

Minutes of Port Commission Meeting
September 9, 2025
In Person & Videoconference

A Special Meeting of the Port Commission of Port Freeport was held September 9, 2025, beginning at 8:31 AM 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. Phyllis Saathoff, Executive Director/CEO
Mr. Rob Lowe, Director of Administration/CFO
Mr. Jason Hull, Director of Engineering
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

Staff Members Present via Videoconference:

Mr. Grady Randle, Randle Law Firm
Mr. Jason Miura, Director of Business & Economic Development

Also, present:

Mr. Chris Moore, Texas Port Ministry
Mr. Will Bohlen, GHD
Mr. Scotty Emmons (virtual)
Mr. David Williams (virtual)

1. CONVENE OPEN SESSION in accordance with Texas Government Code Section 551.001, et. seq., to review and consider the following:
2. Roll Call – Commissioner Giesecke noted that all Commissioners were present in the Board Room.
3. Public Comment – There was no public comment.
4. Public Testimony – There was no public testimony.

At this time, Mr. Chris Moore with Texas Port Ministry provided an invocation followed by pledges to the U.S. Flag and Texas Flag.

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

Mr. Lowe noted the start of the workshop at 8:31 a.m. He stated this is the second full budget workshop that followed four committee meetings to vet the process adding that he appreciates the Commissioners' time to assist staff throughout the annual process to set the budget and tax rate. Likewise, he also thanked staff for their time and efforts and acknowledged Ms. O'Brien for her extraordinary efforts to bring everyone to this point. Mr. Lowe then noted the minimal changes in the new copies of the budget the Commission received stating staff added \$30,660 to the water budget which is based on the rates the City of Freeport recently passed. That change in turns flows through other areas. Additionally, a change was made on the revenue slide where the year over year for harbor revenues is recognized. Mr. Lowe then began the workshop stating that operating revenues are budgeted at \$59.9 million, operating expenses at \$34 million which produces an operating profit of \$26 million with an operating margin of 43%. Overall, it results in an increase in net assets of \$29 million. Planned capital expenditures amount to \$56.3 million, which would be funded through a combination of cash flows, debt, and grants. Debt service interest expense on existing debt amounts to \$11.7 million. Overall revenues total \$74,706,246, with harbor revenues and lease revenues representing 79%, along with grant revenues and other which is primarily investment income. Total operating revenues are \$59.9 million with harbor revenues increased from 2025 forecasted of \$437,000 or 1%. Mr. Lowe stated that this was a change from the previous slide noting that staff had identified the increase of total revenues but called it harbor revenues. This is the correct number for harbor revenue increases year over year. Tonnage is \$20,081,376, and ship calls are 722. Volumes are similar to this year's forecast while lease revenues are increasing by 2%. Operating expenses of \$33,976,261 includes the \$30,660 delta spoken to earlier with depreciation, wages and benefits, business insurance and security making up 81% of the budget. \$7,079,822 is budgeted for port salaries, wages and benefits which is an increase over 2025 forecast of 19%. Mr. Lowe stated it includes a 4% increase in CPI and merit, filling 5 positions that are vacant plus one new position. Staff has included a 10% increase in the forecast for group health, dental and vision insurance with overall percent of benefits to salary at 34%. Professional services is budgeted at \$4,446,506 which is an increase over 2025 forecasts of 11%. He noted the primary driver of this category is security and canine services and includes the canine detection services making up about 58% of the category. There is also an economic impact study included in the budget, phase two of cold storage for planning services and grant related assistance (EPA grant). Mr. Lowe stated the EPA grant expense is \$787,000 and is shown in the expenses with an equal offset in the revenues which is how it's accounted for (shown in both places). Lastly, the last item in this category is a brokerage fee related to the Volkswagen development. There was a brokerage fee approved when the agreements were executed. The second fee will hit during fiscal year 2026. Training, travel and promotional has a budget of \$973,992 which is 19% above the 2025 forecast. With an increased focus and effort to participate in commercial events surrounding the container terminal, the budget includes participation in the Trans-Pacific Maritime Conference, International Fresh Produce Conference and Retailers International (RILA). It also supports ongoing efforts to maintain and support the RoRo business with continued participation in the Automotive Logistics Global Conference, Finished Vehicles Conference and Breakbulk Americas with all contributing to the majority of the increase. It also includes advertising and sales travel noting the budget includes one trip to Europe and seven domestic trips that again supports efforts to increase focus on growing the Velasco Container Terminal and business surrounding that. Utilities are up \$30,660 from the first workshop for a total of \$1,286,013 or 18% above the current forecast.. Business insurance is budgeted at \$2,942,554 which is an increase of 4% over the current forecast and is brought to

