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, February 22, 2021 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:

Carl J. Krielow, President

Thomas L. Lorenzi, Vice President

M. Keith Prudhomme, Secretary/Treasurer

Judy A. McCleary, Assistant Secretary/Treasurer

David J. Darbone, Commissioner

Dudley R. Dixon, Commissioner

Michael G. Eason, Commissioner

Absent:

 None

Also Present:

 Richert Self, Executive Director

Jon Ringo, General Counsel

Cameron Landry, Director of Administration and Finance

 Todd Henderson, Director of Operations

 Nick Pestello, Director of Engineering and Maintenance

 Therrance Chretien, Director of Cargo and Trade Development

 Channing Hayden, Director of Navigation

 Michelle Bolen, Executive Administrative Assistant

Mr. Krielow called the meeting to order at 5:00 P.M. and gave the invocation. Mr. Prudhomme led the Board and audience in the Pledge of Allegiance.

Mr. Krielow made a statement reminding the public of the Port’s procedure for the public to address an agenda item to the Board.

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1. Approval of the December 21, 2020 Special Meeting Minutes.

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Mr. Dixon offered a motion to approve the December 21, 2020 Special Meeting Minutes. Mr. Darbone seconded the motion and it carried unanimously.

Mr. Krielow stated he would like to move Item Number 7 to be heard first if there were no objections. There were no objections.

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7. Submission 2021 – 009 authorizing the District to enter into a two-year stevedoring agreement with Gulf Stream Marine.

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Mr. Darbone offered a motion to table this submission indefinitely. Mr. Dixon seconded the motion. Mr. Ringo stated they needed to let any speakers speak on the item before the Board votes. He also said that to be clear, the motion on the floor is to table this indefinitely.

Mr. Krielow said there were some speakers regarding this issue.

Mr. Krielow called upon Mr. Brett Holliday with Gulf Stream Marine to address the Board.

Mr. Holliday thanked the Board for allowing him to speak. He is the business development manager for Gulf Stream Marine from Seabrook, TX. He stated they are honored to be selected by the Port administration and recommended to the Board for their approval. They hope this represents the start of their next chapter as a partner of the Port of Lake Charles and build on their proven success to provide safe and quality service to the existing customers at the bulk terminal as well as build on their vast knowledge and experience on handling bulk cargo. Across all of their brands, their parent company, Logistec Stevedoring, Gulfstream Marine, Pate Stevedoring and their latest acquisition of Kamloops Stevedoring, they operate in 89 terminals across North America. Their company handles, on an annual basis, 22 million tons of bulk cargo every year. They believe they can bring this experience here to the bulk terminal together with the Port as they have done with the wind cargo. They would also like to pursue opportunities for growth and development as well as satisfying the needs of the customers. He thanked the Board.

Mr. Dave Shaw with Gulfstream Marine addressed the Board next. Mr. Shaw stated he was open for any questions if the Board had any for him.

Mr. Chris Dugas with FMT addressed the Board next. Mr. Dugas stated that FMT has been the service provider at Bulk Terminal One for the last seven years. Throughout this time, FMT has performed well and has received two nominal increases over this time. The last increase was just a dollar increase in wages for longshoremen with FMT basically passing that cost along to the Port. The Port asked FMT to take this contract seven years ago as they were unhappy with the previous provider and were looking for better performance. There was no real option to renegotiate the terms and they took that contract as is to further their commitment to Lake Charles. This is not a sweetheart contract that was handed to FMT or something that was out of line. There are basically terribly small margins on this work. They have done everything that is been asked of them by the Port in this contract. They were and still are quite surprised that an RFP was suggested or mandated. Not only has FMT done what has been required in the contract, they have gone above and beyond what was required. One example is that they pay key positions more than the contract specifies to ensure quality and adequate personnel provides to support these operations. It is a dirty job and they recognize that the extra pay is warranted for select positions and to compensate accordingly.

All of this was done to recognize the need to take care of the workforce and ensure operations were taking care of as best as possible. The Port is supposed to be an economic engine for the region, create jobs for the local community and create good paying jobs with that money being spent locally and reinvested in the economy and community. If the vendor that is being proposed is selected, this Board will be going against everything the Port should be doing for the local community. Hopefully, not too much emphasis is being put on the cheapest cost. There is a lot of consideration given to performance and quality of the company doing the work.

