

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

A meeting of the Jacksonville Port Authority Board of Directors was held on Monday, July 23, 2012 at the main office building, 2831 Talleyrand Avenue, Jacksonville, Florida. Chairman Steve Busey called the meeting to order at 9:00 a.m. and welcomed all attendees. Mr. Jim Citrano led the audience in the Pledge of Allegiance and moment of silence.

Committee/Board Members Attending:

Mr. Stephen D. Busey, Chairman
Mr. James P. Citrano, Vice Chairman
Mr. Joe York, Treasurer
Mr. John Anderson, Secretary
Mr. Reginald L. Gaffney, 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. Karen Chastain, Office of General Counsel
Mr. Gayle Petrie, Office of General Counsel
Mr. Jim Love, Office of City Council
Ms. Becky Dicks, Board Secretary

Approval of Minutes

Chairman Busey called for approval of the June 28, 2012 Board Meeting Minutes. After a motion by Mr. York and a second by Mr. Citrano, Mr. Gaffney objected and made a motion to defer approval of the June 28, 2012 meeting minutes until the next board meeting because he wanted some additional comments added. After Mr. York moved to withdraw his motion and a second by Mr. Citrano, the board unanimously approved to defer approval of the June 28, 2012 Board Meeting minutes to the next board meeting.

Public Comments

Chairman Busey called for comments from the public. There being none, moved on to Presentations.

Presentations

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

Donnie Effler, Building Maintenance Foreman – 25 years
Louis Naranjo, Director, Procurement Services – 10 years
Raul Alfonso, Sr. Director, Trade Development & Global Marketing – 10 years
Mike Baker, Director, Information Technology – 5 years

New Business

BD1207-01 Collective Bargaining Agreement

Mr. Roy Schleicher presented this submission for Board approval of the terms of the tentative agreement between the Jacksonville Port Authority and the Federation of Public Employees, a Division of the National Federation of Public and Private Employees, AFL-CIO.

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

BD1207-02 Jacksonville Port Authority Series 2012 Bonds

Mr. Mike Poole presented this submission for Board approval of the resolutions for the purpose of awarding the sale of the Jacksonville Port Authority Revenue Bonds Series 2012 and approve the various actions set forth therein and authorize the CEO to execute any and all associated documents on behalf of the Authority as it relates to the Series 2012 bonds.

After a motion was made by Mr. John Anderson and a second by Mr. Gaffney, the motion was approved.

At this point Mr. Paul Anderson asked the Chairman to welcome and recognize Councilman Jim Love as the new Port Liaison from the Jacksonville City Council. Councilman Love stated that he is looking forward to working with the Port.

BD1207-03 Joint Participation Agreement between FDOT and JAXPORT for the ICTF

Mr. Mike Poole presented this submission for Board approval of the resolution of the Jacksonville Port Authority authorizing the execution of a joint participation agreement between the Florida Department of Transportation and the Jacksonville Port Authority for state funding in fiscal year 2012/13 for the intermodal container transfer facility project.

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

Reports

R1207-01 Engineering, Construction and Ferry Update

Mr. Chris Kauffmann provided an overview of the key capital projects and gave a ferry update. He then presented a time line of ferry events (see attachment).

He then stated that our goal is to work with Karen Chastain of the Office of General Counsel and the members of the St. Johns River Ferry Commission to prepare the legislation that will transfer the assets, address the liability, plus address all of our issues and the issues of the City Council this month. Our intent is to bring the city ordinance that we have worked up to satisfy the conditions that were addressed in last month's board meeting so we can bring to the board for approval in August. Then in September, the City Council is going to take that same ordinance and go through the same process with the goal of having it turned over by the first of October. Mr. Kauffman then asked for questions.

Mr. Citrano asked if it does not happen does the ferry cease to operate?

Mr. Kauffmann stated that we are still working down those two courses of action.

Mr. Citrano stated if this does not happen, then the St. John River Commission takes over the responsibility for operations and we turn over what we have now, which is essentially safe in operations at this point - we don't have any safety issues do we?

Mr. Kauffmann stated, not at this point.

Mr. Citrano stated that we have some ongoing major repair issues but right now is it safe to operate that ferry?

Mr. Kauffman stated that is correct. He also stated that he would like to address that question. He stated that as you recall back in February, we brought to the board that we were going to prepare engineering documents to do the priority one repairs that

were identified from an engineering report. There was a priority one, priority two, and priority three.

