

AGENDA

**Port Freeport
Port Commission
Special Meeting
Thursday, November 2, 2023, 8:30 am - 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

The meeting will be conducted pursuant to Section 551.127 of the Texas Government Code titled "Videoconference Call." A quorum of the Port Commission, 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/82787015846?pwd=T1ZlTjN5ZzN3a3BUeFJIUGNBT1VDdz09>

Meeting ID: 827 8701 5846

Passcode: 098200

Dial by your location

• 1 346 248 7799 US (Houston)

Meeting ID: 827 8701 5846

Find your local number: <https://us02web.zoom.us/j/keE16o6OM>

1. CONVENE OPEN SESSION in accordance with Texas Government Code Section 551.001, et.seq., to review and consider the following:
2. Invocation.
3. Roll Call.
4. Call to identify and discuss any conflicts of interest that may lead to a Commissioner abstaining from voting on any posted agenda item.
5. 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)
6. 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.
7. Conduct a Planning Workshop for Port Freeport regarding the following:
 - A. Introductory Remarks.
 - B. Update on Current Business and Vessel Activity and Future Plans/New Business Strategy.
 - C. Capital Plan Update.
 - D. Review Port-Owned Parcels Use, Remediation/Valuation.
 - E. Financial Update.
8. 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):
 1. Consultation with attorney under Government Code Section 551.071(1) (to seek or receive attorney's advice on pending or contemplated litigation).

2. Consultation with attorney under Government Code Section 551.071(2) (to seek or receive attorney's advice on legal matters that are not related to litigation).
- B. Under authority of Section 551.087 (Economic Development Negotiations or Incentives):
 1. To discuss or deliberate regarding commercial or financial information that the governmental body has received from a business prospect that the governmental body seeks to have locate, stay or expand in or near the territory of the governmental body and with which the governmental body is conducting economic development negotiations.
- C. 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 in Freeport, Texas, including but not limited to the area known as the Expansion Area and bordered by or adjacent to the following streets: FM 1495; East 2nd Street; Terminal Street and East 8th Street in Freeport, Texas.
 3. The potential exchange, lease, or value of real property located at Port Freeport, including but not limited to Parcels 14, 15, 16, 17, 19, 26, 27, 31, 34 and 35.
 4. The potential exchange, lease, or value of real property located at Port Freeport, including but not limited to Parcels 4, 5, 6, 7, 8, 9, 10, 37 and 38.
9. RECONVENE OPEN SESSION to review and consider the following:
10. Continue Planning Workshop for Port Freeport regarding the following:
 - A. Review of Port Charter and Mission including Responsibility for Waterways.
 - B. Website Update.
 - C. Process for Handling and Monitoring Requests under Public Information Act.
 - D. Environmental, Social, Governance & Sustainability.
 - E. Review of Travel Policy & Expenses Allowed.
11. RECONVENE EXECUTIVE SESSION to review and consider the following:
 - A. 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, Director of Engineering, Director of Protective Services, Director of Economic Development, Director of Business & Economic Development and Director of Information Technology.
12. RECONVENE OPEN SESSION:
13. Adjourn.

The Port Commission 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 Port Commission may go into a closed session as permitted by law regarding any item on the agenda.

With this posted notice, Port Commissioners have been provided certain background information on the above listed agenda items. Copies of this information can be obtained by the public at the Port Administrative offices at 1100 Cherry Street, Freeport, TX.



Phyllis Saathoff, Executive Director/CEO
PORT FREEPORT



Port Commission Workshop

November 2, 2023

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Agenda Item 7.A. - Slide 1

What to Expect...



Morning Open Session

7. Conduct a Planning Workshop for Port Freeport regarding the following:

- A. Introductory Remarks
- B. Update on Current Business and Vessel Activity and Future Plans/New Business Strategy
- C. Capital Plan Update
- D. Review Port-Owned Parcels Use, Remediation/Valuation

The Port Commission will convene in Executive Session to discuss certain legal matters and lease negotiations.

Afternoon Open Session

10. Continue Planning Workshop for Port Freeport regarding the following:

- A. Review of Port Charter and Mission including Responsibility for Waterways
- B. Website Update
- C. Process for Handling and Monitoring Requests under Public Information Act
- D. Environmental, Social, Governance & Sustainability
- E. Review of Travel Policy & Expenses Allowed

Agenda Item 7.A. - Slide 2



Update on Current Business and Vessel Activity

November 2, 2023

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Agenda Item 7.B. – Slide 1

Update of Current Business Segments

(Jason Miura)

Agenda Item 7.B. – Slide 2

Cargo Types & Terminals

- The Cargo Types handled the Public Facilities can be grouped as follows:

- Containerized
 - Dry
 - Refrigerated
- RORO – Roll-On/Roll-Off
 - OEM
 - POV
 - High & Heavy
 - Breakbulk/Static Cargo
- Bulk / Breakbulk / Project Cargo



- The Public Facilities are grouped as follows:

- Velasco Container Terminal
- Inner Harbor
- Parcel 14 Multimodal Site

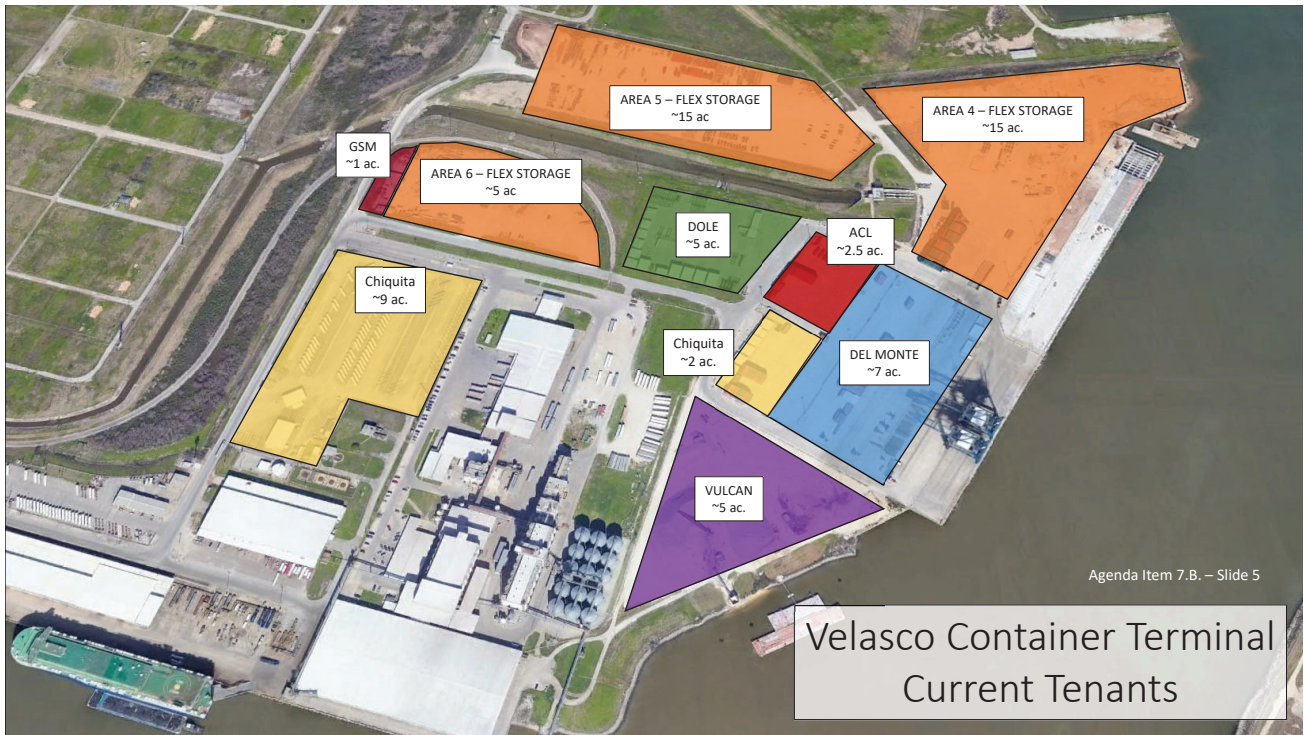


Agenda Item 7.B. – Slide 3

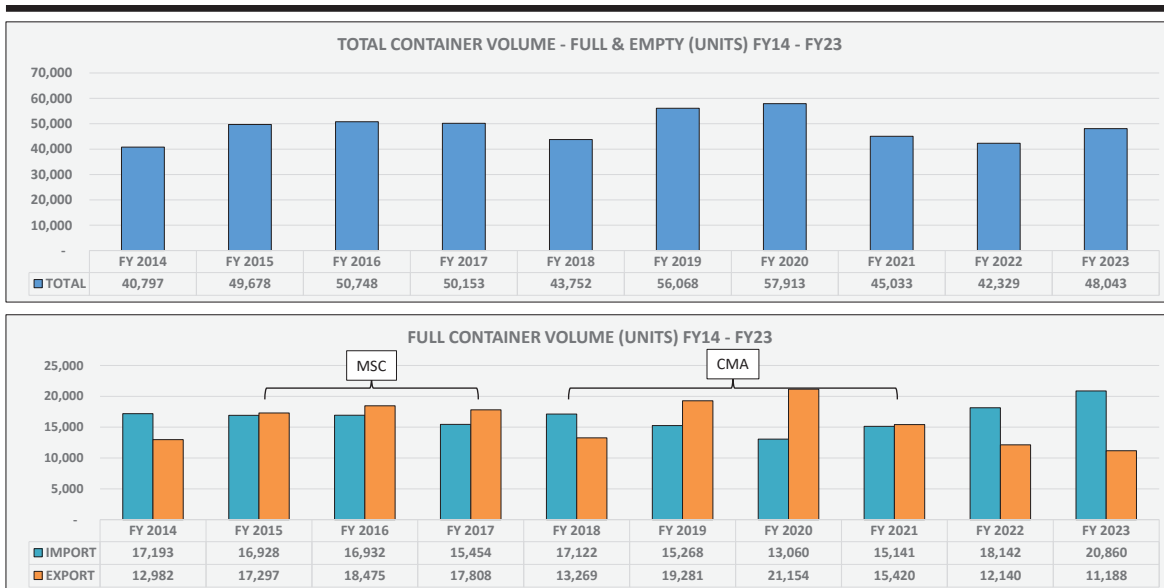
Velasco Container Terminal

November 02, 2023

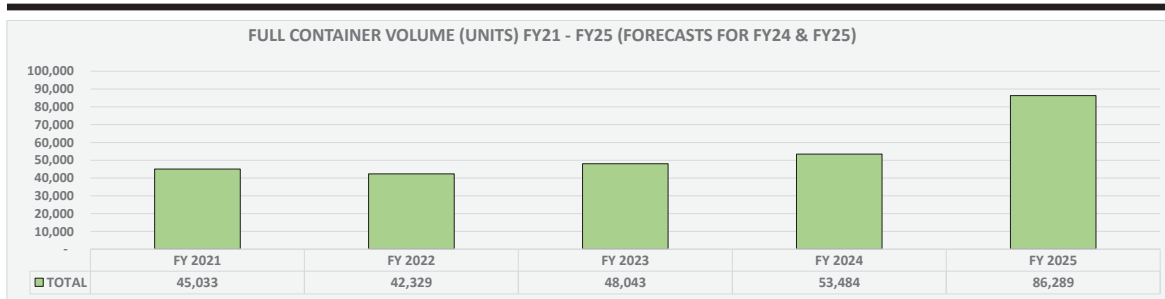
Agenda Item 7.B. – Slide 4



Velasco Container Terminal



Velasco Container Terminal