At BT-1, currently there are 23,000-man hours and roughly $900,000 in wages paid to local workers. If the proposed vendor is selected, not all of these wages will be paid to local workers and the Board’s decision will be further hurting the local workforce already trying to rebound from the recent hurricanes. He cannot imagine a scenario where this would seem the logical thing to do.

Since FMT opened up in Lake Charles, they have done everything they can to try and bring cargo to the Port. They attend numerous tradeshows per year, make joint sales calls with the Port’s team, advertise and everything else they should do as a respectable operator. What makes their company different from the others in this process, is when they occupy a location, they try to pull cargo from the entire region. They do not set up shop at other Ports one, two or three hours away and have a conflict of interest of what Port is best to send cargo. FMT is 100% committed to the Port of Lake Charles. They just want to be a good tenant and operator and feel they have done this over and over. Most of the Board probably does not know that they lease a mechanic shop from the Port that still does not have a suitable roof since the hurricanes, yet they still pay their monthly rent the Port bills them. Also, they lease a building called the pallets shop that still does not have electricity since the hurricanes, yet they still pay the monthly bills to be a good tenant.

As for the hurricanes, they started cleaning up all of their areas immediately when they could have tried get the Port to do it like others likely did. They went out and helped various customers and partners clear up their own personal homes. They also after the hurricane were asked by the Port to locate buckets to get BT-1 up and running as soon as possible.

The only thing they can ask is that this process be considered local with local workers. They have eight full-time employees. Everyone here is local. They do not come over state lines or other parishes. He implored each of the Board members to do what is best for the community, use local workers and support the vendor that has been here and has done a good job and has gone above and beyond everything the Port has asked them to do. He asked the Board to take that into consideration and thanked the Board for their time.

Mr. Lash Chretien with the ILA was next to address the Board. Mr. Chretien stated he liked the comments that Mr. Dugas gave about saying that things were good at BT-1 because they were using ILA. They have been at BT-1 for the last 30 to 40 years since it started. They worked under different stevedores. Every time there was a change, it was never the labor’s fault. They have always done the Port is asked them to do. They have even changed all of their hiring times to make it convenient so when a ship comes to BT-1, they can start it within two hours. They have good qualified labor. They have a lot of guys that make their insurance and feed their families from this. They have already been destroyed because they lost five or six warehouses that bring back goods to the Port. It will take time to get all of that repaired so that they can be up and running again. Right now, the only place that they can put any USDA cargo is in sheds 9 and 9A. They have a good labor force. They just do not have any work to use the labor force. The Port lost a couple of lines to Port Arthur. For whatever reason, and they still do not know that to this date, but every time the ships come, they call for them to go load those same ships that they were loading at the Port of Lake Charles at the same time. He just wanted to say whoever gets the job, the longshoremen would like to do the work. They have proven themselves and they are home. He thinks they can do everything better than anyone else. They have been here long time and have been protecting their jobs for a long time. He wants to continue to do that. They cannot do it without the Port.

Mr. Dixon asked Mr. Chretien how many years have they provided at the Port of Lake Charles. Mr. Chretien replied that whenever BT-1 started, the ILA started. He is has been here 48-49 years and the Port started BT-1 right after he started working.

Mr. Wilmer Grice with ILA spoke next. Mr. Grice stated that his dad was a longshoremen. He retired 30 years as a longshoremen. His grandfather was a longshoremen. He had over 30 years on the docks. Mr. Grice stated that he has been here 28 years on the same docks. He is a third-generation longshoremen. He loves his job. He is been doing it a long time. Regarding he and a couple of guys behind him, if there is anything involving the docks at BT-1, they will know it. If he does not know it, then one of the other guys will know it. His only request is that the Port keep longshoremen doing longshoremen work. They have been here and they have done this and have proven themselves more than once. He asks the Board to allow them to continue to prove themselves as they have been doing.

Mr. John Peters, business agent for ILA 2047, addressed the Board. Mr. Peters said that he would like to say what Mr. Dugas said in that there are 23,000 man-hours at BT-1. That is a lot of man-hours. For the longshoremen man-hours mean more than money. It is for their healthcare. If they do not work they do not have healthcare. Healthcare is crucial during these days and times. If you do not have the man-hours, you do not get the healthcare. They need man-hours for their insurance and their retirement. Longshoremen have suffered enough. They should not have to fight to keep jobs. It should not have to come to that. They have suffered enough and they need these man-hours and need these jobs. Whatever the Board decides the longshoremen would like to continue be a part of the operations at BT-1.

