

Audit Committee Meeting

June 28, 2021 08:15 AM



Agenda Topic

Presenter

- | | | |
|------|---|----------------------|
| I. | Call Meeting to Order | Chair Wendy Hamilton |
| II. | Approval of February 22, 2021 Audit Committee Meeting Minutes | |
| III. | Proposed Operating & Capital Budget for FY2022 | Beth McCague |
| IV. | Billing Audit Update | Beth McCague |
| V. | Other Info, Comments, Questions, Concerns | |
| VI. | Adjourn | Chair Wendy Hamilton |

The next Audit Committee Meeting is scheduled for September 27, 2021.



Minutes for Audit Committee Meeting

02/22/2021 | 08:30 AM - 08:47 AM - Eastern Time (US and Canada)

2831 Talleyrand Avenue, Jacksonville, FL 32206

Audit Committee/Board Members Attending:

Ms. Wendy Hamilton, Audit Committee Chairwoman
Mr. Palmer Clarkson, Member
Mr. Daniel Bean, Member

Other Board Members Attending:

Mr. Ed Fleming, Board Member

Other Attendees:

Ms. Beth McCague, CFO
Mr. Fred Wong, COO
Ms. Linda Williams, Chief, Adm. & Corporate Performance
Mr. Mike McClung, Director of Finance
Mr. Nick Primrose, Chief, Regulatory Compliance
Mr. David Migut, Office of General Counsel
Mr. Jeff Zeichner, RSM
Ms. Rebecca Dicks, Board Liaison

Agenda

Call Meeting to Order

A meeting of the Jacksonville Port Authority Audit Committee was held on Monday, February 22, 2021 at the Port Central Office Building, 2831 Talleyrand Avenue, Jacksonville, Florida. Chairwoman Wendy Hamilton called the meeting to order at 8:30 a.m. and welcomed all attendees.

Approval of December 7, 2020 Audit Committee Meeting Minutes

Chairwoman Hamilton called for approval of the December 7, 2020 Audit Committee meeting minutes. After a motion to approve the minutes by Mr. Bean and a second by Mr. Clarkson, the Committee unanimously approved the minutes as submitted.

FY2020 Audit Financial Statements

Ms. Hamilton then turned the meeting over to Mr. Jeff Zeichner of RSM to discuss the FY2020 Audited Financial Statements.

Mr. Zeichner began his presentation by thanking the JAXPORT team for being adaptive to the current environment during this past year. He stated that even though it was an unusual year, he is pleased to present that the Annual Financial Report for the year ended September 30, 2020 shows that RSM has issued an unmodified opinion on the port's financial statements, and that they have identified no internal control deficiencies and no non-compliance.

After a motion by Mr. Clarkson and a second by Mr. Bean, the Audit Committee unanimously accepted RSM's Audited Financial Report for the fiscal year ended on September 30, 2020.

Follow-up Discussion on Restructuring CEO Performance Scorecards

Chairwoman Wendy Hamilton reminded the committee that they previously had some discussion about measuring the CEO's smart goals on a multi-year instead of a single year basis. She recommended that the CEO's smart goals as previously stated should remain in place since we are almost six months into the current fiscal year and suggested that the Audit Committee table this discussion until such time as it considers the CEO's smart goals for fiscal year 2022. Audit Committee members Clarkson and Bean agreed.

Adjourn

Chairwoman Hamilton asked if there were any more questions or concerns. There being none, the meeting adjourned at 8:47 a.m.

BD2021-06-02



**SUBMISSION
FOR
BOARD APPROVAL**

SUBJECT: Proposed Operating and Capital Budget for FY2022

COST: \$ NA

BUDGETED: N/A

SOURCE OF FUNDS: NA

BACKGROUND:

The Jacksonville Port Authority (JAXPORT) is required by Section 5 of its Charter to prepare and submit its Annual Budget to the Council of the City of Jacksonville on or before July 1 for the ensuing fiscal year. Senior Management has reviewed the proposed Operating and Capital Budget for the Fiscal Year Ending of September 30, 2022. After Board approval, the proposed budget will be submitted to the Council of the City of Jacksonville in the format requested by the Council Auditors on July 1. It will be formally submitted to the Finance Committee of the City Council in late August and the full Council in late September.

RECOMMENDATION:

It is recommended that the Board approve the proposed FYE 2022 Operating and Capital Budget as presented and its submission in the appropriate format to the Finance Committee of the Council of the City of Jacksonville.

