

**CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY**  
**MEETING OF THE BOARD OF DIRECTORS**

Wednesday, March 17, 2010

8:30 a.m.

One Cleveland Center – 1375 East Ninth Street – Sammy’s at One Cleveland Center

**AGENDA**

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1. Roll Call
2. Adoption of previous meeting minutes:
  - A. February 17, 2010 – **Pages X-X**
3. Public Comment Period – *Today’s Agenda Items Only*
4. Reports and Communications from Officers and Committees
  - A. Chair’s Comments
  - B. President’s Comments
  - C. Financial Report
    1. *Year-End 2009 Budgeted Financials* – **Pages X-X**
  - D. Committee Reports
    1. Nominating and Governance Committee
      - a) *Election of Officers* – **Pages X-X**
    2. Maritime Committee
      - a) *Mayor of Rotterdam – Meeting Update*
      - b) *Terminal Operator Approval & Agreements* – **Pages X-X**
      - c) *CBT Lease Amendment* – **Pages X-X**
      - d) *Kenmore Construction Agreement* – **Pages X-X**
5. Public Comment Period – *Non-Agenda Items*
6. Next Scheduled Meeting – **April 21, 2010**

## MINUTES

### CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY BOARD OF DIRECTORS MEETING Wednesday, February 17, 2010

The Board Meeting of the Cleveland-Cuyahoga County Port Authority Board of Directors was held in the One Cleveland Center Building, 1375 E. Ninth Street, second floor Conference Center, Cleveland, Ohio on Wednesday, February 17, 2010. The meeting was called to order by the Chair at 8:32 a.m. Attendance by roll call showed the following:

#### PRESENT

Steven J. Williams, Chair  
Richard Knoth, Vice Chair  
Robert Peto, Secretary  
Paul Hoogenboom  
Marc Krantz  
Anthony R. Moore  
Robert Smith

#### ABSENT AND EXCUSED

John J. Carney

#### ALSO PRESENT

D. Wilcox, Climaco, Lefkowitz, Peca, Wilcox & Garofoli Co., L.P.A  
P. Raskind, Interim President/CEO  
M. Freilino, Executive Assistant/Office Manager  
E. Johnson, Real Estate Director  
G. Woodson, Assistant VP Development Finance  
A. James, Executive Assistant  
D. Moyers, Administrative Assistant  
E. Hirsimaki, Operations/Facilities Manager  
S. Jacobsen, Construction Engineer Manager  
S. Pfeiffer, Citizen  
T. Bell Weinberg, Tall Ships  
B. Ghent, Rotary Club of Cleveland  
P. Jeffrey, LWC Cleveland Area  
V. Anzalone, Citizen  
J. Cox, Flats Industry  
J. Baker, Jr., ILA  
N. Edwards, Black Contractors  
M. Woytowicz, Gallagher  
N. Delguyd, Skoda Minotti  
A. Anderson, LMM Men's Shelter  
J. Miller, *Crains Cleveland Business*  
J. Thornton, FMT  
D. O'Neill, CI  
C. Evans, *The Plain Dealer*

M. Delguyd, Benesch Friedlander Coplan & Aronoff  
D. Lewis, Citizen  
R. Jemisen, Citizen  
A. Lewis, AFP  
T. Nelson, Citizen  
M. Moravec, Kenmore Construction  
M. Roberts, *Cleveland Magazine*  
J. McCarty *The Plain Dealer*

### **APPROVAL OF MINUTES**

The minutes of the Board of Directors meeting of January 20, 2010 were presented for approval by the Board, copies having been delivered in advance to all Directors. On motion by Director Knoth, seconded by Director Moore, and unanimously carried, the minutes of January 20, 2010 were approved.

### **PUBLIC COMMENT – AGENDA ITEMS**

Chairman Williams then opened up the floor for public comment pertaining to today's agenda items only. Mr. Norman Edwards addressed the Board and stated he would like to comment on the agenda's in general. Chairman Williams requested that Mr. Edwards wait until the non-agenda comment period. There being no further public comment, Chairman Williams proceeded with the agenda.

### **CHAIR'S COMMENTS**

Chairman Williams welcomed new Board Member Paul Hoogenboom and stated the Board looks forward to working with him. Chairman Williams then announced that Director Moore would Chair the Waterfront Development Committee. He also announced that Director Hoogenboom will serve on the Waterfront Development, Maritime and Budget and Administration Committees. Chairman Williams then requested that Director Smith present the Transition Committee Update.

### **TRANSITION COMMITTEE**

#### ***Agenda Item 4(C)(1)(a) – Update***

Director Smith stated that Boyden Global Executive Search prepared a position profile hereto attached as **Exhibit A**. Mr. Leslie then stated that the profile will be available on the Port of Cleveland website and will also be published in the American Association of Port Authorities (AAPA) newsletter and other related publications. There being no questions or comments, Chairman Williams requested that Director Peto move forward with the Maritime Committee agenda items.

**MARITIME COMMITTEE**

***Agenda Item 4(C)(2)(a) – Cleveland Harbor Dredging Summit 2010***

Director Peto asked Mr. Raskind to provide an overview of the Cleveland Harbor Dredging Summit.

Mr. Raskind stated that the 2010 Dredging Summit took place on February 2 and 3 and was very well attended. It was hosted by the U.S. Army Corps of Engineers in cooperation with the City of Cleveland, Ohio Environmental Protection Agency, and the Port Authority. The purpose was to discuss short and long term dredged material management needs and alternatives, beneficial use of dredged material, regional sediment management, funding/grant opportunities for the Cleveland Harbor. This results from the fact that the USACE, who is responsible for dredging the navigation channel, both in the Cuyahoga River and inner harbor, will be out of capacity by the end of 2014 for disposing the dredged material in the three active confined disposal facilities (CDF's) located along the north side of Burke Lakefront Airport. Once a five year interim solution or solutions are found (allowing for disposal capacity through 2019), the emphasis will turn to the twenty year and beyond challenge of disposing annual dredge material amounting to 330,000 yd<sup>3</sup> plus portions of an accumulated backlog, and, or reducing sedimentation quantity needing to be dredged. This goes hand in hand with changing the old mindset that dredged material is a liability to one where dredge material is a commodity that can be marketed for reuse.