The motion passed unanimously.

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2. Submission 2021 – 004 accepting the lowest responsive bid of McCourt equipment, Inc. for the procurement of a new telestacker for BT-1 and approve the amendment to the 2021 Capital Budget.

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Mr. Self stated Port is currently renting a telestacker at BT-1 at a cost of about $35,500 a month. They also have to rent a truck for about $4,750.00 a month just to move the tele-stacker when it needs to be moved. He anticipates that this will be absolutely necessary until the customized calcined shiploader and the customized coke shiploaders arrive. There is a minimum of about 12 months delivery. They will issue the RFP for the calcined shiploader. That should be issued in March. The Coke ship loaders should be about two months behind that one.

All things considered, staff is requesting approval from the Board to purchase a tele-stacker rather than continuing to rent it. The other benefit is the fact that the telestacker that they want to buy has a chute that is necessary for dust suppression. After the hurricane, they had anticipated that they would rent one for a period of time. If it would accomplish what they wanted, they would buy one with a chute. The chute cannot be added to the one they are currently renting. The cost to buy is about $444,000. The cost to rent will be about $563,000. They request Board approval to purchase the tele-stacker.

Ms. McCleary offered a motion to adopt Submission 2021 – 004 to accept the lowest responsive bid of McCourt equipment, Inc. for the procurement of a new telestacker for BT-1 and approve the amendment to the 2021 Capital Budget. Mr. Lorenzi seconded the motion and it carried unanimously.

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3. Submission 2021 – 005 authorizing a Second Extension and Amendment to Ground lease with Driftwood LNG, LLC.

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Mr. Self said that Driftwood is requesting a second extension of the short-term lease at the old Global Technip site.

Mr. Ringo stated that Driftwood currently leases, on a short-term lease, approximately 470 acres from the Port along the ship channel. They anticipate building a large-scale LNG export facility. They have requested to extend that short-term lease by another two years in hopes of reaching a final investment decision on that project. Staff recommends the Board grant this extension to support the project. Driftwood put out a press release hoping to see some movement on these long-term LNG contracts in the very near future and that the market demand is moving in the right direction.

Mr. Dixon offered a motion to adopt Submission 2021 – 005 to authorize a Second Extension and Amendment to Ground Lease with Driftwood LNG, LLC. Mr. Eason seconded the motion and it carried unanimously.

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4. Submission 2021 – 006 authorizing the First Amendment to the Ground Lease with Magnolia LNG LLC and a substitute Guaranty Agreement with Magnolia Holdings LNG, LLC.

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Mr. Self stated he would turn this over to Mr. Ringo. Mr. Ringo said that Magnolia is another large-scale LNG export project that leases property from the Port under a long-term lease along the Industrial Canal. The parent company of Magnolia LNG has gone into the Australian equivalency of bankruptcy. The project was purchased by Magnolia LNG Holdings LLC, which is an American company. They in turn purchased the lease. They have requested to substitute the guarantee and amend the lease to provide a substitutionary guarantee for the project for the long-term lease. He has laid it out in the submission and attached are the two agreements, one being the guarantee agreement substituting the guarantee and the other being the amendment to the lease that contemplates the substitution.

Mr. Darbone offered a motion to adopt Submission 2021 – 006 to authorize the First Amendment to the Ground Lease with Magnolia LNG LLC and a substitute Guaranty Agreement with Magnolia Holdings LNG, LLC. Mr. Dixon seconded the motion.

Mr. Ringo stated Ms. Tammy Truax was here from Magnolia if they had any questions.

Mr. Lorenzi asked if the bankruptcy puts Port in a position of essentially having no guarantee at this time. Mr. Ringo replied that it has a guarantee, but it is not enforceable. To the benefit of the Port, the Port will get a guarantee from a company that intends to move the project forward.

The motion passed unanimously.

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5. Submission 2021 – 007 authorizing a servitude agreement with Hackberry Land, LLC and a servitude agreement with Devall Enterprises.

