

Minutes of Pilot Commission

Port Freeport

June 16, 2016

A Meeting of the Pilot Commission of Port Freeport was held June 16, 2016, beginning at 12:15 PM in the Port Freeport Administration Building, 1100 Cherry Street, Freeport, Texas.

Commissioners present:

Mr. Paul Kresta, Chairman
Mr. John Hoss, Vice Chairman
Mr. Bill Terry, Commissioner
Mr. Ravi Singhania, Commissioner
Mr. Rudy Santos, Commissioner

Staff Members present:

Mr. Jason Cordoba, Legal Counsel
Ms. Phyllis Saathoff, Executive Director/CEO
Mr. Jason Hull, Director of Engineering
Mr. Jason Miura, Director of Business & Economic Development
Ms. Missy Bevers, Executive Assistant
Mr. Brandon Robertson, Network Systems Manager
Mr. Cecil Booth, Project Engineer
Mr. Jesse Hibbetts, Operations Manager

Absent:

Mr. Shane Pirtle, Secretary/Treasurer
Mr. Jeff Strader, Chief Financial Officer
Mr. Al Durel, Director of Operations
Mr. Mike Wilson, Director of Business Development
Ms. Dianna Kile, Director of External/Government Affairs
Ms. Mary Campus, Controller

Also present:

Captain Daniel Blanton, Brazos Pilots Association
Captain John Gunning, Brazos Pilots Association
Mr. Keith Letourneau, Blank Rome
Mr. Zach Wyatte, Blank Rome
Mr. Bobby Fuller, Texas Port Ministry
Ms. Sarah Marsh, Dole Fresh Fruit
Mr. Edward Smith, Phillips 66
Mr. Niels Aalund, WGMA
Mr. Gene Theriot, Dow Chemical
Mr. Chad Janosky, Bay-Houston

1. CONVENE OPEN SESSION in accordance with Texas Government Code Section 551.001, et. seq., to review and consider the following:

1. CONVENE OPEN SESSION in accordance with Texas Government Code Section 551.001, et. seq., to review and consider the following:
2. Approval of minutes from the Pilot Commission Meeting held January 14, 2016.

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

3. Receive presentation from George Kidwell, Velasco Drainage District.

This item was tabled.

4. Receive report from the Freeport, Texas Containership Evaluation 2016 prepared by Star Center.

Mr. Hull presented the simulation report to the Board which includes the methods and equipment used during the simulations and summarizes the inbound and outbound runs. The report also includes recommendations moving forward. Mr. Hull further explained that comments made in the report state that the simulation exercise indicates that safe inbound and outbound transit of the Panamax vessels is possible after the completion of the 400-foot wide dredging plan. For the record, Commissioner Santos asked how many times Port Freeport attempted to schedule the simulations at the Star Center and who all was present at this simulation. Mr. Hull stated the simulation was scheduled and re-schedule no more than three times and those present at the simulation were himself, Nick Laskowski-USCOE, Carlos Tate-USCOE, Commissioner Hoss, Commissioner Pirtle, Neil McLellan-HDR, and Captain Teeter and Captain Gunning with the Brazos Pilots Association.

5. Discussion regarding the June 3, 2016 application submitted for rate increase which includes the following:

1. 9% Pilotage Rate increase spread out equally over the next 3 years effective January 2017 to offset increased fuel & maintenance cost of proposed new Pilot Boat.
2. New Pilot Boat purchase line item charge of \$200 per vessel movement effective immediately.
3. Fort Velasco Signal Station creation & operations line item charge of \$250 per vessel movement effective immediately.

Ms. Saathoff stated that the application was received June 2 from the Pilots and wanted to give an opportunity to present this request to Board and discuss the timeline and the process.

Additionally, the transportation code states that if no later than the 20th day after receipt of the application, a written objection is received from an interested party, the Pilot Board is required to hold a hearing. The hearing must be held not later than the 40th day of receipt of the application. The Port has received two written objections to the application with one specifically requesting a hearing to address the rate increases. The transportation code also requires submission of certain financial information by the Brazos Pilots Association which is to be submitted 10 days in advance of the hearing date. Captain Blanton was called upon to present the Pilots applications for rate adjustment. Captain Blanton explained the Pilots approach regarding the 9% increase as well as the request for a new pilot boat and signal station. He stated that with the changing dynamic of the Port, many of the Port tenants are making significant capital contributions and changing the business model. He further explained that the \$200-line item charge for the boat fee will go straight into an escrow account to be held by the bank. There are no pilot fees attached to it. The charge is for the sole purpose of acquiring the boat and once the boat loan is paid, the fee will go away. The 9% rate increase is largely due to help offset the expense of operating the new boat. Regarding the \$250-line item charge for the signal station (dispatch), Captain Blanton explained 82% of that fee will be used to hire personnel, 5 dispatchers and a manager to run the facility. Additionally, the third line item is a direct result from a previous meeting held with industry stakeholders when the harbormaster program came up, and some of the Port users suggested the Pilots provide dispatch services. During that meeting Captain Blanton stated the cost for doing this has been the biggest barrier and the reason why it is not done now however, he would put a proposal together.

6. Set Public Hearing for Brazos Pilots Association application for rate adjustments.

Ms. Saathoff stated that the Pilots have requested to set the hearing for July 13, 2016. After some discussion regarding a possible conflict with the date, everyone agreed to the suggested date and a 9:00 a.m. start time.

A motion was made by Commissioner Terry to set the hearing for July 13, 2016 at 9:00 a.m. The motion was seconded by Commissioner Hoss with all Commissioners present voting in favor of the motion.

7. 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 for discussion regarding:

1. Consultation with attorney regarding pilotage rules and procedures.

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

9. Adjourn.

With no further business before the Commission, the meeting adjourned at 4:10 p.m.