

**Board of Pilot Commissioners for Harris County Ports
Special Public Meeting**

**Houston, Texas
May 19, 2021**

A special public meeting of the Board of Pilot Commissioners for Harris County Ports (the “Pilot Board”) was convened on May 19, 2021 at 2:02 p.m. at the offices of the Houston Pilot Board, 203 Ivy Avenue, Deer Park, Texas 77536, as well as virtually via Zoom webinar. The following commissioners and others were present:

Captain Reginald McKamie, Chairman
Roland Garcia, Commissioner
Michel Bechtel, Commissioner
Frances Castañeda Dyess, Commissioner (present virtually)
Brad Hance, Commissioner
Darrell Morrison, Commissioner
Jon Keeney, Commissioner
Parris Beverly, Commissioner
Bruce Oakley, Commissioner
Captain M. Tyler Gavis – Executive Director and Secretary
Rachel de Cordova, General Counsel

Captain Gavis convened the special meeting of the Pilot Board by welcoming everyone and thanking them for attending despite the inclement weather. Captain Gavis called the roll and noted that all were present apart from Commissioner Garcia. Captain Gavis noted that the Pilot Board had established a quorum with 8 of 9 commissioners present.

(PB-2021-0519-01) Minutes

Chairman McKamie called for a motion to approve the minutes of the April 28, 2021 special Pilot Board meeting. Commissioner Bechtel moved for approval, Ms. de Cordova sought to clarify that any proposal industry came to the Pilot Board with concerning a Board administration fee would still need to be voted upon by the Board, seconded by Commissioner Oakley. Chairman McKamie asked for all in favor to say aye. All were in favor. There were no negative votes. MOTION PASSED.

Chairman McKamie asked for Captain Gavis to commence the PowerPoint presentation. Chairman McKamie then noted that Commissioner Garcia was present. Captain Gavis proceeded to initiate the PowerPoint presentation, online via Zoom. He noted that the presentation was similar to the previous meeting, and that he would be sure to notate the updates. Captain Gavis then introduced himself as being the Executive Director of the Houston Pilot Board and proceeded to go over some of the typical fees that three different sized vessels could expect to incur when calling three different terminals along the Houston Ship Channel. Captain Gavis highlighted the cost differences vessel size and locations of the terminal within the Houston Ship Channel could create. Captain Gavis stated that the scenarios he provided (ranging in cost from \$7,689.38 to

\$59,869.39) were just a snapshot of what a vessel calling the Port of Houston would typically pay and added that there were many additional fees (including line handlers, and cargo fees) and variables that could likely drive the costs higher. Captain Gavis then displayed what percentages a Pilot Board Admin. Fee of \$21.51 would make up within the costs incurred of these three scenarios (ranging from 0.036% to 0.28%).

Captain Gavis proceeded to summarize five possible Pilot Board Admin. Fee assessment methods as being: a fee assessed per vessel transit, a fee assessed per arrival and sailing transits only, a fee assessed per arrival transit only, a unit-based fee assessed per vessel transit, and a unit-based fee assessed per arrival transit only.

Captain Gavis proceeded to thank Captain J.J. Plunkett with the Houston Pilots for providing him with the Arrivals, Sailings, & Shifts numbers since 2000. He then described that he took the past 5-year median of transits to base his calculations and added that each method would benefit channel users differently. Captain Gavis explained that accounting for a median of 18,592 transits at a budget of \$400,000 would amount to a per transit fee of \$21.51.

Captain Gavis then went on to explain that he added a new scenario based on arrivals and sailings only (which did not account for shifts). He detailed that he used the arrival and sailings matrix provided by the Houston Pilots to calculate a 5-year median of 17,089 arrivals and sailings, and that at a budget of \$400,000 a per arrival and sailing transit only fee would come to \$23.41.

Captain Gavis proceeded to explain a fee based on arrival transits only. He explained that for this method he divided the 17,089 transits from the prior method by 2 to account for the arrivals only, and that at a budget of \$400,000 a per arrival transit only fee would come to \$46.82. He further explained that his arrival numbers were in line with the Houston Pilots numbers, and that his numbers were calculated based on the pilot's method of an arrival being a transit from the sea buoy into port. Captain Gavis pointed out that Port Houston uses this same methodology to assess their harbor safety fee, as well as the Sabine Pilot Board charging \$45.00 per vessel arrival.

Captain Gavis then moved to explain a method assessing a unit-based fee per transit. Captain Gavis stated that this method would charge a larger vessel a higher fee and a smaller vessel a smaller fee and proceeded to state that the past 5-year median for units was 11,712,256. Captain Gavis then stated that a budget of \$400,000 would create a \$00.034 per unit charge. He then provided scenarios of how such charges would affect ships ranging in size from 450' X 95' (\$14.54) all the way up to a 1099' X 141' 10K TEU container vessel (\$52.69).

