

Minutes of Port Commission Regular Meeting
August 24, 2023
In Person & Videoconference

A Regular Meeting of the Port Commission of Port Freeport was held August 24, 2023, beginning at 2:05 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. Ravi Singhania, Chairman
Mr. Rob Giesecke, Vice Chairman
Ms. Barbara Fratila, Secretary
Mr. Kim Kincannon, Asst. Secretary
Mr. Rudy Santos, Commissioner
Mr. Dan Croft, Commissioner

Staff Members Present:

Ms. Grady Randle, Legal Counsel
Ms. Phyllis Saathoff, Executive Director/CEO
Mr. Rob Lowe, Director of Administration/CFO
Mr. Jason Miura, Director of Business & Economic Development
Mr. Mike Wilson, Director of Economic Development & Freight Mobility
Mr. Jason Hull, Director of Engineering
Mr. Al Durel, Director of Operations
Mr. Chris Hogan, Director of Protective Services
Mr. Brandon Robertson, Director of Information Technology
Ms. Missy Bevers, Executive Assistant
Ms. Mary Campus, Controller
Mr. Jesse Hibbetts, Operations Manager
Ms. Tricia Vela, Public Affairs Assistant
Ms. Christine Lewis, Safety Coordinator
Mr. Nick Malambri, Engineering Specialist
Ms. Emily Henderson, Sales & Marketing Specialist
Ms. Bailee Pavlovsky, Accounting Clerk

Also, present:

Mr. Geoff Bowman, Van Scoyoc Associates
Mr. Chris Moore, Texas Port Ministry
Mr. Jason Mills, Terracon
Mr. Chad Janosky, Bay-Houston Towing

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 Singhania noted that all Commissioners were present in the Board Room. Commissioner Singhania commented on the additional services Texas Port Ministry provides such as washer/dryer for seafarers.
5. Safety Briefing – Ms. Christine Lewis provided a safety moment regarding tips for hurricane preparedness.
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 by Commissioners.

At this time Commissioner Singhania noted a special meeting will be held next Wednesday, August 30 at 9:00 a.m. to conduct a budget workshop.

7. Public Comment – There were no public comments.
8. Public Testimony – There was no public testimony.
9. Receive update from federal consultants Van Scoyoc Associates.

Mr. Geoff Bowman with Van Scoyoc Associates began his update stating that Washington is currently at an incredibly challenging dynamic with very slim majorities in the House and Senate which makes a difficult environment to get legislation enacted. The Freedom Caucus who are conservative members of the House is leveraging their numbers to get certain concessions, but they have only been guaranteed opportunities, not outcomes which makes bringing bills to the floor in the House very challenging. Big achievement this year is we did not skirt through the debt limit. It is the 78th time since 1960 the debt limit has been exceeded with current debt approximately \$31.5 trillion. Moving forward, there will be a very constrained budget cycle over next several years with caps on federal spending programs. If the appropriation bills are not enacted, there will be a 1% across the board cut on all agencies. Constrained funding will make it harder to obtain federal funding for the projects of interest through the Department of Transportation. Additionally, if Congress does not enact the appropriation bills, or they don't pass a continuing resolution (which acts as a bridge from FY23 into FY24) by September 30, they run the risk of a government shutdown. This will not impact the channel deepening project since those funds are already being executed; however,

the \$10 million funds Congressman Weber has requested for the Velasco Terminal Expansion project under the Port Infrastructure Development Program could be held up by the appropriations process. If they get to full year appropriation bills, it may be in the final package, if not and they pass a yearlong continuing resolution, earmarks are not included in continuing resolutions and will have to start from scratch for FY25. Moving forward, VSA will see an evolution in the work opportunities for the Port with the Bipartisan Infrastructure Bill, Inflation Reduction Act that includes additional funds for the Port Infrastructure Development Program and a Port Electrification Program. Additional programs of interest include Diesel Emissions Reduction Act, Infra (Nationally Significant Multimodal Freight & Highway Projects) and other carbon reduction and infrastructure programs. Finally, Mr. Bowman thanked the Port for allowing him to be a part of the deepening project noting he started working with the House Transportation and Infrastructure Committee in 2002 about the time the feasibility study was started.

