



Comprehensive Annual Financial Report

For the years ended December 31, 2020 and 2019

Port of Houston Authority

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Prepared by: Office of the Controller, Port of Houston Authority

On the cover: A close up of the Super Post Panamax ship-to-shore crane at Bayport Container Terminal. This is 1 of 3 new cranes in the Port's portfolio as Port Houston gets READY for the future.

Port of Houston Authority of Harris County, Texas

**Comprehensive Annual Financial Report
For the Years Ended December 31, 2020 and 2019**

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



Port of Houston Authority of Harris County, Texas
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For the Years Ended December 31, 2020 and 2019

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INTRODUCTORY SECTION



May 5, 2021

Port Commission

Port of Houston Authority of Harris County, Texas

Houston, Texas

Dear Commissioners:

We are pleased to present the Comprehensive Annual Financial Report of the Port of Houston Authority of Harris County, Texas ("Authority") for the year ended December 31, 2020. 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 682 active, regular employees as of December 31, 2020 and in addition, utilized 442 full-time equivalent workers throughout the year hired from local longshoremen union halls.



The greater Port of Houston ("Port of Houston") opened as a deep draft port in November 1914. The Houston Ship Channel (the "Channel"), the heart of the Port of Houston complex, extends 52 miles inland from the Gulf of Mexico to the City of Houston. The Port of Houston consists of not only 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 of Houston is host to the world's second largest petrochemical complex and is ranked first in the nation in total tonnage and foreign waterborne tonnage.

Some of the privately-owned terminals within the Port of Houston 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 operate 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, facilities for 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 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 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 in part on 16.3 acres of leased property along the north side of the Bayport channel and is 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, but not exclusive, berthing arrangements.

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

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

The Authority also owns or manages over 12,750 acres of submerged land in Harris County. In 2020, the Authority continued to expand 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.

The Houston Ship Channel Expansion Channel Improvement Project ("Project 11") was authorized with the year-end adoption of the Water Resources Development Act of 2020. The project will enable deeper draft and generally larger ships to call further upstream to the heart of the Channel petrochemical reach, and allow for more efficient and safer transportation through Galveston Bay to the Channel endpoint at the Turning Basin. Additional widening of the ship channels serving the container terminals is expected to assure the capability of those channels to satisfy the growing demand for containerized cargo in the future.

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

Economic Outlook

In late February 2021 Federal Reserve Chairman Powell testified to Congress that the economy continues to be defined by the course of the COVID-19 virus and the measures to control its spread. Although the economy grew 4% in the fourth quarter of 2020, it still contracted -3.5% for the year, and the recent rebound has slowed while weakness continues in certain sectors of the economy. Improvement in the labor markets has also slowed considerably, as high levels of joblessness has been particularly concentrated in the low-wage employment market. In addition, inflation has rebounded in part due to agricultural commodity prices but remains below the Federal Reserve's 2% target.

Initial jobless claims through February continued to hold well over 700,000 per week. Powell stated that in August 2020 the Federal Reserve emphasized the importance of maximum employment as a broad and inclusive goal, and so it is not expected to change monetary policy should a strong labor market return. Regarding inflation, Powell reiterated that "following periods when inflation has been running below 2 percent, appropriate monetary policy will

likely aim to achieve inflation moderately above 2 percent for some time." The Fed remains with its federal funds target range of 0.00% to 0.25%.

The Consumer Price Index ("CPI") for all items increased 1.4% in 2020. The index for all items less food and energy also rose 1.6% percent over the 12-month period. The food index increased 3.9% in 2020, a larger increase than the 2019 rise of 1.8%, and the energy index declined 7.0% in 2020 after rising 3.4% in 2019. The Authority uses a CPI measure as the basis for periodic rate adjustments in many lease agreements and marine terminal services agreements.

On the fiscal front, President Biden's \$1.9 trillion stimulus proposal is pending, though not expected to pass through the Senate's budget resolution process until later in 2021.

Financial Planning

In accordance with statutory requirements, the Port Commission reviews and approves 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 2021, the Authority budgeted revenues of \$422 million. While representing a 3% decrease from the 2020 budgeted revenues of \$437 million, this 2021 budget illustrates growth of 5% from 2020 results which were impacted by the Covid-19 pandemic. Budgeted nonoperating revenues in 2021 reflect an expected increase in federal grant reimbursements and reduced interest income. Total expenses are budgeted at \$356 million, a 7% increase versus the prior year, due primarily to higher terminal operating and labor costs, depreciation and amortization, and anticipated interest expense associated with financing Project 11. Excluding revenues and expenses related to property tax-supported debt and collection, the Authority projects net income of \$67 million for 2021 or 35% lower than the 2020 budget. The Authority also expects to generate cash flows of about \$153 million in 2021.

During 2020, the Authority invested \$113 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 2021, the Authority expects to commit \$238 million for various capital projects. Approximately \$161 million will be allocated to its container terminals for continuing development of Bayport and modernization at BCT, while \$28 million is designated for channel development projects, and another \$25 million relates to improvements at the general cargo and bulk terminals. The remaining 2021 capital budget funds are planned to be used for real estate purchases, building renovations, and security and information technology investments. As described below in Major Initiatives, as local sponsor of the Houston Ship Channel the Authority will be responsible for funding a portion of the Houston Ship Channel Expansion Project beginning as early as 2021. Funding sources may include cash generated by operations, industry contributions, revenue-backed debt instruments or lines of credit of the Authority and appropriations from the federal government.

Major Initiatives

Houston Ship Channel Expansion Project

This project, labeled "Project 11" as it represents the eleventh major ship channel expansion project since the mid-nineteenth century, is critical to safely and efficiently sustaining national energy security, domestic manufacturing growth, thriving U.S. exports, and expanding job opportunities. As the local sponsor of the nation's number one busiest waterway, the Authority is partnering with the U.S. Army Corps of Engineers as well as private industry on a

plan to expand the channel at an accelerated pace. Project 11 will widen the channel by 170 feet along its Galveston Bay reach, from 530 feet to 700 feet. It will also deepen upstream segments to 45 feet, make other safety and efficiency improvements, and craft new environmental features. With the help of industry partners, the plan is to begin this work as early as 2021, making the channel safer and more efficient and ensuring this waterway will continue to remain the national economic treasure it is today.

Strategic Plan

In response to new challenges and opportunities, and in accordance with the statutory requirement to re-evaluate the strategic plan every five years, the Authority engaged in a collaborative and comprehensive evaluation of its priorities in 2019.

The Authority's new Strategic Plan, designed and approved by the Port Commission in 2020, defines success and provides a roadmap for optimal alignment of staff and resources under the strategic goals of *People, Infrastructure, Partnerships* and *Stewardship*. This plan guides staff decision-making to maintain the Authority's sustainability and competitive advantage, in pursuit of its mission, to *Move the World and Drive Regional Prosperity*, and vision, to become *America's Distribution Hub for the Next Generation*.

Terminal Improvements

The Authority evaluates its strategic plans to help ensure a competitive position in the global marketplace. This can only be accomplished by focusing on consistent and quality levels of service to all customers and stakeholders, optimizing expansion and redevelopment activities, and investing in terminal infrastructure and technologies. Containerized cargo is handled by the Authority at the BCT and Bayport terminals, which have a combined 24 operating ship-to-shore ("STS") cranes, 107 rubber-tired gantry ("RTG") cranes, 11 empty container handling machines, additional heavy-duty tractors, and other cargo handling equipment.

In 2020, work at Bayport continued with the new 50-acre grounded and wheeled container storage and marshaling area known as Container Yard 7 ("CY7"). CY 7 construction was complete in Q4 2020 and concluded expansion on the west end of the terminal. In 2020, the Authority also saw the continued expansion of container storage and marshaling at Container Yard 2 South ("CY 2 South"). The leased CY 2 South site consists of approximately 17 acres with a footprint similar to that of CY 7. The tenant that carried out this work also returned 19 acres to the Authority; that formerly leased site will now be transitioned to its master planned usage as additional grounded container storage for loaded cargo.

Redevelopment of Wharf 5 also began in Q2 2020, to accommodate three STS cranes under construction and set for delivery to Bayport in Q3 2021. Upon their delivery and commissioning, three on-site STS cranes will be relocated from Bayport to BCT. While the fleet size at Bayport will remain at 12 STS cranes, these new three STS cranes will be the largest on the Gulf Coast, with the current total of six Post Panamax and six Super Post Panamax cranes updating to three Post Panamax and nine Super Post Panamax cranes.

In 2019 the Authority ordered nine hybrid RTG cranes that were delivered in Q4 2020, which raised the total fleet size to 57. Ordered in 2020, Q3 2021 is expected to see delivery of another nine hybrid RTG cranes currently under construction, bringing the total at Bayport to 66.

The entry gate into the Bayport complex was also expanded in 2020 from one lane to two, to accommodate increasing container volumes. South of Port Road, the Bayport South Rail Spur project continued construction throughout 2020 with an anticipated completion date in 2021,

and pre-development work began on more than 180 acres of land for future container terminal support. This site is expected to be dedicated to tenant-leased property that could be used for warehousing, intermodal opportunities, and maintenance and repair facilities.

At BCT, the reconstruction of Container Yard 1 and 2 North was completed in Q4 2020, with redevelopment of over 15 acres of the most utilized container yard at BCT, located in close proximity to facility wharves. Meanwhile, the reconstruction of Wharf 3 continued throughout 2020, with completion scheduled for Q1 2021.

The delivery of three STS cranes from Bayport will accompany the reconstruction effort of Wharf 3, raising the fleet size of 100-gage cranes to 10, and the overall fleet count at BCT to 15. Following a predetermined phasing plan, two older 50-gage cranes were taken out of service in 2020 to allow for the arrival of the incoming three 100-gage cranes. When complete, BCT will house seven 100-gage Super Post Panamax, three 100-gage Post Panamax and five 50-gage Post Panamax STS cranes.

Eight hybrid RTG cranes were delivered to BCT in Q1 2020. This brought the total fleet size at BCT to 50. These cranes utilize the latest hybrid technology available, growing to a total of 24 the Authority's hybrid fleet serving both terminals. There were also seven empty container handling machines delivered in Q1 2020, growing that fleet size to 11. An additional seven empty container handling machines are expected to be delivered in Q1 2021 to support anticipated empty container volume growth.

Finally, BCT Entry Gate Facility expansion and construction continued throughout 2020. When completed in Q1 2022, this gate will consist of 29 entry lanes, to increase velocity into the terminal and support the future growth of the facility. This will also transition the entry gate from a two-stage complex to one stage, mirroring the processing found at Bayport today.

Port Security and Emergency Operations (PSEO)

The Port Security and Emergency Operations ("PSEO") division worked alongside other divisions and departments during 2020 and into 2021 to minimize the impacts of the COVID-19 outbreak. Thermal scanners were installed at building entrances; critical supplies such as masks, gloves, disinfectant wipes, and hand sanitizer were located and purchased in a very competitive market; a contract for building disinfection was put in place and repeatedly put into use; and preventative procedures were formulated in conjunction with the People Division and a cross-functional team. A few statistics to illustrate the efforts expended for this unprecedented crisis include 283 gallons of hand sanitizer, 154,760 disinfectant wipes (over 18 miles when stacked end to end), and 33,513 masks distributed to Authority employees.

Cybersecurity, a shared responsibility among several divisions including Information Technology and PSEO, took another step forward with the establishment of a local Information Sharing ("ISAO") mechanism for cybersecurity. Using a membership in a cyber ISAC ("Information Sharing and Analysis Center"), purchased by the Authority's partners at the Houston Ship Channel Security District, timely information is distilled by Authority staff for dissemination to facilities along the Channel, enhancing cybersecurity for the entire Port of Houston.

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. The Authority has also committed to receiving 100% renewable energy through a 10-year electricity contract entered into in 2020.

Tenants operating on Authority property are audited periodically for compliance with the environmental terms of their leases. In 2020, the Authority conducted 31 compliance audits of tenant and Authority facilities.

Technology

The principal responsibility of the Technology Division is to support Authority-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 continue to be 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 2020 the Authority recognized \$235,000 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 Management's Discussion and Analysis ("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 (commonly referred to 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 responsibilities. 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, 2020 and 2019 listed in the foregoing Table of Contents were audited by independent audit firms appointed by the Port Commission. The audit opinion rendered by BKD, LLP for December 31, 2020 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, 2019. This was the 46th 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 Annual Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. 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 every 2 years thereafter, including March of 2021. The GTOT certificate is valid for two years.

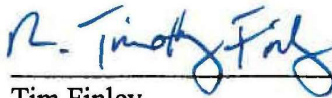
Acknowledgements

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

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



Roger Guenther
Executive Director



Tim Finley
Chief Financial Officer



Curtis Duncan
Controller



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Port of Houston Authority
Texas**

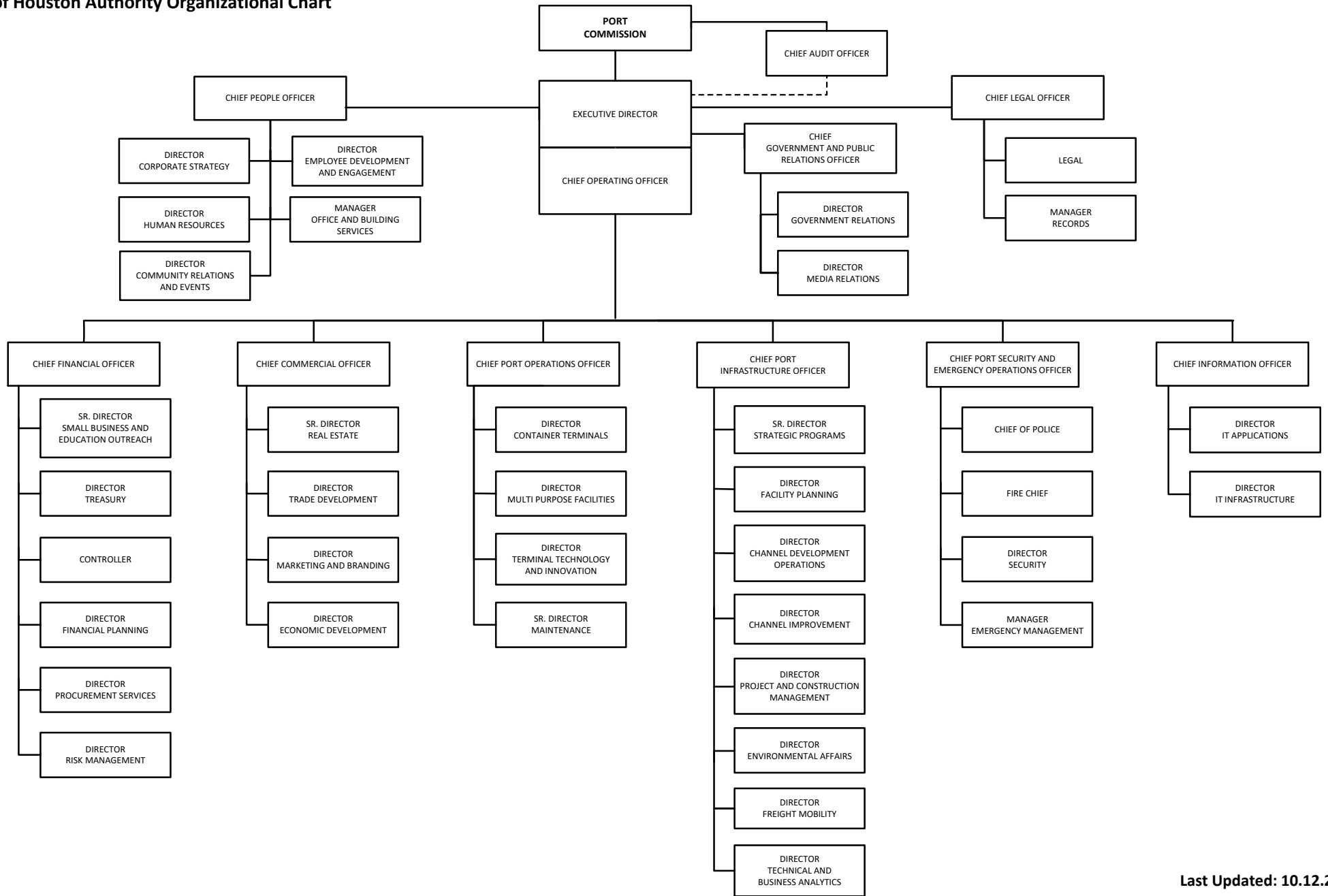
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

December 31, 2019

Christopher P. Morrill

Executive Director/CEO

Port of Houston Authority Organizational Chart



Last Updated: 10.12.2020

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

Port Commission

Ric Campo, Chairman
Dean E. Corgey, Commissioner
Clyde E. Fitzgerald, Commissioner
Stephen H. DonCarlos, Commissioner
Roy D. Mease, Commissioner
Wendolynn "Wendy" Montoya Cloonan, Commissioner
Cheryl D. Creuzot, 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, Secretary and Chief Legal Officer
Tim Finley, Chief Financial Officer
Kerrick Henny, Chief Government and Public Relations 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



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of Port of Houston Authority of Harris County, Texas (the Authority), as of and for the year ended December 31, 2020, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of the Port of Houston Authority of Harris County, Texas as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and other postemployment information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, supplementary information and statistical section as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such 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.

Port Commission
Port of Houston Authority of Harris County, Texas

The introductory section and statistical section 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.

Prior Year Audited by Other Auditors

The 2019 financial statements were audited by other auditors, and their report thereon, dated April 21, 2020, expressed an unmodified opinion.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated May 5, 2021, 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.

BKD, LLP

Houston, Texas
May 5, 2021

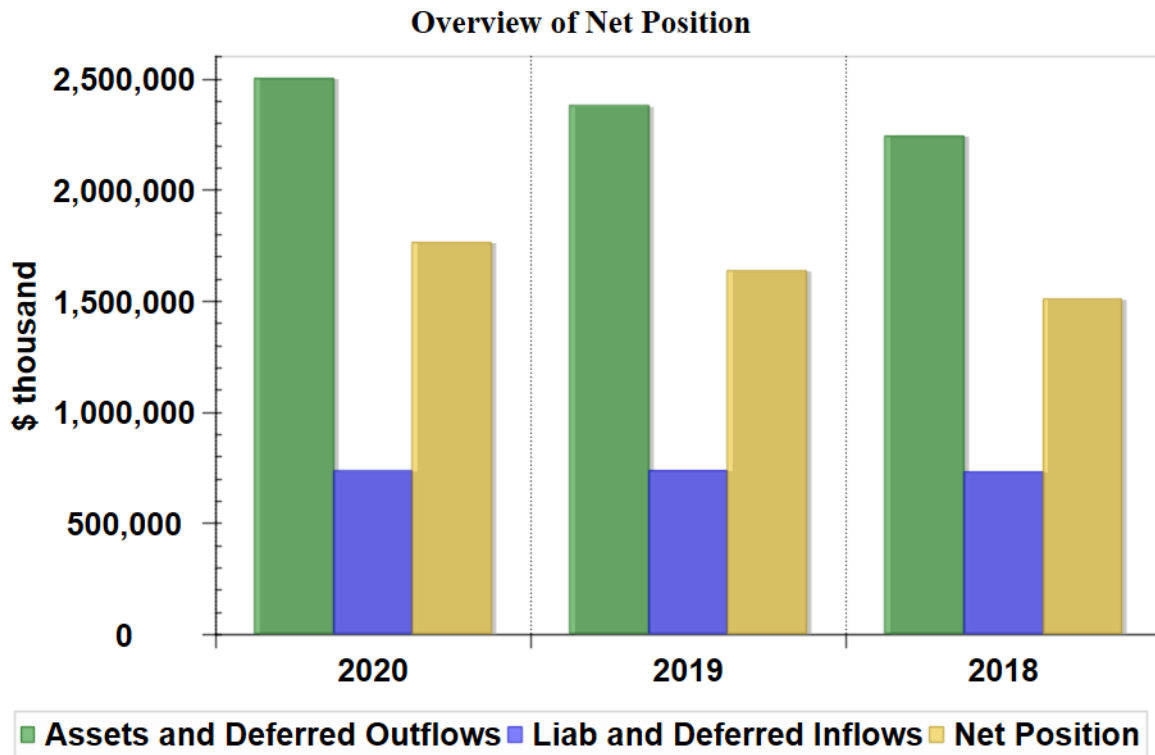


Port of Houston Authority of Harris County, Texas
Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
(unaudited)

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, 2020 and 2019.

