

Minutes of Meeting January 26, 2017

A Regular Meeting of the Port Commission of Port Freeport was held January 26, 2017 beginning at 3:13 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. Neil McLellan, HDR
Mr. John DeRose, P66
Mr. Bob Arroyave, Brown & Gay Engineer
Mr. Bobby Fuller, Texas Port Ministry
Mr. James Clark, Carriage House Partners
Mr. Gavin Massingill, Carriage House Partners
Mr. Bill Kreiche
Ms. Gloria Millsap, Senator Joan Huffman
Mr. Roy Yates, Freeport Welding
Mr. Kevin Cadenhead, Kennemer, Masters & Lunsford
Mr. James Nash, Horizon Terminal Services
Mr. Larry Stanley
Ms. Melanie Oldham

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.

Commissioner Terry noted that Commissioner Singhanian, Commissioner Hoss and Ms. Saathoff were attending a meeting with the Corps but would be joining the Board meeting later. All other Commissioners were present.

5. Safety Briefing – Mr. Chris Hogan.

6. Approval of minutes from the Regular Meeting held January 12, 2017.

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

Kevin Cadenhead with Kennemer gave an update on the recently completed audit for 9/30/16. The audit went according to plan and executed efficiently. One item of discussion with management during the audit was how to account for the demolition of the cool storage facility and whether or not the demolition of that facility could be applied to the value of any new asset. Mr. Cadenhead stated that as a result of the actual defined accounting pronouncement the demolition cost is not applied to any new asset, adding there is a significant write-off within the financial statement in the non-operating section that incorporates the net book value of the asset that was demolished as well as the demolition cost. Even with the write-off, there is still a significant net income at the bottom line. Mr. Cadenhead also report that with the total amount of federal grants below the threshold, this was the first year that KML did not have to do perform a federal compliance audit. The Port's amount received from federal program revenues was \$350,000; the threshold is \$750,000 or more before a separate federal compliance audit is required.

8. Receive update from Carriage House Partners, LLC regarding 85th Texas Legislative Session and related legislative affairs.

Gavin Massingill and James Clark with Carriage House Partners (CHP) gave the Board an overview on where they are in the legislative process that began a few weeks ago. The Senate has started their committee appointments however the House will not begin their appointments for another week or two. The legislature has 60 days to file bills and are monitoring bills as they are filed. A number of issues CHP will be watching include the budget and shortage the State may be facing this year including health & human services, child protective services, Medicaid funding and public education. Key issues CHP will be monitoring for the Port include TERP Funding, eminent domain, economic development and heavy haul. They will also be working to get the FHCIP added to the list of critical infrastructure projects to be fast-tracked. Over the last few weeks, they have participated in conference calls to familiarize themselves on the Rail District and the partnership with Brazoria and Fort Bend County and studying the language on the proposed legislation and how they can help with the process. CHP has also been briefed on the issue with the East End park and engagement with the City and will help where they can if necessary. Mr. Massingill also mentioned a briefing he received from Ms. Saathoff regarding the Texas Port Association, membership, engagement as well as feedback on what TPA will be working on this session. He noted that CHP will engage with any of

the Port's associations or partners on a "as needed" basis. They will also be participating at Ports Day at the Capital February 22 and Brazoria County Day March 7.

9. 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 on the meeting held earlier with the Corps. The TSP (Tentatively Selection Plan) vertical team meeting has been confirmed for February 21. Ms. Saathoff, Jason Hull and Commissioners Hoss & Pirtle have participated in meetings with BG Hill to prepare for the upcoming TSP meeting. President Trump recently signed an Executive Order expediting environmental reviews and approvals for high priority infrastructure projects. Efforts are underway to have the Port Freeport Harbor Channel designated as a high priority infrastructure project by Governor Abbott. A letter has been drafted from Port Freeport that will be sent to Governor Abbott. The Texas Port Association's (TPA) Legislative Reception will be held February 22 in Austin. A meeting of the Port Authority Advisory Committee will also take place February 22. Brazoria County Day is scheduled for March 7 in Austin. Rooms have been reserved for staff and Commission to attend.

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

Mr. Durel gave a brief presentation of the report he submitted highlighting graphs and areas of interest.

- C. 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.

- D. 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 reported on a meeting he and Mike Wilson attended January 25 to hear about the ME Global project located in Oyster Creek on 110 acres behind Bucees off Hwy 332. This \$1.1 billion project will produce ethylene glycol and partner with Praxair to supply oxygen. The ground preparation work will be complete in April 2017 and the team will work closely with Jacobs Engineering who is providing EPCM (Engineering, Procurement & Construction Management) to bring in foreign manufactured project cargo through Port Freeport and to the plant. The Port should see cargo at the end of this year and into 2018-2019 with plant start-up anticipated in 2019.

