

Minutes of Port Commission Special Meeting

November 2, 2023

In Person & Videoconference

A Special Meeting of the Port Commission of Port Freeport was held November 2, 2022, beginning at 8:36 AM 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. 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:

Mr. Grady Randle, General Counsel
Ms. Phyllis Saathoff, Executive Director/CEO
Mr. Rob Lowe, Director of Administration/CFO
Mr. Al Durel, Director of Operations
Mr. Jason Hull, Director of Engineering
Mr. Mike Wilson, Director of Economic Development
Mr. Jason Miura, Director of Business & Economic Development
Mr. Brandon Robertson, Director of Information Technology
Ms. Missy Bevers, Executive Assistant
Ms. Mary Campus, Controller

Also, present:

Mr. Chris Moore, Texas Port Ministry
Ms. Heather Cook, Randle Law Office
Mr. Matthew Thomas, Blank Rome
Capt. Matt Krohn, Brazos Pilots Association
Mr. Peter Nemeth, Crain, Caton & James

Mr. Javier Infante
The Facts Newspaper

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.

At this time, the pledge of allegiance to the U.S. Flag and Texas Flag was conducted.

3. Roll Call - Commissioner Singhanian noted that all Commissioners were present in the board room.

At this time, Commissioner Singhanian noted for the public that after the first portion of Open Session, the Port Commission would be going into Executive Session brief time and anticipated reconvening the Open Session at 1:00.

4. 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.

5. Public Comment – There were no public comments.
6. Public Testimony – There was no public testimony.
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.

Introductory Remarks

Ms. Saathoff began the workshop by thanking everyone for attending the planning exercise to review the current state of the Port and then looking forward to building consensus on priorities for short-, medium- and long-term ranges. She thanked staff for their efforts in putting the materials together to present and looks forward to engaging dialogue with the Commission as the Port moves into a very exciting time with the channel project nearing completion, having new berth and rail facilities as well as new customers coming on board.

Update on Current Business and Vessel Activity and Future Plans/New Business Strategy

Mr. Miura gave a presentation regarding current business and vessel activity as well as future plans and new business strategy. He began by giving a recap of the terminals and cargo types handled at Port Freeport. For the public facilities, the cargo types can be grouped as follows:

Containerized cargo include:

- Dry – Import and exports of cargo not requiring refrigeration. Includes craft liner, resin and household goods.

- Refrigerated – Imports of green fruits and exports of proteins to lesser degree. Includes bananas, pineapples and melons.

RORO – Roll-On/Roll-Off

- OEM – Original Equipment Manufacturer (New Finished Vehicles)
- POV – Privately Owned Vehicles (Used)
- High & Heavy Commercial Vehicles, Agricultural and Construction Equipment
- Breakbulk/Static Cargo – Crated, palletized, unitized cargo loaded to a trailer and towed onboard a vessel.

Bulk / Breakbulk / Project Cargo.

- Bulk includes anything free-flowing and does not include liquid bulk, only dry bulk. Includes rice and aggregate.
- Breakbulk is anything crated, palletized or unitized. This includes steel billets.
- Project cargo is specific to pieces for construction or industrial projects.

The public facilities are grouped together to include Velasco Container Terminal, Inner Harbor and the Parcel 14 Multimodal Site.

