

Minutes of Port Commission Regular Meeting  
July 20, 2023  
In Person & Videoconference

A Regular Meeting of the Port Commission of Port Freeport was held July 20, 2023, beginning at 1:03 PM at the Administration Building, 1100 Cherry Street, Freeport, Texas.

**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 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. 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. 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. Jason Miura, Director of Business & Economic Development  
Mr. Brandon Robertson, Director of Information Technology  
Ms. Missy Bevers, Executive Assistant  
Ms. Mary Campus, Controller  
Mr. Jesse Hibbetts, Operations Manager  
Ms. Randi Northrup, FSO  
Ms. Tricia Vela, Public Affairs Assistant  
Ms. Christine Lewis, Safety Coordinator  
Mr. Don Mullett, Crane Maintenance Manager  
Mr. Cecil Booth, Project Engineer  
Mr. Nick Malambri, Engineering Specialist  
Ms. Katie Tudor, Sales Representative  
Ms. Emily Henderson, Sales & Marketing Specialist

Absent:

Mr. Rudy Santos, Commissioner

Also, present:

Mr. Chris Moore, Texas Port Ministry  
Mr. Paul Bridges, Paul Bridges & Associates  
Mr. Glen Collins, Sunstates Security  
Ms. Emily Beall, Breakthrough Consulting  
Mr. Peter Nemeth, Crain, Caton & James  
Ms. Megan Mikutis, Randle Law Office  
Mr. Stuart Herbst, Terracon  
Mr. Rick Stephanow, Gulf LNG Services  
Mr. James Nash, WGMA

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 Commissioner Santos was absent. All other Commissioners were present in the board room.
5. Safety Briefing – Ms. Christine Lewis provided a safety moment regarding back-to-school driving tips.
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.

7. Public Comment – There were no public comments.
8. Public Testimony – There was no public testimony.
9. Approval of minutes from the Regular Meeting held June 22, 2023.

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

10. 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 began her report discussing a safety issue regarding the TxDOT Highway 36 project with the shifting of traffic patterns on July 17. West bound traffic has been moved to the newly constructed pavement while east bound traffic remains the same. Calls have been made to TxDOT requesting increased signage and communication to alert drivers to the new traffic pattern. Since the change, there have been three accidents. TxDOT is working to improve the signage. The next traffic safety and coordination meeting will be held August 8 at 3:00 p.m. Ms. Saathoff will be giving a presentation July 26 to the Lake Jackson Board of Realtors. Ms. Saathoff noted information she included in her report that may be of interest with regard to NOAA's proposed regulations in Gulf waters that would affect east part of the Gulf with required slower transits at night to protect endangered whales in the Gulf however, they are not in the west Gulf. The channel project is progressing with Reach 4 expected to be complete at the end of August. Ms. Saathoff noted that staff recently discussed the Grimaldi vessel fire in Newark with the OSS Committee adding that staff is doing everything they can to learn from this incident with Mr. Hogan continually working with local emergency personnel to tour the vessels and familiarize them with the layout. Commissioner Singhania inquired how the Port's similar response company in Galveston would be handled. Mr. Hogan stated that we do not have a company on contract, but every vessel call that comes in has a plan and that plan designates the response contractor, noting that the Port is part of the unified command structure should an event occur. Ms. Saathoff added that when the unified command structure is put in place, the Coast Guard will take lead along with immediate local response. Commissioner Giesecke inquired about public affairs payment to Breakthrough Consulting asking if it's a quarterly payment or monthly. Ms. Saathoff responded stating it was a monthly payment for approximately four months of work explaining the consultants are putting together a new communication to go out bi-monthly, master email lists to broaden direct communication, introducing community pieces, increasing community outreach through social media platforms. He also inquired about the work Legend Labs completed for the Port. Ms. Saathoff stated the work has been brought to a certain point with the next step being logo work which Mr. Miura is coordinating to tie into the update of the website. Commissioner Singhania requested that Legend Labs give an update to the Port Commission with what has been done thus far.