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 2020

- The net position of the Authority at December 31, 2020 was \$1,766,779, increasing \$127,846 or 8% over the prior year.
- The Authority's total assets and deferred outflows of resources increased by \$124,934 or 5% during the fiscal year ended December 31, 2020. The majority of this change stems from an increase in capital assets of \$150,963, an increase in Net Other Postemployment Benefits ("OPEB") assets of \$18,141, and an increase in receivables (net of allowance of uncollectibles) of \$9,759. These are offset by a decrease in cash and investments of \$47,154, a decrease in prepaid and other noncurrent assets of \$4,095 and a decrease in deferred outflows of resources related to bond refunding of \$3,729.
- The Authority's total liabilities and deferred inflows of resources decreased by \$2,912 or less than one percent; the majority of this change stems from a decrease in long-term debt, net of current maturities of \$37,343, offset by an increase of \$16,634 in Accounts payable and other current liabilities, an increase of \$11,754 in deferred inflows of resources related to OPEB, an increase of \$8,061 in deferred gain on bond refunding and an increase in other noncurrent liabilities of \$3,055.
- Current assets exceeded current liabilities by \$339,864.
- Net investment in capital assets (net of accumulated depreciation and debt) grew 16% to \$1,294,888.
- Operating revenues were \$390,732, reflecting a less than one percent decline from the prior year.
- Total operating expenses were \$302,660, reflecting a less than one percent increase over the prior year.
- The Authority generated operating income of \$88,072 in 2020 and \$89,876 in 2019.

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 OPEB plans (each, a "Fiduciary Trust Fund") 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.

Financial Analysis

The largest portion of the Authority's net position (73%) 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 (4%) represents resources that are restricted for debt service and net OPEB assets. The remaining balance of unrestricted net position (22%) 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)

| | 2020 | 2019 | 2018 |
|---|--------------|--------------|--------------|
| Assets | | | |
| Current and other assets | \$ 600,492 | \$ 623,109 | \$ 529,199 |
| Capital assets | 1,892,430 | 1,741,467 | 1,697,616 |
| Total Assets | 2,492,922 | 2,364,576 | 2,226,815 |
| | | | |
| Deferred Outflows of Resources | 12,204 | 15,616 | 19,040 |
| Total Assets and Deferred Outflows of Resources | 2,505,126 | 2,380,192 | 2,245,855 |
| | | | |
| Liabilities | | | |
| Long-term liabilities (including current portion) | 616,630 | 650,123 | 676,312 |
| Other liabilities | 91,335 | 79,121 | 54,869 |
| Total Liabilities | 707,965 | 729,244 | 731,181 |
| | | | |
| Deferred Inflows of Resources | 30,382 | 12,015 | 3,316 |
| Total Liabilities and Deferred Inflows of Resources | 738,347 | 741,259 | 734,497 |
| | | | |
| Net Position | | | |
| Net investment in capital assets | 1,294,888 | 1,119,856 | 1,050,604 |
| Restricted | 75,386 | 56,851 | 44,646 |
| Unrestricted | 396,505 | 462,226 | 416,108 |
| Total Net Position | \$ 1,766,779 | \$ 1,638,933 | \$ 1,511,358 |

The Authority's net position increased by \$127,846 during the fiscal year ended December 31, 2020. Net investment in capital assets increased \$175,032 resulting primarily from a net increase in capital assets of \$150,963 and a decrease in outstanding bonds payable of \$36,073. During fiscal year 2020, restricted net position increased \$18,535 resulting in an increase in net OPEB assets of \$18,141, while unrestricted net position decreased \$65,721.

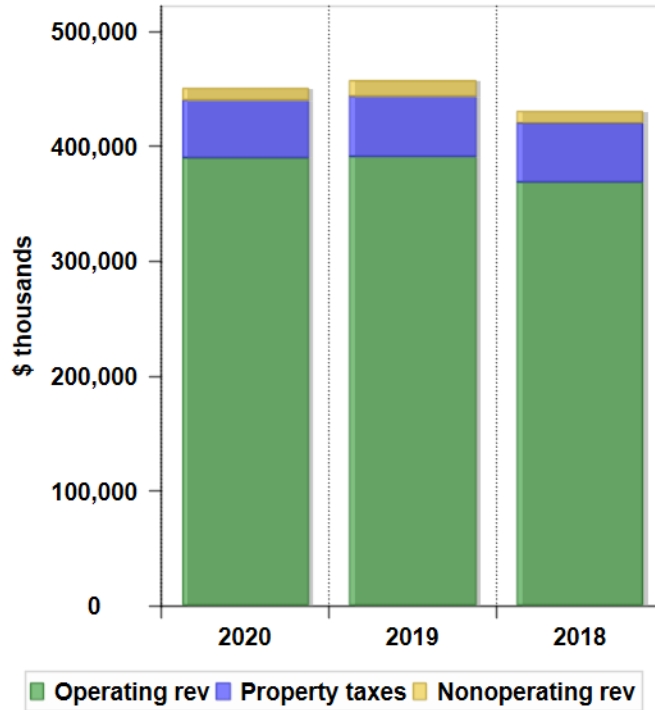
The Authority's net position increased by \$127,575 during the fiscal year ended December 31, 2019. Net investment in capital assets increased \$69,252, resulting primarily from a net increase in capital assets of \$43,851 and a decrease in outstanding bonds payable of \$27,236. During fiscal year 2019, the restricted net position increased \$12,205 resulting in an increase in net OPEB assets of \$11,505, while the unrestricted net position increased \$46,118.

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)

| | 2020 | 2019 | 2018 |
|---|-----------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Operating revenues: | | | |
| Vessel and cargo services | \$ 357,386 | \$ 365,086 | \$ 344,272 |
| Rental of equipment and facilities | 21,665 | 18,065 | 18,079 |
| Grain elevator | 1,263 | 1,439 | 1,182 |
| Bulk materials | 3,911 | 4,265 | 4,131 |
| Other | 6,507 | 2,582 | 1,652 |
| Nonoperating revenues: | | | |
| Investment income | 9,810 | 13,017 | 9,319 |
| Other | 833 | 1,282 | 345 |
| Nonoperating revenues related to property taxes: | | | |
| Property taxes | 48,965 | 51,060 | 50,951 |
| Investment income on bond proceeds | 349 | 967 | 721 |
| Total Revenues | <u>450,689</u> | <u>457,763</u> | <u>430,652</u> |
| Operating expenses: | | | |
| Maintenance and operations of facilities | 178,606 | 177,121 | 157,524 |
| General and administrative | 46,225 | 50,420 | 49,608 |
| Depreciation and amortization | 77,829 | 74,020 | 72,027 |
| Nonoperating expenses: | | | |
| Contributions to state and local agencies | 235 | 4,327 | 2,095 |
| Loss on disposal of assets | 126 | 4 | 1 |
| Other | - | 107 | 1,440 |
| Nonoperating expenses related to property taxes: | | | |
| Interest expense on unlimited tax bonds | 23,526 | 24,451 | 28,927 |
| Property tax collection expense | 1,100 | 1,100 | 1,100 |
| Other | 384 | 410 | 420 |
| Total Expenses | <u>328,031</u> | <u>331,960</u> | <u>313,142</u> |
| Income before capital contributions | 122,658 | 125,803 | 117,510 |
| Capital contributions from federal agencies | 5,188 | 1,772 | 5,219 |
| Changes in net position | 127,846 | 127,575 | 122,729 |
| Net position, January 1 | <u>1,638,933</u> | <u>1,511,358</u> | <u>1,388,629</u> |
| Net position, December 31 | <u>\$ 1,766,779</u> | <u>\$ 1,638,933</u> | <u>\$ 1,511,358</u> |

Total Revenues



In 2020, operating revenues decreased \$705 to \$390,732 reflecting a less than one percent decline from prior year. This is due primarily to a decrease in Vessel and cargo services revenue, partially offset by other operating revenue. The Authority's container facilities' volume remained at 3.0 million twenty-foot equivalent units ("TEUs") for the year, with a slight decrease of less than 1% from 2019, while total Authority tonnage decreased 3% to 46.9 million tons in 2020. This decrease is primarily due to the worldwide pandemic. Other operating revenues increased \$3,925 or 152% primarily due to Submerged Land revenue.

Nonoperating revenues related to property taxes in fiscal 2020 decreased \$2,713 due to a decrease in property valuations and a decline in tax rates from \$0.01074 in 2019 to \$0.00991 in 2020 per \$100 assessed valuation. This is primarily due to the bond refunding highlighted in Note 6.

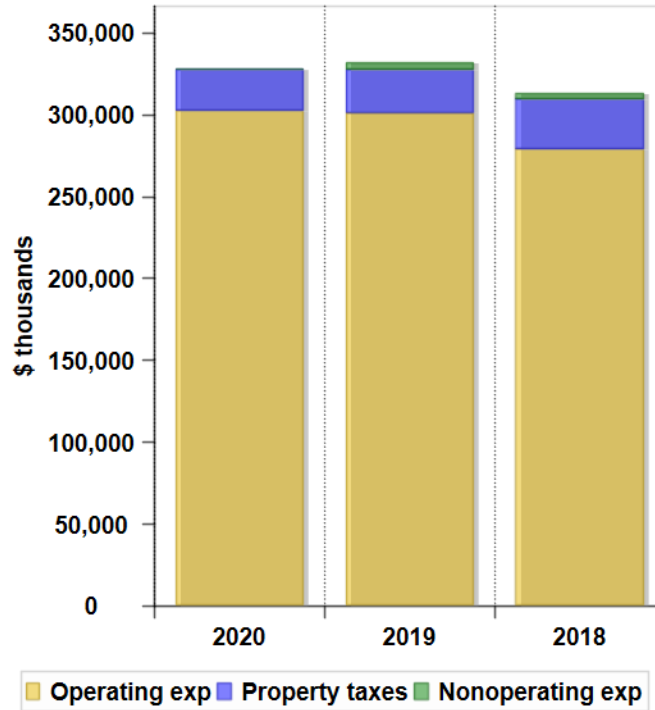
Nonoperating revenues in 2020 decreased \$3,656 due primarily to lower interest income as a result of lower interest rates.

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 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.

Total Expenses



For fiscal 2020, Operating expenses increased \$1,099 or less than 1%.

Nonoperating expenses related to property taxes, reflecting predominantly interest expense on unlimited tax bonds, decreased \$951 over 2019.

Nonoperating expenses in 2020 decreased \$4,077 due to fewer contributions for projects.

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.

Capital Assets

The Authority's investment in capital assets as of December 31, 2020 totaled \$1,892,430 (net of accumulated depreciation), an increase of \$150,963 or 8.7% over the prior year.

Major capital asset activity (before depreciation) during 2020 included the following:

- Land and channel improvements and land use rights increased by \$5,819 primarily due to the purchase of wetland mitigation credits and land acquisitions of eight acres at Turning Basin and nine acres at Bayport.
- Improvements other than buildings increased \$60,422 primarily due to construction at Container Yard 7 at Bayport and Wharf 46 pavement stabilization at Turning Basin.
- Machinery and equipment net increase totaled \$20,662 in 2020. This increase primarily consisted of the purchase of eight rubber tired gantry ("RTG") cranes and six container handlers at Barbours Cut, and the purchase of vehicles Authority-wide.
- Intangible assets increased \$2,955 primarily due to the Smart GATE-3 Operating Systems at the container terminals, the PSIM Situational Awareness Software, and JD Edwards and Navis N4 improvements.
- Construction-in-progress increased \$125,651 in 2020 due to various projects including Wharf 3 reconstruction, gate expansion, and the Container Yard 1 & 2 rehabilitation at Barbours Cut, and additionally, three container wharf cranes at Bayport and Houston Ship Channel Expansion project expenditures.
- Accumulated depreciation net of retirements increased by \$64,546 in 2020.

The Authority's investment in capital assets as of December 31, 2019, was \$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: 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 consisted primarily of the purchase of a wharf crane at Bayport and the purchase of vehicles Authority-wide.
- Intangible assets increased \$970 due to the SharePort records management system.
- Construction-in-progress increased \$82,226 due to various projects including Container Yard 7 and the Rail Spur at Bayport; additionally, Wharf 3 reconstruction and eight RTG cranes at Barbours Cut.
- Accumulated depreciation net of retirements increased by \$70,195 in 2019.

Port of Houston Authority of Harris County, Texas

Capital Assets

(net of depreciation)

(in thousands)

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|-----------------------------------|-------------------------|-------------------------|-------------------------|
| Land and channel improvements | \$ 487,273 | \$ 483,987 | \$ 479,950 |
| Land use rights - intangible | 15,861 | 13,328 | 12,986 |
| Buildings | 57,890 | 62,548 | 67,247 |
| Improvements other than buildings | 793,806 | 773,494 | 803,509 |
| Railroads | 19,250 | 20,533 | 21,833 |
| Machinery and equipment | 247,121 | 243,365 | 249,928 |
| Computer software - intangible | 3,302 | 1,936 | 2,113 |
| Construction-in-progress | <u>267,927</u> | <u>142,276</u> | <u>60,050</u> |
| Total Capital Assets, net | <u>\$ 1,892,430</u> | <u>\$ 1,741,467</u> | <u>\$ 1,697,616</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 2020, the Authority had total debt outstanding of \$587,154 (net of premiums/discounts), consisting of Unlimited Tax Refunding Bonds ("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 2019, the Authority had total debt outstanding of \$623,227 (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>2020</u> | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|-------------------|
| General Obligation Bonds | | | |
| Unlimited Tax Port Improvement Bonds | \$ - | \$ 89,694 | \$ 89,831 |
| Unlimited Tax Refunding Bonds | <u>587,154</u> | <u>533,533</u> | <u>560,632</u> |
| Total General Obligation Bonds | 587,154 | 623,227 | 650,463 |
| Less Current Maturities | <u>(23,005)</u> | <u>(21,735)</u> | <u>(21,185)</u> |
| Long-Term Debt (net of unamortized premiums/discounts) | <u>\$ 564,149</u> | <u>\$ 601,492</u> | <u>\$ 629,278</u> |

During 2020, the authority issued \$248,965 par value of Series 2020A-1, Series 2020A-2, and Series 2020B unlimited tax refunding bonds at a premium for substantial net present value

savings (see Note 6). The bond proceeds net of issuance cost were used to current refund \$287,825 par value relating to Series 2010B, 2010C, 2010D1, 2010D2, 2010E, and advance refund \$19,535 par value related to Series 2011A. Interest expense for 2020 on the unlimited tax bonds decreased by \$925.

The Authority's total debt principal outstanding decreased \$80,130 during 2020. The key factors for this decrease were the scheduled debt service payment of \$21,735 and the refunding of \$307,360 of General Obligation Bonds, partially offset by the issuance of \$248,965 related to Series 2020A-1, 2020A-2, and 2020B.

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

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

| Year | Fitch | Moody's | S & P |
|------|-------|---------|-------|
| 2020 | AA | Aaa | AAA |
| 2019 | AA | Aaa | AAA |

In December 2018, the Authority entered into a five-year \$100 million note purchase financing agreement. As of December 2020, this line of credit was outstanding and unused.

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

Economic Factors

Several factors were considered in preparing the Authority's operating budget for the 2021 fiscal year, including the anticipated rate of recovery domestically and globally from the COVID-19 pandemic; related cargo and tonnage projections; 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.

In 2021, the IMF is projecting global GDP to grow a strong 5.5%, despite uncertainty over COVID-19 and the global vaccine rollout. Growth is expected to vary significantly across countries and fiscal policies, bolstered in part by strong policy measures in the U.S. and Japan and high levels of pent-up demand. Global growth for 2022 is forecast to be 4.2%.

The Consumer Price Index ("CPI") for all items increased 1.4% in 2020. The index for all items less food and energy also rose 1.6% percent over the 12-month period. The food index increased 3.9% in 2020, a larger increase than the 2019 rise of 1.8%. The energy index declined 7.0% in 2020 after rising 3.4% in 2019. The Authority uses a CPI measure as the basis for periodic rate adjustments in many lease agreements and marine terminal services agreements.

The Authority's 2021 budget reflects expected growth of container export loads above 2020 levels at 3% and import loads at 6%, with a 14% increase in empty container volume. Steel tonnage is expected to increase by 13% in 2021, while general cargo growth is projected at a 3% increase.

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, 2020 and 2019 (in thousands)

| | 2020 | 2019 |
|---|--------------|--------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 222,202 | \$ 175,160 |
| Short-term investments | 109,920 | 130,530 |
| Receivables (net of allowance for uncollectibles) | 53,035 | 43,276 |
| Restricted assets | | |
| Cash and cash equivalents | 15,114 | 18,290 |
| Property tax receivables | 46,445 | 44,417 |
| Prepaid and other current assets | 7,488 | 8,784 |
| Total Current Assets | 454,204 | 420,457 |
| Noncurrent Assets | | |
| Investments | 109,619 | 180,029 |
| Net OPEB asset | 29,646 | 11,505 |
| Prepaid and other noncurrent assets | 7,023 | 11,118 |
| Capital Assets (net of accumulated depreciation) | | |
| Land and channel improvements | 487,273 | 483,987 |
| Land use rights - intangible | 15,861 | 13,328 |
| Buildings | 57,890 | 62,548 |
| Improvements other than buildings | 793,806 | 773,494 |
| Railroads | 19,250 | 20,533 |
| Machinery and equipment | 247,121 | 243,365 |
| Computer software - intangible | 3,302 | 1,936 |
| Construction-in-progress | 267,927 | 142,276 |
| Total Capital Assets, net | 1,892,430 | 1,741,467 |
| Total Noncurrent Assets | 2,038,718 | 1,944,119 |
| Total Assets | 2,492,922 | 2,364,576 |
| Deferred Outflows of Resources | | |
| Deferred outflows of resources related to pensions | 11,447 | 11,130 |
| Deferred loss on bond refunding | 757 | 4,486 |
| Total Deferred Outflows of Resources | 12,204 | 15,616 |
| Total Assets and Deferred Outflows of Resources | \$ 2,505,126 | \$ 2,380,192 |

See accompanying notes to the financial statements.

Port of Houston Authority of Harris County, Texas

Statements of Net Position As of December 31, 2020 and 2019 (in thousands)

| | 2020 | 2019 |
|--|--------------|--------------|
| Liabilities | | |
| Current Liabilities | | |
| Accounts payable and other current liabilities | \$ 75,244 | \$ 58,610 |
| Fees received in advance and other reserves | 10,457 | 13,498 |
| | | |
| Liabilities payable from restricted assets: | | |
| Current maturities of long-term debt | | |
| Unlimited tax bonds | 23,005 | 21,735 |
| Accrued interest payable | | |
| Unlimited tax bonds | 5,634 | 7,013 |
| | 28,639 | 28,748 |
| | | |
| Total Current Liabilities Payable from Restricted Assets | 28,639 | 28,748 |
| | | |
| Total Current Liabilities | 114,340 | 100,856 |
| | | |
| Noncurrent Liabilities | | |
| Long-term debt, net of current maturities | 564,149 | 601,492 |
| Net pension liability | 12,526 | 13,001 |
| Other noncurrent liabilities | 16,950 | 13,895 |
| | 593,625 | 628,388 |
| | | |
| Total Noncurrent Liabilities | 593,625 | 628,388 |
| | | |
| Total Liabilities | 707,965 | 729,244 |
| | | |
| Deferred Inflows of Resources | | |
| Deferred inflows of resources related to pensions | 578 | 2,026 |
| Deferred inflows of resources related to OPEB | 19,693 | 7,939 |
| Deferred gain on bond refunding | 10,111 | 2,050 |
| | 30,382 | 12,015 |
| | | |
| Total Deferred Inflows of Resources | 30,382 | 12,015 |
| | | |
| Total Liabilities and Deferred Inflows of Resources | 738,347 | 741,259 |
| | | |
| Net Position | | |
| Net investment in capital assets | 1,294,888 | 1,119,856 |
| Restricted for: | | |
| Debt Service | 45,740 | 45,346 |
| Net OPEB asset | 29,646 | 11,505 |
| Unrestricted | 396,505 | 462,226 |
| | 1,766,779 | 1,638,933 |
| | | |
| Total Net Position | 1,766,779 | 1,638,933 |
| | | |
| Total Liabilities, Deferred Inflows of Resources and Net Position | \$ 2,505,126 | \$ 2,380,192 |

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, 2020 and 2019
(in thousands)

| | 2020 | 2019 |
|---|--------------|--------------|
| Operating revenues | | |
| Vessel and cargo services | \$ 357,386 | \$ 365,086 |
| Rental of equipment and facilities | 21,665 | 18,065 |
| Grain elevator | 1,263 | 1,439 |
| Bulk materials | 3,911 | 4,265 |
| Other | 6,507 | 2,582 |
| Total operating revenues | 390,732 | 391,437 |
| Operating expenses | | |
| Maintenance and operations of facilities | 178,606 | 177,121 |
| General and administrative | 46,225 | 50,420 |
| Depreciation and amortization | 77,829 | 74,020 |
| Total operating expenses | 302,660 | 301,561 |
| Operating income | 88,072 | 89,876 |
| Nonoperating revenues (expenses) | | |
| Investment income | 9,810 | 13,017 |
| Contributions to state and local agencies | (235) | (4,327) |
| Loss on disposal of assets | (126) | (4) |
| Other, net | 833 | 1,175 |
| Total nonoperating revenues | 10,282 | 9,861 |
| Income before nonoperating revenues (expenses) related to property taxes | 98,354 | 99,737 |
| Nonoperating revenues (expenses) related to property taxes | | |
| Property taxes, net of estimated uncollectible amounts | 48,965 | 51,060 |
| Investment income on bond proceeds | 349 | 967 |
| Interest expense on unlimited tax bonds | (23,526) | (24,451) |
| Property tax collection expense | (1,100) | (1,100) |
| Other, net | (384) | (410) |
| Total nonoperating revenues related to property taxes | 24,304 | 26,066 |
| Income before capital contributions | 122,658 | 125,803 |
| Capital contributions from federal agencies | 5,188 | 1,772 |
| Change in net position | 127,846 | 127,575 |
| Net position, January 1 | 1,638,933 | 1,511,358 |
| Net position, December 31 | \$ 1,766,779 | \$ 1,638,933 |

