

Minutes of the Regular Meeting of the Board of Commissioners of the Lake Charles Harbor and Terminal District held at 5:00 P.M., Monday, December 17, 2018 in the Boardroom of the Port of Lake Charles located at 1611 West Sallier St., Lake Charles, Louisiana.

In attendance and constituting a quorum, were:

- Michael G. Eason, President
- John LeBlanc, Vice President
- Elcie J. Guillory, Secretary/Treasurer
- David J. Darbone, Assistant Secretary/Treasurer
- Dudley R. Dixon, Commissioner
- Carl J. Krielow, Commissioner
- Thomas L. Lorenzi, Commissioner

Absent:

None

Also Present:

- Bill Rase, Executive Director
- Richert Self, Deputy Executive Director/Director of Administration and Finance
- Michael Dees, General Counsel
- Jon Ringo, Assistant General Counsel
- Donald Brinkman, Director of Security/Engineering, Maintenance and Development
- Dan Loughney, Director of Marketing and Trade Development
- Todd Henderson, Director of Operations
- Michelle Bolen, Executive Administrative Assistant

Mr. Eason called the meeting to order at 5:00 P.M. and asked Mr. Guillory to give the invocation. Mr. Dixon led the Board and audience in the Pledge of Allegiance.

Mr. Eason asked if there were any public comments regarding any items on the agenda. Mr. Steve Hirsh asked to speak regarding the Big Lake Fuels, LLC project agenda item.

-
1. Approval of the November 19, 2018 Regular Meeting Minutes.
-

Mr. Dixon offered a motion to approve the November 19, 2018 Regular Meeting Minutes. Mr. Krielow seconded the motion and it carried unanimously.

-
2. Submission 2018 – 042 authorizing the issuance of not to exceed \$360,000,000 Lake Charles Harbor and Terminal District Revenue Bonds (BIG LAKE FUELS LLC PROJECT) in one or more series; authorizing the filing of an application with the State Bond Commission; providing for employment of Bond Counsel and other professionals in connection with the issuance of the bonds; authorizing the officers and trustees of the District to do all things necessary to effectuate this Resolution; and providing for other matters related thereto.
-

Mr. Rase stated this has to do with a project which started several years ago. It had a short hiatus, but it is coming back to life now. Big Lake Fuels is over on the Industrial Canal. These bonds are just a pass through for the Port. They do not use the Port's credit or any financials to get them. The Port is a conduit for them.

Mr. Rase stated Mr. Steve Hirsch with Big Lake Fuels is here to give a presentation.

Mr. Steve Hirsch, Big Lake Fuels, stated it has been a while since he has seen everyone. Since some of the Commissioners are new, he thought he would use the opportunity to reacquaint everyone with the project.

Mr. Hirsch stated he is the Senior Vice President, Head of Business Development for the Proman Group. The Proman Group is the owner of Big Lake Fuels project through G2X Energy.

As a reminder, they have just over 200 acres of land at the Port of Lake Charles in which they have leased since 2013. The project is a natural gas to methanol plant. It is a \$1.75 billion world scale methanol plant with best in class technology. They do hope to start very soon. Once they start, it will be about 3 – 3 1/2 years of construction time. They will have 2,000 construction jobs and up to 120 permanent workers.

Big Lake Fuels, which is the local company here is owned by G2X Energy, is Texas based and part of the Proman Group. They are the second largest producer of methanol in the world. They are not a developer. This actually is their business, to build big world scale plants like this all across the world.

They recently finished a build of the one in Beaumont, TX. That project in 2016 ran out of money half way through construction and they came in and injected \$1 billion to finish it. It was a great opportunity that they could not pass up even though in the U.S. Gulf Coast, Lake Charles is where they want to be.

He said Proman is large and has been around for 30 years. They have 17 petrochemical plants worldwide. They are fully integrated. They do EPC as well as the marketing and logistics. They own their own ships. They do their own construction. These projects are in their

control. They do not rely on external parties like third-party off takers or EPC contractors. This is all stuff they do in-house.

