

Minutes of Port Commission Regular Meeting – Supplemental Agenda
July 28, 2022
In Person & Videoconference

A Regular Meeting of the Port Commission of Port Freeport was held July 28, 2022, beginning at 1:02 PM at the Administration Building, 1100 Cherry Street, Freeport, Texas.

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.

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Commissioners present in person:

Mr. John Hoss, Chairman
Mr. Rudy Santos, Vice Chairman
Mr. Dan Croft, Secretary
Mr. Rob Giesecke, Asst. Secretary
Mr. Ravi Singhania, Commissioner

Commissioners present by videoconference:

Mr. Shane Pirtle, Commissioner

Staff Members Present:

Mr. Peter Nemeth, Interim Legal Counsel
Ms. Phyllis Saathoff, Executive Director/CEO
Mr. Rob Lowe, Director of Administration/CFO
Mr. Al Durel, Director of Operations
Mr. Mike Wilson, Director of Economic Development & Freight Mobility
Mr. Jason Hull, Director of Engineering
Mr. Chris Hogan, Director of Protective Services
Mr. Brandon Robertson, Network Systems Manager
Ms. Missy Bevers, Executive Assistant
Ms. Mary Campus, Controller
Ms. Tricia Vela, Public Affairs Assistant
Mr. Nick Malambri, Engineering Specialist
Mr. Jesse Hibbetts, Operations Manager
Ms. Holly Soria, Operations Coordinator
Ms. Hannah Fitzsimmons, Operations Specialist

Ms. Darlene Winkler, Communications Specialist
Ms. Christine Lewis, Safety Coordinator

Also, present:

Mr. Chris Moore, Texas Port Ministry
Mr. Jason Mills, Terracon
Mr. Scott Bowman, Ports America
Mr. Donald Davidson, Volkswagen
Ms. Megan Mikutis, Randle Law Office
Mr. Grady Randle, Randle Law Office
Ms. Rebecca Andrews, BB&K
Ms. Kim Voigtlander
Ms. Barbara Fratila

Original Agenda Items Posted June 28, 2022:

1. CONVENE OPEN SESSION in accordance with Texas Government Code Section 551.001, et. seq., to review and consider the following:
2. Invocation – Mr. Chris Moore, Texas Port Ministry.
3. Pledge of Allegiance – U.S. Flag and Texas Flag
4. Roll Call – Commissioner Hoss noted that all Commissioners were present in the Board Room with the exception of Commissioner Pirtle who was participating by videoconference.
5. Safety Briefing – Ms. Christine Lewis provided a safety moment regarding back-to-school safety.
6. Call to identify and discuss any conflicts of interest that may lead to a Commissioner abstaining from voting on any posted agenda item.

There were no conflicts noted from Commissioners.

7. Public Comment – There were no public comments.
8. Public Testimony – There was no public testimony.
9. Adoption of a Resolution approving the application for tax abatement between Port Freeport and Volkswagen Group of America, Inc. and PRP KDC Freeport Development, LLC regarding a \$115 million 125-acre vehicle importation and processing center for property located within the City of Freeport Reinvestment Zone 2022-01, approving Tax Abatement Agreement and authoring Chairman and Secretary to execute said agreement.

Mr. Lowe stated that Volkswagen Group of America and PRP KDC Freeport Development LLC is evaluating the development of a 125-acre vehicle importation and processing center. The project will be a \$114,495,000 investment of which \$28,500,000 will be vertical improvements to be abated as well as \$1,394,000 of tangible property to be abated. The abatement period will be 7 years commencing January 2023. 10 new jobs are committed per the abatement application however it is also noted within the application plans for 113

permanent employees with 11 at Volkswagen, 3 at Porsche and 99 third party roles. The application also includes total direct and indirect jobs in the 260-300 range. Construction jobs will range from 100 at start up, 387 at peak and end with 80. Mr. Lowe also noted an abatement was approved by the City of Freeport July 18 and by Brazoria County July 26. Additionally, this abatement application was submitted under the Port's guidelines approved two years ago and is appropriately being approved under the guidelines of which it was submitted, as confirmed by legal counsel. Mr. Donald Davidson, Manager of Government Relations with Volkswagen Group of America thanked the Port Commission and staff for all their support during this process adding he is incredibly excited for a Volkswagen Group project to come to Port Freeport. He also noted the amount of abated taxes over the course of the project would be approximately \$88,254.