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Mr. Self stated the Port owns property at the Calcasieu Ship Channel and the Intercoastal Waterway at the location of Devall Towing. Devall came to the Port several years ago to request the Port enter into an agreement for a servitude to push their barges up on the shoreline of the industrial Canal side, which the Port does not really use at this point. At the same time, they purchased a piece of property DA –3, which had servitudes with removal clauses. The Port uses that DA – 3 for disposal of dredge spoils. They had appraisals conducted on both sites. The appraisal for the Port owned piece came back $34,000 higher than the appraisal on the Devall site. They are exchanging servitudes. In addition, Devall will write a check for $34,000 to make up the difference between two appraisals.

Mr. Eason offered a motion to adopt Submission 2021 – 007 to authorize a servitude agreement with Hackberry Land, LLC and a servitude agreement with Devall Enterprises. Mr. Prudhomme seconded the motion.

Mr. Lorenzi asked for a clarification as to whether counsel is satisfied that Devall is the appropriate party for the Port to enter into despite the subsequent sale that they have engaged. Mr. Ringo replied that that was correct. The two entities involved in these transactions will remain intact in perpetuity. There will be no change there. The recently reported sale will not affect these agreements.

Ms. McCleary asked if there was a new entity being formed or not with this partnership? Mr. Ringo replied that he was not aware of any. However, even if there were it would not affect the Port’s agreement. Mr. Lorenzi stated he just wanted to be satisfied the Port has done its due diligence. Mr. Ringo stated that they have

The motion carried unanimously.

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6. Submission 2021 – 008 accepting the proposal and entering into a contract with McGriff for Insurance Brokerage Services.

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Mr. Self said in December 2020, they issued an RFP for insurance brokerage services. They received six responses. Four of those six are in the top 10 brokers in the United States. Four of the top ten have offices in Lake Charles. Mr. Landry developed a committee to review the proposals. Based on that, they recommended the Port enter into a three-year agreement with McGriff at a cost of hundred $37,000 per year for their services.

Mr. Krielow asked for a motion.

Mr. Dixon offered a motion to study this. It seemed like they wanted to study this.

Mr. Darbone asked that when they selected a lobbyist to represent the Port, the prospects had to make a presentation. His understanding about insurance at this point is pretty much zilch. He knows he has insurance for his house. If a hurricane comes along he knows what his deductible is it is for his house and he knows what he has to pay. He does not understand the process at this point.

Mr. Krielow asked if they needed a motion and a second to discuss this. Mr. Ringo said that to discuss this, that is what is on the table. There is a motion and he believes… Mr. Dixon stated he has a motion on the floor, but there is no second. Mr. Ringo asked Mr. Dixon if he was making a motion to table. Mr. Dixon asked to table? Mr. Ringo asked what was his motion? Mr. Dixon stated his motion was to study it. He thought maybe they could still make a motion to table and go from there.

Mr. Lorenzi offered a motion to defer. Mr. Ringo stated he could make a motion to defer. It could be a motion to postpone, a motion to defer or motion to table. Take no action tonight would be the motion.

Mr. Dixon stated he recommended they make a motion, but was not sure whether to defer this to the regular time. Mr. Lorenzi stated that that could come later.

Mr. Ringo asked the Board to let them know what they wanted to do and he would help them with the motion. Mr. Dixon said he has a motion that they study it. Mr. Lorenzi stated he thought they might want to hear from people. Mr. Dixon asked if that would be in the realm of studying it. Mr. Ringo replied that it would and they could make a motion to postpone until the next regular meeting. Mr. Dixon asked if they could do it at a special meeting. Mr. Ringo stated they could. Mr. Dixon asked how many insurance companies they were talking about. Mr. Self replied that there were six brokerage firms, not really insurance companies.

Mr. Lorenzi stated they were getting new information this afternoon. Mr. Self asked Mr. Lorenzi what information he was getting this afternoon. Mr. Krielow stated that it was the scoring sheet did not come out until about 15 minutes ago. Mr. Lorenzi stated it was longer than that. Mr. Dixon stated that the scoring sheet is a very good tool and there is no question about that. If they are going to study this, then he suggests that they do this at a special meeting that does not involved everyone that has to be here unless they want to come to the meeting. They could just talk to the different companies and allow them to say, “These are my wares. This is what I can do and this is what I cannot do.”

Mr. Krielow stated that there is a motion to defer this to a special meeting. Mr. Ringo agreed. The special meeting can be scheduled by the Board at any time. The Board can direct enough or specifically request presentations or any other information they so desire. Ms. McCleary seconded the motion.