10. Approval of minutes from meetings held July 20, 2023, and August 10, 2023.

Commissioner Singhanian asked for corrections and/or a motion to approve the July 20 minutes only.

A motion was made by Commissioner Giesecke to approve the July 20 minutes as presented. The motion was seconded by Commissioner Fratila with all Commissioners present voting in favor of the motion.

Commissioner Singhanian asked for corrections and/or a motion to approve the August 10 minutes. Commissioner Giesecke noted one small correction to the first paragraph on Page 6 of the minutes where it references \$141 in free cash, should read \$141 *million* in free cash.

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

11. 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 attending the U.S. Army Corps of Engineers Galveston District summer Stakeholder Forum 2-day event along with Commissioners Giesecke, Kincannon and Singhanian. She also noted personnel changes at the Galveston office and gave an update on the flanking issue for the Freeport area portion of the Sabine to Galveston project and has requested the Corps give a briefing to the Port in the near future. Ms. Saathoff also commented how the Port is in a really good place with the Freeport Harbor Channel Improvement Project compared to other Texas projects. We were able to get the final package bid and awarded earlier this year, the first after Col. Blackmon took command of the Galveston District. Many projects are still waiting to move forward, and the Corps is carrying over a significant amount of money into the FY2024 budget year. Staff is planning for the annual Port Freeport Golf Tournament to be held October 16 that will benefit Texas Port Ministry. The tournament will be a single-flight format and several sponsorships have already been secured. Staff has continued work with Breakthrough

Consultants to develop new material for monthly updates which will be distributed through the Port website and social media accounts. Commissioner Singhania reminded everyone the next CAP Meeting will be held September 12 at the Clute Event Center with Vincent Solis, president of Brazosport College, speaking to the group. Ms. Saathoff also reported that under the settlement agreement with the City of Freeport, the exchange of deeds and payments under that agreement have been made. The Port has received deeds for the streets, alleyways, the park and lots, and made payment of \$7.1 million to the City. Additionally, once the sewer lift station is relocated and other utility improvements are made, the Port will issue the final payment of \$1.8 million.

B. Director of Engineering

Mr. Hull reported the dredge is still working in Reach 4 with approximately 3 weeks of work left. He also shared a current photo of the slope protection progress in the bend easing as well as the completed work to the non-TWIC truck staging area and the recently poured concrete west of Warehouse 51, both pieces of the Port Wide Pavement Repairs project. Ms. Saathoff commented that when Great Lakes completes dredging in Reach 4 and is waiting for surveys to be completed, they relocate the dredge to another area to continue working; the dredge does not sit idle.

C. Director of Operations

Mr. Durel shared photos of the relocation of the power supply for the gantry cranes from Dock 7 to Dock 8, noting that crane 2 would be completed today and able to transverse both docks. Relocation of crane 1 will begin next week. He also shared photos of the Samsung Linde project cargo discharged the first week of August and scheduled to leave next week for a semi-conductor facility outside of Dallas. Lastly, he shared photos of the Port's current aging rescue container and a new container recently purchased that will be outfitted with the same equipment and additional improvements.

D. Director of Business & Economic Development

Mr. Miura noted the Greater Houston Port Bureau Dinner honoring David Grzebinski, President & CEO of Kirby will be held August 26 and the Breakbulk Americas Conference in Houston will be held Sept 26-28 at the George R. Brown Convention Center with a by invitation only reception held for Port customers September 27. In addition, he shared current photos of the progress at the Volkswagen site.

