

<b>FILED</b>	
<small>Department of Business and Professional Regulation</small>	
<small>Senior Deputy Agency Clerk</small>	
CLERK	Brandon Nichols
Date	7/1/2020
File #	2020-03768

**STATE OF FLORIDA  
DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION  
BOARD OF PILOT COMMISSIONERS  
PILOTAGE RATE REVIEW COMMITTEE**

IN RE: APPLICATION FOR A CHANGE  
IN RATES OF PILOTAGE FOR THE COMBINED  
PORT AREA OF JACKSONVILLE AND FERNANDINA  
FILED BY THE ST. JOHNS BAR PILOT  
ASSOCIATION AND FERNANDINA PILOT, LLC.

CASE NO.: PRRC 2018 - 2

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**FINAL ORDER**

Pursuant to the provisions of Section 310.151, Florida Statutes, and Rule 61G14-22, Florida Administrative Code, the Pilotage Rate Review Committee (PRRC) met at a duly-noticed public telephonic meeting on June 26, 2020 to consider matters relating to a Petition for Hearing in the above-referenced case filed by Crowley Liner Services, Inc., Crowley Puerto Rico Services, Inc., Crowley Caribbean Services, LLC, and Crowley Latin American Services, LLC (Crowley).

Committee members present were Robert Benson, Capt. Carolyn Kurtz, and Capt. Michael Jaccoma. Jordan Cohen, Esq., was present on behalf of Crowley, and George Meros, Esq., was present on behalf of the St. Johns Bar Pilot Association and Fernandina Pilot, LLC, (Pilots). Legal advisors to the Board were Donna McNulty, Special Counsel, and Marlene Stern, Senior Assistant Attorney General.

On April 27, 2020, the PRRC filed a Notice of Intent to Modify the Rates of Pilotage for the Combined Ports of Jacksonville and Fernandina with the modified rates to take effect on July

1, 2020, which is attached and is adopted and incorporated by reference as Exhibit 1. By letter dated May 18, 2020, Crowley requested the PRRC to delay the effective date of the Notice of Intent to January 1, 2021 due to the impact of COVID-19 on its business. On June 1, 2020, Crowley filed an administrative petition with the PRRC challenging the Notice of Intent. No other entities filed a request for hearing or challenged the Notice of Intent by the June 1, 2020 deadline.

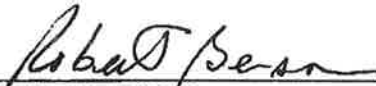
On June 25, 2020, Crowley and the Pilots filed a Joint Stipulation to provide a full, final, and complete settlement of all outstanding disputes between them with respect to this rate proceeding, which is attached and incorporated by reference as Exhibit 2. Essentially, the Pilots and Crowley agree to the issuance of a Final Order adopting the Notice of Intent and the modified pilotage rates set forth therein, with those rates to take effect on January 1, 2021, and Crowley agrees to withdraw its Petition in conjunction with the issuance of this Final Order. In addition to other terms in the Joint Stipulation, Crowley also agrees not to further challenge, appeal, object to, or oppose implementation of the Notice of Intent, the Final Order, or the modified pilotage rates set forth therein.

Upon consideration of the proposed Joint Stipulation in this matter, review of the documents in the record, discussion by the Pilots, Crowley, the PRRC, and being otherwise fully advised in the premises, it is hereby,

**ORDERED** that the PRRC approves the Joint Stipulation as an acceptable disposition of these proceedings, and the modified pilotage rates set forth in the Notice of Intent, will become effective on January 1, 2021.

This Final Order shall become effective upon filing with the Clerk for the Department of Business and Professional Regulation.

**DONE and ORDERED** this 30 day of JUNE, 2020.

  
**ROBERT BENSON, CHAIR  
PILOTAGE RATE REVIEW  
COMMITTEE**

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing Order has been provided by **Certified Mail** to: **George N. Meros, Jr.**, Holland & Knight LLP, 315 South Calhoun Street, Suite 600, Tallahassee, Florida 32301; **Jordan S. Cohen, Esq.**, Wicker Smith O'Hara McCoy & Ford, P.A., 515 E. Las Olas Blvd, Suite 1400, Ft. Lauderdale, FL 33301; and inter-office mail to **Donna McNulty**, Special Counsel, Administrative Law Section, PL-01 The Capitol, Tallahassee, Florida 32399-1050 this 1<sup>st</sup> day of July, 2020.

  
Brandon M. Nichols

**STATE OF FLORIDA  
DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION  
BOARD OF PILOT COMMISSIONERS  
PILOTAGE RATE REVIEW COMMITTEE**

IN RE: APPLICATION FOR A  
CHANGE IN RATES OF PILOTAGE  
FOR THE COMBINED PORT AREA  
OF JACKSONVILLE AND FERNANDINA  
FILED BY THE ST. JOHNS BAR PILOT  
ASSOCIATION AND FERNANDINA PILOT, LLC.

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Case No.: PRRC 2018-2

**JOINT STIPULATION**

This Joint Stipulation (the “Stipulation”) is made and entered into as of June 25, 2020, by and among Crowley Liner Services, Inc., Crowley Puerto Rico Services, Inc., Crowley Caribbean Services, LLC, and Crowley Latin America Services, LLC (collectively referred to herein as “Petitioners”) and St. Johns Bar Pilot Association and Fernandina Pilot, LLC (collectively referred to herein as “Applicants”). Petitioners and Applicants may be referred to collectively herein as the “Parties.”

WHEREAS, Applicants applied to Florida’s Pilotage Rate Review Committee (“PRRC”) for a change in pilotage rates at the combined ports of Jacksonville and Fernandina in late 2018, with said application amended in 2019; and

WHEREAS, the PRRC conducted a hearing in January 2020 and thereafter issued a Notice of Intent to Modify the Rates of Pilotage for the Combined Ports of Jacksonville and Fernandina (the "NOI"), filed on April 27, 2020, with the modified rates set forth therein to take effect on July 1, 2020; and

WHEREAS, Petitioners filed a letter with the PRRC, dated May 18, 2020, asking the PRRC to delay the effective date of the NOI and the modified pilotage rates therein to January 1, 2021 due to the impact of COVID-19 on their business (the "May 18 Request"); and

WHEREAS, Petitioners filed an administrative petition with the PRRC challenging the NOI on June 1, 2020 (the "Petition"); and

WHEREAS, the PRRC is scheduled to meet via teleconference on June 26, 2020, for the purpose of considering the May 18 Request and the Petition; and

WHEREAS, the Parties desire to enter into this Stipulation to provide a full, final and complete settlement of all outstanding disputes between them with respect to this matter;

NOW, THEREFORE, in consideration of the mutual promises and representations contained herein, and for other good and valuable consideration, receipt of which is hereby acknowledged, the Parties hereby agree as follows:

1. Applicants agree not to oppose Petitioners' May 18 Request to the PRRC to delay the effective date of the NOI and the modified pilotage rates set forth therein until January 1, 2021.
2. Applicants and Petitioners agree to issuance of a Final Order, as deemed appropriate by the PRRC, adopting the NOI and the modified pilotage rates set forth therein, with those rates to take effect on January 1, 2021 (the "Final Order").
3. Petitioners will withdraw the Petition in conjunction with the PRRC's issuance of the Final Order.
4. Petitioners agree not to request or support another stay or delay requested by any other interested persons or entities of the NOI, the Final Order, or the modified pilotage rates set forth therein.
5. Petitioners agree not to assist, encourage, or support any interested persons or entities in pursuing legal or administrative challenges relating to the NOI, the Final Order, or the modified pilotage rates set forth therein.
6. Petitioners agree not to further challenge, appeal, object to, or oppose implementation of the NOI, the Final Order, or the modified pilotage rates set forth therein.
7. This Stipulation extends only to the port areas of Jacksonville and Fernandina.

8. This Stipulation will bind Applicants, Petitioners, and any of their parent entities or affiliated entities with common ownership or control.

9. Each Party represents and warrants to the other that it has full authority to execute this Stipulation.

EXECUTED by the Parties this 25th day of June, 2020.

s/ Jordan S. Cohen

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*Counsel for Crowley Liner Services,  
Inc., Crowley Puerto Rico Services, Inc.,  
Crowley Caribbean Services, LLC,  
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s/ George N. Meros, Jr.

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*Attorneys for St. Johns Bar Pilots  
Association  
and Fernandina Pilot, LLC*

**CERTIFICATE OF SERVICE**

**I HEREBY CERTIFY** that a copy of the foregoing has been served by  
electronic mail this 25th day of June, 2020 to the following:

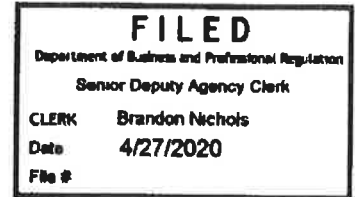
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*Counsel for Florida Department of  
Business and Professional Regulation,  
Pilotage Rate Review Committee*

**s/ Jordan S. Cohen**  
Jordan S. Cohen





**STATE OF FLORIDA  
DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION  
BOARD OF PILOT COMMISSIONERS  
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FILED BY THE ST JOHNS BAR PILOT  
ASSOCIATION AND FERNANDINA PILOT, LLC

CASE NO · PRRC 2018 - 2

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**NOTICE OF INTENT TO MODIFY THE RATES OF PILOTAGE  
FOR THE COMBINED PORT OF JACKSONVILLE AND FERNANDINA**

Pursuant to the provisions of Section 310.151, Florida Statutes, and Rule 61G14-22, Florida Administrative Code, the Pilotage Rate Review Committee (Committee) met at a duly-noticed public meeting in Jacksonville, Florida on January 22, 2020, to review the rate modification application filed by the St Johns Bar Pilot Association and Fernandina Pilot, LLC, (the Pilots)

Committee members present were Robert Benson, Sherif Assal, Capt Carolyn Kurtz, Capt Michael Jaccoma, and Ed Russo. Legal advisors to the Board were Donna McNulty, Special Counsel, and Marlene Stern, Senior Assistant Attorney General

On January 17, 2020, Crowley Liner Services, Inc, Crowley Puerto Rico Services, Inc, and Crowley Caribbean Services, LLC (Crowley) filed a Motion to Dismiss or Alternatively to Stay the Rate Review Proceedings (Motion) Essentially, Crowley challenges the notices of hearings and alternatively asserts the proceedings should be stayed pending appeal of the Port Everglades rate review case On January 21, 2020, the Pilots filed a Response in Opposition to Crowley's Motion contending that the Committee's notices were proper and in accordance with

Rule 61G14-22 007(5), Florida Administrative Code, and Section 310.151(3), Florida Statutes, and that Crowley's requesting of a stay of the proceedings is meritless. Upon review of the documents submitted, the arguments of Crowley and the Pilots, and discussion on the premises, Crowley's Motion was denied.

### **THE APPLICANT**

St. Johns Bar Pilot Association and Fernandina Pilot, LLC, (the "Pilots"), is an association composed of present harbor pilots that is treated as a partnership for tax purposes and which performs the pilotage services at the combined port area covering the ports of Jacksonville and Fernandina, Florida. The Pilots' are located at 4910 Ocean Street, Jacksonville, Florida.

The purpose of the Pilots is to provide pilotage services at the Ports of Jacksonville and Fernandina in a safe and efficient manner and in compliance with the provisions of Chapter 310 Florida Statutes, the rules promulgated thereto, and any other provisions of law governing the provision of pilotage services. As such, the Pilots are entitled to charge pilotage rates as provided in Section 310.151, F.S., and, as further provided therein, to seek rate increases by filing an application with the Committee.

The Pilots submitted a revised application for a change in the rate of pilotage for the combined port area of Jacksonville and Fernandina dated October 1, 2019, replacing the application submitted September 2018. The last rate increase was January 2004 for the Port of Jacksonville and was January 2011 for the Port of Fernandina. In 2016, the Board of Pilot Commissioners combined the port areas of Jacksonville and Fernandina. In the application, the Pilots state that they seek the proposed rates to maintain the efficient, reliable, and safe piloting service that the Ports of Jacksonville and Fernandina currently receive, which Section 310.151, Florida Statutes, requires. The Pilots state that the proposed rates are based upon a vessel's draft, gross tonnage, length overall, and breadth overall, similar to the pilotage rate structure being used.

in other major Florida ports, with more tiers. The Pilots assert that the ports have significantly longer pilotage routes than some of the other ports, so the requested rate has two additional tiers compared to other ports to address the additional transit time. Additionally, the proposed rates would make the rates for tugs and barges operating as composite units or towing on a hawser the same in both ports, and proposed rates for shifting are based on the actual mileage between berths or anchorages. Likewise, the proposed charges for detention, delay, standby, or cancellation would be the same for both ports and are consistent with rates in other ports that have recently received rate adjustments. The Pilots also propose a \$100 port control fee and a \$15 training and technology fee per vessel unit per inbound or outbound transit. The Pilots propose several Fernandina-specific docking and undocking rates. There are other ancillary proposed rates. Further, the Pilots propose that all rates and fees increase by 2.5% each year for 10 years starting on the anniversary date one year following the effective date of the order.

As provided in Rule 61G14-22.007 the Committee convened its Investigative Committee. During the Investigative Committee process, the Investigative Committee received no complaints from users of the port regarding the pilots' ability to timely respond to the needs of the port or the quality of their services nor did it receive any opposition to the application by the users of the port. The Investigative Committee further states that it did not receive any information from port authorities, terminal operators, or other users of the port, regarding the requested increase in rates of pilotage or whether the requested rates would affect competition with the nearby ports.

At the conclusion of the Investigative Committee's review, a report was prepared, including attached exhibits, and the findings rendered to the Committee as required by Rule 61G14-22.007.

Key assertions of the application and the specific modification requests may be found on pages 1 through 6 of the report of the Investigative Committee and the application submitted, which are part of the record.

The Committee has reviewed the application, the Report of the Investigative Committee with appended exhibits, the various exhibits and documents submitted by the Pilots, any affected entity, and the public at large, as well as the comments and any supporting exhibits of the following individuals Richard Law, CPA, Captain Galen Dunton, Capt Nathan Daniel Cook, President of the St Johns Bar Pilot Association, Captain William Hardee Kavanaugh, Jr (Pilots), Captain Chris Mons (Pilots), Captain Joseph James Brown (Pilots), Alan Twaits, Crowley Maritime, and Terry Thorton, Carnival Cruise Line

In response to the public comments during the January 22, 2020, meeting, the Pilots stated it prepared the application with the greatest care to comply with all the statutory criteria and stand by its application as is. The Pilots offered that it would not object if the Committee elected to delay implementation of the rate increases until July 2020 as to all port users without discrimination among different port users

### **THE STATUTORY FACTORS**

The Committee is charged with determining the rates of pilotage based upon a list of factors set forth in Section 310 151(5) which states as follows

- (a) In determining whether the requested rate change will result in fair, just, and reasonable rates, the Committee shall give primary consideration to the public interest in promoting and maintaining efficient, reliable, and safe piloting services.
- (b) The Committee shall also give consideration to the following factors:
  - 1 The public interest in having qualified pilots available to respond promptly to vessels needing their service
  - 2 A determination of the average net income of pilots in the port, including the value of all benefits derived from service as a pilot. For the purpose of this sub-paragraph, "net income of pilots" refers to total pilotage fees collected in the port, minus reasonable operating expenses, divided by the number of licensed and active state pilots within the ports
  - 3 Reasonable operating expenses of pilots.
  - 4 Pilotage rates in other ports
  - 5 The amount of time each pilot spends on a actual piloting duty and the amount of time spent on other essential support services
  - 6 The prevailing compensation available to individuals in other maritime services of comparable professional skill and standing as that sought in pilots, it

being recognized that in order to attract to the profession of piloting, and to hold the best and most qualified individuals as pilots, the overall compensation accorded pilots should be equal to or greater than the available to such individuals in comparable maritime employment

7 The impact rate change may have in individual pilot compensation and whether such change will lead to a shortage of licensed state pilots, certificated deputy pilots, or qualified pilot applicants

8 Projected changes in vessel traffic.

9 Cost of retirement and medical plans

10 Physical risks inherent in piloting.

11 Special characteristics, dangers, and risks of the particular port

12 Any other factors the Committee deems relevant in determining a just and reasonable rate

(c) The Committee may take into consideration the consumer price index or any other comparable economic indicator when fixing rates of pilotage, however, because the consumer price index or such other comparable economic indicator is primarily related to net income rather than rates, the Committee shall not use it as the sole factor in fixing rates of pilotage.<sup>1</sup>

The Committee finds that the data set forth in the Investigative Committee report fairly represents the state of shipping activity in the Port as well as accurately describes the operations of the Port and the activities of the pilots serving the Port. The Committee further finds that the financial data presented both as historical fact and as projections reasonably reflects the present and future financial state of pilotage charges, and the income derived therefrom, in the Port. The Committee accepts the Investigative Committee's application of the above-mentioned data to the various factors set forth in Section 310 151(5) and the conclusions set forth in its reports.<sup>2</sup>

As to the individual factors listed in Section 310 151(5), Florida Statutes, the Committee makes the following findings

1 The public interest in having qualified pilots available to respond promptly to

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<sup>1</sup> As the Committee opined in its decision on the requested rate decrease for the Port of Miami (PRRB Case No 96-01 at page 8), it is the Committee's position that its authority extends to granting a rate decrease or increase, in whole or in part, or to deny the request completely.

<sup>2</sup> To the extent that the Committee has accepted the findings of the Investigative Committee in its Report, those findings should be read as though set out in full herein including any reference material contained in the appendices thereto

vessels needing their service

The Committee accepts and adopts the findings of the Investigative Committee as reflected on page 7 of the Report of the Investigative Committee.

2 A determination of the average net income of pilots in the port, including the value of all benefits derived from service as a pilot. For the purpose of this sub-paragraph, "net income of pilots" refers to total pilotage fees collected in the port, minus reasonable operating expenses, divided by the number of licensed and active state pilots within the ports

The Committee accepts and adopts the findings of the Investigative Committee as reflected on pages 8 through 10 of the Report of the Investigative Committee

3 Reasonable operating expenses of pilots

The Investigative Committee notes that the operating expenses of the pilots are reasonable and comparable to other large pilot organizations in Florida, and includes retirement, salaries, fuel costs, and other expenses in its report

Upon review of the retirement section on page 11, the Committee modifies the third sentence of the third paragraph as follows "Pilots over 60 years old are less agile, less flexible, and not as strong as younger pilots "

The Committee accepts and adopts the findings of the Investigative Committee as reflected on pages 10 through 12 of the Report of the Investigative Committee with the aforementioned modification

4. Pilotage rates in other ports

The Committee accepts and adopts the findings of the Investigative Committee as reflected on pages 13 through 17 of the Report of the Investigative Committee The data in the Report

indicates that both the existing and requested rates are substantially less those at than the competing ports.

5 The amount of time each pilot spends on actual piloting duty and the amount of time spent on other essential support services.

The Committee accepts and adopts the findings of the Investigative Committee as reflected on pages 17 through 19 of the Report of the Investigative Committee.

6. The prevailing compensation available to individuals in other maritime services of comparable professional skill and standing as that sought in pilots, it being recognized that in order to attract to the profession of piloting, and to hold the best and most qualified individuals as pilots, the overall compensation accorded pilots should be equal to or greater than the available to such individuals in comparable maritime employment.

The Committee accepts and adopts the findings of the Investigative Committee as reflected on page 20 of the Report of the Investigative Committee with the following comments.

The Committee has consistently established through various previous orders<sup>3</sup> related to this and other ports that it accepts the proposition that the pre-pilot career path is the same for persons who remain as senior bridge officers on American-flagged ships and for those who become pilots

In addition, Section 310.151(5)(b)6 , sets the wage rate of “comparable professions” as the floor for pilot income not the ceiling As was also noted in the Port Everglades (96-03) and Tampa (2008-01) Orders, the Committee has accepted that the wage rate of senior masters on American-flagged ships varies greatly and thus the Committee can find no specific number to use as the only acceptable “floor” for pilot compensation

The Committee thus uses the range of masters’ salaries as a range of “floors” of pilots’

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<sup>3</sup> All references to prior orders of the Committee include Orders of the Pilotage Rate Review Board, the predecessor rate setting entity authorized under Chapter 310 131, Florida Statutes

income to be applied depending on the amount of vessel traffic at a port, the physical characteristics of a port, the associated risks and complexities of handling vessels in a particular port, and the size of vessels handled. The Investigative Committee reports, based on testimony from previous rates hearings, that from 2014 to 2018 U.S. pilots earned an average \$410,000 to \$498,000 (testimony of Captain George Quick, Vice President of Master Mates and Pilots), and that a tabulation of pilot net income for 25 U.S. ports averages \$500,000 (Dibner Maritime Associates, LLC, 2017).

7. The impact the rate change may have on individual pilot compensation and whether such change will lead to a shortage of licensed state pilots, certificated deputy pilots, or qualified pilot applicants.

The Committee accepts and adopts the findings of the Investigative Committee as reflected on pages 21 and 22 of the Report of the Investigative Committee.

8. Projected changes in vessel traffic

The Committee accepts and adopts the findings of the Investigative Committee as reflected on page 22 of the Report of the Investigative Committee.

9. Cost of retirement and medical plans

The Committee accepts and adopts the findings of the Investigative Committee as reflected on pages 23 through 26 of the Report of the Investigative Committee.

10. Physical risks inherent in piloting

The Committee accepts and adopts the findings of the Investigative Committee as reflected



on page 26 of the Report of the Investigative Committee. The Report of the Investigative Committee lists many of the inherent risks the profession of piloting carries. For example, boarding and disembarking a vessel is one of the most difficult and dangerous events of piloting. Violent and sudden thunderstorms, as well as sustained high winds which accompany fronts add to the difficulty of handling vessels. Also, with the Neo-Panamax vessels calling in the port, the need to board and disembark further offshore exists with Jacksonville looking at areas nearly 10 miles seaward of the sea buoy.

11 Special characteristics, dangers, and risks of the particular port.

The Committee accepts and adopts the findings of the Investigative Committee as reflected on pages 27 and 28 of the Report of the Investigative Committee.

Jacksonville and Fernandina encompass 67 nautical miles of pilotage waters, and both ports have large tidal and current conditions and are among the strongest in Florida ports. Among the details provided, the Report lists unusual hazards to navigation. Such unusual hazards in Jacksonville include a severe and dangerous set that can occur in the Bar Channels and the jetties, the less than 6 feet of clearance when cruise vessels pass through the Dames Point Bridge, and the narrowing of certain channels to 600 feet. Some of the unusual hazards in Fernandina include severe and dangerous cross currents at the jetties and along the Amelia River, and some of the strongest tidal currents and largest tidal range in Florida. Both ports deal with dense seasonal fog, heavy rain squalls throughout the year with prevalence in the summer months, and strong Nor'easters prevalent in the fall and winter causing dangerous boarding and disembarking conditions.

12. Any other factors the Committee deems relevant in determining a just and reasonable rate

The Committee accepts and adopts the findings of the Investigative Committee as reflected on page 28 of the Report of the Investigative Committee

13. The Consumer Price Index and Labor Costs.

The Committee accepts and adopts the findings of the Investigative Committee as reflected on pages 29 and 30 of the Report of the Investigative Committee.

**ANALYSIS AND DECISION**

The Committee is of the opinion that the rates of pilotage at the Combined Port Area of Jacksonville and Fernandina should be modified based upon the request for an increase by the St. John's Bar Pilot Association and Fernandina Pilot, LLC, the Investigative Committee Report, the Pilots' presentation, the statements of any affected entities, and past Committee precedent

In general, the modified rates are necessary to maintain the efficient, reliable, and safe piloting service that the combined port area of Jacksonville and Fernandina currently enjoy. The proposed rate structure, similar to a version recently used in other major ports in Florida, is based upon a vessel's draft, gross tonnage, length overall, and breadth overall. The modified rates are necessary to more equitably distribute the costs of pilotage services at the ports among the various maritime consumers. The Pilots have not had an increase in rates since 2004 for Jacksonville and since 2011 for Fernandina. The Committee believes that these new rates ensure that the quality of the pilotage services at the combined port area of Jacksonville and Fernandina remain constant, the costs of the necessary services are more equitably distributed among the shipping community

and allow the Pilots to maintain an acceptable average income for the essential services they provide.

The Committee therefore determines that as of July 1, 2020, the rates of pilotage at the combined port area of Jacksonville and Fernandina shall be modified as follows

1 The formula for calculating pilotage rates shall be

(LOA Rate x LOA) + (Beam Rate x Beam) + (Draft Rate x Draft) + (GT Rate x GT)

- LOA = length overall, Beam = extreme beam, Draft = deepest draft, GT = Gross tonnage (1969 IMO Conv)
- All linear dimensions shall be in feet and computed in half foot increments, or fractions thereof
- Gross Tonnage rate is per 1,000 gross tons, or fraction thereof

2 The initial rates in dollars per foot or per 1000 gross tons for arrivals or sailings shall be

Vessels of GT	Up to 10,000 GT	10,001 to 40,000 GT	Over 40,000 GT	Over 40 ft. draft and over 80,000 GT
LOA Rate	\$0 75	\$1 00	\$1 25	\$1.50
Beam Rate	\$3 75	\$5.00	\$8 50	\$12 00
Draft Rate	\$22 50	\$25 00	\$30 00	\$40 00
GRT Rate	\$12 50	\$15 00	\$22 50	\$27 50

\* Minimum pilotage charge of \$880 is based on minimums of. LOA = 300 ft , Beam = 50 ft , Draft = 18 ft., GT= 5,000

- 3 The pilotage rate for a barge-towed on a hawser, towed alongside or pushed (not a composite unit) is based on the sum of the LOA, Beam, Draft, and GT attributes of the towing tug and barge(s).
- 4 The pilotage rate for a tug pushing a barge in the notch as a composite unit is based on the barge's LOA, Beam, GT, and deepest Draft of the combined unit
- 5 Pilotage rates for shifting vessels between berths and/or anchorages within the port landward of the COLREGS line.

Zone A (up to 1 mile)	¼ Standard Pilotage (\$450 minimum)
Zone B (over 1 mile and up to 4 miles)	½ Standard Pilotage (\$600 minimum)
Zone C (over 4 miles and up to 8 miles)	¾ Standard Pilotage (\$750 minimum)
Zone D (over 8 miles)	Standard Pilotage Rate, regular LOA, Beam, Draft, and GT rates apply
Zone E (Fuller Warren Bridge to Shands Bridge); in or out of Green Cove Springs, FL	Standard Pilotage Rate

6 Detention, Delay, Standby, or Cancellation of pilot not caused by local weather, medical emergency, or force majeure

Detention of Pilot	\$150 per half hour or fraction thereof after first half hour, no maximum
Delayed arrival or sailing	\$150 per half hour or fraction thereof after first half hour, no maximum
Standby charge when pilot is on the bridge part of the bridge team as in, but not limited to, holding a vessel in stream, tending a vessel at anchor, making up a tow or breaking a tow	\$150 per half hour or fraction thereof, no maximum
Cancellation of pilot	If cancelled, detention rate of \$150 per half hour will be charged from the pilot call out, (2 hours before the ordered arrival time or 1 5 hours before the ordered sailing time), until notice of cancellation is received by the pilot dispatched to the vessel or by the pilot office

7 Additional fees shall be:

- a) Port Control Fee: \$100 per vessel handle per inbound or outbound transit,
- b) Training and Technology Fee \$15 per vessel handle per inbound or outbound transit,

- c) In Fernandina a docking and undocking rate based on a vessel's LOA.
  - LOA less than 330 ft. = No Charge
  - LOA 330 ft. to less than 550 ft. = \$0.50 per ft. LOA
  - LOA 550 ft. and over = \$0.75 per ft. LOA;
- d) At the discretion of the pilots covering the ports of Fernandina and Jacksonville, an additional pilot may be assigned to any neo-panamax vessel, dead ship tow, or special circumstance vessel. The commensurate result being that said vessel will be charged two standard pilotage fees;
- e) Pilot kept on board vessel when vessel departs the port area = \$250 per day plus First-class return transportation;
- f) Payment is due upon invoicing. Balances beyond 45 days shall be considered in-arrears. Lines and agencies in arrears may be placed on a cash basis for future departures; and
- g) All rates and fees shall increase by 2.5% each year for 10 years starting on the anniversary date one year following the date the rates become effective.

DONE and ORDERED this 20 day of APRIL, 2020.

  
\_\_\_\_\_  
ROBERT BENSON, CHAIR  
PILOTAGE RATE REVIEW  
COMMITTEE

**NOTICE OF HEARING RIGHTS**

This Order will become final agency action if no request for a hearing is received by the Pilotage Rate Review Committee (PRRC) by any person whose substantial interests will be affected by this action within twenty-one days after receipt or publication of this notice, or by close of business on June 1, 2020, whichever is later. A person whose substantial interests will be affected may petition the PRRC for a hearing involving disputed issues of material fact before an administrative law judge pursuant to Section 120.57(1), Florida Statutes, by filing an appropriate petition with the Executive Director of the PRRC at the Department of Business and Professional Regulation, P.O. Box 5377, Tallahassee, Florida 32314-5377.

A petition for a hearing involving disputed issues of material fact must contain information required by Rule 28-106 201, Florida Administrative Code, *including a statement of all disputed issues of material fact*. The PRRC may refer a petition to the Division of Administrative Hearings for assignment of an administrative law judge only if the petition is in substantial compliance with Rule 28-106 201, Florida Administrative Code

In the absence of such a petition or if the PRRC concludes that the petitioner has not raised a disputed issue of material fact and does not designate the petition for hearing, this Order shall become final agency action for purposes of Section 120 68, Florida Statutes

In accordance with Section 120 573, Florida Statutes, mediation is not available

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing Order has been provided by **Certified Mail** to **George N. Meros, Jr.**, Holland & Knight LLP, 315 South Calhoun Street, Suite 600, Tallahassee, Florida 32301, and inter-office mail to **Donna McNulty**, Special Counsel, Administrative Law Section, PL-01 The Capitol, Tallahassee, Florida 32399-1050 this 27<sup>th</sup> day of April, 2020

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Brandon M. Nichols

January 9, 2020

Ms. Amanda Ackerman, Executive Director  
Pilotage Rate Review Committee  
Department of Business and Professional Regulation  
P.O. Box 5377  
Tallahassee, Florida 32314-5377

RE: Application for Change of Rates of Pilotage at Ports of Jacksonville and Fernandina by:  
St. Johns Bar Pilot Association and Fernandina Pilot, LLC

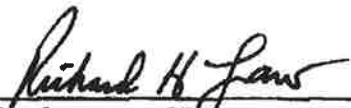
Dear Ms. Ackerman:

We have completed our review and investigation of the above referenced application dated October 1, 2019 and hereby present our findings to the Pilotage Review Committee, as required by *Florida Administrative Code Rule 61G14-22.007(4)*.



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Cdr. Galen Dunton, U.S.C.G. Retired, Contract Consultant  
Department of Business and Professional Regulation



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Richard H. Law, CPA, Contract Consultant  
Department of Business and Professional Regulation

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BY ST. JOHNS BAR PILOT ASSOCIATION AND  
FERNANDINA PILOT, LLC**

The following report and attached materials were considered by the investigative committee and are forwarded to the Pilotage Rate Review Committee for its action. This report will follow the following format:

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**EXECUTIVE SUMMARY**

**General Comments**

**Port of Jacksonville**

The Port of Jacksonville is the second largest and one of the most difficult ports in terms of piloting in Florida. Excluding the 25.7 mile stretch from downtown Jacksonville to Green Cove Springs (a rare transit for pilots) the primary length of the port from sea buoy to downtown is 28 nautical miles. The average handle time is the second longest in Florida, at 4.5 to 5.0 hours, compared to the longest in Tampa at 7.5 hours.

The St. Johns River poses significant challenges to the pilots with strong currents, crosscurrents, turns, and bridges. Some channels within the port narrow to 300 feet and the channel to Green Cove Springs is only 200 feet wide. Seas at the sea buoy can be some of the roughest along Florida's east coast, making pilot embarking and disembarking particularly dangerous.

**Port of Fernandina**

The Port of Fernandina is one of Florida's oldest ports. The distance from the sea buoy to the Port is 11.8 nautical miles. The Port is not as difficult as Jacksonville but cross currents at the entrance channel and at the Amelia River can be severe and dangerous. Although it can serve vessels with 34-foot draft, the port has not developed the infrastructure, nor does the area generate the volume of business to compare to the traffic in the ports of Jacksonville, Miami or Tampa. The primary customers consist of break bulk (paper and lumber) vessels and small to medium sized container vessels. The majority of vessels have tonnage ranging from 5,000 to 20,000 GRT and lengths of less than 500 feet.

The port had been served primarily by a single pilot for decades, with intermittent backup from a Jacksonville cross-licensed pilot. In 2016, the pilot organizations for the ports of Fernandina and Jacksonville were combined and currently there are four Jacksonville pilots that are cross-licensed in Fernandina.

The pilots have performed safe and reliable services in both ports for many years. We have received no complaints from users of the port regarding their ability to timely respond to the needs of the port or the quality of their services. We also received no opposition to the application by users of the port.

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**Rate History**

**Port of Jacksonville**

The last three rate increases raised the rates by 5% in October 1993, by 6% in May 1997, and a three-phase increase approved in a 2001 rate application that increased rates by 6% in January 2002, 6% in January 2003, and 6% in January 2004.

An application requesting three consecutive annual rate increases of approximately 8.0%, 7.85%, and 7.35%, respectively; which, when compounded, would have increased rates 25% by the third year was made on September 8, 2008 but the rate application was denied by the Rate Review Board (Committee).

**Port of Fernandina**

The last rate increase in Fernandina was effective January 1, 2011, which increased draft and tonnage by 10%.

**Current Rates – Both Ports**

	<b><u>Jacksonville</u></b>	<b><u>Fernandina</u></b>
Date of last change	1/1/2004	1/1/2011
Draft	\$21.20	\$25.35
Tonnage	\$.0464	\$.0575
Minimum Draft/Tonnage	15'/3,000 GRT	15'/3,000 GRT
Detention of Pilot	\$200/hour (\$400 max)	\$250/hour (\$500 max)
Cancelled sailing	\$200	½ full fee
Pilots Kept on Board	\$250/day + transportation	\$250/day + transportation
Failure to Amend ETA	\$200/hour (\$400 max)	N/A
Standby of Pilot	\$200/hour (no max)	\$250/hour (no max)
Towing	Full fee	N/A
Shifting within zone	½ full fee	\$250
Shifting zone to zone	Full fee	N/A

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**Rate Analysis**

The following schedule presents the effect of the requested rates for a small (minimum size) vessel in both ports (The draft and tonnage (GRT) are authorized minimums and the length (LOA) and beam are an estimated example):

	<u>Current Small Vessel 15', Draft 3,000 GRT, LOA 300', Beam 50'</u>		<u>Requested</u>
	<u>Jacksonville</u>	<u>Fernandina</u>	
Draft	\$ 318.00	\$ 380.25	\$ 405.00
GRT	<u>139.20</u>	<u>171.00</u>	62.50
LOA	N/A	N/A	225.00
Beam	N/A	N/A	187.50
Total	<u>\$ 457.20</u>	<u>\$ 551.25</u>	<u>\$ 880.00</u>
		<b>Fixed Charges</b>	\$ 115.00
		<b>Total Pilotage Fee</b>	<u>\$ 995.00</u>

Percentage increase for Jacksonville: 117.7%; Fernandina: 80.6%

	<u>Current Large Vessel 35', Draft 60,000 GRT, LOA 700', Beam 100'</u>		<u>Requested</u>
	<u>Jacksonville</u>	<u>Fernandina</u>	
Draft	\$ 742.00	\$ 887.25	\$ 1,050.00
GRT	<u>2,784.00</u>	<u>3,420.00</u>	1,350.00
LOA	N/A	N/A	875.00
Beam	N/A	N/A	850.00
Total	<u>\$ 3,526.00</u>	<u>\$ 4,307.25</u>	<u>\$ 4,125.00</u>
		<b>Fixed Charges</b>	\$ 115.00
		<b>Total Pilotage Fee</b>	<u>\$ 4,240.00</u>

Percentage increase for Jacksonville: 20.2%; Fernandina: <1.5%>

Exhibit 2 presents the entire handle list in various layers of tonnage so the Rate Review Committee can evaluate the effect of the requested rates on different sized vessels. The smallest vessels would see increases of 118% per handle and the pilotage fee for the largest vessels would increase only 5.6%. Whereas the overall increase in pilotage fees using the requested rates is 26%, the loss of 126 large vessel handles in 2020 only increased the total revenue by 16%.

The requested fixed changes per handle for port control (\$100) and training and technology (\$15), would produce \$440,000 assuming handles of 3,826.

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**Projected Traffic and Revenue**

Jacksonville Port Authority (JPA) accounted for 2800 of the 3700 handles in 2019. Doug Menefee, Director of Port Operations for JPA stated that traffic is expected to remain level for 2020 and the foreseeable future. However, the pilots informed us that one cargo operator (CMA) relocated 100 handles to Tampa in May of 2019, which reduced pilotage revenue by \$280,000 in 2019 and \$475,000 in 2020. Another operator (MOL) reduced handles for a large cargo vessel by 26 handles, or reducing revenue by \$120,000 in 2020.

Menefee stated JPA is working on bringing new cargo business from Europe, Asia, and the Caribbean, potentially increasing handles by 52, but no firm commitments have been made. JPA recently signed an eight year contract with Carnival Cruise Lines which accounted for 87 handles in 2018. The requested rate would increase the pilotage fee on the Carnival Elation from \$3,900 to \$ 4,600.

**Comparable Rates**

The nearby ports of Savannah, Brunswick and Charleston all have substantially higher pilotage rates than the current rates in Jacksonville. Fernandina, which accounts for less than 5% of total traffic in the two ports, also has pilotage rates less than the three competing ports.

If the requested rates are approved, the Jacksonville and Fernandina rates will remain twelve to twenty-five percent less than the three competing ports. Page 10, section 8 of the pilots' application presents detailed information on comparative pilotage fees and percentage variances with Jacksonville. Section 4 of the Investigative Committee report presents additional tables and analysis of comparable rates. The Investigative Committee has not received any information (positive or negative) from port authorities, terminal operators or other users of the port, regarding the pilots' request to increase rates of pilotage and how if any, the requested rate may affect competition among the nearby ports.

**Pilot Net Income**

The pilots' application presents average net income per pilot for 2018 at \$398,000. The Investigative Committee identified additional fringe benefits and other expenses not related to the direct operation of the pilots' business which increased net income, including all benefits by \$34,500 per pilot which increased net income per pilot to \$432,500.

