

Minutes of Meeting July 18, 2019

A Special Meeting of the Port Commission of Port Freeport was held July 18, 2019 beginning at 8:11 AM at the Administration Building, 1100 Cherry Street, Freeport, Texas.

Commissioners present:

Mr. Shane Pirtle, Chairman
Mr. Paul Kresta, Vice Chairman
Mr. John Hoss, Asst. Secretary
Mr. Ravi Singhania, 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. 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
Ms. Lauren McCormick, Public Affairs Manager
Mr. Mike Quilty, Safety Coordinator
Ms. Connie Wiegel, Sales & Marketing Specialist
Ms. Jo Beth Griffin, Public Affairs Assistant

Absent:

Mr. Rudy Santos, Secretary
Ms. Missy Bevers, Executive Assistant

Also present:

Mr. Bobby Fuller, Texas Port Ministry
Mr. Rick Stephanow, Gulf LNG Services
Mr. Drew Masterson, Masterson Advisors
Mr. Blair Garcia, WSP
Mr. Tom Ward, WSP
Mr. Jason Foltyn, HDR

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 Pirtle noted that Commissioner Santos and Executive Assistant Missy Bevers were both absent. Commissioner Hoss was running late. All other Commissioners were present.
5. Safety Briefing – Mr. Mike Quilty, Safety Coordinator
6. Approval of Purchase Contract for property located at 521 Navigation.

Ms. Saathoff stated this property is at 521 Navigation in Freeport and includes two lots and one structure on the property. All titles issues associated with this property have been cured and it is ready to close with a purchase price of \$50,000. Staff recommends approval.

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

7. Conduct a Planning Workshop for Port Freeport regarding the following:
 - A. Financial Review and Budget Forecast.
 - B. Global Marketplace Update.
 - C. Current and Projected Financial Position, Financing Strategies and Debt Capacity.
 - D. Port Freeport Strategic Objectives.

Mr. Lowe started the workshop by giving a preliminary financial update through June 2019.

Mr. Wilson gave an overview and update to the Board on the global marketplace discussing the following topics; global and local container markets which continue to grow and are expected to increase another 15% over the next three years. Gulf ports volumes and resin markets and manufacturing will also continue to expand due to GDP growth and services from Asia. Current data for resins indicates more investments and plant construction can be expected which will benefit the region. The OEM market is still expanding even though sales have been slightly down over the last two years. Mr. Wilson noted that new Neo-Panamax vessels are being deployed by several carriers with only a handful of ports in the Gulf that can handle these ships. Port Freeport is well positioned to take advantage of RO/RO carrier growth as having the reputation as the best new choice in the Gulf and should continue to expand freight handling capabilities. With respect to the energy market, USA is number one in crude production worldwide. The long-term demand for oil and gas markets look very good with Asia and Southeast Asia's new emerging middle class creating the need for more energy. Mr. Wilson noted the U.S., Texas, Brazoria County and Port Freeport are all going to benefit from this expansion and can look forward to more project and refinery investments here at home.

Mr. Lowe gave a presentation regarding the general obligation bond financing plan which is associated with the Freeport Harbor Channel Improvement Project (FHCIP). He gave an overview of the projected tax base and tax levy based on preliminary information from the County which indicates a 6.6% increase over the 2019 levy. He also discussed the port reserve for capital improvements that shows the Port having contributed a total of \$15.5 million towards capital reserves by fiscal year end 2019. These funds are projected to be used towards the levee stabilization project. Contributions to the reserve are expected to be continue moving forward with \$19.9 million anticipated in the reserve by September 30, 2020. The forecast for expiring tax abatements indicate that through the year 2030, approximately \$13 billion is expected to come back on the tax rolls from expiring abatements. Mr. Lowe noted the first issuance of bonds in the amount of \$35 million took place June 19, 2019 and staff is working with engineering to move forward with the first phase of the FHCIP utilizing the bond funds.

Mr. Lowe also gave a presentation regarding a plan for revenue bond financing for the Port's landside strategic initiatives projects. For the most recent revenue bonds issuance, the Port received an A rating for the bonds from Standard and Poors which helps to attract new investors, reduces the cost of debt and increases borrowing power. Debt service coverage for 2018 was 3.09 with 2.50 forecasted for 2019. The minimal debt service coverage is 1.25 with a target by staff of 1.40 minimum, in order to maintain the class A rating. The current operating revenue shows the Port at \$28 million with a healthy growth forecast moving forward as Freeport LNG comes on line this fall as well as increased revenue from other Port customers. The available capacity to issue revenue bonds in 2020 is projected to be \$95 million, \$65 million in 2021, \$25 million in 2022 and \$45 million in 2023 for a total capability of \$230 million. Revenue bonds are required to execute the Port's strategic initiatives as previously discussed. The financing plan demonstrates the Port has the capability of maintaining the A rating and issuing debt capacity needed to execute the projects.

Mr. Hull gave a presentation and update to the Board on the timeline for the strategic initiatives which include the Freeport Harbor Channel (FHC) deepening and widening, buildout of the Port's container handling facilities, development of rail-served warehousing and distribution facilities and development of rail and highway transportation corridor from Freeport to Rosenberg. Mr. Hull shared a schedule/timeline for the FHC project that is aligned with the USCOE Work Plan funding. The Placement Area 1 dike raise is estimated to be completed December 2019. Reach 3 (Lower Stauffer) construction is estimated to be \$12 million and is scheduled to bid in October 2019 and begin in January 2020. Based on recent estimates for the federal levee stabilization project, cost is now estimated between \$28-\$30 million. Construction will begin as soon as the permit is received, and the current hurricane season ends. Estimated completion is May 2020. Reach 2 will begin in June 2020 and is scheduled for completion December 2020 at an estimated \$32 million. Contracts in 2021 include dredging 1/2 outer channel and creation of placement area #8 at an estimated cost of \$30 million. Dredging the other 1/2 outer channel is proposed in 2022 while Reach 1 and Reach 3 will occur in 2023 at a project cost of \$23 million. The Velasco Terminal Berth 8 Construction Project estimated at \$112 includes construction of 1050 feet of berth and dredging of Berth 8 at an estimated \$8-\$10 million. Area 3 Backlands is under construction now at an estimated cost of \$5 million. Staff recommends moving forward with the purchase of two container cranes estimated at \$24 million installed. Estimated timeline for the construction of Berth 8 is 35 months with the fabrication of the cranes running concurrently. Bids were opened for the 20-acre parking area on Parcel 14 with the lowest bid coming in at \$6.8 million. Adding in the \$1.5 million for limestone, this total project came in under the \$10.2 million budget.

8. 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. 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.
 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 or

adjacent to the following streets: FM 1495; East 2nd Street; Terminal Street and East 8th Street in Freeport, Texas.

4. The potential exchange, lease, or value of real property located at Port Freeport, including but not limited to Parcel 14.
5. The potential exchange, lease, or value of real property located at Port Freeport, including but not limited to Parcels 4, 5, 6, 9, 19, 27, 31, 34, 35 and 38.

B. Under authority of Section 551.071 (Consultation with Attorney) for discussion regarding:

1. Consultation with attorney and discussion regarding legal matters arising out of Texas Transportation Code, Title 4 Navigation, Subtitle A Waterways and Ports, Chapter 52 Texas Deepwater Port Procedures Act.

9. RECONVENE OPEN SESSION:

10. Adjourn.

With no further business before the Commission, the meeting adjourned at 4:03 PM.