

Minutes of Meeting June 22, 2017

A Regular Meeting of the Port Commission of Port Freeport was held June 22, 2017 beginning at 2:23 PM at the Administration Building, 1100 Cherry Street, Freeport, Texas.

Commissioners present:

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

Staff Members Present:

Mr. Jason Cordoba, Legal Counsel
Ms. Phyllis Saathoff, Executive Director/CEO
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. Missy Bevers, Executive Assistant
Ms. Mary Campus, Controller
Mr. Brandon Robertson, Network Systems Manager
Mr. Cecil Booth, Project Engineer
Ms. Callie Cole, Accounting Clerk
Ms. Lauren McCormick, Marketing Specialist
Mr. Donnie Evans, Operations Foreman
Mr. Randy Aparicio, Crane Operator
Mr. David Lopez, Operations Maintenance
Mr. Austin Seth, Intern

Also present:

Mr. Neil McLellan, HDR
Mr. Bob Arroyave, Brown & Gay Engineer
Mr. Will Wachel, WSP/PB
Mr. Robert Hawn, WGMA
Mr. S. Whalley, Gallaghers
Mr. David Garcia, Gallaghers
Mr. Dan Jaworski, A&R Logistics
Mr. Russ Boullian, A&R Logistics
Mr. Ed Zingleman
Ms. Ann Poninski, P66
Mr. Gavin Massingill, Carriage House Partners
Mr. James Clark, Carriage House Partners
Mr. James Mathis, Carriage House Partners

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 Meetings held May 25, 2017 and June 8, 2017.

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

7. Presentation of U.S. Department of Transportation Certificate of Project Designation to Port Freeport.

Ms. Saathoff stated the Port received a certificate issued by the U.S. Department of Transportation dated March 16, 2017 designating Port Freeport as having marine highway and called on Jason Miura to provide further details. Mr. Miura stated in 2014 Port Freeport submitted an application to U.S. Department of Transportation for designation between Port Freeport and Port Houston for a marine highway along the Intercoastal Waterway. From the research conducted, it was determined through a container-on-barge service combined with the Port's heavy lift corridor, a reduction in area truck traffic and related emissions can be achieved. The U.S. Department of Transportation recognized the Ports efforts and granted the marine highway designation.

8. Receive update from Carriage House Partners, LLC regarding 85th Texas Legislative Session and related legislative affairs.

Mr. Gavin Massingill with Carriage House gave an overview of the recent Texas legislative session. Of the bills filed this session, 135 were monitored for Port Freeport. 43 bills were considered priority and out of those, 30 died and 13 were sent to the governor. Mr. Massingill highlighted the bills outlined in the summary letter presented to Board. He also stated the Governor is planning to call a Special Session to begin July 18 to discuss certain sunset provisions and bills that were not passed in regular session.

9. 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 upcoming matters and events. The agency decision milestone meeting regarding the channel project is set for July 31. Staff is gearing up for the 2018 budget. Proposed dates for budget workshops will be forthcoming. Jessica Hart with Senator Ted Cruz's office will visit the Port June 26 for a briefing on the channel project. Later that day, Ms. Saathoff will be giving a

presentation to the Economic Alliance Joint Road & Bridge Committee in Pearland. The U.P. Annual Port's and Short Line Conference is scheduled for July 31-August 2. Ms. Saathoff plans to attend. Following the conference August 4, Union Pacific automotive team has scheduled a visit to the Port.

- B. Receive report from Controller on monthly activity and matters related to financial results, investments, insurance, leases, real property matters and other related administrative affairs.

Ms. Campus gave a brief update on the software project stating departmental meetings to discuss the needs and processes for each department have recently wrapped up. Software has been purchased and the gap analysis is almost complete. Development and integration is scheduled for July. Ms. Campus then gave a brief presentation regarding financials for the month of May.

- C. 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 shared photos of construction progress at Freeport LNG for Trains 1, 2 and 3, the build-out at the Emergency Operations Building, and Building 51 paving project. Mr. Hull received notice that Dow will be doing maintenance dredging of their berths beginning in August with completion by December 15. Placement area Memorandum of Understanding has been sent to the Corps for drafting of documents for execution. Anticipate bringing the agreement to the Board in July. The Sabine to Galveston study is still open for comment, and closes June 26. Comments for Port Freeport will be submitted.

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

Mr. Durel explained the how challenging it can be to safely evacuate someone if they are injured aboard a vessel. He and staff have been working jointly on a project to address the issue. He introduced staff who assisted with the research and development, Donnie Evans - Maintenance Foreman, David Lopez - Welder/Fabricator and Randy Aparicio - Gottwald Crane Operator/Crane Maintenance. He then shared photos of a 20-ft. container modified and outfitted with equipment needed to make rescues from a vessel. Mr. Durel also introduced intern Austin Seth who is a student at Texas A&M in maritime administration.

- E. 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 reported that Jason Caywood attended an AXIS Boot Camp and is now certified AXIS specialist which means he can perform in house security camera trouble-shooting, design and placement. Mr. Hogan reported attending the Texas Emergency Management Conference in San Antonio. He also updated the Board on safety incidents that occurred in May.

- F. 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 introduced the department's new Marketing Specialist Lauren McCormick. He reported on the GM Executives Port Visit June 15 along with representatives from Horizon Terminals and Amports.

