

Minutes of Port Commission Meeting  
August 28, 2025  
In Person & Videoconference

A Regular Meeting of the Port Commission of Port Freeport was held August 28, 2025, beginning at 2:01 PM at the Administration Building, 1100 Cherry Street, Freeport, Texas.

**Commissioners present in person:**

Mr. Rob Giesecke, Chairman  
Mr. Rudy Santos, Vice Chairman  
Mr. Kim Kincannon, Secretary  
Mr. Dan Croft, Asst. Secretary  
Ms. Barbara Fratila, Commissioner  
Mr. Ravi Singhania, Commissioner

**Staff Members Present:**

Ms. Heather Cook, Randle Law Firm  
Ms. Phyllis Saathoff, Executive Director/CEO  
Mr. Rob Lowe, Director of Administration/CFO  
Mr. Jason Hull, Director of Engineering  
Mr. Jason Miura, Director of Business & Economic Development  
Mr. Chris Hogan, Director of Protective Services  
Mr. Brandon Robertson, Director of Information Technology  
Mr. Jesse Hibbetts, Director of Operations  
Ms. Missy Bevers, Executive Assistant  
Ms. Amy O'Brien, Controller  
Ms. Amanda Veliz, Public Affairs Manager  
Ms. Christine Lewis, Safety Coordinator  
Mr. Clinton Woodson, Sales Manager  
Ms. Vicki Smith, Accounting Manager  
Mr. Chas Gryseels, Engineering Specialist (virtual)  
Mr. Jason Caywood, System Administrator (virtual)  
Ms. Tricia Vela – Public Affairs Assistant (virtual)  
Ms. Bailee Anderson, Accounting Analyst (virtual)  
Ms. Danielle Simonds, Accounting Specialist (virtual)

**Also, present:**

Mr. Geoff Bowman, Van Scoyoc Associates  
Mr. Chris Moore, Texas Port Ministry  
Ms. Bridget Elmore, The Goodman Corporation  
Mr. Will Bohlen, GHD  
Ms. Melanie Oldham  
Mr. Sammy Chambless

1. CONVENE OPEN SESSION in accordance with Texas Government Code Section 551.001, et. seq., to review and consider the following:
2. Invocation – Mr. Chris Moore – Texas Port Ministry
3. Pledge of Allegiance – U.S. Flag and Texas Flag

4. Roll Call – Commissioner Giesecke noted that all Commissioners were present in the Board Room.
5. Safety Briefing – Ms. Christine Lewis provided tips for travel and outdoor safety.
6. 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.

7. Public Comment – Ms. Melanie Oldham addressed the Commission about water.
8. Public Testimony – There was no public testimony.
9. Receive update from Van Scoyoc Associates regarding federal matters.

Mr. Geoff Bowman with Van Scoyoc Associates was present to give an update on federal matters. Mr. Bowman reported that in March, Congress passed a continuing resolution funding the government through the end of this fiscal year at fiscal year 2024 levels with a spot of good news that the Corps of Engineers issued their work plan for FY2025 with \$13 million for operation and maintenance activities at the port. Previous years has seen \$7 or \$8 million. Currently working with very tight majorities in the House and Senate with only a three seat majority in the Senate, and about a three or four seat majority in the House. He stated there was a major milestone in July when Congress passed the One Big Beautiful Bill Act, which centers more on tax reform, border security and increased National Defense funding and not a lot specific to seaports or infrastructure in general. In terms of the rest of the year, he stated that Congress will need to figure out FY2026 noting they will have 14 legislative days to figure out how to fund the government into the next fiscal year, which starts on October 1. He also noted there is an absence of trust right now amongst the Republicans and Democrats, even in the Senate, and is unsure how it will all come together with a temporary continuing resolution at the end of September expected adding they are not ruling out a partial federal government shutdown. Mr. Bowman reported on two other items that Congress is going to tackle over the next year that will be directly applicable to the port. First, the Surface Highway programs expire at the end of September 2026 and the wheels are already in motion to get a law enacted before that date. Additionally, Congress is working on a permitting reform with the House Committee on Transportation Infrastructure already passing a Clean Water Act reform bill and the Natural Resources Committee in the House is working on NEPA and Endangered Species Act bill. Mr. Bowman anticipates a lot of action that may dovetail nicely with the highway bill if they can get something done on permitting reform to accelerate projects. To date, Congress has only enacted 34 laws with the major milestone in July, but still behind the previous Congress's track record of 60 or so by now. In terms of the administration, Mr. Bowman stated there has been an emphasis on maritime policy with a proposed fee on Chinese manufactured vessels that got promulgated back in March in which Port Freeport supplied public comments to. He noted this administration has issued 282 executive orders which is still far below the average of Franklin Delano Roosevelt, who averaged 307 executive orders every year he was President. The vessel fee will go into effect on October 14 unless circumstances dictate otherwise. Mr. Bowman stated they engaged more heavily on the ship to shore cranes tariffs. In May, they had a White House meeting with the National Security Council and United States Trade Representative noting the tariffs have not yet been implemented and doesn't know when they will be. He explained that