The summit discussed current plans the USACE is executing to ensure disposal will be provided through 2014. These plans include increasing capacity of CDF's 9 and 12 by raising dike berms, and a second project of removing dry material from 10B for reuse in a fill operation the City is undertaking to develop a 54 acre Brownfield into an industrial park. The site has the potential for over one million yards of fill, but the challenge is to utilize dredge material that is dry enough to compact; this will entail a process that needs to be studied.

The summit also presented beneficial reuse projects that have been constructed using dredge material. These include habitat development, beach nourishment, parks, mine reclamation, island building, road sub-base, retaining wall backfill, pipe trench bedding, landfill daily cover, and topsoil. Another presentation discussed adding Portland Cement to dredged material for similar applications.

Confined aquatic disposal cells were discussed. This technique calls for excavating a cell under water to provide a storage location for dredged material disposal. Once a cell is excavated, the clean material can be disposed of in the open lake. The dredged material can then be dumped from an open-bottom barge theoretically into the cell and capped, but the likelihood of this method being utilized from a public perception standpoint is remote.

An idea that was discussed, could the Port construct a CDF for interim disposal (substantially smaller than the one proposed for East 55<sup>th</sup>), whereby the Port would finance and use the revenue stream from the tipping fee to pay for the construction? Funding through the Great Lakes Restoration Initiative and the Great Lakes Legacy Act were briefly discussed. Also, initiating a

Harbor Assistance Program (tax) for the users was mentioned. The suitability of each option needs to be researched.

The immediate goal is to create a task force to carry forward the ideas and plans discussed at the summit, with the ultimate goal of keeping the navigation channel open for business. The USACE, Port, City, ODNR, OEPA, and key Congressional offices will be part of the team. The first meeting is scheduled for March 3, 2010.

There being no further comment or questions, Chairman Williams requested that Director Smith move forward with the Budget and Administration Committee agenda items.

### **BUDGET & ADMINISTRATION COMMITTEE**

#### ***Agenda Item 4(C)(3)(a) – Office Space Sub-lease***

Director Smith stated that when the Board approved the budget, full rent was included knowing that there was excess office space. Mr. Raskind, Mr. Leslie and Mr. Johnson were asked by the Board to investigate the possibility of sub-leasing the extra office space. The budget does not reflect any subleasing offset expenses or revenues. Director Smith stated that the team has done an excellent job of finding a tenant to sub-lease the space at a rate reflective of the current market value. Director Smith then invited Eric Johnson to present the information related to the Office Sub-lease.

Mr. Johnson stated that on January 23, 2009 the Board of Directors approved a lease extension of the existing Port office space (Suite 2300 at Cleveland One Center) including the expansion of an additional 4,320 square feet to support staff growth at the Port with Optima One Cleveland Center (LLC) concluding on January 31, 2014.

In total, the square feet for Port office functions would be 15,047 at an annual cost of (not including operating expenses) \$225,000 beginning in 2010 to over \$240,000 in year 2013. The expansion of an additional 4,320 square feet for staff functions is significantly beyond what the Port needs to function as an organization. There are currently 7 open offices in the existing office space and additional space for storage, cubicles or other uses. It is difficult to envision a scenario where an additional 4,320 square feet would be necessary. Sub-leasing the 4,320 and reducing the cost paid for annual rents is in the best interest of the Port.

More specifically, the Port has received a proposal from Thacker & Martinsek (Tenant on 23<sup>rd</sup> floor of One Cleveland Center) to sub-lease all of the 4,320 square feet from the Port with a base rent of \$12.00 per square foot in 2010 increasing to \$12.50 per square foot in 2012. Furthermore, the sub-leasing tenant believes they will have the need to occupy the space in total beyond 2012 at a rate of \$12.50 per square foot in 2013 and \$12.75 per square foot in 2014. Thacker & Martinsek originally only needed 2,700 square feet for their expansion and has agreed as a part of their proposal to take down the entire 4,320 square feet through a transitional approach where they would receive six (6) months free rent beginning March 1, 2010 on the original 2,700 square feet and beginning in month seven receive a rent abatement on the remaining 1,620 square feet until the end of the year. Beginning in 2011 Thacker & Martinsek will begin paying rent for the entire 4,320 square feet of space at 12.25 per square foot.

The sub-leasing cost of \$12.00 per square feet according to Colliers is in range for sub-leasing tenants in Class A office buildings in Downtown Cleveland. The base rent rate is also in line with what sub-leasing tenants are paying in One Cleveland Center which range from \$11.00 to \$15.00 per square foot depending on the situation of the tenant. Given the state of the commercial real estate market (plentiful vacancies in the downtown market and One Cleveland Center) staff believes that this is a good deal that the Port Authority should take advantage of given the difficulty of finding sub-lease tenants for the space in a market that has an oversupply of vacant sub-leasing space in downtown Cleveland. Staff has also been informed by the building manager of One Cleveland Center that Thacker & Martinsek are approved tenants in the building; therefore approval of the sub-lease agreement is expected to be expedited. Also as a part of the proposal, the Port would pay a broker fee to Jones Lang LaSalle as tenant agent (5%) of the aggregate gross value in the amount, estimated to be approximately \$9,000, as a part of this proposed transaction. The Port Authority did not engage a broker and therefore has reduced costs by negotiating the agreement in-house.

