

Ocean Highway & Port Authority

SPECIAL MEETING

Robert Sturgess – Commissioner, District 1
Danny Fullwood – Commissioner, District 2
Adam Salzburg – Chairman, District 3
Carroll Franklin – Vice Chairman, District 4
Lissa Braddock – Secretary/Treasurer, District 5

Minutes

August 3, 2018

The Ocean Highway and Port Authority of Nassau County held a special meeting on Friday, August 3, 2018 at the office of Attorney Clyde Davis at 960185 Gateway Blvd, Ste.104, Fernandina Beach, FL.

The meeting was called to order at 4:38 PM by Chairman Salzburg.

The invocation was given and Pledge of Allegiance was led by Chairman Salzburg. Roll call was conducted by Ms. Amergian. Present were Commissioner Braddock, Commissioner Franklin, Commissioner Fullwood, and Chairman Salzburg. Commissioner Sturgess was not present. Also present were Mr. Clyde Davis, Attorney for the Board; and Ms. Laura DiBella, Port Director; and Mr. Chris Ragucci, Port Operator.

The only item on the agenda was consideration and potential approval of a contract to purchase a replacement crane for the Port of Fernandina. The proposed contract is with Liebherr USA, MCCTEC Division – Maritime Cranes. It is for the purchase of one (1) used 2005 Liebherr harbor mobile crane; Type: LHM400, manufactured in 2005, and having approximately 31,000 operation hours. The purchase price is \$1,629,024.00.

Chairman Salzburg recognized Mr. Ragucci to discuss the crane and the contract. Mr. Ragucci explained that time was of the essence as this particular crane is highly sought after and it meets the criteria that Nassau Terminals has been searching for – deliverable mid-October, and purchase price under \$2 million. The particulars of the contract are: \$1,649,024 purchase price, crane will be delivered as a whole unit, brand new 20-40' twin pick Bromma spreader, two (2) brand new wire ropes and installation of the ropes, brand new Mercedes Benz engine. The steel structure and boom has been inspected by Liebherr and the report is included in the contract. Stan Harrington will also travel to Belgium to inspect and demo the crane on behalf of the Port. Additionally, the crane has a relatively small footprint of 40' and outrigging. The Engineer verified the load weight and dock support; he recommended larger plates on the dock to support the crane. These plates are included in the purchase price.

Commissioner Fullwood inquired as to why the crane is for sale. Mr. Ragucci explained that the crane is an older series model, built in 2005, but it is being sold by the manufacturer, after being leased by Europort. There is no overall warranty on the crane but Mr. Ragucci is checking to

see if there is a factory warranty on the brand new Mercedes Benz engine. Attorney Davis explained that the crane is being offered as is and we can go inspect the crane once a down payment of \$100,000 has been made; Stan Harrington will be doing the inspection in Belgium. An extra week of training was purchased (two weeks total) and is included in the purchase price. The first week of training will be at the Port and the second week will be on the simulator at the Liebherr headquarters in Miami, Florida and all crane operators will be attending. There was also a survey done on the steel structure (boom, etc.) and it has been certified that the repairs that were made and the structure is fine. Photographs show that the crane is in very good shape.

Mr. Davis brought into the discussion the issues in the contract that the Commissioners needed to know. He explained the INCOTERMS chart, which charts out who is responsible for paying for the items. The ocean freight is being charged to the Seller. Unloading of the ship carrying crane and terminal charges are being charged to the Buyer (OHPA.) Mr. Davis asked Mr. Ragucci about Nassau Terminals incurring costs, and what additional charges does OHPA need to pay once the ship docks? Mr. Ragucci explained, as he understood the contract and as it was explained to him, that the Seller is covering the shipping costs, which is built into the contract price, and there will be no cost to OHPA as the customary port charges will be waived by Nassau Terminals.

Chairman Salzburg pointed out a change from his last read on page 4, Article 6(b) in the contract:

“Seller is responsible for discharging cranes at wharf and purchaser is responsible for making it available for arrival and discharge. Purchaser agrees to furnish suitable cranes and other material handling equipment at the erection site in order to complete the assembly of the Crane.”

He pointed out that the crane is coming fully assembled so there is nothing to erect and Mr. Ragucci concurred and stated that Nassau Terminals would be responsible for any forklifts, etc. necessary. Chairman Salzburg also discussed that the Seller is responsible for procuring the test weights necessary to perform the required certification. Mr. Ragucci explained that the Seller will be renting the test weights locally and that cost will be paid for by the Seller.