it's a 100% tariff on any crane that is manufactured in China, which is where most of the cranes are manufactured for the world's ports. He expressed the theme in their public comments and with the White House is that the tariffs should not apply to previously purchased cranes like the ones the port purchased almost two years ago. Congressman Weber has also sent a letter in support of their efforts to the White House. Lastly, Van Scoyoc is working on a Port Infrastructure Development Program grant for Velasco Terminal Area 4 that is due September 10 noting they received new information in terms of the themes that the Secretary of Transportation wants to see in all of his grant applications, adding that it's not just limited to MARAD but across all DOT programs, with things like, are you a NEPA assigned state and what are your birth rates. Ms. Saathoff commented that in looking at a possible continuing resolution, the port is already funded to completion on the channel project so it will not be impacted by that. She also thanked Mr. Bowman for helping the port navigate all the different offices that it took to get the project the new start designation and to get the funding in such a short window of time. Commissioner Giesecke inquired about the bills relating to NEPA and the Clean Water Act. Mr. Bowman stated the Clean Water Act is an aggregation of 18 separate bills that had been previously introduced noting that because there is a Republican House, a Republican Senate and a Republican White House, the sentiments are that they will be able to get something done on permitting reform. In general, there are three cornerstones of this administration, tax reform, border security and energy dominance. He stated while the tax reform piece has largely been undertaken and the border security piece is already underway, the energy dominance piece has not, adding that can't happen until you make some fundamental reforms to the Clean Water Act, the National Environmental Policy Act and the Endangered Species Act, noting that one of the things they have in their ESA and NEPA proposals are that if you didn't provide comment on a proposed listing, you shouldn't be allowed to file litigation. Mr. Bowman will provide a summary in more detail of what each of the provisions does adding that the whole idea is to accelerate the processing of permits.

10. Receive reports from Executive Staff on activities and matters related to administrative affairs, financial results, facility engineering matters, operations and vessel activity, safety matters, security matters, tenant updates, USCOE, and other related port affairs.

A. Executive Director/CEO

Ms. Saathoff reported that it's been a really good fiscal year thus far for Port Freeport with July results not disappointing as far as tonnage and vessel arrivals or in the port's revenues and net revenues. Net operating income is about 30% ahead of what is budgeted which is always positive because it helps the cash flow and ability to minimize the amount of debt necessary to carry out the capital infrastructure program and continue to grow the port and provide the infrastructure that's needed to handle more business. Repairs from the damage of Hurricane Beryl are wrapping up with about \$4.15 million incurred to date. Staff anticipates finishing out the end of the fiscal year strong with August showing to be another good month with similar results. She reported that the dredge Amelia Island is on site and will be here through September, and the Ellis Island to follow. The two new cranes are scheduled to arrive next month with the forecasted date now September 20. Staff has been working with all of the tenants and the Coast Guard to execute their arrival. The Customs bonded warehouse has been approved should it be needed with the bond issuance expected this week. The port will hold a special meeting on September 9 at 8:30 a.m. with regard to the budget approval and tax rate setting. Also, on the agenda for discussion will be the tariff payment on the cranes. The regular meeting for the month will be held September 25. Ms. Saathoff also reported that Eddie Belk out of the U.S. Army Corps of Engineers in DC has retired with Ryan Fisher assigned to the position in the

interim for the next 120 days. Mr. Fisher has expressed interest in a permanent assignment to that position and was previously in the Assistant Secretary's office. Additionally, Tab Brown will also be retiring soon. Commissioner Giesecke asked about updates regarding the commemorative plaque on Parcel 1 (East End). Ms. Saathoff stated that staff has not yet approached the members of the community to be on the committee as there are a few other things staff needs to get through, including the Centennial celebration adding there is still plenty of time with the relocation of the sewer line and establishment of the buffer zone yet to come.

**B. Director of Engineering**

In addition to his written report, Mr. Hull followed up to Ms. Saathoff's reports on the dredges stating the port has two hopper dredges working, the Ellis Island and the Amelia Island along with the mechanical dredge, Dredge 58. He also stated there is a possibility that a third hopper will come, the Liberty Island. Mr. Hull also shared a current picture of Velasco Terminal Area 5 noting the high mast poles are all that's left to install. Ms. Saathoff reminded everyone that the project was funded from the Maritime Infrastructure Fund that the state legislature appropriated last session (in the 88th session).