Director Krantz commended Mr. Johnson and the staff for finding a tenant to sub-lease the space in the current market. Chairman Williams inquired as to how much will be saved overall. Mr. Johnson responded that savings would be approximately \$173,000 over the period of the lease which runs through 2014. Mr. Raskind stated that Mr. Johnson has done an excellent job of finding a sub-leasing opportunity especially since there are other vacancies in One Cleveland Center.

The Board of Directors was then requested to authorize the acceptance of a proposal from Thacker & Martinsek and authorizes entering into a sub-leasing agreement to sub-lease the 4,320 square feet under terms consistent with their proposal.

On motion by Director Peto, seconded by Director Knoth, and unanimously carried,

#### RESOLUTION NO. 2010-06

#### A RESOLUTION AUTHORIZING AND APPROVING THE SUBLEASE OF AVAILABLE OFFICE SPACE TO THACKER MARTINSEK LPA

was adopted. The resolution in its full text is incorporated in the Resolutions journal of the Port Authority.

#### **BUDGET & ADMINISTRATION COMMITTEE**

#### ***Agenda Item 4(C)(3)(b) – Lesic & Camper Media Relations/Engagement***

Director Smith then requested that Mr. Leslie presented the information regarding engagement of Lesic and Camper Media Relations. Mr. Leslie stated that beginning in 2002, the Port Authority engaged outside service professionals to assist the organization in a variety of marketing and communications efforts on a monthly basis. One of the firms that greatly assisted the Port Authority during the growth years of 2002 through 2007 was Lesic & Steiner, now Lesic & Camper. During this time frame, the firm was paid approximately \$9,500 per month and handled nearly every aspect of the organization's communications functions.

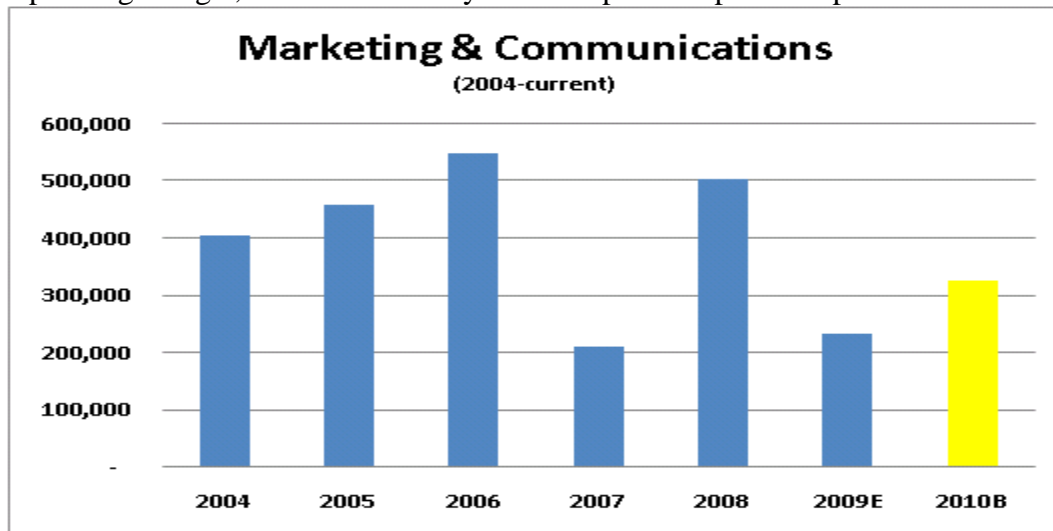
Since 2007, the Port Authority has not had a consistent relationship with any public relations or communications firms. Our engagement of these professionals has been sporadic, short-term and more on an emergency basis.

After receiving input from the Board and meeting with the firm, the staff is recommending that Lesic & Camper Communications be engaged to provide a wide array of media relations, strategic communications planning and other functions as needed to the Port Authority for the next 12-month period. The fee will be as follows:

- \$4,000 for the month of February
- \$10,000 per month for the first 3 months – March, April and May
- \$8,000 per month for the next 9 months

On an hourly basis, we believe the proposal from Lesic & Camper provides significant savings over comparable firms, and the fees are estimated to be between \$160 - \$166 per hour. Additionally, Lesic & Camper's previous experience with the Port Authority means that we will hit the ground running and not have to educate a new firm on our organization and business operations.

The approximately \$90,000 expenditure for FY 2010 was contemplated as part of the 2010 Operating Budget, which is still very lean compared to previous periods.



If the work is less intensive than expected, both parties agree to adjust the fee accordingly. Either party has the ability, with 30 days notice, to terminate the agreement. Ordinary and necessary expenses will be billed in addition to the monthly retainer.

Mr. Raskind added that there is currently an open position related to communications and government relations and management would recommend that especially in this instance the Port engage Lesic and Camper until the position is filled. Mr. Raskind also added that the previous engagement with Dix and Eaton has been terminated and the current proposal to engage Lesic and Camper is at a significantly lower cost.

The Board of Directors was then requested to enter into a contract/engagement letter with Lesic & Camper Communications for media relations/marketing services based upon their proposal dated February 2, 2010 for a one-year period, renewable based on satisfactory performance and cost, to be paid from the annual operating budgets from the funds appropriated for Marketing and Communications.

On motion by Director Smith, seconded by Director Krantz, and unanimously carried,

RESOLUTION NO. 2010-07

A RESOLUTION AUTHORIZING AND APPROVING THE ENGAGEMENT OF LESIC & CAMPER COMMUNICATIONS FOR PUBLIC AFFAIRS AND OTHER COMMUNICATIONS SERVICES

was adopted. The resolution in its full text is incorporated in the Resolutions journal of the Port Authority.

