

Need for Alternative Port Financing Post-Panama Canal Deepening

*Presentation to:
WEDA Eastern Chapter Regional Workshop
October 10, 2012*

*David J. Miller, President
David Miller & Associates, Inc.*

Organization of Presentation

- Why is Alternative Financing Needed?
- Current and Future Federal Project Backlog
- Strategies for Successful Prioritization
- Alternative Funding Options

Need for Alternative Financing

- Uncertainty in Federal funding
 - Funding uncertainty (authorization, appropriations, earmarking restrictions)
 - Schedule uncertainty (time needed for project development, authorization)
- Competition for and limitations on Federal funding
 - Study funding - pipeline
 - Construction funding
- Mismatch in timing requirements: Port capital improvement plan requirements versus Corps Project Development schedule
- Accelerated requirements due to Panama Canal deepening

Federal Financing Questions

- How do we reduce these uncertainties and make availability of funding, timing of funding, and project development schedules more reliable? Can we? Who is the “we”?
- If we can’t reduce these uncertainties, what are the alternatives to the traditional Federal funding model?
- Already, the majority of port improvement costs are borne by the non-Federal sector (local government and private industry)
- Given uncertainties in the delivery and timing of Federal funds, what is/should be the role of the Corps of Engineers in the future?

Federal Financing Questions

- Should Corps and Congressional procedures and processes continue to drive navigation project development in the U.S.?
- The Federal review & approval process is much more focused on weeding out projects and reducing burden on Federal appropriations, rather than expediting needed projects to construction.
- Should port widening and deepening continue to be a Federally driven process? Is there a better model?

Port Canaveral, FL Section 203 Case Study

- Section 203 Study started 2005, approved by CWRB October 3, 2012
- 7 years: Initiation of Planning to successful CWRB
 - Technical Studies completed in 2 ½ years
 - 18 months getting Thomas Amendment exception request approved by ASA(CW)
 - 2 years getting approval for cruise ship benefit methodology
 - 18 months reviews (ATR, cost, models, HQ)
- During this time frame, Port Canaveral built ICCO (\$20 m of \$60 m)
- Just received \$24.4 m in funding from State and \$8.1 m from Port to construct balance of project
- Projected to start in July 2013, complete in late 2014
- Will attempt to receive authorization (WRDA 2013) and obtain retroactive Federal funding / credit (at least Federal assumption of maintenance)

Status of Corps of Engineers US East Coast Deepening Projects

- 7 Projects under construction
- 4 Projects in PED
- 5 Projects in Feasibility Phase



USEC Project Funding Requirements

Project	Cost (or cost remaining) in \$ millions			Start	Finish	Incremental Annual Maintenance (\$000s)	Remaining Construction Costs
	Total Project First Costs	Federal Cost	Non-Fed Cost				
Jacksonville - 50 foot	\$ 500.0	\$ 312.5	\$ 187.5			??	
MilePoint	\$ 36.0	\$ 27.0	\$ 9.0			??	
Port Everglades	\$ 225.0	\$ 140.6	\$ 84.4			??	
Port Canaveral	\$ 41.7	\$ 26.5	\$ 15.2	Jul-13	Sep-14	\$ 69.5	
Miami Phase 3*	\$ 171.0	\$ 94.0	\$ 77.0		Dec-14	??	\$ 171.0
Tampa	\$ 40.0	\$ 30.0	\$ 10.0			??	
Savannah	\$ 579.0	\$ 410.0	\$ 169.0			\$ 5,027.5	
Palm Beach Harbor, Lake Worth Inlet	\$ 50.0	\$ 37.5	\$ 12.5			??	
Charleston	\$ 300.0	\$ 150.0	\$ 150.0			??	
Craney Island	\$ 869.6	\$ 434.8	\$ 434.8	2010	2026	??	
Delaware River*	\$ 185.0	\$ 115.6	\$ 69.4	Jul-10	Jun-15	\$ 5,500.0	\$ 185.1
NYNJ Harbor*	\$ 110.0	\$ 69.9	\$ 40.1		Jun-13	\$ 5,044.0	\$ 110.0
Boston Harbor	\$ 301.0	\$ 191.2	\$ 109.9	Jan-14	Jan-17	\$ 213.0	
Total (Rounded)	\$ 3,410.0	\$ 2,040.0	\$ 1,370.0			\$ 15,900.0	

Obama Administration “We Can’t Wait” Initiative

- Port of Jacksonville, FL
 - Deepening (40-50 feet) – Expedite completion of studies
 - Jacksonville Intermodal Container Facility – TIGER grant + Expedite completion of permits
- Port of Miami, FL Deepening – Expedite Federal reviews
- Savannah Harbor – Expedite Federal reviews
- New York / New Jersey Harbor
 - NYNJ Harbor Deepening – Expedite final reviews
 - Bayonne Bridge – Reduced permitting time
- Charleston Harbor (45-50 feet) - Expedite Feasibility Study

**Note: Commitment is to Reducing
Administrative Delays, not Increasing Funding
Is It Prioritization or Is It Rationing?**

Recent Corps CG Budgets for Coastal Navigation

- FY 2013 Civil Works Budget - \$151 million
- FY 2012 Civil Works Budget - \$117 million
- Corps of Engineers CW Program Five-Year Development Plan for FY 2011 to 2015 is showing flat to declining levels of CG Coastal Navigation Funding

Bottom line: \$2+ billion in CG requirements just for USEC vs. \$120-\$150 million in annual CG funding nationally

How will we meet the shortfall?

Administration's General Legislative Interests

- 1) “Manage aging infrastructure and recapitalization including alternative financing
- 2) Increase more non-federal cost share
- 3) Accept more non-federal dollars to accomplish authorized work”

Innovative Project Implementation & Financing Approaches

- Investigations
 - Section 203 WRDA 1986 (Port performs)
 - Contributed Funds Agreements (Corps performs)
- Design
 - Section 221 WRDA 2007 Partnership Agreements
 - Corps performed & sponsor funded (Section 204(b) WRDA 1986)

Innovative Project Implementation & Financing Approaches

- Construction
 - Status Quo – Project Delays & Deferrals
 - Alternatives to the Status Quo:
 - Project Prioritization (OMB BCR of 2.5 at 7.0% discount rate) - **Rationing**
 - Project Segmenting (since WRDA 2007 Section 2001 prohibits “excess contributions”)
 - Non-Federal Construction (Section 204(d) WRDA 1986) with or without reimbursement (Section 204(e))
 - Tiger Grant – like Programs

Steps Forward

- Maritime Industry must take a leadership role in promoting & publicizing the need for port & harbor infrastructure funding
- Recognize that continued reliance on Federal funding for the majority of project costs is no longer viable and move on to more realistic alternatives
- Communications with White House Navigation Task Force to promote development of a more nimble and flexible project development process
- Public education, communications, and advocacy
- Develop innovative financing strategies focused at the State and Local Levels & private sector

For More Information, contact:

David J. Miller, President
David Miller & Associates, Inc.
703-255-1300
dmiller@dma-us.com
<http://dma-us.com>