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, 2020 and 2019

(in thousands)

| | 2020 | 2019 |
|---|------------|------------|
| Cash flows from operating activities: | | |
| Cash received from customers | \$ 387,132 | \$ 390,870 |
| Cash paid to suppliers for goods and services | (61,342) | (54,049) |
| Cash paid to employees for services | (108,569) | (100,367) |
| Cash paid for employee benefits | (56,267) | (55,460) |
| Cash received for other services | 4,166 | 3,196 |
| Cash received for other purposes | 7,606 | 196 |
| Net cash provided by operating activities | 172,726 | 184,386 |
| Cash flows from noncapital financing activities: | | |
| Contributions paid to others | (235) | (4,327) |
| Property tax collection expenses paid | (1,791) | (1,561) |
| Other non operating revenue | 597 | 1,140 |
| Net cash provided by noncapital financing activities | (1,429) | (4,748) |
| Cash flows from capital and related financing activities | | |
| Property taxes received | 47,416 | 47,423 |
| Contributions received from federal agencies | 946 | 2,165 |
| Interim financing costs | (1,742) | (111) |
| Repayment of long-term debt and funding of escrow | (329,095) | (21,185) |
| Proceeds from issuance of debt | 299,080 | - |
| Interest on long-term debt | (17,431) | (29,098) |
| Acquisition and construction of capital assets | (228,920) | (115,591) |
| Proceeds from retirement of assets | 237 | 93 |
| Net cash used in capital financing activities | (229,509) | (116,304) |
| Cash flows from investing activities: | | |
| Purchase of investments | (217,430) | (334,815) |
| Proceeds from maturities of investments | 309,595 | 359,657 |
| Interest on investments | 9,913 | 12,092 |
| Net cash provided by investing activities | 102,078 | 36,934 |
| Net increase in cash and cash equivalents | 43,866 | 100,268 |
| Cash and cash equivalents, January 1 | 193,450 | 93,182 |
| Cash and cash equivalents, December 31 | \$ 237,316 | \$ 193,450 |
| Cash and cash equivalents Unrestricted | \$ 222,202 | \$ 175,160 |
| Cash and cash equivalents Restricted | 15,114 | 18,290 |

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, 2020 and 2019

(in thousands)

| | 2020 | 2019 |
|--|-------------------|-------------------|
| Reconciliation of net income to net cash provided by operating activities: | | |
| Operating Income | \$ 88,072 | \$ 89,876 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | |
| Depreciation and amortization | 77,829 | 74,020 |
| Provision for doubtful accounts | 812 | 191 |
| Pension\OPEB deferred inflows | 10,306 | 5,076 |
| Pension\OPEB deferred outflows | (316) | 3,118 |
| Changes in assets and liabilities | | |
| (Increase) in trade and other receivables | (7,226) | (22) |
| Decrease \ (increase) in prepaids and other current assets | 1,465 | (4,681) |
| Decrease in dredging expenses paid in advance | 3,911 | 2,920 |
| Increase in accounts payable and other liabilities | 16,677 | 26,169 |
| (Decrease) in net pension\OPEB liability and compensated absences | (22,841) | (12,243) |
| Increase / (decrease) in fees received in advance | 4,037 | (38) |
| Net cash provided by operating activities | \$ 172,726 | \$ 184,386 |
| Noncash investing, capital and financing activities | | |
| Increase in fair value of investments | \$ (28) | \$ (1,024) |
| Capital contributions from federal agencies | 7,090 | 2,848 |
| Capital asset acquisitions included in accounts payable | 8,966 | 23,208 |

See accompanying notes to the financial statements.

Port of Houston Authority of Harris County, Texas

Statements of Fiduciary Net Position

As of December 31, 2020 and 2019

(in thousands)

| | Pension (and other employee benefit) Trust Funds | |
|---|---|-------------------|
| | 2020 | 2019 |
| Assets | | |
| Cash and cash equivalents | \$ 3,020 | \$ 3,599 |
| Investment Securities | | |
| Domestic Equity | 115,649 | 120,891 |
| International Equity | 27,294 | 23,696 |
| Fixed Income | 130,915 | 118,042 |
| Balanced Funds* | 13,438 | 2,517 |
| Accrued investment income | 371 | 821 |
| Total Assets | 290,687 | 269,566 |
| Liabilities | | |
| Administrative fees | - | - |
| Investment Expenses | 52 | 56 |
| Total Liabilities | 52 | 56 |
| Net position restricted for pension / OPEB** | \$ 290,635 | \$ 269,510 |

* Mutual Funds that include both equity and fixed income securities

| | | |
|--|-------------------|-------------------|
| **Net position restricted for OPEB | \$ 95,148 | \$ 82,262 |
| Net position restricted for Defined Contribution | 4,236 | 2,840 |
| Net Position restricted for Pension | 191,251 | 184,408 |
| | \$ 290,635 | \$ 269,510 |

See accompanying notes to the financial statements.

Port of Houston Authority of Harris County, Texas

Statements of Changes in Fiduciary Net Position

For the Years Ended December 31, 2020 and 2019

(in thousands)

| | Pension (and other employee benefit) Trust Funds | |
|--|---|-------------------|
| | <u>2020</u> | <u>2019</u> |
| Additions: | | |
| Employer contributions | \$ 17,130 | \$ 10,379 |
| Net investment income | <u>17,509</u> | <u>17,243</u> |
| Total additions | <u>34,639</u> | <u>27,622</u> |
| Deductions: | | |
| Benefit payments and withdrawals | (13,196) | (10,494) |
| Administrative expenses | <u>(318)</u> | <u>(336)</u> |
| Total deductions | <u>(13,514)</u> | <u>(10,830)</u> |
| Net increase in net position | 21,125 | 16,792 |
| Net position restricted for pension / OPEB, beginning of year | <u>269,510</u> | <u>252,718</u> |
| Net position restricted for pension / OPEB, end of year | <u>\$ 290,635</u> | <u>\$ 269,510</u> |

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, 2020 and 2019
(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 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. Each 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 and its fiduciary component units, as described 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, and 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. 14, *"The Financial Reporting Entity,"* as amended. There has been no financial activity for PDC since 2007.

Fiduciary Component Units

The Pension Plan is for eligible retirees and Port Houston employees hired before 2012. The Pension Plan has a variety of investment accounts that support the funds

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(in thousands)

1. Summary of Significant Accounting Policies (continued)

Fiduciary Component Units (continued)

for the ongoing payment of benefits. The Other Post-Employment Benefits (OPEB) Plan primarily provides health insurance benefits for retirees. The 401(a) Plan is for eligible employees hired on or after August 1, 2012. Contributions are only made by the Authority, which also establishes the vesting schedule. In addition, contribution percentages are based on the employee's years of service.

Basis of Accounting

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

Use of Estimates

The preparation of the Authority's financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(in thousands)

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents (continued)

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 repurchase collateral investments, daily and weekly liquidity buckets, and “Know Your Customer” provisions, among others. The Port adheres to these provisions.

Investments

The Authority's cash equivalents, excluding certain investments in local government investment pools, 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 2020 and 2019 amounted to \$5,351 and \$3,014, respectively, and is included in depreciation and amortization in the Statements of Revenues, Expenses and Changes in Net Position.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(in thousands)

1. Summary of Significant Accounting Policies (continued)

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. Property tax levied revenue and associated receivable is accrued evenly throughout the year and as property taxes are paid the receivable is reduced. 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, 2020 and 2019 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, 2020 and 2019 were \$0.00991 and \$0.01074, 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 2020 and 2019.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(in thousands)

1. Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

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

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

Premiums (Discounts) on Bonds Payable and Issuance Costs

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

Deferred Compensation

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

Compensated Absences

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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(in thousands)

1. Summary of Significant Accounting Policies (continued)

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 reporting period.

The Authority has several types of deferred outflows of resources that are included in this category: deferred losses on bond refundings, 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.

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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(in thousands)

1. Summary of Significant Accounting Policies (continued)

Operating Revenues and Expenses (continued)

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

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

This Statement 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 elected to early implement this standard in fiscal year 2020.

GASB Statement No. 92, *Omnibus 2020* addresses reinsurance recoveries for public entity risk pools and terminology used to refer to derivative instruments. The Authority implemented GASB 92, paragraphs 11 and 13. Paragraph 11 notes reinsurance recoveries are risk financing and insurance-related activities of public entity risk pools which have amounts that are recoverable from reinsurers or excess insurers and relate to paid claims and claim adjustment expenses which may, but are not required to be, reported as reductions of expense. The Authority has reviewed and modified all applicable Notes to Financial Statements accordingly. The remainder of GASB 92 is effective in future years and is discussed later in further detail.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.* The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(in thousands)

1. Summary of Significant Accounting Policies (continued)

Current Year Accounting Pronouncements (continued)

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*.
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Terminology used to refer to derivative instruments.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*.

The Authority implemented GASB 84 and GASB 88 on the original effective date.

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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(in thousands)

1. Summary of Significant Accounting Policies (continued)

Future Accounting Pronouncements (continued)

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 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.

In January 2020, GASB issued Statement No. 92, "*Omnibus 2020*." The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit OPEB plan

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(in thousands)

1. Summary of Significant Accounting Policies (continued)

Future Accounting Pronouncements (continued)

- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations ("AROs") in a government acquisition
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.

In March 2020, GASB issued Statement No. 93, "Replacement of Interbank Offered Rates." Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate ("IBOR")—most notably, the London Interbank Offered Rate ("LIBOR"). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(in thousands)

1. Summary of Significant Accounting Policies (continued)

Future Accounting Pronouncements (continued)

- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of *reference rate*, as it is used in Statement 53, as amended

Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend. The Authority is currently assessing the impact of this statement in fiscal year 2021, except for paragraphs 11b, 13, and 14 which are effective in fiscal year 2022.

In March 2020, GASB issued Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements." The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements ("PPPs"). As used in that statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement ("SCA"), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The Authority will assess the impact of this statement in fiscal year 2023.

In May 2020, GASB issued Statement No. 96, "Subscription-Based Information Technology Arrangements." This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("SBITAs") for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(in thousands)

1. Summary of Significant Accounting Policies (continued)

Future Accounting Pronouncements (continued)

established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology ("IT") software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which a government has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will *not* exercise that option).

Under this Statement, a government generally should recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods. The Authority will assess the impact of this statement in fiscal year 2023.

In June 2020, GASB issued Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No.14 and No 84, and A Supersession of GASB Statement No.32." The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(in thousands)

1. Summary of Significant Accounting Policies (continued)

Future Accounting Pronouncements (continued)

Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

This Statement supersedes the remaining provisions of Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, as amended, regarding investment valuation requirements for Section 457 plans. As a result, investments of *all* Section 457 plans should be measured as of the end of the plan's reporting period in all circumstances. The Authority will assess the impact of this statement in fiscal year 2022.

Revisions

Certain immaterial revisions have been made to the 2019 financial statements for the presentation of property taxes received on the cash flow statement. \$47,423 of property taxes received has been moved from cash flows from noncapital financing activities to cash flows from capital and related financing activities. This revision did not have an impact on the total change in cash and cash equivalents.

2. Cash and Investments

The Authority's cash and cash equivalents of \$237,316 and \$193,450 as of December 31, 2020 and 2019, respectively, are maintained in demand deposit accounts and local government investment pools. Pursuant to the Texas Public Funds Collateral Act, Chapter 2257, Texas Government Code, the demand deposit account balances are fully covered by the Federal Deposit Insurance Corporation ("FDIC") or collateralized with securities deposited by the Authority's depository institution in a safekeeping account at the Federal Reserve Bank in the Authority's name and under the Authority's control.

In accordance with its Investment Policy and the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code ("PFIA"), the Authority may invest in fully-collateralized or insured time deposits, direct debt securities of the United States or its agencies, municipal and state obligations, commercial paper, money market

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(in thousands)

2. Cash and Investments (continued)

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 2019 and 2020, 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"). Also in 2020, the Authority made investments in a local government investment pool organized under the Interlocal Cooperation Act Texas Short Term Asset Reserve Program ("TexSTAR"). These local government investment pools are subject to the 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 which meets criteria under GASB 79.

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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
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2. Cash and Investments (continued)

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.

TexSTAR 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 which meets criteria under GASB 79.

At December 31, 2020, the Authority had investments in LOGIC, Texas CLASS, TexSTAR, and TexPool Prime of \$71,165, \$68,268, \$100, and \$69,377, respectively.

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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(in thousands)

2. Cash and Investments (continued)

by emphasizing the importance of a diversified portfolio. The Authority's investments at December 31, 2020 and 2019 included the following securities which comprised more than 5% of the total portfolio (excluding cash and cash equivalents):

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------|-------------|-------------|
| Commercial Paper: | | |
| Banco Santander SA/NY | 7% | 13% |
| Exxon Mobil | 7% | - |
| MUFG Bank | - | 5% |
| Natixis NY | 9% | - |
| Royal Bank of Canada | 5% | - |
| Santander UK PLC | - | 10% |
| Municipal Bonds: | | |
| Connecticut ST | - | 8% |
| Florida St Brd Admin | 10% | 7% |
| New York City, NY | - | 5% |
| NYC Transitional Fina Auth | 10% | 14% |
| U.S. Agency Securities: | | |
| Federal Farm Credit Banks | 11% | - |
| Federal Home Loan Bank | - | 5% |
| Federal National Mortgage Association | 11% | 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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(in thousands)

2. Cash and Investments (continued)

average maturity of the Authority's investments for the fiscal years ended December 31, 2020 and 2019.

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, 2020 and 2019, 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 foreign currency risk due to investments in American Depositary Receipts ("ADRs"); however, they are not included in foreign currency as they are denominated in U.S. dollars and accounted for at fair value. As of December 31, 2020 and 2019, the indirect exposure to foreign currency risk for the defined benefit plan was \$15,303 and \$14,055, respectively, and for the OPEB Plan, the indirect currency exposure was \$7,762 and \$6,543, 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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(in thousands)

2. Cash and Investments (continued)

financial instruments, such as debt securities, without relying exclusively on quoted prices for the specific securities. Instead, matrix pricing relies on the securities' relationship to other benchmark quoted securities.

The Authority's significant financial instruments consist of cash and cash equivalents, and investment securities. As of December 31, 2020 and December 31, 2019, the Authority had the following recurring fair value measurements for such financial instruments:

- Local Government Investment Pools as of December 31, 2020 and December 31, 2019 totaling \$208,910 and \$164,523, respectively.
- U.S. Agency Securities, Municipal Bonds, and Commercial Paper as of December 31, 2020 and 2019, 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, 2020, 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, 2020 and 2019, and indicate the fair value hierarchy of the valuation techniques utilized to determine such fair value.

| Security Type | Level 1 12/31/20 | Level 2 12/31/20 | Level 3 12/31/20 | Total |
|------------------------|---------------------|---------------------|---------------------|-------------------|
| U.S. Agency Securities | \$ - | \$ 50,079 | \$ - | \$ 50,079 |
| Commercial Paper | - | 59,929 | - | 59,929 |
| Municipal Bonds | - | 109,531 | - | 109,531 |
| Total | <u>\$ -</u> | <u>\$ 219,539</u> | <u>\$ -</u> | <u>\$ 219,539</u> |

| 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 |
| Total | <u>\$ -</u> | <u>\$ 310,559</u> | <u>\$ -</u> | <u>\$ 310,559</u> |

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
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2. Cash and Investments (continued)

The following table summarizes the Authority's fiduciary net position investments that are measured at fair value at their respective fiscal year end, for fiscal 2020 and 2019, and indicate the fair value hierarchy of the valuation techniques utilized to determine such fair value.

| | Level 1 2020 | Level 2 2020 | Level 3 2020 | Total |
|-----------------------------|-------------------------|-------------------------|-------------------------|-------------------|
| Domestic Equity | \$ 73,379 | \$ - | \$ - | \$ 73,379 |
| International Equity | 7,955 | - | - | 7,955 |
| Mutual Funds | 80,932 | - | - | 80,932 |
| U.S. Treasuries | 16,097 | - | - | 16,097 |
| U.S. Corporate Obligations | - | 70,095 | - | 70,095 |
| Municipal Obligations | - | 1,863 | - | 1,863 |
| U.S. Government Agencies | - | 20,283 | - | 20,283 |
| International Fixed Income | - | 8,628 | - | 8,628 |
| Master Limited Partnerships | 4,345 | - | - | 4,345 |
| Target Date Mutual Funds | - | 3,718 | - | 3,718 |
| Total | \$ 182,708 | \$ 104,587 | \$ - | \$ 287,295 |

| | Level 1 2019 | Level 2 2019 | Level 3 2019 | Total |
|-----------------------------|-------------------------|-------------------------|-------------------------|-------------------|
| Domestic Equity | \$ 66,247 | \$ - | \$ - | \$ 66,247 |
| International Equity | 4,699 | - | - | 4,699 |
| Mutual Funds | 68,947 | - | - | 68,947 |
| U.S. Treasuries | 16,710 | - | - | 16,710 |
| U.S. Corporate Obligations | - | 50,114 | - | 50,114 |
| Municipal Obligations | - | 1,095 | - | 1,095 |
| U.S. Government Agencies | - | 29,769 | - | 29,769 |
| International Fixed Income | - | 6,664 | - | 6,664 |
| Master Limited Partnerships | 18,384 | - | - | 18,384 |
| Target Date Mutual Funds | - | 2,517 | - | 2,517 |
| Total | \$ 174,987 | \$ 90,159 | \$ - | \$ 265,146 |



Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(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, 2020.

| Security Type | <u>Ratings</u> | <u>Fair Value</u> | <u>Weighted Average Maturity (In Years)</u> |
|---------------------------|----------------|-------------------|---|
| Agency Securities: | | | |
| FNMA NOTE | AA+/Aaa | \$ 25,062 | 2.32 |
| FFCB NOTE | AA+/Aaa | <u>25,017</u> | 2.32 |
| Total | | <u>50,079</u> | |
| Commercial Paper: | | | |
| Banco Santander SA/NY | A-1/P-1 | 14,987 | 0.12 |
| Exxon Mobil | A-1/P-1 | 14,978 | 0.17 |
| Natixis | A-1/P-1 | 9,992 | 0.07 |
| Natixis | A-1/P-1 | 9,986 | 0.11 |
| Royal Bank of Canada | A-1/P-1 | <u>9,986</u> | 0.11 |
| Total | | <u>59,929</u> | |
| Municipal Bonds | | | |
| Bartow Cty, GA Dev Auth | AA-/Aa2 | 710 | 0.00 |
| City of Bloomington, MN | AA+ | 4,156 | 0.10 |
| City of Derby, CT | A+ | 1,135 | 0.02 |
| City of Derby, CT | A+ | 819 | 0.02 |
| City of Frisco, TX | AAA/Aaa | 2,859 | 0.03 |
| City of Gardner, KS | SP-1+ | 2,511 | 0.02 |
| City of Lawrenceville, GA | AA+/Aa3 | 1,056 | 0.02 |
| City of New Britain, CT | AA+/Aaa | 808 | 0.00 |
| City of Suffolk, VA | AAA/Aaa | 1,286 | 0.02 |
| City of Suffolk, VA | AAA/Aaa | 1,355 | 0.04 |
| City of Wausau, WI | MIG1 | 8,071 | 0.17 |

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Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(in thousands)

2. Cash and Investments (continued)

| Security Type | <u>Ratings</u> | <u>Fair Value</u> | <u>Weighted Average Maturity (In Years)</u> |
|--|----------------|-------------------|---|
| Municipal Bonds: | | | |
| FL SBA Rev | AA/Aa3 | 22,082 | 0.10 |
| Honolulu City & Cnty, HI | Aa1 | 2,090 | 0.05 |
| Honolulu City & Cty, HI | Aa3 | 1,701 | 0.01 |
| Hurst-Euleess-Bedford ISD | AAA | 1,014 | 0.01 |
| Milwaukee Cty, WI | AA/Aa2 | 1,039 | 0.02 |
| NYC Transitional Fina Auth | AA/Aa3 | 10,146 | 0.05 |
| NYC Transitional Fina Auth | AAA/Aa1 | 12,239 | 0.21 |
| Omaha-Douglas Bldg Comm | AA+/Aa3 | 1,259 | 0.02 |
| Palm Beach Cty, FL | AA+/Aa2 | 1,014 | 0.01 |
| State of CA | AA- | 4,100 | 0.01 |
| State of CA | AA- | 1,640 | 0.02 |
| State of CT | A/A1 | 7,478 | 0.07 |
| Town of Oxford, CT | Aa2 | 1,050 | 0.02 |
| Town of Oxford, CT | Aa2 | 1,410 | 0.05 |
| Village of Waterford, WI | A+ | 5,427 | 0.16 |
| West Haymarket Jt Pub Agcy, NE | AAA/Aa1 | 2,294 | 0.06 |
| West Orange, NJ | SP-1+ | 6,329 | 0.01 |
| Ypsilanti Cmnty Schools, MI | AA | <u>2,453</u> | 0.05 |
| Total | | <u>109,531</u> | |
| Total Investment Fair Value | | <u>\$ 219,539</u> | |
| Portfolio Weighted Average Maturity | | | 1.88 |

