

III. Seaport Capital Improvement and Access Needs

Planning to Achieve the Seaports' 2016 Vision of Success. To carry out their collective 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 port master plans that have been

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adopted by their respective local governments. Many of the state's seaports -- including Port Everglades, Port Manatee, Port Panama City, the Port of Port St. Joe, and others -- have recently been updating their port master plans to reflect market demands in the changing global marketplace. Collectively, these plans help position the seaports to achieve the statewide 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.

Industry parameters, particularly with the expansion of the Panama Canal anticipated for 2014, 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, which are mirrored in their individual plans.

The common thread running through the seaports' individual plans and the collective vision of success is the need for an adequate revenue stream to finance the capital improvements essential to sustaining and advancing Florida's position in the global economy over the next decade and beyond.

Making a Difference in Florida's Economy. The *Global Trade Trends: Challenges and Opportunities for Florida's Ports* study that FDOT commissioned in 2006 to assess the issues facing Florida's seaports¹ confirmed 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. As this study stated:

- 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

"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)*

¹ Cambridge Systematics, *Global Trade Trends: Challenges and Opportunities for Florida's Ports*, July 2006.

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 be proactive in taking advantage of these drivers.

Florida's seaports have programmed \$2.6 billion in capital improvements over the next five years.

The Seaports' On-Port Capital Improvement Needs. 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 just \$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 10/11.² Subsequently, in 2006, the seaports updated their respective five-year capital improvement programs, which totaled \$2.2 billion. They also assessed their strategic, market-driven priority projects in the hopes of obtaining additional funding.

Most recently, in early 2008, the seaports once more updated their capital improvement programs and reassessed their priority projects to reflect the ever-changing global environment and market demands. Table 22, on the next page, shows the details of the seaports' updated collective five-year capital improvement program. Exhibits 15 and 16 illustrate how the collective program is broken down by year and by port.

Between 2006 and the latest iteration in early 2008, the seaports collective capital improvement program has increased by approximately \$454 million. Cutbacks by several ports in response to financial constraints have been offset by increases at other ports to meet programmed infrastructure expansion.

² J.D. Sanchez Consulting, Inc., *Florida Seaports' Five-Year Needs Plan, FY 06/07 - FY10/11*, October 19, 2005.

Table 22: Collective Seaport Capital Improvement Program FY 07/08 through FY 11/12