The requested rate increase is projected to increase net income per pilot in 2020, assuming the rate increase was effective January 1, 2020 to \$518,700. These two, average net incomes for 2018 and

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estimated for 2020 do not include the value of unfunded pension benefits, which the Investigative Committee estimates at \$45,000 per pilot.

Estimating future net income is not an exact accounting exercise. There are significant variables which can materially affect such estimates, the most significant of which are the size, mix and number of handles that call on the ports; and whether or not the 14 existing pilots are an optimal number of pilots for the two ports.

The Pilotage Rate Review Committee does not set pilot net income but rather, must set rates that are fair, just, and reasonable in order to maintain efficient, reliable, and safe piloting services.

**Requested Rate – Both Ports**

Page 2 of the pilots' application presents a detailed explanation of the requested rates. We have attached this page as Exhibit 1. The requested rates follow the model rate structure recently approved in Miami and Port Everglades, with variations based on tonnage.

In addition, to the basic rate structure and ancillary charges for shifting, anchoring, detention, delay, standby, and cancellation, the pilots request a port control fee of \$100 per handle and a training and technology fee of \$15 per handle, which is estimated to produce \$440,000 in additional pilotage revenue.

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**CERTIFICATION OF INFORMATION PRESENTED IN APPLICATION**

This section of the investigative report is intended to identify any errors noted in the examination of the application submitted by the pilots. The following errors were noted:

The projected 2020 financial information was made with the assumption that a new pilot boat would cost \$1.25 million and would be financed 100 percent at 6% interest. The pilots' application stated correctly that estimates for the new pilot boat were \$2.6 to \$2.8 million. Therefore, the projected net income and related average net income per pilot is overstated by approximately \$5,000.

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**ANALYSIS OF DATA FOR REQUEST FOR CHANGE OF RATES [CHAPTER  
310.151(5) FL. STATUTES]:**

The bold type represents the items listed in the above rule. The standard type is information or comments by the investigative committee.

**In determining whether the requested rate change will result in fair, just, and reasonable rates, the Board shall give primary considerations to the public interest in promoting and maintaining efficient, reliable, and safe piloting services.**

**The Board shall also give consideration to the following factors:**

- 1. The public interest in having qualified pilots available to respond promptly to vessels needing their service.**

The pilots are essential to the safe movement of vessels within the pilotage waters of the State. In addition to their navigation and supervisory skills, they must be knowledgeable of local weather, hazards, silting, speed and direction of currents, and timing and direction of tidal movements. They provide development of safety and operational guidelines for the port operation and participate in the process of developing port and professional regulations. They also provide extensive training to deputy pilots.

The pilots serve multiple public interests:

- Protection of life and property
- Protection of the environment and the economic base that is dependent upon it
- Providing a sense of security that the entire scope of responsibility is assumed only by the best qualified pilot available.

No interested parties (other than pilots) attended the Investigative Committee hearing on December 4, 2019, and we received no feedback on pilot services in the two ports. Otherwise, we received no complaints from the two Port Authorities, or other interested parties regarding the level of service, qualifications and skills of pilots or their ability to respond promptly to vessels needing their services.

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- 2. A determination of the average net income of pilots in the port, including the value of all benefits derived from service as a pilot. For the purpose of the subparagraph, "net income of pilots" refers to total pilotage fees collected in the port, minus reasonable operating expenses, divided by the number of licensed and active state pilots within the ports.**

The application included consolidated, audited financial statements for the year ended December 31, 2017; consolidated, compiled financial statements for 2018; and consolidated, compiled projected financial statements for 2019 and 2020, assuming the requested rates were in effect on January 1, 2020. The consolidated financial statements combine the pilotage revenues and related expenses for both ports.

These financial statements are the basis from which average net income (actual and projected with the requested rates) per pilot is determined and presented in the pilots' application.

The 2020 projected pilotage revenues applying the requested rates is the most significant factor in the determination of 2020 average net income. The 2020 projected expenses, while significant in total are easier to compare and analyze with historical 2017, 2018 and 2019 amounts. In order to corroborate the 2020 projected revenues, we requested a list of all vessels and related LOA, beam, tonnage, and draft for 2017-2018 fiscal year (same period used by the pilots for their projections) and recalculated the historical revenue using existing rates and recalculated the projected 2020 revenue using the requested rate structure. Our recalculated amounts substantially agreed to the 2018 and 2020 amounts presented by the pilots.

The following analysis of average net income per pilot for the indicated years, begins with the consolidated net income and adds certain fringe benefits, additional compensation and discretionary costs (not related to the essential operations of the piloting business), such as lobbying, political contributions and charitable contributions.



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Average Net Income per Pilot

	<b>Actual 2018</b>	<b>Projected with Rate 2020</b>
<b>Consolidated Net Income</b>	\$ 5,570,000	\$ 6,848,000
<b>Investigative Committee Adjustments</b>		
Standby Labor	\$ 55,000	\$ 55,000
Health Insurance	308,000	322,000
Contributions	122,000	120,000
Pilot Boat Correction*	0	<83,000>
<b>Total Adjustments</b>	<u>\$ 485,000</u>	<u>\$ 414,000</u>
<b>Adjusted Net Income</b>	<u>6,055,000</u>	<u>7,262,000</u>
<b>Number of Pilots</b>	<u>14</u>	<u>14</u>
<b>Average Net Income per Pilot</b>	<u>432,500</u>	<u>518,700</u>
<b>Estimated value of Unfunded Pension</b>	<u>45,000</u>	<u>45,000</u>
<b>Total Net Income Per Pilot</b>	<u>\$ 477,500</u>	<u>\$ 563,700</u>

*\*Pilot Boat Correction: The cost of the new pilot boat and related interest expense was incorrectly projected at approximately one half of the estimated cost (\$2.6 million vs. \$1.25 million).*

By comparison, 2007 average pilot net income, including fringe benefits (excluding the unfunded pension) was \$375,000, which is approximately \$57,500 less than their 2018 average net income (excluding pension).

The pilots request a 2.5% annual increase in all rates and fees (including the port control fee - \$100 and the training and technology fee - \$15) for ten years following the effective date of a rate increase.

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If the port traffic, including the size and mix of vessels remained the same as 2018 (the basis on which the 2020 projected statement of income was compiled), revenues for the years 2021 through 2030 would be increased as follows by applying the 2.5% annual increase:

<b>Year</b>	<b>Projected Revenue</b>
2020 (Base)	\$ 11,450,000
2021	\$ 11,736,000
2022	\$ 12,030,000
2023	\$ 12,331,000
2024	\$ 12,639,000
2025	\$ 12,955,000
2026	\$ 13,279,000
2027	\$ 13,611,000
2028	\$ 13,951,000
2029	\$ 14,300,000
2030	\$ 14,657,000

Assuming operating expenses continue to approximate 42% of total revenue, net income would approximate 58% of revenue. As such, estimated 2030 net income would be \$8,501,000 or \$607,218 average per pilot (excluding fringe benefits and the unfunded pension). Retirees who earned a 50% share of active pilot income would increase to over \$300,000.

**3. Reasonable Operating Expenses of Pilots.**

Operating expenses of the pilots are fairly reasonable and comparable to other large pilot organizations in Florida. The pilots have an inherent motivation to operate in a cost effective and efficient manner in order to maximize net income per pilot. Given that Jacksonville has not had a rate increase since 2004 and Fernandina since 2011, they have not been subjected to scrutiny of their operating costs by anyone, other than themselves. Therefore, there is a strong presumption that operating expenses are closely scrutinized and reasonable from the pilots' perspective.

**Retirement**

The unfunded retirement is the single largest expense for the pilots. In 2018, \$1.11 million, representing 27% of total operating expenses was paid to six retirees, averaging \$185,000 per retiree.

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The projected retirement expense for 2020 is estimated at \$1.57 million, or \$241,000 each for five of the retirees who have earned a 50% pilot share and \$140,000 and \$227,000, respectively for two retirees with less than 50% shares.

Since retirement expense is based upon the active pilots' current income, the requested rate increase will have a substantial effect on the total cost of retirement.

Although retirement cost may seem high and a generous benefit to retirees, it has good business merits. It encourages older pilots to retire before they become more susceptible to injury. Pilots over 60 years old are less agile, more flexible, and stronger than younger pilots. Most pilots do not attain a state pilot position until their thirties, or later, which limits their productive, high income years. Injuries occur even to younger pilots with the possibility of cutting a promising career short. For these reasons, these pension plans are common to most of the pilot organizations in the larger ports (that can afford them) around the U.S. Unfortunately for the pilots in smaller ports in Florida (Pensacola, Panama City, and Ft. Pierce) these plans simply are not affordable.

**Salaries**

Total salaries for employees, other than pilots and retirees were \$884,000 in 2018, representing 21% of total operating expense. Staff salaries for various positions during 2018 are presented below:

<b><u>Position</u></b>	<b><u># of Positions</u></b>	<b><u>2018 Average</u></b>
Office Manager	1	\$105,000
Boatman	4	\$ 75,500
Dispatchers	4	\$ 64,750
Accountant	1	\$ 73,300
Maintenance	1	\$ 90,400

Salaries for employees was projected to increase modestly at 2.1% in 2019 and 2020.

**Fuel Cost**

The pilots project fuel costs to increase 30% from 2018 (\$169,000) to 2020 (\$219,000) primarily for two reasons:

- 1) New low-sulphur requirements in 2020 are expected to increase diesel prices by 20%.

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- 2) Longer transit times and distance for vessels with drafts over 40 feet will increase fuel costs. A second sea buoy will be located 9-10 miles further offshore which will require more fuel, maintenance, and manpower. The dredging project to accommodate the neo-panamax vessels will not be completed until 2021 or later, so projecting the additional fuel cost in 2020 for this reason is premature. However, the projected cost will likely be realized in the next few years and given the frequency of pilotage rate hearings, the effect on the cost of operations and net pilot income is relevant at this time.

Sample mid-year diesel prices in 2017, 2018 and 2019 were as follows:

	<u>Price Per Gallon</u>
2017	\$1.6392
2018	\$2.3750
2019	\$2.0516

**Other Expenses**

The following expense categories are projected to decrease significantly from 2018 to 2020.

	<u>2018</u>	<u>2020</u>
1) Deputy Compensation	\$140,000	\$0
2) Legal and Professional Fees	\$325,000	\$ 59,000

**Explanations**

- 1) The deputy in 2018 became a state pilot in mid-2019 and will not receive wages in 2020, as he will receive a pilot share of net income. One pilot retired in February 2019, leaving the same number of state pilots (14) for 2019 and 2020.
- 2) Legal and Professional was high in 2018 for costs associated with the rate application, such as producing audited and compiled financial statements.

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**FS310.151(5)(b)4. Pilotage Rates in other ports.**

The Jacksonville Bar Pilots Association used the ports of Charleston, Savannah, Brunswick and Mobile as comparative rates based on the type of vessels handled in each port and ports that directly compete with Jacksonville and Fernandina for business. There are a number of minor differences in the data presented on our Tables 1, 2, and 3 versus the information presented in the pilots' application. For instance, we verified the actual vessel characteristics with the Coast Guard's Port Safety Interchange database (very minor differences); we verified the 2019 pilotage rates with the various ports (except Brunswick which did not respond); and we calculated tonnage rates by rounding to the nearest 1,000 tons for the four ports, and used no rounding of tonnage for Jacksonville, as they requested.

Although Tables 1, 2, and 3 present minor differences with the pilots' data on the four competing ports, our tables and the pilots' data present information indicating that both the existing and requested rates are substantially less than the competing ports.

The below table is a sample cross section of the types of vessels calling for comparison:

**Table 1 - Vessel statistics for comparison**

Vessel	Type	LOA (ft)	Beam (ft)	Draft (ft)	GRT
Midnight Czar Ex: EOT Spar	Container	300	55	18	2762
Stenawoco Excellence	Tanker	601	106	32	29429
Bontrop Amsterdam Ex: W. H. Blount	Bulker	736	105	30	35904
Goodwood	Car Carrier	653	106	28	59516
Carnival Ecstasy	Cruise	855	103	26.5	70526
MOL Marvel	Container	991	142	38	78316
MSC Beatrice	Container	1201	168	44	151559

Data verified thru PSIX database.

The following rates are in effect at the various ports used in comparison as follows:

**Table 2 - Rate comparison between competitive ports (Rates in dollars)**

Port	Rate/ draft	Min Draft	Rate/ GRT	Min GRT	Fuel	Safety/ Comm	Pilot Boat	Cap Inv	Dock/ undock	Safety %	Docking Pilot
Charleston	26.85	16 ft	0.06585	N/A	52- 85						
Savannah	27.54	15 ft	0.06606	N/A		71.54					
Brunswick*	26.24	20 ft	0.06189	8000		175	225				536.98
Mobile	38.00	15 ft	0.06250	6500	5% fee	10.00	100	45+ 50	150	1.5% fee	
Jax (Present)	21.20	15 ft	0.0464	3000							

\*Attempted numerous times to verify with Brunswick Pilot Association fees.

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The following table uses the above vessels and the calculated pilotage fees assessed in the comparison ports for a one-way voyage.

**Table 3 - Comparison costs of sample vessels in competing ports, one way voyage**

Vessel	Jax present	Jax Proposed	Brunswick	Savannah	Charleston	Mobile
Midnight Czar	\$ 509.76	\$ 1,013.75	\$ 1,956.90	\$ 1,365.64*	\$ 1,300.00*	\$ 1,539.19
Stenawcco Excellence	\$ 2,043.91	\$ 2,487.44	\$ 3,633.36	\$ 2,934.62	\$ 2,886.70	\$ 3,669.99
Bontrop Amsterdam	\$ 2,301.95	\$ 2,664.56	\$ 3,952.22	\$ 3,275.90	\$ 3,228.10	\$ 3,988.43
Goodwood	\$ 3,355.14	\$ 4,011.36	\$ 5,385.10	\$ 4,806.26	\$ 4,754.80	\$ 5,504.99
Carnival Ecstasy	\$ 3,834.21	\$ 4,441.09	\$ 6,026.53	\$ 5,491.61	\$ 5,438.88	\$ 6,176.47
MOL Marvel	\$ 4,439.46	\$ 5,462.86	\$ 6,823.41	\$ 6,336.80	\$ 6,274.45	\$ 7,174.37
MSC Beatrice	\$ 7,965.14	\$ 9,860.37	\$ 11,498.82	\$ 11,324.42	\$ 11,242.60	\$ 12,276.26

\*Minimum fee for both Savannah and Charleston which is more than the proposed minimum fee in Jacksonville.

Using the pilotage fee for a medium, 36,000 ton vessel, Bontrop Amsterdam, compared to the handle distances in each competing port, the pilotage fee per mile is presented below:

	Distance in Miles	Fee for Bontrop Amsterdam	Fee per Mile
Jacksonville*	17.5	\$2,302	\$132
Jacksonville Proposal*	17.5	\$2,665	\$152
Charleston	16.0	\$3,228	\$202
Savannah	21.0	\$3,276	\$156
Mobile	31.0	\$3,988	\$129
Brunswick	9.0	\$3,952	\$439

\* Jacksonville range of distances: 13 to 22 miles, excluding Green Cove and the 10 mile sea buoy extension for Non-Panamax vessels. Average 17.5

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The following table compares the number of handles vs revenue from their last increase in 2004. Though they applied for another increase in 2008, it was denied in 2009. In 2008 they had 12 active pilots vs in 2018 they now have 14 active pilots.

**Table 4 - Jacksonville Revenue vs Handles 2004- Sept. 2019**

Year	Handles	Revenue	Revenue per Handle
2004	4,083	\$ 6,505,295.11	\$ 1593
2005	3,775	\$ 6,738,690.98	\$ 1785
2006	4,313	\$ 7,867,337.69	\$ 1824
2007	4,169	\$ 7,616,484.61	\$ 1827
2008	4,246	\$ 7,875,363.64	\$ 1855
2009	3,940	\$ 7,941,524.14	\$ 2015
2010	4,237	\$ 9,225,935.54	\$ 2177
2011	4,110	\$ 9,178,181.01	\$ 2233
2012	4,065	\$ 9,135,333.81	\$ 2247
2013	4,115	\$ 8,928,701.55	\$ 2176
2014	4,164	\$ 9,442,987.09	\$ 2268
2015	3,994	\$ 9,953,565.56	\$ 2492
2016	3,913	\$ 9,947,975.64	\$ 2542
2017	3,734	\$ 9,897,137.99	\$ 2650
2018	3,685	\$ 9,791,185.23	\$ 2657
2019	2,857*	\$ 7,625,986.63*	\$ 2669

Data taken from Board Office records. \*2019 data thru 9/2019

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The table below is the calculated pilotage fees for one-way voyage for standard large and small vessels in the all the Florida ports for comparison purposes.

**Table 5 - Pilotage Rates - 2018 data**

Florida Port	\$/Foot	Rate/Feet	Rate/GRT	Min GRT	Small Vsl	Large Vsl	Effect Date
Fernandina	25.35	15	0.057	3000	627	1829	01/01/2011
Port Canaveral	12.50	12	0.028	2500	295	900	10/01/1981
Fort Pierce	26.60	10	0.060	2000	601	1924	05/01/2010
Palm Beach	16.00	13	0.034	2500	373	1109	08/01/2014
Port Everglades	13.30	14	0.0356	2500	328	1092	06/13/2003
Port Everglades (compromise)	22.50	18	0.0105	5000	920	1956	PENDS Litigation
Miami	22.50	18	0.01125	5000	1024	2319	05/19/2018
Key West	18.40	12	0.0345	2000	401	1168	04/01/1991
Tampa	39.27	12	0.0713	2600	892	2440	02/01/2010
Panama City	28.75	16	2.65*	175	1248	2265	09/27/2019
Pensacola	25.00	18	2.00*	200	850	1505	08/19/2011
Jacksonville	21.20	15	0.0464	3000	521	1500	01/01/2004

**Notes:**

Fees rounded to nearest dollar

Panama City/Pensacola does not use a tonnage charge but a Unit charge: (Unit=Length x Width/100). Panama City charges a docking undocking fee of \$0.25/ft. for vessels greater than 350' LOA, also a capital Boat and maintenance fee of \$200/movement.

Port Everglades and Miami use a combination of the box formula plus a GRT charge, with discounted rates below 10,000 GRT. Miami includes \$100 Harbor Control fee for each handle.

Tampa uses a different minimum draft charge for vessels less than 10,000 GRT (12') and for vessels greater than 10,000 GRT (20')

Small Vessel = 342' LOA, 55' beam, 2033 GRT, 18' draft

Large Vessel = 636' LOA, 79' beam, 23200 GRT, 20' draft



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**Table 6 - Handles, Pilots and Revenue - 2018 data**

<u>Florida Port</u>	<u>#handles</u>	<u>Revenue</u>	<u>Avg Handle Time</u>	<u># Pilots</u>	<u>Revenue/Handle</u>	<u>Revenue/Handle hr</u>
Fernandina	176	\$ 191,028	4.0	0	\$ 1085	\$271
Jacksonville	3685	9,791,185	4.0	13/1	2657	664
Port Canaveral*	2170	5,994,727	2.0	8/1	2763	1382
Fort Pierce**			2.5			
Palm Beach	2719	2,195,118	1.5	5/1	807	538
Port Everglades	8827	11,967,183	2.6	17/3	1356	521
Miami	5544	13,597,747	2.6	16/4	2453	943
Key West	815	4,351,297	2.5	3/1	5339	2136
Tampa	4692	13,665,957	7.5	16/3	2913	388
Panama City	474	598,959	2.0	2	1264	632
Pensacola	87	136,451	2.0	1	1568	784

- \* Port Canaveral Pilots submitted a letter to PRRB on 10 Feb 06 indicating their average handling time should be increased. Used historical data for consistency.
- \*\* Ft Pierce closed

**Table 7 - Approximate distances for piloting large cargo and passenger vessels within port areas (NM)**

Port	Cargo	Passenger	Port	Cargo	Passenger
Fernandina	11.8	12.0	Port Everglades	7.0	5-6.0
Jacksonville	12.5-20.9	15.1	Miami	5.7-8.0	6.85-8.85
Canaveral	6.0	7.0	Key West	8.5	7.6-7.9
Ft Pierce	4.4	N/A	Tampa	25.9-43.3	44.0
W. Palm Beach	2.3	2.3	Panama City	10.0-17.0; 43	N/A
			Port St Joe		
			Pensacola	11.0	N/A

**Notes:**

Data taken from prior rate investigations, chart estimations and actual port input.

**FS310.151(5)(b)5: The amount of time each pilot spends on actual piloting duty and the amount of time spent on other essential support services.**

The combined port are of Jacksonville and Fernandina workload is divided between two duty watches of seven pilots for each watch on a 21 day on/21 day off schedule. While on watch, a pilot is on call and must remain in communication and be available 24 hours per day. The pilot who will receive the next available vessel is the "first call pilot". In a typical 7 day week, each of the on watch pilots, will perform the "first call pilot" duties for a full day. This equates to 624 hours/yr. as "first call pilot" (1 day/week x 26 weeks/yr. x 24 hrs/day).

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The "first board pilots" responsibilities include : working with dispatchers and agents to set vessel start times based on tide windows and coordinate vessel traffic, handles special circumstances such as overdraft vessels, COTP orders, port information and berth depth questions. In Fernandina, he also works with the agents to arrange tug assistance and set arrival and departure times. The "first board pilot" is also responsible for reopening the port after it was closed due to fog or extreme weather conditions,. When the "first board pilot" is dispatched for pilotage duties, the responsibility is shifted to the next pilot on rotation.

Each pilot also averages an additional week/year as standby pilot for injuries or sickness, etc. so that the on watch cycle maintains a full 7 pilot watch. This avoids delays in peak sailing times or overloads due to port closures as described above. When scheduling pilots, no consideration is given to weekends, holidays or time of day. This equates to 168 hrs/yr. (7 days/yr. x 24 hrs/day). The only exception is when a pilot feels it is unsafe for them to be on the water and 8 hrs. of rest is taken. The current complement of pilots allows for the two watch rotation and is normally sufficient to cover peak demand.

In 2018, the 14 pilots averaged 276 vessels each and with an average handle time of 3.0 hrs./handle equates to 827 hrs of actual handle time: ( 176 + 3685 handles / 14 pilots x 3 hrs./handle). The pilots reside in the combined port area with most of the pilots in the Jacksonville, close to the pilot station. The average commute time is about 2 hrs in Jacksonville and for those in Fernandina 3.0 hrs. The average embark and disembark travel time in Jacksonville is 0.5 hrs and 1.0 hrs. for Fernandina. Whenever the new boarding area is established for the neo-Panamax vessels off Jacksonville (approx. 10 miles further east of sea buoy), the average travel for them will be an extra 0.5 hrs. For 2018, this equates to 564 hrs travel time/pilot/yr. (176 x 3.0 hrs. travel) + (3685 x 2.0 hrs. travel /14 pilots).

The neo-Panamax vessels calling at Blount Island (turning area 1075 feet) and TRAPAC area require an additional hr of bridge time due the only turning area sufficient to make the turn is off the TRAPAC berth (turning area 1175 feet). The length of bridge time is also increasing for vessels drafting more than 36 feet due to proceeding against the flooding current.

Each pilot also averages 10 hrs/week, equating to 520 hrs./yr. (10 hrs./week x 52 weeks/yr.) managing Association business and essential support for Fernandina and Jacksonville ports. The essential support is provided by the Association President and Vice President, the Technology and Pilot Boat pilots. They also serve the port community through the Jacksonville Maritime Exchange (JMTX) board, Propeller Club executive board, Florida harbor Pilots executive board and the Right Whale Southeast Implementation Team (SEIT). The pilots also work closely with the U.S. Coast Guard, U.S/ Army Corp of Engineers, The Jacksonville Port Authority and Nassau Count Ocean, Highway and Port Authority to promote safety and port growth.

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The St Johns Bar Pilot Association is a key member of the NE Florida Port Coordination team and help the U.S. Coast Guard verify aids to navigation after tropical or hurricane storms. The pilots, dispatchers and pilot boatmen are the last to leave and first to arrive after a storm. They assist other port entities to quickly and safely reopen the ports of Fernandina and Jacksonville and re-establish commercial traffic. After Hurricane Dorian, they were able to reopen those ports to commercial traffic within 24 hours of its passing.

When considering the pilot's bridge and travel times, operational and administrative responsibilities, plus government and community interactions. A summary of on-watch time is summarized below:

On-Watch / Off-Watch / On Duty / Off Duty

365 days per year  
x 24 hours per day  
8,760 total hours per year  
4380 total hrs/ 2 watches

<u>Hours</u>	<u>Explanation</u>
On Call time: 27wk x7days x24 hrs. = 4536	26 weeks of rotation 24/7, plus 1 week standby

Total Hours on-watch 4536

<u>Allocation of total time:</u>	<u>On-Watch</u>
<b>Bridge Time:</b>	
3861 handles ÷ 14 pilots x 3.0 hours =	827
<b>Transportation Handle Time</b>	
Fer: 176 handles ÷ 14 pilots x 3 hrs. =	38
Jax: 3685 handles ÷ 14 pilots x 1 hrs. =	<u>263</u>
<b>Total Handle Time (Bridge &amp; travel)</b>	= 1128
<b>Essential Support time</b>	
1 week/pilot x 52 weeks =	520
<b>"First board Pilot" time</b>	
1 day/week x 26 weeks/yr. x 24 hrs./day =	<u>624</u>
Total time	<u><u>2272</u></u>

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**6. The prevailing compensation to individuals in other maritime services of comparable professional skill and standing.**

The prevailing compensation of US pilots and Florida pilots, compared to other comparable maritime professions is not a finite amount, as it rests with the judgment of the Pilotage Rate Review Committee.

Previous Rate Review Boards and Committees have established a floor of base compensation for Florida pilots equal to or greater than US flagged senior captains. In the late 1990's and early 2000's, this "floor" amounted to the range of \$200,000 to \$220,000. In 2012 Administrative Hearing on the Port of Ft. Pierce, Judge Watkins' recommended order acknowledged that nationwide, average compensation for pilots are about \$400,000 per year. But total compensation for a senior US captain who is an employee with certain defined benefits, including funded pension plans, is not perfectly comparable to Florida pilots. Chapter 310 requires a determination of average net income of pilots, including the value of all benefits. This includes an estimate of the value of the unfunded pension benefits which is difficult to compare to a funded pension plan. Chapter 310 also provides that net income is determined after deduction of reasonable operating costs of the pilots operations. The Investigative Committee has consistently considered certain costs such as; political and charitable contributions and lobbying expenses as discretionary expenses to be included in "all benefits". These types of expenses are not attributable to employee/captains, but are likely paid by their employers.

Captain George Quick, Vice President of Master Mates and Pilots has provided testimony at many of the previous rate hears from 2014 to 2018 and testified that US pilots earned an average of above \$410,000 to \$498,000. Another maritime consultant, Dibner Maritime Associates, LLC, provided testimony at the 2014 Miami hearing and a tabulation of pilot net income for 25 US ports, indicating a range of \$260,000 to \$687,000, and an average of \$500,000. See Exhibit 5.

Other than a pilot, the most relevant, comparable profession is a captain on a large U.S. flagged vessel. However, the skills, risks and working conditions of a ship's captain and that of a pilot are considerably different:

- A pilot must have a wider range of technical skills because of the variety of sizes and operational/handling characteristics of the vessels he handles.

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7. **The impact rate change may have in individual pilot compensation and whether such change will lead to a shortage of licensed state pilots, certified deputy pilots, or qualified pilot applicants.**

Florida is a highly desirable place to live and Jacksonville offers a nice standard of living, a mild climate, and the cost of living is one of the lowest of Florida's major cities. Non-pilot compensation in excess of \$250,000 would represent a well-compensated professional in this region. Florida has 94 pilot positions statewide, 96% of which are in ports where the compensation ranges from in excess of \$250,000 to \$500,000, which is competitive with the other state-regulated ports. Recent increases in Miami and Port Everglades has provided support for the setting rates that produce pilot incomes in the top quartile of pilots nationwide.

However, we have no data to support any conclusions as to whether this increase (or if rates remain the same and pilot compensation fell slightly) will actually lead to a shortage of licensed state pilots, deputy pilots, or qualified pilot applicants.

The following schedule summarizes average pilot income, including benefits, from 2007, 2017, 2018 and estimated 2020 if the requested rate increase is approved:

<u>Year</u>	<u>Income Before Fringe Benefits</u>	<u>Fringe Benefits and Unfunded Pension*</u>	<u>Total Average Income</u>
2007	\$363,000	\$42,000	\$405,000
2017	\$395,000	\$80,000	\$475,000
2018	\$398,000	\$80,000	\$478,000

\*Fringe \$35,000. Pension \$45,000 = \$80,000

**Projected Pilot Income**

<u>Year</u>	<u>Projection Without Rate Increase</u>	<u>Projection With Rate Increase</u>
2020	\$478,000	\$564,000

The number of qualified/approved applicants for pilot openings in Jacksonville has been fairly strong since 2007, surpassed only by Miami, Everglades and Canaveral which averaged 22.5 approved applicants from 2012 to 2018. Jacksonville applicants were as follows:

<u>Year</u>	<u>Number of Applicants</u>
2007	12
2008	15
2011	14
2015	11

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We cannot determine by this information, the quality of the applicants. Although most of the applicants meet minimum requirements of Chapter 310.071, *Florida Statutes*, the true test of an applicant's ability is not known until the appointed deputies complete their deputy training programs at their respective ports.

**8. Projected changes in vessel traffic.**

The port in Jacksonville is made up of a diversified group of business entities. The Jacksonville Port Authority (JPA) is a "Landlord Operator", which means it only owns the land that it leases to various tenants who, in turn, provide their own facilities and services to run their operations. JPA's land consists of the Talleyrand, Blount Island, and the Ed Austin Terminals, which account for only half of the total ships that call on the port.

The other non-JPA terminals include: Buckeye, Marathon Oil, Navy Fuel, NuStar Oil, Center Point, Trans Mountain Asphalt, Blount Island Marine Corporation and the Port at Green Cove (Tug and Barge only).

Traffic in Jacksonville has declined slightly from 2010 to 2018 but pilotage revenue has increased during the same time period, due to the increase in size of vessels which is a common trend in the shipping industry. Projected 2020 traffic will decline by 126 handles.

Fernandina traffic and related pilotage revenue has decreased significantly during 2010 to 2018 primarily due to economic issues with the port and its customers.

The following table presents the number of handles and revenue for each port from 2010 to 2018:

Jacksonville				Fernandina			
Year	Handles		Revenue	Handles		Revenue	
2010	4,237		\$ 9,225,935.54	441		\$ 527,000	
2011	4,110		\$ 9,178,181.01	391		\$ 525,000	
2012	4,065		\$ 9,135,333.81	232		\$ 318,000	
2013	4,115		\$ 8,928,701.55	170		\$ 212,000	
2014	4,164		\$ 9,442,987.09	156		\$ 183,000	
2015	3,994		\$ 9,953,565.56	173		\$ 221,000	
2016	3,913		\$ 9,947,975.64	177		\$ 192,000	
2017	3,734		\$ 9,897,137.99	161		\$ 183,000	
2018	3,685		\$ 9,791,185.23	176		\$ 182,000	

This table shows that the revenue per handle (in Jacksonville) increased from \$2,177 in 2010 to \$2,657 in 2018, indicating an increase in the average size of vessels by approximately 22%.

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**9. Cost of retirement and fringe benefit plans.**

**Retirement Plans**

*Regular Employees*

The pilots sponsor a qualified 401(k) retirement plan which covers substantially all employees. The Association makes an annual contribution to the plan equal to 15% of participants' annual salary of employees hired prior to December 31, 2012. The Association makes an annual contribution to the plan equal to 7% plus a 3.5% match of participants' annual salary of employees hired after December 31, 2012.

Employer contributions in 2017 and 2018 totaled \$105,600 and \$113,000 respectively.

*Pilots*

The pilots' retirement plan is not funded or set aside on a current basis. Their retirement is based upon the Articles of Association between pilots, which provides for the following:

- After 20 years active service and upon reaching the age of 55, upon retirement he will receive for a percentage of an active pilot's distributive share as follows:

<u>Age</u>	<u>And</u>	<u>Years of Service</u>	<u>Percentage of Active Pilots' Share</u>
55		20	35%
55		21	38%
55		22	41%
55		23	44%
55		24	47%
55		25	50%

- The pilots maintain a record of pension benefits that were paid from their share of pilot income while they were an active pilot, and the amount of benefits received as a retiree. Upon the death of an active or retired pilot, the excess (if any) of the benefits paid versus received is paid to the pilot's survivor on a monthly basis until the balance is paid out.
- If the pilots ceased business, the retired pilots would receive no retirement income because their compensation is based on pilotage on a month-to-month basis.
- There is no cap for five existing retirees who retired before 2001. The active pilots have agreed to cap their future retirement benefit to an aggregate of 20% of gross pilotage revenue. Captain Eldemire is the only retired and living pilot not subject to the cap as of 2019.

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Tax laws also allow the pilots to fund individual retirement plans with their share of pilot income. Depending on the type of plan selected, they can contribute up to \$55,000 in 2018 which is adjusted annually by the Internal Revenue Service. If such plans are consistently funded at the maximum annual contribution, along with a conservative investment strategy, each pilot can accumulate a considerable retirement account. Since these plans are funded by each individual pilot out of their respective income shares, it is not included as an additional benefit in our determination of average net income per pilot.

Actual and projected retirement expense, with and without the requested rate increase, are presented below:

<u>Year</u>	<u>Actual</u>	<u>Projected Without Request Rate</u>	<u>Projected With Requested Rate</u>
2018	\$ 1,121,000	\$ --	\$ --
2019		\$ 1,289,000	\$
2020			\$ 1,573,000

The following schedule presents the total amounts paid to retired pilots in 2000, 2007, 2018 and estimated for 2020 with the requested rate increase:

	<u>2000</u>	<u>2007</u>	<u>2018</u>	<u>Estimated 2020</u>
Retirement	\$ 1,522,000	\$ 1,116,000	\$ 1,121,000	\$ 1,573,000
Number of retirees	12	6	6	7
Average per retiree	\$ 127,000	\$ 186,000	\$ 187,000	\$ 225,000

**Analysis of Valuation of Pension Plan**

The valuation of the pension plan benefit is a highly judgmental issue and should be analyzed by a qualified actuary in order to determine the imputed benefit to be included in total pilot income. Recognizing a multitude of risks and uncertainty involved in the valuation of this benefit, we present the following simplified analysis for the Rate Review Committee's consideration:



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***Analysis***

1. If a retired pilot was paid \$180,000 a year for 20 years, how much would he have to accumulate in a funded pension plan to pay out this benefit? **Answer:** Assuming a 6% interest factor, \$2,046,000.
2. If a pilot worked 20 years, how much would have to be contributed to a funded plan for each of twenty years worked, to accumulate \$2,046,000? **Answer:** Assuming a 6% interest factor, \$55,500.
3. In prior rate investigations, the Investigative Committee used an estimate of \$45,000 to value the unfunded retirement benefit. Due to the negative and positive factors discussed below, the Investigative Committee will continue to estimate the value at \$45,000.

The following negative and positive factors present some of the most significant variables which could have a negative or positive effect on the valuation of the pension/consulting benefit:

***Negative Factors***

1. If a pilot voluntarily resigns before he completes 20 years' service, he forfeits any future benefits. There is no vesting on a year by year basis. Benefits are pro-rated for preretirement, disability and death.
2. Two factors in the plan document can materially limit the annual retirement benefit:
  - a. The 20% aggregate of total pilot revenue
  - b. The 50% limit on active pilots' compensation
3. Many other business and economic factors could affect the future benefit, since it is not funded. Port traffic, legislative changes, and rate setting events, could have a material impact on such valuations.
4. The retiree has no residual equity in the unfunded plan. Upon death of the retired pilot or the spouse, benefits cease. Therefore, in the example of how much needs to be accumulated to pay the assumed benefits for 20 years (above), a premature death with no residual value would result in a much lower estimate.

***Positive Factors***

1. The pilots' income has been relatively stable over the last 18 years (as they have historically), which means that the \$180,000 assumed flat benefit, may increase or decrease over time, which would understate or overstate our previous computation.
2. The analysis assumes the pilot lives only 20 years. If he lives longer, the computation is too low. If he or his widow die sooner, the computation is too high.

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When you multiply our \$45,000 estimate of pension valuation times the 14 active pilots, the sum is only \$630,000. Whereas, the sum of the cash payments made to the retirees is \$1.1 million for 2018. The difference is attributable to the committee's attempt to value a funded plan (which does not exist) and compare it to the benefits paid on an unfunded plan. Actuarially, the two valuations would never agree. Again, it is a matter of judgment by the Pilotage Rate Review Committee to consider 1) The Investigative Committee's valuation of a funded plan or 2) to consider the cash payments to the retirees as an indirect benefit to the active pilots.

***Equity Valuation Payments***

When a deputy pilot becomes a full pilot, he must buy an interest in the partnership (association), which is valued at the date of admission. A new pilot acquires his interest over a 100 month period. This is deducted from his otherwise full pilot's share of income each month, and is redistributed to the other active and retired pilots.

When a pilot retires, his interest is purchased by the association, based upon the same formula as someone buying in. (Fair value determined at the date of retirement paid over 100 months.) Since these transactions occur in a haphazard pattern from year to year, and amounts paid in or paid out are balanced between all pilots, the investigative committee ignores these transactions in determining individual pilot income and instead focuses on average net income per pilot.

**Medical Plan**

The Association pays the health insurance premium for the pilots and deputies, but not their dependents. Currently the pilots' premium is \$1,210 per month or \$14,520 per year per pilot.

Employees are members of a union and their dues, which are paid by the employee, covers a portion of the health insurance premiums which includes their dependents. The Association contributes \$1,236 per month per employee to the union plan, which essentially covers the employee part of the total premium.

**FS310.151(5)(b)10. Physical risks inherent in piloting.**

The profession of piloting carries inherent risks. Boarding and disembarking a vessel is one of the most difficult/dangerous events of piloting and quickly end a career. Coupled with varying weather, sea conditions, and irregular work schedules creates a physical toll. With the Neo-Panamax vessels calling in the port, the need to board and disembark further offshore exists with Jacksonville looking at areas nearly 10 miles seaward of the sea buoy. Violent and sudden thunderstorms, as well as sustained high winds which accompany fronts, add to the difficulty of handling vessels. Even with the technological advances on today's vessels, no technology can avert the consequences of human error or take the place of the skill and judgment of the pilot.

