

Port Commission Special Meeting
September 15, 2026
In Person & Videoconference

A Special Meeting of the Port Commission of Port Freeport was held September 15, 2026, beginning at 1:03 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

Commissioners present via Videoconference:

Mr. Ravi Singhania, Commissioner

Staff Members Present:

Ms. Phyllis Saathoff, Executive Director/CEO
Mr. Rob Lowe, Director of Administration/CFO
Mr. Jason Miura, Director of Business & Economic Development
Mr. Jesse Hibbetts, Director of Operations
Mr. Brandon Robertson, Director of IT
Ms. Amy O'Brien, Controller
Ms. Missy Bevers, Executive Assistant
Ms. Amanda Veliz, Public Affairs Manager

Staff Members Present via Videoconference:

Ms. Heather Cook, Randle Law Firm
Mr. Chris Hogan, Director of Protective Services

Also, Present Online:

Mr. Alan Jones

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 Commissioner Singhania was online while all other Commissioners were present in the Board Room.
3. Public Comment – There was no public comment.
4. Public Testimony – There was no public testimony.
5. Conduct Workshop regarding Fiscal Year 2026/2027 Budget for Port Freeport.

Mr. Lowe stated that the budget process began with staff back in June and subsequently, meetings were held with the respective committees to discuss the expense budget. He thanked the Commission for their time in assisting and giving feedback through the committee efforts. When staff presented the first budget workshop on August 27th, it was recommended that two items related to the expense side of the budget be added, participation with the Greater

Houston Port Bureau and the BayTran Association. Both items were incorporated into the budget that resulted in a \$7,000 change to what was presented in the workshop. Otherwise, no changes have been made to the financial statement. Beginning with the budget summary, Mr. Lowe stated the budget incorporates \$63.3 million in operating revenues, \$36.1 million in operating expenses that would produce an operating profit of \$27.2 million with an operating margin of 43%. This results in an increase in net assets of \$31.7 million. The 26-27 plan includes \$104.2 million for capital expenditures and the debt service interest expense on existing debt amounts to \$11.4 million. Revenues has a budget of \$102 million with 47% of the revenues generated through harbor revenues, another \$15 million through lease revenues, zero through ad valorem taxes, grant revenues of \$34.3 million, and other revenues of \$4.5 million. He stated that total operating revenues is \$63.3 million and by contrast, the current budget is \$59.9 million. Likewise, the forecast of about \$59.6 million. Harbor revenues increased from 2026 forecasts, \$4 million or 9%. Staff is budgeting \$21.4 million in tonnage and 742 ship calls and by contrast, current forecast is about 731 for current fiscal year. Overall, volumes are level with the 2026 forecast based on full operations of the port's existing customers. Lease revenues of \$15 million is a decrease over 2026 forecasted by \$298,000 or 2% due to short-term lease terminations. Mr. Lowe stated that operating expenses amount to \$36,113,761 of which 78% is comprised of personnel, security contract, business insurance, and depreciation. He also noted that all of those items are vetted with staff, committees and the full board for approvals. New operating supplies adds another \$1.3 million for new commercial activities anticipated in the upcoming fiscal year, which would take it up to 81%, noting that discretionary spending represents about 20% of the overall budget. Salary, wages, and benefits has a budget of \$7.6 million, which is an increase over 2026 forecasts of \$1.1 million or 18%. Fiscal year 2027 includes 3% increase in CPI and merit increases and includes filling three approved positions that are vacant plus two new positions as well as \$25,000 in available market adjustments and 10% increase in forecasts of group health, dental, vision versus current rates. The percent of group health to total wages and benefits is 16%, assumes full participation in retirement plan and the overall percent of benefits to salary and wages is 37%. Professional services is budgeted at \$4.7 million, which is an increase over 2026 forecasts of \$770,000 or 20%. Mr. Lowe stated that this category includes the port's security contract personnel, which makes up about 63% of the category and noted several items that are included such as the Parcel 27/34 market study, the port's federal and state government liaisons, port planning services for Phase 3 of Cold Storage, EPA grant management and engineering for the EPA grant are included and are offset in revenue. He noted that they are reimbursable grants, but staff accounts for it by showing it as an expense and then shows the reimbursement in other income. He stated those amounts were budgeted in the current fiscal year however timing has pushed it into next year and is a driver to the variance in the budget. An additional variance from the new budget versus the forecast is that staff is missing fairly significant EPA charges for a combined amount of about \$1.1 million. Also included under professional services is legal fees, vessel simulations, underwater sonar surveys, grant application writing and election fees for this fiscal budget. Training, travel, and promotion has a budget of \$1 million, which is an increase from 2026 forecast of \$142,000 or 16%. Commercial events are included where staff continues to promote the port's containerized cargo capabilities, roll-on roll-off and breakbulk cargo capabilities. The upcoming fiscal year will see participation at the Trans-Pacific Maritime Conference, the RILA Conference, International Fresh Produce, Texas International Produce and Finished Vehicle Logistics. In addition to general advertising and sales travel, Mr. Lowe stated that this budget includes 7 domestic trips plus one European trip, which is the same as the current budget. He noted that the Europe trip did not take place and staff always evaluates to determine when it's needed. The port's CAP meetings and staff training is also in this

