



## PORT OF HOUSTON AUTHORITY

# C A T E R

### COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Years Ended December 31, 2019 and 2018

#### Port of Houston Authority

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Prepared By: Office of the Controller Port of Houston Authority

**On the cover:** The Houston Ship Channel near one of the many petrochemical complexes and the San Jacinto Monument.

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

**Comprehensive Annual Financial Report  
For the Years Ended December 31, 2019 and 2018**

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



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## INTRODUCTORY SECTION





April 21, 2020

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, 2019. Dollar amounts are rounded to the nearest million within this letter of transmittal, 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 its 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 680 active, regular employees as of December 31, 2019 and in addition, utilized 447 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 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 for fire protection and emergency services, 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, including dredged material placement areas.

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 complex, is a liquid bulk facility on a 16 acre leased site.

The Authority's container cargo facilities are Barbour's 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 area.

BCT is located in the cities of Morgan's Point and La Porte, and 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 annual capacity from 1.2 million to 2 million twenty-foot equivalent units (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 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 annually handle 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 to third-party operators. In addition, 58 acres at the Authority's Beltway 8 property is leased for petrochemical liquid bulk storage.

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

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.

Certain wharves at BCT, Care Terminal, Jacintoport Terminal, the Bulk Materials Handling Plant, Sims Bayou, and in the Turning Basin Terminal area 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.

The Authority also owns or manages over 12,750 acres of submerged land in Harris County. In 2019, the Authority expanded its leasing program 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 through professional services and maintenance contracts, the cost of which has been reduced by 30-60% over the past five years.

In 2019, the four-year cost-shared federal study which is considering the feasibility of further improvements to the Houston Ship channel, and its tributaries, was submitted by the local Corps district office for administrative approval. The Authority is actively pursuing administration and Congressional approval of this project, has commenced design work on its own in advance of that approval, and seek to begin construction once approval is in hand. 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 through Galveston Bay to channel endpoint at the Turning Basin. 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 2019, 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 \$1 million 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**

In early March 2020, the Federal Reserve's Federal Open Market Committee ("FOMC") stated that the fundamentals of the U.S. economy remained strong. However, subsequent

concerns that the “coronavirus poses evolving risks to economic activity” prompted the FOMC to unexpectedly reduce the federal funds rate to a new target range of 0.00%–0.25%, lower the reserve requirement to zero, and commence enhanced open market operations. This was an abrupt shift to address rapidly deteriorating financial market conditions, including a drop of about 30% in equity indices as industry and investors respond to the disruption of global supply chains and fears of the unknown longevity of the slowdown from the coronavirus. Further exasperating the geopolitical environment was the sharp fall in crude oil prices prompted by Russia and Saudi Arabia vying for market share, the impact of which is yet to be realized in the energy sector.

The interim March 2020 report of the Organization for Economic Cooperation and Development (“OECD”) has scaled back global gross domestic product (“GDP”) growth from 2.9% in 2019 to 2.4% in 2020. China is driving this, projected to dip to 5% GDP growth in 2020 then rise to 6% in 2021. The Authority will continue to monitor market conditions for impacts on its revenue streams, and will adjust its strategy and capital spending as necessary to maintain liquidity and flexibility during these uncertain times.

The Consumer Price Index (“CPI”) for all items increased 2.3% in 2019. The index for all items less food and energy also rose 2.3% percent over the 12-month period. The food index increased 1.8% in 2019, a slightly larger increase than the 2018 rise of 1.6%. The energy index rose 3.4% in 2019 after falling slightly in 2018. 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 2020, the Authority budgeted revenues of \$437 million. This represents an 8% increase over the 2019 budgeted revenues of \$404 million, reflecting growth in container volumes and an increase in channel development revenues (primarily leases of submerged lands). Budgeted nonoperating revenues in 2020 reflect an expected increase in federal grant reimbursements and reduced interest income. Total expenses are budgeted at \$333 million, a 9% increase versus the prior year, due primarily to higher terminal operating and labor costs resulting from increased volumes, as well as depreciation and amortization, and general and administrative expenses. Excluding revenues and expenses related to property tax-supported debt and collection, the Authority projects net income of \$103 million for 2020 or 7% higher than the 2019 budget. The Authority also expects to generate cash flows of over \$183 million in 2020.

During 2019, the Authority invested \$255 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 2020, the Authority expects to commit \$232 million for various capital projects. Approximately \$136 million will be allocated to its container terminals for continuing development of Bayport and modernization at BCT, while \$29 million is designated for channel development projects, and another \$24 million relates to improvements at the general cargo and bulk terminals in the Turning Basin Terminal. The remaining 2020 capital budget funds will be used for railroad improvements, port security, building renovations and information technology.

## Major Initiatives

### *Strategic Plan*

The Authority's Five-year Strategic Plan, developed in 2015 and approved by the Port Commission, defines success for the Authority and provides a roadmap to help provide direction and alignment, focus resources, and guide staff decision-making to allow the Authority to maintain a sustainable competitive advantage. Since its adoption, the Authority has focused on its mission to *Move the World and Drive Regional Prosperity* and its vision to become *America's Distribution Hub for the Next Generation* by driving the strategic goals of People, Growth, Infrastructure, and Stewardship.

In response to new challenges and opportunities, and in accordance with the statutory requirement to re-evaluate the strategic plan every five years, Port Houston collaboratively engaged in a comprehensive evaluation of its priorities during 2019, with targeted adoption of a new plan 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 BCT and Bayport Container Terminals. Today, these terminals combined have 26 operating wharf cranes, 98 Rubber Tired Gantry ("RTG") cranes, and additional heavy duty tractors and other cargo handling equipment.

Development at Bayport continued in 2019 with the commissioning of three new ShipToShore ("STS") and ten new RTG cranes. Expansion of grounded container marshaling areas saw the beginning of construction for Container Yard Seven. When completed later this year, it will consist of 50 acres of grounded and wheeled storage. 2019 also transitioned a previously leased area, consisting of approximately 15 acres of empty container storage, into grounded storage for loaded containers. Finally, the Bayport South Rail Spur project began in 2019 and will continue into 2020.

The STS cranes were commissioned in early 2019 brought the fleet total to 12 at Bayport and the ten RTG's increased the total fleet size at that terminal to 48. In addition, the Authority ordered an additional nine hybrid RTGs that will raise the total fleet size to 57 when fully commissioned at the end of 2020. Following in 2021 an additional nine RTG's will be delivered, bringing the total to 66 at Bayport.

Construction of Container Yard Seven began in the fourth quarter of 2018 and is expected to be complete in the fourth quarter of 2020. When complete it will add an additional 50 acres to the footprint of Bayport and will conclude the container yard marshaling expansion at the west end of the terminal.

The new BCT Entry Gate Facility design was completed in 2019 and started construction the same year. When complete, this redesigned gate will consist of 29 entry lanes and utilize new weigh-in-motion technology to increase velocity supporting the expected growth of the facility. This will also transition the entry gate from a two-stage complex into one stage, mirroring the processing today found at BPT. Completion of phase one is currently slated for the second quarter of 2021 with the final phase coming online in early 2022.

Eight hybrid RTGs are expected to be delivered to BCT in the first quarter of 2020. This brings the total fleet size at BCT to 50. These cranes will grow our current hybrid fleet to 15 at BCT.

Reconstruction of Wharf 3 will continue throughout 2020 with completion scheduled for the first quarter of 2021. Three STS cranes will accompany the reconstruction effort, raising the fleet size of 100 gage cranes to seven. During 2020, three cranes will also be relocated from Bayport, and two older 50 gage cranes will be surplused to allow for the arrival of the 100 gage cranes. When complete, BCT will house seven Super-Post-Panamax, three Post-Panamax, and five 50 gage Panamax class STS cranes, for a total of 15.

Reconstruction of Container Yard 1 and 2 North began in 2019 and is expected to be completed in 2020, the first phase turned over to operations in the second quarter of 2020 with the total completion occurring in the fourth quarter. When complete, over 15 acres of the most utilized Container Yard at BCT will have been redeveloped, increasing the density of the yard footprint as well as adding bypass lanes to increase velocity and safety.

### ***Port Security and Emergency Operations (PSEO)***

The Port Security and Emergency Operations Division ("PSEO") had a very busy year in 2019, responding to multiple large events, implementing new technology and processes, and focusing on its people.

The Fire and Emergency Management Departments were fully engaged in the joint regional response to the fire at ITC Terminals in Deer Park. All three fireboats were on scene for the first ten days, pumping over 70 million gallons of water through hoses stretching a mile inland to provide firefighting water to the effort. Emergency Management maintained communications with all the other agencies in the area to coordinate and share information. Just a few months later, a collision between a barge and ship on the Houston Ship Channel spilled several thousand gallons of Reformate (a gasoline-like substance). Authority fireboats were the first on scene, ensuring the safety of those involved and relaying critical information to decision makers ashore as well as monitoring air quality.

The Security Department continues to operate under the Security Management System via the Authority's ISO 28000 Supply Chain Security certification, which mandates continuous improvement. The Authority remains the only port authority in the United States to hold this certification, now entering its 12<sup>th</sup> year. Security also worked closely with the Operations Division to implement a facial recognition software and protocol for truckers entering the container terminals. To date, over 5,000 truckers have been registered in the system, which speeds the entry procedure to reduce turn time.

Our most important asset is our people. Both the Police and Fire Departments have implemented new shift schedules at the request of personnel to provide a better work-life balance. In 2019, Christian Kibbe, a member of the Police Department staff, was recognized as the Authority Employee of the Year. The Police and Fire Departments worked together on Active Shooter training, to not only coordinate stopping any such event but also respond to injuries. During the Christmas holiday season the entire PSEO Division, under the leadership of the Police Department, continued the tradition of providing bicycles (22 this year) for deserving students at Port Houston Elementary, holiday gifts and a meal to over 70 residents of the Jacinto City Health Care Center, and additional holiday gifts to the Mexican Heritage Center, evidence of the commitment to the local community.



## ***Environment***

The Environmental Affairs Department manages the Authority's environmental affairs 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. The Authority was 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 2019, the Authority conducted 40 compliance audits of tenant and Authority facilities.

## ***Technology***

The principal responsibility of the Technology Division is to support port-wide applications, infrastructure, and information security. The Information Technology Master Plan for 2020 – 2022 is the blueprint for the division as an internal service provider. With support from 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 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 2019 the Authority recognized \$4.3 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: the International Standards for the Professional Practice of Internal Auditing as issued by the Institute of Internal Auditors (known as the "*Red Book*"), and the Government Auditing Standards (commonly referred to as the "*Yellow Book*") as promulgated by the Government Accountability Office. 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. 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, 2019 and 2018 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, 2019 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, 2018. This was the 45th 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

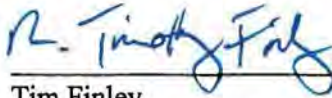
We express our appreciation to all who assisted and contributed to the preparation of this report.

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.



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Roger Guenther  
Executive Director



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Tim Finley  
Chief Financial Officer



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Curtis Duncan  
Controller



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Port of Houston Authority**  
**Texas**

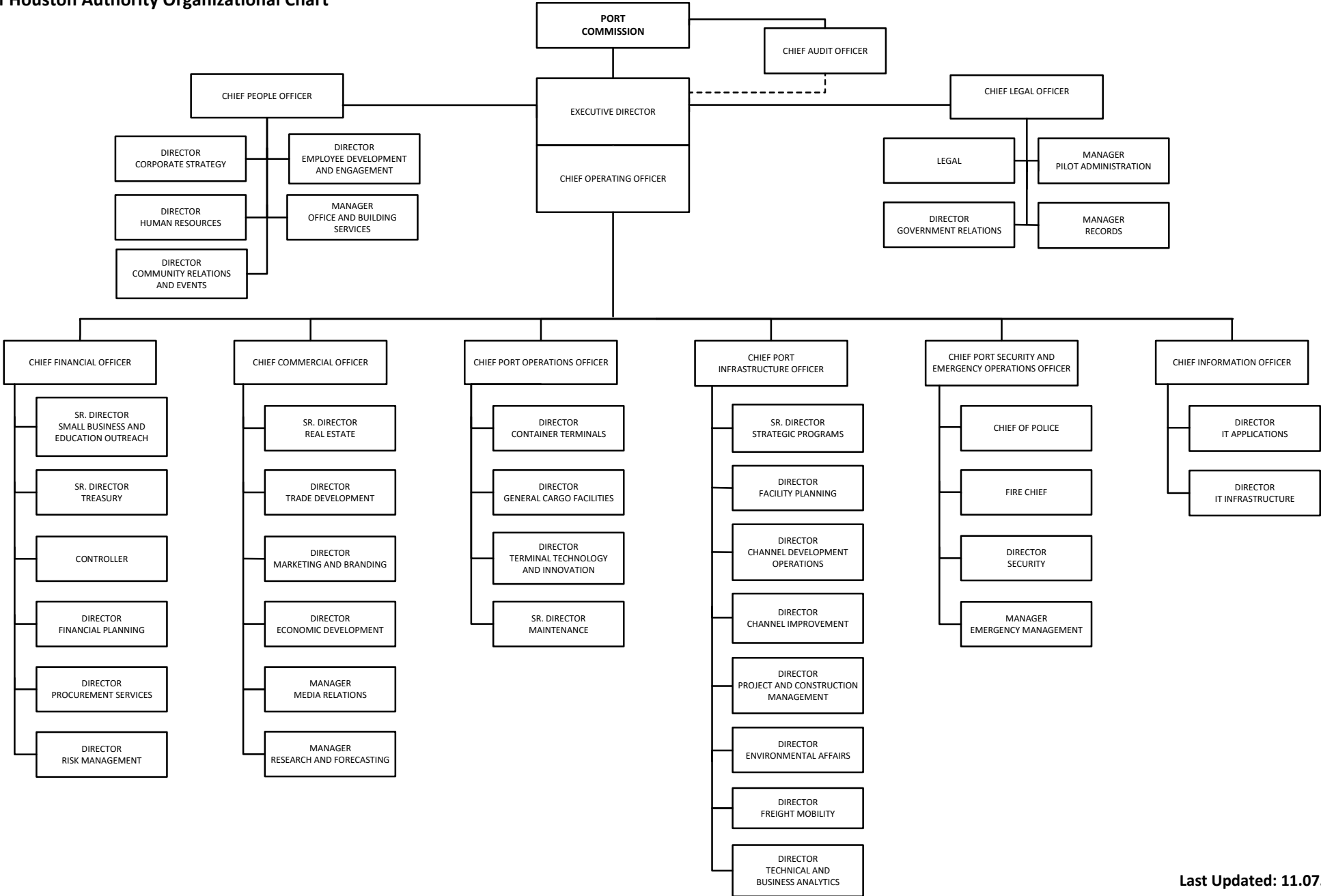
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2018**

*Christopher P. Morill*

Executive Director/CEO

**Port of Houston Authority Organizational Chart**



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

**Port Commission**

Ric Campo, Chairman  
Dean E. Corgey, Commissioner  
Clyde E. Fitzgerald, Commissioner  
Theldon R. Branch III, Commissioner  
Stephen H. DonCarlos, Commissioner  
Roy D. Mease, Commissioner  
Wendolynn "Wendy" Montoya Cloonan, 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  
Dylan Osborne, County Treasurer





**FINANCIAL SECTION**



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## 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, 2019 and 2018, 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 audits 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, 2019 and 2018, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other matters**

#### *Required supplementary information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Restated Retirement Plan Schedule of Changes in Net Pension Liability and Related Ratios, Restated Retirement Plan Schedule of Port Authority Contributions, OPEB Plan Schedule of 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.

#### *Supplementary information*

Our audit was conducted for the purpose of forming opinions 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 21, 2020, 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 21, 2020



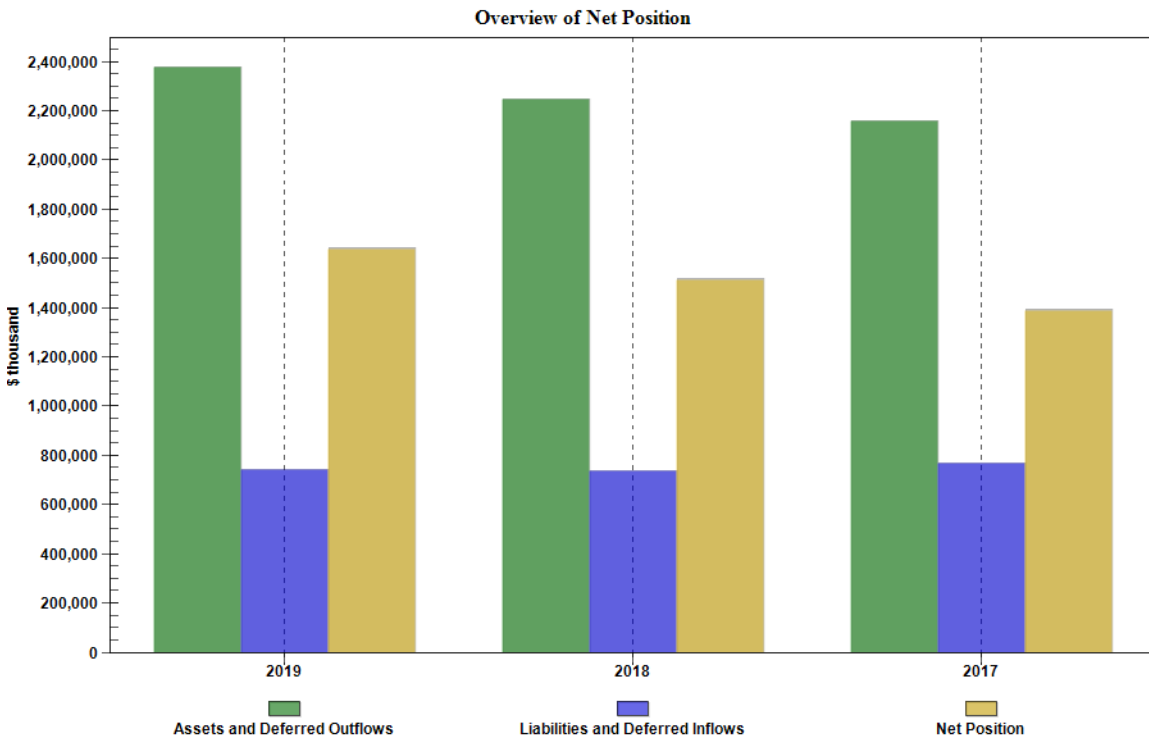


**Port of Houston Authority of Harris County, Texas**  
**Management's Discussion and Analysis**  
**For the Years Ended December 31, 2019 and 2018**  
(unaudited)

The following Management's Discussion and Analysis ("MD&A") of the Port of Houston Authority of Harris County, Texas ("Authority") provides an overview of the activities and financial performance for the fiscal years ended December 31, 2019 and 2018.