Velasco Container Terminal

Mr. Miura began by looking at the tenants and volumes handled at this terminal. He shared a diagram that depicts current areas under lease and the corresponding tenants. The diagram also denotes Areas 4, 5 and 6 which are flexible storage areas as well as areas that staff is focusing on to develop in the future. He noted that the areas are not leased by a single tenant but are regularly in use (sometimes full) and provides much needed flexible cargo storage space. He also showed on the diagram where the new tenant's (Del Monte) space will be on the terminal, which occupies approximately 7 acres. Mr. Miura shared two charts depicting container volumes handled at Velasco Container Terminal with the first chart showing total container units (full or loaded containers plus empty containers). He noted that while the volumes have fluctuated over the years the data shows an average 3% growth rate year over year. The second chart shows only full or loaded container units handled at Velasco Container Terminal. This chart also denotes the years in which Mediterranean Shipping Company and CMA CGM had regular services at Port Freeport. During years 2015-2017, exports exceeded imports and similarly during years 2019-2021. He explained the driver of the export growth was not driven by the carrier, but by local shippers and manufacturers having the option to export on these carriers to global destinations beyond just Central America. The greater majority of containers handled at Port Freeport were 40-foot containers and the charts depict container units. Industry standard measurement is TEU (Twenty Foot Equivalent Unit). To determine how many TEUs are handled at Port Freeport, the numbers on the chart would be multiplied by 2. Mr. Miura shared an additional chart that depicts the volume forecast of full containers for FY2021-FY2025. FY2024 and 2025 forecast years are based on budget and the business case, and also considers the addition of a new customer arriving to the Port next year.

Port Freeport Inner Harbor

Mr. Miura shared a diagram depicting the tenants located in the Inner Harbor area noting the key take away from the diagram is that this portion of the main terminal is full and an indicator that it may be time to start expanding and improving more acreage outside of the fence line. For the benefit of the new commissioners, he also showed where each berth is located. The next chart he shared shows total passenger vehicle units handled at Port Freeport. At times RORO vessels berth at Velasco Container Terminal and discharge or load vehicles, but since the majority of RORO vessels berth at the inner harbor, he's included the

smaller volumes handled at Velasco Container Terminal in the charts. The first chart indicates total passenger vehicles while the second chart is for total passenger vehicles, but also denotes the volume of new and used vehicles. In every year, the Port handled more new, OEM finished vehicles than used POVs (Privately Owned Vehicles). Port Freeport has seen an average 10% growth year over year for 2016-2023. The growth in new vehicles has an average of 5% for years 2016-2023. Data for year 2015 was not included because it was when we first started with RORO, and it was only a partial year of data. Mr. Miura noted that he was advised by a carrier that if you look at the freight paid to the carrier by the shipper on a RORO vessel (lowest to highest), the lowest paying freight is OEM (higher volume and lower freight), POVs and then High and Heavy while the best paying freight is Breakbulk and Project Cargo. The next chart shared was also for total passenger vehicle units handled but split by imports and exports for FY2015-2023. The imports and exports grew by an average of 15% (imports) and 10% (exports) year over year, respectively. He noted that with the exception of 2019, exports continue to be greater than imports. The slides also showed badges for brands currently handled at the Port Freeport with the newest being Jeep and Alfa Romeo. Mr. Miura also noted that on October 24, the United Auto Workers union struck the General Motors assembly plant in Arlington. The plant is home to the Chevy Tahoe, Chevy Suburban, GMC Yukon and Cadillac Escalade and are some of GMs most profitable products and are a primary export for Port Freeport. Additionally, on October 30th GM and the (UAW) struck a tentative deal ending the union's unprecedented six-week campaign of coordinated strikes. There is no difference between import and export revenue. The tariff provides for a wharfage unit price per passenger vehicle. Every unit is assessed per unit rate in addition to a security rate. The high and heavy cargo and breakbulk cargo that is RORO is assessed a different rate per ton as well as a security rate. Mr. Miura then showed a chart that depicts total vehicle units for FY2021-2025 with forecasts for 2024 and 2025 considering the new brands (Volkswagen, Audi, Porsche, Lamborghini, Bentley) that will arrive to Port Freeport. The key take away is that not only will Port Freeport see tremendous growth from the new brands, but imports will start to exceed exports. At this time, Mr. Miura shared a recent photo of the new facility. Target completion date is still February 1, 2024. He also noted that Port Freeport currently has 10,000 total vehicle parking spaces and this facility will add an additional 15,000 to handle new vehicles. Mr. Miura mentioned a recent press release from Glovis, a subsidiary of Hyundai and has vessels that call Port Freeport. The press release mentions Glovis' order for 10,000 CEUs (Car Equivalent Unit), PCTC (Pure Car Truck Carrier) ships. The release also mentions Eukor which is a joint venture between Wallenius Wilhelmsen (80% ownership) and Hyundai Motor Company and Kia Motors (20% ownership). Eukor has ordered 9,600 CEU vessels. The Freeport Harbor Channel Improvement project will assist Port Freeport in safely receiving these larger Neo-Panamax vessels. The press release also mentions they will be dual fuel compatible to burn new alternate fuel sources. Mr. Miura then talked about high and heavy units, and static and breakbulk cargo volumes handled on the RORO carriers. Port Freeport invoices wharfage for high and heavy, and static and breakbulk cargo on a short ton basis and not per unit like is done for vehicles. High and heavy volumes have grown to an overall average of 21% year over year while static and breakbulk cargo has grown 13%. He reminded the Commission that high and heavy is any RORO cargo that is not a passenger vehicle, including wheeled, tracked equipment, construction and agricultural equipment, commercial trucks, Humvees, tanks, etc. Static cargo or breakbulk is crated, palletized, unitized cargo loaded to a trailer. High and heavy has no contractual amounts. Wharfage generated from the import/export of high and heavy applies to a MAG. The high and heavy imports are coming in for domestic markets and since its construction and agricultural equipment, it's going to construction projects for farming. Exports are more used pieces like caterpillar equipment, but staff isn't sure of exact destinations. The Port does receive imports

