

Minutes of Meeting December 1, 2016

A Regular Meeting of the Port Commission of Port Freeport was held December 1, 2016 beginning at 4:00 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
Ms. Mary Campus, Controller
Mr. Brandon Robertson, Network Systems Manager
Mr. Cecil Booth, Project Engineer
Mr. Nick Malambri, Engineering Specialist
Ms. Barbara Schoppe, Operations Assistant
Ms. Tricia Vela, Receptionist

Also present:

Mr. David Eby, Terracon
Mr. Neil McLellan, HDR
Ms. Ann Poninski, P66
Ms. Brandei Goolsby, TDECU
Mr. Bob Arroyave, Brown & Gay Engineer
Mr. Chris Lewis, Cooper/Ports America LLC
Mr. Bobby Fuller, Texas Port Ministry
Ms. Jackie Fuller, Texas Port Ministry

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. Safety Briefing – Mr. Chris Hogan
6. Approval of minutes from the Regular Meeting held November 10, 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. 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 reported that Congress is back in session and will be until December 16 when it will recess for the year. Committee discussions are taking place to resolve the differences in the WRDA bill versions passed earlier in September. Congressman Shuster who is Chairman of the U.S. House Committee on Transportation & Infrastructure has been pushing to resolve the issues and pass the legislation before Congress recesses on the 16th. Due to scheduling conflicts, the Nexus Group did not meet in November. Representative Bonnen has been invited to attend the December meeting to allow the group to brief him on the proposed Rail District legislative changes, the H36 Trade Corridor and the Port. Commissioner Elect Vincent Morales will also be invited to attend the next meeting. Ms. Saathoff also reported attending the Fort Bend County Legislative Conference. Since Port Freeport is an administrator of a FTZ and the most closely aligned Texas seaport and port issues are important to the County's economic stature regionally and locally, Ms. Saathoff was asked to speak to the group. Lastly, Texas Comptroller Glenn Hegar is scheduled to visit Port Freeport December 7 beginning at 9:00 am. He is touring the state's ports to release results of the economic impact studies done for each port.

- 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 reported that the October financials will be included with the November report. Operating revenues were at \$1.7 million for the month of October with leasing revenues up 6% over the prior year. Consistent with cargo volumes previously reported to the Commission for the month of October, operating revenues derived from the movement of cargo was down from both the prior year as well as budget.

- 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 reported that Port Freeport will be hosting the Angleton Leadership Class next Wednesday, December 7 at the Emergency Operations Building. She also reported that to date, the Port has closed 19 of the swap properties in East End Freeport.

- 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 shared pictures of intersection FM 1495 and 5th Street project, pavement replacement at Warehouse 51, Parcel 14 development and the progress on the East End hotel demolition project.

- 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 shared pictures of the Industrial Strength maiden voyage, the vessel Karin and project cargo for the Freeport LNG Expansion at Dock 7.

- 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 stated that the crisis communication system is being tested every Monday at noon. This test is automated and will go out on a consistent basis. There was a previous issue where the system was not seeing responses. That issue has been resolved with an adjustment to the software settings. The alert was automatically set to close after 5 minutes, it is now set to 4 hours. The Emergency Action Plan for the Port has been revised so there is a separate plan for each facility rather than one that encompasses everyone. Plans include one for Admin, Operations facility, EOC, maintenance shop and a Port wide plan if you are inside the Port but away from a facility.

- 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.

In addition to his report submitted, Mr. Miura noted that that Dan Croft has accepted the position to join the Brazoria-Fort Bend Rail District Board and was sworn in at the November 18 meeting. The next meeting of the Rail District will be December 16.

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

Commissioner Santos reported attending the BayTran luncheon. In addition to the BayTran luncheon, Commissioner Pirtle reported attending the 36A Coalition meeting.

- 9. Public Comment

Mr. Bobby Fuller with Texas Port Ministry addressed the Board to thank them and the staff for their continued support through the Port Freeport Golf Tournament.

- 10. Presentation of check to Texas Ports Ministry from proceeds of Port Freeport Golf Tournament.

Commissioner Singhania and staff presented a check to Bobby Fuller in the amount of \$34,224.06 for the proceeds raised at the golf tournament held in October.

- 11. Receive update from Kennemer, Masters & Lunsford on the status of the annual audit process.

This item was tabled.

12. Approval of Modification to Tax Abatement for property located in BASF Corporation Reinvestment Zone Nos. 14 and 15, City of Lake Jackson and City of Freeport with BASF Corporation.

At this time, Commissioner Singhanian removed himself from the board room while discussions proceeded regarding this agenda item.

Mr. Strader explained that BASF is requesting modifications to the abatement that was previously approved in February 2015 by the Board. Modifications requested are to include a newly created reinvestment zone, correct clerical errors and to also request to modify the agreement to delay the effective date to January 1, 2019. Commissioner Kresta inquired about the delay of effective date arguing that 2019 is two years away and things can change between now and then. He also noted that a new board could possibly be in place at that time.

