

## Minutes of Meeting February 28, 2019

A Regular Meeting of the Port Commission of Port Freeport was held February 28, 2019 beginning at 1:03 PM at the Administration Building, 1100 Cherry Street, Freeport, Texas.

### Commissioners present:

Mr. Paul Kresta, Chairman  
Mr. John Hoss, Vice Chairman  
Mr. Shane Pirtle, Secretary  
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. Al Durel, Director of Operations  
Mr. Jason Hull, Director of Engineering  
Mr. Jason Miura, Director of Business & Economic Development  
Mr. Mike Wilson, Director of Economic Development  
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  
Mr. Austin Seth, Operation Specialist  
Mr. Mike Quilty, Safety Coordinator  
Mr. Don Mullett, Crane Maintenance Manager  
Ms. Connie Wiegel, Sales and Marketing Specialist  
Ms. Holly Gautreaux, Accounting Analyst

### Also, present:

Mr. David Eby, Terracon  
Mr. Jason Foltyn, HDR  
Mr. Bob Arroyave, Brown & Gay Engineers  
Mr. Bobby Wingate, Phillips 66  
Mr. Kevin Cadenhead, Kennemer, Masters & Lunsford  
Mr. Dan Croft, First State Bank

1. CONVENE OPEN SESSION in accordance with Texas Government Code Section 551.001, et. seq., to review and consider the following:
2. Invocation – Commissioner John Hoss
3. Pledge of Allegiance – U.S. Flag & Texas Flag
4. Roll Call – Commissioner Kresta noted that all Commissioners were present.

5. Safety Briefing – Mr. Austin Seth, Operations Specialist
6. Approval of minutes from the Special Meeting held February 7, 2019 and the Regular Meeting held February 14, 2019.

A motion was made by Commissioner Pirtle to approve the minutes as presented. The motion was seconded by Commissioner Hoss 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.

Ms. Saathoff reported the contract with David Miller & Associates has been fully executed, and Mike Wilson is working with them to provide the information needed to begin the analysis of the BCR calculations. The federal consultants sent word that Katie Williams, who sits at headquarters, will be on temporary assignment to a Senate Committee for about six months. Participation letters have been signed and returned by two industry participants for the Fort Velasco Signal Station. Once the remaining letters arrive, payment will be made to the Pilots, so they can move forward hiring and training staff. Ms. Saathoff attended the Texas Ports Association Legislative Reception and Conference in Austin and served as moderator for the energy and petrochemical group panel. While in Austin, Lt. Governor Patrick announced the Senate's Ports Committee had been re-assembled and Senator Creighton will chair the committee. The first meeting will be March 6 and testimony is invited from the Texas Ports Association and the maritime division of TxDOT. Ms. Saathoff will give testimony on behalf of the TPA. Brazoria County Day is March 5 in Austin. Packets are being assembled and will include agency visit assignments for March 4. Staff met with the SPOT Group (Enterprise Seaport Offshore Terminal) February 27. SPORT has filed their application with MARAD for an offshore deepwater port and is deemed complete. It should be posted to the federal register within the next day or two. The Rail District will reschedule the public information meetings they initially had set for March to allow for additional work to be completed. Ms. McCormick reported the next CAP Meeting will be held March 12 at the Port's Administration Building and will include a Port tour. The Take-A-Child Fishing Tournament has raised approximately \$23,800 in sponsorships. Voting for the logo contest is taking place today through an electronic voting system. Commissioners and staff were sent the link via email and for guests in the audience, the link has been displayed with instructions how to participate.

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

Ms. Campus 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, Hydrographic Report and other related facility engineering matters.

Mr. Hull reported that the Corps of Engineers has asked for right-of-entry on five lots the Port owns north of Second Street, so they can temporarily park equipment while performing geotechnical investigation for the Sabine to Galveston project. The Port has also received a license from the Corps of Engineers to build Berth 8 inside old easements that were given to the Port years ago. Both documents will be executed by Ms. Saathoff. Mr. Hull also shared pictures of the progress on the Parcel 14 Rail

Project as well as a current aerial of Freeport LNG. Ms. Saathoff noted that Freeport LNG announced they are within 50 days of being ready for Train 1 to receive gas.