E. Chief Financial Officer

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

12. Approval of financial reports presented for the period ending July 31, 2023.

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

13. Receive report from Commissioners on matters related to:

A. August 3 Finance Committee Meeting

Commissioner Giesecke reported the committee discussed the tax rate setting process and related projections which were covered at the subsequent board meeting August 10.

Additionally, staff presented revenue budget projections noting it'll be a healthy increase over current year.

B. August 15 Capital Planning Committee Meeting

Commissioner Kincannon reported staff presented the preliminary budget for the fiscal year 2024 port capital expansion plan by strategic categories and targeted funding sources, noting there no major issues identified.

C. August 16 Personnel Committee Meeting

Commissioner Singhania reported that staff presented the personnel budget and agreed with staff's recommendation to look at a budget of 5% with a hybrid system where everyone gets the same amount across the board so those on the lower end of the scale can benefit. Whatever is left of the budgeted percentage is divided as a percentage into the merit raise and will be slightly higher than cost-of-living adjustment (COLA) this time. The committee felt it was the right recommendation to accept. A few new positions were also discussed in the budget. Performance evaluation forms were reviewed and are on the agenda for approval.

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

Commissioner Croft reported attending the Lake Jackson Business Association meeting as well as the Angleton Chamber Legislative Update.

Commissioner Kincannon reported attending the USCOE Industry Day August 22 as well as the most recent BCCA meeting.

Commissioner Giesecke reported also attending the USCOE Industry Day and BCCA meeting in addition to attending Ms. Saathoff's presentation to the Board of Realtors July meeting. He also reported attending the Freeport City Council meetings August 7 and 21, Boy Scouts Breakfast and Angleton Chamber Legislative Update.

Commissioner Fratila also reported attending the Angleton Chamber Legislative Update.

Commissioner Santos reported attending the Emergency Management Training, BCCA meeting and Angleton Chamber Legislative Update.

Commissioner Singhania reported attending the quarterly TxDOT Traffic Coordination meeting, reception and dinner for the India Consul General, Emergency Management Training, USCOE Stakeholder Forum, Angleton Chamber Legislative Update and the Boy Scout Breakfast.

14. Approval of a Resolution Authorizing Executive of an Interlocal Agreement between Port Freeport and Texas Department of Transportation.

Mr. Wilson began by explaining the heavy lift corridor, what it's used for as well as the ProMiles Contract which is the automated permitting system used for the corridor and will be amended at a later date. He shared a memo that included current and new rates used in the corridor as well as a map of the new route for the heavy lift corridor. Mr. Wilson stated the Interlocal Agreement will expire August 31, 2023, and briefly highlighted the scope of

services in Attachment A of the agreement. He then presented the resolution authorizing execution of the Interlocal Agreement. Commissioner Singhania clarified the current rates for containers in the memo should be \$26 - TxDOT and \$3 - ProMiles. Additionally, he requested this item be taken to the finance committee in the future for review.

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

15. Approval of American Association of Port Authorities annual membership dues.

Ms. Saathoff stated that the American Association of Port Authorities (AAPA) represents ports in the U.S. (including the Great Lakes ports), Canada, the Caribbean and Latin America. They work heavily on legislative matters and represent the U.S. ports collectively in Washington. The association has a tiered dues structure that is based on forecasted revenues for the year. Port Freeport has been growing and therefore, the dues have been increasing as well and are now above Ms. Saathoff's signing authority which requires board approval. Ms. Saathoff stated the Port now falls into the revenue tier of \$42.5 - \$59.99 million and will be paying dues of \$28,225 based on the Port's forecasted revenues for FY2024. Staff recommends approval.

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

16. Approval of employee performance evaluation forms.

Commissioner Lowe stated that staff previously met with the Personnel Committee and reviewed the performance evaluation forms. The committee requested staff bring the forms to the Commission for approval. Staff recommends continuing forward with the use of the management and non-management forms as presented. Commissioner Singhania noted the forms are the same forms used in prior years and the goal is to have them executed to the employees by October 1. Commissioner Croft suggested that these forms be included as part of the policies.

