

Minutes of Meeting February 15, 2018

A Regular Meeting of the Port Commission of Port Freeport was held February 15, 2018 beginning at 1:30 PM at the Administration Building, 1100 Cherry Street, Freeport, Texas.

Commissioners present:

Mr. Paul Kresta, Chairman
Mr. John Hoss, Vice Chairman
Mr. Bill Terry, Asst. Secretary
Mr. Rudy Santos, Commissioner
Mr. Ravi Singhania, Commissioner

Staff Members Present:

Mr. Jason Cordoba, Legal Counsel
Ms. Phyllis Saathoff, Executive Director/CEO
Mr. John Mannion, Chief Financial Officer
Mr. Al Durel, Director of Operations
Mr. Jason Hull, Director of Engineering
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
Mr. Scott Tafuri, Safety Coordinator
Ms. Lauren McCormick, Public Affairs Manager

Absent:

Mr. Shane Pirtle, Secretary
Mr. Chris Hogan, Director of Protective Services
Mr. Mike Wilson, Director of Economic Development

Also present:

Ms. Ann Poninski, P66
Mr. Bobby Fuller, Texas Port Ministry
Mr. Jeff Kuhn,
Mr. Bob Arroyave, Brown & Gay Engineers
Mr. Jeff Taylor, Freese & Nichols
Mr. Jonathan Frels, Bracewell
Mr. David Eby, Terracon
Ms. Paige Abernathy, Bracewell
Mr. Chris Noble, Dole Fresh Fruit
Mr. Kevin Cadenhead, Kennemer, Masters & Lunsford
Mr. Neil McLellan, HDR
Mr. David Garcia, Arthur J. Gallagher & Co.
Mr. Chad Janosky, Bay-Houston Towing

Ms. Erinn Callahan, The Facts
Mr. Will McDonald, Freese & Nichols
Mr. Jim Bielstein, LJA

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 Kresta noted that Commissioner Shane Pirtle was absent. All other Commissioners were present.
5. Safety Briefing – Mr. Scott Tafuri, Safety Coordinator
6. Approval of minutes from the Regular Meeting held February 8, 2018.

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

7. Reports from Executive Staff:
 - A. Receive report from Executive Director/CEO on activities and matters related to administrative affairs. Port tenant updates, USCOE, rail issues, AAPA Committees, leases, contracts, upcoming Port and civic events and other related administrative affairs.

The Administration has issued the President's infrastructure plan. Staff continues to review the document along with the budget which has proposed \$4.8 billion in 2019. This is a 20% cut from fiscal year 2017. Also within the plan was the elimination of half of the harbor maintenance tax. Staff will report on findings once all material has been reviewed. Ms. Saathoff will be testifying before the Senate Transportation Committee in Austin February 21 on ways to fund maintenance and development of port waterways in Texas. The Port Authority Advisory Committee will meet in Austin March 1. TxDOT Commissioners are expected to be present at the meeting along with a member of the Lt. Governor's office. Ms. Saathoff will be giving a presentation to Freeport CAP this evening following the Port Commission meeting.

- B. Receive report from Chief Financial Officer on monthly activity and matters related to financial results, investments, insurance, leases, real property matters and other related administrative affairs.

Mr. Mannion gave a brief financial presentation and update to the Commission.

- C. 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 the progress on Parcel 14 Development.

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

Mr. Durel noted that another Tenaris vessel is expected next week with 25,000 tons of bars, however the current weather forecast is not favorable. The vessel will call Port Houston first, then Port Freeport. He and Captain Burns also participated on a PCT call with the National Weather Service earlier today, where they learned weather conditions do not look good for the next 6-8 days. Like today, the Port may experience short windows to bring in ships, whereas the Houston Ship Channel is closed.

- E. 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 Mr. Hogan's absence, Mr. Robertson reported on the Port's participation at the Pipeline Exercise in Angleton last week, which focused on responding to pipeline incidents with coordination between government and industry during such events. He also updated the Board on safety and described four incidents involving vehicles with property damage but no injuries. Mr. Durel noted that a tenant safety meeting was held last week to address the incidents.

