Prosperity*, it will continue to drive its Strategic Plan which defines success. In 2019, the Strategic Plan will be updated in accordance with statutory requirements, with anticipated commission adoption in early 2020.

Terminal Improvements

The Authority evaluates its strategic plans to ensure a competitive position in the global marketplace. This can only be accomplished by focusing on consistent and quality levels of service to all customers and stakeholders, optimizing expansion and redevelopment activities and investing in terminal infrastructure and technologies. Containerized cargo is handled by the Authority at the BCT and Bayport. Today, these terminals combined have 26 operating wharf cranes, 90 Rubber Tired Gantry (RTG) cranes and additional heavy-duty tractors and other cargo handling equipment.

Development at Bayport Terminal continued throughout 2018 with the completion of Container Yard 6 South and the delivery of both ship-to-shore (STS) and rubber tire gantry (RTG) cranes. Expansion of grounded container marshaling areas also included a tenant built and operated empty container yard, and the beginning of construction for Container Yard 7 and the Bayport South Rail Spur project.

The Wharf 2 Expansion Project completed construction in January 2018 now provides 4,000 feet of wharf area and created the foundation for three additional Neopanamax STS cranes, increasing the terminal total to twelve. These STS cranes were delivered in the third quarter of 2018.

The ten RTGs delivered in 2018 went into service and have increased the total fleet size to 48 for Bayport. In 2019, the Port will see an additional order of RTGs that will raise the total fleet size to up to 66 when fully commissioned in 2020.

Container Yard 7 began construction in Q4 of 2018 and will continue through 2020. When complete it will add an additional 50 acres to the footprint of Bayport and will conclude the container yard marshalling expansion on the west end of the terminal.

The beginning of 2018 saw the Port Authority cap off the Wharf Two Reconstruction and Rehabilitation Project of 2017 with the commissioning of the three new Neopanamax STS cranes. This brought the total fleet of Neopanamax STS cranes to seven at BCT.

A project to reconstruct 43 acres at the east end of BCT completed construction and was put into operation in Q3 of 2018. The objective of this project was to repurpose warehouse and freight handling areas, rebuild aging infrastructure, and add truck bypass lanes to support higher cargo velocity within the terminal.

Detail design work began in 2018 on the new BCT Entry Gate Facility. Design will complete in Q2 2019 and construction will begin before the end of the year. This will add 17 lanes to the current footprint increasing the total number to 29, supporting the expected growth of the facility. Completion of this phase is currently slated for Q2 2021 with the first phase coming online in late 2020.

Eight RTGs were ordered in Q4 2018 with delivery planned for Q1 2020. This will bring the total fleet size at BCT to 50. These cranes utilize the latest hybrid technology available, growing our hybrid fleet to 15.

Port Security and Emergency Operations

In 2018, the Health, Safety, Security and Emergency Management Division ("HSSE") changed to the Port Security and Emergency Operations Division ("PSEO"), as the Safety Department was moved under the Risk Management Department.

Highlighting 2018 for the entire PSEO Division was recognition as the 2018 winner of the U.S. Coast Guard Rear Admiral Richard E. Bennis Award for Maritime Security Excellence. The biennial award serves to recognize outstanding achievements and contributions of the maritime community with regards to implementation of Maritime Transportation Security Act (MTSA) requirements and other maritime security best practices in safeguarding our nation's Marine Transportation System.

The Security Department continues to operate under the Security Management System via our ISO 28000 Supply Chain Security certification. The Authority remains the only port authority in the United States to hold this certification, now entering its 11th year.

In December 2018, Emergency Management led Port Houston in serving as the host location for the Department of Homeland Security ("DHS") "Next Generation First Responder" exercise. Emerging technology was tested via a variety of platforms including biodata sensors on "victims" and first responders, asset tracking modules, wireless connectivity methods, and interconnectivity for situational awareness.

Environment

The Environmental Affairs Department 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.

Tenants operating on Authority property are generally audited at least annually for compliance with the environmental terms of their leases. In 2018, the Authority conducted 43 compliance audits of tenant and PHA facilities.

Technology

The principal responsibility of the Technology Division ("IT") is to support port-wide applications, infrastructure and information security. The IT Master Plan for 2017 – 2019 is the blueprint for the division as an internal service provider. After receiving Port Security Grants for Cybersecurity and security camera replacements, multi-project programs are in flight and aligned to the Authority's Strategic Plan.

Financial Information

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

It is the policy of the Authority to record nonoperation-related sources of income and expense outside of the Operating income section of the Statements of Revenues, Expenses and Changes in Net Position. Accordingly, during 2018 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, 2018 and 2017 listed in the foregoing Table of Contents were audited by an independent audit firm appointed by the Port Commission. The audit opinion, rendered by Grant Thornton LLP for December 31, 2018 is included in the Financial Section of this report.

Certificates of Achievement

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2017. This was the 44th consecutive year that the Authority has achieved this award. In order to be awarded a Certificate of Achievement, a governmental entity must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. Management believes the current report continues to meet the Certificate of Achievement Program's requirements.

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

Acknowledgements

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

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

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

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Port of Houston Authority

Texas

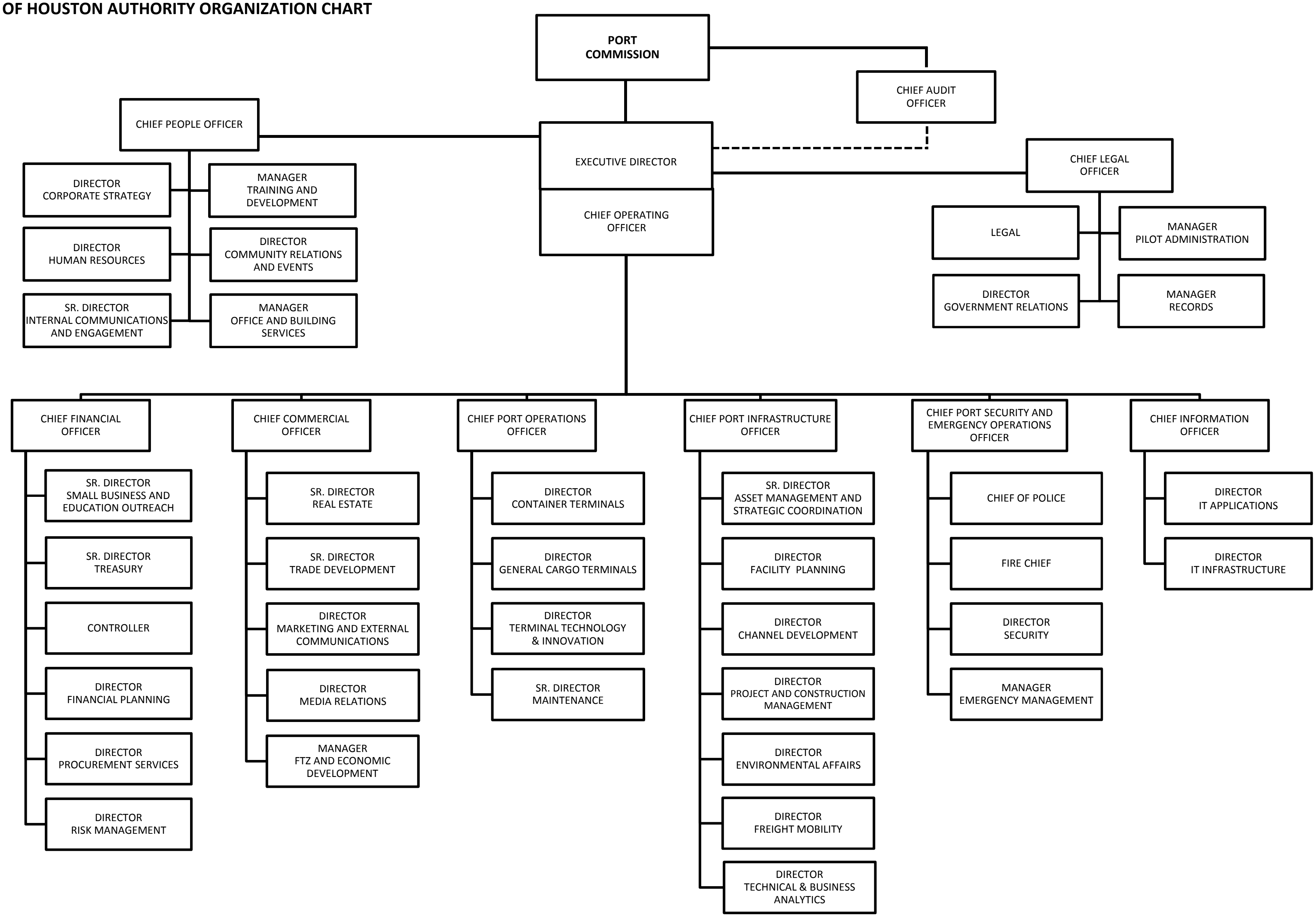
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morrill

Executive Director/CEO

PORT OF HOUSTON AUTHORITY ORGANIZATION CHART



Last Updated: March 21, 2018

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
John Moseley, Chief Commercial Officer
Jessica Shaver, Chief People Officer
Charles Thompson, Chief Information Officer
Marcus Woodring, Chief Port Security and Emergency Operations Officer
Maxine N. Buckles, Chief Audit Officer
Curtis E. Duncan, Controller
Orlando Sanchez, County Treasurer

PORT OF HOUSTON AUTHORITY

PHA

HOUSTON, TEXAS

FINANCIAL SECTION

PHA

PORT OF HOUSTON AUTHORITY

HOUSTON, TEXAS

GRANT THORNTON LLP
700 Milam Street
Suite 300
Houston, Texas 77002

D +1 832 476 4600
F +1 713 655 8741

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Port Commission
Port of Houston Authority of Harris County, Texas

Report on the financial statements

We have audited the accompanying financial statements of the Port of Houston Authority of Harris County, Texas (the "Authority") as of and for the years ended December 31, 2018 and 2017, 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 Port of Houston Authority of Harris County, Texas as of December 31, 2018 and 2017, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Emphasis of a Matter
As discussed in Note 1 to the financial statements, the Authority adopted new accounting guidance in 2018 related to the accounting for other post-employment benefits. Our opinion is not modified with respect to this matter.

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

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

information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated April 16, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Grant Thornton LLP

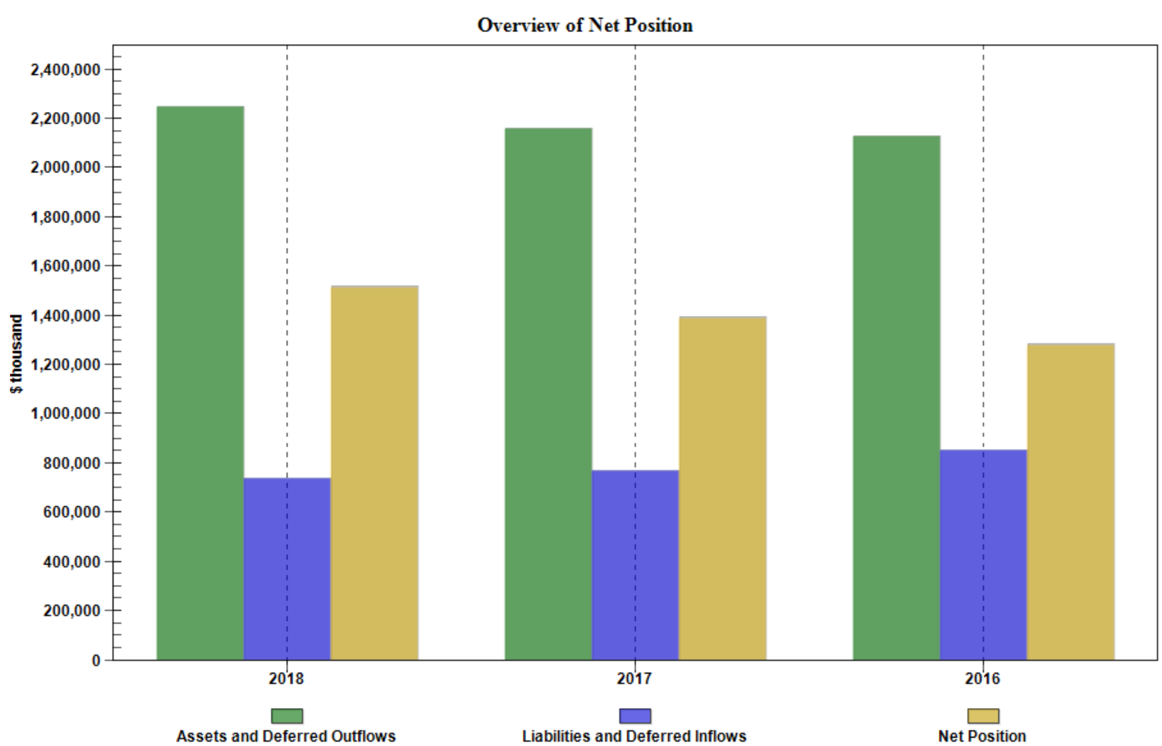
Houston, Texas
April 16, 2019

PORT OF HOUSTON AUTHORITY
PHA
HOUSTON, TEXAS

The following Management's Discussion and Analysis ("MD&A") of the Port of Houston Authority of Harris County, Texas ("Authority") provides an overview of the activities and financial performance for the fiscal years ended December 31, 2018 and 2017.

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 2018

- The net position of the Authority at December 31, 2018 was $1,511,358, increasing $122,729 or 9% over the prior year.
- The Authority's total assets and deferred outflows of resources increased by $88,598 or 4% during the fiscal year ended December 31, 2018. The majority of this change stems from an increase in cash and investments of $65,102, an increase in capital assets of $4,573, an increase in receivables of $12,896, and an increase in prepaid and other noncurrent assets of $3,953.
- The Authority's total liabilities and deferred inflows of resources decreased by $34,131 or 4%; the majority of this change stems from a decrease of $11,103 in accounts payable and other current liabilities, and a decrease in long-term debt, net of current maturities of $24,675, offset by an increase of $1,309 in fees received in advance and other resources.
- Current assets exceeded current liabilities by $336,196.
- Net investment in capital assets (net of accumulated depreciation and debt) grew 3% to $1,050,604.
- Operating revenues were $369,316, reflecting growth of 11% over the prior year.
- Total operating expenses were $279,159, a growth of 10% over the prior year.
- The Authority generated operating income of $90,157, reflecting growth of 13% from fiscal 2017.