- 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 reported Chiquita will replace two vessels in the Port's service and shared photos of the vessels, the San Adriano and San Alessio. These ships are bigger with a capacity of 1200 TEUs, 11 containers wide. He also shared pictures from the tenant safety meeting held February 13. The next meeting is scheduled for May 8 at the EOC Building. At this time, Mr. Durel introduced the new Safety Coordinator, Mike Quilty, who joined Port Freeport February 27. Operationally, the Port has been dealing with vessel traffic issues because of the repeated fog days.

- E. Receive report from Director of Business & Economic Development on activities and matters related to industry meetings, sales reports, advertising, web activity, Foreign-Trade Zone and other ocean transportation related matters.

In addition to his written report, Mr. Miura reported attending the Retail International Leadership Association Conference (RILA) held in Orlando. He will also be attending Transpacific Maritime Conference (TPC) March 4 in Long Beach. The next Rail District meeting will be March 15 in Freeport. Ms. Saathoff noted she is working to set up a Nexus meeting in the near future.

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

- A. February 6 & 28 Personnel Advisory Committee – Commissioner Hoss reported the committee reviewed policies for Section 3 of the manual.
- B. February 14 Strategic Planning Advisory Committee – Commissioner Terry deferred comments to agenda item 12.
- C. February 14 Operations, Safety & Security Committee – Commissioner Pirtle deferred comments to agenda item 13.
- D. February 14 and 28 Finance Advisory Committee – Commissioner Singhanian deferred his February 14 comments to Commissioner Hoss since he was absent. Commissioner Hoss stated the committee reviewed staff's recommended adjustments to the tariff. Commissioner Singhanian reported the committee reviewed the Comprehensive Annual Financial Report in today's meeting and will defer further comments to agenda item 10.
- E. Meetings and conferences attended, Port presentations and other related Port Commission matters.

Commissioner Hoss reported attending the TPA Reception and Conference held in Austin.

Commissioner Pirtle reported attending the Rail District meeting February 15, Friends of the River February 23, meeting with Fort Bend County Judge KP George and the Global Initiative Dinner February 27.

9. Public Comment – Mr. Dan Croft commented on the recent Rail District meeting stating there has been a lot of discussion as they draw closer to briefing the public with information regarding routing and feasibility of the rail. The Port will be included in future meetings and discussion prior to the public meetings.

10. Approval of the FY 2018 Comprehensive Annual Financial Report.

Ms. Campus presented the Annual Comprehensive Financial Report for FY 2018. She noted the report is in the same format as submitted in previous years and pointed out that the management discussion analysis section includes a history and comparison of data for the past three years. She invited Kevin Cadenhead with Kennemer, Masters & Lunsford to address the Board regarding the management letters included in the report. Mr. Cadenhead stated the firm has no audit findings or issues to report to Board regarding the report. The two letters are an addition to the report and required this year. The first is a report on control over financial reporting and is a clean letter stating there are no control issues over financial reporting. The second letter is required to go to the governing body if there were any abnormalities that occurred during the audit that needed reporting. This is also a clean letter. Also included in the annual report is Kennemer's auditors report or Unmodified Opinion stating the audit firm audited the financial statements and the report is accurate. Mr. Cadenhead noted the Port underwent a significant system change over the last year and commended staff for ensuring underlying financial controls were in place in the new system and ensured the ending financial balances from the old system made their way to the new system. He noted there was one issue as the fixed assets were put into the new system. The new system has a more accurate calculation of depreciation and when the new assets were entered, the system recalculated coming up with a \$200,000 difference. Management recorded a prior period of adjustment that is described in the last note of the financial statements. Ms. Campus recognized and commended Holly Gautreaux, and the Operations Department, for their efforts during the software transition. Staff recommended approval of the financial report.

