

Minutes of Meeting January 10, 2019

A Regular Meeting of the Port Commission of Port Freeport was held January 10, 2019 beginning at 1:27 PM at the Administration Building, 1100 Cherry Street, Freeport, Texas.

Commissioners present:

Mr. Paul Kresta, Chairman
Mr. John Hoss, Vice Chairman
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
Ms. Mary Campus, Controller
Mr. John Mannion, Chief Financial Officer
Ms. Missy Bevers, Executive Assistant
Mr. Brandon Robertson, Network Systems Manager
Mr. Cecil Booth, Project Engineer
Mr. Nick Malambri, Engineering Specialist
Ms. Lauren McCormick, Public Affairs Manager
Mr. Scott Tafuri, Safety Coordinator
Mr. Austin Seth, Operation Specialist

Absent:

Mr. Bill Terry, Asst. Secretary

Also, present:

Mr. James Mathis, Carriage House Partners
Mr. Bruce Reed, Phillips 66
Mr. Bob Adair, Phillips 66
Mr. Bobby Wingate, Phillips 66
Ms. Ann Marie Poninski, Phillips 66
Mr. William Bonner, Tolunay-Wong
Mr. Bobby Fuller, Texas Port Ministry
Mr. Rick Stephanow, Gulf LNG Services
Mr. Bob Arroyave, Brown & Gay Engineers
Mr. Jason Foltyn, HDR Engineering
Mr. David Eby, Terracon
Mr. Dan Croft, 1st State Bank

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 Kresta noted that Commissioner Terry was absent. All other commissioners were present.
5. Safety Briefing – Mr. Scott Tafuri, Safety Coordinator
6. Approval of minutes from the Regular Meeting held December 13, 2018.

A motion was made by Commissioner Pirtle to approve the minutes as presented. The motion was seconded by Commissioner Hoss with all Commissioners present voting in favor of the motion.

7. Receive update from Carriage House Partners, LLC regarding 86th Legislative Session and related legislative affairs.

Mr. James Mathis with Carriage House Partners (CHP) gave a brief overview of how the legislature make-up since the election and highlighted priority topics for the session. Controller Hager announced the availability of funds for next biennium is \$119.1 billion. Priorities already set out include school finance and property tax reform. Another topic for consideration will be the renewal of Chapter 312 and 313 - Tax Abatement programs. Mr. Mathis noted two items CHP is tracking for Port Freeport including funding for the SB 28, ship channel improvement revolving loan fund created in the last session. Ms. Saathoff has tasked CHP with finding ways to fund the loan account. The Coastal Spine project is also expected to be an issue with finding funding for the local sponsor contribution for the project.

8. Receive report from Executive Director/CEO and/or Port staff on activities and matters related to administrative affairs. Port tenant updates, USCOE, rail issues, AAPA Committees, leases, contracts, upcoming Port and civic events and other related administrative affairs.

Ms. Saathoff briefly went over the 2018 highlights summarized in her written report to the Board which included focusing on the strategic initiatives, passing the \$130 million bond initiative to fund the local sponsor share of the FHCIP, receive approval for the GRR from the Corps and receive permit for the expansion of Velasco Container Terminal that includes the engineering, design and construction component of Reach 3 which will begin after the Corps completes the levy-raise. The Memorandum of Agreement with the Corps was modified to dredge this area to the full authorized depth of the approved channel project and include Reach 2 on a work-in-kind basis. Staff continues to raise awareness of the project in Washington, meeting with key Corps officials and appropriations committees. Increased business within the Port in 2018 include the new global container carrier CMA-CGM, extended the lease with Dole Fresh Fruit and the addition of renewed Ro/Ro services with the Salluum Lines West Africa service and Hoegh's India and New Zealand services. The Finance Team implemented

the new tariff billing and accounting software, was awarded the GFOA Certificate of Excellence for the 29th year as well as successfully issued revenue bonds to support the rail project and maintain a stable 'A' rating by S&P. The Port ended the fiscal year with over \$26 million in revenues that did not include tax revenue, which is a 20% increase over the prior year. Additionally, the Port had record-level operating income and a 9% increase in total tonnage. Ms. Saathoff continues to work with the harbor community to bring more efficiencies in the channel system by working closely with the Pilots and working group to establish dispatch services to improve communications in the Port. Most of the work has been completed in the simulator program the Board authorized in 2018 and should be unveiled first quarter. The Port saw a full year of ships calling for Tenaris which was a significant increase in activity at the Port, and the use of the Heavy-Lift Corridor was implemented for the movement of steel to/from the Tenaris facility in Bay City, which has yielded a 40% reduction in the number of trucks that make the transit. The Rail District received \$600,000 feasibility study grant from the Texas Transportation Commission to further their project. Additionally, modifications were completed to the Emergency Operations Center for Customs' new office space, the Port's CTPAT certification was successfully renewed, significant upgrades were made to the computer network system and the Port celebrated the 30th Anniversary of its Foreign-Trade Zone. Mr. Durel was recognized for his outstanding service during Hurricane Harvey. Ms. Saathoff also reported that General Owen from USACE SWD will be in the area January 17 via an aerial tour of the Sabine to Galveston project. Ms. Saathoff gave a presentation to the Fulshear-Katy Area Chamber of Commerce January 9. Ms. McCormick reported the Take-A-Child Fishing Tournament logo contest flyers will be delivered to schools next week. A new aspect added to the tournament to increase community awareness is a social media video contest. Families are invited to submit short clips telling why they love TACFT, what they are looking forward to, etc. The community will get to vote on the videos with winners announced in March and April. Additionally, the next CAP Meeting has been moved to March 12. Ms. Saathoff noted the first day to file for a place on the ballot is January 16 for Port Commission Position 1, Precinct 1 - At Large and Position 2, Precinct 1 – Brazosport.