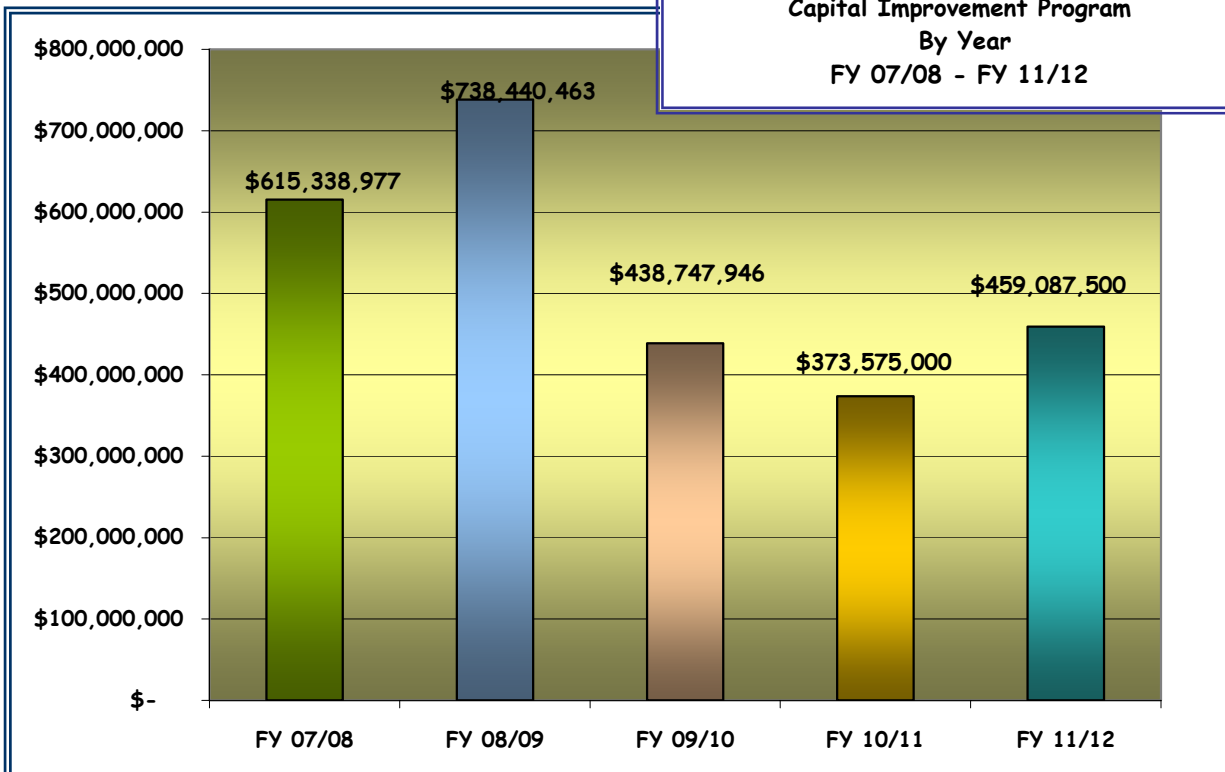
Seaport	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	Total CIP (Updated 1/08)
Canaveral	\$36,285,000	\$25,137,000	\$15,542,000	\$14,031,000	\$33,694,000	\$124,689,000
Everglades	\$100,169,000	\$106,575,000	\$47,563,000	\$50,651,000	\$117,012,000	\$421,970,000
Fernandina	\$1,305,000	\$1,205,000	\$4,400,000	\$5,450,000	\$4,060,000	\$16,420,000
Fort Pierce	\$11,787,043	\$43,652,000	\$50,000	\$100,000	\$100,000	\$55,689,043
Jacksonville	\$293,053,934	\$296,770,538	\$195,563,946	\$161,196,500	\$228,896,500	\$1,175,481,418
Key West	\$1,750,000	\$5,006,000	\$7,100,000	\$2,310,000	\$-	\$16,166,000
Manatee	\$31,500,000	\$30,500,000	\$39,000,000	\$6,000,000	\$2,000,000	\$109,000,000
Miami**	\$32,534,000	\$94,149,000	\$61,288,000	\$53,138,000	\$15,100,000	\$256,209,000
Palm Beach	\$14,348,000	\$6,250,000	\$5,076,000	\$5,076,000	\$2,000,000	\$32,750,000
Panama City	\$13,000,000	\$15,050,000	\$2,125,000	\$2,975,000	\$8,300,000	\$41,450,000
Pensacola	\$2,655,000	\$1,535,000	\$1,835,000	\$2,735,000	\$1,150,000	\$9,910,000
Port St. Joe	\$6,612,000	\$1,824,000	\$420,000	\$4,630,000	\$2,000,000	\$15,486,000
St. Petersburg***	\$1,500,000	\$2,100,000	\$2,250,000	\$1,700,000	\$-	\$7,550,000
Tampa	\$68,840,000	\$108,686,925	\$56,535,000	\$63,582,500	\$44,775,000	\$342,419,425
Total	\$615,338,977	\$738,440,463	\$438,747,946	\$373,575,000	\$459,087,500	\$2,625,189,886

Data source: Information provided by seaports in January 2008.

