



IMPORTANT BOND ELECTION INFORMATION

ELECTION DAY: MAY 5, 2018

EARLY VOTING: APRIL 23 - MAY 1, 2018



On May 5, 2018, residents in the Port Freeport Navigation District will vote on Proposition A, a \$130 million bond package, which will support the Freeport Harbor Channel Improvement Project to deepen the channel from its current depth of 45 feet to a maximum level of 55 feet at its deepest point.

The package is intended to be accomplished without an increase in the Port's total tax rate of \$0.0401.

This project, when complete, will allow larger ships to access the port. This is expected to increase the Port's capacity and its customer base, enabling the Port to market itself to a wider range of global vessels and potentially attract new liner services.

Enclosed is background information about the Bond Election and the Freeport Harbor Channel Improvement Project.

BOND ELECTION KEY FACTS

\$130M
BOND PACKAGE

DEEPENS CHANNEL
TO 55 FEET

NO INTENDED TAX
RATE INCREASE

Freeport Harbor Channel Improvement Project

The Freeport Harbor Channel Improvement Project is a \$295 million federal cost-shared project that was authorized by Congress in 2014. It consists of the deepening and partial widening of the Freeport Harbor Channel and related navigation improvements. Federal investment for project construction is expected to total \$165 million upon completion. Port Freeport's commitment to this project is \$130 million, the amount of the bond package that is on the May 5 ballot.

The Freeport Harbor Channel was deepened to its current depth of 45 feet in the early 1990s. The Freeport Harbor Channel Improvement Project will further deepen the channel to authorized depths of 51-55 feet, making Port Freeport the deepest port in Texas and opening the state to larger ships.

The project also includes enhancements to the upper turning basin, selective widening of the channel and lower channel bend easing, making it safer for modern ships to navigate.

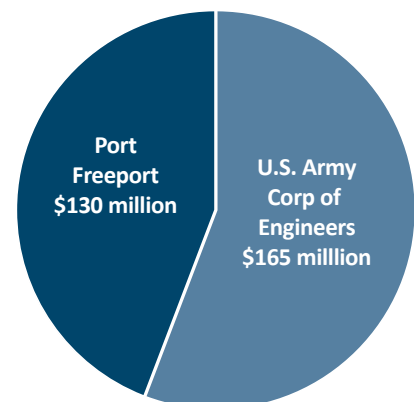


Project Funding

More than half of the Freeport Harbor Channel Improvement Project is expected to be paid with federal funds, with approximately \$165 million to be provided by the U.S. Army Corp of Engineers.

Again, Port Freeport's commitment to this project is \$130 million, the amount of the bond package that is on the May 5 ballot.

**Total Cost to Construct
\$295 Million**



How is Port Freeport able to issue bonds without a total tax rate increase?

The bond package is intended to be accomplished without an increase in the Port's total tax rate of \$0.0401.

The current total tax rate of \$0.0401, reduced 20 percent since 2011, includes approximately three cents directed to Maintenance and Operations (M&O) and one cent dedicated to debt service to retire debt.

Maintaining the Port's current total tax rate is possible because of the following:

- The bonds for the Freeport Harbor Channel Improvement Project will be issued over several years in multiple series as work on the channel progresses and as new value from expiring industry tax abatements is added to the tax roll.
- A previous tax-supported bond issue will be fully repaid in 2019, creating additional capacity within the existing tax rate.
- A larger portion of the current rate can be directed to debt service and less to M&O. The Port Freeport Commission anticipates directing approximately three cents to debt service and one cent to M&O.

Port Freeport's Current Tax Rate - \$0.0401

Maintenance and Operations (M&O)* – 3 cents



Debt Services** – 1 cent



*M&O – Annual operating expenses

** Debt Service – Annual principal and interest for voter-approved bonds

Proposed Tax Rate with Bond Package - \$0.0401

Maintenance and Operations (M&O)* – 1 cent



Debt Services** – 3 cents



Navigation District Resident Tax Exemptions

Multiple Port-approved tax exemptions are available to residents.

At the Port's current tax rate of \$0.0401:

Homestead – 20 percent exemption

Navigation District residents with a mean home value of \$155,000 claiming a homestead exemption, pay \$49 per year or \$4 per month.

Over 65, veterans or disabled – \$100,000 exemption

Navigation District residents with a mean home value of \$155,000 claiming a homestead exemption and the over 65, veterans or disabled exemption, pay \$9 per year or \$0.75 per month. Any of these residents with a home value of \$125,000 or less, pay no tax to Port Freeport.

20%
EXEMPTION

\$100,000
EXEMPTION

FREQUENTLY ASKED QUESTIONS

What is the purpose of the \$130 million bond package for Port Freeport?

A federal cost-shared project to deepen and partially widen the Channel has been authorized by Congress. The voters are being asked to authorize the Port to issue ad valorem tax bonds to fund the local sponsor share of the Freeport Harbor Channel Improvement Project. The ballot language and bond resolution clearly state it is “for the purpose of improving, constructing or developing the Freeport Harbor Channel Improvement Project.”

Why is the bond package on the ballot?

Port Freeport is seeking voter approval to issue tax-supported bonds to fund the \$130 million local sponsor share of the \$295 million cost to construct the Freeport Harbor Channel Improvement Project. The federal government share is estimated to be \$165 million. Ad valorem tax bonds require voter approval.

Will Port Freeport be able to accommodate larger vessels with the completion of the Freeport Harbor Channel Improvement Project?

The current channel, at a depth of 45 feet, is not designed to handle the larger global vessels that are in service today. The new generation of vessels that carry more cargo require deeper water and expanded areas for navigation. Deepening the Freeport Harbor Channel to 55 feet, making it the deepest in Texas, will enable Port Freeport to market the Port to a wider range of global vessels, including those that now transit the expanded Panama Canal.

Will more jobs be available at Port Freeport with the Freeport Harbor Channel Improvement Project?

The Freeport Harbor Channel has been deepened several times throughout its history to facilitate reliable movement of commerce, which has supported commercial and industrial expansion in Brazoria County and created new employment opportunities. Many companies located here in the area, including BASF, The Dow Chemical Company, Freeport LNG and Phillips 66, use marine transportation to move their products globally. A 2016 study by the Texas A&M Transportation Institute determined the Freeport Harbor Channel is impacting more than 126,000 jobs. Having a deeper channel designed for a wider range of global vessels expands marketing opportunities to attract new business to the Port and supports more employment in many areas, including International Longshoremen, stevedores, truckers and businesses providing supplies, fuel, maintenance and more.

For more information, FAQs and voting locations, visit www.portfreeportbondelection.com.

Learn more about Port Freeport at www.portfreeport.com.

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Key Dates:

- Last day to register to vote: April 5, 2018
- Early voting: April 23-May 1, 2018
- Mail-in ballots: Requested by April 24, 2018
- Election Day: May 5, 2018