

INTRODUCTORY SECTION

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PORT COMMISSIONERS

Ruben Bonilla, Jr., Chairman

Mr. Bonilla was appointed to the Port Commission by the City of Corpus Christi in 1998. He is an attorney and partner in the law firm of Bonilla & Chapa, P.C.

Bernard A. Paulson, Vice-Chairman

Mr. Paulson was appointed to the Port Commission by the City of Corpus Christi in 1997. He is retired.

L. Michael Carrell, Secretary

Mr. Carrell was appointed to the Port Commission by the City of Corpus Christi in 2002. He is President of Frost Bank

Yolanda G. Olivarez, Commissioner

Mrs. Olivarez was appointed to the Port Commission by Nueces County in 1997. She is a Senior Vice President with Wells Fargo Bank.

Robert J. Gonzalez Sr., Commissioner

Mr. Gonzalez was appointed to the Port Commission by Nueces County in 2000. He is an attorney and partner in the law firm of Gonzalez and Gonzalez L.L.P.

Judy Hawley, Commissioner

Mrs. Hawley was appointed to the Port Commission by San Patricio County in 2004. She is Texas Business Development Director for Advanced Acoustic Concepts.

Kenneth L. Berry, Commissioner

Mr. Berry was first appointed to the Port Commission by the City of Corpus Christi in 1999. He was later appointed to the Port Commission by Nueces County in 2005. He is President and Chief Executive Officer of The Berry Co.

EXECUTIVE STAFF

John P. LaRue, Executive Director

Frank C. Brogan, Deputy Port Director of Engineering and Finance and Administration

Maynard J "Sandy" Sanders, Deputy Port Director of Operations and Business Development

William J. Cotter, Director of Operations

Daniel R. Hodgkins, Chief Financial Officer

Michael Perez, Director of Business Development

Sandra Terrell-Davis, Director of Human Resources

Vacant, Director of Engineering Services

**PORT OF CORPUS CHRISTI AUTHORITY
OF NUECES COUNTY, TEXAS**

**Organization Chart
December 31, 2008**

PORT COMMISSION, PORT OF CORPUS CHRISTI AUTHORITY

Executive Director	John P. LaRue
Deputy Port Director of Engineering and, Finance and Administration	Frank C. Brogan
Director of Engineering Services	Vacant
Deputy Director of Engineering Services	Greg Brubeck
Chief Engineer	David L. Michaelsen
Chief Financial Officer	Daniel R. Hodgkins
Controller	Dennis J. DeVries
Chief Accountant	Audre Debler
Manager of Management Information Systems	Gustavo Espinosa
Deputy Port Director of Operations and Business Development	Maynard J. "Sandy" Sanders
Director of Operations	William J. Cotter
Deputy Director of Operations	Tony Alejandro
Manager of Foreign Trade Zone	Sonya Lopez-Sosa
Manager of Risk Management	David Solis
Chief of Port Security	Arch Archambo
Harbormaster	Jim Burns
Manager of Transportation	Fred Babin
Manager of Bulk Terminal	Paul "Skip" Kaup
Manager of Cold Storage Facility	Ron Sutter
Manager of Dock Operations	Raymond Kadlecek
Maintenance Manager	David Throop
Director of Business Development	Michael Perez
Manager of Business Development	Vacant
Manager of Industrial Development	J. Allen Speight
Community Relations Manager	Patricia Cardenas
Marketing Manager	John Valls
Director of Human Resources	Sandra Terrell-Davis
Human Resources Generalist	Monica Euresti
Manager of Legislative Affairs	Nelda Olivo
Project Manager - Naval Station Ingleside Redevelopment	Tom Moore



PORTCORPUSCHRISTI

March 31, 2009

Port Commission
Port of Corpus Christi Authority of Nueces
County, Texas
Corpus Christi, Texas

State law requires that every navigation district or port authority publish at the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the year ended December 31, 2008.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Lovvorn & Kieschnick, LLP, Certified Public Accountants, have issued an unqualified (“clean”) opinion on the Port of Corpus Christi Authority of Nueces County, Texas (Authority)’s financial statements for the year ended December 31, 2008. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follow the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A compliments this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The Authority is located along the southeastern coast of Texas on the Gulf of Mexico approximately 150 miles north of the Mexican border. The Authority maintains one of the deepest ports along the Gulf of Mexico coast with a channel depth of 45 feet. The Authority's port facilities are part of the Port of Corpus Christi complex. The Port of Corpus Christi has been a deep draft port since 1926. The channel is approximately 30 miles long and links the City of Corpus Christi with the Gulf of Mexico.

