

City of Fort Smith
Port Authority Meeting
11:30 a.m. Thursday, August 4, 2016
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, August 4, 2016 at the City of Fort Smith's Administrative Offices, Room 315, 623 Garrison Avenue, Fort Smith, Arkansas.

The meeting was called to order by Larry Combs, Chairperson at 11:34 a.m. and a quorum was noted present. Port Authority members present were Larry Combs, Eddie Norman, Dustin Collyge, Jeff Taake, and Philip Doss. Others present included Marty Shell and Wesley Dennis of Five Rivers Distribution as well as Carl Geffken, Jimmie Johnson and Jeff Dingman of the City of Fort Smith. City Director Tracy Pennartz was in attendance.

The minutes of the April 28, 2016 quarterly meeting were presented. The minutes were approved upon motion of Mr. Norman, which was seconded by Mr. Taake and carried by unanimous vote.

Mr. Dingman asked that an item related to the 2017 Arkansas Waterways Commission grant be added to the agenda under new business. All present were in favor.

Mr. Shell of Five Rivers Distribution delivered the tonnage report for the Second Quarter of 2016. 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 76,019.64 net tons of product moved through the Ports of Fort Smith and Van Buren in the Second Quarter 2016, compared to 39,253.58 tons during the same period the previous year. Mr. Shell noted that wire rod tonnage from Bekaert Steel should increase in the next few months. Mr. Collyge moved approval of the Tonnage Report. The motion was seconded by Mr. Taake and carried by unanimous vote.

Mr. Dingman reviewed the financial report for the Second Quarter 2016, showing the summary of tonnage indicated above and associated revenues (from rent & royalties) and expenses to date. The Port Authority received \$3,090.15 from the operator for rent and royalties for the quarter. The Port Authority spent \$12,564.44 on May 31, 2016 as the 10% match to the 2016 Arkansas Waterways Grant, resulting in unencumbered cash on hand of \$17,015.49. 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 \$127,201.53 in improvements to the port facility. The Port Authority has reimbursed \$51,279.47 to date, including \$1,030.05 for the 2Q 2016, and still owes Five Rivers \$75,922.06. A motion to approve the Financial Report was made by Mr. Doss, seconded by Mr. Collyge and approved unanimously.

Mr. Shell delivered the Operator's Report, noting that the project to pave the parking area using the \$125K grant from the Arkansas Waterways Commission was completed on June 30.

The most significant operational issue during the quarter was a water leak under the floor of the south warehouse. Jimmie Johnson, Deputy Director of the city's Utility Department, explained that a contractor crushed an old 12-inch water main with an excavator working on a project in the vicinity of the port. That 12-inch line served water to the port facilities. When the crushed portion of the 12-inch line was replaced with a new 16-inch line, and water service was restored to the port via the remaining portion of the 12-inch line, a water leak appeared from underneath the south warehouse, with water leaking up through and flooding the floor of the warehouse. As the 12-inch line also served a neighboring industry's fire protection line, it was left in service for several days, leaking at the warehouse. While the city's contractor worked to replace the remaining 12-inch line with the new 16-inch line and tie over all services, the city's crews worked to identify the various water service lines on the port property, including all meter tie-ins, service lines, mains, and fire protection lines. When all was said and done, a new service line was established and terminated by a plumber, and a new fire line was established and certified by a fire protection service, and the Utility had spent nearly \$60,000 (mostly in the use of city labor) on the effort to identify, fix, and restore service to the facility. Mr. Shell acknowledged Mr. Johnson's assistance in the process, which took approximately six weeks from the first sign of a leak until all was restored.

Mr. Shell noted that since the water leaked from under the warehouse floors for several days, he is concerned about the integrity of the soil underneath the concrete floor that is supposed to support the weight of the warehouse and its contents. Mr. Norman asked Mr. Shell to inquire with a local engineering firm that offers ground-penetrating radar services about potentially surveying the warehouse floor to see if there are voids and open space beneath the floor that may have been caused by the water. Mr. Shell indicated that he would make such inquiry and report back to the board within the next few days.

