

Minutes of Meeting September 14, 2017

A Regular Meeting of the Port Commission of Port Freeport was held September 14, 2017 beginning at 2:33 PM at the Administration Building, 1100 Cherry Street, Freeport, Texas.

Commissioners present:

Mr. John Hoss, Vice Chairman
Mr. Shane Pirtle, Secretary
Mr. Rudy Santos, Commissioner
Mr. Ravi Singhanian, 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
Mr. Nick Malambri, Engineering Specialist

Absent:

Mr. Paul Kresta, Chairman
Mr. Bill Terry, Asst. Secretary

Also present:

Mr. Bob Arroyave, Brown & Gay Engineer
Mr. Jason Foltyn, HDR
Mr. Neil McLellan, HDR
Ms. Ann Poninski, P66
Mr. Bobby Fuller, Texas Port Ministry
Mr. Geoff Bowman, Van Scoyoc Associates
Mr. John Anderson, Van Scoyoc Associates
Mr. Chris Cisneros, P66
Mr. Bob Sutton, Freese & Nichols

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. – Commissioner John Hoss noted that Commissioners Kresta and Terry were absent. All other Commissioners were present.
5. Safety Briefing – Mr. Chris Hogan.
6. Approval of minutes from the Regular Meetings held August 10, 2017 and August 24, 2017.

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

7. Receive report from Executive Director/CEO and/or Port staff on storm preparations, emergency operations and business resumption.

Ms. Saathoff reported that minimal impacts were felt from the storm at Port Freeport. The Port team followed hurricane procedures as designed and were prepared for the worst. Ms. Saathoff commended local, state and federal law enforcement officials as well as first responders for their efforts to keep everyone informed and provide assistance where needed throughout the storm, and after. Four employees were personally affected by the river flooding in varying degrees and the Port will be assisting where they can with clean-up, filing claims or assessing funds that are available. The American Association of Port Authorities has granted some funds to assist port employees in their situation. Port staff did an outstanding job from preparing for the storm to event management and communication and business resumption. The channel did close to vessel traffic but the Port remained open for the duration of the event. In cooperation with the Brazos Pilots, the Corps of Engineers and Customs Border Protection, the channel was reopened for traffic within hours of the storm passing through the second time. Three vessels were diverted because of the storm however the Port was the recipient of a Tenaris vessel that was diverted to from Houston. In terms of revenue, it was basically even.

Mr. Hogan commended staff as well for following the checklist as outlined in hurricane procedures. Staff was released at noon Friday however essential staff was available throughout the storm. Mr. Hogan shared a graph of wind speed throughout the storm with the highest coming Saturday morning at 2:30 a.m. Rainfall for EOC was about 23 inches total, hitting intermittently with rain bands. While Mr. Hogan participated on all the County, State, National Weather Service conference calls and the 24/7 call for the industrial desk at EOC, Mr. Durel participated on conference calls with PCT daily and provided updates. Ms. Saathoff was at the EOC daily, filled in on calls when needed, updated the emergency coordinator immediately and gave daily updates so everyone knew where the Port stood throughout the storm. Mr. Hogan also commended Jason Miura and his team for taking all the information provided and putting it on the website and social media. Mr. Hogan received multiple comments on how up to date and accurate the Port's social media and webpages were on information. Ms. Campus is collecting all the information on damages for claims to be filed with insurance and FEMA. Brandon Robertson and Jason Caywood monitored the network system which stayed solid throughout the storm. Some of the damage the Port sustained was a broken window in operations garage, leaking windows in Dole office, two broken gate arms, gutter and possible roof damage on the Operations building, and wash out areas on the fence line at Parcel 19 and Parcel 25. Additionally, security equipment was damaged however it did not interfere with access to the Port, any type of visitor verification or security monitoring. There was a main power line electrical damage as well as a broken transformer at Dole and traffic signs damage. In the next few weeks, the senior management team and key personnel will review procedures to see if any improvements can be made.

