



OFFICE OF THE CITY COUNCIL

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COUNCILMAN HOWLAND AND COUNCILMAN LAHNEN JOINT MEETING RE: 2025-0194 INTERLOCAL AGREEMENT

Minutes

**March 14, 2025
9:00 am**

Location: Lynwood Roberts Room

In attendance: Council Members Howland, Lahnen, and Miller

Meeting Convened: 9:00 am

CM Howland called the meeting to order.

He explained that the meeting focused on 2025-0194, which was on an emergency cycle. He said the meeting was called as it involved a significant amount of money from the City, JEA, and Jaxport, and he wanted to provide the press and public time to learn about the project. He added that the bill would go through all the central standing committees.

He explained that his concern was the project's price increasing to \$117 million. He said the City's contribution has changed from \$22.5 million in grants to \$22.5 million in loans. He added that Jaxport owed the City \$7 million for harbor deepening, which will be applied to the City's contribution. He asked what was driving the increase and whether JEA considered rebidding the contract. He also indicated they would talk about a new capital structure for the project.

CM Lahnen suggested starting with an update on the project and the cause for the price increase from \$45 million to \$117 million. He then recommended a discussion of changing funding sources and how overruns will be potentially handled. He explained that the bill was moving as an emergency measure to reduce the risk of further cost increases. He then said they should discuss the business case, indicating it is strong for the project.

Kurtis Wilson, JEA, provided a brief history of the project. He explained that in late 2019/early 2020, Jaxport approached JEA to raise power lines. In September 2020, an engineering report was issued to JEA. He explained that the report was a feasibility study assessing whether the project could proceed. He

said that the City and Jaxport sought funding based on the amount in that report, which was \$45 million. He said in 2023, bids went out from JEA for the construction and design of the project. He said there were four bids that included the feasibility study, the wires, the towers, and another for fiber-optic cables. He said the bid was awarded to Quanta in 2023. He said in May 2024, they were at 30 percent design, and the price came back at \$90 million.

He said they conducted an analysis to identify what was missing from the original study compared with the study completed by Quanta. He said that there were five significant omissions or discrepancies from the original study. Among those, he said that concrete for the structures was not included in the original report, and the crew count and construction timing were inaccurate. He also noted that site access was not accounted for. Each of these was a \$20 million component missing from the original report. He said the remaining \$27 million gap was due to the purchase of materials needed to complete the project.

CM Lahnen asked how confident Mr. Wilson was in the \$27 million materials cost, noting that the City would be responsible if the price exceeded that amount. Mr. Wilson said he was 99 percent confident that prices would hold. He said that any uncertainty would stem from the Trump administration's tariff policies. He said the cabling and towers have already been ordered, so those prices will hold. He said they intend to buy steel components for some bulk materials from an American source. He said they cannot predict which materials or products could face tariffs going forward. CM Lahnen asked for confirmation that the emergency passage was to ensure that the prices associated with the \$27 million portion of the project remain the same. Mr. Wilson confirmed that was correct.

CM Howland asked whether the additional \$27 million would have been applied to the original \$45 million estimate before Quanta priced the project at \$90 million. Mr. Wilson stated that they did not contemplate any purchases with the feasibility study. CM Howland then asked whether they considered rebidding after Quanta returned with a \$90 million price. Mr. Wilson said they did not, as they would not have met Jaxport's December 2026 timeline. CM Howland noted that other companies were capable of completing the project and asked why they were not considered. Mr. Wilson said they sent the bid nationally, and no other companies bid.

CM Miller asked if the three other companies were unable to do the project. Mr. Wilson said that one company scored only three points lower than Quanta, while the other two scored about 20 points lower. CM Miller then asked for the bid prices for each company. Jason Rinehart, also from JEA, explained the scoring matrix for the bids and noted that, at that phase, no prices are associated with the bids. He said they look at the quality of work during the scoring process.

