

Minutes of Port Commission Regular Meeting August 26, 2021

A Regular Meeting of the Port Commission of Port Freeport was held August 26, 2021, beginning at 1:01 PM at the Administration Building, 1100 Cherry Street, Freeport, Texas.

This meeting may be attended virtually or in person. The purpose of permitting the public to attend the meeting both virtually and in person is to provide the greatest amount of access to the public during the COVID-19 pandemic.

Accordingly, 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 26, 2021, at 1:00 p.m. in person and also by video/teleconference initiated from the Administration Building, 1100 Cherry Street, Freeport, Texas. In addition to public attendance and in order to meet CDC guidelines for social distancing and slow the spread of the Coronavirus (COVID-19), the public may join the video/teleconference meeting by following the instructions below.

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

This meeting agenda and agenda packet is posted online at www.portfreeport.com

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Passcode: 560816

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Meeting ID: 848 9757 3996

Find your local number: <https://us02web.zoom.us/u/kb0Oij3MrI>

Commissioner's present:

- Mr. John Hoss, Chairman
- Mr. Rudy Santos, Vice Chairman
- Mr. Dan Croft, Secretary
- Mr. Rob Giesecke, Asst. Secretary
- Mr. Ravi Singhania, Commissioner
- Mr. Shane Pirtle, 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. Mike Wilson, Director of Economic Development & Freight Mobility
Mr. Chris Hogan, Director of Protective Services
Mr. Jason Miura, Director of Business & Economic Development
Ms. Missy Bevers, Executive Assistant
Ms. Mary Campus, Controller
Ms. Tricia Vela, Public Affairs Assistant
Mr. Jason Caywood, Security Technician
Mr. Jesse Hibbetts, Operations Manager

Also, present:

Mr. Bobby Fuller, Texas Port Ministry
Mr. Jason Foltyn, HDR
Mr. Rick Stephanow, Gulf LNG Services
Mr. William Bohlen, BGE, Inc
Mr. Henry Chambless
Ms. Barbara Fratila

Commissioner Hoss stated the following information...

Today is August 26, 2021, and the time is 1:01 p.m. This is the regular meeting of the Port Commission. I am John Hoss, Chairman. We are conducting this meeting in person and 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 which may be found on the Port's website www.portfreeport.com. Additionally, the meeting will be open for the public to physically attend the meeting, and the Port welcomes the public to also attend virtually. Public comment will be available at the beginning of the meeting on the agenda item indicated below. Public comment may be communicated virtually or in person. Following public comment, the public will not be permitted to communicate with the Port Commission.

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. 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. Pledge of Allegiance: U.S. Flag & Texas Flag
4. Roll Call – All Commissioners were present.
5. Public Comment – There were no public comments.

6. Approval of minutes from the Regular meeting held August 12, 2021.

A motion was made by Commissioner Pirtle to approve the minutes as presented. The motion was seconded by Commissioner Giesecke 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.

A. Executive Director/CEO

Ms. Saathoff reported on the recently held quarterly executive meeting with the USACE. She also reported on the Senate and House infrastructure packages and how it relates to the Port's continued advocacy for funding of the channel project. Ms. Saathoff stated the National Waterways Conference will be held in Baltimore Sept. 22-24 with a number of the Corps HQ staff attending. Ms. Saathoff also relayed a few items of interest. Dr. Zane from University of Texas at Arlington applied for and was awarded a grant under the coastal management program to assess the flow and sediment dynamics of the lower Brazos and San Bernard basins. The AAPA is seeking a new EPA grant program for port electrification. Advocacy is for \$50 billion over ten years and is seeking ports to sign a letter of support. Additionally, Automotive Logistics Global recently published an article on Amports and their acquisition of HTS. Staff reinstated weekly calls with operations and tenants to monitor COVID situation as cases increase. Ms. Saathoff also reported on the meeting held with the Port, City, County, tenants, etc. to hear a presentation from TXDOT regarding upcoming projects being let for SH36, FM1495 and the Pine Street Bridge. The next meeting will be held in October. Ms. Saathoff also stated that efforts for the annual golf tournament benefiting Texas Port Ministry are well underway with 16 teams confirmed and \$28,000 in sponsorships received.

B. Chief Financial Officer

Mr. Lowe gave a presentation regarding the financial results for the month of July. He also reported that a tax abatement for K-Bin will be forthcoming.