**C. Director of Operations**

Mr. Hibbetts reported on statistics stating there were 51 vessels handled for the month of July noting the lay days were a bit down due to the number of barges in July, but otherwise another solid month. With regard to tonnage, Mr. Hibbetts stated that while he's been reporting that steel has been slightly lagging behind throughout the year with tariffs, etc. but shows to be right where the port was last year. Additionally, there are back-to-back ships lined up for August and the end of September. Rail cars for the month of July was the top month for the year. The Port's newest OEM had a backlog of vehicles in Mexico and rail cars, so it broke loose the month of July. Staff expects another high volume of rail cars moving forward in August as well. This was also a record month for the Port overall since the area was opened. A recap of the month shows the Port handled 18 LNG vessels, 19 RoRo, 2 steel along with 11 barges, 12 containers vessels and the total number of rail cars for the month is just shy of 1700. Mr. Hibbetts stated that year-to-date numbers show 189 LNG vessels, 158 RoRo and 127 container vessel calls adding the Port has surpassed last year's number for total vehicles handled with still two more months left in the fiscal year. Looking into August, there are 54 vessels expected for the month with 17 LNG, 17 RoRo, 12 container vessels, 2 steels and a bulk rice vessel. Mr. Hibbetts also reported the Zhen Hua 29 which is the vessel bringing the new container cranes is currently off the East Coast of Brazil in route in the Atlantic with an estimated arrival of September 20. Staff continues to make preparations to receive the vessel, working with Mr. Mullett and his crew, channel users, and ZPMC North America, who will be handling the commissioning portion of the cranes (receiving them).

**D. Director of Business & Economic Development**

Mr. Miura noted the forthcoming travel outlined in his report adding that it's the department's intention to continue participating in events and make sales calls beyond the greater Houston area to continue raising awareness of Port Freeport's Velasco Container Terminal and its capabilities as a global gateway for maritime commerce. Staff continues to work to refine some aspects of the new website and work with Hot Dog marketing to implement additional content requested post soft launch. Staff is also putting the finished touches on the 2025 PIDP grant application for the Velasco Terminal Modernization

project (Velasco Terminal Area 4). Mr. Miura also reported the Breakbulk Americas 2025 will be held September 30-October 1 at the George R. Brown Convention Center with the Port's event on October 1 noting that staff is very excited about this year's event to raise awareness and promote the Port with the rollout of the new trade show booth which is a representation of the Port's professionalism and maritime excellence over the past century.

E. Chief Financial Officer

Mr. Lowe presented financials for the month of July.

11. Receive report from Commissioners on matters related to:

- A. August 14 Capital Planning Committee Meeting - Commissioner Singhania reported the committee reviewed the capital plan for the FY 2025/2026 budget.
- B. August 14 Personnel Committee Meeting – Commissioner Kincannon reported the committee reviewed the salary, wages and benefits for the FY 2025/2026 budget.
- C. August 14 ESGS Committee Meeting – Commissioner Fratila reported the committee reviewed the request for qualifications for the emissions and electrical professional services for the 2024 EPA Clean Ports Program project titled *Charting a Cleaner Course: Port Freeport's Continuous Improvement for a Cleaner Port* and is on the agenda for discussion.
- D. August 14 and 21 Finance Committee Meetings – Commissioner Croft reported the committee reviewed the request for proposals that will be used to seek a qualified firm to represent Port Freeport during the design phase of Cross Dock #2 which is on the agenda for discussion. The committee also reviewed the expenses for the FY 2025/2026 budget.
- E. August 21 OSS Committee Meeting – Commissioner Santos reported the committee reviewed a demo of video analytics which is on the agenda for discussion. In addition, the committee received an update from Riviana personnel and reviewed proposals for a camera replacement project, all within budget and on the agenda for discussion.
- F. Port Commission related meetings or conferences, Port presentations and other Port related matters.

Commissioner Fratila reported attending the Brazosport Annual Dinner, various committee meetings and Lower Brazos River Coalition meeting.

Commissioner Croft reported attending the Legislative Update, Alliance Board meeting, Brazosport Chamber Annual Dinner and the Phillips 66/CP CAP meeting.

Commissioner Santos reported attending the Gate 12 Ribbon Cutting, various committee meetings and the Legislative Update.

Commissioner Kincannon reported attending the Col. Blackmon Retirement, Highway 36A Coalition meeting, Traffic Coordination meeting, Gate 12 Ribbon Cutting, various committee meetings and the Legislative Update.

Commissioner Singhania reported attending similar chamber events, the Gate 12 Ribbon Cutting, Cody Vasut presentation at the Lake Jackson Business Association, various committee meetings, BayTran Luncheon and Legislative Update.

At this time, Ms. Saathoff asked Ms. Veliz to give an update on the upcoming CAP Meeting. Ms. Veliz state the next CAP meeting will be held September 16 at the Danbury Community Center with Jesse Hibbetts giving an update the Port's infrastructure and the cranes. Additionally, the Port's annual golf tournament benefiting Texas Port Ministry will be held on October 27.

