

**Port of Houston Authority of Harris County Texas  
Debt Information  
As of December 31, 2015 and 2014**

Port of Houston Authority of Harris County, Texas (the "Authority") is pleased to provide the following information as part of its commitment to financial transparency.

**Not for Investment Purposes**

Information made available by the Authority, including information on its website ([www.portofhouston.com](http://www.portofhouston.com)), is not made available for investment purposes and does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, and it does not constitute an offering prospectus. Any such offer by the Authority can only be made by an official statement formally issued by the Authority.

Investors in Authority securities should rely on their own evaluation of the Authority and its securities, including the merits and risks involved.

**General Obligation Bonds**

At the end of 2015, the Authority had total debt outstanding of \$717.6 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 2014, the Authority had total debt outstanding of \$736.7 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>2015</u>	<u>2014</u>	<u>2013</u>
General Obligation Bonds			
Unlimited Tax Port Improvement Bonds	\$ 90.2	\$ 95.3	\$ 95.4
Unlimited Tax Refunding Bonds	<u>627.4</u>	<u>641.5</u>	<u>658.9</u>
<b>Total General Obligation Bonds</b>	<b>\$ 717.6</b>	<b>\$ 736.7</b>	<b>\$ 754.3</b>
Less Current Maturities	<u>(16.3)</u>	<u>(16.0)</u>	<u>(15.2)</u>
Long-Term Debt (net of unamortized premiums/discounts)	<u>\$ 701.3</u>	<u>\$ 720.8</u>	<u>\$ 739.1</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 2015, the Authority issued \$116.0 million par value of Series 2015A, 2015B and 2015C unlimited tax refunding bonds at a premium. The bond proceeds net of issuance cost, were used to refund \$128.1 million in par value relating to Series 2002A, 2005A, 2005B, 2006B and 2006C. Interest expense for 2015 on the unlimited tax bonds decreased by \$0.3 million.

The Authority's total debt principal outstanding decreased \$28.1 million during 2015. The key factors for this decrease were the scheduled debt service payment of \$16.0 million and the refunding of \$128.1 million of unlimited tax bonds, partially offset by the issuance of \$116.0 million related to Series 2015A, 2015B and 2015C.

During 2014, the Authority issued no new debt. The Authority's total debt principal outstanding decreased \$15.2 million during 2014 due to the scheduled debt service payment. Interest expense for 2014 on the unlimited tax bonds increased by \$0.3 million.

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 &amp; P</u>
2015	AAA	Aaa	AAA
2014	AAA	Aaa	AAA

### **Note Purchase Program**

In September 2015, the Authority executed a \$300 million note purchase program (the “Flexible Rate Revolving Note Program”) with a group of banks in order to provide the capability for the Port Commission to continue to award capital projects, as unencumbered operating cash flows were projected to be depleted in fiscal 2016. Affiliates of Bank of America Merrill Lynch serve as Agent and Administrative Agent.

This form of financing is not considered a long-term solution as any funds actually drawn must be repaid by September 2018, but is an interim measure while decisions are being made regarding financing alternatives. Any drawings are secured from the Authority’s net revenues, and not from ad valorem taxes. No encumbrances or draw-downs against the Flexible Rate Revolving Note Program have occurred as of December 31, 2015.

### **Other Debt Information**

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, 2015.

## Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2015 and 2014  
(in thousands)

### 6. Long-Term Debt and Noncurrent Liabilities

The following is a summary of bonds payable and other noncurrent liabilities, and the changes therein, which comprise the Authority's long-term liabilities for the years ended December 31, 2015 and 2014.

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

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

\* Included in accounts payable and other current liabilities

The Authority's long-term debt consists of ad valorem tax General Obligation Bonds. Repayment of the outstanding principal of these General Obligation Bonds and interest thereon is made from property taxes.

