

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, November 19, 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:

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

Absent:

Michael G. Eason, President

Also Present:

Bill Rase, Executive Director
Richert Self, Deputy Executive Director/Director of Administration and Finance
Jon Ringo, Assistant General Counsel
Donald Brinkman, Director of Security/Engineering, Maintenance and Development
Dan Loughney, Director of Marketing and Trade Development
Regan Brown, Assistant Director of Navigation
Michelle Bolen, Executive Administrative Assistant

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

Mr. LeBlanc asked if there were any public comments regarding any items on the agenda. Mr. Russ Gregg asked to speak regarding the Pelorus agenda item. Mayor Hunter asked to speak regarding the CEA with the City of Lake Charles agenda item.

- 1. Approval of the October 22, 2018 Regular Meeting Minutes.

Mr. Guillory offered a motion to approve the October 22, 2018 Regular Meeting Minutes. Mr. Krielow seconded the motion and it carried unanimously.

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2. Submission 2018 – 035 accepting the lowest responsive bid of Alfred Palma, LLC in the amount of \$1,132,971 for the base bid for the Shiploader Improvements at BT-1.
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Mr. Rase stated this item is for the petroleum coke shiploader at BT-1, which is one of the Port's newer pieces of equipment. It was install around 2000 – 2001. It is time to do some heavy maintenance to it in order to keep it operating and functioning the way it should. They went out for bids. This bid is a little higher than the Port's engineering estimate, but that had to do with the amount of time that the Port could allow for them to complete the work. Their window between ships was pretty narrow because the Port does not want to give up the business they are doing at BT-1 in order to make the repair. It would jeopardize CITGO and Phillips66 in their operations.

It is a little higher than what the engineer estimated, but it is still under budget and he thinks they should move forward with the repairs.

Mr. Dixon offered a motion to adopt Resolution 2018 – 035 to accept the lowest responsive bid of Alfred Palma, LLC in the amount of \$1,132,971 for the base bid for the Shiploader Improvements at BT-1. Mr. Lorenzi seconded the motion and it carried unanimously.

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3. Submission 2018 – 036 approving the NOAA PORTS® Operations and Maintenance Agreement.
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Mr. Rase stated this is a CEA with NOAA. After Hurricane Rita there was money available to install, along the ship channel, different monitoring systems that helped in the navigation of the ship channel. From Cameron Parish up to City Docks, there are some sensors for current and depth. There is also an air gap sensor that is on the 210 bridge that allows the vessels and pilots to know what the clearance under the bridge is at that time. It is time to renew this agreement. There has not been a cost to the Port at this time. He does not know about the future, but they have arranged for the pilots to work with the Port and collect a small fee from each vessel in order to maintain these. Of course, if there is a catastrophic outage where three, four or five of them get taken out all at the same time that would be a different story. To keep the PORTS® system in place, they have to have CEA and an agreement with NOAA to do so.

Mr. Guillory offered a motion to adopt Resolution 2018 – 036 to approve the NOAA PORTS® Operations and Maintenance Agreement. Mr. Dixon seconded the motion and it carried unanimously.

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4. Submission 2018 – 037 authorizing an easement agreement with Stream Family Limited Partnership for the DA7 marsh Creation Project.
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Mr. Rase said several meetings ago they appropriated \$4 million to look at a marsh creation project where they are taking existing state bodies that only have a foot or two of water in them and going in and building levees. They then pump the dredge spoil into those sites. Those would be commercially available as well as to the Port. This creation is DA7 and they had to wire a piece of property that gives them the right to dump on that property from the Stream family. For \$100,000 the Port secured those rights as well as covering the Stream family expense of an attorney. Once the marsh is created, they can only go about one foot above standard tide level. Once it is created then it will remain marsh for the rest of its existence. The only thing the Stream family can do with their commercial bank is use it for credits against other property in the area. This is a reasonable submission to get this property to put dredge material into it.

Mr. Darbone offered a motion to adopt Resolution 2018 – 037 to authorize an easement agreement with Stream Family Limited Partnership for the DA7 marsh Creation Project. Mr. Lorenzi seconded the motion.

Mr. LeBlanc asked if this was part of the DMMP process. Mr. Rase replied that DA7 is part of the DMMP, but this is an area that up to today has not been identified as part of the DMMP. Mr. LeBlanc asked how many acres is it total. He was told it was 130 acres.