Overview of the Financial Statements

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

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

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

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

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

Financial Analysis

The largest portion of the Authority's net position (70%) reflects its net investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets. The Authority uses these assets to provide services to its customers; consequently these assets are not available for future spending. Although the Authority's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Authority's net position (3%) represents resources that are restricted for debt service. The remaining balance of unrestricted net position (27%) 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)

	2018	2017 Restated	2016
Assets			
Current and other assets	$ 529,199	$ 446,776	$ 494,692
Capital assets	1,697,616	1,693,043	1,611,496
Total Assets	2,226,815	2,139,819	2,106,188
Deferred Outflows of Resources	19,040	17,438	21,902
Total Assets and Deferred Outflows of Resources	2,245,855	2,157,257	2,128,090
Liabilities			
Long-term liabilities (including current portion)	676,312	702,755	768,733
Other liabilities	54,869	64,870	78,693
Total Liabilities	731,181	767,625	847,426
Deferred Inflows of Resources	3,316	1,003	3,419
Total Liabilities and Deferred Inflows of Resources	734,497	768,628	850,845
Net Position			
Net investment in capital assets	1,050,604	1,023,578	919,177
Restricted	44,646	45,622	45,705
Unrestricted	416,108	319,429	312,363
Total Net Position	$ 1,511,358	$ 1,388,629	$ 1,277,245

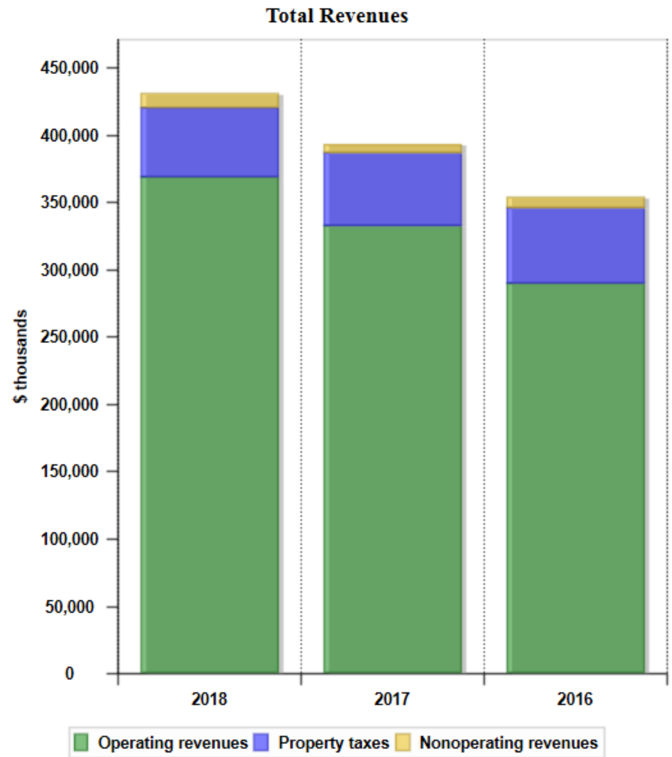
The Authority's net position increased by $122,729 during the fiscal year ended December 31, 2018. Net investment in capital assets increased $27,026 resulting from a net increase in capital assets of $4,573 and a decrease in outstanding bonds payable of $23,435. During fiscal year 2018, restricted net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

The Authority's net position increased by $111,384 during the fiscal year ended December 31, 2017. The net position was restated in the amount of $8,302 as a result of GASB 75, implemented in 2017. Net investment in capital assets increased $104,401 resulting from a net increase in capital assets of $81,547 and a decrease in outstanding bonds payable of $23,225. During fiscal year 2017, restricted net position decreased $83, while unrestricted net position increased $7,066.

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)

	2018	2017 Restated	2016
Operating revenues:			
Vessel and cargo services	$ 344,272	$ 309,058	$ 266,703
Rental of equipment and facilities	18,079	15,976	15,869
Grain elevator	1,182	902	1,199
Bulk materials	4,131	4,004	3,941
Other	1,652	2,933	2,514
Nonoperating revenues:			
Investment income	9,319	4,553	4,896
Other	345	1,703	2,690
Nonoperating revenues related to property taxes:			
Property taxes	50,951	53,842	55,749
Investment income on bond proceeds	721	264	119
Total Revenues	430,652	393,235	353,680
Operating expenses:			
Maintenance and operations of facilities	157,524	147,185	141,102
General and administrative	49,608	39,102	44,286
Depreciation and amortization	72,027	66,487	64,601
Impairment of Capital Assets	-	-	15,114
Nonoperating expenses:			
Contributions to state and local agencies	2,095	4,243	2,127
(Gain) \ Loss on disposal of assets	1	33	(2,976)
Other	1,440	2,187	1,033
Nonoperating expenses related to property taxes:			
Interest expense on unlimited tax bonds	28,927	30,010	31,548
Property tax collection expense	1,100	1,100	1,100
Other	420	400	303
Total Expenses	313,142	290,747	298,238
Income before capital contributions	117,510	102,488	55,442
Capital contributions from federal agencies	5,219	8,896	2,453
Changes in net position	122,729	111,384	57,895
Net position, January 1	1,388,629	1,277,245	1,219,350
Net position, December 31	$ 1,511,358	$ 1,388,629	$ 1,277,245



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

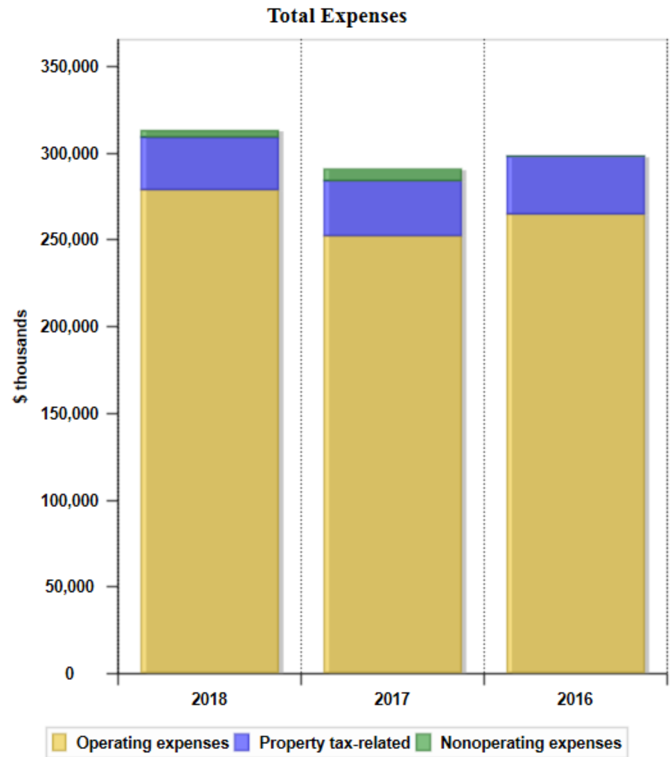
Nonoperating revenues related to property taxes in fiscal 2018 decreased $2,434 due to the decreased property tax rate from $0.01256 in 2017 to $0.01155 in 2018 per $100 assessed valuation.

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

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

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

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



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

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

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

For fiscal 2017, Operating expenses decreased by $12,329 or 5%, largely due to an impairment charge associated with the Cruise Terminal. General and administrative expenses decreased by $5,184 or 12% from 2016 relating primarily to investments in strategic planning and related initiatives. Depreciation increased by $1,886 or 3% due primarily to new assets at the container terminals.

Nonoperating expenses related to property taxes, reflecting predominantly interest expense on unlimited tax bonds, decreased $1,441 over 2016.

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

Capital Assets

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

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

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

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

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

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

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

	2018	2017	2016
Land and channel improvements	$ 479,950	$ 466,114	$ 404,711
Land use rights - intangible	12,986	12,533	11,777
Buildings	67,247	71,931	76,089
Improvements other than buildings	803,509	711,001	656,115
Railroads	21,833	20,896	22,144
Machinery and equipment	249,928	196,233	212,935
Computer software - intangible	2,113	2,818	3,588
Construction-in-progress	60,050	211,517	224,137
Total Capital Assets, net	$ 1,697,616	$ 1,693,043	$ 1,611,496

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 2018, the Authority had total debt outstanding of $650,463 (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 2017, the Authority had total debt outstanding of $673,898 (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)

	2018	2017	2016
General Obligation Bonds			
Unlimited Tax Port Improvement Bonds	$ 89,831	$ 89,960	$ 90,084
Unlimited Tax Refunding Bonds	560,632	583,938	607,039
Total General Obligation Bonds	650,463	673,898	697,123
Less Current Maturities	(21,185)	(19,945)	(19,165)
Long-Term Debt (net of unamortized premiums/discounts)	$ 629,278	$ 653,953	$ 677,958

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

The Authority's total debt principal outstanding decreased $45,075 during 2018. The key factors for this decrease were the scheduled debt service payment of $19,945 and the refunding of $201,685, Series 2006B and 2008A General Obligation Bonds, partially offset by the issuance of $176,555 related to Series 2018A.

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

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

Year	Fitch	Moody's	S & P
2018	AA	Aaa	AAA
2017	AA	Aaa	AAA

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 2019 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.

Global economic activity has slowed, as the latest IMF global growth forecasts for 2019 and 2020 were revised downward to 3.5% and 3.6%, respectively. The revision reflects the effects of tariff increases enacted in the United States and China, introduction of new automobile emission standards in Germany, concerns about sovereign and financial risks in Italy, as well as a deeper contraction in Turkey. According to the Bureau of Labor Statistics, the consumer price index ("CPI") increased 1.9% in 2018 on an unadjusted basis, a smaller increase than the 2.1% increase in 2016 and 2017, but larger than the increases in any of the years from 2012 to 2015, and larger than the average annual increase of 1.8% over the last 10 years. Inflation is expected to increase slightly to 2.1% by the fourth quarter of 2019 according to Trading Economics, a global economics research firm.

The Texas economy remains robust although growth has decelerated in the last few months across the manufacturing, services and retail sectors. Manufacturing activity remains solid but production growth appears to be moderating for both durables and nondurables. Texas added jobs at a 2.5% pace in the fourth quarter of 2018, slightly slower than the third-quarter growth of 2.7%. The Federal Reserve Bank of Dallas forecasts 2019 employment growth in Texas between 1% and 2%.

The Authority's 2019 budget reflects expected growth of export loads at 12.3%, as plastic resin production by the petrochemical industry continues to ramp up, and import loads are forecast up 8.0% on the strength of transpacific services. Steel tonnage is expected to increase by 11% in 2019, while general cargo growth is projected at 7%.

Requests for Information

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

Port of Houston Authority of Harris County, Texas

Statements of Net Position
As of December 31, 2018 and 2017
(in thousands)

	2018	2017 Restated
Assets		
Current Assets		
Cash and cash equivalents	$ 74,597	$ 75,522
Short-term investments	230,837	228,527
Receivables (net of allowance for uncollectibles)	43,925	31,029
Restricted assets		
Cash and cash equivalents	18,585	19,576
Property tax receivables	40,518	40,295
Prepaid and other current assets	3,788	3,539
Total Current Assets	412,250	398,488
Noncurrent Assets		
Investments	102,558	37,850
Prepaid and other noncurrent assets	14,391	10,438
Capital Assets (net of accumulated depreciation)		
Land and channel improvements	479,950	466,114
Land use rights - intangible	12,986	12,533
Buildings	67,247	71,931
Improvements other than buildings	803,509	711,001
Railroads	21,833	20,896
Machinery and equipment	249,928	196,233
Computer software - intangible	2,113	2,818
Construction-in-progress	60,050	211,517
Total Capital Assets, net	1,697,616	1,693,043
Total Noncurrent Assets	1,814,565	1,741,331
Total Assets	2,226,815	2,139,819
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	7,489	12,341
Deferred outflows of resources related to OPEB	6,760	-
Deferred loss on bond refunding	4,791	5,097
Total Deferred Outflows of Resources	19,040	17,438
Total Assets and Deferred Outflows of Resources	$ 2,245,855	$ 2,157,257

See accompanying notes to the financial statements.

Port of Houston Authority of Harris County, Texas

Statements of Net Position
As of December 31, 2018 and 2017
(in thousands)

		2018		2017 Restated
Liabilities				
Current Liabilities				
Accounts payable and other current liabilities	$	33,487	$	44,590
Fees received in advance and other reserves		14,107		12,018
Liabilities payable from restricted assets:				
Current maturities of long-term debt				
Unlimited tax bonds		21,185		19,945
Accrued interest payable				
Unlimited tax bonds		7,275		8,262
Total Current Liabilities Payable from Restricted Assets		28,460		28,207
Total Current Liabilities		76,054		84,815
Noncurrent Liabilities				
Long-term debt, net of current maturities		629,278		653,953
Net pension liability		5,343		10,277
Net OPEB liability		8,884		6,200
Other noncurrent liabilities				
Due in more than one year		11,622		12,380
Total Noncurrent Liabilities		655,127		682,810
Total Liabilities		731,181		767,625
Deferred Inflows of Resources				
Deferred inflows of resources related to pensions		2,621		843
Deferred gain on bond refunding		695		160
Total Deferred Inflows of Resources		3,316		1,003
Total Liabilities and Deferred Inflows of Resources		734,497		768,628
Commitments and Contingencies		-		-
Net Position				
Net investment in capital assets		1,050,604		1,023,578
Restricted for:				
Debt Service		44,646		45,622
Unrestricted		416,108		319,429
Total Net Position		1,511,358		1,388,629
Total Liabilities, Deferred Inflows of Resources and Net Position	$	2,245,855	$	2,157,257

See accompanying notes to the financial statements.

Port of Houston Authority of Harris County, Texas

Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2018 and 2017
(in thousands)

	2018	2017 Restated
Operating revenues		
Vessel and cargo services	$ 344,272	$ 309,058
Rental of equipment and facilities	18,079	15,976
Grain elevator	1,182	902
Bulk materials	4,131	4,004
Other	1,652	2,933
Total operating revenues	369,316	332,873
Operating expenses		
Maintenance and operations of facilities	157,524	147,185
General and administrative	49,608	39,102
Depreciation and amortization	72,027	66,487
Total operating expenses	279,159	252,774
Operating income	90,157	80,099
Nonoperating revenues (expenses)		
Investment income	9,319	4,553
Contributions to state and local agencies	(2,095)	(4,243)
Loss on disposal of assets	(1)	(33)
Other, net	(1,095)	(484)
Total nonoperating revenues (expenses)	6,128	(207)
Income before nonoperating revenues (expenses) related to property taxes	96,285	79,892
Nonoperating revenues (expenses) related to property taxes		
Property taxes, net of estimated uncollectible amounts	50,951	53,842
Investment income on bond proceeds	721	264
Interest expense on unlimited tax bonds	(28,927)	(30,010)
Property tax collection expense	(1,100)	(1,100)
Other, net	(420)	(400)
Total nonoperating revenues related to property taxes	21,225	22,596
Income before capital contributions	117,510	102,488
Capital contributions from federal agencies	5,219	8,896
Change in net position	122,729	111,384
Net position, January 1	1,388,629	1,277,245
Net position, December 31	$ 1,511,358	$ 1,388,629

See accompanying notes to the financial statements.