9. Receive report from Commissioners on matters related to meetings and conferences attended, Port presentations and other related Port Commission matters.

Commissioner Singhania reported attending a meeting with Freeport Plant managers. Upcoming events include the India/Texas Conference January 11 and the Rail District meeting January 18.

10. Public Comment – There were no public comments.

11. Approval of financial reports presented for the period ending November 30, 2018.

A motion was made by Commissioner Singhania to approve the reports as presented. The motion was seconded by Commissioner Hoss with all Commissioners present voting in favor of the motion.

12. Adoption of a Resolution approving the application for tax abatement by Phillips 66 Company for property located in the Phillips 66 Company Reinvestment Zone No. 7, approving Tax Abatement Agreement on the same terms and conditions as granted to Phillips 66 Company by Brazoria County and authorizing Vice Chairman and Secretary to execute said agreement.

At this time, Commissioner Kresta turned over duties to Commissioner Hoss for further handling of this agenda item. Mr. Mannion stated the tax abatement is for a natural gas liquids fractionator. The application was previously reviewed by the Finance Committee November 29 and the County has since approved an agreement December 11. Mr. Mannion further stated the project conforms to the Port's guidelines and criteria and recommends approval of the agreement. Mr. Bob Adair with Phillips 66 Company gave a brief presentation and overview of the project.

A motion was made by Commissioner Singhanian to approve the tax abatement agreement. The motion was seconded by Commissioner Santos with all Commissioners present voting in favor of the motion, and Commissioner Kresta abstaining.

13. Approval of Executive Director/CEO & Commissioners travel for January-May 2019.

Ms. Saathoff anticipates upcoming hearings/meetings in Washington, DC with a trip needed in late January, early February for initial meetings with the local delegation, Houston delegation members, appropriations committee staff and Eddie Belk at the Corps. The AAPA Spring Conference will be held in March, Brazoria County Day in March, and the Texas Ports Association will hold their legislative conference in February. Additionally, Ms. Saathoff anticipates other hearings and meetings in Austin that will require attendance.

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

14. 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 to discuss potential litigation.
 - 3. 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 regarding Pilot Dispatch Services.
 - 4. 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 551.071 (Consultation with Attorney) and Section 551.072 (Deliberation Concerning Real Property Matters) for discussion regarding:
 - 1. Consultation with attorney and discussion regarding the terms and conditions of a First Amendment to the Waterfront Lease Agreement between Port Freeport and Kirby Inland Marine, LP.

2. Consultation with attorney and discussion regarding the terms and conditions of Marine Terminal Agreement.
- C. Under authority of Section 551.072 (Deliberation Concerning 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 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.
- D. Under authority of Section 551.076 (Deliberation of Security Matters) for discussion regarding:
1. Discussion regarding issues related to the deployment, or specific occasions for implementation of security personnel or devices or security audit and services.
- E. Under authority of Section 551.074 (Deliberation of Personnel 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.

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

16. Discuss and consider approving First Amendment to the Waterfront Lease Agreement between Port Freeport and Kirby Inland Marine, LP.

Mr. Miura stated that staff recommends approval to the First Amendment of the Waterfront Lease Agreement between Port Freeport and Kirby Marine as presented to the Board. This includes an extension of the current agreement by one-year with month-to-month options thereafter, and a 120-day notice of cancellation by Port Freeport.

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

17. Discuss and consider approving Marine Terminal Agreement.

This item was tabled.

18. Discuss and consider action resulting from Executive Session for Executive Director/CEO.

Commissioner Hoss stated the Personnel Committee met earlier to conclude the annual review of the CEO's progress. The committee identified goals for the year, strengths and weaknesses.

A motion was made by Commissioner Hoss to approve an increase to the CEO's base pay by 3.25%, to be retroactive October 1, 2018. The motion was seconded by Commissioner Pirtle with all Commissioners present voting in favor of the motion.

19. Adjourn.

With no further business before the Commission, the meeting adjourned at 6:05 p.m.