from the Mediterranean and the Far East including Japan, China and Korea. Mr. Miura then shared a chart that depicts the volume of steel received in the inner harbor which is a raw material that serves as a feedstock for a world-scale steel pipe mill in adjacent Matagorda County. Port Freeport receives imported steel by ship and domestically produced steel by barge and rail. The barge shipments are coming out of Pennsylvania and Tennessee while the rail shipments come primarily from Tennessee. If the steel is produced domestically, customers prefer to receive it by barge as it gets the most fuel-efficient and gets the greater economies of scale compared to freight rail. The growth shown in the chart is pretty significant but did start off slow in 2015 and 2016. Most of the steel leaving the mill is going to Oil Field services. The steep decline in oil prices that occurred at the end of 2014 combined with the plant's start up, kept the volumes relatively low. The chart also shows the dip that that occurred during the pandemic. Staff anticipates the current volumes to remain consistent and increase barring any unforeseen circumstances. The imports of steel come from Mexico and Romania as well as some from Italy. The Port of Bay City is planning a barge facility adjacent to Matagorda harbor and all indications are there should be no impact and will continue receiving same volumes at Port Freeport utilizing the Heavy-Lift Corridor. Shipments by barge in the beginning ranged about 100,000 tons but are now about 50,000 tons/yr. due to low river levels and water flow. MAGs are included on steel with an escalator and the customer exceeds their mag significantly. Port Freeport receives a greater volume by ship and is what drives the numbers. Staff will prepare a graph comparing barge vs. ship volumes. The next chart Mr. Miura shared shows the volume of rice handled in the Inner Harbor. Port Freeport receives rice in bulk by truck from local Texas farms, rice by barge that is grown domestically, and on occasion its imported by ship from a foreign origin. Port Freeport exports rice in bulk, breakbulk and in containers. Bulk exports are loaded by pipe as a free-flowing cargo while breakbulk exports are loaded in supersacks, and containerized shipments are trucked to Port of Houston. Having additional global carriers that regularly serve Port Freeport will allow the Port's customer to compete on different trade lanes. The additional trucking cost to Houston can push the product out of the market on a cost wise basis. Staff will provide further information on containers being sent to Houston. Mr. Miura then moved into the various types of vessels calling Port Freeport. He began by sharing a chart that represents the vessel arrivals to the public berths (Velasco Container Terminal and the Inner Harbor) over fiscal years 2021-2023 and includes forecasts for 2024 and 2025. It does not include vessels calling facilities that are constructed on Port property and operated by private entities, so it does not include the LNG vessels calling Freeport LNG nor the Crude Tankers calling Enterprise Products. He further stated that while it's not an industry standard, for discussion purposes and to depict the type of vessels serving our customers, staff has grouped the vessels as follows: container ships, steel ships, dry bulk, barge, RORO, project cargo and lay berth. He explained that a lay berth is a ship that doesn't call Port Freeport for commercial cargo activity, but one that needs a dock to take fuel and/or stores or requires inspections or surveys. Based on the newly acquired business discussed earlier and the cargo that will be generated from that business, Port Freeport will see more container ships and RORO ships in the next 2 years. With regard to railcar arrivals, Mr. Muira stated that given the investment in rail infrastructure the Port has made from 2017 to 2023, staff felt it pertinent to depict the growth in railcar arrivals in a similar fashion and shared a chart that showed total railcar arrivals from FY2020 to FY2023 with a forecast for FY2024. For everyone's benefit, he briefly went over the categories of railcars:

- Boxcars are used for loads needing protection from the weather like Kraft Liner Board.
- Automotive Racks are designed to ship automobiles, trucks, SUVs and mini vans.
- Gondolas are designed to ship heavy bulk commodities that like steel billets.
- Tank Cars are used to ship compressed or liquid commodities like liquified CO2.

- AGons – stand for Aggregate Gondolas and are used to carry bulk aggregate.

A fun fact is that one train can carry the freight of hundreds of trucks. Moving freight by rail instead of truck reduces greenhouse gas emissions by up to 75%. Freight railroads are 3-4 times more efficient than trucks. If railroads did not move freight in the U.S., it would take over 83 million additional trucks and 4 times more fuel to move freight that Americans rely on every day.

Business Strategy - Containers

Mr. Miura then moved on to the Port's business strategy and explained how staff will continue to drive container growth at the Port given the investments at Velasco Container Terminal. The shipper drives growth, they determine where they want their cargo to be imported or exported, depending on where they're distributing from. With that in mind, it's critically that staff continue to meet with shippers to understand and determine their interest in using Port Freeport as a port of import or export. Additionally, staff will need to meet with global carriers, both domestically and globally. At one time, the Port collaborated with the carriers to help drive the shippers to Port Freeport and it could happen again however, the shipper ultimately will determine where they want to go. To expand further, shippers like Shintech who takes a very active role in booking their freight and will book it based on where their customer is located. He further explained that if the customer is in Central America, Port Freeport is the most competitive option because of our multiple direct services to Central America. However, if their customer is in Europe or the Far East, they're going to look at the cheapest way to get it to that destination and they are going to make the carriers compete against each other which is happening right now because competition is fierce. He noted a more in-depth discussion on specific business opportunities will take place later in the workshop. Continuing on with business strategies, staff will also meet with regional carriers in both their domestic and global headquarters noting it's important to have global direct connections from Port Freeport but it's important to have regional carriers as well for those working in the Caribbean that would complement what the Port is trying to do in terms of growth. Staff will meet with site selectors as they have in roads with manufacturers and big shippers and staff needs to make sure they are aware of Port Freeport's land holdings and the ability to develop warehousing, distribution and other manufacturing opportunities. Staff will also continue to attend industry events and conference that focus on containerized cargo and include the Transpacific Maritime Conference, Retail Industry Leaders Association and International Fresh Produce Association. Staff will also continue to utilize IHS Markit "PIERS" data for targeting accounts and finally, engage a consultant to perform a market study.

Market Study

Mr. Miura stated that 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 the following:

- A rapidly growing Texas market
- Market competition
- Evolving e-commerce and changes in consumer purchasing preferences
- Federal regulations on various modes of 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

To complement the ongoing port planning and resulting infrastructure development, staff suggests commissioning a market study to do the following:

- Identify specific targets/accounts, commodity/cargo segments and develop a market capture strategy.
- Identify the potential cargo activities that could occur at Port Freeport.
- Hone the focus of the business development and sales and marketing plans.

With this in mind, staff has prepared a framework and is ready to discuss with the appropriate committee when it's time. Mr. Miura stated there are a number of firms that could perform the study, but staff wants to first review the framework prepared to ensure they align with the Commission on what the desired outcome should be and what is trying to be achieved. The Commission supports staff taking this next step as it's the right time with the investment made in the channel. Staff will present the framework to the full Commission.