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 2019**

- The net position of the Authority at December 31, 2019 was \$1,638,933, increasing \$127,575 or 8% over the prior year.
- The Authority's total assets and deferred outflows of resources increased by \$134,336 or 6% during the fiscal year ended December 31, 2019. The majority of this change stems from an increase in cash and investments of \$77,432, an increase in capital assets of \$43,851 and an increase in Net OPEB assets of \$11,505; offset by a decrease in deferred outflows of resources related to OPEB of \$6,760.
- The Authority's total liabilities and deferred inflows of resources increased by \$6,762 or 1%; the majority of this change stems from an increase of \$25,123 in accounts payable and other current liabilities, and a decrease in long-term debt, net of current maturities of \$27,786, offset by a decrease of \$8,884 in net OPEB liability and an increase of \$7,939 in deferred inflows of resources related to OPEB.
- Current assets exceeded current liabilities by \$319,601.
- Net investment in capital assets (net of accumulated depreciation and debt) grew 7% to \$1,119,856.
- Operating revenues were \$391,437, reflecting growth of 6% over the prior year.
- Total operating expenses were \$301,561, a growth of 8% over the prior year.
- The Authority generated operating income of \$89,876 in 2019 and \$90,157 in 2018.

## **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 (68%) 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 (29%) 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)

	2019	2018	2017
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>			
Current and other assets	\$ 623,109	\$ 529,199	\$ 446,776
Capital assets	<u>1,741,467</u>	<u>1,697,616</u>	<u>1,693,043</u>
Total Assets	2,364,576	2,226,815	2,139,819
<b>Deferred Outflows of Resources</b>	<u>15,616</u>	<u>19,040</u>	<u>17,438</u>
Total Assets and Deferred Outflows of Resources	<u>2,380,192</u>	<u>2,245,855</u>	<u>2,157,257</u>
<b>Liabilities</b>			
Long-term liabilities (including current portion)	650,123	676,312	702,755
Other liabilities	<u>79,121</u>	<u>54,869</u>	<u>64,870</u>
Total Liabilities	729,244	731,181	767,625
<b>Deferred Inflows of Resources</b>	<u>12,015</u>	<u>3,316</u>	<u>1,003</u>
Total Liabilities and Deferred Inflows of Resources	<u>741,259</u>	<u>734,497</u>	<u>768,628</u>
<b>Net Position</b>			
Net investment in capital assets	1,119,856	1,050,604	1,023,578
Restricted	45,346	44,646	45,622
Unrestricted	<u>473,731</u>	<u>416,108</u>	<u>319,429</u>
Total Net Position	<u>\$ 1,638,933</u>	<u>\$ 1,511,358</u>	<u>\$ 1,388,629</u>

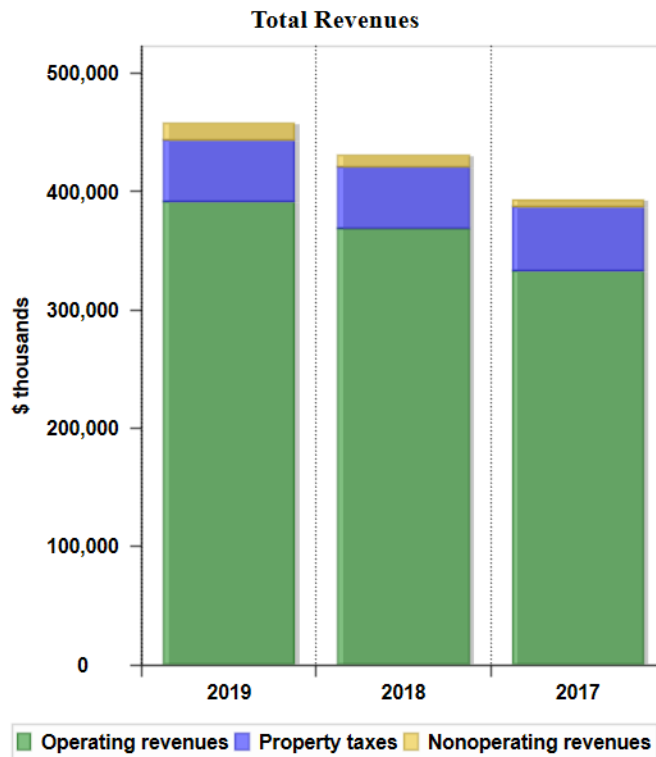
The Authority's net position increased by \$127,575 during the fiscal year ended December 31, 2019. Net investment in capital assets increased \$69,252 resulting from a net increase in capital assets of \$43,851 and a decrease in outstanding bonds payable of \$27,236. During fiscal year 2019, restricted net position increased \$700 while unrestricted net position increased \$57,623.

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.

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)

	2019	2018	2017
<b>Operating revenues:</b>			
Vessel and cargo services	\$ 365,086	\$ 344,272	\$ 309,058
Rental of equipment and facilities	18,065	18,079	15,976
Grain elevator	1,439	1,182	902
Bulk materials	4,265	4,131	4,004
Other	2,582	1,652	2,933
<b>Nonoperating revenues:</b>			
Investment income	13,017	9,319	4,553
Other	1,282	345	1,703
<b>Nonoperating revenues related to property taxes:</b>			
Property taxes	51,060	50,951	53,842
Investment income on bond proceeds	967	721	264
<b>Total Revenues</b>	<u>457,763</u>	<u>430,652</u>	<u>393,235</u>
<b>Operating expenses:</b>			
Maintenance and operations of facilities	177,121	157,524	147,185
General and administrative	50,420	49,608	39,102
Depreciation and amortization	74,020	72,027	66,487
<b>Nonoperating expenses:</b>			
Contributions to state and local agencies	4,327	2,095	4,243
Loss on disposal of assets	4	1	33
Other	107	1,440	2,187
<b>Nonoperating expenses related to property taxes:</b>			
Interest expense on unlimited tax bonds	24,451	28,927	30,010
Property tax collection expense	1,100	1,100	1,100
Other	410	420	400
<b>Total Expenses</b>	<u>331,960</u>	<u>313,142</u>	<u>290,747</u>
<b>Income before capital contributions</b>	125,803	117,510	102,488
Capital contributions from federal agencies	1,772	5,219	8,896
<b>Changes in net position</b>	<u>127,575</u>	<u>122,729</u>	<u>111,384</u>
<b>Net position, January 1</b>	<u>1,511,358</u>	<u>1,388,629</u>	<u>1,277,245</u>
<b>Net position, December 31</b>	<u>\$ 1,638,933</u>	<u>\$ 1,511,358</u>	<u>\$ 1,388,629</u>



In 2019, operating revenues increased \$22,121 or 6% to \$391,437 due primarily to an increase in Vessel and cargo services revenue. The Authority's container facilities' volume increased to 3.0 million twenty-foot equivalent units ("TEUs") for the year, an increase of 11% from 2018, while total Authority tonnage increased 2% to 48.1 million tons in 2019. Other operating revenues increased \$930 or 56% primarily due to a rise in dredge material placement fees, as well as in pipeline license fees.

Nonoperating revenues related to property taxes in fiscal 2019 increased \$355 due to an increase in property valuations, though tax rates declined slightly from \$0.01155 in 2018 to \$0.01074 in 2019 per \$100 assessed valuation.

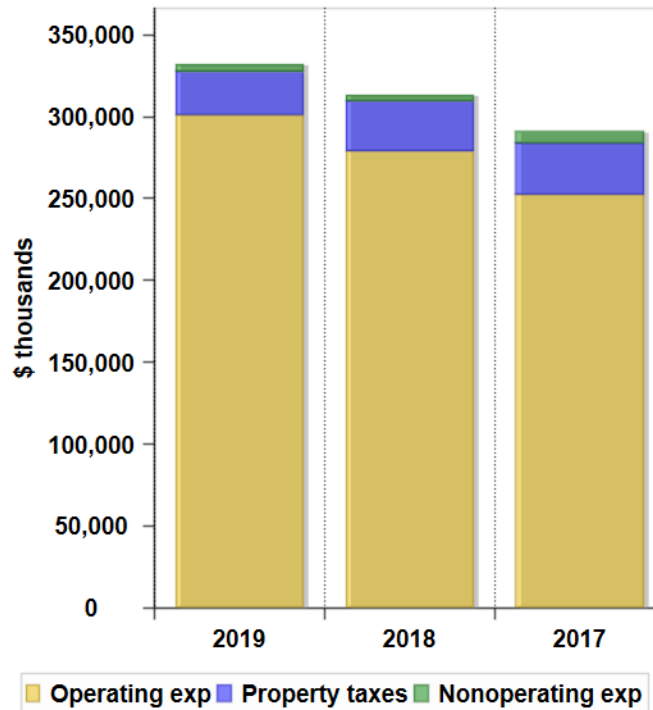
Nonoperating revenues in 2019 increased \$4,635 due primarily to improved interest income and higher market valuation of investments.

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 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.

## Total Expenses



For fiscal 2019, Operating expenses increased by \$22,402 or 8%, primarily due to higher maintenance and operation of facilities expenses resulting from growth in container volumes. General and administrative expenses increased by \$812 or 2% primarily due to investments in information technology and related initiatives. Depreciation increased by \$1,993 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 \$4,486 over 2018.

Nonoperating expenses in 2019 increased \$902 due to contributions for projects.

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.

## Capital Assets

The Authority's investment in capital assets as of December 31, 2019 totaled \$1,741,467 (net of accumulated depreciation), an increase of \$43,851 or 2.6% over the prior year.

Major capital asset activity (before depreciation) during 2019 included the following:

- Land and channel improvements and land use rights increased by \$4,379 primarily due to land acquisitions of seven acres at Bayport and five acres at Turning Basin.
- Improvements other than buildings increased \$9,253 primarily due to Wharf 2 construction at Bayport and Wharf 17 fender system construction at Turning Basin.
- Buildings increased \$274 due to C-1 building renovations at Barbours Cut.
- Machinery and equipment net increase totaled \$16,944 in 2019. This increase primarily consisted of the purchase of a wharf crane at Bayport and the purchase of vehicles Port-wide.
- Intangible assets increased \$970 primarily due to the SharePort records management system.
- Construction-in-progress increased \$82,226 in 2019 due to various projects including Container Yard 7 and the Rail Spur at Bayport, and Wharf 3 and eight RTG cranes at Barbours Cut.
- Accumulated depreciation net of retirements increased by \$70,195 in 2019.

The Authority's investment in capital assets as of December 31, 2018, was \$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 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 consisted primarily 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.



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

**Capital Assets**

(net of depreciation)

(in thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Land and channel improvements	\$ 483,987	\$ 479,950	\$ 466,114
Land use rights - intangible	13,328	12,986	12,533
Buildings	62,548	67,247	71,931
Improvements other than buildings	773,494	803,509	711,001
Railroads	20,533	21,833	20,896
Machinery and equipment	243,365	249,928	196,233
Computer software - intangible	1,936	2,113	2,818
Construction-in-progress	<u>142,276</u>	<u>60,050</u>	<u>211,517</u>
 Total Capital Assets, net	 <u>\$ 1,741,467</u>	 <u>\$ 1,697,616</u>	 <u>\$ 1,693,043</u>

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 2019, the Authority had total debt outstanding of \$623,227 (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 2018, the Authority had total debt outstanding of \$650,463 (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)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
General Obligation Bonds			
Unlimited Tax Port Improvement Bonds	\$ 89,694	\$ 89,831	\$ 89,960
Unlimited Tax Refunding Bonds	<u>533,533</u>	<u>560,632</u>	<u>583,938</u>
Total General Obligation Bonds	623,227	650,463	673,898
Less Current Maturities	<u>(21,735)</u>	<u>(21,185)</u>	<u>(19,945)</u>
Long-Term Debt (net of unamortized premiums/discounts)	<u>\$ 601,492</u>	<u>\$ 629,278</u>	<u>\$ 653,953</u>

During 2019, the Authority issued no new debt. The Authority's total debt principal outstanding decreased \$21,185 during 2019 due to the scheduled debt service payments. Interest expense for 2019 on the unlimited tax bonds decreased by \$4,476.

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.

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

Year	Fitch	Moody's	S & P
2019	AA	Aaa	AAA
2018	AA	Aaa	AAA

In December 2018, the Authority executed a five-year \$100 million note purchase. As of December 2019, the Authority has an outstanding and unused line of credit of \$100 million.

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 2020 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 (<https://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.

While tariffs and trade policy uncertainty, geopolitical tensions, and stress in key emerging market economies continued to impact global economic activity in 2019, the latest IMF projections show global growth rising from an estimated 2.9% in 2019 to 3.3% in 2020 and 3.4% for 2021. This was a slight downward revision from the estimates published in their October 2019 World Economic Outlook, due primarily to negative sentiment in a few emerging markets, notably India, which led to a reassessment of growth prospects.

According to the Bureau of Labor Statistics, the consumer price index ("CPI") increased 2.3% in 2019 on an unadjusted basis. The index for all items less food and energy also rose 2.3% over the 12-month period. This was larger than the CPI increase of 1.9% in 2018 and the 1.8% average annual rate over the last 10 years. Although inflation spiked to 2.5% in January 2020, it is expected to moderate to 2.0% by the end of 2020 and 1.9% in 2021 according to Trading Economics, a global economics research firm.

The Texas economy saw healthy growth in 2019, with payrolls expanding 2.0%, roughly in line with the state's long-term job growth rate of 2.1%. Unemployment remains at a near-

record low of 3.5%, indicative of a tight labor market. Expansion in the services industry, which accounts for 70% of private-sector output in Texas, was stable, while manufacturing output growth slowed. Activity in the energy sector was weak, while migration to the state picked up last year. The Federal Reserve Bank of Dallas forecasts 2020 employment growth in Texas will be close to the state's long-run average of 2.1%.

The Authority's 2020 budget reflects expected growth of container export loads at 8%, as plastic resin production by the petrochemical industry continues to ramp up, and import loads are forecast up 1%. Steel tonnage is expected to decrease by 10% in 2020, while general cargo growth is projected at 6%.

### **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, 2019 and 2018 (in thousands)

	2019	2018
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 175,160	\$ 74,597
Short-term investments	130,530	230,837
Receivables (net of allowance for uncollectibles)	43,276	43,925
Restricted assets		
Cash and cash equivalents	18,290	18,585
Property tax receivables	44,417	40,518
Prepaid and other current assets	8,784	3,788
Total Current Assets	420,457	412,250
<b>Noncurrent Assets</b>		
Investments	180,029	102,558
Net OPEB asset	11,505	-
Prepaid and other noncurrent assets	11,118	14,391
<b>Capital Assets (net of accumulated depreciation)</b>		
Land and channel improvements	483,987	479,950
Land use rights - intangible	13,328	12,986
Buildings	62,548	67,247
Improvements other than buildings	773,494	803,509
Railroads	20,533	21,833
Machinery and equipment	243,365	249,928
Computer software - intangible	1,936	2,113
Construction-in-progress	142,276	60,050
Total Capital Assets, net	1,741,467	1,697,616
Total Noncurrent Assets	1,944,119	1,814,565
Total Assets	2,364,576	2,226,815
<b>Deferred Outflows of Resources</b>		
Deferred outflows of resources related to pensions	11,130	7,489
Deferred outflows of resources related to OPEB	-	6,760
Deferred loss on bond refunding	4,486	4,791
Total Deferred Outflows of Resources	15,616	19,040
<b>Total Assets and Deferred Outflows of Resources</b>	\$ 2,380,192	\$ 2,245,855

See accompanying notes to the financial statements.