B. Director of Engineering

Mr. Hull reported the Velasco Terminal Berth 8 is still closing out while the port wide payment repairs will begin Monday and the FHCIP continues. He also shared a photo of Dredge 54 working in the bend easing area. He explained that Reach 4 is broken into three acceptance sections. The first section was completed, and the equipment was moved into the bend easing area as seen in the photo while the Corps completed their survey and sonar work to verify the work (in first section) was good. He noted that as of this meeting, the dredge was back in Reach 4 digging. He also reported the Gate 8 Guard House project is closing out and the drawings for the Parcel 14 Pump Station project are under review. Additionally, the Parcel 14 Rail project was substantially complete July 14 with a few items left on the punch list. Finally, the Gate 12 and Velasco Terminal Rider 37 project is on the agenda for consideration and Mr. Hull noted for the record the grant was applied for two years ago and cost is expected to increase from \$9 million to \$10 million.

C. Director of Operations

Mr. Durel reported that the month of June was a healthy month with July expected to be the same, adding that business is looking more like pre-Covid days. He stated that for the month of June, the total number of vessel arrivals port-wide was 103. LNG had 18 vessels and Vulcan had 1 vessel with another expected in July. Steel is still flourishing with

600,000 tons having moved through the port year-to-date. Another two ships are expected in July. Total port wide vessels year-to-date is 810 vs. 936 this time last year. Security continues to meet multiple state and regional agencies to review hurricane plans. Safety recently coordinated a Safety Walkabout at the tenant safety meeting which is held every quarter. Commissioner Gieseke inquired about the imports vs. exports at Enterprise Terminal. Mr. Durel stated that it's primarily imports because they handle the Strategic Petroleum Reserve as they are supplying the product for them. He doesn't have exact numbers but expects it's probably a mix of imports/exports. Mr. Hogan introduced Glen Collins with Sunstates who replaced Randi Northrup who was recently hired as the facility security officer.

D. Director of Business & Economic Development

Mr. Miura submitted a written report and was available for questions. Ms. Saathoff complimented Mr. Miura on getting his new team oriented over the last several months who are honing-in on their key responsibilities and doing a good job.

E. Chief Financial Officer

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

11. Approval of financial reports presented for the period ending May 31, 2023.

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

12. Receive report from Commissioners on matters related to:

A. July 11 & 20 Finance Committee Meetings

Commissioner Giesecke reported the committee discussed changes to the Port Freeport Tariff No. 005 with a proposed 5% adjustment. They also discussed Vulcan Material's request to modify their temporary permit. Commissioner Giesecke deferred comments on the other items discussed as they're on the agenda for consideration. At the July 20 meeting, the committee received a report on the quarterly investment review.

B. July 18 OSS Committee Meeting

Commissioner Giesecke reported the committee received an update regarding the RFP process for the port rail switching operator. Mr. Miura added that staff received proposals from 7 interested parties to provide services for the Port Freeport switching operation on Parcel 14 to rail shippers. Staff met internally to review the proposals with a subsequent meeting scheduled July 26 that will involve the current rail shippers for feedback. Staff anticipates making a recommendation to the committee in August with approval of an operations agreement following in September. The committee also received an update from security. Commissioner Giesecke deferred comments on the other items discussed as they're on the agenda for consideration.

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

Commissioner Croft reported attending the Alliance Board of Directors meeting and the Industry Update.

Commissioner Kincannon reported attending the Highway 36A meeting and Freeport EDA meeting as well as the Industry Update.

Commissioner Giesecke reported attending the Industry Update as well.

Commissioner Fratila also reported attending the Industry Update and the Friends of the River meeting.

Commissioner Singhanian reported attending the Freeport EDA meeting, Industry Update, Indo-American Gala and the Port CAP meeting. He also noted that Dr. Solis with Brazosport College has accepted an invitation to be the guest speaker at the September CAP meeting.

