

### III. Seaport Capital Improvement and Access Needs

#### Implementing the Seaports' 2016 Vision of Success

To carry out their mission of “enhancing the economic vitality and quality of life in Florida by fostering the growth of domestic and international waterborne commerce,” Florida’s seaports implement master plans that have been adopted by their respective local governments. Industry parameters continue to dictate longer berths, larger terminals, deeper channels, heavier duty cranes, and more efficient intermodal access systems. Security mandates have also added a costly dimension to seaport operations. Appendix A presents the seaports' long-standing collective goals and objectives to meet these requirements.

Driving these goals and objectives is the 2016 vision of success that emerged from the collaborative visioning process the seaports undertook with their tenants, other maritime industry stakeholders, and public agency representatives in 2006. As described in the Chairmen’s Letter opening this *Seaport Mission Plan*, this vision of success builds on five key premises that are critical to the statewide seaport system’s sustaining its competitive edge in the global marketplace. The common thread running through these premises is the need for an adequate revenue stream to finance the capital improvements -- both on port and off -- essential to achieving the vision of success.

#### On-Port Capital Improvement Needs

***Florida's seaports have programmed \$2.2 billion in capital improvements over the next five years.***

The seventeen-year state-seaport funding partnership has facilitated implementation of the seaports’ respective master plans and will be instrumental in realizing the 2016 vision of success. Created by Chapter 311, Florida Statutes (F.S.) in 1990, that partnership was expanded in 1996 by Chapter 320, F.S., which allowed the seaports to bond funds allocated for on-port capital development and expansion projects as well as priority, multi-jurisdictional off-port

projects. In August 2004, this partnership assumed a new dimension when the seaports were asked to identify their priority projects for inclusion in the FDOT FY 05/06-09/10 Tentative Work Program. The prioritized project selection over the five-year period totaled \$1.1 billion. The priority projects selected for inclusion in FY05/06 accounted for \$190.8 million of that amount.

During 2005, the state-seaport funding partnership expanded even further, as the seaports, at FDOT’s request, prepared a *Five-Year Capital Needs Plan* for FY 06/07–FY 10/11.<sup>5</sup> The resulting needs totaled \$2.6 billion, as summarized in the previous edition of the *Seaport Mission Plan*. Project-specific information is contained in the *Five-Year Capital Needs Plan*, which was incorporated into that edition of *Seaport Mission Plan* by reference.

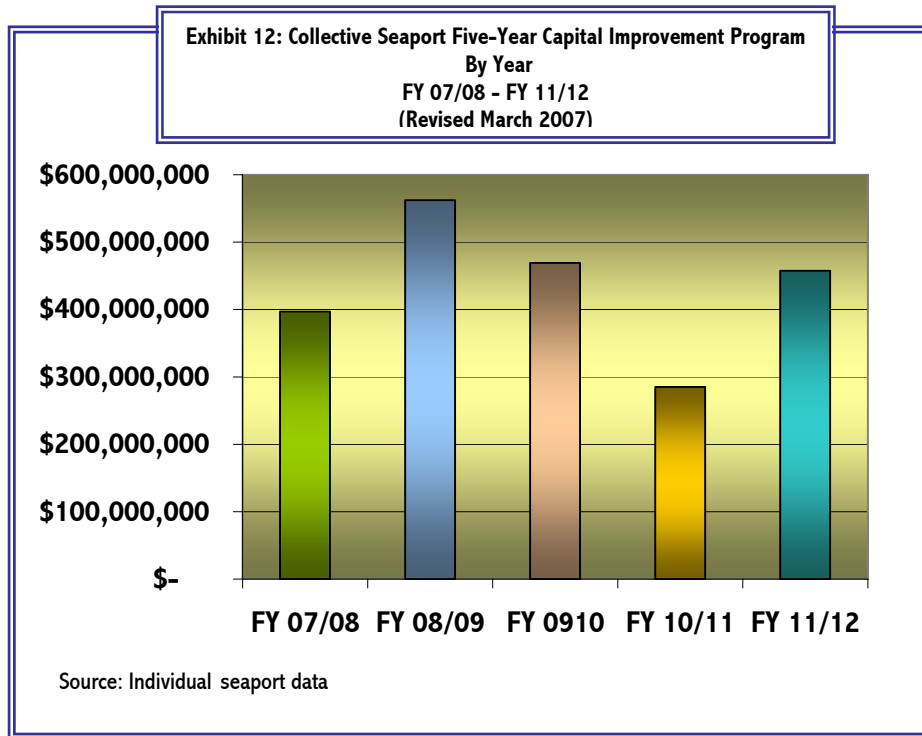
Subsequently, in 2006, the seaports updated their respective capital improvement programs and again assessed their strategic, market-driven priority projects. Table 17 shows the details of the updated collective five-year capital improvement program. Exhibits 12 and 13 illustrate how the collective program is broken down by year and by port.