The above calculation excludes cash and cash equivalents. As of December 31, 2020, the Authority's weighted average maturity of the portfolio as defined in the Investment Policy including cash and cash equivalents was 0.92 years.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(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> |
|-----------------------------|----------------|-------------------|---|
| Agency Securities: | | | |
| 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 |
| Total | | <u>42,418</u> | |
| Commercial Paper: | | | |
| 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 |
| Total | | <u>84,270</u> | |
| Municipal Bonds | | | |
| 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, 2020 and 2019
(in thousands)

2. Cash and Investments (continued)

| Security Type | <u>Ratings</u> | <u>Fair Value</u> | <u>Weighted Average Maturity (In Years)</u> |
|--|----------------|-------------------|---|
| Municipal Bonds: | | | |
| 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-Eules-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 |
| Total | | <u>183,871</u> | |
| Total Investment Fair Value | | <u>\$ 310,559</u> | |
| Portfolio Weighted Average Maturity | | | 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, 2020 and 2019
(in thousands)

3. Receivables

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

| | <u>2020</u> | <u>2019</u> |
|---------------------------------|------------------|------------------|
| Trade Receivables, Net | | |
| Trade receivables | \$ 47,435 | \$ 40,246 |
| Damage claims receivable | 742 | 699 |
| Allowance for doubtful accounts | <u>(3,513)</u> | <u>(2,703)</u> |
| Total trade receivables, net | 44,664 | 38,242 |
| Other Receivables | | |
| Interest receivable | 1,135 | 2,034 |
| Due from federal agencies | 7,231 | 2,989 |
| Other | <u>5</u> | <u>11</u> |
| Total other receivables | <u>8,371</u> | <u>5,034</u> |
| Total Receivables, Net | <u>\$ 53,035</u> | <u>\$ 43,276</u> |



Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
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(in thousands)

4. Capital Assets

Capital asset activity for the year ended December 31, 2020 was as follows:

| | Beginning Balance | Additions | Retirements / Transfers | Ending Balance |
|--|------------------------------|-------------------|------------------------------------|---------------------------|
| Capital assets not being depreciated | | | | |
| Land other than channel | \$ 112,012 | \$ 3,319 | \$ (33) | \$ 115,298 |
| Land use rights - intangible | 13,328 | 1,220 | 1,313 | 15,861 |
| Channel land | 371,975 | - | - | 371,975 |
| Construction-in-progress | 142,276 | 203,710 | (78,059) | 267,927 |
| Total capital assets not being depreciated | 639,591 | 208,249 | (76,779) | 771,061 |
| Capital assets being depreciated | | | | |
| Buildings | 171,953 | - | - | 171,953 |
| Improvements other than buildings | 1,365,016 | 60,422 | - | 1,425,438 |
| Railroads | 62,140 | - | - | 62,140 |
| Machinery and equipment | 530,850 | 28,477 | (7,815) | 551,512 |
| Computer software - intangible | 14,934 | 2,955 | - | 17,889 |
| Total capital assets being depreciated | 2,144,893 | 91,854 | (7,815) | 2,228,932 |
| Less accumulated depreciation for | | | | |
| Buildings | (109,405) | (4,658) | - | (114,063) |
| Improvements other than buildings | (591,522) | (40,110) | - | (631,632) |
| Railroads | (41,607) | (1,283) | - | (42,890) |
| Machinery and equipment | (287,485) | (24,539) | 7,633 | (304,391) |
| Computer software - intangible | (12,998) | (1,589) | - | (14,587) |
| Total accumulated depreciation | (1,043,017) | (72,179) | 7,633 | (1,107,563) |
| Total capital assets being depreciated, net | 1,101,876 | 19,675 | (182) | 1,121,369 |
| Total capital assets, net | \$ 1,741,467 | \$ 227,924 | \$ (76,961) | \$ 1,892,430 |

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(in thousands)

4. Capital Assets (continued)

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

| | Beginning Balance | Additions | Retirements / Transfers | Ending Balance |
|--|------------------------------|------------------|------------------------------------|---------------------------|
| 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 |
| Total capital assets not being depreciated | 552,986 | 87,719 | (1,114) | 639,591 |
| 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 |
| Total capital assets being depreciated | 2,117,452 | 27,796 | (355) | 2,144,893 |
| 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) |
| Total accumulated depreciation | (972,822) | (70,706) | 511 | (1,043,017) |
| Total capital assets being depreciated, net | 1,144,630 | (42,910) | 156 | 1,101,876 |
| Total capital assets, net | \$ 1,697,616 | \$ 44,809 | \$ (958) | \$ 1,741,467 |

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(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, 2020 and 2019 were \$227 and \$273, respectively. As of December 31, 2020, 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> |
|--------------------|--|
| 2021 | \$ 250 |
| 2022 | 194 |
| 2023 | 17 |
| Total | <u>\$ 461</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, 2020, 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> |
|--------------------|---|
| 2021 | \$ 32,050 |
| 2022 | 27,834 |
| 2023 | 23,240 |
| 2024 | 18,312 |
| 2025 | 16,989 |
| Thereafter | <u>275,906</u> |
| Total | <u>\$ 394,331</u> |



Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
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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, 2020 and 2019.

Long-term liability activity for the year ended December 31, 2020 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 | \$ 572,569 | \$ 248,965 | \$(329,095) | \$ 492,439 | \$ 23,005 |
| Accreted interest on capital appreciation bonds | 821 | 214 | - | 1,035 | - |
| Less unamortized premiums / discounts, net | <u>49,837</u> | <u>50,115</u> | <u>(6,272)</u> | <u>93,680</u> | <u>-</u> |
| Total Bonds Payable | <u>\$ 623,227</u> | <u>\$ 299,294</u> | <u>\$(335,367)</u> | <u>\$ 587,154</u> | <u>\$ 23,005</u> |
| Net Pension Liability | <u>\$ 13,001</u> | <u>\$ 5,667</u> | <u>\$ (6,142)</u> | <u>\$ 12,526</u> | <u>\$ -</u> |
| Other Noncurrent Liabilities | | | | | |
| Compensated absences | 7,212 | 6,584 | (5,408) | 8,388 | 5,400 * |
| Fees received in advance | 6,391 | 5,007 | (3,352) | 8,046 | 1,593 * |
| Claims liability | <u>7,309</u> | <u>1,917</u> | <u>(908)</u> | <u>8,318</u> | <u>809 *</u> |
| Total Other Noncurrent Liabilities | <u>\$ 20,912</u> | <u>\$ 13,508</u> | <u>\$ (9,668)</u> | <u>\$ 24,752</u> | <u>\$ 7,802</u> |

* Included in fees received in advance and other reserves

The Authority's long-term debt consists of Unlimited Tax Refunding Bonds ("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.

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)

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

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)

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

| | Original Issue | Interest Rate % * | Issue Date | Maturity | December 31 | |
|---|-------------------|----------------------|------------|----------|-------------|------------|
| | | | | | 2020 | 2019 |
| General Obligation Bonds | | | | | | |
| Unlimited Tax Refunding Bonds | | | | | | |
| Series 2010B | \$ 22,930 | 1.00-5.00 | 2/17/2010 | 2026 | \$ - | \$ 9,025 |
| Series 2010C | 30,254 | 2.00-5.00 | 2/3/2010 | 2038 | 119 | 27,079 |
| Series 2010D-1 | 147,940 | 5.00 | 8/19/2010 | 2035 | - | 147,940 |
| Series 2010E | 22,330 | 2.00-5.00 | 8/19/2010 | 2038 | 15 | 20,555 |
| Series 2011A | 47,345 | 1.00-5.00 | 10/20/2011 | 2026 | 3,360 | 26,085 |
| Series 2015A | 62,805 | 3.125-5.00 | 8/26/2015 | 2031 | 44,020 | 57,720 |
| Series 2015B | 25,905 | 5.00 | 8/26/2015 | 2023 | 1,600 | 1,600 |
| Series 2015C | 27,260 | 3.054-5.00 | 8/26/2015 | 2026 | 17,805 | 20,345 |
| Series 2018A | 176,555 | 3.00-5.00 | 7/18/2018 | 2038 | 176,555 | 176,555 |
| Series 2020A-1 | 6,550 | 5.00 | 8/12/2020 | 2026 | 6,550 | - |
| Series 2020A-2 | 222,925 | 3.00-5.00 | 8/12/2020 | 2039 | 222,925 | - |
| Series 2020B | 19,490 | 2.25 | 8/12/2020 | 2026 | 19,490 | - |
| | | | | | 492,439 | 486,904 |
| Unamortized premiums / (discounts), net | | | | | 93,680 | 45,808 |
| Series 2010C and 2010E CAB Accretion, net | | | | | 1,035 | 821 |
| Unlimited Tax Refunding Bonds, net | | | | | 587,154 | 533,533 |
| Unlimited Tax Port Improvement Bonds | | | | | | |
| Series 2010D-2 | 85,665 | 5.00 | 8/19/2010 | 2039 | - | 85,665 |
| Total Unlimited Tax Port Improvement Bonds | | | | | - | 85,665 |
| Unamortized premiums / (discounts), net | | | | | - | 4,029 |
| Unlimited Tax Port Improvement Bonds, net | | | | | - | 89,694 |
| Total Debt | | | | | 587,154 | 623,227 |
| Less Current Maturities | | | | | (23,005) | (21,735) |
| Long - Term Debt (net of unamortized premiums / (discounts)) | | | | | \$ 564,149 | \$ 601,492 |

* Interest rate of original issue

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(in thousands)

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

Debt Service Requirements

Total debt service requirements for outstanding bonds as of December 31, 2020 are as follows:

| Year Ending December 31 | Bond Principal | Capital Appreciation Bond | Bond Interest | Total |
|------------------------------------|-------------------------------|--|-------------------------------|-------------------|
| | General Obligation | Accreted Interest | General Obligation | |
| 2021 | \$ 23,005 | \$ - | \$ 22,536 | \$ 45,541 |
| 2022 | 23,685 | - | 21,386 | 45,071 |
| 2023 | 19,615 | - | 20,303 | 39,918 |
| 2024 | 19,625 | - | 19,484 | 39,109 |
| 2025 | 20,435 | - | 18,665 | 39,100 |
| 2026-2030 | 120,505 | - | 78,361 | 198,866 |
| 2031-2035 | 133,444 | 17,976 | 47,270 | 198,690 |
| 2036-2039 | 132,125 | - | 12,743 | 144,868 |
| | <u>\$ 492,439</u> | <u>\$ 17,976</u> | <u>\$ 240,748</u> | <u>\$ 751,163</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, 2020, along with the stated purpose for which the debt was issued:

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
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(in thousands)

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

General Obligation Bonds (continued)

| Outstanding Bond Issue | Use of Proceeds |
|--|--|
| Unlimited Tax Refunding Bonds, Series 2010C (Non-AMT) | Refund a portion of the Unlimited Tax Refunding Bonds, Series 2008A (AMT) |
| 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) |
| Unlimited Tax Refunding Bonds, Series 2020A1 (Non-AMT) | Refund the Unlimited Tax Refunding Bonds, Series 2010B (Non-AMT) |
| Unlimited Tax Refunding Bonds, Series 2020A2 (Non-AMT) | Refund a portion of Unlimited Tax Refunding Bonds, Series 2010C (Non-AMT), Unlimited Tax Refunding Bonds, Series 2010D1 (Non-AMT), Unlimited Tax Port Improvement Bonds, Series 2010D2(Non-AMT), and Unlimited Tax Refunding Bonds, Series 2010E (Non-AMT) |
| Unlimited Tax Refunding Bonds, Series 2020B (Taxable) | Refund the Unlimited Tax Refunding Bonds, Series 2011A (AMT) |

Bond Refundings

Bonds generally mature serially based on stated maturity dates. However, bonds may be redeemed prior to their maturities, if so 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 2020, the Authority issued Unlimited Tax Refunding Bonds, Series 2020A-1 (NON-AMT) and 2020A-2 (NON-AMT) to current refund \$287,825 par value of bonds outstanding and issued Unlimited Tax Refunding Bonds, Series 2020B (Taxable) to advance refund \$19,535 par value of bonds outstanding. The transaction resulted in net present value debt service savings of \$98,135.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(in thousands)

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

Bond Refundings (continued)

The table below illustrates the cash flow effect of and the economic gain on the bond refunding during 2020:

| <u>Issue</u> | <u>Type of Refunding</u> | <u>Cash Flow Difference</u> | <u>Economic Gain</u> |
|--------------------------|--------------------------|---------------------------------|--------------------------|
| Series 2020A-1 (NON-AMT) | Current Refunding | \$ (1,064) | \$ 1,044 |
| Series 2020A-2 (NON-AMT) | Current Refunding | (115,792) | 95,128 |
| Series 2020B (TAXABLE) | Advanced Refunding | (2,019) | 1,963 |
| | | <u>\$ (118,875)</u> | <u>\$ 98,135</u> |

The Port defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Port's financial statements. At December 31, 2020 and 2019, \$19.5 million and \$0, respectively, of bonds outstanding are considered defeased.

Bond Restrictions

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

Note Purchase Program

In December 2018, the Authority executed a five-year \$100 million senior lien variable rate revolving note purchase program with two financial institutions, to replace its previous \$300 million note program that expired in September 2018 with no borrowings since inception. The new facility provides liquidity for additional opportunities or requirements for capital infrastructure investments. No encumbrances or drawdowns against the new facility have occurred as of December 31, 2020 or 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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(in thousands)

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

Note Purchase Program (continued)

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; or (iv) default by the Authority in the performance or observance of any other of the covenants, agreements or conditions in the Master Resolution or First Supplemental Resolution, the Notes, or the program, and such default continues 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 as of December 31, 2020 and 2019. The estimated liability is updated annually for any tax-exempt issuance or changes in yields until payment of the calculated liability is due.

7. Bayport Facilities

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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
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7. Bayport Facilities (continued)

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 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 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.

Port of Houston Authority of Harris County, Texas

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

Defined Benefit Plan Description (continued)

At July 31, 2020, the measurement date, the following participants were covered by the benefit terms:

| | <u>2020</u> | <u>2019</u> |
|---|--------------|--------------|
| Retirees and beneficiaries receiving payments | 560 | 546 |
| Terminated vested participants not yet receiving benefits | 165 | 170 |
| Disabled participants | 4 | 5 |
| Active participants | <u>318</u> | <u>340</u> |
| Total | <u>1,047</u> | <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. Contributions by the Authority to the plan were \$10,625 and \$4,658 for the years ended December 31, 2020 and 2019, respectively.

Net Pension Liability

The Authority's net pension liability was measured as of July 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 1, 2019, rolled forward to the measurement date.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
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(in thousands)

8. Retirement Plans (continued)

Actuarial assumptions. The total pension liability in the August 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|-------|
| Inflation | 2.20% |
| Investment rate of return | 6.25% |

Mortality rates were based on the Pri-2012 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per MP-2019.

These actuarial assumptions 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, 2020 and 2019 are summarized, respectively, in the following tables:

2020

| <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 | 20.0 % | 7.5 % |
| Mid Cap US Equity | 7.5 % | 7.5 % |
| Small Cap US Equity | 10.0 % | 7.5 % |
| Developed Foreign Equities | 7.5 % | 8.5 % |
| Real Estate (REITs) | 5.0 % | 4.5 % |
| Global Tactical Asset Allocation | 5.0 % | 5.0 % |
| Long-term expected (weighted) rate of return: | | 5.05 % |
| Actuarial assumed long-term investment rate of return or discount rate: | | 6.25 % |

*Assumed rates of return utilized by the Plan's investment consultant for the 2020 and 2019 fiscal period's allocation.

Port of Houston Authority of Harris County, Texas

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

| <u>2019</u> | <u>Target allocation</u> | <u>Long-term expected rate of return*</u> |
|---|------------------------------|---|
| <u>Asset Class</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 % |

Discount rate. The discount rate used to measure the total pension liability was 6.25 percent and 6.50 percent, for the years ended December 31, 2020 and 2019, respectively. 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 on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

| | <u>Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net Pension Liability</u> |
|--|--|--|--------------------------------------|
| Balances as of January 1, 2020 | \$ 197,409 | \$ (184,408) | \$ 13,001 |
| Service cost | 3,424 | - | 3,424 |
| Interest on total pension liability | 12,782 | - | 12,782 |
| Effect of economic\demographic gains or losses | 1,000 | - | 1,000 |
| Effect of assumption changes or inputs | (289) | - | (289) |
| Benefit payments | (10,549) | 10,549 | - |
| Administrative expenses | - | 257 | 257 |
| Expected investment income, net of investment expenses | - | (7,024) | (7,024) |
| Employer contributions | - | (10,625) | (10,625) |
| Balances as of December 31, 2020 | <u>\$ 203,777</u> | <u>\$ (191,251)</u> | <u>\$ 12,526</u> |

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
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(in thousands)

8. Retirement Plans (continued)

Changes in the Net Pension Liability (continued)

| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
|--|--|--|--------------------------------------|
| Balances as of January 1, 2019 | 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 | \$ 197,409 | \$ (184,408) | \$ 13,001 |

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability (asset) of the Authority as of December 31, 2020, calculated using the discount rate of 6.25 percent, as well as what the Authority's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.25 percent) or one percentage point higher (7.25 percent) than the current rate:

| | 1% decrease 5.25% | Current discount rate 6.25% | 1% increase 7.25% |
|-------------------------------|------------------------------|--|------------------------------|
| Net pension liability (asset) | \$ 36,573 | \$ 12,526 | \$ (7,840) |

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability (asset) of the Authority as of December 31, 2019, calculated using the discount rate of 6.50 percent, as well as what the Authority's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(in thousands)

8. Retirement Plans (continued)

Changes in the Net Pension Liability (continued)

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 years ended December 31, 2020 and 2019, the Authority recognized pension expense of \$8,815 and \$8,380, respectively. At December 31, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| 2020 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Deferred Outflows / Inflows of Resources | | |
| Differences between expected and actual experience | \$ 690 | \$ 378 |
| Changes of assumptions | 1,040 | 200 |
| Net difference between projected and actual earnings | 6,892 | - |
| Contributions made subsequent to measurement date | 2,825 | - |
| Total | <u>\$ 11,447</u> | <u>\$ 578</u> |
| | | |
| 2019 | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Deferred Outflows / 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 | <u>\$ 11,130</u> | <u>\$ 2,026</u> |

The \$2,825 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 year ending December 31, 2021. 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 December 31 |
|-------|-----------------------------------|
| 2021 | \$ 2,434 |
| 2022 | 2,334 |
| 2023 | 2,285 |
| 2024 | 991 |
| Total | <u>\$ 8,044</u> |

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(in thousands)

8. Retirement Plans (continued)

Defined Contribution Plan Description

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

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

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

The Authority revised contributions to an employee's account on May 1, 2020 based on a percentage of base salary:

| <u>Years of Service</u> | <u>% Contribution by the Authority</u> |
|--------------------------|--|
| 0 to 5 | 6.0% |
| Greater than 5 up to 10 | 6.5% |
| Greater than 10 up to 15 | 7.0% |
| Greater than 15 up to 20 | 7.5% |
| Greater than 20 | 8.0% |

Effective May 1, 2020, DC Plan benefits are to be paid to employees with at least three 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; therefore, the Authority includes the DC Plan Net Position in the fiduciary fund statements, as a fiduciary activity under GASB 84.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(in thousands)

8. Retirement Plans (continued)

Defined Contribution Plan Description (continued)

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

| | <u>July 31, 2020</u> | <u>July 31, 2019</u> |
|-------------------------------|----------------------|----------------------|
| Total assets | \$ 4,236 | \$ 2,840 |
| Contributions during the year | 1,074 | 721 |
| Number of participants | 378 | 334 |

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 defined benefit plan administered by an irrevocable trust and the Port Commission is responsible for the administration of the trust and for the investment of the trust's assets. Historically the Authority funded all premiums for retiree life insurance and the majority of health insurance premiums, but as of August 2020 these costs are being paid from the OPEB trust fund. 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 OPEB Plan by the Port Commission.

The OPEB Plan does not issue stand-alone financial reports, but the Authority 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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(in thousands)

9. Postemployment Retiree Benefits (continued)

Plan Description (continued)

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.

At December 31, 2020 and 2019, the following participants were covered by the benefit terms:

| | |
|------------------------------|-------|
| 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, 2020 and 2019, the cost of retiree health benefits, recorded on a pay-as-you-go basis was \$1,218 and \$2,265, respectively. Retiree life-benefit costs for 2020 and 2019 were \$114 and \$139, respectively. As of August 2020, these costs are being paid from the OPEB trust fund.

