

Minutes of Meeting September 27, 2018

A Regular Meeting of the Port Commission of Port Freeport was held September 27, 2018 beginning at 3:19 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

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. Chris Hogan, Director of Protective Services
Mr. Jason Miura, Director of Business & Economic Development
Ms. Missy Bevers, Executive Assistant
Ms. Mary Campus, Controller
Mr. Jason Caywood, Security Technician
Mr. Cecil Booth, Project Engineer
Ms. Connie Wiegel, Sales & Marketing Specialist
Mr. Austin Seth, Operations Specialist
Ms. Callie Cole, Accounting Specialist
Mr. Scott Tafuri, Safety Coordinator
Ms. Lauren McCormick, Public Affairs Manager

Absent:

Mr. Ravi Singhania, Commissioner

Also, present:

Mr. Rick Stephanow, Gulf LNG Services
Mr. Bobby Fuller, Texas Port Ministry
Mr. Neil McLellan, HDR
Mr. Jason Foltyn, HDR
Ms. Ann Marie Poninski, Phillips 66
Captain Jim Teeter, Brazos Pilots Association
Captain Billy J. Burns, Brazos Pilots Association
Captain Daniel Blanton, Brazos Pilots Association
Mr. Drew Masterson, Masterson Advisors
Mr. Bob Arroyave, Brown & Gay Engineers
Ms. Dianna Kile, Port Consultant
Mrs. Iresema Soto

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 Commissioner Singhania was absent. All other Commissioners were present.
5. Safety Briefing – Mr. Chris Hogan, Director of Protective Services
6. Approval of minutes from the Regular Meeting held September 10, 2018 and the Special Meeting held September 10, 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 there has been a lot of activity in Washington, DC with the Appropriations bill and Water Resources Development Act. The Port received approval for the 408 Permit for the extension of our berths. On the agenda today, the Board will consider an amendment to the Memorandum of Understanding with the Corps that will allow the Port to complete portions of the federal project under contracts with the berth extension contract. Ms. Saathoff attended a presentation by the state of Gujarat held at the India Consulate in Houston earlier in the morning. Additionally, she attended the National Waterways Conference in New Orleans with Mr. Hull and Commissioners Pirtle and Terry. The Gulf Coast Industry Forum was held September 19-20. Ms. Saathoff and Commissioner Singhania attended. Ms. Saathoff also made a presentation to the Brazoria County Cities Association September 19. Ms. McCormick reported the next CAP Meeting will be held November 15 at the Clute Event Center. Port Freeport Golf Tournament will be held October 22. All teams are full for the tournament and sponsorships have exceeded this year's goal. Port Freeport will participate in Freeport's National Night Out October 2 and will also participate at the Texas A&M Galveston Career Fair October 10. Ms. McCormick also announced the Freeport Harbor Channel Improvement Project website (www.portfreeportbondelection.com) received a 2018 Gold Award in the Microsite category of the dotCOMM Awards.

- 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 updated the Board on the bonds which closed today and is funded. After paying issuance expenses and associated fees, the Port will have a \$33 million project fund. Drew Masterson with Masterson Advisors highlighted the marketing efforts put forth to make bonds available to local retail investors.

Additionally, Mr. Mannion gave a brief presentation on financial results as of August 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.

In addition to his report, Mr. Hull stated the projected completion date of the rail project is now May 1, 2019. Bids were opened earlier in the day for the East End Demolition. Five bids were received and Sitek Omni was the low bidder. The award of contract will be on the agenda at the next meeting. Mr. Hull also shared pictures of the railcar derailment from September 21. The derailment took place at the point of a switch. Repair was made to build back the point of the switch.

- 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 reported the month of August was good for Operations as they saw a little of everything. Riviana had over 8,000 tons of bagged rice and Vulcan Materials handled three vessels. Hoegh handled seven vessels with Sallaum handling one, for a total of eight Ro/Ro vessel calls. Gulf Stream had a project cargo vessel and Tenaris moved 49,000 tons of bars and pipe. Mr. Durel stated that last year's average number of lay days a vessel is at one of the inner harbor docks was 39 days and last months was 55 days. A quick glimpse into September shows it will be a good month.

- 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.

A fire protection assessment is set for the end of October, lasting 4-6 weeks. The Port should receive the report early to mid-December. They will evaluate the fire suppression systems and protection systems along with the Port's future growth to see if we are sized properly. Staff is reviewing the fire panel communication systems, which is how the fire panels talk to each other throughout the Port. Protective Services, Operations and Engineering met and came up with three philosophies that include: 1) cellular communication, 2) localized network software solution, and 3) a combined hybrid of the first two. Bay Area is compiling a quote for staff to review and determine the best choice and financial impact. Mr. Hogan reported on safety incidents for the month of August. He also shared pictures of the new arms installed at Gate 4 with a red LED light strip. As the arm rises, the lights will flash. The arm is also a break-away arm so if someone hits it, it will break away instead of breaking the arm itself.