ATTACHMENTS:

- Board Resolution
- FY 2022 Budget

BD2021-06-02



**SUBMISSION
FOR
BOARD APPROVAL**

RECOMMENDED FOR APPROVAL:

Beth McCague
Chief Financial Officer

A handwritten signature in black ink that reads "Beth McCague".

Signature

SUBMITTED FOR APPROVAL:

Eric Green
Chief Executive Officer

A handwritten signature in black ink that reads "Eric Green".

Signature

BOARD APPROVAL:

Meeting Date:

June 28, 2021

Rebecca Dicks/Recording Secretary

ATTEST:

Daniel K. Bean, Secretary

Jamie Shelton, Chairman

A RESOLUTION OF THE JACKSONVILLE PORT AUTHORITY APPROVING A PROPOSED OPERATING AND CAPITAL BUDGET FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2022 DIRECTING THAT SUCH BUDGET BE SUBMITTED TO THE COUNCIL OF THE CITY OF JACKSONVILLE, FLORIDA; PROVIDING AN EFFECTIVE DATE.

WHEREAS, the Jacksonville Port Authority (the Authority) has prepared a proposed Operating and Capital Budget for the Fiscal Year Ending September 30, 2022 and,

WHEREAS, Section 5 of the Authority's Charter requires the Authority to prepare and submit its Budget to the Council of Jacksonville on or before July 1 for the ensuing fiscal year.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Jacksonville Port Authority:

Section 1: The Authority hereby approves a proposed Operating and Capital Budget for the Fiscal Year Ending September 30, 2022.

Section 2: Management is hereby authorized and directed to formally submit the proposed Operating and Capital Budget in the appropriate format to the Council of the City of Jacksonville on or before July 1, 2021.

Section 3: Effective Date. This Resolution shall take effect immediately upon its adoption.

APPROVED AND ADOPTED 28th day of June 2021.

(Official Seal)

JACKSONVILLE PORT AUTHORITY

ATTEST:

Daniel K. Bean, Secretary

Jamie Shelton, Chairman

**JACKSONVILLE PORT AUTHORITY
ANALYSIS OF FY 2021/2022 OPERATING BUDGET**

	2020/2021 ORIGINAL BUDGET	2020/2021 PROJECTED (per JPA)	2021/2022 PROPOSED BUDGET	% Increase (Decrease) of 2021/2022 JPA Budget Over 2021/2022 ORIGINAL		% Increase (Decrease) of 2021/2022 JPA Budget Over 2021/2022 PROJECTED	
OPERATING REVENUES							
Containers	\$ 31,064,366	\$ 27,957,481	\$ 29,856,732	\$ (1,207,634)	-3.89%	\$ 1,899,251	6.79%
Autos	14,985,447	15,361,184	15,220,500	235,053	1.57%	(140,684)	-0.92%
Military	1,270,000	850,603	998,133	(271,867)	N/A	147,530	17.34%
Break Bulk	4,093,136	4,665,518	4,133,415	40,279	0.98%	(532,103)	-11.41%
Liquid Bulk	1,312,622	1,443,414	1,490,922	178,300	13.58%	47,508	3.29%
Dry Bulk	2,018,956	1,989,760	2,078,202	59,246	2.93%	88,442	4.44%
Cruise	2,000,000	-	1,224,130	(775,870)	-38.79%	1,224,130	N/A
Other Operating Revenues	2,550,480	4,142,402	2,778,721	228,241	8.95%	(1,363,681)	-32.92%
TOTAL OPERATING REVENUES	\$ 59,295,007	\$ 56,410,362	\$ 57,780,755	\$ (1,514,252)	-2.55%	\$ 1,370,393	2.43%
OPERATING EXPENDITURES							
Salaries	\$ 12,229,040	\$ 12,063,530	\$ 13,120,191	\$ 891,151	7.29%	\$ 1,056,661	8.76%
Employee Benefits	5,356,482	5,319,122	5,913,133	556,651	10.39%	594,011	11.17%
Services & Supplies	4,090,702	3,885,088	4,948,700	857,998	20.97%	1,063,612	27.38%
Security Services	5,009,338	4,781,209	5,402,169	392,831	7.84%	620,960	12.99%
Business Travel & Training	443,111	280,388	576,725	133,614	30.15%	296,337	105.69%
Promotion, Advertising, Dues	631,897	598,087	734,327	102,430	16.21%	136,240	22.78%
Utility Services	803,875	727,678	781,944	(21,931)	-2.73%	54,266	7.46%
Repairs & Maintenance Projects	1,812,165	1,705,161	2,077,416	265,251	14.64%	372,255	21.83%
Crane Maintenance Pass Thru	(450,000)	(401,140)	(450,000)	-	0.00%	(48,860)	12.18%
Berth Maintenance Dredging	5,499,738	5,499,738	5,335,165	(164,573)	-2.99%	(164,573)	-2.99%
Miscellaneous	234,457	195,542	163,115	(71,342)	-30.43%	(32,427)	-16.58%
TOTAL OPERATING EXPENDITURES	\$ 35,660,805	\$ 34,654,403	\$ 38,602,885	\$ 2,942,080	8.25%	\$ 3,948,482	11.39%
OPERATING INCOME	\$ 23,634,202	\$ 21,755,959	\$ 19,177,870	\$ (4,456,332)	-18.86%	\$ (2,578,089)	-11.85%
NON-OPERATING REVENUES/(EXPENSES)							
Debt Service	\$ (22,929,363)	\$ (16,229,363)	\$ (16,785,534)	\$ 6,143,829	-26.79%	\$ (556,171)	3.43%
Investment Income	146,344	10,000	8,688	(137,656)	-94.06%	(1,312)	-13.12%
Shared Revenue from Primary Govt	9,588,317	9,757,089	9,600,000	11,683	0.12%	(157,089)	-1.61%
Crane Relo/Demo	-	(706,429)	-	-	-	706,429	-100.00%
Operating Grant	-	-	73,440	73,440	-	73,440	-
Other Revenue	8,500	4,430	8,500	-	0.00%	4,070	91.87%
Other Expense	(3,360)	(4,003,704)	(3,360)	-	0.00%	4,000,344	-99.92%
NET INCOME BEFORE CAPITAL CONTRIBUTION AND CONTINGENCY	\$ 10,444,640	\$ 10,587,982	\$ 12,079,604	\$ 1,634,964	15.65%	\$ 1,491,622	14.09%
TRANSFER TO OPERATING CAPITAL OUTLAY	\$ (10,444,640)	\$ (10,587,982)	\$ (12,079,604)	(1,634,964)	15.65%	(1,491,622)	14.09%
CAPITAL PROJECT RESERVE	\$ -	\$ -	\$ -	\$ -	-	\$ -	-