# Port of Houston Authority of Harris County, Texas

## Statements of Net Position As of December 31, 2019 and 2018 (in thousands)

	2019	2018
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and other current liabilities	\$ 58,610	\$ 33,487
Fees received in advance and other reserves	13,498	14,107
Liabilities payable from restricted assets:		
Current maturities of long-term debt		
Unlimited tax bonds	21,735	21,185
Accrued interest payable		
Unlimited tax bonds	7,013	7,275
	28,748	28,460
Total Current Liabilities Payable from Restricted Assets	28,748	28,460
Total Current Liabilities	100,856	76,054
<b>Noncurrent Liabilities</b>		
Long-term debt, net of current maturities	601,492	629,278
Net pension liability	13,001	5,343
Net OPEB liability	-	8,884
Other noncurrent liabilities	13,895	11,622
	628,388	655,127
Total Noncurrent Liabilities	628,388	655,127
Total Liabilities	729,244	731,181
<b>Deferred Inflows of Resources</b>		
Deferred inflows of resources related to pensions	2,026	2,621
Deferred inflows of resources related to OPEB	7,939	-
Deferred gain on bond refunding	2,050	695
	12,015	3,316
Total Deferred Inflows of Resources	12,015	3,316
Total Liabilities and Deferred Inflows of Resources	741,259	734,497
<b>Net Position</b>		
Net investment in capital assets	1,119,856	1,050,604
Restricted for:		
Debt Service	45,346	44,646
Unrestricted	473,731	416,108
	1,638,933	1,511,358
Total Net Position	1,638,933	1,511,358
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	\$ 2,380,192	\$ 2,245,855

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, 2019 and 2018**  
(in thousands)

	2019	2018
<b>Operating revenues</b>		
Vessel and cargo services	\$ 365,086	\$ 344,272
Rental of equipment and facilities	18,065	18,079
Grain elevator	1,439	1,182
Bulk materials	4,265	4,131
Other	2,582	1,652
Total operating revenues	391,437	369,316
<b>Operating expenses</b>		
Maintenance and operations of facilities	177,121	157,524
General and administrative	50,420	49,608
Depreciation and amortization	74,020	72,027
Total operating expenses	301,561	279,159
<b>Operating income</b>	89,876	90,157
<b>Nonoperating revenues (expenses)</b>		
Investment income	13,017	9,319
Contributions to state and local agencies	(4,327)	(2,095)
Loss on disposal of assets	(4)	(1)
Other, net	1,175	(1,095)
Total nonoperating revenues	9,861	6,128
<b>Income before nonoperating revenues (expenses) related to property taxes</b>	99,737	96,285
<b>Nonoperating revenues (expenses) related to property taxes</b>		
Property taxes, net of estimated uncollectible amounts	51,060	50,951
Investment income on bond proceeds	967	721
Interest expense on unlimited tax bonds	(24,451)	(28,927)
Property tax collection expense	(1,100)	(1,100)
Other, net	(410)	(420)
Total nonoperating revenues related to property taxes	26,066	21,225
<b>Income before capital contributions</b>	125,803	117,510
<b>Capital contributions from federal agencies</b>	1,772	5,219
<b>Change in net position</b>	127,575	122,729
<b>Net position, January 1</b>	1,511,358	1,388,629
<b>Net position, December 31</b>	\$ 1,638,933	\$ 1,511,358

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, 2019 and 2018

(in thousands)

	2019	2018
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 390,870	\$ 359,939
Cash paid to suppliers for goods and services	(54,049)	(72,006)
Cash paid to employees for services	(100,367)	(92,113)
Cash paid for employee benefits	(55,460)	(51,662)
Cash (paid) / received for other services	3,196	(3,946)
Cash (paid) / received for other purposes	196	(6,939)
Net cash provided by operating activities	184,386	133,273
<b>Cash flows from noncapital financing activities:</b>		
Property taxes received	47,423	51,012
Contributions paid to others	(4,327)	(2,095)
Property tax collection expenses paid	(1,561)	(1,683)
Other non operating revenue	1,140	234
Net cash provided by noncapital financing activities	42,675	47,468
<b>Cash flows from capital and related financing activities</b>		
Contributions received from federal agencies	2,165	2,724
Interim Financing Costs	(111)	(2,499)
Repayment of long-term debt and funding of escrow	(21,185)	(19,945)
Interest on long-term debt	(29,098)	(31,032)
Acquisition and construction of capital assets	(115,591)	(74,344)
Proceeds from retirement of assets	93	167
Net cash used in capital financing activities	(163,727)	(124,929)
<b>Cash flows from investing activities:</b>		
Purchase of investments	(334,815)	(411,222)
Proceeds from maturities of investments	359,657	343,527
Interest on investments	12,092	9,967
Net cash (used in) provided by investing activities	36,934	(57,728)
<b>Net (decrease) increase in cash and cash equivalents</b>	100,268	(1,916)
<b>Cash and cash equivalents, January 1</b>	93,182	95,098
<b>Cash and cash equivalents, December 31</b>	\$ 193,450	\$ 93,182
<b>Cash and cash equivalents Unrestricted</b>	\$ 175,160	\$ 74,597
<b>Cash and cash equivalents Restricted</b>	18,290	18,585

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, 2019 and 2018

(in thousands)

	2019	2018
<b>Reconciliation of net income to net cash provided by operating activities:</b>		
Operating Income	\$ 89,876	\$ 90,157
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	74,020	72,027
Provision for doubtful accounts	191	173
Net Pension\OPEB deferrals	8,194	(2,508)
Changes in assets and liabilities		
(Increase) in trade and other receivables	(22)	(10,233)
(Increase) in prepaids and other current assets	(4,681)	(2,737)
Decrease / (increase) in dredging expenses paid in advance	2,920	(1,492)
Increase / (decrease) in accounts payable and other liabilities	26,169	(11,432)
(Decrease) in net pension\OPEB liability and compensated absences	(12,243)	(1,986)
(Decrease) / (increase) in fees received in advance	(38)	1,304
<b>Net cash provided by operating activities</b>	<b>\$ 184,386</b>	<b>\$ 133,273</b>
Noncash investing, capital and financing activities		
Increase in fair value of investments	\$ (1,024)	\$ (1,074)
Capital contributions from federal agencies	2,848	2,989
Refunding of General Obligation Bonds (GOB)	-	16

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, 2019 and 2018**  
(in thousands)

	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 3,599	\$ 3,818
Investment Securities		
Domestic Equity	120,891	129,855
International Equity	23,696	6,949
Fixed Income	118,042	108,965
Balanced Funds*	2,517	2,122
Accrued investment income	821	1,065
Total Assets	269,566	252,774
<b>Liabilities</b>		
Administrative fees	-	-
Investment Expenses	56	56
Total Liabilities	56	56
<b>Net position restricted for pension / OPEB**</b>	<b>\$ 269,510</b>	<b>\$ 252,718</b>

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

	2019	2018
**Net position restricted for OPEB	82,262	65,964
Net position restricted for Defined Contribution	2,840	2,466
Net position restricted for Pension	184,408	184,288
	269,510	252,718

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, 2019 and 2018**  
(in thousands)

	2019	2018
<b>Additions:</b>		
Employer contributions	\$ 10,379	\$ 11,312
Net investment income (loss)	17,243	8,682
Total additions	27,622	19,994
<b>Deductions:</b>		
Benefit payments and withdrawals	(10,494)	(10,096)
Administrative expenses	(336)	(355)
Total deductions	(10,830)	(10,451)
Net increase in net position	16,792	9,543
<b>Net position restricted for pension / OPEB, beginning of year</b>	252,718	243,175
<b>Net position restricted for pension / OPEB, end of year</b>	\$ 269,510	\$ 252,718

See accompanying notes to the financial statements.

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

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(in thousands)

## **1. Summary of Significant Accounting Policies**

### **Reporting Entity**

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

# Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(in thousands)

## 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, 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 pension benefits, 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.

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

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(in thousands)

## **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 two years. Amortization for 2019 and 2018 amounted to \$3,014 and \$2,931, 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 outstanding General Obligation Bonds. 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, 2019 and 2018

# Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(in thousands)

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

### Property Taxes (continued)

were \$1,100 and \$1,100, 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, 2019 and 2018 were \$0.01074 and \$0.01155, respectively, per one hundred dollars of assessed valuation.

### Restricted Assets

Assets which are use-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 2019 and 2018.

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

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

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(in thousands)

## **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 following 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 and pension 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.



# Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(in thousands)

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

### Net Position

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

### Operating Revenues and Expenses

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

The Authority's operating revenues for vessel and cargo services are collected from charges assessed pursuant to its tariffs and from lease revenues associated with facilities located within the operating terminals. These revenues are recognized and accrued during the period earned. Revenues from rental of equipment and facilities are derived from leases outside of the operating terminals combined with fees associated with an agreement with respect to use of 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

GASB issued Statement No. 83, "*Certain Asset Retirements 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

# Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(in thousands)

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

### Current Year Accounting Pronouncements (continued)

recognize a liability based on the guidance in this Statement.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. As of 2019, the Authority believes this not to be material.

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.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The Authority implemented this standard in 2019 as our Pension Trust is a fiduciary component unit of the Port.

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. The Authority implemented this standard in 2019. See also Note 6.

# Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(in thousands)

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

### Current Year Accounting Pronouncements (continued)

The Authority has an outstanding and unused note purchase program in the amount of \$100,000,000. This is disclosed in the Debt section to provide for the implementation of GASB Statement No. 88.

GASB issued Statement No. 90, *“Majority equity Interests – An Amendment of GASB Statement No. 14 and No 61.”* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The Authority has determined that the requirements of GASB 90 are not applicable to the Authority.

### Future Accounting Pronouncements

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 Authority is currently evaluating potential changes to the financial statements as a result of implementation of this statement.

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

# Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(in thousands)

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

### Future Accounting Pronouncements (continued)

interest cost incurred before the end of a construction period.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The Authority is currently evaluating potential changes to the financial statements as a result of implementation of this statement.

In May 2019, GASB issued Statement No. 91, "*Conduit Debt Obligations*." The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements. The Authority is currently evaluating potential changes to the financial statements as a result of implementation of this statement.

## 2. Cash and Investments

The Authority's cash and cash equivalents of \$193,450 and \$93,182 as of December 31, 2019 and 2018, 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.

## Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(in thousands)

### 2. Cash and Investments (continued)

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>).

During 2018 and 2019, 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 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. LOGIC measures investments at fair value and has done so since 2011, while it meets criteria under GASB 79, to report at amortized cost.

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

## Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(in thousands)

### 2. Cash and Investments (continued)

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, 2019, the Authority had investments in LOGIC, Texas CLASS, and TexPool Prime of \$47,247, \$53,488, and \$63,788, 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 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, 2019 included the following securities which comprised more than 5% of the total portfolio (excluding cash and cash equivalents):

## Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(in thousands)

### 2. Cash and Investments (continued)

<b>Commercial Paper:</b>	
Banco Santander SA/NY	13%
MUFG Bank	5%
Santander UK PLC	10%
<b>Municipal Bonds:</b>	
Connecticut ST	8%
Florida St Brd Admin	7%
New York City, NY	5%
NYC Transitional Fina Auth	13%
<b>U.S. Agency Securities:</b>	
Federal Home Loan Bank	5%
Federal National Mortgage Association	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 occurs when changes in interest rates adversely affect the fair value of the Authority's investments. Generally speaking, the fair value of longer-dated securities have greater sensitivity to changes in market interest rates. The Authority minimizes its exposure to this risk by purchasing a mix of shorter-term investments and longer-term securities with maturities largely staggered to avoid undue concentration of assets in a specific maturity sector, and by structuring the portfolio to provide for stability of income and reasonable liquidity necessary to meet operational and capital needs.

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. It also provides that 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, 2019 and 2018.

*Foreign Currency Risk* – Foreign currency risk occurs when changes in exchange rates adversely affect the fair value of an investment or a deposit. As of December 31, 2019 and 2018, 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

## Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(in thousands)

### 2. Cash and Investments (continued)

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 value. As of December 31, 2019 and 2018, the indirect exposure to foreign currency risk for the defined benefit plan was \$14,055 and \$10,865, respectively, and for the OPEB Plan, the indirect currency exposure was \$6,543 and \$4,717, respectively

The Authority has estimated the fair value of financial instruments in accordance with the guidance provided in GASB Statement No. 72, "*Fair Value Measurement and Application*," ("GASB 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:

- 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.



## Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(in thousands)

### 2. Cash and Investments (continued)

The Authority's significant financial instruments consist of cash and cash equivalents, and investment securities. As of December 31, 2019, the Authority had the following recurring fair value measurements for such financial instruments:

- Local Government Investment Pools totaling \$164,523 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 \$42,418, Municipal Bonds of \$183,871, and Commercial Paper of \$84,270 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, 2019, nor any changes in valuation technique with a significant impact to fair value.

The following table summarizes the Authority's investments that are measured at fair value as of December 31, 2019 and 2018, and indicate the fair value hierarchy of the valuation techniques utilized to determine such fair value.

Security Type	Level 1 12/31/19	Level 2 12/31/19	Level 3 12/31/19	Total
U.S. Agency Securities	\$ -	\$ 42,418	\$ -	\$ 42,418
Commercial Paper	-	84,270	-	84,270
Municipal Bonds	-	183,871	-	183,871
<b>Total</b>	<u>\$ -</u>	<u>\$ 310,559</u>	<u>\$ -</u>	<u>\$ 310,559</u>

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
<b>Total</b>	<u>\$ -</u>	<u>\$ 333,395</u>	<u>\$ -</u>	<u>\$ 333,395</u>

## Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(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, 2019.

Security Type	<u>Ratings</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (In Years)</u>
<b>Agency Securities:</b>			
FNMA NOTE	AA+/Aaa	\$ 15,004	1.66
FHLMC NOTE	AA+/Aaa	12,415	1.44
FHLB NOTE	AA+/Aaa	<u>14,999</u>	1.67
<b>Total</b>		<u>42,418</u>	
<b>Commercial Paper:</b>			
Banco Santander SA/NY	A-1/P-1	24,865	0.09
Banco Santander SA/NY	A-1/P-1	14,833	0.10
MUFG Bank	A-1/P-1	14,836	0.10
Santander UK PLC	A-1/P-1	14,882	0.08
Santander UK PLC	A-1/P-1	<u>14,854</u>	0.10
<b>Total</b>		<u>84,270</u>	
<b>Municipal Bonds</b>			
Atlantic Cty Imprv Auth, NJ	MIG1	5,222	0.00
Bartow Cty, GA Dev Auth	AA-/Aa2	1,075	0.00
Bartow Cty, GA Dev Auth	AA-/Aa2	715	0.00
City of Bloomington, MN	AA+	4,153	0.08
City of Derby, CT	A+	1,106	0.02
City of Derby, CT	A+	785	0.02
City of Gardner, KS	SP-1+	2,510	0.02
City of Jersey City, NJ	MIG1	13,210	0.07
City of Lawrenceville, GA	AA+/Aa3	1,031	0.02
City of New Britain, CT	AA+/Aaa	811	0.01

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## Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
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### 2. Cash and Investments (continued)

Security Type	<u>Ratings</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (In Years)</u>
<b>Municipal Bonds:</b>			
City of New Orleans, LA	AA+/A2	6,373	0.14
City of Suffolk, VA	AAA/Aaa	1,246	0.02
City of Suffolk, VA	AAA/Aaa	1,298	0.03
City of Wausau, WI	MIG1	8,143	0.14
City of Wausau, WI Rev	Aa3	3,609	0.04
Creek Cty ISD #33, OK	AA-	2,920	0.01
FL SBA Rev	AA/Aa3	22,103	0.18
Honolulu City & Cty, HI	Aa3	1,705	0.01
Hudson Cty, NJ Imprv Auth	SP-1+	6,519	0.01
Hudson Cty, NJ Imprv Auth	SP-1+	4,031	0.02
Hurst-Euleess-Bedford ISD	AAA	1,009	0.01
Indianapolis, IN LPIBB	AA+/Aaa	3,095	0.00
Kent Cty, MI	SP-1+	2,756	0.02
New York City, NY	AA+/Aa1	14,941	0.37
NYC Transitional Fina Auth	AA+/Aa2	10,158	0.09
NYC Transitional Fina Auth	AAA/Aa1	11,969	0.18
NYC Transitional Fina Auth	AAA/Aa1	14,852	0.29
NYC Transitional Fina Auth	AAA/Aa1	4,987	0.13
Oneida Cty, NY GO	AA-/A1	750	0.00
State of CT	A/A1	6,076	0.02
State of CT	A/A1	15,614	0.17
State of CT	A/A1	1,036	0.02
State of CT	A/A1	1,039	0.03
Town of Oxford, CT	Aa2	1,033	0.01
Town of Oxford, CT	Aa2	1,360	0.03
West Haymarket Jt Pub Agcy, NE	AAA/Aa1	2,219	0.05
Ypsilanti Cmnty Schools, MI	AA	<u>2,412</u>	0.04
<b>Total</b>		<u>183,871</u>	
<b>Total Investment Fair Value</b>		<u>\$ 310,559</u>	
<b>Portfolio Weighted Average Maturity</b>			2.14

The above calculation excludes cash and cash equivalents. As of December 31, 2019, the Authority's weighted average maturity of the portfolio as defined in the Investment Policy including cash and cash equivalents was 1.34 years.

## Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(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	<u>Ratings</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (In Years)</u>
<b>Agency Securities:</b>			
FFCB NOTE	AA+/Aaa	\$ 14,994	1.56
FNMA NOTE	AA+/Aaa	<u>14,984</u>	0.04
<b>Total</b>		<u>29,978</u>	
<b>Commercial Paper:</b>			
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	<u>9,974</u>	0.01
<b>Total</b>		<u>119,154</u>	

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## Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(in thousands)

### 2. Cash and Investments (continued)

Security Type	<u>Ratings</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (In Years)</u>
<b>Municipal Bonds</b>			
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
<b>Total</b>		<u>184,263</u>	
<b>Total Fair Value</b>		<u>\$ 333,395</u>	
<b>Portfolio Weighted Average Maturity</b>			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.

# Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(in thousands)

## 3. Receivables

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

	<u>2019</u>	<u>2018</u>
<b>Trade Receivables, Net</b>		
Trade receivables	\$ 40,246	\$ 40,166
Damage claims receivable	699	730
Allowance for doubtful accounts	<u>(2,703)</u>	<u>(2,540)</u>
Total trade receivables, net	38,242	38,356
<b>Other Receivables</b>		
Interest receivable	2,034	2,148
Due from federal agencies	2,989	3,383
Other	<u>11</u>	<u>38</u>
Total other receivables	<u>5,034</u>	<u>5,569</u>
<b>Total Receivables, Net</b>	<u>\$ 43,276</u>	<u>\$ 43,925</u>



## Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(in thousands)

### 4. Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements / Transfers</b>	<b>Ending Balance</b>
Capital assets not being depreciated				
Land other than channel	\$ 108,353	\$ 3,659	\$ -	\$ 112,012
Land use rights - intangible	12,986	342	-	13,328
Channel land	371,597	378	-	371,975
Construction-in-progress	60,050	83,340	(1,114)	142,276
<b>Total capital assets not being depreciated</b>	<b>552,986</b>	<b>87,719</b>	<b>(1,114)</b>	<b>639,591</b>
Capital assets being depreciated				
Buildings	171,679	274	-	171,953
Improvements other than buildings	1,355,763	9,253	-	1,365,016
Railroads	62,140	-	-	62,140
Machinery and equipment	513,906	17,299	(355)	530,850
Computer software - intangible	13,964	970	-	14,934
<b>Total capital assets being depreciated</b>	<b>2,117,452</b>	<b>27,796</b>	<b>(355)</b>	<b>2,144,893</b>
Less accumulated depreciation for				
Buildings	(104,432)	(4,973)	-	(109,405)
Improvements other than buildings	(552,254)	(39,268)	-	(591,522)
Railroads	(40,307)	(1,300)	-	(41,607)
Machinery and equipment	(263,978)	(24,018)	511	(287,485)
Computer software - intangible	(11,851)	(1,147)	-	(12,998)
<b>Total accumulated depreciation</b>	<b>(972,822)</b>	<b>(70,706)</b>	<b>511</b>	<b>(1,043,017)</b>
<b>Total capital assets being depreciated, net</b>	<b>1,144,630</b>	<b>(42,910)</b>	<b>156</b>	<b>1,101,876</b>
<b>Total capital assets, net</b>	<b>\$ 1,697,616</b>	<b>\$ 44,809</b>	<b>\$ (958)</b>	<b>\$ 1,741,467</b>



## Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(in thousands)

### 4. Capital Assets (continued)

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements / Transfers</b>	<b>Ending Balance</b>
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
<b>Total capital assets not being depreciated</b>	<b>690,164</b>	<b>99,507</b>	<b>(236,685)</b>	<b>552,986</b>
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
<b>Total capital assets being depreciated</b>	<b>1,909,912</b>	<b>210,382</b>	<b>(2,842)</b>	<b>2,117,452</b>
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)
<b>Total accumulated depreciation</b>	<b>(907,033)</b>	<b>(67,004)</b>	<b>1,215</b>	<b>(972,822)</b>
<b>Total capital assets being depreciated, net</b>	<b>1,002,879</b>	<b>143,378</b>	<b>(1,627)</b>	<b>1,144,630</b>
<b>Total capital assets, net</b>	<b>\$ 1,693,043</b>	<b>\$ 242,885</b>	<b>\$ (238,312)</b>	<b>\$ 1,697,616</b>

## Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(in thousands)

### 5. Operating Leases

The Authority leases office equipment as lessee 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, 2019 and 2018 were \$273 and \$257, respectively. As of December 31, 2019, future minimum rental obligations to be paid by the Authority under noncancelable operating leases are as follows:

<u>Year Ending</u>	<u>Future Minimum Lease Payments</u>
2020	\$ 250
2021	250
2022	195
2023	17
Total	<u>\$ 712</u>

Additionally, the Authority leases certain assets as lessor to others. These leases pertain to land, buildings and improvements, and cargo handling equipment. As of December 31, 2019, 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:

<u>Year Ending</u>	<u>Future Minimum Lease Rentals</u>
2020	\$ 36,247
2021	36,272
2022	30,657
2023	26,085
2024	20,952
Thereafter	437,093
Total	<u>\$ 587,306</u>



## Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(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, 2019 and 2018.

Long-term liability activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds Payable					
Unlimited tax bonds	\$ 593,754	\$ -	\$ (21,185)	\$ 572,569	\$ 21,735
Accreted interest on capital appreciation bonds	646	175	-	821	-
Less unamortized premiums / discounts, net	<u>56,063</u>	<u>-</u>	<u>(6,226)</u>	<u>49,837</u>	<u>-</u>
Total Bonds Payable	<u>\$ 650,463</u>	<u>\$ 175</u>	<u>\$ (27,411)</u>	<u>\$ 623,227</u>	<u>\$ 21,735</u>
Net Pension Liability	<u>\$ 5,343</u>	<u>\$ 8,403</u>	<u>\$ (745)</u>	<u>\$ 13,001</u>	<u>\$ -</u>
Net OPEB Liability	<u>\$ 8,884</u>	<u>\$ -</u>	<u>\$ (8,884)</u>	<u>\$ -</u>	<u>\$ -</u>
Other Noncurrent Liabilities					
Compensated absences	6,723	6,305	(5,816)	7,212	5,500 *
Fees received in advance	5,287	3,570	(2,466)	6,391	1,204 *
Claims liability	<u>6,095</u>	<u>1,746</u>	<u>(532)</u>	<u>7,309</u>	<u>313</u> *
Total Other Noncurrent Liabilities	<u>\$ 18,105</u>	<u>\$ 11,621</u>	<u>\$ (8,814)</u>	<u>\$ 20,912</u>	<u>\$ 7,017</u>

\* 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.

## Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(in thousands)

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

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
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	<u>34,565</u>	<u>25,943</u>	<u>(4,445)</u>	<u>56,063</u>	<u>-</u>
Total Bonds Payable	<u>\$ 673,898</u>	<u>\$ 202,640</u>	<u>\$(226,075)</u>	<u>\$ 650,463</u>	<u>\$ 21,185</u>
Net Pension Liability	<u>\$ 10,277</u>	<u>\$ -</u>	<u>\$ (4,934)</u>	<u>\$ 5,343</u>	<u>\$ -</u>
Net OPEB Liability	<u>\$ 6,200</u>	<u>\$ 13,849</u>	<u>\$ (11,165)</u>	<u>\$ 8,884</u>	<u>\$ -</u>
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	<u>1,314</u>	<u>-</u>	<u>(1,314)</u>	<u>-</u>	<u>-</u>
Total Other Noncurrent Liabilities	<u>\$ 18,068</u>	<u>\$ 10,096</u>	<u>\$ (10,059)</u>	<u>\$ 18,105</u>	<u>\$ 6,483</u>

\* Included in Fees received in advance and other reserves

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

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(in thousands)

**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	
					2019	2018
<b>General Obligation Bonds</b>						
<b>Unlimited Tax Refunding Bonds</b>						
Series 2010A	\$ 38,095	1.00-5.00	2/17/2010	2019	\$ -	\$ 3,660
Series 2010B	22,930	1.00-5.00	2/17/2010	2026	9,025	10,535
Series 2010C	30,254	2.00-5.00	2/3/2010	2038	27,079	27,474
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	20,555	20,870
Series 2011A	47,345	1.00-5.00	10/20/2011	2026	26,085	29,130
Series 2015A	62,805	3.125-5.00	8/26/2015	2031	57,720	62,805
Series 2015B	25,905	5.00	8/26/2015	2023	1,600	6,355
Series 2015C	27,260	3.054-5.00	8/26/2015	2026	20,345	22,765
Series 2018A	176,555	3.00-5.00	7/18/2018	2038	176,555	176,555
					<u>486,904</u>	<u>508,089</u>
Unamortized premiums / (discounts), net					45,808	51,897
Series 2010C and 2010E CAB Accretion, net					821	646
Unlimited Tax Refunding Bonds, net					<u>533,533</u>	<u>560,632</u>
<b>Unlimited Tax Port Improvement Bonds</b>						
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					4,029	4,166
Unlimited Tax Port Improvement Bonds, net					<u>89,694</u>	<u>89,831</u>
Total Debt					623,227	650,463
Less Current Maturities					<u>(21,735)</u>	<u>(21,185)</u>
Long - Term Debt (net of unamortized premiums / (discounts))					<u>\$ 601,492</u>	<u>\$ 629,278</u>

\* Interest rate of original issue

## Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(in thousands)

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

#### Debt Service Requirements

Total debt service requirements for outstanding bonds as of December 31, 2019 are as follows:

<u>Year Ending December 31</u>	<u>Bond Principal</u>	<u>Capital Appreciation Bond</u>	<u>Bond Interest</u>	<u>Total</u>
	<u>General Obligation</u>	<u>Accreted Interest</u>	<u>General Obligation</u>	
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	21,585	-	23,755	45,340
2025-2029	126,805	-	102,336	229,141
2030-2034	148,664	13,846	68,857	231,367
2035-2039	187,595	4,130	28,162	219,887
	<u>\$ 572,569</u>	<u>\$ 17,976</u>	<u>\$ 328,674</u>	<u>\$ 919,219</u>

#### General Obligation Bonds

The Authority's cash flows from operations fully support its operating needs and a significant portion of its capital infrastructure investments required for its mandate 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, 2019, along with the stated purpose for which the debt was issued:

## Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
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### 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 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 2019, the Authority did not issue or refund any bonds.

#### Bond Restrictions

The bond resolutions require that during the period in which the bonds are



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

Notes to the Financial Statements  
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### **6. Long-Term Debt and Noncurrent Liabilities (continued)**

#### **Bond Restrictions (continued)**

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 liquidity for additional opportunities or requirements for capital infrastructure investments. No encumbrances or drawdowns against the new facility have occurred as of December 31, 2019.

The Authority may issue either taxable or tax-exempt variable rate notes (the "Notes") in an aggregate principal amount not to exceed \$100 million. To provide security for payment of principal of and interest on the Notes, the Authority has pledged (i) the proceeds from (a) the sale or exchange of other Notes issued for the purpose of refunding, refinancing, renewing, replacing, or redeeming Notes and (b) the sale of one or more series of obligations by the Authority for the purpose of refunding, refinancing, renewing, or redeeming Notes, assuming voter approval has been obtained in the case of ad valorem tax obligations, and (ii) a first lien on the net revenues of the Authority as provided in the Master Resolution adopted by the Port Commission dated November 13, 2018, as may be amended. Generally, net revenues are calculated as the gross revenues received each month less the amount of operation and maintenance expenses due in such month.

Under the program, the Authority's Notes from direct borrowings related to business-type activities have a termination event. Upon the occurrence of an event of default, the lender may cease purchasing Notes and may terminate the facility. Such events include (i) failure to pay when due any fee or expense payable under the program and such default shall continue for a period of three days after such payment is due; (ii) a final unappealable judgment or order in excess of \$10 million payable from pledged revenues shall be rendered against the Authority and such judgment or order shall continue unsatisfied for a period of sixty (60) days; (iii) default by the Authority in the payment of any Senior Lien Obligations or Junior Lien Obligations when due or within any applicable grace period; and (iv) default by the Authority in the performance or observance of any other of the covenants, agreements or conditions in

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

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(in thousands)

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

### **Note Purchase Program (continued)**

the Master Resolution or First Supplemental Resolution, the Notes, or the program, and such default shall continue for a period of 30 days after written notice thereof.

### **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, 2019 and 2018. The estimated liability is updated annually for any tax-exempt issuance or changes in yields until payment of the calculated liability is due.

### **Impact of Tax Legislation**

President Donald Trump signed the Tax Cuts and Jobs Act on December 22, 2017, which permanently reduced the corporate tax rate to 21%, and lowered individual tax rates on a temporary basis through 2025. 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.

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

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
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### **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 these arrangements.

Past liabilities under the Agreement were paid in full during fiscal 2012. The Agreement remains in effect with regards to user fees to be paid by the Bayport operators and the Authority, with such funds accumulated by the Authority in order to fund certain 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, and contributions are solely made by the Authority. The Port Commission maintains the authority to amend the Plan and Plan's investment policy. BBVA USA (formerly known as Compass Bank) serves as trustee of the Plan. The Plan issues a stand-alone financial report that is available on the Authority's website 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

# Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(in thousands)

## 8. Retirement Plans (continued)

### Defined Benefit Plan Description (continued)

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.

At December 31, 2019, the following participants were covered under the Plan:

Retirees and beneficiaries receiving payments	546
Terminated vested participants not yet receiving benefits	170
Disabled participants	5
Active participants	340
Total	<u>1,061</u>

### 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 Port Commission at its discretion. The implementation of this funding policy and the actuarial assumptions have been designed to provide sufficient funds to pay benefits as they become payable under the Plan.

In accordance with Texas Legislature Senate Bill No. 2224 (SB 2224), the Authority adopted a formal Pension Plan funding policy on December 11, 2019. This funding policy is intended to meet the requirements of SB 2224 and the guidelines set forth by the Texas Pension Review Board. SB 2224 mandates that the governing body of a public retirement system adopt a written funding policy that details the plan to achieve a funded ratio that is equal to or greater than 100%. The provisions in this funding policy cancel and supersede any conflicting provisions previously adopted by the Port Commission relating to funding of the Plan.

### Net Pension Liability

The Authority's net pension liability was measured as of July 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an

# Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(in thousands)

## 8. Retirement Plans (continued)

### Net Pension Liability (continued)

actuarial valuation as of August 1, 2018.

*Actuarial assumptions.* The total pension liability in the August 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Investment rate of return	6.50%

Mortality rates were based on the RP-2006 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per MP-2018.

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

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

These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of arithmetic rates of return for each major asset class included in the Plan's target asset allocation as of July 31, 2019 are summarized in the following table:

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

Notes to the Financial Statements  
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(in thousands)

**8. Retirement Plans (continued)**

<u>Asset Class</u>	<u>Target allocation</u>	<u>Long-term expected rate of return*</u>
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 %
International 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:		5.17 %
Actuarial assumed long-term investment rate of return or discount rate:		6.50 %

\*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 6.50 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 6.50 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Notes to the Financial Statements  
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**8. Retirement Plans (continued)**

**Changes in the Net Pension Liability**

	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
Balances as of December 31, 2018	\$ 189,631	\$ (184,288)	\$ 5,343
Service cost	3,321	-	3,321
Interest on total pension liability	12,592	-	12,592
Effect of economic\demographic gains or losses	(1,325)	-	(1,325)
Effect of assumption changes or inputs	3,516	-	3,516
Benefit payments	(10,326)	10,326	-
Administrative expenses	-	243	243
Expected investment income, net of investment expenses	-	(6,031)	(6,031)
Employer contributions	-	(4,658)	(4,658)
Balances as of December 31, 2019	<u>\$ 197,409</u>	<u>\$ (184,408)</u>	<u>\$ 13,001</u>

*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 6.50 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 (5.50 percent) or 1-percentage point higher (7.50 percent) than the current rate:

	<b>1% decrease 5.50%</b>	<b>Current discount rate 6.50%</b>	<b>1% increase 7.50%</b>
Net pension liability (asset)	\$ 36,004	\$ 13,001	\$ (6,406)

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

**Pension Expense and Deferred Outflows / Inflows of Resources**

For the year ended December 31, 2019, the Authority recognized pension expense of \$8,380. At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

## Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(in thousands)

### 8. Retirement Plans (continued)

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

Deferred Outflows / Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,296
Changes of assumptions	3,390	730
Net difference between projected and actual earnings	5,340	-
Contributions made subsequent to measurement date	2,400	-
Total	\$ 11,130	\$ 2,026

The \$2,400 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	
2020	\$ 3,129
2021	1,209
2022	1,123
2023	1,243
Total	\$ 6,704

#### Defined Contribution Plan Description

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

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

The DC Plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code and all contributions are tax-deferred until time of withdrawal. Under the provisions of the DC Plan, employees do not contribute to the DC Plan and are not permitted to rollover any distributions from other qualified plans or individual



# Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
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(in thousands)

## 8. Retirement Plans (continued)

### Defined Contribution Plan Description (continued)

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:

<u>Years of Service</u>	<u>% Contribution by the Authority</u>
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 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 account investment earnings and charged with withdrawals and account 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:

	<u>July 31, 2019</u>	<u>July 31, 2018</u>
Total assets	\$ 2,840	\$ 2,466
Contributions during the year	721	655
Number of participants	334	403

## 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 (the "OPEB Plan"). This is a single-employer irrevocable trust and the Port Commission is responsible for the

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

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
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### **9. Postemployment Retiree Benefits (continued)**

#### **Plan Description (continued)**

administration of the Trust and for the investment of the Trust's assets. The Authority currently 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 the continued authorization of the Port Authority's current Other Post-Employment Benefits Plan 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 Asset in the noncurrent asset 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 towards 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 twelve 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.

# Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(in thousands)

## 9. Postemployment Retiree Benefits (continued)

### Plan Description (continued)

At December 31, 2019, the following participants were covered under the plan:

Actives	644
Retired and disabled members	319
Covered spouses of retirees	209
	<hr/>
	1,172

### 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, 2019 and 2018, the cost of retiree health benefits, recorded on a pay-as-you-go basis was \$2,265 and \$2,149, respectively. Retiree life-benefit costs for 2019 and 2018 were \$139 and \$129, respectively. In addition to the pay-as-you-go expenses referenced above for current benefits, the Authority has contributed \$61,500 to the OPEB trust through December 31, 2019.

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

### Net OPEB Liability/(Asset)

The following table shows the components of the Authority's total OPEB liability,

# Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(in thousands)

## 9. Postemployment Retiree Benefits (continued)

### Net OPEB Liability/(Asset) (continued)

fiduciary net position and net OPEB Liability/(Asset).

	<u>2019</u>	<u>2018</u>
Total OPEB liability	\$ 70,757	\$ 74,848
Fiduciary net position	82,262	65,964
Net OPEB liability/(asset)	(11,505)	8,884
Fiduciary net position as a % of total OPEB liability	116.26 %	88.13 %
Covered payroll	49,778	40,287
Net OPEB liability/(asset) as a % of covered payroll	(23.11)%	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.

#### Discount Rate

	<u>2019</u>	<u>2018</u>
Discount rate	6.50 %	6.75 %
Long-term expected rate of return, net of investment expense	6.50 %	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, 2019, the annual money-weighted rate of return on the OPEB trust investments, net of investment expense, was 16.61%. 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.

# Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(in thousands)

## 9. Postemployment Retiree Benefits (continued)

### Annual Money-Weighted Rate of Return (continued)

<b>Fiscal Year Ending December 31</b>	<b>Net Money- Weighted Rate of Return</b>
2016	10.50%
2017	10.90%
2018	-5.80%
2019	16.61%

### Other Key Actuarial Assumptions

The actuarial assumptions that determined the total OPEB liability as of December 31, 2019 were based on the results of an actuarial experience study for the period August 1, 2007 - August 1, 2012.