A motion was made by Commissioner Pirtle to approve the modification. The motion was seconded by Commissioner Santos with all Commissioners present voting in favor of the motion with the exception Commissioner Kresta voting no.

13. Approval of Stevedore License Application renewals submitted by:

Bryan Coastal
Ceres Gulf
Coastal Cargo of Texas
Freeport Terminal LLC
Gulf Stream Marine
Mammoet USA
Ports America
Red Hook ConRo Terminals, LLC
Richardson Stevedores
Suderman Stevedoring
Texas Terminals LP

Mr. Durel stated that total of 11 stevedore licenses are up for renewal. He added that process they go through is lengthy as they are very thorough to make sure the stevedores have all the required paperwork. Mr. Durel stated that one stevedore stood out to them because of their modification rating. Ports America's rating was 1.7 last year and this year is 2.7. Kendall Lamb with Ports America then addressed the Board to explain the difference in their rating stating that Ports America is a national company operating in six states that use concurrent jurisdiction, where the State Act, which is non-longshore/clerical workers, are added in. This greatly skews their modification. In Texas and in Freeport, Texas, they have zero loss time in 2015. With 2016 currently at zero loss time, their mod here in Freeport is zero. Ports America is committed to working with staff of Port Freeport to continue to push for zero lost time in 2017. Mr. Durel stated that all renewal applications have been reviewed by staff and it is their recommendation the renewals be approved.

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

14. Approval of a new Stevedore License Application submitted by Cooper/Ports America LLC.

Mr. Durel stated that this is new company composed by two longtime standing stevedore companies, Cooper T. Smith and Ports America. Prior to this joint venture, Cooper T. Smith had a stevedore license with Port Freeport and Ports America, as just approved, still maintains a license. Chris Lewis, Vice

President of Cooper/Ports America (C/PA) addressed the Board stating that the new company will be compete directly with Ports America in some aspects of the business however, they will not compete with them on current business Ports America does here. C/PA will take opportunities to handle heavy-lift cargo and breakbulk cargo.

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

15. Approval of financial report presented for period ending September 30, 2016.

Mr. Strader stated that the Board was briefed on this report at the November 10 meeting. No changes have been made since and it is staff's recommendation the report be approved as presented.

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

16. Approval of an Award of Contract for Port Freeport Broker of Record for business insurance.

Mr. Strader stated that the current broker of record with McGriff expired in November. The Port went out with an RFP receiving six responses. Management has reviewed all responses with the Finance Committee and recommends awarding a contract to Arthur J. Gallagher for a period of three years with two 1-year extensions, to be approved by the Commission.

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

17. Approval of an Award of Contract for employee health, dental and vision insurance.

Recommendation by management and Personnel Committee is to approve a contract renewal with BlueCross BlueShield of Texas for medical coverage with Port contributing 95% for the employee's coverage and 82.5% for dependent coverage. Additionally, the recommendation was to renew with Assurant for dental and vision benefits with Port contributing 100% for employee coverage and 70% for dependent.

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

18. Approval of security contract renewal with Sunstates Security, LLC.

After discussing with the Board in Executive Session, a 6-month extension was requested for the security services contract and noted the contract will be re-bid prior to June 1, 2017 per the Board's request.

A motion was made by Commissioner Hoss to approve a 6-month extension to the contract with a re-bid to take place prior to June 1. The motion was seconded by Commissioner Pirtle with all Commissioners present voting in favor of the motion.

19. Approval of maintenance/repair to the railroad crossing for the Turning Basin Road Pavement Repair Project.

Mr. Hull stated that bids were received for the maintenance repair to the railroad crossing on Turning Basin Road with low bid submitted by Sorrell Construction. It is management's recommendation and that of the Strategic Planning Committee to award contract in the amount of \$29,545 to Sorrell Construction & Equipment Materials LLC.

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

20. Approval of a lease agreement between Port Freeport and Village of Surfside for property located at Block 567, Lots 10, 12 and 14 for the use of recreation/park facilities.

As previously presented to the Board, this agreement would be for a water/splash park that Surfside wants to create. Mr. Strader stated this would be for a base 20-year term lease with one 20-year optional renewal period. The Port would have the right to terminate on 30 days based on the following, 1) if Surfside fails to begin construction within first 6 months of lease; 2) if they abandon the property or cease to use the property for its permitted use; or 3) if they are in default of any other provision of the lease. Mr. Strader stated there is also a 90-day notice in place if in the future the Port determines the property is needed for other uses. If the Port gives that 90-day notice within the first 10 years of the contract, the lease requires the Port to reimburse Surfside for any third party costs related to the design or construction of the park. If the notice is given after the first 10 years, there is no requirement to reimburse the costs. Legal fees are to be reimbursed by the Village of Surfside. Management recommends approval of the lease.

