

## Minutes of Meeting November 12, 2019

A Special Meeting of the Port Commission of Port Freeport was held November 12, 2019 beginning at 1:00 PM 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 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. 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. Missy Bevers, Executive Assistant  
Ms. Mary Campus, Controller  
Ms. Lauren McCormick, Public Affairs Manager  
Mr. Nick Malambri, Engineering Specialist  
Mr. Austin Seth, Operations Specialist

1. CONVENE OPEN SESSION in accordance with Texas Government Code Section 551.001, et. seq., to review and consider the following:
2. Conduct a Planning Workshop for Port Freeport regarding the following:
  - A. Port Freeport Strategic Initiatives and Capital Plan.
  - B. Financing Strategies, Cash Flow Forecast and Debt Capacity.

Ms. Saathoff stated the workshop will focus on the Port's strategic initiative associated with building out the container handling facility and recapped the budget with source funds showing a significant amount coming from debt financing. associated with the capital plan. She explained that the Capital Plan will be executed using cash from the capital fund reserves, the Port's ongoing revenues, and bond proceeds. The first series of the general obligation bonds were issued in June and will be spent in the 2020 budget year. The current tax rate includes the debt service associated with the bonds and the tax rate was held at 4.01 cents as indicated during the bond election. The majority of the expenditures are related to the Port capital investment program with 82% to capital, 9% debt service and the remaining 9% going to operation expenses. To proceed with the capital investment plan, the port needs to issue additional debt. It is anticipated that \$80 million in new revenue-backed debt will be needed for the landside infrastructure the

Port is planning to proceed with. This includes capital projects that support the strategic initiatives which include the levy stabilization project, build out of the Berth 8 container terminal, development of warehousing and OEM distribution, continued support and development of transportation corridor as well as other port infrastructure. The total cash flow required for the FY2020 is \$116,325,000. Ms. Saathoff also gave another look at how the capital plan breaks down by funding source with 40% funded by revenue debt, 14% general obligation debt (for FHCIP), 17% from capital improvement reserve, 28% cash flow or general reserve and 1% associated with grants that are already approved or making an application. Phase II of Velasco Terminal Expansion was on a unit price basis for 1085 feet knowing 900 feet - 1085 feet would be the optimal build. Staff is still recommending commencing with the berth extension and, after further analysis, staff recommends building 928 feet of berth in Phase II.

Mr. Durel shared drawings of different Velasco Container Terminal vessel scenarios to show how 928 feet of berth would support current operations as well as future growth.

Mr. Hull discussed the following bid estimates for Velasco Terminal, bids submitted and staff recommendation for the Berth 8 project.

Estimates for Velasco	Bid	Recommendation
Reach 3 Dredging (WIK) \$12 million	n/a	n/a
Berth 8 Dredging \$8-\$10 million	\$15 million	\$14.5 million
Berth 8 Dredging \$112 million (1050 ft.)	\$112 million (1085 ft.)	\$99 million (928 ft.)
Area 3 Backlands \$5 million (1 acre)	\$2.6 million	\$2.3 million
Container Cranes \$24 million	n/a	n/a

Mr. Lowe reminded the Board where the Port stands in outstanding debt with both revenue and general obligation as well as a capital lease for the cranes. Standard & Poors and Moody's are the two rating agencies the Port uses with Moody's for general obligation and S&P for the 2018 revenue issuance. Mr. Lowe stated the Port has an A/Stable rating and explained how that rating is based as well as the difference between an A and A- rating. The Port has had a steady increase in operating revenue for the last decade with revenue growth plan continuing that trend for current customer mix and identified opportunities. Mr. Lowe noted that approximately \$1 Million in operating revenue produces about \$10 Million in debt borrowing capacity adding the Port's operational success over the last decade has allowed decisions to be made to invest in this infrastructure, similar to what is being considered today. Mr. Lowe noted the Port historically has targeted to maintain a 1.50 debt service coverage and showed how \$145 million in capital projects being funded through revenue bonds would look for the 928 feet of berth. The revenue bond models would include two issuances totaling \$145 million of project funding, approximately 12 months apart. Projects included are levee stabilization, Velasco Terminal Berth 8 and Area 3, and 20 acres of storage development on Parcel 14. The analysis assumes the first year of Berth 8 operations with the two existing cranes and bond rates of 3.5% and 4.5%. Mr. Lowe shared charts comparing \$145 million project funding and same with a \$1 million decrease in annual revenue.

3. Discussion regarding bids received for the Velasco Terminal, Berth 8 project.

Discussion related to this item was previously discussed under Item 2.

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:
  - B. 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 2<sup>nd</sup> Street; Terminal Street and East 8<sup>th</sup> Street in Freeport, Texas.
  - C. 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.
  - D. The potential exchange, lease, or value of real property located at Port Freeport, including but not limited to Parcel 14.
  - E. 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.

5. RECONVENE OPEN SESSION:

6. Adjourn.

With no further business before the Commission, the meeting adjourned at 4:52 PM.