

**Draft Meeting Minutes  
Triumph Gulf Coast, Inc.  
Walton County Commission Chambers  
571 US Highway 90 East  
DeFuniak Springs, Florida  
December 7, 2018  
10:30 a.m. CT**

**Members Present:**

Allan Bense  
Pam Dana, Ph. D  
Don Gaetz, Chair  
Ben Lee  
Stephen Riggs, IV, Treasurer  
Jason Shoaf

Chair Don Gaetz called the meeting to order at 10:30 a.m., CT. He announced the Executive Director Susan Skelton was unable to attend due to family health emergency. He noted that Mr. Ben Lee would be attending by telephone. He thanked the Walton County Commission for allowing Triumph Gulf Coast to hold its meeting in their chambers and announced that it is the intent of the Board to hold its next meeting in Gulf County.

Program Administrator Cori Henderson called roll and announced the presence of a quorum.

The Minutes of the September 12, 2018 Board Meeting were reviewed. **Mr. Allan Bense made a motion to approve the minutes. Dr. Pam Dana seconded the motion. The minutes were adopted by unanimous consent.**

The Minutes of the October 23, 2018 Board Meeting were reviewed. **Mr. Jason Shoaf made a motion to approve the minutes. Mr. Lee seconded the motion. The minutes were adopted by unanimous consent.**

Treasurer's Report

Mr. Stephen Riggs, IV, presented the October and November Financial Statements. He noted that the financial statements for the two months are consistent with each of the previous months. He explained that each month's earned interest is remitted to the Department of Economic Opportunity and may eventually be given back to Triumph Gulf Coast for use pursuant to statute.

**Dr. Dana made a motion to adopt the October 2018 Financial Statement. Mr. Bense seconded the motion. The October 2018 Financial Statement was adopted by unanimous consent.**

**Dr. Dana made a motion to adopt the November 2018 Financial Statement. Mr. Shoaf seconded the motion. The November 2018 Financial Statement was adopted by unanimous consent.**

Mr. Riggs reported that the IRS Determination Letter designating Triumph Gulf Coast, Inc., as a non-profit corporation.

Mr. Riggs reported that work is ongoing to establish a formal Compliance Monitoring Process and that Ms. Henderson is in discussions with the Department of Economic Opportunity about ways that Triumph Gulf Coast can work with the department to match their process and to use their institutional knowledge in determining what level of review will be appropriate. In addition, staff and Mr. Riggs have had initial conversations with an architect to determine what types of construction management reviews will be appropriate for infrastructure projects. Chair Gaetz asked if we would be using the state agency compliance mechanisms when available. Mr. Riggs said that wherever appropriate, it would be his intent to “piggyback” with state agencies but would need someone independent in cases where other agencies are not involved. He noted the importance of this process both in contract compliance, but also with Auditor General reviews. Mr. Lee said that having an expert available to review blueprints and construction management procedures is very important.

#### Staff Report

Chair Gaetz turned the gavel over to Mr. Scott Remington, Legal Counsel, to conduct the annual Election of Officers (Chair, Vice-Chair, Treasurer, Secretary) required by the corporation’s Bylaws. Chair Gaetz noted that the terms of office are to commence in January 2019.

Mr. Remington asked for nominations for the office of Chair. Mr. Bense nominated Mr. Gaetz to serve another term. The nomination was seconded by Dr. Dana. There being no further nominations, Mr. Remington called for a vote on the nomination. **Mr. Gaetz was re-elected as Chair by a vote of 5-0 with Chair Gaetz abstaining.**

Dr. Dana nominated Mr. Bense for the office of Vice-Chair. The nomination was seconded by Mr. Shoaf. There being no further nominations, Mr. Remington called for a vote on the nomination. **Mr. Bense was elected as Vice Chair by a vote of 5-0 with Vice Chair Bense abstaining.**

Chair Gaetz nominated Mr. Riggs for the office of Treasurer. The nomination was seconded by Mr. Bense. There being no further nominations, Mr. Remington called for a vote on the nomination. **Mr. Riggs was re-elected as Treasurer by a vote of 5-0 with Mr. Riggs abstaining.**

Chair Gaetz indicated that for the past year, the Board had elected Ms. Skelton as Secretary, consistent with the Bylaws, as she is the de facto keeper of all Triumph Gulf Coast records. He nominated Ms. Skelton for the office of Secretary. Dr. Dana seconded the nomination. There being no further nominations, Mr. Remington called for a vote on the nomination. **Ms. Skelton was re-elected as Secretary by a unanimous vote (6-0).**

Mr. Remington then turned the meeting back over to Chair Gaetz. On behalf of the members of the Board, Dr. Dana and Mr. Bense thanked the Chair for his past leadership.

