MEETING SUMMARY

FLORIDA PORTS FINANCING COMMISSION
June 3, 2004

Hilton Key West Resort and Marina
245 Front Street
Key West, Florida

The meeting was called to order and the roll was called. Members and others present at the meeting were:

Bert Francis, Port Canaveral, Chairman
Khalid Salahuddin, Port of Miami-Dade, Vice Chair
David Kaufman, Port of Jacksonville
Chuck Porter, Port of Pensacola
Ram Kancharla, Port of Tampa
Wayne Stubbs, Port of Panama City
David McDonald, Port Manatee
Ken Krauter, Port Everglades

A quorum was present. Also attending were:

Chuck Towsley, Port of Miami-Dade
Val Schwec, Port of Fernandina
Michael D. Perez, Port of St. Petersburg
Mac McLouth, Port Canaveral
Mike Poole, Port of Pensacola
Steve Doss, Port of Jacksonville
Chris Novack, Port Everglades
Mary Meynarez, Port Everglades
Steve Tyndal, Port Manatee
Bob Armstrong, Port Manatee
Dixie Sansom, Port Canaveral
John LaCapra, Florida Ports Council
Nancy Leikauf, Florida Ports Council
Mike Rubin, Florida Ports Council
Toy Keller, Florida Ports Council
Rose Santurri, Florida Ports Council
Rob Hebert, Wilbur Smith Associates
John Wright, Parsons Brinckerhoff

The minutes of the February 13th, 2004, meeting were approved by the Commission.

John LaCapra noted that a meeting of the Florida Ports Council Legislative Committee would take place immediately following the conclusion of the FPFC meeting.

Tab 4, Trustee's Report, was giving by Nancy Leikauf. She noted three outstanding balances in the'96 bond program Trustee's report: Port of Jacksonville, Port of Palm Beach and Port Everglades. In addition, there were also other balances in the '99 bond program Trustee's report, totaling $24,984,135.24. Of that, $113,973,000± had been disbursed by the Trustee. Ms. Leikauf directed the Commission to the chart at the end of the Trustee's report documenting the excess interest earnings above those funds that were allocated in December of 2002. She said that through April 30, 2004, $761,491.06 had been earned in excess interest. This reflects $118,000 paid by the respective ports to continue the project monitoring program. **The FPFC voted to approve the Trustee's Report.** [*This excess interest amount was revised during a subsequent FSTED Council meeting due to an error in the Trustee's Report. The actual amount was $694,411.40 – see attached]*

Tab 5, Consultant's Report, was next on the agenda. FDOT's report on the 1996 Bond Program funds was distributed, relating to three ports: Everglades, Jacksonville and Palm Beach. Chris Novack, Port Everglades, agreed with FDOT's totals, stating a balance of $362,027 left to be spent down. He said Port Everglades is proposing to spend this money on port security, which they will be able to do within the next eight weeks. Steve Doss, Port of Jacksonville, agreed with FDOT's $1.3 million figure. He said they had to TEFRA the harbor deepening project, which has been done, so they are the final stages and should have that money drawn down within a couple of weeks. Mr. LaCapra asked about the status of Jacksonville's dredging project – the time frame and the balance remaining of Jacksonville's original $5 million allocation. Mr. Doss explained that Phase 1 was complete, Phase 2 would probably begin toward the end of the year, and the $1.3 million balance reflected in FDOT's report was what remained to be used for dredging.

No one was available to discuss the amount reflected in FDOT's report on Port of Palm Beach.

Chairman Francis observed that the 1996 Bond Program funds, including all the excess accrued interest, would be spent down within the next 60 days. **The FPFC voted to approve the FDOT's Report on the 320.20(3) Bond Program.**

John Wright gave a report on the 320.20(4) Bond Program, outlining spend down progress through March 31st. He said that in addition to the $113 million reported by the Trustee, an additional $12 million was currently under consideration. He has also been notified of another $6 to $8 million in requests during the next month. Mr. Wright summarized, saying that if the ports stay on the schedules they have reported, spend down could be achieved by the end of the year. Ram Kancharla elaborated on Port of Tampa's Berth project, saying their contract had been in place for the past six months but construction had not commenced because the Army Corps permit was modified, thus causing delays. He said the contract calls for the project to be completed by December of this year and they are confident the project will be completed. Tampa's security project should also be completed by October of this year.

