



## **FREEPORT HARBOR CHANNEL IMPROVEMENT PROJECT**

### **Bond Package and Tax Rate Information**

**PROPOSITION A (Bond Package) APPROVED - May 2018**



On May 5, 2018, voters in the Port Freeport Navigation District approved 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 46 feet to a maximum level of 56 feet mean lower low water at its deepest point.

The package can 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, the Freeport Harbor Channel Improvement Project, and the Tax Rate.

### **BOND ELECTION KEY FACTS**

**\$130M**  
BOND PACKAGE

**DEEPENS  
CHANNEL TO  
56 FEET**

**NO TAX RATE  
INCREASE  
NEEDED**

## 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 approved on the May 5 ballot.

The Freeport Harbor Channel was deepened to its current depth of 46 feet in the early 1990s. The Freeport Harbor Channel Improvement Project will further deepen the channel to authorized depths of 51-56 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.

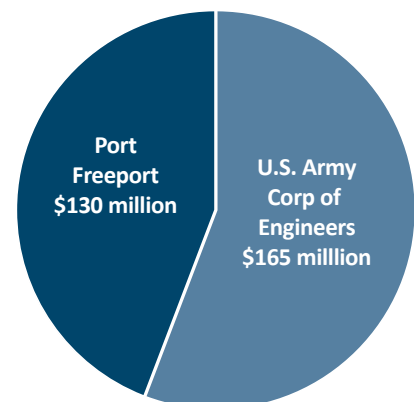


## Project Funding

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 approved 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 can be accomplished without an increase in the Port's total tax rate of \$0.0401.

The current total tax rate of \$0.0401, reduced 25 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 2018 Tax Rate - \$0.0401

(Port Commission approved September 10, 2018)

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



#### Debt Service\*\* – 1 cent



\*M&O – Annual operating expenses

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

### Future Tax Rate with Bond Package - \$0.0401

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



#### Debt Service\*\* – 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.

### 65 and Older or Disabled – Additional \$150,000 exemption\*

Navigation District residents with a home value of \$187,500 or less claiming a Homestead exemption and the 65 and Older or Disabled exemption, pay no tax to Port Freeport.

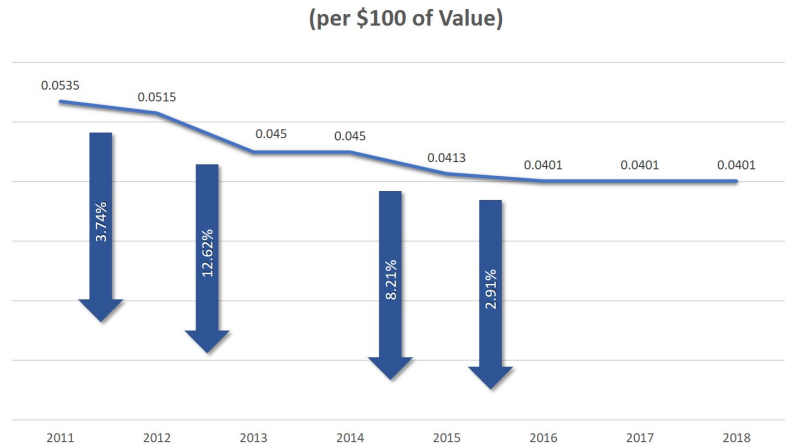
**20%**  
**EXEMPTION**

**\$150,000**  
**EXEMPTION**

\*Port Commission approved August 23, 2018

# Port Freeport Tax Rate History

Reduced 25% Since 2011



## 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 authorized 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 stated it is "for the purpose of improving, constructing or developing the Freeport Harbor Channel Improvement Project."

### 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 46 feet, is not designed to handle the larger global vessels that are in service today. The new generation of vessels carrying more cargo require deeper water and expanded areas for navigation. Deepening the Freeport Harbor Channel to 56 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.

### How is the depth of the Freeport Harbor Channel measured by the U.S. Army Corps of Engineers?

Previously, the Galveston District of the U.S. Army Corps of Engineers used Mean Low Tide (MLT) as its vertical measurement for navigation projects. Recently, the internationally recognized Mean Lower Low Water (MLLW) has become the new standard of measure. MLLW is the average minimum tidal depth likely to be encountered by maritime operators. The Freeport Harbor Channel Improvement Project will deepen the channel from its current depth of 46 feet to a maximum level of 56 feet mean lower low water at its deepest point.

For more information and FAQs, visit  
[www.portfreeportbondelection.com](http://www.portfreeportbondelection.com).

Learn more about Port Freeport at  
[www.portfreeport.com](http://www.portfreeport.com).

#### Contact Information:

Lauren McCormick  
Port Freeport Public Affairs Manager  
[mccormick@portfreeport.com](mailto:mccormick@portfreeport.com)  
979-233-2667, ext. 4306