Jacksonville Port Authority

Proposed Capital Projects - Budget 2021-2022

Location	Description	Amount	STATE	FEDERAL	TENANT CONTRIBUTION	JPA OPERATING FUNDS	CASH RESERVE	JPA FINANCING
Blount Island	Container Terminal Upgrades	\$ 72,000,000			20,000,000	52,000,000		
	Breasting Dolphin - Berth 22 - Design & Construction	\$ 2,750,000	2,062,500				687,500	
	Rehabilitate Berths 33 & 34	\$ 1,500,000	1,125,000				375,000	
	Intersection Improvements @ Wm Mills/Dave Rawls (WB rt Turn slip, SSA queue, DR Left)	\$ 750,000	375,000				375,000	
	Tenant Asphalt Facility Rehab	\$ 282,000					282,000	
	Install Rail Gates at Crossings (CNST) - 2 Locations (Berth 20 & Dave Rawls)	\$ 250,000					250,000	
	Pile, Cap and Beam Rehab BIMT	\$ 200,000						200,000
	RoRo Entrance Design	\$ 200,000	100,000					100,000
	Crane Rail Grout 100 - 200 linear feet per year	\$ 150,000					150,000	
	Transit Shed #1 Rehab Design	\$ 100,000					100,000	
	Resurface ACC and add parking and curbing	\$ 65,000					65,000	
	Roof Replacement Access Control/Operations Bldg	\$ 50,000						50,000
	HVAC Upgrades at Tenant Office Building	\$ 50,000					50,000	
	Intersection Impvts at BI Blvd/Intermodal/Berth 20	\$ 50,000					50,000	
	Refurbish and Paint Maintenance Shed and Areas	\$ 40,000						40,000
	Terminal Wide Striping (Thermoplastic)	\$ 40,000					40,000	
Stormwater Pond Outfall upgrades for Tenants	\$ 20,000					20,000		
Total Blount Island	\$ 78,497,000		\$ 3,662,500	\$ 20,000,000	\$ 52,000,000	\$ 1,382,000	\$ 1,452,500	\$ -
Dames Point	Slope Protection between Cruise Terminal & Tenant (Design & Construction)	\$ 1,000,000	500,000			500,000		
	August Drive Bridge Sheet Pile Wall Replacement Construction	\$ 500,000	250,000					250,000
	Asphalt Rehab Tenant	\$ 250,000					250,000	
Total Dames Point	\$ 1,750,000		\$ 750,000	\$ -	\$ -	\$ 500,000	\$ 250,000	\$ 250,000
Talleyrand	Tenant Warehouse Rehab - ROOF only	\$ 2,000,000	1,000,000				1,000,000	
	Rehabilitate Under Deck Concrete	\$ 1,900,000	1,425,000				475,000	
	Pile, Cap and Beam Rehab TMT-Berth 5 - (Cleaning, Design, Construction)	\$ 950,000	712,500				237,500	
	Tenant Processing Bldg-Upgrade 3 Air Handlers	\$ 250,000	125,000				125,000	
	Terminal Facility Maintenance Building	\$ 250,000					250,000	
	Dock Curbing upgrade 900 LF (remove and replace from 1420 to 2935)	\$ 250,000					250,000	
	Resurface Leased Areas - TMT	\$ 200,000	100,000				100,000	
