



ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the years ended December 31, 2022 and 2021

Port of Houston Authority

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Prepared by:

Office of the Controller, Port of Houston Authority

On the cover: Port Houston is moving forward to meet the needs of our customers. Bayport opened for business in 2007 and is the second Port Houston operated container terminal.

Port of Houston Authority of Harris County, Texas

**Annual Comprehensive Financial Report
For the Years Ended December 31, 2022 and 2021**

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

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Port of Houston Authority of Harris County, Texas
Annual Comprehensive Financial Report
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INTRODUCTORY SECTION

May 4, 2023

Port Commission

Port of Houston Authority of Harris County, Texas

Houston, Texas

Dear Commissioners:

We are pleased to present the Annual Comprehensive Financial Report of the Port of Houston Authority of Harris County, Texas ("Authority") for the year ended December 31, 2022. 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 740 active, regular employees as of December 31, 2022 and in addition, utilized 624 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 3,804 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 site leased and used by third-parties.

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 1.8 million to 2.4 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 3.6 million TEUs.

Care Terminal, Jacintoport Terminal, the Bulk Materials Handling Plant, 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 and the Authority.

The Authority also owns or manages over 12,750 acres of submerged land in Harris County. In 2022, the Authority continued to expand its program to lease certain of these lands to owners of adjacent uplands 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 certain management and operational oversight duties for these placement areas through professional services and maintenance contracts.

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 enables deeper draft and generally larger ships to call further upstream to the heart of the Channel petrochemical reach, and allows 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

The over-riding economic theme of 2022 was the change in the Federal Reserve's monetary policy, winding down quantitative easing and moving toward a more restrictive stance. The target Fed Funds rate was increased seven times in 2022, jumping from a range of 0-0.25% at the end of 2021 to 4.25-4.5% by year-end 2022. Only 2005 saw more rates hikes with a total of 8, though each increase was only 0.25%. In 2022 the Fed made four increases of 0.75%, two of 0.50%, and one of 0.25%. This was in response to a strong economy and a surge in inflation, the latter reflected in the consumer price index rising 6.5% for the year after peaking at 9.1% in June 2022. The conflict in Ukraine pushed energy prices toward all-time highs, and the impact of higher energy prices rippled throughout the economy: food prices rose 10.4% during the year and wages were up 5.1%.

Gross Domestic Product for the start of 2022 was weak, with the first two quarters of the year showing slight contraction. Concern focused on the impact of rising interest rates on home sales, the mortgage refinancing market and other interest rate sensitive areas of the economy.

However, continued strong demand for workers elsewhere in the economy offset this slowdown and still resulted in 4.5 million new jobs added in 2022. Unemployment rates stayed at record lows and the resulting persistent strength in consumer spending pushed GDP into the positive territory in the third and fourth quarters, ending the full year at a 2.1% rate. International trade figures were also healthy for the year; for all of 2022, imports topped \$3 trillion and exports \$2 trillion, both record numbers.

One year Treasury rates rose 4.4% to end the year at 4.73%. The five-year note rose 2.73% to 3.99%, and the 10-year bond rose 2.36% to 3.88%. Of note is the current inverted nature of the yield curve, typically a barometer of pending recession.

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 2023, the Authority budgeted revenues of \$654 million. While representing a 30% increase from the 2022 budgeted revenues of \$502 million, this 2023 budget projects a decline of 5% from 2022 results, which included increased storage revenue from continued supply chain issues related to the Covid-19 pandemic. Budgeted nonoperating revenues in 2023 are up \$21 million versus the prior year budget, due primarily to higher interest income on securities and time deposits. Total expenses are budgeted at \$442 million, a 17% increase versus the prior year budget, due primarily to increased operating costs at the container terminals to support unit growth. Depreciation and amortization are also up versus the prior year budget, due to the completion of large capital projects, and G&A costs are up as well as additional headcount is needed to support the expanding business. Excluding revenues and expenses related to property tax-supported debt and collection, the Authority projects net income of \$212 million for 2023 or 69% higher than the 2022 budget. The Authority also expects to generate cash flows of about \$290 million in 2023.

During 2022, the Authority invested \$384 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 2023, the Authority expects to commit \$579 million for various capital projects. Approximately \$476 million will be allocated to its container terminals for continuing development of Bayport and modernization at Barbours Cut, while \$36 million relates to improvements at the general cargo and bulk terminals, and another \$11 million is designated for channel development projects. The remaining 2023 capital budget funds are planned to be used for real estate purchases, building renovations, security, and information technology investments. As described below in Major Initiatives, as local sponsor of the Houston Ship Channel, the Authority is also responsible for funding a portion of the Houston Ship Channel Expansion Project, which began in 2021. Future 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

Project 11 is arguably the eleventh major ship channel expansion project since the mid-nineteenth century and is critical to safely and efficiently sustaining domestic manufacturing growth, thriving U.S. exports, and expanding job opportunities. As the local sponsor of the nation's 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 is widening the channel by 170 feet along its Galveston Bay reach, from 530 feet to 700 feet. It will also deepen certain upstream segments to 45 feet, make other safety and efficiency improvements, and craft new environmental features.

The initial contracts were let in the fourth quarter of 2021 and construction commenced in 2022, continuing through 2025, making the channel safer and more efficient and ensuring this waterway will continue to remain the national economic treasure it is today. The status of the current Authority-led contracts is summarized below.

- Beltway 8 Site Clearing and Grubbing (Package 2, Segment 4) was advertised in February 2021 and constructed between June 2021 and June 2022.
- Houston Ship Channel Dredging, Bolivar Roads to Redfish (Package 3/4A, Segment 1A) was advertised in June 2021. Construction commenced in March 2022 and the anticipated completion date is May 2023.
- Abandoned Pipeline Removal (Prior to Houston Ship Channel Dredging in Segments 1B and 1C) was advertised in August 2021 and constructed between January and July 2022.
- Houston Ship Channel Dredging, Redfish to Bayport (Package 4B/5, Segments 1B, 1C, and 2) was advertised in November 2021. Construction commenced in October 2022 and the anticipated completion date is December 2024.
- Houston Ship Channel Dredging, Bayport to Barbours Cut (Package 6, Segment 1C) is scheduled to be advertised in June 2023 with construction between December 2023 and November 2024.

Approved by the Port Commission in October 2021, the Authority issued \$322 million par value First Lien Series 2021 Revenue Bonds (Non-amt) ("Series 2021 Revenue Bonds") to finance a portion of the costs for the design, construction, property acquisition, and equipment for Project 11.

Strategic Plan

In response to new challenges and opportunities, and the statutory requirement to re-evaluate the strategic plan every five years, the Authority adopted a five-year Strategic Plan in 2020. This plan guides the pursuit of the Authority's mission, to *Move the World and Drive Regional Prosperity*, and vision, to become *America's Distribution Hub for the Next Generation*. Based on this plan, staff and resources are aligned under the strategic goals of People, Infrastructure, Partnerships and Stewardship. In 2022, major initiatives aligned with these goals included: implementing a Diversity, Equity and Inclusion (DEI) plan and leadership development programs; executing the workplan of initial construction for Project 11; expanding the Authority's Business Equity program; developing a new P&D Contribution plan to optimize value with service partners; creating a roadmap to achieve Carbon Neutrality by 2050; and

publishing an updated Environment, Social, Safety & Governance Report.

Terminal Improvements

The Authority evaluates its strategic plans to ensure a competitive position in the global marketplace. This can 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 infrastructures and technologies.

Containerized cargo is handled by the Authority at the Barbours Cut and Bayport Container Terminals. Today, these terminals have a combined fleet of 27 wharf cranes (STS), 116 Rubber Tired Gantry (RTG) cranes, 15 empty handlers and additional heavy duty and other cargo handling equipment.

2022 was a busy year and 2023 is proving to be even busier with regards to capital projects and improvements for the container terminals. Improvements to wharves, yards, gates, and other areas of the terminals will allow for more capacity and better service to our customers. This will encourage more business at the Authority as it serves as a primary U.S. gateway for global cargo distribution.

The construction of Wharf 6 at Bayport began in mid-2021 and continued through 2022. This project was awarded additional funding to accelerate completion and is expected to complete in summer 2023. This will support six additional Super PostPanamax wharf cranes, increasing the Bayport fleet from 12 to 18.

Twelve additional RTGs have been ordered to arrive mid-year 2023. This increases the Bayport fleet from 66 to 78.

Design efforts began late 2022 for an Exit Gate expansion to help support the additional yard and wharf capacity that will result in increased gate activity.

Port Road was expanded throughout 2022 and was completed during the first quarter of 2023. Projects south of Port Road took off during 2022.

One yard was completed May 2022 to help service and store Maersk units, and a second in November 2022 to help service and store MSC units.

Design work was completed late 2022 for the reconstruction of the Wharf 4/5 section of Barbours Cut. The construction work will begin mid-2023 with preparation work occurring the first half of the year. Estimated completion for this wharf section is mid-2025. Four Super PostPanamax wharf cranes will be added as part of this project. Two older wharf cranes are set for demolition in 2023 to accommodate space for the new cranes.

Reconstruction of yard areas 4 and 5 North began mid-year 2022. This project is estimated to be completed Q4 of 2023 and pairs with a compliment of 14 new RTGs. The RTGs are expected to arrive in early 2024. Container yard areas 6 and 7 will begin redevelopment in late 2023. This is 87 acres of space that will be reconfigured to provide more efficient use of the space as well as additional capacity for refrigerated units.

The West End "pop up" yard development is underway as well. Phase 1 is complete, and the construction crews have moved on to Phase 2. These two sections will provide approximately 26 acres of container stacking space by the end of 2023. Additional acreage will be developed in this area once these sections are complete.

The new maintenance facility broke ground late 2022. This will be an area to help consolidate some of the maintenance activities for Barbours Cut terminal. Estimated completion is the end

of 2024. Additionally, teams are evaluating what can be done to improve traffic around the cul-de-sac on Barbours Cut Blvd., as well as install a new fire protection system in 2023.

Regarding improvements at the general cargo and bulk terminals, the rehabilitation of wharf 8 on the northside of the Turning Basin began in late 2022 with an expected completion in late 2023. A large restoration project for restrooms at wharves 8, 32, and various sheds began in the middle of 2022 with an expected completion in the middle of 2023. Also, on the northside, a major roof repair at transit sheds 30 and 31 began in 2022 with an expected completion by the end of 2022.

There were two large projects on the southside of the Turning Basin in 2022. Rehabilitation of wharves 47, 48, and 1 East began in late 2022 with an expected completion in late 2023. Also, construction of a new fender system at wharf 1 west began in late 2022 with an expected completion in late 2023.

Environmental, Sustainability, Safety and Governance (ESSG)

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 in 2020.

In 2021, the Authority developed its first Environment, Social, Safety, & Governance (ESSG) Report, which identifies the current sustainability initiatives being undertaken plus brand-new initiatives to explore. The new initiatives were agreed upon between individuals from the Port along with others from local industry, academia, and community. The main ideas were generally centered around Air Quality, Clean Energy, Community Strengthening, Transparency, and Circular Economy. The Port also developed an engagement model of Lead, Partner, and Support. This outlines how the Port stays involved with these initiatives. There are huge benefits in engaging stakeholders as we are all interested in a sustainable future for the region, country, and world. In 2022, an update to the ESSG Report was published that showed progress on multiple initiatives. Progress has been made in expanding the Port's Maritime Education & Community Grants programs, addressing drayage truck emissions, and reducing air quality effects from inside Port property. For 2023, the Port budgeted over \$80M towards sustainability programs with plans to increase that funding as opportunities increase.

Tenants operating on Authority property are audited periodically for compliance with the environmental terms of their leases. In 2022, the Authority conducted 36 compliance audits of tenant and Authority facilities.

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. During 2022 the Authority recognized \$8 million of contributions to state and local agencies in the Nonoperating revenues (expenses) section of the statements.

The integrity and accuracy of data in these financial statements and supplemental schedules, including estimates and judgments relating to matters not concluded at year-end, are the responsibility of the management of the Authority. However, by state statute, the Harris County Treasurer serves as the treasurer of the Authority, with certain responsibilities related to bank accounts and funds of the Authority and tax bonds issued by the Authority.

We direct the reader's attention to the 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 the oversight of the Audit Committee of the Port Commission, is responsible for establishing and maintaining internal controls. The Authority's Internal Audit Department ("IAD") helps enhance focus and provide structure to this function, along with other statutory duties. 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. Projections of any evaluation of internal controls to future periods are also subject to the risk that internal controls may become inadequate because of changes in conditions or that the degree of compliance with 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, 2022 and 2021 listed in the foregoing Table of Contents were audited by an independent audit firm appointed by the Port Commission. The audit opinion rendered by FORVIS, LLP for December 31, 2022 is included in the Financial Section of this report.

Certificates of Achievement

The Government Finance Officers Association of the United States and Canada ("GFOA") awards a Certificate of Achievement for Excellence in Financial Reporting. 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. The Authority has received this award for 47 consecutive years, but due to an administrative delay, is awaiting approval for the fiscal year ending December 31, 2021. Management believes both 2021 and the current report continue 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 two years thereafter, including in March of 2021. The GTOT certificate is valid for two years.

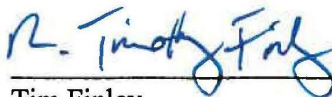
Acknowledgements

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 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

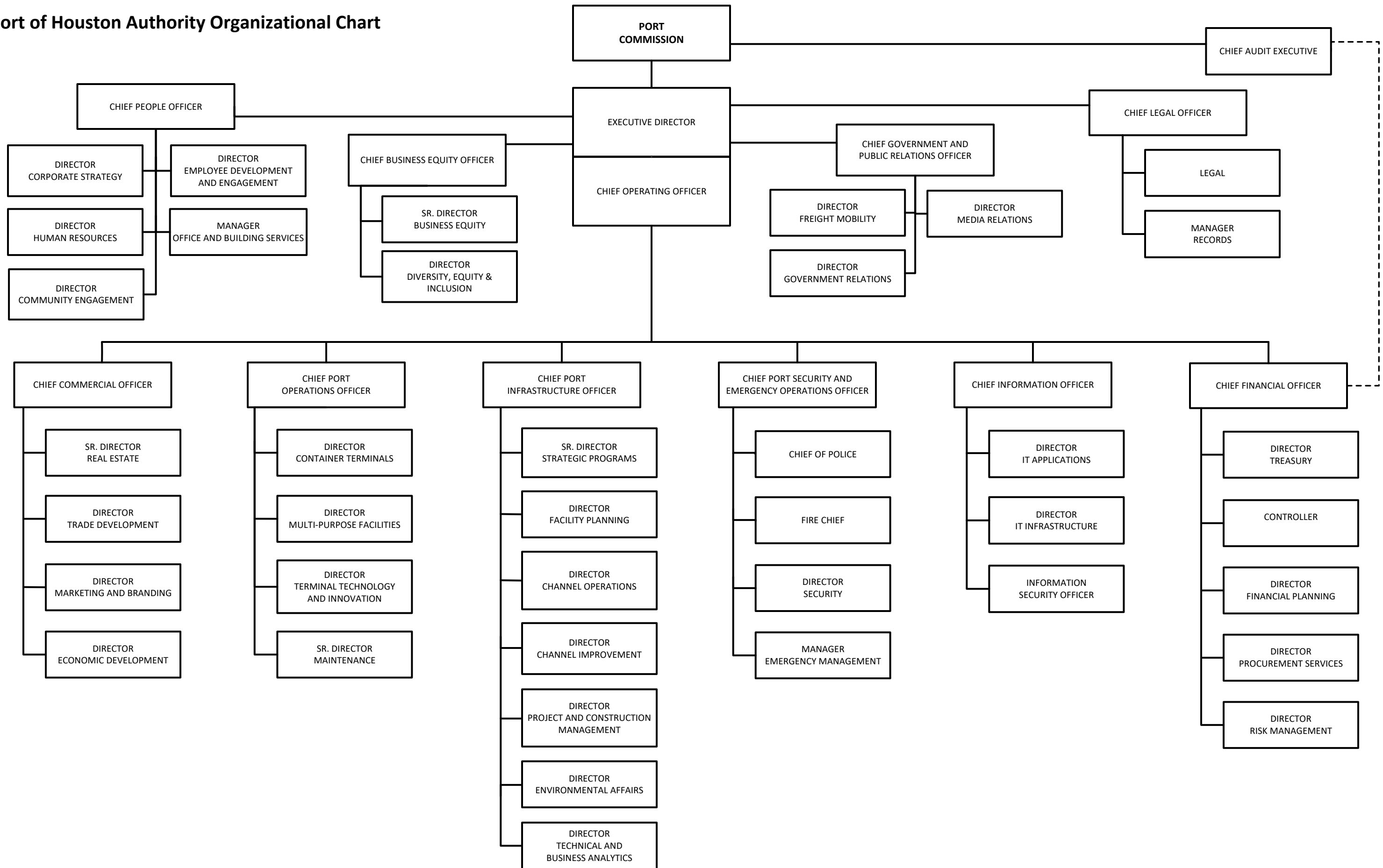


Tim Finley
Chief Financial Officer



Curtis Duncan
Controller

Port of Houston Authority Organizational Chart



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

Port Commission

Ric Campo, Chairman
Dean E. Corgey, Commissioner
Clyde E. Fitzgerald, Commissioner
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
Maxine N. Buckles, Chief Business Equity 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
Charlie Jenkins, Chief Channel Infrastructure 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
Curtis E. Duncan, Controller
Shannon Williams, Chief Audit Executive
Dr. Carla Wyatt, County Treasurer

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FINANCIAL SECTION

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the fiduciary activities of the Port of Houston Authority of Harris County, Texas (the Authority) as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Authority adopted Governmental Accounting Standards Board Statement No. 87, *Leases* in fiscal year 2022. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 benefit information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The combining statements of fiduciary net position and combining statements of changes in fiduciary net position (supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, 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 GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2023, 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

Port Commission
Port of Houston Authority of Harris County, Texas

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.

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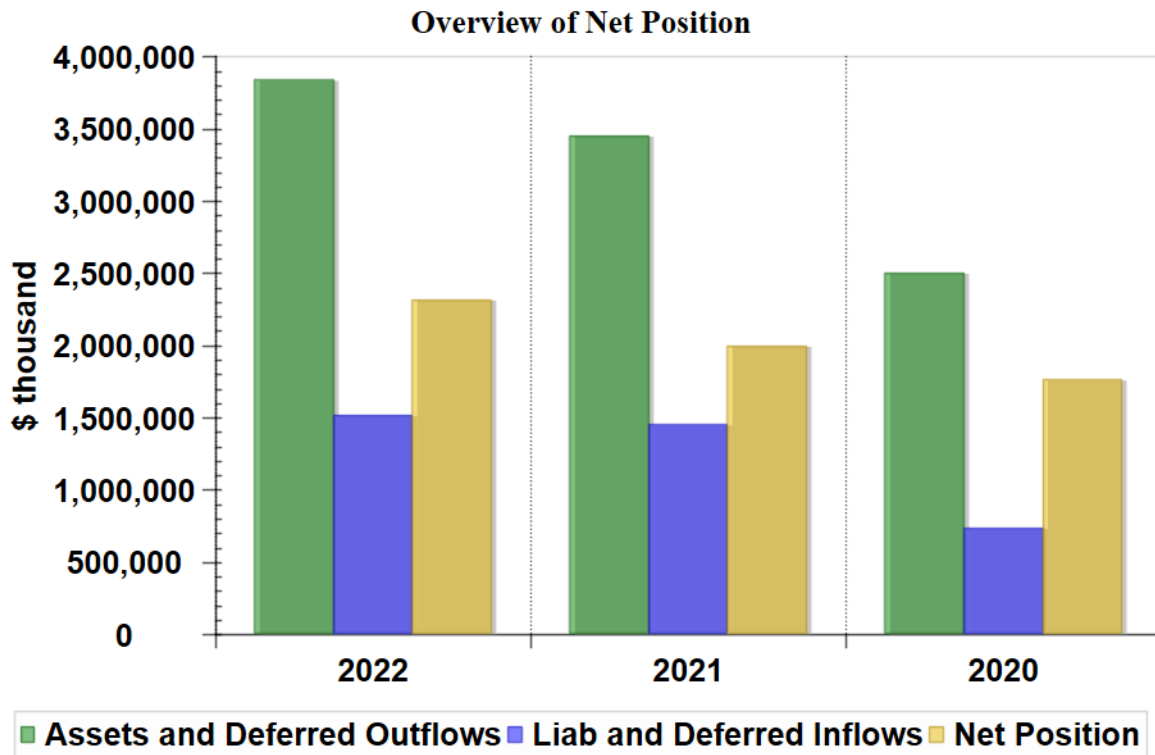
Houston, Texas
May 4, 2023

Port of Houston Authority of Harris County, Texas
Management's Discussion and Analysis
For the Years Ended December 31, 2022 and 2021
(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, 2022 and 2021.

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 2022

- The net position of the Authority at December 31, 2022 was \$2,320,094, increasing \$319,955 or 16% over the prior year.
- The Authority's total assets and deferred outflows of resources increased by \$385,301 or 11% during the fiscal year ended December 31, 2022. The majority of this change stems from an increase in current assets - short term investments of \$364,926, restricted assets - short term investments of \$247,708, capital assets of \$155,735, long term lease receivables of \$88,158, deferred outflows of resources related to pensions of \$19,135, and deferred outflows of resources related to OPEB of \$12,803. These are offset by a decrease in restricted assets - cash and cash equivalents of \$362,832, current assets - cash and cash equivalents of \$46,725, long term investments of \$35,873, receivables, net of allowance for uncollectibles, of \$30,518, net OPEB asset of \$22,966, and net pension asset of \$17,157.
- The Authority's total liabilities and deferred inflows of resources increased by \$65,346 or 4%; the majority of this change stems from an increase in deferred inflows of resources related to leases of \$93,854, net pension liability of \$21,937 and accounts payable and other current liabilities of \$19,341. This is offset by a decrease in long-term debt, net of current maturities of \$38,088, deferred inflows of resources related to pensions of \$17,802 and deferred inflows of resources related to OPEB of \$12,021.
- Current assets exceeded current liabilities by \$1,077,929.
- Net investment in capital assets (net of accumulated depreciation and debt) grew 6% to \$1,473,539.
- Operating revenues were \$651,274, increasing 26% over the prior year.
- Total operating expenses were \$376,918, reflecting 17% increase over the prior year.
- The Authority generated operating income of \$274,356 in 2022 and \$193,394 in 2021.

