

City of Fort Smith
Port Authority Meeting
11:30 a.m. Thursday, July 25, 2019
Bank OZK Building
5401 Rogers Avenue
Fort Smith, Arkansas

MINUTES

The Fort Smith Port Authority scheduled its regular quarterly meeting at 11:30 a.m. on Thursday, July 25, 2019 at the Bank OZK building, 5401 Rogers Avenue, Fort Smith, Arkansas.

The meeting was called to order by Larry Combs, chairperson, at 11:45 a.m. and a quorum was noted present. Other Port Authority members present were Philip Doss, Eddie Norman and Dustin Collyge. Chad Lane was absent and excused by unanimous vote. Others present were Marty Shell of Five Rivers Distribution and Jeff Dingman of the City of Fort Smith.

The minutes of the May 2, 2019 regular meeting and the May 30, 2019 special meeting were presented, and Mr. Norman moved approval of both. Mr. Doss seconded, and the motion carried unanimously.

Mr. Collyge reviewed the Port Authority's bank account statements for the months comprising the second quarter of 2019. The balance of the operating account as of June 28, 2019 was \$34,402.51. Mr. Collyge noted the deposits and the canceled checks for regular disbursements. He also noted that the check reimbursing Five Rivers Distribution for \$1,500 for rent paid for the month of May 2019 (abated at the May 30 special meeting) was just delivered and not yet cashed. No other outstanding bills were presented, and as of today's meeting, Mr. Collyge noted that the checkbook shows a balance of \$32,697.09. Mr. Norman moved ratification of bills paid and acceptance of the Treasurer's Report. Mr. Doss seconded, and the motion carried by unanimous vote.

For the Operator's Report, Mr. Shell reported on how the Port of Fort Smith has been inoperable since the flooding that occurred May 23, 2019 and several days subsequent, which completely inundated all facilities at the facility. The facility awaits cleanup and restoration/reconstruction of damaged buildings and property, which cannot start until all insurance adjusters for the Arkansas Municipal League's Municipal Property Program (and the program's reinsurer) have completed their reports regarding the flood damage at the property, along with the associated value of the damage. Five Rivers Distribution has moved Mr. Daniel to duties elsewhere, but has had to lay off four full-time employees that work at the Port of Fort

Smith. He is anxious for the insurance reports to be completed so that the restoration efforts can begin. By comparison, the privately-owned Port of Van Buren was closed to business for 32 days, having restarted operations recently. The Port of Fort Smith will take considerably longer, as indications so far are that warehouses 1 and 2 were completely inundated by the flood and are expected to be deemed total losses. The new bulk storage building fared better, as it sits much higher, and should only need a thorough cleaning before it can be put back to use. Other items, such as the office area and the underground truck scales, are also anticipated to be deemed total losses. Other items included on the property insurance schedule are both barge docks. It remains to be seen how much total damage the adjusters have determined was sustained at the port.

Commissioners asked about how the facility might be adjusted, assuming both old warehouses must be removed and rebuilt. They are both 40,000 sqft warehouse buildings, but Mr. Shell offered that he might suggest replacing them with two 30,000 sqft bulk storage facilities similar to the new one just built, including mitigating against future floods by raising the elevations if resources allow. The configuration footprint might also be adjusted to maximize efficient travel patterns for trucks moving about the facility. The office area and scales would ideally be separated from the warehouses and built to a higher elevation, as even lower flood levels than the one experienced this year have gotten into the office area in the past. Mr. Dingman mentioned that there may be FEMA grants available for mitigation efforts to raise such facilities to higher elevations.

Mr. Shell mentioned several times that the Port of Fort Smith was an important part of Five Rivers Distribution's business, and that the longer it remains closed the more likely it is that he will lose customers to competing interests. He has already lost two customers, and fears that more will follow if the Port of Fort Smith is not back in operation quickly. He has identified contractors that can be ready to go if allowed to start soon, but their window of availability could close if other work comes along. Mr. Dingman reminded all that procurement procedures and bid regulations will need to be followed.

Amid discussion of the options that exist for getting the facility back to port operations, Mr. Dingman also noted that the possibility does exist that the facility could be deemed destroyed and unusable for its purpose as a port, and not rebuilt. Mr. Shell replied that he would object, as he believes that insurance proceeds could be sufficient to rebuild the facility to a functioning port. Members of the Port Authority remained interested in what a rebuilt facility might look like, everyone realizing that final determination relied upon the pending insurance adjuster's reports. Mr. Collyge moved acceptance of the Operator's Report. Mr. Norman seconded, and the motion carried four votes in favor to zero opposed.

Mr. Norman asked about the Tonnage Report, to which Mr. Shell replied there has been little to no activity at the Port of Fort Smith since the flooding. However, for the second quarter, the Port of Fort Smith saw a total of 5,576.405 net tons of material move through the facility. The Port of Van Buren recorded activity for 16,380.053 net tons of material for a total of 21,956.458 net tons. Some material at Fort Smith was moved to Van Buren before the flooding, but is still being shown as tonnage attributable to Fort Smith. There has been some activity at the Port of Fort Smith since the flood with customers removing their flood-damaged material (steel coils). Mr. Doss specifically asked about some reported tonnage activity during the month of May, when rent was abated. Mr. Shell replied that much of the activity involved moving material to the Port of Van Buren or dealing with minimal rail deliveries of lumber for outside storage. Mr. Doss moved approval of the tonnage report. Mr. Collyge seconded and the vote was unanimous to approve.

Mr. Dingman presented Resolution 2019-02 for approval, such resolution extending the abatement of rent under the terms of the Lease Agreement with Five Rivers Distribution through October 31, 2019. This extends the rent abatement approved through July 31 by Resolution No. 2019-01 approved at the May 30 special meeting. Mr. Norman asked about how the overall term of the Lease Agreement might be affected, to which Mr. Dingman replied that the term of the Lease Agreement could be extended on the back end to make up for the months abated. This would also apply to the initial four years of the Lease Agreement whereby the rent due was reduced as repayment to Five Rivers for previous capital investments in the facility. Mr. Doss noted that since it is currently unknown how long the facility will be out of operation, it will make sense to recognize any such extensions in a formal way after Five Rivers is able to resume operations and the length of the needed extension is known. Mr. Norman moved approval of Resolution No. 2019-02. Mr. Doss seconded, and the motion carried by unanimous vote.

The next regular meeting of the Port Authority will be scheduled for October 31, 2019. There being no further business before the body, the meeting adjourned at 12:44 pm.

Respectfully submitted,



Jeff Dingman
Deputy City Administrator
City of Fort Smith, Arkansas