	Westrock Property Development PH 1 (Design & Demo)	\$ 150,000	75,000				75,000	
	Crane Rail Grout 100 - 200 linear feet per year	\$ 150,000					150,000	
	South Rail Crossing Arms installation on Talleyrand	\$ 72,000	72,000					
	Tenant Warehouse 9 roof repairs	\$ 35,000					35,000	
Total Talleyrand	\$ 6,207,000		\$ 3,509,500	\$ -	\$ -	\$ 500,000	\$ 2,197,500	\$ -
General Port Related	Upland Dredge Material Mgmt Area-Bartram Island-"C"-Construction	\$ 11,000,000				6,704,755		4,295,245
	Upland Dredge Material Management Area Construction Buck B - Phase 2	\$ 5,800,000	2,900,000				2,900,000	
	PSGP Rd 20 Security Grant	\$ 1,308,853		981,640		327,213		
	Property Acquisition adjacent to TMT South	\$ 1,000,000					1,000,000	
	PSGP Rd 21 Security Grant	\$ 500,000		375,000			125,000	
	Capitalize In-House Engineering Services	\$ 400,000				400,000		
	PCOB Renovations	\$ 350,000				350,000		
	FSTED 20 Security Grant	\$ 155,000	116,250				38,750	
	Misc Land Acquisition	\$ 100,000					100,000	
	Strategic Master Plan	\$ 100,000					100,000	
	Buck Island Access Road Bridge (Concept Development)	\$ 20,000						20,000
FSTED 19 Security Grant	\$ 19,344	14,508				4,836		
Total General Port Related	\$ 20,753,197		\$ 3,030,758	\$ 1,356,640	\$ -	\$ 8,025,554	\$ 4,045,000	\$ 4,295,245
Total Other Capital	\$ 1,672,050		\$ -	\$ -	\$ -	\$ 1,672,050	\$ -	\$ -
TOTAL CAPITAL PROJECTS	\$ 108,879,247		\$ 10,952,758	\$ 21,356,640	\$ 52,000,000	\$ 12,079,604	\$ 7,945,000	\$ 4,545,245

BUDGET - VITAL STATISTICS

Revenue Budget FY21/22

CARGO INDICATORS

	FY20/21 Projection	FY21/22 Budget	FY21/22 Bud vs. FY20/21 Proj
Total Tons	10,326,742	10,423,343	0.94%
Total Revenue	\$56,410,362	\$57,780,755	2.43%

Operating Revenue/Statistics

	FY20/21 Projection	FY21/22 Budget	FY21/22 Bud vs. FY20/21 Proj
Container Revenue	\$27,957,481	\$29,856,732	6.79%
Container TEUs	1,383,519	1,358,867	-1.78%
Auto Revenue	\$15,361,184	\$15,220,500	-0.92%
Auto Units	659,367	723,674	9.75%
Military Revenue	\$850,603	\$998,133	17.34%
Military Units	3,778	6,000	58.83%
Breakbulk Revenue	\$4,665,518	\$4,133,415	-11.40%
Breakbulk Tons	720,135	767,593	6.59%
Liquid Bulk	\$1,443,414	\$1,490,922	3.29%
Liquid Bulk Tons	430,145	430,145	0.00%
Dry Bulk	\$1,989,760	\$2,078,202	4.44%
Dry Bulk Tons	685,061	810,000	18.24%
Cruise Revenue	\$0	\$1,224,130	100.00%
Cruise Passengers	-	61,620	100.00%
Total Cargo Revenue	\$52,267,960	\$55,002,034	5.23%
Other Revenue	\$4,142,402	\$2,778,721	-32.92%