### 13. Receive update regarding procurement of Gantry Cranes.

Mr. Durel stated that staff has been working with Paul Bridges & Associates (PBA) to fine tune the crane requirements in order to get the best product that will last the Port the longest, reducing maintenance and down time. He introduced Paul Bridges with PBA who gave an update on the process. Mr. Bridges stated that all the technical questions have been reviewed and assessed. The base and optional proposals range from \$11.8 million to \$12.68 million per crane (based on the size of the cranes). As mentioned previously, the base proposal is based on cranes that are very similar in configuration to the existing cranes and the optional proposal is for cranes that would work the largest vessels calling ports in the world today. The manufacturer is currently waiting on the Port to come back with a counter proposal. PBA has internally calculated a counter proposal on what they think would be a fit for the ranges. PBA's next step would be to discuss proposals with port personnel. Mr. Durel asked Mr. Bridges to explain why PBA has zeroed in on negotiating with ZPMC vs. other manufacturers. Mr. Bridges explained that the maintenance operations crew wanted the new cranes to emulate the existing cranes as much as possible in order to maintain spare parts, maintenance qualities and levels. With that in mind, PBA wanted to obtain bids with a custom design in order to match existing cranes. In order to get a custom design, you need manufacturers who are willing to design and build cranes to specification. He noted that at this time, there are several large manufacturers who are getting all the projects with ZPMC being one and two others PBA routinely goes to however the latter typically only provide pricing based on their standard design which means the Port would get cranes designed to the manufacturer's designs and suppliers. With that, there would be different spares and different ways of maintaining the cranes. There are several firms PBA has received proposals from in the past that would build to specification but have indicated they could not be competitive with two cranes because of shipping costs for them. The other manufacturer from Europe has lost interest in the North American market at this time. Other Chinese firms has expressed interest but at this stage, PBA has chosen to obtain pricing from ZPMC with the custom design and spare parts costs considered. Mr. Durel clarified that the new cranes base proposal includes cranes that are slightly larger than the existing cranes with a reach of 18 across while the optional proposal will include much bigger cranes with a reach of 23 across. Mr. Bridges noted that the vessels calling ports today are designed so you can stack many more containers on deck, adding that the majority of the cranes are not capable of working these vessels because they don't have the operating height above the deck. The cost range that the manufacturer provided for the cost difference between the base crane and larger crane is \$880,000. Staff also noted that a bidding

process is still required. Once a bid is received and accepted, it would be 24 months before delivery. Additionally, the base bid includes a training module to use and keep onsite.

14. Approval of a Contract with K.R. Allen Construction, LLC for the Velasco Terminal Berths 7 & 8 Striping 2023 project, for an amount not to exceed \$46,013.70.

Mr. Hull stated this project is for the restriping of Berth 7 and original new striping for Berth 8. Two bids were received with one bid being disqualified because they did not submit a bid bond. The second bidder was K.R. Allen Construction, who met all the requirements. Staff has reviewed the bids and recommends approval of a contract with K.R. Allen Construction, LLC for an amount not to exceed \$46,013.70. This contractor is new to the Port with all references checking out very well.

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

15. Discuss and consider amendment to Advance Funding Agreement with the State of Texas for construction of the Velasco Terminal Access Project.

Mr. Miura stated that in August 2021, Port Freeport submitted a Rider 37 Grant Application for the Velasco Terminal Access Project. On October 28, 2021, the Texas Transportation Commission awarded Port Freeport a Texas Mobility Fund Grant (Rider 37) in amount \$6,228,128.42 for the Velasco Terminal Access Project. On June 5, 2023, Port Freeport entered an Advance Funding Agreement (AFA) with the State of Texas for receipt of those funds. After further internal review, staff recommends alternate improvements to the Velasco Terminal Access Project. Staff met with TxDOT to discuss the recommended alternate improvements and TxDOT has provided their initial approval and advised an amendment to the AFA will need to be executed. Mr. Miura then shared and explained two diagrams which depict the original diagram included with Port Freeport's 2021 Rider 37 application as well as the revised diagram depicting the recommended improvements. He further stated that on June 23, 2022, the Port Commission approved a resolution authorizing and approving an Advance Funding Agreement with the State of Texas for the Rider 37 funding. The resolution authorized the CEO/Executive Director to execute all documents necessary to complete the transaction. Staff recommends the alternate improvements and requests the Port Commission's concurrence to proceed with executing the necessary amendment to the AFA. Mr. Miura stated that staff does not have an amendment to present to the Commission noting that it will primarily consist of a diagram as an exhibit adding that since Ms. Saathoff has already been given authority to execute all documents, staff wanted to seek Commission's approval to move forward with executing the amendment.

