

## Minutes of Meeting August 9, 2018

A Regular Meeting of the Port Commission of Port Freeport was held August 9, 2018 beginning at 3:23 PM at the Administration Building, 1100 Cherry Street, Freeport, Texas.

Commissioners present:

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

Staff Members Present:

Mr. Jason Cordoba, Legal Counsel  
Ms. Phyllis Saathoff, Executive Director/CEO  
Mr. Jason Hull, Director of Engineering  
Mr. Al Durel, Director of Operations  
Mr. Mike Wilson, Director of Economic Development  
Mr. Jason Miura, Director of Business & Economic Development  
Ms. Mary Campus, Controller  
Mr. John Mannion, Chief Financial Officer  
Ms. Missy Bevers, Executive Assistant  
Mr. Brandon Robertson, Network Systems Manager  
Mr. Cecil Booth, Project Engineer  
Ms. Callie Cole, Accounting Clerk  
Mr. Nick Malambri, Engineering Specialist  
Ms. Lauren McCormick, Public Affairs Manager  
Ms. Connie Wiegel, Sales & Marketing Specialist

Also, present:

Ms. Ann Poninski, Phillips 66  
Mr. Jason Foltyn, HDR  
Mr. Bob Arroyave, Brown & Gay Engineer  
Mr. Drew Masterson, Masterson Advisors  
Mr. Jonathan Frels, Bracewell, LLP  
Mr. Dave Weston, HDR  
Ms. Citlalli Martinez, WGMA  
Ms. Dianna Kile, Consultant

1. CONVENE OPEN SESSION in accordance with Texas Government Code Section 551.001, et. seq., to review and consider the following:
2. Invocation – Commissioner Shane Pirtle
3. Pledge of Allegiance: U.S. Flag & Texas Flag

4. Roll Call. – All Commissioners were present.
5. Safety Briefing – Mr. Chris Hogan, Director of Protective Services
6. Approval of minutes from the Regular Meeting held July 19, 2018.

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 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.

Mr. Durel shared pictures of the Jumbo Kinetic that brought in 1200-ton pieces from India for MEGlobal. He also reported the Port currently has three vessels in dock with Tenaris at Dock 5 discharging 32,000 tons, another heavy-lift vessel at Dock 2 and a rice vessel loading bagged rice at Dock 3. Mr. Hull shared a picture of the Dutra Dredge Columbia that is currently two miles offshore. He also reported on a meeting held earlier in the week with Colonel Zetterstrom in which funding for next year was discussed, including the 408 permitting of our berths and funding options for the FHCIP. Ms. Saathoff added the Corps agrees the Port should take the lead on the engineering and design of the project. The Stakeholder Forum will be held August 21-22. Texas Ports Association (TPA) will host dinner August 21 with Ryan Fischer, Principal Deputy Assistant Secretary of the Army. Commissioner Pirtle has indicated he can attend. Major General Scott Spellmon, Deputy Commanding General for Civil & Emergency Operations will be visiting the area August 16. TPA will also host a dinner that evening with Commissioner Hoss attending. Ms. Saathoff noted staff will be in Washington, DC the first week of September. Additionally, Commissioner Singhanian and Ms. Saathoff will be traveling to Omaha for the Union Pacific Shortline & Ports Conference August 13-15. Mr. Miura will join the team August 14. The next Rail District meeting will be held August 17 in Freeport. The Greater Houston Partnership Banquet is August 18 in Houston. Mr. Hogan updated the Board on the TWIC Reader Rule, stating that back in July a federal judge issued a stay. Senate passed the TWIC Accountability Act two days later. The Rand Group has been hired to evaluate the entire TWIC process. The Senate is waiting for feedback from Rand before they decide whether or not to move forward with the TWIC program. Mr. Hogan also updated the Board on the status of the Port's new security patrol boat, sharing pictures of the VST (Vapor Separator Tank) and fuel from the fuel tank, which will be serviced by a local company. Ms. Saathoff also reported there was an announcement this week the Corps and EPA are encouraging states to take over the Clean Water Act permitting program.

