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Virginia Port Authority
600 World Trade Center
Norfolk, Virginia 23510-1679
Telephone (757) 683-8000
Fax (757) 683-8500

J. Robert Bray
Executive Director

MEMORANDUM

TO: John G. Milliken

FROM: J. Robert Bray

DATE: May 4, 2005

SUBJECT: Executive Director's FY2005 Incentive Compensation Results

Attached you will find a copy of the Executive Director's Compensation Plan for Fiscal Year 2005 which sets forth the goals that must be achieved in order to qualify for the incentive supplement.

Please allow me to summarize the following achievements for FY2005:

Goal 1: Increase in TEU's

The Virginia Port Authority had an increase of 11.63% in TEU's, therefore exceeding the 7.0% projection.

Goal 2: Financial Management

This goal represents the VPA's ability to manage expenses and operate within its annual budget. The ratio of current VPA cash operating expenses to VPA current cash operating revenues and current year beginning cash balances was .64, which exceeded the goal.

Goal 3: Project Management

- Stage 2 was completed 6/24/04.
- 2 container cranes were received on 8/27/04.
- The final 2 container cranes were received on 12/30/04 and 1/17/05, respectively.
- Stage 3 was started on 6/1/04 and was completed on 11/24/04.


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- The contractor's schedule of values for Stage 4 totals \$10.7 million. As of 4/20/05, the contractor has invoiced a total of \$9.244 million indicating that Stage 4 is 86% complete.

As each of the above goals has been satisfactorily attained, I respectfully request that I be provided with the maximum incentive supplement allowed in the amount of \$68,215 to be effective July 1, 2005.



Executive Director

The Executive Director's incentive supplement for FY2005 is approved on behalf of the Compensation Committee.¹

John G. Milliken, Chairman

Date

Jla

Enclosure

Cc: E. Massie Valentine, Jr.
Ronald W. Massie

¹ Commissioners Milliken, Valentine and Massie

Virginia Port Authority

Executive Director's Compensation Plan Fiscal Year-2005

1.	Base Salary	\$189,200 ¹ / \$194,900 ²
2.	Executive Allowance	\$12,500
3.	Severance Program	One month's compensation per year of service to a maximum of 24 months
4.	Incentive Compensation	Up to a maximum of 35 % of base salary

INCENTIVE COMPENSATION

- The maximum incentive award opportunity for the Executive Director is 35% of base pay. The Executive Director's base pay for FY-2005 is \$194,900. Thus, the maximum incentive award opportunity is \$68,215.
- Performance Measures. There are three criteria, or goals, in connection with the Executive Director's incentive pay. They are weighted as follows:

<i>Increase in TEU's</i>	20%
<i>Financial Management</i>	50%
<i>Project Management</i>	30%

¹ Effective salary through November 24, 2004 (all figures are rounded to nearest \$100).

² Effective salary as of November 25, 2004 (all figures are rounded to nearest \$100).

GOAL 1: INCREASE IN TEU's³ (20%)

<u>Annual Growth</u>	<u>% of Achievement</u>
7.0% or more	100.0%
6.0%	87.5%
5.0%	75.0%
4.0%	62.5%
3.0%	50.0%
2.0%	25.0%
<1.0%	0%

Example

TEU's increase by 7.0%. Thus, 100% of the goal was achieved.

Total possible incentive = \$194,900 x 35% = \$68,215

Full achievement of the goal is worth 20% of incentive pay.

Thus, \$68,215 x 20% = \$13,643

\$13,643 x 100% = \$13,643 earned incentive for this goal.