- E. 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 construction progress including houses in Clute and Freeport as well as the trench drain recently replaced on Velasco and Area 6 inside the ARI rail loop on Velasco complete with 12 inches of limestone. He also briefed the Board on the current schedule for the Parcel 14 Rail Development with the bid opening set for February 23 and recommendation to the Board March 9.

- F. 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 notified the Board that Congressman Randy Weber was named to Transportation and Infrastructure Committee for the 115th Congress. In addition, February 18 the Senate committee assignments were announced for the 85th Legislative Session with Brandon Creighton named to the Transportation Committee. Ms. Kile also extended an invitation to all present to attend the 2017 Take-A-Child Fishing Tournament to be held May 13. The logo drawing contest is currently being held with voting taking place February 9.

- G. 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 December 16 the House and Senate passed a Cross Border Trade Enhancement Act giving CBP (Customs Border Patrol) the authority to charge fees. This translates to if we provide a facility, pay for it and maintain it, it will be to CBP specifications. This includes the current build-out project staff is working on.

Commissioner Singhania asked Mr. Hogan to share his safety incidents report with the Board. Mr. Hogan stated there has been an increase in some incidences at Velasco Terminal, however staff is working heavily with Freeport Terminals to make policy changes as well as enforce policies that have become lax. He added that Ben Westerlin, Safety Supervisor is participating in all safety meetings when a ship comes in and while a ship is in operation, he is monitoring the operation for safety violations. Commissioner Pirtle inquired about the final outcome of the top loader. The operator stated the brakes failed however the facts show he was driving too fast and the brakes worked fine after getting back in the top loader after the incident. This individual was reprimanded by Freeport Terminals.

- 10. Receive report from Commissioners on matters related to:

- A. January 12 Strategic Planning Advisory Committee

Commissioner Pirtle reported that the City of Freeport Economic Development Corporation approached the Port to share in one-third of the cost of developing a Master Plan. After discussing, the Strategic Planning Advisory Committee feels it is important for the Port to participate to have seat at the table to communicate and know what's going on through the City of Freeport. This item is on the agenda for approval.

- B. January 12 Operations Advisory Committee

Commissioner Santos stated the Operations Advisory Committee met January 12 to discuss the award of contract for janitorial services. The contract was previously awarded in November 2016 however the company was unable to agree to the terms of our contract. The bids submitted by other companies were then reviewed again by staff. This item is on the agenda for approval.

- C. January 17 Personnel Advisory Committee

Commissioner Kresta reported that the Personnel Committee previously met January 17 to discuss under executive session matters pertaining to merit/pay increases for manager as well as director level staff. Additionally, discussion was also held regarding the performance and goals of the Executive Director/CEO. The final item regarding Port Policy 4.1 was tabled.

D. January 17 Security/Safety Advisory Committee

The Security/Safety Advisory Committee meet January 17 to discuss under executive session certain matters of a security sensitive nature. Commissioner Hoss stated the committee reconvened in open session to adjourn as there was no further items of discussion to be held.

E. January 26 Finance Advisory Committee

Commissioner Terry stated the Finance Advisory Committee met before the Board meeting to discuss six items. The first item of review of Port Policy 9.10- Designation of Treasurer and related Practices & Procedures was tabled for further discussion. The next two items on the agenda include an amendment to the Port's Investment Policy and a reimbursement resolution, both of which are in the agenda for approval later today. Additionally, the committee received an update on the RFPs for depository agreement and financial software. Staff will bring the depository agreement to the Board for approval at the February 9 meeting and the financial software in April. Commissioner Terry added that both Mr. Strader and Ms. Campus have done an excellent job on the software packages.

F. Meetings and conferences attended, Port presentations and other related Port Commission matters.

In addition to the Security/Safety committee meeting held, Commissioner Pirtle also reported attending the Alliance Quarterly Meeting, Brazoria County Cities Association Meeting and the Traffic Safety Meeting that involves the Port, TxDOT and local industry. This week he has attended the Alliance Operations Meeting and the Brazoria & West Columbia Cities update on the Port.

In addition to his committee meetings, Commissioner Kresta reported attending the West Columbia Chamber of Commerce Banquet January 12.

Commissioner Terry stated he attended the most recent Rail District meeting where an engineering firm was selected.

