

Minutes of Port Commission Special Meeting  
September 14, 2023  
In Person & Videoconference

A Special Meeting of the Port Commission of Port Freeport was held September 14, 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. Rudy Santos, Commissioner  
Mr. Dan Croft, Commissioner

Staff Members Present:

Mr. Grady Randle, Randle Law Office  
Ms. Phyllis Saathoff, Executive Director/CEO  
Mr. Rob Lowe, Director of Administration/CFO  
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. Mike Wilson, Director of Economic Development & Freight Mobility  
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  
Mr. Jim Perouty, Safety Technician  
Ms. Bailee Pavlovsky, Accounting Clerk

Also, present:

Mr. Terry Cummins, Vulcan Construction Materials

Ms. Emily Hanson, The Facts  
Mr. Sammy Chambless  
Mr. George Matamoros, Freeport City Council

1. CONVENE OPEN SESSION in accordance with Texas Government Code Section 551.001, et. seq., to review and consider the following:
2. Roll Call – Commissioner Singhania noted that all Commissioners were present in the board room.
3. 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.

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

At this time, Commissioner Singhania asked Mr. Jim Perouty, Safety Technician to give a safety briefing. Mr. Perouty noted that on September 12, 2023, Port Freeport extended its number of days without a lost time accident to 1711 which equates to 245 weeks and 57 months. He also touched items around your home to service with the changing of seasons.

6. Approval of minutes from meetings held August 24, 2023 and August 30, 2023.

Commissioner Giesecke noted that in the August 24 minutes, item 17, the 2022 tax rate should read \$0.035000, not \$0.35.

A motion was made by Commissioner Santos to approve the minutes with correction to the August 24 minutes. The motion was seconded by Commissioner Croft with all Commissioners present voting in favor of the motion.

7. Conduct workshop regarding Fiscal Year 2023/2024 Budget for Port Freeport.

Mr. Lowe first noted staff previously met August 3 with the Finance Committee to discuss revenues, August 15 with the Capital Planning Committee to review the capital plan, August 16 with the Personnel Committee to review personnel and a full board workshop was held August 30. Staff will present the budget again today with anticipation of budget approval. Mr. Lowe noted the board made several recommendations regarding minor changes to details of the worksheets but did not affect the bottom line. The graphs on the first slide shows the budget summary broken down into source of funds and use of funds with the latter anticipating \$86.2 million of funding with port capital the largest category at \$52.6 million, operating expenses at \$16 million, GO debt serve at \$4.6 million and revenue debt service at \$12.9 million. Source of funds equals \$86.192 million with operating revenues of \$45.7 million, investment revenue of \$3.8 million, ad valorem taxes of \$3.5 million, grant revenue of \$19.1 million and finally cash from reserves which is the Port's existing cash balance as opposed to a designated reserve account, is \$13.9 million. For the year, operating revenues are planned at \$45.7 million with operating expenses at \$28.2 million which produces an operating profit of \$17.5 million with an operating margin of 38%. An increase in net assets of \$31.9 million is