PORT OF HOUSTON AUTHORITY
PHA
HOUSTON, TEXAS

Port of Houston Authority of Harris County, Texas

Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017
(in thousands)

	2018	2017
Cash flows from operating activities:		
Cash received from customers	$ 359,939	$ 331,485
Cash paid to suppliers for goods and services	(72,006)	(106,349)
Cash paid to employees for services	(92,113)	(81,855)
Cash paid for employee benefits	(51,662)	(51,348)
Cash (paid) / received for other services	(3,946)	(4,229)
Cash (paid) / received for other purposes	(6,939)	(923)
Net cash provided by operating activities	133,273	86,781
Cash flows from noncapital financing activities:		
Property taxes received	51,012	60,611
Contributions paid to others	(2,095)	(4,243)
Property tax collection expenses paid	(1,683)	(1,475)
Other non operating revenue	234	475
Net cash provided by noncapital financing activities	47,468	55,368
Cash flows from capital and related financing activities		
Contributions received from federal agencies	2,724	7,948
Interim Financing Costs	(2,499)	(1,099)
Repayment of long-term debt and funding of escrow	(19,945)	(19,165)
Interest on long-term debt	(31,032)	(33,976)
Acquisition and construction of capital assets	(74,344)	(146,486)
Proceeds from retirement of assets	167	942
Net cash used in capital financing activities	(124,929)	(191,836)
Cash flows from investing activities:		
Purchase of investments	(411,222)	(244,294)
Proceeds from maturities of investments	343,527	329,073
Interest on investments	9,967	4,501
Net cash (used in) provided by investing activities	(57,728)	89,280
Net (decrease) increase in cash and cash equivalents	(1,916)	39,593
Cash and cash equivalents, January 1	95,098	55,505
Cash and cash equivalents, December 31	$ 93,182	$ 95,098
Cash and cash equivalents Unrestricted	$ 74,597	$ 75,522
Cash and cash equivalents Restricted	18,585	19,576

See accompanying notes to the financial statements.

Port of Houston Authority of Harris County, Texas

Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017
(in thousands)

	2018	2017
Reconciliation of net income to net cash provided by operating activities:		
Operating Income	$ 90,157	$ 71,797
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	72,027	66,487
Provision for doubtful accounts	173	946
Net Pension deferrals	(2,508)	389
Changes in assets and liabilities		
(Increase) / decrease in trade and other receivables	(10,233)	420
(Increase) in prepaids and other current assets	(2,737)	(752)
(Increase) in dredging expenses paid in advance	(1,492)	(4,614)
(Decrease) in accounts payable and other liabilities	(11,432)	(39,889)
(Decrease) in net pension\OPEB liability and compensated absences	(1,986)	(7,144)
Increase / (decrease) in fees received in advance	1,304	(859)
Net cash provided by operating activities	$ 133,273	$ 86,781
Noncash investing, capital and financing activities		
Increase in fair value of investments	$ (1,074)	$ 343
Capital contributions from federal agencies	2,989	1,329

See accompanying notes to the financial statements.

Port of Houston Authority of Harris County, Texas

Statements of Fiduciary Trust Net Position
As of December 31, 2018 and 2017
(in thousands)

	2018	2017
Assets		
Cash and cash equivalents	$ 1,122	$ 1,240
Investment Securities		
Domestic Equity	32,310	33,770
International Equity	3,231	3,464
Fixed Income	29,420	26,112
Balanced Funds*	2,122	1,426
Accrued investment income	225	216
Total Assets	68,430	66,228
Liabilities		
Administrative fees	-	7
Investment Expenses	-	39
Total Liabilities	-	46
Assets held in trust for pension / OPEB**	$ 68,430	$ 66,182

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

	2018	**2017**
**Assets held in Trust for OPEB	65,964	64,533
Assets held in Trust for Pension	2,466	1,649
	68,430	66,182

See accompanying notes to the financial statements.

Port of Houston Authority of Harris County, Texas

Statements of Changes in Fiduciary Trust Net Position
For the Years Ended December 31, 2018 and 2017
(in thousands)

	2018	2017
Additions:		
Employer contributions	$ 6,055	$ 6,328
Net investment income (loss)	(3,696)	8,081
Total additions	2,359	14,409
Deductions:		
Benefit payments and withdrawals	(11)	(2,175)
Administrative expenses	(100)	(7)
Total deductions	(111)	(2,182)
Net increase in net position	2,248	12,227
Assets held in trust for pension / OPEB, beginning of year	66,182	53,955
Assets held in trust for pension / OPEB, end of year	$ 68,430	$ 66,182

See accompanying notes to the financial statements.

1. Summary of Significant Accounting Policies

Reporting Entity

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

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

Blended Component Unit

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

1. Summary of Significant Accounting Policies (continued)

Basis of Accounting

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

Use of Estimates

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

Cash and Cash Equivalents

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

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

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

1. Summary of Significant Accounting Policies (continued)

Investments

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

Accounts Receivable

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

Prepaid Items

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

Maintenance Dredging

The cost of periodic maintenance dredging of berthing areas adjacent to the Authority’s wharves, and of certain ship channels not maintained by the federal government, is capitalized in prepaid and other current assets and amortized over three years. Amortization for 2018 and 2017 amounted to $2,931 and $1,258, 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, 2018 and 2017 were $1,100 and $1,100,

(in thousands)

1. Summary of Significant Accounting Policies (continued)

Property Taxes (continued)

respectively. These expenses are reflected as property tax expense in the Statements of Revenues, Expenses and Changes in Net Position. The tax rates levied on behalf of the Authority for the years ended December 31, 2018 and 2017 were $0.01155 and $0.01256, respectively, per one hundred dollars of assessed valuation.

Restricted Assets

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

Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of more than five thousand dollars and an estimated useful life of three years or greater. Property constructed or acquired by purchase is stated at cost. Property received as a contribution is stated at estimated acquisition value on the date received. Donated assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add value to the assets or materially extend asset lives are expensed. The Authority capitalizes, as a cost of its constructed assets, the weighted average interest expense applied to average cumulative expenditures. No interest was capitalized in 2018 and 2017.

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

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

1. Summary of Significant Accounting Policies (continued)

Premiums (Discounts) on Bonds Payable and Issuance Costs

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

Deferred Compensation

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

Compensated Absences

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

Deferred Outflows and Inflows of Resources

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

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

1. Summary of Significant Accounting Policies (continued)

Net Position

Net position represents the residual interest in the Authority's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consist of three sections: net investment in capital assets; restricted; and0 unrestricted. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position. Net position is reported as restricted when constraints are imposed by third parties and consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The remaining net position that does not meet the definition of net investment in capital assets or restricted is classified as unrestricted. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first and then unrestricted resources, as they are needed.

Operating Revenues and Expenses

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

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

Current Year Accounting Pronouncements

In June 2015, GASB issued Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*" The primary objective of this Statement is 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

1. Summary of Significant Accounting Policies (continued)

Current Year Accounting Pronouncements (continued)

and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement is effective for fiscal years beginning after June 15, 2017. The Authority implemented this standard in 2018. See the Adoption of the New Accounting Standards section for further information on the implication of the new standard.

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

The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Authority implemented this standard in 2018.

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

1. Summary of Significant Accounting Policies (continued)

Future Accounting Pronouncements

In November 2016, GASB issued Statement No. 83, *"Certain Asset Retirement Obligations."* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

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

In January 2017, GASB issued Statement No. 84, *"Fiduciary Activities."* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

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

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

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3)

1. Summary of Significant Accounting Policies (continued)

Future Accounting Pronouncements (continued)

private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The Authority anticipates implementation of this statement in fiscal year 2019.

In June 2017, GASB issued Statement No. 87, *"Leases."* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Authority anticipates implementation of this statement in fiscal year 2020.

In April 2018, GASB issued Statement No. 88, *"Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements."* The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

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

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

1. Summary of Significant Accounting Policies (continued)

Future Accounting Pronouncements (continued)

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The Authority anticipates implementation of this statement in fiscal year 2019.

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

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The Authority anticipates implementation of this statement in fiscal year 2021.

Adoption of New Accounting Standards

GASB Statement No. 75 provides guidance for improved accounting and financial reporting by state and local governments postemployment benefits other than pensions (other postemployment benefits or OPEB).

The following accounts as of December 31, 2017 have been restated for the implementation of GASB Statement No. 75.

(in thousands)

1. Summary of Significant Accounting Policies (continued)

	As previously stated at 12/31/17	GASB 75 Implementation	Restated for 12/31/17
Net OPEB Obligation	$ (14,502)	$ 14,502	$ -
Net OPEB Liability	-	(6,200)	(6,200)
General and Administrative	42,423	(3,321)	39,102
Maintenance and Operations	152,166	(4,981)	147,185
Net Position	$ 1,380,327	$ 8,302	$ 1,388,629

2. Cash and Investments

The Authority's cash and cash equivalents of $93,182 and $95,098 as of December 31, 2018 and 2017, respectively, are maintained in demand deposit accounts and local government investment pools. Pursuant to the Texas Public Funds Collateral Act, Chapter 2257, Texas Government Code, the demand deposit account balances are fully covered by the Federal Deposit Insurance Corporation ("FDIC") or collateralized with securities deposited by the Authority's depository institution in a safekeeping account at the Federal Reserve Bank in the Authority's name and under the Authority's control.

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

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

In 2018, the Authority made investments in the Local Government Investment Cooperative ("LOGIC"), Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS"), and the Texas Local Government Investment Pool ("TexPool Prime"). These local government investment pools are subject to the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code ("PFIA"), which requires the pools to have the following investment objectives, in order of priority: (i) preservation and safety of principal; (ii) liquidity; and (iii) yield. The investment

2. Cash and Investments (continued)

policies for the pools specify that they will seek to maintain a "AAAm" credit rating by at least one nationally recognized rating service. As they offer daily liquidity similar to money market mutual funds, the pools are classified as cash and cash equivalents. Deposits in the investment pools are not insured or guaranteed by any government or government agency. Authorized investments include U.S. government and agency securities, repurchase agreements, certain mutual funds, commercial paper, and certificates of deposit.

LOGIC assets are valued using the amortized cost valuation technique, which generally approximates the market value of the assets and has been deemed to be a proxy for fair value. It should be noted, however, that for financial reporting purposes, LOGIC has elected to measure its investments at fair value, even though it may meet all criteria under GASB Statement No. 79, *"Certain External Investment Pools and Pool Participants"* ("GASB 79"), to report at amortized cost. This is an accounting election and LOGIC has been using fair value reporting for financial statement presentation since its 2011 fiscal year annual audit.

Texas CLASS utilizes Financial Accounting Standards Board ("FASB") Accounting Standards Topic (ASC) 820 *"Fair Value Measurement and Disclosure"* to define fair value, establish a framework for measuring fair value and expand disclosure requirements regarding fair value measurements. ASC 820 does not require new fair value measurements but is applied to the extent that other accounting pronouncements require or permit fair value measurements. The standard emphasizes that fair value is a market-based measurement that should be determined based on the assumptions that market participants would use in pricing an asset or liability.

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

At December 31, 2018, the Authority had investments in LOGIC, Texas CLASS, and TexPool Prime of $19,125, $32,353, and $25,828, respectively.

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

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an

2. Cash and Investments (continued)

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

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

Concentration of Credit Risk – Concentration of credit risk exists when investments are concentrated in the securities of a few issuers. The Authority mitigates such risks by emphasizing the importance of a diversified portfolio. The Authority's investments at December 31, 2018 included the following securities which comprised more than 5% of the total portfolio (excluding cash and cash equivalents):

Commercial Paper:	
Banco Santander SA/NY	9%
J.P.Morgan Securities	13%
Natixis NY	9%
Municipal Bonds:	
Florida St Brd Admin	7%
NYC Transitional Fina Auth	7%
Passaic Cty, NJ	5%
Connecticut ST	5%

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

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Authority's investments. Generally speaking, the fair value of longer-dated securities have greater sensitivity to changes in market

2. Cash and Investments (continued)

interest rates. The Authority minimizes its exposure to this risk by purchasing a mix of shorter-term investments and longer-term securities with maturities largely staggered to avoid undue concentration of assets in a specific maturity sector, and by structuring the portfolio to provide for stability of income and reasonable liquidity necessary to meet operational and capital needs.

The Investment Policy includes a general objective to hold investments to maturity, with final maturity of up to five years for certain instruments, and no more than 40% of the portfolio invested beyond two years at the time of purchase. The maximum weighted average maturity of the overall portfolio shall not exceed two years. See the tables on the following pages showing fair value and weighted average maturity of the Authority's investments for the fiscal years ended December 31, 2018 and 2017.

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, 2018 and 2017, the Authority had no foreign currency risk in its general cash and investment portfolio which is denominated in U.S. dollars. The Authority's defined benefit plan and its OPEB Plan, as described in Notes 8 and 9 in the accompanying notes to the financial statements, respectively, have indirect exposure to currency risk due to investments in American Depositary Receipts ("ADRs"); however, they are not included in foreign currency as they are denominated in U.S. dollars and accounted for at fair market value. As of December 31, 2018 and 2017, the indirect exposure to currency risk for the defined benefit plan was $10,865 and $15,636, respectively, and for the OPEB Plan, the indirect currency exposure was $4,717 and $5,070, respectively

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

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

2. Cash and Investments (continued)

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

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

The Authority's significant financial instruments consist of cash and cash equivalents, and investment securities. As of December 31, 2018, the Authority had the following recurring fair value measurements for such financial instruments:

- Local Government Investment Pools totaling $77,306 have been valued at amortized cost under GASB 79 or fair value under GASB 72. The LOGIC and Texas CLASS portfolios have been measured at fair value with TexPool Prime at amortized cost.
- U.S. Agency Securities of $29,978, Municipal Bonds of $184,263, and Commercial Paper of $119,154 are valued using the matrix pricing technique with quoted prices for similar assets in active markets, provided by SVC, IDC and other pricing sources (Level 2 inputs).

The Authority had no nonrecurring fair value measurements at December 31, 2018, nor any changes in valuation technique with a significant impact to fair value.

The tables on the following page summarize the Authority's investments that are measured at fair value as of December 31, 2018 and 2017, and indicate the fair value hierarchy of the valuation techniques utilized to determine such fair value.

(in thousands)

2. Cash and Investments (continued)

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

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

(in thousands)

2. Cash and Investments (continued)

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

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

(Continued on Next Page)

(in thousands)

2. Cash and Investments (continued)

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

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

(in thousands)

2. Cash and Investments (continued)

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

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

(Continued on Next Page)

(in thousands)

2. Cash and Investments (continued)

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

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

(in thousands)

3. Receivables

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

	2018	2017
Trade Receivables, Net		
Trade receivables	$ 40,166	$ 30,346
Damage claims receivable	730	294
Allowance for doubtful accounts	(2,540)	(2,407)
Total trade receivables, net	38,356	28,233
Other Receivables		
Interest receivable	2,148	1,399
Due from federal agencies	3,383	1,337
Other	38	60
Total other receivables	5,569	2,796
Total Receivables, Net	$ 43,925	$ 31,029

PORT OF HOUSTON AUTHORITY
PHA
HOUSTON, TEXAS

(in thousands)

4. Capital Assets

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

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

(in thousands)

4. Capital Assets (continued)

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

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

(in thousands)

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, 2018 and 2017 were $257 and $334, respectively. As of December 31, 2018, future minimum rental obligations to be paid by the Authority under noncancelable operating leases are as follows:

Year Ending	Future Minimum Lease Payments
2019	$ 250
2020	250
2021	250
2022	195
2023	17
Total	$ 962

Additionally, the Authority leases certain assets to others. These leases pertain to land, buildings and improvements, and cargo handling equipment. As of December 31, 2018, future minimum rentals anticipated to be received by the Authority under the operating leases with initial or remaining noncancelable lease terms in excess of one year are as follows:

Year Ending	Future Minimum Lease Rentals
2019	$ 27,674
2020	27,474
2021	25,242
2022	21,367
2023	16,696
Thereafter	236,241
Total	$ 354,694

PORT OF HOUSTON AUTHORITY

PHA

HOUSTON, TEXAS

(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, 2018 and 2017.