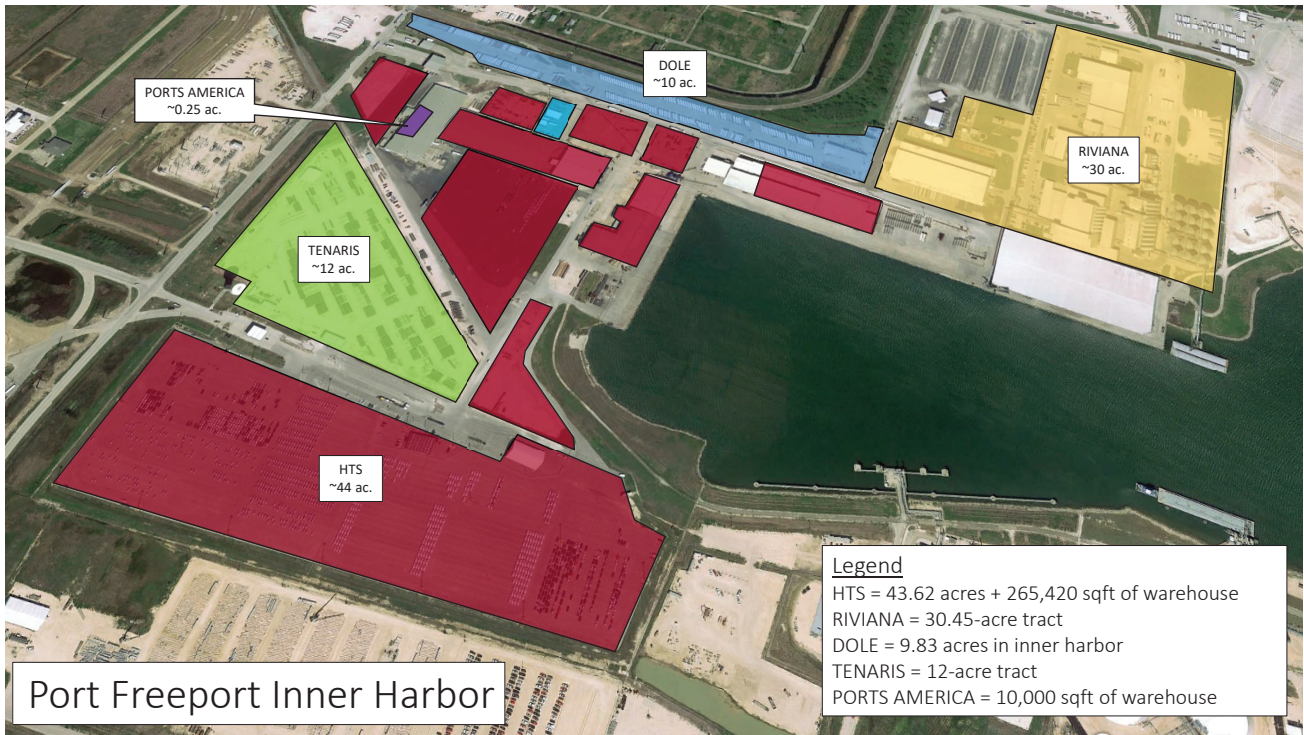


Agenda Item 7.B. – Slide 7

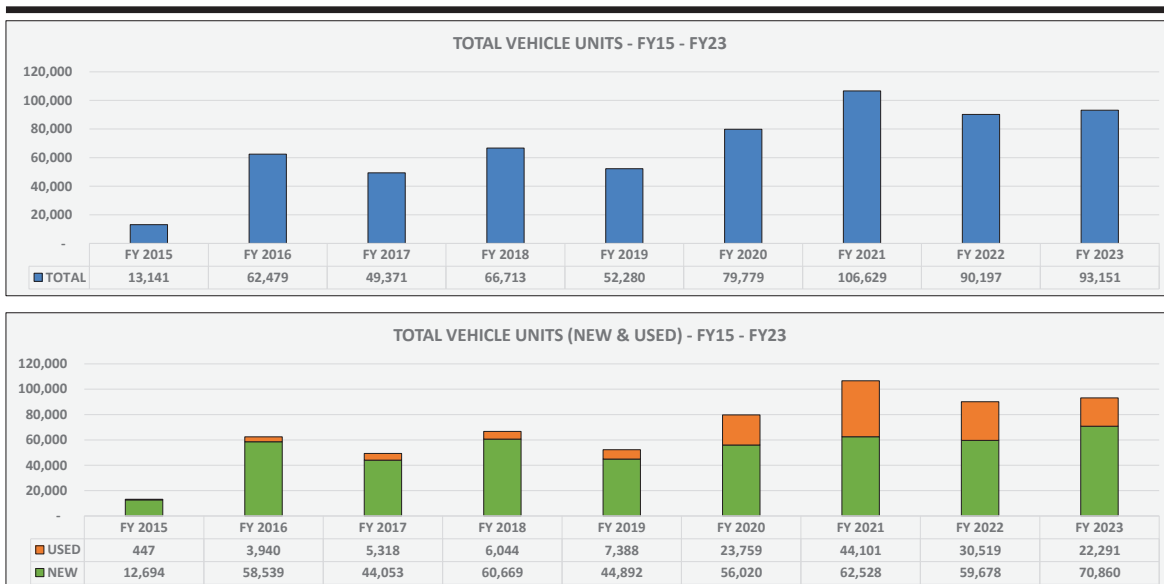
Port Freeport Inner Harbor

November 02, 2023

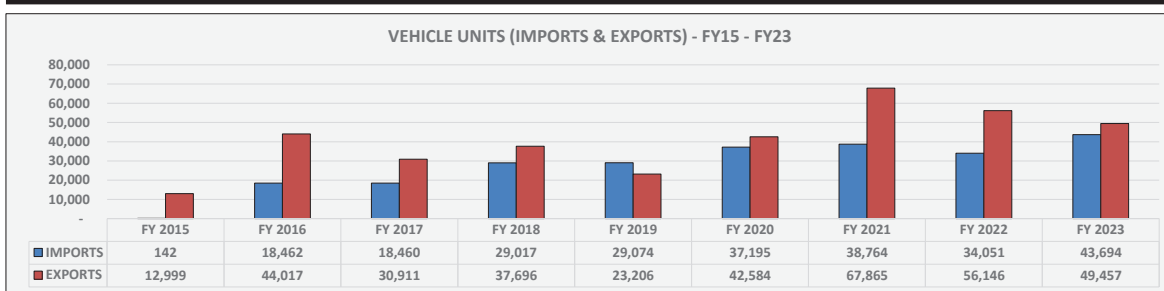
Agenda Item 7.B. – Slide 8



Inner Harbor Volumes (Vehicles)



Inner Harbor Volumes (Vehicles)

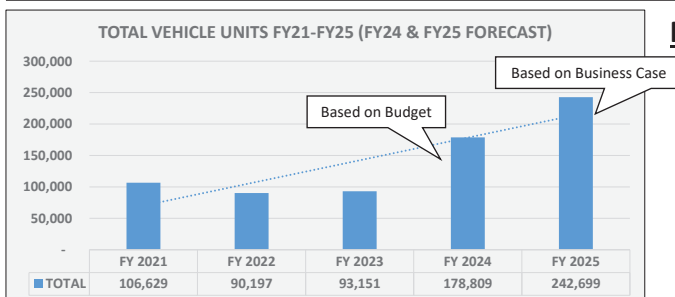


Some brands received at Port Freeport.