Mr. Rase stated there are about four sites along the channel that they are interested in. This is just one of the four.

The motion carried unanimously.

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5. Submission 2018 – 038 authorizing a Lease Agreement with Pelorus Terminals, LLC.
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Mr. Leblanc called upon Mr. Russ Gregg, Pelorus Terminals, LLC, to address the Board.

Mr. Gregg thanked the Board for the opportunity to address them. This has been a multi-year journey to move one of the local business members here who has positions in Houston that they use to access global markets. Mr. Gregg stated he spent a lot of time with them and in concert with Mr. Brinkman’s team on looking at the economic advantage of moving that business, that Houston position, into the Lake Charles position.

They have been successful in that. This is the final component, to bring the lease agreement here to start the project. The project is a pretty extensive project with a long-term lease

associated with it and a substantial investment from their client. That is where they are with the lease, as the Board sees it, as of this afternoon, with the younger Mr. Dees helping them working on it. There a few little loose ends. After they work through those loose ends, they should have a lease that will move them forward.

They do have a sense of urgency attached to this lease agreement. The timeframe for that client to move out of the Houston market, some of it has eroded away. They are attempting to get the lease in front of the Commissioners here and move it to that 99% of the full approval method and then tighten up the loose ends with the counsel group so they can position themselves to actually start some site work in early December, with the start construction date in January. The goal is to have the terminal in service by the end of 2019 or early 2020. That is critical for his client as well. They have elapsed a couple of months here, which is normal, but they are at that extremist point where a couple of two or three weeks could make a big difference right now. He is asking the Board for consideration.

Mr. Krielow stated he had a question with regard to the resolution, but not from the speaker.

Mr. Rase stated the submission before them is for the Pelorus project. It would take up about 4 acres of City Dock property. For that, the Port would get a return from a lease payment and also will have dockage on vessels that call. It looks to be a vessel a month. That would be good business for the Port. Staff thinks it is a good situation for the Port. It is a long term, 40 year contract. This is the type of business this Port is going to have a chance at getting. It is local business. It is something he thinks they need to really focus on to keep the Port as viable as it is today, just like they do with the rice business and BT-1 and the bulk business. Most of all of that is generated from local industry. They are looking forward to a relationship with Pelorus that will keep that business local.

Mr. Dixon offered a motion to adopt Resolution 2018 – 038 to authorize a Lease Agreement with Pelorus Terminals, LLC. Mr. Darbone seconded the motion.

Mr. Krielow stated he spoke to Messrs. Dees, Ringo and Rase with regard to the wording in the resolution. He 100% understands staff needs the flexibility in negotiating the final terms and conditions of the lease and working out all of the finite details. But, the fact that it could eventually be a 40 year lease, to him, the way the resolution is worded is it kind of leaves the door open for a future Executive Director and Counsel to have the flexibility to change terms and conditions of the lease that they deem appropriate without having to come back to the Board. Not having a final resolution, a fix on how on how they would word the resolution, would it be possible to say, "Once you finalize your negotiations that the lease comes back for ratification to this Board?"

Mr. Leblanc asked if that would encumber Pelorus' process coming out to start. If it had to come back before the Board for a final approval on the final agreement... Mr. Gregg said it has the potential, just because of the timeline, where they are with the evolution of the environmental studies. Right now is a super critical time for them to get into position to be able to mobilize their construction equipment and to start the site prep work and eventually migrate into start construction in early January. The permit system is lined up. He believes they really have, but cannot speak for Counsel, but as of this afternoon, he did not really see

any issues. In fact they were on a conference call with the General Counsel of the client and the Vice President, who has the signatory authority on it. Everyone has collaborated so far. They are just a couple of weeks shy on maybe crossing all the T's and dotting all the I's. There are no substantial disagreements.

Mr. Ringo stated he feels like there are two separate issues here. One is what do they do with this particular lease with Pelorus and the second issue is more of a policy issue as to how much authority does the Board give the staff and what sort of leeway or discretion will staff have in working out these final details. On this issue with Pelorus, they are 99.9% done. What they are talking about now is wording of some liability insurance coverage requirements and other minor issues. The way these lease negotiations work, typically, with a tenant, not necessarily Pelorus, staff will draft a lease and send to the potential client. They will review it and send back some edits. Staff will decide on those edits and it will go back to the client. Maybe another level up will review it and edit it some more. It comes back to the Port. He does not think, in his experience, these issues are not the terms and conditions as presented in the Submission. They are not talking about the length of the lease, the rent to be paid or the throughput to be charged. These are maybe not boiler plate, but some of the added language that goes into the lease about insurance requirements, service access servitudes and things like that that are negotiated among the attorneys.