**BUDGET & ADMINISTRATION COMMITTEE**

***Agenda Item 4(C)(1)(c) – Tall Ships Sponsorship Proposal***

Director Smith invited Mr. Leslie to present the details surrounding the 2010 Tall Ships Festival. Mr. Leslie invited Ms. Terri Bell, a consultant to the Cleveland Rotary, to present. Ms. Bell presented a PowerPoint presentation attached hereto as **Exhibit B**. Chairman Williams requested that Ms. Bell provide a list of vendors and requested that Ms. Bell be mindful of minority inclusion when selecting vendors. Ms. Bell replied that they are currently in the process of identifying vendors and that she will forward the information once it becomes available.

Mr. Leslie stated that the 2010 Cleveland Tall Ships Festival is scheduled for July 7-11. The Rotary Club of Cleveland will host 9-11 replica historic vessels in celebration of its 100th anniversary in honor of its long-time commitment to the people of the City of Cleveland. The Festival will showcase the diverse Great Lakes maritime history, spotlighting environmental themes while promoting youth leadership through sail training. Visitors can board the vessels, meet the crew and experience the heritage these ships symbolize. Cleveland welcomes the Great Lakes United Tall Ships Challenge ®, a series of port to port international sailing races, cruises and maritime festivals starting in Toronto and ending in Chicago.

The cost to produce the event approaches approximately \$1 million, with the majority of the funds having to be raised through sponsorships and donations. The event is expected to attract 125,000 to 150,000 visitors down on the Port's property and has a projected economic impact of \$15 to \$20 million. The last "official" Tall Ships festival took place back in 2006. As the Board may recall, the Port Authority produced our own "PortFest" event back in 2008 at an approximately cost of \$140,000.

In 2009, the Port Authority was approached to be involved in this event from several different aspects. The first was a request that the event take place on Docks 28 and 30, instead of North Coast Harbor. The Port's property holds logistical advantages over North Coast Harbor.

Additionally, the Port Authority was asked to consider becoming a major sponsor of the event, given our involvement with previous events and the highlight of maritime activities and the port docks that the event offers. Initially, the Port was asked to make a \$100,000 contribution and also provide a number of in-kind services to be the title sponsor of the event.

After a few meetings and review of the Port's 2010 budget, the Rotary Club and the Port Authority came to an agreement which would be presented to both groups' Board of Directors. The staff is recommending to the Board the following contributions to the 2010 Cleveland Tall Ships Festival:

- Use of Docks 28-30 for the event
- \$35,000 in clean-up and site preparation work (landscaping, signage, electrical work, etc.)
- A \$40,000 cash contribution as a main sponsor of the event

In return for the services offered and the cash contribution, the Port Authority will receive the following benefits, normally reserved for the title sponsorship (\$100,000):

- If no other sponsor donates an equal or larger sum of money, the Port will become the primary event sponsor. The branding of the event has yet to be determined, but examples include "The Port of Cleveland Harborfest" or simply "PortFest".
- Should another sponsor step forward, the event will have billing (in the order of) "ABC Corporation Tall Ships *Presented by the Port of Cleveland*"
- In either case, the Port will be considered to be at the "Title Sponsorship" level and obtain all benefits and considerations listed. These are summarized as follows:
  - Inclusion in all media advertisements, with the advertising being in excess of \$75,000.
  - Direct involvement in the media plan and advertising program
  - A Port spokesperson will be the principal speaker at all press conferences and the opening ceremonies.
  - One day will be set aside as "Port of Cleveland Day."
  - A display tent to promote the Port of Cleveland.
  - 20 invitations to the "Parade of Sail" at the start of the event and 275 daily admission passes.
  - One dockside reception for up to 150 guests. Food not included. Note this does not include a sail-away. Should we desire to do an evening sail the number of attendees would have to be reduced to meet vessel capacity.
  - Sponsorship of youth sail training initiatives.

As you can see, sponsorship of this important event provides a lot of visibility to the Port of Cleveland and maritime activities within the region. It will bring a significant amount of people down to our facilities, who may not otherwise know much about the Port.

It is anticipated that the \$35,000 in site preparation funds will be paid for out of the previously approved and appropriated Facilities and Maintenance budget and the \$40,000 contribution will come from funds previously approved for Marketing and Communications.

As illustrated in the previous agenda item, expenditures for both Lesic and Camper as well as our proposed Tall Ships sponsorship can take place within the \$325,500 Marketing and Communications budget, especially since there is currently a vacant position that would oversee these matters, as well as other items.

The Board of Directors was then requested to approve and authorize a \$40,000 cash sponsorship and \$35,000 of in-kind services to be provided in support of the 2010 Cleveland Tall Ships Festival in exchange for the benefits the organization will receive that were described.

On motion by Director Smith, seconded by Director Knoth, and unanimously carried,

#### RESOLUTION NO. 2010-08

A RESOLUTION AUTHORIZING THE NEGOTIATION AND EXECUTION OF A MEMORANDUM OF UNDERSTANDING FOR SPONSORSHIP BY THE CLEVELAND-CUYAHOGA COUNTY PORT AUTHORITY OF ACTIVITIES IN CONJUNCTION WITH THE GREAT LAKES UNITED TALL SHIPS CHALLENGE® 2010; AUTHORIZING THE USE OF DOCKS 28 AND 30; AND AUTHORIZING CERTAIN RELATED EXPENDITURES

was adopted. The resolution in its full text is incorporated in the Resolutions journal of the Port Authority.

Chairman Williams announced that the Nominating Committee will meet immediately following the Board Meeting. He stated that the Committee will enter into Executive Session and will not return.