Valuation date	January 1, 2019
Measurement date	December 31, 2019
Inflation	2.20%
Salary increases including inflation	Age based
Mortality	RP-2006 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per Scale MP-2018
Actuarial cost method	Entry Age Normal

The health care cost trend rate used for the 2019 annual OPEB expense was 3.90% climbing to 7.90% before trending down to 4.00% (pre-Medicare) and 12.00% trending down to 4.50% (post-Medicare) over 55 years. The health care cost trend rate used for the 2019 year end valuation of total and net OPEB asset was 3.90% climbing to 5.10% before trending down to 3.80% (pre-Medicare) and 12.00% trending down to 3.80% (post-Medicare) over 55 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, 2019.

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

Notes to the Financial Statements

For the Years Ended December 31, 2019 and 2018

(in thousands)

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

**Long-Term Expected Rate of Return (continued)**

<b>Asset Class</b>	<b>Index</b>	<b>Target Allocation</b>	<b>Long-Term Expected Arithmetic Real Rate of Return</b>	<b>Long-Term Expected Geometric Real Rate of Return</b>
US Long Bonds	Barclays LT Gvt/Credit	20.00 %	2.45 %	1.98 %
US Gvt Bonds	Barclays Gvt	20.00 %	1.34 %	1.21 %
Emerging Markets Bonds	JPM EMBI Plus	5.00 %	3.48 %	2.54 %
US Large Caps	S&P 500	15.00 %	4.29 %	3.13 %
US Large & Mid Caps	Russell 1000	7.50 %	4.49 %	3.27 %
US Small Caps	Russell 2000	10.00 %	5.50 %	3.62 %
Foreign Developed Equity	MSCI EAFE NR	7.50 %	5.50 %	3.91 %
US REITs	FTSE NAREIT Equity REIT	5.00 %	5.01	3.27
Master Limited Partnerships	Alerian MLP	10.00 %	4.18 %	2.83 %
Assumed Inflation - Mean			2.20 %	2.20 %
Assumed Inflation - Standard Deviation			1.65 %	1.65 %
Portfolio Real Mean Return			3.43 %	3.07 %
Portfolio Nominal Mean Return			5.65 %	5.34 %
Portfolio Standard Deviation				8.32 %
<b>Long-Term Expected Rate of Return</b>				<b>6.50 %</b>

**Sensitivity Analysis**

The following presents the net OPEB asset of the Authority, calculated using the discount rate of 6.50%, as well as what the Authority's net OPEB asset would be if it were calculated using a discount rate that is 1 percentage point lower (5.50%) or 1 percentage point higher (7.50%) than the current rate.

	<b>1% Decrease 5.50%</b>	<b>Current Discount Rate 6.50%</b>	<b>1% Increase 7.50%</b>
Net OPEB liability/(asset)	\$ (2,009)	\$ (11,505)	\$ (19,308)

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

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(in thousands)

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

**Sensitivity Analysis (continued)**

The following presents the net OPEB asset of the Authority, calculated using the current healthcare cost trend rates as well as what the Port of Houston's net OPEB asset 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.

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Net OPEB liability/(asset)	\$ (20,516)	\$ (11,505)	\$ (281)

**OPEB Expense and Deferred Inflows of Resources**

For the year ended December 31, 2019, the Authority recognized OPEB expense of \$2,774. At December 31, 2019, the Authority reported deferred inflows of resources from the following sources:

	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ (6,381)
Changes of assumption	(1,207)
Net difference between projected and actual earnings	(351)
Total	<u>\$ (7,939)</u>

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

Year ended: December 31	
2020	\$ (930)
2021	(930)
2022	(930)
2023	(2,620)
2024	(1,265)
Thereafter	(1,264)
Total	<u>\$ (7,939)</u>

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

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(in thousands)

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

**Changes in Net OPEB Liability/(Asset)**

	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability/(Asset)</b>
Balance as of December 31, 2018	\$ 74,848	\$ 65,964	\$ 8,884
Service cost	3,080	-	3,080
Effect of economic/demographic gains or losses	(7,445)	-	(7,445)
Effect of assumptions changes or inputs	(1,408)	-	(1,408)
Interest on total OPEB liability	5,145	-	5,145
Benefit payments	(3,463)	(3,463)	-
Employer contributions	-	8,463	(8,463)
Expected net investment income	-	4,615	(4,615)
Investment gains or losses	-	6,776	(6,776)
Administrative expense	-	(93)	93
	<u>\$ 70,757</u>	<u>\$ 82,262</u>	<u>\$ (11,505)</u>
Balances as of December 31, 2019	\$ 70,757	\$ 82,262	\$ (11,505)

**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 certain risks; 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, 2019 and 2018 was \$7,309 and \$6,095, respectively.

<b>Plan Year</b>	<b>Beginning of Fiscal Year Liability</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>Balance at Fiscal Year End</b>
2018	\$ 5,018	\$ 1,750	\$ (673)	\$ 6,095
2019	\$ 6,095	\$ 1,746	\$ (532)	\$ 7,309

The Texas Tort Claims Act limits the liability of monetary damages for any single occurrence involving certain circumstances. These limits cap the Authority's liability



# Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(in thousands)

## 10. Risk Management (continued)

at \$100 maximum per person for bodily injury or death per occurrence; \$300 maximum for all persons for bodily injury or death per occurrence; and \$100 maximum for property damage per occurrence.

These claim liabilities include an estimate for incurred but not reported and allocated claims-adjustment expenses and assessment of loss development factors, trend rates, 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, 2019 and 2018, the Authority had commitments of approximately \$88,099 and \$51,156, 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. TGS has claimed damages in the amount of \$6,873. The Port 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.

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

Notes to the Financial Statements  
For the Years Ended December 31, 2019 and 2018  
(in thousands)

## **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 2019, Harris County's gross tax and abated values were \$1,027,960 and \$110,054, respectively. Therefore, under agreements entered into by Harris County, the Authority's property tax revenues were reduced by \$12.

## **13. Subsequent Events**

In December 2019, a novel coronavirus outbreak was first documented in Wuhan, Hubei Province, China. The spread of this virus, referred to as coronavirus disease 2019 or "COVID-19", resulted in supply chain and general business disruption beginning in January 2020. In March 2020, the World Health Organization declared the outbreak of COVID-19 to be a pandemic and the U.S. economy began to experience pronounced effects. While the Port has experienced minimal interruption through March, we expect to encounter a slowdown in volumes due to Chinese mandated factory shutdowns and reduced regional consumer demand. The Port of Houston Authority falls into a category of commerce known as "transportation and logistics" for which "maritime transportation workers - port workers, mariners, equipment operators" are considered essential to the continuation of industry that is critical to society's stability and progress. While the disruption is currently expected to be temporary, there is uncertainty around the extent and duration. Therefore, while we expect this matter to negatively impact our results, the related financial impact cannot be reasonably estimated at this time.



**REQUIRED SUPPLEMENTARY INFORMATION**



**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

Last Six Years  
in thousands  
(unaudited)

	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability:</b>						
Service cost	3,321	3,402	3,198	3,229	3,186	3,425
Interest on total pension liability	12,592	12,454	12,251	11,883	10,940	10,724
Effect of economic/demographic gains or losses	(1,325)	(1,207)	(116)	(695)	(1,278)	-
Effects of assumption changes or inputs	3,516	(2,203)	5,012	-	9,569	-
Benefit payments	(10,326)	(10,085)	(9,858)	(9,552)	(9,590)	(9,509)
Net change in total pension liability	7,778	2,361	10,487	4,865	12,827	4,640
Total pension liability - beginning	189,631	187,270	176,783	171,918	159,091	154,451
Total pension liability - ending (a)	197,409	189,631	187,270	176,783	171,918	159,091
<b>Fiduciary net position:</b>						
Employer contributions*	4,658	5,257	9,600	4,500	4,094	8,282
Investment income net of investment expenses**	6,031	12,378	14,220	1,741	7,786	14,825
Benefit payments	(10,326)	(10,085)	(9,858)	(9,552)	(9,590)	(9,509)
Administrative expenses	(243)	(255)	(280)	(235)	(249)	(237)
Net change fiduciary net position	120	7,295	13,682	(3,546)	2,041	13,361
Fiduciary net position, beginning	184,288	176,993	163,311	166,857	164,816	151,455
Fiduciary net position, ending (b)	184,408	184,288	176,993	163,311	166,857	164,816
Net pension liability (asset), ending = (a) - (b)	13,001	5,343	10,277	13,472	5,061	(5,725)
Fiduciary net position as a % of total pension liability	93.41 %	97.18 %	94.51 %	92.38 %	97.06 %	103.60 %
Covered Payroll	29,889	29,960	30,210	30,412	31,377	33,690
Net pension liability (asset) as a % of covered payroll	43.50 %	17.83 %	34.02 %	44.30 %	16.13 %	(16.99)%

\* The increase in employer contributions from 2016 to 2019 is due primarily to additional funding of \$4.0 million authorized by the Port Commission to partially offset the increase in the Plan's unfunded actuarial accrued liability resulting from a reduction of the actuarial assumption 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 Ten Fiscal Years  
in thousands  
(unaudited)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 4,437	\$ 5,007	\$ 5,153	\$ 4,481	\$ 4,094	\$ 5,278	\$ 9,870	\$ 8,133	\$ 10,809	\$ 9,857
Contributions in relation to the actuarially determined contribution	4,658	5,257	9,600	4,500	4,094	8,282	9,870	8,133	10,809	9,857
Contribution deficiency (excess)	<u>\$ (221)</u>	<u>\$ (250)</u>	<u>\$ (4,447)</u>	<u>\$ (19)</u>	<u>\$ -</u>	<u>\$ (3,004)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 29,889	\$ 29,960	\$ 30,210	\$ 30,412	\$ 31,377	\$ 33,690	\$ 35,082	\$ 35,571	\$ 34,939	\$ 32,695
Contributions as a percentage of covered payroll	15.58 %	17.55 %	31.78 %	14.80 %	13.05 %	24.58 %	28.14 %	22.86 %	30.94 %	30.15 %

**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, 2019, resulting from a net pension liability of \$13,001
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	6.50%
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-2006 Mortality for Employees, Healthy Annuitants and Disabled Annuitants with generational projection per MP-2018

The table was updated to reflect current actuarial assumptions used.

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

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

<b>Fiscal Year Ending December 31,</b>	<b>Net Money- Weighted Rate of Return</b>
2016	10.50 %
2017	10.90 %
2018	(5.80)%
2019	16.61 %

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, 2019, 2018 and 2017  
in thousands  
(unaudited)

	2019	2018	2017
<b>Total OPEB Liability</b>			
Service cost	\$ 3,081	\$ 3,289	\$ 3,081
Interest on total OPEB liability	5,145	4,864	4,593
Effect of economic/demographic (gains) or losses	(7,445)	-	-
Effect of assumption changes or inputs	(1,408)	-	-
Benefit payments	(3,464)	(4,084)	(3,654)
Net change in total OPEB liability	(4,091)	4,069	4,020
Total OPEB liability - beginning	74,848	70,779	66,759
Total OPEB liability - ending (a)	70,757	74,848	70,779
<b>Fiduciary Net Position</b>			
Employer contributions	8,464	9,484	9,454
Net investment (loss) income	11,391	(3,915)	5,714
Benefit payments	(3,464)	(4,084)	(3,655)
Administrative expense	(93)	(100)	-
Net change in plan fiduciary net position	16,298	1,385	11,513
Fiduciary net position - beginning	65,964	64,579	53,066
Fiduciary net position - ending (b)	82,262	65,964	64,579
Net OPEB liability/(asset) ending (a) - (b)	\$ (11,505)	\$ 8,884	\$ 6,200
Fiduciary net position as a % of total OPEB liability	116.26 %	88.13 %	91.24 %
Covered payroll	\$ 49,778	\$ 40,287	\$ 40,287
Net OPEB liability/(asset) as a % of covered payroll	(23.11)%	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 of Harris County, Texas**

Required Supplementary Information

**Port of Houston Authority OPEB Plan**  
**Schedule of Actuarially Determined Contributions**

Last Ten Fiscal Years  
in thousands  
(unaudited)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution*	\$ 3,324	\$ 4,384	\$ 5,402	\$ 5,798	\$ 5,537	\$ 6,568	\$ 6,909	\$ 7,913	\$ 8,115	\$ 14,580
Contributions in relation to the actuarially determined contribution	8,464	9,484	9,454	8,772	11,203	11,363	11,226	10,776	10,536	2,897
Contribution deficiency (excess)	\$ (5,140)	\$ (5,100)	\$ (4,052)	\$ (2,974)	\$ (5,666)	\$ (4,795)	\$ (4,317)	\$ (2,863)	\$ (2,421)	\$ 11,683
Covered payroll	\$ 49,778	\$ 40,287	\$ 40,287	\$ 38,907	\$ 38,907	\$ 33,690	\$ 34,615	\$ 34,939	\$ 34,939	\$ 32,310
Contributions as a percentage of covered payroll	17.00 %	23.54 %	23.47 %	22.55 %	28.79 %	33.73 %	32.43 %	30.84 %	30.16 %	8.97 %

**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, 2019
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, 2019	10 years
Asset valuation method	Market Value
Inflation	2.20%
Salary Increases	Age based
Discount Rate	6.50%
Healthcare Cost Trend Rates	12% for 2019, gradually decreasing to an ultimate rate of 3.8%
Mortality	RP-2006 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per Scale MP-2018

\* Annual required contributions for 2017 and prior years are under GASB 45. Subsequent contributions are under GASB 74 and 75.

**Port of Houston Authority of Harris County, Texas**  
**Combining Statement of Fiduciary Trust Net Position**  
**As of December 31, 2019 and 2018**  
**(in thousands)**

	<u>Defined Contribution 7/31/2019</u>	<u>Pension 7/31/2019</u>	<u>OPEB 12/31/2019</u>	<u>Total</u>	<u>Defined Contribution 7/31/2018</u>	<u>Pension 7/31/2018</u>	<u>OPEB 12/31/2018</u>	<u>Total</u>
<b>Assets</b>								
Cash and cash equivalents	\$ 9	\$ 2,730	\$ 860	\$ 3,599	\$ 48	\$ 2,696	\$ 1,074	\$ 3,818
Investment Securities								
Domestic Equity	253	84,926	35,712	120,891	245	97,545	32,065	129,855
International Equity	40	15,145	8,511	23,696	33	3,718	3,198	6,949
Fixed Income	21	81,051	36,970	118,042	18	79,545	29,402	108,965
Balanced Funds *	2,517	-	-	2,517	2,122	-	-	2,122
Accrued Investment Income	-	612	209	821	-	840	225	1,065
Total Assets	<u>2,840</u>	<u>184,464</u>	<u>82,262</u>	<u>269,566</u>	<u>2,466</u>	<u>184,344</u>	<u>65,964</u>	<u>252,774</u>
<b>Liabilities</b>								
Investment Expenses	-	56	-	56	-	56	-	56
Total Liabilities	<u>-</u>	<u>56</u>	<u>-</u>	<u>56</u>	<u>-</u>	<u>56</u>	<u>-</u>	<u>56</u>
<b>Assets held in trust</b>	<u>\$ 2,840</u>	<u>\$ 184,408</u>	<u>\$ 82,262</u>	<u>\$ 269,510</u>	<u>\$ 2,466</u>	<u>\$ 184,288</u>	<u>\$ 65,964</u>	<u>\$ 252,718</u>

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

**Port of Houston Authority of Harris County, Texas**  
**Combining Statements of Changes in Fiduciary Trust Net Position**  
**As of December 31, 2019 and 2018**  
**(in thousands)**

	<b>Defined Contribution 7/31/2019</b>	<b>Pension 7/31/2019</b>	<b>OPEB 12/31/2019</b>	<b>Total</b>	<b>Defined Contribution 7/31/2018</b>	<b>Pension 7/31/2019</b>	<b>OPEB 12/31/2018</b>	<b>Total</b>
<b>Additions :</b>								
Employer contributions	\$ 721	\$ 4,658	\$ 5,000	\$ 10,379	\$ 655	\$ 5,257	\$ 5,400	\$ 11,312
Net Investment Income	(179)	6,031	11,391	17,243	173	12,378	(3,869)	8,682
Total additions	<u>542</u>	<u>10,689</u>	<u>16,391</u>	<u>27,622</u>	<u>828</u>	<u>17,635</u>	<u>1,531</u>	<u>19,994</u>
<b>Deductions:</b>								
Benefit payments and withdrawals	(168)	(10,326)	-	(10,494)	(11)	(10,085)	-	(10,096)
Administrative Expenses	-	(243)	(93)	(336)	-	(255)	(100)	(355)
Total deductions	<u>(168)</u>	<u>(10,569)</u>	<u>(93)</u>	<u>(10,830)</u>	<u>(11)</u>	<u>(10,340)</u>	<u>(100)</u>	<u>(10,451)</u>
Net increase in net position	374	120	16,298	16,792	817	7,295	1,431	9,543
<b>Assets held in trust for pension/ OPEB, beginning of year</b>								
	<u>2,466</u>	<u>184,288</u>	<u>65,964</u>	<u>252,718</u>	<u>1,649</u>	<u>176,993</u>	<u>64,533</u>	<u>243,175</u>
<b>Assets held in trust for pension/ OPEB, end of year</b>								
	<u>\$ 2,840</u>	<u>\$ 184,408</u>	<u>\$ 82,262</u>	<u>\$ 269,510</u>	<u>\$ 2,466</u>	<u>\$ 184,288</u>	<u>\$ 65,964</u>	<u>\$ 252,718</u>