They are the second largest producer of methanol. They also do fertilizers. Right now their major assets are in Trinidad, but they are now expanding into the US because of lack of gas in Trinidad. They believe the future of their company is here in the US, specifically on the Gulf Coast.

For those of you not familiar with methanol, it is the simplest alcohol. It is clear and found in all sorts of household products used on a daily basis. It is a very clean fuel as well. It is a high-octane clean burning, which is used in vehicles as well as stoves and vessels.

It is a large market. To put in context, you would have to build two or three of these world scaled plants every year to keep up with demand. With them being the second largest producer, they need to build one every three years just to keep their market share. They have the one in Beaumont that they just finished and is now operating, but now they need to do the next one else they will lose their market share.

They started here in 2013 with the Port. They spent a significant amount of money in the project before having to move in 2016 to Beaumont. It was a great opportunity, but they did not choose Beaumont over Lake Charles. In fact, they chose Lake Charles over Beaumont initially.

When they did come into the project in Beaumont, there was a \$1 billion hole that the owner had to fill up. They came in with \$700 million in cash and were also able to successfully raise these tax-exempt municipal bonds. This is something they are very familiar with and were successful in doing it in Texas and expect to be very successful in Louisiana. Of course, this is a federal tax incentive. It does not cost the state or the community anything. It is just being exempt from federal tax on interest payments for the bondholders, but it makes an appealing form of financing that they can qualify for some of the great capital they are spending in drainage, improvements and infrastructure for the project.

While they were on hold, they did not stop work on the Lake Charles project. They actually improved it. Despite it being a couple of years behind, they have increased the production capacity and they have lowered emissions by choosing new technology, which improves the efficiency. They also spent time improving the layout of the site, which will also include improving the drainage, not just for their site, but for the whole area of the Industrial Canal.

Now that the new project in Beaumont is running very well since June, at full capacity, they are now shifting their focus back to Lake Charles and hope to start the redevelopment of the project

They have to resubmit the air permit with LDEQ to account for their new technology, which is a better emissions profile. Because they change the layout a bit, they had to reapply for that. Everything else with third parties is generally complete, including power and pipeline.

The main thing he wants to emphasize is the construction, offtake and the funding that is in their control. This is something they need to do is a company. They choose this place to do it.

If they get support from the Port, since everything else is in their control, they will be able to deliver.

Mr. Eason asked what the timeframe was if approval was given tonight on the issuance of the bonds. Mr. Hirsch replied that with respect to the bonds, the state will approve them by 15 February 2019. They have already petition to get them based on the condition that the Port approves the bonds.

Mr. Eason asked after the issuance of the bonds and everything is done with the underwriters, when will they start the project? Mr. Hirsch replied the bigger will be the permitting. They expect to get the CORP Engineers by June. They will start as soon as this funding. As long as they have the allocation, whether they draw the bonds in June or do it later, it is okay. They can still start before that. It is really just getting everything aligned including the permits, which they hope to do by June.

Mr. Eason asked how many permanent jobs will be attached to it once they are up and running. Mr. Hirsch replied that there will be about up to 120 jobs. Mr. Eason asked how many construction jobs there would be here. Mr. Hirsch replied around 2000 jobs. He stated the jobs that they have permanently will be highly skilled jobs - engineers, operators, etc.

Mr. Dixon offered a motion to adopt Resolution 2018 – 042 to authorize authorizing the issuance of not to exceed \$360,000,000 Lake Charles Harbor and Terminal District Revenue Bonds (BIG LAKE FUELS LLC PROJECT) in one or more series; authorize the filing of an application with the State Bond Commission; provide for employment of Bond Counsel and other professionals in connection with the issuance of the bonds; authorize the officers and trustees of the District to do all things necessary to effectuate this Resolution; and provide for other matters related thereto. Mr. LeBlanc seconded the motion and it carried unanimously.