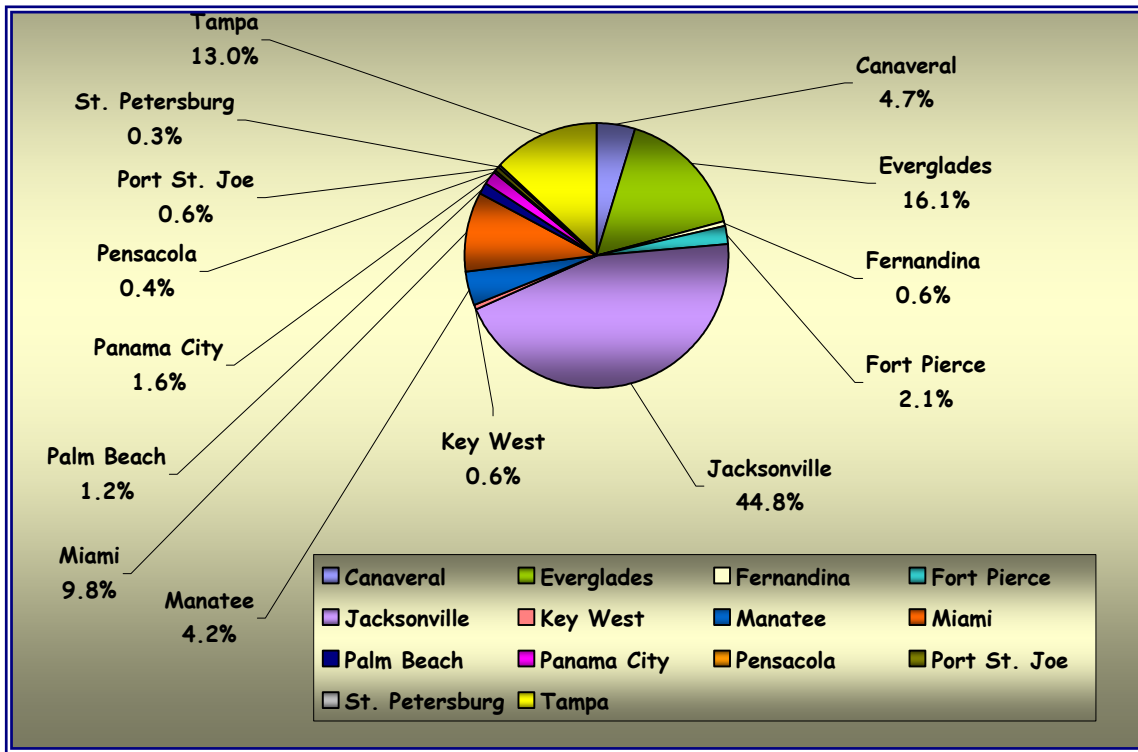
** Totals do not include Miami's high priority strategic connector projects such as the tunnel and the I-95 slip ramp.

*** Funds for St. Petersburg's FY 08/09-FY 11/12 projects have not yet been approved by the local government.

Exhibit 15: Collective Seaport Five-Year Capital Improvement Program By Year FY 07/08 - FY 11/12



**Exhibit 16: Collective Seaport Five-Year Capital Improvement Program
By Port
FY 07/08 - FY 11/12**



As in recent years, 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.

In addition, as part of the Governor's economic stimulus program, the seaports received an additional \$50 million for investment in job-creating infrastructure projects. Table 23, on the next page, shows the projects that have been included in this economic stimulus program.

Of the \$2.6 billion in on-port capital improvements identified in Table 22, the seaports have identified \$372 million in strategic demand-driven priority projects (see Appendix C). These are 22 production-ready projects that could be implemented quickly if the seaports were to receive the appropriate match (\$182.9 million). These include bulkhead replacements, new and upgraded berths, cargo and cruise terminals, cranes, intermodal road improvements, and other infrastructure development.

In addition to these priority projects, other essential seaport needs include channel deepening and widening, maintenance dredging, land acquisition, additional berth improvements, and terminal capacity enhancements.

Table 23: FSTED Program		
\$50 Million Infrastructure Investment Economic Stimulus Program Allocations		
(As revised January 30, 2008)		
Seaport	Project	\$50 Million Allocation
Canaveral	Southside cargo terminals	\$ 3,700,000
Everglades	Phase I, Terminal 18 improvements	\$ 2,450,000
	Southport, Phase VIII container terminal	\$ 5,650,000
Jacksonville	MOL/ Trade PAC	
	Toyota processing terminal	\$ 17,600,000
Miami	Seaboard terminal	\$ 2,000,000
	Cruise terminals B and C	\$ 4,000,000
Palm Beach	Cargo transfer facility	\$ 2,250,000
Panama City	Bulk warehouse expansion	\$ 1,900,000
Tampa	Hookers Point terminal	\$ 10,450,000
	Total	\$ 50,000,000

Off-Port Intermodal Capital Investments. Not included in the \$2.6 billion shown in Table 22 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. In recent years through the funding provided under the state's SIS and SIS Growth Management programs, Florida's seaports have made significant headway in connecting their facilities to the major trade corridors that carry goods the length and breadth of Florida's peninsula.

