

Minutes of Meeting August 25, 2016

A Regular Meeting of the Port Commission of Port Freeport was held August 25, 2016 beginning at 4:00 PM at the Administration Building, 1100 Cherry Street, Freeport, Texas.

Commissioners present:

Mr. Ravi Singhania, 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. 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/Governmental Affairs
Ms. Missy Bevers, Executive Assistant
Mr. Brandon Robertson, Network Systems Manager
Mr. Nick Malambri, Engineering Specialist
Ms. Mary Campus, Controller
Ms. Callie Cole, Accounting Clerk
Ms. Holly Gautreaux, Accounting Clerk
Mr. Jesse Hibbetts, Operations Manager
Mr. Junior Martinez, Operations Maintenance
Mr. Rodney Blackstock, Operations Mechanic

Absent:

Mr. Al Durel, Director of Operations

Also present:

Mr. Edward Smith, Phillips 66
Mr. David Eby, Terracon
Mr. Gary Basinger, The Alliance
Mr. Bob Arroyave, Brown & Gay Engineer
Mr. Bobby Fuller, Texas Port Ministry
Mr. Tim Bowling, Praxair, Inc.
Mr. Eric Geisler, Economic Incentive Services, LLC
Ms. Sarah Marsh, Dole Fresh Fruit

Mr. James Nash, Horizon Terminal Service
Mr. Arnold Damian
Ms. Maria Owens
Ms. Victoria Rodriguez
Mr. Larry McDonald
Ms. Ruth Renobto
Mr. Loren Hayes
Mr. Ross Kovar, Ports America
Mr. Marcus Lincoln, ILA
Mr. Santos Aluiso, ILA

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 – Mr. Bobby Fuller, Texas Port Ministry
4. Roll Call.
All Commissioners were present.
5. Approval of minutes from the Regular Meeting held August 11, 2016.

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

6. Upcoming Meetings:
September 22, 2016 – Board Meeting
October 6, 2016 – Port Freeport Open House
October 13, 2016 – Board Meeting & Commission Workshop
November 10, 2016 – Board Meeting
December 1, 2016 – Board Meeting

At this time, Commissioner Singhania went over the meetings dates for the remainder of 2016. Ms. Kile noted that the time for the Open House is set from 4:00 p.m.–7:00 p.m. on October 6. Commissioner Kresta stated that after talking with staff, it was brought to his attention that combining the Commissioner Workshop with the Board Meeting on October 13 is not a good idea. Staff and Commissioners feel they will need more than a few hours for the workshop. After some discussion on proposed dates, it was decided that the workshop will be held Friday, October 14 beginning at 9:00 a.m.

7. Reports from Executive Staff:
 - A. 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 affairs.

Ms. Saathoff reported that Colonel Zetterstrom will make his initial visit to Port Freeport September 1st. She met with the engineering and consulting team to review the progress with the GRR effort and to ensure those efforts are moving forward. With regard to the 55 Foot Project, the Port will be asking the Galveston District to proceed with the pre-construction engineering and design for Reach No. 1. Ms. Saathoff reported on the UP Shortline Railroad & Port Conference she, Jason Miura and Commissioner Terry attended where key objectives were to meet with key decision makers and build further support for the growth at Port Freeport. Because of these efforts, the Vice President of Network Planning & Operations visited Port Freeport to see first-hand what we have to offer. The TWIC Reader Rule was published in the Federal Register this week. The team is reviewing and will brief the Security/Safety Advisory Committee in the future. The House Congressional Ports Caucus held a briefing on Customs Border Protection staffing shortages at nations seaports. Currently, CBP is 500 personnel short and requires additional funding and authorization from Congress to adequately address the needs at the seaports.

Upcoming dates at the Port include the following:

August 26 - TxDOT Meeting Discussion on Pine Street Bridge Project

August 26 - Port of Campeche CEO & General from Mexico Visit & Tour

September 1 - Colonel Zetterstrom Visit

September 14 - Hoegh Autoliners Neo-Panamax Carrier arrival

September 15 - Senate Select Committee on Texas Ports Hearing in Austin

September 15 - Highway 36 Traffic Safety & Control Committee Meeting

Ms. Saathoff also added that after checking with the City of Freeport, repairs to intersection of Second and Sycamore will begin mid-September. About the same time, the Port's contractor will begin improvements to the Fifth Street and Terminal Street route to the Port's back gate.

- B. Receive report Director of External/Governmental Affairs on activities and matters related to federal, state and local governmental affairs, Port tenant updates, USCOE, rail issues, HGAC/TPC, Committees, upcoming Port and civic events and other related governmental affairs

In addition to her report, Ms. Kile stated that she will be in attendance for the Senate Select Committee on Texas Ports hearing in Austin September 15. She also reported that the first eight houses on 9th Street have been completed on the inside and is currently working on a tour for the media.

