Minutes of the Special Meeting of the Business, Intergovernmental and Environmental Committee of the Board of Commissioners of the Lake Charles Harbor and Terminal District held at 3:00 P.M., Monday, October 26, 2020 in the Board Room of the Port of Lake Charles located at 1611 W. Sallier St., Lake Charles, Louisiana.

In attendance and constituting a quorum, were:

Carl Krielow, President

Mike Eason, President

Dudley Dixon, Member (by phone call)

Tom Lorenzi, Member

Judy McCleary , Member

Keith Prudhomme, Member

Absent:

David Darbone, Chairman

Also Present:

Richert Self, Executive Director

John Ringo, General Counsel

Nick Pestello, Director of Engineering, Maintenance and Development

Todd Henderson, Director of Operations

Channing Hayden, Director of Navigation

Cameron Landry, Director of Administration and Finance

Therrance Chretien, Director of Cargo and Trade Development

Michelle Bolen, Administrative Assistant

Mr. Krielow called the meeting to order at 3:05 P.M.

The attached notice of meeting was posted and given in accordance with the Open Meetings Law. A Business, Intergovernmental and Environmental Committee meeting was held.

Mr. Krielow made a statement reminding the Public of the Port’s procedure for the Public to address an agenda item to the Committee.

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1. Consideration and appropriate action regarding awarding a contract for a Strategic Plan for the District.

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Mr. Krielow welcomed Mr. John Martin of Martin Associates to address the Committee.

Mr. Self stated Martin Associates would present their presentation first and CAPSTAN will present at 4:00 p.m.

Mr. Martin, President of Martin Associates, stated he was pleased to be here along with Meyer and Associates for this proposal.

He introduced Byron Racca, General Manager with Meyer & Associates, and Chuck Stutes, Senior Project Director with Meyer & Associates.

Mr. Martin stated he started Martin Associates in 1986. Before that he was a senior economist and ran a maritime practice from 1979 to 1986.

They have done 1,100 – 1,200 master plan development studies, strategic planning studies, market analysis cargo flow studies, targeted marketing opportunities, navigation projects, benefit analysis, identification of funding sources, tiger grants and other grants. They have been working a lot with public, private partnerships on the terminal side and quite a bit of economic impact studies.

They did the original Lake Charles strategic plan in 2009. Since then their current clients regarding their strategic plan studies include Jacksonville, Miami, Port Everglades, Tampa, Baltimore, New York/New Jersey, Philadelphia, South Jersey, Philadelphia Camden, Galveston, Houston, San Diego, Cleveland, Oakland, Portland and others. They also do quite a bit of work with terminal operators with Hutchinson, Ports America, Yusen, North American Stevedores and SAM, which is a South American stevedore that handles a lot of fruits.

They work quite a bit with infrastructure investment groups including McCory, Fortress, Oxip, Mid Ocean, Goldman Sachs and Bank of Montreal in developing investment strategies.

He stated that on the port’s side you can see a lot of the ports they work with are not just the big container ports, although they work with the large container ports, a lot of their studies focus on ports that handle bulk and breakbulk cargo such as agri-products, forest products, steel, project cargo, wind energy, etc. They just finished the Port of Houston’s strategic market analysis for their non-containerized cargo market and their container market. They focused a lot on grains, steel, wind energy, etc. to do a competitive analysis to all the neighboring ports in the gulf region. Similarly, they did the Galveston master plan including the economics and financial analysis focusing on the non-containerized cargo such as RO-RO, fruit and fertilizer.

Ports and wind energy have become very big and they are working with energy projects in Portland, NH. It is interesting to supply existing and new wind farms in New England.

Vancouver is also a major wind energy import operation, as well as Galveston and Corpus Christi.

With respect to their economic impact studies, this is very important. They did the last one for the Port in 2007. It is important to understand how critical the Port is here to the local community, especially on the agri-business operations and petrochemical businesses. Many studies are also done many times in support of policies, but also, they did analysis for Katrina and Ike for the Port of New Orleans and Gulfport. They used those impact studies to assist with FEMA.

They have done studies for ports in the United States and Canada. They have done studies for small ports, large ports, niche ports, barge ports and up to the largest in Los Angeles/ Long Beach.

They have looked at the economic impact study for the AAPA on a regular basis for all of the ports in the United States. They did the impact of the west coast port operations in 2000 – 2017 and are updating it now.

They do the impact studies for the state of Florida and Texas.

Their studies have been reviewed and used by the Federal Trade Commission, Federal Reserve, Council of Economic Advisors and have recently done some analysis for the International Trade Commission on the impact of COVID.

With respect to public, private partnerships and lease negotiations, they are very active in this field right now, especially in Jacksonville, Baltimore, Philadelphia, New Brunswick focusing on forest products and containers and pulp business in Jacksonville.

They have quite a varied repertoire in terms of the types of lease negotiations and public private partnerships they are working with. They are also involved with the development of a major container terminal and bulk trans-shipment terminal in Trinidad.

Mr. Martin stated they were very pleased to have Meyer & Associates on the team. He turned the meeting over the Byron Racca with Meyer & Associates.

Mr. Racca stated Meyer & Associates are very fortunate to have extensive experience in engineering and project management for 55 years. They have been working at the Port for about 35 years handling various projects of all kinds of supply nature and importing and exporting systems. They have done about 125 capital improvement projects at the Port. He asked Chuck Stutes with Meyer & Associates to speak about the projects they have done.

Mr. Stutes stated he wanted to make everyone familiar with Meyer & Associates since there were a couple of newer board members. The firm has been in business for almost 65 years, started by Richard and Vernon Meyers. They have been doing work at the Port since 1987. There are five employees in the office that have been involved during that time period. They are very familiar with Port infrastructure as was said with over 125 projects done. There are probably actually a few more than that. Their computer database didn’t start until the 90s, so some of that is estimated. They estimate the construction value of those projects is about $250 million. Back in the late 80s, they teamed up with a firm called Hams out of New York City and they did a joint venture similar to this on a strategic master plan. That plan was finalized around 1991. He thinks that was the first official master plan for the port, but he was really not sure. It is the first one they are aware of doing. All of the Meyer employees that were involved in that are still in the office.

