

**PORT OF GALVESTON
REQUEST FOR DISCUSSION AND
TRUSTEES ACTION**

**MINUTES
ITEM – B-2**

PREPARED BY: Michael J. Mierzwa Port Director October 13, 2016

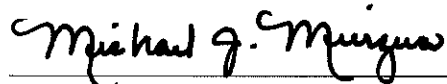
SUBJECT: Minutes – Goals & Objectives/Special Meeting of the Board of Trustees held Wednesday, October 12, 2016

BACKGROUND: Attached are the minutes from the Goals & Objectives/Special Meeting of the Board of Trustees held Wednesday, October 12, 2016.

ADDITIONAL INFORMATION ATTACHED: No _____ Yes x

RECOMMENDATIONS: Port staff respectively requests Board approval of the minutes from the Goals & Objectives/Special Meeting of the Board of Trustees held Wednesday, October 12, 2016.

Respectfully Submitted By:



Michael J. Mierzwa, Port Director

DATE ACTION TAKEN: _____

Approved: _____

Disapproved: _____

Deferred To: _____

Incorporated into Minutes: _____

Motion By: _____

Seconded By: _____

Unanimous: Yes _____ No _____

By: _____

**Minutes of the Goals & Objectives Meeting of the
Board of Trustees of the Galveston Wharves
Wednesday, October 12, 2016**

Minutes of the Goals & Objectives Meeting of the Board of Trustees of the Galveston Wharves held Wednesday, October 12, 2016, in the offices of the Port of Galveston on the 8th Floor of the Shearn Moody Plaza, 123 Rosenberg, Galveston, Texas.

Chairman Holland called the meeting to order at 8:30 a.m., Wednesday, October 12, 2016.

The Secretary to the Board called roll.

Presiding Officer: Benjamin F. Holland, Jr., Chairman, Board of Trustees

Present:	Chairman Benny Holland	Vice Chairman Albert P. Shannon
	Trustee Elizabeth Beeton	Trustee Richard D. DeVries
	Trustee E. L. "Ted" O'Rourke	Trustee Todd P. Sullivan
	Trustee/Mayor James D. Yarbrough	

Others:	Michael J. Mierzwa	Anthony P. Brown
	Peter Simons	John G. Peterlin, III
	Roger Quiroga	Mark Murchison
	Robert Pierce	Cristina Galego
	Sandy Sabatier	Susan Klima
	Jeff Thomas	Angie Ramirez
	Judy K. Esponge	

Visitors:	Jay Cromie	E. D. Werner
	Rodney Priestley	Xavier Zapata
	G. A. Arreazola	Henry Torres
	A. J. Greco	C. S. Orellana
	Sally Bakko	Walter Sendejas
	J. C. Curtis	Joe Rozier
	Mike Leahy	Glenn Bulgherini
	Brian Maxwell	Tom Holt
	Jeff Sjostrom	

The Board, Staff and Visitors recited the Pledge of Allegiance.

Chairman Holland called for the declaration of conflicts on today's agenda. No declarations were declared by the Trustees.

Chairman Holland called for Presentations and Announcements. No items were heard under this agenda item.

Chairman Holland called for discussion on the overall development of the Port of Galveston to include without limitation strategic planning, security, reconfiguration of facilities, acquisitions and disposition of Port property, and communication with governmental entities.

Chairman Holland used the Board Room wall map to explain the Port's history and showed the various areas of the Port, naming the Port's customers occupying those areas, from Pier 10 to Pier 40 to Pelican Island, and clarified how past and present Boards and staffs have displayed long-term vision and goals in working hard to make sure that the Port of Galveston, a niche port, continues to be the best port in the industry. The Chairman spoke passionately on the Port's mission to provide good paying middle-class jobs and benefits for the community, and to constantly improve and provide service to the Port's customers.

The Trustees voiced their comments, touching on obtaining possible tax-dollars from the City and from State funding, TXDOT possibilities, the City's Industrial Development Corporation funds, sales tax and any and all possible avenues to increase Port revenues. Trustee/Mayor Yarbrough added that in banking you match long-term assets with long-term liabilities, and noted that the Port is trying to fix long-term assets with current revenue. Trustee/Mayor Yarbrough stated that part of a Master Plan is a Finance Plan.