Ms. Leikauf reminded the ports to delineate each security project for which they received 1999 Bond Program funds with a number and a cap which can be tied back to FDLE's approved list. **The FPFC voted to approve the FDOT's Report on the 320.20(4) Bond Program.**

Rob Hebert reported on the two bond program fund spend downs, stating that his information agreed with that of the project monitors. He said the '96 program had been spent down approximately 99.5 percent and would be complete within the next two to six months. The '99 program, as of April 30, had spent down approximately 62 percent. According to Mr. Hebert, everything should be zeroed out by the end of the year.

Chris Novack reported that Port Everglades received a '99 bond allocation of $3 million for channel widening and navigational improvements. They have approximately $880,000 in uncommitted money remaining from that project. Further, out of $16 million allocated for security projects, Mr. Novack indicated there may be some additional savings which could become available once the construction is completed.

Mr. LaCapra asked if spend down might go past January 1, 2005, on the $16 million in security projects. Mr. Novack responded, saying Everglades would push to achieve spend down by the end of the year. Mr. LaCapra indicated that Port Everglades had $186,000 in excess interest earnings as of April 30, and the FPFC may wish to consider allocating interest earnings during this meeting to defer construction needs.

Chairman Francis commended Port Everglades for being forthright and playing within the spirit of the process.

Wayne Stubbs raised the issue that in previous FSTED Council and FPFC meetings, the Port of Panama City indicated they had saved approximately $65,000 on a fencing project. They asked to move those funds from fencing to a secure parking lot project, named "relocation of parking". FSTED and the FDLE approved the project. Construction is ready to begin but the money is more urgently needed for gates. Mr. Stubbs asked the FPFC to approve the Port of Panama City request to combine projects and raise the $205,000 cap on the gate project by $65,000. **The FPFC voted to approve the transfer of funds to Panama City's gate project.**

Mr. Hebert informed the Commission he had requested each port to provide updated spend down schedules beginning April 30th through the end of the year on both bond programs. **The FPFC voted to approve the report by Wilbur Smith Associates.**

Tab 6, Discussion of the RFQ Process for the Acquisition of Professional Services, was taken up. Chairman Francis gave a status report of the RFQ process and thanked the Professional Services Committee for their work. He asked the Commission to take a look at the RFQ in their notebooks and provide comments. It is ready to go and will be advertised in the Bond Buyer newspaper immediately.

Mr. LaCapra commented, saying that when the RFQ process was approved by the Commission, legislation authorizing a bond issue by the Commission was anticipated. However, the executive branch of the State of Florida opposes bond financing, especially where the monies used would count against the State cap on bonds. He said it was the oral opinion of the Division of Bond Finance that the use of transportation trust fund dollars, even though the bonds are being financed by a local government entity, would count against the state cap. In light of this, Mr. LaCapra encouraged the Commission to reflect upon the concept of a bond issue, and also, the potential for creative financing through the FDOT's State Infrastructure Bank and perhaps federal TIFIA loans.

After further discussion on a bond issuance, the types of projects it would fund, and the evaluation and ranking process of Financial Advisory proposals, **the FPFC voted to approve the RFQ and publish it.**

Tab 7, Discussion of Requests from FSTED Council, was led by John LaCapra. He indicated that at its last meeting, the FPFC approved the concept of recommending to the FSTED Council the allocation of excess interest earnings. He directed members to a report dated April 30th, reflecting costs for the project monitor based on remaining funds. The report reflects $761,491, as of April 30th, in excess earnings to be sent forward to the FSTED Council for allocation. He went on to say that all ports are reporting spend down of 1999 bond funds by year end and recommended that any ports with remaining funds after the bond contract expires (February) should pay the program project monitor directly. This is in keeping with the procedures adopted for the 1996 bond program. [*This excess interest amount was revised during a subsequent FSTED Council meeting due to an error in the Trustee's Report. The actual amount was $694,411.40 – see attached]*.