the Commission twice a year with the property renewal and liability renewal. Other services and charges is budgeted at \$799,432, which is an increase of 33% over the 2025 forecast. This is driven by a lot of needed activities at the port such as IT contracted services, AAPA dues, rail lease expenses, NOAA PORTS system, cyber security, aerial map subscriptions and a new notification service. Maintenance and repair has a budget of \$1,388,618 which is a 22% increase over 2025 forecast. This is primarily driven by the existing cranes that have a drive module project and trolley rail repairs included this year. Depreciation expense of \$14,824,585 is an increase of 22% over current forecast and includes closing out projects that have been completed. Debt interest and fees shows the total principal and interest of about \$20.3 million and includes the true interest cost and the full term for reference. The Capital Expansion Plan of \$56,275,191 does not anticipate any Freeport Harbor Channel funding this year. Mr. Lowe noted there is still funding that will come in the future as the project completes and in the final settlement with expected substantial completion by the end of the year. If funding was needed within this fiscal year, there is still funding from the G.O. bond issuances in the accounts that is specific to this project only and are not captured any other place in the budget. Buildout of the port's container handling facility is at \$27.1 million and includes the remaining crane payments, cross dock 2 which will split two fiscal years as well as the permitting, engineering and design work for Berth 6. The development of warehouse and OEM distribution is \$13,950,000 and includes Parcel 19 rail engineering and design, Parcel 1 asphalt expansion, a public parking project and the Gate 12 RPM project. Finally, the general port infrastructure includes berth fenders for the inner harbor, Gate 4 access project, Parcel 17 retention, additional spare parts, port security grant items and port vehicles. Mr. Lowe stated there is no money in the budget for channel simulation but most likely will be an expense item as opposed to a capitalized item if we get to a point where we want to simulate larger vessels into the channel adding it would be an exception to the budget. Ms. Saathoff noted she will discuss this topic at the workshop in November. Capital funding by source shows cash flow or general reserve is funded at 56%. Grants is split with grantor at 19% and port match at 7% and then debt funded at 18% which is existing debt/funds for the final crane payment. Mr. Lowe explained that when staff says general reserve funded, it's not a specific reserve. It means the current cash or reserves the port may have adding it's the delta to what this year's financials are going to produce in free cash flow. If the port goes beyond what's needed from the free cash flow from this year's financial results, then it would then come from the reserves. It's just terminology, but not technically a reserve. He further explained that it could be the capital reserve that's on the agenda for consideration which is unrestricted from a technical statute or any covenants with any legal organization. It's only restricted by the board itself, not any external agencies. Mr. Lowe showed the cash flow worksheet from the budget to further illustrate the conversation. The worksheet shows an operating revenue of \$59 million, less the expenses which nets out a \$25 million operating income. The next few steps show how staff accounts for the bond interest, the interest expense and depreciation when added back in gets to \$45 million. Taking out the full bond payments leaves a net cash flow of \$24,864,515. If the budget is executed exactly as it's presented today with everything resulting exactly as the budget is planned, there would be \$24,864,000 remaining. The capital plan is \$56 million so if we only have \$24.8 million and trying to spend \$56 million, the additional cash has to come from something. This year's stand-alone plan would not cover all of the assets the port is building that will generate future revenues moving forward. \$10 million of the delta will be offset by grant funding and the other \$20 million will come from the reserves. Reserves mean current cash plus the capital reserve if we choose. Mr. Lowe noted that \$25 million is an outstanding number adding that we still have a very active capital plan as we're continuing to build out the port to generate future revenues therefore, the timing of that is such that we would have to go into the existing cash and potentially the existing cash

