

## Minutes of Meeting October 13, 2016

A Regular Meeting of the Port Commission of Port Freeport was held October 13, 2016 beginning at 4:07 PM at the Administration Building, 1100 Cherry Street, Freeport, Texas.

Commissioners present:

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

Staff Members Present:

Mr. Jason Cordoba, Legal Counsel  
Ms. Phyllis Saathoff, Executive Director/CEO  
Mr. Jeff Strader, Chief Financial Officer  
Mr. Al Durel, Director of Operations  
Mr. Jason Hull, Director of Engineering  
Mr. Chris Hogan, Director of Protective Services  
Mr. Mike Wilson, Director of Economic Development  
Mr. Jason Miura, Director of Business & Economic Development  
Ms. Missy Bevers, Executive Assistant  
Mr. Brandon Robertson, Network Systems Manager  
Ms. Mary Campus, Controller  
Mr. Cecil Booth, Project Engineer  
Ms. Callie Cole, Accounting Clerk

Also present:

Mr. Bob Arroyave, Brown & Gay Engineer  
Mr. David Eby, Terracon  
Mr. Bobby Fuller, Texas Port Ministry  
Mr. Peter Nemeth, Crain, Caton & James  
Mr. James Nash, Horizon Terminal Services

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
3. Pledge of Allegiance: U.S. Flag & Texas Flag
4. Roll Call.  
All Commissioners were present.

5. Safety Moment – Mr. Chris Hogan
6. Approval of minutes from the Regular Meeting held September 22, 2016.

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

7. Upcoming Meetings:  
October 14 – Port Commission Workshop  
November 10 – Port Commission Meeting  
December 1 – Port Commission Meeting

Commissioner Singhania noted the upcoming meeting dates and also stated that the Board workshop tomorrow morning will be at Columbia Lakes beginning at 9:00 a.m.

8. Reports from Executive Staff:

- A. Receive report from Executive Director/CEO on activities and matters related to administrative affairs. Port tenant updates, USCOE, rail issues, AAPA Committees, leases, contracts, upcoming Port and civic events and other related administrative affairs.

Ms. Saathoff acknowledged all the Ports along the East Coast who have felt the effects of Hurricane Matthew. She then highlighted a few items from the operational activity report stating that overall ship calls were up 3.6% for the year. Tonnage surpassed \$3 million tons which is up 2% from the prior year. Breaking out the bulk limestone separately, this commodity was down about 14% due to difficult rain periods in the Summer. Other commodities (without the limestone) were up almost 22% over the prior year with total container activity tonnage up 3.8% and more importantly, loaded exports were up 8.4%.

Texas Ports Association hired Martin & Associates to do a comprehensive economic impact study for Texas Ports, which has been released, and shows 563 million tons of cargo moved through this state's ports in 2015 creating 1,562,000 jobs that generated a total economic value of \$368.7 billion for the state.

Ms. Saathoff also noted that the October 6 Open House was very successful and shared a few pictures from the evening.

Commissioner Singhania asked about the October 18<sup>th</sup> visit by Congressman Weber's Legislative Director Artur Suchorzewski. Ms. Saathoff stated that he has requested a tour of the Port and will be here the afternoon of the 18<sup>th</sup> at 1:00. Commissioner Singhania noted that he will be out of town and asked if other Commissioners are available to please attend.

- B. Receive report from Chief Financial Officer on monthly activity and matters related to financial results, investments, insurance, leases, real property matters and other related administrative affairs.

Mr. Strader gave a brief financial presentation and update to the Commission.

- C. Receive report Director of External/Governmental Affairs on activities and matters related to federal, state and local governmental affairs, Port tenant updates, USCOE, rail issues, HGAC/TPC, Committees, upcoming Port and civic events and other related governmental affairs

Ms. Kile was absent from the meeting but submitted a written report to the Board.