#### **PUBLIC COMMENT – NON-AGENDA ITEMS**

Chairman Williams invited Mr. Norman Edwards to address the Board. Mr. Edwards stated that he has been attending Port Authority Board Meetings for six years, during which time he has repeatedly requested inclusion and diversity on all port projects. He further stated that the port cannot continue to finance projects in which there is no minority inclusion. Mr. Edwards stated that Gilbane continues to do a poor job of minority inclusion on the projects with which they are involved. Mr. Edwards personally addressed Chairman Williams and Director Moore and made personal attacks. Mr. Dennis Wilcox intervened and requested that Mr. Edwards lower his voice, be respectful and refrain from making personal attacks on Board Members. Chairman Williams requested that Mr. Edwards provide a list of qualified contractors that should be considered for project work. Chairman Williams stated that once the list is received it will be presented to Gilbane.

Director Knoth advised that the Board adopted a resolution which required affidavits of compliance with inclusion efforts. The purpose of that resolution was so that other entities can enforce compliance with appropriate filings of the affidavits.

Revered Jeff Jemison addressed the Board and stated that his concern is for the community as a whole. He stated there needs to be a level playing field for all qualified parties and contractors. Revered Jemison requested the Board use their position and take a stand to make a positive impact on ensuring that inclusion takes place.

Mr. Al Lewis addressed the Board and stated that he has tried to be included on several projects that the port funds. He stated he submits the proper information, has all the qualifications, yet very rarely has the opportunity to bid on contracts and projects. He requested monitoring of port financed projects.

Mr. Angelo Anderson then addressed the Board and invited them to visit the Lutheran Metropolitan Men's Shelter. He stated that he sees everyday what happens when people become unemployed and become homeless. He requested that the Board include homeless families and children in the Tall Ships 2010 event.

There being no further business to come before the Board, on motion by Director Peto, seconded by Director Knoth and unanimously carried, the meeting was adjourned at 9:27 a.m.

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Chair

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Secretary

**NOMINATING & GOVERNANCE COMMITTEE**

***Agenda Item 4(D)(1)(a) – Election of Officers***

The Rules and Regulations of the Port Authority state that officers of the Port Authority shall be elected annually at the March meeting of the Board of Directors.

***The Board of Directors is being requested to adopt a resolution electing officers for one year terms beginning March 17, 2010.***

## **MARITIME COMMITTEE**

### ***Agenda Item 4(D)(2)(b) – Terminal Operator Approval & Agreements***

#### *Approval of FMT as an Approved Terminal Operator*

The Port's general cargo facilities are leased on a year to year basis. Therefore, each year the terminal operator must be approved by the Board of Directors. The purpose is to confirm that the terminal operator is in good standing with the Port, has performed necessary services professionally, is properly insured, and is current in any monies owed the Port. As an Approved Terminal Operator they are bound by the Terms and Conditions for Terminal Operators as outlined in the Port of Cleveland Terminal Tariff.

Federal Marine Terminals, Inc. has requested to be a Terminal Operator for the 2010 Shipping Season and it is recommended by staff.

#### *2010 Terminal Operator Lease Agreement*

Federal Marine Terminals has a long-standing relationship as a terminal operator in the Cleveland area. The company has been handling cargo in Cleveland since 1997 and its relationship with the Port Authority has evolved over time. Up until 2002, FMT leased the Port's smallest piece of property, Warehouse 32, in the northeastern most portion of the Port Authority property.

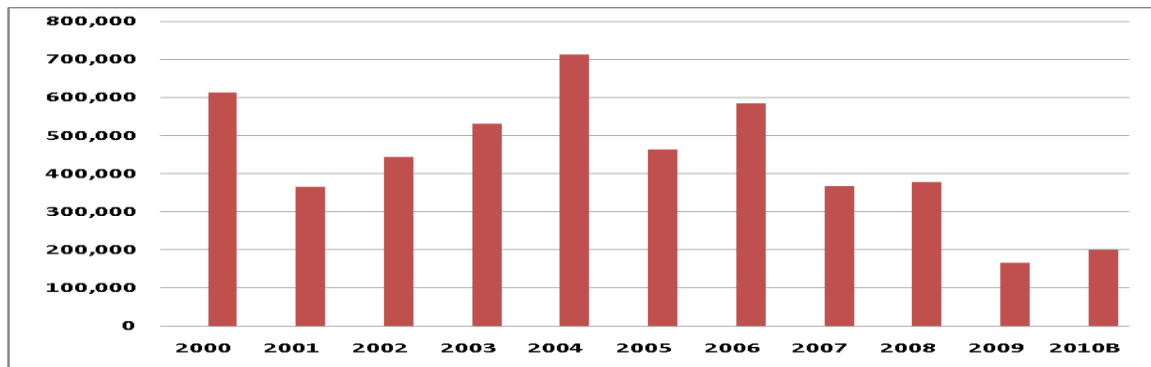
Beginning in 2003, FMT expanded their footprint in Cleveland and agreed to lease the majority of the existing dock space at the Port Authority. Since 2006, FMT has been the sole break-bulk terminal operator at the Port Authority who services a wide variety of customers in the area. FMT is the largest employer of longshoreman at the Port Authority and the goods that they handle have an enormous economic impact in the area. Goods shipped in and out of the international docks are destined to local manufacturers and FMT's ability to deliver reliable service is a competitive logistical advantage our manufacturers have over their competitors.

In 2007, the Board of Directors approved a series of Agreements with FMT to structurally alter the lease the Port Authority had with the terminal operator. Prior to 2007, the Port Authority primarily received a series of fixed, monthly rental payments that were not tied to cargo movements. For the 2007 season, this arrangement changed and lowered the base rental amount to \$435,000 and instituted a charge of \$0.75 per ton for each ton handled at the Port Authority by FMT.