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**FS310.151(5)(b)11. Special characteristics, dangers and risks of port.**

Jacksonville and Fernandina encompass 67 nautical miles of pilotage waters. Both ports have large tidal and current conditions and are the strongest amongst Florida ports. With the increased size of vessels calling, especially in Jacksonville, the risk management and environmental concerns have drastically increased. Though the channels have remained the same except for depth, the size has increased nearly 195 feet and 52 feet in beam and thus the hydrodynamic forces are much more in play with these vessels. These vessels are larger than the ACOE simulations used in designing the present channel limits. These vessels require timing when passing under the high-tension electrical line at Dames Point and through the Dames Point Bridge with tight limits.

**Lengths of various "Pilotage Waters" channels:**

Jacksonville's navigable waters extends from the sea buoy down the St. Johns River to Green Cove Springs and the ICW from the St Johns River to the just past the Atlantic Ave Bridge for a total of 53.4 Nm. However, the federal channels only extend to the end of Terminal channel and very few vessels requiring pilotage ever transit from the Hart Bridge to Green Cove Springs or down the ICW. The 22 federal channels encompass 25.5 NM of river.

Fernandina's navigable channels extend from the sea buoy down the Amelia Island River through City Front Reach, though most piloted vessels don't go beyond Seaboard Reach for a total pilotage route of 13.6 NM.

Specific details highlighted in the application.

**Widths of various "Pilotage Waters" channels:**

In Jacksonville, the federal channel range from 300 feet in Blount Island Channel to 1175 feet in Dame Point Turn.

In Fernandina, the federal channels range from 400 feet in Seaboard Reach to 1100 feet in Quarantine Reach.

Specific details are highlighted in the application

**Depths of various "Pilotage Waters" channels:**

Jacksonville has federal channels with a depth of 50 feet in the St. Johns Bar Cut Range East channel and thence 40 feet through most of the channels to the berths on Terminal Channel, thence 34 feet to Hart Bridge. Blount Island and Blount Island East Channels have 38 feet and 30 feet draft respectively.

Fernandina has federal channels with depths of 46 feet in the Entrance Channel, then 45feet in Range A and thence 36 feet from Quarantine Reach through Seaboard Reach.

Specific details are highlighted in the application.

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**List of unusual hazards to navigation:**

In Jacksonville, a severe and dangerous set can occur in the Bar Channels and the jetties. The estuarine system in the St Johns Rivers creates strong cross currents in many sections of the lower river. Due to the age of the river and the recent and dramatic increase in size of vessels calling in Jacksonville, many of the recreational boat berths and ramps are very close the navigable channel and do not comply with USCG and ACOE guidelines concerning setbacks. The cruise vessel calling at Jacksonville has less than 6 feet of clearance when passing through the Dames Point Bridge. When the channel was deepened to 40 feet, White Shell and St. Johns Bluff channels were narrowed from 900 feet to 600 feet. The channel presently does not meet the requirements of the ACOE for deep water two way traffic.

In Fernandina, there exists a severe and dangerous cross current at the jetties and strong cross currents along the Amelia River. There exists a high concentration of please and shrimp vessels within the port and from the ICW traffic. Tidal currents are among the strongest and the Tidal range is the largest in Florida. Fernandina deals with the additional challenge of the availability of limited tug boat assistance.

**List "Weather Related" hazards to navigation:**

In both Jacksonville and Fernandina, they deal with seasonal dense fog. Heavy rain squalls can occur through the year but are most prevalent in the summer months. Strong Nor'easters cayuse dangerous boarding and disembarking conditions, most prevalent during the fall and winter months. A fresh wind from the north through the south will create a very strong current across the jetties and create dangerous conditions.

**List limitations imposed by Association:**

Jacksonville has a maximum draft of 40 feet in the federal channels with a minimum of 5% under keel clearance required for safe navigation with no restrictions based on length. Beam or GRT. Air draft beyond Dames Point Bridge is limited.

Fernandina has a maximum draft restriction of 36 feet with a minimum of 2 feet under keel clearance for safe navigation. Tug and barge combinations of greater than 2000 GRT must be made up on the hip prior to entering the Amelia River.

**FS310.151(5)(b)12. Other relevant information:**

Jacksonville is one of 22 strategic ports in the United States, providing pilotage to US Sealift vessels during times of mobilization. In 2020, the St. Johns Bar Pilot Association will have served the port of Jacksonville for over 190 years. The pilots in the combined ports work hard to promote and maintain a high level of cooperation between all the port entities and are committed to providing a safe, efficient and reliable pilotage service. As pilots, they are mindful that pilotage fees are a portion of the total port costs, but not a significant cost compared to other port costs. They feel it's in the best interest of the state to approve these rates to ensure that they able to

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continue the high level of service and attract and retain a high level of qualified applicants and pilots, and upgrade equipment and infrastructure necessary to support a deepened port by the ever larger vessels calling.

13. **The Board may take into consideration the consumer price index or any other comparable economic indicator when fixing rates of pilotage; however, because the consumer price index or such other comparable economic indicator is primarily related to net income rather than rates, the Board shall not use it as the sole factor in fixing rates of pilotage.**

The last rate increase was effective January 1, 2004 and the Consumer Price Index (CPI) was 184.2. As of November 2019, the CPI was 257.2, an increase of 39.6%. See Exhibit 7.

Due to many variables in determining average net income per pilot, such as: port traffic and size of vessels; number of pilots, deputies and retirees; and fluctuation of expenses for fuel, boat replacements and repairs; selecting a single year's pilot net income to compare to the current year CPI, can result in significant distortion.

Based on prior rate investigations, we selected average net income per pilot over the following years to normalize the base year for a comparison to the CPI.

<u>Year</u>	<u>Average Net Income*</u>
1995	\$313,000
2000	\$320,000
2007	<u>\$405,000</u>
Average	\$346,000

\*Not including unfunded pension benefits

Using \$346,000 as an estimated base year for 2004 and applying the increase in CPI from 2004 to 2019 of 39.6%, the CPI adjusted net income would be \$483,000. This compares very close to the pilots' projected 2020 net income of \$489,000 with the requested rate increase.

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Our second CPI analysis compares revenue per handle for select years from 2004 to 2019. This analysis is not a reflection of costs but rather how the size and mix of vessels provide increases in revenue relative to the CPI.

<u>Year</u>	<u>Revenue/Handle</u>	<u>Average CPI</u>
2004	\$1593	188.9
2006	\$1824	201.6
2010	\$2177	218.0
2014	\$2267	237.0
2018	\$2657	252.0
2019	\$2669	257.0

**Analysis of Change from 2004 to 2019**

Change in revenue per handle (\$2,669 - \$1,593)	\$1,076.
Change in CPI (2004 - 2019) + 36%	
2004 revenue per handle times the change in CPI from 2004 to 2019	\$2,166
2019 revenue per handle	\$2,669
Increase in revenue per handle over change in CPI	<u>\$ 503</u>

# **EXHIBIT 1**

Detailed Explanation of Rate Change being Requested

To a base pilotage rate of: LOA Rate x LOA + Beam Rate x Beam + Draft Rate x Draft + GT Rate x GT]

LOA = Length overall, Beam = extreme beam, Draft = Deepest draft, and GT = Gross Tonnage (1969 IMO Conv.)  
All linear dimensions shall be in feet and computed in half foot increments, or fraction thereof.  
Gross Tonnage rate is per 1000 gross tons, or fraction thereof.

The initial rates in dollars per foot or per 1000 gross tons for Arrivals or Sailings shall be:

Vessels of GT:	up to 10,000 GT	10,001 to 40,000 GT	Over 40,000 GT	Over 40ft draft and over 80,000 GT
LOA Rate	\$ 0.75	\$ 1.00	\$ 1.25	\$ 1.50
Beam Rate	\$ 3.75	\$ 5.00	\$ 8.50	\$ 12.00
Draft Rate	\$ 22.50	\$ 25.00	\$ 30.00	\$ 40.00
GRT Rate	\$ 12.50	\$ 15.00	\$ 22.50	\$ 27.50

Minimum pilotage charge of \$880 is based on minimums of: LOA = 300ft, Beam = 50ft, Draft = 18ft, GT = 5,000

The pilotage rate for a barge towed on a hawser, towed alongside or pushed (not a composite unit) is based on the sum of the LOA, Beam, Draft and GT attributes of the towing tug and barge(s).

The pilotage rate for a tug pushing a barge in the notch as a composite unit is based on the barge's LOA, Beam, GT and deepest Draft of the combined unit.

Pilotage Rates for shifting vessels between berths and/or anchorages within the port landward of the COLREGS line:

- Zone A (up to 1 mile) = ¼ Standard Pilotage (\$450 minimum)
- Zone B (over 1 mile and up to 4 miles) = ½ Standard Pilotage (\$600 minimum)
- Zone C (over 4 miles and up to 8 miles) = ¾ Standard Pilotage (\$750 minimum)
- Zone D (over 8 miles) = Standard Pilotage rate; regular LOA, Beam, Draft and GT rates apply
- Zone E (Fuller Warren Bridge to Shands Bridge); in or out of Green Cove Springs, FL = Standard Pilotage

Detention, Delay, Standby or Cancellation of pilot not caused by local weather, medical emergency or force majeure:

- Detention of pilot = \$150 per half hour or fraction thereof after first half hour, no maximum.
- Delayed arrival or sailing = \$150 per half hour or fraction thereof after first half hour, no maximum.
- Standby charge when pilot is on the bridge part of the bridge team as in, but not limited to, holding a vessel in stream, tending a vessel at anchor, making up a tow or breaking tow = \$150 per half hour or fraction thereof, no maximum
- Cancellation of pilot; if cancelled, detention rate of \$150 per half hour will be charged from the pilot call out, (2 hours before the ordered arrival time or 1.5 hours before the ordered sailing time), until notice of cancellation is received by the pilot dispatched to the vessel or by the pilot office.

Port Control Fee = \$100 per vessel handle per inbound or outbound transit

Training and Technology Fee = \$15 per vessel handle per inbound or outbound transit

In Fernandina a docking and undocking rate based on a vessel's LOA.

- LOA less than 330 ft = No Charge
- LOA 330 ft to less than 550 ft = \$0.50 per ft LOA
- LOA 550 ft and over = \$0.75 per ft LOA

At the discretion of the pilots covering the ports of Fernandina and Jacksonville, an additional pilot may be assigned to any neo-panamax vessel, dead ship tow, or special circumstance vessel. The commensurate result being that said vessel will be charged two standard pilotage fees.

Pilot kept on board vessel when a vessel departs the port area = \$250 per day plus First-class return transportation

Payment is due upon invoicing. Balances beyond 45 days shall be considered in-arrears. Lines and Agencies in arrears may be placed on a cash basis for future departures.

All rates and fees shall increase by 2.5% each year for 10 years starting on the anniversary date one year following the effective date of this order.



# **EXHIBIT 2**

Pilotage Revenue By Layers/Tonnage Requested Versus Existing Rates

	Based on New Rates	Based on Old Rates	New Rates vs. Old Rates	
	Total per Vessel	Total per Vessel	Dollar Variance	Percentage Variance
(Minimums: LOA - 300 ft. Beam - 50 ft. Draft - 18 ft. GT - 5000 GT)				
<u>0 - 10,000 Gross Tons</u>	\$ 643,728.63	\$ 367,314.92	\$ 276,413.71	75.25%
<u>10,001 - 20,000 Gross Tons</u>	\$ 508,893.28	\$ 326,302.78	\$ 182,590.49	55.96%
<u>20,001 - 30,000 Gross Tons</u>	\$ 1,130,180.21	\$ 890,931.37	\$ 239,248.84	26.85%
<u>30,001 - 40,000 Gross Tons</u>	\$ 809,995.66	\$ 701,228.17	\$ 108,767.48	15.51%
<u>40,001 - 50,000 Gross Tons</u>	\$ 1,053,720.69	\$ 757,188.58	\$ 296,532.10	39.16%
<u>50,001 - 70,000 Gross Tons</u>	\$ 4,948,293.87	\$ 4,037,781.90	\$ 910,511.98	22.55%
<u>70,001 + Gross Tons</u>	\$ 2,438,963.28	\$ 2,068,566.60	\$ 370,396.68	17.91%
<u>Total Revenue</u>	\$ 11,533,775.61 *	\$ 9,149,314.32 *	\$ 2,384,461.28	26.06%

\* The totals are based on 2017-18 Actual Traffic provided by the pilots and do not agree to the total 2020 projected revenues because of 1) known changes in traffic and 2) some handles are shifts and other movements that are not full pilotage fees.

# **EXHIBIT 3**

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Pilotage Fees for Selected Vessels Based On Requested and Existing Rates

	Based on New Rates		Based on Old Rates		New Rates vs. Old Rates	
	Total per Vessel	Draft	GT	Total per Vessel	Dollar Variance	Percentage Variance
CHEETAH	134 \$ 995.00	\$ 318.00	\$ 139.20	\$ 457.20	\$ 537.80	117.63%
VEGA SCORPIO	9999 \$ 1,445.61	\$ 551.20	\$ 463.95	\$ 1,015.15	\$ 430.46	42.40%
NORFOLK	15549 \$ 1,949.74	\$ 572.40	\$ 721.47	\$ 1,293.87	\$ 655.86	50.69%
DUKHAN	25408 \$ 2,241.12	\$ 561.80	\$ 1,178.93	\$ 1,740.73	\$ 500.39	28.75%
PINE	39145 \$ 2,770.68	\$ 752.60	\$ 1,816.33	\$ 2,568.93	\$ 201.75	7.85%
ALS APOLLO	40030 \$ 4,077.08	\$ 773.80	\$ 1,857.39	\$ 2,631.19	\$ 1,445.88	54.95%
MAERSK UTAH	50686 \$ 4,388.94	\$ 731.40	\$ 2,351.83	\$ 3,083.23	\$ 1,305.70	42.35%
HOEGH TRADER	68060 \$ 4,339.00	\$ 604.20	\$ 3,157.98	\$ 3,762.18	\$ 576.82	15.33%
MOL MARVEL	78316 \$ 5,405.01	\$ 763.20	\$ 3,633.86	\$ 4,397.06	\$ 1,007.95	22.92%
CONTI CORTESIA	90449 \$ 5,915.50	\$ 837.40	\$ 4,196.83	\$ 5,034.23	\$ 881.27	17.51%
MOL BRAVO	113042 \$ 6,386.35	\$ 805.60	\$ 5,245.15	\$ 6,050.75	\$ 335.60	5.55%

20F2

Select Vessel Fee Calculation For Requested Rates

		Based on New Rates							
	LOA	Beam	Draft	GT	Port Control Fee	Training & Technology Fee	Total per Vessel		
CHEETAH	134	\$ 187.50	\$ 405.00	\$ 62.50	\$ 100.00	\$ 15.00	\$ 995.00		
VEGA SCORPIO	9999	\$ 342.75	\$ 585.00	\$ 124.99	\$ 100.00	\$ 15.00	1,445.61		
NORFOLK	15549	\$ 545.00	\$ 675.00	\$ 233.24	\$ 100.00	\$ 15.00	1,949.74		
DUKHAN	25408	\$ 574.00	\$ 662.50	\$ 381.12	\$ 100.00	\$ 15.00	2,241.12		
PINE	39145	\$ 653.00	\$ 887.50	\$ 587.18	\$ 100.00	\$ 15.00	2,770.68		
ALS APOLLO	40030	\$ 1,066.25	\$ 1,095.00	\$ 900.68	\$ 100.00	\$ 15.00	4,077.08		
MAERSK UTAH	50686	\$ 1,197.50	\$ 1,035.00	\$ 1,140.44	\$ 100.00	\$ 15.00	4,388.94		
HOEGH TRADER	68060	\$ 937.50	\$ 855.00	\$ 1,531.35	\$ 100.00	\$ 15.00	4,339.00		
MOL MARVEL	78316	\$ 1,237.50	\$ 1,080.00	\$ 1,762.11	\$ 100.00	\$ 15.00	5,405.01		
CONTI CORTESIA	90449	\$ 1,370.00	\$ 1,185.00	\$ 2,035.10	\$ 100.00	\$ 15.00	5,915.50		
MOL BRAVO	113042	\$ 1,377.50	\$ 1,140.00	\$ 2,543.45	\$ 100.00	\$ 15.00	6,386.35		

# **EXHIBIT 4**

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<u>Customer Name</u>	<u>Amount</u>	<u>No. Of Handles</u>
NYK Line (NA)	\$ 754,364.06	109
Hoegh	\$ 725,912.19	106
MOL	\$ 682,540.72	103
Carnival Cruise Lines,	\$ 602,103.54	77
Ocean Network Express (North America, Inc	\$ 593,666.24	67
T. Parker Host, Inc.	\$ 554,751.90	189
Maersk A/S	\$ 552,281.27	83
TOTE Maritime	\$ 513,521.72	127
CMA CGM (America)	\$ 416,398.51	49
K-Line	\$ 397,602.32	59
GAC Shipping (USA) Inc.	\$ 257,556.11	66
Yang Ming Marine Transport Corp.	\$ 255,545.83	29
Atlantic Container Line	\$ 245,992.18	60
Moran Shipping Agencies Inc.	\$ 218,544.61	65
All American Ship Agents	\$ 212,257.01	69
Siem Car Carriers	\$ 196,810.06	30
Crowley Caribbean Services, Inc	\$ 187,194.86	92
Hapaq Lloyd	\$ 149,164.78	17
Hyundai Glovis	\$ 143,956.86	21
Kline	\$ 133,609.45	20
Ace Marine, Inc.	\$ 131,800.00	35
MOL Panama, Inc.	\$ 126,637.80	16
Hapag Lloyd	\$ 122,354.51	12
Mediterranean Shipping Co	\$ 104,015.32	50
Hapag-Lloyd	\$ 98,965.92	11
Zim American Shipping Services	\$ 96,058.90	9
C. B. Agency	\$ 84,562.05	41
Crowley Marine Services,	\$ 77,237.33	18
Wallenius Wilhelmsen Logistics-Americas, LLC	\$ 72,301.61	10
Siem Car Carrier	\$ 70,413.50	11
Saga Welco	\$ 65,719.86	16
K Line America, Inc.	\$ 45,409.80	6
Terminal Shipping Co.	\$ 43,597.27	9
Great American Line	\$ 42,737.26	7
Crowley Technical Mgmt	\$ 36,251.87	8
CSAV	\$ 34,892.42	7
Kirby Offshore Marine	\$ 30,551.01	19
G2 Ocean US, Inc.	\$ 29,818.87	7
Great American	\$ 27,065.00	4
United Ocean	\$ 25,939.75	8
Colonial Group, Inc.	\$ 25,229.89	13
MLS USA Corporation	\$ 24,860.55	4
US Shipping	\$ 24,711.45	8
Maersk	\$ 24,197.28	9
Port Operatiions	\$ 20,800.00	16
King Ocean	\$ 20,773.19	7

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K Line	\$ 20,284.85	3
Mobro Marine, Inc.	\$ 18,688.40	20
Owners	\$ 18,544.76	6
Gulf Harbor Shipping Age	\$ 18,266.32	10
Bouchard Transportation	\$ 16,059.54	6
Mitsui O.S.K. B	\$ 15,924.11	2
US Shipping	\$ 14,124.72	8
Great American Lines	\$ 13,824.34	2
Nissan Motor Car Carriers	\$ 13,600.61	2
Pasha Hawaii Holdings LLC	\$ 13,296.39	2
Team Tankers	\$ 12,724.36	7
Dutra	\$ 12,650.00	1
Exxon Mobil	\$ 12,331.09	3
Scorpien Marine Management	\$ 11,705.06	3
U.S. Marine Management, Inc.	\$ 11,650.22	2
Dome Chartering	\$ 11,400.82	6
Maritime Management	\$ 10,782.57	2
Crowley Gov't Contract	\$ 9,893.58	4
Vane Line Bunkering Inc.	\$ 9,371.71	6
Gulf Africa Lines	\$ 8,435.40	2
American Petroleum Services	\$ 7,831.96	2
Nissan Motors Carrier	\$ 6,683.90	1
Mitsui-RORO	\$ 6,654.30	1
Cruise Mgmt Int'l	\$ 6,552.74	5
Moran Towing	\$ 5,405.99	4
Galborg	\$ 4,121.87	1
Scorpio MR Pool Ltd	\$ 4,079.18	1
Clearlake Shipping	\$ 4,025.65	1
Scorpio Marine Management	\$ 3,950.15	1
Scorpio Tankers	\$ 3,941.32	1
Keystone Shipping	\$ 3,838.59	1
Macs Maritime	\$ 3,598.87	1
K3 Maritime Agency, Inc	\$ 3,372.44	1
North Florida Shipping	\$ 3,242.23	3
BAE Systems	\$ 3,208.19	4
Odfjell Bankers	\$ 3,158.44	1
FEDNAV	\$ 3,050.54	1
Harley Marine Gulf	\$ 2,842.56	2
Spliethoff	\$ 2,577.51	1
Genesis Marine , LLC	\$ 2,467.87	1
Chembulk	\$ 2,291.23	1
Moran	\$ 2,193.18	1
Pacific Gulf Marine	\$ 2,124.14	1
Monroe	\$ 1,955.37	1
Hornbeck Offshore Services LLC	\$ 1,828.84	2
MY Freedom-Owner	\$ 1,828.84	4
Intermarine-Worldwide	\$ 1,662.46	2



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Bagger Enterprise	\$ 1,600.24	3
Intermarine	\$ 1,423.08	1
Scot Stuttgart Tankers	\$ 1,357.27	2
Patroit Marine, LLC	\$ 1,300.00	1
Ocean 7	\$ 1,276.96	1
Reederei Stefan Patjens	\$ 1,196.29	1
Fountainhead Marine, LTD	\$ 1,089.42	3
Express Marine, Inc.	\$ 1,015.38	1
Aqua, LTD	\$ 914.42	1
Bella Vita CI Corp	\$ 914.42	1
BWA Yachting Florida	\$ 914.42	1
MY Lady Sandals-Owner	\$ 914.42	1
RC Construction	\$ 457.21	1
Schiffahrts Gm & Co KG	\$ 300.00	1
<b>Totals</b>	<b>\$ 9,687,397.37</b>	<b>1961</b>

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<u>Customer Name</u>	<u>Amount</u>	<u>No. Of Handles</u>
North Florida Shipping	\$ 48,747.15	35
Seatrade USA	\$ 48,125.76	16
C. B. Agency	\$ 34,324.53	17
All American Ship Agents, LLC	\$ 30,962.82	10
G2 Ocean US, Inc.	\$ 5,407.80	2
T. Parker Host, Inc.	\$ 3,375.10	1
Dutra Group	\$ 2,604.09	1
Columbia Group Transport, LLC	\$ 1,942.76	1
TOTE Maritime	\$ 1,174.95	1
<b>Totals</b>	<b>\$ 176,664.96</b>	<b>84</b>

# **EXHIBIT 5**

# Tabulation of Net Income Presented in Descending Order

Sabine River, TX	687,112	29.0	19,926,250	13	137% 2015DMA Model
Houston Pilots, TX	631,356	84.0	53,033,934	14	126% 2016DMA Model
Savannah, GA	630,395	20.0	12,607,897	2	126% 2016DMA Model
New Orleans-Barton Rouge, LA	592,470	118.0	69,911,460	9	119% 2016F filed with LA Pilot Fee Comm.
Galveston-Texas City, TX	565,784	16.0	9,052,552	15	113% 2016DMA
Crescent River Port Pilots, LA	556,734	110.0	61,240,740	10	111% 2016F filed with LA Pilot Fee Comm.
Associated Branch Pilots, LA	524,809	46.0	24,141,214	11	105% 2016F filed with LA Pilot Fee Comm.
Charleston, SC	504,179	20.0	10,083,580	1	101% 2016DMA Model
Freeport, TX - Brazos	446,576	4.0	1,786,304	16	89% 2016F filing to Form 990 PC
Mobile Bar, AL	445,841	12.0	5,350,089	7	89% 2016DMA Model
San Francisco, CA	434,237	58.0	25,185,734	21	87% 2014State of Cal
Columbia River Pilots, OR	429,500	43.0	18,468,500	23	86% 2015Fin Stmt
Lake Charles Pilots, LA	421,069	16.0	6,737,104	12	84% 2016F filed with LA Pilot Fee Comm.
Los Angeles, CA	419,441	12.0	5,033,287	20	84% 2016DMA Model and Intvw
Grays Harbor, WA	400,269	2.0	800,538	24	80% 2015 Report by WA Transp Dept
Long Beach, CA	390,000	17.0	6,630,000	19	78% 2015 CEO
Columbia River Bar Pilots, OR	386,258	16.0	6,180,134	22	77% 2015Fin Stmt/CEO
St John Bar Pilots FL	385,000	14.0	5,390,000	3	77% 2016Fin Stmt/Pre Audit
Hawaii Pilots, HI	383,548	10.0	3,835,484	18	77% 2016Fin Stmt/CEO
Corpus Christi, TX	364,000	16.0	5,824,000	17	73% 2015DMA
Puget Sound, WA	350,000	52.5	18,375,000	25	70% 2014Fin Stmt
Port Everglades, FL	335,000	18.0	6,030,000	4	67% 2016Fin Stmt/MggPilot/Pre Audit
Tampa Bay, FL	328,852	20.0	6,577,040	6	66% 2016Fin Stmt/MggPilot
Miami, FL - Biscayne Bay	282,900	18.0	5,082,200	5	57% 2016Fin Stmt/MggPilot
Pascagoula, MS	263,497	7.0	1,844,476	8	53% 2016DMA Model
<b>Total and/or Average of All</b>	<b>\$ 499,856</b>	<b>778.5</b>	<b>389,137,517</b>		<b>100%</b>

Net income is weighted average

Note: Italicized Net Revenue denotes self-employment deductions and with any tax credits made

Source: Dbnr Maritime Associates analysis, review of documents, and interviews

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**BOLES LAW FIRM –**  
**BATON ROUGE, LLC**

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Baton Rouge, Louisiana 70809  
Telephone: 225.924.2686  
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WILLIAM B. KIRTLAND  
bkirtland@jboleslaw.com

March 15, 2017

Larry McNutt, Jr., Administrator  
Louisiana Pilotage Fee Commission  
Two United Plaza, Suite 702  
Baton Rouge, Louisiana 70809

**RE: Louisiana Pilotage Fee Commission Docket No. P-13-001**  
**Filing of Pilots' 1099 Income Distribution Disclosure –**  
**Year ended December 31, 2016**  
**New Orleans-Baton Rouge Steamship Pilots Association**  
**BLF File No. 5361**

Dear Mr. McNutt:

Pursuant to Louisiana Pilotage Fee Commission ("Fee Commission") Order P-13-001 issued on November 14, 2013, please find attached for filing the New Orleans-Baton Rouge Steamship Pilots Association's pilots' 1099 income distribution disclosure for the year ended December 31, 2016.

This financial data is being submitted for informational purposes only and requires no action on the part of the Fee Commission.

With every good wish, I am,

Sincerely,

*William B. Kirtland / JSS*

Janet S. Boles  
William B. Kirtland

WBK/his  
Enclosure

cc: Captain Stephen Hathorn  
Captain Louis M. Wattigney, Jr.  
Captain Stephen Wall  
Art Lentini, Esquire  
Kevin Neyrey, CPA  
Dennis Tizzard, CPA

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**New Orleans-Baton Rouge Steamship Pilots Association  
Year 2016  
1099 Pilot Shares**

1	\$425,220.05	40	\$567,761.65	79	\$595,782.21
2	\$605,382.98	41	\$595,288.00	80	\$579,006.65
3	\$496,578.30	42	\$688,260.32	81	\$599,092.83
4	\$607,029.20	43	\$605,137.34	82	\$589,763.23
5	\$658,683.84	44	\$593,677.58	83	\$454,040.71
6	\$579,752.76	45	\$590,177.18	84	\$598,767.86
7	\$697,805.66	46	\$683,696.96	85	\$608,685.47
8	\$523,417.50	47	\$611,801.80	86	\$647,571.89
9	\$610,681.22	48	\$590,181.58	87	\$586,003.13
10	\$601,778.82	49	\$680,039.87	88	\$528,717.82
11	\$578,400.04	50	\$670,498.59	89	\$566,169.91
12	\$488,883.06	51	\$627,224.85	90	\$607,000.72
13	\$574,295.19	52	\$594,854.52	91	\$616,750.58
14	\$653,939.66	53	\$596,037.97	92	\$843,164.30
15	\$602,549.67	54	\$599,307.12	93	\$687,301.84
16	\$487,447.14	55	\$589,294.23	94	\$618,866.30
17	\$326,815.09	56	\$619,196.97	95	\$688,717.29
18	\$593,765.98	57	\$618,563.11	96	\$575,282.70
19	\$589,156.52	58	\$702,333.42	97	\$613,341.75
20	\$627,368.46	59	\$589,213.61	98	\$625,137.28
21	\$617,394.64	60	\$595,200.22	99	\$806,364.19
22	\$593,784.50	61	\$630,181.79	100	\$590,524.39
23	\$587,770.52	62	\$528,775.28	101	\$607,473.71
24	\$590,993.59	63	\$592,592.90	102	\$668,336.42
25	\$571,875.06	64	\$603,399.30	103	\$637,058.07
26	\$689,458.78	65	\$606,875.88	104	\$604,718.67
27	\$554,939.58	66	\$688,578.74	105	\$578,019.93
28	\$559,101.20	67	\$596,791.50	106	\$605,369.02
29	\$616,555.66	68	\$619,668.36	107	\$685,931.44
30	\$689,752.99	69	\$638,912.65	108	\$627,484.74
31	\$479,801.97	70	\$567,790.74	109	\$580,536.69
32	\$658,752.07	71	\$627,781.12	110	\$579,408.38
33	\$535,618.01	72	\$618,700.28	111	\$578,335.00
34	\$682,965.15	73	\$586,402.43	112	\$564,902.83
35	\$597,604.12	74	\$538,624.54	113	\$565,540.34
36	\$528,853.10	75	\$598,332.92	114	\$809,018.84
37	\$653,140.91	76	\$610,465.26	115	\$574,191.38
38	\$604,534.45	77	\$547,913.39	116	\$586,477.35
39	\$585,709.18	78	\$570,234.75	117	\$588,526.93

# **EXHIBIT 6**

**ST. JOHNS BAR PILOT ASSOCIATION**

PILOT	DOB	DEPUTY	FULL PILOT	RETIRED	AGE	% OF SHARE	Age Eligible	Full Retirement - Years of Service	Expected Retirement
P. C. Eldemire	10.25.1928	07.20.1987	04.12.1988	10.25.1999	90	50.00%			
Dean R. Colver	03.16.1939	12.24.1976	10.01.1979	01.31.2002	80	50.00%			
Ronald E. Dull	11.21.1950	07.14.1989	08.06.1992	8.8.2013	68	47.00%			
Eric C. Bryson	08.12.1955	08.26.1991	04.22.1994	6.15.2017	64	50.00%			
James P. Winegeart	08.19.1959	08.10.1993	10.03.1995						2024
William M. Brauer	10.03.1962	02.01.1994	04.09.1996	2.28.2019	57	60.00%			
John F. Teems	05.22.1959	08.25.1994	11.01.1996						
Joseph J. Brown	07.26.1959	12.01.1994	05.09.1997						2024
James P. Thomas	08.10.1947	03.01.1995	05.09.1997	3.01.2012	72	29.00%			2020
John H. Atchison	05.28.1959	08.27.1998	03.08.2001				60		2023
Scott W. O'Connor	08.17.1955	11.26.1988	12.16.2000				64		2023
Barrie R. Snyder, Jr.	09.08.1966	09.18.1999	10.08.2001				53		2024
Joseph C. Heath	06.03.1984	03.21.2000	04.09.2002				55		2026
Timothy McGill	01.18.1966	02.14.2002	05.03.2004				53		2026
N. Chris Mons	08.22.1977	09.03.2007	12.17.2009				42		12
William H. Kavanaugh	05.02.1976	08.15.2008	04.21.2011				43		11
Jeffrey T. Ritter	05.10.1962	09.01.2011	11.18.2013				57		8
Nathan D. Cook	12.24.1973	04.02.2012	04.16.2014				45		7
Brian J. Seuter	09.12.1967	10.15.2015	12.15.2017				52		4
Michael W. Villa	09.11.1983	10.06.2016	05.01.2019				36		3
	Deceased								
	L. Inactive								
	Eligible Ret								
	No Cap								



# **EXHIBIT 7**

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Economic News Release

CPI PRINT

Table 1. Consumer Price Index for All Urban Consumers (CPI-U): U. S. city average, by expenditure category

Table 1. Consumer Price Index for All Urban Consumers (CPI-U): U.S. city average, by expenditure category, November 2019  
[1982-84=100, unless otherwise noted]

Expenditure category	Relative importance Oct. 2019	Unadjusted indexes			Unadjusted percent change		Seasonally adjusted percent change		
		Nov. 2018	Oct. 2019	Nov. 2019	Nov. 2018- Nov. 2019	Oct. 2019- Nov. 2019	Aug. 2019- Sep. 2019	Sep. 2019- Oct. 2019	Oct. 2019- Nov. 2019
All items	100.000	252.038	257.346	257.208	2.1	-0.1	0.0	0.4	0.3
Food	13.250	754.179	259.632	259.467	2.0	-0.1	0.1	0.2	0.1
Food at home	7.183	239.352	242.340	241.726	1.0	-0.3	0.0	0.3	0.1
Cereals and bakery products	0.946	273.240	276.470	276.166	1.1	-0.1	0.5	-0.1	0.1
Meats, poultry, fish, and eggs	1.580	247.954	250.592	250.491	1.0	0.0	0.3	0.6	0.3
Dairy and related products	0.725	215.896	220.738	221.515	2.6	0.4	0.2	0.1	0.6
Fruits and vegetables	1.268	296.362	301.318	297.472	0.4	-1.3	-1.0	0.9	-0.7
Nonalcoholic beverages and beverage materials	0.860	167.891	170.842	170.675	1.7	-0.1	0.1	-0.3	0.6
Other food at home	1.804	210.407	211.492	211.250	0.4	-0.1	0.3	0.2	0.0
Food away from home(1)	6.067	278.306	286.791	287.235	3.2	0.2	0.3	0.2	0.2
Energy	7.536	215.910	216.351	214.636	-0.6	-0.8	-1.4	2.7	0.8
Energy commodities	4.237	241.633	240.279	237.972	-1.5	-1.0	-2.3	3.5	1.1
Fuel oil	0.109	305.370	282.534	284.797	-6.7	0.8	-0.6	0.8	1.4
Motor fuel	4.059	236.934	236.346	233.851	-1.3	-1.1	-2.4	3.6	1.1
Gasoline (all types)	3.973	235.381	235.168	232.575	-1.2	-1.1	-2.4	3.7	1.1
Energy services	3.299	200.148	202.556	201.387	0.6	-0.6	-0.1	1.8	0.4
Electricity	2.571	209.339	212.829	210.365	0.5	-1.2	0.0	1.6	0.3
Utility (piped) gas service	0.728	169.821	169.139	171.629	1.1	1.5	-0.7	2.4	1.1
All items less food and energy	79.214	259.105	265.059	265.108	2.3	0.0	0.1	0.2	0.2
Commodities less food and energy commodities	19.271	143.542	144.577	143.722	0.1	-0.6	-0.3	-0.1	0.0
Apparel	3.024	124.935	126.154	122.986	-1.6	-2.5	-0.4	-1.8	0.1
New vehicles	3.625	145.826	145.726	145.728	-0.1	0.0	-0.1	-0.2	-0.1
Used cars and trucks	2.340	138.010	138.407	137.407	-0.4	-0.7	-1.6	1.3	0.6
Medical care commodities	1.690	380.658	383.498	383.025	0.6	-0.1	-0.6	1.2	0.1
Alcoholic beverages	0.958	251.326	253.207	252.463	0.5	-0.3	-0.3	-0.3	-0.3
Tobacco and smoking products	0.676	1,083.514	1,134.550	1,142.857	5.5	0.7	0.6	-0.4	0.8
Services less energy services	59.942	330.983	340.302	341.032	3.0	0.2	0.3	0.2	0.3
Shelter	33.418	310.950	320.762	321.267	3.3	0.2	0.3	0.1	0.3
Rent of primary residence	7.990	323.968	334.680	335.819	3.7	0.3	0.4	0.1	0.3
Owners' equivalent rent of residences(2)	24.122	319.338	328.762	329.745	3.3	0.3	0.3	0.2	0.2
Medical care services	7.110	520.973	545.652	547.735	5.1	0.4	0.4	0.9	0.4
Physicians' services	1.713	379.872	384.901	385.010	1.4	0.0	0.4	0.2	0.1
Hospital services(2)	2.349	334.242	344.363	345.227	3.3	0.3	0.0	1.4	0.3
Transportation services	5.911	324.168	326.582	326.686	0.8	0.0	0.3	0.1	0.0
Motor vehicle maintenance and repair(3)	1.136	290.114	298.925	299.260	3.2	0.1	0.2	0.2	0.1
Motor vehicle insurance	2.354	573.338	571.975	571.987	-0.2	0.0	0.3	0.0	-0.2
Airline fares	0.700	263.809	269.871	268.994	2.0	-0.3	0.8	-0.4	-0.9

Footnotes

- (1) Not seasonally adjusted.
- (2) Indexes on a December 1982=100 base
- (3) Indexes on a December 1996=100 base

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Table 24. Historical Consumer Price Index for All Urban Consumers (CPI-U): U. S. city average, all items-Continued  
(1982=100, unless otherwise noted)

Year	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
1970	37.8	38.0	38.2	38.5	38.6	38.8	39.0	39.0	39.2	39.4	39.6	39.8
1971	39.8	39.9	40.0	40.1	40.3	40.8	40.7	40.8	40.8	40.9	40.9	41.1
1972	41.1	41.3	41.4	41.5	41.6	41.7	41.9	42.0	42.1	42.3	42.4	42.6
1973	42.8	42.9	43.3	43.6	43.9	44.2	44.3	45.1	45.2	45.6	45.9	46.2
1974	46.6	47.2	47.8	48.0	48.6	49.0	49.4	50.0	50.6	51.1	51.5	51.9
1975	52.1	52.5	52.7	52.9	53.2	53.6	54.2	54.3	54.6	54.9	55.3	55.5
1976	55.8	55.8	55.9	56.1	56.5	56.8	57.1	57.4	57.6	57.9	58.0	58.2
1977	58.5	58.1	58.5	60.0	60.3	60.7	61.0	61.2	61.4	61.6	61.9	62.1
1978	62.5	62.9	63.4	63.9	64.6	65.2	65.7	66.0	66.5	67.1	67.4	67.7
1979	68.3	69.1	69.8	70.6	71.5	72.3	73.1	73.6	74.6	75.2	75.9	76.7
1980	77.8	78.9	80.1	81.0	81.8	82.7	82.7	83.3	84.0	84.8	85.5	86.3
1981	87.0	87.9	88.5	89.1	89.0	90.6	91.6	92.3	93.2	93.4	93.7	94.0
1982	94.3	94.6	94.5	94.9	95.8	97.0	97.5	97.7	97.9	98.2	98.0	97.6
1983	97.8	97.9	97.9	98.6	99.2	99.5	99.9	100.2	100.7	101.0	101.2	101.3
1984	101.9	102.4	102.6	103.1	103.4	103.7	104.1	104.5	105.0	105.3	105.3	105.3
1985	105.5	106.0	106.4	106.9	107.3	107.6	107.8	108.0	108.3	108.7	109.0	109.3
1986	109.6	109.3	108.8	108.6	108.9	109.5	109.5	109.7	110.2	110.3	110.4	110.5
1987	111.2	111.6	112.1	112.7	113.1	113.5	113.8	114.4	115.0	115.3	115.4	115.4
1988	115.7	116.0	116.5	117.1	117.5	118.0	118.5	119.0	119.9	120.2	120.3	120.5
1989	121.1	121.6	122.3	123.1	123.6	124.1	124.4	124.6	125.0	125.6	125.9	126.1
1990	127.4	128.0	128.7	128.9	129.2	129.9	130.4	131.6	132.7	133.5	133.8	133.8
1991	134.6	134.8	135.0	135.2	135.6	136.0	136.2	136.6	137.2	137.4	137.8	137.9
1992	138.1	138.6	139.3	139.5	139.7	140.2	140.5	140.9	141.3	141.8	142.0	141.9
1993	142.6	143.1	143.6	144.0	144.2	144.4	144.4	144.8	145.1	145.7	146.8	145.8
1994	148.2	146.7	147.2	147.4	147.5	148.0	148.4	149.0	149.4	149.5	149.7	149.7
1995	150.3	150.9	151.4	151.9	152.2	152.5	152.5	152.9	153.2	153.7	153.8	153.5
1996	154.4	154.9	155.7	156.3	156.6	156.7	157.0	157.3	157.6	158.3	158.6	158.6
1997	159.1	159.6	160.0	160.2	160.1	160.3	160.5	160.8	161.2	161.6	161.5	161.3
1998	161.6	161.9	162.2	162.5	162.8	163.0	163.2	163.4	163.6	164.0	164.0	163.9
1999	164.3	164.5	165.0	166.2	166.2	166.2	166.7	167.1	167.9	168.2	168.3	168.3
2000	168.8	169.8	171.2	171.3	171.5	172.4	172.6	172.8	173.7	174.0	174.1	174.0
2001	175.1	175.8	176.2	176.9	177.7	178.0	177.5	177.5	178.3	177.7	177.4	176.7
2002	177.1	177.8	178.8	179.8	179.8	179.9	180.1	180.7	181.0	181.3	181.3	180.9
2003	181.7	183.1	184.2	183.8	183.5	183.7	183.9	184.6	185.2	185.0	184.5	184.3
2004	185.2	186.2	187.4	188.0	189.1	189.7	189.4	189.5	189.9	190.9	191.0	190.3
2005	190.7	191.6	193.3	194.6	194.4	194.5	195.4	196.4	198.8	199.2	197.8	198.8
2006	198.3	198.7	199.8	201.5	202.5	202.9	203.5	203.9	202.9	201.8	201.5	201.8
2007	202.416	203.490	205.352	206.686	207.949	208.352	208.288	207.917	208.490	208.936	210.177	210.036
2008	211.080	211.693	213.528	214.823	216.632	218.815	219.964	219.086	218.783	216.573	212.425	210.228
2009	211.143	212.193	212.709	213.240	213.856	215.693	215.351	215.834	216.969	216.177	216.330	215.849
2010	216.687	216.741	217.631	218.009	218.178	217.985	218.011	218.312	218.439	218.711	218.603	219.179
2011	220.223	221.309	223.467	224.906	225.984	225.722	225.922	226.545	226.889	226.421	226.230	225.672
2012	226.685	227.683	229.392	230.085	229.615	229.478	229.104	230.379	231.407	231.317	230.221	229.601
2013	230.280	232.166	232.773	232.531	232.945	233.504	233.596	233.877	234.149	233.548	233.089	233.049
2014	233.916	234.781	236.293	237.072	237.900	238.343	238.260	237.852	238.031	237.433	238.151	234.812
2015	233.707	234.722	236.118	236.599	237.805	238.638	238.654	238.316	237.945	237.836	237.336	236.525
2016	236.916	237.111	238.132	239.261	240.229	241.018	240.628	240.849	241.428	241.729	241.353	241.432
2017	242.839	243.603	243.801	244.524	244.733	244.955	244.786	245.519	246.819			

See footnotes at end of table



# St. Johns Bar Pilot Association

PORT OF JACKSONVILLE  
FLORIDA

4910 OCEAN STREET  
ATLANTIC BEACH, FLORIDA 32233  
Telephone - 904-249-5631  
FAX - 904/249-7523

This updated and revised application for change of rates of Pilotage, for the combined Port area of Jacksonville and Fernandina, amends and replaces the application submitted September 2018. New projections have been included based off based off historical data from 2018 as well as projections for 2019 and 2020.