Mr. Kauffmann stated that Shaw Engineering came back and said they can do it that way. Shaw stated they could phase this work, but they also recommended that there is a way they can replace both sides of the fendering systems on both sides of the river with a new type of construction. They told us not to replace it with the existing construction that was done decades ago. There are new methods and new means of building these fendering systems. So, we went to the ad hoc committee and gave them these two options and we have not received a response back. We are prepared, through working with Councilman Crescimbeni and his group, that if they decide that they want to pursue this - one way or the other - we will commit to doing the design relative to that construction. No decision has been made. They have not come back to us on what direction they would like to take.

The Chairman then asked if there were any other questions.

Councilman Love stated that he had a question about the cost of either the upgrade or the reconfiguration - what are we looking at \$10 million, \$5 million?

Mr. Kauffman stated that Shaw is recommending replacing both slip wall configurations on both sides of the river and with this new configuration, it could be in the neighborhood of \$6 million. In our original look with engineering, there was a priority one fix, priority two, priority three - they were the same pile boxes but we were spreading them out roughly over ten years. That was about \$10 to \$11 million dollars. So the question is going to be where are the capital dollars going to come from if that decision is made to do it? If we plan on as a community running this ferry down the road, it only makes sense in my mind that you replace it with an upgraded type of capability or facility. Now that will be \$6 million, and again we need to find out where that \$6 million would come from collectively.

Councilman Love asked what was the reason the FDOT gave for not helping out with the ferry?

Mr. Kauffmann then asked if he was talking about the dollars to operate the ferry? They are reviewing it. I am saying at this time there is not a commitment.

Councilman Love stated, so it's not a no or a yes - they just have not given a response. It is a state road - correct?

Mr. Kauffmann stated yes, technically it is a state road so they are still evaluating it.

Dr. Newman then asked, so if the time line becomes just a wish list, what would then happen? Would the ferry basically cease to operate?

Mr. Kauffmann stated, well I would say that we are working down two paths, and I would suggest we see what will happen in the month of August as we work through the

legislative language that does the transfer and look at it at the next board meeting. Let us have that month to work with Karen and our staff in working along with Councilman Crescimbeni and his committee. Let us have a month to work through this, and I think we will have a better answer for that question at the next board meeting.

Chairman Busey then asked Ms. Chastain to address Dr. Newman's question. Chairman Busey asked Ms. Chastain to tell us precisely what will have to happen for JAXPORT to turn this ferry over to someone?

Ms. Chastain of the Office of General Counsel stated that two things need to happen. She stated that I think at your February meeting, you outlined a conceptual approach to this, and since that time the City Council has created this commission for this purpose of operating the ferry. The committee is not formally populated yet, so that will happen tomorrow and that is going to be a key step because that is going to give us a formal process and someone on the other side to talk to and work through some of these details. So part of the issue is with the timing today - we are one step ahead of a commission that is yet to be populated and operational.

The City Council legislation that created the commission contemplated that there would be a bring-back to the full City Council as to the terms of the transaction as to what JAXPORT sends over as far as transferring assets, what sort of agreements and things like that. So that's really our next step - it is formulating that business deal so to speak, that transaction to be memorialized in legislation that goes before of the full City Council. It includes the transfer of the assets and then whatever else between JAXPORT and the commission that we set forth as far as transferring operational issues and things like that and the details to make this a functioning process. Does that address your question?

Chairman Busey stated that another part of Dr. Newman's question is - if what has to happen does not happen - then what happens?

Ms. Chastain stated that is a good question, and I think where you left it at your last formal action is that as of September 30, really as of Oct. 1, you have not taken a subsequent action to keep the ferry operational. So, September 30 is the key date as to whether this continues or not and the present posture is that we are contemplating a transfer.

Dr. Newman then stated that I can tell you right now if that if the ferry shuts down that we become the victim of the ones who did it, and I don't like that. Perception is real to the perceiver and there is already a perception that the port has abandoned the ferry, and I don't like that either. The facts speak otherwise. So, I think we need to be prepared from a public relations standpoint, not saying that we are not - Nancy, I'm not saying that we are not, but I think that we need to be prepared if that does indeed happen in that we are not trying to create it that way out front because we are not the bad guys here.