Mr. Krielow stated they have one speaker regarding this item, Mr. David Perry.

Mr. Perry, with BXS insurance, stated he appreciated the motion to defer. They are talking about $500 million in assets out here to insure and just a few minutes to decide on it. He is here to answer any questions, but would be more than happy for them and any other brokerage company that submitted proposals to come back and make a presentation to the Board so that they can ask questions because they are the people that have to vote.

Mr. Dixon asked how much time would the insurance companies need to put a presentation together. They already have the paperwork done. Mr. Perry stated that that was correct. When the staff went out proposals, they had to know that in 20 years he appreciates them doing that. It is hard to put $500 million worth of what you can do on 15 pieces of paper. It would probably be 15 to 20 minutes. He then stated they would probably need about a week. Mr. Krielow asked if Mr. Perry thought the presentation would take about 20 minutes and 10 minutes of discussion time for the Board. Perry replied that yes, he did. Mr. Lorenzi asked if what he had submitted would remain valid. Mr. Perry replied that they would be asking questions from looking at the presentation and realizing that you have this, for instance if you talk about harbor and marine, which you really have the majority of, the insurance has already gone through the property. That is $400 million. That is a lot of the cost associated with it and has to do with physical assets, not necessarily tugs or barges or marine work. That has already been handled as of January 1, so if there really not from what he could tell out of the Port’s policies they currently have, under any time crunch, to make the decision today. All they are asking for is for not only their standpoint, but any other brokerage agencies that want to come make a presentation to be here for the Board to ask them questions and say why did you score this building this way. Why did you score it this way? Why would you insure it like this? How would you insure it? They are already under insured a lot. The Board is talking about buying a machine instead of renting it. He would ask if they had extra expense on that former policy. Why are you paying for it out of hand? The Port may not be, he is not sure. One question is going to lead to another from the Board and they would like to be here as he is sure every brokerage agency would to answer those questions. They would like to do a presentation where the Board can see all of their capabilities. They are local. There are three of them from here. He thanked the Board.

Ms. McCleary asked that if they decided to go down that path and have individual presentations and work from that, would it still be what was presented to the Board in the responses to the RFPs. In other words, they would not be able to adjust any terms that they proposed in that RFP. Mr. Ringo replied that yes, they would be bound by their submission. It cannot allow them to make changes. Mr. Dixon said that so, no additives. They will be talking about just what they presented. Mr. Ringo said that yes, this would be structured as an opportunity to present their proposal to the Board and answer any questions they may have.

As to Krielow asked for any other discussion.

The motion passed unanimously.

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8. Submission 2021 – 010 concerning the consideration and appropriate action of the property insurance deductible change, including any necessary reservation of funds.

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Mr. Self stated that Mr. Krielow had asked staff to add a submission to the agenda to potentially reserve $5 million in cash to fund a potential claim associated with a deductible for the 2021 property insurance potential claim. It is not necessary to amend the budget. It would only be necessary in the event that they had an actual claim. He said they will answer any questions the Board has.

Mr. Krielow asked for a motion to take up item 2021 – 010. Mr. Eason offered a motion and Mr. Lorenzi seconded the motion.

Mr. Krielow asked for discussion.

Mr. Dixon stated he thought everyone did a good job and staff is put a lot of work into all of this. They need to be commended for the job that they have done.

Mr. Krielow asked Mr. Self to explain 2020 Port had $50 million, a $25 million first loss on a $25 million excess, with a $500,000 deductible on a $2 million premium. Now they have a $40 million coverage with $10 million first loss and $30 million any one accident or occurrence and a $5 million deductible and $4.2 million. He asked if Mr. Self could walk the Board through what these particular losses mean and what kind of events could trigger Port digging into the $5 million deductible and going to be hit multiple times. Mr. Self replied when the Port was facing the 2021 insurance property insurance renewal, their broker at the time was USI. Obviously, the Board is aware of all of the hurricane activity that the Port had and the losses the Port had. Related to the hurricane, the settlement went really well with the insurance company. It was not a settlement in terms of a lawsuit. It was the claim settlement that went really well. They paid Port the $25 million right away. They anticipate the other $25 million in the next few weeks. That issue went really well. When it came to the renewal, they looked at 18 different scenarios that were presented staff by USI. Some of them included the $5 million self-insured retention. One of them included a Cat deductible minimum of $2.5 million. One included a Cat deductible minimum of $5 million. In each one of those different scenarios, there were six structures that they looked at. They were doing that all in an effort to reduce the premium. Obviously, with all of the hurricane activity, everyone’s insurance premiums were going up. The policy they had in place for 2020, was not even an option. The Port’s insurance policy that they had in 2020 and prior was better than anyone actually has on their homes today. The claim was based on a percentage of the actual cost of the loss as opposed to… As an example, in hurricane Rita it was a percentage of what that asset was insured for. With the policy they had in place for 2020 and prior, it was based on the claim for any one asset. They had a really good deductible scheme. They also had a cap of $500,000. They benefited from that for years. With hurricanes Laura and Delta hitting, they changed what they were going to offer on that renewal. Staff kept going back to the underwriters and came up with and were presented with 18 different structures. Staff went with one that had a $40 million total limit and could say $45 million and include the $5 million self-insured retention. He asked what level of detail Mr. Krielow wanted.

