

Minutes of Meeting  
September 10, 2020  
In Person and Video/Teleconference

Notice is hereby given that the Port Freeport Port Commission will convene a meeting at the time and place indicated above. This Port Commission meeting **will be open to the public to attend in person**, including by not limited for purposes of commenting during the public hearing set forth in the agenda. In addition and pursuant to Port Freeport's commitment to transparency, should any individual be unable to physically attend the hearing due to the COVID-19 pandemic, but want to participate by telephone or virtually, this meeting will also be open to the public pursuant to the order by the Office of the Governor issued March 16, 2020. The instructions for attending by phone or computer are listed below.

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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 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  
Mr. Mike Wilson, Director of Economic Development  
Ms. Mary Campus, Controller

Also, present:

Mr. Bobby Fuller, Texas Port Ministry  
Mr. Bob Arroyave, BGE  
Mr. Brett Sebastian, GoRail  
Mr. David Kaufman, Haskell  
Mr. Joe Smith

Commissioner Kresta stated the following information...

Today's date is September 10, 2020, and the time is 1:00 p.m. This is a regular meeting of the Port Commission. I am Paul Kresta, Vice Chairman. We are conducting this meeting in person and permitting the public to attend this meeting in person, which was noted on the agenda. In addition, we are making this meeting available 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.

For individuals unable to physically be at this meeting but wishing to participate in the public comment or for the public hearing, 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](http://www.portfreeport.com). As previously stated, the public may attend this meeting in person.

Public comment will be available at the beginning of the meeting as indicated on the agenda. Following public comment, the public will only be permitted to communicate with the Commission during the tax rate public hearing, which is noted on the agenda.

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.

An Executive Session was noticed on the published agenda and will occur unless otherwise indicated during the meeting. 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 Kresta stated that Commissioners Singhania, Hoss and Pirtle were present online. Those present in the board room (at a safe distance) included himself, Commissioner Croft, Commissioner Santos, Phyllis Saathoff – CEO and Port's legal counsel Jason Cordoba. Ms. Saathoff stated additional staff in the room included Rob Lowe - CFO, Jason Miura – Director of Business Development, Chris Hogan – Director of Protective Services, Brandon Robertson – Network Systems Manager and Missy Bevers – Executive

Assistant. Staff joining the meeting online included Mike Wilson - Director of Economic Development, Jason Hull - Director of Engineering and Mary Campus – Controller.

4. Public Comment – There were no public comments.
5. Approval of minutes from the Regular Meeting held August 27, 2020 and Special Meeting held September 3, 2020.

A motion was made by Commissioner Santos to approve the minutes as presented. 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 USCG Captain Jason Smith visited the Port September 4 for a briefing and tour. August was a record month for Ro/Ro vessels with the Port receiving 15 total vessels. Ms. Saathoff shared before/after picture of the Parcel 14 20-acre expansion site for Horizon Terminal Services. The first picture showing the completed site when turned over to HTS and the next showing a full site with approximately 4,000 vehicle-filled unit spaces. Outreach efforts have begun with the Port's Washington delegation, the USACE and ASA's office. Staff had a virtual briefing with Senator Cornyn's office earlier in the week and gave an update on the FHCIP project as well as accomplishments achieved since the Port's last visit in March. HDR has passed 65% completion on engineering and design for Reach 2 and expected to be at 95% completion by the end of the year and 100% complete before summer months (2021). The Port will be ready to receive additional funding in 2021. In addition, staff is requesting funds in the 2022 President's budget which will be used towards construction of Reach 1. Preparations for the Port's annual golf tournament are still moving forward. As mentioned previously, this year's tournament will be single flight which allows for 37 teams. To date, twenty teams and twenty sponsors have committed to supporting the event. Proceeds from this event will go to Texas Port Ministry to support the work they provide to seafarers, truckers and port workers inside the port.

7. Approval to sign on to a Letter of Support to the Surface Transportation Board to preserve the Staggers Rail Act, allowing freight railroads to innovate, adapt and reinvest in the rail network.

Mr. Brett Sebastian, Texas State Director for GoRail, spoke to the Commission regarding a national letter in support of freight rail movement which also coincides with the 40<sup>th</sup> Anniversary of the Staggers Rail Act. Mr. Sebastian spoke briefly on the history of this piece of legislation and how it has changed and supported the freight rail industry as well as how critical it is to the continued operation of the nation's freight railroads and how important it is to the nation's transportation infrastructure.

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

8. Conduct a Public Hearing regarding a proposal to set a tax rate of \$0.040100 which will increase total tax revenues from properties on the tax roll in the preceding year by 7.78 percent (percent by which proposed tax rate exceeds the no new revenue tax rate calculated under Chapter 26, Tax Code). Your individual taxes may increase at a greater or lesser rate, or even decrease, depending on the change in taxable value of the property in relation to the change in taxable value of all the property and the tax rate that is adopted.

