

Minutes of Meeting
August 13, 2020
Via Video/Teleconference

Notice is hereby given that in accordance with the order the Office of the Governor issued March 16, 2020, and due to imminent threat to public health and safety and urgent public necessity, the Port Freeport Port Commission will conduct a Regular Meeting on Thursday, August 13, 2020 at 1:00 p.m. by video/teleconference initiated from the Administration Building, 1100 Cherry Street, Freeport, Texas. In order to meet CDC guidelines for social distancing and slow the spread of the Coronavirus (COVID-19), the public can join the video/teleconference meeting by following the instructions below. When the spread of COVID-19 is no longer an imminent threat to our community, in-person meetings will resume.

The meeting will not be open for the public to physically attend the meeting, but the Port welcomes the public to attend virtually. Public comment will be available at the beginning of the meeting on the agenda item indicated below. Following public comment, the public will not be permitted to communicate with the Port Commission.

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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. Chris Hogan, Director of Protective Services
Mr. Jason Miura, Director of Business & Economic Development
Ms. Missy Bevers, Executive Assistant
Mr. Brandon Robertson, Network Systems Manager
Ms. Mary Campus, Controller

Ms. Lauren McCormick, Public Affairs Manager
Mr. Mike Wilson, Director of Economic Development

Absent:

Mr. Rudy Santos, Secretary

Also, present via teleconference:

Mr. Bobby Fuller, Texas Port Ministry
Mr. Bob Arroyave, BGE
Mr. Jeremy Garner, Trammel Crow
Mr. Rich Patrick, Ninyo & Moore
Mr. Tomas Lis, Horizon Logistics

Commissioner Pirtle stated the following information...

Today's date is August 13, 2020, and the time is 1:00 p.m. This is the regular meeting of the Commissioners of Port Freeport. I am Shane Pirtle, Port Commission Chairman. We are conducting this meeting by video/telephone conference pursuant to Governor Abbott's order suspending certain provisions of the Texas Open Meetings Act in order to minimize the impact of the coronavirus outbreak. This meeting is being recorded as required by the Texas Open Meetings Act.

With the posting of today's meeting a toll-free call in number was indicated on the agenda, along with the agenda packet. Both may be found on the Port's website www.portfreeport.com. Additionally, as posted on the agenda, the public may join the meeting from a computer, tablet or smartphone or by phone using the toll-free call in number.

The meeting will not be open for the public to physically attend the meeting, but the Port welcomes the public to attend virtually. Public comment will be available at the beginning of the meeting as indicated on the agenda. Following public comment, the public will not be permitted to communicate with the Commission.

In the event any member of the public is having any technical difficulty during the meeting, please call (979) 233-2667, and someone will assist you.

Being considerate of all participants on this call today, we respectfully request everyone "mute" their phones unless you are speaking.

If an Executive Session was noticed on the published agenda, that will occur unless otherwise indicated during the meeting. If an executive session was not noticed on the published agenda, the Commission still retains to go into executive session as permitted by law. In such case, it will be announced prior to this body going into Executive Session. During Executive Session the public will not be permitted to hear the meeting, as is the case under the Texas Open Meetings Act.

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. Roll Call – Commissioner Pirtle stated that Commissioner Singhanian and Commissioner Hoss were present online. Those present in the board room (at a safe distance) included himself, Commissioners Kresta, Commissioner Croft, Phyllis Saathoff – CEO, Port’s legal counsel Jason Cordoba. He noted Commissioner Santos was absent. Ms. Saathoff stated additional staff in the room including Rob Lowe - CFO, Jason Miura – Director of Business Development, Jason Hull – Director of Engineering, Missy Bevers, Executive Assistant, Al Durel – Director of Operations, Brandon Robertson – Network Systems Manager, Mary Campus – Controller, Chris Hogan – Director of Protective Services, Lauren McCormick, Public Affairs Manager and Mike Wilson, Director of Economic Development.
4. Public Comment –There were no public comments.
5. Approval of minutes from the Regular Meeting held July 23, 2020.

Commissioner Hoss requested an addition to the minutes related to Item 11 asking for the words *(above the 3.5% cap up to 8%)* be added to the final motion for clarification. The revised motion would then state the following, *Commissioner Hoss made a motion that Port Freeport resolve to avoid taking advantage of Section 26.04(c-1) of the Tax Code that allows an increase in the M&O rate (above the 3.5% cap up to 8%) due to the disaster declaration related to COVID.*

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

6. Receive report from Executive Director/CEO and/or staff on activities and matters related to COVID-19 health safety matters, administrative affairs, financial results, facility engineering matters, operations and vessel activity, port safety matters, port security matters, Port tenant updates, USCOE, and other related port affairs.

