

Minutes of Meeting
August 27, 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 27, 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. 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. Chris Hogan, Director of Protective Services
Mr. Jason Hull, Director of Engineering
Mr. Jason Miura, Director of Business & Economic Development
Mr. Mike Wilson, Director of Economic Development & Freight Mobility
Mr. Brandon Robertson, Network Systems Manager

Ms. Missy Bevers, Executive Assistant
Ms. Mary Campus, Controller
Mr. Jesse Hibbetts, Operations Manager
Ms. Lauren McCormick, Public Affairs Manager
Ms. Marilyn Miller, Public Affairs Assistant

Also, present via teleconference:

Ms. Colleen Kallestad, Freeport LNG
Mr. Bob Arroyave, BGE, Inc.
Mr. Will Wachel, WSP
Mr. David Kaufman, Haskell
Mr. Jeff Taylor, Freese & Nickel
Mr. Joe Smith
Ms. Melanie Oldham

Commissioner Pirtle stated the following information...

Today's date is August 27, 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 – Commissioner Shane Pirtle.
3. Roll Call – Commissioner Kresta noted that he and Commissioner Croft were present in the board room while Commissioners Santos, Hoss, Singhanian and Pirtle were present online/remote.
4. Public Comment – There were no public comments.
5. Receive update from the Lone Star Harbor Safety Committee.
Ms. Colleen Kallestad, Chairperson for the Sub-Committee stated the committee last met July 21 with most of their discussion surrounding the charts. Chart updates have been made and the committee is now waiting on the USACE to survey the sailboat wreck outside the channel and remove it from the chart, and for the USCG to update the security markers. The Committee is still working on the anchorage areas, but navigation is up to date. COVID-19 focus was also a big topic on the last call with the USCG realizing there was a gap with U.S. vessel screening. The Brazos Pilots and USCG have developed new protocols to screen American-crewed vessels for COVID-19. The next item to be updated is the Coast Pilot which is a document / book that gives information on anchorages, clearances, currents, tides, etc. for each port. Next full committee meeting is September 4 and the next sub-committee meeting is September 22. Ms. Kallestad noted that the new Captain of the Port, Jason Smith, is looking at recreational boater information as there have been a few incidents in Houston-Galveston that have resulted in fatalities. This will be discussed in full committee.

Commissioner Hoss inquired about the recreational boater aspect and whether or not the group would discuss issues with area recreational boaters getting in the way of inbound/outbound ships. Ms. Kallestad stated there is still ongoing discussion on how to approach this topic and best way to get the information out, but it will be discussed with the full committee meeting Sept. 4. Additionally, Commissioner Hoss noted the OSS Advisory Committee discussed the guillotine gate closure and communication to the community and whether the group had been notified about this topic. Ms. Kallestad stated she would reach out to Mr. Durel to discuss this topic.

6. Approval of minutes from a Regular Meeting held August 13, 2020 and a Special Meeting held August 18, 2020.

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

7. Receive reports from Executive 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.

Executive Director/CEO

Ms. Saathoff first recognized Mr. Durel and his team for their efforts in keeping everyone informed while tracking Hurricane Laura and coordination efforts with the Coast Guard.

Ms. Saathoff noted the Port's federal consultants in DC, Van Scoyoc, is working to schedule virtual meetings to begin advocacy work for the USACE 2021 Work Plan and the 2022 President's budget. Meetings are expected to be scheduled for mid-September. At this time, Ms. Saathoff asked Ms. McCormick to give an update on Public Affairs activity, and also acknowledged her efforts during in her time with Port Freeport from her professionalism in representing the Port in the community to managing communications with the media. Ms. Saathoff thanked her for all she has done for the Port and wished her the best of luck in her new position at the college. Ms. McCormick reported the Community Advisory Panel meeting will be held virtually in September. Invitations will be sent out next week. Staff has also began planning the Port Freeport Annual Golf Tournament which is will be a single-flight tournament in order to keep participants and volunteers safe. Staff still anticipates a good level of participation. Ms. McCormick thanked commissioners and staff for all they have done during her time at Port Freeport. Commissioners Singhania asked about the number of inquiries received regarding the Channel Improvement Project. Ms. McCormick stated the inquiries have been slow but feels that staff has done a good job communicating through press releases keeping the website updated. Commissioners also thanked Ms. McCormick for a job well done during her time at the Port.

Chief Financial Officer

Mr. Lowe gave a presentation regarding the financial results for July.

Director of Engineering

Mr. Hull reported that contractor Manson anticipates beginning the annual maintenance dredging of the Freeport Harbor Channel toward the end of September.

