

**Transition Committee of the
Board of Pilot Commissioners for Harris County Ports
Public Meeting**

**Houston, Texas
August 6, 2020**

A public meeting of the Transition Committee of the Board of Pilot Commissioners for Harris County Ports (the “Transition Committee”) was convened on August 6, 2020 at 3:08 p.m., at the offices of the Houston Pilots, 203 Deerwood Glen Dr., Deer Park, Texas 77536, as well as virtually via WebEx webinar. The following Commissioners, staff, and counsel were in attendance:

Roland Garcia, Commissioner and Transition Committee Chairman
Frances Castañeda Dyess, Commissioner
Brenda Hellyer, Commissioner
Captain M. Tyler Gavis, Secretary and Compliance Coordinator (present virtually)
Erik Eriksson, General Counsel (present virtually)

Chairman Garcia called the meeting to order and asked Captain Gavis to call the roll for the record. Following the roll call, Chairman Garcia advised there was a quorum.

Chairman Garcia convened the meeting and observed that all protocols mandated by the governor were being observed by the attendees meeting in person.

Chairman Garcia noted that the meeting minutes from June 9, 2020 and July 31, 2020 had been circulated and called for a motion to approve both sets. Commissioner Hellyer moved for approval, seconded by Commissioner Dyess. Chairman Garcia and Commissioners Dyess and Hellyer, voted Aye. Nays none. MOTION APPROVED. Chairman Garcia noted that Commissioner McKamie was not present.

Chairman Garcia advised of a robust and helpful meeting the previous week. He noted the key to the meeting success was to obtain very candid and frank comments from stakeholders as decisions were made on Pilot Board funding and the mechanisms of funding.

Chairman Garcia recalled discussions from the last meeting on funding and interim funding, noting testimony regarding the potential lag time in funding. He also noted that Commissioner Dyess was tasked to look into the feasibility of interim funding with assistance from Mr. Eriksson and Captain Gavis. He then deferred to Commissioner Dyess to present her findings and how it may frame public input.

Commissioner Dyess thanked Commissioner Hellyer for reaching out to the Economic Alliance Houston Port Region (Economic Alliance) to inquire about office space. She advised that Economic Alliance had an available 12-foot by 12-foot office space for \$500 monthly and \$6,000 annually which included parking and a shared boardroom. She also advised that Captain Gavis looked into another space that was more

expensive and noted that to keep cost down, the Economic Alliance space might be the best option.

Commissioner Dyess also advised that she looked into bank loans from two different banks and noted it would be a challenge to obtain a short-term line of credit without collateral or a guarantee. The banks asked for a monthly budget and explained if the Pilot Board agreed on a \$212,000 annual budget, monthly payments would be \$17,000 a month. Commissioner Dyess also remarked that it did not look favorable for a bank to issue a loan to an organization without two years of existence on its own and a Taxpayer Identification Number (TIN), adding that going with a smaller bank would be a challenge as well.

Commissioner Dyess advised that it was difficult to determine attorney fees and noted that to date there had been no submissions for the attorney proposal. In response to Chairman Garcia's inquiry, Captain Gavis advised that the deadline for proposals was August 19, 2020; according to the Procurement Services Department, it was common for proposals to come in at the last minute.

Following another inquiry, Mr. Eriksson advised that the setup at the Port Authority currently required him to participate in Pilot Board matters on a fairly regular basis, which included reviewing the agenda, minutes, and budget, but he doubted that outside counsel would perform those duties going forward. He was also involved when an incident occurred and a Pilot Board Investigation and Recommendation Committee (PBIRC) meeting was held. Finally, another attorney along with a paralegal assisted in the Application Review Committee (ARC) meetings, the practice for many years although not entirely necessary. Mr. Eriksson advised that he did not include any of that time in the proposed budget.

Mr. Eriksson advised that having an attorney similarly present at PBIRC hearings was helpful although it would be up to the PBIRC to decide if it was necessary, adding that he had also assisted Captain Gavis with the PBIRC's conclusions when it acted. He noted that again he did not include that time in the budget.

He concluded by observing that while his budget estimate was lower than Commissioner Dyess's, hers was by no means unreasonable. Mr. Eriksson advised that in his view counsel would be more focused on open records matters and explained the Pilot Board open records process, including the rules it had in place for such matters.

