

BOARD OF DIRECTORS MEETING
Jacksonville Port Authority
2831 Talleyrand Avenue
January 23, 2012

A meeting of the Jacksonville Port Authority Board of Directors was held on Monday, January 23, 2012 at Port Central Office Building, 2831 Talleyrand Avenue, Jacksonville, Florida. Chairman Reginald Gaffney called the meeting to order at 9:05 a.m. and welcomed all attendees. Chairman Gaffney led the audience in the Pledge of Allegiance and then asked Dr. John Allen Newman to lead the Board in a legislative prayer.

Committee/Board Members Attending:

Mr. Reginald L. Gaffney, Chairman
Mr. Stephen D. Busey, Vice Chairman
Mr. James P. Citrano, Treasurer
Mr. Joe York, Secretary
Mr. John Anderson, Member
Mr. John Falconetti, Member
Dr. John Allen Newman, Member

Other Attendees:

Mr. Paul Anderson, Chief Executive Officer
Mr. Roy Schleicher, Executive Vice President
Mr. Michael Poole, Chief Financial Officer
Mr. Chris Kauffmann, Chief Operating Officer
Mr. Eric Green, Sr. Director, Government & External Affairs
Ms. Kenyatta Lee, Sr. Director, Administration
Dr. Johnny Gaffney, City Council Liaison to JAXPORT
Ms. Juliana Rowland, Office of General Counsel
Ms. Becky Dicks, Board Secretary

Approval of Minutes

Chairman Gaffney called for approval of the October 31, 2011 and December 7, 2011 Board Meeting minutes. After a motion by Mr. John Anderson and a second by Mr. York, the Board unanimously approved the minutes as submitted.

Chairman Gaffney then moved the public comments section to the end of the meeting to allow the board to move through the agenda quickly and to give the public time to complete a speaker card to address the board later during the meeting.

Presentations

CEO Paul Anderson presented Employee Milestones and thanked the following employees for their service:

Scott Skinner, Manager, Environmental Compliance – 5 years

Yetunde Oyewole, Coordinator, Small & Emerging Business Program – 5 years

Nancy Rubin, Director of Communications – 5 years

Aisha Eccleston, Coordinator of Marketing & Customer Services – 5 years

James Baird, Crane Tech III – 15 years

Vickie Colson, Senior Accountant – 35 years

Mr. Anderson also thanked all of the employees of JAXPORT for their willingness to participate and donate to the United Way and Community Health Charities campaign and then he presented checks to Connie Hodges, President of United Way of N.E. Florida, Kim Kaye Namey, VP Resource Development, and Alecia Givens, Campaign Manager for United Way, plus Dick Kravitz, N.E. Florida Coordinator for Community Health Charities of Florida and Sherri Criswell, the Executive Director of the Diabetes Foundation.

New Business

BD1201-01 FY 2010/11 Audited Financial Statements

Mr. Mike Poole presented this submission for Board approval the audited Financial Statements for the year ending September 30, 2011 as prepared by McGladrey & Pullen, CPA's.

After a motion was made by Mr. Citrano and a second by Mr. York, the Board voted unanimously to approve this submission.

AC1201-02 BIMT Track Equipment Yard Rehabilitation

Mr. Chris Kauffmann presented this submission for Board approval of a contract with Callaway Contracting, Inc. for BIMT Track Equipment Yard Rehabilitation improvements, in the not exceed amount of \$837,753.71.

After a motion was made by Mr. Citrano and a second by Mr. York, the Board voted unanimously to approve this submission for awards.

Reports

R1201-01 Engineering and Construction Update

Mr. Chris Kauffmann provided an overview of the key capital projects.

R1201-02 Monthly Financials/Vital Statistics

Mr. Michael Poole provided an overview of our monthly financials and vital statistics and answered questions.

R1201-03 Business Development Report

Mr. Roy Schleicher provided an overview of the business development report.

Other Business

After a motion by Mr. Citrano and a second by Mr. York, the Board unanimously approved travel by one or more Board Members and/or employees of the Authority for business solicitation purposes or to attend any necessary conferences and/or meetings during the months of January and February 2012.