Mr. Krielow stated what he wanted clarification on is this $10 million first loss basis on any one accident, then $30 million on first loss basis any one accident occurrence. What is the difference between the 10 and the 30 to get to the 40? If Port has multiple events, maybe a tornado causes $3 million in damage and two months later they get a hurricane that causes $3 million in damage, is the Port capped at the $5 million deductible or will we pay $3 million each time? Mr. Landry replied that the Port would pay $3 million each time. It is the same way as a normal deductible. The $5 million self-insured retention would be applied both times. Mr. Krielow stated that the Port could have multiple occurrences that eat into that $5 million so that $5 million could really be more than $5 million. Mr. Landry stated that was correct and it is the same thing as a normal deductible. Even if they did the $5 million deductible and it was two $3 million occurrences, it would be the same. Mr. Krielow said that the first loss is capped at $10 million. Mr. Landry replied that no, that is the first layer. It is kind of like the 25 – 25 that they had in 2020. It is $10 million. $10 million is the base layer and $30 million is their excess, but some of the structures that they presented there was no drop-down. That means that if the Port, in the first occurrence, exhausted that $10 million and then had another hurricane, not only would the Port have had to have paid $5 million, they would have to pay the base layer $10 million before the $30 million kicked in. The Port chose to go with the drop down, which means the Port will pay the $5 million. If the $10 million is exhausted, that $30 million drops down and covers the $10 million through. Mr. Krielow asked if that cost the Port $4 million. Mr. Landry stated that was correct. Mr. Self stated that the total premium was $4 million. Mr. Krielow stated that essentially, the Port will be out $9 million and still the $5 million is not cap If you have multiple events separated apart like what happened in 2020. Mr. Self stated that prior to hurricane Laura, in his 20 years here at the Port, with hurricane Rita they had a $1 million insurance claim. Hurricane Laura was just a catastrophic storm. It was one they have never seen before in the history of Louisiana since the 1800s, so he does not think they have an issue from an insurance perspective. It was just a storm that was catastrophic. You could not get $500 million worth of insurance if you tried, even if you could afford it. Mr. Krielow stated he would like to hear from some of the other Board members, but he brought it up because his concern is, as Mr. Self pointed out, the Port did not budget for this because when they did the budget it had not been renewed. Mr. Self replied that they did budget for it. Krielow stated they did not budget for the $5 million deductible. Mr. Self replied that they did not for the $5 million deductible, but the deductible only comes into play if you have the loss. They budgeted for the premium. Mr. Krielow stated it was highly likely that they will have some kind of loss somewhere in the Port in the 2021 from fire, wind storm or some sort of property loss. The Port has a very high deductible and have not put any money in reserve or account. He wanted to bring this to the full Board so they could get input to see if possibly they should reserve some funds to cover any incidental claims the Port could have leading up to that $5 million deductible.

Mr. Self stated he was completely fine with that. He said that over the last 15 years, and dating even further back than that, again hurricane Rita’s insurance claim was $1 million. Potentially the Port could have a claim this year, but dating back to 2005 when Rita hit and was $1 million. After that, they essentially had no claims from a hurricane or catastrophic loss until 2020. Mr. Krielow asked if there were any other property losses. Mr. Self replied that he could not remember any.