The Authority (formerly the Nueces County Navigation District No.1) is a navigation district and political subdivision of the State of Texas, having boundaries co-extensive with those of Nueces and San Patricio Counties, Texas. The Authority operates under the provisions of Article XVI, Section 59, of the Texas Constitution and related laws of the State of Texas, particularly Sections 60 and 62 of the Texas Water Code, and all amendments thereto. The Authority being a navigation district and political subdivision of the State of Texas is a separate and distinct entity of Nueces and San Patricio Counties and operates independently with its own Port Commission as its governing body. The only relationship the Authority and Nueces County have is that in the event the Port Commission deems it necessary to issue tax-supported bonds, it must request the Commissioners Court to call an election. The Commissioners Court shall call the election, canvas the vote, and if the bond issue is approved, thereafter set the necessary tax rate to service the bonds.

A Port Commission composed of seven commissioners, who serve without pay, governs the Authority. Each commissioner serves a staggered term of three years with appointments made to the Commission each year. Three commissioners are appointed by the Corpus Christi City Council, the governing body of the City of Corpus Christi, three commissioners are appointed by the Nueces County Commissioners Court, the governing body of Nueces County, and one commissioner is appointed by the San Patricio County Commissioners Court, the governing body of San Patricio County. The executive staff, under the leadership of the executive director, manages the operations of the Authority and assists the Commission in planning for the future. Port Commission efforts are directed toward encouraging industrial expansion, attracting new

cargo, building and maintaining public terminals, setting operational policy and cooperating with the Federal Government as a local sponsor in maintaining and further improving vital navigation channels.

The Authority owns and operates public wharves, transit sheds, open storage facilities, freight handling facilities and equipment, warehouses, a bulk material handling terminal, a refrigerated warehouse, and a multi-purpose cruise terminal/conference center. The Authority also owns a grain elevator that is leased to Archer Daniels Midland (ADM), and cotton warehouses that are leased to Gulf Compress. In addition, the Authority leases land, buildings and improvements, and maintains areas for the placement of dredged materials.

The Port of Corpus Christi consists not only of the Authority's docks, but also includes privately owned docks. The Authority owns eight general cargo docks, eleven liquid bulk cargo docks, two bulk material docks, a container terminal, two bagging facilities, a shipside grain elevator, a refrigerated warehouse, cotton warehouses and a multi-purpose cruise terminal/conference center. All of these facilities are operated for hire on a first-come, first-serve basis, with the exception to the shipside grain elevator and cotton warehouses that are leased. Most of the privately owned docks at the Port of Corpus Christi are owned by, and operated exclusively for, the various refineries, chemical plants and other industries that line the Channel. Approximately thirty-two privately owned docks are located at the Port of Corpus Christi, and compete directly with the Authority's docks.

The Port Commission adopts an annual budget each year, on a basis consistent with accounting principles generally accepted in the United States of America for proprietary funds, as a prudent management tool. Monthly budget reports are prepared for management to maintain proper budgetary control, and are reviewed by the Port Commission on a quarterly basis.

LOCAL ECONOMY

The Authority continues to remain financially strong and a primary driver of the local economy. The Authority's sound fiscal management has allowed the Authority to remain financially stable. The Authority is currently ranked as the 6th largest port in the United States in terms of tonnage. The Authority has served the local economy for over eighty years, and is continually upgrading and expanding its' facilities to better serve South Texas industry and shippers. Local Port industries as well have made investments to upgrade and expand their facilities, to improve air and water quality, and improve process efficiencies, or supply utilities such as electricity and steam. Local refineries have made investments that permit them to provide clean burning gasoline during the ozone alert months, a volunteer program that has contributed to the local area's ability to maintain its "attainment" classification with environmental agencies.