**STATISTICAL SECTION**



## **Statistical Section**

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

### **Contents**

#### **Financial Trends**

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

#### **Revenue Capacity**

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

#### **Debt Capacity**

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

#### **Demographic and Economic Information**

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

#### **Operating Information**

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

#### **Sources**

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







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**RICKMEDES**



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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Net investment in capital assets</b>	\$1,119,856	\$1,050,604	\$1,023,578	\$ 919,177	\$ 794,075	\$ 749,755	\$ 685,717	\$596,224	\$574,224	\$571,828
<b>Restricted</b>										
Capital	-	-	-	-	-	-	7,195	29,713	60,204	79,270
Debt Service	45,346	44,646	45,622	45,705	41,853	43,290	44,598	44,916	41,455	44,248
Other	-	-	-	-	-	-	-	2,755	196	4,302
<b>Unrestricted</b>	<u>473,731</u>	<u>416,108</u>	<u>311,127</u>	<u>312,363</u>	<u>383,422</u>	<u>340,892</u>	<u>324,466</u>	<u>320,673</u>	<u>263,802</u>	<u>207,113</u>
<b>Total Net Position</b>	<u>\$1,638,933</u>	<u>\$1,511,358</u>	<u>\$1,380,327</u>	<u>\$1,277,245</u>	<u>\$1,219,350</u>	<u>\$1,133,937</u>	<u>\$1,061,976</u>	<u>\$994,281</u>	<u>\$939,881</u>	<u>\$906,761</u>

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

(in thousands)

(unaudited)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Operating revenues:</b>										
Vessel and cargo services	\$ 365,086	344,272	\$ 309,058	\$ 266,703	\$ 267,277	\$ 238,083	\$ 200,101	\$ 190,618	\$ 177,405	\$ 159,799
Rental of equipment and facilities	18,065	18,079	15,976	15,869	17,120	17,763	25,114	23,077	22,030	20,346
Grain elevator	1,439	1,182	902	1,199	1,567	1,821	592	683	1,923	911
Bulk materials	4,265	4,131	4,004	3,941	4,019	4,270	2,665	2,485	2,131	2,368
Other	2,582	1,652	2,933	2,514	3,753	1,960	5,201	8,512	3,356	3,272
<b>Nonoperating revenues:</b>										
Investment (loss) income	13,017	9,319	4,553	4,896	4,142	4,913	(435)	2,410	3,123	3,573
Contribution in aid of construction	-	-	-	-	610	-	5,000	-	1,077	-
Other	1,282	345	1,703	2,690	1,279	3,291	683	1,583	2,765	3,836
<b>Nonoperating revenues related to property taxes:</b>										
Property taxes	51,061	50,951	53,842	55,749	51,280	51,955	52,534	56,429	49,826	53,833
Investment income / (loss) on bond proceeds	967	721	264	119	120	162	348	302	657	(47)
<b>Total Revenues:</b>	<b>457,764</b>	<b>430,652</b>	<b>393,235</b>	<b>353,680</b>	<b>351,167</b>	<b>324,218</b>	<b>291,803</b>	<b>286,099</b>	<b>264,293</b>	<b>247,891</b>
<b>Operating expenses:</b>										
Maintenance and operations of facilities	177,122	157,524	147,185	141,102	123,433	121,899	103,353	101,095	97,461	95,918
General and administrative	50,420	49,608	39,102	44,286	42,297	37,812	41,845	43,875	39,894	51,742
Depreciation and amortization	74,020	72,027	66,487	64,601	60,198	57,190	56,057	56,551	55,661	53,731
Impairment of Capital Assets	-	-	-	15,114	-	-	-	-	-	-
<b>Nonoperating expenses:</b>										
Contributions to state and local agencies	4,327	2,095	4,243	2,127	2,147	1,464	1,949	882	1,232	1,742
Loss on disposal of assets	4	1	33	(2,976)	2,849	1,220	91	3,295	-	3,294
Other	107	1,440	2,187	1,033	338	-	-	98	-	-
<b>Nonoperating expenses related to property taxes:</b>										
Interest expense on unlimited tax bonds	24,451	28,927	30,010	31,548	33,114	33,459	33,188	33,803	36,843	34,265
Property tax collection expense	1,100	1,100	1,100	1,100	1,039	1,175	994	1,091	996	1,270
Other	410	420	400	303	455	408	477	442	525	480
<b>Total Expenses:</b>	<b>331,961</b>	<b>313,142</b>	<b>290,747</b>	<b>298,238</b>	<b>265,870</b>	<b>254,627</b>	<b>237,954</b>	<b>241,132</b>	<b>232,612</b>	<b>242,442</b>
<b>Income before contributions</b>	<b>125,803</b>	<b>117,510</b>	<b>102,488</b>	<b>55,442</b>	<b>85,297</b>	<b>69,591</b>	<b>53,849</b>	<b>44,967</b>	<b>31,681</b>	<b>5,449</b>
<b>Capital contributions from federal agencies</b>	<b>1,772</b>	<b>5,219</b>	<b>8,896</b>	<b>2,453</b>	<b>56</b>	<b>2,370</b>	<b>13,827</b>	<b>9,373</b>	<b>1,439</b>	<b>2,944</b>
<b>Contributions from federal agency-FEMA</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60</b>	<b>-</b>	<b>19</b>	<b>60</b>	<b>-</b>	<b>3,804</b>
<b>Total Contributions from federal and state agencies</b>	<b>1,772</b>	<b>5,219</b>	<b>8,896</b>	<b>2,453</b>	<b>116</b>	<b>2,370</b>	<b>13,846</b>	<b>9,433</b>	<b>1,439</b>	<b>6,748</b>
<b>Change in net position</b>	<b>127,575</b>	<b>122,729</b>	<b>111,384</b>	<b>57,895</b>	<b>85,413</b>	<b>71,961</b>	<b>67,695</b>	<b>54,400</b>	<b>33,120</b>	<b>12,197</b>
<b>Net position, January 1</b>	<b>1,511,358</b>	<b>1,388,629</b>	<b>1,277,245</b>	<b>1,219,350</b>	<b>1,133,937</b>	<b>1,061,976</b>	<b>994,281</b>	<b>939,881</b>	<b>906,761</b>	<b>894,564</b>
<b>Net position, December 31</b>	<b>\$ 1,638,933</b>	<b>\$ 1,511,358</b>	<b>\$ 1,388,629</b>	<b>\$ 1,277,245</b>	<b>\$1,219,350</b>	<b>\$1,133,937</b>	<b>\$1,061,976</b>	<b>\$ 994,281</b>	<b>\$ 939,881</b>	<b>\$ 906,761</b>



**REVENUE CAPACITY**



**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
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
2019	546,249,496	50,880,252	126,713,304	470,416,444	0.01074

- Source: Harris County Appraisal District Property Use Recap as of 12/2019

- Note: Property is assessed at actual value and is reassessed each year. Tax rates are per \$100 of assessed value.

- Note (a) Exemptions are primarily made up of the homestead property exemption of 20%. In addition, persons 65 years of age or older receive an exemption up to a maximum individual amount of \$160,000.



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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Harris County</b>										
General Fund	\$ 0.34174	\$ 0.35000	\$ 0.34500	\$ 0.34500	\$ 0.34547	\$ 0.34547	\$ 0.34547	\$ 0.33271	\$ 0.33444	\$ 0.33401
General Bonds Debt Service	0.04711	0.05084	0.05234	0.05111	0.05237	0.04802	0.05158	0.04468	0.03825	0.03635
Total Constitutional Funds	0.38885	0.40084	0.39734	0.39611	0.39784	0.39349	0.39705	0.37739	0.37269	0.37036
County - Wide Road Debt Service	0.01828	0.01774	0.02067	0.02045	0.02139	0.02382	0.01750	0.02282	0.01848	0.01769
Total - Harris County	0.40713	0.41858	0.41801	0.41656	0.41923	0.41731	0.41455	0.40021	0.39117	0.38805
<b>Flood Control District</b>										
Maintenance	0.02670	0.02738	0.02736	0.02745	0.02620	0.02620	0.02620	0.02522	0.02727	0.02727
Debt Service	0.00122	0.00139	0.00095	0.00084	0.00113	0.00116	0.00207	0.00287	0.00082	0.00196
Total - Flood Control	0.02792	0.02877	0.02831	0.02829	0.02733	0.02736	0.02827	0.02809	0.02809	0.02923
<b>Port of Houston Authority</b>										
Debt Service	0.01074	0.01155	0.01256	0.01334	0.01342	0.01531	0.01716	0.01952	0.01856	0.02054
<b>Hospital District</b>										
General	0.16491	0.17000	0.17000	0.17000	0.17000	0.17000	0.17000	0.18216	0.19216	0.19216
Debt Service	0.00100	0.00108	0.00110	0.00179	-	-	-	-	-	-
Total Hospital District	0.16591	0.17108	0.17110	0.17179	0.17000	0.17000	0.17000	0.18216	0.19216	0.19216
Total	\$ 0.61170	\$ 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, 2019  
 (unaudited)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>County-Wide Taxing</b>										
<b>Jurisdiction</b>										
Harris County	\$ 0.40713	\$ 0.41858	\$ 0.41801	\$ 0.41656	\$ 0.41923	\$ 0.41731	\$ 0.41455	\$ 0.40021	\$ 0.39117	\$ 0.38805
Harris County Flood Control District	0.02792	0.02877	0.02831	0.02829	0.02733	0.02736	0.02827	0.02809	0.02809	0.02923
Port of Houston Authority	0.01074	0.01155	0.01256	0.01334	0.01342	0.01531	0.01716	0.01952	0.01856	0.02054
Harris County Hospital District	0.16591	0.17108	0.17110	0.17179	0.17000	0.17000	0.17000	0.18216	0.19216	0.19216
<b>Total County-wide</b>	<b>\$ 0.61170</b>	<b>\$ 0.62998</b>	<b>\$ 0.62998</b>	<b>\$ 0.62998</b>	<b>\$ 0.62998</b>	<b>\$ 0.62998</b>	<b>\$ 0.62998</b>	<b>\$ 0.62998</b>	<b>\$ 0.62998</b>	<b>\$ 0.62998</b>
<b>Cities</b>										
Baytown	\$ 0.80203	\$ 0.81203	\$ 0.82203	\$ 0.82203	\$ 0.82203	\$ 0.82203	\$ 0.82203	\$ 0.82203	\$ 0.82202	\$ 0.78703
Bellaire	0.44730	0.43130	0.41590	0.38740	0.38050	0.39360	0.39990	0.39990	0.39990	0.39990
Deer Park	0.72000	0.72000	0.72000	0.72000	0.71435	0.72000	0.72000	0.72000	0.72000	0.70500
Houston	0.56792	0.58831	0.58421	0.58642	0.60112	0.63108	0.63875	0.63875	0.63875	0.63875
La Porte	0.71000	0.71000	0.71000	0.71000	0.71000	0.71000	0.71000	0.71000	0.71000	0.71000
League City	0.54858	0.56380	0.56500	0.57000	0.57350	0.59700	0.59700	0.59700	0.61000	0.61600
Missouri City	0.63000	0.63000	0.60000	0.56010	0.54468	0.56500	0.57375	0.54480	0.52840	0.52840
Pasadena	0.57034	0.61545	0.57539	0.57539	0.57539	0.57690	0.59159	0.59159	0.59159	0.59159
Pearland	0.74121	0.70916	0.68506	0.68120	0.70530	0.71210	0.70510	0.70510	0.68510	0.66510
Seabrook	0.55198	0.55198	0.57491	0.56518	0.61261	0.64003	0.65123	0.66523	0.64998	0.62681
South Houston	0.69991	0.65050	0.64330	0.63221	0.69954	0.64453	0.66988	0.70825	0.68755	0.67316
Webster	0.36200	0.34794	0.31725	0.28450	0.23447	0.24874	0.26960	0.28528	0.28528	0.25750
West University Place	0.30921	0.31680	0.31680	0.31680	0.33179	0.36179	0.37400	0.37411	0.37411	0.37411
<b>School Districts</b>	1.1367-1.5684	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

- Source: Harris County Appraisal District jurisdiction information as of 12/31/19; includes all tax bonds.

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

Tax Payers	2019			2010		
	2019 Taxable Valuations (a)	Rank	Percentage of Total 2019 Taxable Valuation (b)	2010 Taxable Valuations (a)	Rank	Percentage of Total 2010 Taxable Valuation (c)
EXXON Mobil Corp.	\$ 4,199,416	1	0.89 %	\$ 2,664,569	1	1.01 %
Chevron Chemical Co.	3,743,504	2	0.80	1,206,070	4	0.46
CenterPoint Energy Inc.	3,678,077	3	0.78	2,396,880	2	0.91
Shell Oil Co.	2,068,217	4	0.44	1,863,832	3	0.70
Equistar Chemicals LP	1,603,335	5	0.34	788,660	8	0.30
Palmetto Transoceanic LLC	1,202,472	6	0.25	-	-	-
Valero Energy	1,035,551	7	0.22	-	-	-
Walmart	930,843	8	0.20	733,661	10	0.28
Pky City West 1-4, POC, San Felipe Pipe	843,913	9	0.18	425,711	19	0.16
AT&T Southwestern Bell	817,844	10	0.17	-	-	-
One Two and Three Allen Center Co LLC	788,054	11	0.17	-	-	-
BSREP 1HC-4HC	786,878	12	0.17	-	-	-
National Oilwell Inc.	786,335	13	0.17	552,545	14	0.21
Enterprise	785,327	14	0.17	-	-	-
Magellan Terminal Holding	728,895	15	0.15	-	3	-
HEB Grocery Co. LP	717,114	16	0.15	-	-	-
Liberty Property	670,408	17	0.14	-	-	-
Intercontinental Terminal	650,739	18	0.14	-	-	-
GWP East Nine West	635,609	19	0.14	-	-	-
HG Galleria I II III LP	619,382	20	0.13	-	-	-
Hines Interests LTD Partnership	-	-	-	1,071,150	5	0.40
Houston Refining	-	-	-	953,784	6	0.36
AT&T Mobility LLC	-	-	-	871,744	7	0.33
Crescent Real Estate	-	-	-	740,434	9	0.28
Hewlett Packard	-	-	-	639,066	11	0.24
Cullen Allen Holdings LP	-	-	-	632,089	12	0.24
Comcast of Houston LLC	-	-	-	588,773	13	0.22
Amoco Chemical Co.	-	-	-	550,776	15	0.21
Lyondell Chemical Co.	-	-	-	525,146	16	0.20
Dow Chemical	-	-	-	518,229	17	0.20
Kroger Co.	-	-	-	431,249	18	0.16
Air Liquide	-	-	-	413,949	20	0.16
Total	<u>\$ 27,291,913</u>		<u>5.80 %</u>	<u>\$ 18,568,318</u>		<u>7.03 %</u>

- 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 20, 2019;

- Note (c) Based on the County's total taxable value as of December 30, 2010.

**Port of Houston Authority of Harris County, Texas**  
**Property Taxes Levies and Collections**  
**For the Years 2010 through 2019**

(in thousands)  
(unaudited)

<u>Fiscal Year</u>	<u>Taxes Levied for Fiscal Year</u>	<u>Collections within the Fiscal Year of the Levy</u>		<u>Collections After One Year (a)</u>	<u>Total Collections After One Year (a)</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
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 %	1,502	49,754	102.04 %
2019	50,643	48,165	95.11 %	N/A	N/A	N/A

- Source: Harris County Tax Assessor - Collector as of February 28, 2020
- 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)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Operating revenues: (a) (b) (c)</b>										
Vessel and cargo services	\$ 365,086	\$ 344,272	\$ 309,058	\$ 266,703	\$ 267,277	\$ 238,083	\$ 200,101	\$ 190,618	\$ 177,405	\$ 159,799
Rental of equipment and facilities	18,065	18,079	15,976	15,869	17,120	17,763	25,114	23,077	22,030	20,346
Grain elevator	1,439	1,182	902	1,199	1,567	1,821	592	683	1,923	911
Bulk materials	4,265	4,131	4,004	3,941	4,019	4,270	2,665	2,485	2,131	2,368
Other	2,582	1,652	2,933	2,514	3,753	1,960	5,201	8,512	3,356	3,272
Total Operating Revenue	<u>\$ 391,437</u>	<u>\$ 369,316</u>	<u>\$ 332,873</u>	<u>\$ 290,226</u>	<u>\$ 293,736</u>	<u>\$ 263,897</u>	<u>\$ 233,673</u>	<u>\$ 225,375</u>	<u>\$ 206,845</u>	<u>\$ 186,696</u>
<b>Revenue Tonnage (Short Tons)*</b>										
General Cargo	34,074	31,653	28,878	25,226	27,360	26,854	24,735	25,278	23,387	20,809
Bulk	9,063	9,210	9,396	9,621	8,384	10,766	11,090	9,781	10,162	10,508
Total Revenue Tonnage	<u>43,137</u>	<u>40,863</u>	<u>38,274</u>	<u>34,847</u>	<u>35,744</u>	<u>37,620</u>	<u>35,825</u>	<u>35,059</u>	<u>33,549</u>	<u>31,317</u>