The intent behind the 2007 change was for both the Port Authority and FMT to share in the risk and rewards of the cargo business, which can be difficult to predict from year to year. In 2007, the moving 5-year average of cargo handled by our terminal operators was approximately 532,000 tons. (This only includes data after the year 2000 – there are periods in the mid-to-late 1990s where tonnage exceeded 1 million tons annually.)

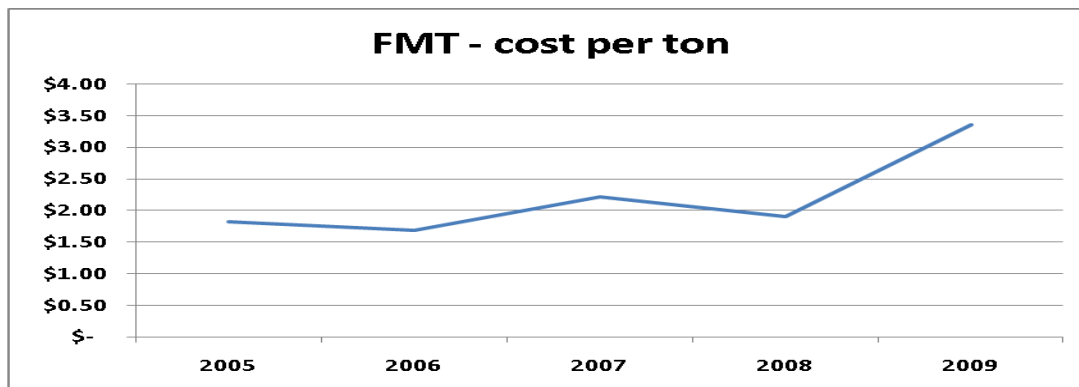
It is important to note that if an agreement with FMT could not be reached, the likelihood of finding a replacement terminal operator is remote.

Like any other business or industry, the shipping business has been affected rather dramatically by the economic events of the past two years. The chart below illustrates break-bulk tonnages handled by our terminal operators since 2000:



While 2009 represents a historical drop in tonnages, numerous industries suffered similar declines. However, the economic recovery has been slow and the tonnages are not expected to rebound to pre-recessionary levels in the near-term. When factoring in the 2010 budget, the 5-year rolling average tonnage at the Port Authority has dropped 36% from both 2004 and 2007, to an average of 339,000 tons. Because of these declines, both the Port Authority and FMT had to begin thinking about a new economic structure that could work in both challenging and prospering economic times.

The main goal of the agreement was to lower FMT's cost per ton to attract more business. The cost per ton had been rising and was approaching \$3/ton, which was not deemed to be competitive in the Great Lakes market.



Beginning in December of 2009, the Port Authority engaged FMT and FedNav (the parent company) in a series of discussions regarding a new lease agreement for 2010. After much discussion, Port Authority management and FedNav have agreed on the following business terms for the 2010 season:

**Base Rental:** \$400,000 over 12 months

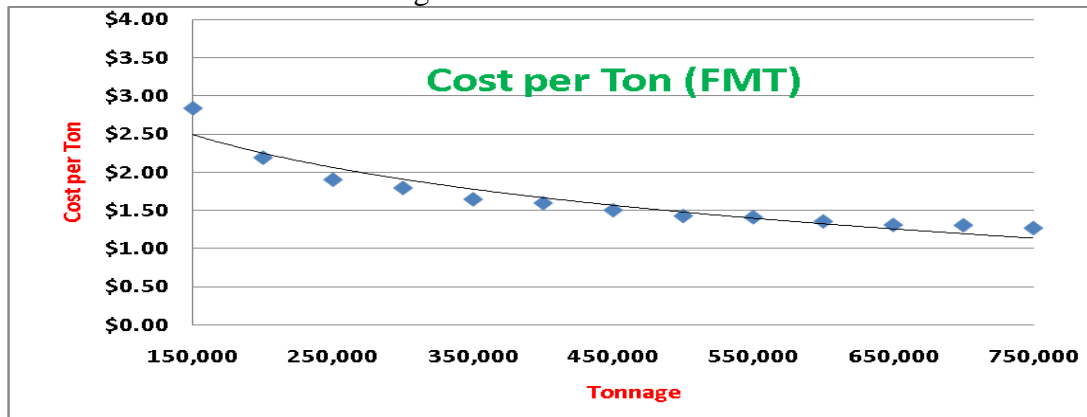
### Throughput

**Charges :** \$0.125 on the first 100,000 tons  
\$0.25 on tons 100,001 through 200,000  
\$0.75 on tons over 200,001

### Additional

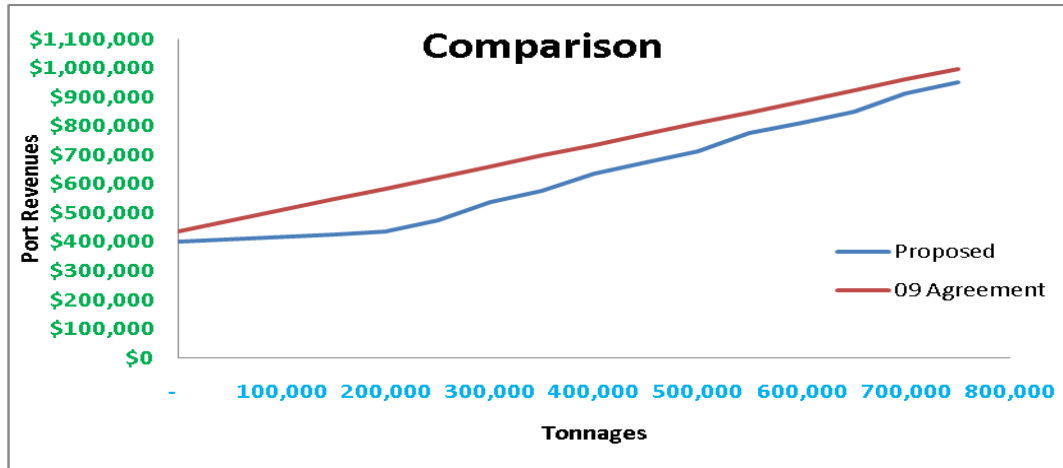
**Payments:** \$25,000 if FMT ends the shipping season between 300,000 and 399,999 tons  
\$50,000 if FMT ends the shipping season between 400,000 and 549,999 tons  
\$75,000 if FMT ends the shipping season between 550,000 and 699,999 tons  
\$100,000 if FMT ends the shipping season at 700,000 tons or more

