

City of Fort Smith
Port Authority Meeting
11:30 a.m. Thursday, October 17, 2013
Port of Fort Smith
200 Navy Road, Fort Smith, Arkansas

MINUTES

The Fort Smith Port Authority held its regular quarterly meeting at 11:30 a.m. on Thursday, October 17, 2013 at the Port of Fort Smith facility, 200 Navy Road, 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 and Wesley Daniels of Five Rivers Distribution, John Lovett of the Southwest Times Record and Jeff Dingman of the City of Fort Smith.

Mr. Worley moved approval of the minutes of the July 25, 2013 meeting. Mr. Taake seconded and the motion carried by unanimous vote.

Mr. Shell of Five Rivers Distribution delivered the tonnage report for the Third Quarter of 2013. Mr. Shell reviewed materials and tonnage reports for July, August and September through the Ports of Fort Smith and Van Buren as provided to the members in their meeting packet. A total of 63,978.93 tons of product moved through the Ports of Fort Smith and Van Buren in the Third Quarter 2013, compared to 70,216.85 tons during the same period last year. Mr. Norman moved acceptance of the tonnage report, Mr. Worley seconded and the motion carried by unanimous vote.

Mr. Dingman reviewed the financial report for the Third Quarter, showing the summary of tonnage indicated above and associated revenues (from rent & royalties) and expenses to date. The Port Authority received \$2,958.87 from the operator for net rent and royalties for the quarter. To date, the Port Authority has unencumbered cash on hand of \$25,765.14. 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 \$118,508.07 in improvements to the port facility, including the addition this quarter of repairing damage caused by lightning in May. The Port Authority has reimbursed \$39,362.01 to date, including \$986.29 for the 3Q 2013, and still owes Five Rivers \$79,146.06. Mr. Collyge moved acceptance of the financial report, Mr. Taake seconded and the motion carried unanimously.

The Chair asked Mr. Shell for the operator's report. Mr. Shell explained that a current customer, who moves two specific products through the Port of Fort Smith, is willing to move an additional five specific products and expand usage of the port facilities if the port maintains its rail capabilities and adds bulk storage facilities. More generally, the port has seen a lot of scrap steel business via rail, and the bagging capabilities are back in operation to support its customer moving food-grade fertilizer. This service offered by the port is unique to this area, and the port is picking up more tonnage due to offering the service. Mr. Worley moved acceptance of the operator's report, Mr. Collyge seconded, and the motion carried by unanimous vote.

Mr. Combs introduced Unfinished Business. The first discussion item was the proposal to repair the rail facilities on the port property. At the suggestion of the Port Authority, Mr. Shell invited Danny Eversol, formerly of the Missouri Pacific Railroad, to offer an analysis of the track facilities. Mr. Eversol recommended replacing every third tie, replacing ballast, clearing/cleaning the track of material, and re-setting the existing rail in order to rehabilitate the spur. Mr. Shell also obtained a second track analysis from the Arkansas & Missouri Railroad, who suggested a complete re-build of the track. Also discussed was the effect of drainage in undermining the track, whereby the discussion focused on rehabilitating the track and then evaluating the drainage at a later time and take action as necessary to divert water that doesn't dissipate via the improvement to the track itself.

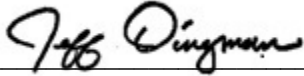
Mr. Shell presented a proposal for \$83,294.40 from Track Services, Inc. for a complete rebuild of the spur, using all new ties but re-using the existing rail & plates. Mr. Worley favored the more measured approach proposed by Mr. Eversol, which would cost considerably less to accomplish, while further evaluating and dealing with the drainage issues. Mr. Shell and Mr. Dingman also outlined a funding solution whereby the local state senators and representatives have offered a portion of their General Improvement Funding allocations to fund \$83,000 for this project, leaving only the balance of \$294.40 as the local jurisdiction's responsibility. Senator Bruce Holland has pledged \$50,000 of his GIF allocation to the project. Senator Jake Files has pledged \$20,000; and Representatives George McGill and Stephanie Malone have each pledged \$6,500. There was also discussion of evaluating the drainage after the rail work was done, and if needed at that time contracting to have a swale installed to assist in stormwater diversion toward the river. After considerable discussion, Mr. Norman moved to take the necessary steps to accomplish the full track replacement (re-using the existing rail & plates) for the \$83,294.40 and then evaluate any drainage improvements that might still be needed at that time, and following through with recognition of the state legislators' support and involvement in the project. Mr. Taake seconded, and the motion carried by a vote of 4-1, with Mr. Worley opposed.

The Chair introduced the second item of Unfinished Business in the discussion of adding bulk storage capacity at the port. As Mr. Shell indicated, there is a customer that is willing to expand his business through the port if more capacity is added. Mr. Shell has identified a plan to add a 25,000 sqft bulk storage facility for approximately \$450,000. Mr. Shell has approached the City, the Fort Smith Regional Chamber of Commerce, and the Arkansas Economic Development Commission regarding a plan to fund such an improvement. Those discussions have resulted in a rough plan of the port (either through the city or the Chamber) securing a no-interest long-term loan from the AEDC to build the facility. The net royalties and rent collected by the Port Authority for the port's operation would support the repayment of the loan, and Five Rivers Distribution has indicated a willingness to discuss being the guarantor of the loan instead of the City of Fort Smith. Over the last two years (2012 & 2013 YTD) the Port Authority has netted approximately \$1100 per month in net rent/royalty payments from Five Rivers. This would be the starting point for figuring how much the Port Authority could afford to pay and how long the loan term would have to be.

There is also the opportunity to reduce the amount owed by documenting jobs created either directly or indirectly as a result of the improvement. The details are yet to be ironed out, but staff is seeking the Port Authority's recommendation to pursue negotiating a suitable agreement with AEDC. The proposed agreement would then be presented to the Port Authority at a later date for recommendation to the Fort Smith Board of Directors. Mr. Norman moved to direct staff to pursue negotiation of an agreement for further consideration. Mr. Collyge seconded, and the motion carried by unanimous vote.

There was no new business on the agenda, and no other items were presented for discussion. The next scheduled meeting of the Port Authority will be held in January, 2014. There being no further business, the meeting adjourned at approximately 12:42 p.m.

Respectfully submitted,

A handwritten signature in black ink that reads "Jeff Dingman". The signature is written in a cursive style and is positioned above a horizontal line.

Jeff Dingman
Deputy City Administrator
City of Fort Smith, Arkansas