- 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)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>General Cargo</b>										
Barbours Cut										
All other	11,226,819	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
Lease	-	-	-	-	2,072,132	3,410,214	3,548,416	3,939,218	3,887,146	3,888,444
	<u>11,226,819</u>	<u>10,737,680</u>	<u>9,811,047</u>	<u>9,470,902</u>	<u>11,395,024</u>	<u>11,099,900</u>	<u>10,559,128</u>	<u>10,116,984</u>	<u>9,492,849</u>	<u>9,598,179</u>
Bayport Container Terminal	16,603,071	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
Turning Basin										
Autos import	117,531	127,448	119,081	161,246	167,383	128,564	143,132	175,553	124,351	109,713
Autos export	2,058	1,089	3,396	4,744	13,240	11,430	17,905	23,655	26,972	25,844
Steel imports	2,030,908	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
All other	513,023	375,924	474,629	492,551	707,345	607,127	519,978	723,762	1,177,341	778,667
	<u>2,663,520</u>	<u>3,249,047</u>	<u>3,585,742</u>	<u>2,481,898</u>	<u>4,688,698</u>	<u>6,144,462</u>	<u>4,294,460</u>	<u>5,170,380</u>	<u>4,522,507</u>	<u>2,919,883</u>
Jacintoport	1,466,353	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
Care Terminal	731,216	734,480	603,271	457,294	562,217	747,372	649,545	598,914	350,422	188,279
Woodhouse	1,382,598	768,830	113,888	77,299	373,497	473,389	388,133	608,369	370,436	299,098
<b>Total General Cargo</b>	<u>34,073,577</u>	<u>31,652,701</u>	<u>28,877,803</u>	<u>25,225,795</u>	<u>27,359,831</u>	<u>26,854,078</u>	<u>24,735,058</u>	<u>25,277,757</u>	<u>23,386,895</u>	<u>20,808,923</u>
<b>Bulk</b>										
Barbours Cut	-	-	-	-	-	-	-	-	-	3,136
Jacintoport	1,465	1,635	9,758	692	1,100	-	-	1,780	553	1,653
Care Terminal	12,340	112,975	162,014	130,545	18,298	82,016	253,942	408,225	359,286	446,801
Woodhouse	-	7,081	20,224	12,981	6,882	31,549	14,290	7,547	35,089	31,857
Sims Bayou	1,157,376	1,199,628	1,157,368	624,280	624,278	675,175	700,350	770,395	763,723	783,041
S.J.B. Liquid Facility	379,141	560,342	522,019	552,752	428,895	493,582	541,227	585,263	474,880	551,405
Turning Basin	2,157,920	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
	<u>3,708,242</u>	<u>4,039,122</u>	<u>4,026,319</u>	<u>3,419,169</u>	<u>3,126,167</u>	<u>3,264,652</u>	<u>3,674,689</u>	<u>3,795,702</u>	<u>3,582,266</u>	<u>3,796,304</u>
Bulk Materials Terminal	3,056,749	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
Grain Elevator #2	2,298,347	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
<b>Total Bulk Cargo</b>	<u>9,063,338</u>	<u>9,210,585</u>	<u>9,396,090</u>	<u>9,620,968</u>	<u>8,384,559</u>	<u>10,766,309</u>	<u>11,090,392</u>	<u>9,781,607</u>	<u>10,162,464</u>	<u>10,508,259</u>
<b>Grand Total</b>	<u>43,136,915</u>	<u>40,863,286</u>	<u>38,273,893</u>	<u>34,846,763</u>	<u>35,744,390</u>	<u>37,620,387</u>	<u>35,825,450</u>	<u>35,059,364</u>	<u>33,549,359</u>	<u>31,317,182</u>

- Source: The Authority

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

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

(amounts in thousands)  
(unaudited)

<b>Customer</b>	<b>2019</b>			<b>2010</b>		
	<b>2019 Revenue</b>	<b>Rank</b>	<b>% V&amp;C Revenue</b>	<b>2010 Revenue</b>	<b>Rank</b>	<b>% V&amp;C Revenue</b>
Mediterranean Shipping Co. (USA)	\$ 58,217	1	15.60 %	\$ 29,696	1	18.58 %
Maersk Line	48,553	2	13.30	-		-
CMA-CGM (America), Inc.	38,165	4	10.45	14,418	3	9.02
Hapag-Lloyd AG	37,909	3	10.38	21,597	2	13.52
Cosco North America, Inc.	18,146	5	4.97	-		-
Hamburg Sud North America	12,441	6	3.41	7,889	4	4.94
Zim Integrated Shipping	6,579	7	1.80	5,532	6	3.46
Evergreen Shipping Agency	6,362	8	1.74	-		-
ONE Line	5,550	9	1.52	-		-
Seaboard Marine, Ltd.	5,414	10	1.48	4,187	7	2.62
Companhia Libra de Navegacao	-		-	5,732	5	3.59
Biehl & Company - Vessel	-		-	3,293	8	2.06
OOCL(USA) Inc.	-		-	2,420	9	1.51
Biehl & Company - SSA Line	-		-	2,127	10	1.33
Total	<u>\$ 237,336</u>		<u>65.01 %</u>	<u>\$ 96,891</u>		<u>60.63 %</u>

- Source: The Authority



**DEBT CAPACITY**





**Port of Houston Authority of Harris County, Texas**  
**Ratios of Net General Bonded Debt by Type**  
**Last Ten Fiscal Years**  
(in thousands, except per capita)  
(unaudited)

<b>General Obligation Bonds</b>												
<b>Fiscal Year</b>	<b>Unlimited Tax Refunding Bonds</b>	<b>Unlimited Tax Port Improvement Bonds</b>	<b>Unlimited Tax Commercial Paper</b>	<b>Premiums (Discounts)</b>	<b>General Bonded Debt</b>	<b>Less Debt Service Funds Cash</b>	<b>Net General Bonded Debt</b>	<b>Percentage of Actual Property Value</b>	<b>GOB Debt per Capita</b>	<b>Total Outstanding Debt</b>	<b>Percentage of Personal Income</b>	<b>Total Debt Per Capita</b>
<b>2010</b>	\$ 616,814	\$ 146,805	\$ -	\$ 28,629	\$ 792,248	\$10,900	\$ 781,348	0.30	\$ 190	\$ 781,348	0.41 %	\$ 190
<b>2011</b>	654,674	91,200	-	42,139	788,013	10,456	777,557	0.29	186	777,557	0.38 %	186
<b>2012</b>	641,324	90,645	-	39,160	771,129	8,784	762,345	0.27	179	762,345	0.34 %	179
<b>2013</b>	626,979	90,645	-	36,674	754,298	9,672	744,626	0.25	172	744,626	0.32 %	172
<b>2014</b>	611,734	90,645	-	34,366	736,745	13,854	722,891	0.21	163	722,891	0.29 %	163
<b>2015</b>	588,604	85,665	-	43,363	717,632	6,414	711,218	0.19	157	711,218	0.28 %	157
<b>2016</b>	572,329	85,665	-	39,129	697,123	6,983	690,140	0.17	150	690,140	0.29 %	150
<b>2017</b>	553,164	85,665	-	35,069	673,898	13,589	660,309	0.16	142	660,309	0.27 %	142
<b>2018</b>	508,089	85,665	-	56,709	650,463	11,402	639,061	0.15	136	639,061	N/A	136
<b>2019</b>	486,904	85,665	-	50,658	623,227	7,942	615,285	0.13	N/A	615,285	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, 2019**

(in thousands)  
(unaudited)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Gross Revenues</b>										
<b>Operating Revenues (a)</b>										
Vessel and cargo services	\$ 365,086	\$ 344,272	\$ 309,058	\$ 266,266	\$ 266,305	\$ 235,929	\$ 197,974	\$ 188,457	\$ 175,297	\$ 157,633
Rental of equipment and facilities	18,065	18,079	15,976	15,869	17,120	17,763	25,114	23,077	22,030	20,325
Grain Elevator	1,439	1,182	902	1,199	1,567	1,821	592	683	1,923	911
Bulk materials	4,265	4,131	4,004	3,941	4,019	4,270	2,665	2,485	2,131	2,368
Other	2,582	1,652	2,933	2,514	3,753	1,960	5,201	8,512	3,356	3,272
Total	391,437	369,316	332,873	289,789	292,764	261,743	231,546	223,214	204,737	184,509
<b>NonOperating Revenues</b>										
Investment (loss) income	12,876	9,145	4,425	4,850	4,100	4,881	(452)	2,406	3,126	3,572
Other, net	3,053	5,564	10,599	5,144	2,004	5,661	19,529	11,014	5,358	11,319
Total	15,929	14,709	15,024	9,994	6,104	10,542	19,077	13,420	8,484	14,891
Total Gross Revenues	407,366	384,025	347,897	299,783	298,868	272,285	250,623	236,634	213,221	199,400
<b>Operation Expenses</b>										
<b>Maintenance and Operation of Facilities</b>										
Vessel and cargo services	161,897	143,401	141,857	131,998	115,757	115,341	93,483	91,534	89,547	90,861
Rental of port facilities	1,099	1,219	2,093	2,140	1,130	1,164	1,387	1,174	6,893	3,945
Grain Elevator	621	456	275	330	293	260	288	219	322	263
Bulk Materials Handling Plant	29	31	26	8	11	9	9	22	46	34
Other	12,854	8,617	7,915	7,107	7,114	8,223	9,919	9,958	2,415	2,385
Total	176,500	153,724	152,166	141,583	124,305	124,997	105,086	102,907	99,223	97,488
<b>General and Administrative</b>	50,420	49,608	42,423	44,286	42,297	39,152	41,845	43,875	39,894	51,487
Total Operating Expenses	226,920	203,332	194,589	185,869	166,602	164,149	146,931	146,782	139,117	148,975
<b>Nonoperating Expenses</b>	4,446	3,489	6,533	259	5,673	2,694	2,998	3,906	3,350	5,872
Total Expenses	231,366	206,821	201,122	186,128	172,275	166,843	149,929	150,688	142,467	154,847
<b>Net Revenues Available For Debt Service on Revenue Obligations</b>	\$ 176,000	\$ 177,204	\$ 146,775	\$ 113,655	\$ 126,593	\$ 105,442	\$ 100,694	\$ 85,946	\$ 70,754	\$ 44,553

- 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)

<u>Fiscal Year Ending December 31</u>	<u>Outstanding Debt Service Requirements</u>
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	<u>34,608,000</u>
<b>Total</b>	<b><u>\$ 919,218,844</u></b>

- The table sets forth the annual debt service requirements on the Authority's ad valorem tax bonds as of December 31, 2019, excluding bonds that have been refunded and defeased.





## DEMOGRAPHIC AND ECONOMIC INFORMATION



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

December 31, 2019  
(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**

<u>Year</u>	<u>GDP (a)</u>	<u>National Unemployment (b)</u>	<u>Total U.S. Exports (c)</u>	<u>Total U.S. Imports (c)</u>	<u>U.S. Rig Count (d)</u>	<u>Oil Price \$/Bbl (e)</u>	<u>PMI (f)</u>
2019	2.1%	3.5%	2,499.8	3,116.5	805	59.88	47.8
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

- 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)

<b>Calendar Year Ending December 31</b>	<b>Population</b>	<b>Unemployment Rate</b>	<b>Personal Income (amounts in thousands)</b>	<b>Per Capita Personal Income</b>
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%	247,482,118	53,188
2018	4,698,619	4.4%	N/A	N/A
2019	N/A	N/A	N/A	N/A

- Source: Harris County, Texas Comprehensive Annual Financial Report for the Fiscal Year Ended February 28, 2019
- 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	2018**			2010		
	Employees	Rank	Percentage of Area Employment	Employees	Rank	Percentage of Area Employment
Walmart Stores Inc.	34,000	1	1.09%	-	-	-
HEB	26,956	2	0.87%	-	-	-
Memorial Hermann Healthcare Systems	26,011	3	0.83%	-	-	-
The Methodist Hospital System	22,247	4	0.71%	-	-	-
UT MD Anderson Cancer Center	20,189	5	0.65%	-	-	-
Kroger	17,188	6	0.55%	-	-	-
McDonald's Corporation	16,100	7	0.52%	-	-	-
United Airlines (formerly Continental)	14,084	8	0.45%	14,792	1	0.56%
Texas Children Hospital	13,445	9	0.43%	-	-	-
ExxonMobil Corporation	13,000	10	0.42%	13,500	2	0.51%
Shell Oil Company	-	-	-	12,700	3	0.48%
National Oilwell Varco Inc.	-	-	-	8,500	4	0.32%
Chevron Companies	-	-	-	7,000	5	0.26%
JP Morgan Chase	-	-	-	6,750	6	0.26%
Jacobs Technology	-	-	-	6,500	7	0.25%
AT&T Inc.	-	-	-	6,214	8	0.23%
Halliburton Company	-	-	-	5,675	9	0.21%
CenterPoint Energy	-	-	-	4,744	10	0.18%
	203,220		6.52%	86,375		3.26%

- Source: Greater Houston Partnership, Harris County, Texas Comprehensive Annual Financial Report for the fiscal year February 28, 2019.
- Note: Houston area employment for 2019 was approximately 3,225,700 and for 2010 was 2,650,000.
- \* Based on calendar year
- \*\* Information for 2019 is not available.

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

**Regional Population (a)**

<u>Year</u>	<u>City of Houston</u>	<u>Harris County</u>	<u>Year</u>	<u>City of Houston</u>	<u>Harris County</u>
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)**

	<u>2016</u>	<u>2012</u>	<u>2008</u>	<u>2004</u>	<u>2000</u>
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)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Passenger Cars, Small Trucks and Misc.	3,744,668	3,685,230	3,629,194	3,748,343	3,750,880
Large Trucks	48,256	47,689	46,076	31,247	34,797
Total	<u>3,792,924</u>	<u>3,732,919</u>	<u>3,675,270</u>	<u>3,779,590</u>	<u>3,785,677</u>

- 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)

	2019	2018	2017	2016	2015
Baylor College of Medicine	1,577	1,574	1,575	1,562	1,564
Houston Baptist University	3,741	3,432	3,325	3,270	3,160
Houston Community College	47,703	48,190	49,782	47,197	46,344
Lone Star College System	77,810	78,255	69,452	77,109	74,160
Rice University	7,135	6,955	7,052	6,883	6,719
San Jacinto College:					
Central, South and North	39,303	35,948	35,455	33,183	32,346
South Texas College of Law	975	946	931	969	1,038
Texas Southern University	9,034	10,188	10,237	8,862	8,965
Texas Woman's University: Houston (f)	1,184	1,181	1,281	1,361	1,365
University of Houston:					
University Park	46,137	46,327	45,364	43,774	42,704
Downtown	14,680	14,265	13,913	14,245	14,255
Clear Lake	9,092	8,967	8,542	8,669	8,906
University of St. Thomas	3,454	3,222	3,151	3,224	3,343
University of Texas: (e)					
Dental Branch	579	570	565	560	548
Graduate School of Biomedical Sciences	480	454	406	425	437
Medical School	1,071	1,097	1,077	1,075	1,060
School of Biomedical Informatics	254	255	289	291	245
School of Nursing	1,626	1,722	1,647	1,477	1,247
School of Public Health	1,302	1,237	1,257	1,223	1,274
Total	<u>267,137</u>	<u>264,785</u>	<u>255,301</u>	<u>255,359</u>	<u>249,680</u>

## Number of Employees

	2019	2018	2017	2016	2015
Harris County (g)	16,980	17,072	16,488	16,166	15,761
Flood Control District (g)	316	290	293	287	291
Port of Houston Authority	683	652	620	597	583

- Note (d) Source: Fall 2019 Enrollment Data from Texas Higher Education Coordinating Board and above school websites
- Note (e) Source: University of Texas Office of Registrar (Fact Book 2020)
- Note (f) Source: Texas Women's University Office of Institutional Research & Data Mgmt (Fact Book 2019)
- Note (g) Source: Harris County Auditor's Office





**OPERATING INFORMATION**



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

	<b>Berth Lengths (Feet)</b>	<b>Water Depth Below Mean Low Tide (Feet)</b>	<b>Paved Marshalling Area (Acres)</b>	<b>Covered Storage (Sq. Feet)</b>
<b>Turning Basin</b>				
36 general Cargo Wharves	376-624	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	-
<b>Woodhouse Terminal**</b>				
Wharf 1	660	40.5	2	-
Wharf 2 and 3 (RoRo Dock)	1,250	36.5	-	112,740
Grain Dock**	600	43.5	-	-
<b>Dry Bulk Cargo Facility</b>				
Wharf 1	800	43.5	-	-
Wharf 2	400	43.5	-	-
<b>Jacintoport</b>				
Wharves 1 - 3	1,830	41.5	8	82,500
<b>Care Terminal</b>				
Wharf 1	500	38.5	10	45,000
Wharf 2	618	40.5	4	-
<b>Sims Bayou Liquid Bulk Facility</b>				
Berths	320	35.5-41.5	-	-
<b>San Jacinto Barge Terminal</b>				
Berth	200-700	17.5*	-	-
<b>Barbours Cut Terminal</b>				
Container Berths 1 - 6	6,000	46.5	190	-
<b>Bayport</b>				
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) = 50
- Empty Handling (Pencil/Side-pick) = 12
- Other load handling equipment (Top Loader) = 3

Other Equipment:

- Heavy-duty yard tractors (UTR/PIT) = 44
- Heavy-duty yard Chassis = 100

Bayport

Container Cranes:

- Ship to Shore (STS) = 12 total (6 SPP, 6 PP)
- Rubber-Tire Gantry (RTG) = 48
- Empty Handling (Pencil/Side-pick) = 0 (empty containers handled on terminal by 3rd party)
- Other load handling equipment (Top Loader) = 2

Other Equipment:

- Heavy-duty yard tractors (UTR/PIT) = 28
- Heavy-duty yard Chassis (Bucket) = 92