The Authority has adopted a mission statement, which has become an integral part in the development of a strategic plan to guide the Authority into the year 2010. The mission statement is as follows: "It is the mission of the Port of Corpus Christi to serve as a regional economic development catalyst while protecting and enhancing its existing industrial base and simultaneously working to diversify its international maritime cargo business. In pursuit of this mission, the Port, which is a political subdivision of the State of Texas governed by appointees of Nueces County, the City of Corpus Christi and San Patricio County, shall be guided by the following basic principles: (1) The Port shall conduct its affairs in a positive, open and cooperative manner; (2) The Port shall operate in a fiscally responsible manner; (3) The Port shall be a positive and proactive force in the protection of the region's marine and water related resources; and (4) The Port shall be committed to serving its customers - present and future."

Economic development means attracting industrial and commercial activity, private capital and waterborne cargo shipments that will create employment opportunities, sustaining and upgrading existing jobs, introducing new basic dollars to the area and broadening the tax base that supports all public services. The 2003 Port Economic Impact findings reinforce the Port's mission statement: to be an economic catalyst for the region. Martin Associates of Lancaster, PA studied the economic impact of the Authority operations including the Ortiz Center. The last economic impact study for the Authority was in 1994. Nine years later, the 2003 report shows significant increases. In 1994, the Authority created 30,927 jobs, generated \$66.4 million in state and local taxes, and provided \$1 billion in business revenue. Today, the Authority creates

approximately 39,905 jobs with 11,859 direct jobs. The Authority generates 8,930 induced jobs that are the result of purchases by the direct employees. The remainder of total jobs is comprised of 19,116 indirect jobs supported by the local purchases by businesses supplying services or dependent upon the Authority. The 39,905 jobs provide \$2.2 billion in income (direct, induced, and indirect wages and salaries) for families throughout the Coastal Bend. Authority operations generate \$1.3 billion of revenue for businesses providing services to the Authority and port industries, Ortiz Center, and Texas Treasure. More than \$195.4 million was paid in state and local taxes due to activity created by the Authority. Over the nine-year period, Authority tonnage grew by 7 million tons. Increasing by 4.7 million tons over the last nine years, petroleum and petrochemicals continue to be the Authority's top commodity; however, the 2003 report indicates the Authority's diversification efforts are working. The Authority remains an economic force via its ability to provide the commercial shippers with first class channels, docks and facilities for handling their cargo, and by providing public facilities designed to attract more tourist dollars to the area while maintaining financial stability. Ultimately, our goal is to raise the standard of living and enhance the quality of life of everyone in the local surrounding region.

LONG-TERM FINANCIAL PLANNING

The Authority has two major projects that will require significant funding in the future. These projects will be funded from federal and state assistance, revenue bonds and the Authority's unrestricted net assets of \$29.8 million.

The Joe Fulton Trade Corridor – Phase II

The Authority continues construction on the final phase of the *Joe Fulton Trade Corridor*, a road and rail route that has already streamlined truck and rail traffic in and out of the Authority by providing an alternative route to access I-37 west of the ship channel. This corridor encompasses an 11.5-mile road and rail project that has significantly improved access to more than 2,000 acres of land along the North side of the channel for existing and future development. The corridor has made approximately 1,100 acres of land (which had no access available) for use as marine terminals or industrial sites. The corridor connects two major highway components- US Highway 181 and Interstate Highway 37; thus, establishing more efficient intermodal links between highway, marine, and rail transportation systems. The corridor addressed environmental and safety concerns, and facilitates international trade.

Construction began in 2004 and Phase I was completed in 2008. Total project costs for phase I was \$50.4 million. Funding for the first phase of the project was provided through federal and state assistance, and cash reserves of the Authority. Funding to complete phase II of this project is being provided from \$11.25 million of federal stimulus funding and \$3.75 million of the Authority's unrestricted net assets over 2009 and 2010. Phase II will rebuild a 2.5 mile section of substandard roadway and overlay 6.5 miles of Phase I work with asphalt.

