

## AGENDA

**Port Freeport  
Finance Committee  
Special Meeting  
Tuesday, July 11, 2023, 2:00 pm - 4:00 pm  
In Person & Videoconference - Administration Building - 1100 Cherry Street - Freeport**

**This meeting agenda with the agenda packet is posted online at [www.portfreeport.com](http://www.portfreeport.com)**

The meeting will be conducted pursuant to Section 551.127 of the Texas Government Code titled "Videoconference Call." A quorum of the Finance Committee, including the presiding officer, will be present at the Commissioner Meeting Room located at 1100 Cherry Street, Freeport, Texas. The public will be permitted to attend the meeting in person or by videoconference.

The videoconference is available online as follows:

Join Zoom Meeting

<https://us02web.zoom.us/j/81340399691?pwd=VFd0cmJHaTBBTUVVdE5abElvMkhTdz09>

Meeting ID: 813 4039 9691

Passcode: 340883

Dial by your location

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Meeting ID: 813 4039 9691

Find your local number: <https://us02web.zoom.us/j/81340399691>

1. Committee Members: Giesecke (Chairman), Croft, Kincannon
2. CONVENE OPEN SESSION in accordance with Texas Government Code Section 551.001, et. seq., to review and consider the following:
3. Roll Call.
4. Public Comment. (Public comment on any matter not on this Agenda will be limited to 5 minutes per participant and can be completed in person or by videoconference)
5. Public Testimony. (Public testimony on any item on this Agenda will be limited to 5 minutes per agenda item to be addressed per participant and can be completed in person or by videoconference. The participant shall identify in advance the specific agenda item or items to be addressed.
6. Discussion regarding proposed changes to the Port Freeport Tariff No. 005.
7. Discussion regarding the 2023 Seaport Connectivity Program Grant Application.
8. Discussion regarding future Port Debt Obligations and Projected Cash Flow in relation to the Port Tax Rate.
9. Discussion regarding Vulcan Materials Company's request for permit.
10. 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 551.072 (Deliberation of Real Property Matters) for discussion regarding:
    1. 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, 7 and 8.
    2. The potential exchange, lease, or value of real property located at Port Freeport, including but not limited to Parcel 14.
11. RECONVENE OPEN SESSION:

12. Adjourn.

***The Committee does not anticipate going into a closed session under Chapter 551 of the Texas Government Code at this meeting for any other items on the agenda, however, if necessary, the Committee may go into a closed session as permitted by law regarding any item on the agenda.***



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Phyllis Saathoff, Executive Director/CEO

**PORT FREEPORT**

*In compliance with the Americans with Disabilities Act, the District will provide for reasonable accommodations for persons attending its functions. Requests should be received at least 24 hours in advance.*



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**TO:** Executive Director/CEO  
 Port Commissioners  
 Legal Counsel

**FROM:** Director of Business and Economic Development

**DATE:** July 11, 2023

**SUBJECT:** General Rate Adjustment to Port Freeport Tariff No. 005

Staff recommends a 5% General Rate Adjustment to Port Freeport Tariff No. 005 to be effective October 01, 2023.

Please note the below CPI table published by U.S. Bureau of Labor Statistics.

<b>CPI for All Urban Consumers (CPI-U)</b>							
<b>Original Data Value</b>							
<b>Series Id:</b>	CUURS37BSA0,CUUSS37BSA0						
<b>Series Title:</b>	All items in Houston-The Woodlands-Sugar Land, TX, all urban consumers, not seasonally adjusted						
<b>Year</b>	<b>Jan</b>	<b>Feb</b>	<b>Apr</b>	<b>Jun</b>	<b>Aug</b>	<b>Oct</b>	<b>Dec</b>
<b>2020</b>		230.147	226.387	228.898	228.978	229.885	230.388
<b>2021</b>		232.442	236.604	239.374	241.088	243.813	245.509
<b>2022</b>		250.563	256.668	263.874	264.074	262.423	258.588
<b>2023</b>		263.537	267.002				
	<b>DELTA APR 21 - APR 22</b>		<b>8.48%</b>				
	<b>DELTA APR 22 - APR 23</b>		<b>4.03%</b>				
	2-Year Delta		12.51%				
	2022 Adjustment		5.00%				
	2023 Recommended Adjustment		<b>5.00%</b>				
	Adjustment Lag		2.51%				

Port Freeport’s last tariff adjustment of 5% took effect October 01, 2022. Despite an 8.48% change in CPI YOY (see DELTA APR 21 – APR 22 above), staff recommended a 5% adjustment in 2022 because Port Freeport made a 5% adjustment to the tariff in 2021, and back-to-back years of 5% adjustments was

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**General Rate Adjustment to Port Freeport Tariff No. 005**

July 11, 2023

Page 2

not a circumstance that Port Freeport’s customers were accustomed to. Staff also recommended a multiyear approach to ensure that subsequent tariff adjustments did not lag too far behind CPI. If a 5% adjustment is approved by the Port Commission, the lag of 2.51% will be recovered in future adjustments.