Commissioner Giesecke reported attending the Freeport City Council meetings, Lake Jackson Business Association meeting, meeting with Hayden Crawford from Congressman Weber's office, BayTran Luncheon as well as similar chamber meetings.

## 12. Consent Agenda.

- A. Approval of Minutes from the Regular Meeting held July 24, 2025.
- B. Approval of financial reports for the period ending July 31, 2025.

Commissioner Giesecke read the items on the consent agenda and asked if any Commissioner wanted to pull any items to consider and discuss individually. Commissioner Singhania requested item B be pulled for a question. Commissioner Giesecke then asked for a motion to approve item A of the consent agenda.

A motion was made by Commissioner Singhania to approve the consent agenda. The motion was seconded by Commissioner Kincannon with all Commissioners voting in favor of the motion.

At this time, items B from the consent agenda was taken up for discussion...

- B. Approval of financial reports for the period ending July 31, 2025.

Commissioner Singhania asked about the extraordinary expenses of Hurricane Beryl, noting that Mr. Lowe previously mentioned that with FEMA, the port will get an additional \$2.3 million or something like that and the total expenditure was around \$4 million, asking how much the total is the Port will get from FEMA. Mr. Lowe stated that he doesn't have the number at his disposal and can offer reconciliation next month in the package. Ms. Saathoff recalled that FEMA will reimburse about 90% of the cost unless something has changed. Ms. O'Brien stated that the \$2.3 million that's referenced in the report refers to just the roof repairs. The crane repair damage has already been reimbursed which was around \$200,000 adding that a lot has already been reimbursed at the 75/25 rate. She explained that the \$2.3 million is obviously a little less than the 75/25 but because it's such a large scale project, FEMA did a flat rate according to their reimbursement rates and construction rates at the time that staff deemed acceptable for reimbursement. Ms. Saathoff clarified that FEMA approved eligibility of about 90% of the cost which that 90% then would be eligible for 75% reimbursement. Commissioner Giesecke asked what the 10% represented wasn't approved. Mr. Lowe stated that FEMA did a lump sum approval of all the roofing based on their in-house estimates of what those costs should be, and the Port could either accept that or could have gone back, started from scratch and tried to do each roof individually without knowing whether it would have been approved at the same rate or not. Staff discussed it internally and

felt that based on the feedback, it was in the Port's best interest to take the amount that was being offered. Ms. Saathoff reminded everyone that there have been seven different FEMA project managers assigned to Port Freeport in a single year.

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

13. Approval of Inter-Agency Cooperation Contract with Texas A&M University-Corpus Christi for maintenance of the NOAA PORTS sensors in the Freeport Ship Channel, for an amount not to exceed \$60,000.

Mr. Hull stated this is the annual maintenance contract with Texas A&M University, Corpus Christi for the maintenance of the NOAA PORTS sensors in the ship channel. He noted the contract is higher than last year explaining that staff had budgeted \$50,000; however, in addition to the fixed cost for maintenance, the contract recommends setting aside an additional \$15,000 for emergency or unscheduled maintenance. Adding that number brings the total very close to \$60,000. Mr. Hull recommends approval of this amount in the event something comes up and an emergency repair is needed; staff will already have the authorization to spend up to 60,000. This was not done with the previous contract but is included this year.

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

14. Approval to purchase the Vaidio AI Vision Platform, for an amount not to exceed \$154,000 with annual recurring costs of \$29,900, to be cost-shared through the Port Security Grant Program.

Mr. Hogan stated that staff went out for bids for an AI video analytic solution that would integrate with the port's existing video management system, which is called Mildstone and is for 100 cameras, but the hardware has been spec'd to be able to expand out to 200 cameras for future growth. Staff had five parties interested with two submitting bids. Digi Security submitted a bid for \$277,993 with a reoccurring annual cost of \$19,200. Vaidio submitted a bid for \$154,000 with a reoccurring annual cost of \$29,900. Staff used the weighted metrics that was previously approved by the Board with the final scores of Digi Security at 5.0 and Vaidio at 9.1. Mr. Hogan stated the project received funding through the Port Security Grant with the Port responsible for 25% of the cost. Staff requests approval to purchase the Vaidio AI Analytic Solution at a cost not to exceed \$154,000 with the understanding the Port would be reimbursed approximately \$115,500 with a Port share remaining of \$38,500. Mr. Hogan noted there is a reoccurring cost of \$29,900, but since this is purchased under a grant, it would be eligible for future grants.

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

15. Approval to purchase nine (9) MozaicID TWIC Readers, for an amount not to exceed \$68,305.62, to be cost-shared through the Port Security Grant..