Mr. Stutes presented a presentation. On dock rehabilitation, as part of the master plan they did in 1991, they did a detailed investigation of all the docks, which were primarily timber docks. These docs went back to 1926. These docs were moderately damaged mainly by marine infestation and termites. Remarkably for that age, they were still intact, but needed a lot of repairs. One of the first thing they did in the late 80s is put together a dock rehabilitation project. It was actually two different contracts and totaled about $5 million. It primarily covered repair to timber piles, timber caps and some slab rehabilitation. This was all done at City Docks.

The second category is bulkheads. They have done multiple bulkheads over the last three years. Some of them were associated with City Docks. They also did work at Industrial Canal, which was to install about a thousand-foot bulkhead to service as a berth for offshore platform type rehabilitation. That project was about $6 million.

Regarding dredging, they have done multiple projects dealing with dredging, including maintenance dredging of City Docks, BT-4 and BT one. About every 10 to 12 years they did project starting around 1990. They also did some dredging at two dock projects one on Contraband Bayou and want at BT-1.

Regarding transit sheds, Meyers has been involved in the last three waterfront transit sheds built that City Docks. The first project was in the early 90s where shed 15B was installed on the Calcasieu ship channel. It is about a 60,000 square-foot shed that directly serves the ship channel. In 2001, they put together a project on Contraband Bayou and built the shed there that is around 180,000 ft.² it is on a concrete dock and is served by the bayou. The latest shed that they have done was about five years ago. This was shed number one and this shed actually replaced the original shed that was built at the port in 1926. They have some photographs of that from the grand opening of the port. What is common with all of the newer sheds is they are all basically concrete. There is no more timber except for the sacrificial timber system at City Docks where the ships that berth against the actual berthing system or fender system. The piling, caps and deck are all concrete. Though sheds are rated from a thousand to about 1200 pounds per square foot inside versus the original sheds that ranged from about 500 pounds per square-foot to 800. So, now they have about twice the floor capacity. They also have a much greater eave height. The new eave heights on the new sheds are about 30 feet, whereas most of the older sheds were less than 20 feet. There is a lot more stacking height now. They also have modern sprinkler systems, which are generally dry systems where the water is not present in the pipes until you would actually have a fire. That eliminates a lot of maintenance on a wet system.

Regarding warehouses, they have done a few warehouse projects. There are 14 warehouses in the center of the port. They have done some rehabilitation and roofing, siding and painting of structural piers in the late 80s and early 90s.

Regarding ship loaders and the bulk handling systems, they have done projects at BT-2, which is the grain facility. In 1992, they designed a package of six new silos that were 8-foot-tall and 32 feet in diameter. It was a $3 million project and is still out there today.

They have done quite a bit of work at BT-1 over the years. The biggest project they did was in 1997. They started with the new dock extension on the existing dock. It is the dock when you’re traveling over the 210 bridge you see it. They also did a shiploader associated with that dock. It is a traveling shiploader. It was about a $5 million package. They did a foreign spec on that and a German company came up with the actual detail of the design. It was damaged in the last hurricane.

They have also done some work within the facility including conveyors, a new stacker and reclaimer system about 10 years ago. All of that work is in the neighborhood of about $20 million.

One thing not in his presentation is they have also done several new docks. Besides the one at BT-1 they have done, they have done one at Contraband Bayou. That was a new dock done around 2000. That dock along with the corresponding transit shed was about a $45 million project. When they did transit shed one, they built a new dock for that transit shed. They have a current project to look at berths two and three and do a redesign of those berths. They are in the middle of that right now and are looking at some ways to do some value engineering. They think they can get it down to around $30 million. It is closer to $34 million right now and are hoping to get it lower. They are looking at some innovative things like totally precast the pilings and the caps and deck. They would like to precast as much as they can. The way that can save money is the contractor can install the project much quicker and by saving time on using the very expensive equipment they have to use, it should save them some money.

Regarding roadways and Rail, they have done multiple rail projects. He has done the main lead from Bilbo Street to the port on Marine Street twice – once in the early 90’s and again in around 2005. The first time was a rehabilitation. The second time they actually rebuilt the railroad. That was about a $2.5 million-dollar project. They just finished a rail project about a year ago at City Docks, which was about 7,000 track feet of railroad located near shed 17 and serves as a storage area for railcars. They have also done several roadway improvements over the years. The most notable being the road you use when you get into the industrial canal property and the one at Industrial Park East.

That gives everyone an overview of what they have done over the last 30 years. They are very familiar with the infrastructure. Their files are extensive, both electronic and hard copy files. When they started, their was work being done by hand. They have all of those original drawings and an extensive library of electronic drawings.

Regarding two of the port’s primary tenants, L’auberge and Golden Nugget, Myers and Associates was the civil engineer on both of those projects. They did the boat berthing facility. They also did all the drainage design, road design, water and sewer for those projects. He turned it back over to John Martin. He said they were very pleased to be working with Mr. Martin. He has very extensive knowledge of the port industry nationwide.

Mr. Martin stated that Meyers & Associates has incredible experience. This isn’t just a strategic plan, it is a strategic master development plan, which includes an understanding of the facilities as well. It is very critical to this study.

This is just an example of some of the projects that Meyers & Associates have done at Lake Charles that Mr. Stutes explained.

Mr. Martin stated he wanted to get into the strategic master development planning process. It is a very involved process that will go back and forth between them and staff and the board on a continual basis. They first start off with the financial profile, which is basically the current situation. What is the current situation? He will look at the financial profile and the market profile. Those financial profiles, when they did them back in 2009, were very interesting because you could identify each struggle and which were cash cows and which ones were really having problems from a financial perspective. It is very important to do this. They have to remember that it is a business plan as well as a facilities development plan. So, they do a current financial analysis, a current marketing analysis and a competitor market analysis looking at carriers, beneficial cargo owners, competitive marketplaces and out of that falls out a strategic plan.

