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PORT COMMISSION
OF THE
PORT OF HOUSTON AUTHORITY
OF THE PORTS OF HARRIS COUNTY, TEXAS
June 14, 2021

Minute No.

Event/Action

General

Chairman Campo convened the virtual Port Commission meeting and provided opening remarks

Recess Open Meeting and Convene Executive Session

Reconvene Open Meeting

Appearances

- | | |
|-----------------|---|
| 2021-0614-01(a) | Chairman Campo recognized Ellu Nasser, Environmental Defense Fund, who addressed the Port Commission |
| 2021-0614-01(b) | Chairman Campo recognized Adrian Shelley, Director, Texas Office, Public Citizen, who addressed the Port Commission |
| 2021-0614-01(c) | Chairman Campo recognized Stephanie Thomas, Public Citizen, who addressed the Port Commission |
| 2021-0614-01(d) | Chairman Campo recognized Leticia Ablaza, Government Relations Director/Community Outreach, Air Alliance Houston, who addressed the Port Commission |

General

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| 2021-0614-02 | Chairman Campo called on Rich Byrnes, Chief Infrastructure Officer to present a staff update regarding Houston Ship Channel Expansion Channel Improvement Project (Project 11) |
| 2021-0614-03 | Chairman Campo called on Tim Finley, Chief Financial Officer, to present a staff update regarding Project 11 financial matters |
| 2021-0614-04 | Authorize the Executive Director to (a) enter into a Project Partnership Agreement with the U.S. Army Corps of Engineers in connection with the construction of the Houston Ship Channel Expansion Channel Improvement Project, Harris, Chambers, and Galveston Counties, Texas, |

Minute No.

Event/Action

and (b) do any and all things in his opinion reasonable or necessary to give effect to the foregoing; and ratify, confirm, and approve, as the actions of the Port Authority, such actions of the Executive Director and his designees taken prior to the date hereof that are within the authority conferred hereby *(As amended to provide that the authorization for the Executive Director "to do such things as are reasonable or necessary in his opinion to give effect" to such authority is "on the terms discussed in Executive Session" and is "excepting any material change to such terms")*

Adjourn Meeting

**Port of Houston Authority
Special Port Commission Public Meeting**

**Houston, Texas
June 14, 2021**

A special public meeting of the Port Commission of the Port of Houston Authority of Harris County, Texas was convened on June 14, 2021 at 2:00 p.m., via Cisco WebEx. The following commissioners, staff, and counsel were present:

Ric Campo, Chairman
Wendy Cloonan, Commissioner
Dean Corgey, Commissioner
Cheryl Creuzot, Commissioner
Stephen DonCarlos, Commissioner
Clyde Fitzgerald, Commissioner
Roy Mease, Commissioner
Roger Guenther, Executive Director
Erik Eriksson, Chief Legal Officer
Tom Heidt, Chief Operating Officer
J. Kent Friedman, outside counsel

Chairman Campo informed those in attendance that the Port Commission would immediately adjourn into an executive session.

Chairman Campo called for an Executive Session and asked Mr. Eriksson to make the following announcement:

It is now 2:01 p.m. The Port Commission of the Port of Houston Authority of Harris County, Texas will now convene in a closed meeting, as permitted by the Texas Open Meetings Act and Government Code (1) to conduct a private Consultation with Attorneys (Section 551.071, Texas Open Meetings Act), including consultation regarding (a) U.S. Army Corps of Engineers construction agreements, (b) 33 U.S.C.A. §§5(b) and 2236, and (c) Texas Special District Local Laws Code §5007.007(b); deliberate regarding (2) Real Estate (Section 551.072, Texas Open Meetings Act), including disposition of Barbours Cut Terminal and Beltway 8 vicinity properties; (3) Economic Development Negotiations or Incentives (Section 551.087, Texas Open Meetings Act); (4) Employment and Evaluation of Public Officers and Employees (Section 551.074, Texas Open Meetings Act); and (5) Security-Related Matters (Sections 418.175-418.183 of the Texas Government Code, and Section 551.076, Texas Open Meetings Act). The Port Commission will reconvene in public session after the closed meeting is adjourned.

Immediately thereafter the Port Commission retired into closed session.