-
- 3. Submission 2018 – 043 establishing the Regular Meetings of the Board of Commissioners of the Lake Charles Harbor and Terminal District for the calendar year 2019.
-

Mr. Rase stated they do this every year. They try to hold onto the fourth Monday of each month, although there are two or three months during holidays that they shift those around. This is the schedule staff is submitting for 2019 for the board meetings.

Mr. LeBlanc offered a motion to adopt Resolution 2018 – 043 to establish the Regular Meetings of the Board of Commissioners of the Lake Charles Harbor and Terminal District for the calendar year 2019. Mr. Darbone seconded the motion and it carried unanimously.

-
- 4. Submission 2018 – 044 approving revisions to the Port of Lake Charles Tariff No. 013.
-

Mr. Rase stated they had given the Board a briefing note on this issue the previous month. They are ready to move forward with the tariff changes, which basically follow the Gulf Seaports Marine Terminal Conference that they are a member of for the dockage and security fees. They have also taken the opportunity to upgrade their water fees and some of the fees for activities that they actually do at several of the terminals that are not in the tariff. They are done under purchase orders or different agreements. Staff decided that since they always reference back to the tariff, that they include a fee for those particular activities in case some other individual came along and wanted to do some of those activities. Staff is recommending approval from the board tariff revisions.

Mr. Darbone offered a motion to adopt Resolution 2018 – 044 to approve revisions to the Port of Lake Charles Tariff No. 013. Mr. LeBlanc seconded the motion and it carried unanimously.

-
5. Submission 2018 – 045 authorizing a Lease Agreement with PPG Industries, Inc.
-

Mr. Rase stated these were for warehouses that they have under the I-10 Bridge a little towards Westlake. PPG has leased them for a number of years. Their contract came due January 1, 2019, so they renegotiated different fees for those warehouses. They store mainly sand in them. Staff is recommending approval of the lease agreement.

Mr. LeBlanc offered a motion to adopt Resolution 2018 – 045 to authorize a Lease Agreement with PPG Industries, Inc. Mr. Krielow seconded the motion and it carried unanimously.

-
6. Submission 2018 – 046 authorizing the Executive Director to issue a purchase order for security services at Driftwood LNG site with Securitas Security Services USA, Inc.
-

Mr. Rase said this also is something they have been doing for several years. On the Global site that the Port purchased and Driftwood has now leased from them, there are several properties that will not take effect until Driftwood actually gets out their permit to move forward. They have also some grass cutting and cleanup duties to perform there. Securitas is the guard service that the Port uses out there. Although it is \$150,000 that the Port will expend, Driftwood will pay the Port back half of that. The total expenditure for the Port will be about \$75,000.

Mr. Darbone offered a motion to adopt Resolution 2018 – 046 to authorize the Executive Director to issue a purchase order for security services at Driftwood LNG site with Securitas Security Services USA, Inc. Mr. Lorenzi seconded the motion and it carried unanimously.

7. Submission 2018 – 047 authorizing the Port to enter into a Professional Services Agreement with SDR Engineering Consultants.
-

Mr. Rase stated this was part of the project at Berths 2 and 3 that they are getting ready to fabricate and put back into service. The total project is about \$40 million. This is a piece of the project. While the decking is off, this company is able to go under to the beam that runs between the pilings that support the decking and put on a layer of material that will allow the beam to be able to handle more of the pounds per square inch than the normal size of the beam. It is wrapping it in a product that strengthens the beam. They believe it will be good to get the full dock from the railroad tracks all the way out to the water at about 2000 pounds per square foot. It will be a big plus for that particular dock, as they intend to use that for the heavier types of cargo that come through the Port.

Mr. Guillory offered a motion to adopt Resolution 2018 – 047 to authorize the Port to enter into a Professional Services Agreement with SDR Engineering Consultants. Mr. Dixon seconded the motion.