Chair Gaetz reported that the December 2018 Semi-Annual Report to Governor and Legislature is being drafted and perfected by staff and legal counsel. He asked permission to make final edits prior to making the report available to the current and incoming Governors, the presiding officers and members of the Northwest Florida delegation by December 31. **Mr. Shoaf made a motion to allow Ms. Skelton, legal counsel and the Chair to make final edits to the report prior to its delivery at the end of December. Dr. Dana seconded the motion. The motion was adopted by unanimous consent.**

Chair Gaetz provided Ms. Skelton's report which included a request for an adjustment to the Digital Boardwalk Payment Authorization Amount - "Due to an adjustment in security and encryption services, we have exceeded the amount which management is authorized to pay for Digital Boardwalk Service. We need a motion to increase the authorized payment to \$850. Per month. The actual invoice is \$824+ but in order not to have this situation in the future, we would like authorization up to \$850. This request is made with the approval of our CPAs and is necessary to pay our January 2019 invoice and future invoices." **Mr. Bense made a motion to increase the monthly authorized payment amount up to \$850. Mr. Riggs seconded the motion. The motion was adopted by unanimous consent.**

Chair Gaetz noted that Ms. Skelton reported that all audit requests have been completed and that staff is now waiting for any further questions and anticipate closing out the audit soon, however we are at the mercy of the Auditor General's staff schedules as they are doing several audits at once. At this time, we don't anticipate any major concerns, but assume there will be process recommendations as this is their job. Mr. Bense asked Mr. David Tipton, Triumph Gulf Coast's CPA, if the Auditor General was interfacing with his office and if everything seemed to be proceeding appropriately. Mr. Tipton replied that the Auditor General was interfacing with his staff and that everything seemed to be going well. He said that he was not aware of any operational concerns that had been expressed to date.

Chair Gaetz said that responses to Triumph Gulf Coast Post-Hurricane Letter from Bay, Franklin, Gulf and Wakulla Counties have been received. He provided Ms. Skelton's report on those responses:

Susan Skelton spoke with either the County Administrator or the person designated to speak on behalf of the County Commission by the County Administrator in each of the four counties.

Bay – County Manager Bob Majka indicated that the BOCC would address the Triumph offer to reprioritize proposals at the December 18 meeting. He said that while there may be some need for assistance with ad valorem deficits, it was too early to determine what that need might be and that it would be important for the county to continue to focus on very real current and future economic development proposals that will provide long term transformation for the county.

Franklin – County Commission has sent a letter (in packet) but indicates continued support for the Franklin County School District proposal (#157) on which the Board has already entered into Term Sheet negotiations.

Gulf – BOCC has submitted a pre-application (#166) in response to the Board's letter and has taken action at its last meeting to rescind the request for the Dry Dock (#27). In speaking with Commission Chair Sandy Quinn and Warren Yaeger, the feeling is that there will be a need for assistance with ad valorem replacement, but it is not yet clear how much might be needed and whether the State of Florida will assist with such shortfalls. The pre-application is a combination of Gulf County, Gulf County School District and City of Port St. Joe for a multi-year period and at this point does not include real numbers for the losses. Those numbers will not be available until the Property Appraiser completes the new assessment roster. Skelton has been in contact with legislative staff to determine what might be included in a relief package, but those determinations have not yet been made at the state level. Gulf County continues to support the Gulf County School District proposal (#153) on which the Board has already entered into Term Sheet negotiations.

Wakulla – County Administrator David Edwards indicated that the BOCC would be taking up staff recommendations for the reordering of the county's priorities at its December 3 meeting. The BOCC did meet and has shifted its priorities towards emergency response and sheltering requests as a result of the identified public safety shortfalls that occurred prior to, during and after the hurricane. The letter received from the BOCC indicates that the County will be having a workshop in February to revisit other proposals for the county.

Mr. Shoaf said that he had never seen such good responses from local governments in the affected areas. He said that several elected officials in the counties would be coming forward with final lists as recovery efforts are better defined.

Chair Gaetz thanked Mr. Bense for the work that Rebuild 850 is doing across the region. He asked Mr. Bense to explain how Triumph and his organization could continue to help. Mr. Bense said that from Panama City towards the East is basically a "war zone" while areas to the West are not quite as bad. He thanked Gulf Power for the work

that was done to restore power. He said the area still doesn't have regular phone service or internet service, Bay Medical Center has just announced a layoff of 800 employees and the Panama City Mall has closed. He said the need for economic development and recovery is critical. Rebuild 850 is collecting money and volunteers through Volunteer Florida to provide assistance through organizations such as the Salvation Army, United Way, Red Cross and others for the region. He said donations are flowing in from around the state. All contributions are welcome to help the citizens of the region. Mr. Bense said that he was thankful and proud of the work that was done by Bay County and all of the local governments and touched by all of the volunteers that showed up from all over the country to help his community.

Chair Gaetz noted the importance of everyone continuing to work together to assist the region. He said that the legislature will be looking at ways to help, and Triumph Gulf Coast continues to work with the counties to do what we are able to do within the statutory constraints to provide assistance. Mr. Lee concurred with the comments of Mr. Shoaf and Mr. Bense in thanking everyone who has participated in rebuilding these communities. He said that the school system has over 3000 students currently classified as homeless, and over 30% of the students have not returned. He said that insurance checks are beginning to come in and plans for rebuilding are being made to bring the region back stronger than ever. Chair Gaetz noted the importance of bringing the types of high paying jobs that Triumph Gulf Coast supports back to these communities.