Business Strategy - RORO

Mr. Miura stated that while containers are the primary focus, RORO is very important and continues to grow significantly. Staff will do the following:

- Meet with OEMs domestically and internationally.
 - Auto manufacturers and high and heavy manufacturers.
- Meet with freight forwarders.
- Meet with global carriers at their domestic and global headquarters.
- Collaborate with existing tenants to attract additional OEMs.
- Continue attending Industry Events and Conferences focused on OEM cargo.
 - Finished Vehicle Logistics
 - Automotive Logistics Supply Chain Global

Mr. Miura added that another key reason to not neglect this is the OEMs may have additional manufacturing in their sights and they have suppliers that may be able to use Port Freeport's container terminal and drive container traffic.

Capital Plan Update

Mr. Hull began his presentation reviewing the approved budget for the Port Capital Expansion Plan for FY2024 noting that \$950,000 is dedicated to the Freeport Harbor Channel, \$37 million for buildout of the Port's Container Handling Facilities, \$1.4 million for development of warehousing and OEM distribution and \$13 million for Port infrastructure support for a total capital budget just over \$52 million. He shared a slide of the Freeport Harbor Channel Improvement Project showing the various Reaches and their completion and anticipated completion dates noting that Reach 4 has recently been completed and Reach 3 was completed in 2021. Reach 2 widening and bend easing is complete while the turning basin of Reach 2 is currently being deepened and expanded. Reach 1 deepening is under construction now, using a hopper dredge which is more conducive to working in wave action offshore. He explained that the plan is for dredging equipment to come in and go out as it is available, and if the equipment needs to be moved to other projects, they'll have that ability. The next dredge expected in the Freeport Channel will be the Galveston Island and will help support the offshore dredging. The dredge will be 37,000 feet from the end of the Jetty. The Corps will continue to maintain the depth. They will dredge deeper than 56 feet and as it shoals in, they will strive to dredge before it gets to 56. Storms can dictate timing, but maintenance is expected to be annually. Mr. Hull explained how the depth of the water changes with a Mean Lower Low Water (MLLW) event which means the average of the lower low water. He further explained that on any day, there are two low water events in a 24-hour period with the average of the lowest of the two taken to get the MLLW. In case of an event (storm flooding/hurricane), the Corps surveys

the channel within a day or two after an event, sometimes longer if it's a bigger event and multiple ports are involved. The Port and the Pilots have equipment that can give a rough estimate of how much shoaling has occurred. Ms. Saathoff explained it is a coordinated cooperative effort to reopen the channel after an event. The Pilots will go out along with the Port's equipment to make sure there are no large obstructions. The shallow draft vessels will then be released to come into the harbor, and they will also use their onboard equipment to detect any major shoaling or debris. Generally, it takes the Corps approximately 36-48 hours to have their surveyors on site and get the Port back in full operation, unless they were to find an obstruction. With regard to the annual maintenance dredging, the Corps is 100% responsible, per WRDA14, for any ship channel less than 50 feet of water. Ms. Saathoff explained that a math equation will be done the first time after the channel is at its 56-foot depth to determine if there was additional sedimentation as a result of going deeper. Staff does not anticipate it being substantially different, but analysis will be done to see how much the Port's portion is of the 50% over 50 feet. Next, Mr. Hull shared a map of Parcels 13 and 14, noting that 13 is a dredge material placement area and highlighting the drainage ditch that runs between the parcels and empties into the river. He also noted where a pump station will be installed in December that will evacuate the remaining water in the ditch. A check valve will allow water to gravity out but not come back in. The pump station will maintain the ditch in a dry condition. Parcel 13 is an active dredge material placement area with an easement given to the Corps which is required as part of the Project Partnership Agreement. He noted the parcel of land is part of both the 45-Foot Project and current Channel Project. Mr. Hull explained the process for using the dredge material stating the Port has to get a license from the Corps to use the material from out of the sediment which can take over a year to get. The license is good for a term (TBD), and you must specify a quantity and the area within the placement area that the material will be taken. The area must be surveyed prior to use as well as after. The material was tested prior to being dredged. Cores are taken throughout the dredged area, tested and once determined to be clean, they are then allowed to be placed in the area. Mr. Hull noted the material was most recently used for fill material on the Parcel 14 site development. Material from Reach 1 will be taken offshore to an EPA approved site which is determined by specific coordinates with a maximum elevation.