He recalled significant PBIRC matters from last year noting outside lawyers often sought to obtain information that has been provided to the PBIRC. However, because that the information was generally provided by the Coast Guard with an understanding of

confidentiality, as a result, the pathway was to ask the Texas Attorney General for permission to withhold the information, adding that the Pilot Board had generally been successful whether it was withholding pilot personal information or other records. He concluded that his own minimal guesstimate was that a \$50,000 budget may well be more appropriate.

Mr. Eriksson moved on to observe that the rate hearing process involved some lawyering and noted that accumulating a reserve fund may be appropriate to take care of this type of item. Similarly, when rule updates occur a lawyer is needed as well. In contrast, open records requests can be predicted with a fair amount of certainty. In response to Chairman Garcia's inquiry, Mr. Eriksson advised that given the probabilities, he would approach the \$50,000 budget, including all the tasks previously mentioned, as a reasonable number.

Commissioner Hellyer suggested that the number for the administrator position be raised a little higher to include both salary and benefits. Mr. Eriksson added there was also the option to provide for a retainer for a certain number of hours; if those hours were exceeded, the work at a discounted hourly rate would be added on top: this might be negotiated as a compromise between a set salary and working strictly on an hourly basis. Chairman Garcia commented that interjecting an hourly rate at any time could get tricky, and Commissioner Hellyer commented that based on her discussions with Captain Gavis, the administrator would be a full-time job when ARC, PBIRC, and investigatory duties were included.

Captain Gavis commented the administrator role could certainly be a full-time job if the duties and tasks were all bundled together. He advised that he tried to get that disclaimer out to the public, noting it was difficult to predict time on an hourly basis, as one does not know when situations occur. Captain Gavis advised the committee to use caution and noted that an effort was made in the estimated numbers he provided to it to aim slightly over the median.

Chairman Garcia suggested using a round number of \$300,000 as the total budget to frame funding for discussion purposes, since the fees and costs for the administrator would be hard to predict. Commissioner Dyess suggested coming down on the budget to \$275,000 to come closer to a middle ground as well as to be cautious not to indicate to people seeking to fill the positions that a higher amount would be sent. The commissioners informally agreed on \$275,000.

Captain Gavis suggested initially going slightly higher to ensure a sufficient budget for everyone involved, adding that adjustments could be made if the tariff route was decided. Chairman Garcia concurred, adding that in the first year or two the Pilot Board

would be more attentive to counsel to receive advice as to how to go about different processes and advised that he would return to the \$300,000 number for the total budget.

Commissioner Hellyer commented on the leased space and advised that the Economic Alliance space was a reasonable option, explaining that it was in effect a “Greater Houston Partnership” representing the Houston Ship Channel area. She added that it rented to the East Harris County Manufacturers Association, the Texas Chemical Council, Congressman Brian Babin, and the San Jacinto Small Business Development Center. Commissioner Hellyer advised that she did not know whether there would be a need for copiers and other administrative tools, but the Pilot Board could negotiate an administrative contract later if needed.

Further discussion ensued on the proposed leased office space that concluded with Commissioner Hellyer noting there would be limited in and out traffic, sufficient space in the boardroom to meet the needs of the Pilot Board for the first year, and internet and phone service, though the Pilot Board would need to get its own phone number and internet service connected. Commissioner Hellyer remarked that the Houston Pilots were members of the Economic Alliance as well as the West Gulf Maritime Association (WGMA), which illustrated the alignment.

Commissioner Hellyer stressed that the proposed office space would just be for the administrator to work from and noted she did not think secretarial services were needed at this time. She further noted if there was some interest in secretarial services, provisions could be negotiated in the administrative contract. In response to Chairman Garcia’s inquiry, Captain Gavis confirmed that the proposed leased space was adequate for him to perform his administrative duties and added that it was in a great location.

In response to Chairman Garcia’s inquiry, Mr. Eriksson advised that based on the model of the Port Authority, a formal procurement was not necessary for real estate and therefore, no procurement was needed for office space. He also noted that the successful proposer selected as executive director may already have office space, and so while it was a good idea for office space to be included in the budget, it might not be necessary, depending on who was hired. He also added that arrangements could be made by polling and receiving proposals, based on which more of an informal decision could be made.

