

## Minutes of Meeting August 10, 2017

A Regular Meeting of the Port Commission of Port Freeport was held August 10, 2017 beginning at 3:43 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. Mary Campus, Controller  
Ms. Missy Bevers, Executive Assistant  
Mr. Brandon Robertson, Network Systems Manager  
Mr. Cecil Booth, Project Engineer  
Ms. Lauren McCormick, Marketing Specialist  
Ms. Nancy Stephens, Administrative Supervisor  
Ms. Holly Gautreaux, Accounting Clerk  
Ms. Vicki Smith, Accounting Manager  
Ms. Callie Cole, Accounting Clerk

### Also present:

Mr. Bob Arroyave, Brown & Gay Engineer  
Mr. Neil McLellan, HDR  
Mr. Jason Foltyn, HDR  
Mr. Kurt Evans  
Ms. Melanie Oldham  
Ms. Sarah Marsh, Dole Fresh Fruit  
Mr. Gary Basinger, Alliance  
Mr. Will Wachel, WSP  
Mr. Jim Bielstein, LJA Engineering  
Mr. Michael Grant, MSC

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

2. Invocation – Commissioner John Hoss
3. Pledge of Allegiance: U.S. Flag & Texas Flag
4. Roll Call. – Commissioner Kresta noted that all members of the Board were present.
5. Safety Briefing – Mr. Chris Hogan
6. Approval of minutes from the Regular Meeting held July 13, 2017.

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

7. Receive report from Executive Director/CEO and/or Port staff 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 congratulated the accounting staff for receiving the Certificate of Excellence in Financial Reporting from the Government Finance Officers Association for fiscal year 2016. This is the 28<sup>th</sup> consecutive year Port Freeport has received the award. Commissioner Kresta presented the certificate to Controller Mary Campus and her staff.

The agency decision milestone meeting related to the Freeport Harbor Channel Improvement Project General Review and Reevaluation was held July 31 with the Project given the approval to proceed with preparation of final documents. The project schedule has Col. Zetterstrom signing and transmitting the package of information to Division before Christmas with Division signing and transmitting to Headquarters by the end of January. Once Headquarters has reviewed the documents, the Chief of Planning will sign and send it to the Asst. Secretary of the Army for Signature. which should be in early May. The Port can request the Corps move forward with preliminary engineering and design of other segments of the FHCIP spending the remaining engineering and design money. Ms. Saathoff will be joining Col. Paul Owen, Southwest Division Commander, who will be taking a helicopter tour of the Port August 14. The Texas Ports Association will host a dinner August 15 for the Corps and Col. Owen. August 16, the Galveston District is hosting its summer Stakeholders Forum with Chief of Planning Tab Brown attending. A panel discussion regarding project economics will take place at the forum with Port Freeport participating. The Parcel 14 Rail Development Groundbreaking Ceremony will be held August 18. Ms. Saathoff, along with Commissioners Pirtle and Singhanian, and Jason Miura attended the UPRR Ports and Short Line Conference in Omaha last week. The Nexus Group met August 9 for a brief update meeting. The next Brazoria-Fort Bend Rail District meeting is scheduled for August 18 at 1:00 here in Freeport. Ms. Saathoff also reported attending the Port Authority Advisory Committee meeting in Houston. Jason Miura will be giving a presentation to Angleton Rotary August 14 and the Port will participate in the Export Competitive Maritime Council August 17. The same day, the Economic Alliance will host Randy Weber for a Congressional Update. The next TxDOT Freight Advisory meeting will be held in Dallas August 24. The Transportation Advisory Group is hosting the first annual State of TxDOT Luncheon August 23 with TxDOT Commissioner Laura Ryan attending. The Greater Houston Port Bureau Annual Maritime Gala is August 19. The WGMA and MARAD Strong Ports Workshop is August 29.