#### Legal Report

Mr. Scott Remington was recognized to provide a review of Term Sheet Negotiations for Proposal #153 - Gulf County School District – Unmanned Systems for \$750,000. Mr. Remington reported that negotiations with the school district have been successful and that terms have been agreed to. He outlined the purpose of the grant and the amounts of funds to be disbursed over the period of the grant and explained the performance metrics that would be required under the terms for a grant award. He said there is 100% clawback provision for failure to meet at least one of three described performance metrics. Chair Gaetz noted that Gulf County continues to support this proposal even after the impacts of the hurricane. Mr. Shoaf said that he thinks that these types of programs are critically important to our rural communities and provide hope to the students and their families of a future career without incurring large amounts of student debt to receive the training needed to have such a career. He said it was personally important to him to see these programs succeed. **Dr. Dana made a motion to approve, consistent with the staff recommendation, the Term Sheet for Proposal #153 – Gulf County School District – Unmanned Systems for \$750,000, and for staff and counsel to move forward to finalize a contract with the school district for this proposal. Mr. Shoaf seconded the motion.** Chair Gaetz asked if there was any public comment on the proposal. There was no public comment on the proposal. **On a roll call vote, the motion was passed (6-0.)**

Next, Mr. Remington provided a review of Term Sheet Negotiations for Proposal #157 - Franklin County School District – Franklin Environmental Career and Technical Training

for \$2,327,322. He reported that negotiations with the Franklin County School District had been successful and that terms have been agreed to. He gave an overview of the terms and the amounts of funds to be awarded and explained the performance metrics that are to be required under the terms for a grant award. As in other grant awards, there is a 100% clawback provision for failure to meet at least one of the three performance metrics agreed to in the Term Sheet. Dr. Harper noted that the cost per certificate would be just below \$3000 per certificate and within the parameters set by earlier proposals in rural counties. Dr. Fuller said that Franklin County Schools are currently running a program that allows high school students to graduate simultaneously with an Associate degree from a state college. He said 20% of this year's class will graduate with both degrees. He said he had hoped to get that program into the agreement as a bonus but did not want to include it as a metric at this point. Chair Gaetz said he would like to see the contract including a metric in this area. Chair Gaetz asked if there was anyone from the public who wished to speak on the proposal. **Mr. Shoaf made a motion to approve, consistent with the staff recommendation, the Term Sheet for Proposal #157 – Franklin County School District – Franklin Environmental Career and Technical Training for \$2,327,322, and for staff and counsel to move forward to finalize a contract with the school district for this proposal. Mr. Bense seconded the motion.** Chair Gaetz asked if there was any public comment on the proposal. There was no public comment on the proposal. **On a roll call vote, the motion was passed (6-0.)**

Chair Gaetz said that the City of Pensacola has sent a letter to the Board regarding the status of Proposal #120 – City of Pensacola Airport MRO Aviation Campus for \$56,000,000. He recognized Mr. Grover Robinson, the newly elected Mayor of the City of Pensacola to discuss the proposal. Mayor Robinson told the Board that the transitions of both the local government and the state government are causing some slowdowns in the effort to get funding commitments finalized. He said the City recognizes the importance of securing the funding for the proposal in a timely manner and has 80% of the commitments in place. He said the remaining 20% is at the state level and because of the transition the City is requesting an additional 60-90 days so that work can be done with the new administration to keep the project moving forward. He said that he has met with the company and it continues to be excited about the project. He said that design preparations for Hangar 2 have begun in order to keep the project on schedule. Mr. Shoaf asked exactly how much time he was asking for. Mayor Robinson said that 90 days would be very much appreciated. **Mr. Riggs made a motion to extend the deadline for commitment of funding from the City to March 31, 2019. Mr. Shoaf seconded the motion.** Chair Gaetz asked if there was any public comment on the proposal. There was no public comment on the proposal. **There being no objection, the motion was adopted by unanimous consent.**

Mr. Remington reported to the Board that a renewal for the Directors and Officers Insurance Policy was due and after researching costs for such a renewal, he was recommending a motion to allow the Chair to apply for and execute a renewal agreement for the same premium amount as the previous year's policy for the upcoming year. He noted that the annual premium is \$15,568 for \$1 million of coverage for

Directors and Officers and \$1 million for employment liability. **Mr. Bense made a motion to authorize the Chair to renew the agreement. Mr. Riggs seconded the motion. There being no objection, the motion was adopted by unanimous consent.**

#### Program Administration Report

Ms. Henderson gave the Program Administrator's Report and noted that based on the activity surrounding the work on the City of Pensacola Airport proposal, other related industry companies are showing interest in moving to the area. She reported that the Port of Panama City was moving forward in its recovery efforts post hurricane, that the City of Apalachicola has asked to suspend negotiations on its Term Sheet until after the first of the year so that it can fully assess damages before moving forward, Haney Technical Center will know more about its ability to move forward after the first of the year and the Bay Youth Summer Work project is on hold while its principals continue storm recovery. She said that in addition to working with the compliance process, staff continues to work on formalizing the disbursement process. She reported on the number of applications received and noted that applicants that score lower than a B in the economic analysis review continue to be notified of that review. Mr. Bense asked about the Casa Laxmi proposal, which was determined not to be eligible for funding based on statutory considerations. He said he hoped that there could be a way to work with the organization which plans to bring a \$97 million investment project to Bay County to build a private educational institution in the community. He asked staff to continue to work with the group to see if there were other approaches to their funding request that might be able to meet the statutory test. Staff agreed to discuss possible approaches with the applicant. Dr. Rick Harper said that while the project is a good economic development proposal, it did not address the workforce skills educational model adopted by the Board. He said that because it was private infrastructure, it did not meet the statutory requirements. Chair Gaetz asked staff to report back to Mr. Bense after reaching out to the applicant. **Dr. Dana made a motion to adopt the Program Administrator's Report. Mr. Lee seconded the motion. There being no objection, the motion was adopted by unanimous consent.**