The Director of Finance, Mark Murchison, distributed and discussed with the Trustees a detailed 2016 Analysis of Revenue and Expense for the Port of Galveston Business Lines, a copy of which is made part of these minutes. Also attached as part of these minutes are the materials furnished to the Trustees in their notebooks, which were presented and discussed with the Trustees. All public comments were tape recorded and can be made available on request.

Chairman Holland stated that today the Board had great discussion and that he really appreciated the fact that everyone said what they believed. The Chairman continued, stating that he would like to have two more sessions on the Port's goals and objectives. The Chairman asked that Port staff gather all of the information discussed in this meeting, and then for the Board to sit down and decide what we have to do to keep the customers that we have, determine if the Port is getting the best bang for our bucks on those customers that we presently have, and decide whether or not there is a replacement for that customer if the Port wants to get rid of them and bring someone else in. Chairman Holland believed that all of this is very important. Once the Board has completed these things, then the Chairman wanted to have another meeting to talk about where the Port needs to go.

Chairman Holland referenced the Pelican Island Bridge coming onboard and questioned where the Port will get the money needed in connection with the bridge, and what the Port will do with the one hundred acres that we have on Pelican Island, and also other development down the road. Chairman Holland stated that he has mixed emotions.

The Chairman would love to see another cruise ship terminal, but the thing about the cruise ship terminal is that it is a one purpose facility, noting that all you can use the terminal for is cruise ships, and cruise ships only, and only for a couple of days a week. Chairman Holland continued, stating that God forbid that somebody would blow a cruise ship up and you would have all of your eggs in one basket. You have to look at all of those things, Chairman Holland stated. The Chairman stated that when you begin talking about long-term planning, the one thing to remember is that people continue to eat, so it is good to go after food products like bananas and grain, the things that people are going to eat and always buy. Other commodities change, and the way that those commodities are handled changes, so the Board needs to look at this also. The Trustees also need to look at the advantages that the Port of Galveston has as being a port of the closest dispatch to Cuba for food products, because the Port could run a liner service back and forth on a bi-weekly basis.

Chairman Holland continued, stating that these are the kinds of things the Trustees need to look at long range. Chairman Holland stated that if the Board had no objections, he would like to break discussions up into two meetings, and have the next meeting as soon as Port staff can get the information together and talk about the existing customers and whether or not the Port feels like they are advantageous to the Port, whether the Port is getting the best bang for our buck on them, whether or not the Port has someone to take their place, and if not and the Port wants to keep them, then what will it take to enhance their business and keep that customer here.

Trustee DeVries agreed that the information to be discussed by the Trustees should be broken up into two meetings, noting that he did not think the Board should rush through and do goals and objectives in an hour or hour and a half. Trustee DeVries noted that receiving the information as requested not only gives the Trustees employment figures for Galveston, but also Galveston County, which will be a player in this when we talk about Pelican Island Bridge, etc. Trustee DeVries stated that the Board has come this far, and they have received a lot of information to digest, and the Trustee would like to see the Trustees commit more time to this than just a couple of hours. Chairman Holland agreed.

Trustee O'Rourke stated that he believed that the funding issues will be ongoing discussions, and the Trustee wanted to commend Trustee Beeton on her attitude on helping the Port seek the funds needed as noted earlier in discussions, along with all of the different avenues available to the Port. Trustee O'Rourke also thanked Trustee/Mayor Yarbrough for recognizing the fact that the Port needs the funding. Trustee O'Rourke agreed that the Board has to take their time on this, and we need the long-term strategic plan.

Vice Chairman Shannon disagreed from the standpoint of funding. The Vice Chairman thought that funding needs to be a part of strategic planning, and that the Trustees need to identify all of the sources of funding and planning. It is very important that Port staff, on each one of the funding sources we identify, puts together a program or a task, to get in

front of each one of those sources and tell the Board what the Port's needs are, giving them specific needs so that they will know what we are looking for.

Trustee O'Rourke again stressed that these discussions will be ongoing because no matter what happens, whether or not the Port was able to get to whatever limit we get to on customers, we will still need the funding. Trustee O'Rourke stated that we will either need public-private partnerships, or whatever. The Port has never had funding before so it will be exciting if we can now get funding. Trustee O'Rourke stated that the Port must keep our bond rating up, and by getting the funding and doing the right things with the money, we can get the Port's bond rating up and that will make a big difference.