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

Commissioner Singhania reported attending the Brazoria-Fort Bend Rail District meeting July 18, the ABC Meeting July 26 and the UPRR Conference in Omaha respectively. Commissioner Singhania also reported on the maiden voyage plaque presentation he will attend tomorrow for the vessel Sparto which will carry the first shipment of crude loaded being exported to India under the agreement signed in July. The Indian Consul and the Indo-American Chamber of Commerce of Greater Houston will also be making a presentation. In addition, the group will receive a presentation and tour of the Port.

Commissioner Pirtle also attended the UPRR Conference in Omaha, Pilots working group meeting and Friends of River meeting held August 5. He will also be meeting with a group from Surfside to give an informal update on the Port.

Commissioner Kresta reported attending the ongoing discussions related to the Pilot Board.

9. Public Comment

Mr. Kurt Evans, resident of Brazoria County addressed the Board regarding fishing in the Old Brazos River in the harbor. Mr. Evans stated the last time he came out to fish with his daughter, they were confronted by U.S. Coast Guard and ordered to leave. Mr. Evans showed the area on a picture where the public is allowed to fish, adding that you cannot get within 35 feet of the bank. If the current changes and your boat moves over there, the Coast Guard shows up. The last time he was there, Coast Guard pulled up to them in their boats, one with a machine gun, and told them they were in a safety zone and couldn't fish in the area. He is asking the Board to reach out to the Coast Guard/Commander and explain there should be a gray area. He went on to explain that a friend of his was fishing in the same spot, wind changed and moved his boat within the 35-foot area when the Coast Guard came and ordered them to leave as well. The day he and his daughter went, the Port security boat came to them and told them they weren't supposed to be fishing where they were at. Mr. Evans explained they were in the correct area. He is asking for some help in how the Coast Guard treats those who fish in this designated area.

Ms. Melanie Oldham, resident of Freeport addressed the Board regarding the Brazos Pilots Association's Application Adjustment to the Pilotage Rates. Ms. Oldham has researched the Pilots stating they are very experienced, educated, wonderful people with a wonderful safety record however, she wants more information and clarity on why the Pilots did not plan ahead for their expensive pilot boats and possible dispatch center/other equipment. Ms. Oldham did request and receive the transcript from the hearing. She found out the Brazos Pilots Association is a non-profit 301C4 organization so the tax information was filed online. After looking at the forms, Ms. Oldham is wondering if the tax forms are accurate and if they could be more transparent to the taxpayers. Because the Pilots are asking for someone else to pay for their boats and equipment, this should be clear to taxpayers. For example, it appears they predicted \$1 million less than what they actually received but again, it's not clear. The Pilots are independent contractors. Ms. Oldham noted that she too is a contract physical therapist and when she needs equipment, she must provide all her own equipment. If she has an ultrasound machine that is getting old, she has to save the money to purchase a new machine. Again, she is wondering why the Pilots do not keep very good books. They have an accountant from Houston they pay fairly well from what she can tell.

She now understands the shippers pay the Pilots, not the industry. The LNG ship owners, Toshiba, BP stepped up in April to pay the tariff. When Freeport LNG begins to receive up to 250 ships per year, the Pilots will make very good money. Looking at the Pilots budget, Ms. Oldham questions why did they not put back money for these \$2.5 million pilot boats. In their testimony, they stated these boats are only truly safe for 15-20 years, and they have a 36-year old boat and 17-year old boat. From an independent contractor perspective, they should have planned much better and been more open and transparent with their finances. Ms. Oldham also stated in her opinion, it appears the Pilots will make four times as much money from the Freeport LNG shippers than from the smaller shippers, so Ms. Oldham's fear is with money issues involved, this could influence the Pilots on which ships come in first and when. The local paper stated that what the Board was considering in not allowing an increase would be a burden on the taxpayers however it is actually quite the opposite. After some research, taxpayers' money only goes to certain things. Ms. Oldham stated that she agrees with Port Freeport's proposal to purchase the boats and slowly lease them back to the Pilots. She hopes the BPA will allow a third party to audit their books and explain it to the public in order to understand how they have spent their money over the last 10 years. Ms. Oldham again stated that what has been proposed by the Port is the way to make sure everything is fair across the board for the various shipping companies. Finally, she asked the Port to continue to promote the health, safety and welfare of the Port and surrounding community.

