



Memorandum

19 West Flagler Street ♦ Suite 220 ♦ Miami, Florida 33130
Phone: (305) 375-1946 ♦ Fax: (305) 579-2656
visit our website at www.miamidadeig.org

To: The Honorable Carlos Alvarez, Mayor, Miami-Dade County
The Honorable Chairman Bruno A. Barreiro
and Members, Board of County Commissioners, Miami-Dade County

From: Christopher R. Mazzella, Inspector General

Date: July 25, 2008

Subject: Port of Miami Terminal Operating Company, L.C. (POMTOC) Arrearages
and Contract Lease Acreage, Ref IG07-74 **FINAL MEMORANDUM**

The following discussion details the Office of the Inspector General's (OIG) identification of approximately half a million dollars due to the Seaport by the Port of Miami Terminal Operating Company, L.C. (POMTOC) for rent owed on 14.16 acres of land. This finding was brought to the attention of the Seaport Director in an OIG draft memorandum on July 10, 2008 to which he has now responded. The Seaport Director concurs with the OIG's finding and our recommendation that the Seaport "issue an invoice to POMTOC immediately for under-billed rent regarding a 14.16 acre parcel recently transferred from POMTOC to the Port." (See Seaport's response to the OIG attached as Appendix A.)

As in the recent negotiations between the Seaport and its other cargo terminal operators, the OIG will continue to monitor and provide oversight during the POMTOC negotiations. Similar to our approach of the other negotiations, the OIG will advise you of any additional concerns and/or relevant observations that we may have as the terms of the agreement near finalization.

SUMMARY

As you are aware, the Miami-Dade Office of the Inspector General (OIG) is concerned about the arrearages attributable to the three cargo terminal operators serving the Port of Miami. The arrearages of two operators have now been resolved (Seaboard Marine Ltd. and Maersk, Inc.). The arrearage for the third operator, Port of Miami Terminal Operating Company (POMTOC), however, remains outstanding.

On November 13, 2007, we initially advised the Seaport Director that the Seaport's financial records for POMTOC reflected arrearages in excess of 90 days

totaling \$666,067. Since that time, the OIG has identified an additional amount calculated to be \$486,950 that is unrecorded. OIG staff brought this discrepancy to the attention of Seaport staff during various meetings in January 2008. Since then, the OIG has been further reviewing the matter with staff and had suggested conducting new surveys which would not only be beneficial to resolving this issue but would be necessary for the Seaport going forward on all its new terminal agreements. While the surveys for the other terminal areas were completed earlier, the survey for the POMTOC terminal area was just recently completed and its finding is discussed later in this recommendation.

In summary, the OIG believes the total owing to the Seaport has increased to \$1,153,016, as shown below:

A. Previous Finding—Pre-June 2006 Arrearages Reported in the Seaport Financial System, as of 10/04/07	\$666,067
B. New Finding—June 2006 to June 2008 Contract Lease Acreage	\$486,949
Total	<u>\$1,153,016</u>

As we have maintained during our monitoring of all the cargo terminal lease negotiations, the OIG strongly believes that as a pre-requisite to good faith negotiations, terminal operators should be required to pay all arrearages and undisputed charges owing to the Seaport. Consistent with this, the OIG recommends that the Seaport take the following actions:

1. Similar to the process afforded the other terminal operators, POMTOC’s arrearages of \$666,067, must be resolved prior to the conclusion of the lease renewal negotiation process between the Seaport and POMTOC.
2. Invoice POMTOC for \$486,949, with advice that Section 218 of the Port of Miami Terminal Tariff No. 10 would apply, if this amount is not promptly paid.¹

¹ Port of Miami Terminal Tariff No. 10, Section 218 states “A delinquent invoice is subject to a penalty charge of one and one half percent (1-1/2%) for each month that said invoice remains delinquent at end of the month.”