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

11. Approval of financial reports presented for the period ending January 31, 2019.

A motion was made by Commissioner Singhania 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.

12. Approval of a Letter of Support regarding Texas A&M Transportation Institute's exceptional item request for managing truck congestion near Texas Ports.

Mr. Wilson stated that TTI is requesting a letter of support from the Executive Director to assist in their application for a \$3 million grant from TXDOT. This grant would help necessary research of all truck activity along border crossings and all ports in the state of Texas. The funding would come from the same funding that has recently been given under RIDER 45 and RIDER 48. This project will benefit the Port from a mobility standpoint by providing data on the trucks moving and the routes they are taking and assist in mobility planning in Texas. Staff recommends approval.

A motion was made by Commissioner Terry to authorize the letter of support. The motion was seconded by Commissioner Santos with all Commissioners present voting in favor of the motion.

13. Approval of the purchase of electric motors for ZPMC Gantry Cranes.

Mr. Durel stated that since the purchase of the gantry cranes, staff has been purchasing spare parts to keep in inventory, using and replacing as needed, and leaving the more expensive parts to purchase later. Staff has determined it is now time to purchase these parts. The parts include the main hoist motor, trolley motor and boom motor, and with each motor, couplings will be purchased as well. The initial plan was to purchase a motor each year over a three-year period but after discussing in the Operations, Safety & Security Committee, and considering the 24-week delivery time, staff recommends moving forward with the entire purchase of all motors and couplings.

A motion was made by Commissioner Pirtle to approve the purchase of all three motors and couplings. The motion was seconded by Commissioner Hoss with all Commissioners present voting in favor of the motion.

14. Approval of a Resolution Declaring Election of Unopposed Candidates for Commissioner Position No. 3, Ravi K. Singhania, and No. 5, Dan Croft; accepting certification of unopposed candidates; entering an order declaring each unopposed candidate elected to their respective positions as a Port Freeport Commissioner; ordering that a certificate of election be issued to each said candidate; and cancelling the election previously ordered for May 4, 2019.

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

15. Approval of Port Policy 2.9 – Compensation and Benefits for Commissioners.

This item was tabled.

16. 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.
3. Consultation with attorney and discussion regarding Section 481 Service Fee Agreement between U.S. Customs and Border Protection and Port Freeport.
4. Consultation with attorney and discussion regarding legal matters arising out of Texas Transportation Code, Title 4 Navigation, Subtitle A Waterways and Ports, Chapter 52 Texas Deepwater Port Procedures Act.

B. 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 2<sup>nd</sup> Street; Terminal Street and East 8<sup>th</sup> Street in Freeport, Texas.
4. The potential exchange, lease, or value or real property located at Port Freeport, including but not limited to Parcel 14.

5. The potential exchange, lease, or value of real property located at Port Freeport, including but not limited to Parcels 4, 5, 6, 9, 19, 27, 31, 34, 35 and 38.

C. 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.

D. Under authority of Section 551.074 (Deliberation of Personnel Matters) for discussion regarding:

2. Deliberation regarding the appointment, employment, evaluation, reassignment, duties of a public officer or employee, including but not limited to: Executive Port Director/CEO.

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

18. Approval of a Purchase Contract for property located at 327 E. Second Street.

Mr. Cordoba stated this contract is for the purchase of 327 E. Second Street for \$163,000 with all documents prepared by legal counsel using the standard contract utilized with previous purchases. The funds from this property will be utilized for the seller to purchase another home in Freeport. Performance of this contract is contingent on the seller's performance of the additional contract to purchase an additional home, so it is a swap.

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

19. Approval of a Purchase Contract for property located on East Second Street.

This item was tabled.

20. Adjourn.

With no further business before the Commission, the meeting adjourned at 5:07 PM.