Trustee/Mayor Yarbrough agreed that this whole exercise will be a process. Over the next two meetings Trustee/Mayor Yarbrough thought that there would be breakout options to have more discussions on various components. To Trustee/Mayor Yarbrough, this will be an all year long exercise – all of 2017 will be focused on these issues. Number two, Trustee/Mayor Yarbrough continued, stating that anytime you take a critical look at your operation, and you say things wherein you may offend people and hurt people, and the Mayor stated that he would never do anything to hurt or cast a negative influence on Mike Mierzwa. Trustee/Mayor Yarbrough stated that if he has done that, then he certainly apologizes because he did not blame anybody for where we are. Trustee/Mayor Yarbrough explained that it is not a reflection on current management at all, it is a collective community issue on why we are where we are. Fortunately, the Trustee/Mayor continued, we have a Board that is willing to wrestle with that, and while everything may not be perfect, it will be a step in the right direction, and we may have some skeletons that we can begin to put meat on over time as circumstances and things change.

Trustee/Mayor Yarbrough asked the Board's permission to sit down with Mr. Mierzwa and maybe with City staff to look and see how we can push the strategic planning, because he thought we needed more than just ourselves to consider this strategic planning and then to come up with some options to present to the Trustees. Chairman Holland responded that there is nothing wrong with that, and anything that is good for the Port and the City he is in favor of. Trustee/Mayor Yarbrough stated that maybe he, Mr. Maxwell and Mr. Sjostrom can sit down with Mr. Mierzwa and his team and figure out how we can bring some recommendations back to the Board and at least nail some of the options down. Chairman Holland stated that that is a great idea and that he had no problems with that.

Mr. Mierzwa noted that the first two elements of the strategic planning is defining the Vision and Mission. The Port has had a general discussion on vision for the Port and noted that Port staff also had a mission in the notebooks under Tab 2. Mr. Mierzwa stated that he would like to know if the staff is on the right track with this Vision Statement, or if the Trustees would like to see something else there, or if we can talk about this at a future meeting.

Vice Chairman Shannon questioned the difference between a vision and a mission. Mr. Simons stated that the vision is where the Board sees the Port in the future. It is the goal

that we all should be working towards at a high level. All employees should be familiar with the vision and think about how and what it is that they do, sometimes not on a day to day basis, but certainly a couple of times a month - what it is that they do, and how what they do implements that vision.

Mr. Simons stated that the mission is really how you get to the vision statement – what you do on a little bit more than a day to day basis. The mission statement is very high level and very strategic, unlike the action plan, which appears in Tab 4 at the end of the materials, and is more of a day-to-day type or project/specific type approach.

The Deputy stated that vision is looking for the future and mission is how we get to that future state. Mr. Simons referenced the clarification in the notebooks as listed in the attachments to the minutes. Trustee Sullivan asked that we add that the Port always strives to have the best customer experience, which goes from the banana lines getting their cargoes in/off and out quickly to the cruisers having friendly faces from the staff – everybody from the Police Department directing everyone in and out, to the Island looking good, to the people working the bags, etc.

Chairman Holland stated that his thought is that a Vision Statement and a Mission Statement are great, but to the Chairman they are like a budget, and it can change in a minute. If a customer comes in and tells the Port that they want to do this, and it is not in our Mission Statement or Vision Statement, but it is a good customer who could bring in a lot of work and a lot of money to the Port, we will do it, whether it is in the mission or vision statement or not. The Trustees agreed. For example, say the Port's vision is to build a container terminal on Pelican Island when we get the new bridge, but if a customer comes in and says, wait a minute I have a better idea, and the Port feels like that idea will make the Port more money, we will do that. The Chairman thought that the Port should have an idea of where we want to go, and Chairman Holland hoped that his opening remarks was his vision – that he would like to see everything on the water depth of 40 ft. be developed into maritime industry cargo, and to do everything that we can to attract cargo to those particular facilities. To Chairman Holland, that should be the mission of the Port – to do whatever we can to develop the Port into a maritime industry, job creating business that generates revenue and jobs for the City. Chairman Holland stated that that is a mission statement for the Port. Chairman Holland stated that the people he represents want jobs that pay a descent wage, that give benefits and pensions, welfare and hospitalization, and that is what we can create on that 40 ft. of water, and that is the Chairman's mission – to generate whatever we can as far as maritime industry jobs along that 40 ft. of water. Chairman Holland stated that that should be the Port's number one mission.