At 3:01 p.m., Chairman Campo reconvened the open meeting via Cisco WebEx with the following Commissioners, staff, and counsel in attendance:

Ric Campo, Chairman
Wendy Cloonan, Commissioner
Dean Corgey, Commissioner
Cheryl Creuzot, Commissioner
Stephen DonCarlos, Commissioner
Clyde Fitzgerald, Commissioner
Roy Mease, Commissioner
Roger Guenther, Executive Director
Erik Eriksson, Chief Legal Officer
Tom Heidt, Chief Operating Officer
J. Kent Friedman, outside counsel

Chairman Campo offered opening remarks. He was proud of the Project 11 team and its achievements. The project was on the precipice of signing the project partnership agreement, a seminal moment. Project 11 was an economic imperative and had taken on even more importance in the wake of post-pandemic supply chain disruption.

(2021-0614-01) Appearances

(a) Chairman Campo recognized Ellu Nasser – Environmental Defense Fund, who addressed the Port Commission.

Ms. Nasser noted that her organization had been participating in the sustainability action team meetings and was looking forward to seeing what action emerged. She stressed that her organization had remained consistent in its concern about air quality resulting from port operations and its impacts on the region.

She had participated in meetings with Port Authority staff after the release of the Clean Air Strategy Plan and noted that the plan did not address certain critical items.

First, Ms. Nasser felt that the plan did not acknowledge impacts of port operations, such as dredge truck traffic. Second, efforts to replace old and dirty cargo handling equipment would only take place when the equipment reached the end of its lifecycle, instead of prioritizing the replacement sooner.

Next, Ms. Nasser stated that the highest priority concern that her organization had was the dredging emissions related to Project 11. The project had been categorized as short-term pain for long term gain, and she did not agree with that sentiment. The projected release of over 3,600 tons of nitrogen oxide and almost 345,000 tons of volatile organic compounds generated by Project 11 would cause problems for the region. Emissions in the channel were a zero-sum game – someone would be responsible for mitigating the pollutants from Project 11. By “kicking the can down the road,” industry may have to make up the difference, possibly at a higher cost.

Finally, Ms. Nasser stressed that the emissions from Project 11 would have a health impact on the surrounding communities. While the long-term gain had been characterized as increased efficiency within the channel, the concern was that any decrease in emission from the increased efficiency would be offset by an increase in traffic resulting from such efficiency.

(b) Chairman Campo recognized Adrian Shelley – Director, Texas Office, Public Citizen, who addressed the Port Commission.

Mr. Shelley noted that his organization and others had taken every opportunity afforded to participate and had remained consistent in their message. He reiterated that Project 11 projected 3,600 tons of nitrogen oxide emissions over the life of the project – peaking at an estimate 1,300 tons in a single year.

Mr. Shelley acknowledged that the Texas Commission on Environmental Quality (TCEQ) determined that the Port Authority did not have to specifically offset the emissions, but added that the emissions were coming, would contribute to ozone precursor pollution and to the ozone non-attainment condition, and the decision to not mitigate pollutants was a decision to push the obligation onto industry and other actors in the region.

Mr. Shelley referenced other hazardous pollutants and particulate matter resulting from Project 11, which would have a much greater health impact but not the same non-attainment considerations. He stated that particulate matter especially had a far greater impact on health than ozone pollution.

Mr. Shelley emphasized that while the Port Authority had cover from the TCEQ regarding its obligations to mitigate, it had other obligations to public health in the region. Efforts toward a sustainability action team and a clean air strategy plan were limited in their effectiveness, when they did not account for the very real emissions that were present.

Mr. Shelley highlighted the Project 11 funding mechanism, the proposed harbor fee, as a model that could be used for pollution reduction, public health, and community investment. He concluded by noting that a harbor fee or container fee could be used to raise money to provide for public benefit, adding that other ports in the nation had done it.

(c) Chairman Campo recognized Stephanie Thomas, Public Citizen, who addressed the Port Commission.

Ms. Thomas reported that the notice given for the special meeting was challenging to find. The Port Authority website did not directly list the special meeting, instead one had to search to uncover the meeting through the agenda tab. As a matter of transparency

to the community, it would be helpful to have special meetings listed in the meetings section of the website.

Chairman Campo acknowledged Ms. Thomas' remarks and asked staff to be sure the meetings were all posted in the same place in the future. Commissioner Fitzgerald noted that the special meeting was the first held by the Port Commission in quite a while. Mr. Guenther emphasized that the intention was not to deceive and promised to investigate the issue.

(d) Chairman Campo recognized Leticia Ablaza – Government Relations Director/Community Outreach, Air Alliance Houston, who addressed the Port Commission.

