

City of Fort Smith
Port Authority Meeting
11:30 a.m. Thursday, October 27, 2016
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 27, 2016 at the Port of Fort Smith, 200 Navy Road, Fort Smith, Arkansas.

The meeting was called to order by Larry Combs, Chairperson at 11:44 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 Jeff Dingman of the City of Fort Smith.

The minutes of the August 4, 2016 quarterly meeting were presented. The minutes were approved upon motion of Mr. Taake, which was seconded by Mr. Norman and carried by unanimous vote.

Mr. Shell of Five Rivers Distribution delivered the tonnage report for the Third Quarter of 2016. 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 70,485.23 net tons of product moved through the Ports of Fort Smith and Van Buren in the Third Quarter 2016, compared to 93,063.67 tons during the same period the previous year. Mr. Doss moved approval of the Tonnage Report. The motion was seconded by Mr. Norman and carried by unanimous vote.

Mr. Dingman reviewed the financial report for the Third Quarter 2016, showing the summary of tonnage indicated above and associated revenues (from rent & royalties) and expenses to date. The Port Authority received \$3,496.31 from the operator for rent and royalties for the quarter. Less the \$721.81 for sponsorship of the Arkansas Waterways Commission dinner in July, unencumbered cash on hand is \$19,789.99. 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 \$52,444.91 to date, including \$1,165.44 for the 3Q 2016, and still owes Five Rivers \$74,756.62. A motion to approve the Financial Report was made by Mr. Collyge, seconded by Mr. Norman and approved unanimously.

Mr. Shell delivered the Operator's Report, noting that Five Rivers is glad to have all construction in the area completed, including the paving project at the Port property and the City's wastewater tank project on the neighboring property, which took nearly two years to complete. Mr. Norman asked Mr. Dingman about the possibility of Five Rivers using any excess area on the city's property, to which Mr. Dingman replied that was unlikely but could be investigated. Mr. Shell noted that he would be traveling to Little Rock on November 1 to a meeting of the Arkansas Waterways Commission as they consider the most recent grant application for public port improvement funds. The Port of Fort Smith applied for over \$500,000 in funds to go toward the bulk storage building project. Mr. Doss moved acceptance of the Operator's Report, Mr. Taake seconded, and the motion carried by unanimous vote.

As there was no unfinished business, Mr. Combs introduced the item of New Business concerning the potential long-term lease of the Port Property to Five Rivers Distribution. Mr. Dingman noted that the draft for review was distributed by email on October 11 for the members to review and make comment. Mr. Shell noted that the attorney representing Five Rivers Distribution, Mr. Philip Bagby, had reviewed the draft and has some drafting inquiries that should be negotiated or worked out with the city's attorney. Specifically, item 7(e) is heavy on the documentation of financial information required to be presented for the Port Authority's review, especially if the rent arrangement is based on a flat rental amount, and not derived as royalty or a percentage of revenue. Also, issues such as the required amounts of insurance coverage, the use of insurance proceeds, and whether mortgage financing can be allowed for new construction are issues to work out.

As for the basic parameters of the document, Mr. Dingman asked the members to consider what the term of the lease should be, and how much the base amount of rent should be for inclusion in the next draft of the document. As to the term, after general discussion the members reached consensus that a 30-year term was acceptable.

As to the rental amount, Mr. Dingman recounted to the members that the Port Authority typically has about \$10,000 to \$12,000 per year. Some years, such as 2016, have contained additional expenses such as paying for facility improvements or providing grant matching funds. There was discussion about how much the Port Authority currently receives from the Operator per month under the base rent plus royalty setup, and it was thought to be between \$2,000 & \$3,000 per month (gross), out of which comes reimbursement to the operator for capital investment. Mr. Dingman agreed to follow up with clarification on this amount. The Port Authority consensus was that the rent should be a fixed rate, and whatever is finally determined, up to half of the monthly rental should go towards repayment of Five Rivers Distribution's capital investment in the Port facility until the debt is repaid.

After discussion, Mr. Norman moved that Mr. Doss be appointed to work with Mr. Dingman and Mr. Shell on behalf of the Port Authority membership to work through details of an agreement, get the agreement through both parties' respective attorneys, and back to the entire membership for review and approval. Mr. Taake seconded the motion, and the motion carried by unanimous vote. All agreed that a special meeting would be tentatively scheduled for November 17 to consider a negotiated and complete agreement.

Mr. Norman asked Mr. Shell about the status of the ground penetration radar investigation of the warehouse floor. Mr. Shell stated that his staff is working with the engineer to move material around so that the whole area of the floor could be properly surveyed. Mr. Dingman noted that the city's utility would be bearing the cost of the survey.

The next regular meeting of the Port Authority will tentatively be the last week of January, 2017. There being no further business, Mr. Combs declared the meeting be adjourned at 12:54 p.m.

Respectfully submitted,



Jeff Dingman
Deputy City Administrator
City of Fort Smith, Arkansas