

**OFFICE OF THE CITY COUNCIL**

**RESEARCH DIVISION**

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**CITY COUNCIL BRUNCH-AND-LEARN MEETING MINUTES**

**JACKSONVILLE PORT AUTHORITY PRESENTATION**

**May 13, 2019**

**9:00 a.m.**

**Location:** Jacksonville Port Authority board room – 2831 Talleyrand Avenue, Jacksonville

**Attendance**: Council Members Aaron Bowman (President), Reginald Gaffney, Sam Newby, John Crescimbeni, Jim Love, Ju’Coby Pittman, Randy White, Danny Becton, Bill Gulliford, Al Ferraro, Joyce Morgan

**Excused**: Council Member Garrett Dennis

**Council Members-elect**: Ron Salem, LeAnna Cumber, Michael Boylan, Rory Diamond

**Also**: Jaxport board member Rev. John Newman, Jaxport CEO Eric Green, CFO Beth McCague, COO Fred Wong, CAO Linda Williams; Phillip Peterson and Tommy Carter – Council Auditor’s Office; Cheryl Brown – Council Secretary/Director; Jeff Clements – Council Research Division

Meeting convened 9:02 a.m.

Council President Bowman welcomed the attendees and thanked the JPA for hosting the event. He noted the enormous impact of the port on the region’s economy.

Eric Green, Jaxport Chief Executive Officer, welcomed the attendees and especially thanked Council Member Gulliford for being an outstanding City Council liaison to the authority.

Mr. Green gave an overview of the authority’s assets and operations - 3 container terminals, 1 intermodal rail yard, and 1 cruise ship terminal. The authority is governed by a 7 member board (4 appointed by the mayor, 3 appointed by the Governor). He showed JPA’s new branding video and new logo. Jaxport is a landlord port meaning that it owns facilities and leases them to private maritime companies to operate. The vast majority of jobs created by the port are by the private tenants and associated logistics and transportation companies – 24,000 direct jobs in NEFL and 133,000 direct and indirect jobs statewide.

Chief Financial Officer Beth McCague reported that the authority’s cash position is strong ($35.3 million in cash and current assets and $30.3 million in current liabilities). Jaxport is well respected in the bond market with ratings of A (Fitch) and A2 (Moody’s). Net revenue over expenses goes to pay-as-you-go capital improvements and debt service stable at about $20 million per year. Revenues have been steadily increasing for a number of year years. Cargo revenue is very diversified in terms of product lines (autos, containers, bulk, breakbulk, liquids, cruise) and exports (48%) versus imports (52%). The authority is expanding trade lanes to the Pacific. All new tenant contracts require minimum annual guarantee (MAG) payments producing $31 million in minimum guaranteed revenue per year.

Harbor deepening: Dredging Contract A covers the first 3 miles from the mouth of the river and is underway; Contract B covers the next 5 miles and is underway; and design is beginning on Contract C, the final 3 mile segment to reach Blount Island. It appears that the full project will be done by 2023 rather than the original projection of 2025. Larger ships have already started visiting the port before the project is done as shipping lines add Jacksonville to their regular itineraries.

Blount Island super terminal build-out: port operator SSA is expanding its lease from 30 to 50+ acres and building new facilities beginning in August 2019.

Linda Williams, Chief of Administration, said that the authority is authorized for 171 positions, of which 149 full-time positions and 5 part-time positions are currently filled. One-third of employees have 10+ years of service, and Jaxport has a very diverse workforce, including management positions. Revenue has grown 6% per year over last 5 years as budgeted positions stayed level. Jaxport is committed to training and development of employees.

Fred Wong, Chief Operating Officer, said that the authority will transition to fully electric cranes and will have 2,600 linear feet of electrified crane deep water berths at Blount Island. There are1,780 linear feet of berth at Talleyrand, and bulkhead and wharf improvements are being made at both terminals. Jaxport now has a long term deal for the first time with Carnival Cruise Lines (an initial 3 years with 3 additional 2-year options). The authority has paved 18.2 acres for containers on Dames Point that freed up space for more cruise passenger parking. An overhead walkway has been constructed at the cruise terminal for high-level embarkation and a mural with Jacksonville landmarks and references has been painted in the terminal. Liquefied natural gas (LNG) is the maritime energy source of the future, with over $200 million invested in facilities near Jaxport terminals. Jacksonville is the only port in the world with large LNG container vessels in operation (Crowley and Tote Maritime) and LNG bunker vessels fueling from waterside via barges instead of by trucks from land. Crowley Maritime has 2 CON/RO vessels (both containers and roll on-roll-off capability). There are 2 operating LNG plants on Hecksher Drive near Jaxport’s terminals with a third small export plant planned. LNG is the wave of the future in maritime fuel.

Mr. Wong said that security is Priority 1 for seaports. The Coast Guard reviews and approves security plans along with U.S. Customs and Border Protection. He gave a “thank you” to City Council for allocation of temporary hours to facilitate a recent transition from one security contractor to another.

Robert Peek, Director and General Manager for Marketing, said that Jaxport is Florida’s number 1 container port (3 consecutive years of record traffic), the second busiest auto port in US and number one for trade with Puerto Rico. The authority’s tenants have direct vessel service to cities around the world and total tonnage processed through the port is growing steadily. Jaxport’s biggest auto competitor is Brunswick GA and its biggest container competitors are Charleston and Savannah. The international trade pie has been growing, so ports are not competing in a zero-sum game in the Southeast - everyone is growing. Container trade has been diversifying tremendously, especially with new Asian trade routes. Puerto Rico is still the top destination for exports from Jacksonville. Jaxport works with the Jax Chamber, City Office of Economic Development and JAXUSA Partnership to attract warehouse and distribution centers to the city. It helps that our population is growing and that is attractive to distributors. 70 million people within a 1 day truck drive of Jacksonville, and Florida is the third most populated state in the US now and growing fast. Jacksonville has 106 million square feet of built-out warehouse/distribution facilities, so plenty of places for companies to locate and lots of available workforce in Northeast Florida, especially compared to Charleston and Savannah.