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 Benefit Pension, Defined Contribution, and OPEB plans (each, a "Fiduciary Trust Fund") are included as well. This report also contains required supplementary information and 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 (64%) reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets. The Authority uses these assets to provide services to its customers; consequently these assets are not available for future spending. Although the Authority's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Authority's net position (3%) represents resources that are restricted for debt service and net OPEB asset. The remaining balance of unrestricted net position (33%) 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)

	<u>2022</u>	<u>Restated 2021</u>	<u>2020</u>
Assets			
Current and other assets	\$ 1,690,082	\$ 1,492,323	\$ 600,492
Capital assets	<u>2,115,552</u>	<u>1,959,817</u>	<u>1,892,430</u>
Total Assets	3,805,634	3,452,140	2,492,922
Deferred Outflows of Resources	<u>35,367</u>	<u>3,560</u>	<u>12,204</u>
Total Assets and Deferred Outflows of Resources	<u>3,841,001</u>	<u>3,455,700</u>	<u>2,505,126</u>
Liabilities			
Long-term liabilities (including current portion)	958,528	980,046	616,630
Other liabilities	<u>119,612</u>	<u>96,234</u>	<u>91,335</u>
Total Liabilities	1,078,140	1,076,280	707,965
Deferred Inflows of Resources	<u>442,767</u>	<u>379,281</u>	<u>30,382</u>
Total Liabilities and Deferred Inflows of Resources	<u>1,520,907</u>	<u>1,455,561</u>	<u>738,347</u>
Net Position			
Net investment in capital assets	1,473,539	1,394,024	1,294,888
Restricted	71,179	111,407	75,386
Unrestricted	<u>775,376</u>	<u>494,708</u>	<u>396,505</u>
Total Net Position	<u>\$ 2,320,094</u>	<u>\$ 2,000,139</u>	<u>\$ 1,766,779</u>

The Authority's net position increased by \$319,955 during the fiscal year ended December 31, 2022. Net investment in capital assets increased \$79,515 resulting primarily from a net increase in capital assets of \$155,735, offset by a decrease in outstanding debt of \$42,123, and a decrease in debt service proceeds. Non-operating investment income increased \$9,386, primarily due to an increase in lease interest income of \$7,368 recognized related to lease receivables (from the implementation of GASB 87). During fiscal year 2022, restricted net position decreased \$40,228 primarily due to a decrease in net OPEB assets, and net pension assets of \$22,966 and \$17,157, respectively. This was directly related to the decline in the market value of assets, as the S&P 500 declined over 18%. The unrestricted net position increased \$280,668.

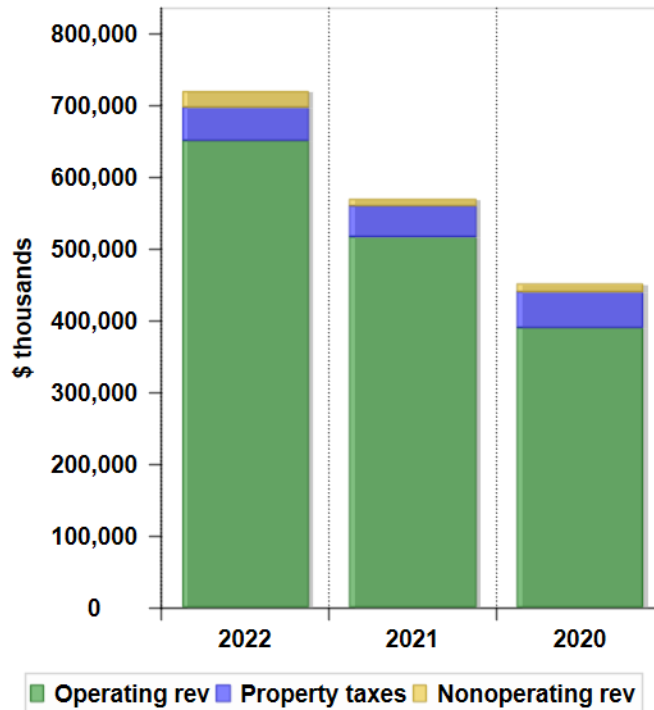
The Authority's restated net position increased by \$233,360 during the fiscal year ended December 31, 2021. Net investment in capital assets increased \$99,136, resulting primarily from a net increase in capital assets of \$67,387. During fiscal year 2021, the restricted net position increased \$36,021 due to an increase in net OPEB assets of \$20,798, while the unrestricted net position increased \$98,203.

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)

	2022	Restated 2021	2020
Operating revenues:			
Vessel and cargo services	\$ 614,714	\$ 483,477	\$ 357,386
Rental of equipment and facilities	22,886	19,500	21,665
Grain elevator	1,237	1,035	1,263
Bulk materials	4,288	4,012	3,911
Other	8,149	8,544	6,507
Nonoperating revenues:			
Investment income	10,428	1,042	9,810
Other	12,296	7,647	833
Nonoperating revenues related to property taxes:			
Property taxes	44,961	43,702	48,965
Investment income on bond proceeds	531	30	349
Total Revenues	<u>719,490</u>	<u>568,989</u>	<u>450,689</u>
Operating expenses:			
Maintenance and operations of facilities	236,575	193,869	178,606
General and administrative	55,734	48,582	46,225
Depreciation and amortization	84,609	80,723	77,829
Nonoperating expenses:			
Contributions to state and local agencies	8,414	10,985	235
Loss on disposal of assets	33	36	126
Other	9,681	2,783	-
Nonoperating expenses related to property taxes:			
Interest expense on unlimited tax bonds	13,002	13,483	23,526
Property tax collection expense	1,100	1,100	1,100
Other	417	355	384
Total Expenses	<u>409,565</u>	<u>351,916</u>	<u>328,031</u>
Income before capital contributions	309,925	217,073	122,658
Capital contributions from federal\state agencies	10,030	16,287	5,188
Changes in net position	319,955	233,360	127,846
Net position, January 1	<u>2,000,139</u>	<u>1,766,779</u>	<u>1,638,933</u>
Net position, December 31	<u>\$ 2,320,094</u>	<u>\$ 2,000,139</u>	<u>\$ 1,766,779</u>

Total Revenues



In 2022, operating revenues increased \$134,706, or 26%, to \$651,274 due primarily to an increase in vessel and cargo services revenue which includes an increase in Storage fees of \$48,089. The Authority's container facilities' volume increased to 3.97 million twenty-foot equivalent units ("TEUs") for the year, an increase of 14% from 2021, while total Authority tonnage increased 19% to 62.8 million tons in 2022. Other operating revenues decreased \$395 or 5%, primarily due to lower dredge material placement fees, partially offset by higher submerged land rent\lease income.

Nonoperating revenues related to property taxes in fiscal 2022 increased \$1,760, due to a 14% increase in property valuations which were slightly offset by a decrease in tax rates from \$0.00872 in 2021 to \$0.00799 in 2022 per \$100 assessed valuation.

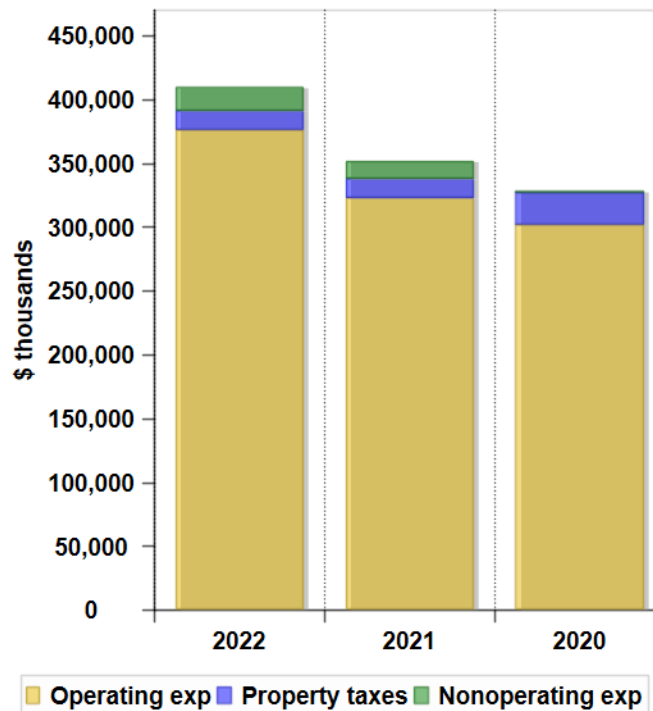
Nonoperating revenues in 2022 increased \$14,035, primarily due to increased interest income as a result of higher interest rates on deposits and investments, including the revenue bond fund, versus the prior year.

In 2021, operating revenues increased \$125,836 or 32% to \$516,568 due primarily to increase in vessel and cargo services revenue which includes an increase in Storage fees of \$71,226. The Authority's container facilities' volume increased to 3.5 million TEUs for the year, an increase of 15% from 2020, while total Authority tonnage increased 11% to 51.9 million tons in 2021. Other operating revenues increased \$2,037 or 31%, primarily due to growth in pipeline license fees, dredge material placement fees and submerged land rent\lease fees.

Nonoperating revenues related to property taxes in fiscal 2021 decreased \$5,582 due to a decline in tax rates from \$0.00991 in 2020 to \$0.00872 in 2021 per \$100 assessed valuation.

Nonoperating revenues in 2021 decreased \$1,954 due primarily to lower interest income as a result of lower interest rates and no gain on sale of investments compared to the prior year; offset by higher GASB 87 interest revenue.

Total Expenses



For fiscal 2022, Operating expenses increased \$53,744, or 17%, primarily due to higher maintenance and operation of facilities expenses resulting from growth in container volumes, combined with pavement replacement and higher fuel costs. General and administrative expenses increased by \$7,152 or 15%, primarily due to pension adjustments along with consultant costs for data storage and increased maintenance agreements for cybersecurity. Depreciation increased by \$3,886 or 5%.

Nonoperating expenses related to property taxes, reflecting predominantly interest expense on unlimited tax bonds, decreased \$419 due to a bond maturing in 2021.

Nonoperating expenses in 2022 increased \$4,324 primarily due to \$14,770 Bond interest expense, partially offset by bond premium amortization of \$5,089 and a decrease in Contributions from State and Local Governments of \$1,615, combined with no comparable bond issuance costs in 2022.

For fiscal 2021, Operating expenses increased \$20,514, or 7%, primarily due to higher maintenance and operation of facilities expenses resulting from growth in container volumes. General and administrative expenses increased by \$2,357 or 5%, primarily due to the employee incentive program. Depreciation increased by \$2,894 or 4%.

Nonoperating expenses related to property taxes, reflecting predominantly interest expense on unlimited tax bonds, decreased \$10,072 due to bond refunding in 2020.

Nonoperating expenses in 2021 increased \$13,443 primarily due to \$10,750 for Contributions to State or Local Governments of which \$9,996 was for the Port Road Expansion Project.

Capital Assets

The Authority's investment in capital assets as of December 31, 2022 totaled \$2,115,552 (net of accumulated depreciation), an increase of \$155,735 or 7.9% over the prior year.

Major capital asset activity (before depreciation) during 2022 included the following:

- Land and channel improvements and land use rights increased by \$11,826 primarily due to the purchase of 31.4 acres for the Bayport Terminal expansion.
- Improvements other than buildings increased \$89,473 primarily due to Gate expansion at Barbours Cut, and additionally, due to the 160 acres South Property development and the Wharf 4 and 5 strengthening project at Bayport.
- Machinery and equipment net increase totaled \$36,146 in 2022. This increase primarily consisted of the purchase of three Ship-to-shore cranes for Wharf 5 at Bayport.
- Construction-in-progress increased \$98,478 in 2022 primarily due to the Houston Ship Channel Expansion project.
- Accumulated depreciation net of retirements increased by \$80,337 in 2022.

The Authority's investment in capital assets as of December 31, 2021, was \$1,959,817 (net of accumulated depreciation), an increase of \$67,387 or 3.6% over the prior year.

Major capital asset activity (before depreciation) during 2021 included the following:

- Land and channel improvements and land use rights increased by \$7,827 primarily due to channel deepening at Barbours Cut.
- Improvements other than buildings increased \$118,978 primarily due to Wharf 3 construction and Container Yard 1 and 2 at Barbours Cut, and the Container Yard 2 South construction at Bayport.
- Buildings increased \$2,111 primarily due to construction of the Wharf 3 stevedore support building at Barbours Cut and the remodel of the gate services building at Bayport.
- Machinery and equipment net increase totaled \$40,863 in 2021. This increase primarily consisted of the purchase of 18 rubber-tired gantry ("RTG") cranes at Bayport and seven empty container handlers at Barbours Cut.
- Construction-in-progress decreased \$30,414 in 2021 primarily due to the substantial completion of Wharf 3 reconstruction and Container Yard 1 and 2 rehabilitation at Barbours Cut.
- Accumulated depreciation net of retirements increased by \$73,740 in 2021.

Port of Houston Authority of Harris County, Texas

Capital Assets

(net of depreciation)

(in thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Land and channel improvements	\$ 505,467	\$ 494,911	\$ 487,273
Land use rights - intangible	17,320	16,050	15,861
Buildings	51,852	55,788	57,890
Improvements other than buildings	912,683	869,849	793,806
Railroads	18,771	19,777	19,250
Machinery and equipment	272,346	263,888	247,120
Computer software - intangible	1,122	2,041	3,303
Construction-in-progress	<u>335,991</u>	<u>237,513</u>	<u>267,927</u>
 Total Capital Assets, net	 <u>\$ 2,115,552</u>	 <u>\$ 1,959,817</u>	 <u>\$ 1,892,430</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 2022, the Authority had total debt outstanding of \$915,469 (net of premiums/discounts), consisting of \$391,619 in Series 2021 Revenue Bonds and \$523,850 in Unlimited Tax Refunding Bonds ("General Obligation Bonds"). The Unlimited Tax Refunding Bonds 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 2021, the Authority had total debt outstanding of \$957,592 (net of premiums/discounts), consisting of \$402,038 in Series 2021 Revenue Bonds and \$555,554 in Unlimited Tax Refunding Bonds ("General Obligation Bonds").

Port of Houston Authority of Harris County, Texas

Outstanding Debt

General Obligation and Revenue Bonds

(net of premiums/discounts)

(in thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
General Obligation Bonds			
Unlimited Tax Refunding Bonds	\$ 523,850	\$ 555,554	\$ 587,154
Revenue Bonds	<u>391,619</u>	<u>402,038</u>	<u>-</u>
Total General Obligation and Revenue Bonds	915,469	957,592	587,154
Less Current Maturities	<u>(24,980)</u>	<u>(29,015)</u>	<u>(23,005)</u>
Long-Term Debt (net of unamortized premiums/discounts)	<u>\$ 890,489</u>	<u>\$ 928,577</u>	<u>\$ 564,149</u>

During 2022, the Authority issued no new debt. The Authority's total debt principal

outstanding decreased \$23,685 and \$5,330 on unlimited tax bonds and revenue bonds, respectively, during 2022 due to scheduled debt service payments. Interest expense for 2022 on the unlimited tax bonds decreased \$481 and increased \$6,898 on revenue bonds.

During the fourth quarter in 2021, the Authority issued \$322,180 in Series 2021 Revenue Bonds. The Series 2021 Revenue Bonds debt service is funded by the Authority's net revenues.

The Authority's total debt principal outstanding increased \$299,175 during 2021. The key factors for this increase were the issuance of \$322,180 of revenue bonds series 2021 offset by the scheduled debt service payment of \$23,005. Interest expense for 2021 on the unlimited tax bonds decreased by \$8,103.

The below table provides Series 2021 Revenue bond ratings:

<u>Year</u>	<u>Moody's</u>	<u>S & P</u>
2022	Aa3	AA+

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>
2022	AA	Aaa	AA+
2021	AA	Aaa	AA+

In October 2021, the Authority terminated its \$100 million senior lien note purchase financing agreement with Regions Bank and entered into a new five year \$100 million third lien note purchase financing agreement with Truist Bank. As of December 2021, this new line of credit was outstanding and unused. In April 2022, the Authority established a \$300 million Extendible Commercial Paper program. At December 31, 2022, no commercial paper was issued or outstanding.

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 2023 fiscal year, including inflation, the war in Ukraine, residential mortgage rates; 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 2023, the IMF is projecting global GDP growth to fall from 3.4% in 2022 to 2.9% in 2023, and then rise to 3.1% in 2024. The FED interest rates, inflation, and recession fears may impact growth. Rising energy prices and sporadic supply chain constraints will have an impact, as well as an uptick in private consumption.

The Consumer Price Index ("CPI") for all items increased 6.5% in 2022. The index for all items less food and energy also rose 5.7% percent over the 12-month period. The food index increased 10.4% in 2022, reflecting an 11.8% increase in prices for food at home and an 8.3% increase in prices for food away from home. From December 2021 to December 2022, energy prices increased 7.3%, a quarter of the rate at which they increased from 2020 to 2021. Fuel oil prices increased 41.5% from 2021 to 2022, approximately the same increase as the previous year. The Authority uses CPI measures as the basis for periodic rate adjustments in many lease agreements and marine terminal services agreements.

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, 2022 and 2021 (in thousands)

	2022	Restated 2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 170,476	\$ 217,201
Short-term investments	585,471	220,545
Receivables (net of allowance for uncollectibles)	72,806	103,324
Short term lease receivable	36,681	27,832
Accrued interest receivable - leases	730	537
Restricted assets		
Cash and cash equivalents	61,475	424,307
Short-term investments	247,708	-
Property tax receivables	36,488	34,688
Prepaid and other current assets	10,686	6,366
Total Current Assets	1,222,521	1,034,800
Noncurrent Assets		
Investments	49,020	84,893
Net pension asset	-	17,157
Net OPEB asset	27,478	50,444
Long term lease receivable	382,070	293,912
Prepaid and other noncurrent assets	8,993	11,117
Capital Assets (net of accumulated depreciation)		
Land and channel improvements	505,467	494,911
Land use rights - intangible	17,320	16,050
Buildings	51,852	55,788
Improvements other than buildings	912,683	869,849
Railroads	18,771	19,777
Machinery and equipment	272,346	263,888
Computer software - intangible	1,122	2,041
Construction-in-progress	335,991	237,513
Total Capital Assets, net	2,115,552	1,959,817
Total Noncurrent Assets	2,583,113	2,417,340
Total Assets	3,805,634	3,452,140
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	22,070	2,935
Deferred outflows of resources related to OPEB	12,803	-
Deferred loss on bond refunding	494	625
Total Deferred Outflows of Resources	35,367	3,560
Total Assets and Deferred Outflows of Resources	\$ 3,841,001	\$ 3,455,700

See accompanying notes to the financial statements.

Port of Houston Authority of Harris County, Texas

Statements of Net Position As of December 31, 2022 and 2021 (in thousands)

	<u>2022</u>	<u>Restated 2021</u>
Liabilities		
Current Liabilities		
Accounts payable and other current liabilities	\$ 98,967	\$ 79,626
Fees received in advance and other reserves	11,941	10,418
Liabilities payable from restricted assets:		
Current maturities of long-term debt		
Revenue Bonds	5,365	5,330
Unlimited tax bonds	19,615	23,685
Accrued interest payable		
Revenue Bonds	3,628	843
Unlimited tax bonds	5,076	5,347
	<u>33,684</u>	<u>35,205</u>
Total Current Liabilities Payable from Restricted Assets		
	<u>33,684</u>	<u>35,205</u>
Total Current Liabilities	<u>144,592</u>	<u>125,249</u>
Noncurrent Liabilities		
Long-term debt, net of current maturities	890,489	928,577
Net pension liability	21,937	-
Other noncurrent liabilities	21,122	22,454
	<u>933,548</u>	<u>951,031</u>
Total Noncurrent Liabilities		
	<u>933,548</u>	<u>951,031</u>
Total Liabilities	<u>1,078,140</u>	<u>1,076,280</u>
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	313	18,115
Deferred inflows of resources related to OPEB	20,346	32,367
Deferred inflows of resources related to leases	413,087	319,233
Deferred gain on bond refunding	9,021	9,566
	<u>442,767</u>	<u>379,281</u>
Total Deferred Inflows of Resources		
	<u>442,767</u>	<u>379,281</u>
Total Liabilities and Deferred Inflows of Resources	<u>1,520,907</u>	<u>1,455,561</u>
Net Position		
Net investment in capital assets	1,473,539	1,394,024
Restricted for:		
Debt Service	43,701	43,806
Net Pension asset	-	17,157
Net OPEB asset	27,478	50,444
Unrestricted	775,376	494,708
	<u>775,376</u>	<u>494,708</u>
Total Net Position	<u>2,320,094</u>	<u>2,000,139</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 3,841,001</u>	<u>\$ 3,455,700</u>

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, 2022 and 2021
(in thousands)

	2022	Restated 2021
Operating revenues		
Vessel and cargo services	\$ 614,714	\$ 483,477
Rental of equipment and facilities	22,886	19,500
Grain elevator	1,237	1,035
Bulk materials	4,288	4,012
Other	8,149	8,544
Total operating revenues	651,274	516,568
Operating expenses		
Maintenance and operations of facilities	236,575	193,869
General and administrative	55,734	48,582
Depreciation and amortization	84,609	80,723
Total operating expenses	376,918	323,174
Operating income	274,356	193,394
Nonoperating revenues (expenses)		
Investment income	10,428	1,042
Contributions to state and local agencies	(8,414)	(10,985)
Loss on disposal of assets	(33)	(36)
Other, net	2,615	4,864
Total nonoperating revenues (expenses)	4,596	(5,115)
Income before nonoperating revenues (expenses) related to property taxes	278,952	188,279
Nonoperating revenues (expenses) related to property taxes		
Property taxes, net of estimated uncollectible amounts	44,961	43,702
Investment income on bond proceeds	531	30
Interest expense on unlimited tax bonds	(13,002)	(13,483)
Property tax collection expense	(1,100)	(1,100)
Other, net	(417)	(355)
Total nonoperating revenues (expenses) related to property taxes	30,973	28,794
Income before capital contributions	309,925	217,073
Capital contributions from federal\state agencies	10,030	16,287
Change in net position	319,955	233,360
Net position, January 1	2,000,139	1,766,779
Net position, December 31	\$ 2,320,094	\$ 2,000,139

See accompanying notes to the financial statements.

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Port of Houston Authority of Harris County, Texas

Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

(in thousands)

	2022	Restated 2021
Cash flows from operating activities:		
Cash received from customers	\$ 642,186	\$ 442,917
Cash paid to suppliers for goods and services	(105,535)	(74,510)
Cash paid to employees for services	(135,621)	(117,399)
Cash paid for employee benefits	(58,497)	(57,267)
Cash paid for other services	-	(43)
Cash received for other purposes	1,929	1,328
Net cash provided by operating activities	344,462	195,026
Cash flows from noncapital financing activities:		
Contributions paid to others	(8,414)	(10,985)
Property tax collection expenses paid	(2,839)	(2,794)
Net cash used in noncapital financing activities	(11,253)	(13,779)
Cash flows from capital and related financing activities		
Property taxes received	44,612	56,728
Contributions received from federal agencies	16,152	5,628
Interim financing costs	(15,088)	(3,324)
Repayment of long-term debt and funding of escrow	(29,015)	(23,005)
Interest payments received on leases	7,175	6,280
Principal payments received on leases	34,403	32,544
Proceeds from issuance of long-term debt	-	402,037
Interest on long-term debt	(18,601)	(21,393)
Acquisition and construction of capital assets	(216,969)	(148,836)
Proceeds from retirement of assets	2,001	735
Net cash (used in) provided by capital and related financing activities	(175,330)	307,394
Cash flows from investing activities:		
Purchase of investments	(1,373,546)	(272,165)
Proceeds from maturities of investments	782,400	184,515
Interest on investments	23,710	3,201
Net cash (used in) investing activities	(567,436)	(84,449)
Net (decrease) increase in cash and cash equivalents	(409,557)	404,192
Cash and cash equivalents, January 1	641,508	237,316
Cash and cash equivalents, December 31	\$ 231,951	\$ 641,508
Cash and cash equivalents Unrestricted	\$ 170,476	\$ 217,201
Cash and cash equivalents Restricted	61,475	424,307

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, 2022 and 2021

(in thousands)

	2022	Restated 2021
Reconciliation of net income to net cash provided by operating activities:		
Operating Income	\$ 274,356	\$ 193,394
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	80,815	75,707
Leases deferred inflows	(37,558)	(35,055)
Pension\OPEB deferred inflows	(29,823)	30,211
Pension\OPEB deferred outflows	(31,938)	8,512
Miscellaneous nonoperating income, net	1,780	70
Changes in assets and liabilities		
Decrease \ (increase) in trade and other receivables	27,116	(39,987)
(Increase) \ decrease in prepaids and other current assets	(6,176)	1,510
Decrease \ (increase) in dredging expenses paid in advance	4,359	(4,488)
(Decrease) \ increase in accounts payable and other liabilities	(1,246)	11,628
Increase \ (decrease) in net pension\OPEB liability (asset) and compensated absences	61,690	(49,669)
Increase in fees received in advance	1,087	3,193
Net cash provided by operating activities	\$ 344,462	\$ 195,026
Noncash investing, capital and financing activities		
Increase in fair value of investments	\$ 6,179	\$ 2,668
Capital contributions from federal agencies	11,626	17,749
Capital asset acquisitions included in accounts payable, net change	20,904	(5,706)

See accompanying notes to the financial statements.