Director of Operations

Mr. Durel stated that for the month of July, LNG had 1 vessel, expecting 3 in August and 71 YTD. The Port handled 11 Ro/Ro vessels, 91 YTD and 14 anticipated for August. The Port received its third vessel of pilings for the Berth 8 dock. The last vessel is expected at the end of the year or early 2021. Mr. Durel reiterated Mr. Hogan's schedule with monitoring the storms, participating on PCT calls, staying active with the Port and all agencies regarding COVID-19 and keeping staff up to date. Staff continues to monitor the process of the Ro/Ro business in how the cars are handled and inspected. Additionally, staff is also working with Cemex on the CO2 transfer from truck to rail process. Mr. Durel noted that included in the safety report this month is a spreadsheet and pie chart of all incidents. Ms. Saathoff added that the Pilots have been in communication with the Port and Ro/Ro carriers for night-time sailings, through a waiver process, for anything below 750 LOA. Commissioner Singhania inquired about Tenaris. Ms. Saathoff reported the Port doesn't expect to see any activity from Tenaris until 2021 adding they still have pipes on site at the Bay City facility and steel billets at the Port. Until drilling picks back up in the Permian and other areas, this will not change.

Director of Business & Economic Development

Mr. Miura reported the first Ro/Ro units (7600) arrived at Parcel 14. It's a mix of automobiles, high and heavy and breakbulk cargo. 4500 more OEM units are in route and expected in the next few days. Mr. Miura noted that the 84 vessels the Port saw in July is a slight reduction from June, but overall YTD is a 15% increase. Commissioner Pirtle inquired about A&R Logistics. Mr. Miura stated they were not able to secure a sufficient amount of business. With regard to the cars on Parcel 14, Commissioner Singhania asked if any are brought in/out by rail. Mr. Miura stated that at this time, all are brought in/out by truck.

8. Receive report from Commissioners on matters related to:
 - A. August 21 Finance Advisory Committee – Commissioner Singhanian reported the committee received a presentation on the preliminary 2020/2021 Fiscal Year budget, tax rate and budget schedule, as well as the Over 65 exemption. Proposed adjustments to Port Freeport Tariff No. 005 were also discussed. Commissioner Singhanian also noted that during the public comment period, Chris Noble with Dole expressed reservation on the proposed cranes detention rates.
 - B. August 26 Operations, Safety & Security Advisory Committee – Commissioner Hoss reported the committee discussed emergency response issues related to shipping and incidents that may occur within the Port, reviewed the Port’s response and response plans . Additionally, the committee discussed current security measures in place at entry points around the Port and how to measure the effectiveness of them.
 - C. Meetings and conferences attended, Port presentations, Rail District and other related Port Commission matters.

Commissioner Singhanian reported attending an update from Steve Roop, Director of Freight Shuttle and the Angleton Chamber virtual meeting.

Commissioner Santos reported attending the freight shuttle update as well as the Hispanic Chamber virtual luncheon.

9. Approval of financial reports presented for the period ending July 31, 2020.

A motion was made by Commissioner Pirtle to approve the reports for period ending July 31, 2020. The motion was seconded by Commissioner Hoss with all Commissioners present voting in favor of the motion.

10. Approval of a payment to the U.S. Army Corps of Engineers for the Port’s cost share of Reach 3 dredging contract of the Freeport Harbor Channel Improvement Project, for an amount not to exceed \$5,920,476.00.

Mr. Hull stated this payment will begin the first part of the Freeport Harbor Channel Improvement Project. The Corps received \$19 million from the treasury and based on that, the Port’s payment of \$5,920,476.00 needs to be transmitted to the U.S. Treasury. Staff recommends approval. Ms. Saathoff noted the contract will be awarded by the Galveston District on Sept. 11, 2020.

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

11. Conduct workshop regarding Fiscal Year 2020/2021 Budget for Port Freeport.

Mr. Lowe began the workshop giving an overall summary of the revenues stating staff anticipates \$31.1 million in operating revenues and \$19.9 million in operating expenses which would produce an operating profit of \$11.2 million with a margin of 36%. A decrease in net assets of \$57.6 million is anticipated due to the start of the Freeport Harbor Channel