**WE ARE THE "JACKSONVILLE PILOTS"**

REVISED AND UPDATED APPLICATION FOR CHANGE OF RATES OF PILOTAGE

OCT 1 2019 | 1

<p>FLORIDA DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION P O Box 5377 TALLAHASSEE, FLORIDA 32314-5377 850-717.1990</p>	<p>STATE OF FLORIDA APPLICATION FOR A CHANGE IN RATES OF PILOTAGE  REVISED</p>	<p>DO NOT WRITE IN THIS SPACE FOR OFFICE USE ONLY</p>	
<p>APPLICATION SHOULD BE TYPED</p>			
<p>PLEASE CHECK THE APPROPRIATE BOX TO IDENTIFY THE APPLICANT:   <input type="radio"/> Individual Person  <input type="radio"/> Single Licensed State Pilot  <input checked="" type="radio"/> Group of Licensed State Pilots  <input type="radio"/> Other Entity</p>			
<p>PART A APPLICANT PROFILE DATA</p>			
<p>Name of Individual/Association/Group St. Johns Bar Pilot Association and Fernandina Pilot, LLC  Name of Authorized Representative &amp; Title Captain William Hardee Kavanaugh Jr., State Pilot</p>		<p>Home Telephone: (include area code) (904) 321 4311</p>	<p>Business Telephone: (include area code) (904) 249 5631</p>
<p>Mailing Address</p>	<p>Street and No. 4910 Ocean Street  Apartment No.</p>		<p>Social Security Number or Federal Employee ID Number (Optional):</p>
<p>City Jacksonville State Florida</p>		<p>Zip Code 32233</p>	
<p>Permanent Address:</p>	<p>C/O Same as above  Street and No. Apartment No.</p>		
<p>City State Florida</p>		<p>Zip Code</p>	
<p>IF PERSONS OTHER THAN A PILOT:  Detailed statement setting forth the substantial interest of the applicant and how the applicant is directly affected by the established rates: Not Applicable.</p>			

REVISED AND UPDATED APPLICATION FOR CHANGE OF RATES OF PILOTAGE

**PART B**

**1. Name of Port for which rate change is being requested:**

The combined port area covering the port of Jacksonville, Florida and the port of Fernandina, Florida.

**2. Detailed explanation of rate change being requested:**

The rate change being requested modifies and replaces the existing rates for pilotage and other related services for vessels calling the ports of Jacksonville, FL and Fernandina, FL and subject to pilotage as per Florida Statute 310.141.

The formula for calculating pilotage rates shall be modified from a base rate of: [Draft Rate x Draft + GT Rate x GT]

To a base pilotage rate of: LOA Rate x LOA + Beam Rate x Beam + Draft Rate x Draft + GT Rate x GT]

LOA = Length overall, Beam = extreme beam, Draft = Deepest draft, and GT = Gross Tonnage (1969 IMO Conv.)  
All linear dimensions shall be in feet and computed in half foot increments, or fraction thereof.  
Gross Tonnage rate is per 1000 gross tons, or fraction thereof.

The initial rates in dollars per foot or per 1000 gross tons for Arrivals or Sailings shall be:

Vessels of GT:	up to 10,000 GT	10,001 to 40,000 GT	Over 40,000 GT	Over 40ft draft and over 80,000 GT
LOA Rate	\$ 0.75	\$ 1.00	\$ 1.25	\$ 1.50
Beam Rate	\$ 3.75	\$ 5.00	\$ 8.50	\$ 12.00
Draft Rate	\$ 22.50	\$ 25.00	\$ 30.00	\$ 40.00
GRT Rate	\$ 12.50	\$ 15.00	\$ 22.50	\$ 27.50

Minimum pilotage charge of \$880 is based on minimums of: LOA = 300ft, Beam = 50ft, Draft = 18ft, GT = 5,000

The pilotage rate for a barge towed on a hawser, towed alongside or pushed (not a composite unit) is based on the sum of the LOA, Beam, Draft and GT attributes of the towing tug and barge(s).

The pilotage rate for a tug pushing a barge in the notch as a composite unit is based on the barge's LOA, Beam, GT and deepest Draft of the combined unit.

**Pilotage Rates for shifting vessels between berths and/or anchorages within the port landward of the COLREGS line:**

- Zone A (up to 1 mile) = ¼ Standard Pilotage (\$450 minimum)
- Zone B (over 1 mile and up to 4 miles) = ½ Standard Pilotage (\$600 minimum)
- Zone C (over 4 miles and up to 8 miles) = ¾ Standard Pilotage (\$750 minimum)
- Zone D (over 8 miles) = Standard Pilotage rate; regular LOA, Beam, Draft and GT rates apply
- Zone E (Fuller Warren Bridge to Shands Bridge); in or out of Green Cove Springs, FL = Standard Pilotage

**Detention, Delay, Standby or Cancellation of pilot not caused by local weather, medical emergency or force majeure:**

Detention of pilot = \$150 per half hour or fraction thereof after first half hour, no maximum.

Delayed arrival or sailing = \$150 per half hour or fraction thereof after first half hour, no maximum.

Standby charge when pilot is on the bridge part of the bridge team as in, but not limited to, holding a vessel in stream, tending a vessel at anchor, making up a tow or breaking tow = \$150 per half hour or fraction thereof, no maximum

Cancellation of pilot; if cancelled, detention rate of \$150 per half hour will be charged from the pilot call out, (2 hours before the ordered arrival time or 1.5 hours before the ordered sailing time), until notice of cancellation is received by the pilot dispatched to the vessel or by the pilot office.

Port Control Fee = \$100 per vessel handle per inbound or outbound transit

Training and Technology Fee = \$15 per vessel handle per inbound or outbound transit

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In Fernandina a docking and undocking rate based on a vessel's LOA.

LOA less than 330 ft - No Charge

LOA 330 ft to less than 550 ft - \$0.50 per ft LOA

LOA 550 ft and over - \$0.75 per ft LOA

At the discretion of the pilots covering the ports of Fernandina and Jacksonville, an additional pilot may be assigned to any neo-panamax vessel, dead ship tow, or special circumstance vessel. The commensurate result being that said vessel will be charged two standard pilotage fees.

Pilot kept on board vessel when a vessel departs the port area - \$250 per day plus First-class return transportation

Payment is due upon invoicing. Balances beyond 45 days shall be considered in-arrears. Lines and Agencies in arrears may be placed on a cash basis for future departures.

All rates and fees shall increase by 2.5% each year for 10 years starting on the anniversary date one year following the effective date of this order.

3. Basis for requested rate change:

Florida Statutes 310.151 (5) (a) In determining whether the requested rate change will result in fair, just, and reasonable rates, the committee shall give primary consideration to the public interest in promoting and maintaining efficient, reliable, and safe piloting services.

The St. Johns Bar Pilot Association last received a rate adjustment effective January 1, 2004. According to Bureau of Labor Statistics consumer price index, today's prices in 2019 are 35.82% higher than average prices throughout 2004. The Association continues to spend significant amounts on boat repairs, and has had increases in operation costs, including for salaries and related benefits. These improvements have been made in accordance with the mandate of F.S. 310.0015 (3) (c) "Pilots shall maintain or secure adequate pilot boats, office facilities and equipment, dispatch systems, communication equipment and other facilities, and equipment and support services necessary for a modern, dependable piloting operation."

The St. Johns Bar Pilot Association is seeking the proposed rates in order to maintain the efficient, reliable and safe piloting service that the ports of Jacksonville and Fernandina currently receive. The port areas of Fernandina and Jacksonville were combined by the Florida Board of Pilot Commissioners in 2016. By initiating the combining of the port areas of Jacksonville and Fernandina the St. Johns Bar Pilot Association ensured the port of Fernandina would continue to receive reliable piloting services. The port of Fernandina is small and previously faced the same challenges of other small Florida ports. The ports of Pensacola and Panama City have had significant issues attracting qualified applicants for deputy pilot exam and retaining deputy pilots because of uncertainties in vessel traffic and compensation.

This rate application attempts to simplify and replace the current rates for the combined port area. We believe that our application's proposed rate structure is fair, just and reasonable for all users requiring piloting services in the ports of Jacksonville and Fernandina. We are proposing new rates for the ports of Fernandina and Jacksonville that are based upon a vessel's draft, gross tonnage, length overall and breadth overall. A similar version of this pilotage rate structure is already being used in other major ports in Florida and will allow the cost of pilotage to be spread out more evenly over all classes and sizes of vessels. The ports of Fernandina and Jacksonville have significantly longer pilotage routes than the ports of Miami or Port Everglades, and the requested rate for pilotage has two additional tiers to address the additional transit time. The fourth tier is specifically for the ships over 80,000 gross tons with drafts over

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40ft that will utilize the new offshore boarding area off of Jacksonville. The proposed rates will allow the St. Johns Bar Pilot Association to be ready and capable to reliably support a new offshore pilot boarding area and larger ships. If the proposed rates are approved, the combined port area of Fernandina and Jacksonville will still have pilotage rates that are considerably less than other competing ports in the Southeast United States.

The formula and rates for tugs and tows for Fernandina and Jacksonville are currently different. The proposed rates would make the rates for tugs and barges operating as composite unit or towing on a hawser the same in both ports.

The current rates for shifting in Jacksonville are based on geographic reference points and not distance. Under the existing rates, a vessel could be charged full pilotage for shifting only three miles or be charged half pilotage for shifting seven miles. The proposed rates for shifting are based on the actual mileage between berths and/or anchorages.

The current charges for Detention, Delay, Standby or Cancellation of pilot are different for the ports of Fernandina and Jacksonville. The proposed charges for Detention, Delay, Standby or Cancellation would be the same for both ports going forward and are in line with the rates in other Florida ports that have recently received rate adjustments.

The \$100 port control fee is a new fee to offset the ongoing cost of managing vessel traffic in the ports of Jacksonville and Fernandina. The combined port area of Jacksonville and Fernandina covers over 67 nautical miles of Florida's commercial waterways and is not managed by a United States Coast Guard Vessel Traffic Service (VTS). This would normally be the case with a river this long and with the regular large volumes of commercial traffic. The US Coast Guard entrusts the St. Johns Bar Pilot Association to manage the river and monitor vessel movements with what is essentially a private VTS. The ability to provide this service is a value-added safety enhancement to our maritime community but it is not without cost. There is a large suite of additional monitoring and communication equipment that allows us to efficiently provide this service which is normally performed by the U.S. government at great cost. We are seeking a port control fee of \$100 per vessel unit per inbound or outbound transit to partially offset the expenses that we incur related to providing a private river traffic monitoring and management service. Our dispatchers coordinate and de-conflict commercial and US Navy vessel traffic moving in and out of the Kings Bay and Mayport navy bases on a regular basis.

The training and technology fee of \$15 per vessel unit per inbound or outbound transit is a new fee to cover most of the Association's annual expenses for training and maintaining our personal pilot units (PPUs). Over the last five years the St. Johns Bar Pilot Association has spent an average of \$54,500 each year for training and piloting units. The training and technology fee will be dedicated to pilot training and maintaining our PPUs as part of a modern piloting service. Under our current training regime, our pilots attend manned model or simulator training every five years and follow the American Pilots Association (APA) guidelines for professional development. This continual training involves manned models, ship handling simulator classes and escort tug training. This training is relevant to all vessels calling the port because we maintain two-way traffic and meet and interact with vessels of all shapes and sizes. Our training on manned models and simulator training includes emergency situations and maneuvers and prepares our pilots for casualties such as loss of steering or propulsion. The next phase of our training will focus on simulating the larger ships that will call on Jacksonville after the 47-foot channel improvements are completed. The training fee requested in this application is part of an overall effort to be trained, equipped and ready to serve a deepened river and harbor.

Fernandina currently has a docking or undocking charge of \$125 for vessels under 350 feet and \$175 for vessels over 350 feet. If a tug or tugs are used to dock or undock there is currently an additional charge of \$250. The proposed



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rate would modify and keep the docking and undocking charge in Fernandina. The proposed docking or undocking rate is based on length overall (LOA) and distributes the risk associated with docking or undocking more evenly across the vessels that call the port of Fernandina. The proposed rates: for vessels under 330 ft (100 meters) there will be no docking or undocking charge, vessels between 330 ft and 550 ft would be charged \$0.50 per foot of LOA and vessels 550 ft and over would be charged \$0.75 per foot of LOA. Using the current rates, a 400 ft LOA ship using a tug to dock or undock is charged \$425 (\$175+\$250). If the proposed docking or undocking charge is approved the same 400 ft LOA ship would be charged \$200 (400ft x \$0.50/ft) for docking or undocking with or without a tug. Using the proposed rate a 600 ft LOA ship would be charged \$450 (600ft x \$0.75/ft) for docking or undocking with a tug instead of \$425.

There are rare instances where due to a vessel's design, cargo stowage, lack of maneuverability and/or the prevailing conditions, two pilots may be needed to ensure a safe transit. Dead ship tows have been two pilot jobs in Jacksonville and currently require two pilots. The size of the largest ships that call on Jacksonville will continue to increase, and we will have even less margin for error. We are requesting the option to place two pilots on a neo-panamax vessel if it is deemed necessary by the pilots. A special circumstance vessel would be a vessel with protruding cranes, obscured visibility due to deck cargo, or when moving a vessel when visibility is reduced.

The proposed rate for a pilot carried away to sea remains unchanged. In extremely rare cases the weather, sea conditions or other factors may prevent a pilot from safely disembarking a vessel at departure. The pilot would then be carried to the next port of call and sent back to Jacksonville. This has not happened in either port in the last 25 years and is simply a request that a pilot will be granted return passage back to the combined port area of Fernandina and Jacksonville if they are unable to disembark at departure.

The rates for Special Pilot Boat Services for deliveries or water transportation to vessels have been removed for both ports. Offshore personnel transfers are risky for trained pilots and dangerous to technicians and ship personnel that are unaccustomed to boarding vessels at sea.

We are requesting a fixed annual increase of 2.5% each year for ten years starting on the anniversary date one year following the effective date of this order. This is mutually beneficial to the Association, the Board and to our customers. This will allow our rates to keep up with the projected rate of inflation and make further rate applications unnecessary until almost twelve years from adoption. This saves the Board the expense, considerable time and resources that must be allocated to rate hearings. For our customers, this will allow twelve years of cost certainty. It must be noted that ports outside of Florida are usually adjusted annually based on CPI-U and that is why Florida pilotage rates and pilot compensation continues to lag behind other ports in the United States.

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4. Effective Date of Last Pilotage Rate Change:

Jacksonville effective date January 1, 2004

Pilotage Charges Increased at that time:

<u>Charge</u>	<u>From</u>	<u>To</u>
Draft (15 foot minimum)	\$20.00 per draft foot	\$21.20 per draft foot
Tonnage (3000 GRT minimum)	\$00.0437 per GRT	\$00.0464 per GRT
Detention	\$200 per hour, \$400 max	Same
Cancelled sailing	\$200	Same
Pilot(s) kept on board,	\$250/day + return transportation	Same
Failure to amend WTA	\$200 per hour, \$400 max	Same
Standby	\$200 per hour, no maximum	Same
Shifting within zone,	1/2 standard pilotage	Same
Shifting from zone to zone	standard pilotage	Same
Towing one pilot required	standard pilotage	Same
Towing two pilots required	standard pilotage (1 <sup>st</sup> ) + min(2 <sup>nd</sup> )	Same
Deliver orders to Vessels	\$100 inside / \$200 outside	Same
Water Transportation	\$25 per person / \$150 minimum	Same

Fernandina effective date January 1, 2011

<u>Charge</u>	<u>From</u>	<u>To</u>
Draft (15 foot minimum)	\$23.09 per draft foot	\$25.35 per draft foot
Tonnage 3000 GRT minimum	\$00.05183 per GRT	\$00.0570 per GRT
Detention or Delay	\$250 per hour, \$500 max	Same
Standby	\$250 per hour, no maximum	Same
Cancelled Sailing	1/2 standard pilotage	Same
Pilot(s) kept on board	\$250/day + return transportation	Same
Shifting	\$250	Same
Dead Ship Tow	1.5 x standard (full) pilotage	Same
Tug/Barge Combination	1.5 x Deep Draft	Same
Docking/Undocking over 350ft	In/Out \$175	Same
Docking/Undocking 350ft and less	In/Out \$125	Same
Docking with tugboat(s)	\$225 (+ docking/undocking)	\$250 (+ docking/undocking)
Personnel Transfer	\$250 per hour	Same
Miscellaneous Charges		
Ordering Tags,	No Charge	Same
Ordering Linemen,	No Charge	Same
Line Boat Service	No Charge	Same

5. FINANCIAL INFORMATION

(a) PILOT

Please attach the appropriate financial statement as Exhibit I or Exhibit II.

See Exhibit I - Audits and Projections

(b) PERSONS OTHER THAN A PILOT

Is the application for a rate decrease which alleges that financial hardship is caused to the applicant as a result of existing rates of pilotage? Not Applicable  YES  NO

Please attach the appropriate financial information as Exhibit I-I or Exhibit I-II.

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6. VESSELS HANDLE INFORMATION (REQUIRED BY PILOT APPLICANT/OPTIONAL BY NON-PILOT APPLICANT):

JACKSONVILLE

\*Number of Vessels Handled During:

Tonnage of Vessels Handled	Third Preceding Fiscal Year F/Y/E: 12/31/2016	Second Preceding Fiscal Year F/Y/E: 12/31/2017	Last Preceding Fiscal Year F/Y/E: 12/31/2018	Estimated Current Fiscal Year F/Y/E: 12/31/2019	Projected Next Fiscal Year F/Y/E:12/31/2020
Less than 500 GRT	158	152	195	210	200
500 < 1000 GRT	99	126	83	60	76
1000 < 2000 GRT	86	61	143	146	140
2000 < 5000 GRT	132	124	144	126	130
5000 < 10000 GRT	173	264	334	334	334
10000 < 20000 GRT	494	433	417	392	400
20000 GRT and Over	2875	2831	2760	2918	2850
<b>Draft of Vessels Handled</b>					
Less than 8 feet	94	94	120	166	160
8 < 10 feet	19	26	41	36	40
10 < 15 feet	140	152	158	120	130
15 < 20 feet	241	252	278	244	260
20 < 25 feet	630	559	547	608	600
25 < 30 feet	1657	1642	1603	1608	1600
30 < 35 feet	762	650	661	856	840
35 feet and Over	474	616	658	546	500
<b>Length (LOA) of Vessels Handled</b>					
Less than 100 feet	24	35	35	50	40
100 < 250 feet	331	304	397	388	400
250 < 500 feet	387	459	543	488	490
500 < 750 feet	2236	2168	2023	2266	2260
750 feet and Over	1039	1025	1078	994	940
Cancellations per year**	30	29	30	30	30

\*These numbers include tows. A tug and tow are separate vessels but count as one (1) handle. In 2016 there were 290 tows, in 2017 there were 303 tows, in 2018 there were 391 tows. Estimate of 380 tows for 2019. Estimate 370 tows for 2020.

\*\*Cancelled vessels are counted as handles, but draft information is typically not recorded. Total number of Cancelled vessels per year is shown.

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FERNANDINA

Number of Vessels Handled During:

Tonnage of Vessels Handled*	Third Preceding Fiscal Year F/Y/B: 12/31/2016	Second Preceding Fiscal Year F/Y/B: 12/31/2017	Last Preceding Fiscal Year F/Y/B: 12/31/2018	Estimated Current Fiscal Year* F/Y/B: 12/31/2019	Projected Next Fiscal Year F/Y/B: 12/31/2020
Less than 500 GRT	0	2	2	0	0
500 < 1000 GRT	0	0	1	2	0
1000 < 2000 GRT	0	0	0	0	0
2000 < 5000 GRT	64	71	66	66	64
5000 < 10000 GRT	88	60	77	38	40
10000 < 20000 GRT	16	28	28	20	20
20000 GRT and Over	8	0	4	2	4
<b>Draft of Vessels Handled</b>					
Less than 8 feet	0	0	0	0	0
8 < 10 feet	0	0	0	0	0
10 < 15 feet	48	57	40	32	32
15 < 20 feet	72	56	72	52	50
20 < 25 feet	32	29	41	22	26
25 < 30 feet	20	18	24	20	20
30 < 35 feet	4	1	1	2	2
35 feet and Over	0	0	0	0	0
<b>Length (LOA) of Vessels Handled</b>					
Less than 100 feet	0	0	0	0	0
100 < 250 feet	0	2	3	2	0
250 < 500 feet	160	147	151	110	138
500 < 750 feet	16	12	24	16	12
750 feet and Over	0	0	0	0	0
Cancellations per year**	1	1	2	2	2

\*2019 estimates based on actual handles for first 6 months of 2019.

\*\*Cancelled vessels are counted as handles, but no draft information is recorded. Total number of Cancelled vessels per year is shown.

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7. Comparison of the average net income of pilots in the port, using current rates, including the value of all benefits derived from services as a pilot, to the projected average net income using the requested rates.

Combined Port Area	PRIOR PRIOR YEAR 2017	PRIOR YEAR 2018	Based on Jan thru June PRESENT YEAR 2019	With requested rates PROJECTED YEAR I - 2020
Total Number of Pilots	13.6	14.0	13.8	14
Gross Pilotage Fees	\$9,834,459	\$9,887,915	\$9,887,915	\$11,453,256
Operating Expenses	\$4,462,037	\$4,317,644	\$4,265,937	\$4,605,029
Net Income	\$5,372,422	\$5,570,271	\$5,621,978	\$6,848,227
Average Net Income Per Pilot*	\$395,031	\$397,877	\$407,390	\$489,159

\*After combining the ports of Jacksonville and Fernandina on March 1<sup>st</sup>, 2016, the pilot in Fernandina has received 1/3 (33.33%) of the gross pilotage fees. This was \$56,496 for 2017 and \$62,724 in 2018. The state pilot in Fernandina retired November 1, 2018 after 44 years of service. The port of Fernandina is now covered by pilots who are licensed for both the port of Fernandina and the port of Jacksonville.

Itemize Other Reasonable Operating Expenses of Pilots: (unaudited)

SEE AUDIT AND PROJECTION

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8. a) Pilotage rates in other ports deemed relevant by the applicant:

PORTS (Last Rate change)	BASE PILOTAGE RATES OF COMPETING SOUTHEASTERN PORTS		
	Minimum (one way)	Draft charge	GT charge
CHARLESTON, SC - (July 1, 2019)	\$1,300.00	\$26.85 per draft foot	\$0.06583 per GT
SAVANNAH, GA - (July 1, 2019)	\$1,365.64	\$27.54 per draft foot	\$0.06606 per GT
BRUNSWICK, GA - (April 1, 2019)	\$1,019.92	\$26.24 per draft foot	\$0.06189 per GT
MOBILE, AL - (June 1, 2019)	\$ 976.25	\$38.00 per draft foot	\$0.06250 per GT

The above are the base pilotage rates for ports that directly compete with Jacksonville and Fernandina for import and export cargo. ALL of these competing ports have additional charges and fees. These additional charges include docking and undocking charges, turning charges, fuel surcharges, boat fees, communication fees, and other charges in addition to their base pilotage rate. The pilots in the ports of Charleston, Savannah and Brunswick received rate increases in 2019 based on the CPI-U adjustment for 2018 of 1.9%. The pilots in Mobile received a rate increase June 1, 2019. The Florida ports of Fernandina and Jacksonville are overdue for a rate increase to offset the inflationary price increases of the last 8 to 15 years.

COMPARISON OF THE BASE PILOTAGE RATES OF COMPETING PORTS (2019)

Vessel and (Type)	Jacksonville & Fernandina at requested rates	Charleston, SC as of 7/1/19	Savannah, GA as of 7/1/19	Mobile, AL as of 6/1/19	Brunswick, GA as of 4/1/19
EOT Spar (Container)	\$891.25	\$1300 +45.6%	\$1366 +52.9%	\$1090 +22.2%	\$1020 +14.2%
Stenaweco Excellence (Tanker)	\$2370.95	\$2787 +18.0%	\$2825 +19.2%	\$3055 +28.9%	\$2598 +12.2%
W. H. Blount (Bulkier)	\$2553.62	\$3170 +24.1%	\$3198 +25.2%	\$3384 +32.5%	\$2938 +17.8%
Goodwood (Car carrier)	\$3898.92	\$4671 +19.8%	\$4703 +20.6%	\$4784 +22.7%	\$4314 +13.3%
Carnival Ecstasy (Cruise)	\$4335.69	\$5369 +23.5%	\$5402 +24.3%	\$5415 +24.9%	\$4953 +16.7%
MOL Marvel (Post Panamax)	\$5350.93	\$6070 +15.4%	\$6110 +16.2%	\$6339 +18.5%	N/A
MSC Beatrice (Neopanamax)	\$9663.87	\$11161 +14.5%	\$11224 +15.2%	N/A	N/A

Vessel	Type	LOA (ft)	Beam (ft)	Draft (ft)	GT
EOT Spar	Container	300	53	18	2,762
Stenaweco Excellence	Tanker	601	106	32	29,429
W. H. Blount	Bulkier	736	106	30	35,904
Goodwood	Car Carrier	656	106	28	59,516
Carnival Ecstasy	Cruise	860	103	26.5	70,526
MOL Marvel	Container	991	142	38	78,316
MSC Beatrice*	Container	1,200	168	44*	151,559

\*would be required to utilize the new offshore boarding area

b) (REQUIRED BY PILOT APPLICANT/OPTIONAL BY NON-PILOT APPLICANT)

Time Spent by Applying Pilot  
on Actual Piloting Duty  
(Actual Hours/Year)

Time Spent by Applying Pilot on Other  
Essential Support Services  
(Actual Hours/Year)

The workload for the combined port area of Jacksonville and Fernandina is divided between two duty watches of seven pilots each. Pilots rotate on pilot duty for 21 days and off pilot duty for 21 days to cover vessel traffic. While on watch, a pilot is "on call" and must remain in constant communication with the pilot station and be available on short notice 24 hours per day. The pilot who will receive the next available ship is known as the "first board pilot". During a typical 168 hour week, each on-duty pilot will spend about 24 hours as the first board pilot. In a given year each pilot will spend an average of 624 hours on active standby as the first board pilot. The first board pilot serves as the lead pilot for the Association and works with the dispatchers and vessel agents to set vessel start in times based on tide windows and

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coordinate vessel traffic. The first board pilot handles special circumstances such as overdraft vessels, USCG Captain of the Port Orders, port infrastructure and berth depth questions. The first board pilot is also responsible for re-opening the river after it has been closed due to fog or extreme weather. The first board pilot for Fernandina works with the agents to order tugs and set arrival and sailing times. When the first board pilot is dispatched to a job the duty of first board pilot is passed onto the next pilot in the rotation.

On average, each pilot also covers an additional week per year as a standby pilot. When a duty watch is short (due to injury, sickness, etc.), a standby pilot comes in and keeps the watch fully manned with seven pilots. This is needed to avoid vessels from being delayed due to a shortage of pilots during peak sailing times. A standby pilot may also be called in during periods of overload. Overloads usually occur after periods of fog, or any other temporary port closing. When scheduling pilots, consideration is not given for weekends, holidays or the time of day or night. Pilots work in strict rotation except that a pilot may take an eight (8) hour rest period if he feels it is unsafe to continue without such a rest. The current compliment of 14 state pilots allows for two watches of seven pilots each. This is normally sufficient to cover periods of peak demand.

For the most recently completed year (2018) the 14 licensed state pilots for the Ports of Jacksonville and Fernandina handled an average of 276 vessels each. The average bridge time for the primary commercial berths varies from about 2 hours to just under 4 hours. The current average bridge time of 3.0 hours per handle has been slowly increasing as larger vessels require slower transit speeds to avoid surging moored vessels and construction barges. These large ships require more time to turn around and have longer docking and undocking evolutions due to additional mooring lines. The large container ships calling Blount Island Terminal also require an additional hour to proceed inbound through the Dames Point Bridge to turn around. The turning area off Blount Island is only 1,075 feet wide and the larger container ships must proceed inbound through the Dames Point Bridge and turn around in the TRAPAC turning basin. The length of time for the outbound transit for vessels over 36 feet is also increasing as the largest and deepest outbound vessels are proceeding outbound against flood current. When the harbor deepening project is complete, the new deep draft boarding area will add an hour of bridge time to the inbound and outbound transits of the large neo-panamax container ships.

The pilots who serve the ports of Jacksonville and Fernandina reside in the combined port area. The average transportation time per handle is about 2.0 hours in Jacksonville and about 3.0 hours per handle for Fernandina. Most of the pilots who cover both ports live closer to the pilot station and commercial berths in Jacksonville. The average travel time for the pilots who cover Fernandina is longer due to the distance traveled to and from a job. The time spent on the pilot boat to embark or disembark a pilot is about 0.5 hours in Jacksonville and 1.0 hour for Fernandina. When the deep water boarding area is established off of Jacksonville the time on the pilot boat will increase by half an hour during fair weather. Due to the unpredictable vehicle traffic in the combined port area, we try to arrive onboard approximately 30 minutes before a vessel is scheduled to depart. This prevents delay to sailing vessels and allows pilots time to familiarize themselves with the vessel and start making traffic arrangements with other commercial vessels.

Each pilot also spends an average of 10 hours per week (520 hours/year) managing Association business and providing essential support to the ports of Jacksonville and Fernandina. This essential support is performed by the Association President, the Association Vice President, Technology pilot, and the pilot responsible for the pilot boats. Pilots also contribute their time and expertise serving the port community on the Jacksonville Marine Exchange (JMTX) board, Jacksonville Propeller Club executive board, Florida Board of Pilot Commissioners board, Jacksonville Harbor Draft Matrix Committee, Florida Harbor Pilots Association executive board, and the Right Whale Southeast U.S. Implementation Team (SBIT). The pilots also work closely with the U.S. Coast Guard, the U.S. Army Corps of Engineers, the Jacksonville Port Authority (JAXPORT) and the Nassau County Ocean, Highway and Port Authority to promote safety and port growth.

The St. Johns Bar Pilot Association is a key member of the NE Florida Port Coordination team. The Association assists the USCG in the verification of critical aids to navigation (ATONS) after a tropical storm or hurricane. The pilots, boatmen and dispatchers are some of the last people to evacuate and some of the first to return after a storm has passed. The pilots, boatmen and dispatchers work with other port entities to quickly and safely reopen the ports of Fernandina and

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Jacksonville and reestablishing commercial ship traffic. The St. Johns Bar Pilot Association was instrumental in the reopening of the ports of Fernandina and Jacksonville within 24 hours of the passing of Hurricane Dorian.

Additional Relevant Information (Required by Pilot Applicant/Optional by Non-Pilot Applicant)

Upon completion of the Jacksonville Harbor deepening project, ships arriving with drafts over 40 feet will be required to be boarded and disembarked much farther offshore in order to avoid the scattered shoal areas East of our current sea buoy. The new offshore boarding area for Jacksonville will be located in the vicinity of latitude 30-19.5 N, longitude 081-09.5 W, and will require our pilot boats to run an additional nine to ten miles farther offshore. Moving the pilot boarding area farther offshore and into deeper water will greatly reduce the potential for a ship grounding along the northeast coast of Florida. This will significantly increase our handle time for these larger vessels. It will also directly impact our operation by increasing our transit time out to and returning from deep draft ships by 30 to 45 minutes and will add significant cost in terms of boat maintenance, manpower, and fuel. Planning is already underway to ensure adequate resources are available to meet the challenges of these deeply laden neo-panamax vessels. A new pilot boat with the ability to handle the new offshore boarding requirements will be needed when the new deep water boarding area is being used regularly. The estimated construction cost for this type of purpose-built boat are 2.6 to 2.8 million dollars for a 56 foot pilot boat and 3.8 to 4.0 million dollars for a 64 foot pilot boat.



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**c) Prevailing Rate of Compensation of Individuals in Other Maritime Services of Comparable Professional Skills (if deemed relevant by the Applicant)**

The Investigative Report for the 2017 Miami Rate hearing states that "the piloting profession should be the foremost profession to compare compensation, because Florida ports compete with all of the other piloting organizations in the U.S. and the world to attract and hold the best qualified pilots."

Recently, the Investigative Committee included the below findings in its report for the Pilotage Rate Review Committee for the Port of Panama City's application for change of rates of pilotage.

"In the 2012 Administrative Hearing on the Port of Ft. Pierce, Judge Watkins' recommended order acknowledged that nationwide, average compensation for pilots are about \$400,000 per year.

Captain George Quick, Vice President of Master Mates and Pilots has provided testimony at many of the previous rate hearings from 2014 to 2018. Recently he testified that US pilots earned an average of above \$410,000 to \$498,000.

Another maritime consultant, Dibner Maritime Associates, LLC, provided testimony at the 2014 Miami hearing with a tabulation of pilot net income for 25 US ports, indicating a range of \$260,000 to \$687,000, and an average of \$500,000.