Port of Houston Authority of Harris County, Texas

Statements of Fiduciary Net Position

As of December 31, 2022 and 2021

(in thousands)

	Pension and Other Postemployment Benefit Trust Funds	
	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 5,316	\$ 6,378
Investment Securities		
Domestic Equity	113,664	132,343
International Equity	31,242	33,870
Fixed Income	123,218	143,534
Balanced Funds*	21,332	22,064
Accrued investment income	<u>770</u>	<u>572</u>
Total Assets	<u>295,542</u>	<u>338,761</u>
Liabilities		
Investment expenses	<u>74</u>	<u>58</u>
Total Liabilities	<u>74</u>	<u>58</u>
Net position restricted for pension / OPEB**	<u>\$ 295,468</u>	<u>\$ 338,703</u>
* Mutual Funds that include both equity and fixed income securities		
**Net position restricted for OPEB	\$ 88,284	\$ 105,683
Net position restricted for Defined Contribution	8,030	7,126
Net Position restricted for Pension	<u>199,154</u>	<u>225,894</u>
	<u>\$ 295,468</u>	<u>\$ 338,703</u>

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, 2022 and 2021
 (in thousands)

	Pension and Other Postemployment Benefit Trust Funds	
	2022	2021
Additions:		
Employer contributions	\$ 6,245	\$ 10,382
Net investment income (loss)	(34,906)	51,708
Total additions	(28,661)	62,090
Deductions:		
Benefit payments and withdrawals	(14,121)	(13,656)
Administrative expenses	(453)	(366)
Total deductions	(14,574)	(14,022)
Net (decrease) increase in net position	(43,235)	48,068
Net position restricted for pension / defined contribution / OPEB, beginning of year	338,703	290,635
Net position restricted for pension / defined contribution / OPEB, end of year	\$ 295,468	\$ 338,703

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, 2022 and 2021
(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, 2022 and 2021
(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 funds health insurance benefits for retirees. The 401(a) Plan is to benefit 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 ("LGIP"), 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 LGIPs from Securities and Exchange Commission

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(in thousands)

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents (continued)

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 Authority adheres to these provisions.

Investments

The Authority's cash equivalents and investments, excluding certain investments in LGIPs, 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.

Lease Receivable

The Authority recognizes a lease receivable and a deferred inflow of resources in the statement of net position. At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(in thousands)

1. Summary of Significant Accounting Policies (continued)

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 2022 and 2021 amounted to \$3,359 and \$4,716, respectively, and is included in depreciation and amortization in the Statements of Revenues, Expenses and Changes in Net Position.

Property Taxes

Property taxes (net of collection expenses) are used to pay debt service on outstanding General Obligation Bonds. Property is appraised, and a lien on such property becomes enforceable, as of January 1, subject to certain procedures generally in accordance with Harris County Appraisal District rules for rendition, appraisal, appraisal review, and judicial review. Property taxes are generally levied in October or November for the year in which assessed. Taxes become delinquent February 1 of the following year and are subject to interest and penalty charges. 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, 2022 and 2021 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, 2022 and 2021 were \$0.00799 and \$0.00872, 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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(in thousands)

1. Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

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.

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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(in thousands)

1. Summary of Significant Accounting Policies (continued)

Compensated Absences (continued)

days per year. Upon termination or retirement, employees are paid for any unused sick leave days at their current pay rate up to a maximum of 60 days. With sufficient accruals, employees are allowed to receive payments following year-end of up to a maximum of 12 days of their unused sick leave, at their current pay rate.

Deferred Outflows and Inflows of Resources

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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(in thousands)

1. Summary of Significant Accounting Policies (continued)

Operating Revenues and Expenses

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

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

Accounting Pronouncements

In June 2017, GASB issued Statement No. 87, "*Leases*." The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Authority implemented this standard in fiscal year 2022. See Restatements on page 43 for discussion of impact of this implementation.

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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(in thousands)

1. Summary of Significant Accounting Policies (continued)

Accounting Pronouncements (continued)

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 has determined that the requirements of GASB 91 are not applicable to the Authority.

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 has determined that the requirements of GASB 94 are not applicable to the Authority.

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 established in Statement No. 87, *Leases*, as amended. Under this Statement, a government generally should recognize a right-to-use subscription asset, an

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(in thousands)

1. Summary of Significant Accounting Policies (continued)

Accounting Pronouncements (continued)

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. The Authority will assess the impact of this statement in fiscal year 2023.

In April 2022, GASB issued Statement No. 99, "*Omnibus 2022*." The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The Authority will assess the impact of this statement in fiscal year 2024.

In June 2022, GASB issued Statement No. 100, "*Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*." The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The Authority will assess the impact of this statement in fiscal year 2024.

In June 2022, GASB issued Statement No. 101, "*Compensated Absences*." The

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(in thousands)

1. Summary of Significant Accounting Policies (continued)

Accounting Pronouncements (continued)

objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled.

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The Authority will assess the impact of this statement in fiscal year 2024.

Reclassifications

Certain reclassifications have been made to the 2021 financial statements to conform to the 2022 presentation. The reclassifications had no effect on the changes in financial position.

Restatements

The 2021 financial statements were restated as a result of the implementation of GASB 87. The Authority has recognized lease receivables, accrued interest, deferred inflows of resources, lease revenue, and interest related to leases. Lease receivables and related interest amounted to \$322.3 million and deferred inflows of resources amounted to \$319.2 million as of December 31, 2021 and change in net position was restated by \$3.1 million. There was no impact to beginning net position as a result of adoption of GASB 87.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(in thousands)

1. Summary of Significant Accounting Policies (continued)

	As previously stated at 12/31/21	GASB 87 Implementation	Restated for 12/31/21
Assets			
Short-Term Lease Receivable	\$ -	\$ 27,832	\$ 27,832
Accrued Interest Receivable - Leases	-	537	537
Long-Term Lease Receivable	-	293,912	293,912
Deferred Inflows of Resources			
Deferred Inflows of resources related to Leases	-	319,233	319,233
Operating Revenues			
Rental of equipment and facilities	23,269	(3,769)	19,500
Nonoperating revenues (expenses)			
Other, net	(1,974)	6,817	4,843
Change in Net Position	\$ 230,312	\$ 3,048	\$ 233,360

2. Cash and Investments

The Authority's cash and cash equivalents of \$231,951 and \$641,508 as of December 31, 2022 and 2021, respectively, are maintained in demand deposit accounts and LGIPs. Restricted cash includes \$35,897 in Series 2021 Revenue Bonds Construction Funds, \$5,051 in Series 2021 Revenue Bonds Debt Service fund and \$10,865 in Unlimited Tax Refunding Bonds Debt Service funds held in bank deposits and LGIPs. 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 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 LGIPs.

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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(in thousands)

2. Cash and Investments (continued)

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 2021 and 2022, the Authority made investments in the Local Government Investment Cooperative ("LOGIC"), Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS"), Texas Local Government Investment Pool ("TexPool Prime") and the Interlocal Cooperation Act Texas Short Term Asset Reserve Program ("TexSTAR"). These LGIPs 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 an "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.

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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(in thousands)

2. Cash and Investments (continued)

proxy for fair value which meets criteria under GASB 79.

At December 31, 2022 and 2021, the Authority had investments in LOGIC, Texas CLASS, TexSTAR, and TexPool Prime of \$73,513 and \$212,157; \$72,643 and \$206,966; \$102 and \$100; and \$58,432 and \$195,931, respectively.

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

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

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

Concentration of Credit Risk – Concentration of credit risk exists when investments are concentrated in the securities of a few issuers. The Authority mitigates such risks by emphasizing the importance of a diversified portfolio. The Authority's investments at December 31, 2022 and 2021 included the following securities which comprised more than 5% of the total portfolio (excluding cash and cash equivalents):

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(in thousands)

2. Cash and Investments (continued)

	<u>2022</u>	<u>2021</u>
Commercial Paper:		
Banco Santander SA/NY	-	5%
Barclays Capital	6%	5%
Goldman Sachs	-	5%
Santander UK PLC	-	10%
Municipal Bonds:		
California Sch Cash Res Prog	-	5%
Iowa State Brd Regents Hospital	-	5%
U.S. Agency Securities:		
Federal Farm Credit Banks	8%	8%
Federal Home Loan Banks	36%	-
Federal National Mortgage Association	-	8%
U.S. Government Securities:		
United States Treasury Bill	6%	-
United States Treasury Notes	13%	-

Including cash and cash equivalents, 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% of the overall portfolio may be invested in a single government agency issuer.

Interest Rate Risk - Interest rate risk occurs when changes in interest rates adversely affect the fair value of the Authority's investments. Generally speaking, the fair value of longer-dated securities have greater sensitivity to changes in market interest rates. The Authority minimizes its exposure to this risk by purchasing a mix of shorter-term investments and longer-term securities with maturities largely staggered to avoid undue concentration of assets in a specific maturity sector, and by structuring the portfolio to provide for stability of income and reasonable liquidity necessary to meet operational and capital needs.

The Investment Policy includes a general objective to hold investments to maturity, with final maturity of up to five years for certain instruments, and no more than 40% of the portfolio invested beyond two years at the time of purchase. It also provides that the maximum weighted average maturity of the overall portfolio shall not exceed two years. See the tables on the following pages showing fair value and weighted average maturity of the Authority's investments for the fiscal years ended December 31, 2022 and 2021.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(in thousands)

2. Cash and Investments (continued)

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, 2022 and 2021, 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, 2022 and 2021 the indirect exposure to foreign currency risk for the defined benefit plan was \$15,556 and \$16,684 respectively, and for the OPEB Plan the indirect exposure was \$6,946 and \$7,450, 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*," which requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. Valuation techniques should be applied consistently, though a change may be appropriate in certain circumstances. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

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

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

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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(in thousands)

2. Cash and Investments (continued)

The Authority's significant financial instruments consist of cash and cash equivalents, and investment securities. As of December 31, 2022 and December 31, 2021, the Authority had the following recurring fair value measurements for such financial instruments:

- LGIPs as of December 31, 2022 and December 31, 2021 totaled \$204,690 and \$615,154, respectively.
- U.S. Agency Securities, Municipal Bonds, and Commercial Paper as of December 31, 2022 and 2021, valued using the matrix pricing technique with quoted prices for similar assets in active markets, provided by JPMorgan Chase (Level 2 inputs).
- U.S. Government Securities as of December 31, 2022, valued with quoted prices for identical assets in active markets, provided by JPMorgan Chase (Level 1 input).

The Authority had no nonrecurring fair value measurements at December 31, 2022, 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, 2022 and 2021, and indicate the fair value hierarchy of the valuation techniques utilized to determine such fair value.

Security Type	Level 1 12/31/22	Level 2 12/31/22	Level 3 12/31/22	Total
U.S. Agency Securities	\$ -	\$ 415,762	\$ -	\$ 415,762
Commercial Paper	-	147,253	-	147,253
U.S. Government Securities	163,568	-	-	163,568
Municipal Bonds	-	155,616	-	155,616
Total	<u>\$ 163,568</u>	<u>\$ 718,631</u>	<u>\$ -</u>	<u>\$ 882,199</u>

Security Type	Level 1 12/31/21	Level 2 12/31/21	Level 3 12/31/21	Total
U.S. Agency Securities	\$ -	\$ 48,865	\$ -	\$ 48,865
Commercial Paper	-	74,955	-	74,955
Municipal Bonds	-	181,593	-	181,593
Total	<u>\$ -</u>	<u>\$ 305,413</u>	<u>\$ -</u>	<u>\$ 305,413</u>

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
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2. Cash and Investments (continued)

The following table summarizes the Authority's fiduciary fund's investments that are measured at fair value at their respective fiscal year end, for fiscal 2022 and 2021, and indicate the fair value hierarchy of the valuation techniques utilized to determine such fair value.

	Level 1 2022	Level 2 2022	Level 3 2022	Total
Domestic Equity	\$ 64,848	\$ -	\$ -	\$ 64,848
International Equity	9,370	-	-	9,370
Mutual Funds	121,906	-	-	121,906
U.S. Treasuries	24,274	-	-	24,274
U.S. Corporate Obligations	-	58,933	-	58,933
Municipal Obligations	-	1,036	-	1,036
U.S. Government Agencies	-	7,584	-	7,584
International Fixed Income	-	1,505	-	1,505
Total	<u>\$ 220,398</u>	<u>\$ 69,058</u>	<u>\$ -</u>	<u>\$ 289,456</u>
	Level 1 2021	Level 2 2021	Level 3 2021	Total
Domestic Equity	\$ 79,211	\$ -	\$ -	\$ 79,211
International Equity	9,712	-	-	9,712
Mutual Funds	114,186	-	-	114,186
U.S. Treasuries	19,729	-	-	19,729
U.S. Corporate Obligations	-	85,619	-	85,619
Municipal Obligations	-	1,271	-	1,271
U.S. Government Agencies	-	9,665	-	9,665
International Fixed Income	-	6,357	-	6,357
Target Date Mutual Funds	-	6,061	-	6,061
Total	<u>\$ 222,838</u>	<u>\$ 108,973</u>	<u>\$ -</u>	<u>\$ 331,811</u>

As of December 31, 2022 and 2021, fiduciary funds cash and cash equivalents totaled \$5,316 and \$6,378, respectively.

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Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(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, 2022.

Security Type	<u>Ratings</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (In Years)</u>
Agency Securities:			
FFCB NOTE	A-1+/Aaa	\$ 49,950	0.11
FFCB NOTE	AA+/Aaa	22,533	0.14
FHLB NOTE	A-1+/P-1	48,535	0.07
FHLB NOTE	A-1+/P-1	49,958	0.08
FHLB NOTE	A-1+/P-1	24,042	0.05
FHLB NOTE	AA+/Aaa	49,972	0.11
FHLB NOTE	A-1+/P-1	24,735	0.01
FHLB NOTE	A-1+/P-1	49,994	0.04
FHLB NOTE	A-1+/P-1	24,533	0.02
FHLB NOTE	A-1+/P-1	48,873	0.06
FNMA NOTE	AA+/Aaa	<u>22,637</u>	0.14
Total		<u>415,762</u>	
Commercial Paper:			
Banco Santander, SA	A-1/P-1	24,594	0.06
Barclays Capital Inc.	A-1/P-2	49,297	0.11
BofA Securities, Inc.	A-1/P-1	24,590	0.06
Canadian Imperial Holdings Inc.	A-1/P-1	24,384	0.09
The Toronto-Dominion Bank	A-1/P-1	<u>24,388</u>	0.09
Total		<u>147,253</u>	
Government Securities			
United States Treasury Bill	A-1+/P-1	49,022	0.13
United States Treasury Notes	AA+/Aaa	14,974	0.01
United States Treasury Notes	AA+/Aaa	49,915	0.03
United States Treasury Notes	AA+/Aaa	<u>49,657</u>	0.07
Total		<u>163,568</u>	
Municipal Bonds:			
Alpine Utah Sch Dist	Aaa	2,992	0.00
Ann Arbor Mich Sch Dist Pub Schs	Aa1	3,527	0.01
Bergen Cnty N J	MIG1	4,970	0.01
Berkeley Cnty S C Sch Dist	A-1+/MIG1	3,442	0.00
Bessemer Ala	AA	499	0.00
Bloomfield Twp N J	MIG1	3,126	0.00
Bloomington Minn Hsg & Redev Auth Lease Rev	AA+	4,114	0.02

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Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(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:			
Boerne Tex Indpt Sch Dist	Aaa	548	0.00
Camden Cnty N J Impt Auth Rev	AA/Aa1	1,049	0.00
Charleston Cnty S C Sch Dist	MIG1	5,407	0.01
Davie Fla Edl Facs Rev	A3	9,115	0.01
Denton Tex Indpt Sch Dist	AA	1,958	0.01
Derby Conn	AA-/Aa2	779	0.00
Fort Bend Cnty Tex	Aa1	1,001	0.00
Grafton Mass	SP-1+	2,212	0.00
Green Bay Wis Redev Auth Lease Rev	A2	2,855	0.01
Honolulu Hawaii City & Cnty	Aa1	1,968	0.01
Islip N Y	MIG1	2,508	0.01
Keller Tex Indpt Sch Dist	AAA/Aaa	498	0.00
Kirkwood Cmnty Coll Iowa New Jobs Trng Cfts	AA/Aa1	838	0.00
Leavenworth Cnty Kans Uni Sch Dist No 453	Aa3	584	0.00
Leavenworth Cnty Kans Uni Sch Dist No 458	Aa3	487	0.00
Lincoln Neb West Haymarket Jt Pub Agy	AAA/Aa1	2,100	0.01
Marble Falls TX Econ Dev Corp Sales Tax Rev	AA	440	0.00
Massachusetts (Commonwealth Of)	Aa1	9,936	0.03
Mount Kisco N Y	MIG1	9,474	0.03
Oxford Conn	Aa2	1,328	0.01
Palm Beach Cnty Fla Solid Waste Auth Rev	AA+/Aa2	4,923	0.02
Richland Cnty S C Sch Dist No 001	A-1+	18,146	0.02
San Antonio Tex	AAA/Aaa	997	0.00
San Antonio Tex Elec & Gas Rev	AA-/Aa2	823	0.00
South Carolina Assn Governmental Org Ctf	MIG1	20,027	0.04
Suffolk Va	AAA/Aaa	1,243	0.00
Suffolk Va	AAA/Aaa	1,267	0.01
University Calif Revs	AA/Aa2	2,958	0.01
Waterford Wis	A+	5,188	0.04
West New York N J	SP-1+	4,963	0.01
Woolwich Twp N J	SP-1+	14,979	0.04
Ypsilanti Mich Sch Dist	AA	2,347	0.00
Total		<u>155,616</u>	
Total Investment Fair Value		<u>\$ 882,199</u>	
Portfolio Weighted Average Maturity			0.58

The above calculation excludes cash and cash equivalents. As of December 31, 2022, the Authority's weighted average maturity of the portfolio as defined in the Investment Policy including cash and cash equivalents was 0.47 years.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(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, 2021.

Security Type	<u>Ratings</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (In Years)</u>
Agency Securities:			
FNMA NOTE	AA+/Aaa	\$ 24,410	1.81
FFCB NOTE	AA+/Aaa	<u>24,455</u>	1.83
Total		<u>48,865</u>	
Commercial Paper:			
Banco Santander SA/NY	A-1/P-1	14,991	0.09
Barclays Capital	A-1	14,986	0.11
Goldman Sachs	A-1/P-1	14,987	0.11
Santander UK PLC	A-1/P-1	<u>29,991</u>	0.13
Total		<u>74,955</u>	
Municipal Bonds			
Alpine School District, UT	Aaa	6,070	0.01
Atlanta, GA	AA+/Aa1	409	0.00
Austin, TX Elect Util	AA/Aa3	8,260	0.04
Birmingham, AL Wtr Wrks Board	AA/Aa2	1,000	0.00
Boerne ISD, TX	Aaa	550	0.00
Brazos, TX Higher Edu Student Loan	AAA	692	0.00
California Sch Cash Res Prog	SP-1+	15,001	0.01
California State Dept Wtr Pwr Supply	AA+	2,513	0.00
City of Bessemer, AL	AA	550	0.00
City of Bessemer, AL	AA	499	0.00
City of Bloomington, MN	AA+	4,155	0.04
City of Derby, CT	AA-	1,120	0.00
City of Derby, CT	AA-	807	0.01
City of Frisco, TX	AAA/Aaa	2,793	0.00
City of Irving, TX	AAA/Aaa	500	0.00
City of Jersey City, NJ	MIG1	11,344	0.06
City of Kenosha, WI	AA	1,389	0.00
City of Kenosha, WI	AA	503	0.00
City of Lawrenceville, GA	AA+/Aa3	1,040	0.00

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Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(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 Lewisville, AL	AAA	1,000	0.00
City of Marble Falls, TX	AA	460	0.00
City of Portland, OR	Aaa	7,225	0.02
City of San Antonio, TX	AAA/Aaa	1,000	0.01
City of Stevens Point, WI	Aa2	2,684	0.00
City of Suffolk, VA	AAA/Aaa	1,262	0.01
City of Suffolk, VA	AAA/Aaa	1,326	0.02
City of Waterbury, CT	AA	915	0.00
Clackamas County, OR School District	Aa2	500	0.00
Clarkston, MI Cmty Sch	Aa1	1,512	0.00
Clemson Univ	Aa3	1,124	0.00
Dallas Wtrwks & Swr	AAA	1,552	0.01
Dane County, WI	AAA	1,204	0.00
Denton ISD, TX	AAA	1,801	0.01
DFW Intl Airport	A1	700	0.00
Fort Bend Cty, TX	Aa1	1,050	0.01
Harris County Cultural EDU	AA-/A1	805	0.00
Honolulu City & Cnty, HI	Aa1	2,036	0.02
Iowa State Brd Regents Hospital	SP-1+/MIG1	14,975	0.06
Keller ISD, TX	AAA/Aaa	500	0.00
Keller ISD, TX	AAA/Aaa	496	0.00
Kirkwood Cmty Clg, IA	AA/Aa2	854	0.01
Lansing, MI Board of Water	AA-/Aa3	1,008	0.00
Leavenworth Cty, KS USD	Aa3	500	0.00
Leavenworth Cty, KS USD	Aa3	499	0.00
Leavenworth Cty, KS USD	Aa3	597	0.01
Leavenworth Cty, KS USD	Aa3	497	0.00
Massachusetts Clean Energy Coop	A1	525	0.00
Milwaukee Cty, WI	AA/Aa2	1,017	0.01
Montgomery Cty, MD	AA+/Aa1	1,336	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, 2022 and 2021
(in thousands)

