

Remarks by

**John Reed**, *Vice Chairman*  
Brownsville Navigation District

With

**Sergio Tito Lopez**, *Secretary*

**Ralph Cowen**, *Commissioner*

**Carlos Masso**, *Commissioner*

and

**Eduardo A. Campirano**  
*Port Director and CEO*

**Vice Chairman Reed**

Good afternoon and welcome everyone.

Thank you for the kind introduction Eddie, and my congratulations to you and your entire staff for the excellent accommodations made for our guests here today. Please, join me in a round of applause in recognition to those working behind the scenes, not just today, but every day. Thank you all!

To the point: the state of the Port of Brownsville is strong and getting stronger!

As evidence, I offer two critical measures of success. Total Operating Revenue and tonnage. For the fiscal year ended December 31, 2017, the port set new standards of excellence by surpassing the \$20 million in total operating revenue threshold for the first time ever and in the process, moving more cargo than ever before.

Not only did the port exceed the \$20 million threshold in annual revenues, it did it in a convincing way, reaching nearly \$24 million in unaudited total revenue. That exceeds the previous high water mark set in 2015 by more than \$4 million.

On the annual tonnage side of the business – the volume of cargo handled by port customers – we topped 10.3 million short tons and set a new record in the process. Thanks to everyone contributing to these new yardsticks of success.

As we gather here today to celebrate these accomplishments, let's not fall victim to what former Fed Chairman Alan Greenspan famously called "irrational exuberance" when describing stock market investors before the *dot-com* bust. It may not always be this

good, so let's enjoy it, but keep working even harder. Yes, these are indeed well-earned records, but none of us, specifically the Port of Brownsville, can afford to rest on its laurels. What are we doing to accelerate this momentum, and what should you expect next year, over the near horizon and beyond? That's what we're here to discuss.

As a commission, we are applying the lessons of the past to our future, to establish a more precise path to success. And there are certain things we can do now to be ready for tomorrow.

Key among them is planning for sustainable change. Benjamin Franklin said, "When you're finished changing, you're finished." Just because we have always done things in a certain way, doesn't mean there's not room for improvement, aimed at advancing the everyday lives of those living in Cameron County and the Rio Grande Valley. And that is what we intend to.

So let's take a moment to pat ourselves on the back for having a great year. But at the same time, expect growth to bring change – real change.

Quickly, let's review some of the key events of 2017 that gets us to where we are today.

In January of last year, we moved! Not the port of course, but our administrative offices were temporarily relocated to accommodate the expansion of our business office and administrative campus. We're nearing completion of the new and renovated buildings now, and expect to be in the new facilities in June. Our home is still 1000 Foust Road. And as the date grows closer, you will receive an invitation for the grand reopening. For the first time ever, we will offer a public room, commission chambers and convenient consolidated offices for customers and constituents alike.

Other recent improvements include the launch of the port's new redesigned website in February 2017.

The new website is an improvement from the previous version and features a cleaner and more visually impactful design, providing visitors greater detail and information about the port. It also features enhanced content for marketing, media relations and public information. The new site also includes information about the Brownsville Navigation District Board of Commissioners,

meeting agendas and minutes, and important contact information. And for its effort, port staff received the prestigious 2018 AVA Gold Digital Award. AVA Digital Awards is an international competition recognizing excellence by creative professionals responsible for the planning, concept, direction, design and production of digital communications, like the port's new website. Congratulations team.

In March, construction began on new Liquid Cargo Dock 6. To put that into perspective, the last new liquid cargo dock was completed in September 1995 – Liquid Cargo Dock 5 (almost 23 years ago).

The new dock is scheduled for completion in January 2019 and features a 1,345 foot-long bulkhead and a 312 foot-long dock structure, with an impressive 50 foot draft. The new dock is expected to cost \$24.4 million and will be a valuable addition for our growing liquid cargo business – capable of accommodating both ocean-going barges and ships.

Also in March, we welcomed CSC Sugar to the port family of companies. CSC is one of the largest importers and exporters of refined sugar to and from North America, and has already hired more than 35 local employees to fill positions for warehousemen, forklift drivers and packaging equipment operators. CSC operates as Sugaright here at the port. Welcome to Brownsville!

In April, West Plains LLC received its first grain of the season (and the port's first shipment in more than seven years) with the arrival of 109 rail cars of corn from Nebraska. West Plains entered into an agreement with the port in 2016 to restore and operate our iconic grain elevator, with capacity to store three million bushels of grain. Since restoration efforts began, West Plains has invested more than \$7 million and expects to invest another \$13 million for dock improvements and equipment. Soon, West Plains will be ready to receive up to 220 rail cars monthly. What a great addition to the port community.