Commissioner Hellyer commented that the Economic Alliance office was a nice space and represented the region well, adding that the next meeting could be held at the proposed location if agreed upon. In response to Chairman Garcia’s inquiry, Commissioner Hellyer confirmed that it would accommodate everyone with social distancing protocols in place. Chairman Garcia requested that Commissioner Hellyer start looking into a draft lease for the proposed space to get an idea on terms and negotiations.

Following Commissioner Hellyer's disclosure that she served on its board as part of her job, Chairman Garcia advised that the Pilot Board would pay fair market value. Commissioner Hellyer added that it was a good and fair rate. Chairman Garcia encouraged Commissioner Hellyer to get started in order to have everything done by the end of September.

Chairman Garcia returned to the bank loan discussion and noted there might be legal issues that Mr. Eriksson needed to flush out, and reasons why it might be difficult to initially fund the Pilot Board through an interim bank loan. Mr. Eriksson commented that the Pilot Board must decide if it wanted to exercise its authority to obtain a bank loan and the bank must be comfortable with issuing a loan.

Commissioner Dyess calculated a breakdown of the funds based on \$300,000 and concluded \$75,000 would be needed to have 3 months of activity before the funds began to come in and everything is approved, adding that there was no guarantee that within three months the Pilot Board would have those funds.

Commissioner Hellyer commented on the legal documents required by banks, e.g. a TIN and bylaws were needed, neither of which the Pilot Board had. In response to her inquiry of who has contracting authority, Mr. Eriksson advised that the Pilot Board could adopt a delegation of authority action to provide for someone to sign on its behalf. He added that bylaws were more typical for non-profits, and advised that bylaws for a government entity were more oriented towards procedures for running meetings. A bank looking for bylaws would be referred to Texas Transportation Code, Chapter 66.

Mr. Eriksson summarized that a resolution to approve the loan on behalf of the Pilot Board as well as a delegation of authority to one of the board members or the executive director would be needed. A meeting would have to be called to take those actions, once the loan was negotiated, though it was typical for transparency purposes, there was no real mandate for a competitive process (based on the Port Authority model). The process could be conducted on an informal basis and transparency achieved through the Pilot Board public meeting. In response to Commissioner Hellyer, Mr. Eriksson advised that Chapter 66 stated the board "may perform any act or function necessary to carry out its powers and duties under [the] chapter."

Commissioner Hellyer asked Mr. Eriksson if he would assist with obtaining a TIN to open a bank account as well as with the process of sending in state documents, and Mr. Eriksson confirmed he would. She suggested starting the process as issues would arise one way or the other, and Mr. Eriksson added it would be best to have an account open with

signature authority in place once the collection of funds began, even if a loan was not obtained and concurred it was time to start the process in the coming weeks.

Chairman Garcia noted two action items included drafting a banking resolution for authorization to open a bank account with signature authority and obtaining a TIN. Mr. Eriksson commented that typically once a bank was named, the resolution would identify that bank, noting different banks operated different ways. Upon naming a bank, discussions should be held regarding what it would require before bringing it to the full Pilot Board to adopt a resolution and authorize signatories. Following Commissioner Hellyer's inquiry, Mr. Eriksson confirmed that a TIN could be obtained without a resolution and advised that he and Captain Gavis would have that discussion with the Port Authority Accounting Department.

Chairman Garcia provided a short overview of what had been discussed and noted a lot of ground was covered, i.e. action items including a TIN, information regarding opening a bank account, and a tentative budget of \$300,000 for the purpose of funding discussions. Chairman Garcia then opened the floor for public comment.

Marius Scintee, CMA-CGM, Director of Operations, commented that incorrect information, indicating that container carriers go back to shippers to be reimbursed for fees, had been conveyed to the Pilot Board. He advised that rates were regulated by the Federal Maritime Commission and going back to shippers for reimbursement was not allowed. Mr. Scintee also recalled from the last meeting that one of the options was to charge the carriers a per transit fee. He did not think this option would work very well as there was no guarantee there would be the same amount of transits each year. Mr. Scintee encouraged the committee to keep in mind that a budget was being created based on an imaginary number, if a transit fee was still being considered.

