

## Minutes of Meeting August 29, 2019

A Regular Meeting of the Port Commission of Port Freeport was held August 29, 2019 beginning at 8:16 AM at the Administration Building, 1100 Cherry Street, Freeport, Texas.

### Commissioners present:

Mr. Shane Pirtle, Chairman  
Mr. Paul Kresta, Vice Chairman  
Mr. Rudy Santos, Secretary  
Mr. John Hoss, Asst. Secretary  
Mr. Ravi K. Singhanian, Commissioner  
Mr. Dan Croft, Commissioner

### Staff Members Present:

Mr. Jason Cordoba, Legal Counsel  
Ms. Phyllis Saathoff, Executive Director/CEO  
Mr. Rob Lowe, Director of Administration/CFO  
Mr. Jason Hull, Director of Engineering  
Mr. Al Durel, Director of Operations  
Mr. Chris Hogan, Director of Protective Services  
Ms. Missy Bevers, Executive Assistant  
Ms. Mary Campus, Controller  
Mr. Brandon Robertson, Network Systems Manager  
Mr. Jesse Hibbetts, Operations Manager  
Ms. Lauren McCormick, Public Affairs Manager  
Ms. Connie Wiegel, Sales & Marketing Specialist

### Also, present:

Mr. Vini Vannicola, David Miller & Associates

1. CONVENE OPEN SESSION in accordance with Texas Government Code Section 551.001, et. seq., to review and consider the following:
2. Conduct workshop regarding Fiscal Year 2019/2020 Budget for Port Freeport.

Mr. Lowe began the workshop giving an overall summary of the revenues stating staff anticipates \$35.9 million in operating revenues and \$20 million in operating expenses. A decrease in net assets of \$40.9 million is anticipated due to the start of construction of the Freeport Harbor Channel Improvement Project. Planned capital expenditures amount to \$56.2 million which will be funded through a combination of cash flows, holdings in the capital reserve, debt and grants. Debt service on existing debt amounts to \$5.2 million with an anticipated \$80 million in new revenue backed debt for Port Capital Improvement projects with \$1.8 million in interest expense and bond issuance costs. Staff anticipates \$20 million will be used from the capital reserves and the balance in unrestricted reserves will be \$29 million by year end. Sources of revenue show harbor revenues at 53%, lease revenues at 34% and ad valorem at 13%. The \$8.4 million or 62% harbor revenue increase is based on existing customer increased business opportunities. Total ship calls are 448 with tonnage at 11,483,500; volumes are up 348% over 2019 forecast. Lease revenue is down 2%

based on two existing leases that will be expiring and have not been renewed at this time. The Port's ad valorem taxes are based on a taxable assessed value of \$14.1 billion. \$454 million in new market value added to the appraisal rolls will ultimately result in a tax levy of \$5,673,000, minus the collection rate and fees due to the appraisal district and tax office will result in a net budgeted item of \$5,540,000. Mr. Lowe also shared a graph showing the Port moving from its current 3-1 relationship of M&O to I&S, to a 1-3 relationship.

Ms. Campus began her presentation covering operating expenses stating depreciation is a major part of the Port's expense (40%) being a non-cash flow item. Other significant expenses include salaries, wages and benefits at 26% and professional services at 13%. Port salaries, wages and benefits increased from the forecasted 2019, \$566,000 or 11.9% or a total budget of \$5.3 million. This budget includes 3.65% increase in salary and wages, \$20,000 for market or merit adjustments. Business Development has requested a new sales position and the Public Affairs Assistant position is being transitioned to full-time. Staff has budgeted a 12% increase in group health, 10% increase in dental and vision premiums with the renewal taking place January 1. This puts the percent of group health to total wages and benefits at 17%. The budget assumes full employment with all vacancies filled, full participation in the retirement plan and the percent benefits to salaries and wages at 40%. Professional Services budget has increased over the 2019 forecast by \$703,000 or 36%. The budget includes security services fees which includes the addition of K-9 detection services, a freight mobility study/market analysis, surveying, environmental consulting, economic impact study, federal and state government liaisons, port planning services and grant application services. The Training, Travel and Promotional budget has increased \$127,000 over the forecasted for a total of \$707,000. This includes an increase in commercial events participation and advertising. Sales travel has increased. This includes a sales trip that was budgeted for FY 2019 that did not happen, therefore it is carried over to FY 2020. Government relations and travel has decreased since there will not be a state legislative session. Community Events has increased to include four CAP Meetings. Technical training has increased to include two AAPA sessions falling in the same fiscal year. Professional development, ZPMC training, certifications, emergency management and safety programs are also included. Supplies budget has an increase of \$24,000 which includes small equipment and safety purchases that are less than \$5,000. Utilities will see an increase of \$42,800. The City of Freeport has increased their water and sewer rates effective September 1. This is a 37% increase in the Port's water and sewer. There has also been an increase in electricity with the ZPMC cranes use. Staff anticipates an increase in business insurance for a total of \$1,153,200. The Port saw a 7% increase in property insurance March 1, 2019 and based on recent meetings with underwriters, staff anticipates a 10% increase at renewal. Other services and charges include dues, subscriptions, software services, contract labor, property lease expenses as well as the recently added pilot dispatch services, for a total of \$515,300, a 12% increase. Maintenance and repair will see a decrease of 27%. Other significant items include terminal operations equipment (mostly cranes), security equipment, cleaning/maintenance of office buildings, terminal facilities dust control, road repairs, mowing of all port property and pallet repairs. Depreciation expense has increased 17% due to the addition of Parcel 14 rail to the Port's assets. Regarding debt service and fees, staff has estimated an \$80 million revenue bond issuance. Staff continues to focus on the Port's strategic initiatives which include the Freeport Harbor Channel Improvement Project, buildout of Port container handling facilities, development of warehousing and OEM distribution facilities, support of the rail and highway transportation corridor and the port infrastructure support for a total budget of \$116,325,700. Ms. Campus shared a graph showing the Port's 2019 capital by funding source with 14% to the general obligation debt, 40% to revenue debt, 17% capital improvement reserve and 28% cash flow funded.

3. 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 Matters) for discussion regarding:

1. 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. RECONVENE OPEN SESSION:

5. Adjourn.

With no further business before the Commission, the meeting adjourned at 10:50 AM.