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

Commissioner Santos reported traveling to Carlsbad, CA for business development.

Commissioner Pirtle reported attending the Santa Ana Ball July 21, Friends of the River meeting August 4, 36A Coalition, Colonel Zetterstrom visit August 7 and Industry Update July 25. Ms. Saathoff noted the Corps announced at their visit August 7 they had a

successful ADM (Agency Decision Making) meeting on the Brazos River and Colorado Locks System, adding they will be replacing the east side gate but not the gate on the west side of the Brazos.

Commissioner Singhania reported attending the Rail District meeting July 20 in Richmond as well as the Santa Ana Ball with Commissioner Pirtle. He also attended the business development trip in Carlsbad.

9. Public Comment – There were no public comments.

10. Receive update from the Lone Star Harbor Safety Committee.

Ms. Ann Marie Poninski stated the Freeport Subcommittee created a working group to discuss navigation issues. The group is currently preparing letters from the subcommittee to the USCOE to remove offshore spoil areas that are no longer used but are still on the chart. Additionally, they are writing a letter to NOAA requesting a new chart for the area. There are security zones that are not on the chart, which they are working to add by next week. Letter will be going to the Coast Guard Captain of the Port requesting the anchorage areas offshore be surveyed. As a subcommittee, they must get approval from the LSHSC to submit the letters to the government agencies. Ms. Poninski will copy the Port when the letters go out and ask for the Port's support as well. The working group spoke with the Coast Guard about putting swing circles within the anchorage area for ships to be directed to different locations based on their draft. This will improve the facilitation and movement of vessels into the channel with the Pilots guidance.

11. Discuss and consider the approval of the Sixth Supplemental Resolution authorizing the issuance of Port Freeport Senior Lien Bonds, Series 2018 (AMT); prescribing the terms and provisions thereof; approving the sale of the Bonds and authorizing the executive and delivery of a Bond Purchase Agreement and a Paying Agent/Registrar Agreement; approving the preparation and distribution of an Official Statement; and resolving other matters related thereto.

Mr. Mannion stated at the July 19 meeting, the Board approved a Plan of Finance to issue up to \$35.5 million of Senior Lien Bonds this year. A TEFRA Hearing was held earlier in the week to receive public comments. No comments were received. Standard & Poors (S&P) completed their updated review of the Port in order to rate the bonds. Additionally, the review of the underwriter request for proposals process is completed, and a list of underwriters to use moving forward has been compiled. Timeline moving forward includes receiving rating from S&P August 22, pricing September 6 and closing September 27. Staff requests approval of the resolution to execute the pricing and closing.

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

12. Discuss and consider authorization of expenditure funds for Breakbulk 2018 to be held October 2-4, 2018.

Mr. Miura stated Breakbulk 2018 will take place October 2-4 in Houston. Though this event falls in FY2019, staff needs to make expenditures now in preparation for the conference.

The prior year budget amount was approved for \$24,000. Staff is requesting an increase in last year's budgeted amount for a total of \$27,000. This amount will include cost associated with the Customer Appreciation Reception the Port will host. Staff is asking approval to make expenditures for the 2018 Breakbulk Conference to be held in FY2019 in the amount of \$27,000.

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

13. Discuss and consider Executive Director/CEO and Commissioner travel for August and September 2018.

Ms. Saathoff stated the business trip to Carlsbad occurred between board meetings, so staff is asking the Board to retroactively approve this business trip. Staff is also requesting approval for the upcoming Union Pacific Conference in Omaha for Ms. Saathoff and Commissioner Singhanian to attend, and the National Waterways Conference in September where Ms. Saathoff, Commissioner Pirtle and Commissioner Terry will attend.

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

14. Discuss and consider motion to propose a tax rate of \$0.040100, which is a tax increase of 3.67% above the Effective Tax Rate, to be adopted at a future meeting.

(The 2017 tax rate is \$0.040100; the proposed 2018 tax rate is \$0.040100; the 2018 Effective Tax Rate is \$0.038679.)