As you can see, the new terms provide the company with some relief in years where tonnage is well below their historical norms and allows both the Port and FMT to share in the profit as tonnages begin to rise. We believe this structure will not only allow both the Port and FMT to work in partnership in lean years, but will also make us more competitive in attracting new cargos to Cleveland. The agreement both lowers FMT's cost per ton and allows the cost per ton to continue to decrease as tonnages increase:



The proposed agreement differs from the previous agreement in a few ways. First, the base rental is reduced from \$435,000 to \$400,000, the latter being the amount we pay the City of Cleveland for the rights to property that they own. Additionally, the first 200,000 tons are charged a lower amount than previous periods as a way to lessen the effect of structural shifts in tonnages. Finally, a "Bonus" or "Additional Payment" has been added to recoup some of the savings that is provided by lowering the base rental as well as the initial throughput charges.

The proposed changes do have an effect on the 2010 budget, which utilized the previous agreements as a model and a forecasted tonnage level of 200,000 tons. The budgeted rental revenues and terminal usage fees would decline by \$147,500 if tonnages levels came in at budgeted levels. Recent cost saving measures at the Port Authority, including staff reductions, provide more than enough savings that the new agreement does not have a "net" negative effect on the budget.



The changes to our agreement with FMT do not impact our tariff charges, such as dockage and wharfage, which will remain at their most recent levels and do not impact the 2010 budget.

*The Board of Directors is being requested to approve a resolution authorizing Federal Marine Terminals, Inc. as an Approved Terminal Operator for the 2010 Shipping Season and that the Board of Directors authorize the President & CEO or Assistant Secretary to enter into one-year agreements with Federal Marine Terminals, Inc. for Warehouses A, 24, 26 and the Maintenance Shop for the 2010 Shipping Season under terms described above.*

## **MARITIME COMMITTEE**

### ***Agenda Item 4(D)(2)(c) – CBT Lease Amendment***

In March of 1997, the Port Authority acquired 45 acres of lakefront property west of the Cuyahoga River, known as Cleveland Bulk Terminal (“CBT”). The property was then leased to Oglebay Norton Company and was extended through 2017 in December of 2002. The amended lease calls for a fixed rental of \$282,783 and a throughput charge of \$0.14 to \$0.295 per ton, depending on annual tonnages. Tonnages are billed when commodities arrive at the facility, not when they are shipped out.

The Port has approximately \$5.1 million of debt outstanding that is associated with the original acquisition of the property. The bonds are Multi-Mode Variable Rate Refunding Revenue Bonds and are backed in full by a Letter of Credit from Charter One Bank.

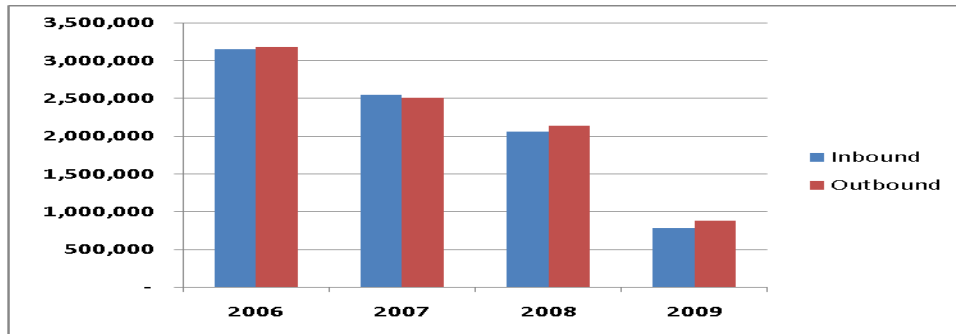
In November of 2007, Oglebay Norton approved the company’s acquisition by Carmeuse North America, a subsidiary of Belgium-based Carmeuse Group.

Since taking over the operation of the CBT facility, management at Carmeuse has engaged the Port in a series of discussions about how more cargo could be handled at the facility. These issues include:

- The timing of how the company is billed for cargo handled (inbound tonnage versus outbound)
- The charges per the amended lease agreement
- The status of the hullet ore unloaders, which remain at the property
- Potential infrastructure improvements to enhance the competitiveness of the property

Over the past two months, Port Authority management has actively listened to the Company’s concerns and is recommending a minor modification to our existing Lease Agreement to demonstrate our commitment to Carmeuse and assisting them in pushing more cargo through CBT.

Currently, the Port Authority bills Carmeuse for tonnages when it arrives at the facility. Carmeuse does not recognize revenue or bill their customers until it has been sold. Typically, iron ore is loaded on to a smaller vessel destined for Arcelor Mittal, and limestone is railed to other locations. The timing of the billing affects both Carmeuse’s cash flow and revenue recognition. The company has requested that we modify the lease to bill based on Outbound cargo, versus Inbound.



