
CITY OF PORT LAVACA

CITY COUNCIL MEETING: AUGUST 9, 2021

DATE: 8.05.2021
TO: HONORABLE MAYOR AND CITY COUNCIL MEMBERS
FROM: JODY WEAVER, INTERIM CITY MANAGER
SUBJECT: HELENA CHEMICAL LEASE / TARRIFS

Recall at the April 12 Council meeting, there was an agenda item regarding the tariff rates as applicable for Helena Chemical. Below is a recap of the communication since that time, followed by a recommendation regarding their annual rent increase this year. Action on the rail fees are part of the agenda item regarding Appendix A – Fees, Rates and Charges.

On April 12, Council appointed a committee to work with Helena to arrive at a consensus for a solution and bring it back to Council for consideration. Committee members were: myself, Jerry Smith, Jim Rudellat and Alex Davila. Helena asked for some time to collect some data on how their costs in Port Lavaca compare with other areas they do business in. On June 11th, we had a zoom meeting with Ward Bloodworth and Louis Rodrigue of Helena to get an update. No new information was exchanged, but they promised to have some information to share soon.

On **July 5**, I received the attached email which provides a comparison to the Louisiana River Terminal and the Mississippi River Terminal, which Helena considers comparable to the operation in Port Lavaca. Attached is a copy of that email along with the following subsequent emails:

July 19: I contacted Helena regarding the scheduled annual Municipal Cost Index rate increase per the lease agreement. Per the MCI, the rate would increase by nearly 10%. Based upon my earlier conversations with Helena and Council, I thought a one-year increase of 5% was more appropriate at this time and we will look at this again next year (thinking the market may correct itself some by then). I also mentioned that we were working on identifying a dollar amount per year to collect in order to have funds to keep the rail spur maintained.

July 30: I emailed Helena asking for input with a 5% rent increase and a \$10,000/year rail fee, and no increase to the bulk tariff or dockage charge.

Aug 2:

- Response from Louis Rodrigue accepting a proposed \$10,000/year rail fee.
- I then asked about the 5% rent increase and he responded that they were receptive

At the Port Commission meeting on August 3, the Port Commission voted to recommend to Council a \$1,000/month rail fee instead of \$833/month.

Aug 3:

- Following the Port Commission's recommendation of \$12,000/year rail fee I asked for Louis's response, which was more hesitant than the previous responses
 - I then clarified that they were still OK with a \$10,000/year fee. – Yes.
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- Recommendation regarding the scheduled annual rent rate increase per the lease agreement:

Please refer to the detail provided in the email dated July 19 to Helena.

In line with the discussion on April 12, and in an effort to work with our long-time tenants and not impose any large increases in any single year, **I am proposing an amendment to their lease to provide for a flat 5% rent rate increase this year instead of that which would result from using the change in the Municipal Cost Index**, which would be 9.8%. Next year we will look at how the Municipal Cost Index is at that time compared to that in July and August of 2018 and reevaluate. This was discussed at the Port Commission meeting, but no recommendation to Council was made.

Attached:

- 7 sheets of copies of email correspondence
- Copy of section 5.01 of the Lease with Helena Chemical