

Minutes of Meeting February 27, 2020

A Regular Meeting of the Port Commission of Port Freeport was held January 23, 2020 beginning at 1:01 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. 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. 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
Ms. Lauren McCormick, Public Affairs Manager
Mr. Nick Malambri, Engineering Specialist
Mr. Jesse Hibbetts, Operations Manager
Mr. Mike Quilty, Safety Coordinator
Ms. Jennifer Barrera, Sales & Marketing Specialist

Also, present:

Mr. Kevin Cadenhead, KM &L
Mr. Mike Hayes, Texas Port Ministry
Mr. Rick Stephanow, Gulf LNG Services
Mr. Chris Witte, BASF
Ms. Tammy Bialek, BASF
Ms. Beth Holland, BASF
Mr. Bob Arroyave, BGE, Inc.
Mr. Gary Basinger, The Alliance
Mr. William Bonner, TWE

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 all Commissioners were present.
5. Safety Briefing – Mr. Mike Quilty, Safety Coordinator
6. Approval of minutes from the Regular Meeting held February 12, 2020.

This item was tabled.

7. Approval of the FY 2019 Comprehensive Annual Financial Report.

Mr. Lowe began by thanking Ms. Campus and the finance team for the effort put into this report. Ms. Campus presented the Annual Comprehensive Financial Report for FY 2019. She noted the report is in the same format as submitted in previous years and pointed out that the management discussion analysis section includes a history and comparison of data for the past three years. She invited Kevin Cadenhead with KM&L to address the Board regarding the management letters included in the report. Mr. Cadenhead stated the firm has no audit findings or issues to report to Board regarding the report. Included in the report is the Auditor's Report or Unmodified Opinion stating the audit firm audited the financial statements and the report is accurate. Two letters also included in the report are required communications from the auditors to the Board. These are clean letters. If there would have been an issue, the Board would have been notified prior to receiving the letter. Mr. Cadenhead noted he did meet with the Finance Committee after the audit field work was completed to discuss how the audit went and met with them today to review the report itself. Ms. Campus reported on the financials of the report. The total current assets for the year are \$111.8 million which is an increase from \$79.5 million. Total assets are up to \$44 million. The liability section of the report shows liabilities went up to \$145 million as compared to \$114 million the previous year. This was due to the 2019 General Obligation Bond Issuance. The Port's total net position is up from the previous year to \$233.3 million and unrestricted assets are at \$41.2 million. Capital projects improvement is \$53.7 million and includes the unspent proceeds of the 2019 General Obligation Bond as well the reserve established by the Board for capital improvements. Regarding Statement of Revenues, Expenses and Change in Assets, total revenues were \$27.9 million with operating expenses at \$17.6 million. Operating income is \$10.3 million and non-operating revenues, which include ad valorem tax collection, investment income and debt interest and fees, was \$1.9 million. With grant proceeds of \$95,000, the change in net position of \$12.38 million compared to \$11.7 the previous year.

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

8. 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.

Ms. Saathoff asked Ms. McCormick to report on Take-A-Child Fishing Tournament (TACFT). Ms. McCormick reported the top 15 finalists have been selected for the TACFT 20th Annual Logo Drawing Contest. Online voting for the logo contest started today and will end Friday at 10:00 a.m. Ms.

McCormick also shared a slide with the link and instructions on how to vote for your favorite drawing. Additionally, she asked that anyone who wants to participate as a sponsor for the tournament, please contact her or Darlene Winkler for assistance. Ms. Saathoff reported traveling with Jason Miura to Florida for customer visits and business development calls. Ms. Saathoff thanked Commissioner Pirtle and Hoss to hosting staff from Senator Cruz's office who received a Port briefing and tour. Additional thanks to Dow Chemical, Phillips 66 for having representation present for the briefing as well as the Brazos Pilots for arranging a water side view of the Port. The U.S. Coast Guard held the HAZID meeting for the Texas GulfLink offshore deepwater port project. Mike Quilty attended along with consultant Ben Craig. Staff also attended the public meeting for the SPOT project held February 26. Representatives from the Canadian Port of Saguenay were visiting Freeport LNG and stopped by to visit Port Freeport as well. They will soon have an LNG project in their port. Upcoming trips include the National Waterways Conference Legislative Summit in WDC and the AAPA Spring Conference.