Captain Gavis went on to explain a method assessing a unit-based fee per arrival transit only. Captain Gavis stated that this method was added after the request to do so at the previous meeting and proceeded to state that the past 5-year median for units was 5,466,853.5. Captain Gavis then stated that a budget of \$400,000 would create a \$00.073 per unit charge. He then provided scenarios of how such charges would affect ships ranging in size from 450' X 95' (\$31.21) all the way up to a 1099' X 141' 10K TEU container vessel (\$113.12). Captain Gavis ended his presentation by thanking industry for their feedback and stating that each of the scenarios he presented would affect different segments of vessels differently.

Captain Gavis proceeded to pull up the proposed 2022 Pilot Board budget, and asked for Commissioner Frances Dyes, whom he stated took the lead as the Pilot Board Treasurer in formulating the budget, to explain the budget. Commissioner Dyess noted that the proposed 2022 Pilot Board budget totaled \$400,000 and proceeded to detail some changes that were made including: the legal fees being broken down by the monthly retainer and a reserve being created for unforeseen legal matters (such as Public Information Act requests and PBIRC incidents), IT being broken down into monthly IT service costs and unforeseen IT issues, and the addition of an operating reserve (which was created based on the 3 months' worth of operating costs that were discussed at the previous meeting).

Commissioner Dyess noted that the target for the operating reserve would be \$75,000. However, the Board would not seek to fulfill all of that reserve the first year. She then added that any unused funds from 2021 would carry over to the operating reserve and stated that the 2022 budget sought to add \$30,000 to the operating reserve. She added that an additional operating reserve line item would be added in 2023 if the reserve was not yet met. Chairman McKamie sought clarification that once the reserve was met the Board would remove that item from the budget, of which Commissioner Dyess confirmed.

Commissioner Garcia added that he felt it is very appropriate to have a reserve, noting that all cities and public agencies have some sort of rainy-day fund. He then highlighted the importance of the Pilot Board having the money to properly carry out their obligated duties. Commissioner Garcia noted he thought it is very difficult to have a great idea on what the actual costs will be being so fresh into year one. However, he added he would expect for the Pilot Board to have a great grasp of it after a few years. Commissioner Garcia closed by stating he thought \$400,000 was a great starting point.

Commissioner Morrison asked Captain Gavis how the fiscal year was setup. Captain Gavis confirmed it was setup in line with the calendar year, and conversation ensued about the need to create the budget so early in the year, to be able to define a Pilot Board Admin. Fee, and the difficulty in that timing. Commissioner Hance added that he

would like to see the names of the reserves changed into an overall reserve for all expenses that might come up. Commissioner Hance then expressed that he felt some of the items were too high. Conversation ensued about how the budget could be adjusted at the end of the year to bring the overall number down if it was deemed appropriate. Conversation then ensued about Commissioner Hance's concern of the legal budget needing to go down. Chairman McKamie stated that after the Board is up and running the need for legal support should diminish. Conversation ensued laying out that the implementation of various policies will require legal support. Chairman McKamie stated he would like to have all such policies in place within the next year or two. Commissioner Garcia added that it was difficult to account for how much support was provided previously by the port's full-time counsel and added that he negotiated for the current legal pricing structure (which he felt was a bargain). Commissioner Garcia reemphasized that he thought it was a conservative budget, and that the Board needs to be prepared for unexpected costs.

Conversation ensued about combining the reserves into one reserve, and Chairman McKamie emphasized that his concern was getting the budget number approved for sake of progressing the Board Admin. Fee. Chairman McKamie stated that the structure of the budget could always be amended. Commissioner Dyess suggested that the legal reserve could be renamed to non-retainer legal fees, and that once the actual expenses were known that number could be appropriately adjusted. Commissioner Morrison, Commissioner Hance, Commissioner Keeney, and Chairman McKamie all agreed that Captain Gavis was capable of completing the bulk of the workload on the implementation of the policies discussed earlier. Commissioner Keeney went on to state that he reviewed the legal workload thus far and detailed that much of it was what he considered to be front end loading to get the Board up and running. Commissioner Keeney went on to state that he viewed the budget as being very conservative and that his city has a two-year contingency he felt was a great luxury. He closed by stating he thought the budget was very well done. Commissioner Hance reemphasized his desire to keep the legal costs down and stated overall he thought that this was a good budget.