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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(in thousands)

9. Postemployment Retiree Benefits (continued)

Funding Policy (continued)

Commission by a majority vote of 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 Authority's net OPEB liability (asset) was measured as of December 31, 2020 and 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by actuarial valuation as of January 1, 2020 and 2019, respectively, rolled forward to the measurement date.

The following table shows the components of the Authority's total OPEB liability, fiduciary net position and net OPEB Asset at December 31, 2020 and 2019.

| | <u>2020</u> | <u>2019</u> |
|---|---------------|---------------|
| Total OPEB liability | \$ 65,502 | \$ 70,757 |
| Fiduciary net position | <u>95,148</u> | <u>82,262</u> |
| Net OPEB (asset) | (29,646) | (11,505) |
| Fiduciary net position as a % of total OPEB liability | 145.26 % | 116.26 % |
| Covered payroll | 49,778 | 49,778 |
| Net OPEB (asset) as a % of covered payroll | (59.56)% | (23.11)% |

The total OPEB liability in the January 1, 2020 and 2019 actuarial valuation was determined using the following actuarial assumptions. There have been no significant changes between the valuation date and the fiscal year end.

Discount Rate

| | <u>2020</u> | <u>2019</u> |
|--|-------------|-------------|
| Discount rate | 6.25 % | 6.50 % |
| Long-term expected rate of return, net of investment expense | 6.25 % | 6.50 % |

The OPEB 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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(in thousands)

9. Postemployment Retiree Benefits (continued)

Net OPEB Liability/(Asset) (continued)

long-term expected rate of return.

The actuarial assumptions that determined the total OPEB liability as of December 31, 2020 and 2019 were based on the results of an actuarial experience study for the period August 1, 2014 - August 1, 2019 and August 1, 2007 - August 1, 2012, respectively.

| | | |
|--------------------------------------|--|---|
| Valuation date | January 1, 2019 | January 1, 2019 |
| Measurement date | December 31, 2020 | December 31, 2019 |
| Inflation | 2.20% | 2.20% |
| Salary increases including inflation | Age based | Age based |
| Mortality | Pri-2012 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per Scale MP-2019 | RP-2006 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per Scale MP-2018 |
| Actuarial cost method | Entry Age Normal | Entry Age Normal |

The health care cost trend rate used for the 2020 annual OPEB expense was 4.30% climbing to 5.10% before trending down to 4.00% (pre-Medicare) and 8.00% trending down to 4.50% (post-Medicare) over 55 years. The health care cost trend rate used for the 2020 year end valuation of total and net OPEB asset was 4.30% climbing to 5.10% before trending down to 3.80% (pre-Medicare) and 5.40% trending down to 3.80% (post-Medicare) over 55 years.

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.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(in thousands)

9. Postemployment Retiree Benefits (continued)

Annual Money-Weighted Rate of Return

For the year ended December 31, 2020 and 2019, the annual money-weighted rate of return on the OPEB trust investments, net of investment expense, was 11.98% and 16.61% respectively. 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.

| Fiscal Year Ending December 31 | Net Money- Weighted Rate of Return |
|---|---|
| 2016 | 10.50% |
| 2017 | 10.90% |
| 2018 | -5.80% |
| 2019 | 16.61% |
| 2020 | 11.98% |

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 June 30, 2020 and 2019, respectively, and are based on a 20-year investment horizon.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(in thousands)

9. Postemployment Retiree Benefits (continued)

Long-Term Expected Rate of Return (continued)

| <u>Asset Class</u> | <u>Index</u> | <u>Target Allocation</u> | <u>Long-Term Expected Arithmetic Real Rate of Return</u> | <u>Long-Term Expected Geometric Real Rate of Return</u> |
|--|-------------------------|------------------------------|--|---|
| 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 | | | 2.02 % | 2.02 % |
| Portfolio Real Mean Return | | | 3.40 % | 2.98 % |
| Portfolio Nominal Mean Return | | | 5.61 % | 5.24 % |
| Portfolio Standard Deviation | | | | 9.08 % |
| Long-Term Expected Rate of Return | | | | 6.25 % |

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements

For the Years Ended December 31, 2020 and 2019

(in thousands)

9. Postemployment Retiree Benefits (continued)

Long-Term Expected Rate of Return (continued)

| Asset Class | Index | Target Allocation | Long-Term Expected Arithmetic Real Rate of Return | Long-Term Expected Geometric Real Rate of Return |
|--|-------------------------|--------------------------|--|---|
| 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 % |
| Long-Term Expected Rate of Return | | | | 6.50 % |

Sensitivity Analysis

The following presents the net OPEB asset of the Authority as of December 31, 2020, calculated using the discount rate of 6.25%, as well as what the Authority's net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (5.25%) or one percentage point higher (7.25%) than the current rate.

| | 1% Decrease 5.25% | Current Discount Rate 6.25% | 1% Increase 7.25% |
|----------------|------------------------------|--|------------------------------|
| Net OPEB asset | \$ (20,818) | \$ (29,646) | \$ (36,917) |

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(in thousands)

9. Postemployment Retiree Benefits (continued)

Sensitivity Analysis (continued)

The following presents the net OPEB asset of the Authority as of December 31, 2019, 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 one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate.

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

The following presents the net OPEB asset of the Authority as of December 31, 2020, calculated using the current healthcare cost trend rates as well as what the Authority's net OPEB asset would be if it were calculated using trend rates that are one percentage point lower or one percentage point higher than the current trend rates.

| | <u>1% Decrease</u> | <u>Current</u> | <u>1% Increase</u> |
|----------------|--------------------|-------------------|--------------------|
| | | <u>Trend Rate</u> | |
| Net OPEB asset | \$ (38,718) | \$ (29,646) | \$ (18,196) |

The following presents the net OPEB asset of the Authority as of December 31, 2019, calculated using the current healthcare cost trend rates as well as what the Authority's net OPEB asset would be if it were calculated using trend rates that are one percentage point lower or one percentage point higher than the current trend rates.

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

OPEB Expense and Deferred Inflows of Resources

For the year ended December 31, 2020, the Authority recognized OPEB expense of (\$956). At December 31, 2020, the Authority reported deferred inflows of resources from the following sources:

| | <u>Deferred Inflows</u> |
|--|-------------------------|
| | <u>of Resources</u> |
| Differences between expected and actual experience | \$ (5,317) |
| Changes of assumption | (10,013) |
| Net difference between projected and actual earnings | (4,363) |
| Total | <u>\$ (19,693)</u> |

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(in thousands)

9. Postemployment Retiree Benefits (continued)

OPEB Expense and Deferred Inflows of Resources (continued)

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:

| | Deferred Inflows of Resources |
|--|--|
| 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 inflows of resources related to OPEB as of December 31, 2020 will be recognized in OPEB expenses as follows:

| Year ending: December 31 | |
|--------------------------|--------------------|
| 2021 | \$ (3,517) |
| 2022 | (3,517) |
| 2023 | (5,207) |
| 2024 | (3,852) |
| 2025 | (2,933) |
| Thereafter | (667) |
| Total | <u>\$ (19,693)</u> |

Changes in Net OPEB Liability/(Asset)

| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability/(Asset) |
|---|---------------------------------|--|---------------------------------------|
| Balances as of January 1, 2020 | \$ 70,757 | \$ 82,262 | \$ (11,505) |
| Service cost | 3,212 | - | 3,212 |
| Effect of assumptions changes or inputs | (10,675) | - | (10,675) |
| Interest on total OPEB liability | 4,727 | - | 4,727 |
| Benefit payments | (2,519) | (2,519) | - |
| Employer contributions | - | 5,431 | (5,431) |
| Expected net investment income | - | 5,438 | (5,438) |
| Investment gains or losses | - | 4,597 | (4,597) |
| Administrative expense | - | (61) | 61 |
| Balances as of December 31, 2020 | <u>\$ 65,502</u> | <u>\$ 95,148</u> | <u>\$ (29,646)</u> |

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(in thousands)

9. Postemployment Retiree Benefits (continued)

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

| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability/(Asset) |
|--|---------------------------------|--|---------------------------------------|
| Balances as of January 1, 2019 | \$ 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 |
| Balances as of December 31, 2019 | <u>\$ 70,757</u> | <u>\$ 82,262</u> | <u>\$ (11,505)</u> |

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. These potential exposures are managed by both commercial and self-insurance.

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, 2020 and 2019 was \$8,318 and \$7,309, respectively.

| Plan Year | Beginning of Fiscal Year Liability | Current Year Claims and Changes in Estimates | Claim Payments | Balance at Fiscal Year End |
|-----------|---|---|---------------------------|---|
| 2019 | \$ 6,095 | \$ 1,746 | \$ (532) | \$ 7,309 |
| 2020 | \$ 7,309 | \$ 1,917 | \$ (908) | \$ 8,318 |

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, 2020 and 2019
(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, 2020 and 2019, the Authority had commitments of approximately \$61,585 and \$88,099, respectively, for supplies, services, and the purchase of equipment and the expansion of facilities.

Litigation and Claims

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

The Authority is defending and indemnifying named Authority employee defendants in an action brought by Stan Kozlowski, Jason Hall, Mike Stallings, Jason Roberts, Justin Meador, and Kyle Jordan (collectively, "Plaintiffs"). Plaintiffs allege that they were unlawfully suspended and terminated from positions at the Authority in violation of Plaintiffs' rights to free speech and free association under 42 U.S.C. § 1983 and in violation of Texas Labor Code §§101.001, 101.052, and 101.301 and Texas Government Code Chapter 614 and §617.004. Plaintiffs seek compensatory damages in an unspecified amount for past and future lost wages, reputational harm,

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2020 and 2019
(in thousands)

11. Commitments and Contingencies (continued)

Litigation and Claims (continued)

mental and emotional distress, anxiety, and all other general damages, plus additional amounts for attorneys' fees, expert witness fees, interest, costs, and punitive damages. Plaintiffs further seek a declaratory judgment regarding the alleged violations of law, and injunctive relief undoing the adverse actions taken against Plaintiffs.

The Authority has filed an answer disputing Plaintiffs' claims. The action is set for trial docket call on February 11, 2022. The Authority intends to vigorously contest this matter; however, it has not reached any judgment as to the likely outcome or the range of potential loss in this litigation.

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

12. Tax Abatement

GASB Statement 77, "*Tax Abatement Disclosures*," 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.

The Authority is subject to tax abatements granted by Harris County under the Economic Development Opportunity Act ("EDO").

For years ending 2020 and 2019, Harris County's gross tax and abated values were \$463,434, \$144,588, and \$1,027,960, \$110,054, respectively. Therefore, under agreements entered into by Harris County, the Authority's property tax revenues were reduced by \$14 in 2020 and \$12 in 2019.





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 Seven Years
in thousands
(unaudited)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|----------|----------|----------|---------|---------|---------|----------|
| Total Pension Liability: | | | | | | | |
| Service cost | 3,424 | 3,321 | 3,402 | 3,198 | 3,229 | 3,186 | 3,425 |
| Interest on total pension liability | 12,782 | 12,592 | 12,454 | 12,251 | 11,883 | 10,940 | 10,724 |
| Effect of economic/demographic gains or losses | 1,000 | (1,325) | (1,207) | (116) | (695) | (1,278) | - |
| Effects of assumption changes or inputs | (289) | 3,516 | (2,203) | 5,012 | - | 9,569 | - |
| Benefit payments | (10,549) | (10,326) | (10,085) | (9,858) | (9,552) | (9,590) | (9,509) |
| Net change in total pension liability | 6,368 | 7,778 | 2,361 | 10,487 | 4,865 | 12,827 | 4,640 |
| Total pension liability - beginning | 197,409 | 189,631 | 187,270 | 176,783 | 171,918 | 159,091 | 154,451 |
| Total pension liability - ending (a) | 203,777 | 197,409 | 189,631 | 187,270 | 176,783 | 171,918 | 159,091 |
| Fiduciary net position: | | | | | | | |
| Employer contributions* | 10,625 | 4,658 | 5,257 | 9,600 | 4,500 | 4,094 | 8,282 |
| Investment income net of investment expenses** | 7,024 | 6,031 | 12,378 | 14,220 | 1,741 | 7,786 | 14,825 |
| Benefit payments | (10,549) | (10,326) | (10,085) | (9,858) | (9,552) | (9,590) | (9,509) |
| Administrative expenses | (257) | (243) | (255) | (280) | (235) | (249) | (237) |
| Net change in fiduciary net position | 6,843 | 120 | 7,295 | 13,682 | (3,546) | 2,041 | 13,361 |
| Fiduciary net position, beginning | 184,408 | 184,288 | 176,993 | 163,311 | 166,857 | 164,816 | 151,455 |
| Fiduciary net position, ending (b) | 191,251 | 184,408 | 184,288 | 176,993 | 163,311 | 166,857 | 164,816 |
| Net pension liability (asset), ending = (a) - (b) | 12,526 | 13,001 | 5,343 | 10,277 | 13,472 | 5,061 | (5,725) |
| Fiduciary net position as a % of total pension liability | 93.85 % | 93.41 % | 97.18 % | 94.51 % | 92.38 % | 97.06 % | 103.60 % |
| Covered Payroll | 29,925 | 29,889 | 29,960 | 30,210 | 30,412 | 31,377 | 33,690 |
| Net pension liability (asset) as a % of covered payroll | 41.86 % | 43.50 % | 17.83 % | 34.02 % | 44.30 % | 16.13 % | (16.99)% |

* The increase in employer contributions from 2019 to 2020 is due primarily to additional funding of \$5.0 million authorized by the Port Commission.

* The increase in employer contributions from 2016 to 2017 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)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|--|-------------------|-----------------|-----------------|-------------------|----------------|-------------|-------------------|-------------|-------------|-------------|
| Actuarially determined contribution | \$ 5,374 | \$ 4,437 | \$ 5,007 | \$ 5,153 | \$ 4,481 | \$ 4,094 | \$ 5,278 | \$ 9,870 | \$ 8,133 | \$ 10,809 |
| Contributions in relation to the actuarially determined contribution | 10,625 | 4,658 | 5,257 | 9,600 | 4,500 | 4,094 | 8,282 | 9,870 | 8,133 | 10,809 |
| Contribution deficiency (excess) | <u>\$ (5,251)</u> | <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> |
| Covered payroll | \$ 27,419 | \$ 29,889 | \$ 29,960 | \$ 30,210 | \$ 30,412 | \$ 31,377 | \$ 33,690 | \$ 35,082 | \$ 35,571 | \$ 34,939 |
| Contributions as a percentage of covered payroll | 38.75 % | 15.58 % | 17.55 % | 31.78 % | 14.80 % | 13.05 % | 24.59 % | 28.14 % | 22.86 % | 30.94 % |

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, 2020, resulting from a net pension liability of \$12,526 |
| Asset valuation method | Market value |
| Inflation | 2.20% |
| Salary Increases | Graded from 7.5% at age 20 to 3.0% at age 60 |
| Investment rate of return | 6.25% |
| 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 July 28, 2020 |
| Mortality | Pri-2012 Mortality for Employees, Healthy Annuitants and Disabled Annuitants with generational projection per MP-2019 |

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)

| Fiscal Year Ending December 31, | Net Money- Weighted Rate of Return |
|--|---|
| 2016 | 10.50 % |
| 2017 | 10.90 % |
| 2018 | (5.80)% |
| 2019 | 16.61 % |
| 2020 | 11.98 % |

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,
in thousands
(unaudited)

| | 2020 | 2019 | 2018 | 2017 |
|---|-------------|-------------|-----------|-----------|
| Total OPEB Liability | | | | |
| Service cost | \$ 3,212 | \$ 3,081 | \$ 3,289 | \$ 3,081 |
| Interest on total OPEB liability | 4,727 | 5,145 | 4,864 | 4,593 |
| Effect of economic/demographic (gains) or losses | - | (7,445) | - | - |
| Effect of assumption changes or inputs | (10,675) | (1,408) | - | - |
| Benefit payments | (2,519) | (3,464) | (4,084) | (3,654) |
| Net change in total OPEB liability | (5,255) | (4,091) | 4,069 | 4,020 |
| Total OPEB liability - beginning | 70,757 | 74,848 | 70,779 | 66,759 |
| Total OPEB liability - ending (a) | 65,502 | 70,757 | 74,848 | 70,779 |
| Fiduciary Net Position | | | | |
| Employer contributions | 5,431 | 8,464 | 9,484 | 9,454 |
| Net investment (loss) income | 10,035 | 11,391 | (3,915) | 5,714 |
| Benefit payments | (2,519) | (3,464) | (4,084) | (3,655) |
| Administrative expense | (61) | (93) | (100) | - |
| Net change in plan fiduciary net position | 12,886 | 16,298 | 1,385 | 11,513 |
| Fiduciary net position - beginning | 82,262 | 65,964 | 64,579 | 53,066 |
| Fiduciary net position - ending (b) | 95,148 | 82,262 | 65,964 | 64,579 |
| Net OPEB liability/(asset) ending (a) - (b) | \$ (29,646) | \$ (11,505) | \$ 8,884 | \$ 6,200 |
| Fiduciary net position as a % of total OPEB liability | 145.26 % | 116.26 % | 88.13 % | 91.24 % |
| Covered payroll | \$ 49,778 | \$ 49,778 | \$ 40,287 | \$ 40,287 |
| Net OPEB liability/(asset) as a % of covered payroll | (59.56)% | (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)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Actuarially determined contribution* | \$ 3,494 | \$ 3,324 | \$ 4,384 | \$ 5,402 | \$ 5,798 | \$ 5,537 | \$ 6,568 | \$ 6,909 | \$ 7,913 | \$ 8,115 |
| Contributions in relation to the actuarially determined contribution | 5,431 | 8,464 | 9,484 | 9,454 | 8,772 | 11,203 | 11,363 | 11,226 | 10,776 | 10,536 |
| Contribution deficiency (excess) | \$ (1,937) | \$ (5,140) | \$ (5,100) | \$ (4,052) | \$ (2,974) | \$ (5,666) | \$ (4,795) | \$ (4,317) | \$ (2,863) | \$ (2,421) |
| Covered payroll | \$ 49,778 | \$ 49,778 | \$ 40,287 | \$ 40,287 | \$ 38,907 | \$ 38,907 | \$ 33,690 | \$ 34,615 | \$ 34,939 | \$ 34,939 |
| Contributions as a percentage of covered payroll | 10.91 % | 17.00 % | 23.54 % | 23.47 % | 22.55 % | 28.79 % | 33.73 % | 32.43 % | 30.84 % | 30.16 % |

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 | 6.25% |
| Healthcare Cost Trend Rates | 5.40% for 2020, gradually decreasing to an ultimate rate of 3.8% |
| Mortality | Pri-2012 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per Scale MP-2019 |

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





SUPPLEMENTARY INFORMATION



Port of Houston Authority of Harris County, Texas
Combining Statements of Fiduciary Net Position
As of December 31, 2020 and 2019
(in thousands)

| | <u>Defined Contribution 7/31/2020</u> | <u>Pension 7/31/2020</u> | <u>OPEB 12/31/2020</u> | <u>Total</u> | <u>Defined Contribution 7/31/2019</u> | <u>Pension 7/31/2019</u> | <u>OPEB 12/31/2019</u> | <u>Total</u> |
|-----------------------------|---|------------------------------|----------------------------|-------------------|---|------------------------------|----------------------------|-------------------|
| Assets | | | | | | | | |
| Cash and cash equivalents | \$ 45 | \$ 1,129 | \$ 1,846 | \$ 3,020 | \$ 9 | \$ 2,730 | \$ 860 | \$ 3,599 |
| Investment Securities | | | | | | | | |
| Domestic Equity | 371 | 78,561 | 36,717 | 115,649 | 253 | 84,926 | 35,712 | 120,891 |
| International Equity | 64 | 16,214 | 11,016 | 27,294 | 40 | 15,145 | 8,511 | 23,696 |
| Fixed Income | 38 | 89,819 | 41,058 | 130,915 | 21 | 81,051 | 36,970 | 118,042 |
| Balanced Funds * | 3,718 | 4,981 | 4,739 | 13,438 | 2,517 | - | - | 2,517 |
| Accrued Investment Income | - | 599 | (228) | 371 | - | 612 | 209 | 821 |
| Total Assets | <u>4,236</u> | <u>191,303</u> | <u>95,148</u> | <u>290,687</u> | <u>2,840</u> | <u>184,464</u> | <u>82,262</u> | <u>269,566</u> |
| Liabilities | | | | | | | | |
| Investment Expenses | - | 52 | - | 52 | - | 56 | - | 56 |
| Total Liabilities | <u>-</u> | <u>52</u> | <u>-</u> | <u>52</u> | <u>-</u> | <u>56</u> | <u>-</u> | <u>56</u> |
| Assets held in trust | <u>\$ 4,236</u> | <u>\$ 191,251</u> | <u>\$ 95,148</u> | <u>\$ 290,635</u> | <u>\$ 2,840</u> | <u>\$ 184,408</u> | <u>\$ 82,262</u> | <u>\$ 269,510</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 Net Position
As of December 31, 2020 and 2019
(in thousands)

| | Defined Contribution 7/31/2020 | Pension 7/31/2020 | OPEB 12/31/2020 | Total | Defined Contribution 7/31/2019 | Pension 7/31/2019 | OPEB 12/31/2019 | Total |
|--|--------------------------------------|----------------------|--------------------|------------|--------------------------------------|----------------------|--------------------|------------|
| Additions : | | | | | | | | |
| Employer contributions | \$ 1,074 | \$ 10,625 | \$ 5,431 | \$ 17,130 | \$ 721 | \$ 4,658 | \$ 5,000 | \$ 10,379 |
| Net Investment Income | 450 | 7,024 | 10,035 | 17,509 | (179) | 6,031 | 11,391 | 17,243 |
| Total additions | 1,524 | 17,649 | 15,466 | 34,639 | 542 | 10,689 | 16,391 | 27,622 |
| Deductions: | | | | | | | | |
| Benefits payments and withdrawals | (128) | (10,549) | (2,519) | (13,196) | (168) | (10,326) | - | (10,494) |
| Administrative Expenses | (257) | (257) | (61) | (318) | - | (243) | (93) | (336) |
| Total deductions | (128) | (10,806) | (2,580) | (13,514) | (168) | (10,569) | (93) | (10,830) |
| Net increase in net position | 1,396 | 6,843 | 12,886 | 21,125 | 374 | 120 | 16,298 | 16,792 |
| Assets held in trust for pension/ OPEB, beginning of year | 2,840 | 184,408 | 82,262 | 269,510 | 2,466 | 184,288 | 65,964 | 252,718 |
| Assets held in trust for pension/ OPEB, end of year | \$ 4,236 | \$ 191,251 | \$ 95,148 | \$ 290,635 | \$ 2,840 | \$ 184,408 | \$ 82,262 | \$ 269,510 |



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.