2. Cash and Investments (continued)

Security Type	<u>Ratings</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (In Years)</u>
Nashville, TN	AA/Aa2	3,995	0.01
NYC Transitional Fina Auth	AAA/Aa1	11,985	0.06
Omaha-Douglas Bldg Comm	AA+/Aa3	1,241	0.00
Oregon Cmnty Clg Dist	AA	750	0.00
Palm Beach Cty, FL	AA+/Aa2	5,149	0.05
Riley Cty, KS USD	Aa2	520	0.00
Riverside USD, CA	AA-	499	0.00
San Francisco, CA Pub Utils Comm	AA-/Aa2	2,036	0.01
Seward Cty, KS USD	A+	499	0.00
Snohomish County, WA	AA+/Aa1	2,146	0.01
State of CA	AA-/Aa2	1,609	0.00
State of CT	A+/Aa3	7,311	0.00
State of Hawaii	AA+/Aa2	575	0.00
State of Mississippi	AA/Aa2	2,498	0.01
State of TX	AAA/Aaa	1,473	0.01
State of TX	AAA	1,000	0.00
Texas A&M Univ	AAA/Aaa	1,009	0.00
Town of Oxford, CT	Aa2	1,043	0.00
Town of Oxford, CT	Aa2	1,381	0.02
TX Pub Fin Auth	AA+/Aa1	4,831	0.00
TX Trans Comm	Aaa	6,400	0.03
Univ of CA	AA/Aa2	500	0.00
Univ of CA	AA/Aa2	3,001	0.02
Village of Waterford, WI	A+	5,369	0.07
West Haymarket Jt Pub Agcy, NE	AAA/Aa1	2,215	0.02
Ypsilanti Cmnty Schools, MI	AA	<u>2,403</u>	0.02
Total		<u>181,593</u>	
Total Investment Fair Value		<u>\$ 305,413</u>	
Portfolio Weighted Average Maturity			1.13

The above calculation excludes cash and cash equivalents. As of December 31, 2021, the Authority's weighted average maturity of the portfolio as defined in the Investment Policy including cash and cash equivalents was 0.65 years.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(in thousands)

3. Receivables

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

	<u>2022</u>	<u>2021</u>
Trade Receivables, Net		
Trade receivables	\$ 61,277	\$ 88,860
Damage claims receivable	697	674
Allowance for doubtful accounts	<u>(4,454)</u>	<u>(4,885)</u>
Total trade receivables, net	<u>57,520</u>	<u>84,649</u>
Lease Receivables		
Short term lease receivable	36,681	27,832
Long term lease receivable	<u>382,070</u>	<u>293,912</u>
Total lease receivables, net	<u>418,751</u>	<u>321,744</u>
Property Tax Receivables		
Property tax receivables	<u>36,488</u>	<u>34,688</u>
Other Receivables		
Interest receivable	3,499	779
Due from federal agencies	11,768	17,890
Accrued interest receivable - leases	730	537
Other	<u>19</u>	<u>6</u>
Total other receivables	<u>16,016</u>	<u>19,212</u>
Total Receivables, Net	<u><u>\$ 528,775</u></u>	<u><u>\$ 460,293</u></u>

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(in thousands)

4. Capital Assets

Capital asset activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Additions	Retirements / Transfers	Ending Balance
Capital assets not being depreciated				
Land other than channel	\$ 115,378	\$ 10,975	\$ (419)	\$ 125,934
Land use rights - intangible	16,050	1,270	-	17,320
Channel land	379,533	-	-	379,533
Construction-in-progress	237,513	222,120	(123,642)	335,991
Total capital assets not being depreciated	748,474	234,365	(124,061)	858,778
Capital assets being depreciated				
Buildings	174,064	55	-	174,119
Improvements other than buildings	1,544,416	89,473	-	1,633,889
Railroads	63,902	94	-	63,996
Machinery and equipment	592,375	36,656	(510)	628,521
Computer software - intangible	17,889	-	-	17,889
Total capital assets being depreciated	2,392,646	126,278	(510)	2,518,414
Less accumulated depreciation for				
Buildings	(118,276)	(3,991)	-	(122,267)
Improvements other than buildings	(674,567)	(46,639)	-	(721,206)
Railroads	(44,125)	(1,100)	-	(45,225)
Machinery and equipment	(328,487)	(28,165)	477	(356,175)
Computer software - intangible	(15,848)	(919)	-	(16,767)
Total accumulated depreciation	(1,181,303)	(80,814)	477	(1,261,640)
Total capital assets being depreciated, net	1,211,343	45,464	(33)	1,256,774
Total capital assets, net	\$ 1,959,817	\$ 279,829	\$ (124,094)	\$ 2,115,552

Port of Houston Authority of Harris County, Texas

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4. Capital Assets (continued)

Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Additions	Retirements / Transfers	Ending Balance
Capital assets not being depreciated				
Land other than channel	\$ 115,298	\$ 1	\$ 79	\$ 115,378
Land use rights - intangible	15,861	189	-	16,050
Channel land	371,975	7,558	-	379,533
Construction-in-progress	267,927	138,523	(168,937)	237,513
Total capital assets not being depreciated	771,061	146,271	(168,858)	748,474
Capital assets being depreciated				
Buildings	171,953	2,111	-	174,064
Improvements other than buildings	1,425,438	118,978	-	1,544,416
Railroads	62,140	1,762	-	63,902
Machinery and equipment	551,512	42,875	(2,012)	592,375
Computer software - intangible	17,889	-	-	17,889
Total capital assets being depreciated	2,228,932	165,726	(2,012)	2,392,646
Less accumulated depreciation for				
Buildings	(114,063)	(4,213)	-	(118,276)
Improvements other than buildings	(631,632)	(42,935)	-	(674,567)
Railroads	(42,890)	(1,235)	-	(44,125)
Machinery and equipment	(304,391)	(26,063)	1,967	(328,487)
Computer software - intangible	(14,587)	(1,261)	-	(15,848)
Total accumulated depreciation	(1,107,563)	(75,707)	1,967	(1,181,303)
Total capital assets being depreciated, net	1,121,369	90,019	(45)	1,211,343
Total capital assets, net	\$ 1,892,430	\$ 236,290	\$ (168,903)	\$ 1,959,817

Port of Houston Authority of Harris County, Texas

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5. Leases

The Authority leases office equipment as lessee under a variety of agreements. The Port considers these agreements immaterial and are not considered under GASB 87. Lease payments are recorded as expenses during the life of the lease. Rental expenses for the year ended December 31, 2022 and 2021 were \$243 and \$212, respectively.

Additionally, the Authority leases certain assets as lessor to others. These leases pertain to land, buildings and improvements, and cargo handling equipment.

The Authority recognizes a receivable using present value of future lease payments to be received for the lease term and deferred inflow of resources at the beginning of the lease term. Re-measurement of the lease receivable occurs when there are modifications to the lease agreements. The estimated incremental borrowing rate is used for the discount rate for leases. The terms of these leases range from 2 to 71 years. This recognition does not apply to short term leases. Some agreements include a variable revenue component based on Consumer Price Index and usage. Variable amount as of December 31, 2022 was \$4,348. Variable revenue is not included in the lease receivable measurement.

As of December 31, 2022, future minimum rentals anticipated to be received by the Authority under leases with initial or remaining noncancelable lease terms are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 36,681	\$ 8,676	\$ 45,357
2024	30,150	8,078	38,228
2025	27,618	7,511	35,129
2026	25,789	6,988	32,777
2027	23,046	6,487	29,533
2028-2032	94,130	26,096	120,226
2033-2037	84,090	16,311	100,401
2038-2042	53,452	8,340	61,792
2043-2047	25,685	3,420	29,105
2048-2052	7,696	1,639	9,335
2053-2057	2,702	1,138	3,840
2058-2062	3,059	780	3,839
2063-2067	3,398	376	3,774
2068-2071	1,255	33	1,288
Total	<u>\$418,751</u>	<u>\$ 95,873</u>	<u>\$514,624</u>

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
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6. Debt

(A) Short-Term Debt

Extendible Commercial Paper Program

In April 2022, the Authority established the Port of Houston Authority of Harris County, Texas Third Lien Revenue Extendible Commercial Paper ("ECP Notes") Program, Series A-1 (Tax Exempt) and A-2 (Taxable). The ECP Notes may be issued for a period not to exceed 90 days, which may be extended, but in no event later than 270 days following the date of issuance and the maximum principal amount outstanding may not exceed the authorized amount of \$300,000. The ECP Notes may be issued to finance various capital projects or Channel improvement projects. During 2022, no ECP Notes were issued and no notes were outstanding at December 31, 2022.

Note Purchase Program

In October 2021, the Authority executed a five-year \$100,000 third lien variable rate note purchase program ("Note Program") with BB&T Community Holdings Co and Truist Bank ("Lender") in place of its previous \$100,000 variable rate note purchase program. The Note Program third lien obligations shall be payable solely from and equally and ratably secured by a lien on the Authority's net revenues, subject to the prior and superior liens of the first lien obligations and the second lien obligations, as provided in the Master Resolution adopted by the Port Commission dated October 26, 2021.

The Authority may issue either taxable or tax-exempt variable rate notes, under the Note Program, in an aggregate principal amount not to exceed \$100,000. Each taxable program note will bear interest based on the taxable adjusted Secured Overnight Financing Rate ("SOFR") plus an applicable margin and each tax-exempt program note will bear interest at the adjusted SOFR rate plus an applicable margin. The Authority is obligated to pay Lender a fee on the unused total commitment. The Note Program was executed to provide additional liquidity to the Authority for contingency and contract award capacity purposes. Both the taxable and tax-exempt Note Programs include customary events of default.

As of December 31, 2022 and 2021, there were no notes outstanding.

(B) 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, 2022 and 2021.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
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6. Debt (continued)

Long-term liability activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds Payable					
Unlimited tax bonds	\$ 469,434	\$ -	\$ (23,685)	\$ 445,749	\$ 19,615
Accreted interest on capital appreciation bonds	1,298	323	-	1,621	-
Revenue bonds	322,180	-	(5,330)	316,850	5,365
Less unamortized premiums / discounts, net	<u>164,680</u>	<u>-</u>	<u>(13,431)</u>	<u>151,249</u>	<u>-</u>
Total Bonds Payable	<u>\$ 957,592</u>	<u>\$ 323</u>	<u>\$ (42,446)</u>	<u>\$ 915,469</u>	<u>\$ 24,980</u>
Net Pension Liability	<u>\$ -</u>	<u>\$ 21,937</u>	<u>\$ -</u>	<u>\$ 21,937</u>	<u>\$ -</u>
Other Noncurrent Liabilities					
Compensated absences	9,600	8,215	(7,193)	10,622	7,193 *
Fees received in advance	11,369	2,394	(2,764)	10,999	1,750 *
Claims liability	<u>9,079</u>	<u>1,168</u>	<u>(1,241)</u>	<u>9,006</u>	<u>561 *</u>
Total Other Noncurrent Liabilities	<u>\$ 30,048</u>	<u>\$ 11,777</u>	<u>\$ (11,198)</u>	<u>\$ 30,627</u>	<u>\$ 9,504</u>

* Included in fees received in advance and other reserves

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
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6. Debt (continued)

Long-term liability activity for the year ended December 31, 2021 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	\$ 492,439	\$ -	\$ (23,005)	\$ 469,434	\$ 23,685
Accreted interest on capital appreciation bonds	1,035	263	-	1,298	-
Revenue bonds	-	322,180	-	322,180	5,330
Less unamortized premiums / discounts, net	<u>93,680</u>	<u>80,157</u>	<u>(9,157)</u>	<u>164,680</u>	<u>-</u>
Total Bonds Payable	<u>\$ 587,154</u>	<u>\$ 402,600</u>	<u>\$ (32,162)</u>	<u>\$ 957,592</u>	<u>\$ 29,015</u>
Net Pension Liability	<u>\$ 12,526</u>	<u>\$ -</u>	<u>\$ (12,526)</u>	<u>\$ -</u>	<u>\$ -</u>
Other Noncurrent Liabilities					
Compensated absences	8,388	7,060	(5,848)	9,600	5,800 *
Fees received in advance	8,046	7,476	(4,153)	11,369	1,682 *
Claims liability	<u>8,318</u>	<u>2,000</u>	<u>(1,239)</u>	<u>9,079</u>	<u>110</u> *
Total Other Noncurrent Liabilities	<u>\$ 24,752</u>	<u>\$ 16,536</u>	<u>\$ (11,240)</u>	<u>\$ 30,048</u>	<u>\$ 7,592</u>

* Included in fees received in advance and other reserves

The Authority's revenue bond covenants require its net revenues available to pay 1.5x annual debt service for all outstanding first lien obligations. At December 31, 2022 and 2021, the Authority was in compliance with all Series 2021 Revenue Bond covenants.

In addition to the Series 2021 Revenue Bonds, the Authority's long-term debt includes 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
For the Years Ended December 31, 2022 and 2021
(in thousands)

6. Debt (continued)

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

	Original Issue	Interest Rate % *	Issue Date	Maturity	December 31	
					2022	2021
Revenue Bonds						
Series 2021	\$322,180	4.00-5.00	12/9/2021	2051	\$ 316,850	\$ 322,180
Total Revenue Bonds					316,850	322,180
Unamortized premiums/discounts					74,769	79,858
Revenue Bonds, net					<u>391,619</u>	<u>402,038</u>
General Obligation Bonds						
Unlimited Tax Refunding Bonds						
Series 2010C	30,254	2.00-5.00	2/3/2010	2038	119	119
Series 2010E	22,330	2.00-5.00	8/19/2010	2038	15	15
Series 2015A	62,805	3.125-5.00	8/26/2015	2031	15,240	29,670
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	12,335	15,135
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	3,415	5,020
Series 2020A-2	222,925	3.00-5.00	8/12/2020	2039	220,675	221,830
Series 2020B	19,490	2.25	8/12/2020	2026	15,795	19,490
					<u>445,749</u>	<u>469,434</u>
Unamortized premiums / (discounts), net					76,480	84,822
Series 2010C and 2010E CAB Accretion, net					1,621	1,298
Unlimited Tax Refunding Bonds, net					<u>523,850</u>	<u>555,554</u>
Total Long Term Debt					915,469	957,592
Less Current Maturities					<u>(24,980)</u>	<u>(29,015)</u>
Long - Term Debt (net of unamortized premiums /(discounts))					<u>\$ 890,489</u>	<u>\$ 928,577</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, 2022 and 2021
(in thousands)

6. Debt (continued)

Debt Service Requirements

Total debt service requirements for outstanding bonds as of December 31, 2022 are as follows:

Year Ending December 31	Bond Principal		Bond Interest		Capital Appreciation Bond	Total
	Revenue	Unlimited	Revenue	Unlimited	Accreted Interest	
		Tax		Tax		
2023	\$ 5,365	\$ 19,615	\$ 14,510	\$ 20,303	\$ -	\$ 59,793
2024	5,635	19,625	14,242	19,484	-	58,986
2025	5,915	20,435	13,960	18,665	-	58,975
2026	6,210	21,285	13,665	17,803	-	58,963
2027	6,520	23,025	13,354	16,898	-	59,797
2028-2032	37,830	128,250	61,541	66,404	4,855	298,880
2033-2037	47,990	150,969	51,387	34,081	13,120	297,547
2038-2042	58,815	62,545	40,556	3,188	-	165,104
2043-2047	72,095	-	27,275	-	-	99,370
2048-2051	70,475	-	9,024	-	-	79,499
	<u>\$316,850</u>	<u>\$445,749</u>	<u>\$259,514</u>	<u>\$196,826</u>	<u>\$ 17,975</u>	<u>\$1,236,914</u>

Revenue 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. To maintain the Authority's capital infrastructure investments funded, by its cash flow from operations, the Port Commission authorized the issuance of \$322,180 Series 2021 Revenue Bonds. The proceeds on the bonds will be used to (i) pay a portion of the Authority's costs for the design, construction, property acquisition and equipment for Project 11 and (ii) pay the costs of issuance of the Bonds.

A debt service reserve fund is not required to be funded unless the debt service coverage ratio is below 3.0x. The total maximum annual debt service is \$19,877 and the all-in true interest cost is 2.796%. The Series 2021 Revenue Bonds shall be payable solely from, and equally and ratably secured by a first lien on the Authority's net revenues.

General Obligation Bonds

Historically, when the projected cash flow was inadequate to fully cover the capital improvement plan, the Authority has often obtained approval from voters at bond

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
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(in thousands)

6. Debt (continued)

General Obligation Bonds (continued)

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. The Authority continues to have access and ability to request voter authorization to issue General Obligation Bonds. At the last bond referendum held in 2007, voters authorized the issuance of \$250,000 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 success in meeting Authority's mandate for economic development.

The following table lists the Authority's bonds outstanding as of December 31, 2022, (including revenue bonds), along with the stated purpose for which the debt was issued:

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 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)

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
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6. Debt (continued)

General Obligation Bonds (continued)

Outstanding Bond Issue	Use of Proceeds
Unlimited Tax Refunding Bonds, Series 2020B (Taxable)	Refund the Unlimited Tax Refunding Bonds, Series 2011A (AMT)
Revenue Bonds, Series 2021(Non-AMT)	Pay a portion of the Authority's costs for the design, construction, property acquisition and equipment of Project 11 and pay the costs of issuance of the Bonds

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 2022 and 2021, there were no General Obligation Bond refundings and there were no bonds 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. Also, regarding the revenue bond, the Authority makes a monthly contribution towards the yearly revenue bond debt service. 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 rebate liability for tax-exempt debt subject to the Tax Reform Act as of December 31, 2022 and 2021. 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

Notes to the Financial Statements
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7. Bayport Facilities

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

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

Past liabilities under the Agreement were paid in full during fiscal 2012. The Agreement remains in effect with regards to user fees to be paid by the Bayport operators and the Authority, with such funds accumulated by the Authority in order to fund certain future capital expenditures associated with the Bayport Ship Channel.

8. Retirement Plans

Defined Benefit Plan Description

The Authority sponsors the Port of Houston Authority Restated Retirement Plan ("Plan"), a single-employer defined benefit plan covering eligible employees hired prior to August 1, 2012. Employees hired on or after that date are covered by the Port of Houston Authority Defined Contribution Plan. The Plan is a governmental plan not subject to the federal Employee Retirement Income Security Act of 1974, and contributions are solely made by the Authority. The Port Commission maintains the authority to amend the Plan and Plan's investment policy. PNC Bank serves as the trustee of the Plan. On October 8, 2021, BBVA merged with and into PNC Bank, an indirect, wholly-owned banking subsidiary of PNC Financial Service Group, Inc., with PNC Bank as the surviving entity and 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

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)

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.

At July 31, 2022, the measurement date, the following participants were covered by the benefit terms:

	<u>2022</u>	<u>2021</u>
Retirees and beneficiaries receiving payments	561	566
Terminated vested participants not yet receiving benefits	160	162
Disabled participants	3	4
Active participants	<u>272</u>	<u>292</u>
Total	<u>996</u>	<u>1,024</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, 2020. 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 policy cancel and supersede any conflicting provisions previously adopted by the Port Commission relating to the Plan. Contributions by the Authority to the plan were \$4,051 and \$5,834 for the years ended December 31, 2022 and 2021, respectively.

Port of Houston Authority of Harris County, Texas

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

Net Pension Liability (Asset)

The Authority's net pension liability (asset) was measured as of July 31, 2022, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of August 1, 2021, rolled forward to the measurement date.

Actuarial assumptions. The total pension liability in the August 1, 2022 actuarial valuation report was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	August 1, 2021	August 1, 2020
Measurement Date	July 31, 2022	July 31, 2021
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar method	Level dollar method
Equivalent single amortization period of the unfunded liabilities	30 years	30 years
Asset valuation method	Market value	Market value
Investment rate of return	6.00%	6.25%
Projected salary increases	2.5% to 10.0%	2.5% to 10.0%
Inflation	2.40%	2.20%
Cost-of-living adjustment	None	None
Mortality	Pri-2012 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per MP-2021	Pri-2012 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per MP-2020

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, 2022 and 2021 are summarized, respectively, in the following tables:

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

<u>2022</u>	<u>Target allocation</u>	<u>Long-term expected rate of return*</u>
<u>Asset Class</u>		
Large Cap US Equity	25.0 %	7.5 %
Mid Cap US Equity	7.5 %	7.5 %
Small Cap US Equity	10.0 %	7.5 %
Developed Foreign Equity	7.5 %	8.5 %
Fixed Income	30.0 %	2.5 %
High Yield Fixed Income	5.0 %	2.5 %
Bank Loans	5.0 %	2.5 %
Real Estate	5.0 %	4.5 %
Global Tactical Asset Allocation	5.0 %	5.0 %
Long-term expected (weighted) rate of return:		5.30 %
Actuarial assumed long-term investment rate of return or discount rate:		6.00 %
 <u>2021</u>		
<u>Asset Class</u>		
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 Equity	7.5 %	8.5 %
Fixed Income	35.0 %	2.5 %
High Yield Fixed Income	5.0 %	2.5 %
Bank Loans	5.0 %	2.5 %
Real Estate	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 fiscal period's allocation.

Discount rate. The discount rate used to measure the total pension liability was 6.00 and 6.25 percent for the years ended December 31, 2022 and 2021, 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.

Port of Houston Authority of Harris County, Texas

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

Changes in the Net Pension Liability (Asset)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances as of January 1, 2022	\$ 208,737	\$ (225,894)	\$ (17,157)
Service cost	3,224	-	3,224
Interest on total pension liability	12,976	-	12,976
Effect of liability gains or losses	1,261	-	1,261
Effect of assumption changes or inputs	6,307	-	6,307
Benefit payments	(11,414)	11,414	-
Administrative expenses	-	331	331
Expected investment income, net of investment expenses	-	19,046	19,046
Employer contributions	-	(4,051)	(4,051)
Balances as of December 31, 2022	<u>\$ 221,091</u>	<u>\$ (199,154)</u>	<u>\$ 21,937</u>
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of January 1, 2021	\$ 203,777	\$ (191,251)	\$ 12,526
Service cost	3,428	-	3,428
Interest on total pension liability	12,664	-	12,664
Effect of liability gains or losses	909	-	909
Effect of assumption changes or inputs	(909)	-	(909)
Benefit payments	(11,132)	11,132	-
Administrative expenses	-	269	269
Expected investment income, net of investment expenses	-	(40,210)	(40,210)
Employer contributions	-	(5,834)	(5,834)
Balances as of December 31, 2021	<u>\$ 208,737</u>	<u>\$ (225,894)</u>	<u>\$ (17,157)</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the Authority calculated using the discount rate of 6.00 percent and 6.25 percent, respectively, 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 or one percentage point higher than the current rate:

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

Changes in the Net Pension Liability (Asset) (continued)

	1% decrease	Current discount rate	1% increase
<u>2022</u>	<u>5.00%</u>	<u>6.00%</u>	<u>7.00%</u>
Net pension liability (asset)	\$ 47,593	\$ 21,937	\$ 145
	1% decrease	Current discount rate	1% increase
<u>2021</u>	<u>5.25%</u>	<u>6.25%</u>	<u>7.25%</u>
Net pension liability (asset)	\$ 7,031	\$ (17,157)	\$ (37,709)

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 report on the Authority's website (www.porthouston.com).