Channel Improvement Project

In 2003, the Authority completed the feasibility phase of the Channel Improvement Project and in November 2007, the project was authorized by Congress in the Water Resources Development Act (WRDA) of 2007. The authorized project includes deepening the Corpus Christi Ship Channel from 45 to 52 feet, adding barge shelves on both sides of the ship channel and extending the La Quinta Channel to serve the proposed La Quinta Trade Gateway project. Channel Improvements will be constructed in contracts beginning in 2009 and ending in approximately 2017. The planned initial contracts will extend the La Quinta Ship Channel. The remaining contracts will be for various reaches of the Corpus Christi Ship Channel, beginning at the entrance in the Gulf of Mexico and progressing towards the end of the channel at the Viola Turning Basin. Total improvements will cost approximately \$500 million. Funding for this project will come from federal assistance and revenue bonds, supported by a proposed tariff increase. Congress appropriated \$1.1 million in 2009 to initiate the construction of the project.

MAJOR INITIATIVES - 2008

Environmental Management System

In July 2007, the Authority's environmental management system (EMS) received ISO 14001 certification from a third-party certification body, National Quality Assurance. ISO-14001 certification demonstrates that the Authority has made a commitment to systematically reduce the environmental impacts of our operations while making a commitment to continually improve. PCCA maintained this certification in 2008 and is striving towards recertification again in 2009. Through the EMS program, the Authority has done many things to show our commitment to continual improvements. In 2008, the Authority continued to promote participation in our recycling program both with our own employees and port users. In 2008, under our recycling program, the Authority recycled approximately 794 fluorescent and mercury lamps and tires; approximately 138,115 pounds of paper, plastic, and metal; and approximately 4,612 gallons of used oil, oil filters, and anti-freeze. The Authority also hosted the Pollution Prevention Partnership AutoCheck in the port area to test vehicles on three separate occasions in 2008. The events were open to the community and well over 1,500 vehicles total were screened during the three events. Of the vehicles screened, 35 were identified as "dirty" and were sent for repairs and 20 were identified with leaking gas caps and provided a voucher for repairs. Also during 2008, an objective and target was set to improve the quality of storm water runoff from two of our facilities and reduce our electrical consumption port wide compared to tons of cargo handled. Filters were installed in the storm water outfall at both facilities and an overall improvement of 93.4% in storm water quality was seen. Additionally, in 2008, a 23% reduction was made in the amount of electricity consumed port wide.

Naval Station Ingleside Reverts to Authority

In 2005, Congress passed Base Realignment and Closure (BRAC) legislation that will close down Navy operations at Naval Station Ingleside and revert the entire base to the Authority by September 30, 2010. The main base consists of 483 acres of upland property, which provides facilities and support for approximately 2000 military personnel. The maritime portion of the base includes an 1100-foot concrete pier and over 2400 feet of wharf space. This premiere property is located next to the Authority's 45 foot deep main ship channel and less than 10 miles from the Gulf of Mexico. The Authority continues its master planning to help assess and market what would be the best use for a total of 1009 acres comprised of Naval Station Ingleside property and adjacent Authority green field property. The Authority continue working an extensive outreach with the citizens of the Coastal Bend to educate the community about what the base could become after the Navy leaves in September 2010.

Military Cargo and Layberth

The Authority continues to serve as a Military Strategic Seaport for the Department of Defense. The port is used by the military on an intermittent basis under the direction of the Army's 842d Transportation Battalion from Beaumont, Texas, which continues to maintain administrative office space on the port. Increased commercial cargo shipments through the port have required large portions of the terminal yards used for military deployments. A new 24.5 acre yard on the north side of the inner harbor will be constructed to support future military deployments and commercial cargos. The port served as the home port for the USNS Benavidez, USNS Fisher and USNS Pililaau throughout 2008. Due to the importance of military presence in the Gulf of Mexico, the port continues to pursue a full-time military presence to be stationed at the port. We are also preparing our facilities for the expected up-coming redeployment from Iraq.