#### Economic Advisor's Report and Recommendations on Proposals Under Review

Chair Gaetz called on Dr. Harper to review Proposal #55 – Eastern Shipbuilding Group, Inc. – Manufacturing and Haul Out Facilities for \$20,025,000. Dr. Harper gave a brief overview of the proposal for improvements to the Nelson Street Shipyard to enhance the capability to deliver the current and future possible contracts with the U.S. Coast Guard for offshore patrol cutter vessels to retain the contracts and incumbent jobs in Northwest Florida. He said that the request for Triumph Gulf Coast funding represents approximately 27% of the overall cost of the project. He said that the company anticipates 900 full time positions at build out. The cost per job would be \$22,000. Staff rates the proposal as an "A" from an economic impact perspective but notes that further legal issues may need to be resolved to the satisfaction of the Board. Mr. William Harrison, Counsel for Eastern Shipbuilding, Inc., and Mr. Joey D'Isernia, Owner of

Eastern Shipbuilding, Inc., appeared before the Board to answer questions or concerns from the Board.

Mr. Scott Remington said that after reviewing the supplemental application provided by the company after the hurricane, he still is of the opinion that the application does not meet the statutory requirements regarding restriction on payment of funds to private entities for infrastructure projects. His opinion is that without an amendment to the statutes or a change in policy by the Board, the application would not be eligible for funding at this time. Mr. Bense said that the company is a big employer in Bay County and that at this point in time, jobs are critical for the county. He said that while the application is different, it has scored an "A" for economic impact, it has received funding from the legislature and several other local governments, it has a lot of matching funding attached, and the company is willing and able to go forward after being battered by the eye of the hurricane. He says he knows that everyone is trying to find a way to make the project work within the parameters of the law. Mr. Riggs said he believes it is a good project but wanted to know if there were other ways that the project could be structured so that it could fall within the parameters of the statute. Dr. Harper said that the economic impact of the project is clear and that there are a number of tools that the state government uses, such as Space Florida leasing, that might be able to be considered if the legal team agrees.

Mr. Remington said that the statutory concerns are the acquisition of private infrastructure on private land. He said that but for the changes to the statute in 2017, the word "public" was inserted into the statutes relative to infrastructure, and that causes the problem. He said that if public partners were brought in to the proposal, that at least part of the proposal could be resolved. Mr. Harrison said that there is an eligible award for "public infrastructure." He said that the same legislature that amended the statute provided a direct \$9.5 million appropriation for the project. He noted that much of the project involves work over submerged lands owned by the State of Florida. He said that much of the application is for dredging over sovereign submerged lands, and not on private property. He said that since the original application, the company has declared a 20-year commitment for this shipyard to be used exclusively for the purpose of building the Coast Guard vessels. All commercial work done at this yard has been moved to the Allenton yard. He said the company has worked to make as many changes as possible to make the proposal public within the confines of the security requirements of the U.S. Coast Guard. He said that the request is for a public purpose for national defense to perform a contract that the federal government cannot fulfill for itself. He noted that there is not a definition of "public infrastructure" in the statutes relative to Triumph Gulf Coast. He asked that the Board make a determination that based on the unique circumstances of the type of work contemplated in this application, the proposal should be considered as public infrastructure. Chair Gaetz asked if the applicant asked if there was a willingness to adjust the application to fall under the confines of the current statute. Mr. Harrison said that the options would be to work with Bay County or the City of Panama City, and that while the company has not had those conversations, both of those governments are now facing major challenges as a result of the hurricane and may or may not be in a position to assist at this time.