C. Director of Engineering

In addition to his written report, Mr. Hull shared a current photo of DMPA 1. Mr. Hull also reported that Great Lakes withdrew their protest, so this clears the way for the skinny dredging project in Reach 2 to be advertised.

D. Director of Operations

Mr. Jesse Hibbetts reported on the vessel and cargo activity for the month of July stating the Port handled 19 LNG vessels, 162 YTD. 13 container vessels which equaled approximately 3500 containers for the month and 38,000 YTD. 13 Ro/Ro vessels (92,000 autos YTD), 1 Vulcan vessel, 1 Vulcan unit train with total vessels at 444 YTD which is up approximately 100 vessels. Safety and security departments has continued work on the FY21/22 budget. Mr. Quilty continues working with ILA, tenants, stevedores, etc. on heat related issues. Mr. Hogan continues to monitor COVID situation and weather, participating on daily and weekly calls.

E. Director of Business & Economic Development

In addition to his written report, Mr. Miura reported that Breakbulk Americas Conference is still scheduled for September 28-30. The Union Pacific Shortline Railroad & Port Conference will be held virtually. Details are forthcoming. The Greater Houston Port Bureau Maritime Dinner has been rescheduled for November 5.

8. Receive report from Commissioners on matters related to:
 - A. August 4 Personnel Advisory Committee – Commissioner Singhania reported the committee reviewed personnel budget for upcoming fiscal year.
 - B. August 20 Finance Advisory Committee – Commissioner Croft reported the committee received financial information, as well as briefing of budget and information regarding tax rate.
 - C. August 20 OSS Advisory Committee – Commissioner Pirtle reported the committee discussed K9 contract as well as security related items in executive session.
 - D. Meetings and conferences attended, Port presentations and other related Port Commission matters.

Commissioner Pirtle reported attending the Alliance Transportation meeting, TXDOT meeting, BCCA Dinner, CAP meeting, United Way Board meeting, Brazosport Chamber Annual Banquet, San Bernard dredge tour, 36A meeting and Roundtable.

Commissioner Santos reported attending the BCCA Dinner, Chamber Banquet, Altamira Delegation Visit and the Corps Meeting.

Commissioner Croft reported attending a Rotary District meeting, Coastal Conservation meeting, BACH Fishing Tournament as well as Friends of the River meeting.

Commissioner Singhania reported attending the Chamber Banquet, hospital meeting, San Bernard dredge tour, CAP meeting and visited new AG plant at BASF.

Commissioner Giesecke reported attending the CAP meeting and BCCA Dinner

Commissioner Hoss also reported attending several meetings including the Corps 36A meetings.

9. Approval of financial reports presented for the period ending July 31, 2021.

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

10. Resolution of support of extending the suspensions of the Open Meetings Act due to imminent threat to public health and safety and urgent public necessity, from the increase in COVID cases in Brazoria County and State of Texas.

As discussed at the previous board meeting, Ms. Saathoff stated the Port Commission felt it was prudent to send a resolution to the state officials in Austin in support of extending the temporary suspension of the Open Meetings Act that allows meetings to be held by video conference, considering the recent rapid rise in COVID cases. A resolution has been drafted for the Commission's consideration. Staff noted in the resolution that Port Freeport has made substantial investments in upgrading technology and equipment to properly conduct the meetings. Should the Commission adopt this resolution, it will be sent to the Governor, Lt. Governor, Speaker of the House, Attorney General, Representative Vasut, Senator Huffman and local District Attorney.

A motion was made by Commissioner Pirtle to adopt the resolution. The motion was seconded by Commissioner Croft with all Commissioners present voting in favor of the motion.