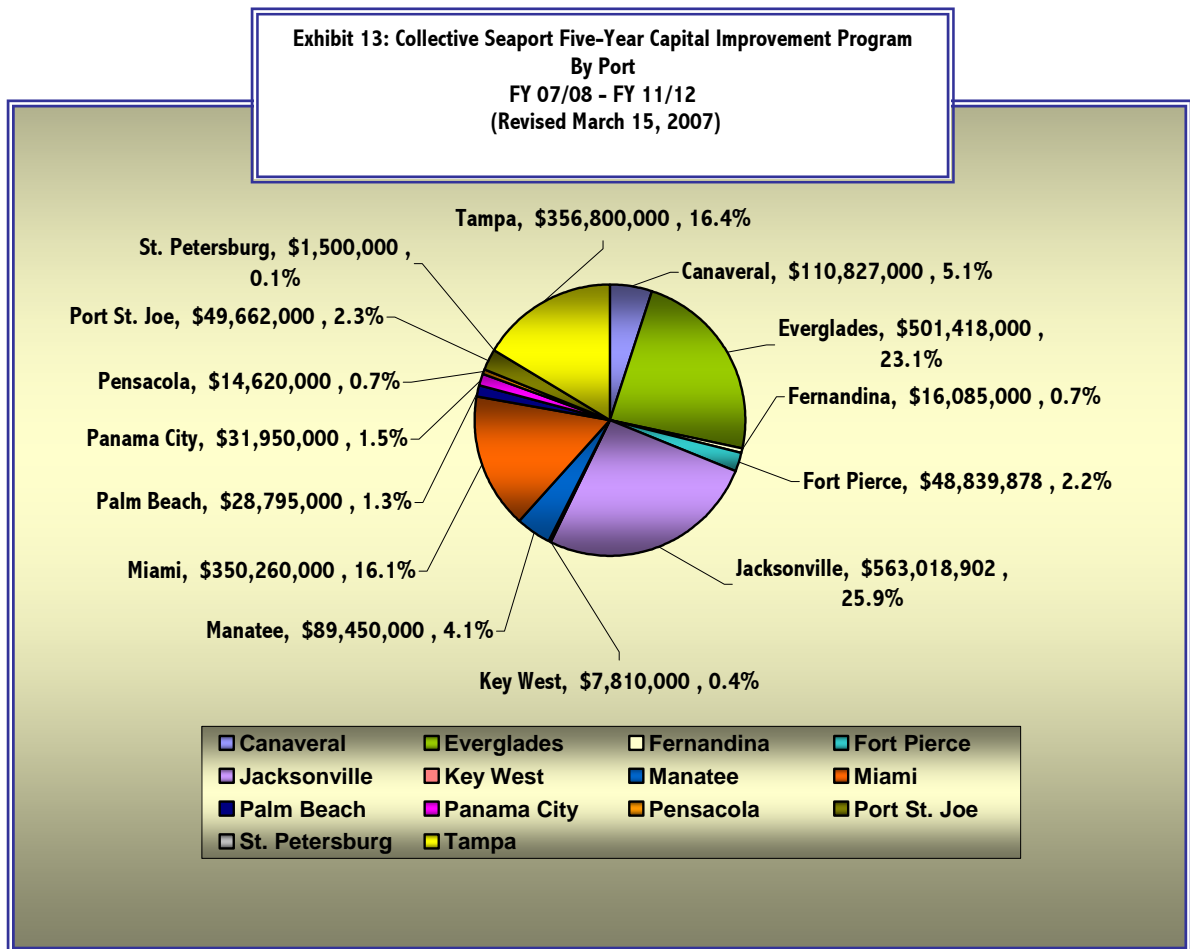
<sup>5</sup>J.D. Sanchez Consulting, Inc., *Florida Seaports' Five-Year Needs Plan, FY 06/07 – FY10/11*, October 19, 2000.