Other than a pilot, the most relevant, comparable profession is a captain on a large U.S. flagged vessel. However, the skills, risks and working conditions of a ship's captain and that of a pilot are considerably different:

- A pilot must have a wider range of technical skills because of the variety of sizes and operational/handling characteristics of the vessels he handles.
- A pilot assumes more physical risks because of the boarding and unboarding of the vessels in good and bad weather.
- A pilot is constantly placed in a stressful situation because handling a vessel in, out and around a port is usually the riskiest situation that a vessel encounters.
- Whereas a ship's captain is an employee of the ship's owner, a pilot is a private businessman who assumes the risks and rewards of a fluctuating market; is required to invest in plant and equipment; and must continually improve his skills and train deputy pilots.
- Pilots must adapt to changing circumstances on each handle. Variations on the size of ships; propulsion systems; navigation equipment; experience and communication skills (language) of crew; known or unexpected mechanical failures; weather events, and unexpected traffic complications make each handle unique."

When the average compensation estimates for all US pilots are adjusted for inflation, the pilots of the St. Johns Bar Pilot Association are currently compensated at a level BELOW the national AVERAGE and significantly BELOW other pilots in major ports in the Southeast United States. Without equitable compensation the ports in the state of Florida are not going to be able to attract the best applicants.

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9. Comparison of Present and Requested Pilotage Charges (REQUIRED BY PILOT APPLICANTS/OPTIONAL BY NON-PILOT APPLICANTS)

Pilotage Charge Item	Present Charge as of: <u>Jacksonville</u> <u>1/1/2004</u>	Actual Revenue for 12 Months Preceding Application Year ended 4/30/2018	Requested Charge	Revenue Based on Requested Charge, as Applied to Actual Activity of Preceding 12 Months	Increased Revenue Based on Requested Charge Applied to Preceding 12 Months	Percentage of Increased Revenue on Preceding 12 Months Activity
<b>DRAFT CHARGES:</b> Per Foot . . . Minimum to foot	\$21.20 per draft foot  Minimum 15 ft	\$2,184,946	0 - 10,000 GT \$22.50 per foot  10,001 - 40k GT = \$25.00 per foot  Over 40,000 GT = \$30.00 per foot  Over 80,000 GT & Over 40ft draft = \$40.00 per foot  Minimum 18 ft	\$119,498  \$757,175  \$1,792,500  \$0	\$6,904  \$115,090  \$525,800  \$0	6.1 %  17.9 %  41%  N/A
<b>TONNAGE CHARGES:</b> Per 1000 Gross Tons or fraction thereof (GT 1969 IMO convention) Minimum GT = 5,000 Maximum GT = none	\$0.0464 per GRT  (\$46.40 per 1000 gross registered tons)  Minimum 3000GRT	\$7,110,551	0 - 10,000 GT = \$12.50 per 1,000  10,001 - 40k GT= \$15.00 per 1,000  Over 40,000 GT = \$22.50 per 1000  Over 40ft draft & Over 80,000 GT = \$27.50 per 1000  Minimum 3000	\$23,416  \$412,156  \$2,713,367  \$0	(-\$63,505)  (-\$862,780)  (-\$2,882,198)  \$0	(-73.1 %)  (-67.7 %)  (-51.5 %)  N/A
<b>LOA CHARGE:</b> Per foot of Vessel Length Overall	None	\$0	0 - 10,000 GT \$0.75 per foot  10,001 - 40k GT = \$1.00 per foot  Over 40,000 GT = \$1.25 per foot  Over 40ft draft & Over 80,000 GT = \$1.50 per foot  Minimum 300 ft	\$78,188  \$654,751  \$1,841,179  \$0	\$78,188  \$654,751  \$1,841,179  \$0	New Charge  New Charge  New Charge  N/A
<b>BEAM CHARGE:</b> Per foot of Vessel Beam	None	\$0	0 - 10,000 GT \$3.75 per foot  10,001 - 40k GT = \$5.00 per foot  Over 40,000 GT = \$8.50 per foot  Over 40ft draft & over 80,000 GT \$12.00 per foot Minimum 50 ft	\$63,351  \$503,117  \$1,854,892  \$0	63,351  \$503,117  \$1,854,892  \$0	New Charge  New Charge  New Charge  N/A

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<b>PORT CONTROL FEE:</b> Per Transit	None	\$0	\$100	\$352,100	\$352,100	New Charge
<b>TRAINING &amp; TECHNOLOGY FEE:</b> Per Transit	None	\$0	\$15	\$88,025	\$88,025	New Charge
<b>SHIFTING:</b> All Vessels Vessels without steering/motive power . . . . Minimum . . . . In Zones:	In Zone: 1/2 base pilotage	\$63,820	Under 1 mile = 1/2 standard rate \$450 minimum	\$8,239	\$8,239	New Charge
			1 < 4 miles = 1/2 standard rate \$600 minimum	\$65,578	(\$1,758)	(-2.7%)
	Zone to Zone Full pilotage	\$121,742	4 ≤ 8 miles = 1/2 standard rate \$750 Minimum	\$19,995	\$19,995	New Charge
			Over 8 miles = standard pilotage	\$111,167	(\$10,575)	(-8.7%)
<b>OTHER CHARGES:</b>						
Detention/Delay	\$200 per hour, after first half hour	\$10,600	\$150 per half hour after first half hour	\$7,950 to \$15,900	-\$2650 to \$5,300	(-25%) to 50%
Cancellation	\$200	\$6,200	\$150 per half hour from time pilot was dispatched.	\$4,650 to \$13,950	-\$1,550 to \$7,750	(-25%) to 125%
Standby	\$200 per hour	\$0	\$150 per half hour	\$0	\$0	N/A
Boat Services	\$25 to \$150	\$2300	Removed	Removed	Removed	Removed

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Pilotage Charge Item	Present Charge as of:  <u>Fernandina</u> <u>1/1/2011</u>	Actual Revenue for 12 Months Preceding Application Year ended 4/30/2018	Requested Charge	Revenue Based on Requested Charge, as Applied to Actual Activity of Preceding 12 Months	Increased Revenue Based on Requested Charge Applied to Preceding 12 Months	Percentage of Increased Revenue on Preceding 12 Months Activity
<b>DRAFT CHARGES:</b> Per Foot . . . . Minimum to foot	\$25.35 per draft foot  Minimum 15 ft	\$71,062	0 - 10,000 GT \$22.50 per foot  10,001 - 40k GT = \$25.00 per foot  Over 40,000 GT = \$30.00 per foot  Over 80,000 GT & Over 40ft draft = \$40.00 per foot  Minimum 18 ft	\$54,067  \$16,500  \$0  \$0	(-\$264)  (-\$231)  \$0  \$0	(-0.3 %)  (-1.4%)  N/A  N/A
<b>TONNAGE CHARGES:</b> Per 1000 Gross Tons or fraction thereof Minimum GRT Maximum GRT - none	\$0.0570 per GRT  (\$57.00 per 1000 gross registered tons)  Minimum 3000GRT	\$54,301	0 - 10,000 GT = \$12.50 per 1,000  10,001- 40k GT= \$15.00 per 1,000  Over 40,000 GT -\$22.50 per1000  Over 40ft draft & Over 80,000 GT -\$27.50 per1000  Minimum 5000	\$9,091  \$4617  \$0  \$0	(-\$27,665)  (-\$12,928)  \$0  \$0	(-75.2%)  (-73.7%)  N/A  N/A
<b>LOA CHARGE:</b> Per foot of Vessel Length Overall	None	\$0	0 - 10,000 GT \$0.75 per foot  10,001 - 40k GT =\$1.00 per foot  Over 40,000 GT = \$1.25 per foot  Over 40ft draft & Over 80,000 GT =\$1.50 per foot Minimum 300 ft	\$33,580  \$13,440  \$0  \$0	\$33,580  \$13,440  \$0  \$0	New Charge  New Charge  N/A  N/A
<b>BEAM CHARGE:</b> Per foot of Vessel Beam	None	\$0	0 - 10,000 GT \$3.75 per foot  10,001 - 40k GT = \$5.00 per foot  Over 40,000 GT = \$8.50 per foot  Over 40ft draft & over 80,000 GT = \$12.00 per foot Minimum 50 ft	\$24,977  \$9,541  \$0  \$0	\$24,977  \$9,541  \$0  \$0	New Charge  New Charge  N/A  N/A

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<b>FORT CONTROL FEE:</b> Per Transit	None	\$0	\$100	\$15,200	\$15,200	New Charge
<b>TRAINING &amp; TECHNOLOGY FEE:</b> Per Transit	None	\$0	\$15	\$3,800	\$3,800	New Charge
<b>DOCKING/ UNDOCKING:</b> All Vessels ...	Under 350 ft = \$125 350 ft and over = \$175 With Tug = additional \$250	Total docking \$28,650	Under 330 ft = No Charge 330 ft < 550 ft = \$0.50 per ft LOA 550 ft and over = \$0.75 per ft LOA	\$0 \$16,384 \$2683	(-\$8,750) (-\$966) \$133.50	Total Docking with new rate = (-33.4 %)
<b>SHIFTING:</b> All Vessels ... Vessels without steering/motive power ... Minimum ... In Zones:	\$250	\$0	Under 1 mile = 1/2 standard rate \$450 minimum 1 < 4 miles = 1/2 standard rate \$600 minimum 4 ≤ 8 miles = 1/2 standard rate \$750 Minimum Over 8 miles = standard pilotage	New Charge \$0 New Charge \$0	New Charge \$0 New Charge \$0	New Charge \$0 New Charge \$0
<b>OTHER CHARGES:</b>						
Detention	\$250 per hour	\$500	\$150 per half hour	\$300 to \$600	(-\$200) to \$100	(-40%) to +20%
Cancellation	1/2 standard pilotage rate	\$853	\$150 per half hour	\$450	(-\$403)	(-47%)
Standby	\$250 per hour	\$0	\$150 per half hour	\$0	\$0	N/A
Boat Services	\$250 per hour	\$2,500	Removed	Removed	Removed	Removed

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10. Detailed explanation of special characteristics, dangers and risks of the port for which the rate change is being requested:

**Lengths of Various "Pilotage Waters" Channels:**  
 Include "Average Length" of Pilotage Trip and estimated time to complete pilotage "dock to dock".  
**JACKSONVILLE** - From Pilot Boarding/Disembarking Area in vicinity of sea buoy "STJ" to:

- BAE Shipyard = 8.0 nautical miles; Estimated transit time is 1.0 hour; Estimated time to All Fast is 1.5 hours
- JAXPORT Blount Island Terminal = 12.75 nautical miles; Estimated transit time is 1.6 hours; Estimated time to All Fast is 2.1 hours
- TRAPAC Terminal = 14.2 nautical miles; Estimated inbound transit time is 1.8 hours; Estimated time to All Fast is 2.3 hours
- Tanker Berths = 16 to 21 nautical miles; Estimated transit time is 2.0 to 2.6 hours; \*Estimated time to All Fast is 3.0 to 3.6 hours
- JAXPORT Talleyrand Terminal = 21 nautical miles; Estimated transit time is 2.6 hours; Estimated time to All Fast is 3.1 hours
- North Florida Shipyard = 22.5 nautical miles; Estimated transit time is 2.8 hours; Estimated time to All Fast is 3.3 hours
- Green Cove Springs = 46 nautical miles; Estimated transit time is 5.8 hours; Estimated time to All Fast is 6.3 hours

**FERNANDINA** - From Pilot Boarding/Disembarking Area in vicinity of sea buoy "STM" to:

- Nassau Terminal = 11.8 nautical miles; Estimated transit time is 1.5 hours; Estimated time to All Fast is 2 hours

*The above calculations for Jacksonville and Fernandina assume the vessel is a ship with a total average transit speed of 8 knots and includes the additional time required to reduce speed and slowly approach the berth for docking. The calculations do not include the additional time that may be required to reduce speed and slowly pass moored vessels, turn the ship around, or address the effect of strong opposing current. Calculations do not account for the extra time required to reduce speed in order to meet or hold up for other vessels. Ships with drafts over 36ft proceed outbound against flood current. The total average outbound speed for the large container ships is closer to 4.75 knots from when the ship starts letting go lines to when the pilot is disembarked offshore. Tugs with hawser tows are typically underpowered, slower, and have longer transit times than ships or ATBs.  
 \*ATBs, Tank barges and Tankers have longer docking and undocking evolutions at the tanker berths due to smaller deck crew, the use of a line boat and the increased number of mooring lines required by the oil terminals.*

**Widths, Lengths and Depths of Various "Pilotage Waters" Channels:**

JACKSONVILLE, FL NAME OF CHANNEL	WIDTH (FEET)	LENGTH (NAUTICAL MILES)	DEPTH MLLW (FEET)
St. Johns Bar Cut Range East	800	3.27	50
St. Johns Bar Cut Range West	760	1.67	40
Pilot Town Cut	860	0.89	40
Mayport Cut	760	0.46	40
Sherman Cut	625	0.41	40
Mile Point Lower Range and Turn	625	0.71	40
Training Wall Beach	475-625	1.29	40
Short Cut Turn	575	0.49	40
White Shells Cut	450-600	0.70	40
St. Johns Bluff Beach	600	0.78	40
Dames Pt.-Fulton Cutoff	475	2.51	40
Dames Pt. Turn	1175	0.36	40
Blount Island Channel	300	1.94	38
Blount Island East Channel	300	0.87	30
Quarantine Island Upper Range	525	0.81	40
Brills Cut Range	425-600	1.01	40
Broward Point Turn	600	0.80	40
Drummond Creek Range	400	1.36	40
Trout River Cut	400	0.96	40
Chaseville Turn	500-600	0.64	40
Long Branch Range	650	0.66	40
Terminal Channel	500-575	3.15	34-40
Hart Bridge to Fuller Warren	200	2.95	30
Fuller Warren to Green Cove Springs	200	20.3	13
Intra-coastal Waterway	100	4.8	12
<b>JACKSONVILLE TOTAL ROUTE</b>		<b>53.4</b>	

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FERNANDINA, FL NAME OF CHANNEL	WIDTH (FEET)	LENGTH (NAUTICAL MILES)	PROJECT DEPTH FEET (MLLN)
Entrance Channel	500	9.5	46
Range A (Inner Anchorage)	482	1.5	45
Quarantine Reach	400-1100	1.7	36
Old Town Reach	400-560	0.3	36
Seaboard Reach	400	0.6	36
City Front Reach	250	0.7	28 (22)
<b>FERNANDINA TOTAL ROUTE</b>		<b>14.3</b>	

TOTAL for combined port area is over 67.7 nautical miles of Florida's navigable waters.

List of Unusual Hazards to Navigation:

**JACKSONVILLE**

Severe and dangerous set across the jetties and bar channel. The estuary system that feeds the St. Johns River results in strong cross currents that set vessels out of the channel in several sections of the lower St. Johns River. The ship channel in Jacksonville is unique when compared to other ports due to the number and proximity of recreational boat docks and boat ramps along the waterway. Due to the age of the ship channel, many berths and docks are closer to the ship channel than the USCG and ACOE guidelines for berth and dock setbacks. The recent and dramatic increase in ship size has resulted in extremely tight clearances between ships and the overhead obstructions crossing the St. Johns River. The cruise vessel calling Jacksonville regularly has less than 6 feet of clearance when passing through the center span of the Dames Point Bridge. When the channel was deepened to 40 feet the channel sections of White Shells Cut and St. Johns Bluff Reach were narrowed from 900 feet to 600 feet in width. The channel currently does not meet the Army Corps of Engineers recommended guidelines for deep-water channels with two way traffic.

**FERNANDINA**

Severe and dangerous set across the bar channel at the jetties and strong cross currents on the Amelia River. High concentrations of pleasure boats, shrimp fleet vessels and ICW traffic. The tidal currents are among the strongest in Florida and variation in the height of tide is the largest in Florida. Pilots in Fernandina deal with the additional challenge of limited tugboats availability.

List "Weather-related" Hazards to Navigation:

**JACKSONVILLE and FERNANDINA**

Seasonal dense fog is prevalent in both port areas. Heavy rain squalls can be encountered throughout the year but occur more frequently during the summer months. Strong Nor'easters cause dangerous conditions for boarding and disembarking vessels during the fall and winter months. A fresh wind from any direction North through East to South will create a very strong current across the end of the jetties and the condition is usually dangerous.

List any limitations imposed by Association as to drafts, lengths, tonnages, beams, types, etc..., of vessels handled within port's pilotage waters and provide reasons for same:

**JACKSONVILLE**

Maximum Draft of 40 ft based on 40 ft Federal Channel. Minimum 5% UKC required for safe navigation. No length restrictions. No tonnage restrictions. No beam restrictions. Air Draft beyond Dames point is limited by Dames Point Bridge (174 ft at center).

**FERNANDINA**

Maximum Draft of 36 ft based on 36ft Federal Channel. Minimum 2ft UKC required for safe navigation. Tugs and Barges of combined 2000 Gross Tons or greater must be made up on the hip prior to entering the Amelia River.

Other Relevant Information

Jacksonville is one of 22 strategic seaports for the United States. The St. Johns Bar Pilot Association provides piloting service to U.S sealift vessels during times of mobilization.

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11. Detailed statement explaining how the requested rate change will result in fair, just and reasonable rates, taking into consideration the public interest in promoting and maintaining efficient, reliable, and safe piloting services and further taking into consideration the factors set forth in Section 310.151(5)(b), Florida Statutes.

(b) The committee shall also give consideration to the following factors:

1. The public interest in having qualified pilots available to respond promptly to vessels needing their service.

According to a 2018 economic study, the port of Jacksonville has a regional economic impact of more than 31.1 billion dollars annually. In 2019 JAXPORT was voted by port users as the best port in the country to do business. The efficient, reliable and safe piloting services provided by the St. Johns Bar Pilot Association has helped make Jacksonville a port of choice for many shippers. The coastal waters of North East Florida attract visitors from all over the world and the pilots of the St. Johns Bar Pilot Association have an excellent safety record, thereby protecting this important marine environment.

2. A determination of the average net income of pilots in the port, including the value of all benefits derived from service as a pilot. For the purposes of this subparagraph, "net income of pilots" refers to total pilotage fees collected in the port, minus reasonable operating expenses, divided by the number of licensed and active state pilots within the ports.

SEE ATTACHED AUDIT AND TABLE IN SECTION 7 OF THIS APPLICATION

3. Reasonable operating expenses of pilots.

SEE AUDIT

4. Pilotage rates in other ports.

The four ports that most directly compete with the Ports of Jacksonville and Fernandina for import and export cargoes are the ports of: Mobile, Alabama; Charleston, South Carolina; Savannah, Georgia and Brunswick, Georgia. These are tidal river ports and have similar tidal ranges, tidal current strength, channel dimensions, configurations, and serve the same types of vessels that call the ports of Jacksonville and Fernandina.

Charleston, SC (July 1, 2019) Minimum Charge: \$1,300.00  
Draft Rate - \$26.85 per foot (15ft minimum)  
Gross Tonnage Rate - \$65.83 per 1,000 gross tons  
Additional Charges - Fuel Surcharge per transit (changes monthly; \$52 to \$85)

Savannah, GA (July 1, 2019) Minimum Charge: \$1,365.64  
Draft Rate - \$27.54 per foot (15ft minimum)  
Gross Tonnage Rate - \$66.06 per 1,000 gross tons, or fraction thereof  
Additional Charges - Safety and Communication Fee of \$74.54 per movement

Brunswick, GA (April 1, 2019) Minimum Charge: \$1,019.92  
Draft Rate - \$26.24 per foot (20ft minimum)  
Gross Tonnage Rate - \$61.89 per 1,000 gross tons, or fraction thereof (8,000 gross tons minimum)  
Additional Charges - \$936.98 per call (\$468.49 per transit)  
Pilot Boat fund \$225 per call  
Communications Fee of \$175 per call



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Docking Pilot Charge \$536.98 per call)

Mobile, AL (June 1, 2019) Minimum Charge: \$976.25  
Draft Rate - \$38.00 per foot (15ft minimum)  
Gross Tonnage Rate - \$62.50 per 1,000 GT  
Additional Charges - \$205 per transit plus 6.5% surcharge for transportation and Safety Education  
Communications Fee - \$10.00  
Pilot Boat Fund - \$100.00  
Capital Boat Fund - \$45.00  
Capital Improvement Fee - \$50.00  
5% Transportation/Fuel Surcharge per vessel transit  
1.5% Safety Education Surcharge per vessel transit

5. The amount of time each pilot spends on actual piloting duty and the amount of time spent on other essential support services.

SEE SECTION 8. (b). of this application. Averages based on 14 state pilots.

4,380 hrs/year on watch (365 days x 24 hrs per day) / 2 watches

625.7 hrs/year active standby as first board pilot (4,380 hrs / 7 duty pilots

822 hrs/yr bridge time (274 handles x 3 hrs (avg)

548 hrs/yr transportation time (274 handles x 2 hrs (avg)

520 hrs/yr essential support services (52 weeks x 10 hrs per week) *may or may not be performed while "on watch"*

6. The prevailing compensation available to individuals in other maritime services of comparable professional skill and standing as that sought in pilots, it being recognized that in order to attract to the profession of piloting, and to hold the best and most qualified individuals as pilots, the overall compensation accorded pilots should be equal to or greater than that available to such individuals in comparable maritime employment.

SEE SECTION 8 (c)

"At the Miami rate hearing in 2017 the Rate Review Board agreed that the pilot compensation for major Florida ports (such as Jacksonville) should be in comparable to the compensation of pilots in other major ports in the United States. The pilots of the St. Johns Bar Pilot Association are currently compensated significantly less than their peers in the Southeast and in other major ports in the United States.

7. The impact rate change may have in individual pilot compensation and whether such change will lead to a shortage of licensed state pilots, certificated deputy pilots, or qualified pilot applicants.

The requested rate change is needed to attract the best and most qualified individuals. The current draft rates for Jacksonville are 39.9% LESS than the average of the draft rates for Charleston, Savannah, Brunswick and Mobile. The current tonnage rates for pilotage in Jacksonville average 38.1% LESS than the pilotage rates in these ports that most directly compare and compete with Jacksonville. Based on comparisons of net income, the Florida pilots who cover the ports of Jacksonville and Fernandina are compensated at rates that are 35% to 45% LESS than the pilots in nearby ports in the Southeast. Without an increase in pilotage rates the combined port area of Jacksonville and Fernandina will not be able to attract the best professional mariners. Pilot compensation as stated in Florida Statutes Chapter 310.051 amplifies the need to "hold the best and most qualified individuals" with adequate levels of compensation. Thirteen of the fourteen

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pilots working in Jacksonville held a United States Coast Guard Unlimited Masters License for vessels of any gross tons upon oceans prior to starting their training as a deputy pilot. An Unlimited Master's License is the highest license issued by the United States Coast Guard to mariners and is a testament to the experience, initiative and ability of the holder. The majority of the applicants for the most recent deputy pilot exams lacked this level of qualification or experience. Pilots are well compensated due to their critical role in port infrastructure, environmental protection and port security. Presently, Jacksonville pilots are compensated far below the national average for a port of this size and far below the pilots in the ports of our closest competitors. This proposed rate leaves the pilots of the St. Johns Bar Pilot Association positioned near the average of other pilot associations nationally and should ensure that we can attract the "best and most qualified individuals".

8. Projected changes in vessel traffic.

Over the last 5 years the trend in vessel traffic is an increase in vessel size and overall carrying capacity, and an overall decrease in traffic volume. The number of vessel handles had been decreasing slightly while the volumes of autos, containers and bulk commodities moving through the port of Jacksonville increased (See table below). In 2009 the largest container ships calling Jacksonville carried 4,500 TEUs. Ten years later we are handling 11,000 TEU capacity vessels in Jacksonville. Looking ahead, the number of total vessel handles for the combined port area should be steady.

In June of 2019, the container shipping company CMA-CGM stopped calling on the port of Jacksonville. CMA-CGM had been calling Jacksonville since 2009, and the weekly service was made up of large post panamax ships. Losing those ships represents around a \$250,000 decrease in our 2019 estimated revenue and a \$500,000 decrease in our initial 2020 projections due to the large LOAs, beams, gross tonnages and drafts of those ships.

The current harbor deepening project should help attract new liner services to Jacksonville, but the new post panamax vessels that are currently calling the southeast are not close to their carrying capacity. It will take several years of continued increases in container import and export volumes before more ships are needed to call.

Petroleum tanker and ATB traffic should remain steady.

Bulk aggregate imports will continue to fluctuate with construction demand. In 2017 the coal berth at Blount Island shut down. The power plant that it supplied has been demolished and there are currently no plans for this berth.

Auto carrier traffic should remain steady, but Jacksonville faces steep competition from Brunswick, Ga and the Georgia Ports Authority.

Puerto Rico trade container volumes should remain steady in the near future, but there has been an exodus of more than 130,000 Puerto Ricans from Puerto Rico since hurricane Maria in 2017. Since the pharmaceutical and textile manufacturers began to pull out of Puerto Rico in 2006, the economy of Puerto Rico has contracted and the US Territory is over 74 billion dollars in debt.

Cruise ship traffic in Jacksonville is steady, with Carnival expected to have ships call through 2021. The future of cruise vessels in Jacksonville is uncertain as the current Fantasy class passenger ship calling Jacksonville is over 28 years old. Most newer cruise ships are too large to safely pass under the high tension power lines at Blount Island and the Dames Point bridge at high tide. The JAXPORT cruise terminal will need to be moved to allow for larger ships but there are currently no plans to do so.

**JAXPORT CARGO STATISTICS**

**VESSEL CALLS**

FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
2,083	1,933	1,846	1,826	1,782	1,656	1,761

**TONNAGE**

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Containerized	4,905,299	4,895,211	5,062,969	5,035,085	5,558,361	5,878,168	7,109,643
Breakbulk	816,027	941,983	792,344	726,242	887,878	902,726	871,131

REVISED AND UPDATED APPLICATION FOR CHANGE OF RATES OF PILOTAGE

Bulk	1,207,086	1,045,193	1,204,835	1,094,986	1,026,230	1,169,087	742,499
Automobiles	1,308,565	1,296,468	1,252,017	1,325,366	1,244,335	1,380,284	1,385,712
Total	8,236,977	8,178,855	8,312,165	8,181,888	8,716,805	9,330,266	10,474,283

UNITS

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Container TEU	923,660	926,809	936,973	915,292	968,279	1,033,068	1,270,480
Automobiles	608,726	630,697	605,170	656,599	636,134	693,248	665,432

CRUISE

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Vessel Calls	81	77	78	78	82	74	78
Passengers	195,426	185,434	181,580	183,192	197,295	177,417	199,899

The above JAXPORT statistics do not reflect the vessel calls or tonnages of cargo moved through privately owned terminals in Jacksonville or the vessel calls or traffic for the port of Fernandina. The above shows the slight decrease in vessels to JAXPORT berths and the overall increase of cargo being moved through those berths.

9. Cost of retirement and medical plans.

Active pilots receive medical coverage from the Association. This cost has increased 15% over the last 5 years from \$1,040 per individual pilot in 2014 to over \$1,195 per pilot in 2018. The expenses for medical plans for the St. Johns Bar Pilot Association and their employees is expected to increase by 18% over the next five years.

The St. Johns Bar Pilot Association does not have a traditional funded retirement plan. The retirement plan is similar to the pilot retirement plans in Miami and Port Everglades. In 2018 the retirement plan expense was \$1,120,758 and represented 11.3% of the \$9,887,915 gross pilotage revenues. The retirement expense is capped at 20% of the gross pilotage revenue and will increase up to the cap as eligible pilots retire over the next 5 to 7 years.

10. Physical risks inherent in piloting.

Pilots risk physical injury every time they embark or disembark a ship. There are the physical risks that are routinely taken by pilots when transitioning to or from the pilot boat any time, day or night in varying weather and sea conditions. There is also the cumulative physical toll of shift work disorder due to the irregular sleep schedules that pilots keep as they adapt to the irregular flow of vessel traffic.

11. Special characteristics, dangers, and risks of the particular port.

SEE SECTION 10.

As described in Section 10 of this application, the combined port area of Jacksonville and Fernandina cover over 67 nautical miles of Florida's navigable waters. The pilots of the St. Johns Bar Pilot Association maintain an excellent safety record in a very challenging port area with the largest tidal variation and the strongest tidal currents in the state of Florida. This is supported by comparing the NOAA tide and tidal current predictions along piloted waters of the St. Marys River, Amelia River and St. Johns River with the predictions for other Florida ports. In recent years, piloting has become more difficult and more important from a risk management and environmental protection perspective. The ships that we handle have dramatically increased in size. Larger ships are more difficult to handle. Comparing larger ships that are underway at a given speed with smaller ships of the same type traveling at the same speed, the larger ships will be less maneuverable. A larger ship will have a larger turning radius, longer stopping distance, and require more rudder and engine power to maneuver than a smaller vessel. The size of the federal ship channels in Jacksonville and Fernandina have remained virtually unchanged but size of the largest ships has increased by 195 feet (20%) in length and 52 feet

REVISED AND UPDATED APPLICATION FOR CHANGE OF RATES OF PILOTAGE

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(49%) in beam. This means that the "footprint" of the largest ships has increased from 100,700 square feet to over 174,748 square feet; a 75% increase. Between 2007 and 2009, members of the St. Johns Bar Pilot Association participated in channel simulations for the proposed harbor deepening project in Jacksonville. Ships larger than the largest ship used in the Army Corps of Engineers post improvement channel simulations are already calling the port of Jacksonville.

The pilots carefully set times for the largest vessels to transit to and from the container vessels at Blount Island and TRAPAC. These vessels have superstructures that extend over 170 feet above the water and require precise navigation to safely pass under the high-tension electrical wires at Blount Island and the Dames Point Bridge. The Dames Point (Napoleon Bonaparte Broward) Bridge is located in a turn and the width of span with adequate clearance for the largest ships is less than 300 ft. The maneuvering windows for safely moving these large vessels have been established by the Association's analysis of the tides, currents and prevailing depths of the St. Johns River.

12. Any other factors the committee deems relevant in determining a just and reasonable rate.

In 2020, the St. Johns Bar Pilot Association will have served the port of Jacksonville for over 190 years. The State Harbor Pilots in the combined port area of Jacksonville and Fernandina work hard to promote and maintain a high level of cooperation between all areas of our local maritime community and are committed to providing safe, efficient and reliable pilotage service. As pilots, we are mindful that pilotage fees are a portion of the total port costs incurred but it is important to note that pilotage fees do not significantly increase port costs. Pilotage charges are nominal compared to tug, berth, fuel charges or other port fees.

It is in the public's best interest to accept these rate changes as presented, because it will ensure that pilots are able to continue providing the high level of service offered to the Ports of Jacksonville and Fernandina. These modifications to our tariff will allow our Association to attract and retain properly qualified pilots in the future from the very highest levels of the talent pool and to upgrade our equipment and invest in the infrastructure necessary to support a deepened port utilized by ever larger vessels.

We value ourselves as partners in the local port community and recognize that pilotage rates have an effect when customers are seeking business in a port. The requested rates are fair and will not burden the customers of the Ports of Fernandina or Jacksonville. The proposed rate structure will maintain pilotage rates that are significantly lower than our regional competitors.


REVISED AND UPDATED APPLICATION FOR CHANGE OF RATES OF PILOTAGE

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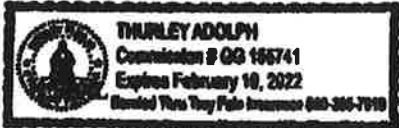

APPLICATION FOR CHANGE OF RATES OF PILOTAGE

**PART C AFFIDAVIT OF APPLICANT** (This section must be sworn to in the presence of a Notary Public or an officer authorized to administer oaths)

I hereby certify that I have read the foregoing statements including all attachments and exhibits, and that they are true and correct to the best of my knowledge and belief.

Signature of Applicant 

COUNTY OF: Duval  
STATE OF: Florida  
SUBSCRIBED AND SWORN TO BEFORE ME THIS 30<sup>th</sup> DAY OF September 19

 SIGNATURE OF PERSON ADMINISTERING OATH  
  
MY COMMISSION EXPIRES  
February 19 2022

BPR/ratechg.FRM/06-95

# **St. Johns Bar Pilot Association and Subsidiaries**

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## **Consolidated Financial Statements (Compiled)**

**Year Ended December 31, 2018 (Historical)  
Years Ended December 2019 and 2020 (Projected)**



**St. Johns Bar Pilot Association and Subsidiaries**

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## **Independent Accountants' Compilation Report**

### **Partners**

**St. Johns Bar Pilot Association and Subsidiaries  
Mayport, Florida**

Management is responsible for the accompanying projection of St. Johns Bar Pilots Association and Subsidiaries ("the Association"), which comprises the consolidated projected balance sheets as of December 31, 2019 and 2020, and the related consolidated statements of income and changes in partners' capital, and cash flows, and the related summaries of significant assumptions and accounting policies in accordance with guidelines for the presentation of a projection established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the projection nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this projection.

The projected results may not be achieved, as there will usually be differences between the projected and actual results because events and circumstances frequently do not occur as expected, and these differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

As more fully described in Note 7, the Association has not determined the cost of its pilot retirement obligation in accordance with accounting principles generally accepted in the United States of America, which requires the cost of retirement obligations to be recognized over the employees' respective service periods and a liability to be recognized. Quantification of the effects of that departure on the consolidated projected financial statements is not practicable.

The accompanying projection and this report are intended solely for the information and use of the St. Johns Bar Pilot Association and Subsidiaries and Florida Department of Business and Professional Regulation, Board of Pilot Commissioners and is not intended to be and should not be used by anyone other than these specified parties.





***Report on Compiled 2018 Historical Financial Statements***

Management is responsible for the accompanying financial statements of Association, which comprise the consolidated balance sheet as of December 31, 2018, and the related consolidated statement of income and changes in partners' capital, and cash flows in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statement on Standards for Accounting and Review Services promulgated by the Accounting and Review Services committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, or provide any form of assurance on these financial statements.

*Dixon Hughes Goodman LLP*

**Jacksonville, Florida  
August 29, 2019**

**St. Johns Bar Pilot Association and Subsidiaries**  
**Consolidated Balance Sheets**  
**Based on Requested Rates**  
**December 31, 2018, 2019, and 2020**

	Historical 2018	Projected 2019	Projected 2020
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 251,885	\$ 155,217	\$ 59,358
Accounts receivable	1,132,116	1,001,395	1,026,429
Other receivable	85,355	-	-
<b>Total current assets</b>	<b>1,469,338</b>	<b>1,156,612</b>	<b>1,085,787</b>
<b>Property, plant and equipment:</b>			
Land	241,573	241,573	241,573
Land improvements	716,180	716,180	716,180
Buildings	1,011,383	1,047,383	1,047,383
Boats and transportation equipment	2,307,888	2,307,888	3,557,888
Computers, equipment and furniture	896,966	896,966	896,966
	5,173,972	5,209,972	6,459,972
<b>Less: accumulated depreciation</b>	<b>3,995,205</b>	<b>4,183,773</b>	<b>4,439,393</b>
<b>Net property, plant and equipment</b>	<b>1,178,767</b>	<b>1,026,199</b>	<b>2,020,579</b>
Intangibles	121,148	121,148	121,148
<b>Less: accumulated amortization</b>	<b>118,232</b>	<b>120,559</b>	<b>121,141</b>
<b>Net intangibles</b>	<b>2,916</b>	<b>589</b>	<b>7</b>
<b>Total assets</b>	<b>\$ 2,651,021</b>	<b>\$ 2,183,400</b>	<b>\$ 3,106,373</b>
<b>LIABILITIES AND PARTNERS' CAPITAL</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	\$ 182,101	\$ 22,202	\$ 35,356
Other liabilities	45,000	-	-
Line of credit	42,000	121,632	30,408
Contract payable	150,000	-	-
Note payable	138,780	138,780	342,465
<b>Total current liabilities</b>	<b>537,881</b>	<b>282,614</b>	<b>408,229</b>
<b>Long-term liabilities</b>			
Note payable	241,248	102,465	769,996
Deferred income tax liability	40,967	33,962	36,397
<b>Total liabilities</b>	<b>820,096</b>	<b>419,041</b>	<b>1,214,622</b>
Partners' capital	1,830,925	1,764,359	1,891,751
<b>Total liabilities and partners' capital</b>	<b>\$ 2,651,021</b>	<b>\$ 2,183,400</b>	<b>\$ 3,106,373</b>

See accompanying summary of significant assumptions and accounting policies and independent accountants' compilation report.

**St. Johns Bar Pilot Association and Subsidiaries**  
**Consolidated Statements of Income and Changes in Partners' Capital**  
**Based on Requested Rates**  
**Years Ended December 31, 2018, 2019, and 2020**

	Historical 2018	Projected 2019	Projected 2020
Revenues	\$ 9,887,915	\$ 9,887,915	\$ 11,453,258
Selling, general and administrative expenses	4,409,217	4,248,108	4,503,111
Other income (expense):			
Interest expense	(3,981)	(4,190)	(66,230)
Gain (loss) on sale of equipment	158,259	-	(8,271)
Total other expense, net	152,278	(4,190)	(74,801)
Income before income taxes	5,630,976	5,635,619	8,875,844
Income tax expense	(60,705)	(13,641)	(27,417)
Net income	5,570,271	5,621,978	8,848,227
Partners' distributions	(5,774,303)	(5,688,544)	(6,720,835)
Partners' capital, beginning of year	2,034,957	1,830,925	1,764,359
Partners' capital, end of year	\$ 1,830,925	\$ 1,764,359	\$ 1,891,761

See accompanying summary of significant assumptions and accounting policies and independent accountants' compilation report.