In May, more than two years after shutting down operations, the former Esco Marine Inc. ship recycling yard resumed operations under new ownership and with a new name: SteelCoast. Along with them, the port welcomes 245 new jobs. Welcome home SteelCoast, you mean a lot to Brownsville. Good to have you back!

In June, with the twirl of a windmill, the lights went on. The Port of Brownsville played an important logistical role in Acciona Energy's continued expansion in the U.S. with the inauguration of the San Roman Wind Farm in Los Fresnos. Acciona utilized the port to deliver and store 42 complete windmill towers, consisting of 378 components destined for the project. We're seeing more and more wind projects shipped through the port, and this is a good thing on so many levels.

June was a busy month at the port. Honolulu-based Pasha Hawaii announced the selection of Keppel AmFELS for the construction of two containerships, with an option to order two additional vessels. Delivery of the first vessel is expected in the first quarter of 2020, while the second vessel will be delivered in the third quarter of the same year. The contracts are worth \$400 million to Keppel, creating 700 local well-paying jobs. The new U.S. Jones Act vessels will carry 2,525 TEUs and utilize Keppel's proprietary LNG propulsion technology, resulting in less air emissions and better fuel efficiency. Nicely done Keppel AmFELS.

The *USS Independence* completed its final voyage of 16,000 miles after arriving at the Port of Brownsville from Bremerton, Washington in June. ISL won the Navy bid to recycle the 60,000-ton vessel, the last of the *Forrestal*-class of "supercarriers" to arrive at the port. This is the third vessel of its kind to be recycled by the company, which is part of the EMR Group. The *Independence* was home to tens of thousands of veterans throughout its 39-years of service, until it was decommissioned in 1998. Rest in peace, old friend.

Also in June, Texan Cement began operations in the renovated Luma Building, now emblazoned with the bold Texan Cement logo. The new company received its first ship at the port on June 14, delivering 25,000 metric tons of Turkish portland cement. This growing enterprise supplies many of the Valley's ready-mix concrete vendors, which means less expensive building materials, further fueling the area's appetite for growth. Welcome to the neighborhood Texan Cement!

In July, the Texas Shrimp Association kicked off its annual Gulf shrimp season with the traditional Blessing of the Fleet at the Port of Brownsville Fishing Harbor. Father Mark Watters delivered a powerful sermon and asked those gathered at the ceremony to pray for a bountiful harvest this season and for the well-being of all shrimpers while they are out at sea. Among those present at the event were port officials, local shrimpers and representatives from the Texas Department of Agriculture. Shrimping is big business in Brownsville, and we're proud you call our port your home.

July also witnessed a preemptive exercise to coordinate and assess our preparedness in the event of a security incident. The United States Coast Guard Sector Corpus Christi, alongside the Port of Brownsville and other federal, state and local agencies, conducted an Area Maritime Security Training and Exercise Program table-top exercise in Brownsville. This exercise, held at Keppel AmFELS facilities, brought together more than 20 federal, state and local law enforcement and emergency management partner agencies in addition to regulated oil, natural gas, and chemical facilities to test the South Texas Area Maritime Security Plan. Thanks to all of those folks, we're prepared in the face of an emergency. Thanks to everyone who protects us all when we show up for work.

August saw the launch of the port's newest marketing and communications tool, the 2017 Port of Brownsville Directory, a comprehensive annual guide featuring in-depth articles, facts and details about the port and related industries. The 82-page publication includes a detailed 8-page map of the port's facilities highlighting tenants, docks, sheds, patios and other important assets. The business directory contains almost 300 local, regional, state, national and international businesses listed in 63 different categories. And, I'm pleased to report, our inaugural directory is winner of the 2017 Platinum MarCom Award for government publications. Congrats to our communications team! And many thanks to our advertisers, too.

Later in the month, the BND took an important step demonstrating regional collaboration by signing an MOU with the Mission Economic Development Corporation to collaborate on international trade opportunities with Mexico and other development projects. Through this alliance, both entities will work to connect and grow business between the Mission Business Park and the Port of Brownsville. This effort was subsequently followed with similar MOUs with the Cameron County Bridge System and Pharr Bridge, all promoting international economic development. We are the Valley's port, and we mean to lead the region to economic prosperity.