- 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 gave a brief financial presentation and update to the Commission.

- 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.

In addition to his written report, Mr. Hull shared photos of progress on the storage yard west of Warehouse 51 as well as the Parcel 14 OEM lot.

- 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 on highlights from his written report. Freeport LNG had 12 vessels in January and is looking at 10-11 in February. The Port saw 9 Ro/Ro vessels and is expecting another 9 in February. In 2019, the Port averaged 27 vessels per month; January 2020 saw 45 vessels. This includes the inner harbor and Freeport LNG. Totals for the fiscal year to date (including Freeport LNG) is 139 as compared to 108 the previous year. Mr. Durel also reported Operations hired a new Gottwald crane operator.

- 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.

In addition to his written report, Mr. Miura will be traveling to Los Angeles for the Trans-Pacific Maritime Conference March 1-4. He also shared the new Port Freeport overview video recently completed. Mr. Miura also mentioned the Port is now receiving cargo for Grimaldi which includes cars and equipment headed to West Africa.

- 9. Receive report from Commissioners on matters related to:
 - A. February 26 and 27 Personnel Advisory Committee – At the February 26 meeting, Commissioner Kresta stated the committee discussed personnel issues while today's meeting included review of Port Policies.

- B. February 12 and 27 Finance Advisory Committee – At the February 12 meeting, the BASF Tax Abatement and PIERS database were reviewed. Today’s meeting included review of the CAFR report and Port Policy 9.0 - Designation of Treasurer.
- C. February 27 Strategic Planning Advisory Committee – Commissioner Santos stated the committee met in reference to agenda item #12 which is on the agenda for approval today.
- D. Meetings and conferences attended, Port presentations, Rail District and other related Port Commission matters.

Commissioner Santos reported attending Chamber Luncheon, Our Lady Queen of Peace Fundraiser and the Lincoln-Reagan Dinner.

Commissioner Hoss reported attending the Lincoln-Reagan Dinner.

Commissioner Kresta reported attending the Lincoln-Reagan Dinner.

Commissioner Singhania reported attending the Chamber Banquet and the Lincoln-Reagan Dinner.

Commissioner Croft reported attending the Chamber Luncheon.

Commissioner Pirtle reported attending the Lincoln-Reagan Dinner, Chamber Banquet, Senator Cruz staff visit, Corps Stakeholder Meeting, Brazos Pilots Open House and Scout Breakfast.

10. Public Comment – There were no public comments.

11. Approval of financial reports presented for the period ending January 31, 2020

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

12. Approval of Construction Contract with Sorrell Construction for the Chiquita Yard Asphalt Repairs project, for an amount not to exceed \$62,000.00.

Mr. Hull stated the bid opening for the Chiquita yard asphalt repair project was held February 20. The lowest bid submitted that met all the requirements was Sorrell Construction in the amount of \$62,000. Staff recommends approval.

A motion was made by Commissioner Santos to approve the contract as staff recommends. The motion was seconded by Commissioner Hoss with all Commissioners present voting in favor of the motion.

13. Adoption of a Resolution approving the application for tax abatement between Port Freeport and BASF Corporation regarding a \$90 million warehousing and distribution facility for property located in BASF Corporation Reinvestment Zone No. 15, approving Tax Abatement Agreement on the same terms and conditions as granted to BASF Corporation by Brazoria County and authorizing Chairman and Secretary to execute said agreement.

At this time, Commissioner Singhania excused himself from the meeting and discussions regarding this item.

Mr. Lowe introduced Mr. Chris Witte with BASF Corporation who spoke on the project. He stated the \$90 million warehouse distribution facility will be state of the art and help in making a few of the product lines on site become more competitive. BASF anticipates construction to begin in April this year and will hire a minimum of 45 full-time employees at the site. He further stated there is a potential for a Phase 2 to this project which would bring more activity to the area and would directly affect the Port.

A motion was made by Commissioner Hoss to approve the contract as staff recommends. The motion was seconded by Commissioner Kresta with all Commissioners present voting in favor of the motion, and Commissioner Singhania abstaining.

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 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. 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.
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. 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.
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 551.074 (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 action resulting from Executive Session for Executive Director/CEO.

This item was tabled.

17. Adjourn.

With no further business before the Commission, the meeting adjourned at 6:08 PM.