CHRONOLOGY

In 1994, Miami-Dade County entered into a terminal operating agreement with POMTOC that included exclusive use of approximately 135 acres of land, with an initial annual rent payment based on \$0.25 per square foot.

In 1995, POMTOC entered into a month-to-month sub-lease agreement with Seaboard Marine for 616,649.29 square feet (approximately 14.16 acres) of the 135 acres cited above. Seaboard Marine's use of the sub-leased land is governed by the terms and conditions of the POMTOC agreement.

By memorandum dated, March 28, 2006, the Seaport Department advised POMTOC that the new rental rate, effective June 1, 2006, would be \$0.28 per square foot and would be applied only to 117.09 acres. **(Exhibit A)**

In January 2008, the OIG advised the Seaport Department that beginning in June 2006, the monthly lease invoices issued to POMTOC did not appear to be consistent with the contracted amount of 135 acres, in that the 14.16 acres sub-leased to Seaboard may not have been included.

A. PREVIOUS ARREARAGES - \$666,047

As previously detailed in our November 13, 2007 memorandum to the Seaport Department, the OIG brought to your attention the recording of \$666,047 in receivables greater than 90-days for POMTOC. It was noted that the majority of this amount (\$659,087) is attributed to unpaid Seaport invoices for land rent, which were issued between October 2005 and May 2006.

As in the cases of the other two terminal operators, the OIG recommends that the Seaport resolve this issue prior to the conclusion of current renewal negotiations with POMTOC.

B. CONTRACT LEASE ACREAGE - \$486,949

The OIG review of the Seaport's invoicing and collection practices for POMTOC reveals that since June 2006 to present, the Seaport has not been correctly invoicing POMTOC for the contracted terminal area of 135 acres. The Seaport has been invoicing POMTOC for only 117.09 acres, pursuant to a March 28, 2006 Seaport letter to POMTOC **(Exhibit A)** advising that effective June 1, 2006 there would be an

increase in the leased area rental rate to \$0.28 per sq. ft.² The same letter also stated that the “lease rate shall apply to 117.09 acres area constituting the Port of Miami Terminal Operating Company terminal yard” and that the monthly payments would be \$127,341.

The OIG could not find any documents or amendment to the POMTOC Terminal Operating Agreement authorizing the reduction in billable leased acreage. Furthermore, the Seaport could not provide the OIG with any explanation for the newly stated acreage (117.09 acres) cited in the March 28, 2006 letter. Prior to this, the Seaport was invoicing POMTOC for 135 acres.

On the contrary, the OIG believes that the reduction in the invoiced acreage from 135 to 117 was based on a *proposed* amendment to the 1994 lease—an amendment that never was approved. Our belief is supported by the fact that there was a proposed amended and restated agreement that was being reviewed by the County Manager’s Office during the same time. A copy of that proposed agreement shows that the “premises” of the agreement would have been restated at 117 acres. (Exhibit B)

The draft County Manager’s recommendation memorandum to accompany the proposed amended and restated agreement (Exhibit C) expressly stated:

As part of this proposed Restated Agreement, POMTOC also agrees to reduce its terminal area from 135 acres to approximately 116. This reduction is the result of certain land reallocations necessitated by the Port’s existing capital development program as well as POMTOC acquiescence at the Port’s request to relinquish approximately 14 acres of land for use by another Port customer.

However, the proposed amendment was never approved and, thus, the 1994 agreement has never been amended. Consequently, the March 28, 2006 letter (Exhibit A), which stated that the new rental rate would be applied to 117.09 acres also erroneously referred to the POMTOC agreement “as amended.” The agreement had not been amended. Coincidentally, the new billable acreage—117.09—just happens to match with what was being proposed in the amendment.

² Article IV of the POMTOC Agreement states: “It is understood and agreed by both parties that the land rental rate may be reviewed and revised annually, in the Port’s sole discretion.” Furthermore, the Agreement is silent on procedures for changes in acreage except as it relates to not achieving productivity guarantees.