Eric Green said that Asian container traffic growth has been huge for Jaxport in the last 10 years and the deep water dredge is needed to maintain that momentum. Jaxport is looking for new markets in Europe and Latin America, and for more refrigerated cargo, autos, and continued LNG growth.

Council Member Bill Gulliford said that Jaxport is very fortunate to have Eric Green as CEO, and he’s surrounded himself with great people on the management team. The future is very bright for Jaxport. He asked Green about the wharf siltation problem and said that Jaxport will be a great partner in the redevelopment of Mayport Village in collaboration with Jacksonville University and the Ocearch shark research effort.

Mr. Green said that siltation is a big problem because of the lingering effects of Hurricane Irma and the stormwater outfalls from the areas surrounding the port. Increasing dredging cost is just a fact of life for ports and has been covered by increasing operating revenues – the authority has not had to ask the City for support but does need occasional budget amendments to reflect the additional dredging costs.

In response to a question from Council Member Randy White about the potential for new cruise lines in Jacksonville, Mr. Green said the authority is negotiating with a company that they can’t disclose yet.

In response to a question from Council Member Danny Becton about the potential impact of the SSA Blount Island project on dredging Contract C and further beyond the Dames Point Bridge to the Dames Point Terminal, Mr. Green said that extension of the dredging under the bridge to the Dames Point Terminal would be a further Contract D project. Contract C is more expensive than segments A and B because of the distance to the off-shore spoil site, the presence of rock in the riverbed, and the need for a turning basin at Blount Island.

In response to a question from Council Member-elect Ron Salem about whether acquiring a second home-ported cruise ship would max out Jaxport’s cruise ship capacity, Mr. Green said that it could at the current Dames Point Terminal; anything more would require a new terminal east of the Dames Point Bridge because of the height of the newest generation of ships that are extremely tall.

Council Member Al Ferraro thanked Jaxport for helping neighborhoods with access to spoil sites for dredge spoil for private dredging projects. He asked about the future of harbor deepening after this project. Mr. Green said that a 47 foot channel is as deep as Jacksonville needs to be at this time, and that afterward it will be a matter of maintenance dredging. Mr. Ferraro asked if the Saint Johns River Power Park site could be a future Jaxport expansion site; Mr. Green said the authority is always looking for land wherever they can get it. In response to a question from Council Member Ferraro about the security aspects of international container traffic, Mr. Green said that security is well covered by state and federal agencies.

In response to a question from President Bowman about when the City is likely to get an ask from Jaxport for financial assistance with Contract C, Mr. Green said by January or February of 2020 the authority should know what the federal government may provide for the project and what will need to be covered locally.

In response to a question from President Bowman about the impact of the JEA high power transmission lines across the river from the Northside Generating Station, Mr. Green said that it will become an impediment when the Contract C dredging is completed allowing bigger ships can come into the port.

Council Member Joyce Morgan said that CEO Eric Green and his staff have done an amazing job. In response to a question from Ms. Morgan about who is building the largest post-Panamax ships, Mr. Green said they are being produced internationally, not domestically. He believes the East Coast of the US won’t see the biggest ships (18-20,000 TEUs) fully loaded in their ports; 14-15,000 TEU’s will be more likely. Many East Coast ports tend to have low bridge obstructions. The largest container ships will be on the trans-Pacific routes. More traffic is coming to the East Coast because of labor benefits over West Coast ports.

In response to a question from Ms. Morgan about the conservation impacts of dredging, Mr. Green said that Jaxport is allocating $1.2 million per year in mitigation payments from the pre-dredging phase to the current dredging period and 10 years thereafter to take care of any problems that may arise.

Council Member Ju’Coby Pittman said she is already hearing complaints about how ship traffic is negatively impacting recreational use of the river. Mr. Green said the deepening proposal was studied for more than a decade before it got started and used the best science available and still does. They haven’t seen any major impacts except a small increase in salinity which they mitigated by buying saltwater marsh for preservation. Jacksonville’s Federal Channel is wide enough to accommodate two-way vessel traffic and the deepening should not be affecting private docks and shorelines.

Council Member Jim Love asked if there will be diesel backups for the electric cranes if power is knocked out by a hurricane. Mr. Wong said current there is limited diesel backup.

Council Member Love also asked how much of the Asian trade is with China. Currently 8-9% of Jaxport’s total container volume may be potentially affected, so tariffs will have a limited impact at the moment.

Council Member Gulliford asked about the status of the Savannah harbor deepening project. Mr. Green said that it has environmental challenges that require oxidation of the river with pumped oxygen. Their project is a 26 mile channel (Jacksonville’s is 13 miles). Great Lakes Dock and Dredge, one of the few companies in the country that does this sort of major dredging work, moved some of its equipment from Savannah to Jacksonville to work on our project.

Council Member-elect Michael Boylan asked if the Jaxport staff has benefitted from the growth in business and revenues. Mr. Green said the authority has been very fair and creative with salaries and benefits to attract and retain the best people. There is a lot of longevity among employees at the port. The authority just approved a new contract with the union employees for 3 more years, months before the old contract expired.

Council Member Reginald Gaffney congratulated JPA board member John Newman (former Chair of the board) on the hiring of Eric Green as CEO.

President Bowman thanked Jaxport for a great update, which really keeps the Council informed and will prevent any surprises from occurring.

Meeting adjourned 10:13 a.m.

Jeff Clements, Council Research Division

Posted 5.14.19 3:30 p.m.