- C. Receive report from Chief Financial Officer on monthly activity and matters related to financial results, investments, insurance, leases, real property matters and other related administrative affairs.

The Port continues on a strong performance path coming in with \$18.4 million in operating revenues which is an 18% increase over prior year. Operating income comes in at \$5.5 million or 89% improvement over the prior year. Mr. Strader announced the resignation of Minette Macrae in the finance department. Moving forward, the department will shift duties moving Callie Cole into the accounts receivable position and not backfill her old position going forward. He also introduced Holly Gautreaux who is new to the Finance Department. Holly is presently enrolled at Brazosport College pursuing a Bachelor of Science in Finance & Accounting.

Commissioner Terry asked for an update on the Request for Proposals (RFP) for the commercial banking services and computer software. Mr. Strader stated the RFP's went out for commercial banking services in early August. Thirteen financial institutions were targeted within the District region and directly contacted. The proposals should be evaluated by the finance department in mid-September, then presented to committee and commission for approval. The RFP for new finance and billing

software package has not been put out at this time. Mr. Strader explained the process Soft Resources, the Port's software advisor for this acquisition, went through to determine what software/vendor was best suited for the Port. A short list has been determined and the next step will be to push out an RFP. Target date for approval by Commission is the December 1 meeting.

- D. Receive report from Director of Engineering on activities and matters related to Freeport Harbor Federal Channel, capital projects and other projects, Hydrographic Report and other related facility engineering matters.

Mr. Hull made a revision to his report regarding the federal maintenance dredging, explaining that the Manson Newport has arrived to take care of urgent dredging needs, then will proceed to the Sabine to take care of scheduled needs. The Manson Newport will then come back to join with BayPort and dredge simultaneously. Mr. Hull also shared interior photos of the new houses on Ninth Street as well the Dock 2 flood wall opening made to accommodate the Hoegh Target. Also included were current pictures of Freeport LNG's liquefaction site.

- E. Receive report from Director of Operations on activities and matters related to operations, vessel activity, tonnage and other related port operation matters.

In Mr. Durel's absence, Mr. Jesse Hibbetts, Operations Manager reported that during the month of June, Horizon Terminal Services brought in a number of the D11's bulldozers. While Vulcan did not handle any vessels for the month of June four Hoegh vessels called Port Freeport during the month and three project cargo vessels including Dow, FLNG and one export vessel going to Turkey. In July, the Port saw five Hoegh vessels and two project cargo vessels, both for Mammoet and Freeport LNG. He also reported that Dole's new vessel, the Dole California, had called twice. It is a 589 foot LOA vessel. Six Hoegh vessels are expected during the month of August with the NeoPanamax vessel Hoegh Target coming September 14. American Rice has a vessel coming in this weekend with approximately 12,000 metric tons of bagged rice.

- F. Receive report from Director of Protective Services on matters related to safety meetings/injury report, security meetings, EMS update and other related safety, security and environmental matters.

Mr. Hogan began his report with a safety briefing for everyone in attendance. He outlined the building exits and mustering points in case of an emergency as well as the locations of the nearest restrooms. Mr. Hogan then reported that an Emergency Action Plan has been developed for the new administration building. Training will be conducted in September and will cover floods, acts of nature, types of emergency and security issues. Additionally, Mr. Hogan reported on the concealed compartment class held August 17.

Commissioner Singhania complimented Mr. Hogan for including a safety moment with his report and requested this item be added to each agenda moving forward.

- G. Receive report from Director of Business & Economic Development on activities and matters related to industry meetings and Port presentations, Port events, and other related trade development or community relation matters.

Mr. Miura reported on meetings held with the key decision makers within Union Pacific, stating that our representatives gained in depth insight to the company and how they operate, and like Port Freeport,

safety is paramount within their organization. He also reported on the visit and tour by Shintech representatives earlier in the day and touched on the project cargo Mr. Hibbetts reported on, adding that at the end of the year, Tenaris will begin bringing pipe for trial shipments that will go to their new Bay City plant for testing phase. Mr. Miura also reminded the Commission the Breakbulk Americas 2016 Conference will be September 27-29 in Houston. Commissioner Singhania complimented Mr. Miura and his staff on the references and attention they have garnered for the Port.