In addition to his committee meeting and the Alliance Quarterly luncheon, Commissioner Hoss attended the Nexus meeting held January 25 which is comprised of the Port, Brazoria County and Fort Bend Commissioners to coordinate efforts and keep lines of communication open on overall projects and strategies ranging from our dredging to rail and roads, and ensure legislative changes requested at the State level are in harmony between the three organizations.

11. Public Comment

Ms. Melanie Oldham addressed the Board to speak as a citizen and taxpayer stating she was excited to see the Strategic Community Plan on the agenda for approval. She also spoke on the potential swap with the Park on the East side of Freeport. The citizens of Freeport wish to be a part of the conversations regarding this potential swap. Lastly, she spoke on the purchasing of homes on the East End and the SWAP program.

12. Approval of financial reports presented for quarter ending December 31, 2016.

Before the Board for approval is the first quarter financial report from October 1 thru December 31, reflecting operating revenues of \$5.4 million, operating income of \$1.8 million and net positive change in assets of \$5.2 million. Also included in the report are disbursement reports for the first quarter as well as the purchase order reports. Management recommends approval as submitted.

Commissioner Singhania requested Mr. Strader share what projects have been audited the previous year at the next meeting.

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

13. Approval of a contract with Superior Cleaning Services for janitorial services for a 2-year term in the amount of \$60,588 per year with option to renew for one additional year.

Mr. Jesse Hibbetts, Operations Manager reminded the Board that staff came before them back in November to award a janitorial contract however, the company could not agree to the terms of the contract. Staff then revisited the bids submitted and came back with a recommendation to the Operations Committee January 12 and it is staff's recommendation along with that of the Committee to award a contract to Superior Cleaning Services who is the Port's current cleaning contractor. He added they do not a price increase over the life of the contract, plus they will do an annual floor/carpet cleaning at no additional cost.

A motion was made by Commissioner Santos to approve the contract with Superior Cleaning Services for janitorial services for a two-year term in the amount of \$60,588 per year with an option to renew for one additional year. The motion was seconded by Commissioner Pirtle with all Commissioners present voting in favor of the motion.

14. Adoption of a resolution approving amendments to the Port Freeport Investment Policy.

Ms. Campus stated that the annual requirement is the Public Funds Investment Act requires the Board to annually review the Port's public funds investment policy as well as the authorized investments brokers, investment strategies and verify appropriate training has taken place. She explained that since last year was a non-legislative year, there are no changes to the policy with the exception of the pledge collateral. An item was added to reflect this additional form of collateral, a letter of credit issued by Federal Home Loan Bank. Staff recommends approval of the amendment.

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.

15. Adoption of a Resolution Expressing Intent to Finance Expenditures Incurred in the construction of a rail yard on Parcel 14.

Otherwise known as a Reimbursement Declaration, Mr. Strader explained this resolution establishes the Port's ability, in the future, to reimburse itself from a future tax exempt bond issue for certain designated expenditures. The specific expenditure for this is the rail improvement project proposed for rail improvements on Parcel 14 in an amount of \$30 million. Mr. Strader added this resolution does not obligate the Commission or the Port to issue future debt, rather it preserves the ability to reimbursement expenditures from tax exempt proceeds. It is management's recommendation to approve the resolution.

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

16. 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 if no bids are received; or offered as trade-in for new property of the same general type.

Ms. Campus stated the exhibit with the resolution shows various items to surplus including vehicles, items from a house on the East End, I.T. items from the move that are no longer needed as well as the boat house which is damaged beyond repair.

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

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

18. Approval of Executive Director/CEO and Commissioner travel for February, March and April 2017.

The first item is the TPA Legislative Day Reception in Austin February 22 where Commissioner Singhanian suggested all Commissioners be given the opportunity to go along with Ms. Saathoff.

The next item is the TPA Legislative Day in Washington. The date has not been determined however, Port representation is recommended. Commissioner Singhanian also suggested approval of all Commissioners. Additionally, there may be some last minute trips to Austin for committee hearings and meetings related to port matters and priorities. Ms. Saathoff recommends giving approval now in the case these events may come up between board meetings. It was also recommended no more than three Commissioners attend these hearings/meetings. Lastly, the AAPA Spring Conference will be held April 4-6 in Washington. Approval is recommended now to be able to secure hotel rooms and airfare for those who wish to attend.