Meyer & Associates does a capacity analysis. They are way ahead of the game on a capacity analysis. With the existing infrastructure of the port, that allows them to look at best practices and comparative methods in terms of capacity, operations and productivity. They combine the forecast with those theoretical capacities of the terminals and identify based on where there are gaps. Where the port will need to invest in infrastructure or change operation structures in order to be able to make the projected demands. Without projected demands for capacity, terminal and navigational infrastructure investments, these are for the investment optimization. It is how we invest and how to optimize our investments. That leaves them to strategic investment and analysis. It goes right back up to the financing in how are we going to pay for all of this such as through grants or leases or a public-private partnership. That will give them a financial feasibility study.

They will have a market strategic, a facilities strategy, a financial feasibility study and a funding study. All of those are enroute to the strategic business and master facilities development plan. Along each of those steps, they want to have interaction and meetings with the board and staff to go over the market, facilities, financial and then planning. They will have a continual open book policy.

He wanted to talk about his tasks.

For task number one they will look at the markets that the port handles now - grains, rice, the bulks and petcoke etc. to look to see and talk with the operators to determine where the future of their operating strengths and where there are growth opportunities. Then they will develop baseline financial models. In 2009, he worked with Mr. Self to develop individual financial models to be terminal operations, including revenue generation capital, investments and funding ways.

The next piece is to look at look at the competitive position of the cargo. The Port of Lake Charles operates in very competitive farming and non-bulk cargoes. The wind energy is in Houston, Dallas, Corpus and Shreveport. It is growing and has been a good business for the port but, there is a lot of competition in the West Coast all looking to hit that sweet spot.

The new market opportunities that they see have to do with forest products the port did have forest products in the past. Business is booming and a lot of that is in Beaumont and Port Arthur because of consolidation. The port does to have GS2.

He will now look at potential opportunities. They will look at the cargoes that are coming in out of this hinterland area that went through other ports. He uses a database that gives them detailed cargo flows and is used in Houston as well. It lets them track the volume of cargoes and type of cargoes that come in or go out of this region but not through the Port of Lake Charles. They need to identify which port it goes through. That allows them to give that information to the port marketing department to identify that these are potential opportunities.

They do a logistics cost analysis to determine the competitive cost factor in Lake Charles. They look at the terminal operations. They then look at competitive advantages and strengths from the operations and evaluate those. They identify potentials. When they look at the potentials, they start to refine potentials down in the Gulf for the strategic marketing plan that can be used to identify the key targeted commodities, key shippers and try to identify how we can bring that back. They will also focus on all the carriers that have been here and are no longer here and all of the customers that were here and are no longer here. It is very important to reach out to them as well to get an idea why they left and what can we do to bring them back.

They will then look at cargo projections. They need two types of cargo projections. They will do cargo projections of the core business handled at the Port of Lake Charles such as moving of rubber wind, energy products and bulk cargo etc., as well as the rice exports. They will also look at potential markets. Those are the ones that he talked about the cargoes that are moving in and out of this area. For example, he spoke about fertilizer. He was not sure if it was coming into Baton Rouge or even down in Galveston. It comes up here but not through the Port of Lake Charles. Those are the kind of opportunities he was talking about just like steel and pipe. They will look at those and give off market projections for that potential as well as for the existing base. And they all will also look at the real likelihood of penetrating those potential markets.

They then look at the tracks. What is interesting with this is there are a lot of things that affect the port externally that you will not have any control over. Obviously. the weather is a situation and the carrier service and employment situation. It makes it more difficult to focus on trying to get instead of several different carriers involved in forest products, now you are dealing basically with one – G2.

They will look at competing ports in the amount of money being put into the various ports in Texas ports to go after wind energy or some of the forest products. They will continue to look at the potential for bagged cargo. They will look at the impact on the Rail service, which is very important when dealing with bulk operations.

They are looking at changes in energy policy such as LNG and wind energy manufacturing. They are seeing that going to Mexico.

They will then develop risks against their forecast and do similar to what they did on the Covid 19 forecast. They will do a low base medium and a high scenario.

Meyer & Associates have a wealth of information on the baseline conditions of the port’s facilities so they can identify capacities situations and system preservation priorities. They can look operational profiles, the navigational channel etc. Then from there, Meyer would involve theory and constraints at the existing facilities post Laura. This is important because a of the damage incurred from Laura and Delta, but at the same time it gives you an opportunity to have a blank slate in some sense that when they look at potential new facilities’ involvement, they could perhaps wrap that in their FEMA and recovery grants. Mr. Martin stated they will have to spend a lot of time dealing in the baseline analysis. They already have a large portfolio on the baseline. They will then take the cargo projections and compare them with the capacity analysis and that determines what type of new facilities or modifications of facilities, if any, the port will need. This is all market driven. This is not a build it and they will come. These have to be market driven. He is looking at structural and nonstructural solutions will such as an increase in the number of hours and operations at a terminal, improved low discharge productivity as those investments and new berths, new rail spurs, new warehouses and so forth. All of those become important.

They will then look to identify developments from alternatives for Marine terminals and infrastructure. They will bring in what is available, what we can keep and leverage post Laura. Meyer says they can prepare layouts from the facilities development plans, cost development, etc., which then they will take those costs and put them back into the financial models looking at cargo projections, cost requirements as well as any new facilities develop and look and see what type of cash flow the port would like to have from these types of investments. They will need to identify any shortfalls at terminals and port-wide. They can then rank those investment strategies. They will be talking with the port as they go through this process to see where the investments occur and where there will be a shortfall and where there will be a cash flood. They will also identify the potential shortcomings of the future strategies.

At the same time, as they are looking at it from a business strategy, they want to look at from an economic impact stand, because the port is so critical in this region, particularly agribusiness and the rice business, local community and gas exports, such as petcoke. They want to quantify the economic impacts of all those who used the economic impact analysis because they developed that based on interviews of all of the tenants, field operations models of each so they can say this particular project that Meyer and Associates will design because of demand need has a somewhat of a financial impact but a greater economic impact. You need to balance both the economic impact as well as the business or commercial activity investment financial plan.

