



Port of Houston Authority of Harris County Texas
Debt Information
As of December 31, 2013 and 2012

At the end of 2013, the Authority had total debt outstanding of \$754.3 million (net of premiums/discounts), consisting of Unlimited Tax Port Improvement Bonds and Unlimited Tax Refunding Bonds (collectively, the “General Obligation Bonds”), for which debt service is funded from ad valorem taxes approved by Harris County taxpayers, levied by the Harris County Commissioners Court on behalf of the Authority and collected by the Harris County Tax Assessor-Collector.

At the end of 2012, the Authority had total debt outstanding of \$771.1 million (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 millions)

	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Obligation Bonds			
Unlimited Tax Port Improvement Bonds	\$ 95.4	\$ 95.5	\$ 96.0
Unlimited Tax Refunding Bonds	<u>658.9</u>	<u>675.6</u>	<u>692.0</u>
Total General Obligation Bonds	\$ 754.3	\$ 771.1	\$ 788.0
Less Current Maturities	<u>(15.2)</u>	<u>(14.3)</u>	<u>(13.9)</u>
Long-Term Debt (net of unamortized premiums/discounts)	<u>\$ 739.1</u>	<u>\$ 756.8</u>	<u>\$ 774.1</u>

The proceeds of such General Obligation Bonds have been used solely to fund the Authority's infrastructure investments and capital projects, as well as to refund prior bond issuances.

During 2013, the Authority issued no new debt. The Authority's total debt principal outstanding decreased \$14.3 million during 2013 due to the scheduled debt service payment. Interest expense for 2013 on the unlimited tax bonds decreased by \$0.6 million. In 2013, the Authority considered interim financing alternatives for its capital improvement program.

During 2012, the Authority issued no new debt. During 2012, the Authority's total debt principal outstanding decreased \$13.9 million due to the scheduled debt service payment. Interest expense for 2012 on the unlimited tax bonds decreased by \$3.0 million from the prior year due primarily to certain bond refundings in 2011 and additional capitalized interest on projects in 2012.

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

<u>Year</u>	<u>Fitch</u>	<u>Moody's</u>	<u>S & P</u>
2013	AAA	Aaa	AAA
2012	AAA	Aaa	AAA

On the next few pages, we show additional information on the Authority's debt, extracted from the Authority's Comprehensive Annual Financial Report for the fiscal year ended December 31, 2013.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012
(in thousands)

6. Long-Term Debt and Noncurrent Liabilities

The following is a summary of bonds payable and other noncurrent liabilities which comprise the Authority's long-term liabilities for the years ended December 31, 2013 and 2012.

Changes in Long-Term Liabilities - 2013

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds Payable					
Unlimited tax bonds	\$ 731,969	\$ -	\$ (14,345)	\$ 717,624	\$ 15,245
Accreted interest on unlimited tax bonds	102	52	-	154	-
Less unamortized premiums / discounts, net	<u>39,058</u>	<u>-</u>	<u>(2,538)</u>	<u>36,520</u>	<u>-</u>
Total Bonds Payable	<u>771,129</u>	<u>52</u>	<u>(16,883)</u>	<u>754,298</u>	<u>15,245</u>
Other Noncurrent Liabilities					
Net OPEB obligation	37,072	3,484	(8,000)	32,556	-
Compensated absences	5,508	4,007	(4,775)	4,740	473 *
Fees received in advance	4,974	3,972	(3,582)	5,364	1,013 *
Claims liability	<u>2,736</u>	<u>1,603</u>	<u>(837)</u>	<u>3,502</u>	<u>-</u>
Total Other Noncurrent Liabilities	<u>\$ 50,290</u>	<u>\$ 13,066</u>	<u>\$ (17,194)</u>	<u>\$ 46,162</u>	<u>\$ 1,486</u>

* Included in accounts payable and other current liabilities

The Authority's long-term debt consists primarily of ad valorem tax General Obligation bonds. Repayment of the outstanding principal of these General Obligation bonds and interest thereon is made from property taxes. During 2013 and 2012, the Authority did not issue or refund any bonds.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012
(in thousands)