Pension Expense and Deferred Outflows / Inflows of Resources

For the years ended December 31, 2022 and 2021, the Authority recognized pension expense of \$8,696 and \$1,321, respectively. At December 31, 2022 and 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Outflows / Inflows of Resources		
Differences between expected and actual experience	\$ 1,156	\$ -
Changes of assumptions	3,963	313
Net difference between projected and actual earnings	12,510	-
Contributions made subsequent to measurement date	4,441	-
Total	<u>\$ 22,070</u>	<u>\$ 313</u>
2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Outflows / Inflows of Resources		
Differences between expected and actual experience	\$ 982	\$ -
Changes of assumptions	-	711
Net difference between projected and actual earnings	-	17,404
Contributions made subsequent to measurement date	1,953	-
Total	<u>\$ 2,935</u>	<u>\$ 18,115</u>

The \$4,441 reported as deferred outflows of resources resulting from contributions

Port of Houston Authority of Harris County, Texas

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

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

made subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended</u> <u>December 31</u>		
2023	\$	5,998
2024		3,832
2025		900
2026		<u>6,586</u>
Total	\$	<u>17,316</u>

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:

Port of Houston Authority of Harris County, Texas

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

Defined Contribution Plan Description (continued)

<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, *Fiduciary Funds* ("GASB 84"). The criteria under GASB 84 focuses on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists.

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

	<u>July 31, 2022</u>	<u>July 31, 2021</u>
Total assets	\$ 8,030	\$ 7,126
Contributions during the year	2,194	1,921
Number of participants	484	440

9. Other 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 other postemployment 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; 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

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
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9. Other Postemployment Retiree Benefits (continued)

Plan Description (continued)

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 issued stand-alone financial reports for the first time in 2022 and also 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. Medicare-eligible retirees have the option of enrolling in Medicare Risk plans offered by the Authority or in limited circumstances securing their own insurance and receiving a monthly reimbursement from the Authority towards the cost. The supplied benefits include hospital, doctor, and prescription drug charges.

Basic life insurance coverage provided to retirees is based upon the retirees' annual compensation at retirement and is valued at a flat \$5, \$10 or \$15.

Effective January 1, 2010, new hires become eligible for postemployment benefits after completion of twelve years of employment and upon retirement from the Authority. Employees hired prior to that date who reach their Early or Normal Retirement date and retire from the Authority are eligible for postemployment benefits. An eligible employee may also elect coverage for his or her eligible dependents, provided that such election is made at the time of the employee's retirement and not thereafter.

Disabled employees are covered in the Port of Houston Authority Group Health Plan from the date of disability.

The widow/widower of a retiree who has health care coverage through the Authority may in most instances continue coverage upon the death of the retiree.

At December 31, 2022 and 2021, the following participants were covered by the benefit terms:

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
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9. Other Postemployment Retiree Benefits (continued)

	<u>2022</u>	<u>2021</u>
Active employees	686	686
Retired and disabled members	317	317
Covered spouses of retirees	219	219
	<u>1,222</u>	<u>1,222</u>

Funding Policy

The Port Commission has 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, as well as a funding policy if the funding status is 125% or greater. The policy may be further amended by the Port Commission at its discretion.

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

Investment Valuation and Income Recognition

Investments are stated at fair value. If available, quoted fair value prices are used to value investments. In the case of any unlisted asset, the trustee will determine the fair 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 (Asset)

The Authority's net OPEB (asset) was measured as of December 31, 2022 and 2021, and the total OPEB liability used to calculate the net OPEB (asset) was determined by an actuarial valuation as of January 1, 2021, 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, 2022 and 2021.

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
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9. Other Postemployment Retiree Benefits (continued)

Net OPEB (Asset) (continued)

	2022	2021
Total OPEB liability	\$ 60,807	\$ 55,239
Fiduciary net position	88,285	105,683
Net OPEB (asset)	<u>(27,478)</u>	<u>(50,444)</u>
Fiduciary net position as a % of total OPEB liability	145.19 %	191.32 %
Covered employee payroll	60,201	57,608
Net OPEB (asset) as a % of covered employee payroll	(45.64)%	(87.56)%

The total OPEB liability in the January 1, 2022 and 2021 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

	2022	2021
Discount rate	6.00 %	6.25 %
Long-term expected rate of return, net of investment expense	6.00 %	6.25 %

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 long-term expected rate of return.

The actuarial assumptions that determined the total OPEB liability as of December 31, 2022 and 2021 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, 2021	January 1, 2021
Measurement date	December 31, 2022	December 31, 2021
Inflation	2.35%	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-2021	Pri-2012 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per Scale MP-2020
Actuarial cost method	Entry age normal	Entry age normal

The health care cost trend rate used for the 2022 annual OPEB expense was 6.10% declining to 5.40% before trending down to 3.70% (pre-Medicare) and 8.20% trending down to 3.70% (post-Medicare) over 55 years. The health care cost trend

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
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9. Other Postemployment Retiree Benefits (continued)

rate used for the 2022 year end valuation of total and net OPEB liability was 6.10% declining to 3.70% before trending down to 3.70% (pre-Medicare) and 5.40% trending down to 3.70% (post-Medicare) over 55 years.

The health care cost trend rate used for the 2021 annual OPEB expense was 6.10% climbing to 5.40% before trending down to 3.70% (pre-Medicare) and 8.20% trending down to 3.70% (post-Medicare) over 55 years. The health care cost trend rate used for the 2021 year end valuation of total and net OPEB asset was 6.10% climbing to 3.70% before trending down to 3.70% (pre-Medicare) and 8.20% trending down to 3.70% (post-Medicare) over 55 years.

Annual Money-Weighted Rate of Return

For the years ended December 31, 2022 and 2021, the annual money-weighted rate of return on the OPEB trust investments, net of investment expense, was (14.54%) and 10.92%, 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
2018	-5.80%
2019	16.61%
2020	11.98%
2021	10.92%
2022	-14.54%

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, 2022 and 2021, 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, 2022 and 2021
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9. Other 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 Core Fixed Income	Barclays Aggregate	30.00 %	2.24 %	2.10 %
US High Yield Bonds	ICE BofA US High Yield	5.00 %	4.32 %	3.76 %
US Bank/Leveraged Loans	Credit Suisse Leveraged Loa	5.00 %	3.88 %	3.51 %
US Large Cap Equity	S&P 500	25.00 %	5.44 %	3.89 %
US Mid Cap Equity	Russell Mid Cap	7.50 %	5.83 %	3.78 %
US Small Cap Equity	Russell 2000	10.00 %	7.05 %	4.47 %
Foreign Developed Equity	MSCI EAFE NR	7.50 %	6.69 %	4.94 %
US REITs	FTSE Nareit All Equity REI	5.00 %	6.44 %	4.23 %
Hedge Funds - Relative Value	HFRI Relative Value	5.00 %	3.76 %	3.35 %
Assumed Inflation - Mean			2.35 %	2.35 %
Assumed Inflation - Standard Deviation			1.41 %	1.41 %
Portfolio Real Mean Return			4.59 %	3.94 %
Portfolio Nominal Mean Return			6.94 %	6.42 %
Portfolio Standard Deviation				10.92 %
Long-Term Expected Rate of Return				6.00 %

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(in thousands)

9. Other 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 %	0.66 %	(0.04)%
US Gvt Bonds	Barclays Gvt	20.00 %	0.25 %	0.13 %
Emerging Markets Bonds	JPM EMBI Plus	5.00 %	3.21 %	2.29 %
US Equity	S&P 500	15.00 %	4.83 %	3.33 %
US Large & Mid Caps	Russell 1000	7.50 %	4.91 %	3.32 %
US Small Caps	Russell 2000	10.00 %	6.27 %	3.58 %
Foreign Developed Equity	MSCI EAFE NR	7.50 %	6.06 %	4.32 %
Real Estate	FTSE NAREIT Equity REIT	5.00 %	5.33 %	3.16 %
Master Limited Partnerships	Alerian MLP	10.00 %	6.32 %	2.95 %
Assumed Inflation - Mean			2.20 %	2.20 %
Assumed Inflation - Standard Deviation			2.07 %	2.07 %
Portfolio Real Mean Return			3.51 %	2.94 %
Portfolio Nominal Mean Return			5.71 %	5.30 %
Portfolio Standard Deviation				9.29 %
Long-Term Expected Rate of Return				6.25 %

Sensitivity Analysis

The following presents the net OPEB asset of the Authority as of December 31, 2022 and 2021, respectively, calculated using the discount rate of 6.00% and 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 or one percentage point higher than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	5.00%	6.00%	7.00%
2022 Net OPEB asset	\$ (20,269)	\$ (27,478)	\$ (33,534)
	1% Decrease	Current Discount Rate	1% Increase
	5.25%	6.25%	7.25%
2021 Net OPEB asset	\$ (43,959)	\$ (50,444)	\$ (55,911)

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
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9. Other Postemployment Retiree Benefits (continued)

Sensitivity Analysis (continued)

The following presents the net OPEB asset of the Authority as of December 31, 2022 and 2021, respectively, 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>2022</u>	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Net OPEB asset	\$ (35,258)	\$ (27,478)	\$ (17,777)

<u>2021</u>	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Net OPEB asset	\$ (57,005)	\$ (50,444)	\$ (42,329)

OPEB Expense and Deferred Inflows\Outflows of Resources

For the year ended December 31, 2022, the Authority recognized OPEB expense of \$(1,858). At December 31, 2022, the Authority reported deferred inflows\outflows of resources from the following sources:

	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ (13,871)
Changes of assumption	(6,475)
Total	<u>\$ (20,346)</u>

	<u>Deferred Outflows of Resources</u>
Changes of assumption	\$ 1,540
Net difference between projected and actual earnings	11,263
Total	<u>\$ 12,803</u>

For the year ended December 31, 2021, the Authority recognized OPEB expense of (\$5,497). At December 31, 2021, the Authority reported deferred inflows of resources from the following sources:

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Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
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9. Other Postemployment Retiree Benefits (continued)

OPEB Expense and Deferred Inflows\Outflows of Resources (continued)

	Deferred Inflows of Resources
Differences between expected and actual experience	\$ (16,657)
Changes of assumption	(8,376)
Net difference between projected and actual earnings	(7,334)
Total	<u>\$ (32,367)</u>

Amounts reported as deferred inflows and outflows of resources related to OPEB as of December 31, 2022 will be recognized in OPEB expenses as follows:

Year ending: December 31	
2023	\$ (3,356)
2024	(2,001)
2025	(1,082)
2026	2,073
2027	(1,541)
Thereafter	(1,636)
Total	<u>\$ (7,543)</u>

Changes in Net OPEB Asset

	Total OPEB Asset	Plan Fiduciary Net Position	Net OPEB Asset
Balances as of January 1, 2022	\$ 55,239	\$ 105,683	\$ (50,444)
Service cost	2,473	-	2,473
Effect of assumptions changes or inputs	1,754	-	1,754
Interest on total OPEB liability	3,540	-	3,540
Benefit payments	(2,199)	(2,199)	-
Net investment loss	-	(15,130)	15,130
Administrative expense	-	(69)	69
Balances as of December 31, 2022	<u>\$ 60,807</u>	<u>\$ 88,285</u>	<u>\$ (27,478)</u>

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
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9. Other Postemployment Retiree Benefits (continued)

Changes in Net OPEB Asset (continued)

	Total OPEB Asset	Plan Fiduciary Net Position	Net OPEB Asset
Balances as of January 1, 2021	\$ 65,502	\$ 95,148	\$ (29,646)
Service cost	2,374	-	2,374
Effect of economic/demographic gains or losses	(14,126)	-	(14,126)
Effect of assumptions changes or inputs	(265)	-	(265)
Interest on total OPEB liability	4,168	-	4,168
Benefit payments	(2,414)	(2,414)	-
Employer contributions	-	2,627	(2,627)
Net investment income	-	10,395	(10,395)
Administrative expense	-	(73)	73
Balances as of December 31, 2021	<u>\$ 55,239</u>	<u>\$ 105,683</u>	<u>\$ (50,444)</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 created a self-insurance program to manage losses within the Authority's appetite and any deductible or self-insured retentions (SIR), involving insurance contracts. The current SIR is \$1,000 and \$350 for claims involving workers' compensation and liability, respectively. Above these SIR's, the coverage was increased with an excess layer of coverage of \$500 and \$20 for these exposures. The balance of claim liabilities at December 31, 2022 and 2021 was \$9,006 and \$9,079, respectively.

Plan Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2021	\$ 8,318	\$ 2,000	\$ (1,239)	\$ 9,079
2022	\$ 9,079	\$ 1,168	\$ (1,241)	\$ 9,006

The Authority has governmental immunity under the State of Texas as a political subdivision. As such, the state limits the liability of monetary damages for any single

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
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10. Risk Management (continued)

occurrence involving certain circumstances. The limits cap the Authority's liability at \$100 per person for bodily injury or death and a \$300 per occurrence for all persons for bodily injury or death. The cap for property damage is limited to \$100 per occurrence.

Other arrangements limiting liability are the Authority's maritime tariffs which provide a limitation of liability for property damage claims. For example, the Authority's Tariff 15 Subrule No. 061.2 stipulates a limit of \$1 per cargo loss.

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 on 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, 2022 and 2021, the Authority had commitments of approximately \$87,804 and \$98,657, 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 has been named as defendant in a state district court action brought by Robert Jones. Mr. Jones alleges the Authority engaged in disability harassment, discrimination, and retaliation. Mr. Jones further alleges the Authority wrongfully

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(in thousands)

11. Commitments and Contingencies (continued)

Litigation and Claims (continued)

failed to promote him and wrongfully terminated his employment in retaliation for making internal allegations about practices he believes to be unlawful and reporting information about the removal of emergency equipment to the Texas Department of Insurance and Texas Department of State Health Services.

Mr. Jones seeks a determination regarding an alleged violation of the Texas Whistleblower Act, and damages in an unspecified amount and/or equitable relief authorized under that act, including lost wages and benefits from termination until trial, court costs, reasonable attorney's and expert fees, reinstatement or front pay, and compensatory damages for future pecuniary losses, and past and future emotional pain, suffering, inconvenience, mental anguish, loss of enjoyment of life and other past and future nonpecuniary losses. The Authority has filed an answer disputing the claims. The action is set for trial for the two-week period beginning November 6, 2023.

The Authority intends to vigorously contest this action; however, it has not reached any judgment as to the likely outcomes or the ranges of potential loss with respect thereto.

The Authority is defending and indemnifying named Authority employee defendants in two actions brought by Stan Kozlowski, Jason Hall, Mike Stallings, Jason Roberts, Justin Meador, and Kyle Jordan (collectively, "Plaintiffs"). All of Plaintiffs' claims were originally brought in federal court, but Plaintiffs later dismissed some of the claims and refiled the dismissed claims in state district court.

In the federal action, 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. Plaintiffs seek compensatory damages in an unspecified amount for past and future lost wages, reputational harm, mental and emotional distress, anxiety, and all other general damages, plus additional amounts for attorneys' fees, expert witness fees, interest, costs, punitive damages, and all other relief to which they may be entitled. On June 22, 2022, the federal trial court granted summary judgment and issued a final judgment dismissing all claims against the Authority employee defendants. Plaintiffs have filed an appeal asking the United States Court of Appeals for the Fifth Circuit to reverse the trial court's final judgment and order granting summary judgment. The parties have filed appellate briefs, but have not yet been set for an oral argument or been informed if an oral argument will occur.

In the state action, Plaintiffs allege that their suspensions and terminations were also

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(in thousands)

11. Commitments and Contingencies (continued)

Litigation and Claims (continued)

in violation of Texas Government Code Chapter §§614.022 and 614.023. Plaintiffs seek declaratory judgment regarding the alleged violations of law, and injunctive relief undoing the adverse actions taken against Plaintiffs and enjoining the Authority from taking further adverse employment action against Plaintiffs. In addition, Plaintiffs seek amounts for attorneys' fees, expert witness fees, interest, costs, and all other relief to which they may be entitled. The Authority has filed an answer in the state action disputing the claims. The state action trial took place the week beginning March 6, 2023, and post-trial briefs have been filed pending a decision.

The Authority intends to vigorously contest these federal and state actions; however, it has not reached any judgment as to the likely outcomes or the ranges of potential loss with respect thereto.

The Authority has been named as defendant in a federal district court action brought by a dredging company, Diamond Services Corporation ("Diamond"). Diamond has filed the action to challenge the federal government's approval of a dredging vessel, the DB Avalon, utilized by its competitor, Curtin Maritime Corp. ("Curtin"). Diamond alleges the approval of the DB Avalon for use in the United States violates 46 U.S.C. § 12101, 46 U.S.C. § 12112, 46 U.S.C. § 55109, 46 C.F.R. § 67.97, and 46 C.F.R. § 67.177. Diamond further alleges the Authority awarded a project to Curtin for the expansion of the Houston Ship Channel for which Curtin intends to use the DB Avalon. Diamond seeks to enjoin the Authority from awarding any funds or work to Curtin Maritime for the use of the DB Avalon.

The Authority has filed an answer disputing the claims and moved to dismiss the action. On March 6, 2023, the federal Magistrate Judge in this matter issued Memorandum and Recommendation, recommending that the District Judge grant various motions filed by the defendants, which if adopted by the District Judge, would result in the dismissal of all defendants (including the Authority) from the case.

The action is set for trial on January 22, 2024.

The Authority intends to vigorously contest this action; however, it has not reached any judgment as to the likely outcomes or the ranges of potential loss with respect thereto.

Standard Constructors, Inc. ("Standard") has asserted claims against the Authority stemming from unpaid quantities and downtime and delay costs Standard claims to have incurred in connection with its September 2021 contract for the construction of

Port of Houston Authority of Harris County, Texas

Notes to the Financial Statements
For the Years Ended December 31, 2022 and 2021
(in thousands)

11. Commitments and Contingencies (continued)

Litigation and Claims (continued)

a rail spur at the Authority's Bayport Container Terminal. As of March 2023, Standard has claimed an outstanding amount owed of approximately \$712. The Authority does not intend to pay the amount sought by Standard and intends to vigorously contest Standard'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 2022 and 2021, Harris County's gross tax and abated values were \$440,274 and \$411,971, and \$102,800 and \$140,866, respectively; therefore, under agreements entered into by Harris County, the Authority's property tax revenues reduced to \$8 in 2022 and \$12 in 2021.



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 (Asset) and Related Ratios
Last Nine Years
in thousands
(unaudited)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:									
Service cost	3,224	3,428	3,424	3,321	3,402	3,198	3,229	3,186	3,425
Interest on total pension liability	12,976	12,664	12,782	12,592	12,454	12,251	11,883	10,940	10,724
Effect of economic / demographic gains or losses	1,261	909	1,000	(1,325)	(1,207)	(116)	(695)	(1,278)	-
Effects of assumption changes or inputs	6,307	(909)	(289)	3,516	(2,203)	5,012	-	9,569	-
Benefit payments	(11,414)	(11,132)	(10,549)	(10,326)	(10,085)	(9,858)	(9,552)	(9,590)	(9,509)
Net change in total pension liability	12,354	4,960	6,368	7,778	2,361	10,487	4,865	12,827	4,640
Total pension liability - beginning	208,737	203,777	197,409	189,631	187,270	176,783	171,918	159,091	154,451
Total pension liability - ending (a)	221,091	208,737	203,777	197,409	189,631	187,270	176,783	171,918	159,091
Fiduciary net position:									
Employer contributions*	4,051	5,834	10,625	4,658	5,257	9,600	4,500	4,094	8,282
Investment income net of investment expenses**	(19,046)	40,210	7,024	6,031	12,378	14,220	1,741	7,786	14,825
Benefit payments	(11,414)	(11,132)	(10,549)	(10,326)	(10,085)	(9,858)	(9,552)	(9,590)	(9,509)
Administrative expenses	(331)	(269)	(257)	(243)	(255)	(280)	(235)	(249)	(237)
Net change in fiduciary net position	(26,740)	34,643	6,843	120	7,295	13,682	(3,546)	2,041	13,361
Fiduciary net position, beginning	225,894	191,251	184,408	184,288	176,993	163,311	166,857	164,816	151,455
Fiduciary net position, ending (b)	199,154	225,894	191,251	184,408	184,288	176,993	163,311	166,857	164,816
Net pension liability (asset), ending = (a) - (b)	21,937	(17,157)	12,526	13,001	5,343	10,277	13,472	5,061	(5,725)
Fiduciary net position as a % of total pension liability	90.08 %	108.22 %	93.85 %	93.41 %	97.18 %	94.51 %	92.38 %	97.06 %	103.60 %
Covered Payroll	28,851	28,395	29,925	29,889	29,960	30,210	30,412	31,377	33,690
Net pension liability (asset) as a % of covered payroll	76.04 %	(60.42)%	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%.

The 2022 actuarial assumption for discount rate calculation is 6.00% versus 6.25% for 2021.

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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 3,858	\$ 5,834	\$ 5,374	\$ 4,437	\$ 5,007	\$ 5,153	\$ 4,481	\$ 4,094	\$ 5,278	\$ 9,870
Contributions in relation to the actuarially determined contribution	4,051	5,834	10,625	4,658	5,257	9,600	4,500	4,094	8,282	9,870
Contribution deficiency (excess)	<u>\$ (193)</u>	<u>\$ -</u>	<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>
Covered payroll	\$ 26,896	\$ 26,635	\$ 27,419	\$ 29,889	\$ 29,960	\$ 30,210	\$ 30,412	\$ 31,377	\$ 33,690	\$ 35,082
Contributions as a percentage of covered payroll	15.06 %	21.90 %	38.75 %	15.58 %	17.55 %	31.78 %	14.80 %	13.05 %	24.59 %	28.14 %

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, 2021, resulting from a net pension asset of \$17,157
Asset valuation method	Fair value
Inflation	2.40%
Salary Increases	2.5% to 10.0%
Investment rate of return	6.00%
Cost of living adjustments	None
Retirement age	Ranging from 5% at age 55 to 100% at age 70
Turnover	Rates from most recent experience study performed in 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 %
2021	10.92 %
2022	(14.54)%

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 (Asset) and Related Ratios
Fiscal Year Ending December 31,
in thousands
(unaudited)

	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	\$ 2,473	\$ 2,374	\$ 3,212	\$ 3,081	\$ 3,289	\$ 3,081
Interest on total OPEB liability	3,540	4,168	4,727	5,145	4,864	4,593
Effect of economic/demographic (gains) or losses	-	(14,126)	-	(7,445)	-	-
Effect of assumption changes or inputs	1,754	(265)	(10,675)	(1,408)	-	-
Benefit payments	(2,199)	(2,414)	(2,519)	(3,464)	(4,084)	(3,654)
Net change in total OPEB liability	5,568	(10,263)	(5,255)	(4,091)	4,069	4,020
Total OPEB liability - beginning	55,239	65,502	70,757	74,848	70,779	66,759
Total OPEB liability - ending (a)	60,807	55,239	65,502	70,757	74,848	70,779
Fiduciary Net Position						
Employer contributions	-	2,627	5,431	8,464	9,484	9,454
Net investment (loss) income	(15,130)	10,395	10,035	11,391	(3,915)	5,714
Benefit payments	(2,199)	(2,414)	(2,519)	(3,464)	(4,084)	(3,655)
Administrative expense	(69)	(73)	(61)	(93)	(100)	-
Net change in plan fiduciary net position	(17,398)	10,535	12,886	16,298	1,385	11,513
Fiduciary net position - beginning	105,683	95,148	82,262	65,964	64,579	53,066
Fiduciary net position - ending (b)	88,285	105,683	95,148	82,262	65,964	64,579
Net OPEB liability/(asset) ending (a) - (b)	\$ (27,478)	\$ (50,444)	\$ (29,646)	\$ (11,505)	\$ 8,884	\$ 6,200
Fiduciary net position as a % of total OPEB liability	145.19 %	191.32 %	145.26 %	116.26 %	88.13 %	91.24 %
Covered-employee payroll for OPEB	\$ 60,201	\$ 57,608	\$ 49,778	\$ 49,778	\$ 40,287	\$ 40,287
Net OPEB liability/(asset) as a % of covered-employee payroll for OPEB	(45.64)%	(87.56)%	(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.