capital reserve the Commission designates as a capital reserve. Another option is more revenue bonds. Mr. Lowe stated that staff has historically targeted about \$10 million of available cash, not going below that number. Timing wise, the spending rate hasn't always kept up with the capital plan as it tends to slide a little. Currently there are two or three projects ready to go (i.e., fender project) that will happen and not be prolonged. Additionally, there are some projects that will pull the cash down quickly so outside of the traditional budget, it's one of the most important aspects of the presentation and one that should factor into the discussion for agenda items later today. He also noted staff is anticipating a fairly large reimbursement from grants however, those reimbursements are not always immediate, especially working with TxDOT. Commissioner Croft inquired about concerns for impact to the debt coverage ratio. Mr. Lowe stated this would not impact the debt coverage ratio but could impact the ratings if the rating agency took another look and saw the reserve was down. He further stated the port's ratio coverage as far as debt is outstanding at \$20 million with revenues two plus times the debt service. Mr. Lowe communicates consistently to the agency that staff targets a \$10 million floor on the cash availability. Commissioner Giesecke inquired about the commissioners' budget for the Trans-Pacific Maritime Conference. Mr. Lowe stated it was left in business development's budget when it was previously approved by the Commission and included three commissioners attending. Commissioner Giesecke also inquired about the commissioners' entertainment budget of \$1000. Ms. Saathoff stated it's for any meetings with consulting firms that resulted in a business dinner. With no more questions, Mr. Lowe ended the workshop at 9:11 a.m.

6. Adoption of the FY 2025/2026 Budget for Port Freeport.

A motion was made by Commissioner Santos to adopt the fiscal year 2025/2026 budget for Port Freeport as presented. The motion was seconded by Commissioner Singhania with all Commissioners present voting in favor of the motion.

7. Adoption of a Resolution setting the 2025 Tax Rate for Port Freeport.

Mr. Lowe stated that while the G.O. bonds are outstanding, staff will maintain the process of annually setting the tax rate. The requirement of proposing a tax rate was done at the previous meeting, which was zero, and was advertised in the local paper as required by statute. The Commission must now formally adopt the tax rate of zero which supports the budget just approved.

A motion was made by Commissioner Singhania to adopt a tax rate of \$0.00 for the year 2025. The motion was seconded by Commissioner Kincannon with all Commissioners present voting in favor of the motion.

8. Approve utilization of Capital Reserve for Capital.

Mr. Lowe stated that staff is seeking approval to utilize the capital improvement reserve noting the Commission passed a resolution on October 22, 2015 creating a reserve for capital improvements. Annual contributions from port operating revenues have been made since that time and has a balance of \$19.1 million as of August 19. The reserve can be utilized to fund Freeport Harbor channel improvements, capital and maintenance dredging, dredge disposal area improvements, land purchases and any other port capital improvement or capital maintenance item. When forecasting cash flows during the tax rate process for fiscal year 25, Mr. Lowe presented the possible inclusion of the capital reserve as the capital forecast is