Mr. Krielow asked, regarding this work, if they go through, is this just an engineering study for this process. Mr. Brinkman replied that it is actually the engineering design. Mr. Krielow stated that if they determine that this process needs to be done, does anyone have a cost estimate on what is involved with it? Mr. Brinkman replied that part of their work will be the design and the construction estimate and they will be able to validate that construction cost and bring that to the Board for approval through the Boh Brothers contract. This is strictly the design. They have already seen the facilities and think they can design it correctly to get the strength the Port needs. Mr. Krielow said he is asking that based on what they have seen and based on their experience on past projects, on bridge projects. Do they have a ballpark of what the Port is looking at? Mr. Brinkman replied that they gave them a round number of \$2,000 a square-foot when they came initially. Giving them some quick numbers, it seemed very feasible and it seemed like it was going to be \$2 million or so to actually do the construction work. They will get a true cost estimate for the design process.

The motion it carried unanimously.

-
8. Submission 2018 – 048 authorizing an agreement for Construction Management, Field Technical and QA/QC services with River West enterprises, Inc. for the construction of various capital projects for 2019.
-

Mr. Rase stated this is another agreement that they have done over the last several years. They have used River West and have been quite pleased with their reporting and activities on the projects. Staff is asking for approval for \$215,000 for 2019, which is just an estimate. They only charge by the hour that they are on the project.

Mr. Darbone offered a motion to adopt Resolution 2018 – 048 to authorize an agreement for Construction Management, Field Technical and QA/QC services with River West enterprises, Inc. for the construction of various capital projects for 2019. Mr. Krielow seconded the motion and it carried unanimously.

-
9. Submission 2018 – 049 authorizing the District to amend Resolution 2018 – 023 for Professional Services Agreement for Construction Management At-Risk Pre-Construction services with Boh Bros construction.
-

Mr. Rase stated that on Docks 2 and 3, what CMAR is trying to do is get the Port out in front of the project itself by driving these test pilings in getting the information. From that activity, staff will have a better chance during the engineering process to design the pilings to what they need. They would've spent this money somewhere along the line anyway. By trying to do this on the front end, they think this will move the project along a lot faster.

Mr. LeBlanc offered a motion to adopt Resolution 2018 – 049 to authorize the District to amend Resolution 2018 – 023 for Professional Services Agreement for Construction Management At-Risk Pre-Construction services with Boh Bros construction. Mr. Dixon seconded the motion and it carried unanimously.

-
10. Submission 2018 – 051 authorizing a Lease Agreement with Pelorus Terminals, LLC/TDC, LLC.
-

Mr. Rase stated last month staff brought this project to them. They have already started some of the improvements on the property. The lease agreement is what they are finalizing. They have gotten that into a form where staff is satisfied. They have changed to TDC, LLC and would like to sign directly with TDC. They have the guarantee from Genesis, the parent company, on the back side. Staff believes this is a good project for the Port and seeks approval from the Board to go forward.

Mr. LeBlanc offered a motion to adopt Resolution 2018 – 051 to authorize a Lease Agreement with Pelorus Terminals, LLC/TDC, LLC. Mr. Darbone seconded the motion and it carried unanimously.

-
11. December 17, 2018 Administration, Audit, and Personnel Committee
-

The Committee met on December 17, 2018 to discuss the 2019 Operating, Non-Operating and Capital Budgets.

Mr. Dixon asked Mr. Self to present the 2019 Operating, Non-Operating and Capital Budgets. After the presentation, Mr. Dixon stated the Committee approved Resolution 2018 – 050 adopting the 2019 Operating, Non-Operating and Capital Budgets to the full Board for approval at the December 17, 2018 regular Board meeting. Being a Committee meeting, no second to the motion is needed.