A motion was made by Commissioner Croft to approval the forms. The motion was seconded by Commissioner Fratila with all Commissioners present voting in favor of the motion.

17. Discuss and consider adoption of a Resolution to propose the 2023 tax rate, to be adopted at a future meeting.

(The 2022 tax rate is \$0.035000; the 2023 No New Revenue Rate is \$0.030435; the 2023 Voter Approval Tax Rate is \$0.033240)

Mr. Lowe began with a few slides stating this is annual rate setting process for debt service (I&S) and maintenance and operations (M&O) rates noting the 2023 I&S rate includes 2019, 2021 and 2023 GO Bond issuance payments for FY2024. He further noted that on August 10, the Port Commission encumbered \$1 million of the Port's funds for FY2024 GO debt payment. Mr. Lowe reminded the Commission the bonds were approved by voters in May

2018 and shared the dates of the three issuances. With regard to the tax rate and budget schedule, Mr. Lowe noted the following schedule...

August 24 – Review NNRTR and VATR

August 24 – Take a record vote to propose 2023 tax rate

August 25 – Report proposed rate and results of the vote to the BC Tax Assessor-Collector

August 30 – Conduct Budget Workshop

September 7 - BC Tax Assessor-Collector will publish either:

- *Notice of voting on tax rate if proposed rate is at or below NNRTR**
- *Notice of hearing on tax increase if proposed rate is above NNRTR**

September 14 – Adopt 2023 tax rate

September 14 – Conduct Budget Workshop and Adopt Budget

**Requires seven-day public posting in local newspaper.*

Commissioner Singhanian, seeking clarification, asked that if the Commission does what they previously discussed and go with a zero M&O, encumber \$1 million and have a tax rate of \$0.018 but next year they choose not to encumber any funds and have a tax rate of \$0.022, would it still require a hearing. Mr. Lowe stated that if you take the M&O to zero, there won't be an increase. The hearing is tied to the NNRTR, but doesn't change any approvals, just what we call it on the agenda and does not have to go to the voters for approval because it will just be the I&S rate. Mr. Lowe then presented the NNRTR received from the County of \$0.031012 with a new tax base of \$22.7 billion, deducting new improvements to get an adjusted taxable value of \$21.199 billion against last year's adjusted total taxes of \$6.574 million. Mr. Lowe shared a comparative slide which he built based on the I&S debt rate only showing that last year had a total levy of \$6.782 million with a .035000 tax rate. If the Commission goes with the I&S debt rate only this year, the rate would be \$.016007/100 of assessed value which would generate \$3.637 million. This includes the \$1 million encumbrance.

A motion was made by Commissioner Giesecke to propose a total tax rate of 0.016007/100 valuation. The motion was seconded by Commissioner Fratila.

Commissioner Santos asked for clarification on what would happen if next year (2024), the Commission decides not to encumber funds. Mr. Lowe explained that the debt payment is going up next year so it will be a straight math calculation of the debt payment divided by the new tax roll that will equal an anticipated number of .02 something. This would not take voter approval; it would be the rate with no M&O. Commissioner Santos then asked that if for some reason the Port needed M&O in 2024, does it go back to the voters for approval or does the Commission take action. Mr. Lowe confirmed the Commission would take action to propose the M&O but then it would go on the November ballot. Commissioner Santos further clarified that once the Commission zeros M&O, it stays zero until the voters of the District approve it.

Commissioner Croft commented that he read a report when the Port started and the voter approved tax rate at the time was 35 cents noting that if the Commission takes action on this, it will have cut the rate a half of a percent of what was originally approved.

Commissioner Giesecke pointed out the Port has been getting along without the M&O (putting it in capital reserves) since 2015.