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

Changes in Long-Term Liabilities - 2012

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds Payable					
Unlimited tax bonds	\$ 745,874	\$ -	\$ (13,905)	\$ 731,969	\$ 14,345
Accreted interest on unlimited tax bonds	60	42	-	102	-
Less unamortized premiums / discounts	<u>42,079</u>	<u>-</u>	<u>(3,021)</u>	<u>39,058</u>	<u>-</u>
Total Bonds Payable	<u><u>788,013</u></u>	<u><u>42</u></u>	<u><u>(16,926)</u></u>	<u><u>771,129</u></u>	<u><u>14,345</u></u>
Other Noncurrent Liabilities					
Net OPEB obligation	40,096	4,976	(8,000)	37,072	-
Compensated absences	5,661	5,298	(5,451)	5,508	460 *
Fees received in advance	4,473	1,517	(1,016)	4,974	1,797 *
Advances from developer	1,551	-	(1,551)	-	-
Claims liability	<u>1,665</u>	<u>1,151</u>	<u>(80)</u>	<u>2,736</u>	<u>-</u>
Total Other Noncurrent Liabilities	<u><u>\$ 53,446</u></u>	<u><u>\$ 12,942</u></u>	<u><u>\$ (16,098)</u></u>	<u><u>\$ 50,290</u></u>	<u><u>\$ 2,257</u></u>

* Included in accounts payable and other current liabilities

Due to the implementation in fiscal 2012 of GASB Statements No. 63 and No. 65, deferred losses and gains from refunding transactions have been reclassified from a liability to a deferred outflow and inflow of resources, respectively, and are no longer presented in the Changes in Long-Term Liabilities and Outstanding Long-Term Debt tables.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012
(in thousands)

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

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

Outstanding Long-Term Debt

	Original Issue	Interest Rate % *	Issue Date	Maturity	December 31	
					2013	2012
General Obligation Bonds						
Unlimited Tax Refunding Bonds						
Series 2002B	\$ 7,060	4.12-5.50	12/12/2002	2013	\$ -	\$ 490
Series 2004	9,000	3.00-5.00	12/8/2004	2016	2,075	2,790
Series 2005A	36,665	4.25-5.00	9/8/2005	2023	36,665	36,665
Series 2005B	62,485	4.125-5.00	6/8/2005	2023	58,315	60,670
Series 2006A	28,380	5.00	7/19/2006	2017	10,275	12,875
Series 2006B	47,085	4.75-5.00	10/18/2006	2031	47,085	47,085
Series 2006C	9,160	4.00-5.00	10/18/2006	2031	9,160	9,160
Series 2008A	234,630	5.625-6.25	7/24/2008	2038	182,045	182,045
Series 2010A	38,095	1.00-5.00	2/17/2010	2019	22,205	25,940
Series 2010B	22,930	1.00-5.00	2/17/2010	2026	17,170	18,885
Series 2010C	30,254	2.00-5.37	2/3/2010	2033	29,274	29,609
Series 2010D-1	147,940	5.00	8/19/2010	2035	147,940	147,940
Series 2010E	22,330	2.00-5.00	8/19/2010	2038	22,330	22,330
Series 2011A	47,345	1.00-5.00	10/20/2011	2026	42,440	44,840
					626,979	641,324
Unamortized premiums / (discounts), net					31,791	34,228
Series 2010C and 2010E CAB Accretion, net					154	102
Unlimited Tax Refunding Bonds, net					658,924	675,654
Unlimited Tax Port Improvement Bonds						
Series 2002A	16,000	3.00-5.00	12/12/2002	2027	4,980	4,980
Series 2010D-2	85,665	5.00	8/19/2010	2039	85,665	85,665
Total Unlimited Tax Port Improvement Bonds					90,645	90,645
Unamortized premiums / (discounts), net					4,729	4,830
Unlimited Tax Port Improvement Bonds, net					95,374	95,475
Total Debt					754,298	771,129
Less Current Maturities					(15,245)	(14,345)
Long - Term Debt (net of unamortized premiums / (discounts))					\$ 739,053	\$ 756,784