category. Utilities has a budget of \$1.4 million, which is an increase over 2026 forecasts of \$37,000 or 3% and includes a projected 5% increase in water and sewer rates. Business insurance, \$2.4 million, which is a decrease of \$31,000 or 1% under 2026 forecasts. Mr. Lowe stated that staff presents this category annually, potentially twice/year depending on policy, but is working toward making it an annual presentation which was done in February (for March 1 start) with the property insurance for a two-year commitment with favorable rates. He noted that rates should be close to what staff anticipates, not knowing what the liability portion will be for some of the coverages, when they present next March. Other services and charges, budget of \$1.4 million, which is an increase of \$641,000 or 86% over our 2026 forecast, which is driven primarily by costs associated with new commercial activities that have been discussed extensively with the Port Commission. Other major items include IT contractor services, AAPA membership dues as well as the previously mentioned Greater Houston Port Bureau and BayTran Association. Also included are Port-a-can and hand wash stations, property lease from the railroad, NOAA Port System, cybersecurity subscriptions, aerial map subscription as well as TPA, PIERS, IFPA and WGMA. Mr. Lowe noted that over \$500,000 represents new terminal equipment for new tenants in this category. Maintenance and repair has a budget of \$1.4 million, which is an increase of \$66,000 or 5% over 2026 with the bulk of the category going to the cranes (terminal operations equipment). Grating repairs on Cranes 1 and 2 are included for this year's budget along with security equipment, cleaning and maintenance for office buildings, dust control, road repairs, ongoing maintenance and the Gate 8 sewer line repair. Depreciation expense of \$15.1 million, which is an increase of \$1.6 million or 12% for over the 2026 forecast which is due to the completion of ongoing capital projects. Mr. Lowe stated that overall, the expense category is a \$5.1 million increase (combining all the expenses just mentioned) or 17% versus the current forecast noting the following categories: New operations - \$1.3 million, Depreciation - \$1.6 million, Personnel - \$1.1 and Grant Management - \$500,000 over current. He stated that personnel is a category that runs a little favorable and is budgeted based on assumptions of full staff and hiring adding that anytime we have a turnover in staff, there's a gap which also contributes to a gap in associated personnel costs for medical. He noted that the port has great retention in staff overall, but there are certain times and positions that there has been some turnover which leads to a little favorability and when that's combined with the new positions, it shows a greater variance. He added that there's nothing else going on other than timing plus the two new positions. An overview of the debt, interest and fees shows the general obligation bonds representing about \$7.2 million in annual principal and interest payments while the last eight revenue bonds represent \$14.1 million in annual payments for a combined \$21.3 million. Mr. Lowe stated that call dates and interest have been added to the graphic for reference noting that the first three bonds listed are channel related and also noting that the port borrowed at an exceptional time, highlighting the 2021 GO Bond at 1.84%. He reminded the Commission that if there's ever an opportunity to improve the port's position in regard to rates, staff will bring that to the board. Mr. Lowe stays plugged in to the market rates and communicates with Masterson who is also watching and knows the port would be open to refinancing if it were financially advantageous to the port. Mr. Lowe also commented that this will be the next to last time the 2013A bond will be seen on the budget with 2028 the final payment. The proposed capital expansion plan for 26-27 is \$104,174,290. The first item of the strategic initiatives is the Freeport Harbor Channel of \$30,750,000. Mr. Lowe stated the port has funds available to take care of it so it would not have any impact on the port's ongoing operations. The funds were planned in advance in 2018 when Phyllis and the team went to the community and then to the market with the bond offerings. Staff is now waiting on the final accounting of the Freeport Harbor Channel Improvement Project from the Corps of Engineers. Once the final accounting has been completed, the Corps will let us know what the final accounting