Notwithstanding, the OIG reviewed a 2004 Parsons Brinckerhoff Quade & Douglas auto-CAD drawing of the Port of Miami that outlines the areas occupied by each of the three terminal operators. The POMTOC area was estimated by the auto-CAD program to be 117.09 acres. Discussion with Seaport staff concluded that the area outlined for POMTOC does not include the 14.16 acre parcel that POMOC sub-leases to Seaboard Marine. Research by the OIG reveals that since the inception of the sub-lease to the present time, Seaboard Marine has been making regular monthly lease payments to POMTOC and POMTOC has acknowledged receiving those payments. Since June 2006 to present, Seaboard Marine has been making regular monthly payments of \$15,395.65.³ Yet, despite the fact that POMTOC has profited significantly from its sub-lease of Seaport property to Seaboard, it has remitted nothing to the Seaport to account for its control of the 14.16 acres.

Since June 2006, the Seaport has not been invoicing POMTOC for the contract acreage (135 acres); instead, the Seaport invoiced for 117.09 acres. In addition to the intended action of POMTOC relinquishing the 14.16 acres back to the Seaport for use by another Port customer, i.e. Seaboard Marine, as explained in the draft County Manager's recommendation memo, and the 2004 auto-CAD drawing, the OIG's position is further substantiated by the May 2008 complete survey of the POMTOC operating terminal area, which shows POMTOC's operating area to be 120.02 acres. This survey places the 14.16 acre parcel outside of the POMTOC area for which it pays rent to the Seaport. In other words, POMTOC does not pay the Seaport rent on the land that it sub-leases to Seaboard Marine.

According to calculations by the OIG, this improper invoicing has, to date (June 30, 2008), resulted in underpayments by POMTOC to the Seaport totaling \$486,949. (See OIG Schedule A.)

RECOMMENDATION

The OIG recommends that the Seaport immediately issue an invoice to POMTOC in the amount of \$486,949 (includes sales tax) representing the difference between the contracted acreage and the acres invoiced.⁴ The timely collection of this amount would contribute significantly towards improving the cash position of the Seaport and would also contribute towards eliminating the current year's projected operating deficit.

³ \$15,395.65 represents monthly rental for 616,649.29 sq. ft. (approximately 14.16 acres) at the annual rate of \$0.28 per sq. ft. plus sales tax. For the 25-month period between June 1, 2006 to June 30, 2008, Seaboard has paid POMTOC a total of \$384,891.

⁴ This amount would increase by \$19,477.98 for each month after June 30, 2008. See OIG Schedule A.

The Seaport concurs with the OIG's finding and recommendation. Accordingly, the Seaport states that it will immediately issue an invoice to POMTOC for the under-billed rent relating to the 14.16 acres that was recently transferred from POMTOC back to the Seaport. (See attached Appendix A for the Seaport's response.)

The OIG strongly believes that resolution of these issues—accounts receivable and unrecorded land rent arrearages—is a prerequisite to good faith negotiations. We appreciate the Seaport and POMTOC's cooperation in keeping the OIG informed of all meetings and timely responding to our documentation requests, and we look forward to continuing to provide oversight in these matters.

cc: George M. Burgess, County Manager
Ysela Llorca, Assistant County Manager
Bill Johnson, Director, Miami-Dade Seaport Department
Denis Morales, Mayor's Chief of Staff
Charles Anderson, Commission Auditor
John Ballesterro, Vice-President, POMTOC
Clerk of the Board (copy filed)

Attachments

OIG Schedule A

Miami-Dade County Office of the Inspector General
Miami-Dade County Seaport Department
POMTOC Terminal Operator Lease
IG07-74