Mr. Scintee also recalled discussion earlier in the meeting for immediate funding, and raised the question if charging \$15 per transit daily from now until the end of the year would provide funds for the Pilot Board for the next 3-4 months. Chairman Garcia remarked that he realized there was an interim problem and advised that, given numbers from previous years, an estimate could be determined based on the number of transits. Mr. Scintee advised that period was before the pandemic and noted that recently calls had been significantly reduced, for his company as well as for other carriers that have been greatly affected, such as breakbulk carriers, chemical tankers, roll-on/roll-off (ro-ro) carriers, oil and gas, offshore carriers and more.

Mr. Scintee advised that the Pilot Board had been operated by the Port Authority in past years, for which the carriers paid a fair share and no one else paid. He also offered his support to the Houston Pilots noting they were a strong and experienced association.

Mr. Scintee advised that it has been in newspapers and broadcast worldwide how the container carriers were struggling to pay fees and put merchandise in the stores, yet at the end of the day were being asked to pay more. He remarked that he was not saying carriers should not pay, however noted there should be push for the State of Texas and the senators who approved the law to appropriate funds, and raised the question why the carriers must pay for a state decision.

In response to Commissioner Hellyer's inquiry, Mr. Scintee advised that he would not be part of the negotiation with the state and stressed that he should not be part of paying for the solution for the Pilot Board to have money. Commissioner Hellyer commented that it would be a long shot for Harris County or the State of Texas to pay for funding the Pilot Board and asked Mr. Scintee if he had a third option. Mr. Scintee advised that taxes have been paid by the people of Harris County for the Port Authority and noted he was not sure where those taxes are applied.

Mr. Eriksson interjected and noted that the taxes that Harris County property owners pay to the Port Authority went to capital debt for the public terminals as well as work on the ship channel. He noted the distinction between its public capital debt and operating expenses, and advised that currently there was no Port Authority charge for operating expenses. He added that the Pilot Board would need an explicit grant of authority in its legislation and most likely would have to go to Harris County Commissioner's Court and county voters before such a charge could be implemented.

Mr. Scintee continued and advised that his third option would be to implement a licensing fee for the pilots.

Chairman Garcia asked what a fair split percentage of the fees would be among the carriers, ship owners, and others. In response, Mr. Scintee advised that the carriers currently paid pilotage fees in the pilot tariff and noted that he would like to see contributions from other facilities on the Houston Ship Channel, such as the terminals, for benefitting from the services of the Houston Pilots Association. He remarked that he could not advise of a percentage and noted that it would be helpful if the carriers were not charged for the Pilot Board, to allow time to recover from the economic disaster.

Norman O'Shaughnessy, Stolt Tankers USA, Group Operations and Regulatory Manager, commented that he found some interesting concerns upon conducting research on the Pilot Board. He noted there was no real charter, as Chapter 66 of the Transportation Code was more about the Pilot Board regulating the pilots than anything else, adding that the mention of Section 66.016, that the Pilot Board could do whatever it wanted in order to make things happen, was a little thin for raising tariffs or applying fees. While the fee

was not a significant amount of money, it was still money, and shipping companies are pressed to bear their own costs regardless of the type of ship. Mr. O'Shaughnessy noted that the user fee for shifting is what caught his attention, as there are differences in the business model in terms of shifts. He advised that chemical ships do not enter the port to hit one berth and leave as other ships do, but rather stay for two weeks and navigate around the port, and a user fee would hurt compared to other users of the port.

Mr. O'Shaughnessy remarked that the conversation comes down to user fees for heavy users of the port and noted that the chemical shipping segment is probably the heaviest user of port facilities. He also advised the Pilot Board to consider that the Port of Houston is an economic engine that is powering the economy forward in the area; \$3.39 billion in state economic value is what was assessed by the Port of Houston in 2019, 20.6% of the state GDP, and \$5.7 billion in state and local taxes were generated through the economic activities at the Port of Houston – and yet a \$300,000 budget on the high end is up for discussion. In addition, 1.35 million jobs state-wide were generated by the activity of the Port of Houston.

Mr. O'Shaughnessy further remarked that the organization was huge and now the Pilot Board had a role to play in ensuring it operated safely. While looking at who would pay, the truth of the matter was there are millions of people who would benefit and suggested fighting for state funding. He shared that he calculated a breakdown of his tax bill and found out the mill rate that was paid to the Port of Houston. Following a further breakdown of calculations and mill rates, Mr. O'Shaughnessy concluded that it would be pennies on the dollar for funding and double what the Pilot Board was asking for. He also noted no one would have to pay anything except through local taxes because everyone was benefitting from the economic engine.

