



## **Minutes for Audit Committee Meeting**

09/26/2022 | 08:00 AM - 08:53 AM - Eastern Time (US and Canada)

JAXPORT Security Operations Center Conference Room, 9530 New Berlin Court, Jacksonville, FL

### **Audit Committee Members Attending:**

Mr. Palmer Clarkson, Chairman  
Mr. Daniel Bean, Member  
Mr. Ed Fleming, Member  
Mr. Brad Talbert, Member

### **Other Board Members Attending:**

Ms. Wendy Hamilton, Board Chairwoman

### **Other Attendees:**

Mr. Eric Green, CEO  
Ms. Beth McCague, CFO/Chief of Staff  
Mr. Nick Primrose, Chief Regulatory Compliance  
Ms. Chelsea Kavanagh, Sr. Director, Communications  
Mr. Mike McClung, Director, Finance  
Mr. Reece Wilson, Office of General Counsel  
Ms. Rebecca Dicks, Board Liaison

A meeting of the Jacksonville Port Authority Audit Committee was held on Monday, September 26, 2022 at the JAXPORT Security Operations Center Conference Room, 9530 New Berlin Court, Jacksonville, Florida. Chairman Palmer Clarkson called the meeting to order at 8:00 a.m. and welcomed all attendees.

### **Approval of June 27, 2022 Audit Committee Meeting Minutes**

Chairman Clarkson called for approval of the June 27, 2022 Audit Committee meeting minutes. After a motion to approve the minutes by Mr. Bean and a second by Mr. Fleming, the Committee unanimously approved the minutes as submitted.

### **CEO Annual Review and Evaluation**

Chairman Clarkson turned the meeting over to Ms. Beth McCague, who was filling in for Ms. Linda Williams, JAXPORT's Chief of Adm. & Corporate Performance, to present the CEO Annual Review and Evaluation. Ms. McCague stated that the CEO's review encompassed established goals and accomplishments for FY21/22 (October through August – 11 months to date). She stated that under Goal 1: Financial Performance that the three targets listed had been met and exceeded. Ms. McCague stated that under Goal 2: Strategy Development/Execution, that the first target regarding negotiating and acquiring land for future development had not been met; the second target of negotiating and executing

a long term agreement (Dames Point) with positive ROI had been accomplished with the signing of the new Ceres/TraPac Facilities lease agreement which replaced the terminated MOL lease; and the third target of negotiate and execute a long term agreement (Blount Island) with positive ROI opportunities in line with historical expectations before September 30, 2022 had been met with the Southeast Toyota Facilities lease agreement and the demolition of the WWL project which has already started and is on track.

The target for Goal 3: Leadership Skills is determined by information received from a key stakeholder's satisfaction survey on JAXPORT customer service. The key question customers were asked is if they have confidence in JAXPORT's leadership. The result, as reported by the independent survey is 78%, which is up from 72% last year, but it did not meet the target goal of 80%.

Ms. McCague made note that during this CEO review time frame, JAXPORT was named the top port in the nation for value and the top port on the East Coast for overall customer satisfaction by readers of Logistics Management magazine.

She stated that the Performance Scorecard shows that the total incentive compensation the CEO was eligible for is 25% of his 2022 base salary which is \$100,108, but the amount that he would be awarded would be \$84,091 based on the SMART goal results.

Ms. McCague then turned the meeting back over to Chairman Clarkson.

Chairman Clarkson stated that land acquisition is difficult to accomplish. All of the other Audit Committee members agreed that land acquisition is a difficult task to achieve in a year's time.

Committee Member Daniel Bean stated that since the CEO met his leadership skills, he doesn't believe the committee should withhold \$6,000 from him due to how difficult it is to accomplish land acquisition.

Audit Committee member Ed Fleming stated that the two major issues facing the CEO in the next three years is acquiring more land in order to grow and increase revenue and finding a dredge soil site.

Ms. Hamilton agreed and does not think the CEO should be penalized for missing the land acquisition goal. She believes he has made much better use of the land which the port currently has even though he did not meet all of his target goals.

Chairman Clarkson also stated that he feels like the satisfaction survey may not be accurate in that we don't know the number of people who responded or the details. He feels like if it was a satisfaction survey by the people we serve in Jacksonville, then he thinks it would be above 80%.