Building an interconnected transportation system to compete in global markets and fulfill the needs of Florida's consumers and businesses is essential to Florida's continued economic development.

Working with their respective FDOT Districts and the Central Seaport Office as well as with the FSTED Council, the seaports 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 are programmed for SIS/SIS Growth Management funding in the five-year period and beyond. Nevertheless, many projects still require funding consideration and

the seaports continue to encourage the prioritization of these projects for future funding. It is hoped that the state will be able not only to fund additional road and rail links, but also to accelerate construction on those already programmed.

As discussed earlier, Florida's seaports, like others on the East and Gulf Coasts -- including the ports of New York/New Jersey, Virginia (Hampton Roads), Charleston, Savannah, and Houston -- are seeing a diversion of Asian trade from congested West Coast ports. Florida's capture of this booming trade to serve its population 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. To sustain and grow this trade, however, the state's transportation system must be able to move goods and people more efficiently and more cost effectively than elsewhere. Increasingly, shippers, rather than ocean carriers, choose where to bring their cargo, and those seaports with an efficient transportation system and nearby distribution centers to serve the local and regional consumer markets prevail.

Florida has a strategic advantage: geographic location. The state provides a land bridge between world markets and the nation. 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. To sustain its role in today's competitive trade environment, Florida needs to promote its strategic statewide significant trade corridors for both federal and state funding.

The Financial Capacity of Florida's Seaports. In 2005, the Florida Ports Financing Commission studied the funding capacity of Florida's seaports and the impact of enhanced seaport security.³ 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 intermodal transfer facilities.

A 2007 update of the 2005 study,⁴ found the seaports, collectively, now have the capacity to fund less than one-third (\$783.2 million or about 29 percent) of their \$2.6 billion in capital improvements using the pay-as-you go method. Alternatively, using debt financing, they have the capacity to fund only approximately \$296.8 million (11.3 percent) of the \$2.6 billion. The estimated shortfall of over \$1.8 billion means that as much as 71 percent of the seaports' essential capital needs cannot be built without another source of funds.

Consistent with the factors identified in the 2005 study, the drain on the seaports' financial resources, was found to result from:

- Continuing and rising cost of capital improvements.
- Continuing diversion of revenues to pay for mandated security.
- Increasing annual operating costs.
- Changes in global, national, and local economies.

All of these factors continue to affect the seaports' capacity to amass the capital to fund their current \$2.6 billion five-year capital planning needs.

Achieving the balance between commerce and security continues to create enormous financial and operational challenges for Florida's seaports.

Balancing Commerce and Security. Florida leads the nation in developing and implementing measures to safeguard its seaports. 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.

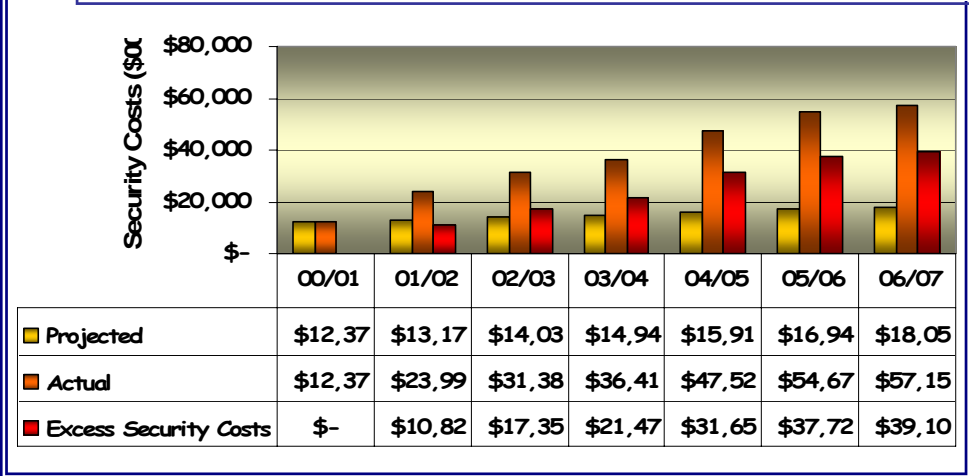
³ First Southwest Company, *An Analysis of the Funding Capacity of Florida's Seaports to Meet their Five-Year Capital Plans (FY 06/07 through FY 10/11 and An Assessment of the Cost of Enhanced Seaport Security*, November 30, 2005.