Mr. Hogan explained that staff is currently using the MozaicID TWIC reader, but only at the badge center to verify TWICs are live and valid when anyone comes in to get a badge. Staff wants to expand this capability to the gates and to patrol to do random checks as this is a compliance issue with the Coast Guard to make sure TWIC cards are validated regularly. This project is also funded under a grant with a 25% Port match. Additionally, the MozaicID TWIC readers have already been competitively bid through the United States General Services Administration (GSA) and is under GSA contract GS-35F-0545T. The Port is a member of the Texas Smart Buy program and therefore eligible to use the GSA pricing contract. Staff requests approval to purchase nine (9) MozaicID TWIC handheld readers for an amount not to exceed \$68,305.62 with the understanding the Port will be reimbursed \$51,229.21 with a Port share of \$17,076.41

A motion was made by Commissioner to approve the purchase of the nine (9) MozaicID TWIC card readers for the amount not to exceed \$68,305.62. The motion was seconded by Commissioner Kincannon with all Commissioners voting in favor of the motion.

16. Approval of purchase from Pfeiffer & Son, LTD for Camera Replacement & Installation, for an amount not to exceed \$66,100.

Mr. Robertson stated that staff went out for proposals to fix 28 down cameras within the Port. He explained that these are not highly critical cameras, rather they were ones that staff felt could wait to build a project. Staff received five proposals covering a big spread of pricing with one vendor disqualified for missing a certification. Pfeiffer & Son submitted the low bid and has done quite a bit of work for the Port in both telecommunication and electrical with no complaints. Additionally, they have their own bucket truck, so rental equipment isn't needed for the installation. The detailed project schedule included with the bid states the work can be done within September. Mr. Robertson stated that staff's spec document spells out everything wanted for the cameras and requires a one year warranty of labor. In addition, the cameras have a manufacturer's warranty as well and is the same brand the Port has used for over 10 years with most of the downed cameras having been up for 10 years.

A motion was made by Commissioner Santos to approve Pfeiffer & Son for the replacement and installation for the cameras, for an amount not to exceed \$66,100. The motion was seconded by Commissioner Kincannon with all Commissioners voting in favor of the motion.

17. Approval to exercise two (2) one-year options for KM&L Audit Services.

Mr. Lowe stated that on May 26, 2022, the Port Commission approved the awarding of the Annual Independent Financial and Compliance Audit to KML for a three-year period with two additional one-year options at the Port's discretion. He explained the Commission has already approved the entire five year award; however, to be conservative in nature staff wants to confirm with the Port Commission the exercising of the two one-year options. Mr. Lowe stated that KM&L has provided outstanding service to staff and easily recommends approval of the two one-year extensions.

A motion was made by Commissioner Croft to approve and exercise two one-year options for KM&L audit services. The motion was seconded by Commissioner Fratila with all Commissioners voting in favor of the motion.



18. Approval of RFQ (Request for Qualifications) for Emissions and Electrical Professional Services for Charting a Cleaner Course Part of the EPA Clean Ports Program.

Mr. Miura stated that staff met with the ESGS Committee to recommend an RFQ for emissions and electrical professional service adding that Port Freeport is implementing a 2024 EPA Clean Ports Program project titled *Charting a Cleaner Course: Port Freeport's Continuous Improvement for a Cleaner Port*. He explained the EPA grant project is broken into various components that will need to be managed by a firm that has the qualifications and experience in emission inventory and electrical design for public entities and noted the five planning phases....

1. Quality Assurance Project Plan
2. Inventory of Port Equipment and Emissions Monitoring (including stevedores and tenants)
3. Resiliency Planning
4. Community Benefits and Workforce Plan
5. Electrical Feasibility Scenario Analysis

Mr. Miura stated that with the Port Commission's approval and release of the RFQ, staff anticipates making a recommendation for a qualified firm at the November 20 meeting with work to begin at the start of the new year. Completion of the project is expected in February 2028 and is fully funded under the EPA grant. Staff recommends approval with any non-material changes accepted.

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

19. Approval of RFP (Request for Proposal) for Owner's Cold Storage Industry Representative.

Mr. Miura stated that staff met with the Finance Committee on August 14 and recommends publishing an RFP for an owner's cold storage industry representative. He explained the Port is seeking a qualified firm to represent Port Freeport during the design phase of Cross Dock 2 to ensure the design of the multi-temp, multi-functional facility can attract a broad variety of users and is marketable to potential tenants and operators. Additionally, the selected firm should specialize in cold chain management and logistics with cold storage design and operation experience. The RFP requests proposing firms to submit eight examples of relevant experience in the past five years and a monthly fee to represent the port. The timeline proposes releasing the RFP August 29, publishing in the paper with proposals due September 18 and making final recommendation at the September 25 Port Commission meeting. The scale for valuation criteria has been structured as such...