A motion was made by Commissioner Kincannon to amend the Advance Funding Agreement with TxDOT to provide re-routing from FM 1495 on 8<sup>th</sup> Street to Poplar Street and Poplar Street to 5<sup>th</sup> Street, eliminating the remaining section of 8<sup>th</sup> Street, (substitution of exhibit) and authorizing the Executive Director/CEO to execute said document. The motion was seconded by Commissioner Croft with all Commissioners present voting in favor of the motion.

16. Approval of Amendment No. 1 to the Professional Services Agreement with Freese & Nichols for the East End Rider 37 Expansion & Gate 12 project, for an amount not to exceed \$70,000.00.

Mr. Hull explained the previously approved re-routing is slightly longer and will cover more roadway by approximately 200 feet. In addition, the notice to proceed has been issued for the Gate 12 portion of the work but the notice to proceed was held for the roadway portion. This amendment covers the additional geotechnical testing, materials testing, surveying and mobilization. Staff recommends approval of Amendment #1 to the PSA for an amount not to exceed \$70,000.

A motion was made by Commissioner Giesecke to approve the amendment with Freese & Nichols for the East End Rider 37 Expansion & Gate 12 project in the amount not to exceed \$70,000. The motion was seconded by Commissioner Kincannon with all Commissioners present voting in favor of the motion.

17. Adoption of a Resolution Approving and Authorizing the Submission of a Seaport Connectivity Program Application for the Gate 4 Access Road Project.

Mr. Miura stated that June 19, 2023, staff received communication from TxDOT that HB1 successfully made it through the legislative process, was signed by the Governor June 18, and the Port Rider Program was funding \$40 million for the biennium and \$20 million each year. It is now called the 2023 Seaport Connectivity Program with applications due July 9. Mr. Miura stated there was concern from port authorities that submitting applications with the short window would not allow them time to obtain approvals from their commissions. An exception was made to the process in order to submit applications first and seek necessary approvals at the next available opportunity. The Port submitted two applications. The first was for the Gate 4 Access Road Widening project with a cost of \$1.2 million and a 75% grant request of \$900,000 and the Port's portion \$300,000. Mr. Miura showed the project on a map that was submitted with the project which would widen the access road to Gate 4 to four lanes. The second project is the East 5<sup>th</sup> Street Reconstruction project that encompasses a total reconstruction of 5th Street. The current street was not designed for commercial truck traffic and will also be the primary road to access the container terminal. The cost of the project is \$4.8 million with a 75% grant request of \$3.6 million and the Port's portion being 25% at \$1.2 million.

Mr. Miura also gave the following timeline for the applications...

July 26 - TxDOT will score and vet the applications to ensure compliance.

August 8 – TxDOT will present their scoring to the Port Authority Advisory Committee.

September 28 - TxDOT will present the Port Authority Advisory Committee's recommendation to the Texas Transportation Commission for approval.

If the Port is awarded, the next step will be for the Port Commission to approve a resolution permitting the Port to enter an Advance Funding Agreement with TxDOT and authorize the Executive Director to execute documents.

A motion was made by Commissioner Giesecke to approve and authorize the submission of a Seaport Connectivity Program Application for the Gate 4 Access Road Project. The motion was seconded by Commissioner Kincannon with all Commissioners present voting in favor of the motion.

18. Adoption of a Resolution Approving and Authorizing the Submission of a Seaport Connectivity Program Application for the East 5<sup>th</sup> Street Reconstruction Project.

This item was covered under agenda item #17.

A motion was made by Commissioner Giesecke to approve and authorize the submission of a Seaport Connectivity Program Application for the East 5<sup>th</sup> Street Reconstruction Project. The motion was seconded by Commissioner Kincannon with all Commissioners present voting in favor of the motion.