**St. Johns Bar Pilot Association and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Based on Requested Rates**  
**Years Ended December 31, 2018, 2019, and 2020**

	<u>Historical 2018</u>	<u>Projected 2019</u>	<u>Projected 2020</u>
<b>Cash flows from operating activities:</b>			
Net income	\$ 5,570,271	\$ 5,621,978	\$ 6,848,227
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	181,281	189,309	256,202
Change in deferred income taxes	22,990	(7,005)	2,435
Gain (loss) on sale of equipment	(158,259)	-	8,271
Changes in operating assets and liabilities:			
Accounts receivable	89,825	130,723	(26,034)
Other receivable	(85,355)	85,355	-
Accounts payable and accrued expense	(29,577)	(138,899)	13,154
Other liabilities	-	(45,000)	-
<b>Net cash provided by operating activities</b>	<u>5,593,176</u>	<u>5,835,461</u>	<u>7,103,255</u>
<b>Cash flows from investing activities:</b>			
Proceeds from sale of equipment	285,681	-	-
Purchase of property and equipment	(342,745)	(34,414)	(8,271)
<b>Net cash used by investing activities</b>	<u>(57,064)</u>	<u>(34,414)</u>	<u>(8,271)</u>
<b>Cash flows from financing activities:</b>			
Proceeds from notes payable	451,283	-	-
Partner distributions	(5,774,303)	(5,688,544)	(6,720,835)
Net proceeds from (payments on) line of credit	(73,175)	79,632	(91,224)
Payments on contracts payable	(150,000)	(150,000)	-
Principal payments on notes payable	(178,188)	(138,783)	(378,784)
<b>Net cash used by financing activities</b>	<u>(5,724,383)</u>	<u>(5,897,695)</u>	<u>(7,190,843)</u>
<b>Net decrease in cash</b>	(188,271)	(96,648)	(95,859)
Cash and cash equivalents, beginning of year	440,136	251,685	155,217
<b>Cash and cash equivalents, end of year</b>	<u>\$ 251,865</u>	<u>\$ 155,217</u>	<u>\$ 59,358</u>
<b>Supplemental disclosure of cash flow activity:</b>			
Cash paid for interest	<u>\$ 3,382</u>	<u>\$ 4,180</u>	<u>\$ 66,230</u>
Cash paid for income taxes	<u>\$ 108,000</u>	<u>\$ 34,285</u>	<u>\$ 11,627</u>
Non-cash financing activities related to financing of a boat	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,250,000</u>

See accompanying summary of significant assumptions and accounting policies and independent accountants' compilation report.

**St. Johns Bar Pilot Association and Subsidiaries**  
**Summary of Significant Assumptions and Accounting Policies**

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## **Summary of Significant Assumptions and Accounting Policies**

### **1. Nature of Business and Limitations of Projections**

The accompanying projections assume St. Johns Bar Pilot Association ("SJBPA") and Subsidiaries (collectively, "the Association") application for rate increase is granted effective January 1, 2020. These financial projections present, to the best of management's knowledge and belief, the Association's expected financial position results of operations, and cash flows for the years ending December 31, 2019 through 2020. Accordingly, the projections reflect management's judgement, of the expected conditions and its expected course of action given the hypothetical assumption. Actual results are presented for 2018 and managements historical information for the first six months of 2019 was used in development of the 2019 and 2020 projections. The assumptions disclosed herein are those that management believes are significant to the projections. There will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

The presentation is to assist the Association in its application for a pilotage rate increases to be filed with the Florida Department of Business and Professional Regulation, Board of Pilot Commissioners in accordance with Florida Statute 61E13-2.005, *Contents of Application by Pilot*, and should not be considered to be a presentation of expected future results. Accordingly, these projections may not be used for any other purposes. The assumptions disclosed herein are those that management believes are significant to the projections. Even if the pilotage rate increase is granted, there will usually be differences between projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material

### **2. Nature of Business and Summary Significant Accounting Policies**

#### ***Organization***

The St. Johns Bar Pilot Association ("SJBPA") and Subsidiaries (collectively, "the Association") includes the accounts of SJBPA and its wholly-owned subsidiaries, St. Johns Bar Pilots, Inc. ("SJBPI") and Fernandina Pilot, LLC ("FP"). The Association pilots asset ships and vessels in and out the Ports of Jacksonville and Fernandina in Northeast Florida. The Association customers are primarily in the shipping business that have operations throughout the world.

#### ***Principles of consolidation***

The Association includes the accounts of the Association and Subsidiaries in the consolidated financial statements. All effects of intercompany transactions, balances and profits have been eliminated.

#### ***Revenue recognition***

The principal business of the Association is piloting ships and vessels in and out the ports in north Florida. The Association is regulated by the Florida Department of Business and Professional Regulation. Revenues from contracts are included in the consolidated statement of income at specified pilotage rates. The State of Florida establishes the pilotage rates that pertain to all ship and vessels subject to State regulation. Any change in statutes surrounding the movement of ships and vessels while entering or leaving a port could effect the revenue of the Association. Accordingly, income is recognized when that cost and related profit is incurred up to the estimated total revenues.

#### ***Basis of accounting***

The accompanying consolidated financial statements are prepared on the accrual basis of accounting where revenues are recognized when earned and costs are recognized when incurred.

**St. Johns Bar Pilot Association and Subsidiaries**  
**Summary of Significant Assumptions and Accounting Policies**

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***Use of estimates***

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect (1) the reported amounts of assets and liabilities; (2) disclosure of contingent assets and liabilities at the date of the consolidated financial statements; and, (3) the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

***Cash and cash equivalents***

The Company includes all interest earning deposits of less than three months in maturity to be cash equivalents. The Company regularly maintains bank deposits in excess of the Federal Deposit Insurance Corporation (FDIC) limits.

***Accounts receivable***

The Company grants unsecured credit to its customers throughout the world. Trade accounts receivables are due on average within 60 days from the date of invoice and are past due when payment is not received within the stated terms. No allowances is provided for anticipated losses on doubtful accounts. Receivables are charged off in the period in which they are determined to be uncollectible, which in the opinion of management, approximates the allowance method of accounting for bad debts.

***Property, plant and equipment***

The Company reports property, plant and equipment, including amortizable tooling, at historical cost. Machinery in progress includes costs incurred for the construction of machinery and equipment in process. Depreciation is computed by straight-line methods applied to individual items, based on the following estimated useful lives:

Buildings and Improvements	7 to 30 years
Boats	5 to 10 years
Furniture and Equipment	5 to 20 years
Computers	3 to 5 years

Repair and maintenance costs that do not extend the useful life or otherwise improve the utility of the asset beyond its existing useful state are expensed in the period incurred.

***Income taxes***

The partners of SJBPA and members of FP elected to be taxed as a partnership. Therefore, provision for income taxes has been made only on the income of SJBPI at statutory rates. Federal income taxes on the SJBPA and FP's income are responsibility of the individual partners and members. Provision for income taxes is presented for 2018, 2019, and 2020 based on net income for those years.

**3. Contract Payable**

Contract payable relates to the ownership interest purchase of a former partner. The terms of the agreement provide for three equal installments of \$150,000, with the final payment due in April 2019.

**4. Line of Credit**

The Association has a \$450,000 line of credit with a bank accruing interest at a floating rate of monthly LIBOR plus 2.75%. The line of credit is secured by substantially all property of the Association. The line of credit is subject to certain financial and nonfinancial covenants.

**St. Johns Bar Pilot Association and Subsidiaries**  
**Summary of Significant Assumptions and Accounting Policies**

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**5. Notes Payable**

Notes payable include:

- a) Note payable to a bank in monthly installments of \$11,565 principal with no interest through September 2021. This note is collateralized by vehicles.
- b) The projections assume the Association will purchase a new boat for \$1,250,000 in 2020, which will be financed for ten years. This note is projected to be payable in monthly installments of approximately \$20,000 plus interest at 6.50%. These expectations are based on the Association's need for vessels to best serve north Florida ports. Terms are estimated based on the Association's history in the maritime industry.

**6. Retirement Benefits**

SJBPI sponsors a qualified 401(k) retirement plan which covers substantially all employees. The corporation makes an annual contribution to the plan equal to 15% of participants' annual salary of employees hired prior to December 31, 2012. The corporation makes an annual contribution to the plan equal to 7% plus a 3.5% match of participants' annual salary of employees hired after December 31, 2012.

**7. Pilot Retirement Obligation**

No provision for a retirement plan obligation for pilots is recorded. However, a formal arrangement exists that provides for compensation to pilots when they retire from active service. The amount of compensation is determined by a formula involving a percentage of an active pilot's gross share, years of service, and age. The amount that may be paid by the Association to retired pilots shall not exceed 20% of revenues collected. Payments to retired pilots are included in selling, general and administrative expenses.

**8. Revenues**

Revenues are fees derived from the performance of piloting services in Northeast Florida in accordance with Florida Statutes governing vessel traffic at Florida ports.

The projections, based on current rates, are based on six months actual revenue through June 30, 2019 expected to continue at the same level through December 31, 2019.

The projections, based on requested rates, assume rate increases are granted effective January 1, 2019 as follows:

2020

22% over 2019 rates

**St. Johns Bar Pilot Association and Subsidiaries**  
**Summary of Significant Assumptions and Accounting Policies**

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**9. Expenses**

Expenses have been projected based on management's actual data through June 30, 2019, adjusted for known or expected occurrences. Except as discussed below, selling and administrative expenses generally assume an annual increase of 2.1%, based on a general inflation rate.

Legal and professional fees – An additional \$40,000 for expected consultation and accountants' fees is added to this expense in 2019.

Professional development – Expected \$50,000, in this expense in 2019 due to an increased need for pilot training for changing technology and larger vessels entering Northeast Florida ports.

Due and subscriptions – Based on expected payments during 2019 and 2020

Other expenses – Expected increase in 2019 of \$7,500 to provide for additional travel related to increase in professional development.

Fuel – Expected increase in diesel and oil costs of 25% in 2019.

Interest expense – Based on notes payable as describe in Note 5.

Depreciation expense – Based on methods described in Note 2.

Pilot retirement – Based on expected payments to retired pilots during 2019 and 2020.



***Supplementary Information***

**The St. Johns Bar Pilot Association and Subsidiaries**  
**Consolidated Schedules of Selling, General and Administrative Expenses**  
**Based on Requested Rates**  
**Years Ended December 31, 2018, 2019, and 2020**

	Historical 2018	Projected 2019	Projected 2020
Automobile	\$ 114,794	\$ 115,858	\$ 116,940
Amortization	2,242	2,326	582
Depreciation	178,947	186,982	255,620
Deputy percentage	140,359	60,053	-
Diesel and oil	188,743	209,032	219,238
Due and subscriptions	218,222	217,899	223,099
Insurance	520,039	530,980	542,110
Legal and professional fees	325,248	57,958	59,175
Office and supplies	69,451	70,910	72,233
Other expenses	62,035	158,857	80,227
Pilot retirement	1,120,758	1,289,344	1,573,000
Professional development	32,288	50,000	33,858
Rent	6,019	6,145	6,274
Repair and maintenance	136,148	139,007	141,826
Salaries and other benefits	939,204	958,927	979,065
Standby labor and pilot payout	217,482	55,730	68,901
Taxes and licenses	86,480	88,298	90,151
Telephone	50,758	\$ 51,824	\$ 52,912
<b>Total selling, general and administrative expenses</b>	<b>\$ 4,409,217</b>	<b>\$ 4,248,108</b>	<b>\$ 4,503,111</b>

See accompanying summary of significant projection assumptions and accounting policies and independent accountants' compilation report.

# **The St. Johns Bar Pilot Association and Subsidiaries**

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**Consolidated Financial Statements**

**Year Ended December 31, 2017**

**DHG**  
DIXON HUGHES GOODMAN LLP  
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**The St. Johns Bar Pilot Association and Subsidiaries**

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## **Independent Auditors' Report**

### **Partners**

The St. Johns Bar Pilot Association and Subsidiaries  
Mayport, Florida

We have audited the accompanying consolidated financial statements of The St Johns Bar Pilot Association and Subsidiaries ("the Association"), which comprise the consolidated balance sheet as of December 31, 2017 and the related consolidated statement of income, changes in partners' capital and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



***Basis for Qualified Opinion***

As more fully described in Note 6 to the consolidated financial statements, the Association has not determined the cost of its pilot retirement obligation in accordance with accounting principles generally accepted in the United States of America, which requires the cost to be recognized over the employees' respective service periods and a liability to be recognized. Quantification of the effects of that departure on the consolidated financial statements is not practicable.

***Qualified Opinion***

In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion paragraph, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of The St. Johns Bar Pilot Association and Subsidiaries as of December 31, 2017, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Supplementary Information***

Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements of the Association as a whole. The consolidated schedule of selling and administrative expenses on page 11 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

*Dixon Hughes Goodman LLP*

Jacksonville, Florida  
September 20, 2018

**The St. Johns Bar Pilot Association and Subsidiaries**  
**Consolidated Balance Sheet**  
**December 31, 2017**

<b>ASSETS</b>	
Current assets:	
Cash	\$ 440,136
Accounts receivable	1,221,943
	<u>1,682,079</u>
Property, plant and equipment:	
Land	241,573
Land improvements	695,824
Buildings	1,011,383
Boats	2,512,888
Computers, equipment and furniture	628,395
	<u>5,090,063</u>
Less: accumulated depreciation	<u>3,945,672</u>
	<u>1,144,391</u>
Intangible assets, net of accumulated amortization of \$29,750	<u>5,250</u>
	<u>5,250</u>
<b>Total assets</b>	<b><u>\$ 2,811,720</u></b>
<b>LIABILITIES AND PARTNERS' CAPITAL</b>	
Current liabilities:	
Accounts payable	\$ 101,867
Accrued expenses	1,197
Income taxes payable	88,814
Other liabilities	45,000
Note payable	108,933
Contract payable	150,000
Line of credit	115,175
	<u>608,786</u>
<b>Total current liabilities</b>	<b>608,786</b>
Long-term liabilities:	
Contract payable	150,000
Deferred income tax liability	17,977
	<u>167,977</u>
<b>Total long-term liabilities</b>	<b>167,977</b>
Partners' capital	<u>2,034,957</u>
	<u>2,034,957</u>
<b>Total liabilities and partners' capital</b>	<b><u>\$ 2,811,720</u></b>

See accompanying notes.

**The St. Johns Bar Pilot Association and Subsidiaries**  
**Consolidated Statement of Income**  
**Year Ended December 31, 2017**

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Revenues	\$ 9,834,459
Selling, general and administrative expenses	<u>4,222,342</u>
Income from operations	5,612,117
Other Income (expense):	
Interest income	118
Interest expense	(14,914)
Other expense	<u>(4,250)</u>
Total other expense, net	<u>(19,048)</u>
Income before income taxes	5,593,069
Income tax expense	<u>(220,647)</u>
Net income	<u>\$ 5,372,422</u>

See accompanying notes.

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**The St. Johns Bar Pilot Association and Subsidiaries**  
**Consolidated Statement of Changes in Partners' Capital**  
**December 31, 2017**

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Partners' capital, January 1, 2017	\$	1,954,628
Net income		5,372,422
Partners' contributions		483,886
Partners' distributions		<u>(5,755,779)</u>
Partners' capital, December 31, 2017	\$	<u>2,034,957</u>

See accompanying notes.

**The St. Johns Bar Pilot Association and Subsidiaries**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2017**

Cash flows from operating activities:	\$ 5,372,422
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	255,686
Deferred income taxes	17,977
Changes in operating assets and liabilities:	
Accounts receivable	13,860
Accounts payable	(381)
Accrued expenses	3,628
Income tax payable	54,970
Other liabilities	<u>(45,000)</u>
Net cash provided by operating activities	<u>5,673,059</u>
Cash flows from investing activities:	
Purchase of property and equipment	<u>(33,404)</u>
Net cash used by investing activities	<u>(33,404)</u>
Cash flows from financing activities:	
Partner contributions	483,686
Partner distributions	(5,455,779)
Net payments on line of credit	(58,500)
Principal payments on notes payable	<u>(369,812)</u>
Net cash used by financing activities	<u>(5,420,405)</u>
Net increase in cash	219,250
Cash, January 1, 2017	<u>220,886</u>
Cash, December 31, 2017	<u>\$ 440,136</u>
Supplemental disclosures of cash flow activity:	
Cash paid for interest	<u>\$ 14,914</u>
Cash paid for income taxes	<u>\$ 74,300</u>
Non-cash financing activities activity related to partner redemption	<u>\$ 300,000</u>

See accompanying notes.

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**The St. Johns Bar Pilot Association and Subsidiaries  
Notes to Consolidated Financial Statements**

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## **Notes to Consolidated Financial Statements**

### **1. Nature of Business and Summary Significant Accounting Policies**

#### ***Organization***

The St. Johns Bar Pilot Association ("SJBPA") and Subsidiaries (collectively, "the Association") includes the accounts of SJBPA and its wholly-owned subsidiaries, St. Johns Bar Pilots, Inc. ("SJBPI") and Fernandine Pilot, LLC ("FP"). The Association pilots assist ships and vessels in and out the Ports of Jacksonville and Fernandine in Northeast Florida. The Association customers are primarily in the shipping business that have operations throughout the world.

#### ***Principles of consolidation***

The Association includes the accounts of the Association and Subsidiaries in the consolidated financial statements. All effects of intercompany transactions, balances and profits have been eliminated.

#### ***Revenue recognition***

The principal business of the Association is piloting ships and vessels in and out the ports in north Florida. The Association is regulated by the Florida Department of Business and Professional Regulation. Revenues from contracts are included in the consolidated statement of income at specified pilotage rates. The State of Florida establishes the pilotage rates that pertain to all ship and vessels subject to State regulation. Any change in statutes surrounding the movement of ships and vessels while entering or leaving a port could affect the revenue of the Association. Accordingly, income is recognized when that cost and related profit is incurred up to the estimated total revenues.

#### ***Basis of Accounting***

The accompanying consolidated financial statements are prepared on the accrual basis of accounting where revenues are recognized when earned and costs are recognized when incurred.

#### ***Use of estimates***

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect (1) the reported amounts of assets and liabilities; (2) disclosure of contingent assets and liabilities at the date of the consolidated financial statements; and, (3) the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

#### ***Cash and cash equivalents***

The Association includes all interest earning deposits of less than three months in maturity to be cash equivalents. The Association regularly maintains bank deposits in excess of the Federal Deposit Insurance Corporation (FDIC) limits.

#### ***Accounts receivable***

The Association grants unsecured credit to its customers throughout the world. Trade accounts receivables are due on average within 60 days from the date of invoice and are past due when payment is not received within the stated terms. No allowances is provided for anticipated losses on doubtful accounts. Receivables are charged off in the period in which they are determined to be uncollectible, which in the opinion of management, approximates the allowance method of accounting for bad debts. There was no bad debt expense in 2017.

**The St. Johns Bar Pilot Association and Subsidiaries**  
**Notes to Consolidated Financial Statements**

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***Property, plant and equipment***

The Association reports property, plant and equipment, including amortizable tooling, at historical cost. Machinery in progress includes costs incurred for the construction of machinery and equipment in process. Depreciation is computed by straight-line methods applied to individual items, based on the following estimated useful lives:

Buildings and Improvements	7 to 39 years
Boats	5 to 10 years
Furniture and Equipment	5 to 20 years
Computers	3 to 5 years

Repair and maintenance costs that do not extend the useful life or otherwise improve the utility of the asset beyond its existing useful state are expensed in the period incurred.

***Income taxes***

The members of the Association elected to be taxed as a partnership. Therefore, a provision for income taxes has been made only on the income of St. Johns Bar Pilots, Inc. (a Florida Corporation) at statutory rates. Federal income taxes on the Association's income are responsibility of the individual partners.

**2. Notes Payable**

The Association had a term note payable in monthly installments of \$21,581 plus interest accrued at the fixed rate of 2.99% per annum. This note was repaid in June 2018.

The Association had a term note payable in monthly installment of \$10,087 plus interest accrued at the fixed rate of 1.49% per annum. This note was repaid in May 2018.

**3. Line of Credit**

The Association had a \$450,000 line of credit with a bank accruing interest at a floating rate of monthly LIBOR plus 2.75%. The line of credit was secured by all property of the Association. The line of credit is subject to certain financial and nonfinancial covenants. As of December 31, 2017, the Association was in compliance with these covenants. The line of credit expired on March 1, 2018 and was not renewed.

**4. Contract Payable**

Contract payable relates to the ownership interest purchase of a former partner. The terms of the agreement provide for three equal installments of \$150,000, with the final payment due in April 2019.

**5. Retirement Benefits**

SJBPI sponsors a qualified 401(k) retirement plan which covers substantially all employees. The corporation makes an annual contribution to the plan equal to 15% of participants' annual salary. The contribution for the year ended December 31, 2017 was \$106,683.

**The St. Johns Bar Pilot Association and Subsidiaries**  
**Notes to Consolidated Financial Statements**

**6. Pilot Retirement Obligation**

No provision for a retirement plan obligation for pilots is recorded. However, an unfunded formal arrangement exists that provides for compensation to pilots when they retire from active service. The amount of compensation is determined by a formula involving a percentage of an active pilot's gross share, years of service, and age. The amount that may be paid by the Association to retired pilots shall not exceed 20% of revenues collected. Payments to retired pilots were \$974,108 for the year ended December 31, 2017 and are included in selling, general and administrative expenses.

**7. Obligation Upon Death of Partners**

In the event of death of an active or retire partner, the Association's Articles stipulate that each widow (or legal designee) will receive a retired partner's monthly share for 36 months following the death of an active or retired partner.

**8. Income Taxes**

The following is a summary of the components of the provision for income taxes at December 31, 2017:

Current	\$ 202,670
Deferred	<u>17,977</u>
Total income tax expense	<u>\$ 220,647</u>

On December 22, 2017, the law commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act") was enacted. The Tax Act reduces the corporate federal tax rate from 35% to 21% and also provides for numerous other changes generally effective beginning after January 1, 2018. Accounting standards require that the effects of a change in tax law and rates be accounted for in the period of enactment. As a result of the Tax Act, SJBPI adjusted its deferred tax assets and liabilities based upon the enacted rate.

Deferred income taxes are primarily attributable to net operating loss carryforwards, accruals for financial reporting purposes not currently deductible for income tax purposes, and depreciation of assets.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the SJBPI's deferred income tax assets and liabilities are as follows at December 31, 2017:

Noncurrent deferred tax liabilities	
Excess of tax over book depreciation and cost	<u>\$ 17,977</u>

The effective income tax rate differs from the statutory federal income tax rate primarily because of the reduction of the corporate federal tax rate, state income taxes and permanently nondeductible amounts.

**The St. Johns Bar Pilot Association and Subsidiaries**  
**Notes to Consolidated Financial Statements**

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**9. Major Customers**

Approximately 27% of the Association's 2017 revenue and 23% of the accounts receivable at December 31, 2017 were derived from two customers.

**10. Related Party Transactions**

The Association entered into a month to month lease agreement with an entity that is under common control for dry storage and dock slip. The lease includes monthly rent payment of \$373.

**11. Subsequent Events**

In March 2018, the Association entered into a \$250,000 line of credit with a bank. Principal is payable in one payment of all outstanding principal plus accrued unpaid interest in March 2020. Interest is payable monthly at the one-month ICE LIBOR plus 2.75% with a minimum rate of 3.75%.

In August 2018, the Association entered into a \$250,000 line of credit with a bank. Principal is payable in one payment of all outstanding principal plus accrued unpaid interest in August 2019. Interest is payable monthly at the one-month ICE LIBOR plus 2.75% with a minimum rate of 3.75%.

The Association evaluated events and transactions through September 20, 2018, the date the consolidated financial statements were available for issuance, and in the opinion of management, the accompanying consolidated financial statements reflect all material items.

***Supplementary Information***

**The St. Johns Bar Pilot Association and Subsidiaries  
Consolidated Schedule of Selling, General and Administrative Expenses  
Year Ended December 31, 2017**

Automobile	\$	122,256
Amortization		3,472
Depreciation		252,123
Deputy percentage		257,766
Diesel and oil		133,504
Dues and subscriptions		213,091
Insurance		527,374
Legal and professional fees		13,709
Miscellaneous		89,392
Office and supplies		61,279
Pilot retirement		974,106
Rent		6,826
Repair and maintenance		356,484
Retirement plan		105,693
Salaries and other benefits		844,108
Standby labor and pilot payout		87,686
Taxes and licenses		89,666
Telephone		83,788
<b>Total selling, general and administrative expenses</b>	<b>\$</b>	<b>4,222,342</b>

See accompanying notes.

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# **St. Johns Bar Pilot Association and Subsidiaries**

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**Consolidated Financial Statements (Compiled)**

**Year Ended December 31, 2018 (Historical)  
Years Ended December 2019 and 2020 (Projected)**

**DHG**  
DIXON HUGHES GOODMAN LLP

**St. Johns Bar Pilot Association and Subsidiaries**

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## **Independent Accountants' Compilation Report**

**Partners**  
**St. Johns Bar Pilot Association and Subsidiaries**  
**Mayport, Florida**

Management is responsible for the accompanying projection of St. Johns Bar Pilots Association and Subsidiaries ("the Association"), which comprises the consolidated projected balance sheets as of December 31, 2019 and 2020, and the related consolidated statements of income and changes in partners' capital, and cash flows, and the related summaries of significant assumptions and accounting policies in accordance with guidelines for the presentation of a projection established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the projection nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this projection.

The projected results may not be achieved, as there will usually be differences between the projected and actual results because events and circumstances frequently do not occur as expected, and these differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

As more fully described in Note 7, the Association has not determined the cost of its pilot retirement obligation in accordance with accounting principles generally accepted in the United States of America, which requires the cost of retirement obligations to be recognized over the employee's respective service periods and a liability to be recognized. Quantification of the effects of that departure on the consolidated projected financial statements is not practicable.

The accompanying projection and this report are intended solely for the information and use of the St. Johns Bar Pilot Association and Subsidiaries and Florida Department of Business and Professional Regulation, Board of Pilot Commissioners and is not intended to be and should not be used by anyone other than these specified parties.



***Report on Compiled 2018 Historical Financial Statements***

Management is responsible for the accompanying financial statements of Association, which comprise the consolidated balance sheet as of December 31, 2018, and the related consolidated statement of income and changes in partners' capital, and cash flows in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statement on Standards for Accounting and Review Services promulgated by the Accounting and Review Services committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, or provide any form of assurance on these financial statements.

*Dixon Hughes Goodman LLP*

**Jacksonville, Florida  
August 29, 2019**

**St. Johns Bar Pilot Association and Subsidiaries**  
**Consolidated Balance Sheets**  
**Based on Requested Rates**  
**December 31, 2018, 2019, and 2020**

	Historical 2018	Projected 2019	Projected 2020
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 251,888	\$ 155,217	\$ 59,358
Accounts receivable	1,132,118	1,001,395	1,028,429
Other receivable	85,355	-	-
<b>Total current assets</b>	<b>1,469,338</b>	<b>1,156,612</b>	<b>1,085,787</b>
Property, plant and equipment:			
Land	241,573	241,573	241,573
Land improvements	718,160	718,160	718,160
Buildings	1,011,383	1,047,383	1,047,383
Boats and transportation equipment	2,307,888	2,307,888	3,557,888
Computers, equipment and furniture	889,968	889,968	889,968
	5,173,972	5,209,972	6,459,972
Less: accumulated depreciation	3,995,205	4,183,773	4,439,393
<b>Net property, plant and equipment</b>	<b>1,178,767</b>	<b>1,026,199</b>	<b>2,020,579</b>
Intangibles	121,148	121,148	121,148
Less: accumulated amortization	118,232	120,559	121,141
<b>Net intangibles</b>	<b>2,916</b>	<b>589</b>	<b>7</b>
<b>Total assets</b>	<b>\$ 2,651,021</b>	<b>\$ 2,183,400</b>	<b>\$ 3,106,373</b>
<b>LIABILITIES AND PARTNERS' CAPITAL</b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 182,101	\$ 22,202	\$ 35,358
Other liabilities	45,000	-	-
Line of credit	42,000	121,832	30,408
Contract payable	150,000	-	-
Note payable	138,780	138,780	342,465
<b>Total current liabilities</b>	<b>537,881</b>	<b>282,814</b>	<b>408,229</b>
Long-term liabilities			
Note payable	241,248	102,486	769,996
Deferred income tax liability	40,967	33,982	36,397
<b>Total liabilities</b>	<b>620,096</b>	<b>419,041</b>	<b>1,214,622</b>
Partners' capital	1,830,925	1,764,359	1,891,751
<b>Total liabilities and partners' capital</b>	<b>\$ 2,651,021</b>	<b>\$ 2,183,400</b>	<b>\$ 3,106,373</b>

See accompanying summary of significant assumptions and accounting policies and independent accountants' compilation report.

**St. Johns Bar Pilot Association and Subsidiaries**  
**Consolidated Statements of Income and Changes in Partners' Capital**  
**Based on Requested Rates**  
**Years Ended December 31, 2018, 2019, and 2020**

	Historical 2018	Projected 2019	Projected 2020
Revenues	\$ 9,887,915	\$ 9,887,915	\$ 11,453,256
Selling, general and administrative expenses	4,409,217	4,248,108	4,503,111
Other income (expense):			
Interest expense	(3,981)	(4,190)	(66,230)
Gain (loss) on sale of equipment	158,259	-	(8,271)
Total other expense, net	152,278	(4,190)	(74,501)
Income before income taxes	5,630,978	5,635,619	6,875,644
Income tax expense	(80,705)	(13,841)	(27,417)
Net income	5,570,271	5,621,978	6,848,227
Partners' distributions	(5,774,303)	(5,686,544)	(6,720,835)
Partners' capital, beginning of year	2,034,957	1,830,925	1,784,359
Partners' capital, end of year	\$ 1,830,925	\$ 1,784,359	\$ 1,891,751

See accompanying summary of significant assumptions and accounting policies and independent accountants' compilation report.

**St. Johns Bar Pilot Association and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Based on Requested Rates**  
**Years Ended December 31, 2018, 2019, and 2020**

	Historical 2018	Projected 2019	Projected 2020
<b>Cash flows from operating activities:</b>			
Net income	\$ 5,670,271	\$ 5,621,978	\$ 6,848,227
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>			
Depreciation and amortization expense	181,281	189,306	258,202
Change in deferred income taxes	22,990	(7,005)	2,435
Gain (loss) on sale of equipment	(168,259)	-	8,271
<b>Changes in operating assets and liabilities:</b>			
Accounts receivable	89,825	130,723	(26,034)
Other receivable	(85,355)	85,355	-
Accounts payable and accrued expense	(29,577)	(139,899)	13,164
Other liabilities	-	(45,000)	-
<b>Net cash provided by operating activities</b>	<b>5,593,178</b>	<b>5,835,461</b>	<b>7,103,255</b>
<b>Cash flows from investing activities:</b>			
Proceeds from sale of equipment	285,881	-	-
Purchase of property and equipment	(342,745)	(34,414)	(8,271)
<b>Net cash used by investing activities</b>	<b>(57,064)</b>	<b>(34,414)</b>	<b>(8,271)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from notes payable	451,283	-	-
Partner distributions	(5,774,903)	(5,688,544)	(6,720,835)
Net proceeds from (payments on) line of credit	(73,175)	79,632	(81,224)
Payments on contracts payable	(150,000)	(150,000)	-
Principal payments on notes payable	(178,188)	(138,783)	(378,784)
<b>Net cash used by financing activities</b>	<b>(5,724,383)</b>	<b>(5,897,895)</b>	<b>(7,180,843)</b>
<b>Net decrease in cash</b>	<b>(188,271)</b>	<b>(96,648)</b>	<b>(95,859)</b>
Cash and cash equivalents, beginning of year	440,136	261,865	155,217
<b>Cash and cash equivalents, end of year</b>	<b>\$ 251,865</b>	<b>\$ 155,217</b>	<b>\$ 59,358</b>
<b>Supplemental disclosures of cash flow activity:</b>			
Cash paid for interest	\$ 3,382	\$ 4,190	\$ 86,230
Cash paid for income taxes	\$ 106,000	\$ 34,285	\$ 11,827
Non-cash financing activities related to financing of a boat	\$ -	\$ -	\$ 1,250,000

See accompanying summary of significant assumptions and accounting policies and independent accountants' compilation report.



**St. Johns Bar Pilot Association and Subsidiaries**  
**Summary of Significant Assumptions and Accounting Policies**

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## **Summary of Significant Assumptions and Accounting Policies**

### **1. Nature of Business and Limitations of Projections**

The accompanying projections assume St. Johns Bar Pilot Association ("SJBPA") and Subsidiaries (collectively, "the Association") application for rate increase is granted effective January 1, 2020. These financial projections present, to the best of management's knowledge and belief, the Association's expected financial position results of operations, and cash flows for the years ending December 31, 2019 through 2020. Accordingly, the projections reflect management's judgement, of the expected conditions and its expected course of action given the hypothetical assumption. Actual results are presented for 2018 and managements historical information for the first six months of 2019 was used in development of the 2019 and 2020 projections. The assumptions disclosed herein are those that management believes are significant to the projections. There will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

The presentation is to assist the Association in its application for a pilotage rate increases to be filed with the Florida Department of Business and Professional Regulation, Board of Pilot Commissioners in accordance with Florida Statute 61E13-2.005, *Contents of Application by Pilot*, and should not be considered to be a presentation of expected future results. Accordingly, these projections may not be used for any other purposes. The assumptions disclosed herein are those that management believes are significant to the projections. Even if the pilotage rate increase is granted, there will usually be differences between projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material

### **2. Nature of Business and Summary Significant Accounting Policies**

#### ***Organization***

The St. Johns Bar Pilot Association ("SJBPA") and Subsidiaries (collectively, "the Association") includes the accounts of SJBPA and its wholly-owned subsidiaries, St. Johns Bar Pilots, Inc. ("SJBPI") and Fernandina Pilot, LLC ("FP"). The Association pilots assist ships and vessels in and out the Ports of Jacksonville and Fernandina in Northeast Florida. The Association customers are primarily in the shipping business that have operations throughout the world.

#### ***Principles of consolidation***

The Association includes the accounts of the Association and Subsidiaries in the consolidated financial statements. All effects of intercompany transactions, balances and profits have been eliminated.

#### ***Revenue recognition***

The principal business of the Association is piloting ships and vessels in and out the ports in north Florida. The Association is regulated by the Florida Department of Business and Professional Regulation. Revenue from contracts are included in the consolidated statement of income at specified pilotage rates. The State of Florida establishes the pilotage rates that pertain to all ship and vessels subject to State regulation. Any change in statutes surrounding the movement of ships and vessels while entering or leaving a port could affect the revenue of the Association. Accordingly, income is recognized when that cost and related profit is incurred up to the estimated total revenues.

#### ***Basis of accounting***

The accompanying consolidated financial statements are prepared on the accrual basis of accounting where revenues are recognized when earned and costs are recognized when incurred.

**St. Johns Bar Pilot Association and Subsidiaries**  
**Summary of Significant Assumptions and Accounting Policies**

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***Use of estimates***

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect (1) the reported amounts of assets and liabilities; (2) disclosure of contingent assets and liabilities at the date of the consolidated financial statements; and, (3) the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

***Cash and cash equivalents***

The Company includes all interest earning deposits of less than three months in maturity to be cash equivalents. The Company regularly maintains bank deposits in excess of the Federal Deposit Insurance Corporation (FDIC) limits.

***Accounts receivable***

The Company grants unsecured credit to its customers throughout the world. Trade accounts receivables are due on average within 60 days from the date of invoice and are past due when payment is not received within the stated terms. No allowances is provided for anticipated losses on doubtful accounts. Receivables are charged off in the period in which they are determined to be uncollectible, which in the opinion of management, approximates the allowance method of accounting for bad debts.

***Property, plant and equipment***

The Company reports property, plant and equipment, including amortizable tooling, at historical cost. Machinery in progress includes costs incurred for the construction of machinery and equipment in process. Depreciation is computed by straight-line methods applied to individual items, based on the following estimated useful lives:

Buildings and Improvements	7 to 39 years
Boats	5 to 10 years
Furniture and Equipment	5 to 20 years
Computers	3 to 5 years

Repair and maintenance costs that do not extend the useful life or otherwise improve the utility of the asset beyond its existing useful state are expensed in the period incurred.

***Income taxes***

The partners of SJBPA and members of FP elected to be taxed as a partnership. Therefore, provision for income taxes has been made only on the income of SJBPI at statutory rates. Federal income taxes on the SJBPA and FP's income are responsibility of the individual partners and members. Provision for income taxes is presented for 2018, 2019, and 2020 based on net income for those years.

**3. Contract Payable**

Contract payable relates to the ownership interest purchase of a former partner. The terms of the agreement provide for three equal installments of \$150,000, with the final payment due in April 2019.

**4. Line of Credit**

The Association has a \$450,000 line of credit with a bank accruing interest at a floating rate of monthly LIBOR plus 2.75%. The line of credit is secured by substantially all property of the Association. The line of credit is subject to certain financial and nonfinancial covenants.

**St. Johns Bar Pilot Association and Subsidiaries**  
**Summary of Significant Assumptions and Accounting Policies**

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**5. Notes Payable**

Notes payable include:

- a) Note payable to a bank in monthly installments of \$11,565 principal with no interest through September 2021. This note is collateralized by vehicles.
- b) The projections assume the Association will purchase a new boat for \$1,250,000 in 2020, which will be financed for ten years. This note is projected to be payable in monthly installments of approximately \$20,000 plus interest at 6.50%. These expectations are based on the Association's need for vessels to best serve north Florida ports. Terms are estimated based on the Association's history in the maritime industry.

**6. Retirement Benefits**

SJBPI sponsors a qualified 401(k) retirement plan which covers substantially all employees. The corporation makes an annual contribution to the plan equal to 15% of participants' annual salary of employees hired prior to December 31, 2012. The corporation makes an annual contribution to the plan equal to 7% plus a 3.5% match of participants' annual salary of employees hired after December 31, 2012.

**7. Pilot Retirement Obligation**

No provision for a retirement plan obligation for pilots is recorded. However, a formal arrangement exists that provides for compensation to pilots when they retire from active service. The amount of compensation is determined by a formula involving a percentage of an active pilot's gross share, years of service, and age. The amount that may be paid by the Association to retired pilots shall not exceed 20% of revenues collected. Payments to retired pilots are included in selling, general and administrative expenses.

**8. Revenues**

Revenues are fees derived from the performance of piloting services in Northeast Florida in accordance with Florida Statutes governing vessel traffic at Florida ports.

The projections, based on current rates, are based on six months actual revenue through June 30, 2019 expected to continue at the same level through December 31, 2019.

The projections, based on requested rates, assume rate increases are granted effective January 1, 2019 as follows:

2020

22% over 2019 rates

**St. Johns Bar Pilot Association and Subsidiaries**  
**Summary of Significant Assumptions and Accounting Policies**

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**9. Expenses**

Expenses have been projected based on management's actual data through June 30, 2019, adjusted for known or expected occurrences. Except as discussed below, selling and administrative expenses generally assume an annual increase of 2.1%, based on a general inflation rate.

Legal and professional fees – An additional \$40,000 for expected consultation and accountants' fees is added to this expense in 2019.

Professional development – Expected \$50,000 in this expense in 2019 due to an increased need for pilot training for changing technology and larger vessels entering Northeast Florida ports.

Due and subscriptions – Based on expected payments during 2019 and 2020

Other expenses – Expected increase in 2019 of \$7,500 to provide for additional travel related to increase in professional development.