- 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 stated the Breakbulk Conference will be held October 2-4 in Houston with over 4,000 people from the shipping community attending. Port Freeport will be an exhibitor at the conference.

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

- A. September 10 Operations/Safety/Security Advisory Committee – Commissioner Pirtle reported the committee discussed the security boat as well as capital projects.
- B. September 27 Strategic Planning Advisory Committee – Commissioner Terry reported the committee discussed a plan of purchase for gantry cranes.
- C. Meetings and conferences attended, Port presentations and other related Port Commission matters.

Commissioner Terry reported attending the National Waterways Conference in New Orleans.

Commissioner Pirtle reported attending several conferences and meetings including the National Waterways Conference in New Orleans, Galveston Transportation Summit, Pilot Working Group, Brazoria County Emergency Management, BACH Luncheon, Brazoria County Cities Association, ACIT Golf Tournament, Friends of the River, Angleton Chamber Golf Tournament and the Brazosport College 50th Anniversary Luncheon.

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

Mr. Miura stated the Rail District met September 21. Mr. Miura announced Brian Devine was appointed by the Port Commission to serve on the Board of Directors. A public hearing was held regarding the FY 2019 Budget, which was subsequently approved. The Board also discussed the transitioning of bookkeeping services from Port Freeport to an independent third party. HDR Engineering gave a report on their work for the feasibility process. HDR requested a meeting October 9 with the Port to discuss the master plan and strategic vision as well as throughput forecasted volumes of cargoes moving to/from the Port. The next Rail District meeting will be held October 20 in Richmond.

Ms. Saathoff stated the Nexus Group has not met.

10. Public Comment – There were no public comments.

11. Receive presentation by General Land Office (GLO) regarding the Sabine to Galveston Project and appropriated supplemental funding.

This item was tabled. Commissioner Kresta stated Mr. Bennett had to leave to return to the GLO office and will not be making a presentation. He will return at a later date.

12. Approval of financial reports presented for the period ending August 31, 2018.

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

13. Presentation of the Government Finance Officers Association Award of Reporting Achievement for the FY 2017 Comprehensive Annual Financial Report.

Ms. Saathoff stated the Port has received the GFOA Award for the for the 29th year for reporting in the annual financial report. She thanked the finance team for their work in putting this report together and continuing the Port's tradition of transparency and providing the community and others with the information they need about the Port.

14. Approval of contribution to the American Association of Port Authorities (AAPA) Port Employees Emergency Relief Fund.

Mr. Mannion stated the Port Employee Emergency Relief Foundation was founded by AAPA after Hurricane Katrina in 2005. It provides assistance to member port employees following natural disasters and is a charitable foundation run as a 501(c)(3). The benefit or aid is up to \$1,000 which comes at a very

critical time in need. Post-Harvey, \$25,000 was given to Gulf Coast port employees including some at Port Freeport. Staff asks Port Commission to consider a \$2,000 contribution to the emergency relief fund.

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

15. Approval of Engagement Letter with Blank Rome for legal services.

Mr. Cordoba stated the Port has previously engaged Blank Rome on various issues. To ensure the Port can utilize Blank Rome for various legal issues moving forward, Mr. Cordoba requests the Commission approve this engagement letter for services.

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

16. Adoption of the FY 2018/2019 Budget for Port Freeport.

Ms. Campus stated the revised budget before the Commission incorporates \$26.8 million in operating revenues and \$18.6 million in operating expenses. It produces an operating profit of \$8.1 million for an operating margin of 30%. A decrease in change in net assets of \$30.7 million is anticipated, due to net capital contributions. Planned capital expenditures amount to \$94.2 million which will be funded through a combination of cash flows, holdings in investment reserve, debt issuance and grant funds. Debt service on existing debt is \$9.5 million. Included in this budget is an anticipated \$48 million general obligation bond issuance for the Freeport Harbor Channel Improvement Project. \$547,000 is anticipated from reserves and the balance of the unrestricted funds will be \$28 million by the year end. Lease revenues are at 45%, harbor revenues 38%, taxes 16%. Total operating revenues are \$26.8 million with harbor operating revenues increase over 2018 forecasted by \$913,000 or 8%. Of that increase, 15% is existing business and 85% is new opportunities. Tonnage is over 2 million with 327 ship calls. Lease revenues are at \$14.4 million, a forecasted increase of \$420,000 or 3% due to contractual CPI increases. Mr. Mannion briefly summarized ad valorem taxes stating there are no changes from the previous workshop. At the last meeting, the Port Commission adopted a resolution to keep the tax rate at .0401/\$100 of assessed value, which will generate tax revenue of \$5.3 million for this budget.