Lorenzo Alexander clarified, saying the Department of Transportation had to adjust the date on the Project Monitor Agreement. The adjusted dates are July 1st, 2004, to June 30th, 2005, adding a bit more time to the agreement.

Mr. LaCapra opined that it would be appropriate to have a recommendation from the Commission to the FSTED Council as to the amount of funds subject to allocation, with the inclusion of the $880,000 from Port Everglades. Chairman Francis pointed out that ports who spent bond funds in accordance with the acceptable time frames earned no interest and therefore, would not have excess funds in their accounts for possible allocations. He opined that those ports who play by the rules should not be shorted.

The FPFC voted to recommend to the FSTED Council, the reallocation of $1,641,491 in excess interest accruing to the Construction Fund Accounts since December 13, 2002, plus $880,000 from Port Everglades.

Mr. LaCapra referred to two additional requests, one from Port Manatee and one from the Port of Pensacola, relating to dredging needs. David McDonald described Port Manatee's dredging project which would create the need for an additional $6 million in FSTED program funds at a 75/25 match. Mr. LaCapra pointed out that there were $45,000 in excess earnings in this account for allocation.

Chuck Porter described Pensacola's dredging project for which they expect permits within the next 90 to 120 days. They are currently working with the Corps on the dredge material management plan. He said the engineer's estimate is a total cost of $5,040,000. Assuming a 75/25 match, the port would need $3.9 million from the FSTED program.

Mr. LaCapra discussed the possibility of receiving additional funding from the Department of Transportation and the philosophy of the Chapter 311 program regarding additional funds, should they become available. Mr. Towsley indicated that the Port of Miami-Dade had been focused on compliance with security requirements and had spent money to do so. He said his maritime community is now looking at growth that would facilitate commerce and expressed his hope that project allocations would be made accordingly. Recognizing that all the priorities cannot be handled by Chapter 311 allocations, Mr. LaCapra recommended the ports be allowed to use interest which had accrued to their accounts from the bond program. He noted there are some ports unable to spend bond program funds and those would be reallocated. Mr. Towsley added that the focus should be on building infrastructure for Florida's economic development. He said ports should be reinforcing this philosophy by the way Chapter 311dollars are spent, and in his opinion, FDOT agrees.

Mr. LaCapra indicated that Representative Goodlette would be attending the afternoon meeting of the FSTED Council. He has been a friend to the ports, outspoken and frank on their behalf. He said the FSTED Council would have the opportunity to talk with him and Senator Dockery, about security and transportation issues at this afternoon's meeting.

Mr. LaCapra also suggested that members begin thinking about the funds they will need in the 05/06 fiscal year as well. He reminded the Commission members that WEG looked at the economic impact of the ports' five-year capital improvement projects and commented that the FDOT would like seaport projects to fit into their work program. He said this would be difficult given the dynamic nature of ports, but that it did have advantages to consider.

Nancy Leikauf explained that the Port of Palm Beach had submitted a letter asking that $153,324 be allocated to their infrastructure improvement project from '96 bond funds and that $138,728 from their FDOT escrow account funds be allocated to their infrastructure improvement projects. She said they have indicated that this would very quickly bring their spend down to zero in both of those accounts. Chairman Francis clarified, stating that these projects had been approved or had funding; this was just a shifting of existing dollars within approved projects. **The FPFC voted to recommend to the FSTED Council, the reallocation of Port of Palm Beach's funds as discussed.**

Mr. LaCapra led a discussion on **Tab 8, Administrator's Report,** pointing out the current cash balances in the recurring expense accounts, available to the Commission for expenditure. He said there was approximately $90,000 in those '96 and '99 escrow accounts. The other accounts are bond holder accounts which earn interest. The second sheet showed the burn rate of the current budget, revealing some savings in the budget, which ends on September 30. He reminded the Commission that as the '96 and '99 bond funds are spent down, some of the fixed expenses – trustees, auditors, attorneys and the like, should be minimized. Next year's budget should be lower. Mr. LaCapra said this means the Commission would have the ability to retain a financial advisor this year with some revenues to allocate to administration directly from revenues coming from the interest earning capability in next year's budget.