Changes of assumptions and other inputs reflect the effects of changes in the discount rate, election, demographic and health assumptions each period.

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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution*	\$ -	\$ 2,627	\$ 3,494	\$ 3,324	\$ 4,384	\$ 5,402	\$ 5,798	\$ 5,537	\$ 6,568	\$ 6,909
Contributions in relation to the actuarially determined contribution	-	2,627	5,431	8,464	9,484	9,454	8,772	11,203	11,363	11,226
Contribution deficiency (excess)	\$ -	\$ -	\$ (1,937)	\$ (5,140)	\$ (5,100)	\$ (4,052)	\$ (2,974)	\$ (5,666)	\$ (4,795)	\$ (4,317)
Covered-employee payroll for OPEB	\$ 60,201	\$ 57,608	\$ 49,778	\$ 49,778	\$ 40,287	\$ 40,287	\$ 38,907	\$ 38,907	\$ 33,690	\$ 34,615
Contributions as a percentage of covered-employee payroll for OPEB	0.00 %	4.56 %	10.91 %	17.00 %	23.54 %	23.47 %	22.55 %	28.79 %	33.73 %	32.43 %

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, 2021
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, 2021	10 years
Asset valuation method	Fair Value
Inflation	2.35%
Salary Increases	Age based
Discount Rate	6.00%
Healthcare Cost Trend Rates	8.20% for 2021, gradually decreasing to an ultimate rate of 3.0%
Mortality	Pri-2012 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with generational projection per Scale MP-2021

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

* There were no required actuarially determined contributions for 2022.

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SUPPLEMENTARY INFORMATION

Port of Houston Authority of Harris County, Texas
Combining Statement of Fiduciary Trust Net Position
As of December 31, 2022 and 2021
(in thousands)

	Defined Contribution 7/31/2022	Pension 7/31/2022	OPEB 12/31/2022	Total	Defined Contribution 7/31/2021	Pension 7/31/2021	OPEB 12/31/2021	Total
Assets								
Cash and cash equivalents	\$ 167	\$ 3,997	\$ 1,152	\$ 5,316	\$ 101	\$ 4,777	\$ 1,500	\$ 6,378
Investment Securities								
Domestic Equity	895	76,267	36,502	113,664	782	89,875	41,686	132,343
International Equity	99	20,334	10,809	31,242	122	22,110	11,638	33,870
Fixed Income	75	88,053	35,090	123,218	60	97,955	45,519	143,534
Balanced Funds *	6,794	10,058	4,480	21,332	6,061	10,930	5,073	22,064
Accrued Investment Income	-	519	251	770	-	305	267	572
Total Assets	<u>8,030</u>	<u>199,228</u>	<u>88,284</u>	<u>295,542</u>	<u>7,126</u>	<u>225,952</u>	<u>105,683</u>	<u>338,761</u>
Liabilities								
Investment Expenses	-	74	-	74	-	58	-	58
Total Liabilities	<u>-</u>	<u>74</u>	<u>-</u>	<u>74</u>	<u>-</u>	<u>58</u>	<u>-</u>	<u>58</u>
Net Position restricted for pension/OPEB	<u>\$ 8,030</u>	<u>\$ 199,154</u>	<u>\$ 88,284</u>	<u>\$ 295,468</u>	<u>\$ 7,126</u>	<u>\$ 225,894</u>	<u>\$ 105,683</u>	<u>\$ 338,703</u>

* Mutual funds that include both equity and fixed income securities

Port of Houston Authority of Harris County, Texas
Combining Statements of Changes in Fiduciary Trust Net Position
As of December 31, 2022 and 2021
(in thousands)

	Defined Contribution 7/31/2022	Pension 7/31/2022	OPEB 12/31/2022	Total	Defined Contribution 7/31/2021	Pension 7/31/2021	OPEB 7/31/2021	Total
Additions :								
Employer contributions	\$ 2,194	\$ 4,051	\$ -	\$ 6,245	\$ 1,921	\$ 5,834	\$ 2,627	\$ 10,382
Net Investment Income (Loss)	(804)	(19,046)	(15,056)	(34,906)	1,236	40,210	10,262	51,708
Total additions	1,390	(14,995)	(15,056)	(28,661)	3,157	46,044	12,889	62,090
Deductions:								
Benefits payments and withdrawals	(486)	(11,414)	(2,221)	(14,121)	(267)	(11,132)	(2,257)	(13,656)
Administrative Expenses	(331)	(331)	(122)	(453)	(269)	(269)	(97)	(366)
Total deductions	(486)	(11,745)	(2,343)	(14,574)	(267)	(11,401)	(2,354)	(14,022)
Net increase in net position	904	(26,740)	(17,399)	(43,235)	2,890	34,643	10,535	48,068
Net position restricted for pension/ OPEB, beginning of year								
	7,126	225,894	105,683	338,703	4,236	191,251	95,148	290,635
Net position restricted for pension/ OPEB, end of year								
	\$ 8,030	\$ 199,154	\$ 88,284	\$ 295,468	\$ 7,126	\$ 225,894	\$ 105,683	\$ 338,703



STATISTICAL SECTION

Statistical Section

This part of the Authority's annual comprehensive 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 annual comprehensive financial reports for the relevant year.

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FINANCIAL TRENDS

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

	2022	Restated 2021	2020	2019	2018	2017	2016	2015	2014	2013
Net investment in capital assets	\$1,473,539	\$1,394,024	\$1,294,888	\$1,119,856	\$1,050,604	\$1,023,578	\$ 919,177	\$ 794,075	\$ 749,755	\$ 685,717
Restricted										
Capital	-	-	-	-	-	-	-	-	-	7,195
Debt Service	43,701	43,806	45,740	45,346	44,646	45,622	45,705	41,853	43,290	44,598
Net Pension asset	-	17,157	-	-	-	-	-	-	-	-
Net OPEB asset	27,478	50,444	29,646	-	-	-	-	-	-	-
Unrestricted	<u>775,376</u>	<u>494,708</u>	<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>
Total Net Position	<u>\$2,320,094</u>	<u>\$2,000,139</u>	<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>

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

	2022	Restated 2021	2020	2019	2018	2017	2016	2015	2014	2013
Operating revenues:										
Vessel and cargo services	\$ 614,714	483,477	\$ 357,386	\$ 365,086	\$ 344,272	\$ 309,058	\$ 266,703	\$ 267,277	\$ 238,083	\$ 200,101
Rental of equipment and facilities	22,886	19,500	21,665	18,065	18,079	15,976	15,869	17,120	17,763	25,114
Grain elevator	1,237	1,035	1,263	1,439	1,182	902	1,199	1,567	1,821	592
Bulk materials	4,288	4,012	3,911	4,265	4,131	4,004	3,941	4,019	4,270	2,665
Other	8,149	8,544	6,507	2,582	1,652	2,933	2,514	3,753	1,960	5,201
Nonoperating revenues:										
Investment (loss) income	10,428	1,042	9,810	13,017	9,319	4,553	4,896	4,142	4,913	(435)
Contribution in aid of construction	-	-	-	-	-	-	-	610	-	5,000
Other	12,296	7,647	833	1,282	345	1,703	2,690	1,279	3,291	683
Nonoperating revenues related to property taxes:										
Property taxes	44,961	43,702	48,965	51,061	50,951	53,842	55,749	51,280	51,955	52,534
Investment income / (loss) on bond proceeds	531	30	349	967	721	264	119	120	162	348
Total Revenues:	719,490	568,989	450,689	457,764	430,652	393,235	353,680	351,167	324,218	291,803
Operating expenses:										
Maintenance and operations of facilities	236,575	193,869	178,606	177,122	157,524	147,185	141,102	123,433	121,899	103,353
General and administrative	55,734	48,582	46,225	50,420	49,608	39,102	44,286	42,297	37,812	41,845
Depreciation and amortization	84,609	80,723	77,829	74,020	72,027	66,487	64,601	60,198	57,190	56,057
Impairment of Capital Assets	-	-	-	-	-	-	15,114	-	-	-
Nonoperating expenses:										
Contributions to state and local agencies	8,414	10,985	235	4,327	2,095	4,243	2,127	2,147	1,464	1,949
Loss on disposal of assets	33	36	126	4	1	33	(2,976)	2,849	1,220	91
Other	9,681	2,783	-	107	1,440	2,187	1,033	338	-	-
Nonoperating expenses related to property taxes:										
Interest expense on unlimited tax bonds	13,002	13,483	23,526	24,451	28,927	30,010	31,548	33,114	33,459	33,188
Property tax collection expense	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,039	1,175	994
Other	417	355	384	410	420	400	303	455	408	477
Total Expenses:	409,565	351,916	328,031	331,961	313,142	290,747	298,238	265,870	254,627	237,954
Income before contributions	309,925	217,073	122,658	125,803	117,510	102,488	55,442	85,297	69,591	53,849
Capital contributions from federal/state agencies	10,030	16,287	5,188	1,772	5,219	8,896	2,453	56	2,370	13,827
Contributions from federal agency-FEMA	-	-	-	-	-	-	-	60	-	19
Total Contributions from federal and state agencies	10,030	16,287	5,188	1,772	5,219	8,896	2,453	116	2,370	13,846
Change in net position	319,955	233,360	127,846	127,575	122,729	111,384	57,895	85,413	71,961	67,695
Net position, January 1	2,000,139	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
Net position, December 31	\$ 2,320,094	\$ 2,000,139	\$ 1,766,779	\$ 1,638,933	\$ 1,511,358	\$ 1,388,629	\$ 1,277,245	\$ 1,219,350	\$ 1,133,937	\$ 1,061,976



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>
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
2021	608,284,329	47,793,125	148,085,343	507,992,111	0.00872
2022	679,924,545	53,707,009	162,991,668	570,639,886	0.00799

- Source: Harris County Appraisal District Property Use Recap as of 12/2022

- 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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Harris County										
General Fund	\$ 0.30105	\$ 0.33500	\$ 0.34028	\$ 0.34174	\$ 0.35000	\$ 0.34500	\$ 0.34500	\$ 0.34547	\$ 0.34547	\$ 0.34547
General Bonds Debt Service	0.04268	0.04193	0.05088	0.04711	0.05084	0.05234	0.05111	0.05237	0.04802	0.05158
Total Constitutional Funds	0.34373	0.37693	0.39116	0.38885	0.40084	0.39734	0.39611	0.39784	0.39349	0.39705
County - Wide Road Debt Service	0.00000	0.00000	0.00000	0.01828	0.01774	0.02067	0.02045	0.02139	0.02382	0.01750
Total - Harris County	0.34373	0.37693	0.39116	0.40713	0.41858	0.41801	0.41656	0.41923	0.41731	0.41455
Flood Control District										
Maintenance	0.02043	0.02599	0.02649	0.02670	0.02738	0.02736	0.02745	0.02620	0.02620	0.02620
Debt Service	0.01012	0.00750	0.00493	0.00122	0.00139	0.00095	0.00084	0.00113	0.00116	0.00207
Total - Flood Control	0.03055	0.03349	0.03142	0.02792	0.02877	0.02831	0.02829	0.02733	0.02736	0.02827
Port of Houston Authority										
Debt Service	0.00799	0.00872	0.00991	0.01074	0.01155	0.01256	0.01334	0.01342	0.01531	0.01716
Hospital District										
General	0.14678	0.16047	0.16491	0.16491	0.17000	0.17000	0.17000	0.17000	0.17000	0.17000
Debt Service	0.00153	0.00174	0.00180	0.00100	0.00108	0.00110	0.00179	-	-	-
Total Hospital District	0.14831	0.16221	0.16671	0.16591	0.17108	0.17110	0.17179	0.17000	0.17000	0.17000
Total	\$ 0.53058	\$ 0.58135	\$ 0.59920	\$ 0.61170	\$ 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, 2022
 (unaudited)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
County-Wide Taxing										
Jurisdiction										
Harris County	\$ 0.34373	\$ 0.37693	\$ 0.39116	\$ 0.40713	\$ 0.41858	\$ 0.41801	\$ 0.41656	\$ 0.41923	\$ 0.41731	\$ 0.41455
Harris County Flood Control District	0.03055	0.03349	0.03142	0.02792	0.02877	0.02831	0.02829	0.02733	0.02736	0.02827
Port of Houston Authority	0.00799	0.00872	0.00991	0.01074	0.01155	0.01256	0.01334	0.01342	0.01531	0.01716
Harris County Hospital District	0.14831	0.16221	0.16671	0.16591	0.17108	0.17110	0.17179	0.17000	0.17000	0.17000
Total County-wide	\$ 0.53058	\$ 0.58135	\$ 0.59920	\$ 0.61170	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 0.62998	\$ 0.62998
Cities										
Baytown	\$ 0.75000	\$ 0.78500	\$ 0.79515	\$ 0.80203	\$ 0.81203	\$ 0.82203	\$ 0.82203	\$ 0.82203	\$ 0.82203	\$ 0.82203
Bellaire	0.44730	0.44730	0.44730	0.44730	0.43130	0.41590	0.38740	0.38050	0.39360	0.39990
Deer Park	0.72000	0.72000	0.72000	0.72000	0.72000	0.72000	0.72000	0.71435	0.72000	0.72000
Houston	0.53364	0.55083	0.56184	0.56792	0.58831	0.58421	0.58642	0.60112	0.63108	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	0.41553	0.46553	0.51500	0.54858	0.56380	0.56500	0.57000	0.57350	0.59700	0.59700
Missouri City	0.57375	0.57804	0.59804	0.63000	0.63000	0.60000	0.56010	0.54468	0.56500	0.57375
Pasadena	0.49758	0.51591	0.53368	0.57034	0.61545	0.57539	0.57539	0.57539	0.57690	0.59159
Pearland	0.62377	0.70142	0.72000	0.74121	0.70916	0.68506	0.68120	0.70530	0.71210	0.70510
Seabrook	0.47653	0.52444	0.54361	0.55198	0.55198	0.57491	0.56518	0.61261	0.64003	0.65123
South Houston	0.63341	0.69000	0.69805	0.69991	0.65050	0.64330	0.63221	0.69954	0.64453	0.66988
Webster	0.36475	0.39334	0.37357	0.36200	0.34794	0.31725	0.28450	0.23447	0.24874	0.26960
West University Place	0.27740	0.27852	0.29407	0.30921	0.31680	0.31680	0.31680	0.33179	0.36179	0.37400
School Districts	1.0372-1.4430	1.0944-1.4651	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

- Source: Harris County Appraisal District jurisdiction information as of 12/31/22; 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	2022			2013		
	2022 Taxable Valuations (a)	Rank	Percentage of Total 2022 Taxable Valuation (b)	2013 Taxable Valuations (a)	Rank	Percentage of Total 2013 Taxable Valuation (c)
CenterPoint Energy Inc.	\$ 4,700,421	1	0.82	\$ 2,934,118	2	0.97
EXXON Mobil Corp.	4,230,912	2	0.74	3,576,288	1	1.18
Chevron Chemical Co.	3,224,467	3	0.57	1,834,747	4	0.60
Lyondell Chemical Co.	2,035,602	4	0.36	856,194	10	0.28
Equistar Chemicals LP	1,901,400	5	0.33	942,883	6	0.31
Shell Oil Co.	1,277,369	6	0.22	2,226,750	3	0.73
Enterprise	1,244,697	7	0.22	-	-	-
Palmetto Transoceanic LLC	1,112,329	8	0.19	-	-	-
Walmart	996,726	9	0.17	854,073	11	0.28
HEB Grocery Co. LP	930,045	10	0.16	-	-	-
Phillips 66 Co.	916,520	11	0.16	-	-	-
Liberty Property	897,009	12	0.16	-	-	-
Oil Tanking Houston	823,950	13	0.14	-	-	-
Kinder Morgan	744,904	14	0.13	-	-	-
Intercontinental Terminal	717,579	15	0.13	-	-	-
One Two and Three Allen Center Co LLC	698,342	16	0.12	-	-	-
FOUR AND FIVE OAKS PLACE	621,259	17	0.11	-	-	-
BSREP IHC-3HC	598,631	18	0.10	-	-	-
Braskem America, Inc.	598,158	19	0.10	-	-	-
HG Galleria I II III LP	587,078	20	0.10	385,055	18	0.13
Crescent Real Estate	-	-	-	1,426,420	5	0.47
Hewlett Packard	-	-	-	739,693	7	0.24
Valero Energy	-	-	-	607,550	8	0.20
National Oilwell Inc.	-	-	-	1,038,569	9	0.34
Houston Refining	-	-	-	501,870	12	0.17
Continental Airlines Inc	-	-	-	514,868	13	0.17
Rohm & Haas Co.	-	-	-	452,532	14	0.15
BP America	-	-	-	523,017	15	0.17
Oxy Vinyls LP	-	-	-	394,870	16	0.13
Kroger Co.	-	-	-	428,401	17	0.14
TPG 2101	-	-	-	336,384	19	0.11
AT&T	-	-	-	226,661	20	0.07
Total	\$ 28,857,398		5.03 %	\$ 20,800,943		6.84 %

- 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 16, 2022;

- Note (c) Based on the County's total taxable value as of December 20, 2013.

Port of Houston Authority of Harris County, Texas
Property Taxes Levies and Collections
For the Years 2013 through 2022

(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>
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 %	2,127	47,783	97.53 %
2021	44,380	42,128	94.93 %	1,206	43,334	97.65 %
2022	45,635	42,892	93.99 %	N/A	N/A	N/A

- Source: Harris County Tax Assessor - Collector as of February 28, 2023
- 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)

	2022	Restated 2021	2020	2019	2018	2017	2016	2015	2014	2013
Operating revenues: (a) (b) (c)										
Vessel and cargo services	\$ 614,714	\$ 483,477	\$ 357,386	\$ 365,086	\$ 344,272	\$ 309,058	\$ 266,703	\$ 267,277	\$ 238,083	\$ 200,101
Rental of equipment and facilities	22,886	19,500	21,665	18,065	18,079	15,976	15,869	17,120	17,763	25,114
Grain elevator	1,237	1,035	1,263	1,439	1,182	902	1,199	1,567	1,821	592
Bulk materials	4,288	4,012	3,911	4,265	4,131	4,004	3,941	4,019	4,270	2,665
Other	8,149	8,544	6,507	2,582	1,652	2,933	2,514	3,753	1,960	5,201
Total Operating Revenue	<u>\$ 651,274</u>	<u>\$ 516,568</u>	<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>
Revenue Tonnage (Short Tons)*										
General Cargo	41,928	34,438	31,708	34,074	31,653	28,878	25,226	27,360	26,854	24,735
Bulk	13,133	10,095	9,980	9,063	9,210	9,396	9,621	8,384	10,766	11,090
Total Revenue Tonnage	<u>55,061</u>	<u>44,533</u>	<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>

- 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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General Cargo										
Barbours Cut										
All other	15,635,117	12,146,844	12,307,526	11,226,819	10,737,680	9,811,047	9,470,902	9,322,892	7,689,686	7,010,712
Lease	-	-	-	-	-	-	-	2,072,132	3,410,214	3,548,416
	<u>15,635,117</u>	<u>12,146,844</u>	<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>
Bayport Container Terminal	17,883,852	16,529,686	15,385,083	16,603,071	14,605,339	13,026,783	10,854,617	8,588,556	6,977,231	7,264,595
Turning Basin										
Autos import	113,973	98,014	85,344	117,531	127,448	119,081	161,246	167,383	128,564	143,132
Autos export	109	503	385	2,058	1,089	3,396	4,744	13,240	11,430	17,905
Steel imports	3,166,641	1,490,393	902,460	2,030,908	2,744,586	2,988,636	1,823,357	3,800,730	5,397,341	3,613,445
All other	1,611,193	1,327,242	447,881	513,023	375,924	474,629	492,551	707,345	607,127	519,978
	<u>4,891,916</u>	<u>2,916,152</u>	<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>
Jacintoport	1,312,055	1,040,505	1,225,999	1,466,353	1,553,325	1,737,072	1,883,785	1,751,839	1,411,724	1,579,197
Care Terminal	623,898	431,060	309,542	731,216	734,480	603,271	457,294	562,217	747,372	649,545
Woodhouse	1,580,726	1,373,584	1,043,911	1,382,598	768,830	113,888	77,299	373,497	473,389	388,133
Total General Cargo	<u>41,927,564</u>	<u>34,437,831</u>	<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>
Bulk										
Jacintoport	7,818	1,478	1,511	1,465	1,635	9,758	692	1,100	-	-
Care Terminal	41,910	22,446	13,802	12,340	112,975	162,014	130,545	18,298	82,016	253,942
Woodhouse	-	9,569	-	-	7,081	20,224	12,981	6,882	31,549	14,290
Sims Bayou	3,974,135	1,134,324	1,355,034	1,157,376	1,199,628	1,157,368	624,280	624,278	675,175	700,350
S.J.B. Liquid Facility	336,032	410,623	399,012	379,141	560,342	522,019	552,752	428,895	493,582	541,227
Turning Basin	3,253,144	3,356,088	2,881,677	2,157,920	2,157,461	2,154,936	2,097,919	2,046,714	1,982,330	2,164,880
	<u>7,613,039</u>	<u>4,934,528</u>	<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>
Bulk Materials Terminal	3,612,582	2,668,164	2,562,328	3,056,749	3,796,229	3,230,116	3,329,834	2,908,018	5,190,900	5,151,720
Grain Elevator #2	1,907,778	2,492,783	2,766,115	2,298,347	1,375,234	2,139,655	2,871,965	2,350,374	2,310,757	2,263,983
Total Bulk Cargo	<u>13,133,399</u>	<u>10,095,475</u>	<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>
Grand Total	<u>55,060,963</u>	<u>44,533,306</u>	<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>

- 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>2022</u>			<u>2013</u>		
	<u>2022 Revenue</u>	<u>Rank</u>	<u>% V&C Revenue</u>	<u>2013 Revenue</u>	<u>Rank</u>	<u>% V&C Revenue</u>
Maersk S/A	\$ 113,062	1	18.39 %	\$ 28,793	1	14.39 %
Mediterranean Shipping Co. (USA) Inc.	111,495	2	18.14	-		-
CMA-CGM (America), Inc.	68,848	3	11.20	15,389	3	7.69
Hapag-Lloyd AG	61,389	4	9.99	21,280	2	10.63
ONE Line	26,375	5	4.29	-		-
Cosco North America, Inc.	25,634	6	4.17	11,193	4	5.59
Evergreen Shipping Agency	17,101	7	2.78	-		-
Zim Integrated Shipping	12,129	8	1.97	-		-
Norton Lily International	9,700	9	1.58	-		-
Hyundai America Shipping	8,978	10	1.46	-		-
Hamburg Sud North America	-		-	10,911	5	5.45
Seaboard Marine, Ltd.	-		-	5,555	6	2.78
Hanjin Shipping Company	-		-	4,533	7	2.27
Compania Sudamericana de Vapores SA	-		-	4,472	8	2.23
Biehl & Company - Vessel	-		-	3,949	9	1.97
Star Shipping	-		-	3,790	10	1.89
Total	<u>\$ 454,711</u>		<u>73.97 %</u>	<u>\$ 109,865</u>		<u>54.89 %</u>

- Source: The Authority

- Excludes Revenues from tenants and stevedores.