The discussion turned to the potential for selling or outright leasing the port facility on a long-term basis. Mr. Geffken addressed the board and said that he was in favor of either a sale or the long-term lease, whichever can make the most sense. The concerns created by the pre-2008 port operator that created a reluctance to a long-term lease seem to have been alleviated, at least for a majority of the Port Authority board, by Five Rivers Distribution over the last eight years. Five Rivers' current agreement has them in place at the Port of Fort Smith into 2028. Those in attendance agreed that it was time to move forward with some action. Mr. Geffken asked Mr. Dingman to write up recommendations as to what terms might be included in a long-term lease. At a minimum, it should propose at least a 20-year term, perhaps as much as 30 to 40 years. Such agreement might eliminate the royalty provisions in the current Operator Agreement and replace them with a fixed monthly payment. Mr. Geffken also asked that any proposed lease be compared with other leases to verify what sort of terms the Port Authority should include in a long term lease.

Such a long term lease would allow the Lessee (presumably Five Rivers Distribution) to make capital investment in facilities such as bulk warehouse storage or other improvements and be able to finance them over their full depreciated life cycle. Mr. Shell indicated such favorable lease arrangement as opposed to an outright sale of the property, as ownership of the facility by the public Port Authority presumably would allow the facility to apply for public grants, such as the Arkansas Waterways Grant, to help fund improvement projects at the park. There was also some discussion of real estate tax assessment, recalling the 2012 instance where the Port Authority had to address the Sebastian County Assessor's determination that the property was taxable. Whatever the arrangement going forward, maintaining public ownership of the property with stipulations requiring that the facility be used and offered to any local business or industry is of high interest to the Port Authority.

Mr. Geffken and Mr. Dingman indicated that more information, including a draft of a proposed lease agreement, would be presented for discussion at the next quarterly meeting, where the discussion of whether to sell or lease the property would continue.


Mr. Dingman noted that the Arkansas Waterways Commission released the application packet for its 2017 grant program to fund improvements at public ports. Mr. Shell indicated that at the Commission's July 27 meeting - held in Fort Smith - the Commission indicated that it would have nearly \$1 million to allocate through the program in the next cycle. Mr. Shell asked that the Port Authority authorize application for the next round of funding, again citing the need for a 30,000 square foot bulk storage warehouse. Mr. Norman asked how much would be applied for, to which Mr. Shell indicated that the dirt grading and concrete work for the needed building would amount to \$536,419. Mr. Shell offered that if such award were granted, then Five Rivers Distribution would offer the required 10% match, recognizing that the Port Authority would not have sufficient funds to do so. The superstructure and covering could be applied in the future, perhaps with additional grant funds in subsequent years. Mr. Norman moved approval of a resolution authorizing an application for grant funds from the Arkansas Waterways Commission. Mr. Collyge seconded, and the motion carried by unanimous vote. Mr. Shell and Mr. Dingman will work to get the documents submitted in the next few weeks.

Mr. Shell commented on a successful meeting of the Arkansas Waterways Commission, held July 27 in Fort Smith. It was the first such meeting held in Fort Smith, and the Commission was able to visit the Port of Fort Smith and see the parking lot pavement improvements that were funded by their \$125,000 grant and completed in June. Mr. Shell also noted that the Arkansas-Oklahoma Port Operators Association (AOPOA) would be meeting in Fort Smith again in September.

Mr. Shell acknowledged Director Pennartz, and reminded everyone of her role in securing highway signage for the Port of Fort Smith and the Port of Van Buren when she served in the state legislature.

The next regular meeting of the Port Authority will tentatively be the last week of October, 2016, at the Port of Fort Smith. There being no further business, Mr. Norman moved that the meeting be adjourned. The motion was seconded by Mr. Taake, and by unanimous vote the meeting adjourned at 12:36 p.m.

Respectfully submitted,



Jeff Dingman
Deputy City Administrator
City of Fort Smith, Arkansas