

Minutes of the Regular Meeting of the Board of Commissioners of the Lake Charles Harbor and Terminal District held at 5:00 P.M., Monday, March 26, 2018 in the Boardroom of the Port of Lake Charles located at 1611 West Sallier St., Lake Charles, Louisiana.

In attendance and constituting a quorum, were:

Dudley R. Dixon, President
Michael G. Eason, Vice President
John LeBlanc, Secretary/Treasurer
David J. Darbone, Commissioner
Elcie J. Guillory, Assistant Secretary/Treasurer
Thomas L. Lorenzi, Commissioner
Carl J. Krielow, Commissioner

Absent:

None

Also Present:

Bill Rase, Executive Director
Richert Self, Deputy Executive Director/Director of Administration and Finance
Michael Dees, General Counsel
Jon Ringo, Assistant General Counsel
Donald Brinkman, Director of Security/Engineering, Maintenance and Development
Channing Hayden, Director of Navigation
Todd Henderson, Director of Operations
Dan Loughney, Director of Marketing and Trade Development
Therrance Chretien, Operations Manager
Michelle Bolen, Executive Administrative Assistant

Mr. Dixon called the meeting to order at 5:00 P.M. and asked Mr. LeBlanc to give the invocation. Mr. Eason led the Board and audience in the Pledge of Allegiance.

Mr. Dixon asked if there was any public comment regarding any items on the agenda. He stated no one wished to address the Board. Mr. Tom Flanagan arrived late and a speaker's card was presented to address the Board by his staff.

- 1. Approval of the February 26, 2018 Regular Meeting Minutes.

Mr. Eason offered a motion to approve the February 26, 2018 Regular Meeting Minutes. Mr. LeBlanc seconded the motion and it carried unanimously.

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2. Submission 2018 –005 accepting the responses of the Compliance Questionnaire.
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Mr. Darbone offered a motion to adopt Resolution 2018 – 005 to accept the responses of the Compliance Questionnaire. Mr. Guillory seconded the motion and it carried unanimously.

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3. February 2018 Financials Briefing Note
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The February 2018 Financials Briefing Note was rendered to the Board and is on file in the Executive Offices.

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4. USDA Cargo Bid Process Briefing Note
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The USDA Cargo Bid Process Briefing Note was rendered to the Board and is on file in the Executive Offices.

Mr. Therrance Chretien presented the USDA Cargo Bid Process presentation to the Board. It is included with the minutes.

After the presentation, Mr. Chretien asked if anyone had any questions. Mr. Krielow asked Mr. Chretien with regard to the stevedoring rate, on each bid he fluctuates the price and negotiates with the stevedoring company. He asked what range had they fluctuated on their price on stevedoring side? Mr. Chretien stated he does not negotiate stevedoring rates – only on the commodity side. The Port includes their receiving rate with the stevedore on the Port's contract on the commodity side. They do not have anything involved with the stevedore rate. Mr. Krielow stated he misunderstood. He thought it was said that each time they got with the stevedoring company and come up with a rate, it fluctuates on each tender. Mr. Chretien stated that it was on the commodity side. The stevedore can change their rate each tender, but he does not know the rate they bid.

Mr. Rase stated they looked at rates from \$20.00 - \$26.00. The lowest he has ever heard at the Port was \$19.00 and that was 12 – 15 years ago. So, \$20 – \$26 seems to be a reasonable number. The difference really is the time in port. It is production that makes the difference, not the rate. They looked at the \$20.00 rate which only changes the rate a few tenths of a percentage. It does not change it very much. Six dollars is a difference, but the percentage of the overall bid is under a half of a percent of changing that number. It is looked at for the impact it has on the bid that is really the question. They know, pretty much, what JacintoPort is bidding. They change their bid every time too; but, the fact that their time in port is pretty much about 30% less than our time is where the issue is for this Port.

Mr. Krielow stated the biggest cost, naturally, is the ocean carrier side of it. Mr. Rase said it was also the cost of the commodity. Mr. Krielow said yes, absolutely, the cost of the commodity is getting the commodity price and it is relatively the same price. In that case, if the stevedoring company has a different relationship with an ocean carrier, it could make a difference in possibly what the rate that that ocean carrier would bid as a non-landed cost. Mr. Chretien stated that was correct.