Mr. O'Shaughnessy also advised, after reading through the documentation, that there was a Port Authority budget line item of \$179,000 for port administration. He inquired if that portion of the budget could be used to support the Pilot Board, supporting the activity that is supporting \$3.3 billion in state economic value, instead of user fees. He also suggested including a budget line item for the Pilot Board if the mill rate increase was feasible and noted he thought it was the fair and appropriate way to handle funding.

Mr. O'Shaughnessy concurred with his colleague from the containership industry that the shippers cannot bear any costs right now as times were not good. He concluded by encouraging the committee to consider taking up the challenge with Harris County as Harris County reaped the benefit of the activity in the channel and added a small change in the tax rate would cover everything.

Chairman Garcia commented that it was very difficult politically to add a new tax or increase taxes as that was not the temperature of the legislature, many members of the city council vote to reduce the tax rate, and members of the commissioner's court also boycotted a meeting to avoid an increase in tax rates. In response to Chairman Garcia's inquiry, Mr. O'Shaughnessy commented that he would have thought that a fair and short-term idea for funding would have been thought of before the Pilot Board was put in place. He remarked that while he could not speak for anyone else in the room, his company was opposed to the user fee.

In addition, Mr. O'Shaughnessy requested that the Pilot Board website be updated to include the minutes from April, May, and June, as they were not listed on its website. Mr. Eriksson commented that the minutes were typically posted once they were approved and advised they would be posted at that time.

Commissioner Hellyer returned to comment on some of Mr. O'Shaughnessy's points and advised that the issue was about timing. She noted the legislative session would start in January and there would be no way this would get approved for funding. She further noted that the Pilot Board would "fight it" and recalled asking the stakeholders at the meeting for assistance, and heard that at least one speaker would not do so.

Commissioner Hellyer also commented that the timeline around a tax would not be within the next three months, if an item were to be approved and submitted to voters, adding that no resident would vote for a tax right now during the pandemic.

Mr. O'Shaughnessy interjected that one of the issues was having disparate groups in the room with their own agendas and issues, including the Pilot Board. He advised that through WGMA, an effort has been in place to focus these conversations into an industry standard front, but it would be hard to form a consensus from most of the group in that regard.

Mr. O'Shaughnessy added that he found it enlightening and encouraging that the members of the "Big 10" had stepped up vocally to announce they were willing to pay, which was unusual. He further noted if there was more time perhaps some of the different segments could be gathered together to form a consensus. Chairman Garcia commented that he would love if the chemical tanker group, terminals group and pilots voluntarily had independent discussions on the funding issue and brought a consensus back to the Pilot Board. He added that at least the consensus would carry the Pilot Board short term, and then possibly it could go to the legislature for something long-term later.

Commissioner Hellyer recalled from her notes from previous meetings that the groups including industry and pilots collaborate with each other. She also recalled hearing

that when negotiating a tariff, the groups come together. However, she was no longer hearing that discussion going forward, but rather multiple proposals with everyone pushing the issue on the other parties. She commented that she liked the idea of the groups coming together and requested they bring a short-term and long-term solution back to the committee, and if the funding issue was going to the legislature, everyone could go together.

In response to Chairman Garcia's inquiry, Mr. O'Shaughnessy advised that he needed to take the suggestion to meet with other groups to his upper management for approval. Mr. Scintee returned to clarify his comment and advised that the carriers supported the Pilot Board through the WGMA, adding that the WGMA had done a fantastic job with asking for support. He commented if the long-term solution goes to legislature, WGMA would support the Pilot Board as well as any approach with Harris County. Commissioner Hellyer thanked Mr. Scintee for the clarification.

Niels Aalund, WGMA, Senior Vice President, advised that a lot had happened since last week and noted he had been on the phone having discussions and surveying his members including all types of vessel operators, terminals, and industry sectors. He advised that it was a diverse group and there was no unanimous consensus, as he had to explain that the Pilot Board was appointed with an unfunded mandate to carry out its purposes. He also explained how difficult it was in Austin although that would not stop them from trying.