Commissioner Singhanian commented that he looks at this like any other business you have to plan for; based on the situation, you do what you have to, noting that he feels comfortable

since the Port has not had to use collected M&O for 7 years when they began putting it away in a reserve fund and knows with I&S, it can be raised (if needed) without voter approval. Mr. Lowe stated that the I&S is going to drive the language that goes in the newspaper, on the website and whether a hearing or a vote is held. Commissioner Singhania clarified that with the motion on the table, the Port is giving up M&O forever, unless its voter approved again and with I&S, the Port is not tying any future Commissioners to what they would like to do within the guideline that I&S maximum rate needed for I&S bond payment without voter approval.

Commissioner Giesecke also pointed out that as the Port looks at the debt service payments in the future (2026) getting to \$7.2 million, unless a future Commission starts adopting rates that are above the NNRTR, the M&O is going to approach zero in those years because the total tax levy would be needed to pay the GO bonds.

Commissioner Santos stated that his calculations included a four-year plan and not take it to zero now, but gradually get there. He gave an example of an M&O of .00750, and still generate approximately \$1.704 million, cutting the M&O down another increment the following year, and the following year (2025) taking it to zero or push it out again to 2026.

Commissioner Fratila commented that the new commissioners have been elected on the basis of voters wanting this kind of action because they see the revenue and they would like the revenue to support the maintenance and operations, adding the new commissioners on board have been directed towards that and as responsible elected officials, we should listen. Furthermore, she doesn't feel the Port would be giving up something that's needed as those funds have not been used for maintenance and operations. With new tenants coming on and new revenue, she feels it's being responsible to the people who have elected them to follow up with it.

At this time, Commissioner Singhania called for individual votes on the motion made by Commissioner Giesecke which was to propose a total tax rate of 0.016007/100 valuation. The motion was seconded by Commissioner Fratila. The following votes were taken...

Commissioner Croft – Aye

Commissioner Kincannon – Aye

Commissioner Giesecke – Aye

Commissioner Fratila – Aye

Commissioner Santos – Present

Commissioner Singhania - Aye

Commissioner Singhania stated that the motion passed with 5 ayes and 1 present.

Commissioner Croft asked for Mr. Randle for clarification on the “present” vote. Mr. Randle stated that present means you are neither voting for or against it, it's like an abstention except you're not abstaining, you're just present. The vote will be counted as 5 ayes and 1 present.

Commissioner Croft inquired if today was a binding vote that is turned into the County. Mr. Lowe stated the Commission is binding itself to vote on the tax rate on September 14 at 1 p.m. Commissioner Croft further inquired if it could be voted down at that time. Mr. Randle added the Commission is voting on a resolution approving a tax proposal and setting a date for a record vote. With the record vote on September 14, you will actually adopt the rate.

Theoretically, it could be voted down at that meeting. If that happens, state law provides for a default rate of the NNRTR. Commissioner Croft asked if the same method of voting could be

taken on September 14 (i.e., aye, no, present). Mr. Randle stated the Port Commission has that power and typically it would be a majority vote unless you're going above the NNRTR. Ms. Saathoff confirmed that everyone was available September 14 for the adoption of the tax rate as well as the presentation and approval of the budget.

18. 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 551.087 (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.
 - i. Business and Economic Development Reports.
 2. To deliberate the offer of a financial or other incentive to a business prospect described by Subdivision (1).
 - C. 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, 7 and 8.
 3. The potential exchange, lease, or value of real property located at Port Freeport, including but not limited to Parcels 12, 13, 14, 19, 27, 34 and property on Quintana Island.
 - D. 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.

19. RECONVENE OPEN SESSION:

20. Adjourn.

With no further business before the Commission, the meeting adjourned at 6:03 PM.

Ravi K. Singhanian, Chairman

Rob Giesecke, Vice Chairman

Barbara Fratila, Secretary

Kim Kincannon, Asst. Secretary

Dan Croft, Commissioner

Rudy Santos, Commissioner