- 30 points - Project Understanding
- 10 points - Resources and Staff
- 40 points - Experience
- 20 points - Fee

Ms. Saathoff noted this is a result of the market study about cold storage and staff wants to make sure we have a firm that understands the market and consults the engineers as it's designed. It will be open to any and all consultants, even those previously used. Mr. Miura stated that staff received support from the finance committee and recommends approval.

A motion was made by Commissioner Kincannon to approve the request for proposal for owner's cold storage industry representative. The motion was seconded by Commissioner Croft with all Commissioners present voting in favor of the motion.

20. Conduct Workshop regarding Fiscal Year 2025/2026 Budget for Port Freeport.

Mr. Lowe stated that staff previously met with the respective committees to discuss revenue budget, expenses, capital plan, salary, wages and personnel adding that he appreciates everyone's time to meet with staff prior to allow the process to run a little smoother. He also thanked Ms. O'Brien for her efforts in pulling it all together. Mr. Lowe began the workshop by stating the overall budget includes \$59.9 million in operating revenues and \$33.9 million in operating expenses which produces an operating profit of \$26 million at an operating margin of 43%. This would result in an increase in net assets of \$29 million. The budget includes capital expenditures in the amount of \$56.3 million, which would be funded through a combination of cash flows, debt and grants. Mr. Lowe noted the revenue debt spend that's planned for this fiscal year would be the remainder for the cranes. Debt service interest expense on existing debt amounts to \$11.7 million. Total revenues amount to \$74,706,246 with harbor revenues representing 59%, lease revenues at 20% and ad valorem taxes at 0%. For this fiscal year, other revenue is \$5.1 million, and grant revenue is \$10.4 million. The total operating revenues is \$59.9 million which is an increase over the 2025 forecast of \$1.5 million or 3% with tonnage of 20 million and ship calls at 722 which is a 2.8% increase. Mr. Lowe noted that volumes are close in level with the 2025 forecast, about 3% lower, but very much in line with the current forecast, expecting FY26 revenue to fall with our current trend. Operating expenses represents \$33.9 million with 81% contributed to depreciation, salaries, wages and benefits, business insurance and professional services. The remainder is a mixture of discretionary items like maintenance and repair as well as non-discretionary that are required annual payments. To further break down these areas, Mr. Lowe began with port salaries, wages and benefits which includes a budget of \$7.1 million, which is an increase over 2025 forecast by \$1.1 million or 19%. The fiscal year 26 budget includes a 4% increase and includes filling five approved positions that are vacant, plus one new position. A 10% increase is forecasted for group health, dental and vision insurance over the prior year with the percent benefits to salaries and wages at 34%. Mr. Lowe explained that staff met with the port's benefits coordinator/broker and insurance supplier, who's underwriting the port today, and had meetings with both parties to get a feel for what the trend looked like going into next year and their feedback is the basis for the 10% increase. He reminded the Commission that the port changed plans a couple of years ago and had a decrease so it's up a little over the last two years but still in line with what the market is providing. Professional services has a budget of \$4.4 million, which is an increase over the 2025 forecast of \$443,000 or 11%. Security fees makes up a majority of this category at 58% and includes canine detection services. Significant changes in this category include an economic impact study, phase two of cold storage assistance and grant related assistance. Mr. Lowe explained that staff has included \$787,000 in the expense category related to the EPA grant and likewise, on the revenue line, there is \$787,000 that offsets this. The administrator for the first portion of the EPA Grant was approved with the engineering phase approval next. Both of these have elements in this year's budget that will expense over the next three years with an equal offset in revenue; however, staff must report it as an expense and as the revenue. Finally, the last item in this category is a brokerage fee which is the second brokerage fee associated with the Volkswagen development. He explained that when the Volkswagen development was approved, there was a broker involved with three approved payments. The first one was paid when the agreement was executed, the second payment is based on a date in fiscal year 2026 (February) and the