DEBT CAPACITY

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

Fiscal Year	General Obligation Bonds			General Bonded Debt	Less Debt Service Funds Cash	Net General Bonded Debt	Percentage of Actual Property Value	GOB Debt per Capita	Revenue Bonds	Premiums (Discounts) Rev	Total Outstanding Debt	Percentage of Personal Income	Total Debt Per Capita
	Unlimited Tax Refunding Bonds	Unlimited Tax Port Improvement Bonds	Accreted Premiums (Discounts)										
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	0.22 %	132
2020	492,439	-	94,715	587,154	4,929	582,225	0.12	123	-	-	587,154	0.21 %	124
2021	469,434	-	86,120	555,554	13,626	541,928	0.11	115	322,180	79,858	957,592	N/A	118
2022	445,749	-	78,101	523,850	10,865	512,985	0.09	N/A	316,850	74,769	915,469	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, 2022

(in thousands)
(unaudited)

	2022	Restated 2021	2020	2019	2018	2017	2016	2015	2014	2013
Gross Revenues										
Operating Revenues (a)										
Vessel and cargo services	\$ 614,714	\$ 483,477	\$ 357,386	\$ 365,086	\$ 344,272	\$ 309,058	\$ 266,266	\$ 266,305	\$ 235,929	\$ 197,974
Rental of equipment and facilities	22,886	19,500	21,665	18,065	18,079	15,976	15,869	17,120	17,763	25,114
Grain Elevator	1,237	1,035	1,263	1,439	1,182	902	1,199	1,567	1,821	592
Bulk materials	4,288	4,012	3,911	4,265	4,131	4,004	3,941	4,019	4,270	2,665
Other	8,149	8,544	6,507	2,582	1,652	2,933	2,514	3,753	1,960	5,201
Total	<u>651,274</u>	<u>516,568</u>	<u>390,732</u>	<u>391,437</u>	<u>369,316</u>	<u>332,873</u>	<u>289,789</u>	<u>292,764</u>	<u>261,743</u>	<u>231,546</u>
NonOperating Revenues										
Investment (loss) income	18,070	3,725	7,458	11,852	8,071	4,425	4,850	4,100	4,881	(452)
Other, net	11,100	7,626	833	1,281	345	10,599	5,144	2,004	5,661	19,529
Total	<u>29,170</u>	<u>11,351</u>	<u>8,291</u>	<u>13,133</u>	<u>8,416</u>	<u>15,024</u>	<u>9,994</u>	<u>6,104</u>	<u>10,542</u>	<u>19,077</u>
Total Gross Revenues	<u>680,444</u>	<u>527,919</u>	<u>399,023</u>	<u>404,570</u>	<u>377,732</u>	<u>347,897</u>	<u>299,783</u>	<u>298,868</u>	<u>272,285</u>	<u>250,623</u>
Operation Expenses										
Maintenance and Operation of Facilities										
Vessel and cargo services	219,011	177,885	163,776	162,518	143,401	141,857	131,998	115,757	115,341	93,483
Rental of port facilities	747	1,516	1,313	1,099	1,219	2,093	2,140	1,130	1,164	1,387
Grain Elevator	453	330	259	621	456	275	330	293	260	288
Bulk Materials Handling Plant	4	11	22	29	31	26	8	11	9	9
Other	16,360	14,127	13,236	12,854	8,617	7,915	7,107	7,114	8,223	9,919
Total	<u>236,575</u>	<u>193,869</u>	<u>178,606</u>	<u>177,121</u>	<u>153,724</u>	<u>152,166</u>	<u>141,583</u>	<u>124,305</u>	<u>124,997</u>	<u>105,086</u>
General and Administrative										
Total Operating Expenses	<u>292,309</u>	<u>242,451</u>	<u>224,831</u>	<u>227,541</u>	<u>203,332</u>	<u>194,589</u>	<u>185,869</u>	<u>166,602</u>	<u>164,149</u>	<u>146,931</u>
Nonoperating Expenses										
Total Expenses	<u>310,778</u>	<u>256,463</u>	<u>222,795</u>	<u>231,918</u>	<u>206,371</u>	<u>201,122</u>	<u>186,128</u>	<u>172,275</u>	<u>166,843</u>	<u>149,929</u>
Net Revenues Available For Debt Service on Revenue Obligations										
	<u>\$ 369,666</u>	<u>\$ 271,456</u>	<u>\$ 176,228</u>	<u>\$ 172,652</u>	<u>\$ 171,361</u>	<u>\$ 146,775</u>	<u>\$ 113,655</u>	<u>\$ 126,593</u>	<u>\$ 105,442</u>	<u>\$ 100,694</u>

- Note (a) The Bayport user fees described in Note 7 were excluded from this calculation as per the bond documents.

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

Fiscal Year Ending December 31	Revenue	Unlimited Tax	Outstanding Debt Service Requirements
2023	\$ 19,875,250	\$ 39,918,180	\$ 59,793,430
2024	19,877,000	39,109,142	58,986,142
2025	19,875,250	39,099,561	58,974,811
2026	19,874,500	39,087,629	58,962,129
2027	19,874,000	39,922,906	59,796,906
2028	19,873,000	40,036,656	59,909,656
2029	19,875,750	40,033,875	59,909,625
2030	19,876,250	39,784,463	59,660,713
2031	19,873,750	39,774,519	59,648,269
2032	19,872,500	39,879,900	59,752,400
2033	19,876,500	39,576,150	59,452,650
2034	19,874,500	39,721,400	59,595,900
2035	19,875,750	39,737,900	59,613,650
2036	19,875,350	39,569,150	59,444,500
2037	19,874,550	39,566,750	59,441,300
2038	19,872,750	39,570,500	59,443,250
2039	19,874,350	26,162,000	46,036,350
2040	19,873,550	-	19,873,550
2041	19,874,750	-	19,874,750
2042	19,875,250	-	19,875,250
2043	19,873,250	-	19,873,250
2044	19,875,850	-	19,875,850
2045	19,872,050	-	19,872,050
2046	19,876,250	-	19,876,250
2047	19,872,250	-	19,872,250
2048	19,873,750	-	19,873,750
2049	19,876,250	-	19,876,250
2050	19,872,750	-	19,872,750
2051	19,876,500	-	19,876,500
Total	\$ 576,363,450	\$ 660,550,681	\$1,236,914,131

- The table sets forth the annual debt service requirements on the Authority's ad valorem tax bonds as of December 31, 2022, excluding bonds that have been refunded and defeased.

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DEMOGRAPHIC AND ECONOMIC INFORMATION

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

December 31, 2022
(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>
2022	2.9%	3.5%	3,009.7	3,957.8	779	76.44	48.4
2021	6.9%	3.9%	2,528.5	3,387.7	586	71.71	58.8
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

- 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
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%	282,809,166	60,002
2020	4,746,600	8.0%	285,664,628	60,183
2021	4,728,030	6.5%	N/A	N/A
2022	N/A	N/A	N/A	N/A

- Source: Harris County, Texas Annual Comprehensive Financial Report for the Fiscal Year Ended February 28, 2022
- 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	2021**			2013		
	Employees	Rank	Percentage of Area Employment	Employees	Rank	Percentage of Area Employment
Memorial Hermann Health System	35,360	1	1.09%	19,500	1	0.68%
Walmart Stores Inc.	29,797	2	0.92%	-		-
HEB	29,657	3	0.92%	-		-
Houston Methodist	26,098	4	0.81%	13,000	5	0.46%
UT MD Anderson Cancer Center	21,576	5	0.67%	19,290	2	0.68%
HCA Houston Healthcare	15,000	6	0.46%	-		-
Kroger Company	14,868	7	0.46%	-		-
Exxon Mobil Corp	13,000	8	0.40%	13,191	4	0.46%
United Airlines	11,900	9	0.37%	17,000	3	0.60%
Schlumberger Limited	11,700	10	0.36%	10,000	8	0.35%
Shell Oil Company	-		-	13,000	6	0.46%
National Oilwell Varco	-		-	10,000	7	0.35%
BP America	-		-	9,537	9	0.33%
Baylor College of Medicine	-		-	9,232	10	0.32%
	<u>208,956</u>		<u>6.46%</u>	<u>133,750</u>		<u>4.69%</u>

- Source: Greater Houston Partnership, Harris County, Texas Annual Comprehensive Financial Report for the fiscal year February 28, 2022.

- Note: Houston area employment for 2022 was approximately 3,230,500 and for 2013 was 2,853,000.

- * Based on calendar year

- ** Information for 2022 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>
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
1950	596,163	806,701	2020	2,304,580	4,731,145

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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Passenger Cars, Small Trucks and Misc.	3,304,054	3,289,391	3,219,855	3,744,668	3,685,230
Large Trucks	51,529	48,965	44,849	48,256	47,689
Total	<u>3,355,583</u>	<u>3,338,356</u>	<u>3,264,704</u>	<u>3,792,924</u>	<u>3,732,919</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)

	2022	2021	2020	2019	2018
Baylor College of Medicine	1,603	1,581	1,592	1,577	1,574
Houston Baptist University	4,250	3,963	3,963	3,741	3,432
Houston Community College	39,201	38,653	37,676	47,703	48,190
Lone Star College System	73,556	72,090	70,738	77,810	78,255
Rice University	8,552	8,166	7,437	7,135	6,955
San Jacinto College:					
Central, South and North	30,425	31,434	30,840	39,303	35,948
South Texas College of Law	994	979	1,003	975	946
Texas Southern University	8,634	7,525	7,016	9,034	10,188
Texas Woman's University: Houston (f)	1,185	1,331	1,314	1,184	1,181
University of Houston:					
University Park	46,581	46,968	47,066	46,137	46,327
Downtown	14,212	15,081	15,251	14,680	14,265
Clear Lake	8,559	9,398	9,060	9,092	8,967
University of St. Thomas	3,590	3,877	3,693	3,454	3,222
University of Texas: (e)					
Dental Branch	569	573	574	579	570
Graduate School of Biomedical Sciences	473	465	480	480	454
Medical School	1,086	1,081	1,116	1,071	1,097
School of Biomedical Informatics	355	328	290	254	255
School of Nursing	1,258	1,602	1,637	1,626	1,722
School of Public Health	1,578	1,709	1,514	1,302	1,237
Total	<u>246,661</u>	<u>246,804</u>	<u>242,260</u>	<u>267,137</u>	<u>264,785</u>

Number of Employees

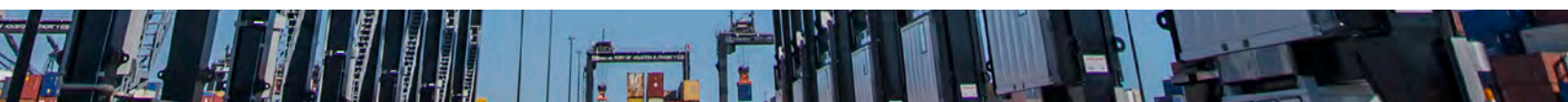
	2022	2021	2020	2019	2018
Harris County (g)	17,427	17,482	17,561	16,980	17,072
Flood Control District (g)	347	331	325	316	290
Port of Houston Authority	740	706	688	683	652

- Note (d) Source: Fall 2022 Enrollment Data from Texas Higher Education Coordinating Board and above school websites
- Note (e) Source: University of Texas Office of Registrar (Fact Book 2023)
- Note (f) Source: Texas Women's University Office of Institutional Research & Data Mgmt (Fact Book 2022)
- Note (g) Source: Harris County Auditor's Office

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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 Lower Low Water (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 (a)	20	-
Woodhouse Terminal**				
Wharf 1	660	40.5 (a)	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	210	-
Bayport				
Container Berths 2 -5	4,000	45.0	300	-
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) = 16 total (10 SPP and 5 PP, and 1 training crane)
- Rubber-Tire Gantry (RTG) = 50
- Empty Handling (Pencil/Side-pick) = 16
- Other load handling equipment (Top Loader) = 2

Other Equipment:

- Heavy-duty yard tractors (UTR/PIT) = 40
- Heavy-duty yard Chassis = 50

Bayport

Container Cranes:

- Ship to Shore (STS) = 12 total (6 SPP, 6 PP)
- Rubber-Tire Gantry (RTG) = 66
- 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

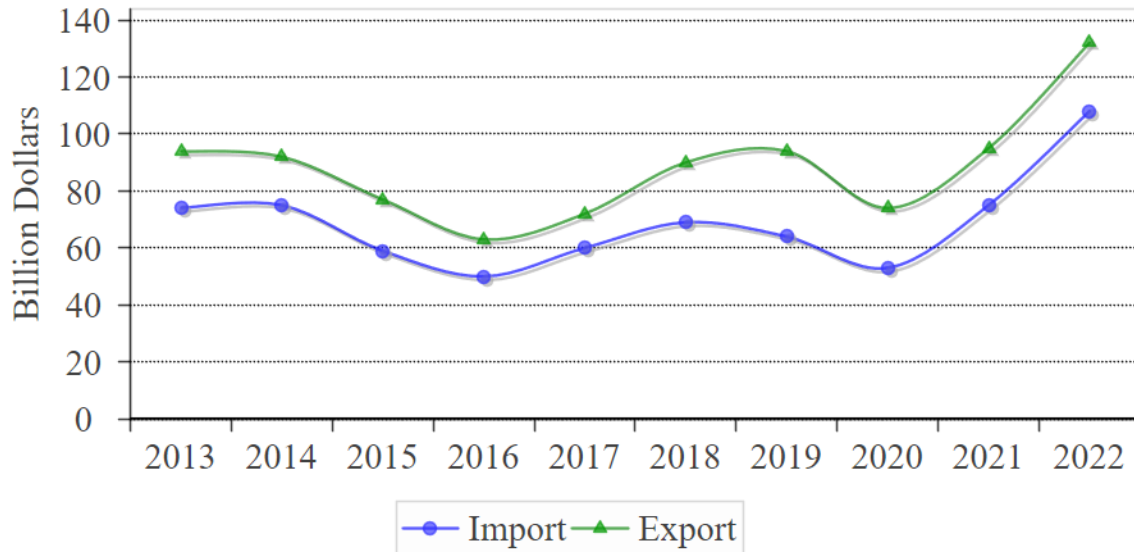
Port of Houston Authority of Harris County, Texas
Freight Traffic Statistics
(in thousands)
(unaudited)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Freight handled by the Authority only										
(excluding tonnages handled by private terminals) - short tons (a)										
Breakbulk cargo	6,977	4,753	2,958	5,030	5,065	4,587	3,423	5,796	7,454	5,623
Container cargo	34,951	29,685	28,751	29,043	26,588	24,291	21,960	21,564	19,400	19,112
Bulk grain	1,908	2,493	2,766	2,298	1,375	2,140	2,872	2,350	2,311	2,264
Bulk plant	3,613	2,668	2,562	3,057	3,796	3,230	3,330	2,905	5,191	5,152
Other bulk	15,305	12,339	9,816	8,714	9,855	10,033	13,254	12,550	12,281	12,518
Total	62,754	51,938	46,853	48,142	46,679	44,281	44,839	45,165	46,637	44,669
Freight handled by entire Port of Houston										
(includes tonnages handled by both the Authority and private terminals) - short tons										
(b) (c)										
Foreign										
Imports	(d)	(d)	56,971	65,561	73,863	72,386	69,110	71,388	76,688	76,449
Exports	(d)	(d)	139,792	144,190	117,220	100,825	94,876	92,024	83,849	83,102
Total Foreign (d)	-	-	196,763	209,751	191,083	173,211	163,986	163,412	160,537	159,551
Domestic										
Receipts	(d)	(d)	34,294	31,945	32,996	35,745	36,417	36,010	34,267	32,442
Shipments	(d)	(d)	27,689	26,054	25,630	30,058	26,635	24,375	23,194	22,116
Total Domestic (d)	-	-	61,983	57,999	58,626	65,803	63,052	60,385	57,461	54,558
Local	(d)	(d)	17,194	17,194	19,222	21,057	20,944	17,136	16,306	15,137
Total	-	-	275,940	284,944	268,931	260,071	247,982	240,933	234,304	229,246
Value of foreign trade handled by entire Port of Houston (c)										
Imports	\$108,448,229	\$ 74,922,028	\$ 52,513,714	\$ 63,704,252	\$ 69,090,105	\$ 59,594,077	\$ 49,616,268	\$ 59,493,988	\$ 75,023,441	\$ 74,287,778
Exports	131,596,257	94,737,917	74,035,317	93,841,724	90,159,307	71,905,598	63,303,533	76,535,738	92,016,308	94,050,299
Total	\$240,044,486	\$169,659,945	\$126,549,031	\$157,545,976	\$159,249,412	\$131,499,675	\$112,919,801	\$136,029,726	\$167,039,749	\$168,338,077

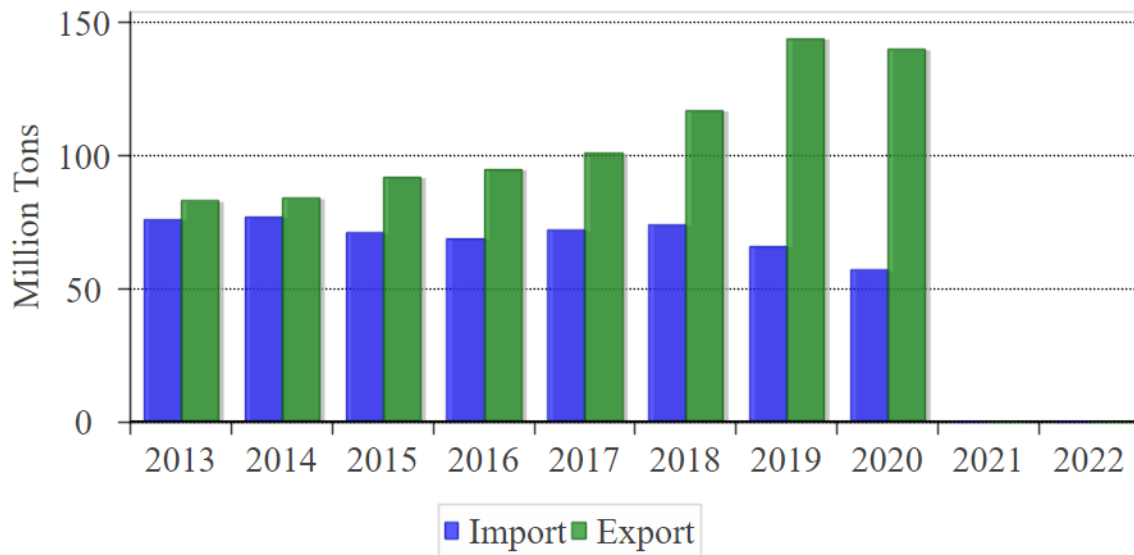
- Note (a) Source: The Authority
- Note (b) Source: U.S. Army Corps of Engineers, Waterborne Commerce of the U.S.
- Note (c) Source: Bureau of Census U.S. Department of Commerce
- Note (d) Amounts not available for 2021 and 2022.

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

Value of foreign freight handled by Port of Houston



Tons of foreign freight handled by Port of Houston



- Note: Foreign tonnage is not available for 2021 and 2022.

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total Revenue Tonnage										
Including Bayport companies	62,754	51,938	46,853	48,142	46,679	44,281	44,839	45,168	46,637	44,669
Excluding Bayport companies	55,061	44,533	41,688	43,137	40,863	38,274	34,847	35,744	37,620	35,825
General Cargo (a)	41,928	34,438	31,708	34,074	31,653	28,878	25,226	27,360	26,854	24,735
Bulk Materials Handling Plant	3,613	2,668	2,562	3,057	3,796	3,230	3,330	2,908	5,191	5,152
Grain Elevator #2	1,908	2,493	2,766	2,298	1,375	2,140	2,872	2,350	2,311	2,264
Other Bulk Movements										
Excluding Bayport companies (b)	7,613	4,935	4,651	3,708	4,039	4,026	3,419	3,126	3,265	3,675
Including Bayport companies	7,693	7,404	5,165	5,005	5,815	6,007	9,992	9,424	9,016	8,843
Barbours Cut Terminal										
Bulk (b)	24	-	15	42	51	3	3	-	-	-
General cargo (a)	15,612	12,147	12,293	11,185	10,687	9,808	9,467	11,395	11,100	10,559
Bayport Container Terminal										
General cargo (a)	17,884	16,530	15,385	16,603	14,605	13,027	10,855	8,589	6,977	7,265
Steel (a)										
Import	5,166	3,327	2,202	3,980	4,303	3,626	2,288	4,643	6,343	4,350
Export	38	38	51	72	61	68	80	141	236	303
Autos - Turning Basin										
Tons - import (a)	121	114	98	134	152	141	161	168	129	143
Tons - export (a)	1	2	1	4	4	3	8	14	13	21
Units - import	54	50	44	61	74	74	83	82	63	71
Units - export	-	-	-	1	1	1	2	6	5	8
Bagged Goods (a)										
Import	437	282	196	263	133	232	168	167	65	53
Export	6	20	18	18	84	45	40	46	57	191
Container TEU	3,975	3,453	2,989	2,987	2,700	2,459	2,183	2,131	1,951	1,950

- 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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Houston Ship Channel										
Break bulk	545	549	565	623	642	667	744	883	987	1,019
Bulk carrier	927	784	724	773	743	860	827	876	1,003	809
Containers	948	977	1,091	1,041	962	912	940	1,003	1,012	966
Cruise	-	-	-	-	-	-	31	48	38	9
Roll-on/roll-off	-	-	-	-	6	30	35	12	9	29
Tankers	5,358	5,057	5,096	5,417	5,445	4,851	5,129	5,047	4,746	4,955
Tug Tow	445	438	443	412	450	503	448	384	386	369
Vehicle carrier	55	76	76	99	129	110	109	111	112	119
Other	2	5	12	10	10	13	6	12	46	16
Total Vessel Arrivals	8,280	7,886	8,007	8,375	8,387	7,946	8,269	8,376	8,339	8,291
PHA Public Wharves										
Turning Basin										
Ships	742	744	677	699	779	839	864	1,066	1,258	1,121
Barges	723	667	878	890	1,182	1,063	935	971	1,016	1,789
Bulk Plant, Jacintoport, Care, Woodhouse, and HPGE#2										
Ships	420	478	508	534	435	433	517	502	597	596
Barges	488	438	560	568	547	443	504	424	611	492
Sims Bayou and San Jacinto Barge Terminal										
Ships	47	33	75	12	23	15	24	29	30	30
Barges	703	764	730	742	890	771	641	570	619	665
Barbours Cut										
Ships	485	454	571	554	527	500	560	581	664	822
Barges	2	-	5	35	54	33	36	98	113	23
Bayport Container Terminal										
Ships	497	525	522	523	476	463	490	494	356	349
Barges	43	50	62	111	172	164	175	119	107	68
Bayport Cruise Terminal										
Cruise	-	-	-	-	-	-	31	48	38	9
Layberth	-	-	-	-	-	-	-	42	39	42
Bayport Companies										
Ships	725	624	744	843	765	777	793	856	672	732
Barges	1,911	1,815	1,291	1,327	1,635	1,679	2,402	2,166	2,145	2,148
Total PHA Arrivals										
Ships (a)	2,916	2,858	3,097	3,165	3,005	3,027	3,279	3,576	3,615	3,659
Barges	3,870	3,734	3,526	3,673	4,480	4,153	4,693	4,390	4,650	5,227

