

Minutes of Meeting February 23, 2017

A Regular Meeting of the Port Commission of Port Freeport was held February 23, 2017 beginning at 3:10 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. Missy Bevers, Executive Assistant
Ms. Mary Campus, Controller
Mr. Brandon Robertson, Network Systems Manager
Mr. Jesse Hibbetts, Terminal Manager
Mr. Nick Malambri, Engineering Specialist
Ms. Callie Cole, Accounting Clerk

Absent:

Mr. Al Durel, Director of Operations

Also present:

Mr. Neil McLellan, HDR
Mr. Bobby Fuller, Texas Port Ministry
Mr. Calvin Bancroft, P66
Mr. James Nash, HTS
Ms. Suzanne Crawford, Brown & Gay Engineer
Mr. Larry Stanley
Mr. Kevin Cadenhead, Kennemer, Masters & Lunsford
Mr. Javier Infante, Raba Kistner
Ms. Ann Poninski, Phillips 66

1. CONVENE OPEN SESSION in accordance with Texas Government Code Section 551.001, et. seq., to review and consider the following:

2. Invocation – Mr. Bobby Fuller, Texas Port Ministry
3. Pledge of Allegiance: U.S. Flag & Texas Flag
4. Roll Call.
All members of the Board were present.
5. Safety Briefing – Mr. Chris Hogan.
6. Approval of minutes from the Regular Meeting held February 9, 2017.

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.

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 on the milestone TSP meeting with the USCOE stating the plan selected will give additional width in the bend of the channel (around the Dow thumb) taking it to 400 feet. Additionally, authorization for the widening will not have to go back to Congress, rather it can be handled in house by the Corps.

Staff is working with Congressman Randy Weber to submit a letter to President Trump emphasizing the importance of Texas Ports, specifically Port Freeport and the project we have authorized.

Meeting tomorrow with Representative Joe Barton in Dallas. Commissioners Singhania and Hoss will also be attending.

Ms. Saathoff and Commissioners Singhania and Hoss spent the day in Austin attending various meetings and meeting with newly appointed members of the House Select Committee on Texas Ports. Also met with Representative Bonnen on key issues and attended the TPA Legislative Reception. The Port has filed testimony with Senate Finance Committee in support of TxDOT budget that would dedicate funds to port related projects.

Ms. Saathoff gave State of the Port presentation to Friends of the River annual meeting February 18. At the meeting, it was announced the project to reopen the mouth of the San Bernard River is receiving funds through the RESTORE Act. March 1, Friends of the River board members will be here for a tour of the Port.

Manrique Bermudez with Chiquita will be taking over as Director of U.S. & Tropics Operations.

The ballot position drawing for the Election has been posted and will be held February 27 at 2:00 pm. The Election is May 6 with early voting beginning April 24.

- B. 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.

Mr. Strader gave a brief financial presentation and update to the Commission.

In addition, Mr. Strader reported the Port has timely filed its annual filing requirement for entities who have the power of eminent domain.

The Market Compensation study has begun with the data gathering phase of the project. Once this is complete, the next phase will be the classification review.

Lastly, the Port was able to pick up a property on East Sixth Street through the Tax Sale February 7.

- C. 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.

Ms. Kile has completed the 21st walk thru for the new houses and anticipates closing next week.

Additionally, the 17th Annual Take-A-Child Fishing Tournament is May 13 at Freeport Municipal Park. To date, the Port has 28 sponsors committed.

A tour of the Port is scheduled for Friends of the River March 1.

- 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 reported that a draft list was released from RESTORE Texas with the lower San Bernard River ecosystem, Village of Surfside groin and Quintana Beach fishing pier were selected for Brazoria County. The Port did submit an application to take dredge material and nourish the beach on Wolf Island however, we were not selected. Brazoria County was the largest recipient of the funds/recognition.

