

# Minutes of Port Commission Regular Meeting

## September 9, 2021

### In Person & Videoconference

A Regular Meeting of the Port Commission of Port Freeport was held September 9, 2021, beginning at 1:03 PM at the Administration Building, 1100 Cherry Street, Freeport, Texas.

This meeting may be attended virtually or in person.

The meeting will be conducted pursuant to Section 551.127 of the Texas Government Code titled "Videoconference Call." This statute provides public officials, employees and members of the public may participate remotely in a public meeting by videoconference call. The Port Commission is utilizing this existing statute to ensure the greatest amount of access to the public and ensure the ability of all Commissioners to participate in meetings during the COVID-19 pandemic.

The quorum of the Port Commission will be located at the Commissioner Meeting Room located at 1100 Cherry Street, Freeport, Texas ("Meeting Location"). The Port Commission intends to have a quorum at the Meeting Location. The presiding Commissioner of this meeting will be physically present at the Meeting Location. The public will be permitted to physically attend the meeting at the Meeting Location.

Public comment will be available at the beginning of the meeting during the agenda item devoted to public comment. Public comment may be communicated virtually and in person, but in either event public comment will be limited to 5 minutes per participant and must be communicated verbally. 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](http://www.portfreeport.com)

The videoconference is available online as follows:

Join Zoom Meeting

<https://us02web.zoom.us/j/86475009162?pwd=eDZoa3dLcldhOWFzVkVycUM0VzdrUT09>

Meeting ID: 864 7500 9162

Passcode: 167176

Dial by your location

1 346 248 7799 US (Houston)

1 253 215 8782 US (Tacoma)

1 669 900 9128 US (San Jose)

1 301 715 8592 US (Washington DC)

1 312 626 6799 US (Chicago)

1 646 558 8656 US (New York)

Meeting ID: 864 7500 9162

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

Commissioners 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. Mike Wilson, Director of Economic Development & Freight Mobility  
Mr. Jason Hull, Director of Engineering  
Mr. Chris Hogan, Director of Protective Services  
Mr. Jason Miura, Director of Business & Economic Development  
Mr. Brandon Robertson, Network Systems Manager  
Ms. Missy Bevers, Executive Assistant  
Ms. Mary Campus, Controller  
Mr. Jesse Hibbetts, Operations Manager  
Mr. Jason Caywood, Security Technician  
Ms. Tricia Vela, Public Affairs Assistant

Also, present:

Mr. Bobby Fuller, Texas Port Ministry  
Mr. Jason Foltyn, HDR  
Ms. Barbara Fratila  
Ms. Stephanie Thomas

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 and Texas Flag
4. Roll Call – Commissioner Hoss noted that all Commissioners were present in the board room.
5. Public Comment – There were no public comments.
6. Approval of minutes from a Regular Meeting held August 26, 2021.

Ms. Saathoff noted that a correction was made to the first proposed rate by Commissioner Giesecke of 0.016606. The decimal was in the wrong place and has been corrected.

A motion was made by Commissioner Santos to approve the minutes with the correction noted by Ms. Saathoff. The motion was seconded by Commissioner Pirtle with all Commissioners present voting in favor of the motion.

7. Receive reports from Executive Director/CEO and/or Port 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 the annual golf tournament preparations are progressing with all morning flights filled and sponsorships continuing to come in. The tournament is slated for

October 18 and will benefit Texas Port Ministry. The USACE Galveston District published a public notice regarding upcoming informational sessions to address the Freeport and Vicinity Coastal Storm Risk Management Project which includes features of the Sabine to Galveston Bay program. The sessions will be held virtually September 22 and 23. The AAPA Annual Convention is moving forward and is offering a virtual option at a reduced rate for those who do not want to attend in person. The Texas Ports Association and Texas ports have agreed that each port will submit a gift basket to be auctioned off during the event to raise funds and support the AAPA relief program, which helps families impacted by the recent storm in Louisiana.