Dr. Dana said that everyone on the Board is supportive of the economic benefits of the proposal, but the Board is faced with a situation where the Board's counsel is indicating that the proposal does not fall within allowable expenditures. She said that she would be uncomfortable voting on the proposal as currently configured even though it is a great project that brings and keeps good jobs in the region. She indicated that it would be good to pursue restructuring the request to get a solution with which everyone could be comfortable. Mr. Shoaf noted that Mr. Remington's job is to keep the Board on the right path, and he agreed with Dr. Dana. He said that he was a small business owner and is used to taking some calculated risks, and that the region is in serious need of the project. He noted that many people from his hometown work at the shipyard and that its success means a lot to his community as well as Bay County. Mr. Shoaf said that he would like to move the proposal forward with some commitment from Eastern Shipbuilding Group to continue to work with Triumph Gulf Coast to find a way to meet the statutory requirements and still support the proposal. He said that the purpose of Triumph Gulf Coast is to create and sustain these types of jobs. Mr. Lee said there appears to be a clear pathway to continue to find a way to bring these jobs to Panama City and put people to work as soon as possible. He said that back in 1942, at a dark time in our nation's history, the Wainwright Shipyard was built in Bay County in less than three months, and it grew to employ over 15,000 people. He said that the shipyard became the centerpiece of the town, and while he is not certain that this proposal will do the same, the community needs some good news now and these jobs coming in can do that. He said that Eastern Shipbuilding is a strong corporate citizen that continues to show its commitment to the community. He said that Triumph Gulf Coast needs to support this project and to work to find a way to get this project over the finish line. Mr. Riggs said that he is risk adverse at it relates to this proposal and the statute and would like to continue to work to find a solution that meets the statutes because he does not want to put any additional Triumph Gulf Coast funds at risk by taking action that appears to be prohibited by the legislature. Mr. Bense asked which parties might object. Mr. Remington responded that either the Auditor General, the legislature, or any interested party could object and take legal action. Chair Gaetz reminded the Board that the legislature has already given its response through a letter from the Senate that offered no direction. He said that as a businessperson, he could not vote to support the proposal against the advice of counsel. He said he hoped that additional conversations could be had to find a legal solution. Mr. Harrison noted that in addition to the Senate response, all of the legislators representing the Northwest Florida area sent letters saying that the funding would be acceptable. He said that if the legislature really cared about the term "public infrastructure" it would have defined it. He asked for support from the Board to go forward with full funding contingent on resolving the legal issues.

Mr. D'Isernia addressed the Board and said that his company has never given up, against all odds, on doing this project. He said that if they had listened to the naysayers along the way, the opportunity to bring this industrial base to Northwest Florida would not have happened. He said that the company has been tireless and tenacious in support of the importance of the public purpose of the project. He asked that the Board work collaboratively with the company to bring success for the project and the region.

Mr. Remington clarified that Mr. Harrison is correct that within the confines of ss. 288.801 – 288.8018, F.S., there is no definition of “public infrastructure” but there is a definition provided in Chapter 288 relative to the Florida Jobs Growth Grant Fund. That definition of “public infrastructure” is “infrastructure that is owned by the public and is for public use or predominately benefits the public.” He said that is the definition that he is relying on. Chair Gaetz expressed his support for the effort to continue the success of Eastern Shipbuilding, and asked Mr. D’Isernia if the company would be willing to continue to work to find a way to meet the legal concerns. Mr. D’Isernia said that Eastern Shipbuilding wants to continue to work with Triumph Gulf Coast to find a solution that is acceptable to everyone.

**Mr. Bense made a motion to approve the \$20,025,000 and direct staff and counsel to work with Eastern Shipbuilding to finalize the terms that have been negotiated so far and to suggest a project that satisfies any legal concerns on both sides. He said that counsel from both sides need to work together to allay the concerns still outstanding. Mr. Shoaf seconded the motion.** Dr. Dana asked if either of the two parts of the motion are not met, would the agreement become null and void. Mr. Bense said that would be his intent. Chair Gaetz asked if there was any concern from Eastern Shipbuilding that they understood that the vote was not a commitment for \$20 million, but to continue to work to find a solution. Mr. D’Isernia and Mr. Harrison said they understood. Mr. Riggs asked if the motion would be an automatic trigger if stipulations were met. Mr. Remington asked that there be a date certain added to the motion. Mr. Bense said that he wanted a response by the next meeting. Mr. Riggs asked that the vote be held until a revised proposal is available. Chair Gaetz asked if the motion could be adjusted to require a revised proposal to come before the Board at the next meeting for consideration. Mr. Harrison asked for clarification about the timing. Mr. Bense said that he wanted to continue to work on the terms of the term sheet. He said that the motion does not obligate the Board to anything until the terms are resolved. Chair Gaetz said he expects to see revisions at the next meeting that bring the proposal into compliance with the statute.

Chair Gaetz asked if anyone from the public wanted to comment on the proposal. Ms. Becca Hardin, President of the Bay County Economic Development Alliance, spoke of the importance of the project to the community at this very difficult time and thanked the Board for its willingness to work with the company to support an existing industry. She noted the significant impact of direct jobs and the supplier network that will spin off from the main contract. She committed to working with all parties to find success. Mr. Warren Yaeger, Gulf County Assistant Administrator, spoke to the regional impact of the proposal, particularly in terms of jobs for the entire region. He supported the proposal.

**On a roll call vote, the motion was approved (6-0).**

Chair Gaetz called a recess at 12:40 p.m. CT.

The meeting resumed at 12:55 p.m. CT.

Chair Gaetz noted that Dr. Dana was not present due to a voting conflict with the next proposal to be considered. Mr. Remington explained that Dr. Dana is employed with the Institute for Human and Machine Cognition, one of the co-applicants for the proposal to be considered. Dr. Dana has declared her voting conflict and recused herself from any conversation, pursuant to Florida law, on several occasions and will not participate in either the discussion or the Board action on the proposal. Her Commission on Ethics Form 8A has been signed and will be filed as part of this meeting's records.