Port	FY 07/08	FY 08/09	FY 0910	FY 10/11	FY 11/12	Total CIP Updated 12/06*
Canaveral	\$23,414,000	\$17,714,000	\$31,054,000	\$17,613,000	\$ 21,032,000	\$110,827,000
Everglades	\$24,649,000	\$43,359,000	\$81,200,000	\$106,678,000	\$245,532,000	\$501,418,000
Fernandina	\$1,680,000	\$7,100,000	\$5,020,000	\$770,000	\$1,515,000	\$16,085,000
Fort Pierce	\$3,285,378	\$7,447,500	\$37,957,000	\$50,000	\$100,000	\$48,839,878
Jacksonville	\$140,514,852	\$253,880,199	\$132,645,851	\$18,198,000	\$17,780,000	\$563,018,902
Key West	\$2,300,000	\$3,200,000	\$2,310,000	-	-	\$ 7,810,000
Manatee	\$42,950,000	\$13,500,000	\$25,000,000	\$6,000,000	\$2,000,000	\$89,450,000
Miami**	\$40,101,000	\$90,082,000	\$70,727,000	\$51,350,000	\$98,000,000	\$350,260,000
Palm Beach	\$7,145,000	\$2,150,000	\$6,500,000	\$6,500,000	\$6,500,000	\$28,795,000
Panama City	\$5,950,000	\$2,750,000	\$6,250,000	\$5,150,000	\$1,850,000	\$31,950,000
Pensacola	\$1,500,000	\$ 9,770,000	\$650,000	\$1,350,000	\$1,350,000	\$14,620,000
Port St. Joe	\$6,612,000	\$36,000,000	-	\$ 5,050,000	\$2,000,000	\$49,662,000
St. Petersburg	\$1,500,000	-	-	-	-	\$1,500,000
Tampa	\$95,500,000	\$65,300,000	\$69,800,000	\$66,400,000	\$59,800,000	\$356,800,000
<b>Total</b>	<b>\$397,101,230</b>	<b>\$562,252,699</b>	<b>\$469,113,851</b>	<b>\$285,109,000</b>	<b>\$457,459,000</b>	<b>\$2,171,035,780</b>

\* Source: Information provided by seaports, updated in December 2006, and again in March 2007.

\*\* Totals do not include Miami's high priority strategic connector projects such as the tunnel and the I-95 slip ramp





In October 2006, as in 2005, the seaports were allocated \$15 million in matching Chapter 311 funds for FSTED-approved projects in FY 07/08. Appendix B contains the details of how these funds have been allocated for that year as well as proposed allocations over the balance of the five-year period.

Of the \$2.2 billion in on-port capital improvements identified in Table 17, the seaports have identified approximately \$1.4 billion in market-driven priority projects. These include channel deepening and widening, new and upgraded berths and terminals, cranes, intermodal road and rail improvements, land acquisition, and other infrastructure development. Priority project details are shown in Appendix C. Many of these projects, particularly the harbor deepening and widening projects at several ports, the intermodal container yards, and the road and rail connections are eligible for SIS and SIS Growth Management funding.

**Off-Port Intermodal Capital Investments**

Not included in the \$2.2 billion shown in Table 17 are the many off-port road and rail projects, both connectors and other links, on which the seaports depend for efficient freight and passenger movements. Working with their respective FDOT Districts and the Central Seaport Office as well as with the FSTED Council, the seaports have identified an array of intermodal projects important to seaport access, but beyond seaport control, as part of the ongoing SIS process. Many of these critical connector projects have been programmed for SIS Growth Management funding in the five-year period and

*Building an interconnected transportation system to compete in global markets is essential to Florida's continued economic development.*

beyond. Nevertheless, many projects still require funding consideration and the seaports continue to encourage the prioritization of these projects for future funding.

Florida's seaports, like others on the East and Gulf Coasts including New York/New Jersey, the Port of Virginia, the Port of Charleston, and the Port of Savannah, are seeing a diversion of trade from congested West Coast ports. Florida's capture of this booming Asian trade means that the state's roads will not have to experience an influx of trucks carrying goods to Florida markets from other out-of-state ports. Conversely, to capture this trade, the state's transportation system must be able to move goods and people more efficiently and more cost effectively than elsewhere.

Florida has a strategic advantage: geographic location. The state provides a land bridge between world markets and the nation. But this advantageous geographic location can also be an obstacle to successful trade relationships if the length of the Florida peninsula creates service inefficiencies and higher transportation costs that prevent the state from outperforming its competitors in these two critical areas.