That will give them the ability to rank both financially as well as strategically and economic impact-wise. They will be having continual involvement with the board and staff in a series of meetings.

They use as impact models with respect to show you the impact that Laura and Delta had on the port, which can be used to leverage funding with FEMA. Because of that, they need to press the schedule a little bit because they put this together before Laura or Delta and it becomes very critical that they move quickly because the port has a very strong opportunity to move on this.

They will then integrate the strategic recovery process into the recovery process that the port is doing with Laura and Delta recovery issues. That is going to be very critical. They need to be on this right away. That will give inputs into the financing opportunities they can get from the federal and state government.

They will then develop the strategic plan document. It will be designed for flexibility because he is an economist. He has a PhD in Economics, but he is not good at projecting the future all the time. No one is. You always have to make sure there is flexibility so you do not build yourself into a box you cannot get out. They will have a short-term, near-term and long-term strategic development plan. It is not just strategy from a business sense, but strategy from physical facilities development plan as well. It will incorporate the required investments due to Laura and Delta. It will focus on strategies to grow existing customer base, new facilities, new customers in the current lines of business, and new lines of business. Strategies will partner with existing industries as a logistic service provider. It is important the port becomes a cog in the logistics chain.

They will help the port with federal opportunities for financing and also with the state as well. The analysis of the impact of Laura and Delta will be very important as it was for Katrina. They will be able to look at the leads for the different infrastructure projects related to Laura and try to mold them together with the market driven master plan. They have been doing tremendous amount of benefit cost analysis for INFRA grants and Tiger Grants, etc. They have been very successful with many ports.

He will be the project manager. His resume is in the proposal. Mr. Racca will be the deputy project manager. He will be here onsite. On the market logistic cargo projection will be Jeff Sweeney. Elizabeth Martin Payne and Michael Sarbaugh and Marnie Bergman will handle logistics. Chuck Stutes will handle the facilities planning analysis. Michelle Wingenroth will help with the report as well.

Regarding a schedule, when they submitted their proposal, it was 5 – 6 months. He believes they need to compress that because they can utilize their tremendous infrastructure knowledge and can compress those projects. It is important to get this done sooner than later in order to get into the recovery efforts.

After Task #3 and #4, he would like to have another meeting with staff and the Board to go over the market analysis. He would like to do the same thing after the facilities analysis. They would like to have another staff meeting and board meeting to over the results of the facilities analysis combining the market and facilities so they get an idea what type of facilities investments they are talking about. Then they would obviously talk about the financial piece at the next level of a joint board/staff meeting. Finally, at the end they would have the wrap up presentation. He would like to be able to say 3 ½ to 4 months. He spoke to Meyer and can certainly hope to have a preliminary draft no later than 4 months. Because they will be involving the Board and staff with their results at each of these phases, they will be able to take some of that information and wrap it directly into any type of opportunities the port gets from a FEMA grant.

He gave their credentials as to why to pick his company. He wants to focus on Lake Charles. It is a diverse port. It is a unique port. The do not need to look at it from a container operation stand point. Their strategic planning does really produce results.

He asked if there were any questions.

Mr. Eason asked if they did the last economic strategic plan in 2009. Mr. Martin stated they did.

Mr. Eason stated he saw where Mr. Martin does a lot of work in the maritime industry ports. Is that an emphasis of his company as far as the industries he works with for economic impact studies.

Mr. Martin replied that strategic planning, master planning and marketing are. They are not engineers. They do the economics, forecast, financial analysis, the lease negotiations, public private partnerships. Right now, they are working on a $1.2 billion deal with a major Korean investor in Trinidad. But, when it comes to facilities, he is no engineer. They take what he says and they put the models to work. They then can see if it is a financially good thing or bad thing. It is not always the greatest financial thing, because if it has a huge economic impact that is what you are charged as a port authority as well as an economic catalyst.

Mr. Eason said he knows they are in a global economy right now and he sees that Mr. Martin has worked all over the world and understands the strengths and weaknesses of these other ports around the world. As they try to assess the target markets that the port may want to look at moving forward, and as Mr. Martin assess the port’s strengths and weaknesses, he asked if that knowledge from other projects will be beneficial in assessing target markets that the port wants

Mr. Martin said they have just finished Houston. He is not going to tell you to go take Houston’s business, but he knows what their advantages are. He knows what Galveston, Gulfport and New Orleans’ advantages are and their weaknesses. For example, the turning basin in Houston is a disaster. They are having a problem on the ship channel because it is too narrow. They cannot get container ships in now by state law so not to impede the oil industry.

Mr. Eason said the world changes every second, how does he assess a growth rate with the way things are changing internationally? Mr. Martin replied that they do several different ways.

They have a lot of interview intensive tasks, where they are talking with your captive businesses here. But, then you look at the potential opportunities, they do scenarios. If he sees all of this fertilizer being trucked or railed from Galveston, maybe that is an opportunity.

They look at trading partners. GDP growth rates. They run scenarios when their GDP growth rates of your trading partners. They look at the industrial base. For example, here, the LNG and petrochemical business and so on. That also drives steel. They do scenarios. They have worse case, base, medium and high. If he gives Meyers a projection, they have to say it what it will be. It could be in between these ranges, so design a facility that it is flexible to meet the minimum, but can also meet the more upbeat. Forest products would be a good example for the port to look into here as it is booming. He does not have a crystal ball.

Ms. McCreary stated that this is a great tool. Inherent in that though, is recommendations as to how do they utilize going forward. Would that be part of his report?

Mr. Martin replied that it absolutely would. When that did the impact study of 2007, they were still using that to run scenarios that the staff called him to run analysis. It is a model though. As a financial model, you are the finance guru. That is a living piece where you can look at the investments and return and different alternatives for financing, redoing your leases. There are all different ways that you can put into these financial models to look at the variations on the return.

