

City of Fort Smith  
Port Authority Meeting  
11:30 a.m. Thursday, July 25, 2013  
City of Fort Smith Administrative Offices  
623 Garrison Avenue, Fort Smith, Arkansas

MINUTES

The Fort Smith Port Authority held its regular quarterly meeting at 11:30 a.m. on Thursday, July 25, 2013 at the City of Fort Smith's Administrative Offices, Room 326, 623 Garrison Avenue, Fort Smith, Arkansas.

The meeting was called to order by Larry Combs, Chairperson, and a quorum was noted present. Port Authority members present were Larry Combs, Eddie Norman, Bob Worley, Jeff Taake, and Dustin Collyge. Others present were Marty Shell of Five Rivers Distribution, Nicholas Huisman of the Fort Smith Regional Chamber of Commerce, Gene Higginbotham of the Arkansas Waterways Commission, Rick Pilkington of the Arkansas Economic Development Commission, John Lovett of the Southwest Times Record and Jeff Dingman of the City of Fort Smith. State Senator Jake Files joined the meeting at approximately 12:10 p.m.

Mr. Worley moved approval of the minutes of the April 22, 2013 meeting. Mr. Taake seconded and the motion carried by unanimous vote. The visitors introduced themselves and their respective representation.

Mr. Shell of Five Rivers Distribution delivered the tonnage report for the Second Quarter of 2013. Mr. Shell reviewed materials and tonnage reports for April, May and June through the Ports of Fort Smith and Van Buren as provided to the members in their meeting packet. A total of 64,347 tons of product moved through the Ports of Fort Smith and Van Buren in the Second Quarter 2013, compared to 107,593 tons during the same period last year. Mr. Taake moved acceptance of the tonnage report, Mr. Norman seconded and the motion carried by unanimous vote.

Mr. Dingman reviewed the financial report for the Second Quarter, showing the summary of tonnage indicated above and associated revenues (from rent & royalties) and expenses to date. The Port Authority received \$2,965.28 from the operator for rent and royalties for the quarter. To date, the Port Authority has unencumbered cash on hand of \$22,806.27. Mr. Dingman also reviewed the accounting of capital investment made by Five Rivers and associated reimbursement by the Port Authority. To date, Five Rivers has invested \$117,955.57 in improvements to the port facility, including the addition this quarter of repairing damage caused by lightning in May. The Port Authority has reimbursed \$38,375.72 to date, including \$988.43 for the 2Q 2013, and still owes Five Rivers \$79,579.85. Mr. Worley moved acceptance of the financial report, Mr. Collyge seconded and the motion carried unanimously.

The Chair asked Mr. Shell for the operator's report. Mr. Shell explained the lightning damage that occurred at the facility on May 21, which damaged electric utility service and a scale controller. Replacement parts were ordered as necessary, and Mr. Shell discussed the needed repairs with Mr. Dingman during the process. Electric service was restored the following day.

Mr. Shell explained that Gerdau (MacSteel) was expanding its business, thus expanding its need for public port services via rail from its facility. Gerdau's plans are doubling the facility's footprint at its current location, and the public port is already seeing an increase in business from the facility. This increase in business via rail is highlighting the immediate need for addressing the aging & failing rail facilities on the port property. The rail on property is original to the 1970 construction of the port, and has not been regularly maintained, resulting in the current need to address repairs, especially as demand for service to local companies via rail is increasing.

Mr. Shell also reported picking up a new agricultural customer from Tulsa, as the customer's needs filled his capabilities at the Catoosa port and expanded to the public port in Fort Smith, where he is also nearing the port's capacity in being able to serve him. His needs are for bulk storage of a feed additive, and he services ag feed needs within a 400 mile radius of Fort Smith.

There was no Unfinished Business noted on the agenda.

In New Business, Mr. Combs introduced the discussion topic of the need for rail improvements and bulk storage at the Navy Road facility. Mr. Shell again introduced the invited guests, and explained that he solicited quotes on the needed rail work and for the construction of a 16,000 square foot bulk storage facility that has been suggested by the ag feed customer noted above. The rail rehab bids ranged from \$184,000 on the high end down to \$85,000 and the feeling is that the project could be completed for approximately \$85,000. The need for such rehabilitation is immediate, meaning within the next 90 days, in order to satisfy customers interested in a long term relationship with the public port, specifically Gerdau.

For the bulk storage building, price estimates including building, site work, foundation, and construction are nearly \$360,000. There is space available on existing port property. Together with the rail work, an estimated \$450,000 of improvements have been identified for the port property at 200 Navy Road. Mr. Shell addressed the visitors with questions as to whether there might be any state funding available for such a project, as the Port Authority and the City of Fort Smith do not have funds available for these projects. Support from the Chamber of Commerce, AEDC, and the Waterways Commission would be vital in realizing any funding for these projects.

Mr. Pilkington of AEDC indicated that most programs available to them involve CDBG monies, and whereas Fort Smith is a CDBG entitlement city, those funds cannot be spent within the city limits of Fort Smith to support these projects. He did add, however, that he will take his understanding of the needs and requests and see if the projects might fit any other avenues of funding the AEDC might have available, particularly for the rail project. Mr. Pilkington said that the creation and retention of jobs would be key to securing project funding through AEDC, and Mr. Shell noted that while such improvements might garner only a few new jobs specifically, the improvements and new facilities would support the much larger expansion of Gerdau, for example. Mr. Shell asked if that relationship with Gerdau's expansion could be considered as part of the application for funding. Mr. Pilkington noted that as an area for inquiry and follow-up.

Mr. Higginbotham of the Arkansas Waterways Commission referred to a specific program sponsored by Senator Files and adopted by the state legislature to make funds available for improvements to economic development along the state's waterways. While he and Sen. Files agreed that the request would likely fit the purpose of the new program, the new program doesn't take effect until January 1, 2014 which doesn't address

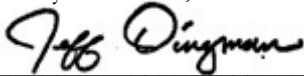
the immediate needs if improvements must happen before the end of the year. Mr. Shell noted that while the bulk storage facility could likely wait, the need for rail improvements is more immediate as the existing track is sinking into the ground.

Arkansas State Senator Jake Files addressed the group and the visitors, noting the support and cooperation

Mr. Worley addressed the issue of storm drainage at the port property, noting that the parking lot drained toward the rail track and the warehouse (No. 1). His point was that the project to replace or rehab the track should also include an evaluation of the drainage to ensure that any such project would not be undermined by storm drainage. He suggested that the city's engineer evaluate the property with an understanding of the needed rail improvements and offer any suggestions he might come up with regarding drainage. After some discussion on this matter, Mr. Worley moved that the city's Director of Engineering be asked to visit the port property within the next 30 days, along with Mr. Shell and any member of the Port Authority who wished to attend, to evaluate the drainage situation, its potential to impact any rail project and what might be done to mitigate that problem. Mr. Taake seconded the motion, and the vote was unanimous to approve. Mr. Dingman was asked to make the necessary arrangements and notify the members when such a visit is planned.

The next meeting of the Port Authority will be held in October, 2013, and a desire was expressed to have the meeting at the 200 Navy Road facility. There being no further business, the meeting adjourned at approximately 12:40 p.m.

Respectfully submitted,



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Jeff Dingman  
Deputy City Administrator  
City of Fort Smith, Arkansas