Invoice Date	CONTRACT PROVISIONS			ACTUAL		Amount Under Invoiced and Unpaid ⁽³⁾
	Leased Acres	Rate per Sq.Ft.	Monthly Payment Due ⁽¹⁾	Actual Invoice Amount ⁽²⁾	Actual Payment Received	
06/01/06	135	\$0.28	\$146,818.98	\$127,341.00	\$127,341.00	\$19,477.98
07/01/06	135	\$0.28	\$146,818.98	\$127,341.00	\$127,341.00	\$19,477.98
08/01/06	135	\$0.28	\$146,818.98	\$127,341.00	\$127,341.00	\$19,477.98
09/01/06	135	\$0.28	\$146,818.98	\$127,341.00	\$127,341.00	\$19,477.98
10/01/06	135	\$0.28	\$146,818.98	\$127,341.00	\$127,341.00	\$19,477.98
11/01/06	135	\$0.28	\$146,818.98	\$127,341.00	\$127,341.00	\$19,477.98
12/01/06	135	\$0.28	\$146,818.98	\$127,341.00	\$127,341.00	\$19,477.98
01/01/07	135	\$0.28	\$146,818.98	\$127,341.00	\$127,341.00	\$19,477.98
02/01/07	135	\$0.28	\$146,818.98	\$127,341.00	\$127,341.00	\$19,477.98
03/01/07	135	\$0.28	\$146,818.98	\$127,341.00	\$127,341.00	\$19,477.98
04/01/07	135	\$0.28	\$146,818.98	\$127,341.00	\$127,341.00	\$19,477.98
05/01/07	135	\$0.28	\$146,818.98	\$127,341.00	\$127,341.00	\$19,477.98
06/01/07	135	\$0.28	\$146,818.98	\$127,341.00	\$127,341.00	\$19,477.98
07/01/07	135	\$0.28	\$146,818.98	\$127,341.00	\$127,341.00	\$19,477.98
08/01/07	135	\$0.28	\$146,818.98	\$127,341.00	\$127,341.00	\$19,477.98
09/01/07	135	\$0.28	\$146,818.98	\$127,341.00	\$127,341.00	\$19,477.98
10/01/07	135	\$0.28	\$146,818.98	\$127,341.00	\$127,341.00	\$19,477.98
11/01/07	135	\$0.28	\$146,818.98	\$127,341.00	\$127,341.00	\$19,477.98
12/01/07	135	\$0.28	\$146,818.98	\$127,341.00	\$127,341.00	\$19,477.98
01/01/08	135	\$0.28	\$146,818.98	\$127,341.00	\$127,341.00	\$19,477.98
02/01/08	135	\$0.28	\$146,818.98	\$127,341.00	\$127,341.00	\$19,477.98
03/01/08	135	\$0.28	\$146,818.98	\$127,341.00	\$127,341.00	\$19,477.98
04/01/08	135	\$0.28	\$146,818.98	\$127,341.00	\$127,341.00	\$19,477.98
05/01/08	135	\$0.28	\$146,818.98	\$127,341.00	\$127,341.00	\$19,477.98
06/01/08	135	\$0.28	\$146,818.98	\$127,341.00	\$127,341.00	\$19,477.98
			<u>\$3,670,474.50</u>	<u>\$3,183,525.00</u>	<u>\$3,183,525.00</u>	<u>\$486,949.50</u>

	(1)	(2)	(3)
Number of Acres	135	117.09	17.91
Square Feet per Acre	<u>43,560</u>	<u>43,560</u>	<u>43,560</u>
Total Square Feet	5,880,600.00	5,100,440.40	780,159.60
Lease Rate per Square Foot	\$0.28	\$0.28	\$0.28
Total Annual Lease Amount	\$1,646,568.00	\$1,428,123.31	\$218,444.69
Sales Tax 7%	<u>115,259.76</u>	<u>99,968.63</u>	<u>15,291.13</u>
Total Annual Payment	<u>\$1,761,827.76</u>	<u>\$1,528,091.94</u>	<u>\$233,735.82</u>
Monthly Payments	<u>\$146,818.98</u>	<u>\$127,341.00</u>	<u>\$19,477.98</u>

Source: Invoice payment amounts taken from the Seaport's financial records. Other information taken from the lease agreement and extrapolated by OIG.