Mr. Aalund advised he was receptive to coming together as a group and shared that there was a sense of urgency after having discussions with commissioners and pilots. He noted it would be very difficult to come up with a unanimous decision on yet another fee for people to pay, although WGMA would make an attempt and he would be glad to facilitate the discussion. In response to Chairman Garcia's inquiry, Captain Thompson advised that the pilots had worked with the Coast Guard and the industry on rate negotiations in the past and managed to work it out. He further noted it was a long process and the Pilot Board may not have that kind of time to work out a deal. He also advised that he was also concerned about the time and noted that the attorney for the pilots was working on a memo as to what the Pilot Board could do legally, and advised he would share it when he received it.

Captain Thompson, Houston Pilots, Presiding Officer addressed a comment from earlier regarding a proposed line item in the tariff to clarify that the fee would not be applied to the chemical tankers on shifting, only an arrival and departure fee. He also addressed another comment regarding not being able to tell what the ships were doing and advised that the pilots had a pretty good idea of what was going on; ship moves were only 2% down

from last year. Captain Thompson advised that \$300,000 at over 17,000 movements calculated to \$17.48 per inbound and outbound ship.

Following further discussion, Chairman Garcia asked the groups to meet to come up with a fair consensus, or options, to bring back to the committee to deliberate. Captain Thompson remarked he would be glad to meet with the groups and advised he should have the legal memo from the Houston Pilots' attorney within the next week.

Chairman Garcia received confirmation from Captain Gavis that the request for proposal responses would come back on August 19th. He suggested that the groups meet on August 10th at 3:00 p.m. for an initial meeting and schedule as many more meetings as needed within that week to form a consensus or multiple options on a short-term funding proposal to submit to Captain Gavis.

Mr. Eriksson asked if Captain Thompson would share his attorney's memo, to permit him to review it from the Pilot Board's point of view, and Captain Thompson affirmed he would.

Frank Ward, G2 Ocean, Operations Director, North America, raised a concern that it seemed like the burden would be solely on the carriers to fund everything. He requested the Pilot Board find an option that involved other users of the channel to assist with funding, as the carriers were currently paying a pilot fee and were not the only ones benefitting. Chairman Garcia commented that Mr. Ward's point was well taken and added that he had heard from several people in the room that others beyond the carriers needed to contribute.

Denise Schaefer, Odfjell USA Houston, Agency Manager, commented that the parcel chemical tankers were not present in the legislative process that moved the Pilot Board, and unfortunately the board was trying to "make lemonade out of lemons," by looking to industry to help figure out appropriate funding. She further noted while she appreciated being brought into the process, it was difficult as an owner and a carrier to hear yet again the suggestion of charging the carriers and owners. She explained that chemical tankers do not simply enter the port to go to one berth and leave; chemical tankers constantly move as they were not a set service but work depending on the business.

Ms. Schaefer further explained the process of her business and compared it to a "milkman," with constant movement as the tankers entered in and out of the port a great deal. She commented that the Port of Houston has the infrastructure, facilities, and manufacturers that it has because it is the petrochemical hub of this country, but with certain limitations the tankers must work with. She added there were a list of reasons why her firm's tankers could not shift from berth to berth to berth and come into the port and

exit the port and be done with business. With a fee, the Pilot Board might see the constant movement as five different calls, the chemical tankers would see it as one voyage. Ms. Schaefer noted that multiple fees would be a serious issue for chemical tankers regardless of how much the fee would be. Following further explanation, Ms. Schaefer advised that as a chemical tanker owner, her firm could not take on any more cost without significant opposition. Further discussion ensued regarding how “in and out” user fees would create multiple charges.

Bernt Netland, Intercontinental Terminals Company, President and Chief Executive Officer, commented that he did not understand why the cost of operations of the Pilot Board should be more than what it currently was or why the industry could not retain more or less the same cost as before. He noted that he was aware that fees go up and down and investigation matters may arise; however, that is no different than what it was today.

Mr. Netland advised that the money was already allocated in the Port Authority’s budget for the current operation, generated by its fees and revenues. He suggested that his first option would be to continue to use those funds for this operation as he believed that was the logical way to proceed.