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

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

* Included in Fees received in advance and other reserves

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

The Authority had no long-term, capital leases outstanding during 2018 or 2017.

(in thousands)

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

Long-term liability activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	
Bonds Payable						
Unlimited tax bonds	$ 657,994	$ -	$ (19,165)	$ 638,829	$ 19,945	
Accreted interest on capital appreciation bonds	388	116	-	504	-	
Less unamortized premiums / discounts, net	38,741	-	(4,176)	34,565	-	
Total Bonds Payable	$ 697,123	$ 116	$ (23,341)	$ 673,898	$ 19,945	
Net Pension Liability	$ 13,472	$ 10,285	$ (13,480)	$ 10,277	$ -	
Net OPEB Liability	$ 18,669	$ 7,833	$ (20,302)	$ 6,200	$ -	
Other Noncurrent Liabilities						
Compensated absences	6,242	4,664	(4,446)	6,460	4,000	*
Fees received in advance	5,659	1,013	(1,396)	5,276	1,015	*
Claims liability	4,307	1,725	(1,014)	5,018	673	*
Other liabilities	24,363	10,508	(33,557)	1,314	-	
Total Other Noncurrent Liabilities	$ 40,571	$ 17,910	$ (40,413)	$ 18,068	$ 5,688	

* Included in Fees received in advance and other reserves

Fiscal year 2017 Long-Term Liabilities were restated to include the Net OPEB Liability as a result of the implementation of GASB 75; see the Adoption of New Accounting Standards discussed in Note 1.

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

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

Outstanding Long-Term Debt

	Original Issue	Interest Rate % *	Issue Date	Maturity	December 31 2018	December 31 2017
General Obligation Bonds						
Unlimited Tax Refunding Bonds						
Series 2006B	$ 47,085	4.75-5.00	10/18/2006	2031	$ -	$ 19,640
Series 2008A	234,630	5.625-6.25	7/24/2008	2038	-	182,045
Series 2010A	38,095	1.00-5.00	2/17/2010	2019	3,660	7,340
Series 2010B	22,930	1.00-5.00	2/17/2010	2026	10,535	11,965
Series 2010C	30,254	2.00-5.00	2/3/2010	2038	27,474	27,854
Series 2010D-1	147,940	5.00	8/19/2010	2035	147,940	147,940
Series 2010E	22,330	2.00-5.00	8/19/2010	2038	20,870	21,175
Series 2011A	47,345	1.00-5.00	10/20/2011	2026	29,130	32,035
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	6,355	15,295
Series 2015C	27,260	3.054-5.00	8/26/2015	2026	22,765	25,070
Series 2018A	176,555	3.00-5.00	7/18/2018	2038	176,555	-
					508,089	553,164
Unamortized premiums / (discounts), net					51,897	30,270
Series 2010C and 2010E CAB Accretion, net					646	504
Unlimited Tax Refunding Bonds, net					560,632	583,938
Unlimited Tax Port Improvement Bonds						
Series 2010D-2	85,665	5.00	8/19/2010	2039	85,665	85,665
Total Unlimited Tax Port Improvement Bonds					85,665	85,665
Unamortized premiums / (discounts), net					4,166	4,295
Unlimited Tax Port Improvement Bonds, net					89,831	89,960
Total Debt					650,463	673,898
Less Current Maturities					(21,185)	(19,945)
Long - Term Debt (net of unamortized premiums / (discounts))					$ 629,278	$ 653,953

* Interest rate of original issue

(in thousands)

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

Debt Service Requirements

Total debt service requirements for outstanding bonds as of December 31, 2018 are as follows:

	Bond Principal	Capital Appreciation Bond	Bond Interest	
Year Ending December 31	**General Obligation**	**Accreted Interest**	**General Obligation**	**Total**
2019	$ 21,185	$ -	$ 29,097	$ 50,282
2020	21,735	-	28,050	49,785
2021	22,790	-	26,974	49,764
2022	23,260	-	25,846	49,106
2023	20,135	-	24,694	44,829
2024-2028	120,180	-	108,089	228,269
2029-2033	145,579	9,711	75,975	231,265
2034-2038	185,930	8,265	37,398	231,593
2039	32,960	-	1,648	34,608
	$ 593,754	$ 17,976	$ 357,771	$ 969,501

General Obligation Bonds

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

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

The following table lists the Authority's bonds outstanding as of December 31, 2018, along with the stated purpose for which the debt was issued:

(in thousands)

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

General Obligation Bonds (continued)

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

Bond Refundings

Bonds generally mature serially based on stated maturity dates. However, bonds may be redeemed prior to their maturities if provided for under the applicable bond indenture. At various times the Authority has defeased certain bonds by placing the proceeds of new bonds, together with other available funds, in an irrevocable escrow with a trustee to provide for future debt service on the refunded bonds.

During 2018, the Authority issued Unlimited Tax Refunding Bonds, Series 2018A (AMT) to current refund $201,685 par value of bonds outstanding. The transaction resulted in net present value debt service savings of $47.7 million. The Authority had no other refunding or bond issues during 2018.

(in thousands)

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

Bond Refundings (continued)

The table below illustrates the cash flow effect of and the economic gain on the bond refunding during 2018:

Issue	Type of Refunding	Cash Flow Difference	Economic Gain
Series 2018A (AMT)	Current Refunding	$ (68,827)	$ 47,685

Bond Restrictions

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

Note Purchase Program

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

Arbitrage

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the U.S. Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The U.S. Treasury requires payment, if applicable, for each issue every five years. There was no arbitrage rebate liability for tax-exempt debt subject to the Tax Reform Act through December 31, 2018 and 2017. The estimated liability is updated annually for any tax-exempt issuance or changes in yields until payment of the calculated liability is due.

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

Impact of Tax Legislation

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

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

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

7. Bayport Facilities

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

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

Past liabilities under the Agreement were paid in full during fiscal 2012. The Agreement remains in effect with regards to user fees to be paid by the Bayport

7. Bayport Facilities (continued)

operators and the Authority, with such funds accumulated by the Authority in order to fund future capital expenditures associated with the Bayport Ship Channel.

8. Retirement Plans

Defined Benefit Plan Description

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

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

(in thousands)

8. Retirement Plans (continued)

Defined Benefit Plan Description (continued)

At December 31, 2018, the following participants were covered under the Plan:

Retirees and beneficiaries receiving payments	529
Terminated vested participants not yet receiving benefits	178
Disabled participants	10
Active participants	355
Total	1,072

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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

Inflation	2.50%
Investment rate of return	6.75%

Mortality rates were based on the RP-2016 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per MP-2016.

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

(in thousands)

8. Retirement Plans (continued)

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

These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of arithmetic rates of return for each major asset class included in the Plan's target asset allocation as of July 31, 2018 are summarized in the following table:

Asset Class	Target allocation	Long-term expected rate of return*
Core Fixed Income	40.0 %	2.5 %
High Yield Fixed Income	5.0 %	2.5 %
Large Cap US Equity	15.0 %	7.5 %
Mid Cap US Equity	7.5 %	7.5 %
Small Cap US Equity	10.0 %	7.5 %
Developed Foreign Equity	7.5 %	8.5 %
Real Estate (REITs)	5.0 %	4.5 %
Master Limited Partnerships	10.0 %	7.5 %
Long-term expected (weighted) rate of return:		5.10 %
Actuarial assumed long-term investment rate of return or discount rate:		6.75 %

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

Discount rate. The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that the Authority's contributions will be made at rates equal to the actuarially determined contribution. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 6.75 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

(in thousands)

8. Retirement Plans (continued)

Changes in the Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Liability)
Balances as of December 31, 2017	$ (187,270)	$ 176,993	$ (10,277)
Service cost	(3,402)	-	(3,402)
Interest on total pension liability	(12,454)	-	(12,454)
Effect of economic\demographic gains or losses	1,207	-	1,207
Effect of assumption changes or inputs	2,203	-	2,203
Benefit payments	10,085	(10,085)	-
Administrative expenses	-	(255)	(255)
Expected investment income, net of investment expenses	-	11,778	11,778
Investment gains or losses	-	600	600
Employer contributions	-	5,257	5,257
Balances as of December 31, 2018	$ (189,631)	$ 184,288	$ (5,343)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Authority, calculated using the discount rate of 6.75 percent, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage point higher (7.75 percent) than the current rate:

	1% decrease 5.75%	Current discount rate 6.75%	1% increase 7.75%
Net pension liability (asset)	$ 27,320	$ 5,343	$ (13,192)

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

(in thousands)

8. Retirement Plans (continued)

Pension Expense and Deferred Outflows / Inflows of Resources

For the year ended December 31, 2018 the Authority recognized pension expense of $6,954. At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows / Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,155
Changes of assumptions	3,252	1,466
Net difference between projected and actual earnings	2,137	-
Contributions made subsequent to measurement date	2,100	-
Total	$ 7,489	$ 2,621

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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended July 31	
2019	$ 2,454
2020	1,115
2021	(681)
2022	(120)
Total	$ 2,768

Defined Contribution Plan Description

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

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

(in thousands)

8. Retirement Plans (continued)

Defined Contribution Plan Description (continued)

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

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

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

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

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

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

	July 31, 2018	July 31, 2017
Total assets	$ 2,466	$ 1,649
Contributions during the year	655	528
Number of participants	403	320

9. Postemployment Retiree Benefits

Plan Description

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

(in thousands)

9. Postemployment Retiree Benefits (continued)

Plan Description (continued)

At December 31, 2018, the following participants were covered under the plan:

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

Funding Policy

Historically, the Authority's OPEB contribution has been based on a projected pay-as-you-go basis. For the years ended December 31, 2018 and 2017, the cost of retiree health benefits, recorded on a pay-as-you-go basis was $2,149 and $2,037, respectively. Retiree life-benefit costs for 2018 and 2017 were $129 and $138, 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 $56,500 to the OPEB trust through December 31, 2018.

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

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

Investment Valuation and Income Recognition

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

(in thousands)

9. Postemployment Retiree Benefits (continued)

Investment Valuation and Income Recognition (continued)

on the accrual basis. Dividends are recorded on the ex-dividend date.

Net OPEB Liability

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

	January 1, 2018	December 31, 2018
Total OPEB liability	$ 70,779	$ 74,848
Fiduciary net position	64,579	65,964
Net OPEB liability	6,200	8,884
Fiduciary net position as a % of total OPEB liability	91.24 %	88.13 %
Covered payroll	40,287	40,287
Net OPEB liability as a % of covered payroll	15.39 %	22.05 %

The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumption below, and was then projected forward to the measurement date. There have been no significant changes between the valuation date and the fiscal year end. Any significant changes during this period must be reflected as prescribed by GASB 74 and GASB 75.

Discount Rate

	2018	2017
Discount rate	6.75 %	6.75 %
Long-term expected rate of return, net of investment expense	6.75 %	6.75 %

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

Annual Money-Weighted Rate of Return

For the year ended December 31, 2018, the annual money-weighted rate of return on the OPEB trust investments, net of investment expense, was -5.80%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested. The following table shows the money-weighted rate of return since the inception of GASB 74.

(in thousands)

9. Postemployment Retiree Benefits (continued)

Annual Money-Weighted Rate of Return (continued)

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

- Other Key Actuarial Assumptions

The actuarial assumptions that determined the total OPEB liability as of December 31, 2018 were based on the results of an actuarial experience study for the period July 1, 2007 - July 1, 2012.

Valuation date	January 1, 2017
Measurement date	December 31, 2018
Inflation	2.30%
Salary increases including inflation	Age based
Mortality	RP-2006 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per Scale MP-2016
Actuarial cost method	Entry Age Normal

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

Long-Term Expected Rate of Return

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of December 31, 2018.

(in thousands)

9. Postemployment Retiree Benefits (continued)

Long-Term Expected Rate of Return (continued)

Asset Class	Index	Target Allocation*	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
Core Fixed Income	Barclays Aggregate	40.00 %	1.60 %	1.49 %
High Yield Bonds	Barclays High Yield	5.00 %	4.11 %	3.59 %
Large Cap US Equities	S&P 500	15.00 %	4.14 %	2.98 %
Mid Cap US Equities	Russell Microcaps	7.50 %	4.49 %	2.96 %
Small Cap US Equities	Russell 2000	10.00 %	5.18 %	3.29 %
Developed Foreign Equities	MSCI EAFE NR	7.50 %	4.96 %	3.38 %
Private Equity	Cambridge Associates	10.00 %	4.08 %	2.73 %
Real Estate (REITS)	FTSE NAREIT Equity REIT	5.00 %	4.73 %	3.00 %
Assumed Inflation - Mean			2.30 %	2.30 %
Assumed Inflation - Standard Deviation			1.85 %	1.85 %
Portfolio Real Mean Return			3.60 %	3.15 %
Portfolio Nominal Mean Return			5.99 %	5.52 %
Portfolio Standard Deviation			9.36 %	2.08 %
Long-Term Expected Rate of Return				**6.75 %**

Sensitivity Analysis

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

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net OPEB liability	$ 18,323	$ 8,884	$ 1,068

(in thousands)

9. Postemployment Retiree Benefits (continued)

Sensitivity Analysis (continued)

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

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB liability	$ (986)	$ 8,884	$ 21,131

OPEB Expense and Defined Outflows/Inflows of Resources

For the year ended December 31, 2018, the Authority recognized OPEB expense of $5,409. At December 31, 2018, the Authority reported deferred outflows of resources from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	$ 6,760
Total	$ 6,760

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

Year ended: December 31	
2019	$ 1,690
2020	1,690
2021	1,690
2022	1,690
Total	$ 6,760

(in thousands)

9. Postemployment Retiree Benefits (continued)

Changes in Net OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance as of December 31, 2017	$ 70,779	$ 64,579	$ 6,200
Service cost	3,289	-	3,289
Interest on total OPEB liability	4,864	-	4,864
Benefit payments	(4,084)	(4,084)	-
Employer contributions	-	9,484	(9,484)
Net investment income	-	(3,915)	3,915
Administrative expense	-	(100)	100
Balances as of December 31, 2018	$ 74,848	$ 65,964	$ 8,884

10. Risk Management

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

Effective March 1, 2010, the Authority began self-insuring and the Authority's current self-insured retention (SIR) limit is $350 for Liability claims and $500 for Workers' Compensation claims; Police and Fire is $750. The Authority has unlimited excess coverage for any workers' compensation claim that exceeds its SIR. The balance of claim liabilities at December 31, 2018 and 2017 was $6,095 and $5,018, respectively.

Plan Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2017	$ 4,307	$ 1,725	$ (1,014)	$ 5,018
2018	$ 5,018	$ 1,750	$ (673)	$ 6,095

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.

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 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, 2018 and 2017, the Authority had commitments of approximately $51,156 and $23,587, respectively, for supplies, services, and the purchase of equipment and the expansion of facilities.

Litigation and Claims

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

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

12. Tax Abatement

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

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

For year ending 2018, Harris County's gross tax and abated values were $811,423 and $67,312, respectively. Therefore, under agreements entered into by Harris County, the Authority's property tax revenues were reduced by $8.