Chair Gaetz noted that Dr. Harper has a business conflict on this proposal and recognized Dr. Jerry Parrish, Alternate Economic Advisor, the Chief Economist and Director of Research for the Florida Chamber of Commerce to provide his analysis of Proposal #4 - City of Pensacola/IHMC – Center for Dynamic Ocean Technologies for \$15,000,000. Dr. Parrish noted that the Florida Chamber Foundation was providing his services at no cost because the Foundation is supportive of all efforts to bring transformational economic vitality to the State of Florida. He then provided his analysis of the proposal to create a Center for Dynamic Ocean Technologies that would build a center for ocean technology research and commercialization of that research. He said the request for \$15,000,000 represents 29.7% of the overall cost of the project. He said the center would be located on property owned by the City of Pensacola on the Port of Pensacola. Part of the cost of the project is to tear down the current Warehouse #4 at the port and build a new teaching and research facility. Fencing would be reconfigured to place the new building outside of the restricted areas of the port. Research areas would include research on technology on artificial reefs, autonomous maritime vehicles and advanced manufacturing of maritime systems. They are interested in development of unmanned, undersea robots, restoring some of the coastal areas and working on protections against invasive species with benefits across Florida and the entire Gulf Coast. He said half of the funding would be for construction of the new building and the other half would be for salaries for scientists, research assistants and general staff. He said they are high paying jobs, with some salaries around \$87,000, with the median salary being approximately \$60,000. He said the key to the proposal is the entrepreneurial hook with the development of new technologies that can be commercialized for new businesses in the region. He said creation of those types of jobs are difficult to quantify. He said he visited the site and spoke with the applicants on November 8, 2018. He noted an early concern about current security on the site, but that the applicants have assured him that the fence can be moved to place the building and boat slip outside of the secure area. He looked at whether this proposal would crowd out private investment and he was assured that there is other available space for private development within the port area. He also noted concern about how Intellectual Property (IP) developed as part of the proposal would be treated. The applicant provided him with assurances that no one party would control access to IP and that commercialization by private entities is part of the vision of the proposal. He noted that IHMC has been very successful in gaining federal grant dollars for research and development. He said there is no real good way to know what will come out of the

research in the future, but that the history of the institute is very positive and bodes well for the future. He rated the proposal an "A."

Chair Gaetz asked Dr. Parrish to clarify that this proposal is public infrastructure. Dr. Parrish responded that it is 100% public and to be owned by the City. Chair Gaetz then asked what the cost per job for the proposal would be. Dr. Parrish responded that the cost per job would be approximately \$400,000 per job if one only includes the first 38 jobs to be created. He said that there is great uncertainty over the number of jobs to be created but if 200 jobs were created, the cost would be around \$75,000 per job and if 300 were created, the cost would be around \$50,000 per job. He said he was reasonably confident that those jobs could be created over a period of time. Chair Gaetz asked if performance metrics for creation of those jobs are currently part of the proposal. Dr. Parrish responded that they should be included as performance requirements going forward in the term sheet and contracting process. He said that the number of patents awarded could be another performance metric for this type of project. He said that licensing fees and spin-off employment directly related to the facility's research that remains in the area could also be considered as measurement tools. He said he would be glad to work with our staff and legal counsel to create appropriate metrics for the proposal.

Chair Gaetz asked if the jobs to be created are new jobs and Dr. Parrish responded that his understanding is that they are new jobs. Mr. Riggs asked about the role of Cobalt Intelligence in the project and what they would do and/or own as part of their investment in the project. Dr. Parrish responded that Cobalt will/has invested over \$2 million and would be responsible for licensing new technologies developed through research and helping to create the spin-off companies. He said that such "ready funding" commitment from a private partner is a very strong indicator of anticipated success. Mr. Riggs asked if IHMC would own the IP and then use Cobalt to license it. Dr. Parrish said that was beyond his knowledge of the proposed operational structure. He said that the applicant has indicated that there is not a "captive" situation relative to the private funding, but that the company has offered to assist in moving inventions to the marketplace. Mr. Lee asked if the environmental benefits of the project can be calculated, and if the University of West Florida has the ability to handle the research. Dr. Parrish asked the applicants to respond to those questions.

Dr. Julie Sheppard, Executive Vice President and Chief Legal Counsel for IHMC; Mayor Grover Robinson, on behalf of the City of Pensacola; Dr. Matthew Schwartz, Interim Assistant Vice President of Research Administration at University of West Florida; and Mr. Chips Kirschenfeld, Senior Scientist for Escambia County came forward to respond to questions.

Dr. Schwartz said that the University of West Florida has a specific internal program focused on commercialization and tech transfer within its projects. He said that the subject matter was well within the school's knowledge base and noted that UWF has active marine biology, environment science and mechanical engineering programs that fit well with the mission of the project. Mayor Robinson said that both City of Pensacola

and Escambia County staff are working together to bring this proposal to life. He said that diversification in research is a great opportunity for development of this type of forward-looking technology. Mr. Kirschenfeld said that a federal grant for \$2 million had recently been received by Escambia County from the Environmental Protection Agency to establish a new estuary program for Pensacola Bay and Perdido Bay. The plan is to have that program housed at the new center.