Billing Verification Report

Presentation to JAXPORT Audit Committee



BACKGROUND

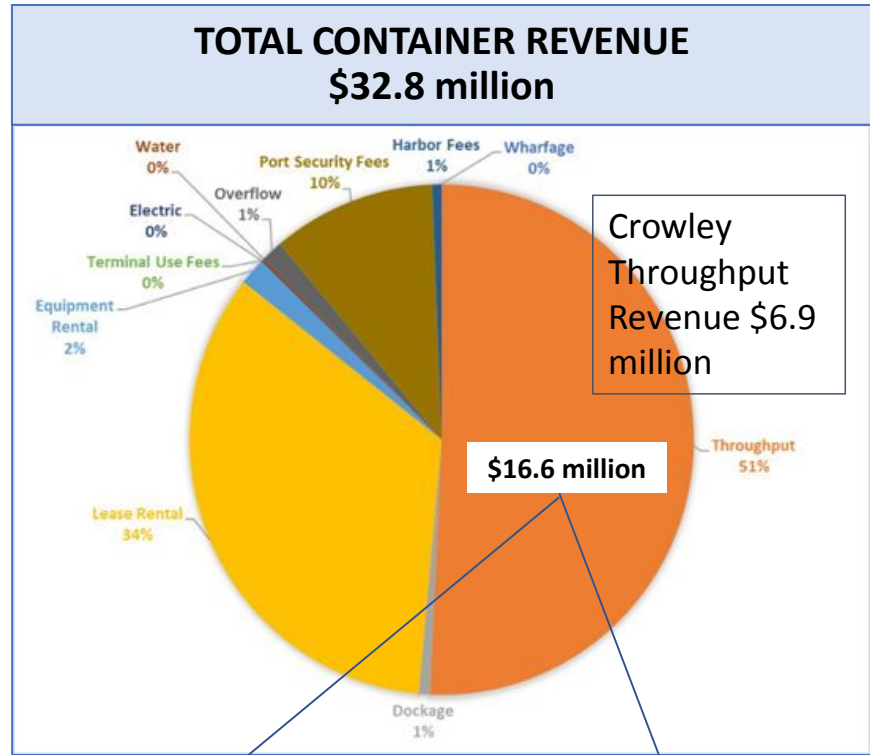
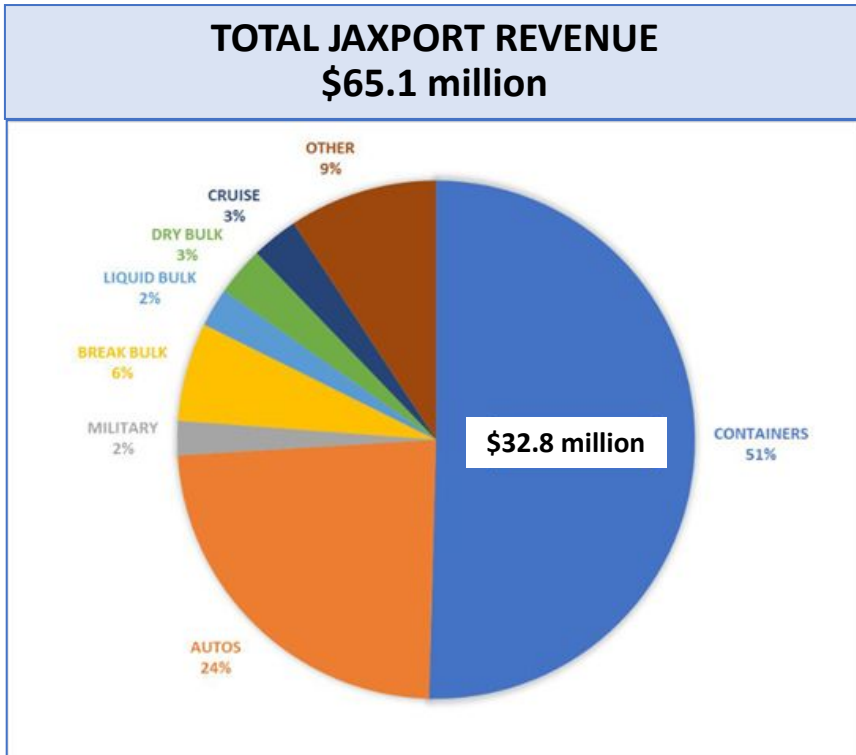
- JAXPORT's internal financial audit identified some concerns regarding accuracy and verification of billing information received from Tenants and Customers.
- The Audit Committee directed staff to review all processes related to the internal billing functions and recommend improvements.
- Staff has conducted a comprehensive review of the billing functions.
- A comprehensive *Billing Process Improvement Plan* was developed by a team of internal staff under the direction of the CFO and Director of Finance with input from external resources.
- The plan will provided a roadmap to begin regularly scheduled reviews of JAXPORT tenants and customers utilizing tariff or contacted pricing.