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

Commissioner Pirtle reported attending the Greater Houston Port Bureau Gala along with Ms. Saathoff, Commissioners Hoss and Singhania. He also attended Freight Shuttle International event in Bryan, Texas and the Concealed Compartment Class. Commissioner Pirtle has also been recruited to participate with the Brazoria County Long-Term Recovery Committee working with United Way to assist areas in redeveloping property.

Commissioner Kresta reported attending Freight Shuttle International event in Bryan, Texas as well as the Rail District meeting held August 19.

Commissioner Terry reported attending trips to BNSF and the UP Shortline Conference in Omaha.

Commissioner Hoss reported attending Freight Shuttle International event, the Greater Houston Port Bureau dinner August 20 and his participation on the bi-weekly teleconference with the Corps.

Commissioner Singhania reported attending the GHPB dinner as well. He also reported receiving an invitation to attend the Freight Shuttle Ceremony September 9.

9. Public Comment

Mr. Arnold Damian addressed the Board asking for assistance with moving to his new house on Ninth Street.

Ms. Maria Owens addressed the Board on behalf of her parents, Humberto & Victoria Rodriguez regarding the traffic behind East 5th Street as well as the condition of the street.

10. Recognition of the following companies for achieving one-year safety performance of no injuries:

Ports America
ILA
Port Freeport

Commissioner Singhania stated that Ports America, ILA and Port Freeport are being recognized because of excellence safety performance in 2015. He added that safety performance is critical for any business with operations like the Port and the Port Commission treats safety with the foremost importance. Accepting on behalf of Ports America was Mr. Ross Kovar; accepting for ILA was Mr. Santos Aluiso and Mr. Marcus Lincoln; accepting on behalf of Port Freeport was the Port Commission and staff members representing each department. Ms. Saathoff stated that all of the organizations had no recordable injuries in 2015 and thanked everyone for recognizing it takes everyone being committed to safety to achieve this type of performance.

11. Approval of financial report presented for periods ending June 30, 2016 and July 31, 2016.

A motion was made by Commissioner Hoss to approve the financial report as presented. The motion was seconded by Commissioner Santos with all Commissioners present voting in favor of the motion.

12. Approval of a Resolution approving the application for tax abatement for Praxair, Inc. for property located in the Praxair, Inc. Reinvestment Zone No. 1, approving Tax Abatement Agreement on the same terms and conditions as granted to Praxair, Inc. by Brazoria County and authorizing Chairman and Secretary to execute said agreement.

Mr. Tim Bowling of Praxair, Inc. shared information about Praxair and talked about the new project Praxair is starting in Brazoria County which is the construction of a manufacturing facility that will produce oxygen, nitrogen, argon, and carbon dioxide. Praxair anticipates spending in excess of \$100 million with construction estimated to start in 2018 and completion in the beginning of 2020. The complex is expected to bring 60-70 jobs during construction and 15 permanent jobs when the plant is operational. Praxair is applying for a 7 year, 100% abatement. Brazoria County did approve this abatement August 23.

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

13. Approval to purchase additional storage sheds for the New Housing Project.

Mr. Hull stated that bids were opened for this project with one bid being submitted by Tuff Shed in the amount of \$40,810 for fourteen 10x10 sheds. It is Mr. Hull's recommendation to approve this contract.

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

14. Approval of an Award of Contract for the East End Properties 2016 project.

Mr. Hull stated that bids were opened August 4 for the demolition of the Freeport Inn with the low bid submitted by Cherry Demolition in the amount. \$225,000. Because this property is zoned as residential, it is Mr. Hull's recommendation and that of the Strategic Planning Advisory Committee to move forward with the base scope which calls for demolition and placement of 3" of sand graded for proper turf management.

A motion was made by Commissioner Hoss to approve the contract. The motion was seconded by Commissioner Terry with all Commissioners present voting in favor of the motion.

15. Approval of a Spur Track Crossing Permit Agreement between Port Freeport and the Texas Department of Transportation.

Mr. Hull explained this is a permit and standard agreement with TxDOT for crossing a Texas highway with any type of railroad. The permit and agreement will allow the Port to install rail across Highway 36 as well as maintain the rail. Mr. Hull also noted the agreement is still in draft form therefore he is requesting approval for the Executive Director to sign the final form subject to no material changes.

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

16. Discussion regarding the designation of recipient of the 2016 Port Freeport Golf Tournament.

Ms. Saathoff stated that staff has been actively preparing for the upcoming tournament, soliciting sponsors from the community to help put on the event. It is the recommendation of the staff that Texas Port Ministry be named as the recipient of the proceeds of the golf tournament. The Ministry has clearly been identified as one with the most direct impact to activities inside the Port and supporting our mariners and truckers. Although this is a discussion item, Ms. Saathoff wanted to make sure everyone was in agreement with this recommendation by staff.

