

Minutes of Meeting August 23, 2018

A Regular Meeting of the Port Commission of Port Freeport was held August 23, 2018 beginning at 3:15 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. John Mannion, Chief Financial Officer
Mr. Al Durel, Director of Operations
Mr. Jason Hull, Director of Engineering
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
Mr. Scott Tafuri, Safety Coordinator
Mr. Nick Malambri, Engineering Specialist
Ms. Connie Wiegel, Sales & Marketing Specialist
Mr. Austin Seth, Operations Specialist
Ms. Callie Cole, Accounting Clerk
Ms. Darlene Winkler, Communications Specialist

Also, present:

Ms. Irasema Soto
Ms. Dianna Kile, Port Consultant
Mr. Rick Stephanow, Gulf LNG Services
Mr. Bobby Fuller, Texas Port Ministry
Mr. Neil McLellan, HDR
Mr. Jason Foltyn, HDR
Mr. Jeff Taylor, Freese & Nichols
Ms. Ann Marie Poninski, Phillips 66
Mr. Daniel Womack, Dow Chemical Company
Mr. Will Wachel, WSP
Mr. Charles McFarland, McFarland PLLC
Ms. Laura Manion, McFarland PLLC

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 Kresta noted that all Commissioners were present.
5. Safety Briefing – Mr. Chris Hogan, Director of Protective Services
6. Approval of minutes from the Regular Meeting held August 9, 2018.

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. 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 attending the Union Pacific Railroad Shortline & Ports Conference along with Commissioner Singhanian, where staff received an update from Union Pacific about their major investments and initiatives and business forecast. Ms. Saathoff noted that Texas continues to be the largest beneficiary of their capital commitment. The Corps held the summer Stakeholders Forum earlier in the week, attended by Ms. Saathoff, Mr. Hull and Commissioner Pirtle. Staff met with Mark Mezzanti and Becky Moyer from the Corps Southwest Division and Ryan Fisher, Assistant Director Assistant Secretary of the Army. Staff will also have the opportunity to meet with Mr. Fisher when they travel to Washington, DC the first week of September for agency and Hill visits. In addition to the Washington trip, staff will attend the National Waterways Conference September 12-14. Ms. Winkler reported on the CAP Meeting held August 21. Aaron Doughty with Phillips 66 spoke to the group on current industry as well as future plans for Phillips. She also reported on sponsorships received for the Port Golf Tournament which will be held October 22. Ms. Saathoff noted recent contributions made by Port employees to help sponsor three backpacks for students this school year through the Dream Center. Ms. Saathoff introduced Mr. Rick Stephanow with Gulf LNG Services. Ms. Saathoff also noted the second public hearing regarding the tax rate will be held August 30 at 8:00 a.m., and adoption of the tax rate will take place September 10 at 8:00 a.m.

- 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. Mannion gave a brief presentation on financial results as of July 31, 2018.

- C. Receive report from Director of Engineering on activities and matters related to Freeport Harbor Federal Channel, capital projects, Hydrographic Report and other related facility engineering matters.

Mr. Hull further reported on discussions held at the Corps stakeholder meeting. Topics included the Sabine to Galveston project and other flood control projects recently funded, as well as challenges the

non-federal sponsors of those projects are having with meeting their contribution obligation. Mr. Hull is told the 408 review is completed for Berths 8 and 9, however due to a lawsuit in federal district court in South Carolina, the court has put a 2-week hold on all permits. Ms. Saathoff noted meeting at the Corps was mostly focused on flood control projects due to the \$17 billion supplemental appropriation for flood mitigation projects of which one-third is coming to Texas. Mr. Hull also reported that staff has submitted a letter to Colonel Zetterstrom requesting modification to the Port's MOU for the work-in-kind crediting on the Lower Stauffer to be expanded to also include engineering, design and construction of Reach 2. Mr. Hull shared current photos of the water line project on Parcel 14 and the Columbia dredge.

- 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 shared pictures of a vessel offloading a 920-ton piece for MEGlobal. The project cargo required two cranes and special maneuvering to move it from the vessel to the barge. Mr. Durel reported that Operations remains busy with eight Ro/Ro vessels calling the Port this month. New/used vehicles is up 13,000 from this time last year. Also, this month Riviana brought a vessel with 8500 tons of bagged rice. Tenaris had three vessels with one bringing 32,000 tons of steel.

- 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.

In addition to his report, Mr. Hogan reported on safety incidents for the month of July and tenant corrective measures taken.

- F. Receive report from Director of Business & Economic Development on activities and matters related to industry meetings, sales reports, advertising, web activity, Foreign-Trade Zone and other ocean transportation related matters.

Mr. Miura reported attending business development meetings at the UPRR Shortline & Ports Conference in Omaha. The Breakbulk Conference will be held October 2-4 in Houston at the George R. Brown Convention Center.

- 8. Receive report from Commissioners on matters related to:

- A. August 9 Personnel Advisory Committee – Commissioner Hoss had no comments.
- B. August 23 Finance Advisory Committee – Commissioner Singhania deferred his comments regarding committee discussion to item 17 which is on the agenda for approval.
- C. August 23 Strategic Advisory Committee – Commissioner Terry deferred his comments regarding committee discussion to items 14 and 15 which are on the agenda for approval.
- D. Meetings and conferences attended, Port presentations and other related Port Commission matters.

Commissioner Santos reported attending the CAP Meeting held August 21, and thanked staff for a successful meeting.