- 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

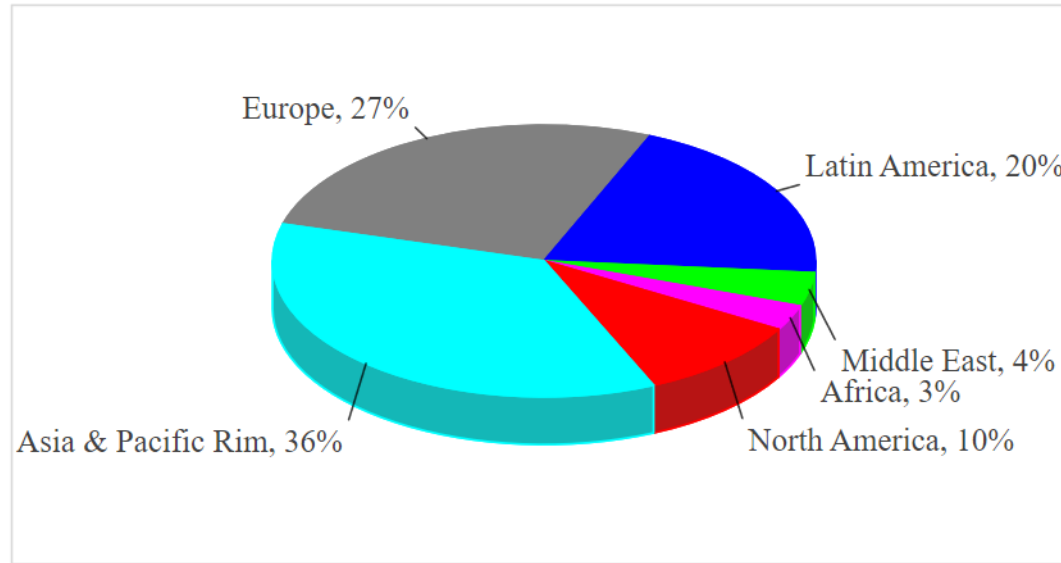
(in thousands)
(short tons)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Coke	3,079	2,212	2,562	2,439	3,012	2,898	3,313	2,809	3,282	2,712
Coal	534	456	-	618	784	333	16	100	1,909	2,441
Fertilizer	41	97	138	109	90	71	90	51	62	75
Grain	1,908	2,493	2,766	2,298	1,375	2,140	2,872	2,350	2,311	2,264
Industrial Chemical	12,700	9,751	8,028	7,347	8,362	8,451	11,957	11,240	10,864	10,563
Molasses	371	321	336	367	301	242	243	255	253	249
Petroleum Products	308	312	286	444	645	554	508	458	361	581
Tallow	125	134	249	155	180	275	152	154	191	182
Dry Bulk	1,638	1,667	704	173	142	269	287	242	356	525
Vegetable Oil	123	55	76	119	135	170	175	150	194	341
Totals	20,827	17,498	15,145	14,069	15,026	15,403	19,613	17,809	19,783	19,933

- Source: The Authority

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

2022 Foreign Trade Through the Port of Houston by Region (\$ Value)

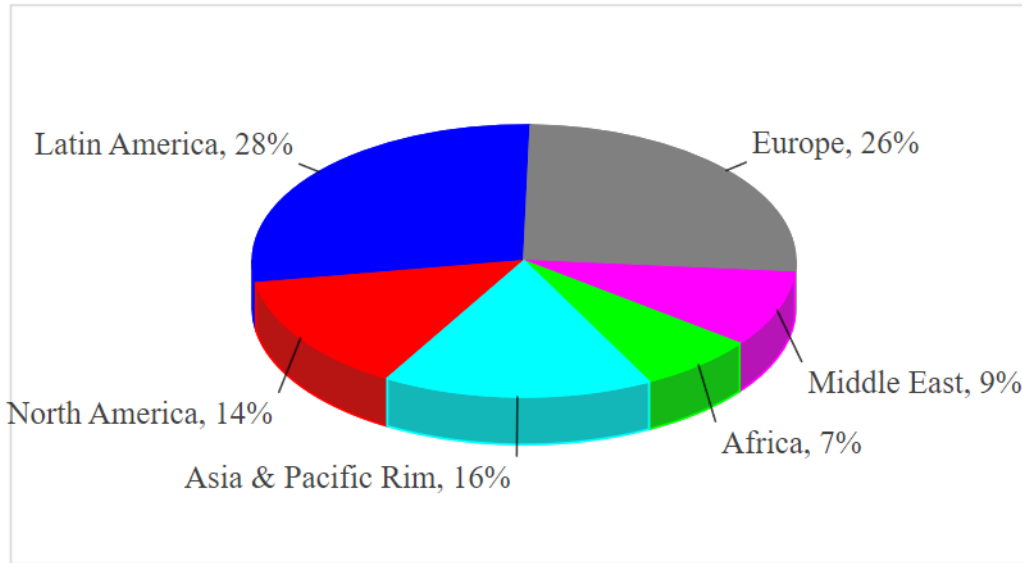


TRADE THROUGH THE PORT OF HOUSTON BY REGION IN 2022 (000s)

	Imports	Exports	Total	Percent of World Total
Asia & Pacific Rim	\$ 49,137,328	\$ 36,187,710	\$ 85,325,038	36 %
Europe	31,447,950	32,154,598	63,602,548	27 %
Latin America	12,563,508	36,564,712	49,128,220	20 %
North America	7,244,212	17,473,977	24,718,189	10 %
Middle East	6,577,746	3,766,660	10,344,406	4 %
Africa	1,477,485	5,448,600	6,926,085	3 %
Worldwide Totals	\$108,448,229	\$131,596,257	\$ 240,044,486	100 %

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

2013 Foreign Trade Through the Port of Houston by Region (\$ Value)



TRADE THROUGH THE PORT OF HOUSTON BY REGION IN 2013 (000s)

	Imports	Exports	Total	Percent of World Total
Latin America	\$ 11,057,699	\$ 35,622,796	\$ 46,680,495	28 %
Europe	22,813,335	21,690,360	44,503,695	26 %
Asia & Pacific Rim	13,113,444	14,168,392	27,281,836	16 %
North America	13,624,794	9,331,025	22,955,819	14 %
Middle East	10,034,682	5,474,785	15,509,467	9 %
Africa	3,643,824	7,762,941	11,406,765	7 %
Worldwide Totals	\$ 74,287,778	\$ 94,050,299	\$ 168,338,077	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

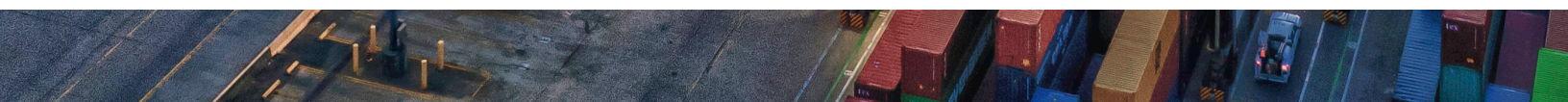
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Exempt Employees	270	256	248	244	222	215	207	199	179	183
Non Exempt Maintenance	244	235	226	229	211	215	171	169	205	194
Non Exempt Employees	226	210	208	210	219	190	219	215	158	151
Total Active Employees	740	701	682	683	652	620	597	583	542	528

- Source: The Authority

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ADDITIONAL BOND DISCLOSURES



Port of Houston Authority of Harris County, Texas

For the Year Ended December 31, 2022

Port of Houston Authority of Harris County, Texas reports updated disclosure to tables in the Series 2021 (Non-AMT) Official Statement. These updates to the Authority's 2022 financial and operating data are provided as noted below. Each table in the Official Statement is referenced below to the page number in preceding sections of 2022 ACFR or included in this Additional Bond Disclosures section.

	PAGE
Table 1 - Physical Characteristics of the Port Facilities of the Authority	See page 114 of 2022 ACFR
Table 2 - Container Geographic Trade Lanes - Fiscal Year 2022	See page 124 in this section
Table 3 - Volumes of Containerized Import and Export Commodities - Fiscal Year 2022 (in TEUs)	See page 124 in this section
Table 4 - Revenue Tonnage	See page 104 of 2022 ACFR
Table 5 - Vessel Arrivals	See page 125 in this section
Table 6 - Operating Revenues by Type	See page 125 in this section
Table 7 - Revenue Cargo by Type	See page 126 in this section
Table 8 - Top Ten Authority Customers (Ten-Year Comparison)	See page 105 of 2022 ACFR
Table 9 - Top Ten Authority Exporters and Importers	See page 126 in this section
Table 10 - Top Ten Authority Tenants	See page 127 in this section
Table 11 - Statement of Revenues, Expenses and Changes in Net Position	See page 128 in this section
Table 12 - Current Investment Distribution	See page 129 in this section
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Table 14 - Historical Net Revenue Available for Debt Service	See page 131 in this section
Table 15 - Projected Operating Results and First Lien Debt Service Coverage	See page 132 in this section

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Port of Houston Authority of Harris County, Texas

Table 2 - Container Geographic Trade Lanes - Year 2022

	Imports	Exports
Asia	53 %	23 %
Europe	14 %	17 %
Americas	13 %	27 %
India Subcont.	7 %	7 %
Africa / Middle East	3 %	15 %
Mediterranean	9 %	8 %
Other	1 %	3 %

Source: The Authority

Table 3 - Volumes of Containerized Import and Export Commodities - Year 2022 (in TEUs)

	Imports		Exports
Machinery, Appliances & Electronics	307,754	Resins & Plastics	483,541
Retail Consumer Goods	272,357	Chemicals & Minerals	239,229
Hardware & Construction Materials	244,145	Automotive	104,155
Food & Drink	219,371	Food & Drink	73,564
Furniture	207,866	Apparel & Accessories	64,168
Resins & Plastics	139,967	Machinery, Appliances & Electronics	61,734
Steel & Metals	131,023	Steel & Metals	55,726
Automotive	124,241	Fabrics including Raw Cotton	53,786
Chemicals & Minerals	108,970	Retail Consumer Goods	24,262
Apparel & Accessories	80,592	Hardware & Construction Materials	15,692
Fabrics including Raw Cotton	35,034	Furniture	5,940
Other	26,086	Other	12,502

Source: The Authority

Port of Houston Authority of Harris County, Texas

Table 5 - Vessel Arrivals

	2022	2021	2020	2019	2018
Authority Public Wharves					
Turning Basin					
Ships	742	744	677	699	779
Barges	723	667	878	890	1,182
Bulk Plant, Jacintoport, Care, and Woodhouse					
Ships	420	478	508	534	435
Barges	488	438	560	568	547
Sims Bayou and San Jacinto Barge Terminal					
Ships	47	33	75	12	23
Barges	703	764	730	742	890
Barbours Cut					
Ships	485	454	571	554	527
Barges	2	-	5	35	54
Bayport Container Terminal					
Ships	413	450	437	450	420
Barges	43	50	62	111	172
Bayport Auto Terminal					
Ships	84	75	85	73	56
Barges	-	-	-	-	-
Total Authority Arrivals					
Ships	2,191	2,234	2,353	2,322	2,240
Barges	1,959	1,919	2,235	2,346	2,845

Note: Excludes vessel arrivals at private wharf at Bayport.

Table 6 - Operating Revenues by Type^(a)
(Dollar amounts in thousands; rounding differences may occur)

	2022	Restated 2021	2020	2019	2018
Container Terminals	\$ 537,019	\$ 424,011	\$ 307,796	\$ 305,607	\$ 281,813
Turning Basin Terminals	79,338	59,699	49,606	54,928	59,015
Bulk	5,524	5,046	5,174	5,704	5,313
Leases	10,858	9,276	11,623	12,519	12,037
Other ^(b)	18,535	18,536	16,533	12,679	11,138
Total operating revenues	651,274	516,568	390,732	391,437	369,316
Change from previous year	26 %	32 %	(0.2)%	6 %	11 %

^(a) Revenue categories are aligned with internal management reporting.

^(b) Other revenues include submerged lands leases, PTRAs revenues, and harbor fees associated with fire protection services.

Source: The Authority.

Port of Houston Authority of Harris County, Texas

Table 7 - Revenue Cargo by Type^(a)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Revenue cargo statistics:					
Container TEUs	3,975	3,453	3,001	2,990	2,702
General cargo (short tons) ^(a)	41,928	34,438	31,708	34,074	31,653
Bulk cargo (short tons)	13,133	10,095	9,980	9,063	9,210
Total Revenue tonnage	<u>55,061</u>	<u>44,533</u>	<u>41,688</u>	<u>43,137</u>	<u>40,863</u>

^(a) Includes container tonnage; short tons equal 2,000 pounds.

Source: The Authority

Table 9 - Top Ten Authority Exporters and Importers - Year 2022

<u>Exporters</u>	<u>TEUs</u>
ExxonMobil	53,419
Shintech	32,194
Vinmar International	21,675
Montachem International	15,101
Allenberg Cotton	12,459
Muehlstein International	12,084
Olam Agri America	8,576
Fleur de Lis Worldwide	7,664
Fondomonte Arizona	7,188
World Food Programme	6,677
 <u>Importers</u>	 <u>TEUs</u>
LG Electronics	16,081
Walmart	14,879
Ikea	14,264
RTG Furniture	12,490
Heineken	10,900
Steve Silver	9,789
Crown Cork & Seal	8,093
Tramontina USA	7,186
Continental Tire	6,439
Plycem USA	6,421

Source: The Authority

Port of Houston Authority of Harris County, Texas

Table 10 - Top Ten Authority Tenants - Year 2022
(Dollar Amounts in thousands)

Tenant ^(a)	Revenue	% Lease Revenue
Richardson Steel Yard, Inc.	\$ 7,568	20%
Enterprise	7,313	13%
Kinder Morgan	4,812	9%
Cooper/Ports America, LLC	4,669	8%
Jacintoport International - Lease	4,256	8%
TPC Group LLC	2,804	5%
Volkswagen of America - Lease	2,663	5%
Texas Stevedoring Services, LLC	1,321	2%
Gulf Stream Marine, Inc.	1,293	2%
CB&I LLC	1,262	2%
Total Revenue for Top Ten Tenants	\$ 37,961	74%
Total Lease Revenue^(b)	\$ 56,328	

^(a) Revenues reported under the tenant names referenced may include affiliated tenant lease revenues

^(b) In "---Table 6 --Operating Revenues by Type, " these revenues are included within the categories Container Terminals, Turning Basin Terminals, Bulk, and Other and in "FINANCIAL DATA -- Table 11 - Statement of Revenues, Expenses and Changes in Net Position," these lease revenues are included within the categories of Vessel and Cargo Services, Bulk Materials, and Other.

Source: The Authority

Port of Houston Authority of Harris County, Texas

Table 11 - Statement of Revenues, Expenses and Changes in Net Position
(Dollar amounts in thousands; rounding differences may occur)

	2022	Restated 2021	2020	2019	2018
Operating revenues					
Vessel and cargo services	\$ 614,714	\$ 483,477	\$ 357,386	\$ 365,386	\$ 344,272
Rental of equipment and facilities	22,886	19,500	21,865	18,065	18,079
Grain elevator	1,237	1,035	1,263	1,439	1,182
Bulk materials	4,288	4,012	3,911	4,265	4,131
Other	8,149	8,544	6,507	2,582	1,652
Total operating revenues	651,274	516,568	390,932	391,737	369,316
Operating expenses					
Maintenance and operations of facilities	236,575	193,869	178,606	177,121	157,524
General and administrative	55,734	48,582	46,225	50,420	49,608
Depreciation and amortization	84,609	80,723	77,829	74,020	72,027
Total operating expenses	376,918	323,174	302,660	301,561	279,159
Operating income	274,356	193,394	88,272	90,176	90,157
Nonoperating revenues (expenses)					
Investment income	10,428	1,042	9,810	13,017	9,319
Contributions to state and local agencies	(8,414)	(10,985)	(235)	(4,327)	(2,095)
Loss on disposal of assets	(33)	(36)	(126)	(4)	(1)
Other, net ^(a)	2,615	4,864	833	1,175	(1,095)
Total nonoperating revenues	4,596	(5,115)	10,282	9,861	6,128
Income before nonoperating revenues (expenses) related to property taxes	278,952	188,279	98,554	100,037	96,285
Nonoperating revenues (expenses) related to property taxes					
Property taxes	44,961	43,702	48,965	51,060	50,951
Investment income / (loss) on bond proceeds	531	30	349	967	721
Interest expense on unlimited tax bonds	(13,002)	(13,483)	(23,526)	(24,451)	(28,927)
Property tax collection expense	(1,100)	(1,100)	(1,100)	(1,100)	(1,100)
Other, net	(417)	(355)	(384)	(410)	(420)
Total nonoperating revenues related to property taxes	30,973	28,794	24,304	26,066	21,225
Income before capital contributions	309,925	217,073	122,858	126,103	117,510
Capital contributions from federal agencies	10,030	16,287	5,188	1,772	5,219
Change in net position	319,955	233,360	128,046	127,875	122,729
Net position, January 1	2,000,139	1,766,779	1,638,933	1,511,358	1,388,629
Net position, December 31	\$ 2,320,094	\$ 2,000,139	\$ 1,766,979	\$ 1,639,233	\$ 1,511,358

^(a) Includes accrued interest expenses of approximately \$9,681 thousand on Series 2021 Revenue Bonds.

Source: The audited financial statements of the Authority.

Port of Houston Authority of Harris County, Texas

Table 12 - Current Investment Distribution - Year End 2022

Interest Bearing Bank Deposits ^(a)	3%
Local Government Investment Pools	18%
U.S. Government Agencies	38%
U.S. Treasury	14%
Securities Municipal Bonds	14%
Commercial Paper	13%
Total	100%

^(a) Collateralized in accordance with the Public Funds Collateral Act, Chapter 2257, Texas Government Code.

Source: The Authority

Port of Houston Authority of Harris County, Texas

Table 13 - Series 2021 Revenue Bond Debt Service Schedule

Fiscal Year	The Bonds		Total Debt Service
	Principal	Interest	
2023	\$ 5,365,000	\$ 14,510,250	\$ 19,875,250
2024	5,635,000	14,242,000	19,877,000
2025	5,915,000	13,960,250	19,875,250
2026	6,210,000	13,664,500	19,874,500
2027	6,520,000	13,354,000	19,874,000
2028	6,845,000	13,028,000	19,873,000
2029	7,190,000	12,685,750	19,875,750
2030	7,550,000	12,326,250	19,876,250
2031	7,925,000	11,948,750	19,873,750
2032	8,320,000	11,552,500	19,872,500
2033	8,740,000	11,136,500	19,876,500
2034	9,175,000	10,699,500	19,874,500
2035	9,635,000	10,240,750	19,875,750
2036	10,020,000	9,855,350	19,875,350
2037	10,420,000	9,454,550	19,874,550
2038	10,835,000	9,037,750	19,872,750
2039	11,270,000	8,604,350	19,874,350
2040	11,720,000	8,153,550	19,873,550
2041	12,190,000	7,684,750	19,874,750
2042	12,800,000	7,075,250	19,875,250
2043	13,310,000	6,563,250	19,873,250
2044	13,845,000	6,030,850	19,875,850
2045	14,395,000	5,477,050	19,872,050
2046	14,975,000	4,901,250	19,876,250
2047	15,570,000	4,302,250	19,872,250
2048	16,350,000	3,523,750	19,873,750
2049	17,170,000	2,706,250	19,876,250
2050	18,025,000	1,847,750	19,872,750
2051	18,930,000	946,500	19,876,500
	<u>\$ 316,850,000</u>	<u>\$ 259,513,450</u>	<u>\$ 576,363,450</u>

Port of Houston Authority of Harris County, Texas

Table 14 - Historical Net Revenue Available for Debt Service
(Dollar amounts in thousands)

	2022	Restated 2021	2020	2019	2018
Operating Revenues^(a)					
Container Terminals	\$ 537,019	\$ 424,011	\$ 307,796	\$ 310,042	\$ 285,460
Turning Basin Terminals	79,338	59,699	49,606	54,928	59,015
Bulk	5,524	5,046	5,174	5,704	5,313
Leases	10,858	9,276	11,623	8,084	8,390
Other	18,535	18,536	16,533	12,679	11,138
Total	<u>651,274</u>	<u>516,568</u>	<u>390,732</u>	<u>391,437</u>	<u>369,316</u>
Less:					
Operating Expenses	236,575	193,869	178,606	177,121	153,724
G&A Expenses	<u>55,734</u>	<u>48,582</u>	<u>46,225</u>	<u>50,420</u>	<u>49,608</u>
Total Operations and Maintenance Expenses	292,309	242,451	224,831	227,541	203,332
Net Operating Revenue	358,965	274,117	165,901	163,896	165,984
Nonoperating Revenues (Expenses)	<u>10,701</u>	<u>(2,661)</u>	<u>10,327</u>	<u>8,756</u>	<u>5,377</u>
Net Revenues Available For Debt Service on Revenue Obligations	<u>\$ 369,666</u>	<u>\$ 271,456</u>	<u>\$ 176,228</u>	<u>\$ 172,652</u>	<u>\$ 171,361</u>

^(a) Revenue categories are aligned with internal management reporting.

Source: The Authority

Port of Houston Authority of Harris County, Texas

Table 15 - Projected Operating Results and First Lien Debt Service Coverage
(Dollar amounts in thousands)

Fiscal Year	Gross Revenues ^(a)	Operation and Maintenance Expenses ^(b)	Net Revenues Available for Debt Service ^(c)	Debt Service Requirements			Projected First Lien Debt Service Coverage
				The Bonds	Additional Bonds ^(d)	Total First Lien Debt Service Requirements ^(d)	
2023	\$ 624,538	\$ 319,410	\$ 305,128	\$ 19,875	\$ 6,101	\$ 25,976	11.7x
2024	618,273	317,722	300,551	19,877	26,954	46,831	6.4x
2025	637,872	325,042	312,830	19,875	26,957	46,832	6.7x
2026	659,512	333,812	325,700	19,875	26,954	46,829	6.9x
2027	683,361	344,248	339,113	19,874	26,956	46,830	7.2x

^(a) Gross Revenues represent all projected revenues, income and receipts, including interest income, and any other revenues as defined in the Resolution. Gross Revenues reflect current forecast for each fiscal year. The compounded annual growth rate ("CAGR"), for Fiscal Year 2023-2027, is projected to be 2.3% and is primarily impacted by container terminal volume growth. Turning Basin Terminals growth projected at approximately 4.9% annually.

^(b) Operation and Maintenance Expenses represent projected Operation and Maintenance Expenses as defined in the Resolution. Expense profiles generally follow the operating revenue profile, as approximately 80% of expenses are linked with operations. Operating and maintenance expense in fiscal years 2023-2027 are projected to increase at a CAGR of 1.9%. G&A overhead is projected at a 3% growth rate assumption from Fiscal Years 2023 through 2027.

^(c) Net Revenues Available for Debt Service illustrate a 2.7% CAGR over this time horizon.

^(d) Assumes the issuance of Additional First Lien Obligations in Fiscal Year 2023 to fund \$425 million of Project 11 construction costs. Debt service is based on an issuance with a true interest cost of 4.78%.

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