Mr. Lorenzi asked if there was historical information available. Mr. Eason asked what was the average over the last 10 years. Mr. Self replied that it has been zero the last 10 years prior to hurricane Laura from a property perspective. Rita was a $1 million insurance claim and that was in 2005 which is 15 years ago. Mr. Eason stated than this has been nominal. Mr. Self stated it has been zero. Mr. Eason said it was that up until 2020. From a property standpoint, the Port has not had any catastrophic hurricanes and claims. The Port has not had any insurance claims for a property insurance perspective since hurricane Rita. Mr. Self asked the directors to correct them if he was wrong. He does not remember any. If the Board chooses to reserve $5 million, that is fine with him. He is not arguing with them, he just wants them to understand that from a claim perspective, they will go from 2005 at $1 million and the Port goes 15 years at zero, and then there is hurricane Laura and hurricane Delta.

Ms. McCleary asked if they have identified where the $5 million would come from in the budget. Mr. Self replied that the $5 million will come out of the operating account from a cash perspective. They have the funds in that account to cover it. Mr. Krielow’s question is does the Board want to reserve $5 million in the event that there is a $5 million claim. The Port does not typically budget for claims that are potential. They just have never done that. They just do not budget for potential claims or even their deductible. They have not reserved over the past 10 to 15 years when their deductible was capped at $500,000, they never budgeted for a $500,000 deductible. Mr. Krielow stated there was a big difference and $500,000 and $5 million. Mr. Self stated that they can certainly budget for it. It is just that cannot really, from a financial statement perspective, book that $5 million until there is actually a claim. However, you can budget for it. He can say that over the last 15 years if they had budgeted $5 million, they would have been $5 million favorable to budget every year.

Mr. Lorenzi commented that $5 million would poke a big hole in the bucket, especially if you are exposed to more than one deductible within a budget year. He does think the prudent thing that the Board should do consider at least establishing some amount that is hoped to be able to be set aside each budget year with the expectation that it will not be called upon to have to pay that deductible so that it can accumulate money, whether it is over a two-year, three-year or five-year or if fortunate a 10-year period before it is going to be called upon. Unfortunately, the Port is in that geographical area where they know they are not paying these premiums with the expectation that they are never going to be called upon to file a claim. They know it is going to happen. Mr. Self said that he would hope at some point if there is a reduction in hurricane activity as there was subsequent to hurricane Rita, the premiums… Mr. Lorenzi said he does not want to say the Port will have an unfunded liability that is substantial. Mr. Self stated that his original point is it will not be an unfunded liability until the event occurs. If the Board would like to reserve $5 million in a special balance sheet account to cover a deductible he has no argument with that. Mr. Dixon asked what kind of account. Mr. Self replied that it would be essentially a reserve fund. It is essentially just a balance sheet… Mr. Dixon asked if it was a money bearing account. Mr. self replied that the Port earns a very small low interest rate on those funds. They would just move $5 million to that account and hold onto it. It does not affect the income statement. It is simply a balance sheet reclass entry.

Mr. Eason asked if the Port’s health insurance was self-insured. Mr. Self replied that it was. Mr. Eason asked regarding the retirement benefits they really do not know what they will owe in retirement until you get the assessment from the state and if that was correct. Mr. Self replied there is an actuarial calculation for the retirement. Mr. Eason asked, just as a ballpark estimate, what do those two total up to on an annual basis. Mr. Self stated the insurance self-insured fund sits at about $2 million. They have that funds set aside for it to cover claims and those claims vary from year to year. Mr. Eason asked how much retirement was in a ballpark estimate. Mr. Self was not sure. Mr. Eason asked if it was a similar situation and that you do not know… Mr. Self replied that actuarily on the state side, the state has an actuary that does the calculation and they just send the entity the amount that needs to be paid. If the Board wants to allocate $5 million for this, it is very easy to accomplish. It will not affect the income statement or the operating or capital budget.

Mr. Krielow stated that maybe they could look in future budgets to come up with some budget number that they can start accumulating the money, even though it is in a restricted account, at that point it will actually be coming out of the budget over a period of time, so if you go five years without a claim and all of a sudden get one you have the money in reserve and take it out of there. Mr. Self stated that that was a very prudent measure. He wanted to point out one thing. After hurricane Rita, hurricane premiums went up. After hurricane Laura and Delta, they obviously spiked. He hopes in the next few years the premiums are going to normalize if there is not an uptick in hurricane activity and they make it to the point where they do not even need the $5 million fund set aside.