11. Conduct workshop regarding Fiscal Year 2021/2022 Budget for Port Freeport.

Mr. Lowe began the workshop giving an overall budget summary stating staff anticipates \$39.9 million in operating revenues and \$21.4 million in operating expenses which would produce an operating profit of \$18.4 million. A decrease in net assets of \$15.1 million is anticipated due to the Freeport Harbor Channel Improvement Project. Planned capital expenditures amount to \$55.8 million plus contributed to others of \$31 million for a total of \$86.8 million which will be funded through a combination of cash flows, holdings in the capital reserve, debt and grants. Debt service interest expense on existing debt amounts to \$9.1 million. It is anticipated that \$25 million in revenue backed debt issuance for Port Capital Improvement projects that will equate to an additional \$450 thousand in interest expense and bond issuance costs. Timing expected for the issuance is the beginning of summer 2022. Staff anticipates the balance in unrestricted funds will be \$32.3 million by year end. 86% of revenues will flow through harbor and lease revenues with 14% coming through ad valorem taxes. Total budgeted for operating revenues is \$39.9 million with harbor revenues at \$27.6 million which is 4.3% over current year forecast due to increased LNG calls and Ro/Ro vessels. Tonnage is projected at \$16.8 million with a 10% ship calls increase to 541. Lease revenues of \$12.2 million has decreased over 2021 forecasted \$796 thousand, primarily due to a ground reservation agreement termination. Tax revenue is based on the calculated no new revenue rate of \$0.04008/100. Tax levy projection shows debt service (I&S) will continue to take a larger part of the tax levy. Regarding operating expenses, Mr. Lowe noted that just under 80% of the Port's expenses are found in depreciation, wages and insurance and security. As reported to the Personnel Advisory Committee, staff is requesting a 5% increase of budget in salaries and wages that will be determined individually through review process. Staff also presented the addition of two new positions as well as the filling of two positions that were previously approved but frozen due to COVID. These positions include an Executive Assistant to the CEO and Sales Representative. New positions include an IT Help Desk Technician and Operations Specialist. There is 12% increase forecasted in group health insurance premiums and a 10% increase forecasted in dental and vision insurance premiums. This puts the percent of group health premiums to total wages and benefits at 17% and assumes full participation in the retirement plan and the percent benefits to salaries and wages at 41%. Mr. Lowe noted that current CPI projections are at approximately 5%, with both local and national CPIs used for calculating. Professional Services is budgeted at \$2.7 million which is an increase over the 2021 forecast of \$309 thousand. Approximately 65% is security service fees which includes

K9 detection services, economic impact study, federal and state government liaisons, port planning services and facility replacement cost update. Training, Travel, and Promotional budgeted \$802,900 which is an increase over 2021 forecasted \$446 thousand. Website redevelopment assumes \$150,000 of this budget. The remainder of the increase includes Breakbulk Conference, AAPA events, advertising, training, etc. which have been built back into the plan at pre-COVID levels. Mr. Lowe noted that if the pandemic continues staff has demonstrated this area of the budget can be adjusted should the need arise. Supplies budget is \$156,700 which is an increase of \$18 thousand due to the continuation of purchasing protection supplies for COVID as well as small miscellaneous equipment. Utilities will see an increase of 7% above current forecast to \$800,500 which is due to an increase in water and sewer rates announced by the City of Freeport. Business insurance increased 20% over 2021 forecasted for a total of \$1,557,500. Property renewal saw a 24% increase March 1, 2021, and the July 1, 2021, liability package renewal experienced a 12% increase. Other services and charges are \$216 thousand or 43% increase. \$148 thousand of the increase is associated with the Manage Detection and Response security program the Port will be adding. The Port received a grant for 75% of the cost with those funds showing up in Other Revenue. Also included under this item is AAPA and TPA dues as well as contract labor additions to the operations staff. Maintenance and repair budget is \$927,300 which is a decrease of 9% over 2021 forecasted. Administration building major maintenance of \$150,000 is included under this item. Depreciation expense of \$8,093,700 is a decrease of \$96 thousand due to the sale of the mobile harbor crane. Regarding debt service and fees, staff has estimated \$15.3 million in principal and interest. Mr. Lowe also clarified what project is supported by each of the outstanding bonds. A look at the Port's Capital Expansion Plan of \$86,833,600 broken into four strategic initiatives that include the Freeport Harbor Channel project, buildout of the Port's Container Handling Facilities, development of warehousing and OEM distribution facilities and Port Infrastructure. Finally, the Port's capital funding by source shows 36% coming from general obligation debt, 56% from revenue debt supplemented by some cash flow, with 3% from grant application and cash flow by itself at 5%.

