

Minutes of Meeting September 10, 2018

A Regular Meeting of the Port Commission of Port Freeport was held September 10, 2018 beginning at 8:00 AM 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. Shane Pirtle, Secretary
Mr. Rudy Santos, Commissioner
Mr. Ravi Singhanian, Commissioner

Staff Members Present:

Mr. Jason Cordoba, Legal Counsel
Ms. Phyllis Saathoff, Executive Director/CEO
Mr. Jason Hull, Director of Engineering
Mr. Al Durel, Director of Operations
Mr. Mike Wilson, Director of Economic Development
Mr. Jason Miura, Director of Business & Economic Development
Ms. Mary Campus, Controller
Mr. John Mannion, Chief Financial Officer
Ms. Missy Bevers, Executive Assistant
Mr. Brandon Robertson, Network Systems Manager
Mr. Cecil Booth, Project Engineer
Mr. Nick Malambri, Engineering Specialist
Ms. Lauren McCormick, Public Affairs Manager
Ms. Connie Wiegel, Sales & Marketing Specialist

Also, present:

Mr. Bobby Fuller, Texas Port Ministry
Ms. Ann Marie Poninski, Phillips 66
Ms. Dianna Kile, Consultant

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. – All Commissioners were present.
5. Safety Briefing – Mr. Chris Hogan, Director of Protective Services

6. Approval of minutes from the following meetings:

August 23,2018 – Public Hearing
August 23, 2018 – Regular Meeting
August 30, 2018 – Public Hearing
August 30, 2018 – Special Meeting

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

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

Ms. Saathoff reported attending the August 29 Texas Ports Association Meeting in Austin with the primary topic of discussion being the upcoming legislative session. Staff had the opportunity to meet with Assistant Secretary of the Army R.D. James to review the Port's project during his visit to the upper Texas Coast September 4. Staff will have another opportunity to visit with ASA James at the National Waterways Conference in New Orleans September 12-14.

8. Receive report from Commissioners on matters related to meetings and conferences attended, Port presentations and other related Port Commission matters.

Commissioner Singhania reported attending the Friends of the River Breakfast and plans to attend the Annual Meeting September 22.

9. Public Comment – There were no public comments.

10. Approval of a Master Services Agreement for consulting services with The Goodman Corporation.

Mr. Wilson stated the agreement with Goodman is to provide engineering technical support associated with federal grant applications. This agreement can be terminated at any time and there is no cost to enter into the agreement. Professional services are only provided when the Board deems it necessary for Goodman to provide technical work on federal grants. Staff recommends approval.

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

11. Approval of a Form of Credentials appointing Phyllis Saathoff as delegate, and Paul Kresta as alternate, to the Annual Convention and Annual Meeting of the American Association of Port Authorities.

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

12. Discussion regarding Executive Director/CEO nomination to the National Waterways Conference Board of Directors for a term of 3 years.

Ms. Saathoff was recommended for nomination to the Board of Directors for the National Waterways Conference. The term is for 3 years and only requires attendance for two meetings each year, the Spring Conference in Washington, DC and the Annual Conference. Ms. Saathoff stated it is important to have representation on the Board as this organization is very active and engaged with the U.S. Army Corps of Engineers. Ms. Saathoff intends to accept the nomination, unless there are concerns from the Port Commission. Commissioner Singhanian stated it is a great opportunity to serve on the Board but asked if an alternate is allowed if schedule does not permit her attendance. Ms. Saathoff indicated she could participate remotely via conference call if needed but stated the Board is large enough that an absence at a meeting would not affect their quorum. Commissioner Hoss stated he supports Ms. Saathoff's participation on the Board of Directors for the National Waterways Conference.

13. Review and consider appointment to the Brazoria-Fort Bend Rail District Board of Directors for a two-year term beginning October 1, 2018.

Commissioner Kresta noted the Board previously discussed nominating Brian Devine to the Board of Directors and asked for a motion to approve the appointment.

A motion was made by Commissioner Singhanian to appoint Brian Devine to the Brazoria-Fort Bend Rail District as a representative for Port Freeport. The motion was seconded by Commissioner Terry with all Commissioners present voting in favor of the motion.

At this time, Commissioner Singhanian thanked Mr. Miura for a job well done during his time served on the Board of Directors. Commissioner Hoss also thanked Mr. Miura for helping to move the program forward during this tenure. Commissioner Terry and Commissioner Pirtle echoed their sentiments.

14. Discussion regarding filing of the Phase II Rail Expansion and Mode Conversion Project grant application for the FY 2018 Consolidated Rail Infrastructure and Safety Improvements (CRISI) Program.

Mr. Wilson stated staff is working to apply for a consolidated rail infrastructure and safety improvements grant from the Federal Railway Administration. There are four remaining tracks on Parcel 14 that have not been constructed. This project is currently in the budget for an estimated \$10 million. If successful, this grant will enable the Port to have an additional \$5.2 million in funding. The Port's portion of the grant is forty-eight percent.