payment that the port owes and staff will then reconcile that and make arrangements for payment. Anything beyond that (funding-wise), staff will bring back to the board. Moving on with continuing the build out of the port's container handling facilities and associated infrastructure at \$43.7 million. Projects to note are the 10 acres referred to as Area 4 as well as Cross Dock 2, which is a partially grant funded project. Development of warehousing and OEM distribution facilities amount to \$20 million and includes the non-TWIC parking area, Parcel 19 rail development, public parking project and the Gate 12 RPM project. Finally, port infrastructure includes the safety, security and IT projects that are often grant related as well as the crane spare parts program, Cross Dock 2 inspection, vehicles, EOC generator, fenders project, Parcel 1 Greenbelt with Tribute as well as the capitalized maintenance program, which is about \$1.5 million. Finally, Mr. Lowe shared a graphic that depicts the funding with grant projects representing 60% (20% port match, 40% grant), general cash flow or reserves 11% and the GO debt fund account at \$30 million or 29%. With regard to the Freeport Harbor Channel and the final pavement to the Corps of Engineers, Commissioner Giesecke asked what the parameters or restriction are for the \$30 million should there be funds left from the GO bonds after the final payment. Mr. Lowe stated there are definitely restrictions on what the funds can be used for adding that they would have to be projects related to the Harbor Channel. He added that he recently met with bond council and financial advisors to discuss this topic because staff is anticipating there would be an opportunity based on the favorability of being below budget on the project. He explained that any leftover funds would offset the 23 bond payments and go into a trust that automatically makes payments over the remaining life of the bond. That portion, or if it were the entirety, the entirety would be removed from the balance sheet. Ms. Saathoff stated that staff will not only be bringing the closeout of the current Freeport Harbor Channel Improvement Project, but also the final closeout of the 46-foot project adding that there are some considerations in how all the payments are handled and staff wants to see the final accounting on the Freeport Harbor Channel Improvement Project before any commitments or recommendations are made on how to proceed. She also noted that staff received notification earlier that the port's \$3.4 million work in kind request has been reviewed and approved. Staff knows from a contractual side what things look like but isn't sure if there's any additional costs to come from the Galveston District. The port also has the 10% of the overall project. Staff does not have a timeline, but they are very motivated to release the federal funds that have not been spent for other projects but in order to do that, they need to have this one closed out. Mr. Lowe thanked the Commission for the support and acknowledged Ms. O'Brien for her effort in taking the lead on compiling the budget as well as the directors and managers who contribute to the process.

6. Adoption of the FY 2026/2027 Budget for Port Freeport.

Staff recommends adoption of the FY 2026/2027 budget as presented.

A motion was made by Commissioner Kincannon to adopt the Fiscal Year 2026/2027 budget for Port Freeport as presented. The motion was seconded by Commissioner Croft with all Commissioners present voting in favor of the motion.

7. Adoption of a Resolution setting the 2026 Tax Rate for Port Freeport.

Following process now that a budget is in place and includes a zero tax rate impact, Mr. Lowe stated a resolution is still needed to adopt the tax rate of zero. With that, staff recommends a motion to adopt the tax rate of zero and asks that the Commission make an individual roll call vote.

A motion was made by Commissioner Giesecke to adopt a tax rate of \$0.00 for the year 2026. The motion was seconded by Commissioner Singhania with all Commissioners present voting in favor of the motion.

8. Adjourn.

With no further business before the Commission, the meeting adjourned at 1:44 PM.