Mr. Eason asked if, in the chart from 2014 – 2017, it looks like in Lake Charles, the Port gets about 28% more in breakbulk cargo and 45% more than Beaumont was correct. Mr. Rase stated it was, for today. He said he has seen a big change in the movement where this Port's advantage used to be rice. It looks like there may be some movement in that, because more of that is going in containers, for number one. Number two, the ship's cost to two-ports a ship has continued to get higher and higher. The ship has more ability to move. If it has 10,000 tons of product in Houston to pick up and only 5,000 to pick up here, it will consider moving the tons from here to Houston and they will pay the differential. And/or if to only bid Houston, then the USDA is actually the one that moves the cargo. The shippers have actually figured out a way to get to move cargo without them having to bear the cost. That is getting to be bothersome on how they can do that. For these numbers of years, the graph speaks for itself.

Mr. Warshaw replied to Mr. Eason stating that specifically regarding the ocean rate, those bids are not published and cannot be obtained through a Freedom of Information Act (FOIA). It is really hard to compare bids when they only see the award and not all the bids. It is impossible to say how much they lose a bid by, when all they see is the award.

Mr. Eason stated he was just questioning his calculator. Looking at it, they have a 3-year period. Another competitive market exists. A shrinking market as he understands it, with containers picking up more of it. It looks like they have approximately 40% of the work being given between the three ports in the last three years.

Mr. Rase stated he agreed with that. He has seen a bit of a change. Where the Port used to use rice as the main advantage that may be changing because of the way the lines have started to work the USDA bid process.

Mr. Krielow, asked a question for Mr. Rase. He wanted to be sure they were not getting off message. He knows that this information is helpful and is very informative. But, he wants to be sure everyone understands, the Board passed a directional policy for competitive free trade, not only at City Docks, but at the Port of Lake Charles at the January meeting. He wants to be sure they are not getting issues confused here by bringing forth this breakbulk information with USDA and missing the message that the intent of the Business Committee's recommendation and the policy that was passed, was to open a competitive free trade, not only at City Docks, but at the Port of Lake Charles. That is what the policy stated. He asked if they were still on track with that and the timeline they discussed in February about getting it implemented over the next year, since the current stevedore company has gotten a year extension on their contract.

Mr. Rase stated he did not think they were getting off track. He believes everyone should understand how the process works. The only way to speak to seven commissioners at one

time is at a public meeting. He would like to take 2 or 3 of these meetings and make sure everyone has all the facts. Then they can decide what is competitive and what is not. He knows they said competitive and open. Those are terms that they used. He is not sure what competitive means. To him, it means putting the Port in the best position to move forward. They will do this in a year's time and will decide at the August meeting, which he had stated in the previous meeting. They would have all the facts and go out for whatever they are going to do in the August timeframe. That is a board decision. It is not his decision.

Mr. Krielow stated that, again, they passed this policy and Mr. Rase's position should be to implement that policy.

Mr. Rase stated it was.

Mr. Krielow stated they have had this discussion. They have beaten the horse to death. They had the November meeting, which was quite extensive, the January Business Committee meeting and January board meeting where they actually passed the Resolution before the board. The board is here to set the policy, the directional policy of the Port. That is their duty under the statute. Mr. Rase's duty is to carry out the policy. The only way it is going to work is if it is given a fair chance. He wants to be sure they are not getting off into the mud, so to speak, and that they miss the schedule that they set forth to get this policy implemented.

Mr. LeBlanc stated to Mr. Krielow, that if they are going to go about doing what the Committee recommended, they have to have the actual facts. First of all, some of the things the Committee brought forth were not factual. Until they get the complete facts of what the Committee has brought forth and totally understand what the actual true facts are versus what was stated at a public meeting that were not factual, the Board needs to have some kind of dialog so they can open it up to the Committee, not just to the Committee but to the Commissioners so they all understand what the facts are. If they move forward on some of the data that was brought forth by the Committee, they are moving on some bad information. First and foremost, he does believe they have a plan set forth. They should move forward with it. But, they ought to move forward with the right information. Not just with some information where they say the things at a Committee meeting and took it for fact - where they did not go to staff and get all of the actual information, all the actual data. He does not want to move forward on something that is actually going to hurt them at the end. If they continue to move forward in this process, they are going to do some things that will put some stumbling blocks in front of them that will cause some issues.