* Interest rate of original issue

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012
(in thousands)

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

Debt Service Requirements

Total debt service requirements for outstanding bonds as of December 31, 2013 are as follows:

Year Ending December 31	Bond Principal	Capital Appreciation Bond	Bond Interest	Total
	General Obligation	Accreted Interest	General Obligation	
2014	\$ 15,245	\$ -	\$ 36,890	\$ 52,135
2015	15,950	-	36,194	52,144
2016	16,725	-	35,425	52,150
2017	19,720	-	34,617	54,337
2018	20,685	-	33,730	54,415
2019-2023	118,170	-	151,905	270,075
2024-2028	124,645	-	122,945	247,590
2029-2033	153,689	4,855	91,006	249,550
2034-2038	199,835	13,121	36,592	249,548
2039	32,960	-	1,649	34,609
	<u>\$ 717,624</u>	<u>\$ 17,976</u>	<u>\$ 580,953</u>	<u>\$ 1,316,553</u>

Bond Refundings

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

Bond Restrictions

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

Arbitrage

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the U.S. Treasury of investment income received at yields that exceed the issuer’s tax-exempt borrowing rates. The U.S. Treasury requires payment, if applicable, for each issue every five years. There was no arbitrage liability for tax-

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012
(in thousands)

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

Arbitrage (continued)

exempt debt subject to the Tax Reform Act through December 31, 2013 and 2012. The estimated liability is updated annually for any tax-exempt issuance or changes in yields until payment of the calculated liability is due.

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

Fiscal Year	General Obligation Bonds			Premiums (Discounts)	General Bonded Debt	Less Debt Service Funds Cash	Net General Bonded Debt	Percentage of Actual Property Value	GOB Debt per Capita	Revenue Bonds	Total Outstanding Debt	Percentage of Personal Income	Total Debt Per Capita
	Unlimited Tax Refunding Bonds	Unlimited Tax Port Improvement Bonds	Unlimited Tax Commercial Paper										
2004	\$ 37,975	\$ 249,925	\$ 6,800	\$ 4,717	\$ 299,417	\$ 11,415	\$ 288,002	0.15 %	\$ 79	\$ 8,620	\$ 296,622	0.21 %	\$ 81
2005	130,620	184,085	21,034	8,229	343,968	6,897	337,071	0.17 %	91	4,363	341,434	0.22 %	92
2006	211,100	146,005	21,744	9,848	388,697	7,000	381,697	0.18 %	98	-	381,697	0.21 %	98
2007	204,935	139,030	113,478	6,345	463,788	5,000	458,788	0.19 %	117	-	458,788	0.24 %	117
2008	431,065	131,950	-	8,340	571,355	7,000	564,355	0.21 %	142	-	564,355	0.30 %	142
2009	422,665	124,750	70,245	7,769	625,429	6,000	619,429	0.22 %	154	-	619,429	0.35 %	154
2010	616,814	146,805	-	28,629	792,248	10,900	781,348	0.30 %	190	-	781,348	0.41 %	190
2011	654,674	91,200	-	42,139	788,013	10,456	777,557	0.29 %	186	-	777,557	0.38 %	186
2012	641,324	90,645	-	39,160	771,129	8,784	762,345	0.27 %	176	-	762,345	0.24 %	176
2013	626,979	90,645	-	36,674	754,298	9,672	744,626	0.25 %	120	-	744,626	N/A	120

Port of Houston Authority of Harris County, Texas
Net Revenues Available for Debt Service on First - Revenue Obligations
For each of the Ten Years in the Period Ended December 31, 2013

(unaudited)
(in thousands)