Board Philosophy Discussion

Chairman Gaffney opened discussion by stating that JAXPORT is truly one of the most valued job creations in northeast Florida that there is too much knowledge on this board to be ignored. He would like to engage the board members to become more proactive rather than reactive. Chairman Gaffney then stated he would like to have a round table discussion to get feedback on how board members would like to see the board move forward. He then asked each board member to respond. Dr. Newman stated that he would like the board to be a working board and not a just a board that hears reports; Mr. Falconetti reaffirmed that this board is structured to be a policy board and that part of the burden is fiduciary, plus it holds the CEO responsible for his team and the activities of the board; Mr. Falconetti believes the organization is extraordinarily proactive in his judgment in terms of TraPac and how they aggressively deal with going forward and that it is not just about creating but how many dollars make the best use of its resources. Mr. John Anderson agreed and stated that this is a business and that we need to focus on what will make us more attractive to bring more business to the port. He also stated that timing is important – where are we now, where do we want to go,

how do we get there and that we need to work with the Executive Director, Paul Anderson. Mr. York stated that, of course, everyone wants to be proactive and that the public expects the board to hear from them. Mr. York's key points were that this is relatively a new board with a new leader, and he has determined that it takes about a year to get a grasp on where the board stands, the board's strengths and weaknesses, and what issues the board needs to focus on. Mr. York feels that the board's biggest challenge is the sunshine law which makes it very difficult to have conversations outside this arena and the board is greatly restricted in this regard. Mr. York stated that as much as we want to be proactive, we can't be proactive in the same sense of a board in the private sector because we have to take that into consideration and work within the guidelines of the sunshine law. Mr. Busey stated that we do have huge resources and face big challenges. He stated the challenges are exemplified by the surprises that Paul Anderson faced when he became CEO last year and learned of the capital needs on the bulkhead and he had to immediately go out and raise \$31 million even though it was not on his job description. Mr. Busey believes the board is going to journey together with Paul as it uses its resources and faces these challenges and feels we are going to get there in a very proactive way. Mr. Citrano agreed and stated that the sunshine law makes it difficult in this group to get things done, but the board has to have confidence in the team, the chairman and the executive director and move forward.

After hearing from each board member, Chairman Gaffney stated that he thinks the way to move forward is to schedule a board retreat. He stated that he has been on the board for 4 years and thinks we have a tremendous team, but the only time they get to talk is during board meetings and yet there are so many things going on at the port that we don't even know about. He stated that is why Mr. Paul Anderson is here to run the daily business, but after we walk away from here we have to deal with the public and they ask us the tough questions. By everyone being new, Chairman Gaffney thought we may need to consider having a retreat to talk about some of the challenges facing the board.

The Chairman then called for a 3 minute break.

CEO's Update and St. John's River Ferry Discussion

Mr. Paul Anderson stated that we have an approximately \$40 million dollar cost for Mile Point of which \$2 million dollars is for engineering and design. He stated we are obligated as the local agency for 25% or \$500,000. He also stated that we were able to work out a groundbreaking agreement with the Army Corp of Engineers again to advance our portion of the \$500,000 to keep the Corp and the local district working on the engineering design of Mile Point. He stated that had we not been able to do that \$500,000, they would have gone through those dollars sometime in this fiscal year, exhausted it, and then come to a halt on Mile Point.

Mr. Anderson stated that additionally we now are able to, at some point in this fiscal year, make a decision as to when we will be allowed to advance so they can continue the district staff to keep working on this critical infrastructure project for JAXPORT. He

stated that again, the choice would have been the Army Corp staff coming to a halt and then from that point forward waiting for appropriations during the next several years. He stated that this keeps Mile Point on time, but it also presents us with advancing again unplanned and unbudgeted dollars. Mr. Anderson stated that since this has never been done before, it's a big win for the Port to be able to get this agreement in place in this language but, the Port would then have to come up with \$2 million dollars for the Mile Point project mostly likely during fiscal year 2012.

Mr. Anderson stated that with the \$500,000 here very shortly, and then in addition to that, in six to eight months, we will need to make a decision on the \$1.5 million. He stated this is very good news, but again it presents us with that balancing act that we have to make on our borrowing dollars. He stated those are really capital expenses even though they are for engineering, and we will consider that investment in our capital that otherwise we did not plan for.