Mr. Lorenzi stated the RFP requested a three-year, five-year and ten-year time line. In looking at Mr. Martin’s proposal, it is beginning to take fifteen when you go through the various planning. Are the plans similar in terms of the time-frames? He noticed that some were five years, some were seven and one was almost twenty. Mr. Martin replied that they were. Mr. Martin stated that for Jacksonville. They did the master plan for Jacksonville in 2013. They just updated it again. When you want to update a strategic plan, it is usually about a five-year, but you continually update where you are and set targets as you move along, which is what they did in Jacksonville. They set up targets within the five-year span. Can you hit that?

You have to establish your targets and they will work with the board and staff on that. You want to make sure the short-term projects do not interfere with your long-term focus.

The Committee took a recess to get ready for the next group at 4:00 p.m.

The Committee came back into session at 4:06 p.m.

Mr. Krielow stated the Committee would hear from CAPSTAN Consulting and CSRS with their strategic plan proposal.

Mr. Brad Julian with CAPSTAN spoke to the Committee. In terms of objectives, they are here to help the Port to determine if CAPSTAN/CSRS is the best choice to support the development of the strategic plan.

Their agenda is to go through some introductions, spend some time talking about why they think they are best positioned to help the Board and executive team to go through this process, how their approach meets the port’s needs and get into some dialog with some questions and answers.

Mr. Julian stated he is a founding partner of CAPSTAN Consulting. He will be the project manager and co-lead along with his business partner.

Each of the team members introduced themselves. James Brennen stated he is the co-founder of CAPSTAN. He will be running the strategic planning process portion of the project.

Mr. Tim Barfield stated he is the president of CSRS. He is here today to show their commitment. Lake Charles and SWLA are really important markets for them. They have an office in Lake Charles that is growing. This is a very important initiative and project and the port is a very import client of theirs. Mr. Taylor Gravois stated he is the principal and economic development and site selection practice lead at CSRS. He will help the port position themselves to capture some of the economic opportunities that are out there in the market.

Mr. Julian stated they understand, from their perspective, the port is finds itself in a very unique situation. They understand the board’s planning objectives. In terms of the unique situation, the organization entered the year with a very strong balance sheet. It has been very healthy and successful from a financial perspective. Then the hurricanes hit and damages have occurred. There will be some proceeds or financial resources that will come out of the result of the two hurricanes. From their perspective, this offers a very unique opportunity that most organizations, such as the port, do not often get where you get to take a moment and take a step back and determine whether you want to continue on the path that you have been on or take some pivotal shifts and ultimately direct those capital resources either into reinvesting in what you had, enhancing what you had or making a pivotal change.

Ultimately, when you are going through that process, you need to have the right information. He appreciates that not everybody may be from the maritime and port industry, but they are experts in this field. They have worked in this field their entire careers. They feel it is their role as advisors to help provide that information and help you work through that information and the decision process. To do that, they have assembled what they believe is the best team for this. They are coupled with CSRS. CAPSTAN is a strategy and management consultant firm. They work exclusively in the maritime and port infrastructure sector. Personally, he has been in this industry for over 20 years. He started his career with Maersk group, which is one of the largest shipping groups in the world. He started and port operations and ran business development for the Americas region. He has run a number of projects as both an investor and an operator. In the last 12 years, he has been working as a consultant and advisor with the cross of public and private sector. Together with his colleague, Jim, they as an organization bring the balance of both that private sector but equally the public sector experience that he thinks is a key differentiating factor. They have worked with organizations through this process both in traditional times, but also in some disaster recovery situations. They worked with Mississippi State Port Authority for the Gulfport program. They developed the business plan and strategic initiatives for them. They worked in Haiti after the earthquake. They were employed by organizationS like the World Bank and USAID to help that country and the United States to develop strategies for directing their funds.

They partnered with a very important local partner, who brings a really broad array of technical skills and economic development, as well as some strong funding background.

Mr. Tim Barfield stated CSRS has a really broad swath of experience. They certainly HAVE the traditional civil engineering and architectural background, but they have evolved over the last 40 years into a number of areas, specifically planning. They are not strategic planners. That is the purview of CAPSTAN, but at the end of the day they like to take things from concept to reality. The practical part of how do you implement your plans. How do you look at projects? In this case, like so many of their projects, it is more than just the front end. How do you get it financed? This is one of the benefits of their company is they are Louisiana based and owned by Louisianans. They are always trying to help their clients figure out how to finance everything. That can be state financing. They help a lot with capital outlay requests and ports priority program type funding requests. They will look at bond financing and support financing.

They will not do that as a financial advisor as much as they will be the project advisor, helping identify projects, define projects and develop projects so that they are understandable to the financing arm and to the grant arm. They do a lot in the federal space. They do a lot of disaster recovery work. They appreciate the opportunity to serve the Port with the emergency procurement on disaster recovery and they have bid on the long-term procurement for grants management and program management. They have been doing that all over the state and parts of the country since 2007. They do a lot with CDBG. When you look at CDBG disaster recovery and mitigation funds, it is a big part of and more flexible funds that are out there. Usually, the second wave after a disaster, in this case in Louisiana and Southwest Louisiana, that they are expecting, but also concerned. You have to go work the congressional delegation and others to make sure we are not the forgotten disaster of 2020.

They do a lot with EDA, the economic development agency. They have worked on a grant for the Port of Lake Charles and continue to look for opportunities in that. The Care’s Act was a Covid generated stimulus package. There were lots of opportunities in infrastructure, healthcare and other things. They have helped a lot of clients navigate that. Sometimes those funds flow through traditional programs, but often there are new mechanisms and even the agencies responsible for those funds do not know how to get them out to everyone. They have been working with some of their clients on that end.

Also, there are the build grants, the old Tiger Grants and things like that. There are all sorts of federal programs in the Department of Transportation that they have worked with over the years and will continue to look at what is the best avenue for you to go and what are the local matching dollars in funding that may be required. What is the criteria for that funding? Then, there is the compliant side on the back end. For an example, they helpED a school district in New Orleans recover. They are on their fifth contract and their fourteenth and fifteenth years. They have used twelve different sources of financing – local, state and federal to finance those programs. Bundling together different sources of financing is a lot of what they do.