Mr. Hull then discussed TxDOT funding of new projects in 2024/2025 which include the following:

Rider 37

\$6.2 M - 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 M – Velasco Terminal Area 5

Concrete Pave 15 acres on Velasco Container Terminal.

Mr. Hull also shared two maps that depict where each of the above-named projects are located in the Expansion Area as well as within the Port. Mr. Hull pointed out that if Berth 6 were to be developed, a series of permits would be required due to a federal levy that runs along the area. If it were built as a container berth, the existing cranes will not be able to make the turn from Berth 7 to Berth 6. Special ordered cranes with articulated trucks would be needed. A future discussion topic was suggested to possibly use Berth 6 as a RORO berth.

Lastly, Mr. Hull shared a map that depicts existing water and sewer connections in the Expansion Area and where meters will be shut off and relocated to be under the Port's meter. He also showed where the current lift station is located and where it will be relocated.

At this time, Commissioner Singhania recessed the Open Session at 10:55 a.m. to go into Executive Session to discuss certain items.

The Open Session reconvened at 1:30 p.m. Commissioner Singhania noted that items 7D and 7E were not completed in the earlier session and will be deferred to the November 16th meeting. He also noted that items 10B and 10E will also be deferred.

Review Port-Owned Parcels Use, Remediation/Valuation

This item was deferred to the November 16, 2023 Port Commission Meeting.

Financial Update

This item was deferred to the November 16, 2023 Port Commission Meeting.

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) 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. Discussion regarding 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, 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 and Sustainability.
- E. Review of Travel Policy & Expenses Allowed.

Review of Port Charter and Mission Including Responsibility for Waterways

Mr. Randle stated the Commission requested he ascertain what the extent of the mission of Port Freeport is. He stated that Port Freeport is a district created under Article 16, Section 59 of the Texas Constitution and lays out the basis for special districts to be created, not just ports but for parks and recreational facilities, forest, production of electricity, etc. From that foundation the legislature created the port, and those laws are now found in Chapter 5002 of the special district code and sets out the nature and purpose of the district which is following:

“The nature and purpose of the District is to make improvements for the navigation of inland and coastal waters and for the preservation and conservation of inland and coastal waters for navigation and for the control of distribution of storm and flood waters of rivers and streams in aid of navigation.”

He noted the theme throughout the section in creating the Port is navigation adding that the legislature is very specific in creating the Port and gave its purpose for the improvement or in aid of navigation. From that statutory beginning of the Port, they have further passed water code provisions and also amended in June 2023 under Section 5002.152. Powers Regarding Ports and Facilities which basically states the Port can acquire by gift, purchase, or eminent domain and own land adjacent or accessible by road, rail, or water for the development and operation of the navigable water or ports within the district or necessary in the aid of the development of industries and businesses on that land; and improve, maintain and reconstruct, rent or own facility of any kind to the exercise of the powers, privileges and functions of this chapter. Under Chapter 60 of the Water Code, Powers of District for Improvement of Port Facilities states you can build wharves docks, warehouses, floating plants and facilities, railroads, bridges, everything appurtenant to these facilities; all other facilities or aids incidental to or useful for the operation or development of the district's ports and waterways or in aid of navigation and navigation-related commerce in the ports and waterways. Additionally, in Section 60.104. Power to Borrow Money also mentions “in the aid of navigation and commerce in the ports and waterways.” Mr. Randle stated that it all boils down to is the port has authority for the waterways, that’s undisputed, and powers to build the wharves and the mission is to build the harbor, the port in aid of navigation for the commerce. The commerce portion is for the commercial activity the port has. What is not used in any of the law language, is the word “recreation.” There are various cases that help interpret when County Commissioners have asked ‘can we do this’ or get sued because they have exceeded their authority. As long as you can tie it to the navigation of waterways or a commercial or commerce aspect of it, you are safe within your Commission parameters. You have authority for it, it’s your decision whether its economical feasible with federal regulations and cost of permits because you have to answer to the district. He further stated that the Port’s mission statement is for the inland and coastal waters and improving the navigation thereof and the furtherance of commerce.