Mr. John Anderson then stated as to the point of the timeline, today is July 23. Shouldn't we be prepared to move the normal August meeting up as early as we can, as soon as we are ready, and confirm to Ms. Chastain as well, hopefully these aren't overly complex documents and we have 8 more days in this month. I would like to think that as soon as we are ready, we would meet in August and do everything we can to review it and make this happen as orderly as we can.

Ms. Chastain then stated through the Chair to board member Anderson that it would be a wonderful asset for us to be able to have the flexibility if there is a special board meeting on a single topic to be scheduled to fit in the time frame so that we fit within the legislative cycle - they introduce legislation on the second and the fourth Tuesday of each month. So that would be helpful if something like that needed to be arranged. I just hesitate to commit and ask for a specific date because we have yet to meet with the commission which is formally being populated tomorrow night.

Chairman Busey stated that we have the flexibility of calling a special meeting that will fit within your time table so we can do whatever we can to facilitate the process, but if there is no one there to assume responsibility for the Hornblower operations on Sept. 30, and we have already given notice of the termination of the Port's relationship with Hornblower, what happens to the assets?

Ms. Chastain stated that the 2007 transfer from the City to JAXPORT provided that if the ferry were to cease operating that there is a reversion of the real property - the 3 parcels that are on one side of the river and the 4th parcel on the other side of the river - to the City. So when the transaction was initiated in 2007, it was provided at no cost to either party with an obligation that JAXPORT operate the ferry and that if those operations cease, there would be a reversion back.

Chairman Busey then stated, so if I understand you, you are saying that you don't have any one to talk to at this time to negotiate the transfer until tomorrow.

Ms. Chastain stated, yes and I am looking forward to tomorrow.

Chairman Busey stated - so are we.

Mr. Paul Anderson then stated that he would like to specify a few things such as his very engaging and positive conversation last week with Councilman Crescimbeni regarding this issue and he wanted to just highlight a few things that have come up indirectly from some of these comments. First of all, we have done everything that we have been asked to do by every constituency that has come before this board, including from the very beginning of extending the time to the end of the year requested by former Councilwoman Elaine Brown who appeared before us and asked for that and we complied; we also complied and agreed to pay for the full funding of an engineering study which is still on the table pending a decision by the commission.

I think that another word that I saw recently in an article that really bothered me, and I think this goes along with Dr. Newman's concerns, is that the ferry has been an after-

thought for the Port. I have been here for 18 months, and we have operated the ferry for 5 years for the community's benefit without one single safety incident. The number one priority is that we are going to continue to operate the ferry with absolute 110% commitment first and foremost for a safe operation of that vessel for the protection of the riders, citizens, and visitors here to this community and we will continue to do that. In my conversation with Councilman Crescimbeni, he was actually very complimentary about our staff and he has been hearing very positive things. We have been proactively engaged in almost weekly meetings, if not more frequently, with staff and other individuals and representatives of the soon to be ferry commission. I would like to also compliment our staff as they have been extremely helpful, courteous, and professional in working on the successful transfer of the ferry to the ferry commission.

In preparing for a successful transfer - I know we are thinking of the what if's - I also discussed with Councilman Crescimbeni some of the concerns that we have regarding similar questions that we don't really have an operating entity so, just be patient - we will get it this Tuesday. I also reaffirmed to him we will do everything in our power as a port, and I have asked my staff to do just that - I was very open with him on this and very direct that we are going to use our institutional knowledge and the expertise that we have here to make this a successful transition.

Mr. Anderson stated that he thinks that one of the critical components, as Ms. Chastain has outlined, is that we need a transactional document that outlines the terms and conditions, and in working with her and Cindy Laquidara, we need to make sure we have someone who has the current institutional knowledge to affect this transactional document. So, I feel very good that we are doing all the things that we can. We also have had conversations with FDOT regarding some of their concerns and our concerns which are shared by some of your questions here with the board.

There are operating questions and operating checklists that we are coming up with that we will be able to turn over to the ferry and we will try and help them by going over and checking off that list. Again, we want to make sure that we have a successful transition. First and foremost, we are going to continue to operate that ferry safely. If anybody in the operational or regulatory chain of command such as the United States Coast Guard or the operator gives us any indication otherwise, then we will take immediate action to mitigate that and do everything we can. We do not expect that to happen but, I want to make sure that the board is made fully aware of that. So, I feel like we are making progress. We have just been waiting on the city to catch up with us with the formalization of the commission, and I think that there is a good partnership and dialog going on and we are going to continue to do that from our side to the best of our ability.