1015 NORTH AMERICA WAY • 2ND FLOOR • MIAMI, FLORIDA 33132-2081 • PHONE (305) 371-PORT (371-7678) • FAX (305) 347-4843

March 28, 2006

Mr. Charles O'Malley
Port of Miami Terminal Operating Company
1007 North America Way, Suite 400
Miami, Florida 33132

Re: Ground Lease Rate Increase - Inception Date Revision

Dear Mr. O'Malley:

In our letter of March 15, 2006 the Port advised POMTOC of an increase in the ground lease rate pursuant to the Agreement between the Port of Miami Terminal Operating Company and Miami-Dade County (the "Agreement"), as amended. In our letter we advised that the effective date of this rental increase would be April 1, 2006.

Mr. John Ballesteros has requested a delay in implementing this increase to allow time for the incorporation of this increase into POMTOC's business plans. The Port has reviewed this request internally and agrees to delay the implementation until June 1, 2006. This lease rate shall apply to the 117.09 acre area currently constituting the Port of Miami Terminal Operating Company terminal yard. Lease payments are due monthly in advance without invoicing. The new monthly invoice amount will be:

Description	Square Feet	Rate	Annual	Monthly
117 Acres Terminal Operating Yard	5,100,440	\$.28	\$1,428,123.31	\$119,010.28
Plus State Sales Tax				\$ 8,330.72
Total Due per Month				\$127,341.00

Should you have any questions regarding this increase, please contact me at 305-347-4802. Thank you for your cooperation in this matter.

Very truly yours,
Diane A. Camacho
Diane A. Camacho
Assistant Port Director, Finance & Administration

Cc: Charles A. Towsley, PPM, Port Director
Khalid A. Salahuddin, Deputy Port Director
Cristina Calderon, Port Property Manager



"Terminal Area" means the Premises and other land and facilities designated in Exhibit D, attached hereto and incorporated by reference herein, plus the use of the facilities thereon.

"TEU" means one twenty-foot equivalent unit. Units of more than 20 feet, trailers and any other cargo shall have the meaning as provided in the Tariff.

"Throughput" means the total number of containers being discharged from or loaded to a vessel except Trans-shipment. A twenty-foot container off-loaded from a vessel and discharged to the Terminal Area and then removed from the Terminal Area would constitute a Throughput of one TEU. For Trans-shipped containers discharged from an inbound vessel and loaded aboard an outbound vessel, each twenty foot container constitutes two (2) TEUs, except a trans-shipment from one (1) line to the same line, which shall count as one (1) TEU.

"Trans-shipment" or "Trans-shipped" means the transfer of a TEU from one vessel at the Port to another vessel at the Port.

1.3 PREMISES:

Under this Agreement, the County hereby grants to the Operator the exclusive use of approximately 117 acres as the Premises, more specifically described on the survey attached hereto as Exhibit D (the "Premises"), for a limited term defined herein and in accordance with the terms, limitations and conditions hereinafter contained.

1.4 TITLE:

The Port hereby represents and warrants that it is the Fee Simple Owner of the Premises which can be used for the purpose intended in this Agreement.

1.5 QUIET ENJOYMENT:

Upon payment by Operator of the rates and charges herein provided, and upon observance and the performance of all of the covenants, terms and conditions on Operator's part to be observed and performed hereunder, Operator shall peaceably and quietly hold and enjoy the Premises for the Term hereby demised without unreasonable hindrance or interruption by Port or any other person or persons lawfully or equitably claiming by, through or under Port, subject nevertheless to the terms and conditions of this Agreement; provided however, that the Port and authorized law enforcement officers shall have the right to enter the Premises including buildings, land and equipment, without notice, at any time.

