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Special Board Meeting  
Regional Commerce Center, Board Room  
6000 Doug Attaway Blvd., Shreveport, LA 71115  
May 26, 2016

President Commissioner Gregorio called the meeting to order at approximately 10:00 a.m. in the 3<sup>rd</sup> Floor Conference Room of the Regional Commerce Center, 6000 Doug Attaway Blvd., Shreveport, LA.

Commissioner Gregorio called on Mr. England for roll call: Sam N. Gregorio, Roy Griggs, Erica R. Bryant, Capt. Thomas F. Murphy and Steve Watkins. A quorum was present. Absent: Rick C. Prescott, Lynn Austin, James D. Hall and James L. Pannell.

Commissioner Griggs led the Pledge of Allegiance.

Commissioner Gregorio called for introduction of guests: Joe Johnson, Melba Shaw, Bill Carroll, Mike Guess. Staff: Eric England, Danyne Malone, Gloria Washington and Hettie Agee.

Commissioner Gregorio welcomed everyone and called for any public comments.

Hearing no public comments, Commissioner Gregorio said we would go to New Business. Commissioner Gregorio called on Eric.

**2016 Budget Review:**

Eric provided an overview of the rail tonnage, barge tonnage, rail revenue and barge revenue as well as forecasts for the remainder of the year and fund balances.

Commissioner Watkins said Eric what is the miscellaneous income? We budgeted it "0", but you projected out \$50,000. Eric deferred to Gloria. Gloria said that number consists of LWCC dividends and an AT&T rebate

Commissioner Bryant said I'm going to ask you, looking at the numbers, what I see is that for your revenues you're projecting less than your budget because of mineral leases; however, on your expenses, you're actually coming in under budget because of insurance and decreasing in insurance of what you projected because last year was about \$394 and we have a budget of \$554? Why is that again? I'm just curious. Eric said we added, as you know, in 2015 we added a policy for 2016 to insure the rail cars we take into our care, custody, and control. At the time we were doing the budget, we

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MEMBERS: Sam N. Gregorio, President; Rick C. Prescott, Vice President; Roy Griggs, Secretary-Treasurer  
Lynn Austin; Erica R. Bryant; James D. Hall; Capt. Thomas F. Murphy; James L. Pannell; Steve Watkins

had estimates for that policy. By the time it had been advertised, in accordance with State law and all that, we had started that process. So it's come in less. Commissioner Bryant said so what I'm seeing that because your mineral leases is coming in lower but you're having less expenses, you're actually—will come out \$20,000 more than what we adopted for the budget. So for 2016, I'm not seeing an issue far as the revenue not matching the expense when you would actually be increasing your fund balance at the end of '16, although I recognize from a budget standpoint, when you all are doing your budget, it is necessary to over-estimate on expenses than to under estimate on revenues. Like insurance, you would rather have estimated too much than have to come back and say you know what, we missed the mark. We need another \$200,000. Eric said and to that, as you all know, when revenues fall short by 5%, or expenditures go over by 5%, that's the trigger for amending the budget. So in terms of this number, we would have to be under by \$267,000 on our revenues to trigger an amendment to the budget. On your expenses, \$250,000 on your expenses. So we're fine. Commissioner Bryant said you're fine, but if it changes for some reason throughout the year, you can come back so long as you do that before the end of the year. Eric said right.