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

21. Approval of an Amendment to License to Operate and Maintain Water Well between Port Freeport and Town of Quintana.

Mr. Strader stated that the water well is located near the site designated for Train 4 of Freeport LNG's facility. This license expired in October 2015 however, the Town went through administrative changes and missed notifying the Port they wanted to extend the license. This amendment ratifies the extension of this license from October 2015-October 2016 as well as renewing for the additional year from 2016 to 2017. It will also establish an automatic renewal going forward. Mr. Strader noted the Port maintains the right to terminate on 90 days' notice and there is no cost reimbursement associated with this license. The Town of Quintana has also agreed to reimburse any legal fees associated with this amendment. Management recommends approval of the lease.

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

22. Approval of a Lease Agreement between Port Freeport and Town of Quintana for lease of Parcels 1-6 for the use of recreational/park facilities.

Mr. Strader stated that this lease is for a 10-year term with one option for 10 additional years. A standard 30-day notice of termination is included if the Town abandons the property or ceases to use it for permitted use or is in default of any other term for condition of the lease. The 90-day notice is also in place if the Port determines the property is needed for other uses. Quintana will be subject to legal fees associated with the crafting of this lease. Management recommends approval of the lease.

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

23. Receive update from staff regarding the Brazoria-Fort Bend Rail District and the Brazoria-Fort Bend Nexus Group.

Mr. Miura updated the Board stating that Dan Croft took the oath to join the Rail District board at the November meeting. Next meeting is December 16 here at Port Freeport. On the agenda for the meeting will be to receive advice from Andrews Kurth on next steps to amend legislation, public hearing to review proposed 2017 budget and presentations will be received from four engineering firms to provide project management services to the Rail District. Following presentations, the District will select a project manager from one of the firms. Also on the agenda will be the formation of legal and financing committees as well as the approval of transportation policy and legal defense policy.

Ms. Saathoff referred back to her comments made during her earlier report.

24. Approval of Port Freeport's contribution to the Brazoria-Fort Bend Rail District 2017 operating budget.

Mr. Miura presented the proposed 2017 budget stating that at the end of this fiscal year, a total of \$111,704.41 is remaining from the 2016 contributed funds. The 2017 budget revenues section shows a proposed \$50,000 contribution per sponsoring agency similar to 2016. Mr. Miura stated that his understanding is that each sponsoring agency committed to \$50,000 each for three years. Instead of depleting the funds, the Rail District is asking for the contributions now. This will also allow more flexibility to engage with consultants, etc.

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

25. Approval of Executive Director/CEO and Commissioner(s) travel for December 2016 and Brazoria County Day 2017.

Ms. Saathoff stated that the BG Hill meeting will be December 15 at the Corps offices in Dallas. The District will be running the economic analysis through the program December 8. The meeting was requested to discuss the results and to be clear on path forward. Commissioners Hoss and Pirtle indicated they were interested in attending the meeting as well.

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

At this time, Commissioner Singhanian asked for a motion to approve travel for Ms. Saathoff and all six Commissioners to attend Brazoria County Day March 7, 2017.

A motion was made by Commissioner Santos to approve the travel in March for Brazoria County Day. The motion was seconded by Commissioner Pirtle with all Commissioners present voting in favor of the motion.

26. 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 a request for consent received from American Rice, Inc. under Modified and Restated Ground Lease and Definitive Agreement Regarding Port Facilities between Port Freeport and American Rice, Inc.
 2. Consultation with attorney regarding proposed legislative changes to Chapters 172, 222, 284 and 370 of the Texas Transportation Code.
 3. Consultation with attorney regarding proposed contract for legislative consulting services.
- B. Under authority of Section 551.072 (deliberation of real property) for discussion regarding:
1. The potential exchange, lease, or value of real property located Port Freeport, including but not limited to Parcels 7, 8, 10, 26, and 37.
 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. 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 2nd Street; Terminal Street and East 8th Street in Freeport, Texas.
 4. 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, 31, 34, and 38.
- C. Under authority of Section 551.074 (deliberation of personnel matters) for discussion regarding:
1. Goals and performance of the Executive Director/CEO.

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

28. Approval of a Consent to be signed in connection with a Modified and Restated Ground Lease and Definitive Agreement Regarding Port Facilities between Port Freeport and American Rice, Inc.

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

29. Approval of resolution supporting Brazoria-Fort Bend Rail District's proposed changes to legislation.

This item was tabled.

30. Approval of contract for legislative consulting services.

Ms. Saathoff made a recommendation to approve a consulting contract with Carriage House for a period of 2 years in the amount of \$3,750/month.

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

31. Approval of Board Meeting Schedule for 2017.

Commissioner Singhania stated that after discussing with members of the Board, the 2017 meetings will be held the 2nd and 4th Thursdays of the month with the 4th Thursday being the main meeting where all Directors are expected to be at the meeting to present their reports. A suggestion was also made to begin the meetings earlier in the day. After discussing several options, it was decided the board meetings will begin at 3:00 p.m. with committee meetings held before as needed.

32. Adjourn.

With no further business before the Commission, the meeting adjourned at 8:45 p.m.