Mr. Hull stated the Corps brought in the dredge Newport September 2, and began dredging September 3. Mr. Hull was notified the flood gates on the Brazos River Diversion Channel were opened and when questioned, the Corps responded with the following statement: *“When we go into hurricane mode, we open the gates and pin them into position in their recesses. This prevents them from swinging and damaging themselves during a hurricane. Also, it allows surge to flow and not pile up on the gates which will create more damage by catching debris. When a storm passes, we unpin the gates and go back into normal operations. With the high flows on the Brazos River, that would mean to close the gates. This was done on the East side. When this was attempted on the West side, the East bound flow from the San Bernard River piled up to the point it starting filling up the machinery pits, so they were left open until the San Bernard River receded to non-damaging levels. Right now, the West gates are working but are slipping on their clutch drives, and we are working and waiting on new clutch pads.”*

Mr. Hull also shared pictures of the Brazos and San Bernard Rivers.

Commissioners Pirtle and Hoss commended staff on keeping them informed throughout the storm, working to keep Brazoria County moving forward and taking care of everyone. Updates sent were very much appreciated. Sentiments were echoed by Commissioners Singhanian and Santos.

Commissioner Hoss inquired as to how the other avenues of access to the Port have been impacted by the storm. Ms. Saathoff stated with the extent of the event in the region and so many roads under water and Houston being almost impassible, clearly truck traffic was impacted most of our tenants did not immediately resume operations. Union Pacific railroad did have damage to their facilities and switches; repairs are underway. Rail connection to Sweeny is damaged and will take a couple weeks of work to repair. To date, there have been no rail deliveries in the Port. Ms. Saathoff will continue to send UP reports as she receives them.

8. 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 reported on the groundbreaking ceremony held August 18 adding it was a well-attended and well executed event. She also shared photos from the event. Most events for September have been postponed however the Brazoria County Transportation & Infrastructure is still on for September 27 at the Dow Center. Business Hall of Fame will be held this evening as well. A NYK vessel called today carrying 39 high/heavy cargo pieces to be discharged and handled by Horizon Terminal Services.

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

There were no reports from Commissioners as everyone was preparing and cleaning up from Hurricane Harvey.

10. Public Comment.

There were no public comments.

11. Discuss and consider approval of Tax Abatement Agreement for property located in the Phillips 66 Company Reinvestment Zone No. 7.

It was discovered the item that references the amount of the abatement project, and what makes it eligible for a 10-year abatement was not accurately stated in the previous agreement approved. The project is eligible because the anticipated construction is \$1.3 billion and upon completion is expected to be just over \$1 billion. The agreement has been revised to reflect this adjustment. All other terms of the agreement remain the same and it is staff's recommendation the agreement be approved.

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.

12. Discuss and consider law maintenance bids and award of contract for lawn maintenance at Port Freeport.

The existing lawn maintenance and brush hog service expired August 31. Bids received ranged from \$140,000/year to a low of \$119,000/year. Staff reviewed the bids and discussed handling this service in house. A temp service would cost approximately \$65,000/year with one man handling the job. The Port owns most of the equipment needed but would need to purchase a zero-turn industrial mower. Staff's recommendation is to turn back the bids received and handle this job in house through a temp service and purchase a zero-turn mower.

A motion was made by Commissioner Singhania to not award a contract for lawn services, but handle in house and authorize staff to purchase a zero-turn industrial grade mower. The motion was seconded by Commissioner Santos with all Commissioners present voting in favor of the motion.

13. Discuss and consider approval of a Professional Services Agreement with Freese & Nichols for the preparation of grant application.

Mr. Miura stated the U.S. Dept. of Transportation issued notice of funding opportunity for INFRA grants for FY2017/2018. Port Freeport is requesting to enter into a PSA with Freese & Nichols in an amount not to exceed \$49,482.00, for the preparation of the INFRA grant application which will cover the improvements of Phase 2, Parcel 14 rail project.

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

14. Discuss and consider approval of a Professional Services Agreement with Van Scoyoc Associates for 1 year commencing October 1, 2017.

Previous discussions yielded a need for representation in Washington to assist with efforts in monitoring activities, pursuing needed appropriations for our project as well as other opportunities to improve policy and funding for Port Freeport. Van Scoyoc Associates comes highly recommended and has already been helpful to the Port through work done with the Transportation Infrastructure Committee working directly with Congressman Shuster. They were also personally involved with the Water Resources Reform and Development Act of 2014 in which the Port's project was approved by Congress. Geoff Bowman and John Anderson gave a brief presentation to the Board about their firm and how they will represent Port Freeport. Ms. Saathoff stated the firm has submitted a three-year proposal with a monthly retainer of \$9,000/month for the first year,

\$10,000/month for the second and \$11,000/month for the third year. Expenses would be capped at \$8,000 over the three-year period. It is staff's recommendation the agreement with Van Scoyoc be approved.