A motion was made by Commissioner Croft to adopt a resolution approving the application for tax abatement between Port Freeport and Volkswagen Group of America, Inc. and PRP KDC Freeport Development, LLC regarding a \$115 million 125-acre vehicle importation and processing center for property located within the City of Freeport Reinvestment Zone 2022-01, approving Tax Abatement Agreement and authorizing Chairman and Secretary to execute said agreement for a 100% abatement for 7 years. The motion was seconded by Commissioner Singhania with all Commissioners present voting in favor of the motion.

Supplemental Agenda Items to be considered:

10. Approval of minutes from the Regular Meeting held June 23, 2022.

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

11. Public hearing to discuss the proposed Port Freeport Tax Abatement Guidelines and Criteria pursuant to Section 312.002 of the Texas Property Tax Code, to be effective July 28, 2022 - July 27, 2024.

Mr. Lowe highlighted key updates and changes to the tax abatement guidelines. He stated the guidelines are effective for two years from the date adopted, noting the current Port Freeport guidelines were adopted July 23, 2020, and need to be updated to consider new applications going forward. Staff has reviewed the guidelines and state statute with legal counsel and has suggested updates aimed at providing administrative and process clarity. He also noted that staff presented the proposed guidelines to the Finance Advisory Committee on July 21 and recommends adopting the guidelines as presented. An in-depth discussion began regarding the creation of a Port Tax Abatement Review Committee (PTARC) and the roll of the Finance Advisory Committee. Counsel noted that it is not advocating the creation of a PTARC; the same option existed in the prior guidelines. The other added language documents the current process whereby the Brazoria County Tax Abatement Committee completes the requisite economic impact study, and the Brazoria County Commissioners Court conducts a hearing. The Finance Advisory Committee reviews tax abatement applications before they are presented to the Port Commission for consideration.

12. Discuss and consider the adoption, amendment, repeal or reauthorization of the Port Freeport Tax Abatement Guidelines and Criteria, to be effective July 28, 2022-July 27, 2024.

At this time, Commissioner Giesecke brought up an item to discuss within subsection 2.h.6 regarding the use of local vendors and service providers with the final sentence stating, “it is *preferred* that applicant seek qualified workers who are United States citizens and veterans and also legal residents prior to seeking workers from other countries.” Commissioner Giesecke feels it should be *required* to seek qualified workers who are United States citizens, veterans and legal residents before going outside to use a visa program. He further stated that if one of the reasons the Port is asked to grant tax abatements is to provide employment opportunities for local residents, E-Verify should be required to make sure the people being hired are authorized to work in the United States. After discussing this item, the Port Commission agreed to table this item for further consideration.

Commissioner Giesecke also asked to further discuss the proposed Tax Abatement Graduated Scale as approved by Brazoria County under their new guidelines which was also discussed with the Finance Advisory Committee. He noted that he does support the graduated scale as not every project warrants a full 100% 7-year or 10-year abatement, and this allows the Commission flexibility to approve an abatement on a graduated scale. Mr. Lowe stated that staff discussed this scale with legal counsel and found the Port’s guidelines (as well as the County’s) specifically gives the Commission the freedom to determine the number of years and the percentages as deemed appropriate. From that basis, staff does not see the need to adopt the scale. Additionally, in most cases, the County will approve the agreement ahead of time, therefore the Commission will have that information ahead of time. After additional discussion, the Port Commission agreed to table this item for further consideration.

