

BOARD OF DIRECTORS WORKSHOP
Jacksonville Port Authority
May 21, 2018

A workshop of the Jacksonville Port Authority Board of Directors was held on Monday, May 21, 2018 at 111 Riverside Avenue, Jacksonville, Florida. Chairman Fleming called the workshop to order at 9:00AM.

Board Members Attending:

Mr. Ed Fleming, Chairman
Mr. John Falconetti, Vice Chairman
Mr. John Baker, Treasurer
Mr. Jamie Shelton, Secretary
Dr. John Allen Newman, Member
Mr. Palmer Clarkson, Member
Ms. Wendy Hamilton, Member

Other Attendees:

Mr. Eric Green, Chief Executive Officer
Mr. Roy Schleicher, Executive VP/Chief Commercial Officer
Mr. Fred Won, Chief Operating Officer
Ms. Beth McCague, Interim Chief Financial Officer
Ms. Linda Williams, Chief, Adm. & Corporate Performance
Mr. David Kaufman, Sr. Director, Planning & Properties
Ms. Nancy Rubin, Sr. Director, Communications
Mr. James Bennett, Sr. Director, Facilities Development
Mr. Gil Feltel, Chief Legal Counsel
Dr. John Martin, Martin & Associates
Mr. Tim Murphy, USACE
Ms. Becky Dicks, Board Liaison

Mr. Eric Green welcomed everyone to the workshop. He advised the Board that the plan for this workshop was to update them on the port's progress, to answer their questions, tap into their deep and diverse business experiences to assist the port, and to ensure that they leave the workshop with a clear understanding of how the management team is preparing for the port's next major opportunities and challenges. He made it clear to the Board members that there will be no voting or major decisions required from them at this workshop.

Mr. Green stated that in preparation for this workshop, the team reviewed the port's performance against its strategic plan and analyzed its strengths, weaknesses and threats in a SWAT exercise. He advised the Board that they would be hearing from the port's industry consultant, Dr. John Martin, Susie Wiles, who represents the port's

interests with lawmakers, and Tim Murphy, the Deputy District Engineer with the U.S. Army Corps of Engineers, who is overseeing the harbor deepening project.

Mr. Green then introduced Mr. Gil Feltel, Chief Legal Counsel, who reminded the Board members that they will not be voting or making major decisions at this workshop. He stated that this workshop is a publicly noticed meeting and advised all the Board members to act in accordance as they do with regularly scheduled board meetings.

Mr. Green then gave an update on the port's performance against the 2014 strategic plan. He stated that the port worked with our noted industry consultant Dr. John Martin using internal trade and capacity data as well as in-depth assessments of industry trends. The plan featured business goals and the projects and strategies the port needed to achieve them.

Some of the projects that have been completed or are well underway are:

100-Gauge Cranes - JAXPORT's three new 100-gauge container cranes started working at Blount Island at the end of 2016. These cranes reach across 22 containers, a significant increase from the 16 container capabilities of our older cranes. This capability has been critical as we continue to grow volumes aboard the bigger ships. These electric cranes also regenerate their own power. The Florida Department of Transportation awarded JAXPORT a \$15 million grant toward the purchase of the \$37.6 million cranes.

Mile Point - Before completion of the first phase of the Mile Point project last year, larger container ships could only reach our terminals during two 4-hour periods of the day due to strong crosscurrents at the intersection of the river and intracoastal waterway. The project significantly reduced the crosscurrents and improved the ability of the bigger ships to travel through our harbor, again helping us to grow our Asian numbers. The U.S. Army Corps of Engineers expects to start design of the second phase, including a major restoration of marshland in the area, later this year. The state of Florida advanced \$43.5 million for design and construction of the first phase of the Mile Point project.

Crowley at TMT - In 2015, JAXPORT and Crowley signed an expanded, long-term lease. Under the agreement, Crowley relocated its Puerto Rican service from its private terminal to our Talleyrand Terminal and expanded its leasehold from 12 to 50 acres. This was all in preparation for deployment of the company's two new LNG-powered container-auto ships, which we expect later this year. The agreement reinforced our commitment to the Puerto Rican trade lane and our valued partners who serve the island - both critical components of our business for more than 50 years.

Berth 35 - We completed the rehabbing and electrification of Berth 35 at Blount Island in August of 2016 to support the arrival of our three new cranes.

ICTF - The Intermodal Container Transfer Facility or ICTF at Dames Point serves our Asian container customers at TraPac and Blount Island. The U.S. Department of Transportation and the Florida Department of Transportation jointly funded the \$30 Million

project with two-thirds of the funding coming from the state. The ICTF allows the direct transfer of containers between ships and trains and is a major selling point for us internationally as we market our ability to move cargo through Jacksonville efficiently.