anticipated. Planned capital expenditures amount to \$51.6 million plus \$950 thousand contributed to others for a total of \$52.6 million. The interest on the debt service amounts to \$11.1 million. The revenues pie chart mirrors what Mr. Lowe covered in the previous slide with the exception of the piece that represents reserves which is from the current cash flow but are in line with what has been covered. The \$45.7 million operating revenue that's based on tonnage of 18.8 million tons and 495 ship calls. Volumes are up 58% over 2023 forecast primarily due to Freeport LNG resuming full operations. Mr. Lowe noted the Port came into the year budgeting 14.7 million tons and 483 ship calls. Lease revenues are nearly flat year over year with a 1% increase. For the ad valorem taxes, the Commission has proposed a tax rate with a zero M&O rate and debt service rate of \$0.016007 which would generate \$3,637,373. Minus administrative fees, the net to the budget is \$3,566,500. As previously discussed, the Commission will have an annual decision whether its wants to designate any funds to encumber toward that specific year's debt service burden. The tax levy projection slide does not include that, rather it shows the rate it would take to pay for the full debt service burden through 2030. Operating expenses total \$28.2 million with depreciation, personnel and business insurance categories making up 75% of the plan. If you add in security services which is part of the professional services, it moves it to approximately 82% of the plan. Mr. Lowe noted that each one of the above items (depreciation, personnel and business insurance) are brought to the Commission annually and as noted previously, anything over \$25,000 must come to the board for approval. Port salaries, wages and benefits budget includes a 5% increase that would be administered through a hybrid model of a uniform adjustment across all personnel and an additional amount from the same 5% to be allocated based on individual performance and merit. Additionally, the budget includes the filling of three approved positions that are vacant and \$40,000 in available market adjustments. There is a 10% increase forecasted in group health insurance premiums and 6% in vision and dental. Professional Services is budgeted at \$3.1 million with security service fees taking up two-thirds of the category, is a decrease over the 2023 forecast of 3% or \$87 thousand. This category also includes surveying, environmental consulting, federal and state level government liaisons, port planning services, grant related assistance, building code review services and records management permanent archives. Training, Travel, and Promotional is budgeted at \$844,500 which is an increase of \$325 thousand over 2023 forecasted. Mr. Lowe noted the largest item in this category is website redevelopment which is carried over from FY23. Commercial events participation included to continue to promote the Port's multi-modal facilities for containerized cargo, Roll On/Roll Off cargo, and breakbulk cargo. Also included is advertising in targeted publications, sales travel, government relations travel, community events that include four CAP meetings and training that focuses on professional development. Utilities is budgeted at \$964 thousand which is an increase of \$158 thousand or 20% over the 2023 forecast. This includes an increase in the City of Freeport water and sewer rates by 12%. In addition, the current electricity contract will expire 12/31/23 and an increase of 25% is anticipated. Business insurance has a budget of \$2.6 million which is an increase of \$685 thousand or 35% over the current forecast. Other services and charges is budgeted at \$555 thousand and is an increase of 13% over the current forecast. This category includes IT contracted services, AAPA dues, port-a-cans and hand wash stations as well as property lease expense (railroad). Mr. Lowe noted that this category also includes the maintenance for the NOAA Ports System that was previously funded by Freeport LNG for the last two years. Maintenance and repair budget is \$1,437,200 which is an increase of \$39 thousand or 3% over 2023 forecasted. Special projects include a carryover from FY 2022 for Administration building major maintenance (\$300,000), terminal operations maintenance (\$464,000) which is primarily driven by the cranes. Depreciation expenses is the result of the capital plan that is already approved and executed with Berth 8 and the Ro/Ro ramp coming online, staff estimates a \$12.2 million budget which is an increase of \$3.3 million or 37% over 2023.

Regarding debt interest and fees, the slide shows the General Obligation Bonds issued in 2019, 2021 and 2023 as well as the call dates for each followed by the Senior Lien Refunding Bonds 2013A and then revenue bonds series through 2021 for a total principal and interest for GO and revenue bonds of \$17.5 million. The Port's Capital Expansion Plan totals \$52.6 million which is broken into four strategic initiatives with the largest share being the continued buildout of the port's container handling facilities and general port infrastructure. Crane expenses of \$4.8 million are included in this category. Mr. Lowe also shared a look at the projects by funding in a pie chart. Commissioner Singhania noted the 1% capital improvement reserve is the \$18.1 million M&O equivalent money the Commission previously approved to be put into the reserve. Finally, the capital by funding slide has been slightly altered to show what portion is grant funded and the match of the Port which equals about 60% of the total capital funding for FY 2024. Cash flow or general reserve funded of 30% or \$15.7 million, \$4.8 million or 9% of payment number one for new cranes (if approved) and finally \$750 thousand from the capital reserve fund for any dredge related work.