ARTICLE

2.1 USE OF PREMISES:

The Operator and its Members shall use the terminal for the storage, handling, loading, unloading, containerized and breakbulk cargo and all related activities, including but not limited to, the operation of a marine cargo terminal area, including activities normally associated with the operation of a marine cargo terminal, provided all of its Members or their affiliates hold at all times material hereto, in good standing, a current County Stevedore Permit. In the event any Member of POMTOC or such Member's affiliate ceases to have a valid and current County stevedore permit, POMTOC may

**THIS PAGE IS TAKEN FROM THE PROPOSED
AMENDED AND RESTATED AGREEMENT,
CIRCA WINTER/SPRING 2006**

EXHIBIT

B

*Sent
Agenda Item
From Winter 2006*

Memorandum



Date:

To: Honorable Chairman Joe A. Martinez and Members,
Board of County Commissioners

From: George M. Burgess
County Manager

Subject: Resolution Authorizing the Execution Amended and Restated Terminal Operating Agreement between Miami-Dade County and Port of Miami Terminal Operating Company, L.L.C. ("POMTOC")

RECOMMENDATION

It is recommended that the Board approve the accompanying resolution authorizing execution of the attached Amended and Restated Terminal Operating Agreement between Miami-Dade County and Port of Miami Terminal Operating Company, L.L.C. ("POMTOC").

BACKGROUND

In an effort to maximize efficiency and economies of scale, in 1994 the four (4) active independent stevedoring and terminal operators at the Dante B. Fascell Port of Miami-Dade ("Port of Miami" or "Port") formed a single common-user container cargo terminal company (POMTOC); assigning all their individual container cargo to that company.

On September 15, 1994, the County entered into a (20 year) Terminal Agreement ("Agreement") with POMTOC to operate, maintain and secure a terminal area comprising approximately 135 acres on the Port. POMTOC functions as a common cargo terminal for the use of its members by operating, maintaining and securing its common gate, supervising and coordinating the receiving and delivery of containers and break-bulk cargo, and otherwise administering the premises to assure the efficient execution of the cargo handling operations for approximately 35 different steamship lines. This Agreement has proven to be a significant economic contributor to the Port as POMTOC has paid and/or generated direct revenues to the Port in excess of \$100 million over the past six years.

On September 15, 1998, the Board approved a settlement agreement with POMTOC (R-1104-98) to, among other things, remove a contingent liability and resolve outstanding terminal issues. This settlement agreement was later amended on September 19, 2000 (R965-00), authorizing POMTOC to increase certain rates on their tariff.

At this time, both the Port and POMTOC wish to enter into an Amended and Restated Terminal Operating Agreement ("Restated Agreement") modifying certain terms of the original Agreement; i.e., extension periods, investment levels and minimum throughput guarantees by POMTOC, terminal area, and other housekeeping issues.

Recognizing that eight (8) years remain in the existing Agreement, the proposed Restated Agreement



modifies the term to provide for one (1) twenty (20) year term and one (1) five (5) year renewal option. This renewal shall become effective upon written notice by POMTOC of its intent to exercise such option. The revised term of the Restated Agreement will in effect provide POMTOC an additional 17 years as the Port's common user terminal operator and allow it sufficient time to amortize certain capital improvements to its container yard, such as the (i) construction of a maintenance and repair facility; (ii) acquisition of additional container handling equipment; (iii) replacement of operational offices; (iv) implementation of various security improvements; and (v) modernization of their gate complex.

As provided for in Section 8.2 of the Restated Agreement, POMTOC and/or its members shall invest no less than \$12 million over the ten year period immediately following the Restated Agreement's effective date on the improvements mentioned above as well as in others. POMTOC has already invested more than \$10 million in yard improvements such as a new terminal operating system, top lifts, security infrastructure and other leasehold improvements.

