

Minutes of Meeting August 11, 2016

A Regular Meeting of the Port Commission of Port Freeport was held August 11, 2016 beginning at 12:10 PM at the Administration Building, 1100 Cherry Street, Freeport, Texas.

Commissioners present:

Mr. Ravi Singhanian, Chairman
Mr. Bill Terry, Vice Chairman
Mr. Paul Kresta, Secretary
Mr. Rudy Santos, Asst. Secretary
Mr. Shane Pirtle, Commissioner
Mr. John Hoss, Commissioner

Staff Members Present:

Mr. Jason Cordoba, Legal Counsel
Ms. Phyllis Saathoff, Executive Director/CEO
Mr. Jeff Strader, Chief Financial Officer
Mr. Al Durel, Director of Operations
Mr. Jason Hull, Director of Engineering
Mr. Chris Hogan, Director of Protective Services
Mr. Mike Wilson, Director of Economic Development
Mr. Jason Miura, Director of Business & Economic Development
Ms. Dianna Kile, Director of External/Government Affairs
Ms. Mary Campus, Controller
Ms. Missy Bevers, Executive Assistant
Mr. Brandon Robertson, Network Systems Manager
Mr. Nick Malambri, Engineering Specialist
Mr. Cecil Booth, Project Engineer

Also present:

Ms. Suzanne Crawford, Brown & Gay Engineers
Mr. Bob Arroyave, Brown & Gay Engineers
Mr. Bobby Fuller, Texas Port Ministry

1. CONVENE OPEN SESSION in accordance with Texas Government Code Section 551.001, et. seq., to review and consider the following:
2. Pledge of Allegiance: U.S. Flag & Texas Flag
3. Invocation – Bobby Fuller, Texas Port Ministry
4. Roll Call.
All Commissioners were present.

5. Approval of minutes from the Special Meeting held July 1, 2016, the Regular Meeting held July 14, 2016 and the Special Meeting held July 19, 2016.

A motion was made by Commissioner Kresta to approve the minutes as presented. The motion was seconded by Commissioner Terry with all Commissioners present voting in favor of the motion.

6. Receive report from Executive Director/CEO on activities and matters related to administrative affairs. Port tenant updates, USCOE, rail issues, AAPA Committees, leases, contracts, upcoming Port and civic events and other related administrative & governmental affairs.

Ms. Saathoff reported on Congressman Randy Weber's visit Monday, August 8th stating that he was very generous with his time at the Port. His visit included an update on activities and strategic objectives of the Port as well as a tour of the facilities and tour of the progress at the Freeport LNG terminal site. A second meeting of representatives from the Port, Brazoria and Fort Bend County held with regard to the proposed multimodal trade corridor and efforts to creating linkage between Rosenberg and Port Freeport and eventually to the Dallas-Fort Worth market area. Ms. Saathoff also reported that a Letter Agreement regarding road repairs on the East End between Port Freeport and the City of Freeport had been executed and a change order would be issued to initiate the improvements at 5th and Terminal. Additionally, a meeting with TxDOT will be held August 26 regarding the Pine Street Bridge project. A Texas Ports Association dinner was held August 8 to welcome new USCOE Colonel Zetterstrom to the Galveston District. Commissioner Pirtle and Jason Hull represented the Port at this dinner. Ms. Saathoff then mentioned the proposed meeting schedule for the remainder of the year stating that feedback received indicates the October date for the board workshop is not a good date. Commissioner Pirtle suggested holding the workshop and board meeting October 13. After some discussion, it was agreed the board meeting will be held at noon October 13, with the workshop to follow at 4:00 p.m. A decision was also made to hold the Administration Building Open House October 6 beginning at 4:00 p.m.

7. Receive report from Commissioners on matters related to meetings and conferences attended, Port presentations and other related Port Commission matters.

Commissioners Pirtle, Terry, Hoss and Singhanian each reported on attending Congressman Weber's visit August 8th. Commissioner Singhanian also reported attending the MEGlobal Groundbreaking also held August 8th.

