

Minutes of Meeting June 27, 2018

A Special Meeting of the Port Commission of Port Freeport was held June 27, 2018 beginning at 8:00 AM 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. Al Durel, Director of Operations
Mr. Jason Hull, Director of Engineering
Mr. Mike Wilson, Director of Economic Development
Mr. Jason Miura, Director of Business & Economic Development
Mr. John Mannion, Chief Financial Officer
Ms. Mary Campus, Controller
Missy Bevers, Executive Assistant
Mr. Brandon Robertson, Network Systems Manager
Mr. Austin Seth, Operations Specialist
Ms. Lauren McCormick, Public Affairs Manager
Ms. Connie Wiegel, Sales & Marketing Specialist

Also present:

Mr. George Kidwell
Mr. Bob Arroyave, Brown & Gay Engineers
Ms. Ann Poninski, P66

1. CONVENE OPEN SESSION in accordance with Texas Government Code Section 551.001, et. seq., to review and consider the following:
2. Receive update on the Sabine to Galveston Bay Project.

Mr. George Kidwell with Velasco Drainage District (VDD) gave an update to the Board on the Sabine to Galveston Bay project status, the process, funding and his vision on how things will move forward. Mr. Kidwell stated the VDD has had no formal communication with the Corps since the omnibus bill was authorized. The omnibus bill includes funding for the Freeport levy system, Jefferson County Drainage District levy system and the Orange County proposed levy system. When the bill was passed there was a lot of informal discussion with the local Corps district and division officials on how to distribute the funding,

however, no guidance has been given. Freeport's Sabine to Galveston Bay project is \$760 million, which would mean the local cost-share would be approximately \$260 million. With \$80 million currently authorized for flood protection, VDD would propose a bond issue for approximately \$160 million. Jefferson County's proposal for bond issue would be approximately \$150-\$200 million. Mr. Kidwell's opinion is that it would be difficult for both VDD and Jefferson County to pass bond referendums amongst their constituents. The Corps is aware of that difficulty on VDD's side. Orange County's (OC) project is approximately \$1.2 billion and Mr. Kidwell expressed further reservations about a bond issue for their share amount. Mr. Kidwell's understanding and agreement with SW Galveston is the differences of opinion with what the Corps has recommended in the Sabine to Galveston Project will be ironed out in a design PED agreement. VDD's first priority is certification of the levy at a 100-year level. Additionally, he understands PED most likely will be 100% federal funded with no shared cost from a local sponsor, and a local sponsor in a PED will be able to submit a local sponsor alternate plan. He said a local sponsor would also be able to back out of the PED at any time without cost. If they go past PED and into a construction PA, then VDD would have to commit to a share of the total cost and the guidance will supposedly specify the construction cost will be 100% federally funded and the local sponsor, at the end of construction, will have 30 years to pay off the debt. This means, the local sponsor (VDD, Jefferson County or Orange County) would have to commit to their share cost, \$260 million for Freeport, at the end of the PED and a bond election would have to take place before the PA agreement.

3. Conduct a Planning Workshop for Port Freeport regarding the following:
 - A. Six-month financial review and budget forecast.
 - B. Global marketplace update.
 - C. Port Freeport Strategic Objectives.
 - D. Current and projected financial position, financing strategies and debt capacity.

Mr. Wilson started the workshop by giving a presentation to update the Board on the global marketplace, covering relevant commodity markets and developments in the industry the Port continues to watch, including global container growth, regional growth and competition, resin market, energy and its derivatives (gasoline, kerosene, LPG), potential constraints that could prevent growth in U.S. exports and growth in delivery of crude, and Ro/Ro/project cargo.

Mr. Durel gave a brief overview of tonnage for the current fiscal year.

Mr. Mannion gave presentations regarding year-to-date financial overview and outlook, FY 2018 budget forecast and a look forward at budget strategies and debt capacity.

Mr. Hull gave a presentation and update on capital projects: The Freeport Harbor Channel Improvement Project which includes dredging the Lower Stauffer at Berth 7 and levy stabilization; both still scheduled for 2019. The GRR features (turning notch, widening and bend easing) will take place in 2020. Contracts in 2021 include dredging 1/2 outer channel, creation of placement area #8 and easement, wetlands mitigation on placement area #8. 2022 proposed projects include dredging the other 1/2 outer channel and jetty channel, Stauffer channel, upper TB and Brazosport TB. The dredging of the lower TB and Brazosport TB will take place in 2023. Mr. Hull also shared progress on Velasco Terminal Area 5 which is receiving the first layer of limestone and will ultimately have three 8-inch lifts with a total of 24 inches placed on the area. Parcel 14 Rail Development has been delayed several months due to weather. The contractor will be bringing in a second work crew to try and move the schedule back. Phase 2 Rail Development is tentatively scheduled for 2020-2021 and will take place after the first three tracks are built. Berth 8 is scheduled to be constructed

in 2020 and will include dredging, cranes and backlands development Area 3. In 2025, Mr. Hull shows a complete buildout of Velasco Terminal with all phases completed.

4. 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 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, 35 and 38.

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

6. Discuss and consider dates for future workshop to discuss state and federal legislative priorities.

Ms. Saathoff stated a future workshop will be needed to discuss the Port's state and federal legislative priorities as well as a safety/security strategic workshop to address security needs associated with the anticipated growth. The staff will also discuss a community engagement and communications strategy with the Commission.

7. Adjourn.

With no further business before the Commission, the meeting adjourned at 3:02 PM.