Mr. Darbone stated he agreed with getting more data. One of the pieces of data is the next Business meeting that he proposes to have. That will be to get the stevedores involved and to get information from them on how to be able to make a good competitive situation.

Mr. LeBlanc stated he thought Mr. Darbone was wrong because what they are still doing right now is still acting on information that is not accurate.

Mr. Darbone stated he thought that was the idea of getting all of the data, so that they could take a look at everything. The next step is to get information from them that actually

contributes to what their goal is, which is to make a good competitive dock, looking at all of the data and what makes it work.

Mr. LeBlanc asked that they should look at accurate data. Is that what Mr. Darbone is saying? Mr. Darbone replied that they should look at all the data and that should be information from all the stevedores to determine what they feel they can do to get more cargo here.

Mr. Krielow said the recommendation that came forth, and there was a lot of data that Mr. LeBlanc may feel that was inaccurate, and there is probably some skewed data that came from the staff side too because there is not a move to want to go this way, but where they ultimately ended up was just to open it up to competitiveness. If you are in a competitive environment, business will seek its own course. You have multiple stevedoring companies that can put a bid out and it is not just the USDA bid, and USDA is what brought this topic to the top. The Port needs to set the procedures and policies that they need to operate under and that is what they instructed in their policy, was to have a competitive openness with the stevedores and for the staff to develop the policy and procedures to implement it. If you have a situation where someone does not perform, it is not the Port not performing, it will be the stevedore company and business will take care of that. Businesses will quit using that stevedore.

Mr. LeBlanc stated businesses will quit using the Port of Lake Charles at that point and that has happened in the past. Mr. Krielow stated businesses deal with the stevedore, not the Port. Mr. LeBlanc stated Mr. Krielow was misrepresenting him. He said businesses quit using the Port of Lake Charles in some instances because of poor stevedoring performance. That is a fact. The second thing is, again, they are going to use some data that was brought forth, which was not fact checked. They did not do due diligence on it. Some of the information and statements that were made at public meetings and the Committee meetings were inaccurate and they want to go off that inaccurate information to move forward on being competitive. He thinks they are setting themselves up for failure at that point. They should have all the correct data. Once the data is collected, they take a look at it, then they make an informative decision going forward. He does not think they should continue down the road just because the Committee said these things, that this is what it is. They had staff take a look some of the information and some of it was inaccurate. The biggest order ought to be is to make sure they have accurate information before they start moving down the road in another direction.

Mr. Eason stated it was important that any information that is given from a data standpoint, the sources need to be cited as to where that data came from. Again, there are sources in virtually any data that you want to look for. He wants to make sure that we are using sources that are reliable and independent that they can operate in an intelligent manner.

Mr. Dixon suggested that the Business Committee meet and see if they can get all of the data talked about as accurate as possible and go from there. He does not want anyone to get mad. Mr. LeBlanc stated he just wants to get the correct data.

Mr. Dixon stated he agreed. He does not want anyone mad. This board needs to work together and make the Port the best it can be. He said they need to go ahead and just unload this right now to the Business Committee and if they agree to this right now, they need to just

end this part of this discussion. Mr. LeBlanc agreed. Mr. Darbone agreed and stated they will keep moving as they gather all the information. Once they gather all the information from everyone they want, they will put it on the table. Mr. Dixon said they could check the timeline but it is their Committee and they would do as Mr. Darbone suggests.

Mr. Guillory asked if everything would come before the Commission from the Committee. Mr. Dixon stated it would. Mr. Guillory said that right now they were beating a dead horse.

Mr. Dixon stated Mr. Tom Flanagan submitted a speaker's card late. He asked him to address the Board.