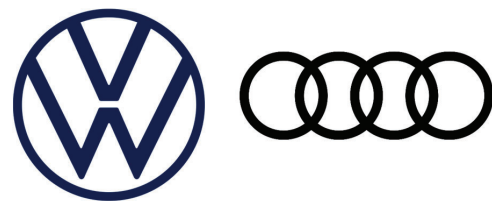


Agenda Item 7.B. – Slide 11

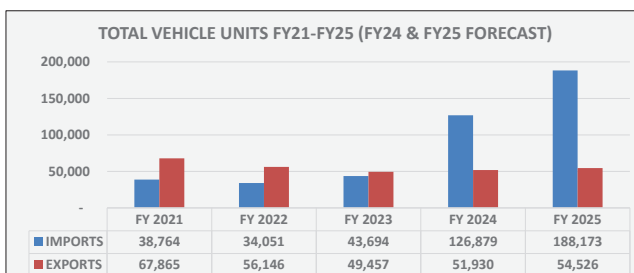
Inner Harbor Volumes (Vehicles)



New brands arriving at the Port in 2024

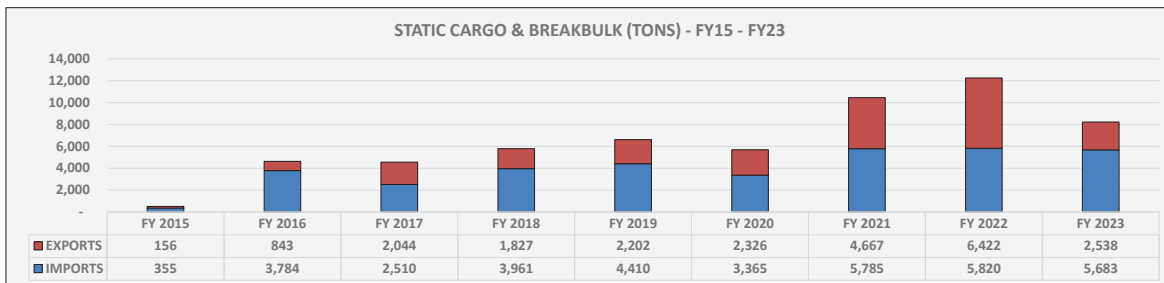
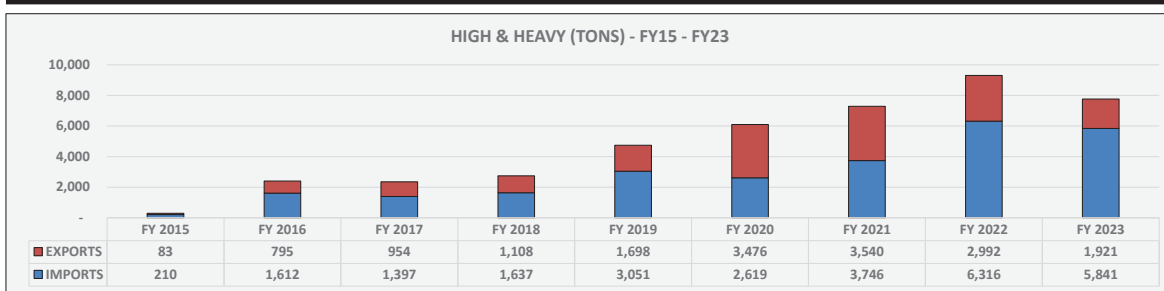


PORSCHE



Agenda Item 7.B. – Slide 12

Inner Harbor Volumes (High & Heavy)



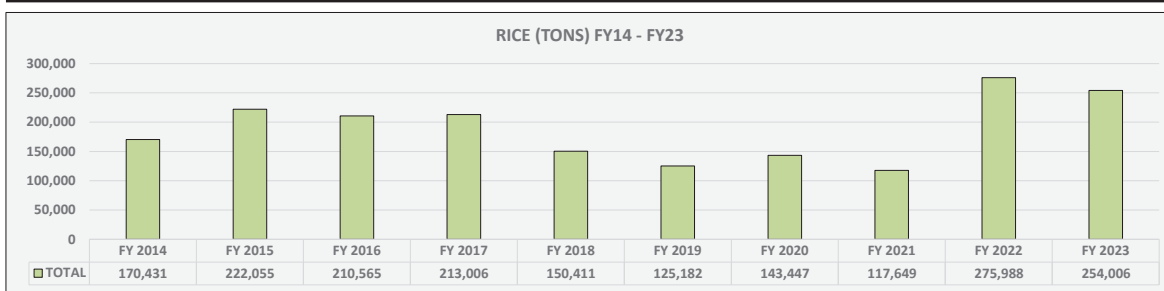
Agenda Item 7.B. – Slide 13

Inner Harbor Volumes (Steel)



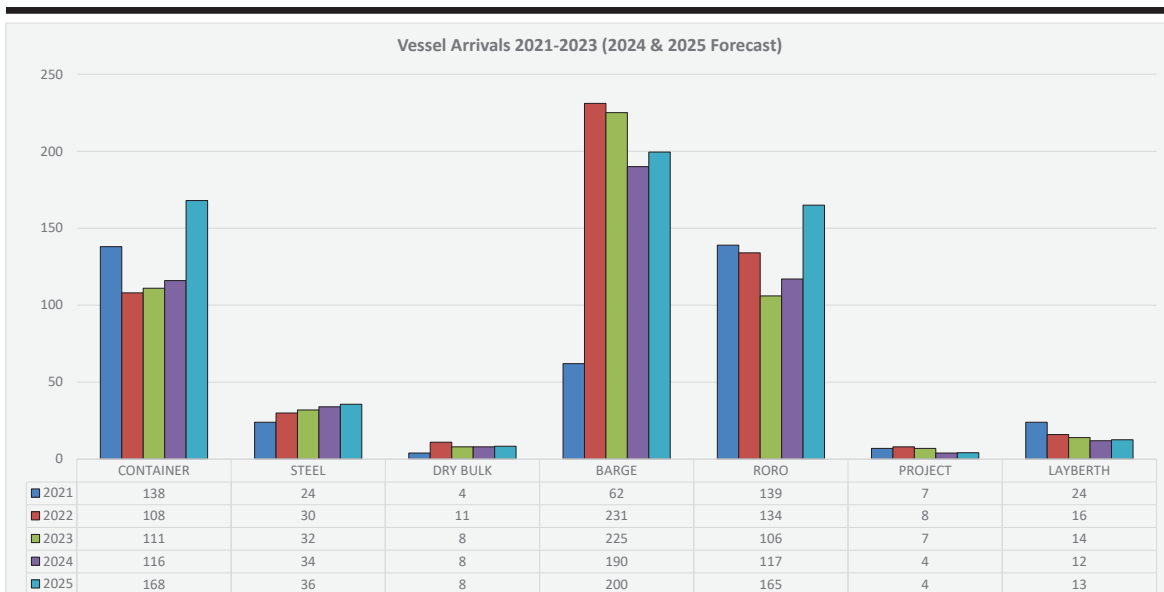
Agenda Item 7.B. – Slide 14

Inner Harbor Volumes (Rice)