Commissioner Watkins said would this be the time to talk about in the 2016 just a couple of individual line items? He said just looking at some historical data, in 2014 under Port Operations through the first 4 months, we had done about \$850,000 in revenue. In 2016, we've done about a half a million dollars in revenue, a drop of about \$350,000 in revenue on Port Operations in the two years. But if you'll look at the salaries and benefits they actually only dropped about \$5,000 off of \$350,000 drop in the revenue. If you'll look, and this is kind of putting it in parlance that me and Roy look at every day, you basically ran a 19% labor cost in 2014. This year we're projecting to run a 31%, almost a 32% labor cost on our Port Operations. That's an increase of 12% in labor costs in two years. Basically, we haven't changed any expenses in two years, but we've seen our revenues drop by 40% and we're not really projecting to do any better than they're gonna do this year until next year. So I guess my question is do we not need to look at salaries in that area? Certainly we're doing \$350,000 less in volume. There's gotta be less work for these for our Operations department to do. Does it need to stay the size that it is? Do we need to adjust it? Do we need to look at it? I find it hard to believe that we go from a 19% labor cost to a 31% labor cost and not have an opportunity to tighten up that area and save some significant dollars. Eric said in anticipation of this meeting I had multiple meetings with Brenda about that very subject, if we were handling this many tons this many years ago with this many people, why is it? We were and we did review those types of things. The short answer to your question, Commissioner Watkins, is that there is a minimum size of the operations staff that you have to maintain for the operations that we have for our

customer load. The complicating factor to that equation is our jurisdiction under the Federal Railroad Administration (FRA) given that our operations employees, like you would see with other Federal regulations, can only work a certain duration of hours and there has to be a certain rest period between those and secondly, there has to be a certain number of employees on a rail operation. So with an operation boots-on-the-ground of eight people (six operators, Hugh and Ted), there has to be the ability for all the operations of the Port. For example, Pratt is a 24/7 365 day a year operation. They have to have rail cars on a daily basis. You have to account for a portion of your team being absent, whatever the reason may be, whether it's foreseen or unforeseen, and then you have to have the redundancy in terms of the leadership in case one of your boots-on-the-ground leaders is out. The question was asked by me--is there area for cutback at this time? Do we need to consider layoffs? Do we need to consider furloughs, and the answer was no. Commissioner Watkins said and maybe I should have sharpened my comment just a little bit. I maybe wasn't really directing that our operations team, the actual boots-on-the-ground guys. Maybe we need to look at the overall management of that division. Maybe we're top heavy in management. I don't know that we're too heavy in the actual guys that are doing all the work, but maybe we need to take a look at the top end of that and see. But I just find it hard to believe that we're spending the same labor dollars and we're going to do a million dollars or less in revenue. There's not any businesses in the world that—Roy, I bet if your business dropped a million dollars in one of your stores, you're gonna have labor reduction. Commissioner Bryant said I would like to—when I look at the financials, one thing that I see is that we arbitrarily, we choose as a body to not include our property taxes in this fund. We use that in capital (budget). But the property taxes originally adopted it when we passed it years ago, part of that is for operations. So for me to look at the real picture of whether or not you are not covering your operations revenues, you have to factor in the property taxes and when you factor in property taxes you're covering your operations, the way I see it. So just to look at these revenues which came as a result of creating and supporting the additional revenues you were receiving when we first created it, you had to fund through property taxes, and the fact that you're using it for capital, capital can be discontinued. So if you got into a situation where you had to use more money for operations, you may have to come up with a different source of money for your capital. But in that sense, you have the funds for your operations. For me, I would like to hear from you, Eric, as far as in relations to your operations, whether it would be your management, whether it would be—I believe that the staffing levels that we determined, we determined for a reason and we made these decisions over the years to staff at a certain level and for me, I would need to have a good basis as to why we change that other than just purely right now on a revenue basis. At this point I'm not seeing an issue as far as—I've been through layoffs from a government standpoint. I've done private industry; I've audited private industry. I've