- D. Receive report from Director of Engineering on activities and matters related to Freeport Harbor Federal Channel, capital projects and other projects, Hydrographic Report and other related facility engineering matters.

Mr. Hull reported the Corps' contractor has almost completed this year's annual maintenance dredging and has about two more weeks of work left. He also shared pictures of the Dock 2 flood wall removal progress as well as progress made on the 5<sup>th</sup> Street truck route and Terminal Street. He further reported that the contractor has not made the turning radius larger along 2<sup>nd</sup> Street because the property/pipeline easement is owned by Dow Chemical. Dow gave the City of Freeport consent to encroach with the city street but they did not release ownership of the right of way. Construction will resume once the release is received from the City.

- E. Receive report from Director of Operations on activities and matters related to operations, vessel activity, tonnage and other related port operation matters.

Mr. Durel went over charts from his report which included the total tonnage report for Oct-Sept. He stated that this is the first full year with Hoegh with the Port moving 62,479 vehicles this year. Truck traffic was about 70,000 trucks per year which averages to 270 trucks per day. Tenaris numbers are up a bit and will begin growing in January/February 2017. Vessel Calls and Lay Days show the Port moving 9 more vessels over the prior year. Mr. Durel calculated an average for October through fiscal year, and we are at 255,000 tons. Mr. Durel also noted where the Port is now only seeing two LNG ships per year, will see increases to 4 or 5 per month. Commissioner Singhanian commented on the annual tonnage chart noting that even with the limestone numbers dropping almost 200,000 tons, the Port still exceeded \$3 million tons.

- F. Receive report from Director of Protective Services on matters related to safety meetings/injury report, security meetings, EMS update and other related safety, security and environmental matters.

In addition to his report, Mr. Hogan reported that FEMA will be making modifications to the Port Security Grant this coming year. The modifications will be made to the application process to make it easier for us to fill out and them to review. They want to add an element to the application to have the Captain of the Ports review prior to submission. In addition, the 2015 Port Security Grant involves installing 3 poles for security cameras. Since the earth would be disturbed in this process, an environmental and historical preservation approval was needed. Mr. Hogan stated the approval finally came through and they will be able finally to move forward on the 2015 grant.

- G. Receive report from Director of Business & Economic Development on activities and matters related to industry meetings and Port presentations, Port events, and other related trade development or community relation matters.

Mr. Miura stated that the Breakbulk Conference saw good attendance and made good connections. The Gateway of Americas Conference is up next and is being hosted by the U.S.-Panama Business Council

October 24-26. Website visits are up and Mr. Miura asks that everyone visit the website to see the latest news. Tenaris will be hosting their Open House Thursday, October 26 at 5:00 p.m. in Bay City.

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

At this time, Commissioner Singhanian presented Ms. Saathoff with a Congressional Record from the House of Representatives from October 6, 2016 acknowledging Ms. Saathoff in her new role as Executive Director/CEO for Port Freeport.

Commissioner Pirtle reported attending the Breakbulk Conference and echoed what Mr. Miura reported in that it was a successful event.

Commissioner Santos reported attending the legislative luncheon earlier in the day with Larry Taylor and Dennis Bonnen speaking.

Commissioner Hoss reported attending the Nexus Group meeting October 12.

Commissioner Singhanian thanked everyone for a successful Open House October 6. He also mentioned the editorial published in The Facts today stating it was very positive. Additionally, he noted the Port Golf Tournament will be held Monday, October 17.

10. Public Comment

There were no comments from the public.

11. Approval of an Award of Contract for the Velasco Terminal, Backland Areas 5 and 6, Clearing and Stabilization project.

As a reminder, Mr. Hull stated that the scope of the project involves stabilization of 6.5 acres for additional lay down area. It also includes clearing 14 acres on Parcel 40 which is north of the drainage ditch. Five bids were received for this project with Sorrell Construction Equipment & Materials submitting the low bid. It is Mr. Hull's recommendation to award the contract to Sorrell Construction for an amount not to exceed \$503,942.00.

