

BOARD OF DIRECTORS MEETING
Audit Committee
Jacksonville Port Authority
May 24, 2016

A meeting of the Jacksonville Port Authority Audit Committee was held on Tuesday, May 24, 2016 at the Port Central Office Building, 2831 Talleyrand Avenue, Jacksonville, Florida. Vice Chairman Citrano called the meeting to order at 9:03 a.m. and welcomed all attendees.

Committee/Board Members Attending:

Mr. Jim Citrano, Vice Chairman
Mr. Ed Fleming, Treasurer
Mr. Joe York, Secretary
Dr. John Newman, Chairman

Other Attendees:

Mr. Brian Taylor, CEO
Ms. Linda Williams, Director of Human Resources & Corporate Performance
Mr. Gayle Petrie, Assistant General Counsel, City of Jacksonville
Ms. Becky Dicks, Board Secretary

Mr. Citrano thanked Ms. Linda Williams for the CEO Review Process update she provided to the Audit Committee and stated that he felt the Audit Committee had enough data to look at this review in a meaningful way.

Mr. Taylor stated that his recommendation would be that any adjustment the Audit Committee may determine to give him be made consistent with when we adjust every other employee's salary here in the organization.

Mr. Citrano stated that in terms of adjusting the CEO's compensation, it would be based upon merit as to his having achieved his objectives. He then asked Mr. Taylor to give an update on how he accomplished his objectives.

Mr. Taylor stated that this past year was a really great year for JAXPORT. The things that we said we were going to do in our strategic plan were executed exactly as they were outlined and done within the budgets allocated and on time. In terms of new business, we brought in Volkswagen, Chrysler Fiat, and Maersk Line. We had a number of significant wins in our project cargo sector after the new berth that we built out at Blount Island was finally reopened. So all the things we said we were going to do, we have done and continue to do. He stated that he thinks we are really starting to see that reflected now in the results of the port. When you look at the last 6 months, there was an 11% revenue increase, 16% increase in our Asian cargo because of the arrival of Maersk Line, 10% increase in our container volumes; there was only a 4% increase in our automobile business because of the US dollars issue related to our exports. Our imports are still flowing in at much greater numbers.

Mr. Taylor stated he feels really good about what has been accomplished and he's not going to take credit for all of it because it is a team effort. He leads the team, but the team has done a lot of great work to help us get to where we are today. Right now, he thinks we are very well positioned for the future.

Mr. Taylor thinks we have made a lot of progress in getting state funded commitments for the harbor deepening project. He stated it is not all there, but from where we were a year ago, which was zero from the state, and now to have at least \$167 million dollars set aside for harbor deepening and still more to come is a lot of progress.

Mr. Taylor stated that his biggest challenge has been trying to get federal funding assigned to this project. He stated that we are working every angle that we can and we won't give up until we get some type of federal funding.

Mr. Taylor stated that the port's relationship with City Council is at an all-time high. He has spent a lot of time trying to make sure that our relationship with them is strong. He meets with them quarterly and he thinks it has allowed us to overcome some of the past history.

As to the major projects, Mr. Taylor stated that they are all listed out in his accomplishments of the objectives – Mile Point will be finished this year, the ICTF will open in August, the cranes are coming, the berths are on schedule and on budget, the sheet pile work at Talleyrand is going exactly how we expected it. We set a cost saving target this past year which we have hit and exceeded. Our revenue came in \$400,000 below planned in 2015 – 3.9% vs. the 4% that we had put up there as the target we wanted to hit. He stated this was a little bit of a disappointment, but as he has mentioned to the Board before, what he has learned in this job is that things don't happen quickly, but as we look at 2016, a lot of things have started to hit now and we are running 11% ahead of last year and we are tracking several percentage points ahead of what we budgeted. Our Puerto Rico business is up 10% from what it was last year. Mr. Taylor stated that we make progress on some of the key contracts related to the strategic plan. He truly feels that the objectives he laid out for this team has been fairly well accomplished in the past year. He stated that we have strengthened the organization and made a few changes and put people in new roles. We are continuing to work on succession planning and it is an ongoing process, but he feels good about the progress we are making.

So, as he looks ahead, it is succession planning, funding for deepening, getting this project moving, making sure that we do the right things with TraPac, try not to lose any business this year, and continue our growth in the Asian Pacific trade as we have done in the last six months. This concluded Mr. Taylor's comments.

Vice Chairman Citrano stated that he agreed with all of Mr. Taylor's comments. He stated development of staff is a key issue for him, and he sees measurable growth of some of the staff members under Mr. Taylor's watch. He stated that this is an area he will continue to discuss with the CEO as we keep on rewarding and positioning people so we have a strong staff.

Mr. Fleming stated that he would like to see Mike Poole take a more active role in the cost benefit analysis discussions when we decide to make strategic investments. Mr. York agreed and thinks Mr. Poole's role should be broadened for him to give a more dynamic cost analysis of upcoming projects and break down the metrics for the Board members so they can see all the different financial aspects and projections of the projects.

Vice Chairman Citrano stated that he thinks the CEO has made great strides in Board member communication, but there is always more work to be done there. Both Mr. Fleming and Mr. York stated that Mr. Taylor has done an excellent job in keeping the Board informed and that he is always accessible to the Board members. The Audit Committee all agreed that the CEO should continue to sharpen this skill as this will always be a challenge.

After more discussion, Mr. Taylor left the meeting at 9:45AM.

Vice Chairman Citrano stated he would like comments from the other two Audit Committee members regarding the CEO's Review. After much discussion it was decided that Mr. Taylor is doing a good job and the committee wants to give him a vote of confidence and award him an increase of 3%. The Audit Committee all agreed that the CEO's increase needs to be aligned with the team and be at the same rate that was negotiated with the union. After a motion by Mr. York and a second by Mr. Fleming, the Audit Committee voted unanimously to award the CEO a 3% increase.

Vice Chairman Citrano then called for approval of the March 28, 2016 and April 25, 2016 Audit Committee meeting minutes. After a motion by Mr. York and a second by Mr. Fleming, the Committee unanimously approved the minutes as submitted.

There being no further business of the Audit Committee, the meeting was adjourned at 10:00 a.m.