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

17. Approval of Executive Director/CEO and Commissioner travel for the months of August, September and October, 2016.

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

18. Receive update from staff regarding the Brazoria-Fort Bend Rail District, related meetings & projects.

Mr. Miura made a correction to the next Rail District meeting stating it will be September 16 at Port Freeport. He also stated the District has received all the seed funding in total of \$150,000 with some expenses totaling about \$15,000. Last meeting went well with the organization moving forward and receiving a report from SWCA, an environmental consulting firm giving a broad view of everything that needs to take place from an environmental prospective. Mr. Miura shared the draft mission and vision statements for the District that were discussed, adding that they have requested feedback from the sponsoring agencies on these two statements. He also stated that a workshop is being scheduled to discuss a more in depth a scope of work for engineering firms that focuses on the rail.

19. Workshop regarding the FY 2016/2017 Budget for Port Freeport.

Mr. Strader gave a brief presentation and overview of the revisions made to the budget presented at the August 11 meeting. In summary, the budget incorporates \$24.7 million in operating revenues and \$18 million in operation expense. An increase in net assets is approximately \$3 million with planned capital expenditures of \$41 million which will be funded through a combination of cash flows, debt and grants. The budget incorporates \$8 million in debt service and anticipates \$10.1 million use out of reserves for cash funding capital projects. At the Board's request from the previous workshop, Mr. Strader presented four tax rate options which included the effective rate of \$0.04180, prior year rate at \$0.041304, a decrease from the prior year rate to \$0.040800, and a rate of \$0.038760 which reduces the rate to hold at the prior years M&O levy. Looking forward to the capital investment that need to be made in the Port, to complete the deepening and widening of the channel and expand the container facilities to put in the necessary rail infrastructure, a strong positive cash flow should be maintained at the Port. Option 3 would be the best rate giving taxpayers a slight reduction but will preserve the M&O funds for the Port to continue to reinvest in the upkeep of existing infrastructure. After discussion of the tax rate options, Mr. Strader went through the remaining presentation explaining the revisions moving forward to operating expense, Port salaries, wages and benefits, professional services, business insurance, maintenance and repair and depreciation expense.

20. Adoption of a resolution setting the 2016 Tax Rate for Port Freeport.

After discussing different tax rate options, a motion was made by Commissioner Terry to adopt a tax rate of \$0.040100. The motion was seconded by Commissioner Hoss with all Commissioners present voting in favor of the motion.

21. Adoption of the FY 2016/2017 Budget for Port Freeport.

After presenting the revised budget, Mr. Strader stated that is management's recommendation for approval the 2017 budget as presented with the correction of the tax rate to \$0.040100 as well as the addition of the fourth CAP Meeting expense. Commissioner Hoss stated having some questions related to the security budget and felt a lengthier discussion would be necessary with the Security/Safety Advisory Committee since some of the discussion would fall under SSI. With this in mind, approval of the budget was tabled until the next meeting, September 22.

22. 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 551.071 for discussion regarding:

1. Consultation with attorney regarding a Release Agreement between Port Freeport and Western Seafood, Inc.

B. Under authority of Section 551.072 for discussion regarding:

1. The potential exchange, lease, or value of real property located at Parcels 4, 5, 6, 19, 27, 34, and 38, Port Freeport.
2. The potential exchange, lease, or value of real property located at Parcels 7, 8, 10, 26, and 37, Port Freeport.
3. The potential exchange, lease, or value of real property located at Parcel 14, Port Freeport.
4. 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.

23. RECONVENE OPEN SESSION to review and discuss the following:

24. Approval of a Release Agreement between Port Freeport and Western Seafood, Inc.

Commissioner Singhania noted that for discussion in Executive Session, Commissioners Terry and Kresta were excused from the meeting.

A motion was made by Commissioner Hoss to authorize the CEO to execute a Release Agreement with Western Seafood Company, but not to include taxes owed on the property, removal of all Western Seafood Company personal property and environmental issues. The motion was seconded by Commissioner Santos with all Commissioners present voting in favor of the motion and Commissioners Terry and Kresta abstaining.

25. Approve Executive Director/CEO to seek inclusion of language in the 2016 Water Resources Development Act legislation to further the Freeport Harbor Channel Improvement Project.

A motion was made by Commissioner Terry to allow CEO to seek inclusion of language in the 2016 Water Resources Development Act legislation. The motion was seconded by Commissioner Pirtle with all Commissioners present voting in favor of the motion.

26. Adjourn.

With no further business before the Commission, the meeting adjourned at 8:15 p.m.