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

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

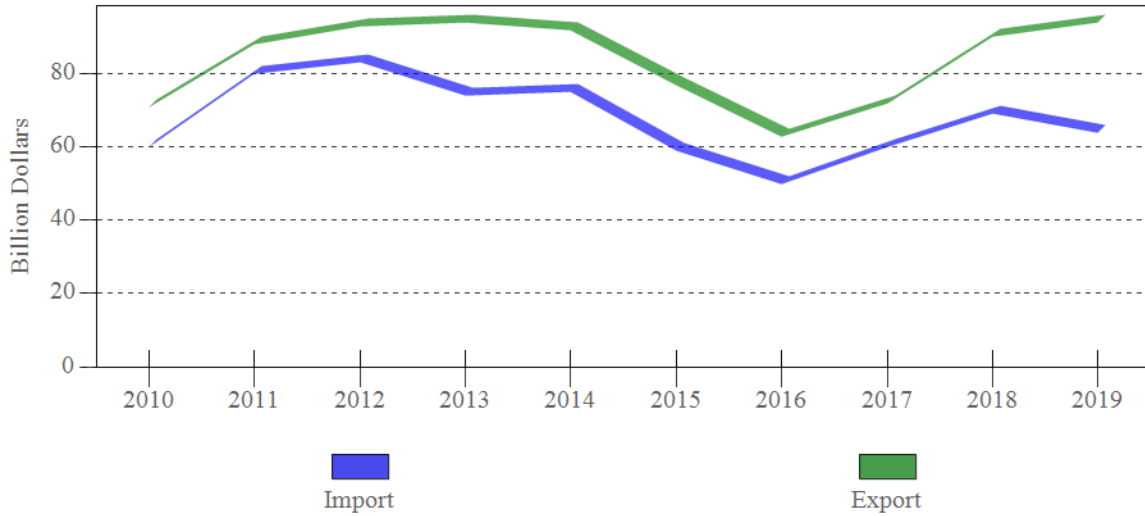
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Freight handled by the Authority only</b>										
<b>(excluding tonnages handled by private terminals) - short tons (a) (d)</b>										
Breakbulk cargo	5,030	5,065	4,587	3,423	5,796	7,454	5,623	6,688	5,652	3,771
Container cargo	29,043	26,588	24,291	21,960	21,564	19,400	19,112	18,590	17,735	17,038
Bulk grain	2,298	1,375	2,140	2,872	2,350	2,311	2,264	1,294	2,371	2,042
Bulk plant	3,057	3,796	3,230	3,330	2,905	5,191	5,152	4,692	4,209	4,670
Other bulk	8,714	9,855	10,033	13,254	12,550	12,281	12,518	12,771	12,474	12,725
<b>Total</b>	<b>48,142</b>	<b>46,679</b>	<b>44,281</b>	<b>44,839</b>	<b>45,165</b>	<b>46,637</b>	<b>44,669</b>	<b>44,035</b>	<b>42,441</b>	<b>40,246</b>
<b>Freight handled by entire Port of Houston</b>										
<b>(includes tonnages handled by both the Authority and private terminals) - short tons (b) (c) (d)</b>										
<b>Foreign</b>										
Imports	(e)	(e)	72,386	69,110	71,388	76,688	76,449	83,816	88,889	88,508
Exports	(e)	(e)	100,825	94,876	92,024	83,849	83,102	78,627	78,188	71,053
<b>Total Foreign (e)</b>	<b>-</b>	<b>-</b>	<b>173,211</b>	<b>163,986</b>	<b>163,412</b>	<b>160,537</b>	<b>159,551</b>	<b>162,443</b>	<b>167,077</b>	<b>159,561</b>
<b>Domestic</b>										
Receipts	(e)	(e)	35,745	36,417	36,010	34,267	32,442	35,349	32,429	31,091
Shipments	(e)	(e)	30,058	26,635	24,375	23,194	22,116	23,338	22,937	21,389
<b>Total Domestic (e)</b>	<b>-</b>	<b>-</b>	<b>65,803</b>	<b>63,052</b>	<b>60,385</b>	<b>57,461</b>	<b>54,558</b>	<b>58,687</b>	<b>55,366</b>	<b>52,480</b>
Local	(e)	(e)	21,057	20,944	17,136	16,306	15,137	17,055	15,355	15,092
<b>Total</b>	<b>-</b>	<b>-</b>	<b>260,071</b>	<b>247,982</b>	<b>240,933</b>	<b>234,304</b>	<b>229,246</b>	<b>238,185</b>	<b>237,798</b>	<b>227,133</b>
<b>Value of foreign trade handled by entire Port of Houston (c)</b>										
Imports	\$ 63,704,252	\$ 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
Exports	93,841,724	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
<b>Total</b>	<b>\$157,545,976</b>	<b>\$159,249,412</b>	<b>\$131,499,675</b>	<b>\$112,919,801</b>	<b>\$136,029,726</b>	<b>\$167,039,749</b>	<b>\$168,338,077</b>	<b>\$176,660,799</b>	<b>\$168,299,306</b>	<b>\$130,836,192</b>

- 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 and 2019.

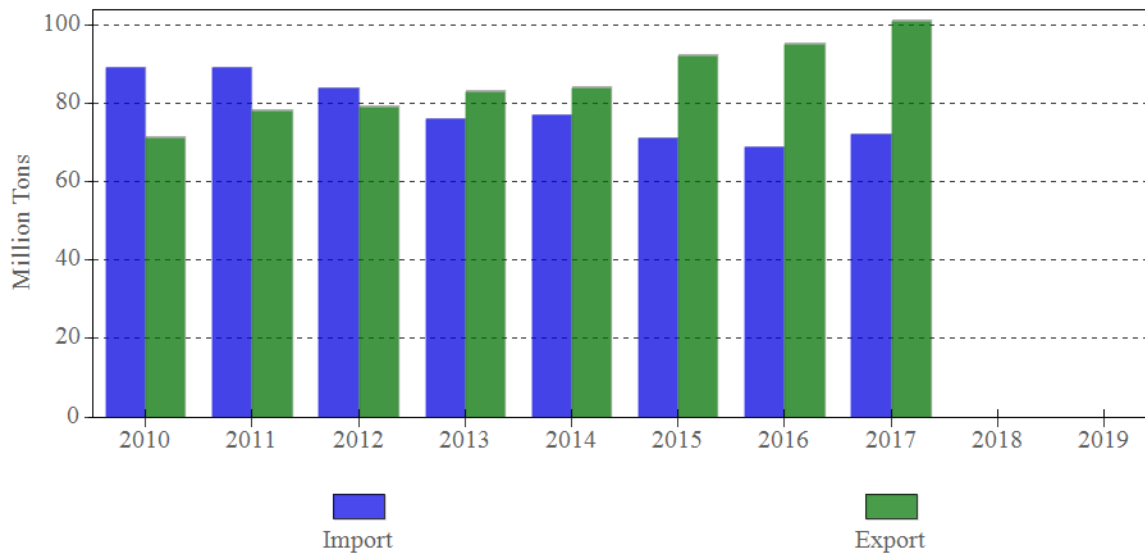


## Port of Houston Authority of Harris County, Texas Freight Traffic Statistics Graph Last Ten Years

**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 and 2019

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Total Revenue Tonnage</b>										
Including Bayport companies	48,142	46,679	44,281	44,839	45,168	46,637	44,669	44,035	42,441	40,246
Excluding Bayport companies	43,137	40,863	38,274	34,847	35,744	37,620	35,825	35,059	33,549	31,317
<b>General Cargo (a)</b>	34,074	31,653	28,878	25,226	27,360	26,854	24,735	25,278	23,387	20,809
<b>Bulk Materials Handling Plant</b>	3,057	3,796	3,230	3,330	2,908	5,191	5,152	4,692	4,210	4,670
<b>Grain Elevator #2</b>	2,298	1,375	2,140	2,872	2,350	2,311	2,264	1,294	2,371	2,042
<b>Other Bulk Movements</b>										
Excluding Bayport companies (b)	3,708	4,039	4,026	3,419	3,126	3,265	3,675	3,796	3,582	3,796
Including Bayport companies	5,005	5,815	6,007	9,992	9,424	9,016	8,843	8,975	8,892	8,929
<b>Barbours Cut Terminal</b>										
Bulk (b)	42	51	3	3	-	-	-	-	-	3
General cargo (a)	11,185	10,687	9,808	9,467	11,395	11,100	10,559	10,117	9,493	9,598
<b>Bayport Container Terminal</b>										
General cargo (a)	16,603	14,605	13,027	10,855	8,589	6,977	7,265	7,355	7,365	6,568
<b>Steel (a)</b>										
Import	3,980	4,303	3,626	2,288	4,643	6,343	4,350	5,093	3,674	2,296
Export	72	61	68	80	141	236	303	391	626	425
<b>Autos - Turning Basin</b>										
Tons - import (a)	134	152	141	161	168	129	143	176	124	110
Tons - export (a)	4	4	3	8	14	13	21	28	27	26
Units - import	61	74	74	83	82	63	71	94	65	59
Units - export	1	1	1	2	6	5	8	11	13	12
<b>Bagged Goods (a)</b>										
Import	263	133	232	168	167	65	53	137	309	50
Export	18	84	45	40	46	57	191	88	198	206
<b>Container TEU</b>	2,987	2,700	2,459	2,183	2,131	1,951	1,950	1,935	1,866	1,817

- Source: The Authority

- Note (a) Tonnage included in General Cargo above

- Note (b) Tonnage included in Bulk Cargo above

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Houston Ship Channel</b>										
Break bulk	623	642	667	744	883	987	1,019	998	914	840
Bulk carrier	773	743	860	827	876	1,003	809	729	702	626
Containers	1,041	962	912	940	1,003	1,012	966	1,013	1,037	1,028
Cruise	-	-	-	31	48	38	9	-	-	-
Roll-on/roll-off	-	6	30	35	12	9	29	49	49	69
Tankers	5,417	5,445	4,851	5,129	5,047	4,746	4,955	4,983	4,885	4,816
Tug Tow	412	450	503	448	384	386	369	454	355	297
Vehicle carrier	99	129	110	109	111	112	119	138	104	103
Other	10	10	13	6	12	46	16	31	27	70
<b>Total Vessel Arrivals</b>	<b>8,375</b>	<b>8,387</b>	<b>7,946</b>	<b>8,269</b>	<b>8,376</b>	<b>8,339</b>	<b>8,291</b>	<b>8,395</b>	<b>8,073</b>	<b>7,849</b>
<b>PHA Public Wharves</b>										
<b>Turning Basin</b>										
Ships	699	779	839	864	1,066	1,258	1,121	1,130	1,046	999
Barges	890	1,182	1,063	935	971	1,016	1,789	1,585	1,528	1,416
<b>Bulk Plant, Jacintoport, Care, Woodhouse, and HPGE#2</b>										
Ships	534	435	872	517	502	597	596	581	613	595
Barges	568	547	443	504	424	611	492	632	586	545
<b>Barbours Cut</b>										
Ships	554	527	500	560	581	664	822	771	688	695
Barges	35	54	33	36	98	113	23	88	51	32
<b>Bayport Container Terminal</b>										
Ships	523	476	463	490	494	356	349	355	374	330
Barges	111	172	164	175	119	107	68	63	59	2
<b>Bayport Cruise Terminal</b>										
Cruise	-	-	-	31	48	38	9	-	-	-
Layberth	-	-	-	-	42	39	42	48	56	49
<b>Bayport Companies</b>										
Ships	843	765	777	793	856	672	732	713	643	704
Barges	1,327	1,635	1,679	2,402	2,166	2,145	2,148	2,160	2,206	2,115
<b>Total PHA Arrivals</b>										
Ships (a)	3,165	3,005	3,027	3,248	3,528	3,654	3,661	3,593	3,409	3,372
Barges	3,673	4,480	4,153	4,693	4,348	4,611	4,521	4,533	4,441	4,110

- Source: Piers Global Intelligence Solutions

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

**Port of Houston Authority of Harris County, Texas**  
**Bulk Commodity Statistics**

**Last 10 Fiscal Years**

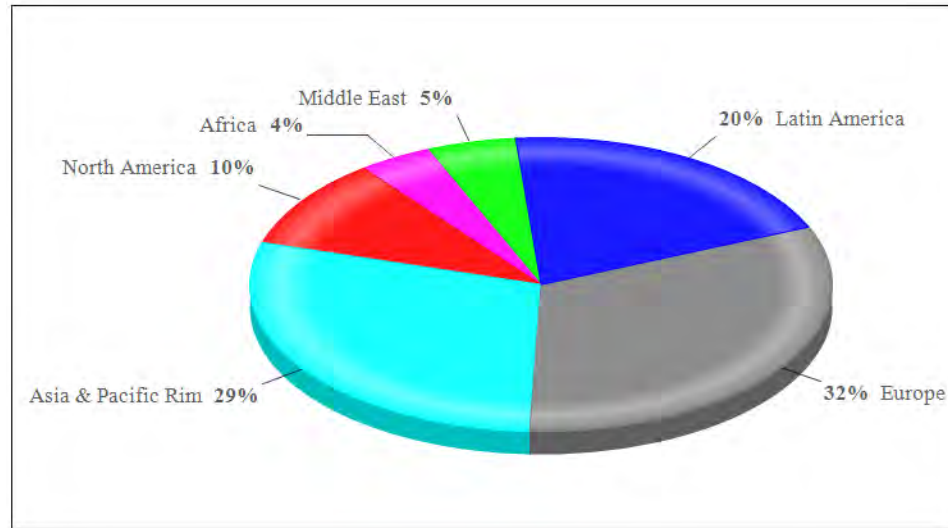
(in thousands)  
(short tons)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Coke	2,439	3,012	2,898	3,313	2,809	3,282	2,712	2,970	3,698	4,673
Coal	618	784	333	16	100	1,909	2,441	1,729	549	-
Fertilizer	109	90	71	90	51	62	75	18	-	27
Grain	2,298	1,375	2,140	2,872	2,350	2,311	2,264	1,286	2,376	2,042
Industrial Chemical	7,347	8,362	8,451	11,957	11,240	10,864	10,563	10,895	10,682	10,989
Molasses	367	301	242	243	255	253	249	263	241	121
Petroleum Products	444	645	554	508	458	361	581	621	509	549
Tallow	155	180	275	152	154	191	182	251	259	345
Dry Bulk	173	142	269	287	242	356	525	601	555	504
Vegetable Oil	119	135	170	175	150	194	341	105	178	159
Miscellaneous Bulk	-	-	-	-	-	-	-	17	7	28
<b>Totals</b>	<b>14,069</b>	<b>15,026</b>	<b>15,403</b>	<b>19,613</b>	<b>17,809</b>	<b>19,783</b>	<b>19,933</b>	<b>18,756</b>	<b>19,054</b>	<b>19,437</b>

- Source: The Authority

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

**2019 Foreign Trade Through the Port of Houston by Region (\$ Value)**

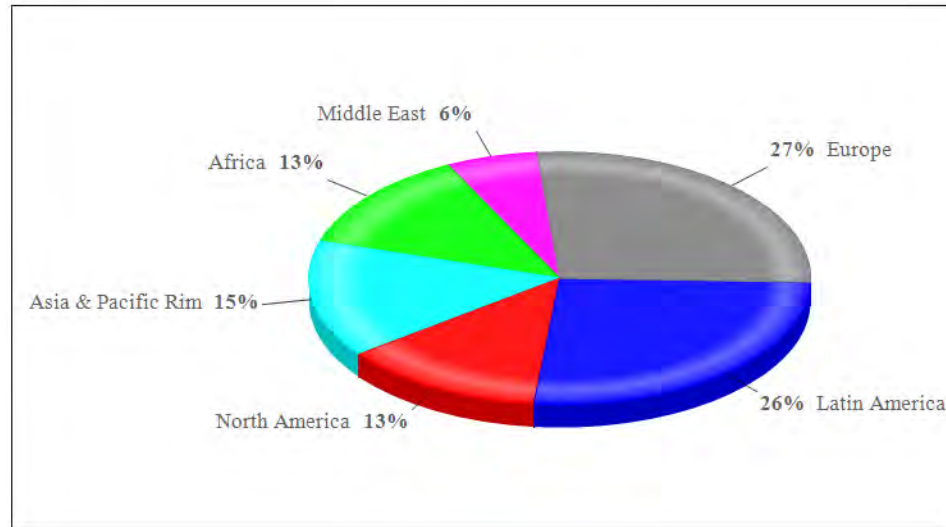


**TRADE THROUGH THE PORT OF HOUSTON BY REGION IN 2019 (000s)**

	<u>Imports</u>	<u>Exports</u>	<u>Total</u>	<u>Percent of World Total</u>
Europe	\$ 25,405,685	\$ 24,527,917	\$ 49,933,602	32 %
Asia & Pacific Rim	21,100,485	25,263,891	46,364,376	29 %
Latin America	8,005,647	23,201,891	31,207,538	20 %
North America	5,177,595	11,119,907	16,297,502	10 %
Middle East	3,037,975	5,031,949	8,069,924	5 %
Africa	976,865	4,696,169	5,673,034	4 %
<b>Worldwide Totals</b>	<b>\$ 63,704,252</b>	<b>\$ 93,841,724</b>	<b>\$ 157,545,976</b>	<b>100 %</b>

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

**2010 Foreign Trade Through the Port of Houston by Region (\$ Value)**



**TRADE THROUGH THE PORT OF HOUSTON BY REGION IN 2010 (000s)**

	Imports	Exports	Total	Percent of World Total
Europe	\$ 9,426,498	\$ 26,390,757	\$ 35,817,255	27 %
Latin America	17,246,379	16,955,605	34,201,984	26 %
Asia & Pacific Rim	7,656,188	12,010,425	19,666,613	15 %
North America	11,271,868	6,002,521	17,274,389	13 %
Africa	10,624,630	5,710,324	16,334,954	13 %
Middle East	3,937,221	3,604,004	7,541,225	6 %
Worldwide Totals	\$ 60,162,784	\$ 70,673,636	\$ 130,836,420	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**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Exempt Employees	244	222	215	207	199	179	183	182	190	183
Non Exempt Maintenance	229	211	215	171	169	205	194	206	237	257
Non Exempt Employees	210	219	190	219	215	158	151	154	151	152
<b>Total Active Employees</b>	<b>683</b>	<b>652</b>	<b>620</b>	<b>597</b>	<b>583</b>	<b>542</b>	<b>528</b>	<b>542</b>	<b>578</b>	<b>592</b>

- Source: The Authority









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