13. Receive reports from Executive Staff on activities and matters related to COVID-19 health safety matters, administrative affairs, financial results, facility engineering matters, operations and vessel activity, port safety matters, port security matters, Port tenant updates, USCOE, and other related port affairs.

A. Executive Director/CEO

Ms. Saathoff reported on activities within the House and Senate in the last week which includes passing an Appropriations Bill that funds the USACOE and would subsequently give the FHCIP an additional \$90.6 million allocation if it makes through the process to become law. Ms. Saathoff also reported attending the ILA Convention in San Diego earlier in the week. Plans and specs are proceeding for advertising the deepening portion of Reaches 2 and into 1 (out to the Jetties). Anticipate package advertised before September 30 with bid opening in October/November timeframe, award at the end of the year and Notice to Proceed in early 2023. Orion is mobilizing to begin the dry excavation work in the bend of Reach 2. Lastly, the current meters for the PORTS NOAA System have been installed and NOAA is verifying the data to make sure it is operating and reporting accurately. Once the review is complete, a link will be sent to the Freeport Fiscal Oceanographic Real Time Station (the Port’s page) on the NOAA Tides and Currents website. Mr. Hull is working with legal counsel to finalize the maintenance agreement with the Conrad Blucher Institute at Texas A&M.

B. Chief Financial Officer

Mr. Lowe gave a presentation regarding the financial results for the month of June.

C. Director of Engineering

Mr. Hull shared a current photo of the progress at Berth 8. He also echoed Ms. Saathoff stating that Orion's contract has been signed and equipment will be arriving in the weeks ahead.

D. Director of Operations

Mr. Durel reported on a few highlights from his written report on year-to-date statistics with the Port handling 391 vessels compared to 389 last year. 12.3 million tons compared to 12.5 million tons last year with the inner harbor handling 1.8 million tons compared to 1.5 million tons last year. LNG handled 10.3 million compared to last year of 11.0 million tons last year. With regard to safety, Ms. Lewis held an in-person tenant safety meeting and continues to move forward developing the safety culture. He also reported that Vulcan has secured a vessel which will be here in September. He also introduced Hannah Fitzsimmons, who is the newest member of the Operations Department. Mr. Hogan gave a brief recap on the security update previously given to the OSS Advisory Committee. Topics included the fleet vehicle accident, the June 8 Freeport LNG incident and an EOC AV Upgrade Project.

E. Director of Business & Economic Development

In Mr. Miura's absence, Mr. Wilson was available to answer any questions from the written reports submitted.

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

A. July 20 and July 28 Finance Advisory Committee – Commissioner Croft reported the committee took no issue with management with any items discussed at the meetings and all items are on the current agenda for consideration.

B. July 20 OSS Advisory Committee - Commissioner Pirtle reported the committee received a safety update from staff and also discussed other SSI related information in executive session.

C. Port Commission related meetings or conferences, Port presentations and other Port related matters.

Commissioner Pirtle reported attending the Santa Anna Ball.

Commissioner Croft reported attending the Santa Anna Heritage Festival, several local meetings and the Rotary International Convention in Houston.

Commissioner Santos reported attending the Alliance Industry Update as well as the Commissioner's Court meeting held earlier in the week. He also thanked Al Durel and his Operations Team for all their work.

Commissioner Singhania reported attending the Friends of River (FOR) Breakfast, the Santa Anna Ball, the Alliance Industry Update and an AAPA videoconference on Port Opportunities with Energy, Resilience, and Sustainability (POWERS) Program.

Commissioner Giesecke reported attending the Alliance Industry Update.

Commissioner Hoss reported attending the Change of Command in Galveston and other local events.

15. Approval of financial reports presented for the period ending June 30, 2022.

A motion was made by Commissioner Croft to approve the financial reports as presented. The motion was seconded by Commissioner Giesecke with all Commissioners present voting in favor of the motion.

16. Approval of an extension to the following Grazing Leases at Port Freeport: W.F. Gonzalez; John V. Nesmith; and James Price Phillips III.