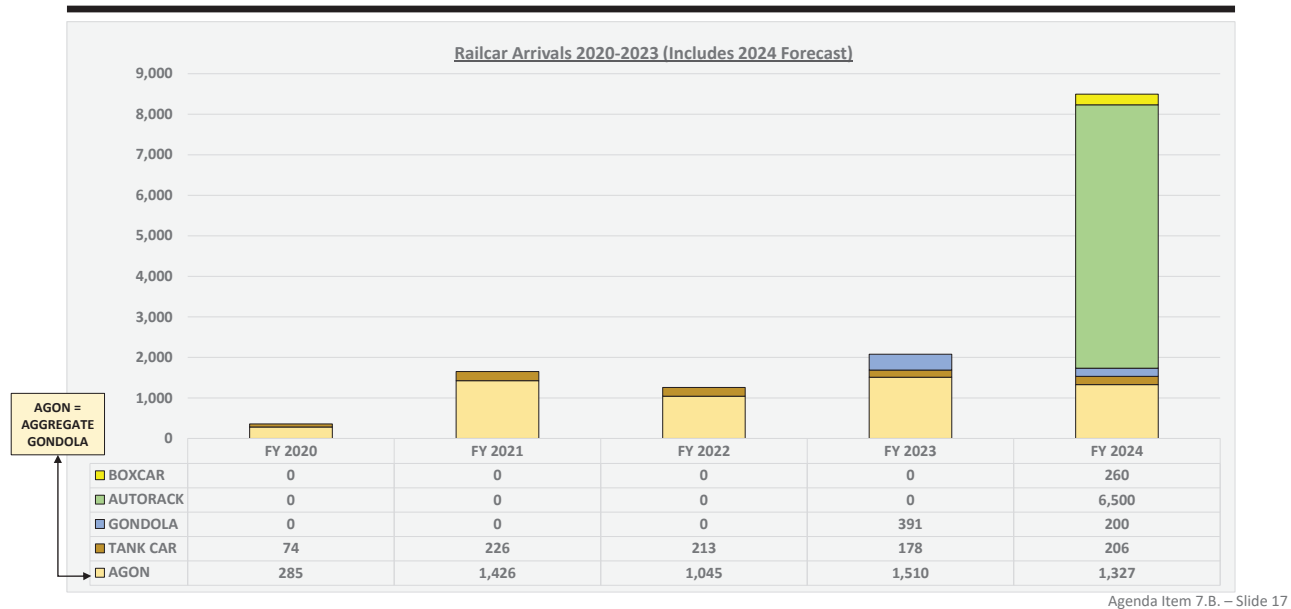
Agenda Item 7.B. – Slide 15

Vessel Arrivals



Agenda Item 7.B. – Slide 16

Railcar Arrivals



Business Strategy - Containers

- Meet with Beneficial Cargo Owners (“BCO’s”) and Shippers.
- Meet with global carriers at their domestic and global headquarters.
- Meet with regional carriers at their domestic and global headquarters
- Meet with Site Selectors.
- Attend Industry Events and Conferences focused on Containerized Cargo.
 - Transpacific Maritime Conference
 - Retail Industry Leaders Association
 - International Fresh Produce Association
- Continue to utilize IHS Markit “PIERS” data for targeting accounts.
- Engage a consultant to perform a Market Study.

Market Study

Port Freeport's public facilities are multi-purpose and receive a diversified range of cargo types including containers (refrigerated and dry), roll-on/roll-off ("RORO") cargo, breakbulk and project cargoes, and dry bulk commodities. Market opportunities change frequently and are influenced by:

- A rapidly growing Texas market
- Market competition
- Evolving e-commerce and changes in consumer purchasing preferences
- Federal regulations on various modes of the Transportation
- Deeper channel depths required for larger ocean-going vessels
- Supply chain pressures and labor disruptions on the U.S. west coast and in Mexico
- The need for multiple Texas deepwater port options for weather events and/or channel closures

Agenda Item 7.B. – Slide 19

Market Study

To complement the ongoing port planning and resulting infrastructure development, Port Freeport should commission a Market Study to:

- Identify specific targets/accounts, commodity/cargo segments and develop a Market Capture strategy.
 - Determine a plan of action needed to meet and serve the needs of the identified opportunities.
 - Market capture strategy should coincide with the anticipated market demand for the Port's services.
- Identify the potential cargo activities that could occur at Port Freeport.
 - Determine the type of facilities needed for the Port to participate in the short, medium and long-term planning horizons.
- Hone the focus of the business development and sales and marketing plans.

Staff is prepared to meet with the appropriate committee to discuss the Market Study Framework.

Agenda Item 7.B. – Slide 20

Business Strategy - RORO

- Meet with OEMs domestically and internationally.
 - Auto Manufacturers and High & Heavy Manufacturers.
- Meet with Freight Forwarders.
- Meet with global carriers at their domestic and global headquarters.
- Collaborate with existing tenants to attract additional OEMs.
- Attend Industry Events and Conferences focused on OEM cargo.
 - Finished Vehicle Logistics
 - Automotive Logistics Supply Chain Global



Capital Plan Update

November 2, 2023

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Agenda Item 7.C. - Slide 1



PORT FREEPORT PORT CAPITAL EXPANSION PLAN Fiscal Year 2024

<i>Strategic Initiatives</i>	<i>Milestones</i>
➤ Freeport Harbor Channel	\$ 950,000
➤ Buildout of the Port's Container Handling Facilities	37,124,000
➤ Development of warehousing and OEM distribution	1,440,000
➤ Port Infrastructure Support:	13,096,110
Total	\$ 52,610,110

Agenda Item 7.C. - Slide 2

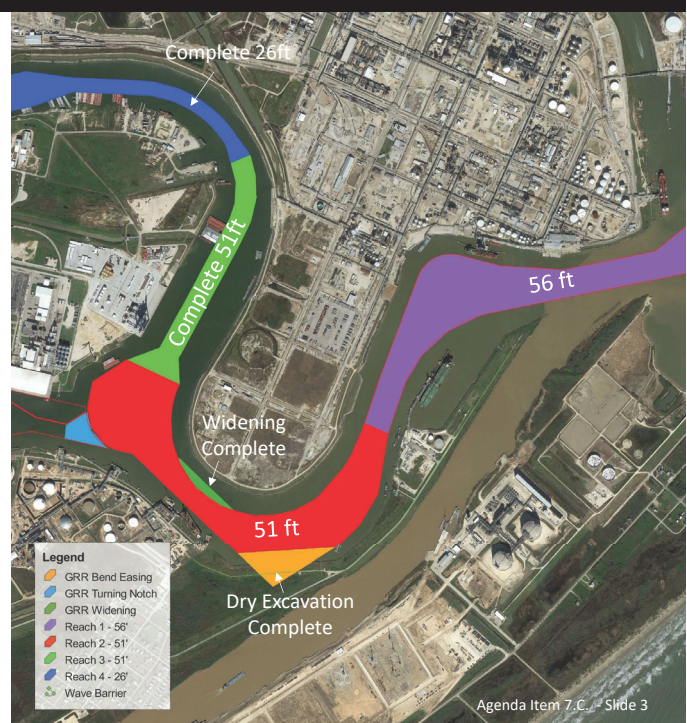
Freeport Harbor Channel Improvement Project