19. Approval of a purchase of a new tractor for maintenance from Wharton Tractor Company, in the amount of \$66,429.90.

Mr. Hibbetts stated that staff met with the OSS Committee to discuss the purchase of a new tractor. Two bids were received with Wharton Tractor Company submitting the lowest proposal that exceeded the Port's request. The Port will get a Workman 105 New Holland in replace of the 95 Workmaster originally requested, in the amount of \$66,429.90. The new tractor will also include cabin, air, and front-end loader. Staff and the OSS Committee recommend approval.

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

20. Adoption of a Resolution declaring items surplus and ordered sold separately for cash, after notice of sale and receipt of bids to the highest bidder, destroyed or otherwise disposed of if not bids are received; or offered as trade-in for new property of the same general type.

Mr. Hibbetts stated that both operations and security have vehicles to surplus, a 2011 Ford Expedition and a 2008 Chevy Colorado. Security recently purchased a new vehicle with another in the budget for the coming year and operations has a vehicle with crank shaft issues. With that in mind, staff requests to surplus these two vehicles and look at bids for a 2024 Hybrid Maverick. There is a short window to place an order for the vehicles. Staff will proceed to see what kind of pricing they receive. This does not obligate the port to purchase the vehicles, however if the window for ordering is missed, you have to wait another year. With regard to the longevity of the hybrids, Mr. Hogan has read that battery replacement might be an issue in 7-8 years, but on the plus side, the hybrids get 35-40/mpg. Staff and the OSS Committee recommend approval to surplus these vehicles.

A motion was made by Commissioner Giesecke to adopt a resolution declaring items surplus and ordered sold separately for cash, after notice of sale and receipt of bids to the highest bidder, destroyed or otherwise disposed of if not bids are received; or offered as trade-in for new property of the same general type resolution for the 2011 Ford Expedition and 2008 Chevy Colorado. The motion was seconded by Commissioner Fratila with all Commissioners present voting in favor of the motion.

21. Approval regarding the 2023 Port Freeport Golf Tournament budget and benefactor.

Ms. Saathoff stated that staff requests approval of the proposed budget and benefactor for the annual golf tournament hosted by Port Freeport set for October 16, 2023. Staff recommends moving forward with a single-flight tournament and has reserved The Wilderness for the location of the golf tournament. While there has been an increase in fees, food costs and promotional items, staff is requesting a total budget amount of \$20,000 with a Port Freeport contribution of \$3,000. Total revenues are budgeted in the same range as the previous year at



\$95,200 if budget is met. Current total expenses are estimated at \$17,800, which would be a net amount of \$80,400. Staff recommends these proceeds go to Texas Port Ministry to support the services they provide to seafarers and truckers that call Port Freeport and the area.

A motion was made by Commissioner Croft to approve 2023 Port Freeport Golf Tournament budget and benefactor. The motion was seconded by Commissioner Giesecke with all Commissioners present voting in favor of the motion.

22. Approval of Executive Director/CEO & Commissioners' travel for the month of October 2023.

Commissioner Singhanian stated that in addition to Ms. Saathoff attending the National Waterways Conference (NWC), Commissioner Kincannon will also attend and requested a motion to approve this item.

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

Commissioner Singhanian then covered the AAPA Annual Convention stating that a caveat with this conference is that you cannot book the hotel until you register for the event. Commissioner Singhanian noted that he, Ms. Saathoff and Commissioner Fratila have all indicated they would attend but asked staff to possibly reserve additional rooms for other attendees.

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

At this time, Commissioner Singhanian requested a 10-minute recess before moving on to the next agenda item.