He said the third sheet reflects the Commission's approval of the administrative fee, showing who has paid and who has not paid.

The FPFC voted to approve the Administrator's Report.

Tab 9, Other Issues, included a discussion on two work products, performed by Wilbur Smith Associates, at the approval of the Chair of the FSTED Council and funded by the FDOT, relating to competitive commerce issues. Copies of the reports were distributed. Rob Hebert explained that the first report was by SeaSecure; the second report came as a request from carriers and was related to the CAFTA trade agreement issue in the Dominican Republic and Central American countries. The reports address the potential disruptions in the logistics chain and offer a snapshot look at a very complex subject. They show trends and deal openly with the capability of current major trading partners, mainly Central America, Dominican Republic, and their ability to support trade with the United States.

Mr. Hebert summarized the report prepared by Kim Petersen of SeaSecure saying there was a real problem with Caribbean and Central American ports doing business in the U.S. He said many of them have not been understanding of the new ISPS security codes and requirement and many of them have a misinterpretation of what the U.S.'s role is in enforcement. The report highlights problems with compliance and the lack of resources available to make security improvements in accordance with the new IMO requirements. The concern is whether security will further disrupt free commerce and open trade lanes.

Mr. Hebert reported that the second study looked at the surface side of this issue – the carrier side – and how this will impact Florida's transportation system. He said he worked with Joan Sanchez of JD Sanchez Consulting, Inc., to identify some of the implications of the new regulations on jobs and the economy. One of the biggest findings was that this whole process may significantly impact Florida's partners, thus impacting Florida, particularly because we rely almost exclusively on two-way trade for economic well being. He said if some of the CAFTA requirements are not implemented in a timely manner, Florida's trade partners may be at a disadvantage because of the Chinese trade quotas being lifted. Mr. Hebert said he and Ms. Sanchez interviewed some of the ocean carriers who might be affected by this – Seaboard, Crowley, Maersk, Hamburg Sud, and others. They indicated that as much as 50 percent of their business is in the Caribbean Basin and jobs could be seriously affected.

Mr. LaCapra stated that the request to look at this issue came from Tropical, Crowley and Seaboard Marine. It came from the private sector who has invested in Central America and Dominican Republic. He said this was a Washington issue but Washington was not paying attention to this part of the world. These countries are actually petitioning Governor Bush, and not only on security issues but on trade policy issues, to intercede on their behalf in Washington so that Washington might turn an eye towards this part of the world and pass CAFTA laws in a timely manner. He said that under the WTO, China's trade restrictions disappear on January 2005, and the trade restrictions on textiles in particular, are disadvantageous to the Central American economy and textile manufacturers. The consequence of those manufacturers moving their trade to China is the issue.

Mr. LaCapra concluded, saying that with politics being what they are, he does not expect to see Congress ratify these free trade agreements until after the elections. This could cause major problems. He suggested that the FSTED Council brief Representative Goodlette on this matter because ports have abilities in Washington, they have infrastructure in place, and they have relationships with carriers in other countries. They could effect some type of organized impact. Mr. Hebert pointed out that an additional void exists with Washington looking only at east-west trade when Florida's trade is built on north/south imports and exports to the Central American and Caribbean region.

Khalid Salahuddin asked if there was an action needed by the FPFC. Mr. LaCapra said action should be taken by the FSTED Council and, as administrator, he hoped for instruction by the FSTED Council to go to Washington on this issue.

Tab 9, the meeting was adjourned.

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