Project depth – 51 to 56 feet MLLW

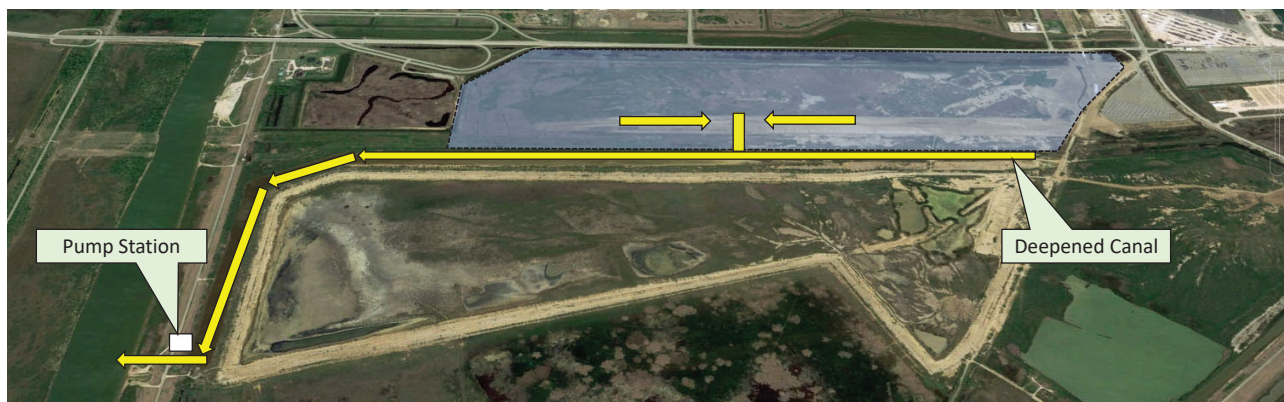
Project Construction:

- Reach 3 – Complete 2021
- Reach 2 Widening – Complete 2022
- Reach 2 Bend Easing – Complete 2023
- Reach 2 Deeping – 2023-24
- Reach 1 Outer ½ - 2023-25
- Reach 1 Inner ½ - 2023-25
- Reach 4 – Complete 2023

2025
100th Anniversary



South Freeport Pump Station



- ✓ Constructed a single collection point for storm water which is gravity fed to drainage canal
- Deepen adjacent drainage canal below the 100-year flood plain to create mitigation capacity
- Storm water flows from collection point to canal and then is pumped into the Brazos River

Please see title page disclaimer.

Agenda Item 7.C - Slide 4

TxDOT funding for New Infrastructure Projects in 2024/2025

Port Freeport has been awarded over \$22 million in funding from TxDOT for projects inside and outside of the port's main terminal.

Rider 37

- \$6.2 Million - Velasco Terminal Access Project
 - Construct a truck queuing area, widen and repave roads in the Expansion Area, East 2nd Street access, and a new gate access for Velasco Container Terminal.

Seaport Connectivity Program

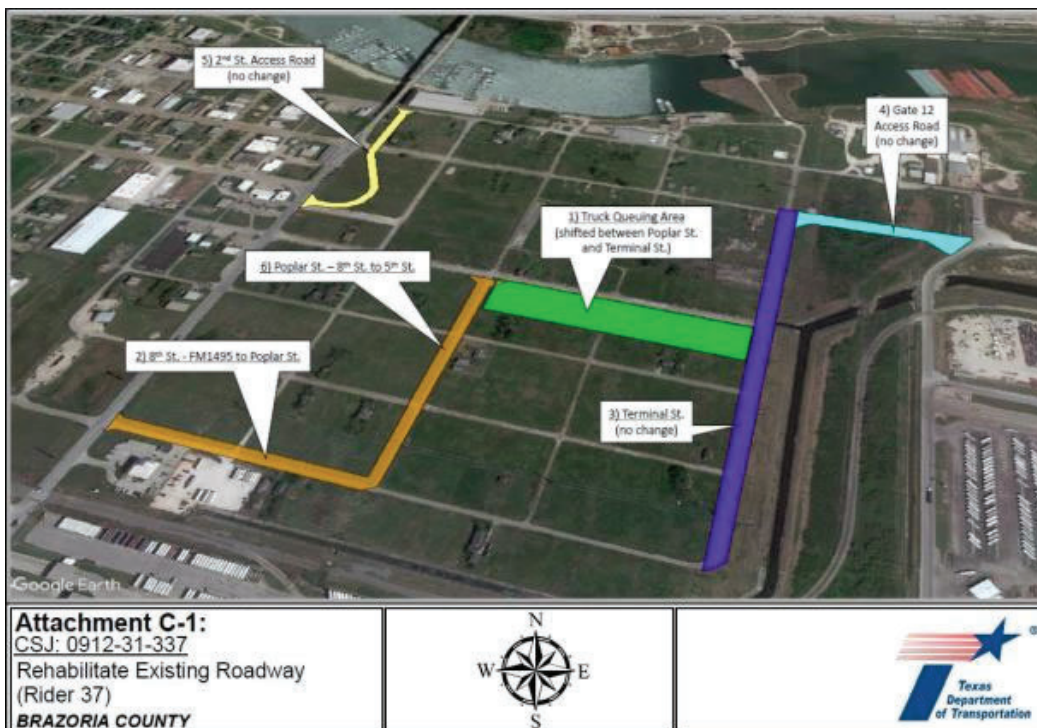
- \$3.8M - East 5th Street Reconstruction Project
- \$1.0M - Gate 4 Access Road Widening Project

Maritime Infrastructure Program

- \$11.6 million – Velasco Terminal Area 5
 - Concrete pave 15 acres on Velasco Container Terminal.