23. Conduct workshop regarding Tax Rate, Tax Rate Setting Process & Cash Flow Projection.

Mr. Lowe began by sharing some slides as discussed with the finance committee stating that the port's current tax rate is \$0.035/\$100 of assessed value that is broken out into an M&O portion of \$0.018144 or \$3,515,000 and a debt service portion of \$0.016856 or \$3,266,000 which equates to total tax revenue of \$6,782,000 and what the port came into the current fiscal year with. Mr. Lowe explained that for FY24 he assumed an estimated tax roll of \$21.5 billion with the certified roll expected in the next week. With the estimated tax roll, and a FY24 debt service payment of \$4,654,105 it equates to an \$0.021647 I & S tax rate. If the total tax rate is kept at \$0.035, the shift to M&O would be \$0.013353 and bring in \$2,870,895 of M&O tax revenue. Mr. Lowe reiterated that this is not a recommendation but rather what he anticipates will naturally happen and what the tax roll will be. Commissioner Giesecke inquired about an estimation of what the No New Tax Rate would look like for the coming year. Mr. Lowe responded that it would be around \$3,515,000 with an allowance of 8% growth, adding there are little nuances of pluses and minuses depending on the tax collection rate. On the next slide, Mr. Lowe explained that the calculations started with requests from Commissioner Giesecke's request as well as subsequent conversations. He captured some of the Port's key financial metrics and projections of those key metrics as we move forward to see what is on the horizon in regard to the port's debt payment and what that means to the required payment and how it would influence the tax rate should the Commission choose to do that. Mr. Lowe noted the

revenue budget has not been finalized, so the numbers presented are projections only. For 2024, operations revenue will be in excess of \$43 million with the cash flow from that is \$13.7 million. Commissioner Giesecke noted that its titled "cash flow from ops" on the spreadsheet but is cash flow from ops netting less the debt service. Mr. Lowe identified \$29 million of capital needs and the \$4,654,000 of debt payments the port is obligated to make in 2024 and has carried out these projections through 2030. He factored in the Volkswagen contract with estimated timings in 2024, and also estimated additional customers the Port is in current commercial discussions with, with an added 2% customer growth per year. Mr. Lowe explained that if the tax roll comes in a \$21.5 billion, it will require a tax rate of \$0.02165 to just pay the debt. This does not include the M&O, just debt service. The spreadsheet shows an increase in the tax roll of \$2 billion for 2025 with the first LNG asset abatement ending and coming onto the tax roll. You see that increase each year along with the debt payment requirement increasing as well. Staff identified larger projects that are a priority over the next few years. Rider 37 Access Project, Land Acquisitions, Cathodic Protection, P14 Pump Station, Portwide Pavement Upgrades, 2 STS Gantry Cranes, DMPA1 Levee Raise are all included in FY2024 with the gantry cranes spread out over three fiscal years. With regard to the DMPA1 Levee Raise, staff explained it would be needed to dispose of material as a result of the FHCIP as well as provide placement should there be a situation where the material isn't suitable for offshore placement, we would immediately need to provide a placement for it. Currently, the port has no excess capacity available. The port was given permission to take the remaining material for the channel project offshore; however, all capacity was used in placement area 1 for the first part of the contract. Additional discussion regarding the need for additional capacity as well as whether or not bond funds could be used for dredge material placement. Staff is in contact with bond counsel to see if the funds are eligible as the bonds were very specifically written to use funds for the FHCIP. Mr. Lowe further explained that the intent of the slide was to see where the port sees revenue and cash flow going, the capital needs and the debt payment with the only fixed number being the GO payment. The final slide is the support to the cash number with Mr. Lowe taking the 2023 approved budget, making assumptions for 2024 with additional revenue from customers, assuming there would increases in fixed cost (CPI growth). He also took out the M&O portion of tax that has been discussed to present it (worst case scenario) from a cash flow perspective, assuming the M&O was gone and the additional debt payments 2024/2023 noting the slide was to show the support back to the cash flow line item on the previous slide. (debt service??)?? Mr. Lowe ended by stating that staff's intent was to zone in on the debt service tax requirement and the GO debt payment line. Commissioner Giesecke noted when looking at the out years of the GO debt payments when they reach full payment, the amount is \$7.250 million which is almost equivalent to what Volkswagen and the big new tenant will be paying in revenue when they come online. With regard to the M&O rate, Commissioner Giesecke noted that for 2024, it's still significant but will approach zero. Mr. Lowe responded stating that in 2017 the Port presented information that said we would maintain our tax rate with it being at .0401 with 3 cents going to M&O and 1 cent going to debt service with the expectation this would flip and once the port fully authorized the bonds, it would require 3 cents of debt service maintaining 1 cent of M&O. Instead, the port will not get the 3 cents for the debt service with Mr. Lowe estimating \$2.4 cent in 2025 would be the max. He further stated that the port issued debt at a lower interest rate than originally modeled and the tax roll has grown faster than anticipated, so the tax rate has already been lowered some (1/2 cent) and the M&O will continue to decrease for at least the next two years. Commissioner Giesecke commented that it's hard for him to justify collecting an M&O rate when operations more than cover that portion at the Port and wants to see going to a zero M&O now, FY2024. Commissioner Singhania commented that he would like to see the M&O go to zero and have an I&S rate the port can sustain without going up and down. Based on numbers staff is presenting, the delta would be

