

Minutes of Port Commission Regular Meeting
February 24, 2022
In Person & Videoconference

A Regular Meeting of the Port Commission of Port Freeport was held February 24, 2022, beginning at 8:33 AM at the Administration Building, 1100 Cherry Street, Freeport, Texas.

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

The meeting will be conducted pursuant to Section 551.127 of the Texas Government Code titled "Videoconference Call." A quorum of the Port Commission, including the presiding officer, will be present at the Commissioner Meeting Room located at 1100 Cherry Street, Freeport, Texas. The public will be permitted to attend the meeting in person or by videoconference.

Public comment will be available at the beginning of the meeting during the agenda item devoted to public comment. Public comment may be communicated in person or by videoconference, 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.

The videoconference is available online as follows:

Join Zoom Meeting

<https://us02web.zoom.us/j/82187716728?pwd=MU1zWjZ4Rys0K20xZzU0U2pGQTljdz09>

Meeting ID: 821 8771 6728

Passcode: 708857

Dial by your location

1 346 248 7799 US (Houston)

1 301 715 8592 US (Washington DC)

Meeting ID: 821 8771 6728

Find your local number: <https://us02web.zoom.us/u/keyx5klWyj>

Commissioners present in person:

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. Peter Nemeth, Interim 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
Ms. Tricia Vela, Public Affairs Assistant
Mr. Nick Malambri, Engineering Specialist
Mr. Jesse Hibbetts, Operations Manager

Also, present:

Mr. Bobby Fuller, Texas Port Ministry
Mr. Chris Moore, Texas Port Ministry
Mr. Kevin Cadenhead, KM&L
Mr. David Garcia, Gallagher
Mr. Stephen Whalley, Gallagher
Ms. Patti Worfe, The Alliance
Ms. Barbara Fratila

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 all Commissioners were present in the board room.
5. Call to identify and discuss any conflicts of interest that may lead to a Commissioner abstaining from voting on any posted agenda item.

There were no conflicts noted from Commissioners.

6. Public Comment – There were no public comments.
7. Approval of minutes from the Regular Meeting held January 27.

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

8. Approval of the FY 2021 Annual Comprehensive Financial Report.

Ms. Campus presented the Annual Comprehensive Financial Report for FY 2021 and introduced Kevin Cadenhead with KM&L to address the Board regarding the letters included in the report. Mr. Cadenhead stated the firm has no audit findings or issues to report to the Board. The letters that accompany the financial statements are required by auditing standards to communicate to the government body if there are any issues. These are clean letters. Mr. Cadenhead noted he did meet with management for an exit conference to discuss details of the audit and changes that are coming in the future with accounting standards (primarily related with leases). He also noted there is one significant disclosure amongst others within the report where the prior year equity was restated. Mr. Cadenhead reminded the Commission that the increased equity from the prior year's financial statements was due to a project that was performed that no one knew who the owner was and ultimately was

determined the Port would own it, so it was added to the Port's assets. Mr. Cadenhead added that the report about to be presented is excellent and complete with a lot of content and information. Ms. Campus reported on the financials of the report and encouraged reading of MD&A on page 19 and noted that financials begin on page 30. The total current assets for the year are \$163.4 million which is an increase from \$153.5 million. Total assets are up \$76 million to \$541.6 million. The liability section of the report shows liabilities went up to \$72 million to \$296.6 million, which was due to the revenue and G.O. bond issuance last year. The Port's total net position is up from the previous year to \$245 million and unrestricted assets are at \$51.5 million. Regarding Statement of Revenues, Expenses and Change in Net Position, operating revenues were \$39.6 million with operating expenses at \$19.4 million. Operating income is \$20.2 million and non-operating revenues and (expenses), which include ad valorem tax collection, investment income, debt interest and fees and contributed capital is (\$16.9) million. The change in net position of \$3.3 million compared to \$8.3 million in 2020, a decrease due to the Freeport Harbor contribution.