In 2005 and 2006, through the funding provided under the state's SIS and SIS Growth Management programs, Florida's seaports made significant headway in connecting their facilities to the major trade corridors that carry goods the length and breadth of Florida's peninsula. It is hoped that the state will be able not only to fund additional road and rail links, but also to accelerate construction. To make an even greater difference in today's competitive environment, however, Florida needs to promote its strategic statewide significant trade corridors for both federal and state funding.

### **Financial Resources**

In 2005, the Florida Ports Financing Commission studied the funding capacity of Florida's seaports and the impact of enhanced seaport security.<sup>6</sup> This study was used in conjunction with the seaports' *Five-Year Capital Needs Plan* to assess the individual seaports' capacity to pay for the capital improvements envisioned in their respective port master plans to meet market demands and compete effectively in the global marketplace. When the capacity analysis was conducted, the seaports' collective needs plan totaled \$2.5 billion in improvements to channels, wharves, terminals, container yards, other transfer facilities, and intermodal access.

As documented in that analysis, whether the seaports were to use pay-as-you-go funding or debt capacity to fund infrastructure over the five-year period, they had in-house resources to collectively fund only between 23 to 25 percent of their collective \$2.5 billion five-year capital planning needs.

The drain on the seaports' financial resources was found to result from:

- The continuing and rising cost of capital improvements.
- The diversion of revenues to pay for enhanced security since 9/11.
- The increasing annual operating costs.
- The changes in national and world economies.

All of these factors continue to affect the seaports' capacity to amass the capital to fund their current \$2.2 billion five-year capital planning needs.

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<sup>6</sup> First Southwest Company, *An Analysis of the Funding Capacity of Florida's Seaports to Meet their Five-Year Capital Plans (FY 06/07 through FY 10/11 and An Assessment of the Cost of Enhanced Seaport Security*, November 30, 2005.

**Balancing Commerce and Security**

Since 9/11, Florida has led the nation in developing and implementing measures to safeguard its seaports and is recognized nationally as a model for other states. To comply with Florida's mandates for minimum-security standards as well as federal mandates, the state's seaports have prepared and implemented security plans and continue working with both state and federal agencies to achieve consistency in requirements and to identify appropriate funding sources.

Achieving the balance between commerce and security continues to impose an enormous financial and operational challenge to the seaports in the aftermath of 9/11:

*Achieving the balance between commerce and security has created enormous financial and operational challenges at all of the seaports.*

- To implement costly security improvements, the seaports were authorized to utilize funds previously earmarked for capital improvement projects within state programs, including the Section 320.20(3) and Section 320.20(4) bond programs and the Chapter 311 grant program identified in Florida Statutes.
- Even with several rounds of funding grants from the Transportation Security Administration, this shift from commerce-related infrastructure investment to non-revenue-producing security requirements profoundly affected the seaports' ability to fund their development programs and build the additional capacity needed to capture the anticipated expansion of international and domestic trade as well as cruise activities.
- Having deferred vital capital projects to pay for mandated security measures, the seaports have continued to realign their budgets to pay for the recurring operational costs of implementing those measures to maintain the required level of alert. Prior to 9/11, these costs were at \$12 million. They jumped to \$32 million in FY 02/03, exceeded \$45 million in FY 04/05, and continued to escalate in FY 05/06, so that the state's seaports now must spend a substantial portion of their operating budgets on these annual recurring security costs.