Improvement Project. Planned capital expenditures amount to \$75.8 million plus contributed to others of \$66.4 million for a total of \$142.2 million which will be funded through a combination of cash flows, holdings in the capital reserve, debt and grants. Debt service interest on existing debt amounts to \$7.6 million. It is anticipated that \$39.2 million in new GO debt and \$30 million in new revenue backed debt for Port Capital Improvement projects will be issued with \$1.9 million in interest expense and bond issuance costs. Staff anticipates \$20 million will be used from the capital reserves and the balance in unrestricted reserves will be \$59.9 million by year end. Sources of revenue show harbor revenues at 49%, lease revenues at 35% and ad valorem at 16%. The decrease in harbor revenues from the 2020 forecast of \$2,413,209 or 7% is due to impacts from the pricing collapse of the energy market as well as the impact of COVID-19 on the energy market. Total ship calls are 421 with tonnage at 8,630,520; volumes are up 10% over 2020 forecasted due to existing customer base increasing opportunities. Lease revenue is down 3% due to a ground reservation termination and one expired lease. The Port's ad valorem taxable value came in at of \$15.6 billion for an increase of 10%. The non-residential base represents approximately 70% of roll where the residential base is 30%. Staff has calculated the budget at maintaining a rate of \$0.0401/100 of assessed value which is above the no new revenue rate of \$0.037207/100. Tax levy projections shows debt service (I&S) will continue to take a larger part of the tax levy. Regarding operating expenses, depreciation, wages and business insurance represent 73% of the budget. With security included, this accounts for almost 80%. Salaries, wages and benefits has no increase proposed in the budget however alternatives are available for future considerations. There is a temporary hold on filling vacant positions which were frozen when COVID hit and are not included in the budget today. There is a market adjustment allowance included in the budget as well as a 12% increase in group health and a 10% increase forecasted in dental and vision premiums. This puts the percent of group health to total wages and benefits at 18%. The budget assumes full employment with all vacancies filled, full participation in the retirement plan and the percent benefits to salaries and wages is 43%. Professional Services budget has increased over the 2020 forecast which is primarily driven by security services recently authorized. The Training, Travel, and Promotional budget of \$637,500 is an increase over 2020 forecasted \$126,827 or 25%. FY 2020 reflected reduced travel due to COVID-19. FY 2021 budget assumes resumption of some travel however, evaluation will continue, and training will be virtual where possible. Commissioners questioned the increase when travel is still restricted suggesting a reduced number. After a lengthy discussion, staff will revisit the budget and come back with a number that may be more acceptable to the Commissioners. Supplies budget is \$156,200 which is a decrease from 2020 forecasted \$9,560 due to purchase of COVID-19 supplies. This also includes planned small equipment and safety purchases. Utilities will see a slight decrease of \$1,196. The City of Freeport has approved a 12% increase in water and sewer rates. Staff anticipates an increase in business insurance for a total of \$1,269,700. The Port saw an 8.47% increase in property insurance March 1, 2020 and the July 1, 2020 liability package renewal experienced a 3.81% increase. Other services and charges include dues, subscriptions, software services, contract labor, property lease expenses decreased 10% over 2020 forecasted to \$465,000. This includes an increase in AAPA dues and elimination of Piers data reporting services. Maintenance and repair budget is \$880,800 which is a decrease of 5% over 2020 forecasted. The bi-annual underwater inspection (\$100,000) of the berths is included in this number. Depreciation expense of \$8.1 million which is an increase of \$577,000 due to the addition of assets. Regarding debt service and fees, staff has estimated \$15.3 million in principal and interest for FY 2021. This anticipates the GO Bonds and revenue bond issuances. The Port's strategic initiatives which include the Freeport Harbor Channel Improvement Project, buildout of Port container handling facilities, development of warehousing and OEM distribution facilities, and the port infrastructure support has a total

budget of \$142.2 million. Finally, the Port's 2020 capital funding by source shows a large portion coming from (67%) revenue debt or capital improvement reserve with 8% from cash flow or general reserve and 25% from general obligation debt which is dedicated to the channel project.

12. Discussion and adoption of a Resolution to increase the Over 65 and Disability Tax Exemption.

Mr. Lowe stated that a request was previously made to staff to look into increasing this exemption from \$150,000 to \$175,000 and the impact of making this change. Approximately 1400 additional accounts would be impacted and paying no taxes and the tax levy impact to the Port would be \$27,000. Mr. Lowe shared a slide showing that under the current \$150,000 exemption a homeowner with a \$187,500 valuation would pay no taxes to Port Freeport if they were age 65 or older or disabled. With the additional \$25,000, a homeowner with a \$218,750 valuation would pay no taxes to Port Freeport if they qualify for this exemption. Commissioner Santos spoke on behalf of the Finance Advisory Committee as one commissioner who does not qualify for this exemption, stating the committee previously discussed the exemption and supports this increase.