manageable with the money put into the channel reserve. Mr. Lowe responded that when the port gets the certified tax roll (July 25), he can provide the debt service number without consideration to voter approval or no new revenue. Commissioner Singhania asked that another meeting be scheduled for August 10 at 1:00 to further discuss after receiving the certified tax roll from the County. Commissioner Croft commented on how the 1 cent differential will affect taxpayers and what the average homeowner's small benefit would be. While Commissioner Giesecke understands Commissioner's Crofts point, the port is unique in having the revenue to replace the M&O tax and he feels like it should be done to be good stewards of the taxpayer's money. Commissioner Singhania added that it's also a question of principle rather than absolute dollars. The port is a business with a lot invested by the taxpayers over last 100 years and so we should be M&O independent.

24. Discuss and consider encumbering funds for the purpose of reducing the portion of the 2023 property tax rate used to pay debt service for General Obligation Bonds (i.e. the I&S rate).

Commissioner Giesecke stated that he wants to still go through the process of getting to a zero-tax rate total (not this year) but done in a judicious and careful manner keeping in mind the capital projects needed to perform for future business and users. He further stated that he wants to discuss having some amount encumbered this fiscal year if for no other reason than to establish a process for it. Commissioner Fratila clarified that Commissioner Giesecke wants to set aside an amount of money and incrementally each year add an additional amount. Mr. Lowe gave an overview of the process stating that every year the County sends over tax worksheets asking if there are any encumbered funds and what the debt obligation is. The County uses that information to generate the no new revenue and voter approval rates. Currently, the forms have not been completed based on the request for this agenda item. Mr. Lowe explained that the way the bonds work is the bonds were issued to the general public and investors on the basis of there's a tax to cover them. The port cannot do away with the tax. On a yearly basis, you can choose to encumber funds to pay that obligation on a year-by-year basis. The port would take whatever number the Commission chose to encumber and include it on the form. The County would subtract the number you chose to encumber from the \$4.6 million (port's debt), whatever is leftover is then divided by the tax roll and that becomes the rate. However, for the bond side of things, in order to maintain the bond covenance, it has to be done on a yearly basis. The investors invested in the port knowing they have a tax basis that can support it. If the commission is going to encumber funds, that figure needs to be sent to the County so they can do the tax calculations. This also goes into the process of staff presenting the rates to the commission, proposing a rate, publishing it in the newspaper and then voting on. Mr. Lowe added that if the port is going to encumber funds on a yearly basis, it needs to be done by late July or mid-August to give the County time to complete the worksheets so staff can present a no new revenue and voter approval rate every year.

25. 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 2<sup>nd</sup> Street; Terminal Street and East 8<sup>th</sup> 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.

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

27. Approval of a Lease Agreement between Port Freeport and Del Monte Fresh Produce N.A., Inc.

Mr. Miura stated the lease agreement contemplates the development of a refrigerated container yard in a long-term agreement of 20 years with extensions between Port Freeport and Del Monte Fresh Produce. He added that this partnership with Del Monte is going to bring significant positive economic impact to the port and surrounding community through the creation of jobs and personal wealth with today being the start of a long-term partnership. Staff recommends approval of this lease agreement with Del Monte as presented, with an effective date of July 20, 2023.

A motion was made by Commissioner Croft to approve the lease agreement between Port Freeport and Del Monte Fresh Produce N.A., Inc. The motion was seconded by Commissioner Giesecke with all Commissioners present voting in favor of the motion.

28. Adjourn.

With no further business before the Commission, the meeting adjourned at 7:13 PM.