Mr. Bense asked IHMC to give a brief overview of the work that the institute has done to assist persons suffering from paralysis. Dr. Sheppard spoke about that work and the creation of a powered "exo-skeleton" that can allow paralyzed persons to walk. She noted that the original funding from the federal government was to create such a device to assist astronauts with reducing stress on their bodies in space that could have resulted in damage to their bone structures. She said that the ability to take a technology developed for the military and adapt it for civilian applications is one of the important things that the institute focuses on. She explained that while IHMC normally retains ownership of the IP or other technology, the use of the information is licensed out to private developers for such use. Royalties paid for licensing is then reinvested. That model would be used for the proposed center.

Mr. Riggs asked about sustainability of the project. Dr. Sheppard said the co-applicants are committed to sustain the jobs created for at least ten years, if not longer. She said that funding may come from either the federal government or private sources for research projects, and then the institute negotiates direct labor and cost rates and indirect costs with the funders. She said that the indirect cost funding pays for the overhead costs of the facility operations. She said that the institute expects senior scientists to be able to cover the costs of their research through grant funding within twelve to eighteen months of seeding a project, and to be able to grow and sustain a research team within twenty-four months through outside funding sources. Senior scientists are expected to cover their costs, the costs of their team, and to produce indirect cost rate to support the operations of the institute. Mr. Riggs asked if venture capitalists that invest in the projects end up owning the IP or technology invented. Dr. Sheppard responded that ownership is retained within the institute, but exclusive licensing for particular fields of use may be negotiated with venture capitalists for commercialization. If royalties are not produced within a certain period, the institute may revoke the license. She said the institute is aggressive in protecting its ability to commercialize its products through licensing. She said that the funding provided by Cobalt Technologies is seed money that will be spent to hire a director of commercialization, a market analyst and someone to build a business plan. The company will then go into the marketplace to secure investors to build prototypes and begin to implement and market a technology. She said that over time the company would probably seek out much more investment to take new technologies into the marketplace.

Mr. Shoaf asked if the job numbers were 38 new jobs total. Dr. Sheppard indicated that there would be 38 new jobs seeded over a two-year period. She said construction of the facility would take a year, so in reality, it would be a three-year period for creation of the

new jobs. She said that \$7.5 million would be spent to construct the new facility and the remainder would go into seeding the new positions for the institute and University of West Florida. She said those positions would be sustained by the center for at least ten years. Mr. Shoaf asked if it would be possible for the city to renovate the building and then have the institute lease the space from the city. He said he was uncomfortable with spending \$7.5 million of economic development funding for improvements to a building that the landlord may be able to improve themselves. Mayor Robinson said that while he wasn't mayor at the time, it was his understanding that such a solution was explored, but because of asbestos in the building and other considerations, it was determined not to be cost effective to renovate the building. He said the property location is perfect for the building, but renovation costs are very high. Mr. Shoaf said that he thought it was the city's job to make the building available and that use of Triumph Gulf Coasts funds would be supplanting the city's responsibility to provide a structure on its property. Mayor Robinson said that the city doesn't have the funds to rebuild the facility at this time. He said that without Triumph funds, the only alternative would be to go to the legislature for funding.

Chair Gaetz said that creation of only 38 jobs would be extraordinarily expensive, and that there is a need to link more jobs to the project. He asked if the center would be willing to commit to 300 jobs as a performance metric for the project. Dr. Sheppard began to respond that the institute's economic impact study indicated that the new construction will create a rental income to the city over a 30-40-year lifespan and started to address the jobs question. Chair Gaetz asked Dr. Sheppard to elaborate on the concept of the institute paying rent back to the city for a building that was to be paid for by Triumph Gulf Coast. She said that part of the business model is to pay rent for the space. She said that after initial funding to seed the jobs, the institute will carry those jobs for ten years and intends to create 100 jobs over the ten-year period. She said it is possible that 300 jobs could be created indirectly but that the contemplated facility would not accommodate 300 direct jobs. Chair Gaetz asked about the trajectory of the 100 jobs. She said that the jobs were contingent on bringing in the research projects at the center. Chair Gaetz noted that these would be the most expensive jobs ever contemplated by the Board. He said that the first \$7.5 million for 38 jobs is extremely high. He asked if there were other methods for approaching performance metrics. Dr. Parrish said that these types of projects are very difficult to quantify, and all aspects of the project have to be taken into account, but the real financial benefit comes from the spin-off of commercial companies based on the research that is done in the facility. He said there is a large amount of uncertainty in these types of entrepreneurial proposals. He said that the preferred measurement metric would be licensing funds generated from research and patents. Chair Gaetz said that if the proposal moves forward, there would need to be very specific performance metrics built into any terms. Mayor Robinson said that the potential to build a research hub in Northwest Florida make this proposal very attractive for the region.

Mr. Bense said that after listening to the discussion, the disparity between \$150,000 per job for 100 jobs (if possible) with a median salary of \$60,000 and \$20,000 for the Eastern Shipbuilding proposal is staggering. Chair Gaetz asked who would be

responsible for clawbacks. Dr. Sheppard said that there would be term sheets for each co-applicant. Mr. Riggs asked if the city could forego the rent and reduce the ask by \$5 million. Dr. Sheppard said that the Triumph Gulf Coast funding is needed up front to make the project work. Mayor Robinson said it seemed logical, but he would have to go back to discuss the option with his staff.