final payment is year 20 and has to do with the extension to 30 years. Training, travel and promotional has a budget of \$973,000, which is an increase of \$154,000 or 19% over the current year forecast. The focus is primarily on commercial events tailored toward growing container terminal business and includes the Trans-Pacific Maritime Conference, International Fresh Produce Conference and includes heavy attendance with staff and/or commissioners present to man the booth and make contacts. Additionally, there is the Retailers International (RILA) as well as continued participation in the Automotive Logistics Global Conference, Finished Vehicles Conference and Breakbulk Americas with all contributing to driving some of the increase. With regard to the general sales travel line item, Mr. Lowe noted there is one trip to Europe and seven domestic trips included in the budget which are targeted toward the growth of the port's container terminal. Utilities is budgeted at \$1.3 million, which is an increase over 2025 of \$163,000 or 15%, predominantly driven by an increase in the City of Freeport water and sewer rates which is estimated to be a 15% increase. Business insurance is budgeted \$2.9 million which is an increase of \$103,000 or 4% over 2025. Mr. Lowe reminded the Commission of the March 1 property renewal package which was a good (flat) rate while the July 1 liability package renewal experienced an 8% decrease. Staff budgeted a 5% increase in premiums for the new fiscal year based on additional asset value and general historical market pressures. Other services and charges are budgeted at \$799,000, which is \$199,000 or 33% over the 2025 forecast. This includes the NOAA PORTS system and property lease expense (railroad) which saw a heavy increase. He explained that the port has three different rail agreements with Union Pacific on leases with one having a 3% rolling increase year over year while the other two tripled this year but had not been increased in the previous 15 years. IT contractor services and the cyber security subscriptions and notification services are also included in this category. Maintenance and repair budget of \$1.4 million, which is an increase of \$247,000 or 22% over the current forecast. Mr. Lowe noted the terminal operations equipment, which is primarily the cranes, has a special line item for drive module refurbishment of \$270,000 and trolley rail repairs of \$150,000. The current budget had \$120,000 in it for crane cables which was a one-time event so that came off but \$420,000 came on. He explained the \$270,000 is a 2-year expense and will see it again next year as the operations staff has worked to put together an expense forecast for the next 5 years for crane spare parts since the cranes are 10 years old and staff is recommending some items that will need to be replaced as they begin to fail. Depreciation expense of \$14.8 million is the result of projects that have previously been approved and are now being put into operation. Moving on to debt interest and principal payments, Mr. Lowe reminded the Commission of how the accounting works stating that after recognizing the operating margin and adding back in the depreciation, you get to the \$40 million range of available cash flow and then make bond payments which total about \$20 million. This leaves free cash flow over the fiscal year of \$20-\$25 million that staff would use to fund capital and reinvest into port infrastructure. He noted the interest rate, and full term is shown in the schedule on page 20 of the draft budget. He also noted the bond could be called at any one time once the call date is achieved adding that the port gets unsolicited contacts and feedback occasionally from the market with folks wanting to underwrite a refunding; however, there hasn't been anything that staff felt the port could save money. He stated that if bonds that were issued below 4% and still had a significant outstanding balance, it would be worth it to pursue if rates got down to 3.5 or 3%, adding that only one bond is in play, which is the 2023 G.O. bond at 4.19%. A bond term could possibly be extended with a refunding; however, staff would have to discuss this with bond counsel to make sure the port is maintaining its commitment to the bond and look at how it was financed adding that if it were an option, staff would explore it if the Port Commission was interested. While it does add some flexibility to cash flow, if it is needed, the port issued the majority of debt at an outstanding time and has very fair rates for what it's been able to

reinvest in and grow the port's infrastructure. With regard to the proposed Port capital plan and strategic initiatives, the Freeport Harbor Channel for fiscal year 2026 does not anticipate any spending because the project is ongoing but there is unspent funding from the G.O. issuances if needed; however, staff does not anticipate this. The buildout of the container handling facility is \$27.1 million and includes permitting and engineering design for Berth 6, Cross Dock 2 project and the remaining crane payments. Mr. Lowe noted the Cross Dock 2 project would cross two fiscal years. The development of warehousing and OEM distribution is \$13,950,000 with Parcel 19 rail engineering and design, Parcel 1 asphalt expansion, a public parking project and the Gate 12 RPM project. The general port infrastructure includes everything that doesn't fall into one of the three previous categories including berth fenders for the inner harbor, Gate 4 access project, Parcel 17 retention, additional spare parts, port security grant items and port vehicles. Ms. Saathoff noted the crane payments for next year does not include paying a tariff on the cranes. Depending on timing, if the cranes arrive in September, the tariffs would be due upon arrival. Staff has set up the customs bonded warehouse, and if the cranes are put in customs bonded status, then they would not be making entry into the United States commerce so tariffs would not be due then. She further explained that if the port pays the current tariff rate, it would be 30% based on current announcements from the administration. USTR still has not taken action on the proposed tariff for ship to shore cranes and there's no timeline for making that decision and no guarantee that there would be grandfathering of the proposed 100%. She noted there has been some indication in Washington they could be making the final determination in October which is in line with when the new ship fees go into effect on October 14. Additionally, the administration extended the period of time (90 days) to finalize all negotiations with China which expires on midnight November 10. Ms. Saathoff stated there's no assurance a full agreement will be reached and if the tariff will remain at 30% plus the 25% Biden imposed which the port is exempted from through May 26, 2026. If the cranes were to arrive today, the port could pay the 30% tariff to make entry. The expected arrival is September 20 at this time. If the cranes are put in customs bonded warehouse status, it's unlikely that tariffs will go lower than 30%; however, there is a greater risk the rates could go higher. The Port Commission will have a decision to make next month as it affects cash flow available for projects in 2026 which staff took into consideration as the budget was prepared knowing a \$7.5 million estimated tariff payment to the federal government could be made. There is no certainty what the administration will do or how soon their decision will go into effect. Ms. Saathoff stated that if staff had certainty the rates weren't going to go up the cranes could be held in customs bonded status while the commissioning process went on and could defer making a tariff payment noting that while the cranes are in customs bonded status, the rates could go up or go down but you pay whatever is in effect at the time entry is made. There is available cash flow that if the Commission decides to pay the tariff now, it will not impact keeping the tax rate at zero. Mr. Lowe has factored the payment into the cash flow planning and currently anticipates managing it just fine. Reimbursements from FEMA and grant reimbursements are also factored into how its managed. Finally, Mr. Lowe walked through the cash flow worksheet in the budget showing \$59.8 million in operating revenue, less the expenses nets out an operating income of \$25,918,000. Deducting the net non-operating revenues of \$7.3 million gets a subtotal of net income of \$18.6 million, then adding back in the non-cash items (depreciation) and interest expense brings you back to \$45 million. Minus the debt service payments, it then nets out \$24.9 million which is the net cash flow available to reinvest into the capital project infrastructure. After deducting \$56,275,000 for the three categories of capital expenditures, the net drawdown would be a decrease of cash flow of \$21 million for the fiscal year. This does not include the estimated \$7.5 million crane tariff payment spoken earlier. Mr. Lowe explained that when the cranes arrive and are entered into the port's