Mr. Dixon offered a motion to approve Resolution 2021 – 010 to create a reserve fund of $5 million. Mr. Darbone seconded the motion and it carried unanimously. Mr. Ringo stated that because this was not part of a submission and draft resolution by the staff, they will take the information and draft a resolution and have the Board review and sign it. It will be exactly as stated, but he does not have a draft right now.

The motion carried unanimously.

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 9. January 2021 Financials Briefing Note.

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The January 2021 Financials were rendered to the Board and are on file in the Executive Offices.

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 10. Monthly Staff report from Director of Administration and Finance.

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Mr. Landry right before this meeting staff received word that as mentioned there was a 75/25 FEMA split that they are most likely going to a 90/10 split. That should be confirmed in the next couple of days.

Ms. McCleary stated she wanted to congratulate staff along with the congressional delegation who worked diligently getting us to this point.

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

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 7. Monthly Staff report from Director of Navigation.

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Mr. Hayden stated his report refers to the P3 agreement that they been trying to negotiate with the Corps of Engineers. It has been before the Board twice. He just received word today it has finally been approved by the division in Vicksburg, MS and will be sent to headquarters so they can review it. They may come back with some more changes, but he cannot guarantee that, but at least they have made another step forward.

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

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 8. Monthly Staff report from Director of Operations.

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Mr. Henderson stated at BT-1 they finished a barite ship in about 3 ½ days and it was only about 29,000 tons. They use the mobile harbor crane for half a ship and then they used ship’s gear the same time. That operation went very well. They also worked a rutile ship, which they only used the mobile harbor crane. It was about four days but that was during the ice/snow storm and they cannot work in the rain and the snow. He thinks the guys are getting better with the machine. They have another rutile ship discharging this month as well as loading a calcined ship.

At City Docks they should start receiving commercial milled rice tomorrow for another Dominican Republican ship. It is one of the side load ships that they handle.

Southern Ionics is still working hydrate barges. Gulfstream Marine finished a project cargo ship this month. They are expecting another blade ship around week 10. It will actually be 62 m blades, which is a big jump up from the 42 m blades they have been having.

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

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 9. Monthly Staff report from Director of Cargo and Trade Development.

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Mr. Chretien stated the Port was recently awarded about 20,000 tons of rice from USDA. The rice will come from two local rice mills in Louisiana. It will be split between two ships. The first ship should arrive in late March or early April. This is the single largest one commodity purchase USDA ever had through Lake Charles that they have on record. It is usually multiple commodities. This is the first time USDA has bought a whole bunch of rice.

The Port also has an article coming out in Thrive magazine related to these two shipments. The cargo is going to west Africa. There are about 500,000 people displaced and about 2.5 million people that need food assistance. They want to have a story connecting the Port globally while recovering locally because some of us know how it is to be displaced as several were displaced here from the hurricanes.

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

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10. Monthly Staff report from Director of Engineering, Maintenance, and Development.

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The Director was not at the meeting.

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

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 11. Monthly Staff report from the State Port Lobbyist.

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

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

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There were no other matters to be discussed.

Mr. Self stated that he wanted to point out he gave the Board copies of an email from Lake Charles Methanol. They were really excited about the fact that Maersk has now decided that they are going to use low carbon feedstock methanol for all of their vessels. They felt that is was a very good market for them to try to pursue. Just 12 of the very large merchant vessels can use 100% of their 4 million metric tons in output. Lake Charles Methanol is very excited about this. There are about 11,000 very large ocean-going vessels that would be a potential market for them.

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

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

The Board entered into Executive Session at 6:00 p.m.

* Stacey A. Ryan, et al, vs no. 2014-004268 Calcasieu Parish Police Jury, LCHTD, et al-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
* Discussion and appropriate action regarding the Real Estate Option Agreement with Lake Charles Methanol, LLC.

The Board returned from Executive Session at 6:19 p.m.

There being no further business to come before the Board, Mr. Krielow asked for a motion to adjourn. Mr. Dixon offered a motion to adjourn. Mr. Darbone seconded the motion and it carried unanimously. The meeting adjourned at 6:19 p.m.

All discussions held on the above items were recorded using the FTR Gold program.

 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.

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 CARL J. KRIELOW, President

ATTEST:

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M. KEITH PRUDHOMME, Secretary/ Treasurer