Ms. Ablaza echoed the comments of the other speakers: her organization focused on air quality concerns within the region and was concerned about the projected emissions from Project 11, as was the rest of the community. There were no conversations taking place about how the Port Authority would mitigate 1,300 tons of nitrogen oxide pollutants, carbon monoxide, volatile organic compounds, and particulate matter. The health effects of prolonged exposure to such emissions included respiratory diseases, cardiovascular disease, lung cancer, pre-term labor, and even premature death.

Ms. Ablaza stressed that numerous studies found that emissions from diesel engines commonly used in the freight industry were significantly more harmful than the emissions from petrol vehicles, and numerous human epidemiological studies showed that diesel exhaust exposure directly increased cancer risk. Additionally, exposure to inhaled particulate matter was also well documented: it would pass directly into the bloodstream once inhaled and trigger inflammation that could cause heart and lung failure.

Ms. Ablaza hoped that the Port Authority understood there was a problem and questioned what was being done to reduce the air pollution from ships and diesel engines: it should be a top priority despite any additional costs.

Chairman Campo stated that he appreciated Ms. Ablaza's comments and added that specific programs would be put in place based on the conversations from the sustainability action group.

(2021-0614-02) Chairman Campo recognized Rich Byrnes, Chief Infrastructure Officer, to present a staff update regarding the Houston Ship Channel Expansion Channel Improvement Project (Project 11).

Mr. Byrnes explained he would provide a brief status update for Project 11, including tracking the current timeline, and showing the status of current project designs and the state of procurement plans.

Mr. Byrnes referenced his PowerPoint presentation which displayed the overall timeline from the beginning of the feasibility study in 2015 and continuing through the release of the Chief's Report, congressional authorization, and the "new start" designation. The latter three events were achieved in late 2020 and early 2021 and reflected the decision to commit capital to project designs and other aspects to accelerate the project by as much as a decade.

Mr. Byrnes directed attention to the items that had occurred since the last Port Commission update: designs had continued to progress, the project officially moved from planning to execution, with the first contract awarded for the preparation of the Beltway 8 site, and the dredging industry was engaged for the third time to ensure an understanding was reached regarding the process, timeline, and expectations for the project.

Mr. Byrnes continued: the focus of the current meeting was a discussion of the Project Partnership Agreement (PPA) with the Army Corps of Engineers (Army Corps). This was the contract that governed the execution of the project, and which was expected to be signed later in the month. Signing the PPA was a critical step to enabling the project to move forward, and for the Army Corps to have the time needed to let its own contracts and fulfil the requirements of the "new start" designation. The terms were complex, but it was believed that the current configuration allowed for maximum acceleration and value creation.

Mr. Byrnes moved to the next slide which showed the project broken into six segments, with the main Galveston Bay reach broken into three separate subsegments, titled 1A, 1B, and 1C; as a result, there were technically eight parts to the project. The subsections required different contract packages, each of which had their own number scheme, and there was a total of twelve separate contracts to let, including eight that were led by the Port Authority and four by the Army Corps.

Mr. Byrnes showed a slide that reflected the status of all the contracts. The Project 11 team had completed the design of Segments 1-4 (segments 5 and 6 had been deferred from the accelerated scope). The designs had gone through reviews and received comments from the Army Corps. The Project 11 team was in the process of addressing and resubmitting the designs before taking them through readiness review – called BCOES – which stood for Biddability, Constructability, Operability, Environmental, and Sustainability.

Mr. Byrnes concluded with the status of project execution. As previously stated, staff had begun execution with the award of Package 2 – preparation of the Beltway 8 site, which would serve Segment 4 dredge material placement. The Army Corps would be executing its first contract by the end of the year, which was required to fulfill the "new

start” rules; it planned to advertise for that mitigation and oyster reef work in July 2021 and sign contracts in the fourth quarter of 2021.

Mr. Byrnes explained that the next pieces of the project were to start on the main Galveston Bay reach (Segments 1A and 1B) from the channel opening to Redfish Island and commence on pipeline removals. The plans for said activities were to advertise the contracts in June and July of 2021, with the remaining packages advertised in late 2021 or early 2022. Segments 5 and 6 would wait until the rest was complete, in 2024 or thereabouts.

(2021-0614-03) Chairman Campo recognized Tim Finley, Chief Financial Officer, to present a staff update regarding Project 11 financial matters.

Mr. Finley explained that recovery from the pandemic combined with strong import demand provided solid footing for the launch of Project 11. The Port Authority was about 8% up over 2019, showing a really good trajectory. The current scenario estimated \$550 million of financing would be required in the next one-to-three years with one borrowing in mid-2022 and another in early 2024. Over the next ten years the \$550 million in borrowing was not an impairment to Port Authority operating. However, future channel improvements rolling through 2050, which included plans for container expansion, would require supplemental financial alternatives.