	2013	2012	2011	2010	2009	2008	2007	2006*	2005	2004
Gross Revenues										
Operating Revenues										
Vessel and cargo services	\$ 197,974	\$ 188,457	\$ 175,297	\$ 157,633	\$ 142,310	\$ 169,584	\$ 162,636	\$ 141,697	\$ 131,007	\$ 114,915
Rental of equipment and facilities	25,114	23,077	22,030	20,325	20,451	19,910	18,800	18,033	17,412	15,817
Grain Elevator	592	683	1,923	911	1,155	787	809	717	589	835
Bulk materials	2,665	2,485	2,131	2,368	2,243	2,319	2,903	3,221	2,568	2,348
Other	5,201	8,512	3,356	3,272	2,040	2,435	3,630	1,915	2,361	1,036
Total	231,546	223,214	204,737	184,509	168,199	195,035	188,778	165,583	153,937	134,951
NonOperating Revenues										
Investment (loss) income	(452)	2,406	3,126	3,572	4,552	6,736	9,992	11,292	7,427	3,500
Other, net	19,529	11,014	5,358	11,319	9,798	7,198	14,699	8,255	13,660	8,172
Total	19,077	13,420	8,484	14,891	14,350	13,934	24,691	19,547	21,087	11,672
Total Gross Revenues	250,623	236,634	213,221	199,400	182,549	208,969	213,469	185,130	175,024	146,623
Operation Expenses										
Maintenance and Operation of Facilities										
Vessel and cargo services	93,483	91,534	89,547	90,861	77,591	94,473	85,178	73,236	66,918	60,906
Rental of port facilities	1,387	1,174	6,893	3,945	3,774	3,311	4,185	3,560	6,151	2,954
Grain Elevator	288	219	322	263	221	163	404	557	477	197
Bulk Materials Handling Plant	9	22	46	34	88	94	307	723	435	589
Other	9,919	9,958	2,415	2,385	1,796	1,797	1,916	358	919	888
Total	105,086	102,907	99,223	97,488	83,470	99,838	91,990	78,434	74,900	65,534
General and Administrative										
Total Operating Expenses	41,845	43,875	39,894	51,487	63,411	41,930	46,029	28,846	28,380	31,316
Total Operating Expenses	146,931	146,782	139,117	148,975	146,881	141,768	138,019	107,280	103,280	96,850
Nonoperating Expenses										
Total Expenses	2,998	3,906	3,350	5,872	18,473	4,461	29,151	5,869	8,550	686
Total Expenses	149,929	150,688	142,467	154,847	165,354	146,229	167,170	113,149	111,830	97,536
Net Revenues Available For Debt Service on										
First Lien Revenue Bonds										
	\$ 100,694	\$ 85,946	\$ 70,754	\$ 44,553	\$ 17,195	\$ 62,740	\$ 46,299	\$ 71,981	\$ 63,194	\$ 49,087
Average Annual Debt Service on First Lien Revenue Bonds										
	-	-	-	-	-	-	-	\$ 4,456	\$ 4,514	\$ 4,619
Coverage by Net Revenues										
	-	-	-	-	-	-	-	1,615 %	1,400 %	1,063 %

* Revenue Bonds were retired during 2006

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

Fiscal Year Ending December 31	Outstanding Debt Service Requirements
2014	\$ 52,135,469
2015	52,144,219
2016	52,149,969
2017	54,337,144
2018	54,415,094
2019	55,129,169
2020	55,492,394
2021	55,470,806
2022	54,715,731
2023	49,267,056
2024	49,263,444
2025	49,256,606
2026	49,249,556
2027	49,910,044
2028	49,910,794
2029	49,912,581
2030	49,911,631
2031	49,910,188
2032	49,907,888
2033	49,908,025
2034	49,905,806
2035	49,910,275
2036	49,909,275
2037	49,910,113
2038	49,912,181
2039	34,608,000
Total	<u>\$ 1,316,553,458</u>

(a) The table sets forth the annual debt service requirements on the Authority's ad valorem tax bonds as of December 31, 2013, excluding bonds that have been refunded and defeased.