Port Freeport is a member of the Gulf Seaports Marine Terminal Conference. The conference meets annually and suggests minimum rates for dockage, security on dockage and security on wharfage for member Ports. Below is a table of the recommended rates by GSMTC and the proposed rates for comparison.

**GSMTC Rate Comparison 2023-2024**

<b><u>Security Fees</u></b>	<b><u>Conf. Rate 24</u></b>	<b><u>Proposed Port</u></b>	<b><u>Delta Conf Rate vs.</u></b>
		<b><u>Rate</u></b>	<b><u>Proposed Rate</u></b>
Dockage on Vessels and Barges	11.26%	10.73%	5%
Breakbulk (per ton)	\$ 0.24	\$ 0.24	0%
Dry Bulk (per ton)	\$ 0.05	\$ 0.09	-80%
Liquid Bulk (per ton)	\$ 0.05	\$ 0.09	-80%
Containers (per full unit)	\$ 4.97	\$ 2.77	44%
Vehicles (per unit)	\$ 1.11	\$ 1.44	-30%
<b><u>Dockage (Length Overall)</u></b>			
0' - 199'	\$ 3.62	\$ 3.46	4%
200'-399'	\$ 4.75	\$ 4.39	8%
400'-499'	\$ 6.48	\$ 6.06	6%
500'-599'	\$ 8.68	\$ 8.27	5%
600'-699'	\$ 10.08	\$ 9.63	4%
700'-799'	\$ 12.78	\$ 12.15	5%
800'-899'	\$ 15.41	\$ 14.89	3%
900'-over	\$ 18.43	\$ 17.61	4%

\* Conference suggested 5% increase to security fees and 3% increase to dockage rates

Staff prepared the following timeline for reference.

**Tariff Revision Schedule**

<b>Date</b>	<b>Milestone</b>
<b>Tuesday, June 27, 2023</b>	Kickoff meeting <b>(complete)</b>
<b>Tuesday, July 11, 2023</b>	Internal meeting

Date	Milestone
<b>Tuesday, July 11, 2023</b>	Finance Committee meeting
<b>Friday, July 21, 2023</b>	Send memo, redline, spreadsheet to customers (pdf.)
<b>Tuesday, August 8, 2023</b>	In-person meeting with customers
<b>Thursday, September 14, 2023</b>	Finance Committee meeting and seek Port Commission approval
<b>Sunday, October 1, 2023</b>	New Tariff effective date

Enclosed please find:

- 1) Spreadsheet showing the current tariff rates and proposed adjustments.

A redline draft of the proposed changes to Port Freeport Tariff No. 005 will be shared at the next Finance Committee meeting.

Staff seeks the Committee's support of the 5% General Rate Adjustment to Port Freeport Tariff No. 005.



TARIFF ITEM	DESCRIPTION	PROPOSED RATE	PROPOSED RATE	UNIT OF MEASURE	NEW MINIMUM	DELTA						
586	Terminal Use Charges- Warehouse	\$ 0.53	\$ 0.56	Per Sq. Ft.	\$ -	5.0%						
586	Terminal Use Charges- Office Space	\$ 4.77	\$ 5.01	Per Sq. Ft.	\$ -	5.0%						
586	Terminal Use Charges- Third Party	\$ 2.38	\$ 2.50	Per Ton	\$ -	5.0%						
625	Wharfage - Containers	\$ 3.46	\$ 3.63	Per Ton	\$ -	5.0%						
635	Wharfage - NOS	\$ 2.89	\$ 3.03	Per Ton	\$ -	5.0%						
640	Wharfage - New and Used Passenger Vehicles	\$ 8.05	\$ 8.45	Per Unit	\$ -	5.0%						
640	Wharfage - All other RORO Cargo	\$ 4.54	\$ 4.77	Per Ton	\$ -	5.0%						
640	Wharfage - Passenger Vehicles not on ship	\$ 16.10	\$ 16.90	Per Unit	\$ -	5.0%						
640	Security Fee - Passenger Vehicles not on Ship	\$ 3.02	\$ 3.17	Per Auto	\$ -	5.0%						
640	Wharfage - All other RORO cargo not on ship	\$ 9.08	\$ 9.54	Per Ton	\$ -	5.0%						
640	Security Fee- All other Roro cargo not on ship	\$ 9.63	\$ 10.11	Per Unit	\$ -	5.0%						
710	Wharfage - Rice	\$ 2.67	\$ 2.80	per ton	\$ -	5.0%						
720	Wharfage - Project Cargo	\$ 2.89	\$ 3.03	Per ton or CBM	\$ -	5.0%						
721	Wharfage - Wind	ITEM 721 TO BE REMOVED AND WHARFAGE FOR WIND ENERGY COMPONENTS WILL BE INVOICED AT N.O.S. RATE			\$ -							
721	Wharfage - Wind				\$ -							