PHA

PORT OF HOUSTON AUTHORITY

HOUSTON, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

PORT OF HOUSTON AUTHORITY
PHA
HOUSTON, TEXAS

Port of Houston Authority of Harris County, Texas

Required Supplementary Information

Port of Houston Authority Restated Retirement Plan

Schedule of Changes in Net Pension Liability and Related Ratios

Fiscal Year Ending July 31, 2018, 2017, 2016, 2015 and 2014

in thousands

(unaudited)

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

* The increase in employer contributions from 2017 to 2016 is due primarily to additional funding of $4.0 million authorized by the Commission to partially offset the increase in the Plan's unfunded actuarial accrued liability resulting from a reduction of the actuarial asssumption rate from 7.00% to 6.75%.

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

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

Port of Houston Authority of Harris County, Texas

Required Supplementary Information

Port of Houston Authority Restated Retirement Plan

Schedule of Port Authority Contributions

Last 10 Fiscal Years

in thousands

(unaudited)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	$ 5,007	$ 5,153	$ 4,481	$ 4,094	$ 5,278	$ 9,870	$ 8,133	$ 10,809	$ 9,857	$ 7,357
Contributions in relation to the actuarially determined contribution	5,257	9,600	4,500	4,094	8,282	9,870	8,133	10,809	9,857	7,357
Contribution deficiency (excess)	$ (250)	$ (4,447)	$ (19)	$ -	$ (3,004)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 29,960	$ 30,210	$ 30,412	$ 31,377	$ 33,690	$ 35,082	$ 35,571	$ 34,939	$ 32,695	$ 32,270
Contributions as a percentage of covered payroll	17.55 %	31.78 %	14.80 %	13.05 %	24.58 %	28.14 %	22.86 %	30.94 %	30.15 %	22.80 %

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, 2018, resulting from a net pension liability of $5,343
Asset valuation method	Market value
Inflation	2.50%
Salary Increases	Graded from 7.5% at age 20 to 3.0% at age 60
Investment rate of return	6.75%
Cost of living adjustments	None
Retirement age	Ranging from 5% at age 55 to 100% at age 70
Turnover	Rates from most recent assumption study performed August 1, 2015
Mortality	RP-2016 Mortality for Employees, Healthy Annuitants and Disabled Annuitants with generational projection per MP–2016

The table was updated to reflect current actuarial assumptions used.

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

Plan Year Ended	2018	2017	2016
Annual Required Contribution (ARC)	$ 4,384	$ 5,402	$ 5,798
Percentage of ARC Contributed	216 %	175 %	151 %

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

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

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

Port of Houston Authority of Harris County, Texas

Required Supplementary Information

Port of Houston Authority OPEB Plan

Schedule of Changes in Net OPEB Liability and Related Ratios

Fiscal Year Ending December 31, 2018 and 2017

in thousands

(unaudited)

	2018	2017
Total OPEB Liability		
Service cost	$ 3,289	$ 3,081
Interest on total OPEB liability	4,864	4,593
Benefit payments	(4,084)	(3,654)
Net change in total OPEB liability	4,069	4,020
Total OPEB liability - beginning	70,779	66,759
Total OPEB liability - ending (a)	74,848	70,779
Fiduciary Net Position		
Employer contributions	9,484	9,454
Net investment (loss) income	(3,915)	5,714
Benefit payments	(4,084)	(3,655)
Administrative Expense	(100)	-
Net change in plan fiduciary net position	1,385	11,513
Fiduciary net position - beginning	64,579	53,066
Fiduciary net position - ending (b)	65,964	64,579
Net OPEB liability - ending (a) - (b)	$ 8,884	$ 6,200
Fiduciary net position as a % of total OPEB liability	88.13 %	91.24 %
Covered payroll	$ 40,287	$ 40,287
Net OPEB liability as a % of covered payroll	22.05 %	15.39 %

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

Port of Houston Authority OPEB Plan

Schedule of Actuarially Determined Contributions

Last Ten Fiscal Years

in thousands

(unaudited)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution*	$ 4,384	$ 5,402	$ 5,798	$ 5,537	$ 6,568	$ 6,909	$ 7,913	$ 8,115	$ 14,580	$ 14,580
Contributions in relation to the actuarially determined contribution	9,484	9,454	8,772	11,203	11,363	11,226	10,776	10,536	2,897	2,373
Contribution deficiency (excess)	$ (5,100)	$ (4,052)	$ (2,974)	$ (5,666)	$ (4,795)	$ (4,317)	$ (2,863)	$ (2,421)	$ 11,683	$ 12,207
Covered payroll	$ 40,287	$ 40,287	$ 38,907	$ 38,907	$ 33,690	$ 34,615	$ 34,939	$ 34,939	$ 32,310	$ 32,310
Contributions as a percentage of covered payroll	23.54 %	23.47 %	22.55 %	28.79 %	33.73 %	32.43 %	30.84 %	30.16 %	8.97 %	7.34 %

Notes to Schedule

Valuation timing	Actuarial valuations for funding purposes are performed biennially as of January 1. The most recent valuation was performed as of January 1, 2017
Actuarial cost method	Entry Age Normal
Amortization method	
Level percent or level dollar	Level dollar
Closed, open, or layered periods	Open
Amortization period at January 1, 2017	10 years
Asset valuation method	Market Value
Inflation	2.30%
Salary Increases	Age based
Discount Rate	6.75%
Healthcare Cost Trend Rates	8.1% for 2017, gradually decreasing to an ultimate rate of 4.4% for 2071 and beyond
Mortality	RP-2006 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per Scale MP-2016

* Funding for the OPEB began in 2010 – 2011. Prior to that, the ARC was determined using PHA’s internal rate of return of 4%. This makes liabilities and costs much higher.

Port of Houston Authority of Harris Couty, Texas

Combining Statements of Fiduciary Trust Net Position

As of December 31, 2018 and 2017

(in thousands)

	Defined Contribution 7/31/2018	OPEB 12/31/2018	Total	Defined Contribution 7/31/2017	OPEB 12/31/2017	Total
Assets						
Cash and cash equivalents	$ 48	$ 1,074	$ 1,122	$ 44	$ 1,196	$ 1,240
Investment Securities						
Domestic Equity	245	32,065	32,310	145	33,625	33,770
International Equity	33	3,198	3,231	23	3,441	3,464
Fixed Income	18	29,402	29,420	11	26,101	26,112
Balanced Funds *	2,122	-	2,122	1,426	-	1,426
Accrued Investment Income	-	225	225	-	216	216
Total Assets	2,466	65,964	68,430	1,649	64,579	66,228
Liabilities						
Administrative Fees	-	-	-	-	7	7
Investment Expenses	-	-	-	-	39	39
Total Liabilities	-	-	-	-	46	46
Assets held in trust	$ 2,466	$ 65,964	$ 68,430	$ 1,649	$ 64,533	$ 66,182

* Mutual funds that include both equity and fixed income securities

Port of Houston Authority of Harris Couty, Texas

Combining Statements of Changes in Fiduciary Trust Net Position

As of December 31, 2018 and 2017

(in thousands)

	Defined Contribution 7/31/2018	OPEB 12/31/2018	Total	Defined Contribution 7/31/2017	OPEB 12/31/2017	Total
Additions:						
Employer contributions	$ 655	$ 5,400	$ 6,055	$ 528	$ 5,800	$ 6,328
Net Investment Income	173	(3,869)	(3,696)	158	7,923	8,081
Total additions	828	1,531	2,359	686	13,723	14,409
Deductions:						
Benefits payments and withdrawls	(11)	-	(11)	-	(2,175)	(2,175)
Administrative Expenses	-	(100)	(100)	-	(7)	(7)
Total deductions	(11)	(100)	(111)	-	(2,182)	(2,182)
Net increase in net position	817	1,431	2,248	686	11,541	12,227
Assets held in trust for pension/ OPEB, beginning of year	1,649	64,533	66,182	963	52,992	53,955
Assets held in trust for pension/ OPEB, end of year	$ 2,466	$ 65,964	$ 68,430	$ 1,649	$ 64,533	$ 66,182

PORT OF HOUSTON AUTHORITY
PHA
HOUSTON, TEXAS

STATISTICAL SECTION

PORT OF HOUSTON AUTHORITY
PHA
HOUSTON, TEXAS

Statistical Section

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

Contents

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

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

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

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

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

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

PORT OF HOUSTON AUTHORITY

PHA

HOUSTON, TEXAS

FINANCIAL TRENDS

Schedule 1

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Net investment in capital assets	$1,050,604	$1,023,578	$ 919,177	$ 794,075	$ 749,755	$ 685,717	$596,224	$574,224	$571,828	$655,571
Restricted										
Capital	-	-	-	-	-	7,195	29,713	60,204	79,270	8,388
Debt Service	44,646	45,622	45,705	41,853	43,290	44,598	44,916	41,455	44,248	39,072
Other	-	-	-	-	-	-	2,755	196	4,302	122
Unrestricted	416,108	311,127	312,363	383,422	340,892	324,466	320,673	263,802	207,113	191,411
Total Net Position	$1,511,358	$1,380,327	$1,277,245	$1,219,350	$1,133,937	$1,061,976	$994,281	$939,881	$906,761	$894,564

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

	2018	2017 Restated	2016	2015	2014	2013	2012	2011	2010	2009
Operating revenues:										
Vessel and cargo services	$ 344,272	309,058	$ 266,703	$ 267,277	$ 238,083	$ 200,101	$ 190,618	$ 177,405	$ 159,799	$ 144,365
Rental of equipment and facilities	18,079	15,976	15,869	17,120	17,763	25,114	23,077	22,030	20,346	20,524
Grain elevator	1,182	902	1,199	1,567	1,821	592	683	1,923	911	1,155
Bulk materials	4,131	4,004	3,941	4,019	4,270	2,665	2,485	2,131	2,368	2,243
Other	1,652	2,933	2,514	3,753	1,960	5,201	8,512	3,356	3,272	2,040
Nonoperating revenues:										
Investment (loss) income	9,319	4,553	4,896	4,142	4,913	(435)	2,410	3,123	3,573	4,136
Contribution in aid of construction	-	-	-	610	-	5,000	-	1,077	-	-
Other	345	1,703	2,690	1,279	3,291	683	1,583	2,765	3,836	4,588
Nonoperating revenues related to property taxes:										
Property taxes	50,951	53,842	55,749	51,280	51,955	52,534	56,429	49,826	53,833	46,911
Investment income / (loss) on bond proceeds	721	264	119	120	162	348	302	657	(47)	165
Total Revenues:	430,652	393,235	353,680	351,167	324,218	291,803	286,099	264,293	247,891	226,127
Operating expenses:										
Maintenance and operations of facilities	157,524	147,185	141,102	123,433	121,899	103,353	101,095	97,461	95,918	88,124
General and administrative	49,608	39,102	44,286	42,297	37,812	41,845	43,875	39,894	51,742	57,827
Depreciation and amortization	72,027	66,487	64,601	60,198	57,190	56,057	56,551	55,661	53,731	48,035
Impairment of Capital Assets	-	-	15,114	-	-	-	-	-	-	-
Nonoperating expenses:										
Contributions to state and local agencies	2,095	4,243	2,127	2,147	1,464	1,949	882	1,232	1,742	17,468
Loss on disposal of assets	1	33	(2,976)	2,849	1,220	91	3,295	-	3,294	-
Other	1,440	2,187	1,033	338	-	-	98	-	-	-
Nonoperating expenses related to property taxes:										
Interest expense on unlimited tax bonds	28,927	30,010	31,548	33,114	33,459	33,188	33,803	36,843	34,265	26,072
Property tax collection expense	1,100	1,100	1,100	1,039	1,175	994	1,091	996	1,270	506
Other	420	400	303	455	408	477	442	525	480	901
Total Expenses:	313,142	290,747	298,238	265,870	254,627	237,954	241,132	232,612	242,442	238,933
Income before contributions	117,510	102,488	55,442	85,297	69,591	53,849	44,967	31,681	5,449	(12,806)
Capital contributions from federal agencies	5,219	8,896	2,453	56	2,370	13,827	9,373	1,439	2,944	3,549
Contributions from federal agency-FEMA	-	-	-	60	-	19	60	-	3,804	1,417
Total Contributions from federal and state agencies	5,219	8,896	2,453	116	2,370	13,846	9,433	1,439	6,748	4,966
Change in net position	122,729	111,384	57,895	85,413	71,961	67,695	54,400	33,120	12,197	(7,840)
Net position, January 1	1,388,629	1,277,245	1,219,350	1,133,937	1,061,976	994,281	939,881	906,761	894,564	902,404
Net position, December 31	$ 1,511,358	$ 1,388,629	$ 1,277,245	$ 1,219,350	$1,133,937	$1,061,976	$ 994,281	$ 939,881	$ 906,761	$ 894,564

REVENUE CAPACITY

PORT OF HOUSTON AUTHORITY

PHA

HOUSTON, TEXAS

Schedule 3

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

(amounts in thousands)
(unaudited)

Year Levied	Real Property	Personal Property	Less: Exemptions (a)	Total Taxable Assessed Value	Total Direct Tax Rate
2009	$ 311,188,647	$ 45,005,241	$ 80,505,070	$ 275,688,818	$ 0.01636
2010	300,557,174	43,837,867	80,137,056	264,257,985	0.02054
2011	306,488,194	43,891,522	82,109,248	268,270,468	0.01856
2012	317,458,948	47,105,465	85,096,445	279,467,968	0.01952
2013	338,787,938	51,399,961	86,415,967	303,771,932	0.01716
2014	375,147,134	54,650,315	92,526,176	337,271,273	0.01531
2015	420,143,010	57,162,124	100,360,569	376,944,565	0.01342
2016	467,478,230	51,201,800	109,296,383	409,383,647	0.01334
2017	486,904,155	48,036,665	109,150,988	425,789,832	0.01256
2018	507,215,984	49,241,694	118,780,750	437,676,928	0.01155

- Source: Harris County Appraisal District Property Use Recap as of 12/22/18
- Note: Property is assessed at actual value and is reassessed each year. Tax rates are per $100 of assessed value.
- Note (a) Exemptions are primarily made up of the homestead property exemption of 20%. In addition, persons 65 years of age or older receive an exemption up to a maximum individual amount of $160,000.