Mr. Ringo said the Port has reached out to some other ports. The Port of New Orleans drafts their resolutions very similar to ours where there is discretion given to the staff. The Port of Baton Rouge verbally told him they do the same. From a policy perspective, the Board, when it comes to these leases, whatever authority staff has comes from the Board. The Board has to decide from a policy perspective what kind of authority they want staff to have. In his opinion, practically, they need that ability to negotiate these leases.

Mr. Krielow stated that he is not questioning that. He totally agrees with him. What he is talking about is when the final lease is done and it is a 40 year lease, ten years from now there may be a different Executive Director and Legal Counsel and certainly a different Board, and his concern is it is kind of loosely worded where it gives the authority to the Executive Director and General Counsel to do whatever they deem necessary with this lease. So, sometime in the future, if they deem they want to change this lease to some other terms, they do not have to come back to the Board.

Mr. Rase said he did not think that is the case at all. Once the lease is signed, that will be the lease.

Mr. Krielow asked Mr. Ringo if he does not think this resolution opens the door for the possibility once this lease is signed for a future Director and Legal Counsel to alter it without it coming back to the Board.

Mr. Ringo replied that it does not. That would be an amendment of the lease and a long-term deal is beyond the Executive Director's authority of one year. They would have to have Board approval to make that change. Mr. Ringo said that going forward, they could work on tightening up on some of that language. Mr. Krielow said that was fine. Mr. Lorenzi said you could start by using the initial terms. Mr. Ringo said that might work.

Mr. Ringo said he thinks he understands the issue and they can solve that problem.

Mr. LeBlanc said that if you sign the lease and in order to change the lease agreement, a 40 year agreement, if you go in there twenty years from now and the Executive Director say that they are going to give them a better deal to keep them here another twenty years, they would have to go and amend that lease to be able to do it and that would have to come before the Board before they could amend that lease at that point in time because the Executive Director and General Counsel do not have the authority to amend it. Mr. Ringo agreed.

Mr. Krielow said Mr. Ringo sees where he is coming from and if he would work on that he is comfortable with it.

The motion carried unanimously.

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6. Submission 2018 – 039 authorizing the Executive Director to enter into a Cooperative Endeavor Agreement with the City of Lake Charles to provide for a development project on the Lakefront .
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Mr. LeBlanc recognized Lake Charles Mayor Nic Hunter to address the Board.

Mayor Hunter stated he also had Kimberly Delafosse and John Cardone, City Administrators with him.

He stated that this CEA is for a project that is an absolute perfect fit for a partnership between the City of Lake Charles and multiple other entities, including the Port of Lake Charles. The City of Lake Charles would not be what it is today, both from an economic standpoint and community standpoint, if it was not for the history of the Port of Lake Charles. Anytime that he visits with economic leaders on a state level, when they ask him what the major issue for the City of Lake Charles for them to maintain this momentum, he replies that it is the ship channel every chance he gets. Maintenance of that ship channel and making sure that they can continue to grow is absolutely essential not only for current generations to understand that, but future generations is pivotal. With this project that they announced last week, Port Wonder, they aim to do that with future generations to educate them not only about the ecology of Southwest Louisiana and the wildlife, but also the waterways, specifically the ship channel. With the Port of Lake Charles' hopeful partnership, they are going to be able to do that in a very specific way for young people, kids today and not only today, but for future generations.

They are very honored to even have the opportunity to speak before the Board about the proposal and if there are any questions, he would be happy to answer them.

Mr. Darbone offered a motion to adopt Resolution 2018 – 039 to authorize the Executive Director to enter into a Cooperative Endeavor Agreement with the City of Lake Charles to provide for a development project on the Lakefront. Mr. Krielow seconded the motion.

Mr. Rase said this project and the way they are going to design the CEA is they would need \$500,000 in three consecutive years to get to the \$1.5 million. Then, there will be some milestones that will need to be covered in that process, because as they know the Port cannot forward seed money for a project. They will have to have a commitment to the project, but it has to be to the project. They will work through that with the Mayor Hunter and get that developed. This would allow them to move forward to get their CEA developed and committing the \$1.5 million.