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July 7, 2023

To: Finance Committee  
Director of Commercial and Economic Development

RE: SCP Grant Applications for Gate 4 Access Widening Project and the East 5<sup>th</sup> Street Reconstruction Project

We have two projects for your consideration:

The Gate 4 Widening Project: Port Freeport will be offering a match of 25%.  
Total Construction amount: \$1,200,000 Grant Request Amount: \$900,000 Port: \$300,000

This project will widen the two-lane road from the east side of the guard house to the intersection of FM1495 and SH36. This added capacity will increase cargo through-put, lower waiting times, and enhance safety for the driving public.

The 5<sup>th</sup> Street Reconstruction Project: Port Freeport will be offering a match of 25%.  
Total Construction amount: \$4,800,000 Grant Request Amount: \$3,600,000 Port: \$1,200,000

This project will rebuild 5<sup>th</sup> Street and replace the current 6" of concrete with 18" of reinforced concrete that can handle containers, RORO, breakbulk and project cargo, and enhance safety for the driving public. This new route will also take much-needed pressure off gates 8 and 4 by adding a much-needed new route for cargo going to and from Velasco Terminal.

Regards,

Mike Wilson  
Director of Economic Development and Mobility

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2023-2024 Tax Rate Estimates  
 Estimated Tax Roll \$21,500,000,000  
 Tax Rate \$0.035

	FY23 Rate	FY23		FY24 Rate	FY24
M&O	0.018144	\$ 3,515,922		0.013353	\$ 2,870,895
Debt Service (I&S)	<u>0.016856</u>	<u>\$ 3,266,335</u>		<u>0.021647</u>	<u>\$ 4,654,105</u>
Total Tax Rate	0.035000	\$ 6,782,257		0.035000	\$ 7,525,000

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		Key Financial Projections vs General Obligation Debt Service Payment & Rate per Fiscal Year						
		2024	2025	2026	2027	2028	2029	2030
Op Revenue		\$ 43,350,000	\$ 49,229,550	\$ 50,561,929	\$ 51,962,470	\$ 53,403,895	\$ 54,887,411	\$ 56,521,633
Cash Flow from Ops		\$ 13,717,990	\$ 19,707,802	\$ 19,907,969	\$ 19,696,349	\$ 20,558,501	\$ 23,489,669	\$ 24,504,579
Capital Needs		\$ 29,000,000	\$ 51,000,000	\$ 41,000,000	\$ 11,000,000	\$ 8,000,000		
GO Debt Payment		\$ 4,654,200	\$ 5,612,950	\$ 6,205,750	\$ 7,249,525	\$ 7,246,675	\$ 7,247,725	\$ 7,242,225
Taxable Roll Value 2022	\$ 19,377,876,871							
Taxable Roll Value 2023	\$ 21,500,000,000	\$ 0.02165						
Taxable Roll Value 2024	\$ 23,300,000,000		\$ 0.02409					
Taxable Roll Value 2025	\$ 27,300,000,000			\$ 0.02273				
Taxable Roll Value 2026	\$ 30,700,000,000				\$ 0.02361			
Taxable Roll Value 2027	\$ 31,500,000,000					\$ 0.02301		
Taxable Roll Value 2028	\$ 33,500,000,000						\$ 0.02164	
Taxable Roll Value 2029	\$ 35,000,000,000							\$ 0.02069
Taxable Roll Value 2030	\$ 37,400,000,000							
Taxable Roll Value 2031	\$ 38,300,000,000							