- F. 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 attending the Greater Fort Bend Economic Development Council Meeting earlier in the day. He also noted that Alex Metcalf, who did a study for the Rosenberg Economic Development Council, is giving a presentation this evening in Rosenberg. He has requested materials from the presentation and will forward to the Board.

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

- A. February 8 Finance Advisory Committee – Commissioner Singhania reported the committee reviewed the draft Comprehensive Annual Financial Report and met with Kevin Cadenhead of Kennemer, Masters & Lunsford to discuss internal controls and compliance and his firm's audit opinion letter. CAFR is on the agenda for approval today. Also discussed was the proposal for Property, Boiler and Machinery and Terrorism insurance via the Port's broker, Arthur J. Gallagher, which is also on the agenda for approval later today.
- B. February 15 Strategic Planning Advisory Committee – Commissioner Terry reported the committee discussed the Area 5 Stabilization geotechnical services for the project, which is on the agenda for approval later today.
- C. Meetings and conferences attended, Port presentations and other related Port Commission matters.

Commissioner Singhania reported attending the Annual Chamber Meeting February 8 and the Friends of the River meeting February 10.

Commissioner Hoss also reported attending the Annual Chamber Meeting as well as Friends of the River. In addition, Commissioner Hoss attended the Nexus Meeting February 14 where information was shared regarding the Highway 36 Widening Project. Additionally, Port Freeport members provided updates on the Freeport Harbor Channel Improvement Project and San Bernard River.

Commissioner Santos reported attending the Annual Chamber Meeting.

Commissioner Kresta also reported attending the Nexus Meeting.

9. Public Comment – There were no public comments.

10. Approval of financial reports presented for the period ending January 31, 2018.

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

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

Mr. Miura stated the February 16 Rail District meeting has been cancelled due to lack of quorum. The next meeting will be held March 16. Next step for the Rail District to receive funding is the establishment of an Advance Funding Agreement with TxDOT. Project Engineer Freese & Nichols has prepared a draft scope of work that is currently being reviewed. A “request for qualifications” period will follow to potentially ascertain an engineering firm to perform the work under the \$600,000 grant.

Ms. Saathoff had no further comments regarding the Nexus Group.

12. Approval of a Professional Services Agreement with Paradigm Consultants, Inc. for geotechnical services for the Velasco Terminal, Backland Area 5 Stabilization Project for an amount not to exceed \$49,873.00.

Mr. Hull stated it is staff’s recommendation the Board approve a professional services agreement with Paradigm Consultants to handle the material testing and technical work for Area 5.

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

13. Approval and award of contract for Property, Boiler and Machinery and Terrorism insurance coverage for a one-year term beginning March 1, 2018, as recommended by Arthur J. Gallagher & Co.

Mr. Mannion stated the renewal for this insurance begins March 1, and after reviewing the three options of renewal with the Finance Advisory Committee, as presented by Arthur J. Gallagher, it is staff’s recommendation the Board approve Option 2 which is a 12% premium increase and slight increase in deductible for a total premium of \$855,935.00.

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

14. Approval of the FY2017 Comprehensive Annual Financial Report.

The financial report was previously reviewed with the Finance Advisory Committee and provided to Commissioners on BoardPaq. Kevin Cadenhead of Kennemer, Masters & Lunsford presented the firm’s report on internal controls and compliance and its audit opinion letter. It is staff’s recommendation the Board approve the financial report.

A motion was made by Commissioner Singhania to approve the Comprehensive Annual Financial Report. The motion was seconded by Commissioner Santos with all Commissioners present voting in favor of the motion.

15. 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 legal issues related to issuance of bonds.
2. Consultation with attorney and discussion regarding Special District Local Laws Code Title 5 Transportation, Subtitle A Navigation District and Port Authorities, Chapter 5002 Subchapter A.