Commissioner Kresta noted that staff did confer with legal counsel regarding the matter of certain commissioners being over 65 and voting. This does not apply as this exemption is countywide in the navigation district for those who qualify, not just for certain people.

A motion was made by Commissioner Santos to adopt a resolution to increase the 65 or over or disabled tax exemption to the taxable value of \$175,000. The motion was seconded by Commissioner Hoss with all Commissioners present voting in favor of the motion.

13. Discuss and consider adoption of a Resolution to propose a tax rate of \$0.040100, which is a tax increase of 7.78% above the No New Revenue Tax Rate, to be adopted at a future meeting.

(The 2019 tax rate is \$0.040100; the proposed tax rate is \$0.040100; the 2020 No New Revenue Tax Rate is \$0.037207.)

Mr. Lowe stated the tax rate to be set includes debt service (I&S) and maintenance and operations (M&O). The I&S rate includes the 2019 GO Bond issuance where \$35 million in revenue was brought in and includes a planned 2021 issuance currently modeled at just over \$39 million. The industrial and residential tax base is updated annually and provided by Brazoria County. The Port's tax base is a blended mix of both industrial and residential. Mr. Lowe noted that between 2011 and 2016, the Port decreased its tax rate by 25% and since then has held that rate at 0.0401. The Port's current industrial/residential mix tax base of 70% nonresidential and 30% residential. 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 as more bonds are issued. Mr. Lowe also shared the tax levy projection slide previously discussed in the budget presentation as well as top 10 taxpayers in industry. Taxable value in 2020 is \$15.5 billion and between 2020 and 2030, staff anticipates an additional \$13.4 billion coming on to the tax roll from currently abated investments. The proposed tax rate and budget schedule remains the same as previously presented...

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 noted that under the state guidelines and how they are written that although the Port is maintaining its overall rate of \$0.0401, its written in a manner that the motion applied on September 10 considers it a tax increase because it's over the no new revenue rate. The wording is specific to the no new revenue tax rate, not to the current rate of \$0.0401.

Mr. Lowe reminded the Commission 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. The voter approval rate (rollback) is the no new revenue M&O rate plus 3.5% added to the required I&S tax rate. The Port has added \$500,000 for new debt issuance plus an additional \$100,000 from increased payment from original issuance for a total for a total of \$600,000 additional of debt payments that go into factoring of I&S rate added to the no new revenue M&O rate to come up with a rate that would require the Port to go to voter approval in November if we exceeded that rate. Mr. Lowe 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 explaining that if the proposed rate is in between the two rates, it requires a single public hearing, it does not require a November ballot and can be adopted after the public hearing and adoption of the budget which is where the Commission stands today. The proposed rate of \$0.0401 would generate \$6,240,614 and the no new revenue tax rate would create \$5,790,387 which is an increment of \$450,227.

A motion was made by Commissioner Croft to adopt a resolution to propose a tax rate of \$0.040100 which is a tax increase of 7.78% above the no new revenue tax rate to be adopted at the September 10, 2020 Port Commission meeting and to conduct a Public Hearing on proposed tax rate at 1:00 p.m. The motion was seconded by Commissioner Singhania with all Commissioners present voting in favor of the motion.

14. Approval of proposed adjustments to Port Freeport Tariff No. 005.

Mr. Miura stated that staff previously met with the Finance Advisory Committee to discuss the proposed adjustments to the tariff. Subsequently, staff submitted the proposed adjustments to Port tenants, users and partners for their review and questions. Staff is recommending a 3% increase in dockage and security related items. Mr. Miura noted that some items were adjusted on a case-by-case basis. Staff does not recommend a general rate adjustment to the tariff at this time given the current economic conditions. Staff recommends approval of the adjustments included on the spreadsheet provided to the Port Commission which would take effect October 1, 2020. At this time, the Port Commission began a discussion related to the proposed increase to the gantry crane gang detention credit rate. Staff will adjust this rate to \$133 per 5-minute increment over the first hour the crane is down

A motion was made by Commissioner Croft to approve the proposed adjustments to Port Freeport Tariff No. 005 to take effect October 1, 2020 and to include the adjustment

discussed to the detention rate on the crane to give credit for an hour. The motion was seconded by Commissioner Singhania with all Commissioners present voting in favor of the motion.

15. 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 with attorney 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: FM1495; 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 Parcel 14 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.

16. RECONVENE OPEN SESSION:

17. Adjourn.

With no further business before the Commission, the meeting adjourned at 6:27 PM.