Minutes for Audit Committee Meeting

04/28/2025 | 08:15 AM - 08:44 AM - Eastern Time (US and Canada)
JAXPORT Executive Conference Room, 2831 Talleyrand Ave., Jacksonville, FL

Audit Committee Members Attending:

Mr. Palmer Clarkson, Audit Committee Chair
Ms. Soo Gilvarry, Member
Mr. Tom Slater, Member
Mr. Patrick Kilbane, Member via Zoom

Other Board Members Attending:

Mr. Daniel Bean, Board Member
Mr. Charles Spencer, Board Member

Other Attendees:

Mr. Eric Green, CEO
Mr. Joey Greive, CFO
Ms. Beth McCague, Chief of Staff – via audio
Mr. James Bennett, COO
Mr. Nick Primrose, Chief Regulatory Compliance
Ms. Chelsea Kavanagh, Chief Communications Officer
Mr. Reese Wilson, Office of General Counsel
Ms. Rebecca Dicks, Board Liaison

A meeting of the Jacksonville Port Authority Audit Committee was held on Monday, April 28, 2025 in the JAXPORT Executive Conference Room, 2831 Talleyrand Avenue, Jacksonville, Florida. Chair Palmer Clarkson called the meeting to order at 8:15AM and welcomed all attendees. He also recognized new Board Member Charles Spencer.

Approval of February 24, 2025 Audit Committee Meeting Minutes

Chair Clarkson called for approval of the February 24, 2025 Audit Committee meeting minutes. After a motion to approve the minutes by Mr. Kilbane and a second by Mr. Slater, the Committee unanimously approved the minutes as submitted.

Chair Clarkson stated that he called this meeting to give the Audit Committee an opportunity to review and discuss the proposed FY25/26 budget ahead of the July 1, 2025 submission deadline. He stated that the committee will not vote on this item today, but that this meeting is just for discussion and a chance to review the proposed FY25/26 budget and provide feedback to management.

Chair Clarkson then asked Joey Greive to begin the discussion on the FY25/26 budget. Mr. Greive thanked the Audit Committee for the opportunity to present the budget in advance. He noted that the process worked well last year, allowing him to gather valuable feedback from the Board. Presenting the budget early gives the Board a meaningful opportunity to provide input and be part of the process ahead of the full Board vote scheduled for the June 23, 2025, meeting.

The budget process began approximately two months ago, with departments providing feedback on their expenses - what worked this year, what they anticipate needing next year, and any developments to plan for. Overall, expenses remain relatively flat year over year, reflecting a consistent level of service provided by the organization.

Before discussing expenses, Mr. Greive highlighted revenues, noting that approximately 45% of revenue comes from containers. While this percentage is a slight decrease, it's not due to a projected decline in container volume, but rather an expected increase in cruise revenue with the arrival of the *Norwegian Gem*, which is scheduled to set sail for the first time this October.

Mr. Greive noted an increase in auto revenue due to Southeast Toyota's relocation to a new, state-of-the-art $140 million facility at Blount Island. The move from their current 55-acre site at Talleyrand to the expanded footprint at Blount Island will generate higher rent revenue, with Southeast Toyota paying $45,000 per acre.

Chair Clarkson asked Mr. Greive to explain how revenues are calculated given the fixed nature of Minimum Annual Guarantees (MAGs). Mr. Greive explained that the finance team works closely with Linda and Robert to review every tenant contract line by line, projecting growth over the next three to five years, with a focus on the upcoming budget year. This process supports the point that approximately 60% of JAXPORT's revenue is protected through MAGs built into tenant agreements.

Mr. Greive then addressed operating expenses, noting that salaries and benefits account for approximately 44% of the total—comparing favorably to the city and other independent authorities. This figure includes cost-of-living increases, with a typical annual salary escalator of around 4% built into the budget.

Mr. Greive identified berth maintenance dredging as another major expense driver. He explained that despite no direct hits to Jacksonville, last year's active storm season - particularly storms passing through Central Florida's St. Johns River basin - caused significant siltation. This sediment gradually travels upriver over 12 to 18 months, ultimately accumulating at JAXPORT's docks and requiring costly dredging.

Mr. Greive explained that JAXPORT has secured an arrangement with FEMA - thanks to the efforts of Nick Primrose and Eric - allowing the first dredging event at each berth following a storm to be reimbursed through FEMA claims. While the financial impact won't be felt in the current budget year due to processing time, these future reimbursements will help offset storm related expenses that inevitably arise each year at the port. For now, JAXPORT is covering the cost upfront, with the expectation of future FEMA support.

Chair Clarkson requested that Mr. Greive conduct a benchmark comparison with other ports - such as Charleston, Savannah, Tampa, and Fort Lauderdale - to evaluate how JAXPORT measures up.

Mr. Greive noted that employee benefits are likely to experience the most significant inflation-driven increases in the coming years. From FY25 to FY26, benefits are projected to grow by 9%, primarily due to rising healthcare costs and increases in the Florida Retirement System contributions.

On the non-operating expense side, key cost drivers in the current year included a couple of crane demolitions which were addressed as planned. No crane demolitions are budgeted for FY26.

Mr. Greive explained that the $2.7 million shown in the FY25 Non-Operating Expense Category was an upfront Norwegian fee, which will be recouped over the next three sailing seasons. This expense does not recur in FY26, making it a one-time anomaly tied to securing new business—a positive development for the port.

Mr. Greive stated that the FY26 operating budget reflects overall growth, with revenues projected to increase by approximately 8% and expenses by about 6%. This results in a slightly improved operating income for FY26 compared to FY25.

Mr. Kilbane inquired whether contingencies are typically built into the budget. Mr. Bennett confirmed that contingency is generally included at the capital project level.

Mr. Greive turned the meeting over to COO James Bennett to discuss some of the port’s construction projects.

Mr. Bennett highlighted key construction projects. The primary focus now is completing the significant Berth 20 construction project, which is already well underway.

In addition to ongoing initiatives, construction of the new fire station is scheduled to begin this year. Another key project focuses on improving traffic flow on the island by developing a new entrance near Blount Island Boulevard. This entrance will add three additional security checkpoints, significantly increasing truck processing capacity and easing overall traffic congestion.

In Linda Williams’ absence, Mr. Greive provided a brief overview of the Collective Bargaining Agreement recently reached between management and the Union.

There being no further business, the meeting adjourned at 8:44AM.