The Compensation Committee retains the discretion to incorporate a "market context" to the "increase in TEUs" goal. Thus, this goal shall be reviewed by the Compensation Committee in absolute terms and relative to both the Atlantic Coast port industry in general and the VPA's major competitor ports (New York, Baltimore, Wilmington, N.C., Charleston, and Savannah) in particular. In those instances where the results obtained fall short of the goal, the Compensation Committee shall retain the right to award additional compensation, up to a maximum of the weighted value of the goal's criterion, if the VPA has outperformed the Atlantic Coast port industry and/or its major competing ports (even in declining markets) and/or the VPA has made significant progress toward attaining one of its strategic initiatives. This discretionary authority is intended to enable the Compensation Committee to fairly evaluate and reward the Executive Director's performance within the context of the factors that senior management of the VPA can control and influence within the markets in which VPA competes.

³ Because of an unavoidable lag in the reporting of throughput, in order to have the figures available by July 1, the reporting year is May 1, 2004, through April 30, 2005. For the sake of consistency, the reporting year for the other two goals is also May 1, 2004, through April 30, 2005.

GOAL 2: FINANCIAL MANAGEMENT (50%)

- Ratio of current VPA cash operating expenses to current VPA cash operating revenues and current year beginning cash balances. Represents VPA's ability to manage expenses to ensure that operating revenue and accumulated cash exceeds operating expenses such that VPA may remain self-funded.

<i>Current Cash Operating Expense as a % of Current Cash Operating Revenues and Current Year Beginning Cash Balances</i>	<i>% of Achievement</i>
.75	100%
.80	90%
.85	80%
.90	70%
.95	60%
More than .95	0%

Example

FY-2005: Expenses = \$24,501,230; Operating Revenues plus current year beginning cash balances = \$40,425,318

$$\$24,501,230 / \$40,425,318 = .61$$

Because this ratio is less than .96, there is 100% achievement in connection with this goal.

$$\text{Total possible incentive} = \$194,900 \times 35\% = \$68,215$$

Full achievement of this goal is worth 50% of incentive pay.

$$\text{Thus, } \$68,215 \times 50\% = \$34,108$$

$$\$34,108 \times 100\% = \$34,108 \text{ earned incentive for this goal.}$$

GOAL 3: PROJECT MANAGEMENT (30%)

- Complete Stage 2 consisting of 841 feet of wharf by August 2004. Receive two new container cranes on this completed section of wharf by August 2004. Receive the last two container cranes on this section of wharf by February 2005. Begin Stage 3 consisting of 760 feet of wharf and complete this construction by December 2004. Finally, begin Stage 4 of the wharf construction consisting of 1,320 feet and have 50% of this construction completed by April 30, 2005.

<i>Percentage of Stage 4 Completed by April 30, 2005</i>	<i>% of Achievement</i>
50%+	100%
40%	80%
30%	60%
Less than 30%	0%

Example

50% of Stage 4 is completed by April 30, 2005, as determined by engineers' certifications upon which progress payments to the contractor will be made.

Total possible incentive = \$194,900 x 35% = \$68,215

Full achievement of this goal is worth 30% of incentive pay.

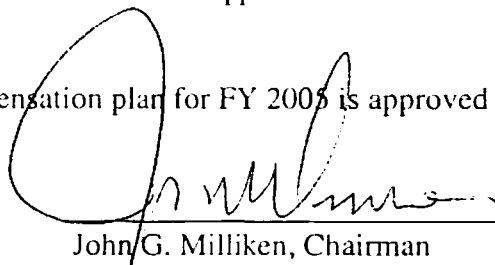
Thus, \$68,215 x 30% = \$20,465

\$20,465 x 100% = \$20,465 earned incentive for this goal.

Consideration of Other Management Issues by the Compensation Committee

The foregoing objective criteria are clearly important and valid measures of performance. Nevertheless, there are invariably other important measures that are outside of the purely objective ones identified herein. Thus, in keeping with its responsibility both to the Commonwealth and to the Executive Director, the Committee will, when determining the amount of the incentive compensation to be awarded, consider other management issues when it appears reasonable to do so in the best interests of the Authority.

The Executive Director's compensation plan for FY 2005 is approved on behalf of the Compensation Committee.⁴

 6/15/04
John G. Milliken, Chairman

⁴ Commissioners Milliken, Valentine, Massie