audited government; I've worked in both areas, but no matter when you go to do a layoff, you better be able to have a good picture and right now, we don't have that from what I see. If we go to doing layoffs, and layoffs really have to be holistic. When you do a layoff, especially in government, you've got to have a basis for the layoff. It can't be "this person don't have anything to do" so I'm gonna lay you off. That's not how you get to do it. Most times it's based on levels of seniority etc. so we have to be careful if we get to that point. I'm not saying there's not a need to make a reduction. I'm just needing to hear from you as a manager what you need to run your operations as an Executive Director. Commissioner Murphy said looking at it from the operations boots-on-the-ground type, we are operating this whole facility with a minimum outside guys, six guys. When we have barge operations as an example, as well as rail operations going on at the same time with our tenants, six guys and include Hugh and Ted as eight, that's stretching them very thinly to the point that we have to go to outside temporary help to help us with the barges. Otherwise we would not have enough boots-on-the-ground to do all the work, plus the maintenance of the gear, plus the maintenance of this building, plus the maintenance of the grounds of this whole 2300 acres. So I don't believe that we are in a position where we need to cut any of them if you're talking about operational outside, operational inside. Your operational inside people bring particular expertise in their fields with many years of experiences, many years of outside contacts throughout the Gulf and internationally, and I think it would be buying a rope to hang ourselves with to start thinking about cutting out that expertise that we have. Thank you. Commissioner Bryant said I agree with that. And also I think to clarify my point, is that I'm not opposed to reducing our staff if we think we are top heavy. But I would like to hear that from you. And if you don't have that recommendation and like I said, if it gets to the point of layoff, it's last in, first out and so that's not the way I see it. If you get to that point and that's why you can't just make that decision based on a pure revenue. But from a pure position and what those positions are doing and what they're accomplishing and what you need for this organization, if we're not receiving that or we have too many folks at a certain level, then I'm not opposed to that. I just think from just a pure number standpoint the numbers don't necessarily point that way. Commissioner Griggs said well I don't disagree with this. I think it's important that we get more information from Eric and his staff on exactly what they need because it would be hard for me just to look at numbers. I know I agree with what Steve said. I know labor is a big factor in our business and we watch it very carefully, but I would not be willing to do that without getting all the facts and make sure that we're not top heavy and that we really need all the boots-on-the-ground that we have. It's important how the Fair Labor Standard Act will affect us here and we'll have minimum affected for 2016, but for 2017, how will that come into play? Commissioner Bryant said increase for the overtime? Gloria said overtime increase. Danyne said I don't think it's going to impact at all Commissioner Griggs. Commissioner Watkins said we pay overtime. Danyne

said it is \$47,000 before you get to that point and that even impacts so-called administrative. I don't think it's going to impact us, Commissioner Griggs, at all. Commissioner Watkins said nobody makes less than \$47 here. Eric said we entered this meeting with the question that you're asking of me. We entered this meeting having those discussions so that we could be prepared to talk about them at this time. Our projections for what we see for this year and what we're projecting for the immediate time period in front of us that the staff that we have now is the staff that we need. Commissioner Bryant said okay. And I see too also in relation to the salaries that we had a significant drop in retirement as far as we have to pay out as benefits instead of that it was at a high of 16.75 and now you're down to 13 which has helped to defer the cost that the Port which has helped to offset some of your costs that you've incurred increases wise in salaries as far as your raises. Eric said to Commissioner Watkins point, if the numbers were drastically different and we saw that we were going to have to make immediate changes, there's no doubt that we would have to look at what he's were talking about, the management or the top heavy portion of it. That's where the large part of your salaries are. Commissioner Bryant said when we start the 2017 budget process, I think it's important—I think we realize, based on what you provided—I think we should be okay for '16—until we adopt the 2017 budget. Eric said we would have that in November. Commissioner Bryant said we will have that in November in a committee meeting or so in the third quarter. Eric said we'll start the process in late September/early October. The large part of us developing the capital budget is receiving the numbers from Bossier and Caddo so we can develop our Capital budget. But given our situation we will be monitoring it even closer.