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

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

In addition to his report submitted in BoardPaq, Mr. Miura reported that Andrews Kurth advised the Rail District on next steps for proposed legislation. The current draft is in Representative Miller office awaiting review by his legislative counsel. At the last meeting, the Board selected Freese & Nichols to represent the Rail District as a Project Manager. He shared a placemat from Freese & Nichols showing their approach to the project which include five phases: Project Initiation, Planning & Environmental Linkage, Investment-Level Studies, Final Design & Approvals and Construction Phase. Cost estimates were also included for each phase of the project. Mr. Miura noted that the cost estimates do not include what is funded by the sponsoring agencies, rather the Rail District would seek outside funding. As part of their package, Freese & Nichols included options to raise funds for each phase of the project. Mr. Miura also reported the 2017 Budget was approved which includes additional funding from sponsoring agencies. Three committees were created to include legal, finance and engineering. The Engineering Committee will liaise with Freese & Nichols, Legal Committee with Andrews Kurth, and eventually a lobbyist, and the Finance Committee will consist of Mr. Miura and Dan Croft. A travel policy was also adopted and discussion was had regarding who should go to Austin for potential testimony in support of the proposed legislation changes.

Ms. Saathoff reported that the Nexus Group met January 25. Discussions at this meeting included the selection of Freese & Nichols as project manager and the status of the proposed legislation. Brazoria County reported they had adopted resolutions in support of the legislation January 24, Fort Bend County adopted the resolutions of support at an earlier date, and the Port will consider same later today. Fort Bend County has one additional resolution relating to the County Assistant Districts. Lengthy discussion was had regarding how they are used and how positive they are for counties because they take in unincorporated

areas outside of cities. Further conversations will take place with the County Judge regarding this matter. The Nexus Group also agreed they would get respective legislative liaisons in Austin together to begin coordinating efforts as the bill begins to make its way through the process. The next meeting of Nexus will be Thursday, February 16.

20. Approval of an Amendment to the Reimbursement Agreement between Brazoria County, Ft. Bend County, Port Freeport and Brazoria-Fort Bend Rail District.

This amendment to the Reimbursement Agreement states the Rail District will reimburse the sponsoring agencies for all funding at the point where they receive funding from the private sector or other entity, for the seed money and feasibility study. This also includes an advancement of \$50,000 for this year. Mr. Miura recommends approval of the agreement.

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

21. Approval of Port Freeport's participation and cost-sharing in a Strategic Community Plan for Freeport East.

A motion was made by Commissioner Pirtle to approve the Port's participation in cost-sharing with the Economic Development Corporation and the City of Freeport to pay one-third of the cost not to exceed \$71,667. The motion was seconded by Commissioner Terry.

Commissioner Terry inquired if the Port agrees to cost-share in the expense of this Plan if they would also have input into the planning or a place on the Board should there be one. Mr. Roy Yates, who represents the EDC, stated they have not discussed this however, he anticipates a committee will be formed with all three entities to discuss the plans, funding and who will have a say in the project.

After the discussion, the motion was amended by Commissioner Pirtle to add that before funds are released, the Port receives an agreement that we have equal participation in the decision-making process. The motion was seconded by Commissioner Terry with all Commissioners present voting in favor of the motion.

22. 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 proposed legislative changes to Chapters 172, 222, 284 and 370 of the Texas Transportation Code.
- 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. Discussion regarding the CEO review and merit/pay increases of Manager Level Staff: Controller, Accounting Manager, Operations Manager, Crane Maintenance Manager, Network Systems Manager.
 2. Discussion regarding the CEO review and merit/pay increases of Director Level staff: Director of Operations, Director of Engineering, Director of Protective Services, Director of Economic Development, Director of Business & Economic Development, Director of Government/External Affairs and Chief Financial Officer.
 3. Discussion regarding the goals and performance of the Executive Director/CEO.

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

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

A motion was made by Commissioner Kresta to approve the resolutions as amended and presented by legal counsel in Executive Session. The motion was seconded by Commissioner Hoss with all Commissioners present voting in favor of the motion.

25. Approval of merit/pay increases of Manager Level Staff: Controller, Accounting Manager, Operations Manager, Crane Maintenance Manager, Network Systems Manager.

This item was tabled to the February 9 meeting.

26. Approval merit/pay increases of Director Level Staff: Director of Operations, Director of Engineering, Director of Protective Services, Director of Economic Development, Director of Business & Economic Development, Director of Government/External Affairs and Chief Financial Officer.

This item was tabled to the February 9 meeting.

27. Adjourn.

With no further business before the Commission, the meeting adjourned at 8:51 p.m.