Mr. Self presented the 2019 budget to the Board. After this, Mr. Self stated he wanted to go over some new changes with the reorganizational and funding structure of Port Rail. During 2018 the Port of Lake Charles paid Port Rail \$86,000 per month as their funding to be the handling carrier for the Port of Lake Charles. During 2018, Port Rail uses a company called Bowers and they also have attorneys, Fletcher and Sipple. Fletcher and Sipple called and they had some discussions about Port Rail and the funding mechanism through the Port. Obviously, Port Rail has its own board. They suggested some changes in the organizational structure to make Port Rail more autonomous. In doing so, some of the changes are included on the iPad. In 2018, the Port was paid fees for the interchange revenue, basically, that payment was coming from Union Pacific. The Port was paying their expenses for the locomotive rental, fuel and just paying them \$86,000 a month as the handling carrier.

Mr. Self stated some of the changes Fletcher and Sipple have suggested would be to have all of the revenues that are derived by Port Rail activities to go to Port Rail. The Port would still be making a payment to Port Rail of approximately \$300 per railcar to provide a funding mechanism to Port Rail. That based on just average railcar counts during 2018, Port Rail is going to require so additional funding. Port Rail has a liability to the Port of Lake Charles of about \$1.3 million. The \$26,000, which was a \$300.00 per car payment, is going to be an additional funding that Port Rail is going to need to cash flow every month. The Port is going to pay \$300.00 per car to Port Rail as a handling carrier for the Port. That will work out to be about \$56,000 per month based on average car counts. They are going to need an additional \$26,000 or so to continue to operate. That is just the way it has been for the last couple of years. They need about \$86,000 or so.

Just to summarize, rather than having some of the revenues go to the Port and the Port pay their expenses, all the revenues are going to Port Rail and they are going to pay all of their expenses.

Mr. Krielow asked if the \$27,000 a month will be treated as a loan to Port Rail. Mr. Self stated it was. It is going to increase the amount of receivable that the Port has from Port Rail and increase the liability of Port Rail.

Mr. Krielow asked if this would be a continuing thing. Mr. Self replied that it depends on car counts. Southern Ionics has increased their car counts. They have a certain threshold that they exceed as far as car counts, they will not need any additional funding from the Port. As they get additional customers at City Docks and additional cars, they may not need any additional funding.

Mr. Krielow asked if the car count increases it pay down on that debt. It would be a reciprocating. Mr. Self stated in 2018, they continued to make payments on that note. They will continue to make payments going forward. The note will increase if they do not move enough cars, but the note is being amortized and they are making payments on the note now. They initially amortized the note over a 5 year period. It was probably a bit ambitious, so it is now being amortized over a 10 year period to give them a little bit more cash flow.

Mr. Rase stated that the main purpose of this is to avoid the Railroad Retirement Fund so not all Port employees end up falling under the Railroad Retirement Fund. When the lawyers saw what they were doing, they recommended the change.

Resolution 2018 – 051 carried unanimously.

12. Gate Security Services Briefing Note

The Gate Security Services Briefing Note was rendered to the Board and is on file in the Executive Offices.

13. November 2018 Financials Briefing Note

The November 2018 Financials Briefing Note was rendered to the Board and is on file in the Executive Offices.

14. Monthly Staff report from Deputy Executive Director Monthly Report.

The Deputy Executive Director’s Monthly Staff Report was rendered to the Board and is on file in the Executive Offices.

15. Monthly Staff report from Director of Navigation.

The Director of Navigation and Security’s Monthly Staff Report was rendered to the Board and is on file in the Executive Offices.

16. Monthly Staff report from Director of Operations.

The Director of Operations’ Monthly Staff Report was rendered to the Board and is on file in the Executive Offices.

- 17. Monthly Staff report from Director of Marketing and Trade Development.

The Director of Marketing and Trade Development's Monthly Staff Report was rendered to the Board and is on file in the Executive Offices.

- 18. Monthly Staff report from Director of Engineering, Maintenance, and Development and Security.

The Director of Engineering, Maintenance, and Development and Security's Monthly Staff Report was rendered to the Board and is on file in the Executive Offices.