15. Conduct workshop regarding Fiscal Year 2018/2019 Budget for Port Freeport.

Ms. Campus began the workshop by stating the transmittal letter within the budget document compares budget year to budget year. Today's workshop will focus on the forecasted numbers for 2018 comparing the budget and those explanations. Forecasted numbers are a combination of staff expectations such as revenues based on current activity as well as mathematical combination. The budget summary incorporates \$26.8 million in operating revenues, \$18.6 in operating expenses which produces an operating profit of \$8.1 million for an operating margin of thirty percent. There is a decrease in net assets of \$3.9 million that staff anticipates due to the contributing capital. Planned expenditures amount to \$67.1 million which will be funded through a combination of cash flows, holdings in the investment reserve, debt and grants. Debt service on existing debt amounts to \$9.7 million with anticipation of a \$40 million issuance of general obligation bonds for the Freeport Harbor Channel Improvement Project. It is also anticipated \$15,000 will be used from the reserves and the balance of unrestricted will be \$28 million by year end. Lease revenues are anticipated to be 45% of the budget, harbor revenues 38% and ad valorem tax revenue 16%. Total operating revenues are \$26.8 million and overall the harbor revenues increased over 2018 forecast by 913,000 or 80%. Of that increase, 15% is related to existing business and 85% is related to new opportunities. Tonnage will come in slightly over two million tons. Ms. Campus noted with regard to the tonnage, some customers are priced per unit on the schedule which skews the tonnage number because the pricing is per unit instead of per ton. Volumes are down 5% over 2018 due to project cargo volume however containerized cargo volumes have been added with new business which are also at a unit base cost. Lease revenues are at \$14.4 million which is an increase over forecasted \$420,000 or 3%. This is due to contractual CPI increases as well as one lease under negotiation with tenant. Mr. Mannion stated that updated values for the County are up \$13.7 billion with an overall increase of 5.6%, industrial/commercial up 8% and a residential decrease of 2%. The tax rate is calculated at .0401/100 of assessed value. \$446 million of new value was added to the tax role. Total value is \$13.77, M&O approximately \$4.3 million and scheduled debt service \$1.191 million and a total levy of \$5.5 million. With board approval at the last meeting, an adjustment was made to homestead exemption for residents 65 and over or disabled increasing to \$150,000. Mr. Mannion stated that setting the tax rate at .0401/100 is the next step in the long-reach plan which puts the forecast out to 2029. Maintaining the tax rate shows the tax levy increasing over time due to growth in the tax base from anticipated investment as well as tax abatements expiring and coming back on the roll. With regard to operating expenses, Ms. Campus stated depreciation is the majority of the Port's assets, with Port salary/wages making up 26% of the budget, professional services 15%, training/travel/promotional 3%, supplies/utilities 4%, business insurance 5% and maintenance/repair is 8%. Port salary/wages increased in the 2018 forecast at \$677,000 or 16% with the total budget \$4,841,300 million. This number includes a 4% salary/wage

increase which is a 2.5% cost of living and 1.5% merit. \$20,000 has been set aside for market adjustments should they be necessary. A 12% increase was included for group health insurance and 10% for dental. The percent of benefits to salary/wages is 37% and has been reviewed by the Personnel Advisory Committee. Professional Services are budgeted at \$2.7 million which is an increase over 2018 forecast of \$797,000. Training/travel/promotional is budgeted at \$641,600 which is an increase over 2018 forecast of \$129,024. Utilities have increased to \$502,100. Ms. Campus noted this is calculated using an average of the previous year's budget to forecast the next year. Business insurance is budgeted slightly over \$1 million which is an increase of 3%. The March 1 property renewal was a 12.1% increase in premium, and the July 1 liability renewal was a 3.8% increase. Other services/charges is a 20% increase to \$447,600. This is due to an increase in dues/subscriptions which primarily is the PIERS shipping data which is utilized for market research and statistics as well as auditing of our cargo. Maintenance and repair is budgeted slightly over \$1 million which is an increase of 84% over 2018 forecasted. Depreciation expense is budgeted at \$7.2 million, an increase of 5% and due to a forecasted addition such as the rail project which will be completed next year. Velasco Terminal is still the focus for Capital Projects and has not changed from the Strategic Workshop previously held.

16. Adoption of a resolution setting the 2018 Tax Rate for Port Freeport.

Staff noted this item was on the agenda for the second meeting scheduled at 10:00 a.m., which was added due to an error in a notice published by the County Tax Office. This item was tabled until 10:00 a.m.

17. 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 to discuss potential litigation.
 - 2. Consultation with attorney to discuss potential litigation.
- B. Under authority of Section 551.072 (Deliberation Concerning 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. 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.
 - 3. 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.

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, 35 and 38.
- C. 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, including but not limited to: Executive Director/CEO, Chief Financial Officer, Director of Operations, Operations Manager, Director of Engineering, Director of Protective Services, Director of Economic Development and Director of Business & Economic Development.

18. RECONVENE OPEN SESSION:

19. Adjourn.

With no further business before the Commission, the meeting adjourned at 11:06 a.m.