
CITY OF PORT LAVACA

MEETING: OCTOBER 09, 2023 **AGENDA ITEM #2**

DATE: 10.09.2023

TO: HONORABLE MAYOR AND CITY COUNCIL MEMBERS

FROM: JODY WEAVER, INTERIM CITY MANAGER

SUBJECT: HARBOR OF REFUGE RAILROAD CULVERT REPLACEMENT

Allen and I spoke again with representatives of Helena on September 26. I had in part misunderstood what was said in our first meeting with them, so let me state my understanding now.

Without the use of the rail, it's obvious that the City will receive \$0.00 in tariffs from rail, but initially, there may *not* be a big difference in the amount of tariffs we receive from barge traffic. Note that over the past 12 months, we have received \$3,165.95 in tariffs from rail and \$56,663.47 from barge. At the new \$0.79/ton rate this same quantity would translate to \$3,847.85 and \$68,867.91.

What I now understand is that although initially we may not see a difference in the barge tariffs, because Helena will necessarily have to change up how they do business without rail in Port Lavaca, we could certainly see a significant reduction of the barge tariffs from the Helena Port Lavaca operations over some time. They pointed out that this exercise to rework their operation may require new contracts and arrangements with other locales and vendors which may have the result that, when the rail is finally available in Port Lavaca, they will not return to the same level of operation as they had here before this issue.

They again offered the \$50,000 with no reimbursement, and an additional amount up to 25% of the construction cost that would be reimbursed through a consideration of tariff, dock, and lease rates over the next 15 years.

One option that had been posed by a Port Commissioner was if Helena could pay for the repairs upfront and the City reimburse over time. Since we had \$300,000 budgeted and they offered \$50,000, I asked whether it might be possible for them to pay the shortfall upfront and City would reimburse over 10-15 years. To clarify, Allen and I did not say that this would even be an agreeable proposition by Council, but we thought it worth the dialogue. At this time, it does not appear that this is an option Helena will agree to.

To restate the dollars involved with the less expensive 12 ga helical lock seam:
\$639,850 (less \$50,000 Helena, less the \$300,000 we budgeted) = \$289,850 is our shortfall.
Considering Helena's offer of 25% of \$639,850 = \$159,962.50
So \$639,850 - \$300,000 budgeted - \$159,962.50 = \$179,887.50 additional general fund dollars
(\$109,962.50 of the \$159,962.50 would be reimbursed over time)

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The Port Commission as a whole strongly supports maintaining rail service to the Harbor of Refuge. I think we can all agree that in order to do that, this culvert must be replaced, but instead of spending General Fund dollars now we DO have this opportunity to utilize CDBG-MIT grant funds to pay for this project (*assuming the GLO would approve it*). The cost will certainly be greater, but the dollars would all be grant dollars. The risk I guess to consider is potential lost revenue over the next 15 years if Helena significantly alters their Port Lavaca operation as a result of being without rail for 18 months +/- . But none of us have a crystal ball and not even Helena knows yet how they are going to work this out.

Note:

- I am fairly confident that GLO will approve this project and if needed, I would argue that Hurricane Harvey was probably what caused the damage to the upstream side which accelerated the corrosion, but I can't guarantee their approval.
- It is also possible that we *could* get this culvert done in a shorter amount of time - perhaps 12 months, but with the pace that GLO works and all the projects they have to look at right now, I'm being told this is not realistic.
- I did speak with Michael Ada with GCRPC and there is the possibility that this could be funded with an EDA grant, but he didn't think the time frame would be any better than GLO.
- We still do not have any approval from the UPRR, so any award would necessarily be contingent upon UPRR approval. I did speak with Lester Contracting and they will still honor the bid through the November 13th Council meeting.

Recommendation:

Staff's recommendation is to authorize inclusion of the culvert replacement project in with our Corporation Ditch CDBG-Mitigation grant application. If Council is considering at all an award of this bid, staff recommends to wait and consider an award at the November Council meeting, hoping we would have a response from the UPRR, otherwise Council can vote to reject the bid.