10. Discuss and consider setting a date for the next CAP (Community Advisory Panel) Meeting to be held in September, 2017.

The current fiscal year ends September 30 and staff wants to hold one more CAP meeting before the new fiscal year begins. Mr. Miura's suggested date is September 28 which is also board meeting day. After a brief discussion, the Board members agreed to September 28 for the next CAP meeting.

11. Approval of the Executive Director/CEO executing a Memorandum of Agreement, which includes a contribution of \$4,374,864.00, and an Operations and Maintenance Agreement with the Department of the Army, for construction of additional dredge material disposal capacity in DMPA #1.

This agreement will allow the Port to contribute money to the Corps of Engineersto build additional capacity in Placement Area #1. Te Port will own the pro rata share of the capacity as outlined in the operations agreement. Mr. Hull stated the documents are not in the final form however, he does not expect further changes. Legal counsel has reviewed the current draft and it is staff's recommendation the Board approve the Executive Director execute final documents subject to no material changes.

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

12. Approval of a contract with Tex-Con Construction Services, LLC for the 5<sup>th</sup> Street at FM 1495 Intersection Improvements Project for an amount not to exceed \$86,128.00.

Bids were opened for this project August 1 with three contactors submitting bids. The low bidder was Tex-Con Construction Services in Angleton with a bid of \$86,128.00. It is staff's recommendation to approve this contract.

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.

13. Approval of Change Order No. 1 with McDonald Electric in the amount of \$53,296.00 for the Cathodic Protection Repairs.

McDonald Electric is the contractor for the cathodic protection project. Three of the existing conduits, which were made of steel, have corroded and the wire cannot be pulled through. New conduit will need to be installed with new wire. Additionally, conduit in two other locations were found to be installed using pvc water pipe and water fittings, which also need to be replaced. The original specifications were to use existing conduit however, it cannot be done due to the rotten pipe. It is staff's recommendation to approve the change order.

After a brief discussion, a motion was made by Commissioner Singhanian to approve the change order. The motion was seconded by Commissioner Santos with all Commissioners present voting in favor of the motion.

14. Approval of Construction Contract with Sitek Omni Services, LLC for clearing and demolition related to the New Housing Project 2017 in an amount not exceed \$23,580.00.

Mr. Hull stated this project includes the removal of trees, fencing, asphalt and concrete located on lots recently purchased for the New Housing Project. This project will also include the demolition of the Western Seafood building. It is staff's recommendation to approve the contract.

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

15. Adoption of a Resolution Expressing Intent to Finance Expenditures Incurred for Velasco Terminal – Area 5.

Ms. Campus stated the resolution addresses financing of the stabilization project at Area 5 on Velasco Terminal which is approximately 15 acres and estimated at \$2.2 million. Should the Port decide to borrow money in the future for this project, the resolution allows the Port to reimburse itself funds expended on the project.

A motion was made by Commissioner Singhanian to approve the resolution and requested staff show where the money will come from, requesting it not come from the dredging project reserves. The motion was seconded by Commissioner Hoss 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.

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

17. Approval of Executive Director/CEO and Commissioner(s) travel for September, 2017.

Ms. Saathoff stated the AAPA Annual Convention is scheduled for the first week in October. She is scheduled to attend along with Commissioners Terry, Singhanian and Kresta. She is requesting approval for arrangements can be made in a timely manner.

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

18. 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 (deliberation of real property) for discussion regarding:

1. Discussion regarding the terms & conditions of a Lease Agreement between Port Freeport and Gulf Stream Marine.
2. 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.
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 2<sup>nd</sup> Street; Terminal Street and East 8<sup>th</sup> Street in Freeport, Texas.
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 Berths 1, 2, 5 and 7.
5. 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.

B. 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.

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

20. Approval of a Lease Agreement between Port Freeport and Gulf Stream Marine.

This item was tabled.

21. Adjourn.

With no further business before the Commission, the meeting adjourned at 7:16 p.m.