B. Under authority of Section 551.071 (Consultation with Attorney) and Section 551.072 (Deliberations Concerning Real Property) for discussion regarding:

1. Consultation with attorney and discussion regarding the terms and conditions of a Lease Agreement Port Freeport and Dole Fresh Fruit Company.
2. Consultation with attorney and discussion concerning bid received from FLNG Liquefaction 4, LLC in response to Request for Bids for Pipeline Right-of-Way and Easement published in The Facts newspaper on December 18, 2017 and December 25, 2017.

C. Under authority of Section 551.072 (deliberation of real property matters) for discussion regarding:

1. The potential exchange, lease, or value of real property located at 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.

D. Under authority of Section 551.074 (deliberation of personnel matters) for discussion regarding:

1. Deliberation regarding the appointment, employment, evaluation, reassignment, duties of a public officer or employee: Executive Director/CEO.

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

17. Consider the adoption of a Resolution Calling Bond Election.

Ms. Saathoff gave a brief presentation regarding the Freeport Harbor Channel Improvement Project (FHCIP), related expenses and how issuing bonds, without increasing the current tax rate of \$0.0401, can help fund the Freeport Harbor Channel Improvement Project. The channel is the navigable waterway that serves not only our public dock facilities, but Dow Chemical, Seaway Crude, Freeport LNG, Phillips 66, BASF Corporation and all other users of the channel. It is important the Port fulfills its responsibility to ensure this waterway is navigable, operates safely and allows the size vessels that need to call our facilities to safely navigate through the Freeport Harbor Channel. The last study done by the Texas A&M Transportation Institute shows the Port is impacting 127,000 jobs and generating over \$47 billion in economic activity in the region and state, which impact has nearly tripled over the last four-year period. The Channel is an important asset to the County and State. The deepening of Freeport Channel to 45 feet almost 30 years ago was supported by the taxpayers. The total cost to construct the FHCIP will be \$295 million of which \$130 million will be the Port's responsibility. The GRR approval will be received in May, and the U.S. Army Corps of Engineers is now engaged in the engineering and design for Reach 1 of the Project with the first construction contract expected in 2020. The Port has one tax-supported bond series outstanding with a principal balance of \$2.2 million and two years of debt service payments remaining. Staff has determined and the Port's financial consultants have independently verified that with voter approval the Port can issue the proposed \$130 million in bonds without raising the existing tax rate. This is possible with the retirement of the prior bonds and the new value coming on the tax rolls from expiring tax abatements beginning in 2021 and through 2018. The bond proceeds will be used to construct the deepening and partial widening of the FHCIP and associated improvements needed for construction and aids needed for navigation only. The tax rate would need to be held for an estimated 10 years before the Port would be in the position to begin lowering the rate again. Ms. Saathoff recommends the Port Commission adopt a resolution calling a bond election for authorization by the voters to issue \$130 million in bonds to be used for the FHCIP.

After receiving comments from all Commissioners in support of issuing the bonds in order to maintain and grow the channel, a motion was made by Commissioner Singhanian to adopt the resolution and call a bond election in the amount of \$130 million. The motion was seconded by Commissioner Hoss with all Commissioners present voting in favor of the motion.

18. Approval of a Joint Election Agreement and Contract for Election Services between Brazoria County and Port Freeport for the May 5, 2018 Election.

Mr. Mannion stated the agreement before the Board is the standard agreement and contract for election services with the County as used in the past and was reviewed by staff and counsel. There is an increase in the deposit from \$6,000 to \$10,000. Staff recommends approval.

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

19. Consideration of Lease Agreement between Port Freeport and Dole Fresh Fruit Company and possible adoption of Resolution approving same.

This item was tabled.

20. Consideration of bid for Pipeline Right-of-Way and Easement submitted by FLNG Liquefaction 4, LLC, and possible adoption of Resolution approving same.

Mr. Hull stated the Port was unable to reach agreeable terms with Freeport LNG on the depth of the proposed pipeline. It is staff's recommendation the Board reject all bids. Ms. Saathoff noted for the record that only one bid was received.

A motion was made by Commissioner Santos to accept staff's recommendation and reject all bids received. The motion was seconded by Commissioner Terry with all Commissioners present voting in favor of the motion.

21. Adjourn.

With no further business before the Commission, the meeting adjourned at 4:42 PM.