Key Capital Projects

Rider 37 Access Project	\$	2,800,000						
Land Acquisitions	\$	1,800,000						
Cathodic Protection	\$	6,000,000						
P14 Pump Station	\$	1,440,000						
Portwide Pavement Upgrades	\$	3,700,000						
2 STS Gantry Cranes	\$	4,800,000	\$	4,800,000	\$	14,400,000		
DMPA1 Levee Raise	\$	5,000,000						
VT Area 4 Improvements	\$		\$	16,400,000				
VT Area 5 Improvements	\$		\$	9,500,000	\$	20,000,000		
VT Pump Station Intake Channel Improvements	\$		\$	3,000,000	\$	5,000,000		
Transit Shed Modifications	\$		\$	6,200,000				
VT Expansion Area Gate	\$		\$	4,600,000				
Floodwall Modifications	\$		\$	2,000,000				
VT Area 6 Improvements					\$	10,000,000		
North Gate Design							\$	7,000,000

The information in this presentation contains “forward-looking statements”. Such statements may involve known and unknown risks, uncertainties, and other factors that may cause the actual results, performance and achievements to be different from future results, performance and achievements expressed or implied by such forward-looking statements. Readers are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.

	2023	2024	2025	2026	2027	2028	2029	2030
Operating Cash Flow	\$ 17,589,568	\$ 17,589,568	\$ 13,717,990	\$ 19,707,802	\$ 19,907,969	\$ 19,696,349	\$ 20,558,501	\$ 23,489,669
Additional Revenue		\$ 2,000,000	\$ 5,879,550	\$ 1,332,380	\$ 1,400,541	\$ 1,441,425	\$ 1,483,517	\$ 1,634,222
Additional Expense @ 3.5%		\$ 507,675	\$ 525,444	\$ 543,834	\$ 562,868	\$ 582,569	\$ 602,959	\$ 624,062
Reduction in M&O		\$ 3,515,922						
Additional Debt Payments		\$ 1,847,981	\$ (635,706)	\$ 588,378	\$ 1,049,293	\$ (3,296)	\$ (2,050,610)	\$ (4,750)
Net Operating Cash		\$ 13,717,990	\$ 19,707,802	\$ 19,907,969	\$ 19,696,349	\$ 20,558,501	\$ 23,489,669	\$ 24,504,579

Total Debt Payments

2023	\$ 17,265,472	
2024	\$ 19,113,454	\$ 1,847,982
2025	\$ 18,477,748	\$ (635,706)
2026	\$ 19,066,126	\$ 588,378
2027	\$ 20,115,419	\$ 1,049,293
2028	\$ 20,112,123	\$ (3,296)
2029	\$ 18,061,513	\$ (2,050,610)
2030	\$ 18,056,763	\$ (4,750)

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**TO:** Executive Director/CEO  
Port Commission  
Legal Counsel

**FROM:** Director of Business & Economic Development

**DATE:** July 11, 2023

**SUBJECT:** Vulcan Construction Materials

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On May 24, 2023, Port Freeport received the enclosed letter from Vulcan Construction Materials.

PORT COMMISSION

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May 17, 2023

ATTN: Jason Miura, Director, Business & Economic Development, Phyllis Saathoff, Port Director, and Port Freeport Commissioners

In 2021, Vulcan Materials Company worked with the Port Freeport and the City of Freeport to permit and erect a portable asphalt plant on property Vulcan has leased for a rail terminal at the Port Freeport. This plant was erected to supply hot mix asphalt to the TXDOT Brazoria - Highway 36 project, which, at the time, Vulcan agreed to only apply for a single project permit with the TCEQ. This was done to give the City of Freeport and the Port Freeport ample time to understand any concerns that may arise with this new business, before applying for the TCEQ standard asphalt permit. Test batches began running through the plant in March of 2023, followed by hot mix asphalt being supplied to the TXDOT Brazoria - Highway 36 project during April of 2023 with no reported issues to date.

I am now writing this letter to the Port Freeport and its Port Freeport Commissioners to formally request its consent and support in Vulcan Materials Company submitting for the TCEQ standard asphalt permit. This permit would allow Vulcan to supply multiple projects simultaneously. This would include, but not be limited to, several more projects in the Brazoria County area, City of Freeport projects, as well as any projects the Port Freeport may have in the future. The expanded ability to furnish hot mix materials in this market would imply supplying more aggregates by rail through the existing facility, potentially causing further demand for expanded property size and greater material storage area for the facility and asphalt plant.

We look forward to your reply supporting Vulcan Materials Company's request to apply for the TCEQ standard asphalt permit and approving the operation of the plant under the TCEQ standard asphalt permit as a "Permitted Use" under the lease. If you have any questions, please contact me using the information in the signature block.

Respectfully,

A handwritten signature in black ink, appearing to read "Terry Cummins", written in a cursive style.

Terry Cummins  
VP/GM Coastal Region  
Vulcan Materials Company  
Email: [cumminst@vmcmail.com](mailto:cumminst@vmcmail.com)  
Phone: 205-296-6748