- 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, Jesse Hibbetts reported on January numbers which include a bagged rice vessel, one limestone vessel and HTS (Hoegh) with seven vessels which include importing/exporting over 5,000 vehicles. One project cargo vessel in January brought in over \$170,000 in wharfage. Mr. Hibbetts shared pictures of the project cargo which utilized the Gottwald Crane to unload fans as part of the Freeport LNG Project. Dole numbers have increased in January due to melon season beginning, averaging about 35 extra containers per week. Year to date vessel traffic is up to 95, as compared to prior year of 88. Additionally, Mr. Hibbetts stated an item has been added to the Recap Summary within the Operations report to show meetings and agendas he and Mr. Durel have been attending for the month.

- 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.

In addition to his written report, Mr. Hogan explained the low number for November data for gate operation. Since the board meeting was moved to December 1, this only allowed reporting for two-thirds of the month. The corrected number is reflected in the current report.

The Port was approved by Texas DPS & DHS to host a Marine Vessel Response class. The class will be paid for by DHS, we provide the facility. This is an introductory course for emergency service operators. To date, we have 15 responders.

Lastly, Mr. Hogan gave a brief presentation and update for Emergency Actions Plans (EAP) which include five separate documents for Administration Building, Emergency Operations Center, Operations/Maintenance and Port-wide. Commissioner Hoss stated that the Security/Safety Advisory Committee previously received an update on the EAPs and want to commend the staff on the development of the plans and urge staff to review the plans on an annual basis as needed. Commissioner Singhania inquired about tenant plans. Mr. Hogan stated they are required to have a safety plan/program and are in the progress of requesting those plans to review. This topic was also discussed at the last Tenant Safety Meeting.

- 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 that he will be traveling the next two weeks, attending the Trans-Pacific Maritime Conference and Finished Vehicle Logistics to promote the Port. Website visits were up to 699 in the previous week. Target visits is 3,000 for the month. He also discussed upcoming East Coast travel to visit with various carriers in Florida to attract them to Port Freeport to add additional liner services to our portfolio.

- 8. Receive report from Commissioners on matters related to:
 - A. February 9 Security/Safety Advisory Committee – Commissioner Hoss reported again the Committee wanted to commend staff for the development of the EAPs. He also reported attending the TSP meeting in Galveston, Nexus Group meeting February 16, Rail District February 17 and Friends of the River meeting February 18. Additionally, he also attended meetings in Austin along with Ms. Saathoff and Commissioner Singhania.
 - B. February 9 & 23 Strategic Planning Advisory Committee – Commissioner Pirtle reported the committee discussed potential exchange properties within Freeport, change order for three additional homes and the project for building 20 additional houses and requirements from the City. Insurance related to these houses was also discussed. Underwater inspection of docks was also discussed and is on the agenda for approval. Commissioner Pirtle reported attending Andy Meyers Breakfast and Rail District meeting held February 17, Friends of the River February 18, the Lincoln-Reagan Dinner and the Corps TSP meeting in Galveston. In addition, he participated on a panel with emergency leaders, which focused on millennials and encouraging their participation with the community.
 - C. February 23 Finance Advisory Committee – Commissioner Terry reported the committee met earlier to discuss the property, boiler and maintenance and terrorism insurance which will be on the agenda for approval in addition to the Comprehensive Annual Financial Report. Discussion was also had regarding brokerage services which will be brought to the Board for approval March 23. Commissioner Terry thanked the finance staff for their work on the annual report.

D. February 23 Personnel Advisory Committee – Commissioner Kresta reported the committee discussed a modification to the Port Policy regarding attendance/compensation of absences. This policy will be brought before the Board later today.

E. Meetings and conferences attended, Port presentations and other related Port Commission matters.

Commissioner Singhanian commended Jason Miura on work with Rail District adding that with the addition of Project Manager, Freese & Nichols, things will continue to move in the right direction. Ms. Saathoff stated that arrangements could be made for Freese & Nichols to give the Board an overview of the path forward for the Rail District. Commissioner Singhanian also reported attending the Nexus Group meeting and the Corps TSP meeting as well as meetings in Austin.

9. Public Comment

There were no public comments.

10. Approval of Change Order No. 2 with Tegrity Homes in the amount of \$439,125.00 for the New Housing Project 2016.

The Change Order before the Board is to build three additional houses on the existing contract which will max out the amount that can be added to the contract. Mr. Hull stated the committee has reviewed the change order and recommends approval.