Commissioner Giesecke thanked staff for including the dollar figures on the pie charts as it's very helpful to the Commission in understanding the budget. Commissioner Singhania agreed.

Commissioner Santos also thanked the staff for preparation of the budget and hard copy.

Ms. Campus thanked staff for all their help stating it's an accumulation of all departments submitting numbers and reviewing the entire budget adding it's a good solid budget that promotes the Port's growth and infrastructure as well as supporting maintenance and upkeep of facilities.

Mr. Lowe thanked Ms. Campus and staff for all their efforts in preparing the budget as well as the board's feedback to continue to improve the presentation.

Likewise, Commissioner Singhania complimented Mr. Lowe, Ms. Campus and the accounting staff for a job well done as well as the other departments for getting the budget completed.

#### 8. Adoption of the FY 2023/2024 Budget for Port Freeport.

Mr. Lowe recommended approval of the budget presented.

A motion was made by Commissioner Giesecke to adopt the budget as presented. The motion was seconded by Commissioner Kincannon with all Commissioners present voting in favor of the motion.

#### 9. Adoption of a Resolution setting the 2023 Tax Rate for Port Freeport.

Mr. Lowe stated the Port Commission made a tax rate proposal of zero M&O rate and a tax rate of \$0.016007 on each \$100 valuation for debt service which was posted publicly. Staff recommends the Commission move forward with a motion to adopt the budget previously proposed at the rates stated, for a total combined rate of \$0.016007.

A motion was made by Commissioner Giesecke to adopt the proposed rate of zero for maintenance and operations, \$0.016007 per \$100 for payment of principal and interest on debts of the Port, for a total tax rate \$0.16007 per \$100 valuation. Commissioner Singhania corrected Commissioner Giesecke to state a total tax rate \$0.016007. The motion was seconded by Commissioner Kincannon. Commissioner Giesecke then noted this will be the

largest tax cut in Port Freeport history, both in terms of the percentage of the rate to the total dollars collected and the percentage change in dollars collected. The following votes were taken...

*Commissioner Santos – No*

*Commissioner Fratila – Aye*

*Commissioner Giesecke – Aye*

*Commissioner Kincannon – Aye*

*Commissioner Croft – Aye*

*Commissioner Singhanian - Aye*

The motion passed 5-1. Commissioner Singhanian commented that this is really a historic moment for Port Freeport. It reflects all the hard work that present and past employees, present and past commissioners have done now for 98 years to bring this, maybe to the point that it can self-support from the revenue generated by Port tenants and their operations. It took a lot of work and I believe the taxpayers will also understand what their money has done for this area, it was not just wasted away. What we see today is because of what the taxpayers, the legislator trusted in creating this body and supporting this over the last 98 years. Now we have come to this stage where we can not only support our day-to-day operations, but do more things, ready to do that thing and we'll be doing it. We will be long gone; new commissioners will be here, and new staff will be here. More wonderful things will come because when you talk about percentage increase when your base changes. That's the beauty of all this. I'm very proud that we are here in person to be part of this moment. He thanked everyone for a job well done and what has been accomplished together.

Commissioner Giesecke echoed Commissioner Singhanian thanking staff for bringing in the revenue and keeping the lid on expenses so this could be done.