12. Discuss and consider adoption of a Resolution to propose the 2021 tax rate, to be adopted at a future meeting.

Mr. Lowe gave a brief presentation outlining staff's recommendation for a proposed 2021 tax rate. He explained that a rate must be proposed and sent to the County, who will then post seven days prior to the meeting scheduled for adoption. Mr. Lowe then walked through the tax rate process which includes debt service (I&S) and maintenance and operations (M&O). The 2021 I&S rate will include the 2019 and 2021 GO Bond issuance payments. The Port's tax base includes both residential and non-residential valuations, provided by the Brazoria County Tax Office. Exemptions include the homestead exemption and the exemption for those 65 or older or disabled. Last year the Port Commission adopted a resolution increasing the 65 or older or disabled exemption from \$150,000 to \$175,000. Combined with the homestead exemption, a resident with a home value of \$218,750 who qualifies and has filed for the age 65 or older or disabled exemption would pay no taxes to Port Freeport. Bond Package was approved by the voters of the District May 5, 2018. The Port has issued \$74.2 million of the \$130 million in two issuances (2019 and 2021). Mr. Lowe stated that between 2011 and 2016, Port Freeport has reduced the tax rate 25%. Since that time and in line with the bond package and FHCIP cost projections, the rate has been held at \$0.0401/100. The current non-residential/residential mix tax base is 70% non-residential and 30% residential

adding the 2021 numbers still have not been received from the County, but staff anticipates it to remain the same. The process to fund the Freeport Harbor Channel project started with 3 cents to M&O and 1 cent to debt service. Staff still anticipates the inverse to take place with approximately 1 cent toward M&O and 3 cents to debt service as the remaining bonds are issued. Mr. Lowe also shared a graphic of the tax levy projection showing the change/shift in the I&S and M&O rates. Following is the proposed tax rate and budget schedule.

August 26 – Conduct Budget Workshop

August 26 – Take a record vote to propose 2021 tax rate

August 27 – Report proposed rate and results of vote to BC Tax Assessor-Collector

September 2 – BC Tax Assessor-Collector will publish either:

- *Notice of voting on tax rate if proposed rate is at or below NNRTR**
- *Notice of hearing on tax increase if proposed rate is above NNRTR**

September 2 – Conduct 2nd Budget Workshop if needed

September 9 – Hold tax rate hearing if proposed rate is above no new revenue rate

September 9 – Adopt 2021 tax rate

September 9 – Conduct Budget Workshop and Adopt Budget

**Requires seven-day public posting in local newspaper*

Mr. Lowe explained that the *No New Revenue Tax Rate (NNRTR)* is the total rate that would provide the same amount of revenue in the year before on properties taxed in both years. The *Voter Approval Rate* starts with the I&S rate, already approved by the voters of the district through the \$130 million issuance and is calculated by whatever the Port has issued and whatever it requires to pay it. The No New Revenue M&O portion is subject to an annual allowance for an increase of 3.5%, or if you qualify for special taxing unit, 8%. These two rates are combined and becomes the Voter Approval Rate. Mr. Lowe then shared the 2021 tax rate calculation worksheet with the two calculated rates with the NNRTR of 0.040080 and the Voter Approval Rate is 0.044545. Staff recommends proposing a rate not to exceed the NNRTR of \$0.040080. Mr. Lowe shared a breakdown of the 2021 tax proposal noting \$2,689,452 represents upcoming payments (I&S) while \$3,801,771 represents M&O.

. Tax Revenue Components for 2021 vs 2020 budgeted tax revenue shows last year's total levy was \$6.2 million which was based on \$15.6 billion appraisal roll. This year's appraisal is \$16.2 billion with the total levy at \$6.5 million. If the Commission adopts the rate at the NNRTR of \$0.040080, there will be a decrease in the M&O of 346,759 and an increase in debt service of \$597,368. Port Commission entertained a rate of 0.04. Mr. Lowe stated that with a flat rate of 0.04, the M&O portion would be .023394 and the debt service would remain 0.016606 because it is static based on the payment. That impact would be approximately \$13,000.

At this time, a motion was made by Commissioner Giesecke to adopt a proposed rate equal to the I&S rate of 0.016606. The motion died for lack of a second.

After further discussion on the, a motion was made by Commissioner Santos to propose a Port Freeport tax rate of 0.040000 which is below the NNRTR. The motion was seconded by

Commissioner Pirtle with all Commissioners present voting in favor of the motion and Commissioner Giesecke voting no.

13. 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 regarding Chapter 551 of the Texas Government Code.
2. Consultation with attorney to discuss potential litigation.
3. Consultation with attorney to discuss pending litigation.
4. 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, for the preservation and conservation of inland and coastal waters for navigation and for control and distribution of storm and flood waters of rivers and streams in aid of navigation.

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.

14. RECONVENE OPEN SESSION:

15. Adjourn.

With no further business before the Commission, the meeting adjourned at 5:45 PM.