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.

11. Approval of a Professional Services Agreement with Moffatt & Nichol in the amount of \$79,800.00 for the Underwater Inspection of Docks 1, 2, 3, 5 and 7.

Commissioner Pirtle stated that the agreement has been reviewed by Strategic Planning Advisory Committee and recommends approval. Inspection of the docks will be done regularly.

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

12. Approval and award of contract for Property, Boiler & Machinery, and Terrorism coverage as recommended by Arthur J. Gallagher & Co. in the amount of \$763,560.00 for a term of 1 year beginning March 1, 2107.

Ms. Campus stated that Lloyds of London honored their agreement from last year to provide a two-year policy at the same rate. The broker of record Arthur J. Gallagher performed an extensive review, is recommending we move coverage to XL Insurance America which will give a slight savings in boiler and machinery coverage. Terrorism coverage through Gallagher Lloyds of London saw a savings as well as increase in coverages. Overall, the Port will see a savings of \$6,389.00 with Gallagher's research.

A motion was made by Commissioner Terry to accept the bid and approve the contract as recommended. The motion was seconded by Commissioner Santos with all Commissioners present voting in favor of the motion.

13. Adoption of a Resolution Ordering an Election to be held May 6, 2017 for the purpose of electing two Port Commissioners, Positions 1 and 2.

Ms. Saathoff noted that according to the calendar published, an election for a uniform general election should be called by the 78th day prior to election day, which would have been February 17 by 5:00 p.m. The Port is proceeding with ordering the election. The law provides that not ordering an election timely does not affect the validity of the election and has been confirmed with the Secretary of State.

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

14. Approval of a Joint Election Agreement and Contract for Election Services between Brazoria County and Port Freeport for the May 6, 2017 Election.

A motion was made by Commissioner Kresta approve the agreement and contract for an approximate amount of \$6,000.00. The motion was seconded by Commissioner Terry with all Commissioners present voting in favor of the motion.

15. Approval of financial reports presented for the period ending January 31, 2017.

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

16. Approval of the FY 2016 Comprehensive Annual Financial Report.

Kevin Cadenhead, partner with Kennemer, Masters & Lunsford has assisted Port staff in developing the annual financial report and presented three letters related to the report which include an unmodified opinion letter, control around financial reporting and a letter describing various aspects of the audit. Mr. Cadenhead went on to state that all letters are clean with no deviations made during audit and no issues detected.

Mr. Strader added that 2016 was a record year in cargo volumes coming in at \$3 million tons. Operating revenues were at \$21.7 million which have doubled over the last 10 years. Combined operating revenues and expenses, operating income came in at \$5.7 million. Marginal profitability hit a 10-year high mark at 26.2%. Net position remains strong with adequate cash and investment holdings to fund upcoming capital investment projects as well as to maintain the bond rating needed for potential bond issues. Statement of cash flows more than doubled from 2015 to 2016. Efforts have been made to rebuild the investment reserves where approximately \$22 million in cash to replenish our reserve.

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

17. Adoption of a resolution approving the acceptance of the Port's portion of proceeds received from high bidders on delinquent tax property held in trust by Brazoria County, Texas and authorizing the Chairman to join in conveyance to high bidders.

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

18. Approval of Port Policy 5.4 – Sick Leave.

Ms. Saathoff explained that the way annual sick leave was previously written was somewhat complicated and measured by a January 1 start date. If an individual started beyond January 1, they were not getting the full 80-hour benefit until they had completed 3 years of service. Staff is proposing a modified version that allows a monthly accrual that is calculated from the hire date. This was presented to the Personnel Committee and they have recommended wording clean up as well as looking at conversion of unused sick leave at the end of the year to vacation hours that is also in the policy. For now, staff is asking the Board to approve the change in acquiring sick leave, but will bring back the policy with all modifications at a later date.

A motion was made by Commissioner Kresta to approve changes to the policy by staff as noted in red. The motion was seconded by Commissioner Hoss with all Commissioners present voting in favor of the motion.

19. Approval of Commissioners travel for May 2017.

Ms. Saathoff stated that the AAPA Commissioners Seminar will be held in Indianapolis, IN May 16-17 and wanted to get approval on record for planning purposes.