Chairman Busey then stated that he wanted to address the board for a minute. He has been told by the staff with regard to our regularly scheduled August meeting, that we don't have any reports or matters that require action. Paul considered not having an August meeting, but what I think that I am hearing here is that we don't need to have our regularly scheduled August meeting but we may need to have a special meeting for the purpose of addressing the ferry issues. So with your consensus, we will let the

regularly scheduled meeting go and we will put you on notice for a special meeting when we are told the time is right.

R1207-02 Monthly Financials/Vital Statistics

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

Mr. Gaffney had a question and it was not about the budget, but asked if Mr. Poole could explain to him, as he was curious because over the last 5 years, as we get down to the fiscal year can you give us some data on grants, federal grants, state grants as well as local - I am curious what is the trend for the last five years on how well the port was?

Mr. Poole stated that yes, we can get you that information. You can see that number trended way up, but I can come back to the board and show that some of it is money that has been allocated that Paul and Eric work on that goes directly to the Corp - that it does not show on our income statement here but we are the direct beneficiaries of it. Other funds that we have gotten from the federal government - tiger funding, the money for the ICTS on federal and the state side - you will see that money has gone way up so I can bring that back to the next board meeting.

Mr. Falconetti stated that he wanted to follow-up with Mr. Poole on a couple of brief and interesting conversations in relationship between our cash balance and our line of credit. He would like to continue those conversations understanding that we don't want to do anything to put our rating in jeopardy especially in the light of potentially renewing our bonds and now would be a good time to find that ideal balance between cash on hand versus paying down our line of credit and realizing interest savings.

Mr. Poole stated that yes, we are. We go through that balance on a monthly basis - which is - is it better to have double the amount of cash that we have on hand right now, and then \$10 more million on your line, or is it better to have ½ percent on your money that is in the bank and paying 2 percent on your line in which you are upside down there, or be better off paying it down and having very little in cash and very little on your line?

The rating agencies frown on that. They want to be able to know that you have rainy day funds. They like that we have minimum annual guarantees, that we have long term leases, that we have business interruption insurance - they like all that; however they keep comparing us to our other peer ports and some of them have three year's worth of operating cash on hand, so it is going to take us a significant amount of time to get to that level.

Mr. Poole stated that he thinks that this will be part of our master planning process and that it will be included in the workshops that the board will be invited to and will be active participants in. He thinks part of that long term modeling is if this is your capital budget how are you going to get there? We will come up with some formalized board

approved targets on how much cash do we want to have on hand because that sells better to New York and to the rating agencies to say that we've got a collective board buy in directive that they want us to have 5 months cash on hand or 6 months and anything over and above that pay down your line. They welcome that, and I will welcome that, and I think that will be part of the master planning workshops that we are going to have with the board in getting your input and in getting a board approved document at that time.

Mr. Falconetti stated that would be great and that it's very easy to have a line of cash on hand but yet very expensive, so thank you for that.

Mr. Paul Anderson stated that to prepare you for the strategic master planning process, you will be getting some comparative numbers on other like-sized ports to give you some perspective on who we compete with. For example, Dr. Newman asked about our employment numbers, and I think we are right in the middle based on the percentage of our administrative costs where other ports are - typically somewhere between 23 and 30 percent. I think we are 26-27 percent. We are going to give you some of those ratios and we are going to specifically spell out some of those other ports. I can tell you that Tampa and Miami have well over a years' worth of operating expense - they have way too much, but it's not a bad thing - but they also don't have the kind of debt that we have. It's a balance right now as we prepare to do this refinancing that the board has approved, and we will be going to the rating agencies in August. As you will recall, you just received about a month ago a reaffirmation of our A rating. One thing they did mention is that they would like to see more in our rainy day cash fund, but what offsets that and gives us some good balances are MAG's on all our leases, it gives us down size protection from a catastrophic revenue collapse and things of that nature. We are going to be giving you that kind of information so you can see what the others are doing, and I think that it will be very helpful as we get ready to go through this process.

R1207-03 Business Development Report

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

CEO Update

Mr. Anderson started out by thanking the staff for all of the work they have been doing. We have been extremely busy. He then thanked Mr. Schleicher and the marketing team for the Evergreen announcement. Evergreen was one of my first visits when I got here and they are one of the top five ocean carriers in the world. The addition of their ship to a Suez service adds yet another ocean carrier calling at JAXPORT and it continues to show - as we like to say in our marketing campaign - the shift continues to JAXPORT.