Chairman Campo confirmed that the model Mr. Finley was referencing had been previously presented to the Port Commission. Mr. Finley acknowledged that was correct and that the position had not changed.

Commissioner Fitzgerald noted the projections were based on 3% growth and queried how they might change if growth was higher.

Mr. Finley reported that he saw growth rates of 5% and 6% in the immediate future before trending down to the more normal 3%. If growth rates were to stay over 3% then the need for container terminal expansion would occur much sooner. He added that the ten-year horizon through 2030 and 2031 included redevelopment of Barbour's Cut Container Terminal and completion of Bayport Container Terminal.

Chairman Campo remarked that a doubling of growth rates would result in a dramatic increase in cash flow, which would increase the Port Authority's financial strength. He asked if there was a plan for a new container terminal in the Port Authority's 2040 Plan.

Mr. Finley answered that the new container terminal was accounted for in the figures, with construction beginning in the late 2030s.

Commissioner Fitzgerald remarked that the Port Authority did not want to be in a situation where it suddenly did not have the money to finance growth resulting from a heavy increase in business. Mr. Finley replied that a larger-than-anticipated growth rate might result in the cost of expansion being passed onto the Port Authority's customers – a compound growth rate over 7% could lead to such scenarios.

Commissioner Fitzgerald emphasized that some projections he had seen showed such a growth rate, and Chairman Campo observed that such growth would be a good thing overall.

Mr. Finley stated that financial modeling assumed stable economic and container volume trends, with a 3% growth rate, and requisite growth in headcount and supporting infrastructure. Approval of underwriting and bond/disclosure counsel teams for an eventual bond offering would potentially be brought before the Port Commission at the July 2021 meeting, and in the fourth quarter of 2021 there was the potential for staff to seek approval of a master resolution to authorize bond offerings.

Mr. Finley then updated the Port Commission on the proposed Project 11 harbor fee. The Port Authority was allowed to institute port or harbor dues; but there were very few known uses of the law to date and no relevant case law existed to guide its interpretation. The fee must be based on the benefit to the vessel and proportional to the benefit that each vessel would gain from Project 11. Staff had an external firm working on an economic study to estimate each segment's benefit for each vessel type.

Mr. Finley explained that implementation would require almost a year, during which any party withstanding could challenge the fee. A draft document for public discussion would be available in one or two months describing the multiple reasonable and compliant options that could be comprehended – alignment with relevant parties was essential before a final user fee proposal could be implemented.

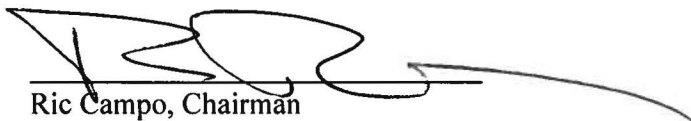
Chairman Campo explained that the idea of the harbor fee had initially been put forth by industry as a means for it to help expedite Project 11. He emphasized that Project 11 would be completed: the only question was how fast. The normal method for a deepening and widening would result in the project taking about ten years. Industry had thus far been very supportive in getting legislation passed to accelerate the timeline and had indicated that it would be willing to pay for half the cost.

(2021-0614-04) Commissioner Corgey moved to authorize the Executive Director to (a) enter into a Project Partnership Agreement with the U.S. Army Corps of Engineers in connection with the construction of the Houston Ship Channel Expansion Channel Improvement Project, Harris, Chambers, and Galveston Counties, Texas, and (b) do any and all things in his opinion reasonable or necessary to give effect to the foregoing; and ratify, confirm, and approve, as the actions of the Port Authority, such actions of the

Executive Director and his designees taken prior to the date hereof that are within the authority conferred hereby (*As amended to provide that the authorization for the Executive Director "to do such things as are reasonable or necessary in his opinion to give effect" to such authority is "on the terms discussed in Executive Session" and is "excepting any material change to such terms"*), seconded by Commissioner Fitzgerald. Chairman Campo, and Commissioners Cloonan, Corgey, Creuzot, DonCarlos, Fitzgerald, and Mease voted Aye. Nays none. MOTION PASSED.

At 3:43 p.m., Chairman Campo adjourned the Port Commission meeting.

The above is a correct copy of the Minutes of the June 14, 2021 meeting of the Port Commission of the Port of Houston Authority.



Ric Campo, Chairman



Erik A. Eriksson, Secretary