Website Update

This item was deferred to the November 16, 2023 Port Commission Meeting.

Process for Handling and Monitoring Requests under Public Information Act

Mr. Lowe explained the current process for how staff handles public information requests.

Requests typically are received in one of the following ways:

- In person written requests
- Email request to Port staff
- Submission through Port website

Staff then circulates the request to the appropriate staff member responsible for the area of request which is most commonly Mr. Lowe or Ms. Saathoff. Staff responds directly on general request such as employee rosters, bid awards and information already published on the website. Legal counsel is contacted for guidance on all other matters related to customers or may require an opinion from the Attorney General. Staff does not have a formal log to track requests but would be easy to recreate since there are not that many requests. The Port has 10 business days to respond to requests but most times the turnaround is quick unless it requires legal review or if additional information is needed regarding request. Staff has discussed with legal counsel designating a person as the Public Information Officer. Legal advised that if a person is designated as the PIO and until that person receives the request, the clock does not start. Mr. Randle commented that a system could be set up and put into place, but the Port receives so few, it's not worth the time. What staff currently has in place is working. Mr. Lowe reiterated that staff is very responsive to the requests. If the Commission wants to formalize a process, designate a person and create a log, staff is willing to do so. Commissioner Giesecke stated that he would like to see staff get ahead of things, get a formal process in place, have a designated person and make it known to the public and noted on the website. Commissioner Fratila commented that although it's not required, it would be good to have a specific form as well as a specific person designated. The easier it is for someone looking at the website to see who they will be hearing from and have a form available, the better it will be for the public and easier for staff to track. Staff has discussed incorporating a form into the redesign of the website but can work on adding it sooner. The current contact form on the website is currently monitored by business development. Any requests that come in through there are sent directly to Mr. Lowe for further handling. The contact form is generally set up for business development purposes however it is not specified, and information requests do come in. Commissioners reiterated they would like to see a specific place on the website for public information requests with a form and a designated person. Ms. Saathoff also noted that requests have come in through ceo@portfreeport.com as well which is monitored by Ms. Saathoff and Ms. Bevers. Staff has direction and will work on implementing the suggestions.

Environmental, Social, Governance and Sustainability

Ms. Saathoff stated that the first initial meeting of the Environmental, Social, Governance and Sustainability Committee was held October 12, 2023. The meeting was designed to be a very open discussion about Port Freeport's current practices and procedures with regard to ESG & Sustainability in the areas of operations, engineering, design and construction, procurement and every aspect of the Port. Ms. Saathoff then talked about the three factors of what ESG refers to including:

- Exposure to climate risk and other **Environmental** factors ("E");
- Long-term **Social** factors ("S"); and **Governance** ("G").
- ESG factors represent areas affecting the long-term **Sustainability** of an entity.

ESG is a framework designed to be embedded into an organization's strategy that considers the needs and ways in which to generate value for all organizational stakeholders (such as employees, customers, taxpayers, and bondholders). ESG is a subset of non-financial performance indicators for sustainable and ethical governance and management of operations. It establishes a framework of accountability and transparency on how the Port is performing overall. She added that when S&P give ratings, they are already looking at ESG and noted the following from the last S&P report in January 2023....

“We analyzed the port's environmental, social, and governance risks relative to its market position, management and governance, and financial performance. In our view, Port Freeport is exposed to heightened environmental risks related to flooding, hurricanes, and sea-level rise given its location on the Gulf of Mexico. Management reports it works to continuously enhance the port's resiliency to weather-related risks through its capital plan, and the port has a hurricane plan in place that its senior management team reviews at least annually. Management indicates the port has not had any significant negative financial or operational impacts due to weather-related events in recent years, even though the region has suffered multiple weather-related disasters events. The port actively manages cyber risks, and we consider social and governance risks credit neutral in our rating analysis.”