He noted that members from University of Houston - Sugarland will visit the Port June 26 to discuss training opportunities. Breakbulk is scheduled for October 17-19 in Houston. Mr. Miura invited everyone to check the Port's website for new information. He noted the website now has a Careers tab and will soon have a Pilot Board Commission tab completed by the end of the month. New photos of the Port are forthcoming from the photo shoot that took place recently. The next Rail District meeting will be July 21 in Richmond. There was no meeting held in June due to lack of quorum.

10. Receive report from Commissioners on matters related to:

A. June 8 Finance Advisory Committee

Commissioner Terry reported the committee discussed Port Freeport's liability insurance as well as a cyber liability policy. Both items will be discussed further and considered for approval later on the agenda.

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

Commissioners Pirtle and Terry reported attended the GM Executives meeting.

11. Public Comment

There were no public comments.

12. Approval of financial reports presented for the period ending May 31, 2017.

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

13. Approval of Port Freeport liability insurance through broker, Arthur J. Gallagher & Co., for a total premium of \$137,713.00.

Ms. Campus gave a brief presentation summarizing the policies up for annual renewal July 1 which include auto, general, maritime and public officials' liability. Total premium of \$131,635.00 for these insurances is an 11% savings from the previous year. Mr. Brandon Robertson gave a brief presentation regarding cyber liability, an optional coverage for consideration. The premium for this coverage is \$6,078.00. It is staff's recommendation to renew the Port's liability insurance to include the cyber liability policy in the total amount of \$137,713.00.

After discussing scenarios where the cyber liability insurance would protect the Port, the decision was made to hold off adding this coverage to the policy.

A motion was made by Commissioner Hoss to accept staff's recommendation for renewal of insurance policies without the cyber liability in the account of \$131,635.00. The motion was seconded by Commissioner Singhania with all Commissioners present voting in favor of the motion.

Commissioner Kresta asked for a motion regarding coverage for the cyber liability insurance. With no motion heard, this item was tabled.

14. Approval of extension of Port Freeport electricity contract with Reliant.

With electricity rates at a record low, Ms. Campus discussed options with the Port's consultant to see if there were any opportunities for the Port to take advantage of the low rates. The consultant came up with four options: 1) cancel existing contract and request proposals for new contract, 2) blend and extend current contract, 3) enter negotiations for an extension of current contract, or 4) do nothing. After reviewing all four options, staff recommends to proceed with Option 3 and negotiate an extension of the current contract with Reliant which would expire December 31, 2023. The final rates will be determined at contract extension date.

A motion was made by Commissioner Pirtle to accept staff's recommendation for Option 3 to extend the current contract. The motion was seconded by Commissioner Hoss with all Commissioners present voting in favor of the motion.

15. Approval of Executive Director/CEO & Commissioner(s) travel for June and July 2017.

Ms. Saathoff stated that she will be attending the Change of Command Ceremony at USACOE Southwest Division in Dallas June 29 and will also be attending the Union Pacific Ports & Short Line Conference, along with Commissioners Pirtle and Singhania, July 31 – August 2 in Omaha, Nebraska.

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

16. 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.

Ms. Saathoff read the account numbers included in the resolution exhibit adding that it is staff's recommendation to approve these offers.

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

17. Approval of Port Freeport Tax Abatement Guidelines through July 31, 2018.

Ms. Saathoff stated the guidelines were last updated in October and extended through May. The guidelines have been reviewed and now incorporates a change stating any project over a billion dollars will be eligible for a 10-year abatement period and would no longer be a variance under the guidelines. It is staff's recommendation to approve the changes to the guidelines with an effective date of June 1, 2017 running through July 31, 2018.

A motion was made by Commissioner Singhania to approve the guidelines as presented. The motion was seconded by Commissioner Pirtle with all Commissioners present voting in favor of the motion.

18. Discuss and consider ratification of the prior approval of the following tax abatement agreement: Phillips Company Reinvestment Zone No. 7.

At this time, Commissioner Kresta and Terry recused themselves from discussion and voting on this matter.

Ms. Saathoff stated this abatement was previously approved. Under the new guidelines, this abatement is eligible for a 10-year abatement and would not be considered a variance. It is staff's recommendation the Board ratify the previous action taken under the new eligibility guidelines.

A motion was made by Commissioner Pirtle to approve ratification of the agreement. The motion was seconded by Commissioner Singhanian with all Commissioners present voting in favor of the motion, and Commissioners Kresta and Terry abstaining.

19. Receive presentation regarding company overview from A&R Logistics.

Mr. Miura introduced Dan Jaworski and Russ Boullian with A&R Logistics who gave a brief presentation and overview of their company and the project they are bringing to Port Freeport.

20. 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 the terms and conditions of a Lease Agreement between Port Freeport and A&R Logistics.
 - 2. Consultation with attorney regarding the terms and conditions of a Short-Term Agreement between Port Freeport and Horizon Terminal Services.
- 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.

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

22. Approval of a Lease Agreement between Port Freeport and A&R Logistics.

A motion was made by Commissioner Pirtle to approve the lease agreement as recommended by staff. The motion was seconded by Commissioner Singhanian with all Commissioners present voting in favor of the motion.

23. Approval of a Short-Term Agreement between Port Freeport and Horizon Terminal Services.

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

24. Adjourn.

With no further business before the Commission, the meeting adjourned at 5:44 p.m.