(PB-2021-0519-02) Public Comment

Captain Gavis suggested moving on to public comment and thanked everyone for signing up as the Board had requested. He stated he would simply be recognizing speakers in the order they signed up.

Captain Gavis began by recognizing Niels Aalund, Senior Vice President of Maritime Affairs with WGMA. Mr. Aalund stated that an extensive survey was conducted, and that while it wasn't unanimous, there was a clear consensus to keep the fee simple. Mr. Aalund also stated that there was a desire to ensure the Board remains transparent about how the funds are being used, which he felt was confirmed earlier in the meeting. Mr. Aalund also added that the consensus was that a lump sum arrivals only

fee would be best. He then stated he felt these meetings had been carried out with great openness, and that it was his desire that they continue to allow free flowing input, of which Chairman McKamie confirmed such input would be welcomed.

Captain Gavis next recognized Denise Schaefer, Agency Manager at Odfjell USA. Ms. Schaefer summarized her experience and stated that Odfjell had 185 port calls within Houston in 2020, within those calls she stated there were 424 berth calls which totaled a little over \$3,000,000.00 in fees. Ms. Schaefer stated Port Houston requires a strong pilot association and a strong Pilot Board. She then expressed she felt the fee should be assessed once per voyage and explained how the chemical sector operated differently than traditional vessels (often coming into the port many times within one voyage). She next stated that while the Houston Pilots accounting team does not account for one arrival per voyage, she is able to provide documentation tracking such. Ms. Schaefer then expressed her concern of the cumulative costs associated with other fees being talked about, and the fact that all of these fees fall on the back of the shippers. Chairman McKamie thanked Ms. Schaefer for her comments and commented that they would be considered. Commissioner Garcia enquired about Ms. Schaefer's concerns over being assessed by arrival, to which Ms. Schaefer expounded upon her concern. Commissioner Oakley then asked for Captain Gavis to clarify that Odfjell would be paying every time they came from the sea buoy into the port, of which he confirmed. Chairman McKamie then emphasized that by doing the proposed arrival only method, chemical carriers would be saving on the dock-to-dock shifts, to which Ms. Schaefer agreed but stated such shifts were declining. Commissioner Oakley then stated that the Board was somewhat addressing Ms. Schaefer's concerns but not fully addressing them, to which Ms. Schaefer concurred. Ms. de Cordova emphasized that the data included in the Board's calculations would need to be revised to reflect Ms. Schaefer's request if it was determined to do so. Conversation then ensued about how the pilots assess their charge, in which it was noted that they charge for every movement.

Captain Gavis next called upon Norman O'Shaughnessy, Group Operations and Regulatory Manager with Stolt Tankers. Mr. O'Shaughnessy introduced himself and stated the other segments of shippers are your over the road truckers while the chemical carriers are your local delivery guys. He proceeded to state that Stolt called the Port of Houston roughly 400 times per year totaling roughly 1,200 berth calls. He stated that all the scenarios seemed to bring the numbers to equal about the same. Mr. O'Shaughnessy next stated that Stolt would prefer to see a one charge per voyage fee assessed. He proceeded to state that he saw an arrival as being anytime he fills out a notice of arrival coming from another port and added that Stolt is supportive of the Board and willing to pay their fair share. Mr. O'Shaughnessy next stated that he understood that the pilot's accounting method was unable to differentiate arrivals, but he was in the process of looking at several options that would make it possible to differentiate a first arrival from others. Discussion then ensued about such options. Mr. O'Shaughnessy then voiced his

desire to keep the reserves down as much as possible. Chairman McKamie responded by saying that the Board was required by law to keep their budget to a reasonable amount, and he would ensure that the Board does just that. Mr. O'Shaughnessy then detailed the option of having the chemical carriers self-assess their payments upon their first arrival to the Port of Houston, while the traditional vessels pay through the Houston Pilot invoice. Mr. O'Shaughnessy closed by stating that what seems like the easiest method may not necessarily be the best method.

Captain Gavis next called upon Captain Rich Russell, Head of Operations at AET. Captain Russell introduced himself and stated that AET had 80- 100 port calls per year. He next stated that he supported one flat fee and sympathized with Stolt's stance from his time having been employed there. Captain Russell closed by stating he thought the budget looked good and he thought one flat fee would be best.

After granting Mr. Aalund's request of allowing individuals that arrived late the opportunity to speak, Captain Gavis called upon Captain Marius Scintee, Regional Operations Manager for CMA CGM. Captain Scintee introduced himself and stated that CMA CGM was in favor of an arrival only fee. He then stated that CMA CGM supported a strong Pilot Board and a strong pilot association. Captain Scintee closed by emphasizing that he was ready to move past the Pilot Board Admin. Fee discussions and on to other business.