Trustee Beeton questioned if that vision could be for jobs and a property tax base on City owned property. Chairman Holland responded to the extent that we can, yes, because we do that right now, referencing PISTI on Pelican Island and stating that that was one of the City's biggest tax sources. Trustee Beeton asked if the Chairman considered that to be a goal. The Chairman responded definitely – to use Port property to the best advantage that we have, and if it is one where we get revenue to create jobs and the ancillary taxes that come from that. Staff has prioritized the facilities that we have, and if that is the best use

for a property, then do it and put it in the tax base. Gulf Copper is another facility that pays taxes and creates jobs. Those are the things that the Port needs to do. The Port needs to get a combination, the Chairman stated, but we have to concentrate on jobs, and the Chairman believed that that is the main reason that the Port was developed.

Chairman Holland stated that he could remember way back when the one thing that they did with the Port was to create an industry that Galveston didn't have, and that is what the Port did, and at one point probably 80% of the people were touched by the Port in one way or another. Trustee Sullivan added that there has to be a profit motive because profit motives bring jobs. Chairman Holland agreed. Trustee DeVries believed that the mission statement has that right now – promote jobs and economic prosperity for the Port and the community.

Vice Chairman Shannon referenced the Port and an LNG facility for maybe not just jobs but for a huge tax base. So, the Vice Chairman stated, the definition of revenue may not be just jobs, but it may also be taxes. Trustee O'Rourke thought that there was still opportunity out there with Carnival going to the LNG ships in the future, and Trustee O'Rourke thought that Port staff was already looking towards that as a possible big piece of business on the Port's property on the north side of Pelican Island. Mr. Mierzwa stated that would be something that the Port has on its radar of potential customers to talk to, because the Port Director still believed that that is the best use of that property.

Trustee/Mayor Yarbrough stated that he did not want to get caught up in the nuances of vision/mission/goals, and thought that when the Board gets the goals a little more crystallized it will all come together and we will tweak things more, but thought that what has been generated was right on target.

Trustee Beeton stated that the goals that staff created are excellent. The goals are called the 2017 goals and wondered if Port staff could take the list and revise it down to what staff thinks is realistic to accomplish. One goal on the list was to conduct an orientation for Port staff and new Board members, and noted that we can go forward and do that right now. Mr. Simons agreed.

Trustee Beeton suggested that the meetings where the Trustees will be talking about long-term goals and objectives be videotaped, because she believed that the public is more interested in this topic than in the nuts and bolts of our regular monthly meetings. Mr. Mierzwa responded that staff will have the next meeting videotaped.

Trustee Beeton noted that another item to add to the Board's To-Do-List is to figure out what the Board's expectations are about when the Board will make decisions and when those decisions will be delegated to staff. Trustee Beeton stated that she called Mr. Mierzwa earlier in the week to say that she thought that the Board would be consulted before joining the lawsuit regarding the pilots, even if a Special Board Meeting had to be called. Mr. Mierzwa stated that he did not disagree, but noted that this is a subject for Executive Session. Trustee Beeton did say that if the Board did not want to have a workshop videotaped, then that would be ok with her too, if the Trustees would feel more comfortable.

Chairman Holland stated that this was the best of both worlds because today the Board work-shopped, and then if the next meeting is taped the Board will come back and actually discuss the Port's goals and objectives and what the Board plans to do, etc. All of that will then be on tape and the citizens will be able to see all of that along with who the customers are in each area of the Port, what the Port makes off of that business, and what jobs are created – they will receive all of that information, the Chairman stated.

Chairman Holland clarified that the Trustees will meet in two sessions. The next meeting will be about the existing customers – who they are, how much revenue we get off of those customers, how many jobs they create, whether or not there is anybody looking to take that spot if we got rid of them, what the Port would need to spend, if anything, to improve the lease and enhance the operation, and also how much taxes are paid. The first meeting will be on each one of the facilities that the Port has now. After all of that is decided, the Chairman continued, the Trustees will look at long-range – what we do with the Pelican Island Bridge, what we will do with the 100 acres and other things.

Trustee Beeton stated that we will establish some of the ground rules, adding that the Chairman will not get really mad about anything. Chairman Holland responded no, that he would not get mad at all, that he does not get mad, he just gets passionate! When your whole life is built around an industry, then you are passionate about that industry – everything that he and his family have come from that waterfront, and yes, the Chairman stated that he was very passionate about the waterfront and the people who work down there, and how passionate those people are about having a job that creates a good living and gives them health care and a pension. Unfortunately, the Chairman continued, stating that sometimes he gets overly passionate, and he apologizes for that! Trustee/Mayor Yarbrough stated that that is why the Chairman is here, and the Trustees need that.

