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## CITY OF PORT LAVACA

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**MEETING:** OCTOBER 17, 2023 **AGENDA ITEM 4d**

**DATE:** 10.13.2023

**TO:** PORT COMMISSION BOARD MEMBERS CC: JIM RUDELLAT, HARBOR MASTER

**FROM:** JODY WEAVER, INTERIM CITY MANAGER

**SUBJECT: HARBOR OF REFUGE RAILROAD CULVERT REPLACEMENT**

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Councilman Tippit 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 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, once the rail is finally available in Port Lavaca, they may 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.**

I did mention the option that Raymond Butler suggested at the last meeting, which was that 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 however, Helena will not agree to this option. They pointed out that when Helena made the decision to stay and invest in Port Lavaca with their new upgraded facility it was with the understanding that rail was available to the site.

To restate the dollars involved assuming 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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I told Council that 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 does significantly alter 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 13<sup>th</sup> Council meeting. Therefor Council voted on October 9 to postpone a formal vote on the acceptance or rejection of the bid to November 13.
- Council did though approve including the culvert project into the scope of the application to use CDBG-MIT funds. This application is due on October 20.

### **Port Commission Recommendation:**

Council is interested in the Port Commission's recommendation as to whether they should dip into general fund reserves to pay the shortfall, or reject these bids and plan on using CDBG-MIT funds or if need be, apply for EDA or other grant dollars in the near future. I would think we would know whether the project has been approved by GLO by sometime first quarter of 2024.