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

9. 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 gave an update virtually in order to attend the USACE Galveston District Stakeholder Winter Forum. Ms. Saathoff noted that she will meet with Robyn Colosimo from the ASA's office to brief her on the FHCIP. Ms. Saathoff referenced an email sent out earlier in the week announcing that Stacey Brown, Chief of Programs and Integration at Headquarters will be moving to the ASA's office to replace Vance Stewart who will retire soon. Ms. Saathoff noted this will be a positive move, and staff is working to set up a virtual meeting with Ms. Brown to give an update on the FHCIP. The transitioning of new colonel for the Galveston District is moving forward. Col. Rhett Blackman, who is from the Mississippi Valley Division, will replace Col. Vail who is retiring in June. Ms. Saathoff reminded staff that the next CAP (Community Advisory Panel) meeting will be held March 8th. Voting is currently taking place for the logo drawing contest for the Take-A-Child Fishing Tournament. Voting will continue until 10:00 am February 25. Ms. Saathoff noted an item on the agenda to discuss professional services related to grant preparation adding that it is a timely matter with the U.S. DOT and President Biden recently announcing one of the largest port infrastructure development programs. Staff is still hearing there will be a mid-March release of a FY 2023 Spend Plan for the remaining funds from the IJA (Infrastructure Investment Jobs Act) related to port or Corps projects. In addition, an appropriations package is expected to be coming in the near future. With this, the Corps will have 60 days to put together the FY 2022 Work Plan. Ms. Saathoff then requested discussion to set times for the March 10 Pilot Commission and Port Commission meetings. Commissioner Hoss noted the Pilot Commission will need to meet to appoint Capt. Noah Niday as Branch Pilot and approve changes to the Basic Operating Procedures. Commissioner Hoss suggested a morning meeting since the Pilots want to hold a luncheon as well. After discussing the time, all agreed to set the Pilot

Commission meeting for 9:30 a.m., and if staff has items to discuss, a short meeting of the Port Commission will follow.

B. Chief Financial Officer

Mr. Lowe gave a presentation regarding the financial results for the month of January.

C. Director of Engineering

In addition to his written report, Mr. Hull reported the Orion dredge Emil Kurtz has arrived and will begin dredging Friday or Saturday. Estimated time for completion is 60 days.

D. Director of Operations

Mr. Durel reported that January was a good busy month. The general cargo, breakbulk and automobile side was a little less than other months, but LNG did experience 19 vessels. February should be similar to January but there will be an additional vessel for Riviana which is loading rice and a Vulcan vessel discharging limestone.

E. Director of Business & Economic Development

Mr. Miura submitted a written report to the Port Commission and had nothing further to report.

10. Receive report from Commissioners on matters related to:

A. February 16 Finance Advisory Committee – Commissioner Croft noted this meeting was reported on at the previous and had nothing new to add.

B. Port Commission related meetings or conferences, Port presentations and other Port related matters.

Commissioner Pirtle reported attending the West Columbia Vision 2022, Civic Center Dedication recognizing Mayor Doris Williams, Velasco Drainage District discussion regarding Sabine to Galveston, Lincoln-Reagan Dinner, Brazosport Chamber Luncheon and the TxDOT Quarterly meeting.

At this time, Commissioner Hoss noted that if the commission meeting is still in session, he asks that Commissioner Santos join the Zoom call with Mr. Hull and Ms. Saathoff with the Corps.

Commissioner Croft reported attending the P66/CP Chem CAP meeting and Friends of River (FOR) meeting.

Commissioner Singhania reported attending the Brazosport Chamber Luncheon, ACIT/ABC Luncheon, Hispanic Chamber Gala and Lincoln-Reagan Dinner.

Commissioner Giesecke reported attending the Lincoln-Reagan Dinner.

Commissioner Hoss announced that 455 youths entered artwork for the Take-A-Child Fishing tournament which is significantly up from previous year. The top 15 drawings are on display in the lobby for viewing and voting online. He also reminded staff that early voting ends this week and election day is March 1.