Schedule 4

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Harris County										
General Fund	$ 0.35000	$ 0.34500	$ 0.34500	$ 0.34547	$ 0.34547	$ 0.34547	$ 0.33271	$ 0.33444	$ 0.33401	$ 0.33401
General Bonds Debt Service	0.05084	0.05234	0.05111	0.05237	0.04802	0.05158	0.04468	0.03825	0.03635	0.03642
Total Constitutional Funds	0.40084	0.39734	0.39611	0.39784	0.39349	0.39705	0.37739	0.37269	0.37036	0.37043
County - Wide Road Debt Service	0.01774	0.02067	0.02045	0.02139	0.02382	0.01750	0.02282	0.01848	0.01769	0.02181
Total - Harris County	0.41858	0.41801	0.41656	0.41923	0.41731	0.41455	0.40021	0.39117	0.38805	0.39224
Flood Control District										
Maintenance	0.02738	0.02736	0.02745	0.02620	0.02620	0.02620	0.02522	0.02727	0.02727	0.02754
Debt Service	0.00139	0.00095	0.00084	0.00113	0.00116	0.00207	0.00287	0.00082	0.00196	0.00168
Total - Flood Control	0.02877	0.02831	0.02829	0.02733	0.02736	0.02827	0.02809	0.02809	0.02923	0.02922
Port of Houston Authority										
Debt Service	0.01155	0.01256	0.01334	0.01342	0.01531	0.01716	0.01952	0.01856	0.02054	0.01636
Hospital District										
General	0.17000	0.17000	0.17000	0.17000	0.17000	0.17000	0.18216	0.19216	0.19216	0.19216
Debt Service	0.00108	0.00110	0.00179	-	-	-	-	-	-	-
Total Hospital District	0.17108	0.17110	0.17179	0.17000	0.17000	0.17000	0.18216	0.19216	0.19216	0.19216
Total	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998	$ 0.62998

- Source: Harris County Appraisal District
- Note: Tax rates are stated per $100 assessed valuation.

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

December 31, 2018
(unaudited)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
County-Wide Taxing Jurisdiction										
Harris County	$ 0.41858	$ 0.41801	$ 0.41656	$ 0.41923	$ 0.41731	$ 0.41455	$ 0.40021	$ 0.39117	$ 0.38805	$ 0.39224
Harris County Flood Control District	0.02877	0.02831	0.02829	0.02733	0.02736	0.02827	0.02809	0.02809	0.02923	0.02922
Port of Houston Authority	0.01155	0.01256	0.01334	0.01342	0.01531	0.01716	0.01952	0.01856	0.02054	0.01636
Harris County Hospital District	0.17108	0.17110	0.17179	0.17000	0.17000	0.17000	0.18216	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	$ 0.81203	$ 0.82203	$ 0.82203	$ 0.82203	$ 0.82203	$ 0.82203	$ 0.82203	$ 0.82202	$ 0.78703	$ 0.78700
Bellaire	0.43130	0.41590	0.38740	0.38050	0.39360	0.39990	0.39990	0.39990	0.39990	0.37590
Deer Park	0.72000	0.72000	0.72000	0.71435	0.72000	0.72000	0.72000	0.72000	0.70500	0.70500
Houston	0.58831	0.58421	0.58642	0.60112	0.63108	0.63875	0.63875	0.63875	0.63875	0.63880
La Porte	0.71000	0.71000	0.71000	0.71000	0.71000	0.71000	0.71000	0.71000	0.71000	0.71000
League City	0.56380	0.56500	0.57000	0.57350	0.59700	0.59700	0.59700	0.61000	0.61600	0.63000
Missouri City	0.63000	0.60000	0.56010	0.54468	0.56500	0.57375	0.54480	0.52840	0.52840	0.52840
Pasadena	0.61545	0.57539	0.57539	0.57539	0.57690	0.59159	0.59159	0.59159	0.59159	0.56200
Pearland	0.70916	0.68506	0.68120	0.70530	0.71210	0.70510	0.70510	0.68510	0.66510	0.65260
Seabrook	0.55198	0.57491	0.56518	0.61261	0.64003	0.65123	0.66523	0.64998	0.62681	0.58840
South Houston	0.65050	0.64330	0.63221	0.69954	0.64453	0.66988	0.70825	0.68755	0.67316	0.67320
Webster	0.34794	0.31725	0.28450	0.23447	0.24874	0.26960	0.28528	0.28528	0.25750	0.23250
West University Place	0.31680	0.31680	0.31680	0.33179	0.36179	0.37400	0.37411	0.37411	0.37411	0.35880
School Districts	1.2067-1.6700	1.2067-1.6700	1.2067-1.6700	1.1967-1.6700	1.1967-1.6700	1.1867-1.6700	1.1567-1.5700	.0972-1.5400	.0922-1.54000	.1101-1.5266

- Source: Harris County Appraisal District jurisdiction information as of 12/31/18; includes all tax bonds.

Schedule 6

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

	2018			2009		
Tax Payers	**2018 Taxable Valuations (a)**	**Rank**	**Percentage of Total 2018 Taxable Valuation (b)**	**2009 Taxable Valuations (a)**	**Rank**	**Percentage of Total 2009 Taxable Valuation (c)**
EXXON Mobil Corp.	$ 3,931,865	1	0.90 %	$ 3,173,961	1	1.11 %
CenterPoint Energy Inc.	3,506,386	2	0.80	2,515,491	2	0.88
Chevron Chemical Co.	3,332,227	3	0.76	1,504,773	5	0.53
Shell Oil Co.	1,632,926	4	0.37	-		-
Equistar Chemicals LP	1,342,609	5	0.31	777,240	10	0.27
Palmetto Transoceanic LLC	1,195,026	6	0.27	-		-
Walmart	968,330	7	0.22	768,751	11	0.27
National Oilwell Inc.	942,380	8	0.22	708,729	12	0.25
Pky City West 1-4, POC, San Felipe Pipe	852,336	9	0.19	-		-
BSREP 1HC-4HC	797,863	10	0.18	-		-
One Two and Three Allen Center Co LLC	785,888	11	0.18	-		-
Valero Energy	778,926	12	0.18	-		-
AT&T Southwestern Bell	774,745	13	0.18	-		-
Hewlett Packard	667,027	14	0.15	902,828	7	0.32
HG Galleria I II III LP	635,939	15	0.15	-		-
HEB Grocery Co. LP	612,701	16	0.14	-		-
Conoco Phillips Co.	610,400	17	0.14	-		-
Kroger Co.	595,355	18	0.14	-		-
Liberty Property	586,404	19	0.13	-		-
Fairway Methanol LLC	576,639	20	0.13	-		-
Shell Services Co.	-		-	2,098,922	3	0.74
Houston Refining	-		-	1,506,923	4	0.53
AT&T Corp.	-		-	922,964	6	0.32
Hines Interests LTD Partnership	-		-	846,907	8	0.30
Crescent Real Estate	-		-	824,060	9	0.29
Amoco Chemical Co.	-		-	689,661	13	0.24
Cullen Allen Holdings LP	-		-	679,739	14	0.24
Lyondell Chemical Co.	-		-	585,844	15	0.21
Total	$ 25,125,972		5.74 %	$ 18,506,793		6.50 %

- 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 21, 2018;
- Note (c) Based on the County's total taxable value as of February 28, 2010.

Schedule 7

Port of Houston Authority of Harris County, Texas
Property Taxes Levies and Collections
For the Years 2009 through 2018
(in thousands)
(unaudited)

Fiscal Year	Taxes Levied for Fiscal Year	Collections within the Fiscal Year of the Levy		Collections After One Year (a)	Total Collections After One Year (a)	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	$ 45,086	$ 41,875	92.88 %	$ 2,180	$ 44,055	97.71 %
2010	54,364	50,650	93.17 %	2,669	53,319	98.08 %
2011	49,814	47,012	94.38 %	1,911	48,923	98.21 %
2012	54,624	51,755	94.75 %	1,917	53,672	98.26 %
2013	52,289	49,790	95.22 %	1,736	51,526	98.54 %
2014	51,860	49,400	95.26 %	1,654	51,054	98.45 %
2015	50,796	48,208	94.91 %	1,767	49,975	98.38 %
2016	54,806	51,946	94.78 %	1,981	53,926	98.39 %
2017	53,652	50,738	94.57 %	2,008	52,746	98.31 %
2018	48,760	48,252	98.96 %	N/A	N/A	N/A

- Source: Harris County Tax Assessor - Collector as of February 28, 2019
- Note (a) Collections after one year reflect monies collected in the year following the levy and are not updated annually.
- N/A - Not Available

Port of Houston Authority of Harris County, Texas
Operating Revenues by Type
Last Ten Fiscal Years
(in thousands)
(unaudited)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating revenues: (a) (b) (c)										
Vessel and cargo services	$ 344,272	$ 309,058	$ 266,703	$ 267,277	$ 238,083	$ 200,101	$ 190,618	$ 177,405	$ 159,799	$ 144,365
Rental of equipment and facilities	18,079	15,976	15,869	17,120	17,763	25,114	23,077	22,030	20,346	20,524
Grain elevator	1,182	902	1,199	1,567	1,821	592	683	1,923	911	1,155
Bulk materials	4,131	4,004	3,941	4,019	4,270	2,665	2,485	2,131	2,368	2,243
Other	1,652	2,933	2,514	3,753	1,960	5,201	8,512	3,356	3,272	2,040
Total Operating Revenue	$ 369,316	$ 332,873	$ 290,226	$ 293,736	$ 263,897	$ 233,673	$ 225,375	$ 206,845	$ 186,696	$ 170,327
Revenue Tonnage (Short Tons)*										
General Cargo	31,653	28,878	25,226	27,360	26,854	24,735	25,278	23,387	20,809	19,681
Bulk	9,210	9,396	9,621	8,384	10,766	11,090	9,781	10,162	10,508	9,184
Total Revenue Tonnage	40,863	38,274	34,847	35,744	37,620	35,825	35,059	33,549	31,317	28,865

- 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)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Cargo										
Barbours Cut										
All other	10,737,680	9,811,047	9,470,902	9,322,892	7,689,686	7,010,712	6,177,766	5,605,703	5,709,735	5,571,883
Lease	-	-	-	2,072,132	3,410,214	3,548,416	3,939,218	3,887,146	3,888,444	3,848,608
	10,737,680	9,811,047	9,470,902	11,395,024	11,099,900	10,559,128	10,116,984	9,492,849	9,598,179	9,420,491
Bayport Container Terminal	14,605,339	13,026,783	10,854,617	8,588,556	6,977,231	7,264,595	7,354,870	7,365,318	6,567,986	5,802,758
Turning Basin										
Autos import	127,448	119,081	161,246	167,383	128,564	143,132	175,553	124,351	109,713	73,325
Autos export	1,089	3,396	4,744	13,240	11,430	17,905	23,655	26,972	25,844	23,641
Steel imports	2,744,586	2,988,636	1,823,357	3,800,730	5,397,341	3,613,445	4,247,410	3,193,843	2,005,659	2,195,728
All other	375,924	474,629	492,551	707,345	607,127	519,978	723,762	1,177,341	778,667	622,113
	3,249,047	3,585,742	2,481,898	4,688,698	6,144,462	4,294,460	5,170,380	4,522,507	2,919,883	2,914,807
Jacintoport	1,553,325	1,737,072	1,883,785	1,751,839	1,411,724	1,579,197	1,428,240	1,285,363	1,235,498	1,072,605
Care Terminal	734,480	603,271	457,294	562,217	747,372	649,545	598,914	350,422	188,279	249,001
Woodhouse	768,830	113,888	77,299	373,497	473,389	388,133	608,369	370,436	299,098	221,798
Total General Cargo	31,652,701	28,877,803	25,225,795	27,359,831	26,854,078	24,735,058	25,277,757	23,386,895	20,808,923	19,681,460
Bulk										
Barbours Cut	-	-	-	-	-	-	-	-	3,136	2,426
Jacintoport	1,635	9,758	692	1,100	-	-	1,780	553	1,653	10,803
Care Terminal	112,975	162,014	130,545	18,298	82,016	253,942	408,225	359,286	446,801	192,753
Woodhouse	7,081	20,224	12,981	6,882	31,549	14,290	7,547	35,089	31,857	30,468
Sims Bayou	1,199,628	1,157,368	624,280	624,278	675,175	700,350	770,395	763,723	783,041	648,650
S.J.B. Liquid Facility	560,342	522,019	552,752	428,895	493,582	541,227	585,263	474,880	551,405	492,921
Turning Basin	2,157,461	2,154,936	2,097,919	2,046,714	1,982,330	2,164,880	2,022,492	1,948,735	1,978,411	1,732,249
	4,039,122	4,026,319	3,419,169	3,126,167	3,264,652	3,674,689	3,795,702	3,582,266	3,796,304	3,110,270
Bulk Materials Terminal	3,796,229	3,230,116	3,329,834	2,908,018	5,190,900	5,151,720	4,691,785	4,209,509	4,669,560	4,513,258
Grain Elevator #2	1,375,234	2,139,655	2,871,965	2,350,374	2,310,757	2,263,983	1,294,120	2,370,689	2,042,395	1,560,258
Total Bulk Cargo	9,210,585	9,396,090	9,620,968	8,384,559	10,766,309	11,090,392	9,781,607	10,162,464	10,508,259	9,183,786
Grand Total	40,863,286	38,273,893	34,846,763	35,744,390	37,620,387	35,825,450	35,059,364	33,549,359	31,317,182	28,865,246

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

Schedule 10

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

(amounts in thousands)
(unaudited)

	2018			2009		
Customer	2018 Revenue	Rank	% V&C Revenue	2008 Revenue	Rank	% V&C Revenue
Mediterranean Shipping Co. (USA)	$ 48,377	1	13.10 %	$ 24,191	1	14.20 %
Maersk Line	41,760	2	11.31	-		-
Hapag-Lloyd AG	34,629	3	9.38	19,718	2	11.58
CMA-CGM (America), Inc.	32,552	4	8.81	13,658	3	8.02
Cosco North America, Inc.	21,654	5	5.86	-		-
Hamburg Sud North America	11,990	6	3.25	6,243	4	3.67
Zim Integrated Shipping	6,774	7	1.83	4,065	6	2.39
Evergreen Shipping Agency	5,663	8	1.53	-		-
Seaboard Marine, Ltd.	5,093	9	1.38	3,168	8	1.86
OOCL(USA) Inc.	4,441	10	1.20	2,261	10	1.33
Companhia Libra de Navegacao	-		-	4,658	5	2.73
Biehl & Company - Vessel	-		-	3,764	7	2.21
ISS-RioMar, LLC	-		-	2,965	9	1.74
Total	$ 212,933		72.48 %	$ 84,691		51.57 %

- Source: The Authority

DEBT CAPACITY

PORT OF HOUSTON AUTHORITY

PHA

HOUSTON, TEXAS

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

(in thousands, except per capita)
(unaudited)