A motion was made by Commissioner Terry to approve the travel for all Commissioners interested in attending the seminar. The motion was seconded by Commissioner Kresta with all Commissioners present voting in favor of the motion.

20. Receive update from staff regarding the Brazoria-Fort Bend Rail District and the Brazoria-Fort Bend Nexus Group.

In addition to his report submitted, Mr. Miura stated the current financial statement reflects a balance of \$98,289.51 with \$2,957.40 in liabilities. All sponsoring agencies have approved reimbursement agreement to fund Rail District an additional \$50,000. Meeting is scheduled for February 24 with Freese & Nichol to review Task Order No. 1 to outline the project master plan. A special meeting will be held February 25 in Sugarland to discuss resolution of support and anticipated travel. The next regular meeting will be March 17 in Freeport. Mr. Miura also stated the current proposed legislation is still in Representative Miller's office. Andrews Kurth is in contact with the office to receive any amendments they may have, so this can be turned around quickly before the March 10 deadline.

Ms. Saathoff stated the next meeting of the Nexus Group will be March 22 at 2:00 p.m.

21. 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 (consultation with attorney) for discussion regarding:
 - 1. Consultation with attorney regarding a Purchase Contract in the amount of \$65,000.00 for property located at 310 E. 8th Street.
- B. Under authority of Section 551.072 (deliberation of real property) for discussion regarding:
 - 1. The potential exchange, lease, or value of real property located at Port Freeport, including but not limited to Parcels 7, 8, 10, 26, and 37.

2. 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 Berths 1, 2, 5 and 7.
3. Discussion regarding the potential exchange, lease or value of real property located in Freeport, Texas, including but not limited to the area known as the East End of Freeport and bordered by the following streets: FM 1495; East 2nd Street; Terminal Street and East 8th Street in Freeport, Texas.
4. The potential exchange, lease, or value of real property located at Port Freeport, including but not limited to Parcels 4, 5, 6, 9, 14, 19, 27, 31, 34, and 38.

- C. Under authority of Section 551.074 (deliberation of personnel matters) for discussion regarding:
1. Discussion regarding the goals and performance of the Executive Director/CEO.

22. RECONVENE OPEN SESSION to review and consider the following:

23. Approval of a Purchase Contract in the amount of \$65,000.00 for property located at 310 E. 8th Street.

Mr. Strader stated this property is located at Block 22, Lot 14 in the East End area of interest and is management's recommendation to purchase the property for \$65,000.00 plus all closing costs, including a 4.5% realtor commission.

A motion was made by Commissioner Kresta to approve the contract as recommended by staff and allow Executive Director/CEO to execute necessary documents. The motion was seconded by Commissioner Santos with all Commissioners present voting in favor of the motion.

24. Discuss and approve payment to the U.S. Army Corps of Engineers in an amount not to exceed \$289,000.00 which represents the Port's 50% portion of cost required to complete the General Reevaluation Report (GRR) associated with the Freeport Harbor Channel Improvement Project (FHCIP). It is further approved the Executive Director/CEO is authorized to negotiate and execute any necessary contract amendments and payment arrangements to the Agreement titled Freeport Harbor Channel Improvement Project General Reevaluation Study dated April 9, 2015 in support of this payment.

The Corps still has about 15 months of work to be done however, because of where they are with the Continuing Resolution and funds available, they need about \$578,000 total to finish the project and have asked the Port to contribute 50%, which is \$289,000. For the other \$289,000 they are seeking approval from the Asst. Secretary to use funds appropriated by Congress set aside for preliminary engineering and design to help complete this process. Is it Ms. Saathoff's recommendation we approve the cash contribution for the project in order to help keep it on schedule.

A motion was made by Commissioner Pirtle to approve the contribution of \$289,000 and to authorize the Executive Director/CEO to negotiate any amendments to memorialize how the expenditure will be treated. The motion was seconded by Commissioner Hoss with all Commissioners present voting in favor of the motion.

25. Adjourn.

With no further business before the Commission, the meeting adjourned at 6:30 p.m.