Ms. Saathoff added that the Port is already being evaluated and reported and should get to the point where it develops the report and tells the story. The Port will need to look at where it has risk exposures when it comes to environmental, social and governance and what it's doing and what it has in place to address those risks and be a good governmental organization.

E-environmental factors will vary depending on the geographical location and an entity's operations. Environmental factors can include the following:

- Acts of nature – hurricanes, inland flooding, tornadoes, drought, and other extreme weather events
- Climate change affecting, infrastructure, major industries and tax base
- Sea level rise in coastal communities
- Greenhouse gas emissions
- Pollution mitigation
- Stormwater management
- Diversity of power generation sources and transition plans by providers

S-social aspects affecting long-term sustainability can include:

- Employee safety and health
- Workforce
- Training
- Equal opportunity
- Security
- Emergency management
- Community engagement

Broader demographic trends may be included in rating agency considerations and offering documents used in the municipal market including changes in population, personal income, employment/unemployment, or other demographic trends for the region.

G - governance includes:

- Governance framework
- Governmental decision-making
- Policies

- Legal requirements
- Transparency (open meetings and public information)
- Organizational structure
- Cybersecurity
- Financial and budget management practices

None of these factors are new and are generally already embedded in established rating agency criteria used in their credit analysis and included in offering documents.

The content of ESG disclosure will vary depending on the geographic location and unique demographics of each entity.

After the initial workshop, staff brainstormed the different areas to build a spreadsheet that captures the things we are already doing, what area it is related to and how long we have been doing them. She gave a few examples that include recycling, change in engines for operations equipment and LED lighting. The Port also has a Hurricane Plan and Emergency Action Plan that identifies what happens if the Port has a bomb threat, fire, suspicious package, civil disorder, acts of nature, etc. and the Port trains employees on the processes and procedures in place. The Port has a Stormwater Management Program in place with no citations and is always in compliance. The current electricity contract has a component for a renewable energy source. LEDs are lead certified in the Admin and EOC buildings. With regard to the social aspects, the Port has a safety program and currently has over 1700 days without lost time injury to a direct Port Freeport employee. ILA training that includes the RO/RO Rodeo and various certifications to help minimize injuries. The Port's Facilities Security Plan was recently renewed and approved. The Port engages regularly with federal agencies and provides training opportunities for local government agencies. Other items include security boat patrols, K-9 Detection, drone detection as well as internal training with fire protection, rescue container, active shooter, website development, TACFT, golf tournament, easements and more. Ms. Saathoff asked Commissioners to look at the spreadsheet as we build on what is already being done. She noted that the next steps include developing an ESG&S Plan, opportunities for grant fund availability and how the Port supports tenants and stakeholders ESG goals. Commissioner Fratila commended Ms. Saathoff for putting together the spreadsheet to see where the Port is now. Translating to what is on the list to the outside world is important to show the Port has been doing so many things for a long time. Commissioner Giesecke inquired about other agencies that give ESG ratings. Fitch and Moody's are others that factor it in to the overall bond rating, not a separate score for ESG rating. Ms. Saathoff added that they take it into consideration because if we were located on the Coast with close proximity to the Gulf of Mexico with no hurricane plan, no storm protection levee, no procedures for tying down equipment that make us very vulnerable to having a major disruption and not being resilient in the operations, the Port would be high risk and it would factor that into the rating. But the Port has the right things in place to be in position to repay debt. Commissioner Giesecke commented there is a general conception that some give scores or access the ESG with a particular political persuasion and score it based on what another group may say is right thing rather than actually doing the right thing. Ms. Saathoff was speaking from the rating agencies noting that ESG was initially developed as agencies looked at risk exposure in the financial markets. She also looked at not only the corporate world but how the agencies look at it from a municipal sector. Commissioner Fratila added there are other groups and entities that aren't politically motivated that can be used to present and evaluate what the Port does.

Review of Travel Policy & Expenses Allowed

This item was deferred to the November 16, 2023 Port Commission Meeting.

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.

With no further business before the Commission, the meeting adjourned at 5:06 PM.