
CITY OF PORT LAVACA

CITY COUNCIL MEETING: AUGUST 8, 2022

DATE: 8.02.2022

TO: HONORABLE MAYOR AND CITY COUNCIL MEMBERS

FROM: JODY WEAVER, INTERIM CITY MANAGER

SUBJECT: Annual lease rate adjustment for Helena Agri-Enterprises, LLC

Helena's Ground Lease Agreement allows for the rent to be adjusted annually on August 1, pursuant to the increase in the Municipal Cost Index as of the latest date published prior to August 1.

- August 2018 starting rent = \$6,108.00
- August 2019 = \$6163.58 (0.91%)
- August 2020 = no adjustment MCI was -0.44%
- August 2021 = \$6,471.76 (5% flat rate approved by Council; MCI was 9.8%)

As you recall at this time last year, City Council approved an amendment to the Helena lease contract which provided for a flat 5% rent rate increase instead of the 9.8% MCI rate. This brought their monthly rent to \$6,471.76. This annual adjustment was to be re-evaluated again this year with input from the tenant Helena.

Note the following:

- The MCI for May 2022 (most current published by the date of the Port Commission meeting) is 306.96
- The MCI for May 2021 was 272.97, therefor the May 2022 MCI is 12.45% higher than May 2021.
- A 12.45% increase will add \$805.73 each month resulting in a new monthly rent of \$7,277.49
- A flat 5% rent rate increase will add \$323.59 each month resulting in a new monthly rent of \$6,795.35
- A flat 8% rent rate increase will add \$517.74 each month resulting in a new monthly rent of \$6,989.50
- The MCI for May 2018 compared to May 2022 = 250.02 vs 306.96 or 22.77%. \$6,108 x 1.2277=\$7,498.97
- Note the MCI for June 2022 is 312.09 or 12.24% above June 2021 of 278.07.

As instructed by Council last year, I reached out to Helena in early July to let them know that per the MCI, the annual rent would be increasing by at least 12% and to ask them to provide any information they could regarding how their business is handling the current economy, for possible consideration of a lower percentage increase for the annual rent adjustment. *Attached* is a letter dated July 18 that was presented to the Port Commission at the July meeting and a letter I received on July 20 which Mr. Rodrigue sent to provide a bit more information for City Council consideration following the Port Commission's recommendation vote on the topic.

Also, for consideration, Helena paid \$43,416.82 in property taxes for the 2021 tax year and are projected to pay \$57,584.63 for the 2022 tax year a difference of \$14,167.81.

Port Commission recommendation:

The Port Commission recommended approval of an amendment to the Helena lease agreement which would provide for a flat 8% rent rate increase this year instead of that which would result from using the change in the Municipal Cost Index. In their discussions, the Port Commission did recognize that last year's approved 5% was one-half of the MCI calculation, so 6% would be one-half of this year's MCI calculation, but the recommendation vote settled on 2/3rds of the MCI calculation.

Attachments: 2

* Presented to the Port Commission



Helena Agri-Enterprises, LLC
255 Schilling Boulevard, Suite 200
Collierville, Tennessee 38017
Telephone: 901-537-7280

July 18, 2022

To: JoAnn P. Weaver, P.E.
City of Port Lavaca

Re: Helena Agri Enterprises, LLC. (HAE) Lease

I would be remiss to not mention here we appreciate the consideration provided HAE on the 2021/2022 rent adjustment, as outlined in your 8.10.2021 letter. Thank you.

Some insight into our business and our customers are facing:

- Historic high nutrient costs per ton, world demand
- Scarcity of tons at key points in time – crop seasons
- Limited power options to facilitate barge movement from vessels bringing product to USA

Given we buy commodity fertilizers from global fertilizer manufactures and sell to our grower customers, these historic high unit costs have put significant pressure on our trade margins, what we realize for our services.

The City, like HAE, is seeing significant escalation in our overall costs across all aspects of our business (labor, fuel, maintenance, etc.) as all businesses are.

Recent history:

8.1 thru 7.31 of tonnage all products: 2019/20 83,127, 2020/21 93,554, and 2021/22 81,073 tons.

The slippage in tons this past year related most closely to demand destruction, a function of historic high nutrient costs, availability of product and fuel costs impacting freight to the farm. Your accommodation on rent increase kept us in a position to service our customers thru the Port Lavaca Facilities and not look harder for less expensive routes.

We are requesting consideration on the magnitude of rent increase for the 2022/2023 period. Please reach out to us if there are questions we may be able to answer about the current state of the business and flows thru the facility.

Appreciate all consideration.

Best Regards,

A handwritten signature in black ink, reading "Louis G. Rodrigue III". The signature is written in a cursive, flowing style with a large initial "L" and a distinct "III" at the end.

Louis G. Rodrigue III
VP, SBU Helena Agri-Enterprises, LLC

* Amended Letter with add'l comments for Council consideration.



Helena Agri-Enterprises, LLC
255 Schilling Boulevard, Suite 200
Collierville, Tennessee 38017
Telephone: 901-537-7280

July 20, 2022

To: JoAnn P. Weaver, P.E.
City of Port Lavaca

Re: Helena Agri Enterprises, LLC. (HAE) Lease

I would be remiss to not mention here we appreciate the consideration provided HAE on the 2021/2022 rent adjustment, as outlined in your 8.10.2021 letter. Thank you.

Some insight into our business challenges which are shared by our customers:

- Historic high nutrient costs per ton, world demand driven
- Scarcity of tons at key points in time – our South Texas early crop seasons, loss of imports due to Ukraine
- Limited power options to facilitate barge movement from vessels bringing product to USA, logistics constraints as well as unaffordable rates for a commodity

Given we buy commodity fertilizers from global fertilizer manufactures and sell to our grower customers, these historic high unit costs have put significant pressure on our trade margins, what we realize for our services, as well as pressure on rate use decisions by our customers.

Some of the major fertilizer suppliers are pulling some products away from nearby terminals, more costly storage and/or logistic sites.

The City, like HAE, is seeing significant escalation in our overall costs across all aspects of our business (labor, fuel, maintenance, etc.) as all businesses are.

Recent history:

8.1 thru 7.31 of tonnage all products: 2019/20 83,127, 2020/21 93,554, and 2021/22 81,073 tons.

The slippage in tons this past year related most closely to demand destruction, a function of historic high nutrient costs, availability of product and fuel costs impacting freight to the farm. Your accommodation on rent increase kept us in a position to service our customers thru the Port Lavaca Facilities and not look harder for less expensive routes.

We are requesting consideration on the magnitude of rent increase for the 2022/2023 period. Our plans given a reasonable rate increase is to utilize Port Lavaca fully. Given dependence on global flows it is hard to predict all the decisions we have to make to remain competitive. These decisions impact tonnage flow. Our best estimate on tonnage for 2022/2023 season would be flat to this past season.

We are committed to continuing to be a respected employer in Port Lavaca, as well as continually improving our safety and stewardship practices in the community and on site.

Please reach out to us if there are questions we may be able to answer about the current state of the business and flows thru the facility.

Appreciate all consideration.

Best Regards

A handwritten signature in black ink, reading "Louis G. Rodrigue III". The signature is written in a cursive, flowing style with a large initial "L" and "R".

Louis G. Rodrigue III

Vice President

SBU Helena Agri-Enterprises, LLC