8. Receive report from Commissioners on matters related to meetings and conferences attended, Port presentations and other related Port Commission matters.

Commissioner Croft reported attending the Friends of the River meeting.

Commissioner Singhanian also reported attending the Friends of the River meeting.

Commissioner Hoss noted that he will not be attending the AAPA Annual Convention and after reviewing the virtual option, he will opt out of that as well.

9. Approval to ratify Change Order No. 1 to AAR Incorporated in the amount of \$4,830.00 for debris clean-up for the East End Properties 2021 project.

Mr. Hull stated the change order in the amount of \$4,830 was to clean up debris from a property the Port now owns.

A motion was made by Commissioner Pirtle to approve the ratification of Change Order No. 1. The motion was seconded by Commissioner Santos with all Commissioners present voting in favor of the motion.

10. Approval of a Form of Credentials appointing Phyllis Saathoff as delegate to the Annual Convention and Annual Meeting of the American Association of Port Authorities.

Ms. Saathoff stated the form before the Board is the standard form of credentials for the upcoming convention. With Commissioner Hoss not attending the convention, the alternate delegate will be changed to Commissioner Singhanian.

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

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

Mr. Lowe stated that budget has been reviewed through the appropriate committees, i.e., Finance – Revenue; Strategic Planning – Capital Spending; Personnel – Personnel and Benefits. The overall summary shows \$39.9 million in operating revenues and \$21.4 million in operating expenses which produces 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. Staff anticipates \$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. It is anticipated the balance in unrestricted funds will be \$32.3 million by year end. Mr. Lowe noted the only change from the August 26 meeting is in the Use of Funds graphic showing the breakdown between the debt service revenue bonds and debt service GO bonds. Revenues show that 86% of revenues are generated via harbor and lease activities with the remaining 14% coming through ad valorem taxes. Total 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 budgeted at \$16,776,234 million based on 541 ship calls. Lease revenues of \$12.2 million is a decrease over 2021 forecast of \$796 thousand, due to a ground reservation agreement termination. Ad valorem taxes is calculated using the proposed tax rate of \$0.04000/100 which is lower than the no new revenue tax rate of \$0.040800/100. Taxable value increased \$633 million in new improvements and expired tax abatements. Adding these to the tax rolls generates \$253 thousand in tax revenue. The Tax Levy projection graphic shows the split between the I&S rate and M&O rate and the projection as the Port continues issuance of the remaining \$55 million of voter authorized general obligation bonds and resulting impact of the increase tax base. Regarding operating expenses, Mr. Lowe noted that just under 80% of the Port's expenses are found in depreciation, wages and benefits, insurance and security. Port salaries, wages and benefits has an increase of \$603 thousand or 12%. Primary drivers include a 5% increase in CIP/merit raises (there was no increase in 2021). Additionally, two previously approved positions that are vacant and a request for two new positions. The previously approved positions include an Executive Assistant to the CEO and a Sales Representative. New positions include an IT Help Desk Technician and an 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 the percent of benefits to salaries and wages at 41%. The budget also assumes full anticipation in the retirement plan. Professional Services is budgeted at \$2.7 million which is an increase over the 2021 forecast of \$309 thousand. This does include security fees which represents approximately 65% of this category. In addition, surveying, environmental consulting, economic impact study, federal and state government liaisons, port planning services and a facility replacement cost update also encompass this category. Training, Travel, and Promotional is budgeted at \$802,900 which is an increase over 2021 forecasted \$446 thousand. Mr. Lowe noted the increase in this budget assumes that participation in various events will resume, including Breakbulk Conference, AAPA events, WGMA events, Greater Houston Partnership, GFOA, National Waterways Conference, etc. Also included in this category is a website redevelopment of \$150,000. 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 has an increase of 7% or \$51,000 to \$800,500 which is primarily driven from a City of Freeport water and sewer increase. At this time, Commissioner Singhania inquired about the increase to utilities and the breakdown between electricity and water. Staff confirmed that 2021 saw a huge increase in water due to repairs from certain events, but also for a rate increase from the City of Freeport. Also at this time, Commissioner Giesecke inquired about the cell phone allowance for commissioners. After discussion, all agreed to revisit this topic at a later date. 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 which include a safety technician, customer service coordinator and maintenance technician. Maintenance and repair is a decrease of \$97 thousand or 9% over 2021 forecasted. Administration building major maintenance of \$150,000 is included under this item. Other items include security equipment, cleaning and maintenance of office buildings and mowing. Depreciation expense saw a 1% decrease of \$96 thousand due to the sale of the mobile harbor crane. Regarding debt interest and fees, staff has estimated \$15.4 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, continued buildout of the Port's Container Handling Facilities, warehousing and OEM distribution facilities and Port Infrastructure Support which includes capital maintenance, office/computer/IT related, security, vehicles and operational equipment. Finally, the Port's capital funding by source shows general obligation debt at 36%, revenue debt at 56%, general cash flow at 5% and grant application at 3%. Mr. Lowe ended the presentation by stating that in total, the plan presented would represent an operating income of \$18,424,600