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

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

Notes to the Financial Statements  
For the Years Ended December 31, 2015 and 2014  
(in thousands)

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

**Changes in Long-Term Liabilities - 2014 (Restated)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds Payable					
Unlimited tax bonds	\$ 717,624	\$ -	\$ (15,245)	\$ 702,379	\$ 15,950
Accreted interest on capital appreciation bonds	154	63	-	217	-
Less unamortized premiums / discounts, net	<u>36,520</u>	<u>-</u>	<u>(2,371)</u>	<u>34,149</u>	<u>-</u>
Total Bonds Payable	<u>\$ 754,298</u>	<u>\$ 63</u>	<u>\$ (17,616)</u>	<u>\$ 736,745</u>	<u>\$ 15,950</u>
Net Pension (Asset) Liability	<u>\$ -</u>	<u>\$ (5,725)</u>	<u>\$ -</u>	<u>\$ (5,725)</u>	<u>\$ -</u>
Other Noncurrent Liabilities					
Net OPEB obligation	\$ 32,556	\$ 6,395	\$ (11,363)	\$ 27,588	\$ -
Compensated absences	4,740	5,324	(4,561)	5,503	566 *
Fees received in advance	5,364	2,397	(2,491)	5,270	1,013 *
Claims liability	3,502	1,267	(924)	3,845	-
Other liabilities	<u>-</u>	<u>14,070</u>	<u>-</u>	<u>14,070</u>	<u>-</u>
Total Other Noncurrent Liabilities	<u>\$ 46,162</u>	<u>\$ 29,453</u>	<u>\$ (19,339)</u>	<u>\$ 56,276</u>	<u>\$ 1,579</u>

Fiscal 2014 Long-Term Liabilities were restated to include the Net Pension (Asset) Liability as a result of the implementation of GASB 68; see the Adoption of New Accounting Standards discussed in Note 1.

\* Included in accounts payable and other current liabilities

# Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2015 and 2014  
(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	
					2015	2014
<b>General Obligation Bonds</b>						
<b>Unlimited Tax Refunding Bonds</b>						
Series 2004A	\$ 9,000	3.00-5.00	12/8/2004	2016	\$ 680	\$ 1,370
Series 2005A	36,665	4.00-5.00	9/8/2005	2015	-	32,745
Series 2005B	62,485	4.125-5.00	9/8/2005	2015	-	58,315
Series 2006A	28,380	5.00	7/19/2006	2017	5,105	7,685
Series 2006B	47,085	4.75-5.00	10/18/2006	2031	19,640	47,085
Series 2006C	9,160	4.00-5.00	10/18/2006	2016	-	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	14,750	18,475
Series 2010B	22,930	1.00-5.00	2/17/2010	2026	14,670	15,940
Series 2010C	30,254	2.00-5.00	2/3/2010	2038	28,584	28,934
Series 2010D-1	147,940	5.00	8/19/2010	2035	147,940	147,940
Series 2010E	22,330	2.00-5.00	8/19/2010	2038	21,765	22,050
Series 2011A	47,345	1.00-5.00	10/20/2011	2026	37,455	39,990
Series 2015A	62,805	3.125-5.00	8/26/2015	2031	62,805	-
Series 2015B	25,905	5.00	8/26/2015	2023	25,905	-
Series 2015C	27,260	3.054-5.00	8/26/2015	2026	27,260	-
					<u>588,604</u>	<u>611,734</u>
Unamortized premiums / (discounts), net					38,533	29,526
Series 2010C and 2010E CAB Accretion, net					293	217
Unlimited Tax Refunding Bonds, net					<u>627,430</u>	<u>641,477</u>
<b>Unlimited Tax Port Improvement Bonds</b>						
Series 2002A	16,000	3.00-5.00	12/12/2002	2015	-	4,980
Series 2010D-2	85,665	5.00	8/19/2010	2039	85,665	85,665
Total Unlimited Tax Port Improvement Bonds					85,665	90,645
Unamortized premiums / (discounts), net					4,537	4,623
Unlimited Tax Port Improvement Bonds, net					<u>90,202</u>	<u>95,268</u>
Total Debt					<u>717,632</u>	<u>736,745</u>
Less Current Maturities					<u>(16,275)</u>	<u>(15,950)</u>
Long - Term Debt (net of unamortized premiums / (discounts))					<u>\$ 701,357</u>	<u>\$ 720,795</u>

\* Interest rate of original issue

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

Notes to the Financial Statements  
For the Years Ended December 31, 2015 and 2014  
(in thousands)

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

**Debt Service Requirements**

Total debt service requirements for outstanding bonds as of December 31, 2015 are as follows:

<b>Year Ending December 31</b>	<b>Bond</b>	<b>Capital Appreciation</b>	<b>Bond Interest</b>	<b>Total</b>
	<b>Principal General Obligation</b>	<b>Bond Accreted Interest</b>	<b>General Obligation</b>	
2016	\$ 16,275	\$ -	\$ 34,761	\$ 51,036
2017	19,165	-	33,976	53,141
2018	19,945	-	33,046	52,991
2019	21,185	-	32,062	53,247
2020	21,735	-	31,015	52,750
2021-2025	111,365	-	138,779	250,144
2026-2030	138,595	-	109,226	247,821
2031-2035	162,204	17,976	69,246	249,426
2036-2039	163,800	-	20,540	184,340
	<u>\$ 674,269</u>	<u>\$ 17,976</u>	<u>\$ 502,651</u>	<u>\$ 1,194,896</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.

At various times the Authority defeased certain bonds by placing the proceeds of new bonds, together with other available funds, in an irrevocable escrow with a trustee to provide for future debt service on the refunded bonds. Accordingly, the trust account assets and the liabilities for the bonds to be defeased are not included in the Authority's financial statements. The outstanding defeased unlimited tax bonds as of December 31, 2015 was \$36,605.

During 2015, the Authority issued Refunding Bonds Series 2015A, 2015B and 2015C to refund \$128,130 in bonds outstanding. The Authority had no other refunding or bond issues during 2015.

## Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements  
For the Years Ended December 31, 2015 and 2014  
(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 refundings during 2015:

<u>Issue</u>	<u>Types of Refunding</u>	<u>Cash Flow Difference</u>	<u>Economic Gain</u>
2015A Bonds	Advance & Current Refunding	\$ (14,150)	\$ 11,076
2015B Bonds	Current Refunding	(2,965)	2,315
2015C Bonds	Advance Refunding	<u>(2,829)</u>	<u>1,920</u>
		<u>\$ (19,944)</u>	<u>\$ 15,311</u>

#### Bond Restrictions

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

#### Note Purchase Program

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

#### Arbitrage

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the U.S. Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The U.S. Treasury requires payment, if applicable, for each issue every five years. There was no arbitrage liability for tax-exempt debt subject to the Tax Reform Act through December 31, 2015 and 2014. 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**  
(in thousands, except per capita)  
(unaudited)

<b>General Obligation Bonds</b>						<b>Less Debt Service Funds Cash</b>	<b>Net General Bonded Debt</b>	<b>Percentage of Actual Property Value</b>	<b>GOB Debt per Capita</b>	<b>Total Outstanding Debt</b>	<b>Percentage of Personal Income</b>	<b>Total Debt Per Capita</b>
<b>Fiscal Year</b>	<b>Unlimited Tax Refunding Bonds</b>	<b>Unlimited Tax Port Improvement Bonds</b>	<b>Unlimited Tax Commercial Paper</b>	<b>Premiums (Discounts)</b>	<b>General Bonded Debt</b>							
<b>2006</b>	\$ 211,100	\$ 146,005	\$ 21,744	\$ 9,848	388,697	\$ 7,000	\$ 381,697	0.18 %	\$ 98	\$ 381,697	0.21 %	\$ 98
<b>2007</b>	204,935	139,030	113,478	6,345	463,788	5,000	458,788	0.19 %	117	458,788	0.24 %	117
<b>2008</b>	431,065	131,950	-	8,340	571,355	7,000	564,355	0.21 %	142	564,355	0.30 %	142
<b>2009</b>	422,665	124,750	70,245	7,769	625,429	6,000	619,429	0.22 %	154	619,429	0.35 %	154
<b>2010</b>	616,814	146,805	-	28,629	792,248	10,900	781,348	0.30 %	190	781,348	0.41 %	190
<b>2011</b>	654,674	91,200	-	42,139	788,013	10,456	777,557	0.29 %	186	777,557	0.38 %	186
<b>2012</b>	641,324	90,645	-	39,160	771,129	8,784	762,345	0.27 %	179	762,345	0.34 %	179
<b>2013</b>	626,979	90,645	-	36,674	754,298	9,672	744,626	0.25 %	172	744,626	0.32 %	172
<b>2014</b>	611,734	90,645	-	34,366	736,745	13,854	722,891	0.21 %	163	722,891	0.29 %	163
<b>2015</b>	588,604	85,665	-	43,363	717,632	6,414	711,218	0.19 %	159	711,218	N/A	159