	General Obligation Bonds											
Fiscal Year	Unlimited Tax Refunding Bonds	Unlimited Tax Port Improvement Bonds	Unlimited Tax Commercial Paper	Premiums (Discounts)	General Bonded Debt	Less Debt Service Funds Cash	Net General Bonded Debt	Percentage of Actual Property Value	GOB Debt per Capita	Total Outstanding Debt	Percentage of Personal Income	Total Debt Per Capita
2009	$ 422,665	$ 124,750	$ 70,245	$ 7,769	$ 625,429	$ 6,000	$ 619,429	0.22	$ 154	$ 619,429	0.35 %	$ 154
2010	616,814	146,805	-	28,629	792,248	10,900	781,348	0.30	190	781,348	0.41 %	190
2011	654,674	91,200	-	42,139	788,013	10,456	777,557	0.29	186	777,557	0.38 %	186
2012	641,324	90,645	-	39,160	771,129	8,784	762,345	0.27	179	762,345	0.34 %	179
2013	626,979	90,645	-	36,674	754,298	9,672	744,626	0.25	172	744,626	0.32 %	172
2014	611,734	90,645	-	34,366	736,745	13,854	722,891	0.21	163	722,891	0.29 %	163
2015	588,604	85,665	-	43,363	717,632	6,414	711,218	0.19	157	711,218	0.28 %	157
2016	572,329	85,665	-	39,129	697,123	6,983	690,140	0.17	150	690,140	0.29 %	150
2017	553,164	85,665	-	35,069	673,898	13,589	660,309	0.16	142	660,309	N/A	142
2018	508,089	85,665	-	56,709	650,463	11,402	639,061	0.15	N/A	639,061	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 Revenue Obligations
For each of the Ten Years in the Period Ended December 31, 2018
(in thousands)
(unaudited)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Gross Revenues										
Operating Revenues (a)										
Vessel and cargo services	$ 344,272	$ 309,058	$ 266,266	$ 266,305	$ 235,929	$ 197,974	$ 188,457	$ 175,297	$ 157,633	$ 142,310
Rental of equipment and facilities	18,079	15,976	15,869	17,120	17,763	25,114	23,077	22,030	20,325	20,451
Grain Elevator	1,182	902	1,199	1,567	1,821	592	683	1,923	911	1,155
Bulk materials	4,131	4,004	3,941	4,019	4,270	2,665	2,485	2,131	2,368	2,243
Other	1,652	2,933	2,514	3,753	1,960	5,201	8,512	3,356	3,272	2,040
Total	369,316	332,873	289,789	292,764	261,743	231,546	223,214	204,737	184,509	168,199
NonOperating Revenues										
Investment (loss) income	9,145	4,425	4,850	4,100	4,881	(452)	2,406	3,126	3,572	4,552
Other, net	5,564	10,599	5,144	2,004	5,661	19,529	11,014	5,358	11,319	9,798
Total	14,709	15,024	9,994	6,104	10,542	19,077	13,420	8,484	14,891	14,350
Total Gross Revenues	384,025	347,897	299,783	298,868	272,285	250,623	236,634	213,221	199,400	182,549
Operation Expenses										
Maintenance and Operation of Facilities										
Vessel and cargo services	143,401	141,857	131,998	115,757	115,341	93,483	91,534	89,547	90,861	77,591
Rental of port facilities	1,219	2,093	2,140	1,130	1,164	1,387	1,174	6,893	3,945	3,774
Grain Elevator	456	275	330	293	260	288	219	322	263	221
Bulk Materials Handling Plant	31	26	8	11	9	9	22	46	34	88
Other	8,617	7,915	7,107	7,114	8,223	9,919	9,958	2,415	2,385	1,796
Total	153,724	152,166	141,583	124,305	124,997	105,086	102,907	99,223	97,488	83,470
General and Administrative	49,608	42,423	44,286	42,297	39,152	41,845	43,875	39,894	51,487	63,411
Total Operating Expenses	203,332	194,589	185,869	166,602	164,149	146,931	146,782	139,117	148,975	146,881
Nonoperating Expenses	3,489	6,533	259	5,673	2,694	2,998	3,906	3,350	5,872	18,473
Total Expenses	206,821	201,122	186,128	172,275	166,843	149,929	150,688	142,467	154,847	165,354
Net Revenues Available For Debt Service on Revenue Obligations	$ 177,204	$ 146,775	$ 113,655	$ 126,593	$ 105,442	$ 100,694	$ 85,946	$ 70,754	$ 44,553	$ 17,195

- 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
2019	$ 50,282,355
2020	49,785,330
2021	49,764,242
2022	49,105,542
2023	44,828,742
2024	45,339,967
2025	45,335,361
2026	45,324,266
2027	46,056,406
2028	46,213,406
2029	46,211,225
2030	46,211,363
2031	46,203,969
2032	46,317,738
2033	46,320,325
2034	46,313,712
2035	46,319,212
2036	46,321,212
2037	46,318,050
2038	46,320,775
2039	34,608,000
Total	**$ 969,501,198**

- The table sets forth the annual debt service requirements on the Authority's ad valorem tax bonds as of December 31, 2018, excluding bonds that have been refunded and defeased.

PORT OF HOUSTON AUTHORITY
PHA
HOUSTON, TEXAS

DEMOGRAPHIC AND ECONOMIC INFORMATION

PORT OF HOUSTON AUTHORITY
PHA
HOUSTON, TEXAS

Port of Houston Authority of Harris County, Texas
Miscellaneous Statistical Data
December 31, 2018
(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)
2018	2.6%	3.9%	2,500.0	3,121.0	1,083	49.52	54.3
2017	2.6%	4.4%	2,329.3	2,895.3	989	57.88	59.1
2016	1.9%	4.9%	2,209.4	2,711.7	672	51.97	56.0
2015	0.7%	5.2%	2,230.3	2,761.8	738	37.21	48.2
2014	2.6%	5.6%	2,345.4	2,850.5	2,003	59.29	53.5
2013	3.2%	7.4%	2,272.3	2,743.9	1,862	97.63	57.0
2012	1.7%	7.6%	1,564.1	2,299.4	1,734	94.05	50.2
2011	5.5%	8.9%	1,497.4	2,235.7	2,003	94.88	52.9
2010	2.8%	9.6%	1,288.7	1,934.6	1,546	79.48	57.3
2009	-2.6%	9.3%	1,056.0	1,559.6	1,089	61.95	46.2

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

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

Calendar Year Ending December 31	Population	Unemployment Rate	Personal Income (amounts in thousands)	Per Capita Personal Income
2009	4,070,989	8.1%	$ 196,779,227	$ 48,337
2010	4,092,459	8.3%	183,899,347	44,936
2011	4,178,574	7.2%	204,593,455	48,963
2012	4,253,700	6.0%	224,617,980	52,805
2013	4,336,853	5.5%	230,462,963	53,141
2014	4,441,370	4.0%	252,694,912	56,896
2015	4,538,028	4.6%	249,989,494	55,088
2016	4,589,928	5.3%	240,752,454	52,452
2017	4,652,980	5.0%	N/A	N/A
2018	N/A	N/A	N/A	N/A

- Source: Harris County, Texas Comprehensive Annual Financial Report for the Fiscal Year Ended February 28, 2018
- 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)

Employer	2017** Employees	2017** Rank	2017** Percentage of Area Employment	2009 Employees	2009 Rank	2009 Percentage of Area Employment
Memorial Hermann Healthcare Systems	26,000	1	0.84%	-		-
HEB	23,732	2	0.77%	-		-
The Methodist Hospital System	21,195	3	0.69%	-		-
MD Anderson Cancer Center	20,113	4	0.65%	-		-
Kroger	17,000	5	0.55%	-		-
UTMB Health	12,939	6	0.42%	-		-
Landry's	10,800	7	0.35%	-		-
Harris Health System	9,174	8	0.30%	-		-
Baylor College of Medicine	9,071	9	0.29%	-		-
UT Health	8,600	10	0.28%	-		-
United Airlines (formerly Continental)	-		-	14,651	1	0.54%
ExxonMobil Corporation	-		-	13,353	2	0.49%
Shell Oil Company	-		-	11,855	3	0.44%
Chevron Companies	-		-	7,000	4	0.26%
JP Morgan Chase	-		-	6,500	5	0.24%
AT&T Inc.	-		-	6,047	6	0.22%
Baker Hughes Inc.	-		-	5,369	7	0.20%
KBR Inc.	-		-	5,089	8	0.19%
CenterPoint Energy	-		-	4,750	9	0.17%
Aramark	-		-	4,500	10	0.17%
Halliburton Company	-		-	4,500	10	0.17%
	158,624		5.14%	83,614		3.09%

- Source: Greater Houston Partnership, Houston Business Journal and U.S. Department of Labor-Bureau of Labor Statistics.
- Note: Houston area employment for 2018 was approximately 3,181,700 and for 2009 was 2,715,000.
- * Based on calendar year
- ** Information for 2018 is not available.

Port of Houston Authority of Harris County, Texas
Harris County Population Statistical Data
(unaudited)

Regional Population (a)

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

Harris County Voters in Presidential Elections (b)

	2016	2012	2008	2004	2000
Registered Voters	2,182,980	1,942,566	1,974,177	1,876,296	1,886,661
Votes Cast	1,338,821	1,204,167	1,188,731	1,088,793	995,631
Percentage of Registered Voters Voting	61.33 %	61.99 %	60.21 %	58.03 %	52.77 %

Motor Vehicle Registration (c)

	2018	2017	2016	2015	2014
Passenger Cars, Small Trucks and Misc.	3,685,230	3,629,194	3,748,343	3,750,880	3,778,534
Large Trucks	47,689	46,076	31,247	34,797	32,603
Total	3,732,919	3,675,270	3,779,590	3,785,677	3,811,137

- Note (a) Source: Department of Commerce, U.S. Census Bureau
- Note (b) Source: Harris County Clerk - Elections Division/Harris County Clerk's Website
- Note (c) Source: Harris County Tax Assessor - Collector and Voter Registrar

Port of Houston Authority of Harris County, Texas
Harris County Miscellaneous Statistical Data
(unaudited)

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

	2018	2017	2016	2015	2014
Baylor College of Medicine	1,574	1,575	1,562	1,564	1,582
Houston Baptist University	3,432	3,325	3,270	3,160	3,128
Houston Community College	48,190	49,782	47,197	46,344	47,415
Lone Star College System	78,255	69,452	77,109	74,160	82,818
Rice University	6,955	7,052	6,883	6,719	6,498
San Jacinto College:					
Central, South and North	35,948	35,455	33,183	32,346	27,911
South Texas College of Law	946	931	969	1,038	1,116
Texas Southern University	10,188	10,237	8,862	8,965	9,233
Texas Woman's University: Houston (f)	1,181	1,281	1,361	1,365	1,347
University of Houston:					
University Park	46,327	45,364	43,774	42,704	40,803
Downtown	14,265	13,913	14,245	14,255	14,439
Clear Lake	8,967	8,542	8,669	8,906	8,668
University of St. Thomas	3,222	3,151	3,224	3,343	3,192
University of Texas: (e)					
Dental Branch	570	565	560	548	536
Graduate School of Biomedical Sciences	454	406	425	437	472
Medical School	1,097	1,077	1,075	1,060	1,045
School of Biomedical Informatics	255	289	291	245	171
School of Nursing	1,722	1,647	1,477	1,247	1,072
School of Public Health	1,237	1,257	1,223	1,274	1,260
Total	264,785	255,301	255,359	249,680	252,706

Number of Employees

	2018	2017	2016	2015	2014
Harris County (g)	17,072	16,488	16,166	15,761	15,244
Flood Control District (g)	290	293	287	291	300
Port of Houston Authority	652	620	597	583	542

- Note (d) Source: Fall 2018 Enrollment Data from Texas Higher Education Coordinating Board and above school websites
- Note (e) Source: University of Texas Office of Registrar (Fact Book 2019)
- Note (f) Source: Texas Women's University Office of Institutional Research & Data Mgmt (Fact Book 2018)
- Note (g) Source: Harris County Auditor's Office

OPERATING INFORMATION

PORT OF HOUSTON AUTHORITY
PHA
HOUSTON, TEXAS

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

	Berth Lengths (Feet)	Water Depth Below Mean Low Tide (Feet)	Paved Marshalling Area (Acres)	Covered Storage (Sq. Feet)
Turning Basin				
36 general Cargo Wharves	376-624	28.5-37.5	36	1,150,000
5 Liquid Bulk Wharves	226-570	34.5-37.5	-	-
Wharf - 32 Project Cargo	806	37.5	20	-
Woodhouse Terminal**				
Wharf 1	660	40.5	2	-
Wharf 2 and 3 (RoRo Dock)	1,250	36.5	-	112,740
Grain Dock**	600	43.5	-	-
Dry Bulk Cargo Facility				
Wharf 1	800	43.5	-	-
Wharf 2	400	43.5	-	-
Jacintoport				
Wharves 1 - 3	1,830	41.5	8	82,500
Care Terminal				
Wharf 1	500	38.5	10	45,000
Wharf 2	618	40.5	4	-
Sims Bayou Liquid Bulk Facility				
Berths	320	35.5-41.5	-	-
San Jacinto Barge Terminal				
Berth	200-700	17.5*	-	-
Barbours Cut Terminal				
LASH Berth	810	41.5	-	-
Container Berths 1 - 6	6,000	46.5	190	-
Bayport				
Container Berths 2 - 5	3964	46.5	165	-
BPT Auto Terminal	1,000	34.5	-	-

* The maximum depth allowable due to federally authorized channel project depths
** Woodhouse Terminal is the location of Houston Public Grain Elevator No. 2.

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

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

Other Equipment:
- Heavy-duty yard tractors (UTR/PIT) = 54
- Heavy-duty yard Chassis = 107

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

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

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

Schedule 19

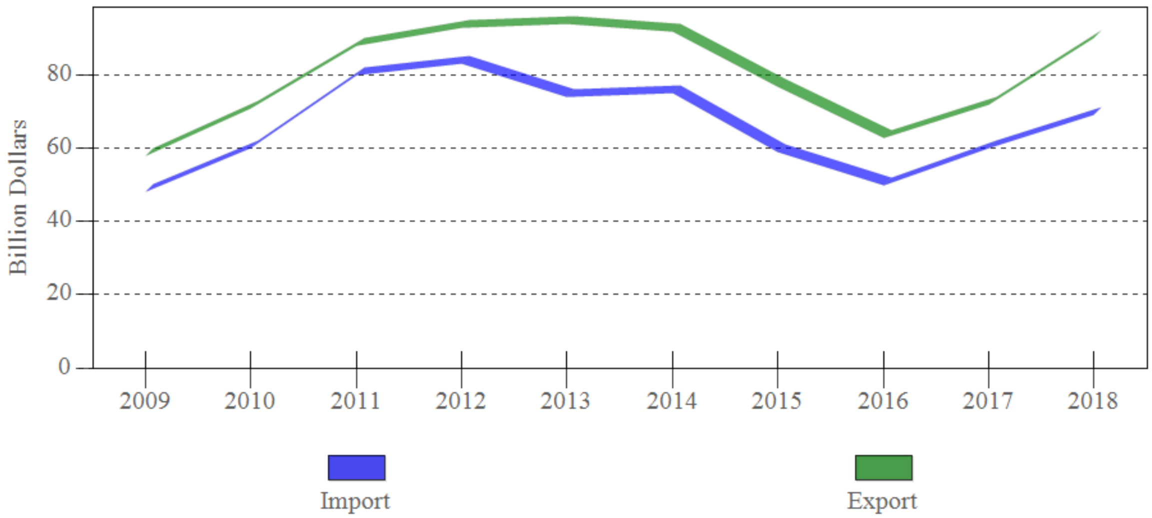
Port of Houston Authority of Harris County, Texas
Freight Traffic Statistics
(in thousands)
(unaudited)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Freight handled by the Authority only (excluding tonnages handled by private terminals) - short tons (a) (d)										
Breakbulk cargo	5,065	4,587	3,423	5,796	7,454	5,623	6,688	5,652	3,771	3,768
Container cargo	26,588	24,291	21,960	21,564	19,400	19,112	18,590	17,735	17,038	15,914
Bulk grain	1,375	2,140	2,872	2,350	2,311	2,264	1,294	2,371	2,042	1,560
Bulk plant	3,796	3,230	3,330	2,905	5,191	5,152	4,692	4,209	4,670	4,513
Other bulk	9,855	10,033	13,254	12,550	12,281	12,518	12,771	12,474	12,725	11,032
Total	46,679	44,281	44,839	45,165	46,637	44,669	44,035	42,441	40,246	36,787
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)	72,386	69,110	71,388	76,688	76,449	83,816	88,889	88,508	84,629
Exports	(e)	100,825	94,876	92,024	83,849	83,102	78,627	78,188	71,053	63,340
Total Foreign (e)	-	173,211	163,986	163,412	160,537	159,551	162,443	167,077	159,561	147,969
Domestic										
Receipts	(e)	35,745	36,417	36,010	34,267	32,442	35,349	32,429	31,091	28,460
Shipments	(e)	30,058	26,635	24,375	23,194	22,116	23,338	22,937	21,389	20,397
Total Domestic (e)	-	65,803	63,052	60,385	57,461	54,558	58,687	55,366	52,480	48,857
Local	(e)	21,057	20,944	17,136	16,306	15,137	17,055	15,355	15,092	14,515
Total	-	260,071	247,982	240,933	234,304	229,246	238,185	237,798	227,133	211,341
Value of foreign trade handled by entire Port of Houston (c)										
Imports	$ 69,090,105	$ 59,594,077	$ 49,616,268	$ 59,493,988	$ 75,023,441	$ 74,287,778	$ 83,252,965	$ 80,221,005	$ 60,110,140	$ 48,427,840
Exports	90,159,307	71,905,598	63,303,533	76,535,738	92,016,308	94,050,299	93,407,834	88,078,301	70,726,052	57,834,409
Total	$159,249,412	$131,499,675	$112,919,801	$136,029,726	$167,039,749	$168,338,077	$176,660,799	$168,299,306	$130,836,192	$106,262,249