He further noted any of the ships that were built today cost approximately \$80-\$120 million each (some of the smaller ships cost slightly less), and the maximum increase in review is approximately \$35 per ship per visit to the Houston Ship Channel; so in comparison to the big picture, matters were being made too complicated. Mr. Netland commented that he had great knowledge of the shipping business after working 25 years at the port and advised that everyone should work together to help the Pilot Board reach a solution. He suggested to have the Port Authority use its funds that have been already allocated for these matters in the past and rest of the money, based on the \$300,000, which would result in approximately \$7 to \$9 per ship.

Mr. Netland concluded by reiterating everyone should work together to reach a quick solution and move forward. Following brief discussion, Mr. Netland advised that the existing fees in the budget were the industry’s fees, as they “own” the Port Authority, a public port and a public operation that everyone contributed to and benefited from.

Mr. Eriksson commented to the inquiry as to why the cost of operation would be more than the “current” amount: the existing Port Authority budget did not reflect a full allocation for some of its costs. He added that the proposed budget was “overestimated” to address if and when revenues were collected. He reiterated that it was not the intention to expand the footprint of the Pilot Board but rather to properly reflect costs that were not completely shown in the Port Authority’s budget numbers.

Mr. Eriksson reminded those present that the separation was put in place following allegations of a conflict between the Port Authority's operation of its public terminals and Port Commissioners role as Pilot Board members, adding that he strenuously disagreed with that claim. Since the legislature made that separation, he thought the Port Commission would not think the suggestion that the Port Authority have an economic stake or contribute to the Pilot Board would be appropriate.

Vijay D'Cruz, Enterprise Products, Senior Vice President, Legal, commented that the Pilot Board was not born out of criticism of governance but rather out of purported conflict, or criticism of its independence: the independence of those who serve as both Pilot Board members and Port Commissioners, the splitting of two agencies, and not the independence or governance as a whole.

Mr. D'Cruz noted that he raised the issue as it would be relevant while considering the budget but added that the smaller the budget, the easier it would be for everyone.

Mr. D'Cruz continued that no one questioned the Pilot Board's governance of the pilots nor did anyone question the independence of the Pilot Board from the pilots. Instead, people questioned that Pilot Board commissioners, who determine safety and traffic, also served on the board of one of the market participants.

Mr. D'Cruz urged the committee to "pick a starving plate" when considering the budget and to aim for something and build something as he wanted the Pilot Board to succeed. He also noted there needed to be a short-term plan with a solution and remarked that any rational market participant would be opposed to an increase in operating costs and fees and concluded by urging the committee to push to resolve the issue.

Further discussion ensued on a short-term solution with terminals and interim funding, as well as discussion topics for the upcoming meeting with the various groups on Monday.

Mr. Aalund returned and commented that coming up with a consensus position was not an easy assignment. He shared that the good news was that the WGMA had tried to look at what was best for the industry, whether for its members or the industry as a whole. He noted he would be in attendance at the upcoming meeting of the various groups to hopefully "get the ball rolling" and further noted there would have to be a significant amount of sign offs before anyone could speak and actually commit to a new fee.

Mr. Aalund remarked that matters were headed in the right direction, and that he had answered several questions and addressed concerns raised regarding the budget to smooth things out. He recognized and acknowledged the difficult position the Pilot Board

was in and shared that everyone would work through the difficult task to come up with a fee that everyone was happy with.

Commissioner Hellyer commented that she understood how difficult the budget issue was and committed to keep the budget as conservative as possible.

Mr. Aalund respectfully suggested that an outside auditor or certified public accountant be included in the budget to conduct audited financials for transparency. Following a brief discussion, Commissioner Hellyer and Mr. Eriksson advised that a review and not a full audit would likely be acceptable. Chairman Garcia added that he thought the committee has done well with being transparent and conveying information as it was received. He also reiterated that the proposed \$300,000 budget was a fair estimate for planning purposes, that it was neither overly inflated nor as conservative as it could be. Chairman Garcia noted that annual audits would be conducted.

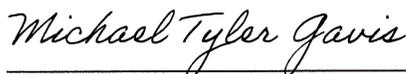
Chairman Garcia announced the next meeting would be August 20, 2020.

At 5:31 p.m. Chairman Garcia adjourned the meeting.

The above is a correct copy of the Minutes of the August 6, 2020 meeting of the Transition Committee of the Pilot Commissioners for Harris County.



Roland Garcia, Chairman



M. Tyler Gavis, Secretary