But as August drew to a close, Cameron County and the Port of Brownsville exhaled a sigh of relief while other Texans were literally in the eye of the storm. Hurricane Harvey, first thought to have sights on our fair city, passed us by on August 25th, making landfall north of us near Port Aransas as a Category 4 storm. Our port was as ready as it could be. Many lives were lost in the wake of the storm, and many more continue to struggle with recovery from Harvey. This serves as a constant reminder of the power of nature, and the will of God. And it's worth noting, that during this disaster, the Port of

Brownsville is the only Port in Texas that remained open and unharmed by the storm. We were, and continue to be very fortunate. Our hearts go out to those not so fortunate.

In September, we played host to National Truck Driver Appreciation Week, an annual weeklong recognition of professional truck drivers who deliver America's freight safely and securely every day. Each year during National Truck Driver Appreciation Week, truck drivers entering the port receive tokens of appreciation from co-sponsors like International Shipbreaking Ltd., Cameron County Regional Mobility Authority and the port. According to the American Trucking Association, there are more than 3.5 million professional truck drivers nationwide. We salute you.

In October, port staff received word that it had again earned the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association. The Certificate of Achievement is the highest form of recognition in government accounting and financial reporting, and its attainment represents a significant accomplishment. This is the sixth consecutive year the District has received this award, and I congratulate our dedicated Finance Department and its leadership. Very impressive team!

By November, we received word that Foreign Trade Zone No. 62 - the port's FTZ - again ranks second in the nation for the value of exports in 2016, according to the U.S. Foreign-Trade Zones Board's annual report to Congress. The port's FTZ reported more than \$2.8 billion in exported goods in 2016. Additionally, FTZ No. 62 ranked 25th nationally for the value of imports totaling more than \$2.5 billion. The Port of Brownsville FTZ has consistently ranked in the top five nationally since 2012, and this marks the second time in a row it achieved the nation's number two spot.

And as the year came to an end, on December 28, 2017, Chairman Wood signed the final paperwork with Union Pacific Railroad to officially culminate a 44-year project to improve the region's economic vitality, environment and social benefits by relocating two outdated railroad switchyards from downtown Brownsville to areas closer to the Port of Brownsville. The benefit to regional residents is fewer railroad crossings. The advantage to the port is greater efficiencies for its growing number of railroad customers with increased volumes and speed of service.

Now rail customers of the port and Union Pacific routinely partner with the Rio Grande International Railway to move tens of thousands of rail cars annually throughout the United States and into Mexico.

Now, clearly, there were many other noteworthy events in 2017 for the port. These are just a few highlights. But these events and milestones demonstrate a very busy, productive and rewarding year.

Of course, among the key areas of interest in today's report is the port's operating and financial performance.

Each of my fellow commissioners will follow with comments outlining important events and achievements contributing to what has already been described as a record year for both revenue and tonnage. And, while we're confident to acknowledge these records, they remain unofficial, subject to the final annual audit.

Until then, let's take a look at the numbers and how they stack up.

First, tonnage:

A comparative look back for the 10 years beginning in 2008 shows that tonnage has grown from nearly 6.9 million short tons then, to 10.3 million short tons for the period ending December 31, 2017.

For the same period, total operating revenues have grown from \$12,825,999 in 2008 to \$12,712 shy of \$24 million in 2017. If that number stands, it represents a new revenue record of \$4 million more than the port's previous best year in Fiscal Year 2015, when we reported \$19.9 million in total operating revenues. Even if we remove the Extraordinary Income earned from Valley Crossing Pipeline's one-time payment of \$1.5 million in 2017, that still proves a strong performance in 2017 by reaching \$22,487,288.

Ship traffic excelled too, in 2017. In Fiscal Year 2016, we had a good year, reaching total vessel traffic of 1,091. In 2017, we reached 1,317 vessels calling on the port - a 21 percent increase. More vessels, more cargo and more jobs.

These strong results are made possible by principled financial programing and prudent management. And, with the good fortune of some excellent timing and advanced preparation to take advantage of some very profitable opportunities, 2017 is indeed a banner year.

Looking ahead - 2018 - should represent a transformational period of growth, not just for the port, but for the Valley as a whole. With the possibility of three LNG liquefaction export facilities approaching their final investment decisions; and with Big River Steel (known also locally as Project America) nearing an expansion decision to add a new facility at the port; together, these opportunities represent pivotal changes in the Valley's fortune with potentially explosive job and wage earning growth to help create

career opportunities for our eager young people and deserving workforce.

And these industries will likely attract other industries, adding to the resulting positive economic impacts for perhaps generations.