Also, I would like to publicly go on record as thanking President Obama for his executive order which expedited the Deepening Study and what this means for JAXPORT. First, it recognizes the importance of our project to the nation and our state

- not just Jacksonville. I believe the President made his decision based on projects of national significance and that is truly what our project will be. It's a recognition that the President believes that we have to fix our process for doing projects in our country, and the President's order will bring jobs much quicker to this community and that's what we need.

It will also mean that we will still have a very careful and thorough study process. I shared with the media that this does not mean that they are gutting the process during an environmental review. It means instead of taking 13 years, when the rest of the world takes 3 or 4 years, we are going to shorten that process. I think as a country in one of the greatest nation's in this world today, and in one of the most environmentally conscious nation's, that we will have a fair and thorough environmental review, but we are going to just expedite that process. In WRDA 2007, there was environmental peer review that was added to water projects, and at that time the intent was to streamline the process. It added over a year.

So, just using good common sense and combining agencies when they are doing the review process is common sense, and I think we are going to work very vigorously with our Corp partners and other federal agencies to make sure this receives very careful attention. That's what I have been asking since the day I got here; going to Washington on behalf of the board and the community and really prodding our nation's leaders to move quicker - we need to move quicker. I will do it again tomorrow while I am up in Washington. For the first time ever, I am going with my colleague Bill Johnson from Miami Dade and he is the Chairman of Florida Port Council, and I am the Legislative Chairman, and we are meeting with congressional leaders to continue to urge them to support our state projects that were included in the President's executive order.

Another thing that we are going to do, which we have been very good at, is that a lot of times constituencies ask their congressional leaders for help and lobby them and we ask people to write letters and ask them if they see them out in public but, we are going to do a very good job at saying thank you as well. Our congressional delegation had a lot to do with that announcement last week and Congresswoman Corrine Brown has been a tireless advocate for this port and this community along with Congressmen Crenshaw, Stearns, and Senator Nelson - they signed a letter requesting the President include our two projects in that process. So we are very thankful to them and we are going to express our appreciation. If you get a chance and you see any of those members, please mention it to them. We could not have done it without their support.

Mr. Anderson then ended his comments by letting the board know that the RFP for the strategic master planning went out last week.

Submitted for Information

The Awards Committee minutes for July 16, 2012 were submitted for information. There were no emergency purchases or unbudgeted transactions.

There being no further business of the Board, the meeting was adjourned at 10:25 a.m.

Time Line

- **Feb 27, 2012:** JAXPORT Board directs CEO to notify the St John's River Ferry contractor that the Port will terminate its contract on Sept. 30, 2012
- **Feb 29, 2012:** JAXPORT CEO gives Hornblower Marine Services notice of termination of agreement for services effective Sept. 30, 2012
- **Feb 29, 2012:** Ad Hoc Committee for funding the St. Johns River Ferry
 - Members: Bill Gulliford (Chair); CM Holt, CM Anderson, CM Boyer, CM Carter, CM Crescimbeni, CM Schellenberg
- **March - Present:** JAXPORT staff works detailed plan to either (1) turn Ferry over to another organization or (2) to close the Ferry
- **May 8, 2012:** City Ordinance (2012-235-E) creates the ***St Johns River Ferry Commission***
- **Proposed St Johns River Ferry Commission Members**
 - John Crescimbeni (City Counsel Member and Chairman of Commission)
 - Aaron Bowman (BAE)
 - Elaine Brown (Former City Counsel President)
 - Carl Cannon (Owner of Atlantic Coast Marine)
 - Rich Reddick (Small Business Owner)
 - Larry Williams (Legislative Aide to Representative Janet Adkins)

Time Line

- **Jun 28, 2012:** JAXPORT Board conditionally approves a contribution of \$200k to the Ferry Commission based on: (1) funding secured by all parties (2) legal document relieving JAXPORT from all liability and (3) legal transfer of assets
- **July 2012:** JAXPORT Staff working with OGC to develop the Ferry transfer legal documents
- **Aug 2012:** JAXPORT Staff in conjunction with OGC presents Ferry transfer legal documents to the Board
- **Sept 2012:** City Counsel approves Ferry transfer legal documents
- **Oct 1, 2012:** St. Johns River Ferry Commission takes responsibility for operating the St Johns River Ferry