heavy for the next five years. As previously mentioned, there are projects this year that have a bit of a lag with timing although staff has seen a very heavy outflow of cash in the last three to four months. Additionally, staff is also seeing a bit of a lag in reimbursement on the grant side. Mr. Lowe added that if a lag on grant reimbursement continues, once staff draws down the tariff payment later this month, cash flow would be approaching \$10 million. There is currently \$17.5 million dollars on the balance sheet with staff anticipating a large reimbursement for grant funding of about \$7.5 million which would put the balance back around \$25 million of free cash flow, exclusive of the reserve. As mentioned, the port is in need of an excess of \$20 million and currently has \$7.5 million for tariffs. At minimum, Mr. Lowe feels the Commission should consider using the reserve for the tariffs but would advocate it be utilized for capital funding for the plan and for staff to maintain an overall cash balance inclusive of the reserve and the existing free cash flow of not less than \$10 million. Furthermore, if the cash flow got to a point where it would go below that balance, staff would either pause some capital projects or consider a debt issuance. Mr. Lowe stated the current proposal authorizes staff to utilize up to \$19 million, however, if the Commissioner prefers, individual approvals can be brought to the Commission as needed. Commissioner Singhania commented that he would prefer individual authorization. Commissioner Kincannon asked if the reimbursements would automatically go back into the capital improvements account. The existing reimbursement staff is waiting on will not go back into the capital improvement account because it has already been paid out of regular cash. The current fiscal year is very similar to the proposed budget in that staff had nearly \$25 million of free cash flow and made payments out of the existing cash on hand at the start of the current fiscal year plus the cash added through the port's outstanding results of fiscal year 25. When Mr. Lowe modeled the cash during the tax rate discussion it was inclusive of the capital reserve to show where we would end with the free cash flow without having to issue additional debt and execute a zero tax rate. The reserve was not utilized in the current fiscal year because of the timing, however, as previously stated, the last 3-4 months has seen a heavier use of available cash adding that it's also the first time in a couple years it has been below the \$20 million threshold which is due to a lag in reimbursement and the aggressive nature of the capital plan. Commissioner Kincannon asked how the annual contributions to the account are determined. Mr. Lowe stated that the annual contributions have stopped adding that when it was created, staff would propose an amount equal to the M&O tax rate by calculating next year's M&O and debt service numbers. The Commission would approve the amount and staff would then take that amount out of the regular cash flow and put it in the reserve prior to collecting any M&O. He noted that the only utilization of the capital reserve since it was started in 2015 was for the Berth 8 dredging as it was deemed part of the channel project; otherwise, the funding has not been utilized. Commissioner Croft commented that while the cash flow could be potentially lower than staff wants it to be (not there yet), he understands the port could issue bonds to support capital assets that are being developed if they chose to do so. From his perspective, Mr. Lowe stated that if the cash flow balance of \$17.5 million is combined with the \$19 million in capital reserve, this is the amount available to fund the port's operations and capital moving forward. With staff wanting to maintain a threshold of at least \$10 million and felt it was going to dip below that for one or two months, the port would maintain that, but if the port had a new commercial opportunity or a current project that needed to be accelerated, he would not hesitate to recommend issuing additional debt. He does not see the need for that unless it was really going to be a sustained issue where the cash flow was pulled all the way down. The minimum amount he would issue bonds would be \$20 to \$30 million however if the port got to that point, staff would also strategize about consolidating refinancing if the rates were right. Commissioner Giesecke commented that many of the projects are being driven by grants and while the port wants to take advantage of the opportunities, we also don't

know what's going to be the available moving forward adding that having the capital reserve in place to bridge the gap is serving its purpose and will be replenished with revenue as it comes in. Lastly, Mr. Lowe stated that overall expenses were in the \$33 million range and included \$14 million of depreciation. If you back that out, it's \$20 million with half at \$10 million giving approximately 6 months of the port's cash operating expenses noting the port is in a robust environment today with its growth and believes it's sufficient. Additionally, staff has the ability to pull back pretty quickly on items like travel, maintenance and capital, timing wise, if we find ourselves in a situation that warrants the staff and board to develop an alternate path forward. He doesn't feel staff would have trouble reacting to a market situation or a cash situation because of how the port is organizationally designed and how plugged in the Commission is to the processes in place. Commissioner Giesecke asked what the guarantee would be (within a million or two) between the MAGs and the leases. Mr. Lowe believes it would be \$27-\$28 million for the upcoming fiscal year but will confirm the number and send it out. It exceeds the debt service by about \$7 million which still gives a good cushion. Back to the issue at hand, the authorization for use of the capital reserve, Commissioner Giesecke asked what the will of the Commission was noting Commissioner Singhania mentioned approving funds on a case by case basis, approving funds for crane payment today. Mr. Lowe indicated it would be his minimum request that the Commission authorize staff to utilize the reserve funds for the crane tariff payment. Commissioner Santos clarified that the next agenda item is to approve the payment but with regard to this item, he understands the Commission wants Mr. Lowe to get authorization on a case by case basis when he needs to dip into the reserves. Without coming to the Commission, he has the ability to dip into the funds for capital items when needed, items which have already been approved by the Commissioner. Ms. Saathoff referred to it as temporary bridging for capital items, something that is going to a more permanent use and not temporary.

At this time, Commissioner Singhania made a motion to authorize up to \$7.536 million to be pulled out of the capital reserve account for the cranes tariff, if the board elects to approve the next agenda item of the crane tariff payment.