Fuel – Expected increase in diesel and oil costs of 25% in 2019.

Interest expense – Based on notes payable as describe in Note 5.

Depreciation expense – Based on methods described in Note 2.

Pilot retirement – Based on expected payments to retired pilots during 2019 and 2020.

***Supplementary Information***

**The St. Johns Bar Pilot Association and Subsidiaries**  
**Consolidated Schedule of Selling, General and Administrative Expenses**  
**Based on Requested Rates**  
**Years Ended December 31, 2018, 2019, and 2020**

	Historical 2018	Projected 2019	Projected 2020
Automobile	\$ 114,794	\$ 115,856	\$ 116,840
Amortization	2,242	2,326	582
Depreciation	178,947	186,962	255,820
Deputy percentage	140,359	60,063	-
Diesel and oil	168,743	209,032	219,238
Due and subscriptions	218,222	217,899	223,099
Insurance	520,039	530,960	542,110
Legal and professional fees	325,248	57,958	59,175
Office and supplies	69,461	70,910	72,233
Other expenses	82,035	158,857	80,227
Pilot retirement	1,120,758	1,289,344	1,573,000
Professional development	32,288	50,000	33,658
Rent	6,019	6,145	6,274
Repair and maintenance	136,148	139,007	141,926
Salaries and other benefits	839,204	858,927	979,065
Standby labor and pilot payout	217,482	55,730	58,901
Taxes and licenses	88,480	88,296	90,151
Telephone	50,758	\$ 51,824	\$ 52,912
<b>Total selling, general and administrative expenses</b>	<b>\$ 4,409,217</b>	<b>\$ 4,248,108</b>	<b>\$ 4,503,111</b>

See accompanying summary of significant projection assumptions and accounting policies and independent accountants' compilation report.

# **The St. Johns Bar Pilot Association and Subsidiaries**

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**Projected Consolidated Financial Statements (Compiled)**  
**Years Ended December 31, 2018, 2019, and 2020**

**The St. Johns Bar Pilot Association and Subsidiaries**

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## Independent Accountants' Compilation Report

### Partners

The St. Johns Bar Pilot Association and Subsidiaries  
Mayport, Florida

Management is responsible for the accompanying projection of the St. Johns Bar Pilots Association and Subsidiaries ("the Association"), which comprises consolidated projected balance sheets, statements of income and changes in partners' capital, and cash flows, and the related summaries of significant assumptions and accounting policies in accordance with guidelines for the presentation of a projection established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the projection nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this projection.

The projected results may not be achieved, as there will usually be differences between the projected and actual results because events and circumstances frequently do not occur as expected, and these differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

As more fully described in Note 7, the Association has not determined the cost of its pilot retirement obligation in accordance with accounting principles generally accepted in the United States of America, which requires the cost of retirement obligations to be recognized over the employees' respective service periods and a liability to be recognized. Quantification of the effects of that departure on the consolidated projected financial statements is not practicable.

The accompanying projection and this report are intended solely for the information and use of The St. Johns Bar Pilot Association and Subsidiaries and Florida Department of Business and Professional Regulation, Board of Pilot Commissioners and is not intended to be and should not be used by anyone other than these specified parties.

*Dixon Hughes Goodman LLP*

Jacksonville, Florida  
September 20, 2018

**The St. Johns Bar Pilot Association and Subsidiaries**  
**Consolidated Projected Balance Sheets**  
**Based on Requested Rates**  
**December 31, 2018, 2019, and 2020**

	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash	\$ 384,147	\$ 155,217	\$ 58,358
Accounts receivable	1,227,639	1,338,128	1,371,579
Other receivable	47,715	47,715	35,888
<b>Total current assets</b>	<u>1,639,501</u>	<u>1,541,058</u>	<u>1,468,825</u>
<b>Property, plant and equipment:</b>			
Land	241,573	241,573	241,573
Land improvements	718,180	718,180	718,180
Buildings	1,011,383	1,047,383	1,047,383
Boats and transportation equipment	2,307,888	2,307,888	3,557,888
Computers, equipment and furniture	897,393	897,393	897,393
	5,174,397	5,210,397	6,460,397
Less: accumulated depreciation	<u>4,012,898</u>	<u>4,183,773</u>	<u>4,439,393</u>
<b>Net property, plant and equipment</b>	<u>1,161,499</u>	<u>1,026,624</u>	<u>2,021,004</u>
Intangibles	121,148	121,148	121,148
Less: accumulated amortization	<u>118,140</u>	<u>120,487</u>	<u>121,049</u>
<b>Net intangibles</b>	<u>3,008</u>	<u>681</u>	<u>99</u>
Deferred income tax asset	-	-	42,192
<b>Total assets</b>	<u>\$ 2,804,008</u>	<u>\$ 2,568,363</u>	<u>\$ 3,530,120</u>
<b>LIABILITIES AND PARTNERS' CAPITAL</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	\$ 6,800	\$ 12,858	\$ 1,032
Other liabilities	45,000	-	-
Contract payable	150,000	-	-
Note payable	138,780	138,780	342,485
Line of credit	82,175	121,832	30,408
<b>Total current liabilities</b>	402,755	273,270	373,905
<b>Long-term liabilities</b>			
Note payable	241,248	102,485	788,988
Deferred income tax liability	38,808	33,862	-
<b>Total liabilities</b>	<u>683,811</u>	<u>409,697</u>	<u>1,143,901</u>
Partners' capital	<u>2,120,197</u>	<u>2,158,666</u>	<u>2,386,219</u>
<b>Total liabilities and partners' capital</b>	<u>\$ 2,804,008</u>	<u>\$ 2,568,363</u>	<u>\$ 3,530,120</u>

See accompanying summary of significant projection assumptions and accounting policies and independent accountants' compilation report.

**The St. Johns Bar Pilot Association and Subsidiaries**  
**Consolidated Projected Statements of Income and Changes in Partners' Capital**  
**Based on Requested Rates**  
**Years Ended December 31, 2018, 2019, and 2020**

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Revenues	\$ 10,288,486	\$ 11,214,450	\$ 11,494,811
Selling, general and administrative expenses	<u>4,137,878</u>	<u>4,160,468</u>	<u>4,174,963</u>
Other income (expense):			
Interest expense	(3,382)	(4,190)	(88,230)
Gain on sale of equipment	<u>158,258</u>	<u>-</u>	<u>(8,271)</u>
Total other expense, net	<u>152,877</u>	<u>(4,190)</u>	<u>(74,501)</u>
Income before income taxes	6,303,885	7,049,792	7,245,347
Income tax expense	<u>(74,093)</u>	<u>(5,980)</u>	<u>(78,154)</u>
Net income	6,228,592	7,043,812	7,169,193
Partners' distributions	(8,162,328)	(7,005,343)	(8,941,640)
Partners' capital, beginning of year	<u>2,052,934</u>	<u>2,120,197</u>	<u>2,158,666</u>
Partners' capital, end of year	<u>\$ 2,120,197</u>	<u>\$ 2,158,666</u>	<u>\$ 2,386,219</u>

See accompanying summary of significant projection assumptions and accounting policies and independent accountants' completion report.

**The St. Johns Bar Pilot Association and Subsidiaries**  
**Consolidated Projected Statements of Cash Flows**  
**Based on Requested Rates**  
**Years Ended December 31, 2018, 2019, and 2020**

	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>			
Net income	\$ 6,229,592	\$ 7,043,812	\$ 7,189,193
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	180,618	180,701	256,202
Change in deferred income taxes	39,808	(5,848)	(76,154)
Gain on sale of equipment	(154,265)		8,271
Changes in operating assets and liabilities:			
Accounts receivable	(5,098)	(110,487)	(33,453)
Other receivable	(47,715)		11,827
Accounts payable and accrued expense	(184,878)	8,058	(11,828)
Other liabilities		(45,000)	
<b>Net cash provided by operating activities</b>	<u>6,057,482</u>	<u>7,069,238</u>	<u>7,324,060</u>
<b>Cash flows from investing activities:</b>			
Proceeds from sale of equipment	285,881		
Purchase of property and equipment	(328,898)	(43,499)	(1,258,271)
<b>Net cash used by investing activities</b>	<u>(41,217)</u>	<u>(43,499)</u>	<u>(1,258,271)</u>
<b>Cash flows from financing activities:</b>			
Proceeds from notes payable	451,283		1,250,000
Partner distributions	(6,162,329)	(7,005,343)	(8,941,640)
Net proceeds from (payments on) line of credit	(53,000)	59,457	(91,224)
Payments on contract payable	(150,000)	(150,000)	
Principal payments on notes payable	(178,188)	(138,783)	(378,764)
<b>Net cash used by financing activities</b>	<u>(6,092,234)</u>	<u>(7,234,669)</u>	<u>(6,161,648)</u>
<b>Net decrease in cash</b>	<u>(75,969)</u>	<u>(208,930)</u>	<u>(95,858)</u>
Cash, beginning of year	<u>440,136</u>	<u>384,147</u>	<u>155,217</u>
<b>Cash, end of year</b>	<u>\$ 364,147</u>	<u>\$ 155,217</u>	<u>\$ 59,358</u>
<b>Supplemental disclosures of cash flow activity:</b>			
Cash paid for interest	<u>\$ (3,382)</u>	<u>\$ (4,190)</u>	<u>\$ (66,230)</u>
Cash paid for income taxes	<u>\$ (164,000)</u>	<u>\$ (34,285)</u>	<u>\$ (11,827)</u>

See accompanying summary of significant projection assumptions and accounting policies and independent accountants' compilation report.

4

**The St. Johns Bar Pilot Association and Subsidiaries**  
**Summary of Significant Assumptions and Accounting Policies**

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## **Summary of Significant Assumptions and Accounting Policies**

### **1. Nature of Business and Limitations of Projections**

The accompanying projections assume that The St. Johns Bar Pilot Association ("SJBPA") and Subsidiaries (collectively, "the Association") application for rate increase is granted effective January 1, 2018. These financial projects present, to the best of management's knowledge and belief, the Associate's expected financial position results of operations, and cash flows for the years ending December 31, 2018 through 2020. Accordingly, the projections reflect management's judgment as of June 30, 2018, the date of these projections, of the expected conditions and its expected course of action given the hypothetical assumption. Historical information for the first six months of 2018 was used in development of the 2018 projection. The assumptions disclosed herein are those that management believes are significant to the projections. There will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

The presentation is to assist the Association in its application for a pilotage rate increases to be filed with the Florida Department of Business and Professional Regulation, Board of Pilot Commissioners in accordance with Florida Statute 61E13-2.005, *Contents of Application by Pilot*, and should not be considered to be a presentation of expected future results. Accordingly, these projections may not be used for any other purposes. The assumptions disclosed herein are those that management believes are significant to the projections. Even if the pilotage rate increase is granted, there will usually be differences between projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

### **2. Nature of Business and Summary Significant Accounting Policies**

#### ***Organisation***

The St. Johns Bar Pilot Association ("SJBPA") and Subsidiaries (collectively, "the Association") includes the accounts of SJBPA and its wholly-owned subsidiaries, St. Johns Bar Pilots, Inc. ("SJBPI") and Fernandina Pilot, LLC ("FP"). The Association pilots assist ships and vessels in and out the Ports of Jacksonville and Fernandina in Northeast Florida. The Association customers are primarily in the shipping business that have operations throughout the world.

#### ***Principles of consolidation***

The Associations includes the accounts of the Associations and Subsidiaries in the consolidated financial statements. All effects of intercompany transactions, balances and profits have been eliminated.

#### ***Revenue recognition***

The principal business of the Association is piloting ships and vessels in and out the ports in north Florida. The Association is regulated by the Florida Department of Business and Professional Regulation. Revenues from contracts are included in the consolidated statement of income at specified pilotage rates. The State of Florida establishes the pilotage rates that pertain to all ship and vessels subject to State regulation. Any change in statutes surrounding the movement of ships and vessels while entering or leaving a port could affect the revenue of the Association. Accordingly, income is recognized when that cost and related profit is incurred up to the estimated total revenues.

#### ***Basis of Accounting***

The accompanying consolidated financial statements are prepared on the accrual basis of accounting where revenues are recognized when earned and costs are recognized when incurred.

**The St. Johns Bar Pilot Association and Subsidiaries**  
**Summary of Significant Assumptions and Accounting Policies**

---

***Use of estimates***

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect (1) the reported amounts of assets and liabilities; (2) disclosure of contingent assets and liabilities at the date of the consolidated financial statements; and, (3) the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

***Cash and cash equivalents***

The Company includes all interest earning deposits of less than three months in maturity to be cash equivalents. The Company regularly maintains bank deposits in excess of the Federal Deposit Insurance Corporation (FDIC) limits.

***Accounts receivable***

The Company grants unsecured credit to its customers throughout the world. Trade accounts receivables are due on average within 60 days from the date of invoice and are past due when payment is not received within the stated terms. No allowance is provided for anticipated losses on doubtful accounts. Receivables are charged off in the period in which they are determined to be uncollectible, which in the opinion of management, approximates the allowance method of accounting for bad debts.

***Property, plant and equipment***

The Company reports property, plant and equipment, including amortizable tooling, at historical cost. Machinery in progress includes costs incurred for the construction of machinery and equipment in process. Depreciation is computed by straight-line methods applied to individual items, based on the following estimated useful lives:

Buildings and improvements	7 to 39 years
Boats	5 to 10 years
Furniture and Equipment	5 to 20 years
Computers	3 to 5 years

Repair and maintenance costs that do not extend the useful life or otherwise improve the utility of the asset beyond its existing useful state are expensed in the period incurred.

***Income taxes***

The members of the Association elected to be taxed as a partnership. Therefore, provision for income taxes has been made only on the income of St. Johns Bar Pilots, Inc. (a Florida Corporation) at statutory rates. Federal income taxes on the Association's income are responsibility of the individual partners.

**3. Note Payable**

Notes payable include:

- a) Note payable to a bank in monthly installments of \$11,565 principal with no interest through September 2021. This note is collateralized by vehicles.
- b) The projections assume the Association will purchase a new boat in 2020, which will be financed for ten years. This note is projected to be payable in monthly installments of approximately \$20,000 plus interest at 6.50%.

**The St. Johns Bar Pilot Association and Subsidiaries**  
**Summary of Significant Assumptions and Accounting Policies**

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**4. Line of Credit**

The Association has a \$450,000 line of credit with a bank accruing interest at a floating rate of monthly LIBOR plus 2.75%. The line of credit is secured by all property of the Association. The line of credit is subject to certain financial and nonfinancial covenants.

**5. Contract Payable**

Contract payable relates to the ownership interest purchase of a former partner. The terms of the agreement provide for three equal installments of \$150,000, with the final payment due in April 2019.

**6. Retirement Benefits**

SJBPI sponsors a qualified 401(k) retirement plan which covers substantially all employees. The corporation makes an annual contribution to the plan equal to 15% of participants' annual salary.

**7. Pilot Retirement Obligation**

No provision for a retirement plan obligation for pilots is recorded. However, a formal arrangement exists that provides for compensation to pilots when they retire from active service. The amount of compensation is determined by a formula involving a percentage of an active pilot's gross share, years of service, and age. The amount that may be paid by the Association to retired pilots shall not exceed 20% of revenues collected. Payments to retired pilots are included in selling, general and administrative expenses.

**8. Revenues**

Revenues are fees derived from the performance of piloting services in Northeast Florida in accordance with Florida Statutes governing vessel traffic at Florida ports.

The projections, based on current rates, are based on six months actual revenue through June 30, 2018 expected to continue at the same level through December 31, 2018.

The projections, based on requested rates, assume rate increases are granted effective January 1, 2019 as follows:

2019	9% over 2018 rates
2020	2.5% over 2019 rates

**9. Expenses**

Expenses have been projected based on six months actual data through June 30, 2018, adjusted for known or expected occurrences. Except as discussed below, selling and administrative expenses generally assume an annual increase of 2.1%, based on a general inflation rate.

**The St. Johns Bar Pilot Association and Subsidiaries**  
**Summary of Significant Assumptions and Accounting Policies**

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**Legal and professional fees** – An additional \$272,409 for expected consultation and accountants' fees is added to this expense in 2018.

**Professional development** – Expected \$80,000 in this expense in 2019 due to an increased need for pilot training for changing technology and larger vessels entering Northeast Florida ports.

**Other expenses** – Expected increase in 2019 of \$7,500 to provide for additional travel related to increase in professional development.

**Fuel** – Expected increase in diesel and oil costs of 50% in 2019.

**Standby labor and pilot payout** – Expected increase to \$55,000 for 2019 only for retirement of pilot.

**Interest expense** – Based on notes payable as describe in Note 3.

**Depreciation expense** – Based on methods described in Note 1.

**Pilot retirement** – Based on expected payments to retired pilots during 2018, 2019, and 2020.

**10. Income Taxes**

Credit for income tax reflects the estimated tax refund resulting from projected net operating losses generated by St. Johns Bar Pilots, Inc. for 2018, 2019, and 2020. Provision for income taxes is recorded in 2018, 2019, and 2020 based on projected net income for those years.



***Supplementary Information***

**The St. Johns Bar Pilot Association and Subsidiaries**  
**Consolidated Schedule of Selling, General and Administrative Expenses**  
**Based on Requested Rates**  
**Years Ended December 31, 2018, 2019, and 2020**

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Automobile	\$ 110,011	\$ 110,973	\$ 111,954
Amortization	2,242	2,326	582
Depreciation	178,374	184,875	255,620
Deputy percentage	138,054	88,382	-
Diesel and oil	184,853	247,279	259,643
Dues and subscriptions	190,728	72,130	81,544
Insurance	497,480	507,927	507,927
Legal and professional fees	304,629	21,692	22,147
Office and supplies	46,061	47,029	47,915
Other expenses	101,941	187,417	110,962
Pilot retirement	1,113,156	1,387,543	1,446,316
Professional development	29,883	60,000	61,260
Rent	6,764	6,906	7,051
Repair and maintenance	165,412	188,886	172,433
Salaries and other benefits	884,062	922,525	921,582
Standby labor and pilot payout	84,379	40,375	41,223
Taxes and licenses	63,717	85,055	66,421
Telephone	57,922	58,138	60,380
<b>Total selling, general and administrative expenses</b>	<b>\$ 4,137,678</b>	<b>\$ 4,180,468</b>	<b>\$ 4,174,962</b>

See accompanying summary of significant projection assumptions and accounting policies and independent accountants' compilation report.



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The following report and attached materials were considered by the investigative committee and are forwarded to the Pilotage Rate Review Committee for its action. This report will follow the following format:

	Pages
EXECUTIVE SUMMARY	A
ANALYSIS OF DATA FOR REQUEST FOR CHANGE OF RATES	B
ATTACHMENTS	C
1. Consumer Price Index	
2. Agreement between the Canaveral Pilots Association and the Florida-Caribbean Cruise Association	
3. Estimated Handles and Pilotage Revenue for 2022 and 2023	
APPLICATIONS DISTRIBUTED SEPARATED BY THE DEPARTMENT	
1. Application for Change of Rates of Pilotage – Canaveral Pilots Association	
2. Application for Change of Rates of Pilotage – Florida-Caribbean Cruise Association	

June 6, 2022

Ms. Amanda Ackerman, Executive Director  
Pilotage Rate Review Committee  
Department of Business and Professional Regulation  
Post Office Box 5377  
Tallahassee, Florida 32314-5377

RE: Applications for Change of Rates of Pilotage at Port Canaveral by the Canaveral Pilots Association and the Florida-Caribbean Cruise Association.

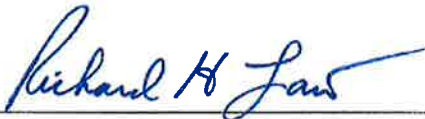
Dear Ms. Ackerman:

We have completed our investigation of the above referenced applications and hereby present our findings to the Pilotage Rate Review Committee, as required by *Florida Administrative Code Rule 61G14-22.007*.



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Commodore Thomas L. Bushy, USMS(Ret.) Contract Consultant  
Department of Business and Professional Regulation



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Richard H. Law, CPA, Contract Consultant  
Department of Business and Professional Regulation

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**EXECUTIVE SUMMARY**

**General Comments**

The Canaveral Pilots Association (CPA) filed an initial application for a change in pilotage rates in Port Canaveral on January 7, 2020. Florida-Caribbean Cruise Association (FCCA) filed an alternative application in Port Canaveral on January 17, 2020. The two applicants had agreed in advance on a proposed rate structure similar to the Port of Miami and Port Everglades, which provided in general, some rate discounts for the larger cruise vessels, which had grown in terms of tonnage in the last two decades.

The investigation of the applications and the rate hearing for these applications was delayed due to a pending application in Palm Beach and because of the COVID pandemic. The pilots filed an amended application on March 8, 2022 which requested minor changes to the original application. CPA and FCCA agreed to the amended, requested changes in rates (except for two elements discussed later in our report) on April 19, 2022. The cargo customers and US Navy are not parties to this agreement.

The last rate change in Port Canaveral was September 1991. Due to the increased number of cruise handles and the continuous increase in the size of cruise vessels, the 1991 rates generated sufficient pilotage revenue over the prior 30 years without any rate changes. Non-cruise customers benefitted from static pilotage rates if the vessels remained the same.

**Analysis of Requested Rate Change**

The current rates use the draft and tonnage rate model, as follows

	Rate	Minimum	Minimum Fee
Draft	\$ 12.50	12'	\$ 150
Tonnage	\$ .028	2,500 GRT	<u>70</u>
Total Minimum Fee			<u>\$ 220 *</u>

\* Port Canaveral has no vessels that meet the minimum fee. The lowest pilotage fee in 2021 was \$568.

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CPA Proposed rate structure exhibits three distinct rate applications, namely:

- **Standard rate** for vessels with gross registered tons over 10,000
- **Small Vessel rate** for vessels with gross registered tons less than 10,000
- **Deep Draft rate** for vessels with a draft 32-feet or deeper

	STANDARD			<10,000 GRT		DRAFT >32'	
	Rate	Min	Fee	Rate	Fee	Rate	Fee
LOA	\$1.00	100'	\$100	\$0.75	\$75	\$1.00	\$100*
BEAM	\$5.00	30'	\$150	\$3.75	\$112.50	\$5.00	\$150
DRAFT	\$30.00	18'	\$540	\$22.50	\$405	\$35.0	\$1,120
TONNAGE	\$0.0125	5000	\$62.50	\$0.010	\$50	\$0.0125	\$62.50*
BOAT FEE			\$50		\$50		\$50
<b>TOTAL FEE</b>			\$902.50		\$692.50		\$1,482.50

\* The LOA and tonnage for a 32 foot draft vessel will exceed the minimum sizes by a substantial amount. Assuming an average 32 foot draft vessel was 90,000 GRT and 900 feet LOA, the related fees would be \$1,125 and \$900 for tonnage and draft respectively, and the total fee would be \$3,295.

**Additional Requested Fees**

The docking/undocking fee is almost exclusively to cargo, not cruise vessels. The requested fee is \$300, except for \$200 for less than 10,000 GRT.

The pilot boat fee of \$50 is charged for each handle and shall be dedicated to a pilot boat capital fund, which will be used exclusively for pilot boat capital expenditures.

Detention of Pilot: An additional 25% of total pilotage fee per hour after the first half hour. A delay in departure caused by a medical emergency will not be considered a detention. A delay in arrival, departure, or shift caused by weather conditions inside Port Canaveral and/or the area offshore of Port Canaveral out to and including the pilot boarding area will not be considered a detention.

Cancellation of Pilot: 25% of total pilotage fee. Cancellation fee will be assessed for vessels on which the pilotboarding is canceled with less notice than the current pilot call out time.

Shifting fee within the harbor: 75% of total LOA/Beam/Draft/GRT fee, plus applicable docking/undocking and pilot boat fees.

Dead Ship Movement: 150% of total pilotage fee. A dead ship movement is defined as the movement of any vessel equipped with motive power and/or steering capability when such motive power and/or steering capability is or becomes unavailable for any reason, during any part of the vessel's transit.

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Late Payment Charge: 3% of total pilotage fee per month after 30 days from the date of invoice submission.

Board Governance Fee: 0% to a maximum of 1.5% (as determined by the Florida Board of Pilot Commissioners) of total pilotage fee. (This fee is not authorized at any other Florida port.)

The draft rate for vessels with a draft of 32 feet or deeper shall increase by 6.0% each year for 9 consecutive years starting on the anniversary date one year following the effective date of this rate.

All other rates and fees shall increase by 2.50% per year for a period of 9 years starting on the anniversary date one year following the effective date of this rate.

Comments and Analysis

The minimum fee would increase from \$220 to \$692, but considering the minimum sized vessel that calls on the port is larger than the minimum, the current lowest pilotage fee would increase from \$568 to \$2,447, a \$1,879 increase or 331 percent increase.

Cargo customers are not a party to the agreement between the pilots and the cruise customers. The following is an estimate of the 2022 cargo versus the cruise handles; current pilotage revenue; and pilotage revenue base on the requested rates:

2022 Estimates					
	Handles	Current Revenue	Requested Revenue	Increase (Decrease)	Percentage Change
Cargo	1,064	\$ 791,000	\$2,008,000	\$1,217,000	153.6%
Cruise	1,716	\$7,496,000	\$7,521,000	\$ 25,000	.03%

Some examples of the requested changes in pilotage fees include the following:

There are 198 small cargo handles that currently average \$ 730 pilotage fee. The requested fee would average \$ 2,877, a \$ 2,147 increase or 294%.

Two petroleum tankers with 132 handles have current pilotage fees of \$2,741. The requested fee would be \$6,338, a \$3,597 increase, or 131 %.

The three largest cruise ships provide 344 handles currently paying \$13,436 for pilotage. The requested rates would decrease the fee to \$ 11,424, a decrease of \$ 2,012, or 15%. These vessels' gross registered tonnage is 226,000.



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Cruise vessels with GRT of 140,000 or less are not benefitting from the reduced requested rates. The 138,000 GRT Mariner of the Seas (a Royal Caribbean Cruise Line vessel) has a current fee of \$ 8,444 and the requested fee would be \$ 8,447, virtually no change. Another RCCL vessel, the 83,000 GRT Enchantment of the Seas currently pays \$ 5,293, but would pay \$ 6,673, a \$ 1,380 increase or 26%.

The cruise customers continue to increase the size of its vessels. Of the 1,716 cruise handles, only 4 handles of less than 90,000 GRT are estimated in 2022 for Port Canaveral.

Canaveral requests the rate structure similar to the recently adopted rates in Miami and Everglades. Although Canaveral's requested rates are slightly less than these two, the core objective in all three ports is to raise the minimum pilotage fees for the smaller vessels, typically cargo and give a discount for the larger cruise vessels.

Royal Caribbean's Oasis of the Seas, a 225,000 GRT cruise vessel and NCL's Escape, a 165,000 GRT vessel would pay the following pilotage fees in the following ports:

	Miami	Port Everglades	Port Canaveral	Largest Difference
Oasis / Per Handle	\$7,243	\$6,700	\$5,750	\$1,493 20.6%
Escape / Per Handle	\$5,736	\$5,443	\$4,732	\$1,004 17.5%

**CUSTOMER BASE**

Cruise traffic is estimated to make up 62 % of total handles in 2022, and 90 % of total pilotage revenue. The Cruise customers consist in order of highest number of calls are:

Cruise Customers			
Name	2022 Estimated Handles	Pilotage Fees	Fees w/Requested Rates
Royal Caribbean	580	\$ 2,910,000	\$ 2,765,000
Carnival	536	2,007,000	2,125,000
Disney	330	1,355,000	1,424,000
MSC *	158	741,000	721,000
Norwegian Cruise Lines	92	434,000	422,000
Other	20	49,000	64,000
<b>Total</b>	<b>1,716</b>	<b>\$ 7,496,000</b>	<b>\$ 7,521,000</b>

\* MSC is Mediterranean Shipping Company

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Cargo traffic makes up 28% of estimated total handles in 2022, and only 6.6 % of revenue. The following cargo data is presented by type of cargo instead of the customer name.

Cargo Types			
	2022 Estimated Handles	Pilotage Fees	Fees w/Requested Rates
Bulk Cargo	296	\$ 330,000	\$ 770,000
Petroleum	378	305,000	717,000
Spaceport	300	94,000	343,000
Navy	42	27,000	74,000
Container	48	35,000	104,000
<b>Total</b>	<b>1064</b>	<b>\$ 791,000</b>	<b>\$ 2,008,000</b>

**Pilot Compensation**

Our report presents an analysis of average net income per pilot, including all benefits, for:

1. 2018, based on the most recent audited financial statements;
2. 2021 internal financial statements during the COVID pandemic;
3. 2022 projected financial statements with the existing rate structure;
4. 2023 projected financial statements using the requested rates.

The variations in average net income per pilot are driven primarily by the following:

- 2018 revenue of \$5,867,000 is projected to increase to \$8,287,000 in 2022, due in part to a 30% increase in handles and also the continued increase in the size of cruise ships calling at the port.
- A 30% increase in handles would increase revenue by \$1,768,000, and the remaining increase of \$660,000 is likely due to the increase in size of vessels.
- The number of retirees increased from 3 to 7 from 2018 to 2021 and forward. Retirement expenses will increase from \$665,000 to \$2,507,000 from 2018 to 2022, which substantially reduces the distributable net income for active pilots.
- Although 2022 projected revenue increased \$2,420,000 over 2018's actual revenue, the net distributable income for active pilots increased by only \$256,000. But since net income was divided by 9 pilots in 2018 versus 6.5 in 2022, the average net income per pilot increased \$220,000.

Please refer to pages 12 and 13 for the analysis of average net income per pilot.

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**Workload Per Pilot**

The number of handles per pilot has fluctuated significantly from 2019 (pre-Covid) to 2021 and 2022, primarily from two factors:

1. Changes in Traffic;
2. Changes in the number of state pilots, with four pilots retiring in 2020 and reducing the total number of pilots from 9 to 6.5.

For 2022, the estimated number of handles (2,780 total) results in 427 per pilot per year. The 2023 estimate is 388 per year. Given an average handle time of 3.4 hours, a pilot will spend approximately 1,500 hours per year on actual piloting duty and will spend significant time for standby and other related duties, which would exceed more than a 2,080 standard work year.

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**CERTIFICATION OF INFORMATION PRESENTED IN APPLICATION**

Except for the following, the Investigative Committee did not identify any material deficiencies or errors in the application.

Section 7 of the pilots' application does not present average net income per pilot in accordance with 61G14-22.005 (2) FAC.

First, the estimated gross pilotage fees are understated in 2022 and 2023, primarily because available handle data at the time of estimates were made (January 2022) could not foresee the increase in port traffic from February to May 2022. Upon the Investigative Committee's inquiry with the pilots, the pilots provided revised handle and revenue data for 2022 and 2023, and projected 2023 pilotage revenue with the requested rates. This revised data is presented on Attachment 5.

Second, the operating expenses for 2018, 2019, 2022 and 2023 include certain fringe benefits such as health insurance, and other expenses such as lobbying and political contributions, not deemed to be operating expenses of the pilots' operation. The Investigative Committee prepared revised analyses of average net income per pilot, including all benefits for 2018, 2021, 2022 and projected with requested rates for 2023, which is presented on pages 12 and 13.

**ANALYSIS OF DATA FOR REQUEST FOR CHANGE OF RATES [CHAPTER 310.151(5) *FL. STATUTES*]:**

The bold type represents the items listed in the above rule. The standard type is information or comments by the investigative committee.

**In determining whether the requested rate change will result in fair, just, and reasonable rates, the Board shall give primary considerations to the public interest in promoting and maintaining efficient, reliable, and safe piloting services.**

**The Board shall also give consideration to the following factors:**

- 1. The public interest in having qualified pilots available to respond promptly to vessels needing their service.**

The pilots are essential to the safe movement of vessels within the pilotage waters of the State. In addition to their navigation and supervisory skills, they must be knowledgeable of local weather, hazards, silting, speed and direction of currents, and timing and direction of tidal movements. They provide development of safety and operational guidelines for the port operation and participate in the process of port and professional regulations. They also develop training plans for Deputy Pilots, as well as provide such training.

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1. **The public interest in having qualified pilots available to respond promptly to vessels needing their service. (continued)**

The pilots serve multiple public interests:

- Protection of life and property
- Protection of the environment and the economic base that is dependent upon it.
- Providing a sense of security that the entire scope of responsibility is assumed only by the best qualified pilots available.

There were no interested parties that attended the Investigative Committee's Public hearing on April 21, 2022.

The Canaveral Pilots Association (CPA) describes the risk of a port's viability if a ship's operational systems fail, or a pilot's actions do not meet the state's statutory intent. Recent large container ship groundings, the Ever Given in the Suez Canal, and the Ever Forward in Chesapeake Bay demonstrate the remarkable costs associated with interference of a navigable waterway. The global maritime community lost approximately \$54 billion in total because of the Ever Given.

"According to a study by Allianz, one of the world's largest insurers, between 23-29 March, each single day the Suez remained blocked could decrease global annual trade growth by 0.2-0.4% and cost USD \$6-10 billion and, or the equivalent of USD \$400 million per hour". New Zealand Foreign Affairs and Trade Office – 2021/04/1

Although not fully calculated, news outlet Maryland Matters reported on April 18, 2022, that Evergreen Shipping has setup a "responsibility fund" of \$100 million to address damage claims due to the Ever Forward grounding – and this for a casualty that did not effectively block the channel into the Port of Baltimore.

Since the largest cruise ships in the world call Port Canaveral homeport – and some measure 1,188 feet length overall, there are risks that a steering or machinery casualty could effectively block Port Canaveral's entrance channels since those channels measure slightly over 400-feet in width.

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2. **A determination of the average net income of pilots in the port, including the value of all benefits derived from service as a pilot. For the purposes of the subparagraph, "net income of pilots" refers to total pilotage fees collected in the port, minus reasonable operating expenses, divided by the number of licensed and active state pilots within the ports.**

Canaveral Pilots' Association (CPA) has served Port Canaveral consistently for over 50-years and has not requested nor been granted a rate increase since October of 1991. Despite the fact that there has been no rate increases in over 30-years, the CPA pilots have been able to maintain an acceptable level of compensation because of two factors:

1. The Canaveral Port Authority has maximized port development specifically toward the attraction of larger cruise ships; and
2. Cruise ship dimensions, particularly the measured Gross Registered Tons (GRT) for each ship, has expanded multiple times since 1991.

In accordance with Rule 61G14-22.007, Florida Administrative Code, the pilots have submitted audited financial statements for 2017 and 2018 and projected financial statements for 2019 and 2020, with the requested rate increase. Port Canaveral, as well as nearly all US ports that accommodate cruise ships, was basically shut down by the Covid-19 pandemic. From March 2020 until July 2021 no scheduled cruise service existed – incurring significant losses to all stakeholders in the port. The CPA saw a reduction of revenues of 64.5% during that period, and gross revenue fell by \$3.7 million (46% decrease for 2021 and a \$2.7 million decrease in revenue).

Due to the pandemic's effects on operations, CPA reduced operational expenses by delaying the start date of one designated deputy pilot for six months, and CPA elected to not seek any replacements during the 2021 examination cycle. They have requested one more deputy pilot in this year's cycle, potentially having a new deputy engaged in the fall of 2022.

From 2018 until 2020 CPA had a range in the number of pilots from 6.0 to 9.4 F.T.E. Fractional numbers of pilots exist because deputy pilots progress through 8 levels over 2.7 years, where each level allows greater ability to contribute to the number of handles the CPA can attain. But retirements in 2021 dropped the number to 7.0 and 2022 is projected to be 6.5. The 2023 number should be back to 7.0 pilots, with 2 deputy pilots, and planned for 8 to 9 pilots thereafter. These fluctuations in the number of pilots from 2018 to 2024 have a significant effect on the determination of average net income per pilot because dividing a net income by 6 or 9 can result in a 33% variance in average net income.

Also during 2018 – 2022 period, the number of retirees went from 3 to 7, which shifted significant amounts of distributable net income from active pilots to retirees.

The following two pages presents a summary of revenue and operating expenses based on: 1) the 2018 audited financial statements; 2) the pilots 2021 internal financial statements which agrees with their 2021 tax return(s); and 3) projected 2022 (estimated by the pilots). We also present 2023 projected revenues and expenses, assuming the requested rate increase is approved and applied to the 2023 estimated handle data.

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	<u>Canaveral Pilots Association</u>		
	<u>Audit 2018</u>	<u>Internal Statements 2021</u>	<u>Projected 2022</u>
Pilotage Revenue	\$ 5,867,000	\$ 3,151,000	\$ 8,287,000
Operating Expense			
Boatmen Salary	244,000	230,000	255,000
Deputy Compensation *	95,000	132,000	231,000
Health Insurance	501,000	535,000	521,000
Payroll Tax & Retirement	49,000	46,000	52,000
Boat Expenses	182,000	179,000	240,000
Professional Fees	143,000	67,000	133,000
Other Operating Expenses	128,000	143,000	154,000
Interest	18,000	32,000	30,000
Pilotage Fees & Dues	119,000	66,000	215,000
Total Operating Expense	1,479,000	1,430,000	1,831,000
Net Distributable Income	<u>\$ 4,388,000</u>	<u>\$ 1,721,000</u>	<u>\$ 6,456,000</u>
<b>Income Allocations *</b>			
<b><u>Retirees</u></b>			
Retirees (%)	13.17%	39.23%	37.02%
Retiree Shares (\$)	578,000	675,000	2,390,000
Retiree Health	87,000	130,000	117,000
Total Retiree Expense	665,000	805,000	2,507,000
Number of Retirees	3	7	7
Average Retiree Expense	222,000	115,000	358,000
<b><u>Pilots</u></b>			
Active Pilot Shares (%)	86.83%	60.77%	62.98%
Active Pilot Shares (\$)	3,810,000	1,046,000	4,066,000
Health Insurance	225,000	210,000	210,000
Political & Lobbying Expense	124,000	52,000	155,000
Total Active Pilot Income	4,159,000	1,308,000	4,431,000
Number of Active Pilots	9	7	6.5
Average Total Income Per Pilot	<u>\$ 462,000</u>	<u>\$ 187,000</u>	<u>\$ 682,000</u>
Plus: Imputed Retirement Benefit	50,000	50,000	50,000

\* Deputy pilots are paid a fixed amount based upon their progression at a deputy, and are not included in the share allocations.