- 19. Monthly Staff report from the State Port Lobbyist.

The State Port Lobbyist's Monthly Staff Report was rendered to the Board and is on file in the Executive Offices.

- 20. Executive Session and appropriate action in any of the following matters:

Mr. Eason asked for a motion to enter into Executive Session. Mr. Krielow offered a motion to enter into Executive Session. Mr. Darbone seconded the motion and it carried unanimously.

The Board entered into Executive Session at 5:40 p.m.

- Suit against the Port of Lake Charles – Suit No. 2013-001091-14th JDC, State of LA.
- Suit against the Port of Lake Charles – Suit No. 2014-004268-14th JDC, State of LA.
- IFG Port Holding, LLC vs LCHTD – Case: 2:16-cv-00146 U S District Court, Western District of Louisiana, Lake Charles Division.
- LCHTD vs IFG Port Holding, LLC – Case: 2:16-cv-00785 U S District Court, Western District of Louisiana, Lake Charles Division

The Board returned from Executive Session at 6:39 p.m.

Mr. Eason stated no action was taken in Executive Session.

Mr. Eason stated there is an item to be acted upon.

Mr. Dees stated outside counsel and the Port's General Counsel both recommend the adoption of the following Resolution 2018 – 052:

A RESOLUTION authorizing the Lake Charles Harbor and Terminal District (District) to seek appropriate court approval for the issuance of the applicable notice to cure to IFG Port Holdings, LLC (IFG) under the Ground Lease Agreement between the District and IFG, dated August 15, 2011 (Lease), and, upon obtaining court approval and proper notice having been given to IFG, further authorizing the Executive Director, General Counsel and Outside Counsel to take all appropriate steps to undertake and complete the dredging required under Section 8.9 of the Lease as a result of IFG's failure to timely arrange for and complete such dredging.

Mr. Dees stated that is the Resolution in summary.

Mr. LeBlanc offered a motion to add Resolution 2018 - 052 to the agenda. Mr. Dixon seconded the motion and it carried unanimously.

Mr. LeBlanc offered a motion to adopt Resolution 2018 – 052 to authorize the Lake Charles Harbor and Terminal District (District) to seek appropriate court approval for the issuance of the applicable notice to cure to IFG Port Holdings, LLC (IFG) under the Ground Lease Agreement between the District and IFG, dated August 15, 2011 (Lease), and, upon obtaining court approval and proper notice having been given to IFG, further authorizing the Executive Director, General Counsel and Outside Counsel to take all appropriate steps to undertake and complete the dredging required under Section 8.9 of the Lease as a result of IFG's failure to timely arrange for and complete such dredging. Mr. Darbone seconded the motion.

Mr. Dixon asked to have the Resolution state that this was based on advice from counsel. Mr. Dees stated it was based that way in the Resolution so that it would be on the record of the minutes.

Mr. Krielow stated he understands this is on the advice of Counsel. He is still somewhat uncomfortable with limitations in the report. But, he understands the position of Counsel on it.

Mr. Eason called for a vote.

Messrs. Guillory, LeBlanc, Lorenzi, Darbone and Dixon voted for the motion. Mr. Krielow opposed the motion.

The motion passed by a vote of 5 – 1.

21. Other Matters which may properly come before the Board.

There being no further business to come before the Board, Mr. Eason asked for a motion to adjourn. Mr. LeBlanc offered a motion to adjourn and Mr. Darbone seconded the motion and it carried unanimously. The meeting adjourned at 6:45 p.m.

All discussions held on the above items were recorded using the FTR Gold program, and saved on the District's main file server in the District's office.

Please note that when the votes are shown as unanimous, it is the policy of the Board that the President does not vote except in the event of a tie vote by the rest of the Board and/or unless otherwise indicated.

JOHN L. LEBLANC, Vice President

ATTEST:

ELCIE J. GUILLORY, Secretary/ Treasurer