The chart above illustrates the difference between inbound and outbound tonnages at CBT for the period 2006-2009. As one can see, the differences between inbound and outbound tonnages are not material over the period examined, making the impact of such a change immaterial over the long-term.

The proposed change would have a one-time impact in the period of implementation. Currently, there is approximately 350,000 tons of material at CBT that has already been billed to and paid for by Carmeuse that would not be billed upon departing the facility. The maximum impact (using the highest bill rate for throughput charges) the change could have on the 2010 Budget is to reduced CBT wharfage charges by \$103,250 from its budgeted levels.

As mentioned in the Terminal Operator Agreement narrative, additional cost savings measures put in place by the Port Authority are sufficient to offset this reduction from the budget. Staff also believes this change provides some long-term benefits to both the Port and Carmeuse by allowing them to more effectively bid on new business that could pass through our docks.

The Company has no incentive to build up inventory to very high levels. Historically, the highest levels of inventory seen at CBT have been around 400,000 tons.

Any change to the existing Lease Agreement requires the approval of Charter One Bank, who provides a Letter of Credit for the bonds that were issued to help finance the acquisition of the property. The Bank has provided documentation approving the altering of the billing method to “outbound” tonnage versus “inbound” tonnages.

The same section of the lease also references iron ore destined for Weirton Steel being billed on gross tonnages instead of net tonnages, which is no longer valid since Weirton is not receiving commodities from CBT.

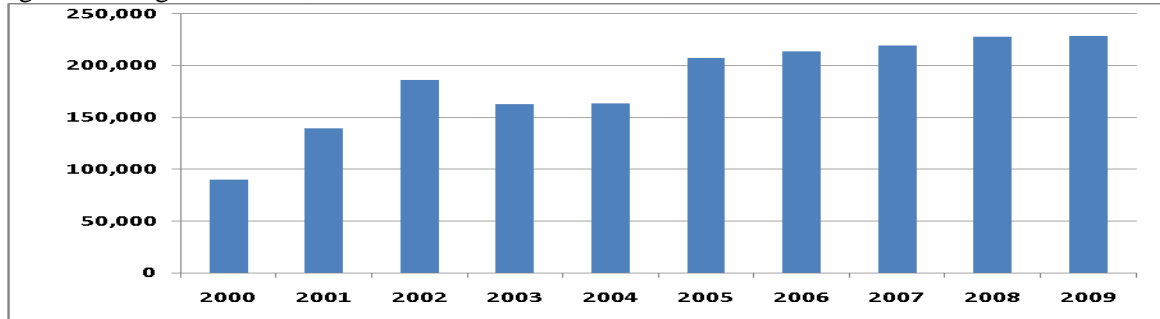
***The Board of Directors is being requested to authorize a resolution approving an amendment to the Lease Agreement with Oglebay Norton Terminals, Inc. (now Carmeuse) to reflect that Additional Charges are to be billed based on Actual Outbound Tonnages and other minor modifications, after for adjusting for the existing inventory at the site.***

## **MARITIME COMMITTEE**

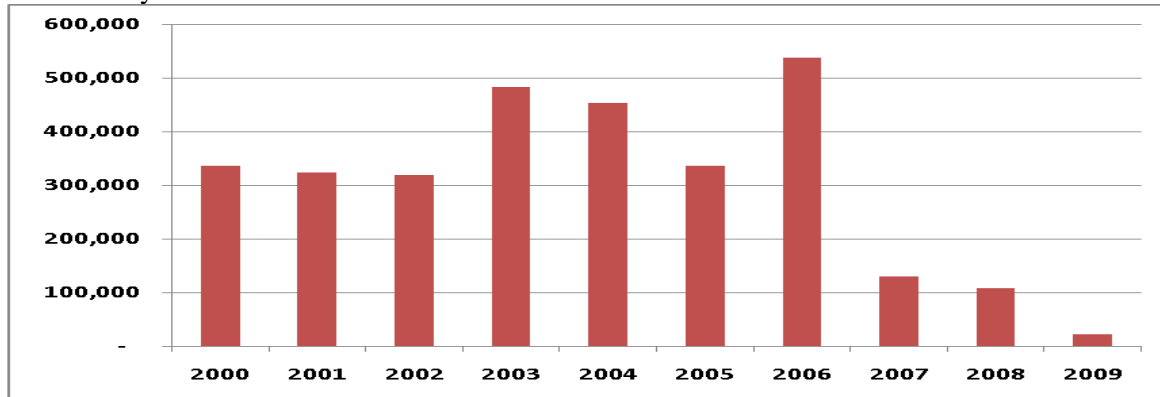
### ***Agenda Item 4(D)(2)(d) – Kenmore Construction Operating Agreement***

Similar to FMT, Kenmore Construction has operated Dock 20 since 2000 on a year-to-year agreement. The previous agreement, executed in 2005, called for annual rentals of \$209,000 and increased by the Consumer Price Index. While the term was technically year-to-year, there were options for a five 1-year renewal periods, which expire in March of 2010.

Kenmore's rental payments to the Port Authority have increased substantially since the original agreement signed in 2000, as the chart below illustrates:



Additionally, like most tenants, cargo handled at the docks has declined over the past 3 years, even more substantially than others:



For the 2010 season, the company and port management have agreed on the following terms:

Rental Rate = \$180,000 per year

Bonus Throughput Payment = \$20,000 if tonnages exceed 350,000 tons

Term = 1 year; no renewal options

The company will also be required to come in to compliance with the Port's security plan, meaning all truck drivers who enter onto the Port will need a TWIC card. The reduction in rental rates is designed to provide the company relief in a down economy, but to also help offset higher security costs.

***The Board of Directors is being requested to authorize the execution of an Operating Agreement with Kenmore Construction Company for a 1-year period for the property known as Dock 20 under the terms and conditions described above.***