Mr. Flanagan, stated he came to talk about competition, but in light of this discussion, he did not want to muddy the waters today if his comments were better suited for a later date or if they were invited to speak to present information to the Committee. He was thinking he should defer his comments unless the Board felt differently.

Mr. Flanagan stated he does have some things to say, and has a lot to say that hopefully the Commissioners will consider, but whenever they are ready and under the proper forum.

Mr. Darbone stated that when their Committee meets, they will open the floor and Mr. Flanagan can give input then and can talk about different ways he thinks he can improve the situation at City Docks. Mr. Flanagan stated that this year his company has been in business for 120 years. He has been working the Lake Charles Docks since 1975 and knows that the Commission wants to get to the right decisions and all that. He has heard the issue of getting the facts. He agrees with that. He said it was very important – but the real facts. Whenever he can be of service, he would be glad to.

Mr. Rase stated specifically to Mr. Krielow, that he was not trying to derail the process. He is trying to make sure everyone understands the process and how a port works. He knows everyone here are not really port people and the Commission needs to know how a port works and how it achieves cargo for the Port. This is not an attempt to derail the policy. As far as the schedule goes, it is a schedule. He thought it was given to him after the Committee meeting. He did not know it was entered into the record. If it was, then that is fine, but he did not know it was. He did speak to Mr. Darbone during the briefings and said they were behind and were trying to make sure everyone had all of the facts before they move forward. However, he still intends that in the August meeting or prior to the August meeting, or in the July meeting, if that is where they come, that they all make a decision, not so much the staff, but all the Commission makes a decision on how to move forward. That is what he intends to do.

Mr. Krielow asked that as that time goes on, staff will continue to develop policies and procedures to implement as they laid out. Mr. Rase stated they have looked at their policy and they know what they have. They want to make sure what they do improves the competitive situation. He does not think they want to lessen their competitive situation. All of City Docks is open today to anything except the bag business. It is open to anyone that wants to bring a hundred pounds of donuts through here or anyone who wants to bring 10,000 TVs through here. It is open. Each stevedore can bring in a business. As stated at the last meeting, they have only had one instance where - or no instance where they have had a stevedore direct

cargo to them and they have about 5 or 6 stevedores. The competitiveness is going to be based on, if it is based on any cargo out there, it is open today. It has been open for five years.

Mr. Krielow stated that except if ADM or Supreme wants to deliver here, it is limited to one stevedore company.

Mr. Rase stated that particular piece of business is limited and there are reasons why it is. If it is competitive to not be limited, that is ok. But there are different issues that have to be addressed when it is not going to be the way it is. They have tried the "not" over time and decided this was the best way to go. This is something the Commission voted on. The Commission will vote on it again. He is not trying to derail the project. He just wants to make sure what they vote on is what they know and is available for information. They can collect data. That is not the issue. The issue is he does not think they should be rushed into making that decision. They will make the decision. He stated previously that August would be the time to make that decision. He said that whatever they are going to do and does not know what they are going to do today, as far as the bid process of opening it up to everyone or what direction are they going to go. He did not think that had been determined. Staff has some information that might be valuable in considering that. What they did today had nothing to do with trying to derail the thing. He thought there were several Commissioners that did not understand how the cargo gets bid and thinks that is an important piece. They are going to do the same thing for commercial cargo. How does it get bid? They can take it a few steps further. If he could take each one of them and bring them into a meeting and explain how they do things, he would like to do that. But, the fact is they would have to break it into three meetings and he does not think they would get the full understanding when they do that. This is just a start of a process, not the end of a process. It has nothing to do with the current stevedore, those that might want to stevedore or those that might just want to pick up the cargo that is already here. It has nothing to do with that. It has to do with how they get cargo. They need to look at how they get commercial cargo also. That is a valid item for people to know about.

Mr. Eason stated the presentation was a request by him. He does not know all the moving parts to a bid. He knows there is stevedoring, ocean freight and trucking and commodities costs. He is the one who asked Mr. Rase to explain all the moving parts so he can understand where the costs are, understand how a bid is actually put together and what they have control of and what they do not. He made the request for all the Commissioners. There are a few new Commissioners and he has been here five years now and he did not understand all the moving parts and this was extremely helpful to him.