Ms. Campus stated that salaries, wages and benefits, professional services, maintenance and repair are included in operating expenses. Salaries, wages and benefits increased from the 2018 forecasted by \$677,000 or 16%. The total budget is \$4.8 million. The budget includes a 4% estimated salary and wage increase which is 2.5% cost of living and 1.5% merit. \$20,000 is available for any necessary market adjustments. A 12% increase is anticipated for health insurance premiums and 10% in dental and vision premiums, renewing January 1. The percentage of group health to total wages and benefits is 15%. Professional services were updated and is now \$2.8 million. The fire protection evaluation was added. This category also includes security fees, surveying, environmental consulting, economic impact study updates, federal and state government liaisons, future study planning and grant related assistance. Training, travel and promotional is budgeted at \$641,600, which is an increase of 24% over 2018 forecasted. This includes commercial events, sales travel, government relations, CAP meetings and technical training. A budget increase of \$720 (+5.6%) is for auto allowances for Commissioners, an annual budget of \$13,620. Supplies are the same from last meeting of \$162,200 which is a slight decrease from previous year. Utilities is an increase over 2018 by 9%. Business insurance is slightly over a \$1 million which is an increase of 3% over the forecasted. Other services and charges was increased by \$4,000 which includes the fire protection system monitoring. Maintenance and repair is slightly over \$1 million. Significant projects include bi-annual underwater berth inspections, cost-shared repairs with Dole, administration building deck roof repair, terminal operations equipment, security equipment, road repairs and mowing. Depreciation expense is

expected to be \$7.2 million, a 5% increase over 2018 forecast. This includes the addition of the rail project when it comes on-line in May. Capital projects was updated significantly in relation to the Corps and contributed to others. The \$40 million is rearranging the Corps schedule to the new MOU, which will be discussed later. Staff anticipates cash flow funding or reserve funding of 22%. Also anticipated is uses from capital reserve of 15% and revenue debt funding of 35%. Ms. Campus reminded the Commission with regard to the PED (Preliminary Engineering & Design), Reach 3 dredging and engineering design of Reach 2 has been shifted in the budget to accelerate the funding ahead.

A motion was made by Commissioner Hoss to approve the budget as presented with a caveat that a resolution be presented at a future Commission meeting, after the County Tax Office provides revised values, setting aside Port operating revenues equivalent to the M&O tax levy and designating use for the Freeport Harbor Channel Improvement project. The motion was seconded by Commissioner Santos with all Commissioners present voting in favor of the motion.

17. Discussion regarding date for October Board Meeting.

Ms. Saathoff stated that she and the Chairman will be out of the country for the first meeting in October and proposed moving the meeting to October 18 and plan to hold only one meeting in the month. If a second meeting is needed, it would be held October 25. Ms. Saathoff also mentioned the Pilot Board will need to meet on the same day to approve an appointment. After some discussion the Commission agreed to move the meeting to October 18 with the Pilot Board meeting starting at noon and the Port Commission meeting to follow.

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 551.071 (Consultation with Attorney) for discussion regarding:

1. Consultation with attorney regarding legal matters arising out of Purchase Contract for property located at 711 Navigation Boulevard.
2. Consultation with attorney and discussion regarding Special District Local Laws Code Title 5 Transportation, Subtitle A Navigation District and Port Authorities, Chapter 5002 Subchapter A.
3. Consultation with attorney to discuss potential litigation.
4. 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 exchange, lease or value of real property located at 317, 319, 327 and 327 ½ E. 8th 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. 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.

C. Under authority of Section 551.076 (Deliberation of Security Matters) for discussion regarding:

1. Discussion regarding issues related to the deployment, or specific occasions for implementation of security personnel or devices or security audit and services.

D. Under authority of Section 551.074 (Deliberation of Personnel Matters) for discussion regarding:

2. Deliberation regarding the appointment, employment, evaluation, reassignment, duties of a public officer or employee, including but not limited to: Executive Port Director/CEO, Chief Financial Officer, Director of Operations, Operations Manager, Director of Engineering, Director of Protective Services, Director of Economic Development and Director of Business & Economic Development.

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

20. Approval of a Purchase Contract for property located at 711 Navigation Boulevard.

Mr. Mannion stated the contract is for the purchase of 711 Navigation in the amount of \$160,000 with a related concurrent transaction where the owner of the house would buy a newly constructed home in the area. This will provide the same economics as previous swap transactions.

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

21. Approval of a Purchase Contract for property located at 317, 319, 327 and 327 ½ E. 8th Street.

Mr. Mannion stated these properties are all owned by the same person and a contract offer has been made that is in line with other offers made for property on the East End. Staff recommends approval of the purchase contract in the amount of \$130,000.

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

22. Discuss and consider the purchase of electronic and equipment upgrade for new security boat.

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

23. Discuss and consider approving potential Marine Terminal Agreement for real property located at Port Freeport.

Mr. Miura stated that staff recommends approval of the Marine Terminal Agreement as presented with the changes to the termination option and allowing Ms. Saathoff to execute agreement on behalf of the Port Commission.

A motion was made by Commissioner Hoss to approve the Marine Terminal Agreement as presented but subject to the revision of the termination clause. 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 9:30 PM.