Agenda Item 7.C. - Slide 5



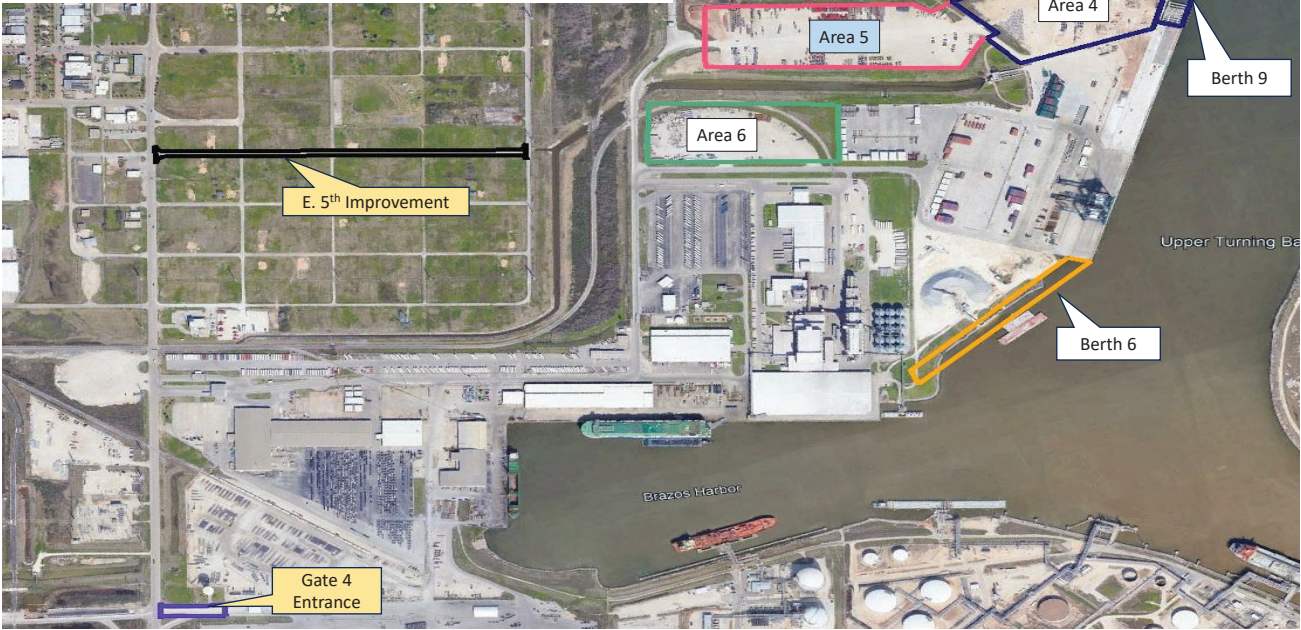
Velasco Container Terminal Gate 12 Access Road Project

Roadway Access and Truck Staging Projects

TxDOT Rider Grant Funding

Agenda Item 7.C. - Slide 6

Future Port Expansion Projects



Agenda Item 7.C. - Slide 7

Water and Sewer Connections



Agenda Item 7.C. - Slide 8



Port Commission Workshop

Financial Forecast, Financing Strategies, Cash Flow and Debt Capacity

November 2, 2023

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Agenda Item 7.E. - Slide 1

Revenue and Expense Forecast September 30, 2023



PORT FREEPORT				
STATEMENT OF REVENUES AND EXPENSES				
FY2023 FORECAST				
	AUGUST YEAR	SEPTEMBER YTD	TOTAL	
	TO DATE ACTUAL	FORECAST	2022/2023	
			BUDGET	
OPERATING REVENUES:				
Wharfage	\$ 12,599,734	\$ 13,660,863	\$ 12,546,200	
Dockage & deep water berth	5,244,613	\$ 5,855,584	7,743,700	
Equipment & pallet use fees	1,376,061	\$ 1,478,348	1,303,450	
Facility use fees	1,361,899	\$ 1,473,960	1,437,600	
Security Fees	2,115,185	\$ 2,355,054	2,294,250	
Other Customer Service Fees	1,236,438	\$ 1,328,177	1,308,300	
Ground leases	11,503,855	\$ 12,532,344	11,699,000	
Other leases	818,779	\$ 894,510	885,300	
Other revenue	97,550	\$ 106,418	25,000	
Business interruption Claim	2,000,000	\$ 2,000,000	2,340,000	
Total Operating Revenues	38,354,114	41,685,258	41,582,800	100%
OPERATING EXPENSES:				
Port salaries/wages	3,616,882	4,372,803	4,494,200	
Port employee benefits	1,179,222	1,282,905	1,749,800	
Professional services	2,882,809	3,163,590	2,948,700	
Training, travel, and promotional	421,645	448,410	879,900	
Supplies	174,803	191,401	176,200	
Utilities	836,573	1,000,009	854,900	
Business Insurance	1,739,478	1,942,036	1,672,300	
Other services & charges	435,970	480,767	503,600	
Maintenance & repair	1,182,265	1,267,137	1,225,400	
Depreciation	8,121,636	8,850,942	11,106,800	
Total Operating Expenses	20,591,283	23,000,000	25,611,800	90%
OPERATING INCOME (LOSS)	17,762,831	18,685,258	15,971,000	117%

Agenda Item 7.E. – Slide 2

Balances of Outstanding Debt Issues as of September 30, 2023

	Principal \$M	Description
Revenue Bonds	\$174.99	Earliest Maturity in 2028
General Obligation Bonds	\$122.98	2019, 2021 & 2023 Issuances of voter authorized \$130M
Capital Lease	\$1.56	Final payment due in FY24
Total Outstanding Debt	\$299.53	

Agenda Item 7.E. – Slide 3

Purpose of Revenue Debt Issuances

<u>Issuance</u>	<u>Purpose</u>
Senior Lien Refunding Bonds, Series 2013A	Refunded and refinance 2008 Series (Berth 7)
Senior Lien Revenue & Refunding Bonds, Series 2015A	Refunded and refinance 2013B (repairs to B7), Parcel 25 paving, lighting, road, Parcel 19 ground stabilization, VT 23.5 acres concreted, 408 permits berth 8 & 9, Floodwall modification Dock 1 & 2
Senior Lien Revenue Refunding Bonds, Series 2018	VT Area 5 & 6 concrete, Parcel 14 Rail, Parcel 14 Security
Senior Lien Revenue Bonds, Series 2019A	Berth 8, VT Area 3, Parcel 14 20 acre storage yard.
Senior Lien Revenue Bonds, Series 2019B	Levee Stabilization
Senior Lien Revenue Bonds, Series 2021	Berth 8
Planned 2023 Rev Bond Issuance	STS Cranes and VT Area 5

Agenda Item 7.E. – Slide 4

Standard & Poors' Debt Rating

- Standard & Poors' (S&P) will publish ratings for the Port's bonds to inform investors
 - A+/Stable rating for outstanding revenue bonds
 - Debt Service Coverage is a key component of the ratings along with analysis of the overall financial condition, area economy, competitive position, customer/revenue base and management practices.
- Debt Service Coverage (DSC) is Net Revenue divided by scheduled Debt Service
- Net Revenue = Operating Income + Depreciation + M&O Tax Proceeds