Mr. Lorenzi agreed and asked if he could have a couple of additional examples that were successful and a couple that were not successful, rather than just have one stand-alone that was successful. It would help to better understand the competitiveness.

Mr. Rase agreed and said he wanted to get the correct information out and it is hard with the USDA. They will follow as many of these as they can. Mr. Lorenzi said they did not have to be all at the same time. Mr. Rase stated that as they pick them off, they will give them to him.

That was no problem. Mr. Lorenzi stated he understands about history, but his personal preference would be for things more current as far as additional examples.

Mr. LeBlanc appreciated the information brought forth and liked the idea of continuing to bring the information forth so the whole Commission understands it all at the same time. He does not want to break it up into groups of two or three because people tend to hear things they want to hear. He would like it to be brought forth to the whole Commission just like it is now. Anytime they bring something before, when they explain something, he would like it in a public meeting where everyone can understand what is going on and not broken up into several groups. Going forward, if they are to bring information, he would like it to be in front of the whole Commission.

Mr. Dixon thanked Mr. Chretien for giving the presentation.

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- 5. Update of Beneficial Use of Dredged Material Potential Marsh Creation Sites Briefing Note
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The Update of Beneficial Use of Dredged Material Potential Marsh Creation Sites Briefing Note was rendered to the Board and is on file in the Executive Offices.

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- 6. Monthly Staff report from Deputy Executive Director/Finance and Administration.
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The Deputy Executive Director/Administration and Finance's Monthly Staff Report was rendered to the Board and is on file in the Executive Offices.

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- 7. Monthly Staff report from Director of Navigation.
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The Director of Navigation and Security's Monthly Staff Report was rendered to the Board and is on file in the Executive Offices.

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- 8. Monthly Staff report from Director of Operations.
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The Director of Operations' Monthly Staff Report was rendered to the Board and is on file in the Executive Offices.

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- 9. Monthly Staff report from Director of Marketing and Trade Development.
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The Director of Marketing and Trade Development's Monthly Staff Report was rendered to the Board and is on file in the Executive Offices.

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10. Monthly Staff report from Director of Engineering, Maintenance, and Development and Security.
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The Director of Engineering, Maintenance, and Development and Security's Monthly Staff Report was rendered to the Board and is on file in the Executive Offices.

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11. Monthly Staff report from the State Port Lobbyist.
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The State Port Lobbyist's Monthly Staff Report was rendered to the Board and is on file in the Executive Offices.

Mr. Ringo spoke to the Board regarding some Bills that the Port is keeping an eye on to see if they pass.

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12. Executive Session
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Mr. Dixon asked for a motion and second to enter into Executive Session. Mr. Krielow offered a motion to enter into Executive Session. Mr. Eason seconded the motion and it carried unanimously. The Board entered into Executive Session at 6:03 p.m.

- Suit against the Port of Lake Charles – Suit No. 2013-001091-14th JDC, State of LA.
- Suit against the Port of Lake Charles – Suit No. 2014-004268-14th JDC, State of LA.
- IFG Port Holding, LLC vs LCHTD – Case: 2:16-cv-00146 U S District Court, Western District of Louisiana, Lake Charles Division.
- LCHTD vs IFG Port Holding, LLC – Case: 2:16-cv-00785 U S District Court, Western District of Louisiana, Lake Charles Division

The Board returned from Executive Session and entered into Regular Session at 6:20 p.m.

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13. Other Matters which may properly come before the Board.

There being no further business to come before the Board, Mr. Dixon asked for a motion to adjourn. Mr. Eason offered a motion to adjourn. Mr. Guillory seconded the motion and it carried unanimously. The meeting adjourned at 6:21 p.m.

All discussions held on the above items were recorded using the FTR Gold program, and saved on the District's main file server in the District's office.

Please note that when the votes are shown as unanimous, it is the policy of the Board that the President does not vote except in the event of a tie vote by the rest of the Board and/or unless otherwise indicated.

DUDLEY R. DIXON, President

ATTEST:

JOHN L. LEBLANC, Secretary/ Treasurer