Vice Chairman Shannon noted that the Mayor stated during the Economic Development Summit that the greatest asset that we have in Galveston is the Port. We have the beaches, but we do not own the beaches, but the City owns the Port.

After considerable discussion was heard, Chairman Holland announced that the Trustees were going into Executive Session pursuant to Texas Government Code

-Section 551.071 – Consultation with Attorney

- a. Seek or receive advice on legal claim asserted by an employee.
- b. Seek or receive advice on pending litigation and legal claims, including without limitation:
 1. No. 16CV1169; The Florida-Caribbean Cruise Association, et al v. The Board of Pilot commissioners for Galveston County Ports, et al; In the 405th District Court of Galveston County, Texas

-Section 551.074 – Personnel

- a. Deliberate the Appointment, Employment, Evaluation, Reassignment, or Duties of a Public Officer or Employee, Including Without Limitation the Port Director and Deputy Port Director

-Section 551.087 – Economic Development Negotiation

- a. Discuss Potential Business and Business Prospects as They Pertain to 2017 Goals

The time was 10:31 a.m., Wednesday, October 12, 2016.

Chairman Holland convened the Executive Session at 10:38 a.m., on Wednesday, October 12, 2016.

Chairman Holland adjourned the Executive Session at 12:15 p.m., on Wednesday, October 12, 2016.

Chairman Holland reconvened the meeting at 12.18 p.m., Wednesday, October 12, 2016 and called for the remainder of the business items.

E-2 Discuss and Consider Action Regarding No. 16CV1169; The Florida-Caribbean Cruise Association, et al v. The Board of Pilot Commissioners for Galveston County Ports, et al; In the 405th District Court of Galveston County, Texas: Trustee DeVries noted the importance of supporting the Port's customers and also the importance of working with the Pilot's Association, who has been very good to work with on the cruise business and the commercial industries. Trustee DeVries noted that there has been a much better relationship over the last four or five years, and that he would like to continue that relationship, but noted that the cruise business is the Port's major source of income, and that the Port was asked to join in this lawsuit to further review the rate increase, *and Trustee DeVries moved for approval as discussed in Executive Session, as long as this action does not cost the Port any legal funds or any other expense in order to proceed with that action. Motion was seconded by Trustee O'Rourke and carried, with Trustee Sullivan opposed.*

E-3 Discuss and Consider Appointment of Port Director: *Chairman Holland noted that this item will be tabled until the October 17th Regular Monthly Meeting of the Board of Trustees.*

E-4 Discuss and Consider Approval of 2017 Goals and Objectives: *Chairman Holland noted that this item will be tabled until the next Goals & Objectives Meeting.*

Chairman Holland called for comments from the Board of Trustees.


Vice Chairman Shannon stated that this was a great meeting with a lot of good ideas passed around. The Vice Chairman also reminded the Port Director to follow up on getting the newly updated photo of the Port on the Board Room wall. Mr. Mierzwa responded that Port staff is working with Robert Mihovil to get this project done.

Trustee DeVries reminded Port staff to schedule an open reception/ribbon cutting to showcase the Cruise Terminal 2 renovations. Trustee DeVries stated that he probably was the most disagreeable/argumentative Trustee with Mr. Mierzwa, but noted that he has always had a good working relationship with Mike. Mike has done a great job, Trustee DeVries stated, and he hated to see him go, but he certainly was happy that he was able to retire, and the Trustee wished that he could!

Chairman Holland stated that this has been a good meeting and said that if his passion made the Trustees think that he was angry, he was sorry, and he apologized! Chairman Holland thought that it was good that we all vented and talked about what we think about this port, and that we care about the port, and that makes the Chairman happy. Chairman Holland was happy that everyone cared about the Port being successful, and that says a lot for all, and he appreciated that.

Chairman Holland stated that the next meeting of the Board of Trustees will be held on Monday, October 17, 2016 at 9:15 a.m. in the Port's offices. The Finance Committee Meeting will precede the Regular Monthly Meeting at 8:30 a.m. on October 17th in the Port's offices.

Chairman Holland called for a motion to adjourn. On the motion of Trustee Beeton, and the second of Vice Chairman Shannon, Goals & Objectives Meeting of the Board of Trustees stood adjourned at 12:23 p.m., Wednesday, October 12, 2016.



Judy K. Esponge, Secretary
Board of Trustees of the Galveston Wharves