Last but not least, local financing. Obviously, the port has their financing sources, but tax initiatives, which is sort of a dirty word in today’s environment, but they have worked in the lot of successful tax initiatives. The one common thing he would say if it is narrowly drawn and it really identifies the projects and infrastructures to be built, he may have a shot of getting that through. They can help to find those projects and work with other consultants to determine whether that makes sense to help grow the port.

Mr. Julian stated together with CSRS’s local experience in addition to the funding and background experience, they also bring a strong outlook on local economic development. The division of their work and the coupling of their team is of added benefit because they as industry specialists, working in this field, they bring a bit of that national perspective. Together, WITH Jim’s and his experience, they also bring in international experience. They have done this work for a vast majority and much of the public agencies and public port authorities around the state. He stated Mr. Brennan has done quite a lot of work in that area as well.

The economic development piece in the local economic development piece is a really important factor that he believes their team will be able to bring to this process. Mr. Gravois as a really strong background with some of the local development.

Mr. Gravois stated that everyone has at one point in time competed for a project in economic development where you get things from the alliance or LED. Any given time, there are projects looking all around the nation for that perfect site for their next project. In his mind, they have built the practice in site selection over the last five or 10 years, and corporate site selection in particular. We can be boiled down into two things. On one side you have the company looking for the perfect place to build their next project. Then you have the entity, the state agency, and the port looking to attract the best users and tenants to maximize the property they own. When you look at setting the strategic direction for your port over the next 15 to 20 years, you want to make sure it is aligned with what those projects and users are in the market. Do not overlook what you have with your strengths right here in Lake Charles. There is a strong petrochemical manufacturing sector and Sasol who will produce ethylene and polyethylene. What are the downstream opportunities for that? If they are making polyethylene, what companies are out there that are looking for polyethylene as a feedstock where you can attract that downstream business and further diversify. He is not saying build it and they will come, but you want to be in strategic alignment where the market is going. They bring a unique experience because of their corporate site selection expertise and experience. They have been on the corporate side of a lot of these searches. They know what companies are looking for. They know how to help you position yourself as a port to capture some of those opportunities. As an example, they worked with the petrochemical manufacturer within the last five years and they were looking at a site in Louisiana. There were major investments needed on the draft Port Rail extensions and those sorts of things. They ended up losing the project. It ended up going to a community where they were able to partner with a port to put in some of those infrastructure needs. That is just an example how you can position yourself capture some of those projects in the future.

Mr. Julian stated they have a proven approach. Mr. Brennan will speak about their approach later. It is centered around a series of fact-finding research, deep analysis, consensus building, where they will work with the port to understand and develop and come to agreement on particular decisions and establishing a series of priorities based on the port’s ultimate views. They believe that the process of developing a strategic plan, in particular, ultimately needs to be the organizations document, not just a set of analyses that ace series of outside consultants do and drops it on your lap. Their objective is to have a truly workable, actionable plan that you can have confidence in that is ultimately developed in the consensus-based manner, but really grounded in the right market analytics and financial decisions so that you know the investments you are making are sustainable and make solid business sense and economic sense.

Mr. Brennan stated he wanted to make three or four important points. The first one is he and Mr. Julian spent three weeks debating back and forth as to whether we were the right firm to bid on this particular project. They finally came to a conclusion, based on a couple of things. One is that they do bring a very diverse experience base on strategic planning. They have done strategic plans for individual ports positioned much like port of Lake Charles and the Port of Tampa. They are in the dry bulk business, liquid bulk business, commercial development business, break bulk business and recently they have gotten into the container business.

They have done strategic plans for the port of Los Angeles and the Port of Charleston, who are in the top five of the container gateway ports in the country. They have also done plans for the Ports Association of Louisiana, so they have experience with Louisiana and the different perspectives and the different opportunities and challenges the states port system faces. They have done strategic plans for economic development and municipalities. One of the projects they led involved 12 municipalities and nine economic development agencies in Southeast Alaska. The take away from all of that is the way you bring diverse opinions together and make the whole greater than the sum of the parts is to make sure the people are making informed decisions.

What constitutes an informed decision? One, you have all of the people who have the responsibility and the accountability for those decisions you make sure they are all involved. Two, you present the facts. Do not try to lead the witness. You present the facts. Respond to questions. You make sure that people are informed and you lay out the alternatives or the likely outcomes of making those various decisions and then you work with those decision-makers to reach a consensus. The approach they have outlined here is specifically designed to do that. He can speak firsthand why he thinks it works very well with boards that are involved in strategic planning, because he happens to be a board member. He sits on the board of a family-owned business in Panama whose core business is agriculture. They are in the sugar business in the rice business and animal feed business. Three years ago, he was brought on as one of two independent board members. The other four are all family members of the business. They had reached a point where financial performance was declining, market share was eroding and they were becoming terribly overburdened with debt. They were facing a real crisis. It took about a year and ½ to develop a consensus that they needed a strategic plan. He headed the strategic planning committee of the board that went out and interviewed consultants and hired a consultant and managed the process. Today, they finally have consensus that even though this is a 100-year-old family business, we have to divest. They have to divest certain lines of business because there is no future in those businesses, based on the hard facts brought to their attention by a consulting firm who had the independence and the credibility to be able to present the same facts that some of them on the board had been presenting for a very long time, but people weren’t willing to listen.

So, informed decisions and consensus among decision-makers based on those hard facts is in his view critical.

Mr. Brennan spoke regarding a slide. On the left is objectives that the port has laid out for the strategic plan, in the middle is CAPSTAN’s approach and if you look at items one through four: flexible, fact-based, SWOT and focus on issues and options. That is in its nutshell presenting the facts the board will need to be able to discuss, debate and ultimately reach consensus with their assistance in making the right choices as it relates to what strategic priorities in the organization will be. How do we do that? That is on the right part of the slide.