Chairman McKamie then asked Captain Thompson, Presiding Officer of the Houston Pilots, if he had anything to say. Captain Thompson stated that he wanted the Board to succeed and that he felt if industry went to the state for Pilot Board funding a mechanism assessing a fee to shippers would be put in place as it was in Port Arthur. Captain Thompson then said the pilots could easily bill for each inbound transit, but that he could not for what the chemical carriers were requesting. Captain Thompson then emphasized that he strongly disagreed with what the chemical carriers were requesting and stated that to the pilots anytime they board a vessel at the sea buoy to come into the port it is an arrival. Conversation then ensued as to why it is difficult for the pilots to determine which arrival transit is the first arrival transit of that voyage to the Port of Houston. Captain Gavis added that Commissioner Dyess departed the meeting for another engagement.

Chairman McKamie recognized Mr. Aalund, who encouraged the Board to be as flexible as they could in working with the chemical carriers. Commissioner Oakley then asked Mr. Aalund how the other carriers would fill if the cost per arrival were to go up, of which conversation ensued to. Captain Gavis added that he had received feedback from some in the container industry that they would be weary of the per arrival cost going up if too much of a break was given to the chemical carriers.

At 3:20 p.m., Chairman McKamie announced the following:

The Board of Pilot Commissioners for Harris County Ports will now convene in a closed meeting, as permitted by the Texas Open Meetings Act and Government Code to conduct a private Consultation with Attorneys (Section 551.071, Texas Open Meetings Act), including consultation regarding the powers and duties of the Board of Pilot Commissioners. The Board of Pilot Commissioners will reconvene in public session after the closed meeting is adjourned.

At 3: 58 p.m., Ms. de Cordova reconvened the open meeting of the Board of Pilot Commissioners for Harris County Ports at the Pilot Board Office at 203 Ivy Ave., Deer Park, TX 77536, with the following Commissioners, staff, and counsel in attendance:

Captain Reginald McKamie, Chairman
Roland Garcia, Commissioner
Michel Bechtel, Commissioner
Brad Hance, Commissioner
Darrell Morrison, Commissioner
Jon Keeney, Commissioner
Parris Beverly, Commissioner
Bruce Oakley, Commissioner
Captain M. Tyler Gavis – Executive Director and Secretary
Rachel de Cordova, General Counsel

Ms. de Cordova stated that the Board would be deliberating and seeking approval of the budget and funding options. She then added that no actions were taken during executive session.

(PB-2021-0519-03) Budget

Chairman McKamie called for a motion to approve the budget for fiscal year 2022 as it was presented by Commissioner Dyess. Commissioner Bechtel moved for approval of the budget as it was presented in the briefing materials, seconded by Commissioner Morrison. Chairman McKamie opened it up for discussion, and it was agreed to vote on the budget with the legal and non-legal contingencies described by Commissioner Dyess. Chairman McKamie asked for all in favor to say aye. All were in favor. There were no negative votes. MOTION PASSED.

(PB-2021-0519-04) Funding Options

Chairman McKamie described the various funding options available to the Board. Commissioner Morrison moved for the Board to adopt a flat fee based on arrivals, seconded

by Commissioner Bechtel. Chairman McKamie opened it up for discussion. Commissioner Garcia added that he thought there was some ambiguity as to what an arrival was, to which Chairman McKamie stated that the Board could vote to assess the fee on arrivals only or voyage arrivals only. Commissioner Morrison stated that his motion was based on Option C detailed in the Board and public briefing books. Option C stated:

XV. BOARD ADMINISTRATION FEE

A charge of \$46.82 per arrival to fund the administrative and oversight requirements of the Board of Pilot Commissioners for Harris County Ports (the "Board"). This fee will be adjusted each year based on the actual administrative expenses of the Board for the preceding year.

Conversation ensued for everyone to look in the back of their books, and Chairman McKamie detailed Option C. Commissioner Garcia expressed his concern of not being able to charge upon voyage arrivals only. Chairman McKamie responded that adopting Option C would at least take out the shifts and address some of the concerns for the chemical carriers. Chairman McKamie asked for all in favor to say aye. All were in favor except for Commissioner Garcia. Commissioner Garcia voted nay. MOTION PASSED. Chairman McKamie clarified that the passing resolution was an arrival as defined by the Houston Pilots matrix.

At 4:03 p.m., Chairman McKamie adjourned the special Pilot Board meeting.

The above is a correct copy of the Minutes of the May 19, 2021 special meeting of the Board of Pilot Commissioners for Harris County Ports.



Captain Reginald McKamie, Chairman



Captain M. Tyler Gavis, Secretary