Ms. Saathoff reported that bids were opened by the U.S. Army Corps of Engineers for the first Reach (adjacent to the Port’s container terminal) of the Freeport Harbor Channel Improvement Project (FHCIP) with a low bid of \$15.5 million. The contract will be awarded in September. The Corps has made request for transfer of \$5.9 million, the Port’s non-federal share of the \$25 million capability approved in the USACE FY2020 Work Plan; . An item will be included on the next meeting agenda for the Port Commission to approve a purchase order for the transfer. Ms. Saathoff also reported the Ro/Ro activity for the next two weeks is very heavy and will see automobiles utilizing the 20-acres on Parcel 14 which has been turned over to Horizon Auto Logistics.

Commissioner Kresta reported attending several Strategic Planning Advisory Committee meetings as well as a Personnel Advisory Committee.

Commissioner Hoss reported participating on virtual meetings paying attention to entities in Brazoria County and their budget processes.

Commissioner Singhanian also participated on virtual meetings as well as met with staff regarding the budgeting process.

Commissioner Pirtle reported participating on the Angleton COC Virtual Luncheon August 12 and the EDA Virtual Industry Update.

Ms. Saathoff noted a CAP Meeting is scheduled for early September however due to COVID, the group will not be able to hold an in-person meeting. She suggested that since it has been quite a while since staff has met with the members that a virtual meeting be held in order to give a presentation and Port update.

7. Approval of Change Order No. 2 to the Velasco Terminal, Berth 8 contract for replacement of a deteriorated bollard.

Mr. Hull stated that in order to have the option of working a RO/RO vessel at Berth 5, an existing deteriorated bollard at the corner of Berths 1 and 5 must be replaced that is original to the wharf. In order to expedite this replacement, a change order was requested from McCarthy. After review of the proposal, staff finds the price to be reasonable and recommends approval of the change order in the amount of \$34,175.

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

8. Discussion regarding calendar dates for the upcoming budget and tax rate setting process.

Mr. Lowe reviewed the annual rate setting process for both debt service (I&S) and maintenance and operations (M&O). The I&S rate will include 2019 GO Bond issuance payments as well as planned 2021 issuance payment. The industrial and residential tax base is combined for Port Freeport and exemptions include Homestead and Over 65 and/or disabled are included when determining taxable values. The I&S rate portion is backed by the May 2018 bond election where voters approved \$130,000,000 bonds to be issued in support of the Freeport Harbor Channel Improvement Project with \$35 million issued in June 2019 and \$39 million anticipated for 2021. Mr. Lowe noted a 25% reduction in the Port's tax rate over the last 10 years with it being held at 0.0401 the last few years. He also reminded the Commission of the Port's current industrial/residential mix tax base of 71% industry and 29% residential adding the 2020 numbers look to be moving to a 74% and 26% mix. The process to fund the Freeport Harbor Channel project started with 3 cents applied to M&O and 1 cent to debt service. Staff still anticipates the inverse to take place with 1 cent toward M&O and 3 cents toward debt service as the entire \$130,000,000 in bonds are issued. Mr. Lowe then shared the following proposed tax rate and budget schedule...

August 13 – Review 2020 Tax Rate Calculation Worksheet results

August 27 – Take a record vote to propose 2020 tax rate

August 27 – Conduct Budget Workshop

August 28 – Report proposed rate and results of vote to BC Tax Assessor-Collector

September 3 – BC Tax Assessor-Collector will publish either:

- *Notice of voting on tax rate*
- *Notice of hearing on tax increase*

September 10 – Hold tax rate hearing if proposed rate is above no new revenue rate