FINANCIAL TRENDS

RICKMEDES



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

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|------------------|
| Net investment in capital assets | \$1,294,888 | \$1,119,856 | \$1,050,604 | \$1,023,578 | \$ 919,177 | \$ 794,075 | \$ 749,755 | \$ 685,717 | \$596,224 | \$574,224 |
| Restricted | | | | | | | | | | |
| Capital | - | - | - | - | - | - | - | 7,195 | 29,713 | 60,204 |
| Debt Service | 45,740 | 45,346 | 44,646 | 45,622 | 45,705 | 41,853 | 43,290 | 44,598 | 44,916 | 41,455 |
| Net OPEB asset | 29,646 | - | - | - | - | - | - | - | 2,755 | 196 |
| Unrestricted | <u>396,505</u> | <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> |
| Total Net Position | <u>\$1,766,779</u> | <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> |

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

(in thousands)
(unaudited)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|-------------------|
| Operating revenues: | | | | | | | | | | |
| Vessel and cargo services | \$ 357,386 | 365,086 | \$ 344,272 | \$ 309,058 | \$ 266,703 | \$ 267,277 | \$ 238,083 | \$ 200,101 | \$ 190,618 | \$ 177,405 |
| Rental of equipment and facilities | 21,665 | 18,065 | 18,079 | 15,976 | 15,869 | 17,120 | 17,763 | 25,114 | 23,077 | 22,030 |
| Grain elevator | 1,263 | 1,439 | 1,182 | 902 | 1,199 | 1,567 | 1,821 | 592 | 683 | 1,923 |
| Bulk materials | 3,911 | 4,265 | 4,131 | 4,004 | 3,941 | 4,019 | 4,270 | 2,665 | 2,485 | 2,131 |
| Other | 6,507 | 2,582 | 1,652 | 2,933 | 2,514 | 3,753 | 1,960 | 5,201 | 8,512 | 3,356 |
| Nonoperating revenues: | | | | | | | | | | |
| Investment (loss) income | 9,810 | 13,017 | 9,319 | 4,553 | 4,896 | 4,142 | 4,913 | (435) | 2,410 | 3,123 |
| Contribution in aid of construction | - | - | - | - | - | 610 | - | 5,000 | - | 1,077 |
| Other | 833 | 1,282 | 345 | 1,703 | 2,690 | 1,279 | 3,291 | 683 | 1,583 | 2,765 |
| Nonoperating revenues related to property taxes: | | | | | | | | | | |
| Property taxes | 48,965 | 51,061 | 50,951 | 53,842 | 55,749 | 51,280 | 51,955 | 52,534 | 56,429 | 49,826 |
| Investment income / (loss) on bond proceeds | 349 | 967 | 721 | 264 | 119 | 120 | 162 | 348 | 302 | 657 |
| Total Revenues: | 450,689 | 457,764 | 430,652 | 393,235 | 353,680 | 351,167 | 324,218 | 291,803 | 286,099 | 264,293 |
| Operating expenses: | | | | | | | | | | |
| Maintenance and operations of facilities | 178,606 | 177,122 | 157,524 | 147,185 | 141,102 | 123,433 | 121,899 | 103,353 | 101,095 | 97,461 |
| General and administrative | 46,225 | 50,420 | 49,608 | 39,102 | 44,286 | 42,297 | 37,812 | 41,845 | 43,875 | 39,894 |
| Depreciation and amortization | 77,829 | 74,020 | 72,027 | 66,487 | 64,601 | 60,198 | 57,190 | 56,057 | 56,551 | 55,661 |
| Impairment of Capital Assets | - | - | - | - | 15,114 | - | - | - | - | - |
| Nonoperating expenses: | | | | | | | | | | |
| Contributions to state and local agencies | 235 | 4,327 | 2,095 | 4,243 | 2,127 | 2,147 | 1,464 | 1,949 | 882 | 1,232 |
| Loss on disposal of assets | 126 | 4 | 1 | 33 | (2,976) | 2,849 | 1,220 | 91 | 3,295 | - |
| Other | - | 107 | 1,440 | 2,187 | 1,033 | 338 | - | - | 98 | - |
| Nonoperating expenses related to property taxes: | | | | | | | | | | |
| Interest expense on unlimited tax bonds | 23,526 | 24,451 | 28,927 | 30,010 | 31,548 | 33,114 | 33,459 | 33,188 | 33,803 | 36,843 |
| Property tax collection expense | 1,100 | 1,100 | 1,100 | 1,100 | 1,100 | 1,039 | 1,175 | 994 | 1,091 | 996 |
| Other | 384 | 410 | 420 | 400 | 303 | 455 | 408 | 477 | 442 | 525 |
| Total Expenses: | 328,031 | 331,961 | 313,142 | 290,747 | 298,238 | 265,870 | 254,627 | 237,954 | 241,132 | 232,612 |
| Income before contributions | 122,658 | 125,803 | 117,510 | 102,488 | 55,442 | 85,297 | 69,591 | 53,849 | 44,967 | 31,681 |
| Capital contributions from federal agencies | 5,188 | 1,772 | 5,219 | 8,896 | 2,453 | 56 | 2,370 | 13,827 | 9,373 | 1,439 |
| Contributions from federal agency-FEMA | - | - | - | - | - | 60 | - | 19 | 60 | - |
| Total Contributions from federal and state agencies | 5,188 | 1,772 | 5,219 | 8,896 | 2,453 | 116 | 2,370 | 13,846 | 9,433 | 1,439 |
| Change in net position | 127,846 | 127,575 | 122,729 | 111,384 | 57,895 | 85,413 | 71,961 | 67,695 | 54,400 | 33,120 |
| Net position, January 1 | 1,638,933 | 1,511,358 | 1,388,629 | 1,277,245 | 1,219,350 | 1,133,937 | 1,061,976 | 994,281 | 939,881 | 906,761 |
| Net position, December 31 | \$ 1,766,779 | \$ 1,638,933 | \$ 1,511,358 | \$ 1,388,629 | \$ 1,277,245 | \$ 1,219,350 | \$ 1,133,937 | \$ 1,061,976 | \$ 994,281 | \$ 939,881 |



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)

| <u>Year Levied</u> | <u>Real Property</u> | <u>Personal Property</u> | <u>Less: Exemptions (a)</u> | <u>Total Taxable Assessed Value</u> | <u>Total Direct Tax Rate</u> |
|------------------------|----------------------|------------------------------|---------------------------------|---|----------------------------------|
| 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 |
| 2020 | 578,509,817 | 52,804,343 | 139,216,727 | 492,097,433 | 0.00991 |

- Source: Harris County Appraisal District Property Use Recap as of 12/2020

- 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)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|----------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Harris County | | | | | | | | | | |
| General Fund | \$ 0.34028 | \$ 0.34174 | \$ 0.35000 | \$ 0.34500 | \$ 0.34500 | \$ 0.34547 | \$ 0.34547 | \$ 0.34547 | \$ 0.33271 | \$ 0.33444 |
| General Bonds Debt Service | 0.05088 | 0.04711 | 0.05084 | 0.05234 | 0.05111 | 0.05237 | 0.04802 | 0.05158 | 0.04468 | 0.03825 |
| Total Constitutional Funds | 0.39116 | 0.38885 | 0.40084 | 0.39734 | 0.39611 | 0.39784 | 0.39349 | 0.39705 | 0.37739 | 0.37269 |
| County - Wide Road Debt Service | - | 0.01828 | 0.01774 | 0.02067 | 0.02045 | 0.02139 | 0.02382 | 0.01750 | 0.02282 | 0.01848 |
| Total - Harris County | 0.39116 | 0.40713 | 0.41858 | 0.41801 | 0.41656 | 0.41923 | 0.41731 | 0.41455 | 0.40021 | 0.39117 |
| Flood Control District | | | | | | | | | | |
| Maintenance | 0.02649 | 0.02670 | 0.02738 | 0.02736 | 0.02745 | 0.02620 | 0.02620 | 0.02620 | 0.02522 | 0.02727 |
| Debt Service | 0.00493 | 0.00122 | 0.00139 | 0.00095 | 0.00084 | 0.00113 | 0.00116 | 0.00207 | 0.00287 | 0.00082 |
| Total - Flood Control | 0.03142 | 0.02792 | 0.02877 | 0.02831 | 0.02829 | 0.02733 | 0.02736 | 0.02827 | 0.02809 | 0.02809 |
| Port of Houston Authority | | | | | | | | | | |
| Debt Service | 0.00991 | 0.01074 | 0.01155 | 0.01256 | 0.01334 | 0.01342 | 0.01531 | 0.01716 | 0.01952 | 0.01856 |
| Hospital District | | | | | | | | | | |
| General | 0.16491 | 0.16491 | 0.17000 | 0.17000 | 0.17000 | 0.17000 | 0.17000 | 0.17000 | 0.18216 | 0.19216 |
| Debt Service | 0.00180 | 0.00100 | 0.00108 | 0.00110 | 0.00179 | - | - | - | - | - |
| Total Hospital District | 0.16671 | 0.16591 | 0.17108 | 0.17110 | 0.17179 | 0.17000 | 0.17000 | 0.17000 | 0.18216 | 0.19216 |
| Total | \$ 0.59920 | \$ 0.61170 | \$ 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, 2020
 (unaudited)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| County-Wide Taxing | | | | | | | | | | |
| Jurisdiction | | | | | | | | | | |
| Harris County | \$ 0.39116 | \$ 0.40713 | \$ 0.41858 | \$ 0.41801 | \$ 0.41656 | \$ 0.41923 | \$ 0.41731 | \$ 0.41455 | \$ 0.40021 | \$ 0.39117 |
| Harris County Flood Control District | 0.03142 | 0.02792 | 0.02877 | 0.02831 | 0.02829 | 0.02733 | 0.02736 | 0.02827 | 0.02809 | 0.02809 |
| Port of Houston Authority | 0.00991 | 0.01074 | 0.01155 | 0.01256 | 0.01334 | 0.01342 | 0.01531 | 0.01716 | 0.01952 | 0.01856 |
| Harris County Hospital District | 0.16671 | 0.16591 | 0.17108 | 0.17110 | 0.17179 | 0.17000 | 0.17000 | 0.17000 | 0.18216 | 0.19216 |
| Total County-wide | \$ 0.59920 | \$ 0.61170 | \$ 0.62998 | \$ 0.62998 | \$ 0.62998 | \$ 0.62998 | \$ 0.62998 | \$ 0.62998 | \$ 0.62998 | \$ 0.62998 |
| Cities | | | | | | | | | | |
| Baytown | \$ 0.79515 | \$ 0.80203 | \$ 0.81203 | \$ 0.82203 | \$ 0.82203 | \$ 0.82203 | \$ 0.82203 | \$ 0.82203 | \$ 0.82203 | \$ 0.82202 |
| Bellaire | 0.44730 | 0.44730 | 0.43130 | 0.41590 | 0.38740 | 0.38050 | 0.39360 | 0.39990 | 0.39990 | 0.39990 |
| Deer Park | 0.72000 | 0.72000 | 0.72000 | 0.72000 | 0.72000 | 0.71435 | 0.72000 | 0.72000 | 0.72000 | 0.72000 |
| Houston | 0.56184 | 0.56792 | 0.58831 | 0.58421 | 0.58642 | 0.60112 | 0.63108 | 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 | 0.51500 | 0.54858 | 0.56380 | 0.56500 | 0.57000 | 0.57350 | 0.59700 | 0.59700 | 0.59700 | 0.61000 |
| Missouri City | 0.59804 | 0.63000 | 0.63000 | 0.60000 | 0.56010 | 0.54468 | 0.56500 | 0.57375 | 0.54480 | 0.52840 |
| Pasadena | 0.53368 | 0.57034 | 0.61545 | 0.57539 | 0.57539 | 0.57539 | 0.57690 | 0.59159 | 0.59159 | 0.59159 |
| Pearland | 0.72000 | 0.74121 | 0.70916 | 0.68506 | 0.68120 | 0.70530 | 0.71210 | 0.70510 | 0.70510 | 0.68510 |
| Seabrook | 0.54361 | 0.55198 | 0.55198 | 0.57491 | 0.56518 | 0.61261 | 0.64003 | 0.65123 | 0.66523 | 0.64998 |
| South Houston | 0.69805 | 0.69991 | 0.65050 | 0.64330 | 0.63221 | 0.69954 | 0.64453 | 0.66988 | 0.70825 | 0.68755 |
| Webster | 0.37357 | 0.36200 | 0.34794 | 0.31725 | 0.28450 | 0.23447 | 0.24874 | 0.26960 | 0.28528 | 0.28528 |
| West University Place | 0.29407 | 0.30921 | 0.31680 | 0.31680 | 0.31680 | 0.33179 | 0.36179 | 0.37400 | 0.37411 | 0.37411 |
| School Districts | 1.1331-1.5016 | 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 |

- Source: Harris County Appraisal District jurisdiction information as of 12/31/20; 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 | 2020 | | | 2011 | | |
|---------------------------------------|-----------------------------|------|--|-----------------------------|------|--|
| | 2020 Taxable Valuations (a) | Rank | Percentage of Total 2020 Taxable Valuation (b) | 2011 Taxable Valuations (a) | Rank | Percentage of Total 2011 Taxable Valuation (c) |
| EXXON Mobil Corp. | \$ 4,018,459 | 1 | 0.82 % | \$ 2,825,727 | 1 | 1.05 % |
| CenterPoint Energy Inc. | 3,881,216 | 2 | 0.79 | 2,393,467 | 2 | 0.89 |
| Chevron Chemical Co. | 3,521,074 | 3 | 0.72 | 1,378,299 | 4 | 0.51 |
| Shell Oil Co. | 1,857,157 | 4 | 0.38 | 2,319,116 | 3 | 0.86 |
| Equistar Chemicals LP | 1,678,261 | 5 | 0.34 | 905,828 | 8 | 0.34 |
| Enterprise | 1,158,883 | 6 | 0.24 | - | - | - |
| Palmetto Transoceanic LLC | 1,107,329 | 7 | 0.22 | - | - | - |
| Walmart | 928,383 | 8 | 0.19 | 808,079 | 9 | 0.30 |
| Lyondell Chemical Co. | 849,168 | 9 | 0.17 | - | - | - |
| Valero Energy | 829,097 | 10 | 0.17 | 412,938 | 18 | 0.15 |
| Liberty Property | 804,403 | 11 | 0.16 | - | - | - |
| One Two and Three Allen Center Co LLC | 790,940 | 12 | 0.16 | - | - | - |
| HEB Grocery Co. LP | 765,001 | 13 | 0.16 | - | - | - |
| Intercontinental Terminal | 693,253 | 14 | 0.14 | - | - | - |
| Kinder Morgan | 690,415 | 15 | 0.14 | - | - | - |
| Phillips 66 Co. | 684,801 | 16 | 0.14 | - | - | - |
| Magellan Terminal Holding | 671,346 | 17 | 0.14 | - | - | - |
| Volaris | 665,700 | 18 | 0.13 | - | - | - |
| GWP East Nine West | 662,937 | 19 | 0.13 | - | - | - |
| BSREP IHC-3HC | 660,304 | 20 | 0.13 | - | - | - |
| Hines Interests LTD Partnership | - | - | - | 1,180,205 | 5 | 0.44 |
| Crescent Real Estate | - | - | - | 1,076,212 | 6 | 0.40 |
| Houston Refining | - | - | - | 948,896 | 7 | 0.35 |
| AT&T Mobility LLC | - | - | - | 780,563 | 10 | 0.29 |
| Hewlett Packard | - | - | - | 715,249 | 11 | 0.27 |
| Lyondell Chemical Co. | - | - | - | 637,554 | 12 | 0.24 |
| Amoco Chemical Co. | - | - | - | 577,210 | 13 | 0.22 |
| National Oilwell Inc. | - | - | - | 460,058 | 14 | 0.17 |
| TPG 2101 Citywest 1 & 2 LP | - | - | - | 451,086 | 15 | 0.17 |
| Kroger Co. | - | - | - | 440,439 | 16 | 0.16 |
| Continental Airlines Inc | - | - | - | 436,454 | 17 | 0.16 |
| Rohm & Haas Co. | - | - | - | 392,305 | 19 | 0.15 |
| Oxy Vinyls LP | - | - | - | 368,331 | 20 | 0.14 |
| Total | <u>\$ 26,918,127</u> | | <u>5.47 %</u> | <u>\$ 19,508,016</u> | | <u>7.26 %</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 25, 2020;

- Note (c) Based on the County's total taxable value as of December 23, 2011.