10. Approval of a Foreign-Trade Zone Operator Agreement between Port Freeport and Volkswagen Group of America, Inc.

Ms. Campus stated that Port Freeport is a sponsor of Foreign-Trade Zone #149 which encompasses both Brazoria and Fort Bend Counties. She explained that the purpose of the foreign-trade zone is to provide a duty equalization benefit to companies that will delay, defer or reduce the duties of the goods they are bringing into the United States adding that it's a very useful tool for manufacturing. She gave an example of tv components which are subject to duties to the U.S. government but once it's all assembled as a tv, it can be subject to a different lower duty so there are savings or sometimes total elimination of the duties if managed through a foreign-trade zone. Volkswagen has requested to become an operator for their foreign-trade zone under the Port's magnet site (base site). They want to designate their entire site at Parcel 14 as a foreign-trade zone. As they bring cars in, they want to manipulate them, and it will defer the payment of duties until the car is leaves the zone and entered into the U.S. She further explained that they might bring in cargo that is never entered into the U.S. as the Port may just be a stop off point, and they wouldn't have to pay duties. The term of the agreement is for five years and is dated July 1, 2023; however, it will not be activated until they move cargo which is anticipated to be February 2024. After five years, the agreement will go month-to-month. A 90-day cancellation provision is included in the agreement for the first year but after that, they cannot cancel. The Port can cancel the agreement if they breach the contract. Ms. Campus stated this is a good benefit to Volkswagen and will streamline their processes and relationship with Customs & Border Protection in bringing in automobiles and paying the duties.

Commissioner Kincannon confirmed the agreement will not be activated until February or until Volkswagen actually has cargo.

Commissioner Giesecke then confirmed that Volkswagen won't actually be paying less duties than if they were bringing in the completed vehicles. Ms. Campus stated that she understands they are not manufacturing the vehicle, they are just going to add a radio or the proper language of the owner's manual, etc. It will put them on a level playing field with all the other companies allowing them to be able to bring in automobiles with the Port as a stopping point where they would not have to pay duties on the cars that are ultimately going somewhere else. This will affect their inventory tax since Texas has an inventory tax that is assessed in January every year. Depending on the inventory any company has (not just Volkswagen), it could exempt them from inventory tax. Ms. Saathoff clarified the Port has been using the program since the late 80s and whatever has been entered into and admitted into the FTZ would be exempt from tax on January 1. They could have other inventory that is not admitted into the zone, and it would still be subject to normal ad valorem taxation. If it's admitted into the zone, it's considered outside the territory of the United States therefore it's not eligible to be taxed in the U.S. because it hasn't technically been entered. Commissioner Santos added that it's an interesting process for how they deliver the vehicles as it basically comes in a shell, and they add different options/components stating that he and Commissioner Singhanian had the opportunity to visit the plant in Baltimore to experience the process.

A motion was made by Commissioner Santos to approve the agreement as presented in order to help Volkswagen out. The motion was seconded by Commissioner Croft with all Commissioners present voting in favor of the motion.

11. Discuss and consider a Third Amendment to the Second Lease Agreement between Port Freeport and Vulcan Construction Materials, LLC.

Mr. Miura stated that Terry Cummins, Vice President of Gulf Coast Operations for Vulcan Construction Materials is in the audience. Mr. Miura then read from the memo submitted for the record. Staff presented the enclosed memo and letter from Vulcan Construction Materials to the Finance Advisory Committee on July 11, 2023. The direction from the Finance Advisory Committee was for Vulcan to meet with the City of Freeport about their request to ensure the city was comfortable with the request to obtain a standard permit for the portable HMA batch plant on Parcel 14. Vulcan attended a City Council meeting met with members of the City Council. Vulcan invited the members of City Council to view the batching operation. Mr. Miura then shared the memo submitted to the Finance Advisory Committee as well as the letter received from Vulcan on May 17, 2023, requesting permission to seek a TCEQ standard asphalt permit. Staff seeks the Port Commission's confirmation to begin working on an amendment to the Lease Agreement between Port Freeport and Vulcan Construction Materials that permits Vulcan to obtain a standard permit for the portable HMA batch plant on Parcel 14. Commissioner Singhanian inquired about the response Vulcan received from their visit with City Council. Mr. Cummins explained that Vulcan had reached out to the mayor and city manager multiple times in an effort to get them to visit the site but weren't able to do so. Vulcan met with them at a city council meeting with Mayor Bass and explained they were wanting to obtain a standard permit (submit through the Port) that would allow multiple jobs to be done through the plant other than what the current permit allows which is one single project at a time. Mayor Bass indicated to them that he didn't have a problem moving forward with it but would reach out with Mr. Caskey to discuss as well. They also met with George Matamoros (Freeport Councilman over the area of the plant) to tour the plant and surrounding