Mr. Anderson mentioned the Civil Review Board gave us unanimous, unquestioned support for Mile Point. This leads us to a draft report from the Corp leadership in March, which is basically the gold seal of approval that the United States Congress requires.

Mr. Anderson also stated that we received good news two weeks ago from our Army Corp partners that the present fiscal year 2012 budget did not include any funding for the continuation of the Army Corp study of river dredging. They had asked for \$800,000 in the President's budget and it was line itemed at zero. He stated we worked very hard again with our staff in Washington, from members of Congress and our other consultants, to convince the Army Corp to allocate \$800,000 from a discretionary account. This keeps us on track for the current Army Corp schedule, otherwise they would have stopped working and we would have been delayed by every day they stopped working so, significant news on two of the biggest infrastructure projects that create just thousands of jobs once they are completed for northeast Florida.

Mr. Anderson stated that he had a great meeting on Friday regarding the Tiger Grant with all our partners in the intermodal container transfer facility including the U.S. Department of Transportation (USDOT), the Maritime Administration, a Department of USDOT, Florida Department of Transportation, and CSX. He stated we are moving forward with a plan to deploy the \$30 million we have received from the \$10 million from the Federal Tiger and \$20 million from the State. This is a critical project to grow our port for the future.

Mr. Anderson stated that he would like to thank Congresswoman Brown, Congressman Crenshaw, Senator Nelson, and Senator Rubio, and all of the delegation who have been extremely helpful with these projects and are instrumental in helping us keep pace with our competitors in moving these projects forward.

At this point, Mr. Anderson asked Chris Kauffman to give a brief update on the ferry which included financial information, capital infrastructure requirements and ridership history.

After Mr. Kauffman's update, Mr. Anderson commented that he just personally cannot recommend to this board putting off ferry infrastructure capital repairs. These repairs have been recommended to us by our engineering firm RS&H. The Board was given a package containing the full engineering reports showing their recommendations and in today's world, Mr. Anderson stated that he would always advise this board to air on the side of being conservative and that he has spoken to principals of RS&H personally to make sure that they stand by their report. Mr. Anderson then called to the board's attention earlier in the meeting wherein he reminded them that when we received the engineering reports on the wharf's three years ago, we had a \$5 million dollar plus price tag; by ignoring those we fast forward three years with a \$31 million dollar unfunded price tag to repair our core infrastructure. He stated that it does this Port, nor this community, any good to ignore the recommendations of our engineering firms to the extent that we can. He wanted to bring this point up with respect to that. He concluded by saying we all are protective of way things used to be in Florida's past. Mr. Anderson stated that he is a long time Florida resident and he also seeks out the small and quickly diminishing pockets of old Florida that still exist but the world in our state has changed, just like the world has changed, plus so much has changed since JAXPORT agreed to rescue the Ferry five years ago. All organizations, the city, counties all over this country, states and other public agencies, private companies and families, make different decisions today than they were making five years ago.

Mr. Anderson stated there are those of us who understand that investing in this Port today will make a significant difference in our economy tomorrow. He stated that, of course, we can just ignore the potential, stay on the beaten path, maintain the status quo and default to a comfortable position of making no changes, but to fund something because we have in the past means we are not considering ourselves with the future. Mr. Anderson stated that it would be a shame for this Port, and all our citizens to not seize the moment and build great things here for our children, and their children's, children.

Mr. Anderson stated that the Ferry is an important means of transportation for some, and that he and his staff understand the people's attachment to this service and their expectations which will always be supported. Unfortunately, the facts that he presented to the board today are quite harsh, such as the critical infrastructure needs of Mile Point, which needs the capital that we do have to keep it on track. He stated that there is a significant decrease in the ridership and revenue at the Ferry. He also stated that we have an immediate need for significant capital investment that does not take into account, and he repeated that does not take into account, the nearly three quarter of a million dollars of operating losses each and every year but that we do have nearly a five million dollar immediate need in the next eighteen months that was outlined by our engineering firm which is a capital requirement to keep this Ferry in a safe and operating condition. Mr. Anderson stated that in order to fulfill his fiduciary responsibility to this board, and to the citizens of Jacksonville and Northeast Florida, he is being forced to face those facts just like he did one year ago today when he came here for his

first board meeting and the Port had huge critical infrastructure and capital needs to keep it operating.