S&P Global
Ratings

Agenda Item 7.E. – Slide 5

Revenue Bond Considerations

- 2023 Modeling by Masterson based on a \$25M issuance with current projections of maintaining an A+ rating
 - Additional debt issuances should target a DSC of 1.80 or higher
 - Annual Debt Service Coverage minimum of 2.40
 - Maximum Annual Debt Service Coverage of 1.97
- Debt Service Covenant requires a 1.25 Debt Service Coverage Ratio
 - 2024 Debt Service Coverage = 1.97
 - Includes new debt and G.O. Bond Cash Subsidy (\$1M encumbered)

Agenda Item 7.E. – Slide 6

Debt Coverage Projections

Includes New Business



Fiscal Year Ending	2022	2023	2024	2025	2026	2027	2028	2029	2030
Operating Income	22,307,066	18,685,258	17,517,384	22,845,345	23,697,253	24,635,167	25,632,392	26,690,778	27,884,597
Plus: Depreciation	7,914,177	8,882,900	12,172,700	12,500,000	13,000,000	14,000,000	15,000,000	16,000,000	16,000,000
Plus: M&O Taxes	<u>3,788,814</u>	<u>3,515,922</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Revenue	34,010,057	31,084,080	29,690,084	35,345,345	36,697,253	38,635,167	40,632,392	42,690,778	43,884,597
Senior Lien Debt Service	12,578,336	12,864,520	14,905,672	14,204,048	14,199,626	14,205,144	14,204,698	13,403,038	13,401,288
Debt Service Coverage	2.58	2.42	1.99	2.09	2.49	2.58	2.72	3.03	3.19

Note: Minimum DSC Covenant = 1.25 w/Target of 1.80 to Maintain Favorable A+ Class Rating



Review of Port Charter and Mission Including Responsibility for Waterways

November 2, 2023

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Agenda Item 10.A. – Slide 1



General Counsel Discussion

Agenda Item 10.A. – Slide 2



Website Redesign Update

November 2, 2023

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Agenda Item 10.B. – Slide 1

Website Redesign



Website Redesign

- Staff has prepared an outline of the current website and analyzed which pages are clicked the most. Next steps:
 - Senior Management Team meets to discuss what pages can be removed from the website due to redundant/lack of info or lack of clicks.
 - RFQ will be prepared (already drafted) based on the feedback from SMT and input/requests from Port Commission. (November)
 - RFQ will go public, and staff will also make web designers aware that it is available. (December)
 - Staff will recommend a web designer and seek the Port Commission’s approval of a contract with said designer to redevelop portfreeport.com (February ‘24).
 - Website Redevelopment (March-September ‘24).

Agenda Item 10.B. – Slide 2



Process for Public Information Act Requests for Information

November 2, 2023

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Agenda Item 10.C. – Slide 1



Texas Public Information Act

- Current Incoming Requests
 - In person written requests
 - Email request to port staff
 - Submission through port website
- Current Responses
 - Staff circulates to appropriate staff members for engagement.
 - Staff responds directly on general request such as employee rosters, bid awards and information already published on the website.
 - Staff contacts legal counsel for guidance on all other matters.

Agenda Item 10.C. – Slide 2

Texas Public Information Act

For Discussion on the process going forward.

- Contact
 - Should all request be sent to legal counsel?
 - Should the port designate a staff member as the official point of contact for all request?
- Form
 - Is a standard form needed for the website?
- Reporting
 - How would the Port Commission want be informed?



Environmental, Social, Governance, and Sustainability

November 2, 2023

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Agenda Item 10.D. – Slide 1



ESG&S Update

- Environmental, Social, Governance, & Sustainability Committee
 - Initial Meeting October 12, 2023
 - Discussion with Staff regarding
 - ESG & Sustainability procedures and practices in the areas of Port Freeport’s operations, engineering, design, and construction, procurement of goods and services, other environmental programs and related areas. [Landlord port]
 - What are next steps and are grant funds available
 - How do we support tenant and stakeholder ESG goals
 - ESG&S Plan Development

Agenda Item 10.D. – Slide 2



Port Commission Workshop Review of Travel Policy & Expenses Allowed

November 2, 2023

Agenda Item 10.E. – Slide 1

Port Freeport Policy Manual Section 8.9 Practices and Procedures Manual Section 5.1



- Hierarchy of Travel Authorization
- Hierarchy of Expense Report Approvals
- Port Travelers are expected to exercise the same care in incurring expenses that a prudent person would exercise when traveling on personal business
- *Not allowed:*
 - Fines for parking or moving vehicle violations
 - Movies, plays, concerts, or sporting event tickets (unless associated with a pre-approved third-party Meals and Business Entertainment)
 - Personal items, such as alcoholic beverages, personal entertainment, newspapers, toiletries, cigarettes, laundry and dry cleaning etc. and more than one personal phone call a day
 - Expenses for persons not employed by the Port who accompany a Port Traveler. Additionally, expenses for persons who accompany Port Travelers and who are included in business entertainment must be reported by employee and will be deducted from any funds due to the employee
- Port Travelers who travel on Port business on behalf of or with third parties shall not benefit financially by retaining any expense reimbursement from such other parties
- Unless otherwise agreed to in a valid, authorized written agreement with the Port, consultants, contractors, or other vendors who travel on Port business shall be reimbursed for travel expenses based on the same policies as apply to Port Travelers

Agenda Item 10.E. – Slide 2

Port Freeport Policy Manual Section 8.9 Practices and Procedures Manual Section 5.1



Transportation Expenses:

- Reasonable
- Air travel, coach class (with extended leg room if needed), unless international flights exceeding four hours
- Early check in
- Travel to and from airport will be reimbursed
- Ground transportation
- Parking

Lodging:

- Reasonable based on location and availability

Meals:

- Reasonable, no alcohol

Registration Fees etc. associated with event

Agenda Item 10.E. – Slide 3

Port Freeport Policy Manual Section 8.9 Practices and Procedures Manual Section 5.1



Business Meals and Entertainment:

- Must have a Port business purpose
- Reasonable
- The Port shall not reimburse for the cost of alcoholic beverages in connection with business meals and entertainment at which no third party is in attendance
- Highest ranking Port employee present at the meeting should incur the cost of the business meals and entertainment
- Expense report requirements:
 - Date, location, description, and purpose
 - Name, title and organization of attendees
 - Certain activities are not reimbursable under federally-funded programs and Port reserves the right to decline approval of such expenses

Agenda Item 10.E. – Slide 4

Port Freeport Policy Manual Section 8.9 Practices and Procedures Manual Section 5.1



Finally...

- ✓ Travel/Expense Statement (Port has an excel form) reports are required.
- ✓ Must be submitted with required documentation (receipts) monthly or if a special trip or activity within 30 days after completion.
- ✓ Port carries a commercially insured travel accident policy that provides emergency medical, security evacuation, emergency travel and travel information services.