areas with Vulcan and received positive feedback. Mr. Matamoros indicated that he had as much a personal curiosity in the plant and its affects as he did for his constituents as he has a daughter who goes to the elementary school across the street from the plant. After touring the plant and surrounding area, he stated that he would support Vulcan's effort and would not vote against it. Commissioner Giesecke stated that he's had pretty extensive conversations with 3 of the 4 city council members as well as Mayor Bass stating that there are still some concerns on their part because it's new and they're operating on a temporary permit so the runs are fairly limited versus what they would be doing running full-time operations and selling to multiple customers under the standard permit. He went to say that the Port wants to be a good neighbor to the City, but they also don't want to inhibit Vulcan understanding that it must be frustrating seeing 100+ acres of asphalt being laid down across the fence and not being able to bid on it. Commissioner Giesecke told the council members that he would propose an amendment to the lease so that the standard permit HMA has a permitted use for a period of one year and then look at extending it, just to go slow, address their concerns and move forward in getting Vulcan up and running with the standard permit as quickly as Vulcan can move while telling the city it will still be monitored to ensure everything is okay under the standard permit. Mr. Cummins stated that Vulcan would be amenable to that but indicated there's still a lot more capital investment that has to be done to have a longer-term footprint to be able to sustain multiple projects which means a lot more capital investment for Vulcan. Commissioner Giesecke also inquired about a berm previously discussed along the west and northern side of the property. Mr. Cummins stated that a buffer zone (earthen berm) between the Vulcan yard and bird sanctuary was discussed and agreed upon with Mayor Brooks at the initial meeting however they didn't want to put it in temporarily only to tear it out for the extension. It's still in the plan and will be complete once the plan is signed off on. Commissioner Giesecke stated that he wants a commitment from Vulcan and doesn't want to be in a position where they agreed to do something, and it doesn't get done. Mr. Cummins assured him it would be done as soon as it's signed off on. He would like to do it all at once but if it will be a while before a long-term agreement is approved, he will move forward with parts of it now, estimating it would be done by first quarter next year, depending on weather. Mr. Hull pointed out that because the area has been in an extended drought, anything that would have been planted in the last few months, would not have made it. Commissioner Croft noted the Port would benefit long-term from having the Vulcan plant nearby with some of the expansion plans, adding that the abbreviated one-year deal, keeping them in line, but at the same time the Port has a need for a facility like that on a long-term basis. He isn't opposed to one-year but also isn't opposed to a longer term, given Vulcan's history and reputation. Commissioner Croft added that he understands Vulcan's standpoint that their wanting to make capital improvements but also doesn't want to commit to a lot of money on a one-year deal stating that one year is cutting them short. Commissioner Giesecke stated that he doesn't envision this being only one year, his commitment and conversation with the city council members is the Commission would do a relatively short-term trial run. His concern is that Vulcan has been operating under a temporary permit with fairly limited runs with the weather conditions may or may not what you see when you're operating every day serving a wider customer base and he just wants to see that operational history so they can say with all certainty it's not going to be a problem for the citizens. He wants to be a good neighbor and be able to tell the City they saw the evidence before a longer-term permission. Commissioner Croft stated that he personally feels like the evidence is there in how the company performs throughout the nation and just gauging them on one location isn't a fair assessment. Mr. Cummins stated that while he understands Commissioner Giesecke's concerns, Vulcan does have locations all across the country with some of the Commissioners visiting the Lockwood location in Harris County. He stated that if any smells are noted, it will be from where they are laying asphalt, from the trucks and pavement layers as that's where the heat is at that's exposed to the atmosphere. Additionally,