But, a vital part of the port business is deciding who we do business with. And this commission, with deliberate concern for this community, awaits the decisions of state and federal agencies responsible for authorizing these projects.

But, if affirmative decisions are made supporting the advancement of these projects, 2018 could be a turning point for the port and the Valley. Like you, we wait.

We've got another big project on the not too distant horizon, and I'd like to ask Commissioner and BND Secretary Sergio Tito Lopez to fill us in.

### **Secretary Lopez**

Thank you Vice Chairman Reed.

To support the Port of Brownsville's continued growth, efforts began nearly 12 years ago to deepen the port's ship channel. The draft - or depth - of the ship channel is our most important asset.

By way of example, think of channel depth like the length of an airport runway. The longer the runway, the bigger the aircraft landing or taking off at the airport, which translates into more passengers and cargo.

With seaports, the deeper the channel, the bigger the ships. The bigger the ships, the more cargo they carry and conversely, the more jobs created to support cargo activities.

According to a National Oceanic and Atmospheric Administration (NOAA) study released just last year, a single additional inch of draft allows a bulk grain ship to move 179 more tons of cargo on a ship serving the port, valued at an additional \$30,000. Or a ship carrying John Deer tractors for example, could move 36 more tractors valued at \$2.4 million - with just one more inch of draft.

But the Port of Brownsville plans to deepen its channel from 42 feet to 52 feet - 10 feet deeper! With that much more additional draft, the cost savings for shipping goods across the world's oceans to and from Brownsville achieve a much greater value proposition for shippers and receivers alike. The economies of scale become staggering. And the biggest winners are workers. Deeper draft will be a job driver, attracting new customers and types of shipping to the port.

The U.S. Army Corps of Engineers and the U.S. Congress have both authorized the project, which is well into the permitting phase now.

The Corps of Engineers long ago recognized the value the Port of Brownsville offers the U.S. offshore oil business, with the number and size of rigs designed, built and delivered from the port. The additional proposed draft makes that industry more sustainable, while making possible the attraction of other industries and shippers, leading to even more jobs.

Dredging, or digging a hole in the ocean, can be frustrating and is expensive. Preliminary Corps of Engineers estimates put the project number at more than \$200 million. To modernize our existing docks to accommodate the deeper draft, add almost another \$60 million.

So, you see, the cost is challenging, especially for an emerging port like Brownsville. But we are seeking the participation of third-party partnerships to accelerate construction, seeking future federal reimbursement.

As we move through the final permitting efforts, which, by the way are daunting, we are on a parallel path to secure funding and begin the project as soon as possible.

How soon? It's difficult to predict, but it's much closer at hand with a higher probability of success than we previously imagined. Project commencement could be within a five year event horizon, or sooner.

A lot has to happen to make that a reality, but we have momentum and a good team in place to get the job done. We'll keep you posted.

### **Vice Chairman Reed**

Secretary Lopez, thank for the update - very interesting.

Another high visibility project underway in the Valley has a lot of people asking questions. Here to help us better understand that project, is Commissioner Carlos Masso.

### **Commissioner Masso**

Thank you Vice Chairman Reed.

If, like me, you drive often throughout the Valley, you've noticed a lot of construction paralleling Highways 77 and 48. Valley Crossing Pipeline is a massive \$1.5 billion project, intended to support the delivery of cleaner burning natural gas to Mexico's electric power plants. The project began construction in April 2017 and is rapidly progressing.

To be clear, this is a natural gas pipeline, not a liquefied natural gas pipeline.

Originating in Agua Dulce near Corpus Christi, the 168 mile-long pipeline makes its way to the Port of Brownsville, where we play a vital logistics role in the project. Pipeline contractors and subcontractors have leased sizeable amounts of port property to stage

pipe and materials for the project, which is estimated to reach peak employment in Cameron County with 1,250 to 1,500 construction workers this year.

The Port of Brownsville has already received about 80 miles of pipe for the project, along with hundreds of thousands of timber mats used to protect sensitive environmental areas during construction. With an in-service date of October 2018, the pipeline portion of the project is moving quickly, but timed to coincide with the completion of the southern-most compressor station.

Construction of a compressor station on port property is also underway, and is north of Highway 48 across from the Keppel AmFELS facility.

There, the pipeline diameter is reduced from 48 inches to 42 inches, where the gas will be re-compressed by a 96,560 horsepower unit, for the final journey to Mexico.