Port of Houston Authority of Harris County, Texas
Property Taxes Levies and Collections
For the Years 2011 through 2020

(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> |
| 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 % | 1,231 | 49,396 | 97.54 % |
| 2020 | 48,994 | 45,656 | 93.19 % | N/A | N/A | N/A |

- Source: Harris County Tax Assessor - Collector as of February 28, 2021
- 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)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Operating revenues: (a) (b) (c) | | | | | | | | | | |
| Vessel and cargo services | \$ 357,386 | \$ 365,086 | \$ 344,272 | \$ 309,058 | \$ 266,703 | \$ 267,277 | \$ 238,083 | \$ 200,101 | \$ 190,618 | \$ 177,405 |
| Rental of equipment and facilities | 21,665 | 18,065 | 18,079 | 15,976 | 15,869 | 17,120 | 17,763 | 25,114 | 23,077 | 22,030 |
| Grain elevator | 1,263 | 1,439 | 1,182 | 902 | 1,199 | 1,567 | 1,821 | 592 | 683 | 1,923 |
| Bulk materials | 3,911 | 4,265 | 4,131 | 4,004 | 3,941 | 4,019 | 4,270 | 2,665 | 2,485 | 2,131 |
| Other | 6,507 | 2,582 | 1,652 | 2,933 | 2,514 | 3,753 | 1,960 | 5,201 | 8,512 | 3,356 |
| Total Operating Revenue | <u>\$ 390,732</u> | <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> |
| Revenue Tonnage (Short Tons)* | | | | | | | | | | |
| General Cargo | 31,708 | 34,074 | 31,653 | 28,878 | 25,226 | 27,360 | 26,854 | 24,735 | 25,278 | 23,387 |
| Bulk | 9,980 | 9,063 | 9,210 | 9,396 | 9,621 | 8,384 | 10,766 | 11,090 | 9,781 | 10,162 |
| Total Revenue Tonnage | <u>41,688</u> | <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> |

- 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)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| General Cargo | | | | | | | | | | |
| Barbours Cut | | | | | | | | | | |
| All other | 12,307,526 | 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 |
| Lease | - | - | - | - | - | 2,072,132 | 3,410,214 | 3,548,416 | 3,939,218 | 3,887,146 |
| | <u>12,307,526</u> | <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> |
| Bayport Container Terminal | 15,385,083 | 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 |
| Turning Basin | | | | | | | | | | |
| Autos import | 85,344 | 117,531 | 127,448 | 119,081 | 161,246 | 167,383 | 128,564 | 143,132 | 175,553 | 124,351 |
| Autos export | 385 | 2,058 | 1,089 | 3,396 | 4,744 | 13,240 | 11,430 | 17,905 | 23,655 | 26,972 |
| Steel imports | 902,460 | 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 |
| All other | 447,881 | 513,023 | 375,924 | 474,629 | 492,551 | 707,345 | 607,127 | 519,978 | 723,762 | 1,177,341 |
| | <u>1,436,070</u> | <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> |
| Jacintoport | 1,225,999 | 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 |
| Care Terminal | 309,542 | 731,216 | 734,480 | 603,271 | 457,294 | 562,217 | 747,372 | 649,545 | 598,914 | 350,422 |
| Woodhouse | 1,043,911 | 1,382,598 | 768,830 | 113,888 | 77,299 | 373,497 | 473,389 | 388,133 | 608,369 | 370,436 |
| Total General Cargo | <u>31,708,131</u> | <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> |
| Bulk | | | | | | | | | | |
| Jacintoport | 1,511 | 1,465 | 1,635 | 9,758 | 692 | 1,100 | - | - | 1,780 | 553 |
| Care Terminal | 13,802 | 12,340 | 112,975 | 162,014 | 130,545 | 18,298 | 82,016 | 253,942 | 408,225 | 359,286 |
| Woodhouse | - | - | 7,081 | 20,224 | 12,981 | 6,882 | 31,549 | 14,290 | 7,547 | 35,089 |
| Sims Bayou | 1,355,034 | 1,157,376 | 1,199,628 | 1,157,368 | 624,280 | 624,278 | 675,175 | 700,350 | 770,395 | 763,723 |
| S.J.B. Liquid Facility | 399,012 | 379,141 | 560,342 | 522,019 | 552,752 | 428,895 | 493,582 | 541,227 | 585,263 | 474,880 |
| Turning Basin | 2,881,677 | 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 |
| | <u>4,651,036</u> | <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> |
| Bulk Materials Terminal | 2,562,328 | 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 |
| Grain Elevator #2 | 2,766,115 | 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 |
| Total Bulk Cargo | <u>9,979,479</u> | <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> |
| Grand Total | <u>41,687,610</u> | <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> |

- 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)

| <u>Customer</u> | <u>2020</u> | | | <u>2011</u> | | |
|--------------------------------------|-------------------------|-------------|------------------------------|-------------------------|-------------|------------------------------|
| | <u>2020 Revenue</u> | <u>Rank</u> | <u>% V&C Revenue</u> | <u>2011 Revenue</u> | <u>Rank</u> | <u>% V&C Revenue</u> |
| Mediterranean Shipping Co. (USA) | \$ 69,166 | 1 | 19.35 % | \$ 50,827 | 1 | 28.65 % |
| Maersk Line | 55,032 | 2 | 15.40 | - | | - |
| CMA-CGM (America), Inc. | 49,344 | 3 | 13.81 | 17,269 | 3 | 9.73 |
| Hapag-Lloyd AG | 40,417 | 4 | 11.31 | 21,617 | 2 | 12.18 |
| Cosco North America, Inc. | 18,933 | 5 | 5.30 | - | | - |
| Evergreen Shipping Agency | 10,211 | 6 | 2.86 | - | | - |
| Zim Integrated Shipping | 9,184 | 7 | 2.57 | - | | - |
| Hamburg Sud North America | 7,754 | 8 | 2.17 | 8,349 | 4 | 4.71 |
| OOCL(USA) Inc. | 6,980 | 9 | 1.95 | 2,945 | 10 | 1.66 |
| ONE Line | 5,346 | 10 | 1.49 | - | | - |
| Compania Libra de Navegacion Uruguay | - | | - | 5,297 | 5 | 2.99 |
| Seaboard Marine, Ltd. | - | | - | 4,625 | 6 | 2.61 |
| Compania Sudamericana de Vapores SA | - | | - | 4,494 | 7 | 2.53 |
| Biehl & Company - Vessel | - | | - | 3,601 | 8 | 2.03 |
| Star Shipping | - | | - | 3,238 | 9 | 1.83 |
| Total | <u>\$ 272,367</u> | | <u>76.21 %</u> | <u>\$ 122,262</u> | | <u>68.92 %</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)

| General Obligation Bonds | | | | | | | | | | | | |
|---------------------------------|--------------------------------------|---|---------------------------------------|--------------------------------------|----------------------------|-------------------------------------|--------------------------------|--|----------------------------|-------------------------------|--------------------------------------|------------------------------|
| Fiscal Year | Unlimited Tax Refunding Bonds | Unlimited Tax Port Improvement Bonds | Unlimited Tax Commercial Paper | Accreted Premiums (Discounts) | General Bonded Debt | Less Debt Service Funds Cash | Net General Bonded Debt | Percentage of Actual Property Value | GOB Debt per Capita | Total Outstanding Debt | Percentage of Personal Income | Total Debt Per Capita |
| 2011 | \$ 654,674 | \$ 91,200 | \$ - | \$ 42,139 | \$ 788,013 | \$10,456 | \$ 777,557 | 0.29 | \$ 186 | \$ 777,557 | 0.38 % | \$ 186 |
| 2012 | 641,324 | 90,645 | - | 39,160 | 771,129 | 8,784 | 762,345 | 0.27 | 179 | 762,345 | 0.34 % | 179 |
| 2013 | 626,979 | 90,645 | - | 36,674 | 754,298 | 9,672 | 744,626 | 0.25 | 172 | 744,626 | 0.32 % | 172 |
| 2014 | 611,734 | 90,645 | - | 34,366 | 736,745 | 13,854 | 722,891 | 0.21 | 163 | 722,891 | 0.29 % | 163 |
| 2015 | 588,604 | 85,665 | - | 43,363 | 717,632 | 6,414 | 711,218 | 0.19 | 157 | 711,218 | 0.28 % | 157 |
| 2016 | 572,329 | 85,665 | - | 39,129 | 697,123 | 6,983 | 690,140 | 0.17 | 150 | 690,140 | 0.29 % | 150 |
| 2017 | 553,164 | 85,665 | - | 35,069 | 673,898 | 13,589 | 660,309 | 0.16 | 142 | 660,309 | 0.27 % | 142 |
| 2018 | 508,089 | 85,665 | - | 56,709 | 650,463 | 11,402 | 639,061 | 0.15 | 136 | 639,061 | 0.24 % | 136 |
| 2019 | 486,904 | 85,665 | - | 50,658 | 623,227 | 7,942 | 615,285 | 0.13 | 131 | 615,285 | N/A | 132 |
| 2020 | 492,439 | - | - | 94,715 | 587,154 | 4,929 | 582,225 | 0.12 | N/A | 587,154 | 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
- Total outstanding debt, total debt per capita, and percentage of personal income calculation changed in 2020 per GFOA comments

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, 2020

(in thousands)
(unaudited)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Gross Revenues | | | | | | | | | | |
| Operating Revenues (a) | | | | | | | | | | |
| Vessel and cargo services | \$ 357,386 | \$ 365,086 | \$ 344,272 | \$ 309,058 | \$ 266,266 | \$ 266,305 | \$ 235,929 | \$ 197,974 | \$ 188,457 | \$ 175,297 |
| Rental of equipment and facilities | 21,665 | 18,065 | 18,079 | 15,976 | 15,869 | 17,120 | 17,763 | 25,114 | 23,077 | 22,030 |
| Grain Elevator | 1,263 | 1,439 | 1,182 | 902 | 1,199 | 1,567 | 1,821 | 592 | 683 | 1,923 |
| Bulk materials | 3,911 | 4,265 | 4,131 | 4,004 | 3,941 | 4,019 | 4,270 | 2,665 | 2,485 | 2,131 |
| Other | 6,507 | 2,582 | 1,652 | 2,933 | 2,514 | 3,753 | 1,960 | 5,201 | 8,512 | 3,356 |
| Total | 390,732 | 391,437 | 369,316 | 332,873 | 289,789 | 292,764 | 261,743 | 231,546 | 223,214 | 204,737 |
| NonOperating Revenues | | | | | | | | | | |
| Investment (loss) income | 9,767 | 12,876 | 9,145 | 4,425 | 4,850 | 4,100 | 4,881 | (452) | 2,406 | 3,126 |
| Other, net | 6,021 | 3,053 | 5,564 | 10,599 | 5,144 | 2,004 | 5,661 | 19,529 | 11,014 | 5,358 |
| Total | 15,788 | 15,929 | 14,709 | 15,024 | 9,994 | 6,104 | 10,542 | 19,077 | 13,420 | 8,484 |
| Total Gross Revenues | 406,520 | 407,366 | 384,025 | 347,897 | 299,783 | 298,868 | 272,285 | 250,623 | 236,634 | 213,221 |
| Operation Expenses | | | | | | | | | | |
| Maintenance and Operation of Facilities | | | | | | | | | | |
| Vessel and cargo services | 163,776 | 162,518 | 143,401 | 141,857 | 131,998 | 115,757 | 115,341 | 93,483 | 91,534 | 89,547 |
| Rental of port facilities | 1,313 | 1,099 | 1,219 | 2,093 | 2,140 | 1,130 | 1,164 | 1,387 | 1,174 | 6,893 |
| Grain Elevator | 259 | 621 | 456 | 275 | 330 | 293 | 260 | 288 | 219 | 322 |
| Bulk Materials Handling Plant | 22 | 29 | 31 | 26 | 8 | 11 | 9 | 9 | 22 | 46 |
| Other | 13,235 | 12,854 | 8,617 | 7,915 | 7,107 | 7,114 | 8,223 | 9,919 | 9,958 | 2,415 |
| Total | 178,605 | 177,121 | 153,724 | 152,166 | 141,583 | 124,305 | 124,997 | 105,086 | 102,907 | 99,223 |
| General and Administrative | 46,225 | 50,420 | 49,608 | 42,423 | 44,286 | 42,297 | 39,152 | 41,845 | 43,875 | 39,894 |
| Total Operating Expenses | 224,830 | 227,541 | 203,332 | 194,589 | 185,869 | 166,602 | 164,149 | 146,931 | 146,782 | 139,117 |
| Nonoperating Expenses | 368 | 4,446 | 3,489 | 6,533 | 259 | 5,673 | 2,694 | 2,998 | 3,906 | 3,350 |
| Total Expenses | 225,198 | 231,987 | 206,821 | 201,122 | 186,128 | 172,275 | 166,843 | 149,929 | 150,688 | 142,467 |
| Net Revenues Available For Debt Service on Revenue Obligations | \$ 181,322 | \$ 175,379 | \$ 177,204 | \$ 146,775 | \$ 113,655 | \$ 126,593 | \$ 105,442 | \$ 100,694 | \$ 85,946 | \$ 70,754 |

- 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> |
|--|---|
| 2021 | \$ 45,541,067 |
| 2022 | 45,070,817 |
| 2023 | 39,918,180 |
| 2024 | 39,109,142 |
| 2025 | 39,099,561 |
| 2026 | 39,087,629 |
| 2027 | 39,922,906 |
| 2028 | 40,036,656 |
| 2029 | 40,033,875 |
| 2030 | 39,784,462 |
| 2031 | 39,774,519 |
| 2032 | 39,879,900 |
| 2033 | 39,576,150 |
| 2034 | 39,721,400 |
| 2035 | 39,737,900 |
| 2036 | 39,569,150 |
| 2037 | 39,566,750 |
| 2038 | 39,570,500 |
| 2039 | <u>26,162,000</u> |
| Total | <u>\$ 751,162,565</u> |

- The table sets forth the annual debt service requirements on the Authority's ad valorem tax bonds as of December 31, 2020, 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, 2020
(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> |
|-------------|----------------|--|-----------------------------------|-----------------------------------|-------------------------------|---------------------------------|----------------|
| 2020 | 4.1% | 6.7% | 2,131.9 | 2,810.6 | 351 | 47.02 | 60.5 |
| 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 |

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

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

| Calendar Year Ending December 31 | Population | Unemployment Rate | Personal Income (amounts in thousands) | Per Capita Personal Income |
|---|-------------------|------------------------------|---|---|
| 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% | 265,351,328 | 56,474 |
| 2019 | 4,713,325 | 3.8% | N/A | N/A |
| 2020 | N/A | N/A | N/A | N/A |

- Source: Harris County, Texas Comprehensive Annual Financial Report for the Fiscal Year Ended February 29, 2020
- 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 | 2019** | | | 2011 | | |
|--|----------------|------|-------------------------------|---------------|------|-------------------------------|
| | Employees | Rank | Percentage of Area Employment | Employees | Rank | Percentage of Area Employment |
| Walmart Stores Inc. | 37,000 | 1 | 1.14% | - | | - |
| Memorial Hermann Healthcare Systems | 24,108 | 2 | 0.74% | 19,500 | 1 | 0.52% |
| HEB | 23,732 | 3 | 0.73% | - | | - |
| UT MD Anderson Cancer Center | 21,086 | 4 | 0.65% | - | | - |
| McDonald's Corporation | 20,918 | 5 | 0.65% | - | | - |
| The Methodist Hospital System | 20,000 | 6 | 0.62% | 12,000 | 3 | 0.38% |
| Kroger | 16,000 | 7 | 0.50% | - | | - |
| United Airlines (formerly Continental) | 14,941 | 8 | 0.46% | - | | - |
| Schlumberger | 12,069 | 9 | 0.37% | - | | - |
| Shell Oil Company | 11,507 | 10 | 0.36% | 13,000 | 2 | 0.41% |
| Baylor College of Medicine | - | | - | 9,232 | 4 | 0.27% |
| Chevron Companies | - | | - | 8,000 | 5 | 0.26% |
| JP Morgan Chase | - | | - | 5,000 | 6 | 0.25% |
| Jacobs Technology | - | | - | 6,500 | 7 | 0.25% |
| Halliburton Company | - | | - | 5,748 | 8 | 0.22% |
| HCA Affiliated Hospitals | - | | - | 7,855 | 9 | 0.19% |
| CenterPoint Energy | - | | - | 5,000 | 10 | 0.18% |
| | <u>201,361</u> | | <u>6.22%</u> | <u>91,835</u> | | <u>2.93%</u> |

- Source: Greater Houston Partnership, Harris County, Texas Comprehensive Annual Financial Report for the fiscal year February 29, 2020.
- Note: Houston area employment for 2020 was approximately 3,068,200 and for 2011 was 2,004,248.
- * Based on calendar year
- ** Information for 2020 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>2020</u> | <u>2016</u> | <u>2012</u> | <u>2008</u> | <u>2004</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| Registered Voters | 2,431,457 | 2,182,980 | 1,942,566 | 1,974,177 | 1,876,296 |
| Votes Cast | 1,656,686 | 1,338,821 | 1,204,167 | 1,188,731 | 1,088,793 |
| Percentage of Registered Voters Voting | 68.14 % | 61.33 % | 61.99 % | 60.21 % | 58.03 % |

Motor Vehicle Registration (c)

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|------------------|------------------|------------------|------------------|------------------|
| Passenger Cars, Small Trucks and Misc. | 3,219,855 | 3,744,668 | 3,685,230 | 3,629,194 | 3,748,343 |
| Large Trucks | 44,849 | 48,256 | 47,689 | 46,076 | 31,247 |
| Total | <u>3,264,704</u> | <u>3,792,924</u> | <u>3,732,919</u> | <u>3,675,270</u> | <u>3,779,590</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)

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|----------------|----------------|----------------|----------------|----------------|
| Baylor College of Medicine | 1,592 | 1,577 | 1,574 | 1,575 | 1,562 |
| Houston Baptist University | 3,963 | 3,741 | 3,432 | 3,325 | 3,270 |
| Houston Community College | 37,676 | 47,703 | 48,190 | 49,782 | 47,197 |
| Lone Star College System | 70,738 | 77,810 | 78,255 | 69,452 | 77,109 |
| Rice University | 7,437 | 7,135 | 6,955 | 7,052 | 6,883 |
| San Jacinto College: | | | | | |
| Central, South and North | 30,840 | 39,303 | 35,948 | 35,455 | 33,183 |
| South Texas College of Law | 1,003 | 975 | 946 | 931 | 969 |
| Texas Southern University | 7,016 | 9,034 | 10,188 | 10,237 | 8,862 |
| Texas Woman's University: Houston (f) | 1,314 | 1,184 | 1,181 | 1,281 | 1,361 |
| University of Houston: | | | | | |
| University Park | 47,066 | 46,137 | 46,327 | 45,364 | 43,774 |
| Downtown | 15,251 | 14,680 | 14,265 | 13,913 | 14,245 |
| Clear Lake | 9,060 | 9,092 | 8,967 | 8,542 | 8,669 |
| University of St. Thomas | 3,693 | 3,454 | 3,222 | 3,151 | 3,224 |
| University of Texas: (e) | | | | | |
| Dental Branch | 574 | 579 | 570 | 565 | 560 |
| Graduate School of Biomedical Sciences | 480 | 480 | 454 | 406 | 425 |
| Medical School | 1,116 | 1,071 | 1,097 | 1,077 | 1,075 |
| School of Biomedical Informatics | 290 | 254 | 255 | 289 | 291 |
| School of Nursing | 1,637 | 1,626 | 1,722 | 1,647 | 1,477 |
| School of Public Health | 1,514 | 1,302 | 1,237 | 1,257 | 1,223 |
| Total | <u>242,260</u> | <u>267,137</u> | <u>264,785</u> | <u>255,301</u> | <u>255,359</u> |

Number of Employees

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|----------------------------|--------|--------|--------|--------|--------|
| Harris County (g) | 17,561 | 16,980 | 17,072 | 16,488 | 16,166 |
| Flood Control District (g) | 325 | 316 | 290 | 293 | 287 |
| Port of Houston Authority | 688 | 683 | 652 | 620 | 597 |

- Note (d) Source: Fall 2020 Enrollment Data from Texas Higher Education Coordinating Board and above school websites
- Note (e) Source: University of Texas Office of Registrar (Fact Book 2021)
- Note (f) Source: Texas Women's University Office of Institutional Research & Data Mgmt (Fact Book 2020)
- 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)

| | Berth Lengths (Feet) | Water Depth Below Mean Low Tide (Feet) | Paved Marshalling Area (Acres) | Covered Storage (Sq. Feet) |
|--|---------------------------------|---|---|---|
| Turning Basin | | | | |
| 36 general Cargo Wharves | 376-624 | 28.5-37.5 | 36 | 1,150,000 |
| 5 Liquid Bulk Wharves | 226-570 | 34.5-37.5 | - | - |
| Wharf - 32 Project Cargo | 806 | 37.5 | 20 | - |
| Woodhouse Terminal** | | | | |
| Wharf 1 | 660 | 40.5 | 2 | - |
| Wharf 2 and 3 (RoRo Dock) | 1,250 | 36.5 | - | 112,740 |
| Grain Dock** | 600 | 43.5 | - | - |
| Dry Bulk Cargo Facility | | | | |
| Wharf 1 | 800 | 43.5 | - | - |
| Wharf 2 | 400 | 43.5 | - | - |
| Jacintoport | | | | |
| Wharves 1 - 3 | 1,830 | 41.5 | 8 | 82,500 |
| Care Terminal | | | | |
| Wharf 1 | 500 | 38.5 | 10 | 45,000 |
| Wharf 2 | 618 | 40.5 | 4 | - |
| Sims Bayou Liquid Bulk Facility | | | | |
| Berths | 320 | 35.5-41.5 | - | - |
| San Jacinto Barge Terminal | | | | |
| Berth | 200-700 | 17.5* | - | - |
| Barbours Cut Terminal | | | | |
| Container Berths 1 - 6 | 6,000 | 46.5 | 190 | - |
| Bayport | | | | |
| Container Berths 2 - 5 | 3964 | 45.0 | 165 | - |
| BPT Auto Terminal | 1,000 | 32.0 | - | - |

* 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) = 57
- 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) = 19
- Heavy-duty yard Chassis (Bucket) = 43