Mr. Mannion gave a presentation covering the tax rate setting process, debt obligations and associated I&S tax rate, M&O tax and review of exemptions the Port offers. He presented the taxable values provided by the Brazoria County Tax Office for 2017 and 2018 and explained the calculations of tax rates for debt service and maintenance and operations. He further noted that residential market values overall decreased while commercial and industrial values increased as anticipated from the area industrial expansion. The increased taxable value resulted in an effective tax rate slightly lower than the Port's current total tax rate of \$0.0401 as was published in the local newspaper. Mr. Mannion also reviewed the long-term outlook to maintain a total tax rate of \$0.0401/\$100 taxable value, as covered numerous times during the Spring of 2018 in bond election informational presentations to community groups and at Port Commission meetings. The \$130 million in voter approved bonds will be issued incrementally as new value from the industry expansion in Brazoria comes on the tax roll allowing the Port to maintain the \$0.0401 rate. He also showed the calculation of the effective tax rate and rollback tax rate for comparison purposes, as required under Texas law. Mr. Mannion also reviewed the current Port approved homestead exemptions and presented an analysis should the Commission want to consider raising the additional exemption for those 65 or older or disabled. Any adjustment of the additional exemption would need to be approved prior to adopting the tax rate and should be discussed further at the August 23<sup>rd</sup> Commission Meeting.

He also presented a resolution proposing to hold the tax rate at the current level of \$0.0401 and noted two public hearings are required before the Commission can adopt the tax rate.

Commissioner Kresta stated that because staff's recommendation to hold the tax rate at the current level of \$0.040100 is slightly higher than the effective tax rate, two public hearings are required before the Board can adopt the tax rate. Staff presented scheduling options for conducting the hearings and adopting the rate. The Board discussed the options and agreed on the following schedule:

August 23 – 3:00 p.m. – 1<sup>st</sup> Public Hearing  
August 30 – 8:00 a.m. – 2<sup>nd</sup> Public Hearing  
September 10 – 8:00 a.m. – Adoption of Tax Rate

With the dates set, a motion was made by Commissioner Hoss to approve a resolution to consider setting the 2018 tax rate at \$0.040100 and set the public meeting dates for August 23 at 3:00 p.m., August 30 at 8:00 a.m. and September 10 at 8:00 a.m. The motion was seconded by Commissioner Santos with all Commissioners present voting in favor of the motion.

15. 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. Discussion regarding appointment of Port Freeport representative to Brazoria-Fort Bend Rail District
- B. Under authority of Section 551.071 (Consultation with Attorney) and Section 551.072 (Deliberation Concerning Real Property Matters) for discussion regarding:
  - 1. Consultation with attorney and discussion regarding the terms and conditions of a Second Amendment between Port Freeport and Horizon Terminal Services, LLC.
- C. Under authority of Section 551.072 (Deliberation Concerning Real Property Matters) for discussion regarding:
  - 1. Discussion regarding a Purchase Contract in the amount of \$62,000 for property located at 311 E. Broad Street.
  - 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, 35 and 38.

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

17. Discuss and consider approving a Second Amendment to the Lease Agreement between Port Freeport and Horizon Terminal Services, LLC.

Commissioner Kresta stated the amendment reflects a change in agreement with the lease holder, agents and operators of the terminal. Ms. Saathoff stated that since Horizon Terminals services more than just Hoegh Autoliners, the dockage and wharfage fees for the additional business will be charged against their annual minimum fee calculation. The amendment also clarifies definitions within the agreement to accurately define how the relationship works after the lease assignment from Hoegh Autoliners to Horizon Terminal Services.

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

18. Approval of a Purchase Contract in the amount of \$62,000 for property located at 311 E. Broad Street.

Mr. Mannion explained this property was previously presented to Board, but it took additional time to clear several matters. The property is now ready to close and staff recommends Board approval.

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

19. Adjourn.

With no further business before the Commission, the meeting adjourned at 6:47 p.m.