CM Lahnen asked to expand on their RFP process and added that he was under the impression that pricing is part of the consideration. Mr. Rinehart said they have never evaluated pricing for CCNA. CM Howland asked what CCNA stands for. Joey Greive, CFO of Jaxport, stated that CCNA was different than a construction bid. He said CCNA focuses on engineering services and that quality is more important than price. Per his understanding, the State adopted that practice for public facilities to reduce public safety risks by ensuring quality engineering. CM Lahnen then asked if the price negotiations occur after a bid is selected; Mr. Grieve confirmed that this was correct.

CM Lahnen asked whether anyone could elaborate on the referenced state law. Kim Taylor from the Council Auditor's Office said that procuring external auditors followed similar guidelines, in which quality was a larger component of the scoring matrix and pricing was negotiated after quality was

assured. Mary Staffopoulos from the Office of General Counsel explained that CCNA is not used as much as one would expect and confirmed that everything said about the project bidding was correct. She added that if the price negotiations are unsuccessful, they can move to the next-highest-ranked bid for the project.

CM Howland noted that JEA was able to compare Quanta's rates afterward and asked how that was accomplished. Mr. Rinehart said they had historical data from other engineering firms. CM Howland asked whether the price was scored. Mr. Rinehart said that he did not believe price was considered. Sebastian Chmist also confirmed that price consideration is not allowed. He also stated that they advertised it as a design-build project rather than a traditional project because it was too risky.

CM Miller asked if the same people involved in the bid were also involved in the feasibility study that priced the project at \$45 million. Mr. Chmist said that the \$45 million estimate came from a consultant hired as a third party before the project started. He said once they reached 30 percent design, they looked at options to reduce the price. He stated that they reviewed five alternatives and determined that the current direction was the most cost-effective. He said that, beyond the feasibility study, the team has remained the same across all phases of the project.

Mr. Wilson clarified that they used a vendor already under contract for the feasibility study and that everything done after the fact was not performed by that vendor. CM Lahnen asked whether they still use that vendor, and Mr. Wilson said they do not and are not allowed to bid on these projects.

CM Howland asked whether there was any value in approaching Forbes to determine their price. Mr. Wilson said that Quanta was awarded in 2023 and that it took eight months to reach 30 percent design, with weekly and monthly meetings for deliberation. He said that they were able to reduce the price from its original amount. Ms. Staffopoulos added that under the CCNA, negotiations with the top-ranked firm must cease before proceeding to the next-highest-ranked firm.

CM Lahnen summarized the discussion to date and asked whether that was a correct characterization; Mr. Wilson affirmed. CM Lahnen then said he would be concerned about going to another firm that would offer a new price likely higher than the current one, which was the reason for the emergency in the first place. He said he was good with where they were and ready to move on. CM Howland also said he was satisfied.

The panel then moved on to a discussion of project funding. Mr. Freive provided an update on their position regarding funding under a tri-party agreement. He said the original \$45 million comprised \$22.5 million from the state and \$22.5 million split between the City and Jaxport. The City would provide four years of grants totaling \$10 million and a \$12.5 million loan to the Port, to be repaid over the next 10 years at 3.5 percent interest.

The current proposal reflects the new cost with JEA contributing \$32.5 million and Jaxport increasing its contribution to \$32.5 million. He said the City is being asked to consider changing its \$10 million contribution and \$12.5 million in loans to \$22.5 million in grants. To protect the City's interests, it was suggested that each of the City's funding commitments be placed at the back end of the project's three fiscal years. He explained that for the first two years, the project would receive \$10 million, which reflects the original grant amount the City would have contributed. He said the loan, which would be converted to a grant, would be allocated to the project in FY 2027. He said there is also a \$5 million

contingency, originally a revolving line of credit, that would be accessible only if the project exceeded \$117 million. He said there was confidence the price would not change, as most purchases had already been initiated and the \$90 million had already been locked in with the contractor. He said if there were any price increases, the \$5 million would be disbursed as a grant. He said that anything over \$122 million would be covered by Jaxport and JEA.