Chair Gaetz asked if it might be appropriate to take a little more time to look at the proposal before going forward. Dr. Sheppard said that it would be important to have the support of the Triumph Gulf Coast Board. Mr. Bense said that the cost per job is still problematic. Chair Gaetz noted that there might be benefits to working with staff to make the proposal stronger. **Mayor Robinson asked that the proposal be considered at a later time. Chair Gaetz temporarily postponed consideration of the proposal and asked the applicants to let staff know when they would be prepared to move forward with consideration.**

Dr. Harper said that Proposal #69 – FSU Marine Lab – Apalachicola Bay System Initiative for \$7,998,678 is also a research-based project and that he would make comments about research projects in general as part of his discussion of the proposal. He recognized Dr. Gary Ostrander, Vice President for Research at Florida State University and Mr. Billy Buzzett, a member of the Florida State University Board of Trustees and an Apalachicola native son and said they were available for comment on the proposal, Dr. Harper noted that the Oyster Industry Working Group has met and asked that Mr. Shoaf and Mr. Riggs be allowed to comment as part of that group. Mr. Shoaf said that he has met with many different parties about this proposal and FSU has stepped up to the plate. He noted that University of Florida has been helping and may continue to be a part of the project in the future. Dr. Harper said that some of the advice given by experts was that solutions would need to span all types of oyster harvesting, from the traditional tonging to aquaculture farming and harvesting across the region and commercial oyster hatcheries that sell seed (spat) for restoration of the oyster population. The proposal brings in match from many sources and a commitment by FSU for staffing to cover years 6-15 of the project along with services to be provided by FSU Coastal Marine Lab and foregoing of indirect costs to keep the overall costs low. He outlined the components of the proposal and noted that there were many voices that need to be heard in relation to any oyster restoration proposals. He said that conflict resolution capabilities, research, entrepreneurship to take findings to the commercial market, and strong match commitments are all elements of the project that cause it to receive an “A” score after economic analysis. Dr. Ostrander and Mr. Buzzett addressed the Board and thanked them for hearing the proposal. Chair Gaetz noted that Mr. Buzzett’s law firm represented the Attorney General in securing the funds now being used to assist the region. Mr. Buzzett said that the proposal is fundamentally important to the region’s economy and that the future of the Apalachicola Bay and the communities it supports are at stake with this proposal. He said that FSU is totally committed to the success of the project. Mr. Shoaf noted that the local community must buy in to the proposal and said there should be seafood industry experts from the area to be included on the advisory board to work with the scientists. Dr. Ostrander concurred with that idea. Mr. Riggs said this is a very complicated issue and that there

are no easy answers, and he hoped that the research would find ways to overcome the catastrophic decline of the industry. Dr. Ostrander said that the Chesapeake Bay model for restoration of that region focused on research to bring the industry back and the FSU project would be fashioned after that model but tailored to our region. Mr. Riggs said that the success of this proposal is critical to the people of the area, their heritage and their culture. He said that investment in this project shows a commitment to the people. Mr. Bense said that saving the river is a huge opportunity, and that the issues are complicated, but that this proposal is the right approach to finding solutions for the future. He said at its peak, the Bay supplied 10% of the nation's oysters. Mr. Lee said this is the best approach he has seen to the issues facing Franklin County and the Bay and thanked FSU for its willingness in getting involved. He said he hoped other universities in the state will be supportive of the work to be done.

**Mr. Shoaf made a motion to approve, consistent with staff's recommendation, proceeding to a term sheet for Proposal #69 – FSU Marine Lab – Apalachicola Bay System Initiative for \$7,998,678. The motion was seconded by Mr. Riggs. Chair Gaetz asked if anyone from the public wished to be heard on the proposal. No one came forward. On a roll call vote, the proposal was approved (5-0 with Dr. Dana absent.)**

Dr. Frank Fuller provided an overview of Proposal #98 – Walton County Sheriff – Vocational/Technical Training Program for \$2,217,965. The program will provide vocational training and certifications in welding, commercial driving and computer technology for inmates to reduce recidivism by providing career pathways for current inmates. In addition, the program will allow for Sheriff's Office employees to receive certification training in computer technologies to improve their job capabilities. He said the cost per unit is just over \$4000 and has received an "A" score by staff. Dr. Harper said that the eligible inmates will be back in the community in short order and are exactly the people who can benefit from the training. Walton County Sheriff Mike Atkinson thanked the Board for its support and spoke to the importance of helping the inmates find a successful place back in society. He said any infrastructure created will be made available to all government entities in the community. Okaloosa County Commission Chair Graham Fountain spoke to the importance of these programs and offered full support for the program. Chair Fountain noted that truck drivers' salaries can be in the range of \$80,000 and can provide a pathway for former prisoners to play a meaningful role in the lives of their families and communities. Chair Gaetz asked if there was any public comment on the proposal. There was no public comment on the proposal. **There being no further public comment, the Board voted (5-0 with Dr. Dana absent) to proceed to term sheet negotiations with the Walton County Sheriff's Office on Proposal #98 – Vocational/Technical Training Program for \$2,217,965.**

The Chair asked if there was any public comment on any topic. No one came forward to speak.

There being no further business, the meeting was adjourned at 2:19 p.m. CT.



