

## Minutes of Meeting October 23, 2019

A Regular Meeting of the Port Commission of Port Freeport was held October 23, 2019 beginning at 4:30 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 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. Mike Wilson, Director of Economic Development  
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. Brandon Robertson, Network Systems Manager  
Mr. Cecil Booth, Project Engineer  
Mr. Mike Quilty, Safety Coordinator  
Ms. Lauren McCormick, Public Affairs Manager  
Mr. Nick Malambri, Engineering Specialist

Also, present:

Mr. Dave Weston, HDR  
Mr. Jonathan Frels, Bracewell LLP  
Mr. Mike Hayes, Texas Port Ministry  
Mr. Bob Arroyave, BGE, Inc  
Mr. Drew Masterson, Masterson Advisors LLC  
Mr. Fitz O'Donnell, McCarthy  
Mr. Jason Foltyn, HDR  
Mr. Sam Shilu, Moffatt & Nichol  
Mr. Patrick Smith, REM  
Mr. Will Bohlen, BGE, Inc.  
Mr. Robert Louis, Orion  
Mr. Craig Daniel, P66  
Mr. Grant Worthington, VMC

1. CONVENE OPEN SESSION in accordance with Texas Government Code Section 551.001, et. seq., to review and consider the following:

2. Invocation – Mr. Mike Hayes, Texas Port Ministry
3. Pledge of Allegiance – U.S. Flag & Texas Flag
4. Roll Call – Commissioner Pirtle noted that all Commissioners were present.
5. Safety Briefing – Mr. Mike Quilty, Safety Coordinator
6. Approval of minutes from the October 10, 2019 Regular Meeting.

A motion was made by Commissioner Singhania to approve the minutes as presented. The motion was seconded by Commissioner Croft 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 matters and meetings, AAPA Committees, leases, contracts, upcoming Port and civic events and other related administrative affairs.

The rescheduled meeting of the Brazoria-Fort Bend Rail District is October 25 in Richmond. Ms. Saathoff will be attending the Transportation Policy Council meeting October 25 and will not attend the Rail District meeting. The HGAC TPC has a resolution on their agenda in support of the Port's channel project. Ms. Saathoff reported attending the American Association of Port Authorities Annual Convention along with Commissioners Pirtle, Singhania and Croft. Chairman DeFazio is planning to bring forth House Resolution 2440 which mandates full utilization of the Harbor Maintenance Trust Fund for vote in the House on October 28. A delegation from Taiwan will be visiting the Port October 29. A BASF group will also visit the Port the same day. Transportation Infrastructure Summit is November 5, the Greater Houston Partnership Forum with Rich Wells as featured speaker is November 6 and the Angleton Chamber State of the Community is November 14. Ms. McCormick reported the golf tournament has been rescheduled for November 1 with all start times remaining the same. She also noted that committed sponsorships has reached just over \$90,000.

- B. Receive report from Director of Administration/CFO on monthly activity and matters related to financial results, investments, insurance, leases, real property matters and other related administrative affairs.

Mr. Lowe stated that he does not have report for Commission this month as staff is still closing out the fiscal year. September numbers will be combined with the October report. Early numbers indicate consistency with what was reported through 11 months for revenue and expenses. He also noted a TEFRA public hearing was held October 17 with regard to the Port's bond offerings.

- 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.

Mr. Hull presented a written report to the Commissioners and had no other comments.

- 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 that Chris Hogan will be giving a presentation to the Area Maritime Security Committee meeting where the Captain of the Port will attend. Mike Quilty will be hosting the next tenant safety meeting November 13. Prior to the meeting, a group walkabout will be held at the Riviana facility. Mr. Durel shared fiscal year-end stats for operations. Total vessels for this year was 325, compared to the PY (prior year) of 254. Ro/Ro vessels 98 (PY-63), container vessels 154 (PY-116), steel ships 31 (PY-34), limestone vessels 15 (PY-13) and all other vessels 27 (PY-28). Total tonnage was \$2.8 million, while previous year was \$2.3 million. The Port handled 62,000 vehicles; 56,000 containers; 378,000 tons of steel; 967,000 tons of limestone; and 129,000 tons of rice product. Additionally, the Port recently began a project with 52 barges of steel pipe.