Commissioner Kincannon clarified that agenda item #9 is approval to spend the money for the payment and agenda item #8 (current item) is to authorize staff to take the money out of the capital reserve. After a brief discussion, the Commission agreed to postpone agenda item #8 and take up agenda item #9 first.

Before moving forward and upon legal counsel's advice, Commissioner Singhania withdrew his motion on item number 8 for utilization of capital reserve for capital.

Commissioner Santos made a motion to postpone agenda item #8. The motion was seconded by Commissioner Singhania with all Commissioners present voting in favor of the motion.

After approving agenda item #9, the Commission came back to take action on this item without further discussion.

A motion was made by Commissioner Singhania to approve transferring \$7,536,000 from the capital reserve account to the operating account for covering the tariffs for the cranes and if the tariffs are refunded, the money goes back to the capital reserve.

Commissioner Singhania was asked to amend his motion to include the harbor maintenance fee and the merchandise processing fee for an amount not to exceed \$7,568,335.87.

Commissioner Singhania stated that he amends his motion to reflect that number. The motion was seconded by Commissioner Kincannon with all Commissioners present voting in favor of the motion.

9. Approval of tariff payment on the delivery of two STS Gantry Cranes in the amount of \$7,536,000 plus additional customary fees including but not limited to the Merchandise Processing Fee and Harbor Maintenance Fee.

Mr. Lowe shared the draft CBP Form 7501 that was provided by the broker of record for the cranes and explained the tariffs and associated fees. The form shows two tariffs in play, a 10% - \$2,512,100 and a 20% - \$5,024,200 which is the 30% tariffs staff commonly refers to. There are also two additional fees, the merchandise processing fee (MPF) and the harbor maintenance fee (HMF). The \$87,000 MPF is capped at \$634 which is shown in a separate section on the form. With this calculation, the total payment would be \$7,568,335.87; however, Mr. Lowe stated the port does not pay the tariff on the transportation cost or the insurance of the transportation costs. Staff has made outreach to ZPMC requesting them to provide the breakout for us and have not yet received it. Paul Bridges is also engaged and will hopefully get the correct number which is expected to be a lesser number because the cranes aren't being transported for free. Mr. Lowe stated that if the Commission utilizes the capital funding, staff recommends approving "an amount up to" adding it would only be used for this item and as it stands today, the tariff is 30% with minimal fees associated. He explained that the decision that needs to be made is when the cranes arrive, does the port want to move forward with paying the tariff and begin commercial utilization of them as soon as possible or use the bonded warehouse as mentioned before. If the decision is to pay the tariff, staff needs approval so that when the cranes arrive, the process can begin with making payment to Integrity brokers who will in turn make the payment to the government on the port's behalf. Ms. Saathoff clarified that staff has everything set up to go into the customs bonded warehouse. The bond amount was set at \$100,000 making the cost of the bond only \$750 for a year. If rates hold where they are today, the port would be paying 30% as laid out with the final number yet to be determined, but less than \$7.5 million. She explained that part of the tariff is allocated for the fentanyl trafficking levy while the other portion is what's been assessed across the board to all countries of import adding that at least half of the tariff will probably stay while with half going to the Supreme Court to be challenged. Staff has consulted with legal counsel and confirmed the port will have the right to seek a refund if the tariff is paid and the Supreme Court later rules that it was not legally assessed and collected. Ms. Saathoff stated the Commission could also consider activating and putting the cranes in foreign-trade zone that locks in the current tariffs however, the same legal element would apply noting the port is only looking at about 60 days of commissioning once the cranes arrive and doesn't know if it's worth the 60 days to put it in an FTZ status. While she can't provide a firm schedule, she's comfortable saying 30% is probably the lowest amount the port will face and recommends making entry and paying the tariff, unless something changes and the rates go higher.

A motion was made by Commissioner Santos to approve a tariff payment on the delivery of the two STS Gantry Cranes in the amount not to exceed \$7,568,335.87. The motion was seconded by Commissioner Fratila with all Commissioners present voting in favor of the motion.

At this time, the Commission went back to take up agenda #8 that was postponed earlier in the meeting.

10. Adjourn.

With no further business before the Commission, the meeting adjourned at 10:04 AM.