Ms. McCague noted that 100% of tenants who responded to the survey noted customer satisfaction.

After much discussion, Audit Committee member Daniel Bean made a motion to give the CEO the full targeted bonus amount of \$100,108, and said motion was seconded by Ed Fleming. The Audit Committee then unanimously voted to approve the above stated motion to give the CEO the full targeted bonus amount of \$100,108 because they feel the CEO is engaged and is a great salesman and advocate for JAXPORT.

## **Financial Review of Closeout of MOL Contract**

Mr. Mike McClung, JAXPORT Director of Finance, presented an in-depth financial review of the closeout of the MOL contract so the Audit Committee members could get a better understanding of the financial implications for terminating of the MOL lease. Mr. Jeff Zeichner of RSM was also in attendance to answer any questions on this topic.

Ms. McCague then reminded the Audit Committee Chairman that they needed to vote on the CEO's SMART Goals/Targeted Results for FY2022/23. The Committee then made the following adjustments to the goals:

After discussing the proposed CEO SMART Goals/Targeted Results for FY2022/23, the Audit Committee agreed with moving the Potential Performance Compensation Percentage of the CEO's Base Salary from 25% to 35%.

Under Goal 2: Strategy Development/Execution, Target #1. Secure 85% funding of JEA's estimated cost to raise the power-lines, the Audit Committee proposed to change the weighted percentage from 30% to 25%.

Target Number 2: Negotiate a long-term agreement at the Talleyrand Terminal will stay the same at 20%.

Target Number #3: Negotiate and execute agreements to increase revenue by 25%-50% through existing dry bulk leasehold areas at Dames Point will stay the same at 20%;

Target #4: DMMA – Negotiate/execute an agreement with the ACOE for the use of additional storage capacity or develop a plan to create disposal capacity (not less than 5 years – approximately 2.5M cubic yards) before September 30, 2023 – the Audit Committee proposed changing weighted percentage from 30% to 25%;

The Audit Committee also proposed adding back acquiring new property under Goal 2: Strategy Development/Execution at 10%.

As to Goal 3: Leadership Skills – Key Stakeholder's Satisfaction: The Audit Committee proposed that an additional target should be to enlist an outside vendor to conduct a survey of both local tenants and shipping companies calling on JAXPORT to get feedback from customers. This way if there are similar complaints, then the CEO will know how to address those issues. Keep the satisfaction rating of 80%. The Committee expressed interest in receiving themes represented in comments elicited from survey responders.

Mr. Clarkson suggested the Audit Committee meet again in about 9 months with Linda Williams to rethink these SMART Goals and maybe discuss incorporating multi-year targets.

## **Audit Follow-Up re: IT Update to Information Technology Security Risk Assessment Audit**

Ms. Beth McCague gave a quick update on the Internal Audit Review of the Information Technology Security Risk Assessment Audit that was presented back in December 2021.

## **Discussion of Proposed Slate of Board Officers**

Chairman Clarkson informed the Audit Committee that it was time to update the slate of Board Officers. He opened a discussion of proposing a slate of Board Officers and Audit Committee members to serve a term beginning October 1, 2022 through September 30, 2023.

Daniel Bean made a motion that the current slate of Board Officers immediately move up which would make Palmer Clarkson Chairman, Daniel Bean, Vice Chairman, Brad Talbert, Treasurer, and Wendy Hamilton, Secretary for a term beginning October 1, 2022 through September 30, 2023. The motion was seconded by Brad Talbert, and the Audit Committee unanimously agreed.

Mr. Bean reminded the Audit Committee that since the Audit Charter states that the Vice Chairman of the Board will serve as the Chairman of the Audit Committee, he would like to make a motion that the Audit Committee members for the term beginning October 1, 2022 through September 30, 2023, will consist of himself as Chair, along with members Brad Talbert, Ed Fleming and Wendy Hamilton. Mr. Fleming seconded this motion and the Audit Committee unanimously agreed.

### **Updated List of Outstanding Audit Items**

An updated list of outstanding audits was presented to the committee in their packets as information only.

### **Other Info, Comments, Questions, Concerns**

Chairman Clarkson asked if there were any more questions or discussion. There being none, the meeting adjourned at 8:53 a.m.