He noted that there will be \$15 million in harbor deepening savings. He explained that in 2018, the City, Jaxport, the State, and the federal government contributed funds for harbor deepening to attract more international business. He said the project came in under time and under budget, and the savings could be attributed to the City's or Jaxport's share of the project.

CM Lahnen said he is largely satisfied and noted Jaxport would cover half of the \$52 million increase. He also stated that they were not expected to receive any repayment within five years because the City's contributions were classified as loans, so converting them to grants was essentially neutral.

CM Howland noted that part of the funding transferring from loans to grants includes about \$6 million on Jaxport's balance sheet as payable to the City but not labeled as a receivable for the City. He said it should probably have been clawed back at some point over the past two years because it was underspent on the harbor deepening, and the original agreement required that money to be returned to the City. He said the losses in the five-year plan were likely overstated due to this phenomenon. He said it is now part of the project funding and asked whether that was a correct characterization. Ms. Taylor clarified that because they issued debt on the money coming back, it could have been used on another project or to pay down debt, but it would not have gone back to reserves.

CM Miller asked when that money would ultimately return to the City if not requested. Ms. Taylor said they look at the independent authorities' budgets as part of their annual review and would bring that to the Administration and Council. She said they knew the funds could be used for the project and assured them they were always asking about cases like this. Ms. Taylor also noted that the harbor deepening project closed only last week, which was one reason the funds remained with Jaxport. Mr. Greive affirmed Ms. Taylor and provided more details on the closing out of that project and said they were in constant communication with the Council Auditor's Office throughout that process.

Mr. Greive then discussed the project's return on investment. He stated that the international shipping community accounts for tens of billions of Jaxport's \$44 billion economic impact, and he expects that to grow over time. He said the community has already spent more than \$760 million on harbor deepening projects to prepare the channel to accommodate larger ships. He said in meetings with international shipping entities, they are often asked when the power lines will be raised to accommodate larger vessels. He said many of the global cargo ships measure around 14,000 TEU (twenty-foot equivalent units). He said the ships are getting bigger because it is more efficient to have one vessel carry more cargo, and that if they do not raise the lines, Jacksonville becomes less relevant for shipping.

He said the project's ROI is 2.9, with the \$117 million community investment generating roughly \$340 million in state and local taxes over the next 30 years, assuming a 7 percent discount rate. He added that if they could add just one more weekly service to Jacksonville with 250,000 annual TEU, the ROI would jump to 4.2.

He continued, explaining that Jaxport's mission is to create jobs and economic impact. He also said they have increased their economic impact from \$33 billion to \$44 billion, demonstrating they are moving in the right direction. He said this project will enable Jacksonville to become a stronger economic engine for Northeast Florida and the Southeastern United States.

CM Miller asked Mr. Freive to comment on how shipping companies may choose to use ports such as Savannah or Charleston if they cannot move larger ships through Jacksonville. Mr. Freive said that shipping companies also determine the most cost-efficient option, and in many cases, it may be cheaper for them to use larger ships at ports in Savannah and Charleston and pay the extra trucking fee than to continue using smaller vessels in Jacksonville.

CM Lahnen said that if they could secure one additional vessel stream for Jacksonville, that would be a strong enough business case for him. He said they are confident they will see it happen as early as 2027 if the project proceeds as expected.

Public Comment

John Nooney said he supports the project and asked if there would be public access at the location.

Final Comments and Discussion

CM Howland stated he supported the emergency and the bill. He said money will not come easily from the City, but good projects will be funded if possible.

CM Lahnen said he planned on co-sponsoring the legislation and thanked all those involved.

CM Miller thanked his fellow Council Members.

The meeting was adjourned.

Meeting adjourned: 10:00 a.m.

Minutes: Brandon Russell, Council Research
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