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

**Port of Houston Authority of Harris County, Texas**  
**Net Revenues Available for Debt Service on First - Revenue Obligations**  
**For each of the Ten Years in the Period Ended December 31, 2015**

(in thousands)  
(unaudited)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006*
<b>Gross Revenues</b>										
<b>Operating Revenues (a)</b>										
Vessel and cargo services	\$ 266,305	\$ 235,929	\$ 197,974	\$ 188,457	\$ 175,297	\$ 157,633	\$ 142,310	\$ 169,584	\$ 162,636	\$ 141,697
Rental of equipment and facilities	17,120	17,763	25,114	23,077	22,030	20,325	20,451	19,910	18,800	18,033
Grain Elevator	1,567	1,821	592	683	1,923	911	1,155	787	809	717
Bulk materials	4,019	4,270	2,665	2,485	2,131	2,368	2,243	2,319	2,903	3,221
Other	3,753	1,960	5,201	8,512	3,356	3,272	2,040	2,435	3,630	1,915
Total	292,764	261,743	231,546	223,214	204,737	184,509	168,199	195,035	188,778	165,583
<b>NonOperating Revenues</b>										
Investment (loss) income	4,100	4,881	(452)	2,406	3,126	3,572	4,552	6,736	9,992	11,292
Other, net	2,004	5,661	19,529	11,014	5,358	11,319	9,798	7,198	14,699	8,255
Total	6,104	10,542	19,077	13,420	8,484	14,891	14,350	13,934	24,691	19,547
Total Gross Revenues	298,868	272,285	250,623	236,634	213,221	199,400	182,549	208,969	213,469	185,130
<b>Operation Expenses</b>										
<b>Maintenance and Operation of Facilities</b>										
Vessel and cargo services	115,757	115,341	93,483	91,534	89,547	90,861	77,591	94,473	85,178	73,236
Rental of port facilities	1,130	1,164	1,387	1,174	6,893	3,945	3,774	3,311	4,185	3,560
Grain Elevator	293	260	288	219	322	263	221	163	404	557
Bulk Materials Handling Plant	11	9	9	22	46	34	88	94	307	723
Other	7,114	8,223	9,919	9,958	2,415	2,385	1,796	1,797	1,916	358
Total	124,305	124,997	105,086	102,907	99,223	97,488	83,470	99,838	91,990	78,434
<b>General and Administrative</b>										
Total Operating Expenses	42,297	39,152	41,845	43,875	39,894	51,487	63,411	41,930	46,029	28,846
Total Operating Expenses	166,602	164,149	146,931	146,782	139,117	148,975	146,881	141,768	138,019	107,280
<b>Nonoperating Expenses</b>										
Total Expenses	5,673	2,694	2,998	3,906	3,350	5,872	18,473	4,461	29,151	5,869
Total Expenses	172,275	166,843	149,929	150,688	142,467	154,847	165,354	146,229	167,170	113,149
<b>Net Revenues Available For Debt Service on First Lien</b>										
<b>Revenue Bonds</b>										
Average Annual Debt Service on First Lien Revenue Bonds	\$ 126,593	\$ 105,442	\$ 100,694	\$ 85,946	\$ 70,754	\$ 44,553	\$ 17,195	\$ 62,740	\$ 46,299	\$ 71,981
Coverage by Net Revenues	-	-	-	-	-	-	-	-	-	\$ 4,456
	-	-	-	-	-	-	-	-	-	1,615 %

- \* Revenue Bonds were retired during 2006.

- 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>
2016	\$ 51,036,286
2017	53,140,961
2018	52,991,411
2019	53,247,486
2020	52,750,461
2021	52,729,373
2022	52,070,673
2023	47,793,873
2024	48,775,098
2025	48,773,930
2026	48,771,084
2027	49,645,600
2028	49,801,100
2029	49,802,106
2030	49,800,694
2031	49,794,056
2032	49,907,888
2033	49,908,025
2034	49,905,806
2035	49,910,275
2036	49,909,275
2037	49,910,113
2038	49,912,181
2039	<u>34,608,000</u>
<b>Total</b>	<b><u>\$ 1,194,895,755</u></b>

- The table sets forth the annual debt service requirements on the Authority's ad valorem tax bonds as of December 31, 2015, excluding bonds that have been refunded and defeased.