Mr. Lowe gave a presentation outlining the process stating the tax rate is made up of debt service (I&S) and maintenance and operations (M&O). The 2020 I&S rate will include the 2019 GO Bond issuance payments as well as a 2021 bond issuance payment estimate. The industrial and residential tax base is updated annually and provided by the Brazoria County Tax Office. Mr. Lowe reminded the Commission that on August 27, a resolution was approved to increase the age 65 or over or disabled exemption to \$175,000 which will increase the accounts paying no taxes to 10,704. The District voters approved \$130 million for the purpose of deepening and widening the Freeport Harbor Channel with \$35 million of the \$130 million issued and another \$39 million issuance planned for February 2021. Mr. Lowe noted that since 2011, the Port has decreased its tax rate 25% from \$0.053 to the current rate of \$0.04. The Port's current industrial/residential tax base mix is 70% nonresidential and 30% residential. The process to fund the Freeport Harbor Channel project began with 3 cents applied to M&O and 1 cent to debt service. The inverse is still anticipated 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 the industry which makes up 37.7% of the tax base. Additionally, the taxable value in 2020 is \$15.5 billion however, by 2030, a projected additional \$13.4 billion will come on the tax roll from currently abated investments. The tax rate and budget schedule remain 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*

The two tax rates involved with the annual tax rate are the no new revenue tax rate (effective) and the voter approval rate (rollback). The no new revenue tax rate 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. 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 voter approval rate is at that rate or above, it would require a November election. The proposal previously discussed was to hold the rate of \$0.0401 that has been in place since 2016. Since this is above the no new revenue tax rate, the Port is holding the public

hearing September 10th (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.

Commissioner Kresta asked if there were any members of the public wishing to speak to the hearing. Mr. Cordoba noted for the record that staff has unmuted participants online, so they have the ability to speak if they so choose. He also noted there were no members of the public in attendance wishing to speak to the hearing. Commissioner Kresta again asked if there were any members of the public wishing to speak to the hearing.

Commissioner Kresta closed the public hearing with no comments from the public made.

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

Mr. Lowe stated that after the August 27 preliminary workshop with the Port Commission, staff met with the Finance Committee to discuss changes. This presentation will show a reduction of expenses of \$140,000 in training, travel and promotional and is the only change from the workshop. The overall summary shows \$31.1 million in operating revenues and \$19.8 million in operating expenses which produces an operating profit of \$11.3 million with an operating margin of 36%. A decrease in net assets of \$57.5 million is expected based on the Freeport Harbor Channel Improvement Project construction. Total capital expenditures come in \$142.2 million which is broken up into two areas, capital expenditures representing \$75.8 million and capital contributed to others representing \$66.4 million. Debt service interest on existing debt amounts to \$7.6 million. With a new issuance of \$39.2 million in new GO debt, interest and issuance costs adds an additional \$1.9 million in debt service. Approximately \$20 million will be used from the capital reserves. 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 the pricing collapse of the energy market as well as the impact of COVID-19 on the energy market. 421 ship calls are anticipated with volumes up 10% over 2020 forecast however, lease revenue will be down 3% due to a ground reservation termination and one expired lease. The Port's ad valorem taxable value is \$15.562 billion with an adjustment to reflect the increase in the age 65 and over or disabled exemption for a net of \$6,072,000. The majority of operating expenses is comprised of depreciation, salaries and business insurance and with security included represents just over 80% of total operating expenses. As mentioned earlier, the training, travel, and promotional budget has been reduced \$140,000 to \$497,300 which is a decrease over 2020 forecasted by \$13,373 or 3%. Supplies and utilities will both see a slight decrease however as mentioned in the workshop and previously approved, business insurance increased \$141,900 over 2020 forecasted for a total of \$1,269,700. Other services and charges decreased 10% and includes the elimination of Piers data reporting services partially offset by an increase in AAPA dues. Maintenance and repair budget is \$880,800 and includes the bi-annual underwater inspection of the berths. Depreciation expense of \$8.1 million which is an increase of \$577,000 due to the addition of assets. Debt interest and fees payments of \$15.3 million in principal and interest are anticipated for FY 2021. As mentioned before the Port's capital expansion plan budget is \$142.2 million and includes the Freeport Harbor Improvement Project. 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.

10. Adoption of the FY 2020/2021 Budget for Port Freeport.

A motion was made by Commissioner Singhania to adopt the budget as presented by staff. The motion was seconded by Commissioner Croft with all Commissioners present voting in favor of the motion.

11. Adoption of a Resolution setting the 2020 Tax Rate for Port Freeport.

Ms. Saathoff noted that the resolution has been prepared assuming the Port Commission is moving forward with the rate proposed at the previous meeting of \$0.0401.

A motion was made by Commissioner Pirtle that the property tax rate be increased by the adoption of a tax rate of \$0.0401, which is effectively a 7.78% increase in the tax rate. The motion was seconded by Commissioner Hoss with all Commissioners present voting in favor of the motion.

12. 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 551.072 (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 2<sup>nd</sup> Street; Terminal Street and East 8<sup>th</sup> 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.

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

14. Approval to increase Purchase Order to CBRE, Inc. in the amount of \$16,500.00, for a total amount of \$266,500.00.

Ms. Saathoff stated this purchase order increase is to allow six additional unimproved properties to be appraised. The increase in the purchase order is \$16,500.00 bringing the total amount to \$266,500.00. Staff recommends approval.

A motion was made by Commissioner Santos to increase the purchase order. The motion was seconded by Commissioner Singhania with all Commissioners present voting in favor of the motion.

15. Adjourn.

With no further business before the Commission, the meeting adjourned at 3:37 PM.