A motion was made by Commissioner Singhania approve the agreement with Van Scoyoc Associates for a period of three years. The motion was seconded by Commissioner Pirtle with all Commissioners present voting in favor of the motion.

15. Discuss and consider approval of Policy 9.9 – Competitive Sealed Proposal Selection Criteria.

This item was tabled.

16. Conduct workshop regarding Fiscal Year 2017/2018 Budget for Port Freeport.

Ms. Saathoff complimented Ms. Campus and her staff for putting together a budget that continues to advance the Port's strategic objectives. Just as last year's budget, this is also a heavy capital expenditure intensive budget with 67% of the expenditures being for capital projects, and another 16% going to debt service. 17% is left for operating expense with a large portion of that related to salaries, wages, benefits, other insurance and maintenance. This budget is consistent in a way that has been presented in the past and maintains a strong operating income margin. Additionally, the budget holds the tax rate at the current rate of 4.01 cents per \$100 valuation. In continuing to work towards completing the strategic objectives, Ms. Saathoff stated it important to hold the tax rate as the Port uses a combination of sources to fund the projects such as cash flows, portion of reserves, revenue capability as well as possibly seeking support from taxpayers for a GO Bond.

Ms. Campus began the workshop giving a summary of the budget stating it incorporates \$24.1 million in operating revenues and \$17 million in operating expense which produces an operating profit of \$7.1 million for an operating margin of 29%. An increase in net assets of \$6.7 million is anticipated, and planned capital expenditures is \$41 million which will be funded through cash flows, holdings in investment reserve, debt and grants. The Port's debt service on existing debt amounts is \$8 million however, the budget has been prepared with an anticipated \$30 million in revenue issuance. Ms. Campus reminded the Board they have already adopted reimbursement resolutions for these projects which will increase the debt service an estimated \$1.5 million. Staff anticipates \$69 thousand will be used from the reserves to fund the budget and the balance of unrestricted reserve, which is a combination of the Port's unrestricted and capital reserve, will be \$42 million by year end. Ms. Campus began a more in depth discussion and answered questions from the Board on the following items:

- Revenues
- Ad valorem taxes
- Operating expenses
- Salaries, wages and benefits
- Professional services
- Training, travel & promotional
- Supplies and utilities
- Business insurance
- Other services and charges
- Maintenance and repairs
- Depreciation expense
- Debt interest and fees

- Capital projects and contribution to others

17. Adoption of a resolution setting the 2017 Tax Rate for Port Freeport.

A motion was made by Commissioner Pirtle to approve the tax rate as presented by staff, maintaining the rate at .0401 cents per \$100 valuation. The motion was seconded by Commissioner Singhania with all Commissioners present voting in favor of the motion.

18. Adoption of the FY 2017/2018 Budget for Port Freeport.

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

19. 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. 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. 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.
3. 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.
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.

B. Under authority of Section 551.071 (consultation with attorney) for discussion regarding:

1. Consultation with attorney regarding legal matters arising out of damage to Port Freeport property.

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.

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

21. Discuss and consider granting authority to Executive Director/CEO Phyllis Saathoff to execute any and all documents necessary and required by Stewart Title to close the transactions on the following properties:

403 E. 2nd Street, Freeport, TX (East End Property) and 314 S. Avenue F, Freeport, TX (Avenue F Property)

330 E. 5th Street, Freeport, TX (East End Property) and 320 S. Avenue F, Freeport, TX (Avenue F Property)

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

22. Approval of a Purchase Contract in the amount of \$50,000 for property located at 503 E. Broad Street.

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

23. Approval of a Purchase Contract in the amount of \$60,000 for property located at 507 E. 2nd Street.

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

24. Approval of a Purchase Contract in the amount of \$40,000 for property located at 528 E. 2nd Street.

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

25. Adjourn.

With no further business before the Commission, the meeting adjourned at 5:31 p.m.