September 10 – Adopt 2020 tax rate

September 10 – Adopt Budget

Mr. Lowe reminded the Commission that under SB2, the No New Revenue Tax Rate (Effective) is the total tax rate that would provide the same amount of revenue in the year before on properties taxed in both years. It's generally equal to last year's taxes divided by

current taxable value of properties that were also on the tax roll last year. The Voter Approval Rate (Rollback) is the required I&S Tax Rate plus either a 3.5% or an 8% (Special Taxing Unit) increase in the No New Revenue M&O Tax Rate. The Port is not considered a special taxing unit. The Port Commission chose not to pursue the disaster declaration therefore the Port's rate was calculated with a 3.5% maximum cap. Mr. Lowe then shared the 2020 tax rate calculation worksheet with the No New Revenue Tax Rate at 0.037207 and the Voter Approval Tax Rate of 0.042095. If the proposed tax rate exceeds the second rate, it would require a vote by Port Freeport District voters. If the proposed rate is in between the two rates, a tax hearing would be held, then adopt the rate and adopt the budget. If the rate of 0.037207 is proposed, a vote would be held, adopt the rate and adopt the budget. Tax Revenue Components for last two years assuming consistent rate of \$0.0401 rate shows last year's total levy was \$5.6 million which was based on \$14.1 billion appraisal roll. This year's appraisal is \$15.5 billion with the total levy at \$6.2 million. The debt service goes from \$1.5 million to \$2.1 million and the M&O portion goes down from \$4.171 million to \$4.148 million. Mr. Lowe showed the impact of the over 65 and disabled exemption combined with the 20% homestead exemption that anyone in this category would pay zero taxes on a property value of \$187,500 or less, if they have filed for both the homestead exemption and over 65 and disabled exemption.

9. Update regarding Brazoria-Fort Bend Rail District matters.

Ms. Saathoff stated the Port Commission previously approved two amendments to the Brazoria-Fort Bend Rail District MOU. The third amendment provided for an additional \$30,000 in funding for operations while the fourth amendment provided advanced funding for the payment of remaining HDR invoices to accelerate the processing of the application for reimbursement from TxDOT under the grant program. A check was submitted to the Rail District, the District has paid HDR's final invoices and the reimbursement application has been filed with TxDOT and TxDOT has received the final draft of the feasibility study. Additionally, records are being gathered to submit to the accounting firm who will review the expenses of the Rail District to determine the final amount needed to close out remaining operating expenses. Ms. Saathoff noted that as soon as the reimbursement funds are received from TxDOT, the Port will be immediately reimbursed for the funds advanced under the fourth amendment.

10. 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 and discussion regarding Section 623.219(b), Title 7, Subtitle E, Texas Transportation Code.
 - 2. Consultation with attorney and discussion regarding legal matters related to Industrial District Agreement between Port Freeport and Town of Quintana.
- B. Under authority of Section 551.072 (Deliberation Concerning 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 are 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.

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 14, 31 and Surfside Lots.

C. Under authority of Section 551.074 (Deliberation of Personnel Matters) for discussion regarding:

1. Discussion regarding the appointment, employment, evaluation, reassignment, duties of a public officer or employee, including but not limited to: Executive Director/CEO.

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

12. Approval of a Purchase Contract for property located at 537 E. 8th Street and 322 E. 8th Street.

Ms. Saathoff stated this purchase contract is for the two properties listed for a total contract purchase price of \$37,000. Staff recommends approval.

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

13. Approval regarding extension to Reservation Agreement and Cost Reimbursement Agreement between Port Freeport and Trammel Crow.

Commissioner Croft made a motion to amend the Agreement for Reservation of Property between Port Freeport and Trammel Crow Houston Industrial Development, Inc. to:

- Change the date for commencement of monthly Reservation Fees to January 01, 2021;
- Extend the Termination Date of the Reservation Agreement to December 31, 2021;
- Change the terms for termination so that:
 - On or before December 31, 2020 Port Freeport may terminate the Agreement if Developer is in default and Developer has not cured within 30 days of receiving written notice of default;
 - On or before December 31, 2021 Developer may terminate the Agreement for any reason or no reason by submitting written notice of termination to Port Freeport;
 - After December 31, 2020 Port Freeport may terminate this Agreement for any reason or no reason by submitting written notice of termination to the other party; and
 - The Earnest Money is non-refundable and will not be applied against reservation fees but will be applied as a credit toward port use fees, lease payments or other such monthly charges if Port Freeport and Developer execute a lease agreement covering all or any part of the Property on or before December 31, 2020.

The motion was seconded by Commissioner Kresta with all Commissioners present voting in favor of the motion.

Commissioner Croft made a motion to amend the Cost Reimbursement Agreement between Port Freeport and Trammel Crow Houston Industrial Development, Inc. to:

- Extend the period during which Port Freeport and Developer can enter into a Lease Agreement making all Pre-development costs final and no longer eligible for reimbursement to December 31, 2021.

The motion was seconded by Commissioner Kresta with all Commissioners present voting in favor of the motion.

14. Adjourn.

With no further business before the Commission, the meeting adjourned at 4:36 PM.