A motion was made by Commissioner Pirtle to award the contract. The motion was seconded by Commissioner Hoss with all Commissioners present voting in favor of the motion.

12. Approval to purchase limestone for the Velasco Terminal, Backland Areas 5 and 6, Clearing and Stabilization project.

Mr. Hull is requesting approval to purchase limestone from Vulcan Materials at the Port's contracted rate in an amount not to exceed \$280,942.00. This amount is based on an estimated quantity that matches the estimated quantity in the bids at our contracted rate.

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

13. Adoption of a Resolution expressing intent to finance expenditures incurred.

Mr. Strader explained that the resolution is in connection with the contracts just approved for Velasco Terminal. The contracts were set to be cash funded however, this resolution preserves the Port's ability, if at a later date, the decision is made to finance through a tax exempt bond issue. The resolution must be adopted prior to construction in order to make expenditures eligible.

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

14. Adoption of a resolution approving contribution to the Port Reserve for Capital Expenditures.

Mr. Strader stated that the Board created this reserve last year and established it to set aside funds that would equate the annual M&O tax levy. Per bond counsel's recommendation, modifications have been made in the language that will protect the Port and keep in compliance with its debt covenants.

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

15. Discuss and consider granting authority to Executive Director/CEO Phyllis Saathoff to execute any and all documents necessary and required by Stewart Title to close the transactions on the following properties:

207 E. 7th Street, Freeport, TX (East End Property) and 319 W. 9th Street, Freeport, TX (9th Street Property)  
310 E. 6th Street, Freeport, TX (East End Property) and 203 W. 9th Street, Freeport, TX (9th Street Property)  
327 E. 7th Street, Freeport, TX (East End Property) and 222 W. 9th Street, Freeport, TX (9th Street Property)  
527 E. 6th Street, Freeport, TX (East End Property) and 218 W. 9th Street, Freeport, TX (9th Street Property)  
213 E. 7th Street, Freeport, TX (East End Property) and 315 W. 9th Street, Freeport, TX (9th Street Property)  
221 E. 5th Street, Freeport, TX (East End Property) and 302 W. 9th Street, Freeport, TX (9th Street Property)  
218 E. 6th Street, Freeport, TX (East End Property) and 318 W. 9th Street, Freeport, TX (9th Street Property)  
302 E. 6th Street, Freeport, TX (East End Property) and 322 W. 9th Street, Freeport, TX (9th Street Property)

Mr. Strader stated that this approval would authorize Ms. Saathoff to executed closing documents for the eight transactions listed. We would simultaneously close on the East End property and then close on the Ninth Street property. Commissioners Pirtle and Hoss thanked the staff for the team effort put forth to make this happen.

A motion was made by Commissioner Pirtle to grant authority to the Executive Director/CEO. The motion was seconded by Commissioner Terry with all Commissioners present voting in favor of the motion.

16. Adoption of a resolution approving the acceptance of the Port's portion of proceeds received from high bidders on delinquent tax property held in trust by Brazoria County, Texas and authorizing the Chairman to join in conveyance to high bidders.

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

17. Discuss and consider sponsorship level for the Gateway to Americas Conference 2016 being held October 24-26, 2016.

Mr. Miura is requesting an increase in budget amount of \$2500 to meet the bronze sponsorship level of \$5000 for this conference. The U.S.-Panama Business Council will consider this a silver level sponsorship which will include all networking events, an exhibition hall booth, four attendee passes with all meals included.

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

18. Approval of Executive Director/CEO and Commissioner travel for the month of November, 2016.

Ms. Saathoff anticipates attending the USCOE Vertical Team Meeting related to the Channel Improvement Project November 28 in Washington, DC and expects one or more commissioners will attend.