He called the attention to item number four. There are three strategic planning workshops built into the approach that they have laid out. These are where they present the facts to the board and senior management if they are part of the decision-making process. They present alternatives. They answer questions. They provide their professional view. They work with you to reach consensus on what will the priorities that constitute the strategic plan B that will guide decision-making in this organization. The difference between a plan that is thick, goes on the shelf as soon as it is done, never looked at again until the next time you turn around and do a strategic plan is one where the consultants come in and they present the plan and say here it is thank you very much. The ones that become active priority setting, resource allocating decisions within an organization are the ones where the decision-makers are the author of the plan. If the port hires them, it will be the Port’s plan.

Mr. Julian stated that this concludes the formal part of their presentation. They wanted to reserve sufficient enough time to get into a conversation and answer any questions you have a dialogue with the board.

Mr. Eason stated they use the word independence quite a few times and asked if he was saying once they assess the port’s operations, they will be comfortable with their report when they stand up and say the port needs to reallocate these resources and here’s why, if that is a factor. Mr. Brennan replied that they will be comfortable presenting a series of facts, some of which might lead one to believe that certain lines of business report is in should not be in and certain lines of business that we know we should be in, you probably should be in. But, at the end of the day it is not them to tell the port this is what the port should do. It is their job to make sure the port appreciates, based on the facts, what the options are, what the probable results of those options will be under a set of realistic assumptions and scenarios, and then be an advisor in assisting the port as the board collectively makes that decision.

Mr. Eason stated that we are in a global economy right now. We need to know what will happen in two hours away, two states away and two worlds away. How do you assess a growth rate looking forward to the next five years on a target market that we may not be in today, given the changes that are occurring every day in this world? Mr. Brennan replied that it is difficult. One thing that can be absolutely certain on in a forecast if it is a point estimate forecast, it will be wrong. The idea is to try and determine what is the reasonable bandwith that is the likely growth that will occur and then you have to ask the question regarding the scenario if it is on the high side of that, what does that mean? If it is on the low side, do you still think we should get into this business or is it a marginal proposition and perhaps we should not look at it? It is based on a bandwith of what we think projections is and not a point estimate.

Ms. McCreary stated two firms, with one out-of-state and one in-state, she asked what did they see were their individual roles in this process. What would be CAPSTAN and what would be CSRS? Mr. Julian replied that CAPSTAN would be the lead contractor for the project. They will set the direction and overall plan for managing the work. Broken down more specifically, CAPSTAN will focus largely on the competitive assessment work, market opportunities and market outlook. The identification and facilitation of opportunities first with the board if they follow their overall process. They will do some of that working together with CSRS, in particular, on some of the points that Mr. Gravois was talking about really leveraging their specific local industry economic development knowledge base. They will incorporate that into their overall market assessment work. They then will identify together with the board, the specific opportunities, including in particular any kind of infrastructure work that needs to be done. For example, if they identify some recommended, through the process with the board, some recommended modifications to City Docks area, they will then work with the local colleagues at CSRS as among their capabilities are traditional A&E work. They will work with them to develop some preliminary layouts and they will feed them some cost estimating work. They will then take that in and do the financial analysis. That is a core competency of theirs. They will then work together for they will then use the financial analysis, taking input from CSRS, to further develop some of the feasibility and answer some of the feasibility questions that have been laid out in the RFP. The next key step is some of the funding work. They will work with CSRS and leverage their funding, particularly their grant funding expertise. They also have some federal level financing expertise where CSRS is very strong in identification of grant funds across both federal and state opportunities. They are pretty strong in understanding and knowledge of federal financing such as some of the major financing programs that DOTD has.

The core differentiator between CAPSTAN and CSRS is CAPSTAN will be responsible the marketing, the commercial intelligence, competitive assessment and the financial analysis. CSRS will be responsible for traditional architectural and engineering, cost estimating and physical plan layout at CAPSTAN’s direction as well as some of the funding opportunities.

Ms. McCreary stated she thought they did some consulting with Mississippi State Ports post-Katrina. Mr. Julian replied that they did. She asked if he could tell the board what they had done on those ports.

Mr. Julian stated in that project they were partnered with CH2MHILL, now Jacobs engineering. They were obviously the large lead engineering firm and they were engaged to develop the business plan. They were asked to look at the market, identify what among their existing lines of business they wanted to continue in and what additional opportunities were out there. Then they ran the feasibility on the new opportunities that were identified in that process backstop any incremental investment that was needed in addition to the grant funds that were received by the state port authority for that project. It is quite a similar scope.

Mr. Lorenzi asked if CAPSTAN and CSRS has ever worked together in the past. Mr. Julian replied stated they had and worked on a project in Cameron, Louisiana on a private project.

Mr. Krielow stated the Port of Lake Charles is considered an energy port and economic driver for Southwest Louisiana as well as a public port with taxing authority. When you get be on the banks of the ship channel you get into timber country, rice fields and you have industries that small communities and other people benefit from being able to move product through the port of Lake Charles. In doing an evaluation because, it seems like these evaluations are always about return on investment and economic profitability of a particular deal, how do you go about valuing the impact that this public port has on overall industry because those revenue areas of the port are probably the lowest earning ones, yet is the backbone of communities when you get away from here. How do you interface that in the strategic study to say we need to continue doing this or need to expand this for this industry even though it is not energy related or a lease holding to a private company or casino or some kind of development, but as a result of this you are supporting all of this industry? How do you interface that into a strategic study?

Mr. Julian replied that it is an important question particularly given the overall mission. One of the mission objectives of the organization in terms of its role in economic development for the region, in this particular case it is important to understand what are the employment benefits and what additional follow on multiplying effect type of issues will come as a result of a particular promotion of a business mind. For example, they know the rice business is a core, central line of business for Lake Charles. It may not necessarily be the highest marginal business, but to Mr. Krielow’s point it has quite an impact from an economic development perspective. It employs a lot of local labor. It continues to provide opportunity for growers in the agricultural sector. If they took an example, similar to what Mr. Gravois’s brought up before, where if you have an industrial client that is creating byproduct and that byproduct is just getting shipped off here. But, if the port can facilitate users of that material to enter into manufacturing that will clearly have a lot of ripple effects from both an employment standpoint and supplier and continual economic impacts throughout multiple rings of development.