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Canaveral Pilots Association

**2023 Projection**

Revenue at Requested Rates		\$ 9,272,000
Operating Expenses (2022)	1,831,000	
Adjustments to 2022 Expenses:		
Add: Additional Dues & Fees	35,000	
CPI at 8% (1,831,000* @ 8%)	146,000	
Additional Deputy Comp.	77,000	
Total Adjustment to Expenses	<u>258,000</u>	
Total Adjusted Operating Expenses		2,089,000
Net Income		<u>\$ 7,183,000</u>

Retirees

Retiree Income (%)		37%
Retiree Expense (\$)		2,658,000
Add: Retiree Health	117,000	
	<u>117,000</u>	
Total Retiree Income		2,775,000
Number of Retirees		7
Average Income per Retiree		<u>\$ 396,000</u>

Pilots

Active Pilot Shares (%)		63%
Pilot Income (\$)		4,525,000
Add: Health Insurance	210,000	
Political & Lobby Expense	155,000	
	<u>365,000</u>	
Total Pilot Income		4,890,000
Number of Active Pilots		7
Average Income per Pilot		<u>\$ 699,000</u>
Plus: Imputed Retirement Benefits		\$ 50,000



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2. **A determination of the average net income of pilots in the port, including the value of all benefits derived from service as a pilot. For the purposes of the subparagraph, "net income of pilots" refers to total pilotage fees collected in the port, minus reasonable operating expenses, divided by the number of licensed and active state pilots within the ports. (continued)**

**Volatility of Pilot Income**

The estimated revenues for 2022 and 2023 and the resulting average income per pilot is much higher than the pilots expected when the original and amended applications were prepared. They were also unexpected when FCCA and the pilots agreed with the requested pilotage rates.

Historically, port traffic has averaged approximately 2,100 handles per year, not counting 2020 and the COVID pandemic period. Estimated handles for 2022 of 2,780 are 32% higher than the recent average of 2,100 and most of the increase was cargo related. The original 2022 estimate for cargo traffic was 660, which represented 31% of total traffic of 2,144. The revised 2022 estimate for cargo is 1,064 handles (38% of total), 404 handles higher than expected.

Given the requested rate increase was primarily focused on the smaller cargo vessels and that cruise revenue would remain unchanged overall, except for new cruise traffic, the estimated increase in pilotage revenue for cargo alone is \$1,450,000. The average pilotage fee for cargo vessels with the requested rates would be \$1,887 compared to \$845 at current rates.

The pilots represented that the predictability of cargo traffic may be more volatile than cruise traffic, which has long term scheduling and booking commitments.

If overall port traffic declines 15% to 2,350 handles and revenue declines by \$1.2 million, the average net income for the 6.5 pilots would decline by \$184,615.

If the estimated number of handles remains at 2,780 thru 2023 and 2024, and the number of pilots is increased to 9 (which was the same number of pilots in 2018 with 2,200 handles), then average net income as projected in 2023 with the requested rates would decline to \$543,000, versus \$699,000.

3. **Reasonable operating expenses of pilots.**

CPA maintains an appropriate office adjacent to the docks for their pilot boats along Channel Cut 2. CPA does not employ a dispatcher and does not serve as Harbor Master. The on-watch pilot assigns pilots to vessels based upon the watch rotation and/or vessel's restricting dimensions for deputy pilots.

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**3. Reasonable operating expenses of pilots. (continued)**

The co-chairs (two senior state pilots) work alternating watch schedules. When on-watch rotation they conduct the business of running CPA – providing dispatch services, arranging port assistance as needed, liaising with the Port Authority, Harbor Master, US Coast Guard staff and other stakeholders in Port Canaveral. Additionally, much of the bookkeeping is initiated by the co-chairs. This represents an effective approach to reducing operating expenses.

The operating expenses incurred by the pilots appear to be reasonable and frugal. With six to eight active pilots and two deputies generating all of the pilotage revenue, the pilots must operate in a very cost conscience manner in order to maximize net income per pilot. Other relevant observations include the following:

1. The COVID Pandemic had a devastating effect on piloting operations in 2020 and 2021. Piloting revenue in 2020 and 2021 was so low that they were barely able to pay fixed expenses and keep their boatmen employed and health insurance in force. They borrowed over \$ 600,000 and received \$ 874,820 PPP and other federal assistance to maintain safe and reliable piloting operations.
2. They have no vehicles for commuting around the port and they are not reimbursed for local mileage.
3. They employ four full-time and two part-time boatmen and have no administrative or bookkeeping staff. The boatmen perform all light boat maintenance. Their average full-time compensation is \$ 62,500 plus health insurance and a 12.5% pension contribution.
4. They rent a modest double-wide building, docks and land from the port authority.
5. They have two pilot boats that are well maintained and suitable for the needs of the port. One boat, bought in 1998 cost \$ 438,000 and the other was bought in 2014 for \$ 850,000. Both are single engine so that they can come along side of nuclear subs for pilot transfers.

As discussed in Section 9 of our report the unfunded pension plan for retirees has a 33% cap on pilotage revenue which is higher than most of the larger Florida ports that are capped at 20% of revenue. Also the retirees' health benefits are more generous than other Florida ports. However, the current, active pilots are contractually obligated for these benefits.

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**4. Pilotage rates in other ports.**

**Table 1: Comparative Pilotage Rates – 2021 Data – Draft/Gross Tonnage Rate Structure (Shaded cells indicate non-applicability)**

Port	Parameters	Length /Feet	Min. Feet	Beam/ Feet	Min. Feet	Draft/ Feet	Min. Feet	GT/Ton	Min. Ton	Eff. Date
<b>Port Canaveral (Present)</b>	All Vessels					\$12.50	12'	\$0.028	2,500	10/1/91
Palm Beach	All Vessels <sup>1</sup>					\$20.00	17'	\$0.032	5,000	2/1/22
Fort Pierce	All Vessels					\$30.00	20'	\$0.06	5,000	10/1/21
Key West	All Vessels					\$18.40	12'	\$0.0345	2,000	4/1/91

<sup>1</sup> All vessels assessed a \$25 Boat replacement fee, and a \$25 harbor control fee (\$50 total)

**Table 2: Comparative Pilotage Rates – 2021 Data – Tiered Rate Structure**

Port	Parameters	Length/ Feet	Min. Feet	Beam/ Feet	Min. Feet	Draft/Feet	Min. Feet	GT/Ton	Min. Ton	Eff. Date
Jax/Fern.	GT < 10K	\$0.75	300'	\$3.75	50'	\$22.50	18'	\$12.50	5,000	7/1/20
	GT 10K-40K	\$1.00		\$5.00		\$25.00		\$15.00		
	GT 40K>	\$1.25		\$8.50		\$30.00		\$22.50		
	GT 40K> 40>-draft	\$1.50		\$12.00		\$40.00		\$27.50		
Port Everglades	GT <10K	\$0.78797	100'	\$3.93984	30'	\$23.63906	18'	\$0.01103	5,000	2/11/19
	GT 10K>	\$1.05063	100'	\$5.25313		\$31.51875	18'	\$0.01471	5,000	
	Draft 31'>					\$31.7080				
Miami	GT <10K	\$0.7959		\$3.9795				\$0.0119386		10/1/17
	Draft <31'					\$23.8772	18'			
	Draft 31'>					\$26.7979				
	GT 10K>	\$1.0612		\$5.306				\$0.0159181		
	Draft <31'					\$31.8362				
	Draft 31'>					\$35.7305				
Tampa	GT <10K					\$39.27	12'	\$0.0713	2,600	2/1/09
	GT 10K>					\$39.27	20'	\$0.0713	2,600	
<b>Port Canaveral (Proposed)</b>	GT <10K	\$0.75	100'	\$3.75	30'	\$22.50	18	\$0.0100	5,000	TBD
	GT >10K	\$1.00		\$5.00		\$30.00		\$0.0125		
	Draft 32'>	\$1.00		\$5.00		\$35.00		\$0.0125		

Note: Panama City (10/22/19) uses a modified box formula: \$29.92/draft-ft (16-foot min); \$2.75/Unit – Unit= (L x B)/100  
Pensacola uses a box formula to calculate rates as follows: Ship unit= (Length X Width) / 100.

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**4. Pilotage rates in other ports. (continued)**

Using example vessel's dimensions for small, medium, large and extra-large vessels. Note the investigative team considered type of vessel to not be germane to analysis comparing rates.

Small Vessel = 300-foot LOA, 50-foot Beam, 17-foot draft, 5,000 GRT  
 Medium Vessel = 600-foot LOA, 80-foot Beam, 25-foot draft, 20,000 GRT  
 Large Vessel = 750-foot LOA, 105-foot beam, 35-foot draft, 50,000 GRT  
 Extra-large = 1,000-foot LOA, 150-foot beam, 30-foot draft, and 130,000 GRT

**Table 3: Comparison of all Florida Pilotage Fees – with averages**

Port	Small	Medium	Large	Extra-Large	H/L+	Average All Classes
<b>Port Canaveral (Present)</b>	<b>\$ 353</b>	<b>\$ 872</b>	<b>\$1,837</b>	<b>\$4,015</b>	--	<b>\$1,769</b>
Key West	\$ 486	\$1,150	**	\$5,037	1	\$2,224
Miami	\$ 1,078 <sup>1</sup>	\$2,325	\$3,550	\$5,031	2	\$2,996
Port Everglades	\$ 913	\$2,132	\$3,186	\$4,697	3	\$2,732
<b>Port Canaveral<sup>1</sup> (Proposed)</b>	<b>\$ 918</b>	<b>\$2,050</b>	<b>\$3,175</b>	<b>\$4,325</b>	<b>4</b>	<b>\$2,617</b>
Tampa Bay	\$1,023	\$2,408	\$4,939	*	--	\$2,790
Jacksonville/ Fernandina	\$ 999	\$2,043	\$4,124	*	--	\$2,387
Panama City	\$1,021	\$2,268	\$3,413	**	--	\$2,234
Palm Beach <sup>1</sup>	\$ 600	\$1,365	**	**	--	\$ 983

<sup>1</sup> Fee applied: Miami Port Control Fee \$150. Port Canaveral Boat Fee \$50. Jacksonville Training Fee and Port Control \$118. Panama City Boat fee \$200. Palm Beach Boat and Harbor Control \$50. Annual low percentage increases on fees may not have been computed into total rates due to accounting department delays.

+ Large vessel (130,000 GRT) high to low numerical position

\*Tampa and Jacksonville have bridge vertical clearance that is too low

\*\*Channel depth and width restricts this size vessel

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**4. Pilotage rates in other ports. (continued)**

**Table 4 – Port Canaveral Rate increases over time**

**Increase all rates and fees at 2.5% for 9 nine years after effective date. Deep draft fee \$35/foot will increase at a separate annual increase of 6.0%. (Clarifying note: Deep draft rates (deeper than 32.0-feet) - LOA, Beam and GRT will increase at 2.5%, and Draft rate will increase at 6%)**

<b>Assumed Date</b>	<b>Small</b>	<b>Medium</b>	<b>Large</b>	<b>Extra Large</b>
<b>2022</b>	\$ 918	\$2,050	\$3,175	\$4,325
<b>2025 (3 years)</b>	\$ 989	\$2,208	\$3,559	\$4,658
<b>2028 (6 years)</b>	\$1,065	\$2,378	\$3,999	\$5,015
<b>2031 (9 years)</b>	\$1,147	\$2,560	\$4,505	\$5,401
<b>% Increase over 9 years</b>	+25%	+25%	+42%	+25%

**Table 5: Pilotage Fee per Nautical Mile (NM), Average Handle Time**

<b>Port</b>	<b>Distance <sup>1</sup> NM(S/B to Port)</b>	<b>Fee for Small Vessel</b>	<b>Fee Per NM</b>
Tampa	26 to 44 nm Ave. 37	\$1,023	\$ 28
Key West	5.0 nm	\$486	\$ 97
<b>Port Canaveral Proposed</b>	<b>7.5 to 9.8 nm (Ave. 8.65)</b>	<b>\$918</b>	<b>\$ 106</b>
Panama City	8.6 nm	\$1,021	\$ 119
Miami	8.9 nm	\$1,078	\$ 121
Palm Beach	4.0 nm	\$600	\$ 150
Fernandina	4.6 to 7.3 nm Ave. 6.0	\$999	\$ 167
Jacksonville	4.6 to 7.3 nm Ave. 6.0	\$999	\$ 167
Port Everglades	3.5 nm	\$913	\$ 261

<sup>1</sup> Distance by chart observation by Pilot Consultant

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**4. Pilotage rates in other ports. (continued)**

**Table 6: Revenue per Handle Analysis**

Data from FY 2019 (July 2018-June 2019) – Source: BOPC

FloridaPort	Revenue	Handles	Revenue/ Handle	Avg Handle Hours	Revenue/ HandleHour
Tampa	\$15,184,424	4,757	\$3,192	7.0	\$456
PanamaCity	\$594,785	485	\$1,226	2.5	\$490
Palm Beach	\$2,398,936	2,822	\$850	1.5	\$567
Jax/Fern	\$10,178,063	3,989	\$2,552	4.0	\$638
Port Everglades	\$13,058,324	8,718	\$1,498	2.0	\$749
Port Canaveral	\$5,945,468	2,189	\$2,716	3.5	\$776
Miami	\$15,443,783	5,693	\$2,712	3.0	\$904
Pensacola	\$149,753	83	\$1,804	2.5	\$922
Key West*	\$4,236,453	745	\$5,687	2.5	\$2,275

**Table 7: Revenue per Handle Analysis**

Data from Partial FY 2022 (July 2021-March 2022) – Source: BOPC

FloridaPort	Revenue	Handles	Revenue/ Handle	Avg Handle Hours	Revenue/ HandleHour
Tampa	\$9,941,505	3,413	\$2,913	7.0	\$416
Palm Beach*	\$1,176,684	1,775	\$663	1.5	\$442
Jax/Fern	\$7,450,408	2,537	\$2,937	4.0	\$734
Pensacola	\$98,889	61	\$1,621	2.5	\$648
PanamaCity	\$713,631	434	\$1,644	2.5	\$658
Port Everglades	\$12,960,603	6,115	\$2,120	2.0	\$749
Port Canaveral	\$4,648,079	1,758	\$2,644	3.5	\$755
Miami	\$11,656,402	3,783	\$3,081	3.0	\$1,027
Key West*	\$103,054	61	N/A	N/A	N/A

\*Palm Beach had a rate increase in 2021

\*\*Key West was under strict curtailment of cruise service – started up again in April 2022

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**4. Pilotage rates in other ports. (continued)**

**Table 8: Comparison Florida Ports to other Southern US Ports**

Port	Small	Medium	Large	Extra-Large	Rank
<b>Port Canaveral (Proposed)</b>	<b>\$ 918</b>	<b>\$2,050</b>	<b>\$3,175</b>	<b>\$4,325</b>	<b>Lowest</b>
Port Everglades	\$ 913	\$2,132	\$3,186	\$4,697	
Miami	\$1,078	\$2,325	\$3,550	\$5,031	
Galveston, TX <sup>1</sup>	\$1,851	\$2,724	\$3,301	\$5,006	
Freeport, TX	\$1,521	\$2,147	\$2,766	**	
Brunswick, GA	\$1,020 <sup>2</sup>	\$1,894	\$4,013	\$8,833	
Charleston, SC	\$ 805	\$2,036	\$4,333	\$9,587	
Savannah, GA	\$ 829	\$2,085	\$4,427	\$9,766	
Mobile, AL	\$1,167 <sup>2</sup>	\$2,440	\$4,941	\$10,274	IIighest

<sup>1</sup> Galveston, TX values based upon CPA Table 2 because rate information provided deficient.

<sup>2</sup> Minimum drafts applied.

Note: Freeport, TX and Associated Branch Pilots of Louisiana not shown

**5. The amount of time each pilot spends on actual piloting duty and the amount of timespent on other essential support services.**

Currently, there are seven state pilots and one deputy pilot in training. The level of the deputy pilot's training plan allows him or her to handle vessels on their own, but in restricted drafts and length overall. This means that the deputy pilot is not a reliable factor in determining the revenue distribution among the pilots.

The odd number of state pilots results in the current watch schedule as presented below:

	Pilots	
	<u>On</u>	<u>Off</u>
28 days on-watch	4	3
28 days off-watch	<u>3</u>	<u>4</u>
Total	7	7

The deputy pilot alternates between the two watch schedules, based on traffic, complexity of scheduled handles, and unpredictable scheduling events.

When a pilot is off-watch, he is on standby for 19 days, and is fully off-watch for 9 days. The standby is necessary because a 3 day weekend could bring in 5 to 6 cruise ships per day, which is 10 to 12 handles. The pilots are responsible for providing all of the piloting needs of the port and they must be available to allow their customers to adhere to the very strict time schedules.

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**5. The amount of time each pilot spends on actual piloting duty and the amount of timespent on other essential support services. (continued)**

Given the 2,780 handles for 2022, the 6.5 state pilots would handle 427 vessels per year (without counting the deputy – who may be just observing a pilot, as part of his training).

If a pilot is on-watch 182 days (without counting standby days), he will handle, on average, 2.2 handles per day on-watch. Some days could be 0 to 1 and weekends could be 2 to 4.

The handle time ranges from 2.4 to 4.0 hours. The cruise vessels take longer, especially incoming because they are larger and take longer to maneuver and line-up to enter the channel, after they provide a safe leeward side for the pilots to board.

Since cruise vessels are 62% of all handles, the weighted average handle time is 3.4 hours. Given the average handle time of times and the number of handles per pilot per year, this results in approximately 1,451 actual handle hours per year for each pilot.

When the pilot reaches the desired number of state pilots of 8, the average handle hours are reduced to 1200 hours.

Pilot Associations in Florida usually employ shoreside personnel, often called dispatchers, to handle administrative duties such as receiving pilot orders from agents, assigning pilots to jobs, contacting tugs and line handlers, notifying port authorities, and providing details to accounting service providers. In Port Canaveral, the only employees are the boatmen. The Port provides a harbor master to coordinate incoming and outgoing traffic and other such duties. All other administrative duties, such as billing customers, collecting revenue, procuring goods and services and paying bills, and maintaining the books and records ( among many other responsibilities) are performed primarily by two pilots. These duties are routinely handled by the pilots while on rotation between jobs, or off watch. They are each compensated \$ 36,000 per year, in addition to their percentage share of pilot compensation. In our determination of average net income per pilot, we have added this compensation back to net income and divided the adjusted net income by all pilots. In addition to direct pilot business, the pilots have a maritime community responsibility to attend routine meetings involving the Canaveral Port Authority, the US Navy, the US Army Corps of Engineers, the US Coast Guard and the Florida Harbor Pilots Association. Captain Borgie is currently the president of that association. Additionally, there are emergency meetings when threatening weather such as hurricanes require special planning and vessel movements. Then, after the storm passes, they must work additional hours to return the maritime domain to routine operations, as well as surveying channels to detect any weather induced shoaling.



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**6. The prevailing compensation available to individuals in other maritime services of comparable professional skill and standing.**

Comparable maritime employment for harbor pilots is the master (captain) of a US registered vessel in ocean foreign service. In 2018 the Port Everglades rate hearing disclosed that these ship masters were compensated on average \$325,000 annually. Also, significant to mention, it was determined the average compensation of a US port state-licensed harbor pilot earned approximately \$580,000 per year.

The prevailing compensation of US pilots and Florida pilots, compared to other comparable maritime professions is not a finite amount, as it rests with the judgment of the Pilotage Rate Review Committee. Previous Rate Review Boards and Committees have established a floor of base compensation for Florida pilots equal to or greater than US flagged senior captains.

Testimony at previous Rate Review Hearings indicated compensation for US captains ranging from \$220,000 to \$325,000. Common compensation packages for such captains can differ significantly with pilots. Ship captains typically work large blocks of time at sea and then are off duty, as much as six months-on and six months-off. Their fringe benefits are usually generous and their pension plans are funded versus the unfunded pension plans of pilot organizations. The reduction in port traffic and pilotage revenue during the COVID pandemic has significantly reduced pilot retirement benefits for some pilot organizations, especially in Florida with its large percentage of cruise ship traffic. This reduction has demonstrated the stark differences between a funded and unfunded pension plan.

Captain George Quick, Vice President of Master Mates and Pilots has provided testimony at many of the previous rate hearings from 2014 to 2018 and testified that US pilots earned an average of above \$410,000 to \$498,000. Another maritime consultant, Dibner Martine Associates, LLC, provided testimony at the 2014 Miami hearing and a tabulation of pilot net income for 25 US ports, indicating a range of \$260,000 to \$687,000 and an average of \$500,000. Adjusting the \$500,000 average in 2018 to the change in the CPI of approximately 15%, would result in an average income of \$575,000.

**7. The impact rate change may have in individual pilot compensation and whether such change will lead to a shortage of licensed state pilots, certified deputy pilots, or qualified pilot applicants.**

CPA has a good history of attracting deputy pilot applications for examination. In 2022 both Port Canaveral and Port Everglades requested one-pilot each that would be delivered through the 2022 examination cycle. This cycle begins in the fall, cuts off applications in December, BOPC approval comes in January or February, and examination in March. Grading and challenges to the exam extends until July – and the DBPR Secretary may make a selection in August.

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7. **The impact rate change may have in individual pilot compensation and whether such change will lead to a shortage of licensed state pilots, certified deputy pilots, or qualified pilot applicants. (continued)**

The problem with the Deputy Pilot (DP) examination cycle, besides its length, is it is a challenging exam and has restrictions in place to avoid casual participation. Because of this, often a qualified mariner is approved to sit, but because of work schedule, or a sense that his/her preparation is lacking, they simply skip taking the exam. Of note, a candidate that fails two consecutive DP exams must sit out one year. It is not uncommon for a candidate to sit two or three times before achieving a passing grade – and then they must contend with the scoring competition to make it into the top five candidates, which the Secretary will select from. Usually, the top score candidate is selected, but Florida statutes make it clear that gender and minority status may be considered.

Table AAA below provides insight into the applications for all Florida ports that have harbor pilots. The column labelled “apps” are the raw applications received by the Board of Pilot Commissioners. The column “test” indicates the number of candidates that took the examination, and column “pass” shows the final number of candidates that passed the exam – where passing grade is 85%

One element of the application process that might need explanation is between the raw applications and the Board approval to sit for the exam. Occasionally applications are deemed ineligible due to not meeting qualifications – usually shortage of sea service or too low a US Coast Guard license level. These circumstances are usually attributed to the applicant not understanding the minimum requirements.

Within the table, the only time all test takers passed the exam was in Key West in 2017. A look at the pass numbers makes it clear that 50-60% pass rate would be an exceptional year. Also, it is worthy to note that the major ports of Miami, Port Everglades, Port Canaveral and Tampa enjoy the best attraction for new Deputy Pilots. This can be attributed to the compensation offered by the Pilot Associations.

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7. The impact rate change may have in individual pilot compensation and whether such change will lead to a shortage of licensed state pilots, certified deputy pilots, or qualified pilot applicants. (continued)

**Table 9: Deputy Pilot applications, tests and pass rates for the years 2017 to 2022.**

Application data based upon applications (Apps) reviewed by the Pilot Consultant. Data on Tests and Pass rates provided by the Bureau of Education and Testing May 2022.

	2017			2018			2019		
	Apps	Test	Pass	Apps	Test	Pass	Apps	Test	Pass
Jacksonville									
Port Canaveral				19	9	5	17	12	6
Palm Beach				8	7	4	10	4	1
Port Everglades				19	12	8	19	12	7
Miami	24	14	4						
Key West	7	5	5						
Tampa Bay	21	9	3	22	15	5	21	14	7
Panama City							5	4	4
Pensacola	4	1	0						

	2020			2021			2022*		
	Apps	Test	Pass	Apps	Test	Pass	Apps	Test	Pass
Jacksonville									
Port Canaveral	19	9	4				20	10	5
Palm Beach				22	12	4			
Port Everglades	19	13	6				30	17	7
Miami									
Key West									
Tampa Bay	13	10	4				21	TBD	TBD
Panama City									
Pensacola	11	7	1						

\*Scores remain unofficial until challenges heard

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**8. Projected changes in vessel traffic.**

Port Canaveral is primarily dedicated towards cruise ship traffic. In addition to the US Naval Submarine Base in the port, cargo traffic includes petroleum tankers and barges, and general cargo such as lumber. Although investment in container ship infrastructure was made in recent years, the only container ship operator ceased operations in 2018 and the roll-on, roll-off (car carriers) ceased operations in 2019.

Port Canaveral is near capacity on cruise ship calls on four out of seven days – but there are available berths to handle more in the low service days. Port Canaveral has limited cargo pier capacity. There is no waterside real estate available for expanding cargo operations at this time.

Traffic for 2019, 2020 and 2021 is presented below:

	Number of Handles
2019	2200
2020	1135
2021	1606

The pilots estimated traffic in the amended application and estimates updated in May 2022 and are as follows:

	Estimated Number of Handles	Updated Number of Handles
2022	2335	2780
2023	2235	2720

The amended application dated March 8, 2022, could only base their estimate for 2022 and 2023 traffic based upon January 2022 actual traffic. By May 20, 2022, traffic for January through April 2022, reported to the Department totaled 944. By annualizing this amount, the estimate for 2022 could be as high as 2,832. Given this current data, the pilots' revised their 2022 and 2023 handle estimates, as above.

These variances had a substantial effect on our projected revenue, net income and average net income per pilot for 2022 and 2023, as presented on pages 12 and 13.

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**9. Cost of retirement and fringe benefit plans.**

**EMPLOYEES**

The pilots employ four full-time boatmen that are covered under the group health insurance plan and the pension plan. Except for two part-time boatmen, that are called upon only as needed and do not have any fringe benefits, there are no other employees. The pilots also cover the health insurance premiums for the employees' dependents. The policy doubles for workers compensation coverage and personal health coverage, which is underwritten by Masters, Mates, and Pilots Health and Benefit Plan. Given the dual coverage, the premiums are higher than most traditional health plans. The total premium for the four boatmen in 2022 is \$134,736, or \$33,368 per employee.

The pilots contribute 12.5% of employee compensation to the pension plan. Pilots can voluntarily contribute to the plan but the amount comes from their individual shares of compensation.

**ACTIVE AND RETIRED PILOTS HEALTH BENEFITS**

The pilots also cover each pilot and their dependents with the above health benefit plan. The premiums, regardless of each pilots' age or number of dependents is considered as a business expense in the determination of net income, before income distributions are made. The average annual premiums in 2022 for the 6.5 full pilots is \$ 32,000.

**UNFUNDED PENSION PLAN**

There is no funded retirement plan although the pilots can make qualified deferrals into the Association's pension plan. The unfunded retirement plan has the following attributes:

1. There is a 33.3% cap on pilotage revenue for the aggregate benefits payable in any year.
2. Pilots must serve at least 12 years to earn pension benefits.
3. Pilots earn 2% of annual net income for each year of service, up to a maximum of 25 years, or 50% of a full pilot's full share of net income.
4. Pilots must reach age 50 to retire and receive benefits.
5. Retirees receive health insurance for life, including dependents, under the group health plan discussed above. Once they are Medicare eligible they receive Medicare supplemental coverage under the same policy.
6. Retirees and their spouses receive a reimbursement for their Medicare premium that is deducted from their respective Social Security income. Depending upon the retiree's income, this premium can range from \$1,800 to \$6,200 per year. In 2022 total retiree health premiums and Medicare reimbursements are estimated to total \$117,180, or \$16,740 average per retiree.

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**9. Cost of retirement and fringe benefit plans. (continued)**

The unfunded pension is based on net income, so that in 2020 and 2021, when the COVID Pandemic resulted in very low net income, very little was owed to the retirees for pension expenses, for this benefit. However, the health insurance benefits were not based on net income and the binding obligation was either paid or accrued as a liability until funds were available.

The following schedule presents the total paid to retired pilots in 2018, 2021 and estimated for 2022.

	2018	2021	2022
	\$665,000	\$805,000	\$3,280,000
Number of retirees	3	7	7
Average per retiree	\$222,000	\$115,000	\$358,000

**Analysis of Valuation of Pension Plan**

Since the retiree pension plan is unfunded and paid from current piloting operations, we estimate the imputed future benefit the current pilots earn, year by year until they retire.

The valuation of the pension plan benefit is a highly judgmental issue and should be analyzed by a qualified actuary in order to determine the imputed benefit to be included in total pilot income. Recognizing a multitude of risks and uncertainty involved in the valuation of this benefit, the following simplified analysis is presented for the Rate Review Committee's consideration:

Assumption 1

Assume an estimated annual pension of \$245,000, which is the maximum benefit the IRS allows a defined benefit plan to make actuarially determined annual contributions.

Assumption 2

The IRS maximum annual contribution to 401K defined contribution plan for 2022 is \$61,000.

Assumption 3

Assume the annual funding limit of \$61,000 (which changes from year to year, based on changes in the maximum targeted benefit amount) is the amount required to accumulate funds over a normal employment period to pay out the maximum allowable future benefit (\$245,000) for a defined benefit plan.

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9. Cost of retirement and fringe benefit plans. (continued)

Assumption 4

The following negative and positive factors present some of the most significant variables which could have a negative or positive effect on the valuation of the pension/consulting benefit:

*Negative Factors*

1. If a pilot voluntarily resigns before he completes 10 years service, he forfeits any future benefits.
2. Two factors in the plan document can materially limit the annual retirement benefit:
  - a. The 33% aggregate of total pilot revenue
  - b. The 50% limit on active pilots' compensation
3. Many other business and economic factors could affect the future benefit, since it is not funded. Port traffic, legislative changes, and rate setting events, could have a material impact on such valuations.
4. The retiree has no residual equity in the unfunded plan. Upon death of the retired pilot or the spouse, benefits cease. Therefore, in the example of how much needs to be accumulated to pay the assumed benefits for 20 to 25 years (above), a premature death with no residual value would result in a much lower estimate

*Positive Factors*

The pilots' income has been relatively stable over the last 30 years (as they have historically), which means that the \$245,000, assumed flat benefit, may increase over time, which would undervalue our previous computation.

CONCLUSION

Based on the above assumptions, our estimate of the value of the unfunded pension benefit is estimated to range between \$50,000 and \$60,000. Given all factors, we will use the lowest estimate of \$50,000 for inclusion of average income per pilot, including all benefits.

BUY-IN / BUY-OUT

The pilots have two entities in their organization structure. Canaveral Pilots Association (CPA) is a partnership and Harbor Services, Inc, (HSI) is a Sub Chapter S Corporation. HIS is the primary operating entity that owns the pilot boats and other equipment and pays most of the operating expenses of the piloting function.

The buy-in and buy-out for HSI is based on book value measured on the tax basis of accounting. The book value is currently, almost zero, so the buy-in or buy-out for HIS is minimal. The buy-in for the CPA entity is based on a deferred income arrangement whereas new pilots give up 50% of a full pilot share of income for four years and afterwards they earn a full share. The buy-in by the incoming pilots is allocated to the active pilots and the retirees until the four year buy-in is completed.

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**9. Cost of retirement and fringe benefit plans. (continued)**

The current retiree shares range from .35 to .50 of a full (1.0) pilot's share. For example, the retirees with the .50 share are paid half of an active pilot's income distribution. In 2022, there are 7 retirees and their combined shares total 3.012, while the six active pilots' shares total 5.125, a total of 8.137 shares. This percentage allocation based on those shares is 62.98 % for active pilots and 37.02 % for the retirees. In addition to the share allocation, the retirees receive health insurance and the Medicare tax reimbursement.

**10. Physical risks inherent in piloting**

The vessels calling at Port Canaveral are predominantly cruise ships, although petroleum tankers and barges are numerous. The most dangerous part of the harbor pilot's job is boarding and disembarking the vessel. Because 85% of vessels calling Port Canaveral are over 10,000 gross registered tons (GRT), and 77% of those vessels are above 90,000 GRT the boarding and disembarking process is to a very stable platform – and usually involves a very short pilot ladder to a sideport near the ship's waterline. This is not to suggest there is no risk in boarding or disembarking. Pilot's falling off the ladder, or the ladder itself failing can lead to serious injury or death.

Boarding and disembarking a submarine is more dangerous because the hull of a submarine is round and often has a slick surface that require sailors to assist and even catch the pilot as he makes the transfer.

According to the Maritime Industry Guide web site, pilots must be aware of death or injury primarily when falling off the pilot ladder while boarding or disembarking. Such accidents result in severe danger by falling onto the deck of the pilot boat, or falling between ship and the pilot boat which results in being struck by one of them, or also falling into the sea may result in drowning.

CPA's application cites specific examples of recent accidents to harbor pilots that resulted in death. This fact, often occurring to pilots that they have made acquaintance, weights on the mind of every pilot when they climb a pilot ladder.

**11. Special characteristics, dangers and risks of port.**

Port Canaveral is assessed from the Atlantic Ocean north of the Straits of Florida. Ships approach the inbound channel from distances up to three miles out depending upon the size or function of the ship or submarine. The channels are all dredged cuts, meaning that they must be maintained at project depths periodically by the US Army Corps of Engineers. The fact that a channel may silt in along the edges may make the project width less than the claimed dimensions, thus creating a grounding risk for the pilots.



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**11. Special characteristics, dangers and risks of port. (continued)**

Port Canaveral is basically an east to west channel with three dredged mooring notches, where the easternmost is the US Naval Submarine Base, the middle notch is primarily used by cargo ships, and the westernmost notch is mainly cruise ship berths. The port does have a western entrance for small vessels from the Banana River via a lock system. The Banana River has many recreational boat marinas, and hundreds of moorings and private docks. These recreational vessels often traverse Port Canaveral to access the Atlantic Ocean and return. This attracts a significant amount of recreational boat traffic, many operators of which have limited knowledge of the Rules of the Road and collision avoidance techniques. The pilots are forced to cope with strict channel limits while navigating ships over 1,000 feet in length while also contending with smaller craft that often interfere with the pilot's voyage plan.

**Lengths and widths of various "Pilotage Waters" channels:**

As stated above, the channels in Port Canaveral are maintained to project limits. These dimensional limits (length and width) have been static for many, many years, although the depths have been increased to accommodate larger vessels. So, it is noteworthy that as channels have remained the same size, ships have not. The "Oasis" class Royal Caribbean Cruise line ship measures 1,188-foot length overall, a beam of 154-feet, and draft of 31-feet. The main channels in Port Canaveral are only 400-foot wide, meaning the large cruise ships are utilizing 38% percent of the available width, not including crab angels due to the wind effect on the ship. Take these factors, and other vessel traffic, and the risks associated with transits into or out of Port Canaveral have a high risk factor.

**Depths of various "Pilotage Waters" channels:**

Probably the biggest concern for piloting into Port Canaveral is the available depth of water. Most channels are maintained between 43-feet and 44-feet – but sections exist in the main channel and pier facilities that are only 35-feet. The depths, representative at mean low water, can be impacted by high winds over sustained periods – for example a westerly wind will "push" water out of the port, reducing the available depth.

**List of unusual hazards to navigation:**

Port Canaveral is the home of a US Naval Submarine Base – and these large ballistic missile subs present some unique shiphandling characteristics that the pilots must learn.

Also, the port is immediately adjacent to Cape Canaveral's Kennedy Space Center where rocket launches are routinely conducted. This requires that the pilot be knowledgeable about down-range danger areas, but also the schedule of impending launches to brief vessel masters entering or departing. Just last winter the Harmony of the Seas ignored informational broadcasts and violated a down-range limit, incurring the cancellation of a Space X launch.

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11. **Special characteristics, dangers and risks of port. (continued)**

The Space Center, particularly the Space X operations, have increased port traffic by recovering rockets on barges that are brought into the port for transfer back to the Space Center. Bringing a barge with a rocket vertically loaded into port attracts recreational boater traffic as they want to catch a view.

**List “Weather Related” hazards to navigation:**

Although the weather in Port Canaveral is considered semi-tropical, it is still subject to severe weather such as tropical storms or hurricanes. But often a high pressure area creates a strong northerly wind (coming from the north, blowing south) that can generate large offshore ground swells the make pilot boarding or disembarking more dangerous.

12. **Other relevant information:**

**Pilot Boats:**

CPA owns and operates two pilot boats. Pilot Boat No. 2, built in 1998, is approaching its end-of- service-life, estimated to be in 2025. Pilot Boat No. 3, built in 2014 is projected to last until about 2040, but will need to have new engines installed about every 6-7 years. When Pilot Boat No. 3 was built for a cost of \$850,000 – and estimated projections based upon other pilot organizations is that the replacement of Pilot Boat No. 2 will be upwards to \$2 million. CPA has proposed a \$50 per handle “Pilot Boat Re-capitalization” fee. Projected vessel handles in 2022 are 2,780, so this fund may begin with about \$139,000 – and projected over the ten-year life of this rate proposal, can accrue \$1.39 million.

If a Pilot Boat goes out of service for repairs, CPA hires local tugs or appropriate small vessels to sustain their 24/7 operations.

CPA employs only four pilot boat operators. If needed due to illness or injury, they hire contract boat operators who are paid per diem but get no contributions to a retirement fund or medical benefits.

**Harbor Assist Tugs:**

According to the US Coast Pilot, Volume 4, Port Canaveral has three harbor assist tugs – two with conventional propulsion system, and one with a tractor drive. The tugs are considered adequate for the needs of the port. Harbor assist tugs are rarely used for any cruise ship, even the largest, as they have complex maneuvering technologies.

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13. **The Board may take into consideration the consumer price index or any other comparable economic indicator when fixing rates of pilotage; however, because the Consumer Price Index or such other comparable economic indicator is primarily related to net income rather than rates, the Board shall not use it as the sole factor in fixing rates of pilotage.**

The previous twelve months have contributed to some of the highest increases in inflation and the CPI in several decades. From April 2021 to April 2022, the CPI has increased 8.3%.

From 1991 to 2022, the CPI increased from 135.2 to 289.1, or 113.8%. Applying the change in the CPI to pilotage rates is much more relevant to the cargo vessels, where the size of vessels has not increased as they would have with cruise vessels.

For example, applying the change in the CPI to the current minimum fee of \$220 would generate \$470. There are no current vessels which meet the current minimum draft and tonnage to produce a minimum fee. However, the smallest vessel in 2021 with a pilotage fee of \$568 would have a pilotage fee of \$692 with the requested rates. Applying the change in CPI to the existing fee of \$568 would generate \$1,214, which is \$422 more than the requested pilotage fee of \$692.

Cruise vessels have increased their size so much since 1991, that the application of the change in CPI since 1991 to the existing rates is not meaningful. This point is not intended to suggest that pilotage fees have not increased dramatically on cruise vessels (much more than the CPI) but to recognize the other factors, such as: technical requirements of a pilot, complexity of larger vessels; risks and responsibilities; and increased handle time.