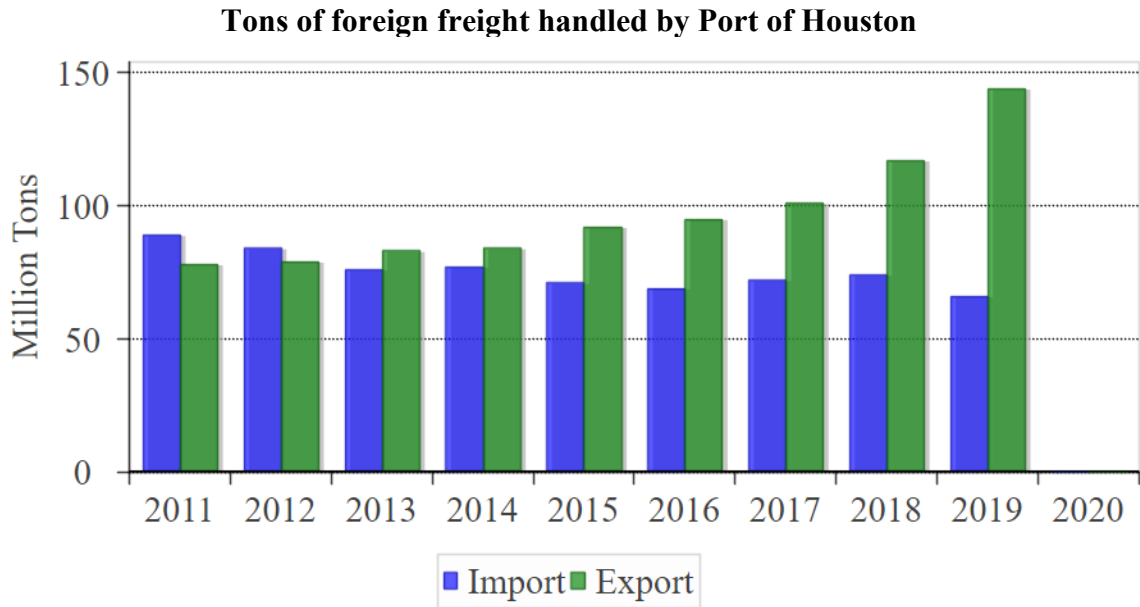
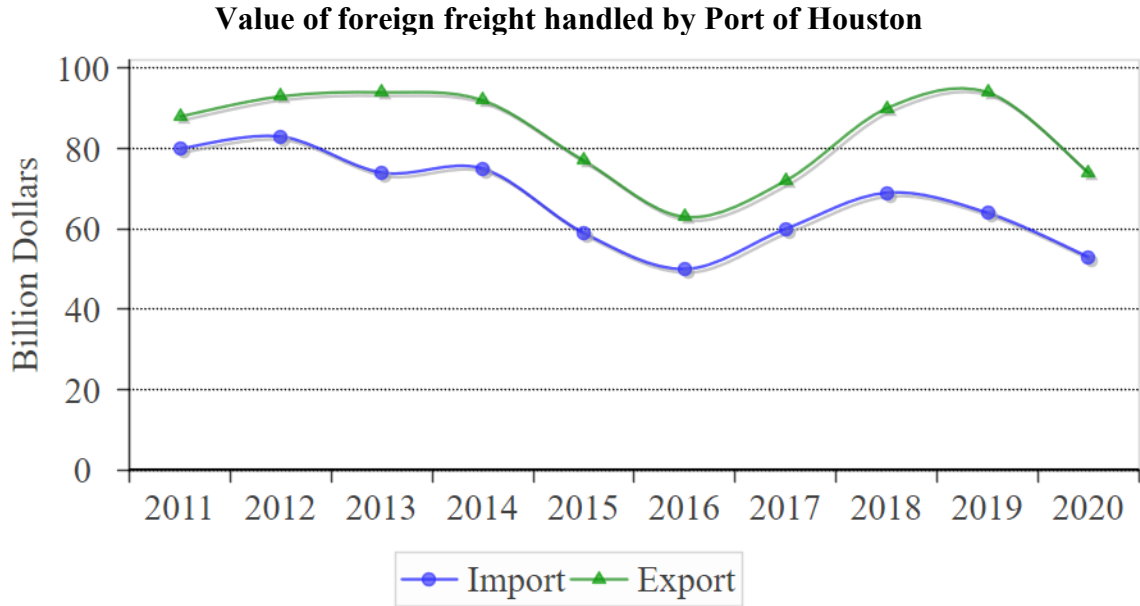
(a) SPP=Super Post Panamax, PP=Post Panamax, P=Panamax, UTR=Utility Truck, PIT=Powered Industrial Truck

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

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Freight handled by the Authority only | | | | | | | | | | |
| (excluding tonnages handled by private terminals) - short tons (a) | | | | | | | | | | |
| Breakbulk cargo | 2,958 | 5,030 | 5,065 | 4,587 | 3,423 | 5,796 | 7,454 | 5,623 | 6,688 | 5,652 |
| Container cargo | 28,751 | 29,043 | 26,588 | 24,291 | 21,960 | 21,564 | 19,400 | 19,112 | 18,590 | 17,735 |
| Bulk grain | 2,766 | 2,298 | 1,375 | 2,140 | 2,872 | 2,350 | 2,311 | 2,264 | 1,294 | 2,371 |
| Bulk plant | 2,562 | 3,057 | 3,796 | 3,230 | 3,330 | 2,905 | 5,191 | 5,152 | 4,692 | 4,209 |
| Other bulk | 9,816 | 8,714 | 9,855 | 10,033 | 13,254 | 12,550 | 12,281 | 12,518 | 12,771 | 12,474 |
| Total | 46,853 | 48,142 | 46,679 | 44,281 | 44,839 | 45,165 | 46,637 | 44,669 | 44,035 | 42,441 |
| Freight handled by entire Port of Houston | | | | | | | | | | |
| (includes tonnages handled by both the Authority and private terminals) - short tons | | | | | | | | | | |
| (b) (c) | | | | | | | | | | |
| Foreign | | | | | | | | | | |
| Imports | (d) | 65,561 | 73,863 | 72,386 | 69,110 | 71,388 | 76,688 | 76,449 | 83,816 | 88,889 |
| Exports | (d) | 144,190 | 117,220 | 100,825 | 94,876 | 92,024 | 83,849 | 83,102 | 78,627 | 78,188 |
| Total Foreign (d) | - | 209,751 | 191,083 | 173,211 | 163,986 | 163,412 | 160,537 | 159,551 | 162,443 | 167,077 |
| Domestic | | | | | | | | | | |
| Receipts | (d) | 31,945 | 32,996 | 35,745 | 36,417 | 36,010 | 34,267 | 32,442 | 35,349 | 32,429 |
| Shipments | (d) | 26,054 | 25,630 | 30,058 | 26,635 | 24,375 | 23,194 | 22,116 | 23,338 | 22,937 |
| Total Domestic (d) | - | 57,999 | 58,626 | 65,803 | 63,052 | 60,385 | 57,461 | 54,558 | 58,687 | 55,366 |
| Local | (d) | 17,194 | 19,222 | 21,057 | 20,944 | 17,136 | 16,306 | 15,137 | 17,055 | 15,355 |
| Total | - | 284,944 | 268,931 | 260,071 | 247,982 | 240,933 | 234,304 | 229,246 | 238,185 | 237,798 |
| Value of foreign trade handled by entire Port of Houston (c) | | | | | | | | | | |
| Imports | \$ 52,513,714 | \$ 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 |
| Exports | 74,035,317 | 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 |
| Total | \$126,549,031 | \$157,545,976 | \$159,249,412 | \$131,499,675 | \$112,919,801 | \$136,029,726 | \$167,039,749 | \$168,338,077 | \$176,660,799 | \$168,299,306 |

- 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) Amounts not available for 2020.

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



- Note: Foreign tonnage is not available for 2020.

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

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|--------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Total Revenue Tonnage | | | | | | | | | | |
| Including Bayport companies | 46,853 | 48,142 | 46,679 | 44,281 | 44,839 | 45,168 | 46,637 | 44,669 | 44,035 | 42,441 |
| Excluding Bayport companies | 41,688 | 43,137 | 40,863 | 38,274 | 34,847 | 35,744 | 37,620 | 35,825 | 35,059 | 33,549 |
| General Cargo (a) | 31,708 | 34,074 | 31,653 | 28,878 | 25,226 | 27,360 | 26,854 | 24,735 | 25,278 | 23,387 |
| Bulk Materials Handling Plant | 2,562 | 3,057 | 3,796 | 3,230 | 3,330 | 2,908 | 5,191 | 5,152 | 4,692 | 4,210 |
| Grain Elevator #2 | 2,766 | 2,298 | 1,375 | 2,140 | 2,872 | 2,350 | 2,311 | 2,264 | 1,294 | 2,371 |
| Other Bulk Movements | | | | | | | | | | |
| Excluding Bayport companies (b) | 4,651 | 3,708 | 4,039 | 4,026 | 3,419 | 3,126 | 3,265 | 3,675 | 3,796 | 3,582 |
| Including Bayport companies | 5,165 | 5,005 | 5,815 | 6,007 | 9,992 | 9,424 | 9,016 | 8,843 | 8,975 | 8,892 |
| Barbours Cut Terminal | | | | | | | | | | |
| Bulk (b) | 15 | 42 | 51 | 3 | 3 | - | - | - | - | - |
| General cargo (a) | 12,293 | 11,185 | 10,687 | 9,808 | 9,467 | 11,395 | 11,100 | 10,559 | 10,117 | 9,493 |
| Bayport Container Terminal | | | | | | | | | | |
| General cargo (a) | 15,385 | 16,603 | 14,605 | 13,027 | 10,855 | 8,589 | 6,977 | 7,265 | 7,355 | 7,365 |
| Steel (a) | | | | | | | | | | |
| Import | 2,202 | 3,980 | 4,303 | 3,626 | 2,288 | 4,643 | 6,343 | 4,350 | 5,093 | 3,674 |
| Export | 51 | 72 | 61 | 68 | 80 | 141 | 236 | 303 | 391 | 626 |
| Autos - Turning Basin | | | | | | | | | | |
| Tons - import (a) | 98 | 134 | 152 | 141 | 161 | 168 | 129 | 143 | 176 | 124 |
| Tons - export (a) | 1 | 4 | 4 | 3 | 8 | 14 | 13 | 21 | 28 | 27 |
| Units - import | 44 | 61 | 74 | 74 | 83 | 82 | 63 | 71 | 94 | 65 |
| Units - export | - | 1 | 1 | 1 | 2 | 6 | 5 | 8 | 11 | 13 |
| Bagged Goods (a) | | | | | | | | | | |
| Import | 196 | 263 | 133 | 232 | 168 | 167 | 65 | 53 | 137 | 309 |
| Export | 18 | 18 | 84 | 45 | 40 | 46 | 57 | 191 | 88 | 198 |
| Container TEU | 2,989 | 2,987 | 2,700 | 2,459 | 2,183 | 2,131 | 1,951 | 1,950 | 1,935 | 1,866 |

- 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)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Houston Ship Channel | | | | | | | | | | |
| Break bulk | 565 | 623 | 642 | 667 | 744 | 883 | 987 | 1,019 | 998 | 914 |
| Bulk carrier | 724 | 773 | 743 | 860 | 827 | 876 | 1,003 | 809 | 729 | 702 |
| Containers | 1,091 | 1,041 | 962 | 912 | 940 | 1,003 | 1,012 | 966 | 1,013 | 1,037 |
| Cruise | - | - | - | - | 31 | 48 | 38 | 9 | - | - |
| Roll-on/roll-off | - | - | 6 | 30 | 35 | 12 | 9 | 29 | 49 | 49 |
| Tankers | 5,096 | 5,417 | 5,445 | 4,851 | 5,129 | 5,047 | 4,746 | 4,955 | 4,983 | 4,885 |
| Tug Tow | 443 | 412 | 450 | 503 | 448 | 384 | 386 | 369 | 454 | 355 |
| Vehicle carrier | 76 | 99 | 129 | 110 | 109 | 111 | 112 | 119 | 138 | 104 |
| Other | 12 | 10 | 10 | 13 | 6 | 12 | 46 | 16 | 31 | 27 |
| Total Vessel Arrivals | 8,007 | 8,375 | 8,387 | 7,946 | 8,269 | 8,376 | 8,339 | 8,291 | 8,395 | 8,073 |
| PHA Public Wharves | | | | | | | | | | |
| Turning Basin | | | | | | | | | | |
| Ships | 677 | 699 | 779 | 839 | 864 | 1,066 | 1,258 | 1,121 | 1,130 | 1,046 |
| Barges | 878 | 890 | 1,182 | 1,063 | 935 | 971 | 1,016 | 1,789 | 1,585 | 1,528 |
| Bulk Plant, Jacintoport, Care, Woodhouse, and HPGE#2 | | | | | | | | | | |
| Ships | 508 | 534 | 435 | 872 | 517 | 502 | 597 | 596 | 581 | 613 |
| Barges | 560 | 568 | 547 | 443 | 504 | 424 | 611 | 492 | 632 | 586 |
| Barbours Cut | | | | | | | | | | |
| Ships | 571 | 554 | 527 | 500 | 560 | 581 | 664 | 822 | 771 | 688 |
| Barges | 5 | 35 | 54 | 33 | 36 | 98 | 113 | 23 | 88 | 51 |
| Bayport Container Terminal | | | | | | | | | | |
| Ships | 522 | 523 | 476 | 463 | 490 | 494 | 356 | 349 | 355 | 374 |
| Barges | 62 | 111 | 172 | 164 | 175 | 119 | 107 | 68 | 63 | 59 |
| Bayport Cruise Terminal | | | | | | | | | | |
| Cruise | - | - | - | - | 31 | 48 | 38 | 9 | - | - |
| Layberth | - | - | - | - | - | 42 | 39 | 42 | 48 | 56 |
| Bayport Companies | | | | | | | | | | |
| Ships | 744 | 843 | 765 | 777 | 793 | 856 | 672 | 732 | 713 | 643 |
| Barges | 1,291 | 1,327 | 1,635 | 1,679 | 2,402 | 2,166 | 2,145 | 2,148 | 2,160 | 2,206 |
| Total PHA Arrivals | | | | | | | | | | |
| Ships (a) | 3,097 | 3,165 | 3,005 | 3,027 | 3,248 | 3,528 | 3,654 | 3,661 | 3,593 | 3,409 |
| Barges | 3,526 | 3,673 | 4,480 | 4,153 | 4,693 | 4,348 | 4,611 | 4,521 | 4,533 | 4,441 |

- 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

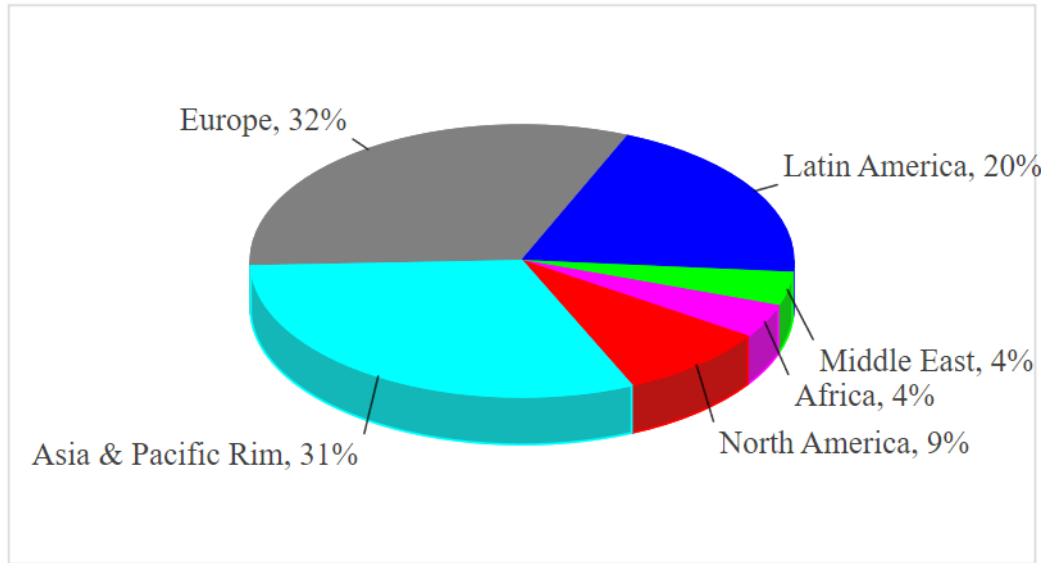
(in thousands)
(short tons)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Coke | 2,562 | 2,439 | 3,012 | 2,898 | 3,313 | 2,809 | 3,282 | 2,712 | 2,970 | 3,698 |
| Coal | - | 618 | 784 | 333 | 16 | 100 | 1,909 | 2,441 | 1,729 | 549 |
| Fertilizer | 138 | 109 | 90 | 71 | 90 | 51 | 62 | 75 | 18 | - |
| Grain | 2,766 | 2,298 | 1,375 | 2,140 | 2,872 | 2,350 | 2,311 | 2,264 | 1,286 | 2,376 |
| Industrial Chemical | 8,028 | 7,347 | 8,362 | 8,451 | 11,957 | 11,240 | 10,864 | 10,563 | 10,895 | 10,682 |
| Molasses | 336 | 367 | 301 | 242 | 243 | 255 | 253 | 249 | 263 | 241 |
| Petroleum Products | 286 | 444 | 645 | 554 | 508 | 458 | 361 | 581 | 621 | 509 |
| Tallow | 249 | 155 | 180 | 275 | 152 | 154 | 191 | 182 | 251 | 259 |
| Dry Bulk | 704 | 173 | 142 | 269 | 287 | 242 | 356 | 525 | 601 | 555 |
| Vegetable Oil | 76 | 119 | 135 | 170 | 175 | 150 | 194 | 341 | 105 | 178 |
| Miscellaneous Bulk | - | - | - | - | - | - | - | - | 17 | 7 |
| Totals | 15,145 | 14,069 | 15,026 | 15,403 | 19,613 | 17,809 | 19,783 | 19,933 | 18,756 | 19,054 |

- Source: The Authority

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

2020 Foreign Trade Through the Port of Houston by Region (\$ Value)

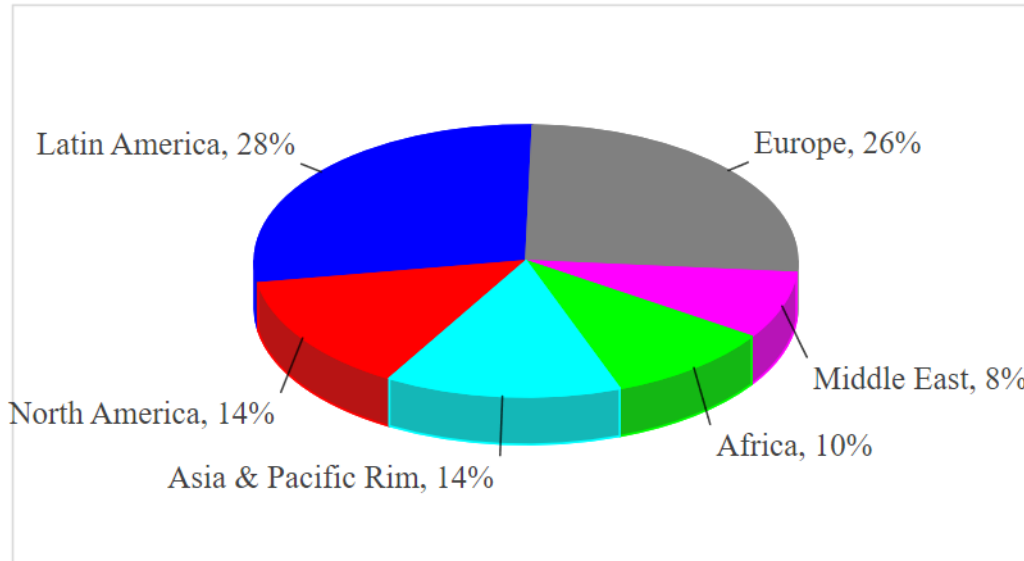


TRADE THROUGH THE PORT OF HOUSTON BY REGION IN 2020 (000s)

| | Imports | Exports | Total | Percent of World Total |
|-------------------------|----------------------|----------------------|-----------------------|------------------------|
| Europe | \$ 21,197,590 | \$ 18,677,706 | \$ 39,875,296 | 32 % |
| Asia & Pacific Rim | 18,973,733 | 20,546,323 | 39,520,056 | 31 % |
| Latin America | 6,216,196 | 19,453,579 | 25,669,775 | 20 % |
| North America | 3,681,624 | 7,959,188 | 11,640,812 | 9 % |
| Middle East | 1,639,479 | 3,354,689 | 4,994,168 | 4 % |
| Africa | 805,092 | 4,043,832 | 4,848,924 | 4 % |
| Worldwide Totals | \$ 52,513,714 | \$ 74,035,317 | \$ 126,549,031 | 100 % |

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

2011 Foreign Trade Through the Port of Houston by Region (\$ Value)



TRADE THROUGH THE PORT OF HOUSTON BY REGION IN 2011 (000s)

| | Imports | Exports | Total | Percent of World Total |
|-------------------------|----------------------|----------------------|-----------------------|------------------------|
| Latin America | \$ 13,223,504 | \$ 34,157,119 | \$ 47,380,623 | 28 % |
| Europe | 22,841,895 | 21,526,624 | 44,368,519 | 26 % |
| Asia & Pacific Rim | 11,072,104 | 12,885,987 | 23,958,091 | 14 % |
| North America | 14,012,150 | 9,183,475 | 23,195,625 | 14 % |
| Africa | 10,801,265 | 6,265,068 | 17,066,333 | 10 % |
| Middle East | 8,304,618 | 4,619,240 | 12,923,858 | 8 % |
| Worldwide Totals | \$ 80,255,536 | \$ 88,637,513 | \$ 168,893,049 | 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

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|-------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Exempt Employees | 248 | 244 | 222 | 215 | 207 | 199 | 179 | 183 | 182 | 190 |
| Non Exempt Maintenance | 226 | 229 | 211 | 215 | 171 | 169 | 205 | 194 | 206 | 237 |
| Non Exempt Employees | 208 | 210 | 219 | 190 | 219 | 215 | 158 | 151 | 154 | 151 |
| Total Active Employees | 682 | 683 | 652 | 620 | 597 | 583 | 542 | 528 | 542 | 578 |

- Source: The Authority





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