8. Receive report regarding Texas Trade Mission to Panama.

Ms. Saathoff reported the Trade Mission to Panama was co-chaired by Lt. Governor Dan Patrick and Senator Creighton who serves as the Chair of the Senate Select Committee on Texas Ports. Unfortunately, the Lt. Governor was not able to attend but was able to send his Chief of Staff. Representatives from Port Freeport included Commissioners Singhanian and Hoss, Ms. Saathoff and Jason Miura. Ms. Saathoff stated that Freeport, Houston and Sabine Neches were the ports and/or waterways represented, adding that Freeport was the best prepared delegation taking advantage of the opportunities to deliver key objectives to the Panamanians. Port Freeport also used their time with Senator Creighton to reiterate the great value the Port has with the ability to deepen the channel to 55 feet, and the potential to be a prime gateway of commerce for the State of Texas.

Commissioner Hoss echoed what Ms. Saathoff reported adding that the message was well conveyed and received, and believes Freeport is about to really take off.

Commissioner Singhanian reported on presentations given by Ambassador Sosa and Dr. Metcalf as well as representatives of Port Sabine Neches on their channel deepening project and the opportunity the group had to watch a LNG tanker moving through the canal on their last day. He thanked staff on a job well done representing Port Freeport and for making the trip.

9. Public Comment

There were no public comments.

10. Approval of granting an Easement to CenterPoint Energy on a 202.913-acre tract of land leased to Freeport LNG.

Mr. Hull stated that CenterPoint is proposing an easement on property leased to Freeport LNG for a new electrical service in support of their expansion. It is Mr. Hull's recommendation and that of the Strategic Planning Advisory Committee to grant this easement.

A motion was made by Commissioner Pirtle to approve the easement. The motion was seconded by Commissioner Kresta with all Commissioners present voting in favor of the motion.

11. Approval of Change Order No. 1 to Tegrity Homes for construction of additional houses.

This change order request is to add two additional houses to the Tegrity Homes contract in the amount of \$292,750 bringing the revised contract amount to \$3,220,250. These houses will be built in the 500 block of West Fifth Street on Port owned property. It is Mr. Hull's recommendation to approve this change order.

A motion was made by Commissioner Pirtle to approve the change order. The motion was seconded by Commissioner Kresta with all Commissioners present voting in favor of the motion.

12. Workshop regarding FY 2016/2017 Budget for Port Freeport.

Before the workshop began, Ms. Saathoff stated that the budget being presented was a collective effort by all departments adding that it continues to support continued growth and the Port's strategic initiatives while being prudent in areas of the budget with respect to the expenditure funds in order to continue to achieve a strong operating margin that produces the cash flow in support of planned capital investments and expand operational capabilities. 2013-2016 saw an annual growth of 14% with an anticipated 11% increase over the prior year. Project cargo opportunities is a strong part of the revenue growth, and brings the five-year overall average to about 13%. While the Port has seen tremendous growth, the average annual expenditure increase has been 3.3% between the period of 2013-2016. An increase of about 13% is expected for the next year. A large portion of this increase comes in the form of depreciation and relates to the new capital infrastructure and equipment that has been recently put in service which is generating growth opportunities for the Port. This will bring the five-year annual average to about 5.7%. A 28% operating margin is proposed for 2017 or \$6.9 million. This generates a strong cash flow position which will be reinvested immediately back into additional infrastructure in the Port. At the end of 2017, it is projected the reserves will still be strong after spending down approximately \$9 million. As presented, the budget provides for the

adoption of the effective tax rate which will generate a slightly increased amount of tax revenue. At the end of the year, reserves are projected at \$39 million with \$33.5 unrestricted.

Mr. Strader began the workshop with more in depth discussions on the following items:

- revenues
- tax rate
- operating expenses
- salaries, wages and benefits
- professional services
- training, travel & promotional
- supplies & utilities
- business insurance
- maintenance & repair
- depreciation expense
- debt interest & fees

13. EXECUTIVE SESSION in accordance with Subchapter D of the Open Meetings Act, Texas Government Code Section 551.001, et. seq., to review and consider the following:

- A. Under authority of Section 551.072 for discussion regarding:
- B. The potential purchase, exchange. Lease or value of real property located at Port Freeport, including but not limited to the real property located at and contiguous to Berth 7.
- C. The potential exchange, lease, or value of real property located at Parcels 10, 14, 19, 27, 34, 37 and 38, Port Freeport.

14. Adjourn.

With no further business before the Commission, the meeting adjourned at 4:09 PM.