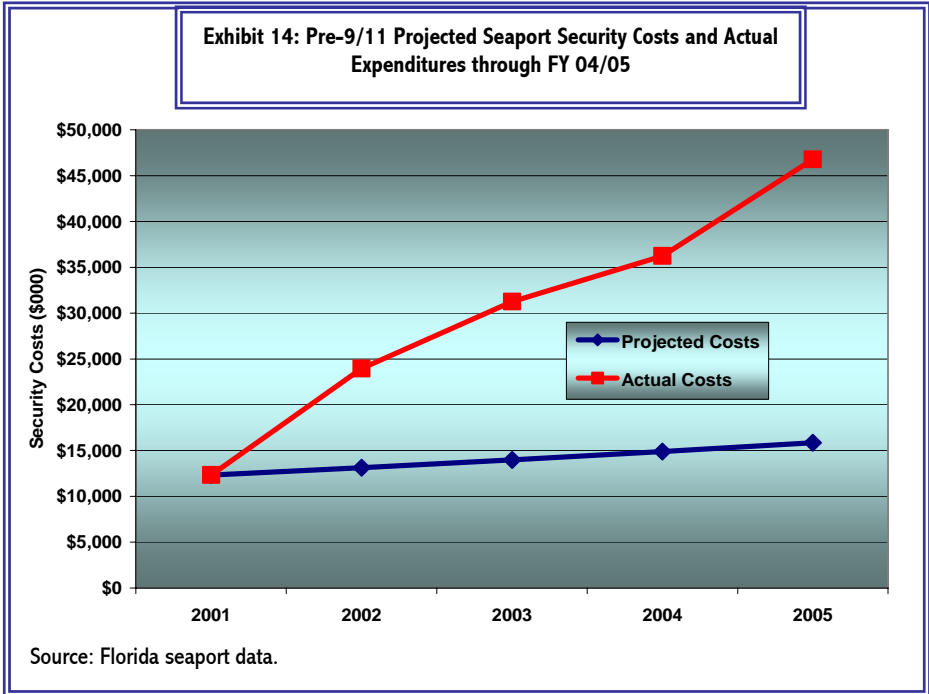


Exhibit 14 illustrates the vast disparity between pre-9/11 projected security costs and actual expenditures through FY 04/05, based on seaport records. Required are measures to ensure that the security of Florida's seaports continues to meet the mandated standards, but does not put the ports at a disadvantage with regard to their out-of-state and off-shore competitors.

## Amassing Capital to Fund Capacity-Enhancing Infrastructure

***Working with FDOT and the Florida Legislature, the seaports are requesting a multi-year financing plan to leverage state funds with local and federal funding.***

Where will Florida be in 2016? Every indicator points towards continued international and domestic trade expansion to serve both the state's growing population and its national and international markets. The pace of global change means that the seaports must adapt by building critical infrastructure and providing efficient and cost-effective services or they will lose their competitive edge on the critical trade lanes of commerce - both the traditional routes between the state and its neighbors to the south and the growing direct routes between the state and the Far East.

To achieve this goal, the seaports must amass the capital required to build capacity-enhancing infrastructure. Working with FDOT and the Florida Legislature, the seaports are requesting development of a multi-year financing plan that leverages state funds with local funding from seaports and other transportation entities and federal funding from grants and loans. The dynamics of global change require this plan to be implemented with the flexibility to prioritize strategic investments so that funds can flow where they are needed in response to market demands. Targeted capital investments will expand capacity, efficiency, and connectivity, continue creating well-paying jobs, and generate other economic impacts for the seaports' local communities, the state, and the nation.

## Choosing How to Respond

The *Global Trade Trends: Challenges and Opportunities for Florida's Ports* study that FDOT commissioned to assess the issues facing Florida's seaports<sup>7</sup> confirms the importance of Florida's maritime system and the competitive issues the seaports are facing as well as the need for a new revenue stream to address the anticipated demand:

***“Global trade is being driven by a combination of political, economic, technological, and environmental trends and forces, and Florida must choose how to respond.”***

*Global Trade Trends: Challenges and Opportunities for Florida's Ports,  
(FDOT/Cambridge Systematics Inc., July 2006)*

- Global trade opportunities have created different markets for different Florida ports. Each of Florida's seaports is vital to the state's overall maritime system. Equally important, they all provide vital economic and transportation contributions to their host communities.
- Global trade opportunities have made Florida's ports among the nation's most successful and competitive. Nevertheless, competing seaports in the Southeast, such as those in South Carolina, Georgia, and Virginia, are experiencing even stronger growth percentages.
- Global trade through Florida's seaports has generated significant benefits for Florida's economy and transportation system. The statewide network of fourteen seaports allows goods to be delivered by water, close to the populations they serve. This proximity to local markets reduces the overall truck vehicle miles associated with freight movements.
- Global trade is forecast to grow substantially, increasing demand through Florida's ports, but the nature of that trade is likely to shift. Much of that demand will be required to serve Florida's growing consumer population and construction industry.

In summary, global trade is being driven by a combination of political, economic, technological, and environmental trends and forces, and Florida must choose how to respond.

<sup>7</sup> Cambridge Systematics, *Global Trade Trends: Challenges and Opportunities for Florida's Ports*, July 2006.