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

19. Update from staff regarding the Brazoria-Fort Bend Rail District and the Brazoria-Fort Bend Nexus Project Group.

Mr. Miura stated that the next meeting for the Rail District will be held October 21 in Richmond. Requests for qualifications will be distributed by Fort Bend County (FBC) within the next week. He added that we are still awaiting FBC's draft of proposed legislation. Three items will be proposed in the legislation and will include enabling the Rail District to enter into a public private partnership, enable the use of TZR's funds for future construction and allow Freight Shuttle to be included as part of the Rail District. Mr. Miura announced that Robert Worley has resigned his position from the Rail District Board.

Ms. Saathoff stated that the last Nexus Group meeting was more of a reporting of activities from the group with Commissioner Hoss reporting his attendance at the Senate Select Committee on Texas Ports held in September. A briefing on the hearing was given regarding attendance, who was invited to speak and mentioned that the project had received several comments during the hearing which was very positive. Mr. Worley's resignation from the Rail District was also reported and that it would November before a replacement would be appointed. Also reported to the group was the trip to Washington, DC where staff met with the Chief of Planning at the Corps Headquarters as well as meetings held with Senators, Representatives and their staff. A report was received from Ambassador Sosa that he attended a Governor Consulate summit in Oklahoma. In his presentation, he mentioned the project and the transportation corridor that is being developed, highlighting the need for adjacent states to build coalitions. The Secretary of State for Oklahoma has requested Ambassador Sosa make another trip back and Ms. Saathoff feels we should consider participating.

20. Receive briefing from staff on the Water Resources & Development Act 2016 and H.R. 5325 (Continuing Appropriations and Military Construction, Veterans Affairs, and Related Agencies Appropriations Act, 2017, and Zika Response and Preparedness Act) and the impacts to the Port Freeport channel projects.

Ms. Saathoff introduced Rich Worthington with Steinberg & Associates who joined the meeting via teleconference. Ms. Saathoff then stated that there are a number of things happening in Washington; one, Congress is under continuing resolution right now and the work that affects the Port is continuing and there are funds supporting that work under continuing resolution. There was concern because the office of management and budget sent down a directive last week to the Corps & the District offices to cease work being funded from carryover funds. A meeting was held with the Galveston District to discuss options and

they committed to continue work with local sponsor funds to keep the project on schedule. Fortunately, the restrictions were lifted by the end of the week. A letter was drafted and sent to our Congressional delegation in the event we needed to garner support in getting the restrictions lifted. In addition, the 2016 Water Resources & Development Act bills were passed both by the Senate and the House. The Senate version is a bit more progressive/favorable to the Ports. While both bills seek to increase the funding that would come out of the harbor maintenance tax directly into the system for dredging maintenance work, there were some things stripped from the bill that would have made this a mandatory spending provision after 10 years. Ms. Saathoff then asked Rich to highlight some of the things that might benefit the Port should they end up in the final bill. Mr. Worthington stated that one of the most significant provisions is in the Senate bill which is the change in non-federal cost sharing percentages. He also stated that the bills authorize six new navigation projects. That added to the existing inventory deepening and widening projects in WRDA 2014 brings the total up to 11 major projects that are now authorized and awaiting funding. In both bills, there are a number of new and expanded authorities for ports and other non-federal sponsors to advance funds, contribute funds for studies, projects and maintenance. This is an indication of where the port program is headed which is towards more non-federal participation. Mr. Worthington also referenced that harbor maintenance tax and continuing resolution Ms. Saathoff mentioned earlier in her comments.

21. 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 tax abatement guidelines.
  - 2. Consultation with attorney regarding purchase contract for property at 314 E. Broad Street.
  - 3. Consultation with attorney regarding matters related to Port Freeport Tariff No. 5.
  