possession, staff has approximately 10 days to make payment. The cranes are currently scheduled to be here on September 20. If the Commission chooses to move forward with payment, it would be in the current fiscal year and it would not need to be budgeted in this fiscal year. Cash wise, it will still matter. Staff will be discussing the potential use of the capital reserve at the next meeting. When modeling the zero tax rate for the last two years, Mr. Lowe has included the capital reserve as a potential source to utilize. While there are a couple of projects that are ready to go, staff can manage the timing of some of the projects, but the port is currently in a heavy cash flow period. He further explained that all the projects entail a drawdown of approximately \$21 million if the capital plan is executed timely according to the plan.

21. Adoption of a Resolution proposing the 2025 Tax Rate, to be adopted at a future meeting.

Mr. Lowe stated that while the port's general obligation bonds are outstanding, this is still a required process. The Commission has already passed a resolution instructing staff to encumber the funds for the upcoming year's debt payment which has been communicated to the Brazoria County Tax Assessor Collector and the result is a zero tax rate. To formalize this, the Port Commission needs to formally propose a tax rate of zero, take a roll call vote which will be captured in the resolution that the chairman and secretary will sign. The resolution will be sent to Brazoria County which will lead to a newspaper ad telling the community what the port is doing on its tax rate versus the no new revenue rate and the voter approval rate. He noted there will continue to be some residual there from years past (minor collections, etc.) but it has no impact on the Commission's proposal of zero. He also noted this is the only tax rate the Commission can propose because the port has encumbered the funds and taken the M&O to zero. Staff recommends approval of zero tax rate proposal.

A motion was made by Commissioner Kincannon to adopt the resolution proposing the 2025 tax rate of zero, to be adopted at a future meeting. The motion was seconded by Commissioner Singhania with all Commissioners present voting in favor of the motion by a roll call vote.

22. Discussion regarding date for Strategic Workshop.

Ms. Saathoff stated the tentative date for the strategic workshop is November 6 with a proposed start time of 8:30 in the morning with a cut-off around 2:30-3:00. If necessary, a continuation of the workshop will be held at the following board meeting. With the busy schedule over the next couple of months, staff wants to reconfirm the date of the workshop and start time giving staff ample time to pull all the information together. The Commission agreed to stay November 6 with a start time of 8:30 a.m.

23. 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 551.076 (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.

C. Under authority of Section 551.087 (Economic Development Negotiations or Incentives):

1. To discuss or deliberate regarding commercial or financial information that the governmental body has received from a business prospect that the governmental body seeks to have locate, stay, or expand in or near the territory of the governmental body and with which the governmental body is conducting economic development negotiations.
  - i. Business and Economic Development Report including potential offers of financial or other incentives to the business prospect.
2. To deliberate the offer of a financial or other incentive to a business prospect described by Subdivision (1).

D. Under authority of Section 551.072 (Deliberation Concerning Real Property Matters) for discussion regarding:

1. 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, 3, 5, 7 and 8.
2. The potential lease or value of real property located at Port Freeport or adjacent to Port Freeport, including but not limited to Parcel 1.
3. The potential exchange, lease, or value of real property located at Port Freeport, including but not limited to Parcels 14, 19, 27, 34 and property on Quintana Island.

24. RECONVENED OPEN SESSION to review and consider the following:

25. Adjourn.

With no further business before the Commission, the meeting adjourned at 6:49 PM.