About 12 miles offshore, where U.S. and Mexico international waters meet, the Valley Crossing Pipeline will join the Sur de Texas-Tuxpan Pipeline, also currently under construction.

As the Valley Crossing Pipeline makes its way through Cameron County, it will be a magnet for economic development, providing new industry reliable and affordable energy options, not previously available here.

And what does the pipeline mean to the port? Aside from new revenue earned from dockage, wharfage and land leases already banked - and longer-term revenue earned from extended land leases and easements - more broadly, it means the region can attract, construct and compete for projects of this scope and scale, and perhaps larger. It's a huge infrastructure win for the Valley and a positive demonstration of regional functional competence.

And, because the project is on time and on budget, other projects are observing the success of Valley Crossing Pipeline, which may mean more future revenue for the region and even more jobs for the Valley.

None of this, however, would have been possible without the Port of Brownsville. And we're just scratching the surface. Stay tuned for future developments!

#### **Vice Chairman Reed**

Commissioner Masso, thank you. Your report provides a lot of good information.

Now, please welcome Commissioner Ralph Cowen to report on a new and high profile development at the port.

#### **Commissioner Cowen**

As mentioned earlier, the port's administrative staff moved to temporary quarters in January 2017 within the Keppel AmFELS complex, while the port's old offices were renovated and expanded. Simply put, we had outgrown our old offices and frankly, just worn them out.

The first pod of the old building was constructed in 1973 and consisted of about 7,000 square-feet. Stylish and iconic for its time, the old offices were simple and utilitarian in form and function. As the port grew, so did the demand for more office space, so in 1983 a second pod was added, essentially doubling the port's office space to about 14,000 square-feet.

More growth followed, and in 2015, a decision was made to expand the offices again. This time however, by remodeling the two existing pods, adding a third; and building a new office just north of Foust Road to accommodate a truck permitting office and proper records facility.

The repurposed offices have been completely gutted, retrofitted and cost-effectively modernized to accommodate current and future communications and technology demands, providing a few extra buckle holes in the belt for future growth. Our employees should find their new home comfortable, while serving the needs of our customers.

New to the office campus is a third pod, which includes a commission chamber and public room - both in great demand for many years. The pod's simple design solutions are intended to satisfy the needs of the public for meeting space, and features a special area to preserve our past with historic maritime memorabilia and port photos - old and new alike. It will be a place where Brownsville Navigation District constituents, customers, tenants and guests will feel comfortably at home. The new pod adds 7,000 more square-feet to the main office campus, with a soon-to-be total of 21,000 square-feet upon completion.

Those familiar with the old office may find the new facility different in another important way. The old backdoor is the building's new front door. The new building's main entrance will be easy to find, by simply following the two overarching eyebrow architectural features on the east side of the building. There, guests will enter the new reception area, flanked on opposing sides with the commission chamber and the hall of history.

Well-known and respected Brownsville Architect Roberto J. Ruiz is the design expert selected by the commission to oversee the project, with ZIWA Corporation winning a

competitive bid to construct the project, estimated to cost about \$7.2 million. Substantial completion is expected by May 15, followed by an anticipated move-in date of June 15. Later in 2018 - on either Veterans Day or Memorial Day - plans are underway to dedicate a special area within the footprint of the new campus, recognizing the port's long role in U.S. Navy and U.S. Maritime Administration ship recycling efforts - the largest such efforts in the nation. More about that later.

We are all looking forward to getting back to our own place, where we can continue the good work of the port for years to come.

#### **Vice Chairman Reed**

Thank you Commissioner Cowen. We agree. We want to get back to our home, too.

Now, you've heard from each of us, and in review, it's apparent that 2017 was a very eventful and good year.

We congratulate all of our customers, port tenants and users, who all contributed to these important financial and operating records. And congratulations to our employees, who also contributed to these new milestones. We appreciate you one and all.

Thanks too, to everyone who helped make today's event successful. And with that, I return the lectern to Mr. Campirano.

#### **Mr. Campirano**

Thank you Vice Chairman Reed, and members of the Brownsville Navigation District. This brings to a conclusion today's activities and we thank you for your attendance and participation. We will post the remarks of today's program on the port's website at portofbrownsville.com. And we invite you to reference that new information, along with the other content on our website. And, as you leave, we also have copies of our award-winning 2017 port directory for you, too.

Members of the staff will be available to answer any questions you may have, and I invite you to seek us out.

If you have to leave us now, I remind you to drive carefully, and look forward to seeing you at the dedication of the port's new office complex in June. Until then, thank you and good afternoon. ■

**PORT OF  
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