- B. Under authority of Section 551.072 (deliberation of real property) for discussion regarding:
  - 1. Discussion regarding the terms and conditions of a Second Amendment to the Lease Agreement between Port Freeport and Mammoet USA South, Inc.
  - 2. The potential exchange, lease, or value of real property located Port Freeport, including but not limited to Parcels 7, 8, 10, 26, and 37.
  - 3. 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.
  - 4. Discussion regarding the potential exchange, lease or value of real property located in Freeport, Texas, including but not limited to the area known as the East End of Freeport and bordered by the following streets: FM 1495; East 2<sup>nd</sup> Street; Terminal Street and East 8<sup>th</sup> Street in Freeport, Texas.
  - 5. The potential exchange, lease, or value of real property located at Port Freeport, including but not limited to Parcels 4, 5, 6, 9, 14, 19, 27, 34, and 38.
  
- C. Under authority of Section 551.076 (deliberation of security matters) for discussion regarding:
  - 1. Discussion regarding issues related to the deployment, or specific occasions for implementation of security personnel or devices or security audit and services.

22. RECONVENE OPEN SESSION to review and discuss the following:

23. Approval of a purchase contract for property located at 314 E. Broad Street.

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

24. Discuss and consider approval of Port Freeport tax abatement guidelines.

A motion was made by Commissioner Terry to approve the guidelines and resolution as presented. The motion was seconded by Commissioner Santos with all Commissioners present voting in favor of the motion.

25. Discuss and consider ratification of the prior approval of the following tax abatement agreements: BASF Corporation Reinvestment Zone No. 15; Trinity Turbine Technology, LP; Amended BASF Corporation Reinvestment Zone No. 15; Phillips 66 Company Reinvestment Zone 6; Modification & Assignment of BASF Corporation No. 14; Dow Chemical Company Reinvestment Zone No. 1; Praxair, Inc. Reinvestment Zone No. 1.

Commissioner Singhanian noted for the record that he would abstain from any discussion or vote related to BASF Corporation and Commissioners Terry and Kresta will abstain from any discussion or vote related to Phillips 66. Commissioner Pirtle stated he will abstain from any discussion or vote related to Dow Chemical. Mr. Cordoba stated that each agreement will be taken separately. With Commissioner Singhanian stepping out of the room, Commissioner Hoss made a motion to approve and ratify the tax abatement agreement for BASF Corporation Reinvestment Zone No. 15 and the Amended BASF Corporation Reinvestment Zone No. 15. The motion was seconded by Commissioner Pirtle with all Commissioners present voting in favor of the motion, and Commissioner Singhanian abstaining.

Commissioner Hoss made a motion to approve and ratify the tax abatement agreement for the Modification & Assignment of BASF Corporation Reinvestment Zone No. 14. The motion was seconded by Commissioner Kresta with all Commissioners present voting in favor of the motion, and Commissioner Singhanian abstaining.

With Commissioners Terry and Kresta stepping out of the room, Commissioner Hoss made a motion to approve and ratify the tax abatement agreement for Phillips 66 Reinvestment Zone No. 6. The motion was seconded by Commissioner Santos with all Commissioners present voting in favor of the motion, and Commissioners Terry and Kresta abstaining.

Commissioner Hoss made a motion to approve and ratify the tax abatement agreement with Trinity Turbine Technology LP. The motion was seconded by Commissioner Santos with all Commissioners present voting in favor of the motion.

Commissioner Hoss made a motion to approve and ratify the tax abatement agreement with Praxair, Inc. Reinvestment Zone No. 1. The motion was seconded by Commissioner Kresta with all Commissioners present voting in favor of the motion.

With Commissioner Pirtle stepping out of the room, Commissioner Hoss made a motion to approve and ratify the tax abatement agreement for The Dow Chemical Company Reinvestment No. 1. The motion was seconded by Commissioner Santos with all Commissioners present voting in favor of the motion, and Commissioner Pirtle abstaining.

26. Approval of a Second Amendment to the Lease Agreement between Port Freeport and Mammoet USA South, Inc.

Mr. Miura stated it is the recommendation of management to approve the Second Amendment as presented.

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

27. Adjourn.

With no further business before the Commission, the meeting adjourned at 8:28 p.m.