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**PORT PANAMA CITY  
U.S.A.**

October 30, 2019

Chairman Don Gaetz  
Triumph Gulf Coast  
P.O. Box 12007  
Tallahassee, Florida 32317

Re: Annual Report on East Terminal Expansion

Dear Chairman Gaetz,

Please find enclosed the first annual report on the Port's East Terminal expansion. As you know, we were impacted by Hurricane Michael and are a little behind schedule. However, we have almost completed the construction of the first phase of the new facility and are confident this investment will support long term growth for the Port and the region.

Please let us know if you have any questions regarding our annual report or need any additional information. As always, we appreciate the partnership with Triumph Gulf Coast and are looking forward to the successful completion of this project.

Sincerely,

Wayne Stubbs  
Executive Director

cc: Cori Henderson

enclosures

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October 1, 2019

## **Port Panama City's Annual Report to Triumph Gulf Coast**

The Port of Panama City is committed to producing positive economic impacts with the construction of its East Terminal. Specifically, the Port has agreed to achieve at least one of the performance metrics discussed below. This report provides an update on the Port's progress toward these goals and includes discussions on any new developments that may affect one or more of these metrics.

### **Performance Metric #1- New Jobs**

To satisfy this metric, the Port needs to generate 148 new jobs directly related to traditional Port activities and another 250 port-related manufacturing and distributing jobs.

The "initial jobs deadline date" is three years after the warehouse completion date. Hurricane Michael damaged the first phase of the East Terminal warehouse and subsequently delayed the construction of the warehouse expansion by six months. As a result, the anticipated initial jobs deadline date will be November 30, 2022.

Just prior to Hurricane Michael the Port hired a manager and five cargo handlers to prepare the warehouse for startup of operations. Following the hurricane, the Port retained these employees and reassigned them to jobs at the West Terminal. Because the East Terminal warehouse needed extensive repairs, the Port has not yet resumed operations there and has not expanded its workforce. However, it should be noted that the Port managed to continue providing service for WestRock at the Port's West Terminal. This effort preserved employment related to handling 43,000 tons of wood pulp and loading sixteen ships. It should also be noted that the Port had the resources and commitment needed to rebuild the damaged warehouse and continue moving forward with the East Terminal development. Most likely, without the Port's involvement, these older private cargo facilities would have been destroyed and not replaced- effectively reducing "port activity" permanently.

It is difficult to project job growth next year as we are not yet sure of the cargo commitment from WestRock and are awaiting decisions on prospective new business. However, there will be cargo operations and new jobs created at the East Terminal beginning in January.

There have been one hundred new port-related distribution and manufacturing jobs announced since the Port was awarded the Triumph grant. Fifty of these will be employed by Airtemp USA which will do final assembly to auto parts manufactured in Mexico and shipped to the Port of Panama City. Clark & Son has also announced fifty new jobs related to the distribution of kitchen cabinets to be produced in Mexico and shipped to the Port of Panama City. Clark & Son is leasing 100,000 sq. ft. of distribution warehouse space from the Port of Panama City.

### **Performance Metric #2 New Cargo Activity**

To satisfy this metric the Port will need to increase the amount of cargo tons handled by approximately 500,000 tons by September 30, 2023 (30% increase over 1.7 million tons handled in 2018).

Due to the initial impacts from Hurricane Michael on existing business and the subsequent delays in the East Terminal start-up, the Port was not able to significantly increase its cargo volume in 2019. However, the Port was able to overcome the temporary loss of business and still manage a net increase of 50,000 tons.

The Port has attracted 5,000 cubic meters a month of new import, lumber business which will be handled at the East Terminal. The Port is also pursuing 120,000 tons of new business at the East Terminal in addition to the ongoing WestRock export activity.

### **Performance Metric #3 Additional Port Revenues**

The Port will need to add \$3 million of new revenue by 2023 in order to achieve the last metric.

Hurricane Michael cost the Port approximately \$1.5 million in budgeted revenues, causing a net decrease in revenues of \$600,000 from 2018 to 2019. However, there are several positive developments next year, primarily related to increases in steel tonnage, containerized cargo, and the startup of the East Terminal. The Port Authority is budgeting revenues of \$15 million for 2020 which represents a \$700,000 increase over 2018.

### **Summary**

One year ago, the Port suffered \$17 million in hurricane damages. Twenty of the Port's twenty-one structures were damaged. The wood pellet warehouse, the distribution warehouse, and the first phase of the East Terminal warehouse sustained significant damage with repairs taking over six months. Obviously, this event has slowed the Port's progress with the above performance metrics. However, the Port's recovery to Hurricane Michael has been quite remarkable, and the Port remains comfortable in its ability to achieve the goals set out in the Triumph grant agreement.