Mr. Guillory stated he saw that on the news and knows where it is going to be. He asked if it was where the old Players Casino was located. Mayor Hunter replied that it was. That location has unfortunately for the last 13 years, been the welcome sign to the rest of the world for the City of Lake Charles. They want to erase that and replace it with a much nicer welcome to Lake Charles and area with this project.

Mr. Guillory commended him for the project. Mayor Hunter thanked him and said they are very excited about the project.

Mr. Dixon stated that it needs to be applauded.

Mr. LeBlanc said that he should bring them more good projects as this.

Mayor Hunter said that he has been Mayor now for about a year and a half and working together with the Port and other entities is the only way they are going to continue to succeed here in Southwest Louisiana. The door is open at City Hall whenever the opportunity for a partnership arises. Every opportunity that they can not to act in silos or work individually, but work as a team with other agencies, is how they achieve true greatness.

The motion carried unanimously.

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- 7. Submission 2018 – 040 authorizing a Permanent Right of Way/Servitude with the City of Lake Charles for drainage along Fournet Street.
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Mr. Rase stated this is by the Fournet Street property. It is a standard right a way to put drainage in. It is a permanent servitude to do that. The City came to the Port wanting to get going on this drainage and help the area out there to move water through and around the Port's site and others. It is all part of a project, but with the Port's property, they need a servitude to put in this drainage system.

Mr. Guillory offered a motion to adopt Resolution 2018 – 040 to authorize a Permanent Right of Way/Servitude with the City of Lake Charles for drainage along Fournet Street. Mr. Darbone seconded the motion and it carried unanimously.

8. November 19, 2018 Administration, Audit, and Personnel
Committee

The Committee met on November 19, 2018 to discuss the Executive Director and General Counsel performance evaluations.

Mr. Dixon offered a Resolution 2018 – 041 to authorize the Board President to amend the contracts of the Executive Director and General Counsel, effective January 2019, to provide the following:

a. Each contract for the Executive Director and General Counsel would, effective January 1, 2019, be amended to provide for an earned and accrued benefit of two (2) additional years (additional to Resolution 2017 – 073) of District paid retiree health and dental insurance to be commenced to be paid on a monthly basis, upon the retirement of the Executive Director or the General Counsel, the full cost (employee and spouse or family as appropriate) as of the date paid, of the health and dental premium providing coverage as provided to other full time employees of the District (Future Health Insurance Costs).

b. The Executive Director and General Counsel will be granted, effective January 1, 2019 and additional to current annual leave benefits provided for in the 2018 contracts (additional to Resolution 2017 – 073), two (2) additional weeks (14 days) of paid annual leave and two (2) additional weeks (14 days) of paid sick leave for two years.

Mr. Dixon offered a motion to recommend to the full Board at the December 19, 2018 Regular Meeting to adopt Resolution 2018 – 041. Mr. LeBlanc seconded the motion and it carried unanimously.

Being a Committee recommendation, no second to the motion is needed. The Board passed the motion unanimously.

Mr. Dixon stated the Committee would also like to retain a performance evaluation expert to provide training for the Committee, through McNeese State University to include performance evaluations, goal settings and compensation. Mr. LeBlanc offered a motion for the Committee

to retain an expert. Mr. Krielow seconded the motion and it carried unanimously. No action was needed by the full Board.

9. Tariff revisions Briefing Note

The Tariff revisions Briefing Note was rendered to the Board and is on file in the Executive Offices.

10. October 2018 Financials Briefing Note

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

11. Monthly Staff report from Deputy Executive Director Monthly Report.

The Deputy Executive Director's Monthly Staff Report was rendered to the Board and is on file in the Executive Offices.

12. Monthly Staff report from Director of Navigation.

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

13. Monthly Staff report from Director of Operations.

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

14. Monthly Staff report from Director of Marketing and Trade Development.

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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15. 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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16. 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.

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17. Executive Session and appropriate action in any of the following matters:
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Mr. LeBlanc stated there was no need to enter into Executive Session.

- 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

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

There being no further business to come before the Board, Mr. LeBlanc asked for a motion to adjourn. Mr. Dixon offered a motion to adjourn and Mr. Guillory seconded the motion and it carried unanimously. The meeting adjourned at 5:37 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.

JOHN L. LEBLANC, Vice President

ATTEST:

ELCIE J. GUILLORY, Secretary/ Treasurer