He stated that the needs for core businesses are great with millions, if not billions, required but the returns on these port investments, jobs, opportunity for growth for generations cannot be overstated and cannot be ignored. Mr. Anderson is grateful that the community conversation is now turning to other options for continuing the St. Johns River Ferry service. First, he would ask this board to consider whether JAXPORT will commit to approximately \$4 million dollars for immediate needs for ferry repairs this year - more than \$3 million of which we will need to borrow. Second, he stated that if the board determines that the Port's finite resources be committed to the Port's many other critical needs instead, he will ask the board to consider laying the Port's next steps for its contractor and our community. He stated that the board can direct him to formulate a timeline for the ports funding and the operation of the Ferry to conclude so the Port's path is very clear and other arrangements for the Ferry can be made. He stated that it just is not prudent to consider operating the Ferry without the necessary repairs, and again, those repairs must be done immediately within the next few months with funds the Port does not have. Mr. Anderson stated that this is a difficult decision, but one that has been reached already by the State of Florida, and the City of Jacksonville before us. This discussion fulfills our responsibility. He stated that he has been in the board's shoes before as a mayoral, gubernatorial and presidential appointee. He stated that we make challenging decisions in these board positions. Mr. Anderson stated that he makes great efforts to keep this board and the stake holders apprised of positive and negative issues impacting the Port including the Ferry losses. He stated that this is at least the third board meeting that he has mentioned the Ferry and the significant impact that it is having on the Port. He also stated that we have an opportunity at this crossroad to make real, long lasting decisions for the good of Northeast Florida. He stated that we have the attention of our Governor and our State plus we have the attention of Congress and the President. Now is the time to act. Mr. Anderson stated that he awaits the board's advice and consent on this critical issue.

Public Comments

Elaine Brown commented that she was pleased to see Chairman's Gaffney comments in the paper. She stated that she is not here to ignore the Executive Director's comments today, nor argue the facts, but that she is asking for time.

Ms. Brown stated that she has been asked by Councilman Gulliford to chair a task force to save the ferry. She also mentioned that the Heckscher Drive group got together to see how they could help to save Ferry and that Representative Janet Adkins is having a meeting in Tallahassee to see what can be done. Ms. Brown asked for 1 year so they could partner with elected officials and assign the ferry to another agency to take it over. She stated the meetings are just now taking place and that dialogue is just now starting. She feels like the Ferry is important as a link of A1A to the economy of this area and that once it is gone, it will be gone for good. Ms. Brown stated that the private sector and elected officials are weighing in on this issue but that they haven't had a chance to

get this dialogue open. She stated that the people want the ferry to stay open and asked the board to consider solving this issue together.

Bobby Taylor, who represents the Heckscher Drive Community Club, stated that they had 77 attendees at their last meeting, 34 of which represented a broad spectrum of the community in Nassau and Duval counties. Mr. Taylor applauded the Port for stepping in and taking over ferry operation in 2007, but stated that we need a multi-agency funding long term solution. He stated that we need another ferry to keep it sustainable. He also stated that the ferry was down a whole month last year to get the boat worked on and that the Port doesn't have a back-up, plus the Port was handed aging infrastructure. Mr. Taylor believes that this is an opportunity to put this issue to bed long term. He believes if this board would work with the community in the next year that they both can look for long term solutions. He feels that it shouldn't be on this board alone to handle the outcome of the ferry. Mr. Taylor stated that the JTA, state, local, regional and national organizations need to help. He then stated that he is thankful for the dialogue and looks forward to partnering with the board and anyone else to help maintain this ferry service.

Submitted For Information

The Awards Committee meeting minutes for January 13, 2012 were submitted for information. There were no emergency purchases or unbudgeted transactions.

Chairman's Update

Chairman Reginald Gaffney closed the meeting with his final comments. He recommended that each board member should communicate with the CEO as to their wishes on how the board needs to move forward on the Ferry issue at the next meeting. He stated that if the board needs another meeting or discussion, or if they choose to take the next step and come up with a plan to move forward, to put it out to bid, or do nothing, or come up with best practices, but to bring this meeting to a closure – that is his recommendation.

There being no further business of the Board, the meeting was adjourned at 11:48 a.m.