La Quinta Trade Gateway Project

In 2008, The Port of Corpus Christi Authority engaged in a Strategic Memorandum of Understanding with Zachry American Infrastructure, Inc. The MOU is exploring the feasibility of various options, assessing the potential economic and financial visibility of the project. The goal of the MOU is to enter into a long term agreement for design, financing, construction and operation of the La Quinta Trade Gateway Terminal. J.P. Morgan Securities Inc. and M.E. Allison & Co., Inc. continue as its financial advisors assisting in evaluating the possible long-term concession lease of the La Quinta Trade Gateway Terminal located on a 1,100 acre parcel of land on the Northeast side of Corpus Christi Bay. The Authority's primary

objective is to develop a state of the art container and break-bulk shipping terminal that, because of its location and design, will strengthen the weak links in shippers' and ocean carriers' respective supply chains at a competitive price, and offer the latest in port security.

To accomplish this objective, the Authority intends to enter into a long-term lease agreement with a qualified private party or consortium under which the Private Operator will design, build, finance and maintain La Quinta and will be granted the exclusive right to operate the Terminal and collect revenues from terminal users during the term of the Agreement, which is anticipated to be for 30 years or more. If the MOU between the Port and Zachry American Infrastructure reaches a mutual accord, a definitive agreement will be signed in December 2009.

Wind Turbines

Texas is the number one state in the nation in wind power production and the Port of Corpus Christi has become a preferred port of entry for imported wind turbines. In addition to the tremendous capabilities of Cargo Dock 8 on the Southside, wind turbine components are now unloaded at Cargo Dock 9 and into expanded storage areas on the Northside of the Inner Harbor. The Northside area has seen improvements of 25 acres for staging immediately across from the Inner Harbor and an additional 10 acres just across the Joe Fulton International Trade Corridor. These turbines move efficiently by either truck or rail down the new Fulton Corridor to project sites in the panhandle and West Texas. E.ON Climate & Renewables is developing a wind farm in neighboring San Patricio County to encompass approximately 45,000 acres with turbine components from Vestas. The Port of Corpus Christi is facilitating the movement of wind turbine components from more manufacturers than any other Texas port and it is an active member of the American Wind Energy Association (AWEA).

Las Brisas Energy Center

In 2008, Las Brisas Energy Center, LLC, selected the Northside of the Authority's Inner Harbor as the site for the development of a state-of-the-art electric generating facility. With an initial investment of \$3 billion dollars, Las Brisas Energy Center, LLC, received its Preliminary Air Permit from the State of Texas Commission of Environmental Quality (TCEQ) in fall of 2008. The circulating fluidized bed (CFB) facility was designed to minimize the environmental impact and to be clean and efficient. It is expected to create about 1,300 direct jobs and 2,600 indirect jobs during the construction phase. Project completion is expected by early 2013, creating from 80 to 100 direct and 150 to 175 indirect jobs once operating.

On-going Construction Projects

A new 24.5 acre storage yard with 6,400LF of rail tracks will support the high demand for wind generating equipment moving through the port. This \$5 million dollars investment is scheduled to be complete in the summer of 2009.

AWARDS AND ACKNOWLEDGMENTS

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Port of Corpus Christi Authority of Nueces County, Texas, for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2007. This was the twenty-fifth consecutive year that the Authority has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this comprehensive annual financial report would not have been possible without the efficient and dedicated services of the entire staff of the Authority's Accounting Department. We would like to express our appreciation

to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Port Commission for their unfailing support for maintaining the highest standards of professionalism in the management of the Authority.

Respectfully Submitted,



John P. LaRue
Executive Director



Daniel R. Hodgkins
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Port of Corpus Christi Authority
of Nueces County
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

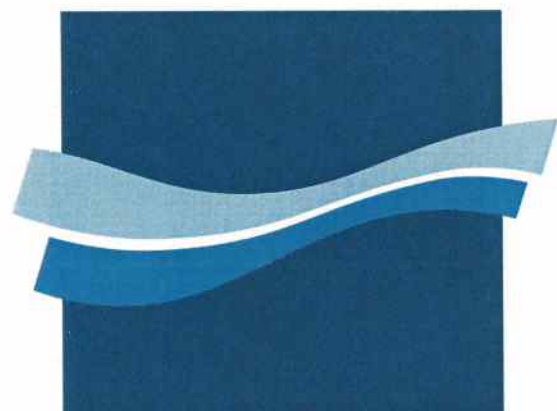


A handwritten signature in black ink, appearing to read "M. L. Post".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Egan".

Executive Director



PORTCORPUSCHRISTI