In return for the aforementioned recommended extensions, POMTOC agrees to increase its minimum throughput from 2,000 Twenty Foot Equivalent Units ("TEUs") per acre to 2,680 commencing in year one of the Amended and Restated Agreement; 3,000 on year 6; 3,250 on year 11; 3,500 on year 16 ; and 3,750 during the renewal period. Additionally, POMTOC has agreed to increase its land rent from \$.25 to \$.28 per square foot for the first year of the amended and Restated Agreement; \$.31 per square foot for the second year; \$.33 for the third year; \$.34 for the fourth year; and up to the CPI average for the South Region for the fifth year and beyond as deemed appropriate by the Port.

As part of this proposed Restated Agreement, POMTOC also agrees to reduce its terminal area from 135 acres to approximately 116. This reduction is the result of certain land reallocations necessitated by the Port's existing capital development program as well as POMTOC's acquiescence at the Port's request to relinquish approximately 14 acres of land for use by another Port customer.

Finally, as part of the consideration for entering the Restated Agreement, POMTOC agrees to forgo approximately \$650,000 in cash due from the Port for payments made to the Port for land not available to POMTOC. Under the terms of the original Agreement, POMTOC's terminal area was set at 135 acres. The 135 acre estimate was derived through the utilization of an old survey. Subsequent current surveys of its terminal, conducted by newer and more accurate technology, revealed that the total acreage available was approximately 128; however, POMTOC continued paying rent based on 135 acres.

Throughout its first 12 years at the Port of Miami POMTOC has played a significant role in the Port's expansion and has also demonstrated sound industry and business skills in adapting and managing the Port's growth. Through joint marketing efforts, the Port reached for the first time in its history the one million TEU mark in 2003 and is now poised to achieve greater record numbers. These achievements cannot be realized without the support and complementing efforts of its terminal operators. The recommended Restated Agreement will place the Port of Miami and POMTOC in position to operate a world class common user terminal with the necessary infrastructure and technology required to do so and take advantage of existing market trends to capture additional business at the Port of Miami.

Fiscal Impact

Execution of this operating agreement will provide the Port an additional \$137,691 in annual rent revenues in addition to the \$21.6 million generated yearly as result of POMTOC's operations at the Port.

Memorandum

MIAMI-DADE
COUNTY

DATE: July 22, 2008

TO: Christopher R. Mazzella
Inspector General

FROM: Bill Johnson
Port Director

SUBJECT: Response to July 10, 2008 and July 14, 2008 OIG Memoranda:
Port of Miami Terminal Operating Agreement, L.C. (POMTOC)
Arrearages and Contract Lease Acreage, Ref IG07-74

The Office of the Inspector General (OIG) issued two memoranda in July, one to the Mayor and one to my office, regarding POMTOC arrearages. The memoranda recommended that the Port of Miami resolve recorded arrearage issues prior to the conclusion of the lease renewal negotiation process; it also recommended that the Port invoice POMTOC \$489,949 (OIG estimate) for unrecorded land rent arrearages and that we inform them that our standard Tariff provisions concerning delinquencies will apply. The Port is in full agreement with the OIG's recommendations.

I have directed my staff to resolve the arrearage and disputed rent issues in the near term regardless of the outcome of the contract extension discussions, and to issue an invoice to POMTOC immediately for under-billed rent regarding a 14.16 acre parcel recently transferred from POMTOC to the Port. While there are several claims and counter claims concerning POMTOC land rent, both parties seem to agree that POMTOC will be responsible for any amount owed the Port regarding the parcel in question.

As in previous cargo negotiations, I am looking forward to your staff's continued professional and able assistance in outlining and unraveling these complicated disputes.

cc: Denis Morales, Chief of Staff, Office of the Mayor
George M. Burgess, County Manager
Ysela Llort, Assistant County Manager
Charles Anderson, Commission Auditor
Clerk of the Board

2008 JUL 23 PM 2
OIG OFFICE OF
INSPECTOR GEN