- E. Receive report from Director of Business & Economic Development on activities and matters related to industry meetings, sales reports, advertising, web activity, Foreign-Trade Zone, Rail District and other ocean transportation related matters.

Mr. Miura presented a written report to the Commissioners. He also mentioned a letter recently received from the Maritime Workers Emergency Medical Fund corporation for the Port's recent sponsorship donation towards their annual golf tournament.

- 8. Receive report from Commissioners on matters related to:
  - A. October 10 Personnel Advisory Committee – Commissioner Kresta stated the committee reviewed policies 5.2, 5.5, 5.6, 6.1, 6.2 and 6.3, all of which are on the agenda for approval.
  - B. October 18 Strategic Planning Advisory Committee – Commissioner Santos stated the committee discussed the bids received for the Velasco Terminal Berth 8 project.
  - C. Meetings and conferences attended, Port presentations, Rail District and other related Port Commission matters.

Commissioner Croft reported attending a CAP Meeting for Phillips 66/CP Chem and the AAPA Annual Convention.

Commissioner Pirtle and Commissioner Singhania reported attending the AAPA Annual Convention.

- 9. Public Comment – There were no comments.
- 10. Seventh Supplemental Resolution Authorizing the Issuance of Port Freeport Senior Lien Revenue Bonds, Series 2019A (AMT); Prescribing the Terms and Provisions Thereof; Approving the Sale of the Bonds and Authorizing the Execution and Delivery of a Bond Purchase Agreement and a Paying Agent/Registrar Agreement; Approving the Preparation and Distribution of an Official Statement; and Resolving Other Matters Related Thereto.

Mr. Lowe stated the supplemental resolutions before the Board authorize senior lien revenue bonds which have been divided into a Series A and Series B. Series A bond amount at par is \$43 million, and Series B is \$25 million at par, for a combined total of \$68 million which will deliver approximately \$80 million in funds for planned capital projects. Mr. Lowe also noted the difference between the Series, stating Series A (AMT) is Landside and Series B (Non-AMT) is Harborside. For example, the levy stabilization is handled with Series B while Velasco Terminal, Parcel 14 are handled under Series A. Commissioner Singhania asked about the availability the public will have to purchase bonds, adding the window of opportunity is small. Ms. Saathoff stated the Port has advertised in the paper and reached out to local brokerage firms to

promote the availability of the bonds however the response has been low. Mr. Lowe added the small window (approx. 2 hours) is normal for offering of bonds. Commissioner Hoss noted feedback he received from a local smaller financial advisor, stating it was very difficult for them to find out about the bonds, who the financial advisor was and whether you could purchase bonds. Drew Masterson spoke to the availability of bonds stating that his firm has gone to every length to involve local firms. They included all the local firms they (and the underwriters) could find in the selling group which gives them direct access to the bonds. They also must be paying attention. Mr. Masterson also stated they are willing to reach out to any firms recommended, if they haven't already done so. Regarding the short timeframe, the broker should be in touch with the investor days in advance to be giving them the information so they can make the decision with the timeframe. Mr. Masterson stated they anticipate an average interest rate of approximately 3.5%.

A motion was made by Commissioner Singhanian to adopt the resolution. The motion was seconded by Commissioner Kresta with all Commissioners present voting in favor of the motion.

11. Eighth Supplemental Resolution Authorizing the Issuance of Port Freeport Senior Lien Revenue Bonds, Series 2019B (Non-AMT); Prescribing the Terms and Provisions Thereof; Approving the Sale of the Bonds and Authorizing the Execution and Delivery of a Bond Purchase Agreement and a Paying Agent/Registrar Agreement; Approving the Preparation and Distribution of an Official Statement; and Resolving Other Matters Related Thereto.

This item was discussed and approved under Item 10.

A motion was made by Commissioner Singhanian to adopt the resolution. The motion was seconded by Commissioner Kresta with all Commissioners present voting in favor of the motion.