Commissioner Terry reported attending the CAP Meeting as well as the Maritime Dinner held in Houston August 18.

Commissioner Pirtle reported attending the 36A Coalition, Rail District meeting and the Corps Stakeholder meeting and reception held for Mr. Fisher August 21.

In addition to attending the Maritime Dinner, Commissioner Singhania reported attending the Indo-American Chamber Annual Gala along with Mr. Miura.

Commissioner Hoss reported attending a breakfast meeting for the sponsor by a strategic public affairs group in Houston featuring Congressman Weber. He also attended the Maritime Dinner in Houston and the Nexus Group meeting.

Commissioner Kresta also attended the Maritime Dinner and the Rail District meeting. An issue discussed at the meeting was funding for the reopening of the mouth of the San Bernard River.

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

Mr. Muira gave an update on the recent Rail District meeting which was held August 17. Several items were discussed at the meeting, and a Professional Services Agreement was approved with HDR to perform the planning and feasibility study under the grant that is funded by the Texas Department of Transportation. The next meeting will be held September 21 in Freeport. On the agenda will be a public hearing to discuss the 2019 budget.

Ms. Saathoff reported the Nexus Group met August 17 and updates on various Port projects were given including dredging, road and rail.

10. Public Comment – Ms. Irasema Soto addressed the Board regarding her house at 711 Navigation Boulevard.

11. Approval of financial reports presented for the period ending July 31, 2018.

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

12. Adoption of a Resolution approving the application for tax abatement for The Dow Chemical Company for property located in The Dow Chemical Company Reinvestment Zone No. 21, approving Tax Abatement Agreement on the same terms and conditions as granted to The Dow Chemical Company by Brazoria County and authorizing Chairman and Secretary to execute said agreement.

Mr. Mannion stated Dow is requesting a seven-year tax abatement agreement to construct a polyethylene manufacturing plant. This is a \$715 million project that will create 40 new jobs and 900 construction jobs at peak. The application has met the Port's criteria and the County has approved same agreement with Dow in June. Mr. Mannion introduced Daniel Womack with Dow Chemical to answer any questions. Staff recommended approval.

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, and Commissioner Pirtle abstaining.

13. Discussion and adoption of a Resolution to increase the Over 65 and Disability Tax Exemption.

Mr. Mannion stated the Port currently provides general homestead exemption of 20% and an additional homestead exemption of \$100,000 for those 65 and older or disabled. Mr. Mannion shared a slide showing the effects of increasing the exemption to \$125,000 and \$150,000. The first will reduce the percentage paying tax to 32%, reduction in levy of approximately \$50,000 with the third option reducing percentage paying taxes to 22% and result in a reduction in levy of approximately \$84,000. The resolution before the Board increases the exemption to \$150,000. Staff recommended approval. Commissioner Pirtle asked the Board to consider raising the additional exemption to only \$125,000, due to the Port's capital funding plans for the future.

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

14. Approval of a Professional Services Agreement with Rain Bowen for air quality monitoring and asbestos remediation oversight services for the East End Properties 2018 project, for an amount not to exceed \$35,750.00.

Mr. Hull stated that per prior Board approval staff tested 15 houses for asbestos. The results showed 7 houses tested positive for asbestos. This agreement with Rain Bowen is for the oversight services during remediation. Staff recommends approval.

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

15. Approval of Change Order No. 1 to Vernor Equipment for the Velasco Terminal, Backland Area 5 Stabilization project, for an amount not to exceed \$30,000.00

Mr. Hull stated the change order increase is due to additional earth work performed by the contractor which is an increase of \$30,000. This will be for the addition of soil, stabilization and compacting as well as installing additional limestone to increase the width of the entrance to the yard by 50%. Staff recommends approval.

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

16. Approval of a Professional Services Agreement with HDR, Inc. for engineering consulting services for the Freeport Harbor Channel Improvement Project.

Mr. Hull stated this agreement with HDR is for consulting services to assist in preparing documents with the Corps of Engineers. The agreement is for an amount not to exceed \$100,000 and will expire when the amount is reached or December 31, 2019, or until the agreement is amended, expired or terminated.

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

17. Approval of final payment to Freese & Nichols, Inc. for Professional Services.

Ms. Saathoff stated the final invoice was received from Freese & Nichols for consulting services provided during the bond election for the public information program. The original purchase order was for \$25,000 however the total services required exceeded that amount by \$6,750.00 for a total of \$31,750.00. The final invoice is in the amount of \$12,000. Staff recommends approval of the final payment.

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

18. Approval of proposal from Texas A&M Transportation Institute for an Economic Impact Study.

Mr. Wilson stated the last study was performed in 2014. Texas A&M has presented a proposal to perform a new study which will take 6-8 months to complete. This study is more detailed because of additional investments made since the previous study was done. Staff requests approval of the proposal in the amount of \$58,900 to Texas A&M Transportation Institute to perform the study.

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

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

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 to discuss potential litigation.
2. Consultation with attorney to discuss potential litigation.

B. Under authority of Section 551.072 (Deliberation of Real Property Matters) for discussion regarding:

1. Discussion regarding the terms and conditions of a Purchase Contract in the amount of \$75,000.00 for property located on South Avenue I.
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. 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. 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.

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.

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

22. Approval of a Purchase Contract in the amount of \$75,000.00 for property located on South Avenue I.

This was tabled.

23. Adjourn.

With no further business before the Commission, the meeting adjourned at 8:21 PM.