Vulcan is federally regulated by TCEQ and will be shut down if they are not following protocols. He understands the sensitivity to the point of saving the Port money but also help reduce costs for County and City projects noting that even if the projects are for them, it means more aggregate trains Vulcan will bring in through the rail facility which creates more revenue for the Port. The overall positive benefits is for everyone involved for this project to go through and be sustainable for a long period of time. Commissioner Santos commented that most of the time, these projects also benefit the taxpayers. Mr. Cummins agreed adding there will be a significant savings in transportation cost alone with the facility locally versus hauling product from other plants. Commissioner Giesecke commented that his position all along has been that there would not be an impact to the residents, but he can't prove it. This is why he wants to have Vulcan operate under the temporary permit to prove it up and see what the offsite impacts are. He further stated that if after 6-8 months of operation, everything is fine, the Port can amend the lease to extend it then. He feels confident that everything is going to be fine, and it will be a benefit to the Port, City and County and everyone buying asphalt. While Mr. Cummins understands, he wants Commissioner Giesecke to understand Vulcan's position as well for their investors to support a project when they don't have the commitment in an agreement. Commissioner Santos agreed the Port needs to be a good neighbor and likes to take things slow, so he supports a one-year agreement but also likes the caveat that after 6-8 months revisit the operation.

A motion was made by Commissioner Giesecke to amend the lease agreement to allow acquisition of a standard permit for a period not to exceed one year and will revisit prior to the one-year mark. The motion was seconded by Commissioner Santos with all Commissioners present voting in favor of the motion.

12. Discuss and consider an Amendment to the Interlocal Agreement between Port Freeport and the Texas Department of Transportation.

Mr. Miura stated that on August 24, 2023, the Port Commission approved a resolution authorizing execution of an Interlocal Agreement between Port Freeport and Texas Department of Transportation for the heavy lift corridor. After approval of the resolution, TxDOT advised they inadvertently excluded Attachment F from the final agreement that was presented to the Port Commission. The attachment includes information regarding information resources and security requirements and has been reviewed by legal counsel and found to be in order. Staff recommends approval of an amendment to the Interlocal Agreement with Texas Department of Transportation to include Attachment F, and to authorize Phyllis Saathoff, Executive Director & CEO of Port Freeport to execute said amendment. Mr. Miura further stated the Commission is not approving an amendment today but approving staff to enter into an amendment to include Attachment F to the Interlocal Agreement and authorize Ms. Saathoff to execute which was provided for in the original resolution. Commissioner Singhania confirmed that TxDOT did not include Attachment F and now wants it included. Commissioner Fratila commented that 8 pages is rather significant to forget to attach to an agreement noting it was revised April 12, 2023, and a bit sloppy (by TxDOT) to have an 8-page document forgotten.

A motion was made by Commissioner Giesecke to amend the agreement to include Attachment F. The motion was seconded by Commissioner Kincannon with all Commissioners present voting in favor of the motion.

13. EXECUTIVE SESSION in accordance with Subchapter D of the Open Meetings Act, Texas Government Code Section 551.001, et. seq., to review and consider the following:



- A. Under authority of Section 551.071 (Consultation with Attorney) for discussion regarding:
  - 1. Consultation with attorney under Government Code Section 551.071(1) (to seek or receive attorney's advice on pending or contemplated litigation).
  - 2. Consultation with attorney under Government Code Section 551.071(2) (to seek or receive attorney's advice on legal matters that are not related to litigation).
- B. Under authority of Section 551.072 (Deliberation Concerning Real Property Matters) for discussion regarding:
  - 1. Discussion regarding the potential exchange, lease, or value of real property located in Freeport, Texas, including but not limited to the are known as the East End of Freeport and bordered by or adjacent to the following streets: FM1495; East 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.

14. RECONVENE OPEN SESSION:

15. Adjourn.

With no further business before the Commission, the meeting adjourned at 4:12 PM.