⁴ First Southwest Company, *The Capacity of Florida's Seaports to Fund their Five-Year Capital Programs (FY 07/08 through FY 11/12) and The Cost of Mandated Seaport Security*, February 13, 2008.

Achieving the balance between commerce and security continues to impose an enormous financial and operational challenge to the seaports:

- Initially, 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.

Exhibit 17: Florida Seaports' Projected Security Costs versus Actual Expenditures through FY 06/07



- 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.

Data source: Florida seaports' records.

- 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.
- In FY 00/01, the costs of security at Florida's seaports were \$12.4 million. As shown in Exhibit 17, these costs jumped to \$24.0 million in FY 01/02, reached \$31.4 million in FY 03/04, and continued climbing to \$47.5 million in FY 04/05, \$54.7 million in FY 05/06, and \$57.2 million in FY 06/07. These accelerating costs obliged the state's seaports to spend a substantial portion of their operating budgets on these annual recurring security costs.

Exhibit 18: Difference between Seaports' Projected Security Costs and Their Actual Expenditures through FY 06/07

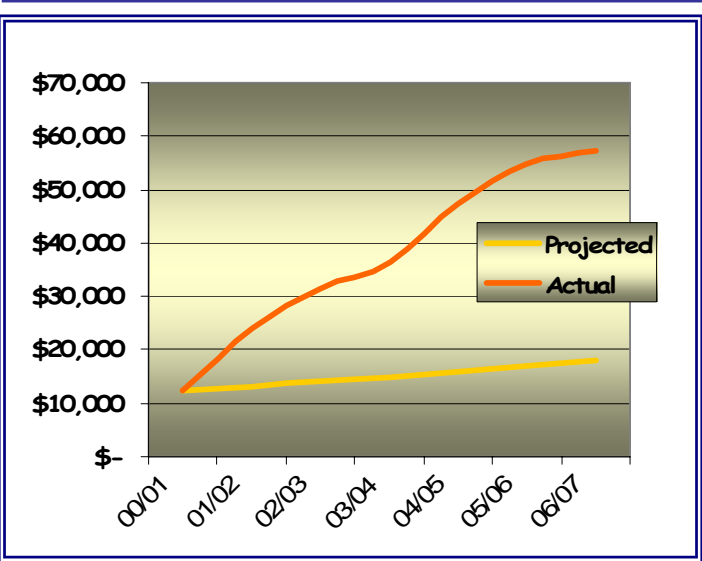


Exhibit 18 illustrates the vast disparity between the FY 00/01 projected security costs and actual expenditures through FY 06/07, based on seaport records. This disparity will continue over the planning period. As the 2007 funding capacity study reports, from FY 07/08 through FY 11/12, the seaports expect to spend \$216.8 million more in excess

operational security costs than they would have projected spending, using an annual growth rate of 6.5 percent from the base year, FY 00/01.

To ameliorate this situation, with its tremendous drain on seaport resources, measures are needed 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. 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 its 2016 vision of success, and remain competitive even beyond that timeframe, 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 and regional communities, the state, and the nation. In this time of an economic downturn, investing in proven economic generators, like Florida's seaports, makes more sense than ever.

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.

To quote a worldwide expert in global economics, "*International trade is sustaining the U.S. economy.*"⁵ This lesson should not be lost on Florida.

⁵ Global Insight, "... foreign trade will likely remain a key support for the economy, helped by robust export gains. We expect trade to add about 0.6 percentage point to first-quarter GDP growth, holding the GDP decline to 0.5%, compared with a decline in domestic demand of 1.1%." March 11, 2008. <http://www.globalinsight.com>.