Mr. Lowe stated the Port currently has three grazing leases related to Parcels 5, 6, 7 and 38. Leases were executed in 2018 after all options from the original leases had expired. Lease rates were evaluated and adjusted accordingly at that time. The leases were extended for a three-year term in 2019 which expired June 30, 2022, and the leases were then converted to a monthly basis. It is staff's recommendation and that of the committee to extend the leases an additional three years at the current rates. Mr. Lowe also shared information on each of the leases and their respective rates.

A motion was made by Commissioner Croft to approve the extension of all leases for three years as recommended by staff. The motion was seconded by Commissioner Giesecke with all Commissioners present voting in favor of the motion.

17. Approval of a Professional Services Agreement with PBK for Gate 8 Guardhouse Expansion, for an amount not to exceed \$33,600.00.

Mr. Hull stated this project involves adding an equipment room on the backside of the Gate 8 Guardhouse. The agreement includes the architectural engineering, construction observation and materials testing in the amount of \$33,600.00. Staff recommends approval.

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

18. Approval of a new Stevedore License application submitted by QSL Texas Terminals.

Mr. Durel stated that QSL visited the port a few weeks back and was very excited about the Port's future and indicated they would be interested in doing business at the Port. They submitted a stevedore application with all the necessary paperwork which was then presented to the OSS Advisory Committee. Staff recommends approval.

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

19. Approval regarding the 2022 Port Freeport Golf Tournament budget and benefactor.

Ms. Darlene Winkler stated that staff seeks approval of the proposed budget and Texas Port Ministry as benefactor for the annual golf tournament hosted by Port Freeport tentatively set

for October 17, 2022. Staff is requesting a total budget amount of \$21,000 with a Port Freeport contribution of \$3,000. Due to an increase in expenses and a reduction in sponsorships, staff also recommends returning to a single flight tournament. Staff presented this to the Finance Advisory Committee prior to the meeting and recommends approval.

A motion was made by Commissioner Singhania to approve the budget and benefactor as presented. The motion was seconded by Commissioner Giesecke with all Commissioners present voting in favor of the motion.

20. Approval of Executive Director/CEO travel for the months of July and August 2022.

Ms. Saathoff clarified the “Tri-State Area” is the upper East Coast area. She also included for the record, her trip to Washington, DC in June and the recent ILA Conference. Additional upcoming trips include meetings in Austin and customer visits in August/September.

A motion was made by Commissioner Croft to approve the travel. The motion was seconded by Commissioner Giesecke with all Commissioners present voting in favor of the motion.

At this time, Commissioner Hoss noted that agenda item 21 will be deferred for possible action after discussion in executive session.

Commissioner Giesecke pointed out a proposed lease amendment with an existing Port tenant that was uploaded in BoardPaq under executive session, suggesting it be discussed in open session rather than executive session as a matter of transparency and policy. Ms. Saathoff noted there is not an item on the agenda to discuss or approve an amendment. Mr. Nemeth noted that if its commercial negotiations on a contract that has not been signed (i.e., proposed amendment), discussion in executive session is appropriate.

21. Discuss and consider engaging outside General Counsel to provide legal services.

This item was tabled.

22. 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 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 551.072 (Deliberation Concerning Real Property Matters) for discussion regarding:

1. Discussion regarding the potential exchange, lease, or value of real property located in Freeport, Texas, including but not limited to the are known as the East End of Freeport and bordered by or adjacent to the following streets: FM1495; East 2nd Street; Terminal Street and East 8th Street in Freeport, Texas.

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. The potential exchange, lease, or value of real property located at Port Freeport, including but not limited to Parcels 14, 19, 27, 34 and property on Quintana Island.

23. RECONVENE OPEN SESSION:

At this time, Commissioner Giesecke noted for the record that while he did sit in on executive session, he did not find it to be allowable under the Open Meetings Act, he listened but he did not participate.

24. Adjourn.

With no further business before the Commission, the meeting adjourned at 5:18 PM