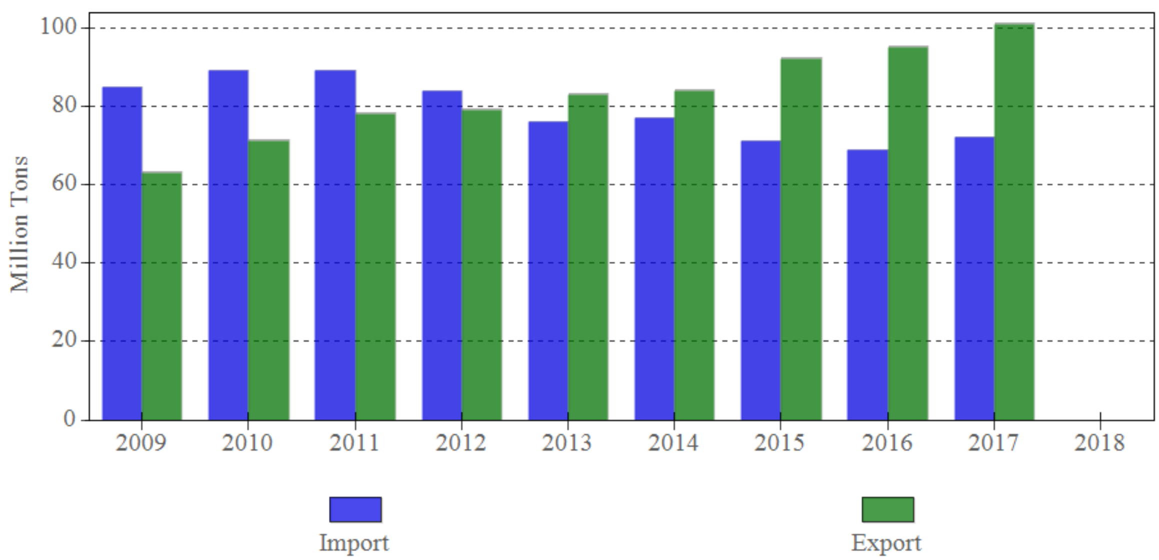
- Note (a) Source: The Authority
- Note (b) Source: U.S. Army Corps of Engineers, Waterborne Commerce of the U.S.
- Note (c) Source: Bureau of Census U.S. Department of Commerce
- Note (d) Prior year amounts may have been restated to reflect actual volumes after year-end adjustments.
- Note (e) Amounts not available for 2018.

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

Value of foreign freight handled by Port of Houston



Tons of foreign freight handled by Port of Houston



- Note: Foreign tonnage is not available for 2018

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total Revenue Tonnage										
Including Bayport companies	46,679	44,281	44,839	45,168	46,637	44,669	44,035	42,441	40,246	36,787
Excluding Bayport companies	40,863	38,274	34,847	35,744	37,620	35,825	35,059	33,549	31,317	28,865
General Cargo (a)	31,653	28,878	25,226	27,360	26,854	24,735	25,278	23,387	20,809	19,681
Bulk Materials Handling Plant	3,796	3,230	3,330	2,908	5,191	5,152	4,692	4,210	4,670	4,513
Grain Elevator #2	1,375	2,140	2,872	2,350	2,311	2,264	1,294	2,371	2,042	1,560
Other Bulk Movements										
Excluding Bayport companies (b)	4,039	4,026	3,419	3,126	3,265	3,675	3,796	3,582	3,796	3,110
Including Bayport companies	5,815	6,007	9,992	9,424	9,016	8,843	8,975	8,892	8,929	7,922
Barbours Cut Terminal										
Bulk (b)	51	3	3	-	-	-	-	-	3	2
General cargo (a)	10,687	9,808	9,467	11,395	11,100	10,559	10,117	9,493	9,598	9,420
Bayport Container Terminal										
General cargo (a)	14,605	13,027	10,855	8,589	6,977	7,265	7,355	7,365	6,568	5,803
Steel (a)										
Import	4,303	3,626	2,288	4,643	6,343	4,350	5,093	3,674	2,296	2,405
Export	61	68	80	141	236	303	391	626	425	251
Autos - Turning Basin										
Tons - import (a)	152	141	161	168	129	143	176	124	110	73
Tons - export (a)	4	3	8	14	13	21	28	27	26	24
Units - import	74	74	83	82	63	71	94	65	59	41
Units - export	1	1	2	6	5	8	11	13	12	12
Bagged Goods (a)										
Import	133	232	168	167	65	53	137	309	50	1
Export	84	45	40	46	57	191	88	198	206	352
Container TEU	2,700	2,459	2,183	2,131	1,951	1,950	1,935	1,866	1,817	1,799

- Source: The Authority
- Note (a) Tonnage included in General Cargo above
- Note (b) Tonnage included in Bulk Cargo above

Schedule 21

Port of Houston Authority of Harris County, Texas
Vessel Arrivals
(unaudited)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Houston Ship Channel										
Break bulk	642	667	744	883	987	1,019	998	914	840	801
Bulk carrier	743	860	827	876	1,003	809	729	702	626	653
Containers	962	912	940	1,003	1,012	966	1,013	1,037	1,028	953
Cruise	-	-	31	48	38	9	-	-	-	-
Roll-on/roll-off	6	30	35	12	9	29	49	49	69	105
Tankers	5,445	4,851	5,129	5,047	4,746	4,955	4,983	4,885	4,816	4,335
Tug Tow	450	503	448	384	386	369	454	355	297	280
Vehicle carrier	129	110	109	111	112	119	138	104	103	75
Other	10	13	6	12	46	16	31	27	70	75
Total Vessel Arrivals	8,387	7,946	8,269	8,376	8,339	8,291	8,395	8,073	7,849	7,277
PHA Public Wharves										
Turning Basin										
Ships	779	839	864	1,066	1,258	1,121	1,130	1,046	999	962
Barges	1,182	1,063	935	971	1,016	1,789	1,585	1,528	1,416	1,186
Bulk Plant, Jacintoport, Care, Woodhouse, and HPGE#2										
Ships	435	872	517	502	597	596	581	613	595	541
Barges	547	443	504	424	611	492	632	586	545	525
Barbours Cut										
Ships	527	500	560	581	664	822	771	688	695	704
Barges	54	33	36	98	113	23	88	51	32	43
Bayport Container Terminal										
Ships	476	463	490	494	356	349	355	374	330	314
Barges	172	164	175	119	107	68	63	59	2	1
Bayport Cruise Terminal										
Cruise	-	-	31	48	38	9	-	-	-	-
Layberth	-	-	-	42	39	42	48	56	49	21
Bayport Companies										
Ships	765	777	793	856	672	732	713	643	704	652
Barges	1,635	1,679	2,402	2,166	2,145	2,148	2,160	2,206	2,115	1,754
Total PHA Arrivals										
Ships (a)	3,005	3,027	3,248	3,528	3,654	3,661	3,593	3,409	3,372	3,194
Barges	4,480	4,153	4,693	4,348	4,611	4,521	4,533	4,441	4,110	3,509

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

Schedule 22

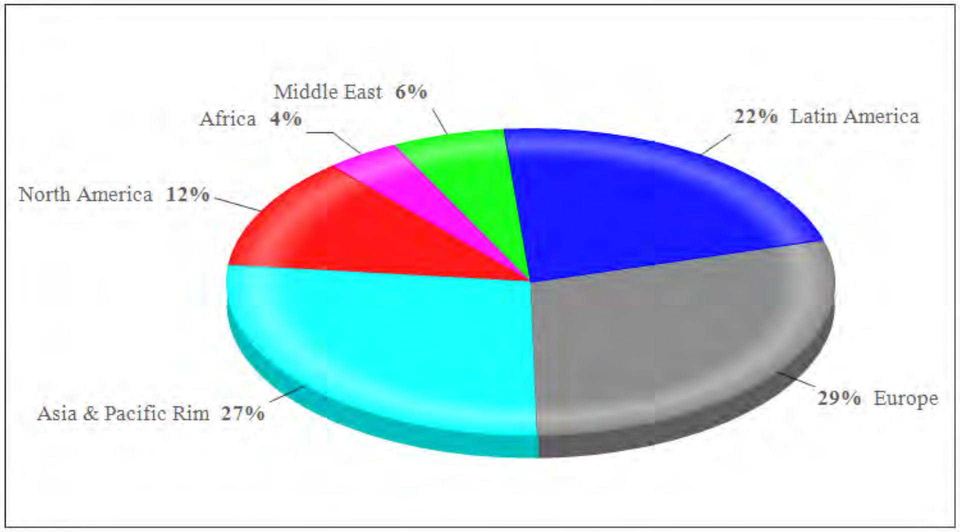
Port of Houston Authority of Harris County, Texas
Bulk Commodity Statistics
Last 10 Fiscal Years
(in thousands)
(short tons)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Coke	3,012	2,898	3,313	2,809	3,282	2,712	2,970	3,698	4,673	4,518
Coal	784	333	16	100	1,909	2,441	1,729	549	-	-
Fertilizer	90	71	90	51	62	75	18	-	27	26
Grain	1,375	2,140	2,872	2,350	2,311	2,264	1,286	2,376	2,042	1,560
Industrial Chemical	8,362	8,451	11,957	11,240	10,864	10,563	10,895	10,682	10,989	9,490
Molasses	301	242	243	255	253	249	263	241	121	206
Petroleum Products	645	554	508	458	361	581	621	509	549	343
Tallow	180	275	152	154	191	182	251	259	345	320
Dry Bulk	142	269	287	242	356	525	601	555	504	377
Vegetable Oil	135	170	175	150	194	341	105	178	159	252
Miscellaneous Bulk	-	-	-	-	-	-	17	7	28	14
Totals	15,026	15,403	19,613	17,809	19,783	19,933	18,756	19,054	19,437	17,106

- Source: The Authority

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

2018 Foreign Trade Through the Port of Houston by Region ($ Value)



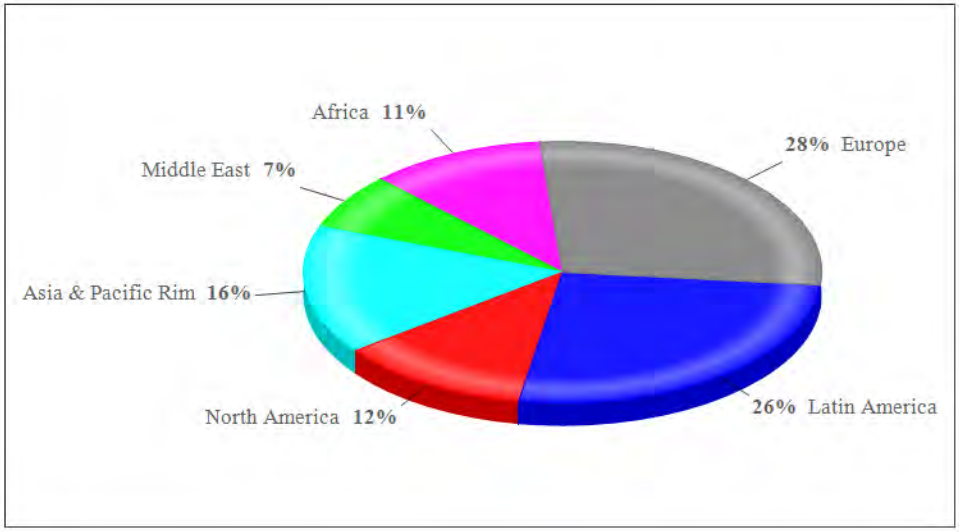
TRADE THROUGH THE PORT OF HOUSTON BY REGION IN 2018 (000s)

	Imports	Exports	Total	Percent of World Total
Europe	$ 24,936,070	$ 21,498,878	$ 46,434,948	29 %
Asia & Pacific Rim	20,989,468	22,940,932	43,930,400	27 %
Latin America	8,844,150	25,616,700	34,460,850	22 %
North America	7,127,222	12,118,810	19,246,032	12 %
Middle East	5,401,074	3,808,081	9,209,155	6 %
Africa	1,792,121	4,175,906	5,968,027	4 %
Worldwide Totals	$ 69,090,105	$ 90,159,307	$ 159,249,412	100 %

Schedule 23

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

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



TRADE THROUGH THE PORT OF HOUSTON BY REGION IN 2009 (000s)

	Imports	Exports	Total	Percent of World Total
Europe	$ 14,597,352	$ 15,544,782	$ 30,142,134	28 %
Latin America	8,732,210	18,276,602	27,008,812	26 %
Asia & Pacific Rim	7,239,596	9,882,668	17,122,264	16 %
North America	8,390,129	4,783,041	13,173,170	12 %
Middle East	3,422,977	3,641,153	7,064,130	7 %
Africa	6,042,542	5,586,751	11,629,293	11 %
Worldwide Totals	$ 48,424,806	$ 57,714,997	$ 106,139,803	100 %

- Source: Global Trade Atlas, U.S. Dept. of Commerce, Bureau of Census

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Exempt Employees	222	215	207	199	179	183	182	190	183	182
Non Exempt Maintenance	211	215	171	169	205	194	206	237	257	253
Non Exempt Employees	219	190	219	215	158	151	154	151	152	157
Total Active Employees	652	620	597	583	542	528	542	578	592	592

- Source: The Authority

PORT OF HOUSTON AUTHORITY
PHA
HOUSTON, TEXAS

PORT OF HOUSTON AUTHORITY
111 East Loop North
Houston, Texas 77029

Phone: 713.670.2400
Fax: 713.670.2554

PortHouston.com