Article 9(a) on Page 7 was discussed by Mr. Davis. Mr. Ragucci pointed out that the contract was “boiler plate” and there were a few inconsistencies that needed to be corrected. Mr. Davis concurred and the terms need to be clarified.

Mr. Davis brought up a concern of Commissioner Sturgess, who was unable to attend the meeting but talked with Mr. Davis on the telephone. In regards to the Arbitration location, Commissioner Sturgess would like to have it changed from Delaware to the Fourth Judicial District, which is Nassau, Clay, and Duval counties. Commissioner Franklin concurred with that change. Mr. Davis asked Mr. Ragucci to have that changed in the contract. Chairman Salzburg asked about any arbitral issues prior to the crane shipping and concurred that specifying the Fourth Judicial District is the language to be used in the contract.

The crane is insured by the Seller until it reaches Nassau Terminals dock. Mr. Ragucci will contact Harden Insurance to get a quote for the insurance to cover the crane once it is unloaded at the Port, although the crane needs to be "binded" with insurance once it has shipped. This insurance figure will need to be included in the 2018-2019 budget. OHPA will be charged for the insurance for the owner's portion, much like the property insurance. It is less expensive to bill through Nassau Terminals and reimburse them through their policy, rather than a free-standing policy for OHPA.

Commissioner Fullwood asked about financing and the down payment. The crane will not be shipped until 80% of the purchase price has been paid. The logistics are that the first payment of \$100,000 is needed in two weeks. The contract states that an additional payment of \$380,000 is needed to arrange shipping of the crane. It would take approximately two months to arrange for the specialized ship to be booked and ready to load the crane. If OHPA is not ready for the second payment of \$380,000 and shipping is delayed, additional shipping costs will be incurred. Before the crane is loaded onto the ship, \$950,000 will be needed to "lift the crane" off the Seller's dock to the ship.

There is a two-week window to secure financing. One possibility of financing is a four-month bridge loan. Various financial institutions will be solicited; a meeting with First Federal of Florida Bank will be set for early next week. Mr. Ragucci is talking with Synovus about a refinancing package and introduce the crane financing need. One issue with securing bank financing may be that most banks need a full year of audited financials and currently Nassau Terminals is in the sixth month of operation. FDOT will not reimburse any of the funds for the crane until the crane shows up on the dock. The plan is that the loan will be paid back with FDOT funds within six months. Laura DiBella will explore the federal side for financing but timing is an issue; she also sending an inquiry to a private investor. The loan can be collateralized based on the contract.

Chairman Salzburg asked about "worst case scenario" being that the contract is signed and OHPA is unable to secure funding in the time allotted. Is the contract then deemed voided with no financial implications? Mr. Davis explained that a cover letter will be included with the signed contract explaining that the funding commitment through the Legislature of the State of Florida (60% of purchase price available when the crane is delivered to the dock and 40% remainder when the crane is certified – which is a 3-day span.) After delivery of the crane to the Port, the contract states that the final payment is due within two weeks. Laura DiBella explained that the statute states that the turnaround time is no more than 45 days for reimbursement.

Chairman Salzburg again asked that if the contract is executed and OHPA is unable to obtain financing, is there "no harm no foul?" Mr. Davis replied that not necessarily. He will include the cover letter stating that the contract is contingent and subject to interim financing and that Chairman Salzburg will edit the contract and initial, changing the arbitration located to the Fourth Judicial Circuit.

Motion by Commissioner Fullwood to borrow \$1.65 million for the purchase of One (1) used Liebherr harbor mobile crane. Motion seconded by Commissioner Franklin. Motion carried unanimously

Motion by Commissioner Franklin to execute the contract with contingency letter to be written by Attorney Clyde Davis. Motion seconded by Commissioner Fullwood. Motion carried unanimously.

Mr. Ragucci expressed his frustration in dealing with the timing of the grant from FDOT and had a conversation with them to ask if there was any way to make an exception and advance the grant so there is no risk of the deal falling through. He pointed out that OHPA is in a unique situation because it is a small organization, unlike the Port of Jacksonville, and does not have the capital to layout a major acquisition. Chairman Salzburg stated that he hoped that OHPA will not be in that position much longer due to the influx of business that Nassau Terminals is bringing into the Port.

Meeting adjourned at 5:51 PM.

Adam Salzburg
Chairman