## 12. Adoption of the FY 2021/2022 Budget for Port Freeport.

A motion was made by Commissioner Giesecke to zero out Port Commissioners cell phone allowance and zero out the Port Commissioners employee health benefits.

Mr. Cordoba clarified Commissioner Giesecke's motion by stating his motion was to approve the budget subject to these changes. The motion was seconded by Commissioner Singhanian for discussion.

Commissioner Singhanian stated that while he does not have a problem with the cell phone allowance, this includes a lot of other things related to this topic. He would like to see the Board discuss it in its entirety in a few months rather than take it a piece at a time and give staff time to gather all necessary information, i.e., legal ramifications, etc.

Mr. Lowe clarified that enrollment for health benefits runs through year end. The current health benefits are covered through December 31, 2021. Three months are budgeted at the current rate Commissioners are signed up for and nine months are included in the new budget that have not yet been committed to through the annual enrollment process. Benefits run calendar year and not fiscal year and thus the adjustment would only impact the equivalent of nine months.

Commissioner Giesecke modified his motion to zero out the Commissioner health benefits for the 2022 calendar year. The motion was seconded by Commissioner Singhanian with Commissioners Pirtle, Croft, Santos and Hoss voting no. The motion died for lack of support.

A motion was made by Commissioner Croft to adopt the budget as presented by staff. The motion was seconded by Commissioner Singhanian with Commissioners Pirtle, Croft, Santos, Singhanian, and Hoss voting in favor of the motion and Commissioner Giesecke voting no.

13. Adoption of a Resolution setting the 2021 Tax Rate for Port Freeport.

Mr. Lowe gave a small presentation regarding the proposed tax rate and budget schedule. The Commission previously passed a resolution proposing a rate of \$0.04000/100 which equates to total taxes of \$6,478,266. A comparison shows the breakdown between M&O and debt service for tax year 2020 and 2021. For tax rate year 2020, the total levy is \$6,240,614 and for tax rate year 2021 the tax levy is \$6,478,266 based on a taxable value of appraisal roll of \$16,195,665,393. Lastly, looking at the individual components, the M&O portion saw a decrease of the levy amount of \$359,716 while debt service had an increase in levy amount of \$597,368. Staff requests approval of the proposed tax rate.

A motion was made by Commissioner Singhania to adopt the tax rate of \$0.040000. The motion was seconded by Commissioner Santos with Commissioners Pirtle, Croft, Santos, Singhania, and Hoss voting in favor of the motion and Commissioner Giesecke voting no.

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 regarding Chapter 551 of the Texas Government Code.
2. Consultation with attorney to discuss potential litigation.
3. Consultation with attorney to discuss pending litigation.

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 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.

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:

16. Adjourn.

With no further business before the Commission, the meeting adjourned at 4:31 PM.