Commissioner Gregorio said let me just make sure that I am understanding. The annual budget that we had before the projected budget had income at a certain level, expenses at a certain level and showing an excess of revenue over expenses of \$343,000. Gloria said right. We've gone through the floods; we've gone through our issues and we now have a projected budget that becomes more exact as we're pushing halfway through the year between a quarter and a half. As we get that more exact budget, our projected budgets we see income and we see expenses and we're projecting an excess revenue over expenses of \$367,000. Am I right? That's sounds pretty good to me. Am I missing something? In fact, our projected profit is \$24,000 more than what we thought last year and before the two floods. Eric said correct. Commissioner Gregorio said I'm with you.

Eric said if there aren't any more questions with regard to the general fund, the next half is the **Capital Operations**. Regarding Omni, Commissioner Bryant said that's the in and the out though right. Eric said it is. Unfortunately though with that drop in what I would call perceived revenue, it really would be just a pass through as you're

saying, Commissioner Bryant. We will need to amend the budget because it shows that we're not making \$18 million dollars. But it's not as though we're making it, it's a pass through. Commissioner Gregorio said you would amend expenditures. Eric said it's at the bottom as an expenditure. That's right.

Moving on to expenses, the big line item where we still have a dialogue to have with the Board through committee is the Port Expansion or the land purchases. As you know, at the Board meeting last week the Board ratified the action of the Port Expansion Committee to take the sites within our Port Expansion study that overlapped with the 3132 B1 and B2 proposals off the table and not pursue any due diligence until the route has been established. We put a drawing of these Port Expansion sites in your folder showing the 3132 layout. As you can see there's candidate sites C and E and a little portion of B and F. What the Board has chosen to do is not to pursue any due diligence on those until 3132 Stage 1 is finalized. As we reported that will be at least a year from this point when they finish the Stage 1. So it's very likely that when we do, since we are going to be amending the budget later this year. We know that because of the Omni matter. This number will probably further reduce and we won't need as much Capital Operation reserve. The discussion that needs to be had through the Port Expansion Committee is what direction now does the committee want to investigate. Do we want to look at other sites that are not contiguous with the Port that are in our Port Expansion study or do we want to wait until the 3132 before we do any more due diligence. But as for now these sites that you see on this map are off the table which were the sites we were pursuing with due diligence. As you know, we've conducted appraisals on some of them. We now are not going to move forward with those.

As you know we have our Fund Balance Estimates and deferred to Gloria and said would you mind giving the details of how we don't have our closing entries yet because of the audit. So these are estimates based on that. Gloria said on our accounting system our fund balances close to one fund. So we have to wait until the auditors give us the closing entries to separate the fund balances between general and capital. So that's why you see normally through May or June financials, if it's out of balance, it's because we haven't gotten closing entries from the previous year because the audit is still going on. Once we close the year, once they give us closing entries, and then we can input those and then close the year, then we balance. And the auditor says he's expecting to have a draft to us by June 3<sup>rd</sup>. Normally with the draft I get the closing entries. So that's why every year when we're doing the budget act it's an estimate.

Eric said Commissioner Gregorio, that concludes our comments regarding what was asked of us to present. I'll be glad to answer any questions in regard to any comments.

Commissioner Gregorio called for any questions or comments. He said that concludes the agenda. Eric said I would tell you in your packages is a handout that was handed out at a South Shreveport Homeowner's meeting and probably will explain why you're getting a number of emails and of course the 3132 drawing. This is just for your information.

Commissioner Gregorio adjourned the meeting at approximately 10:55 a.m.

Respectfully submitted,

Commissioner Roy Griggs  
Secretary-Treasurer

**June 2016 Meeting Notices!!**

***Special Board Meeting: Thursday, June 16, 2016, 3:00 p.m.***

Regional Commerce Center, Steering Room, 6000 Doug Attaway Blvd., Shreveport

***Next Regularly Scheduled Meeting: Thursday, June 16, 2016, 4:30 p.m.***

Steering Room, 6000 Doug Attaway Blvd., Shreveport, LA 71115

**Marketing and Operations Committee Meetings, Monday, July 11, 2016, 12 Noon**  
6000 Doug Attaway Blvd., Shreveport, LA 71115