12. Approval of Construction Contract with McCarthy Building Companies, Inc. for Velasco Terminal, Berth 8 project, for an amount not to exceed \$129,677,607.30.

Ms. Saathoff stated this item may be taken after executive session due to potential new customers and lease negotiations associated with this project. Additionally, Port Commission may want to discuss before action is taken on this item. Commissioner Pirtle stated the feedback he has received is that the Port Commission may not want to approve at this time. Commissioner Santos stated the item should be pursued today adding there was a recommendation from the Strategic Planning Advisory Committee to engage further discussion with the entire Board. Commissioner Singhanian stated he would like the Finance Advisory Committee to discuss the business plan further before making a decision and asked staff to consider delaying approval to the November 14 meeting. Ms. Saathoff stated that the analysis and forecast model used in prior strategic workshops has been updated and supports construction of the dock. There are other discussions that would be relevant but the current plan to finance the project is based on existing business in place with future growth based on new business as a result of the infrastructure. Commissioner Kresta requested a separate meeting of the Port Commission for all to participate in discussion rather than hold a committee meeting. After considering dates, the commission agreed to a special meeting November 12 at 1:00 p.m.

This item was tabled for action until the November 14 meeting to allow further discussion regarding the business plan.

13. Approval of Construction Contract with Saltwater Salvage for the Docks 1, 2, 3 and 5 Sheet Pile Repairs 2019 project, for an amount not to exceed \$170,000.00

Mr. Hull stated that four bids were opened October 17 with Saltwater Salvage submitting the lowest bid in the amount of \$170,000. Saltwater Salvage met all the requirements of the bid specifications. Staff

recommends approval. Commissioner Kresta inquired about the contract and what it entails. Mr. Hull stated that every other year, the Port sends divers down to inspect the sheet pile walling. A number of areas were noted to need repairs from rips in the sheet pile to small holes. A steel sheet is placed over the areas and welded for the repair.

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

14. Approval of an amendment to the Professional Services Agreement with REM (Risk Engineering & Management).

Ms. Saathoff stated the Port retained the services of REM in September to assist with the risk analysis (HAZID) performed by the U.S. Coast Guard associated with the COLT offshore terminal project that is being considered off Freeport. Two additional projects, the SPOT Project and Colt Project, must go through the same USCG risk analysis. The Port needs additional services for these projects, so Ms. Saathoff requested an additional scope of work and cost estimate for professional services associated with the projects. The first contract issued was for a total cost of \$9,500. Estimated labor cost for the amendment is \$16,900 with additional travel expenses of \$5,600. This will bring the total cost of the contract to \$32,000. Commissioner Singhanian asked if staff has been satisfied with service thus far. Commissioner Hoss commented that he has been very happy with the level of expertise brought in. Patrick Smith with REM consulting stated that he has attended two of the HAZID sessions with the Coast Guard where the applicants present their projects. He explained that participants ask questions and the group discusses potential hazards with the deepwater ports. Facilitators then take the comments to do a quantitative analysis to create a report that will be presented once a draft is available. He noted it is incorporated into the environmental impact study that is a part of the application process. Ms. Saathoff added that we have the right level of expertise under the contract and recommends approval.

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

15. Approval of updates to Port Policies 5.2, 5.5, 5.6, 6.1, 6.2 and 6.3.

Commissioner Kresta stated the Personnel Advisory Committee has reviewed the updates to the policies and recommends approval.

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

16. 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 to discuss potential litigation.
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 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.

- B. Under authority of Section 551.072 (Deliberation of Real Property Matters) for discussion regarding:
1. 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.
  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 2<sup>nd</sup> Street; Terminal Street and East 8<sup>th</sup> 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 or 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.
- C. Under authority of Section 551.072 (Deliberation of Real Property Matters) for discussion regarding:
1. Deliberation regarding the appointment, employment, evaluation, reassignment, duties of a public officer or employee, including but not limited to: Executive Director/CEO and Chief Financial Officer.

17. RECONVENE OPEN SESSION:

18. Adjourn.

With no further business before the Commission, the meeting adjourned at 7:27 PM.