Emerging LNG Leader - JAXPORT tenants TOTE Maritime Puerto Rico and Crowley Maritime have been at the forefront of the emergence of LNG as an environmentally friendly fuel source for the maritime industry. TOTE Maritime operates two LNG-powered containerships out of Blount Island, and Crowley Maritime will soon homeport two LNG-powered, combination container-vehicle ships at Talleyrand. Several LNG facilities are operating or will operate in Jacksonville in the near future with 16 million gallons of planned capacity. We currently have the only on-dock LNG fueling station on the East Coast. LNG also factors into our business growth plan as small-scale exports are already underway with our carriers planning expansion to a number of countries in the Caribbean and Latin America.

Auto Terminal Construction Started - In January, we began the first phase of a multi-year project to increase our vehicle-handling capacity by 25 percent with a new auto terminal at Dames Point. Once completed, the facility will add more than 100 acres of processing and storage space. As you may recall last year we moved 693,000 total units, setting a port record for vehicle handling and we remain the nation's second-busiest vehicle handling port. The new terminal construction sends the clear message that we are committed to supporting our auto partners with the tools they require to expand their business with us.

Harbor Deepening - Finally, in February we celebrated the start of harbor deepening. Congress authorized the deepening of the shipping channel to 47-feet with the project divided into four segments taking us through the Dames Point terminal. Currently, we are focusing on funding the first three segments through Blount Island. Once completed, the additional 7 feet of depth will allow the largest container cargo ships to call on JAXPORT more fully loaded. Construction of the first three-mile segment of the project should take about two years. More than 1.3 million containers moved through the Port of Jacksonville last year through both public and private terminals, making us Florida's largest container port complex. The Asian container trade continues to be the fastest growing segment of our container cargo business.

Ms. Susie Wiles gave an update on funding for the harbor deepening project.

Ms. Beth McCague gave a project update on the financials related to the harbor deepening project as well as other capital projects.

Mr. Tim Murphy, the Deputy District Engineer with the U.S. Army Corps of Engineers, spoke on the Jacksonville Harbor Deepening project. He stated that bids are due at the end of June. Awarding of the project is expected in August or September 2018.

Dr. John Martin of Martin Associates gave a review of JAXPORT's market performance since the 2013 strategic master plan. Since FY2013, cargo activity at JAXPORT has grown by 1 million tons. He stated that containerized cargo is the key growth market at JAXPORT.

Mr. Roy Schleicher gave a brief update on the state of the container industry.

Mr. Robert Peek spoke about the Puerto Rico Trade Outlook.

The group broke for lunch at 12:00PM

The workshop resumed at 12:40PM.

Mr. Green spoke about having an International Terminal at Blount Island
He stated we got to this point by:

1. Protecting our stakeholders' investment
2. Securing a deal with both international terminal operators
3. Minimizing our investment
4. Developing a more formal process than what we had in the past
5. Minimizing or eliminating customer disruption
6. Eliminating duplication of services (dual access points, etc.)

He stated that the port is optimistic that current negotiations with SSA and MOL will continue and will result in a mutually satisfactory agreement serving us well into the future. However, we are realistic as well and we are preparing to pursue other options as needed. Option 1 would be to initiate a new Direct Negotiation with one of these companies, or another terminal operator. This is attractive as it offers the operators the ability to negotiate through a private process protected from Sunshine disclosure. It also allows us to negotiate with more than one company at a time and can move more quickly than some of the other options open to us.

On the con side, we run the risk of missing potential partners without a public invitation to participate; potential partners not identified may question why they were left out. It may be difficult to compare proposals as each company may have a different approach. If we are directly negotiating with multiple companies separately, it could be difficult to choose if the proposals are similar.

Option 2 would be to put out a public Request for Qualifications or RFQ. There are advantages to this open process:

- Provides an open competition.
- Allows individual companies or teams to be clear about their interest.
- Allows us to negotiate with more than one respondent based on rankings.
- Less costly than the next option, which is the Request for Proposals or RFP.
- Allows us to make sure these companies are qualified for the business before we invest time in negotiating with them.

The disadvantages are:

- Major players might not want to do this in public.
- Again, could be difficult to compare companies based on differing approaches.
- This is a lengthy and time-consuming process.

Finally, Option 3 would be a public Request for Proposals or RFP, which has its advantages:

- An RFP would allow us to make it clear what we are looking for.
- There is a more structured proposal process and evaluation, making it easier to compare proposals from different companies.
- This method completely identifies the company and team members from each proposer.
- RFP offers a completely open competition for all interested parties.

On the con side:

- The RFP process is the most costly and time consuming option for everyone
- Major players often do not want to do their business in public.
- We may find ourselves bound to top response received even if less than ideal, unless we want to totally start the process again.
- Last, it is a very subjective process given the individuals that are doing the evaluation are not permitted to speak with each other.

Ms. Beth McCague then discussed the areas of strategic focus during the next five years.

Mr. Green stated that the team has given the Board a lot of information. He thanked them also for their time and attention.

Chairman Fleming then thanked all participants for their attendance. The workshop adjourned at 1:45PM.