OBJECTIVE

- Define and document a comprehensive plan to ensure JAXPORT tenants and customers are being accurately billed in a timely and consistent manner for services rendered that are subject to either contract or tariff pricing in accordance with established contractual, financial and billing protocols.
- Using the above plan, formal reviews of select customers will begin in January/February 2021.

FYE 9-30-20



International Customers:
\$4 million (36%)

Domestic Customers:
\$12.6 million (76%)



OBSERVATIONS

- Billing information received from tenants and customers handling international and vehicle cargo is reliable for billing purposes as it is sourced from vessel manifest data, the same data that is submitted to U.S. Customs.
- Staff analysis concluded that approximately 80% of total billings are considered to be verifiable, with appropriate source documents such as manifests and direct vessel information.
- A manifest is a compilation of information about the cargo carried on a vessel destined to or from a U.S. port. The manifest describes all the cargo on the vessel, such as the origin, destination, commodity, weight, shipper, etc. This information is required to be transmitted to U.S. Customs electronically by the carrier in advance of vessel arrival or departure.



OBSERVATIONS

- Approximately 20% of our total revenue (primarily “Container Throughput”) will be examined more closely in our customer review process.
- Specifically, our Puerto Rico carriers operate under a different set of federal regulations as “domestic” carriers; therefore, they are not required to file the same automated manifest information with U.S. Customs.
 - We estimate that this portion of total annual revenue is approximately \$12.6 million (19%) and will be the initial focus of our revenue verification review.



CONCLUSION

- Internal staff will continue reviewing billing documents and processes, focusing on Container Throughput for Puerto Rico (i.e. domestic) carriers.
- An external audit resource will be identified and engaged to oversee and reconcile customer billing verification with a target implementation date of January 2021.
- Meetings will be arranged with the appropriate key personnel within our customers' organizations to assist us in identifying additional data sources needed to verify submitted billing information.
- A new billing information template is being developed to standardize information collected from each customer.
- Staff efforts are focused in two main areas:
 1. Revenue Verification
 2. Process Improvement



BILLING AUDIT RESULTS

We secured (CPA with audit experience) to develop Audit processes and examine customer billing processes

Auditor reviewed Crowley procedures for weighing cargo

Confirmed containers weighed at JAXPORT entry gate

Scales used are JAXPORT owned and calibrated annually/certified by Florida Dept. of Agriculture

Auditor met with Crowley personnel to document reports and processes Crowley uses to prepare billing information

Auditor randomly selected 10% of the Crowley vessel population (October 1-March 15) including each of the two Crowley vessels

Further selected voyages in the North/South lane and South/North lane

Auditor received and reviewed

Actual load plan from Crowley's vessel planning system (Spinnaker) *used to load and balance ship*

Load Detail report Lists each individual container by size and shows location on ship

Breakdown by containers including empties (Crowley Load Recap Report)

Total net cargo weight (Crowley's Passport system) fed by JAXPORT scales

Crowley listing of vehicles shipped



BILLING AUDIT RESULTS

Load Recap Report

Amounts agreed in total. Discrepancies noted between empty and loaded containers

Variance explained by Crowley coding empty containers which carried hazardous materials as loaded for purpose ensuring separation of those containers from refrigerated or other incompatible cargo

Load Detail Report

Information agreed-no exceptions noted

Spinnaker Report

No exceptions noted

Net Cargo weight reported to JAXPORT

No exceptions noted

Vehicle breakdown agrees to amounts reported to JAXPORT

No exceptions noted

Final check-

Reviewed PIERS report for two of the vessels under Audit review

Compared vessel cargo weight information provided by PIERS (weight only)

to information provided by Crowley Passport to JAXPORT for billing

Voyage container tonnage varied 4-6% (over) compared to PIERS data

Based on this independent review, it appears information provided to JAXPORT by Crowley for billing purposes is accurate.

** Piers data relied on for directional, not exact information*