Those are things not all that difficult to quantify. They can develop estimates on employment impacts and overall gross revenues and tax bases and so forth. What will be important in a plan such as this, is that they stay fairly focused. They do not try to boil the ocean. There is quite a lot of economic activity right within the immediate area of the Port of Lake Charles. Their view in that is to understand what opportunities do we have right here at home that they can on an incremental basis continue to drive that economic development without getting too speculative on new large radical investments. Those type of initiatives are easy to quantify from an economic impact standpoint. If need be, with some of these grant scenarios, many of them require a cost-benefit analysis. They have supported many grant efforts and have done those types of cost-benefit analyses. They have the expertise and know-how to do it, if needed.

Mr. Brennan stated how the board will decide on which business, what they see, is the challenge. Their responsibility in this specific instance Mr. Krielow laid out, is if you have a line of business that is low growth with low growth prospects, but has a significant economic contribution to the community, which with the port has a tax levy, is very important. One of the returns on investment is what does the community get for the tax levy the port receives. It would be their job to say what does the Port’s charter say? What is the consensus view of the board between an economic development mission and a for-profit mission? Here are the growth prospects of business A that falls on the side of economic development. Here are the prospects for business opportunity B. They may be mutually exclusive or they may not. Here are what the growth prospects of each are. Here is what the financial return on investment looks like. Here is what the economic development return on investment looks like or where would the port like to come down on that decision of balance on financial return versus economic development.

Mr. Krielow asked that as part of their study into the possibilities, do they actually interview clients and customers, past clients and customers that may have left the port to see what their reasoning was for leaving and would use that in your evaluation? Mr. Julian stated that yes there would be no reason why they would not. The first step in their process, in addition to getting some solid background information, is in fact meet with this group because you have a collective knowledge. You have been in your roles, some of you longer than others, but longer than they have. They will get key background information from the Port and identify those certain particular situations. If it becomes glaringly obvious that why this customer left and that is the client the port should have absolutely owned and there was no strategic reason why, by all means there is a lesson to be learned in there. They absolutely would. If there is a really strong and valid rationale to do it, what is important, regarding staying focused, there is only so much time. The port is in a situation where you need to make some decisions on some particular hurricane recovery and want to ensure those are aligned with their long-term strategic objectives. They do not want to try to boil the ocean. They ought to determine what is a critical strategic importance and what are their priorities. Within that, if there are some real strong lessons to be learned, they will put all of their resources towards that. They are also going to be very mindful on trying to stay as focused as possible on what is the best use of the of the resources for your organization.

Mr. Brennan stated the emphasis needs to be on looking beyond the headlights as opposed to spending too much time looking in the rearview mirror.

Mr. Henderson asked that when it comes to looking at the cargo and the market strategies can they give them an idea of the types of information they use or the sources of the data that they used to be able to look and say that maybe the port should be in X markets or Y markets or moving petroleum coke versus barite or rice versus fertilizer etc. How would they go out and find that information and that data and how they will use that to give the port an opinion?

Mr. Julian stated they would look at customs trade data. They will understand what are the volumes and how have the trends been on various different commodities. They will look at where has Lake Charles and their competitors been successful and where have been major market shifts and understand the dynamics behind those market shifts and see if they are areas Lake Charles should have been able to have retained or could have been a strong player in that based on some of the physical characteristics and geographical characteristics that the port offers. That is one source of information. They will look at local economic development activity, Chamber of Commerce information and will work with their local partners who have a lot more proprietary intelligence on who is looking at the region in particular and who is assessing various warehouse and distribution property. They will look at what other conditions they are looking at and what kind of cargo and freight opportunities that may lie within that. They will marry those sources together. They will ultimately try to leverage is much as possible some of the publicly or freely available information. There are data sources that are third-party provided. They have accounted in the budget for that in their proposal. They work with third-party data sources all of the time, in particular in the container segment. They in-house manage and invest heavily every year on trade data and vessel scheduling data etc. This being more industrial bulk and breakbulk port they do not see a lot of value in that dataset. As they get through the process, if they need to tap into that they have access. As they identify more data sources, if there is a need to actually go into the purchase data category, they are intended to identify that and scope it, budget it and have a conversation with the port to determine if this is something collectively that they feel is a worthwhile investment. They have structured their proposal, in particular on that, because they do not want to just been money for the sake of spending money on data.

Mr. Hayden stated the Port of Lake Charles is the nonfederal sponsor for the Calcasieu ship channel, which describes a very obscure relationship between the Port of Lake Charles and the US Army Corps of Engineers. Have they ever been involved with a port that has that relationship? Mr. Julian replied that yes, most ports have the nonfederal sponsor role. They have to provide the local match. That is a very common practice.

Mr. Brennan stated they did the strategic plan for the port of Charleston and it happened to be a board driven process after they had agreed to part ways with the CEO. The board asked what they were to do now and CAPSTAN helped them a strategic plan and the number one strategic initiative. They had a competitive advantage that only Hampton Road on the East Coast could duplicate and that was the ability to deepen their harbor to 50 to 53 feet. Developing the strategy to fast-track a development to 53 feet with the state and the port taking the lead on it, together with the Corps of Engineers, was the number one priority that came out of that plan.

The Board recessed at 4:52 p.m. The Board entered back into session at 5:01 p.m.

Ms. McCreary offered a motion to bring to the full board for approval at the October 26, 2020 Regular Meeting to adopt Resolution 2020 – 035 to authorize the Executive Director to enter into a contract with Martin Associates to develop a Strategic Plan for the District. Mr. Eason seconded the motion and it carried unanimously.

With no other business to be discussed, Mr. Lorenzi offered a motion to adjourn. Mr. Prudhomme seconded the motion and it carried unanimously. The meeting adjourned at 5:02 p.m.

This minute entry is made to document the presence of a quorum of the Committee. No other minutes are required or necessary.

All discussions held on the above items were recorded on FTR Gold recording system, and filed in the Executive Offices of the District.

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Carl Krielow, President

ATTEST:

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Michael Eason, President

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Judy , Member

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Dudley Dixon, Member

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Thomas Lorenzi, Member

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Keith Prudhomme, Member