11. Approval of financial reports presented for the period ending January 31, 2022.

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

12. Approval and award of contract for Property, Boiler and Machinery, and Terrorism insurance coverage for a one-year term beginning March 1, 2022, as obtained by broker Arthur J. Gallagher & Co.

Mr. Lowe noted that representatives from Gallagher, David Garcia and Stephen Whalley, were available online for questions. Mr. Lowe stated that staff budgeted a 15% increase however when discussions began with Gallagher, they advised a 10-15% increase. The average was 9.1% in Q1, but the Port's increase came in at 6.68%. There are multiple options in the package however Mr. Lowe is speaking to Option 1 which is a renewable option of the current coverages. Key items to note is the 1.5% catastrophic deductible with a \$4 million max. The 6.68% would be an \$82,000 increase in premium. Mr. Lowe noted that multiple increasing deductible options were requested and briefly reviewed them but ultimately, staff recommends approval of Option 1 for a total premium package of \$1,314,513 which includes property, boiler and machinery and stand-alone terrorism. This also maintains the \$4 million max deductible.

A motion was made by Commissioner Santos to accept the Option 1 proposal as recommended. The motion was seconded by Commissioner Singhania with all Commissioners present voting in favor of the motion.

13. Approval of a Professional Services Agreement with The Goodman Corporation for the preparation of Port Freeport's 2022 PIDP Grant Application, in the amount of \$23,000.

Mr. Miura stated that staff will take the Port's 2021 PIDP grant application and repackage it for a 2022 opportunity, modifying it based on feedback received from the U.S. Dept. of Transportation Maritime Administration. Staff recommends approval of a PSA with The Goodman Corporation in an amount not to exceed \$23,500 as presented. Mr. Miura noted the PIDP opportunity is specific to ports therefore it would be specific to port infrastructure and port facilities. Total grant package is \$6.3 million.

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

14. Approval of a purchase with Waypoint for Virtual Infrastructure Refresh, for an amount not to exceed \$362,530.96.

Mr. Robertson stated that the update will refresh approximately 80% of what's in the data center which includes hardware and licensing. He noted that the Port operates in a virtual environment from the servers to the workstations, conference rooms and gates and the current hardware was purchased in 2015. The purchase will include new physical servers, network switches, NVIDIA graphic cards, VMWare license, Windows server 2022 datacenter license, new terminals as well as implementation, deployment and migration

assistance. This project is in the 2022 capital budget for \$372,000 and staff received a Texas DIR quote in the amount of \$362,530.96. Staff recommends approval.

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

15. Adoption of a Resolution declaring items surplus and ordered sold separately for cash, after notice of sale and receipt of bids to the highest bidder; destroyed or otherwise disposed of if no bids are received; or offered as trade-in for new property of the same general type.

Ms. Campus presented a list of items stating that majority of the items are obsolete or broken but there are three copiers on the list that will be used as trade-ins and one security vehicle that will also be used as trade-in at a later date.

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

16. Update and discussion regarding the search for General Counsel and the Request for Proposals.

Ms. Saathoff reported that staff has reviewed comments sent back from the Port's counsel for personnel matters, made further modifications to the RFP which are undergoing final review. Staff is also in discussion with the insurance brokers and consultants on what the minimum malpractice insurance coverage requirement should be. Ms. Saathoff noted that the range may be between \$1 million and \$5 million but is still waiting on guidance for this. A list of candidate firms has been compiled. Staff still plans to send out final RFP once it's in final form.

17. 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 under Government Code Section 551.071(1) (to seek or receive attorney's advice on pending or contemplated litigation).
2. Consultation with attorney under Government Code Section 551.071(2) (to seek or receive attorney's advice on legal matters that are not related to 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 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, 19, 27, 34 and property on Quintana Island.
- 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.
- D. Under authority of Section 551.076 (Deliberation of Security Matters) for discussion regarding:
1. Issues related to the deployment or specific occasions for implementation of security personnel or devices or security audit services.

18. RECONVENE OPEN SESSION:

19. Adjourn.

With no further business before the Commission, the meeting adjourned at 11:44 AM