

# *MINUTES*

## ***Board of Commissioners - Session 288***

Virginia Port Authority  
World Trade Center  
Norfolk, Virginia  
March 23, 2004

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Pursuant to call by Chairman Milliken, the VPA Board of Commissioners convened an open session on this date at 11:00 a.m., in the Authority's Conference Room A, 600 World Trade Center, Norfolk, Virginia.

The following attended:

Commissioners:

John G. Milliken, Chairman  
E. Massie Valentine, Jr., Vice Chairman  
Mark B. Goodwin  
William M. Grace  
Ronald W. Massie  
Peter D. Pruden, III  
Michael J. Quillen  
Ranjit K. Sen  
G. H. Stalling, III  
Deborah K. Stearns  
Jody M. Wagner, State Treasurer

Absent:

Jonathan Johnny Johnson

Staff:

J. Robert Bray, Executive Director  
Robert R. Merhige, III, Deputy Executive Director/General Counsel  
Thomas D. Capozzi, Senior Managing Director, Marketing Services  
Linda G. Ford, Director of Port Promotion  
Jeffrey Florin, Chief Engineer  
Rodney W. Oliver, Director of Finance  
Donald B. Boyd, Chief of Police  
A. Diane Reed, Controller  
Charles J. Bauman, III, Economic Development Director  
Gregory Edwards, Director of Marketing and Intermodal  
Russell J. Held, Managing Director of Marketing, Southeast, U.S. and Europe  
Carla Welsh, Program Manager, Port Promotion  
Erin Wolfgang, Research Analyst  
Debra J. McNulty, Clerk to the Board/Secretary

Guests:

Brian J. Goodman, Assistant Attorney General  
John D. Cavanaugh, Cavanaugh, Nelson & Co., PLC  
Michael T. Crist, P.E., Moffatt & Nichol Engineers  
Don Morgan, President and COO, Barber Martin Advertising  
Joseph A. Dorto, General Manager, VIT  
Richard N. Knapp, Assistant General Manager, VIT

**INTRODUCTIONS**

Ms. Ford introduced guests in attendance. Members of the press in attendance included Mr. Chris Dinsmore, with *The Virginian-Pilot*, Mr. Peter Dujardin, with *The Daily Press*, and Mr. Mike Gooding, with Channel 13 News.

**I. APPROVAL OF MINUTES**

**Action:** Upon motion made by Mr. Valentine, duly seconded by Mr. Pruden, and adopted by unanimous vote (10-0), the Board approved the minutes of the meeting held January 27, 2004.

Affirmative Votes:

|             |               |
|-------------|---------------|
| Mr. Goodwin | Mr. Sen       |
| Mr. Grace   | Mr. Stalling  |
| Mr. Massie  | Ms. Stearns   |
| Mr. Pruden  | Mr. Valentine |
| Mr. Quillen | Ms. Wagner    |

**II. REPORTS OF COMMITTEES**

**A. Executive Committee – Chairman Milliken**

There was no report from the Executive Committee.

**B. Investment Committee – Chairman Milliken**

Chairman Milliken announced that the Investment & Administrative Committee met this morning to discuss the market performance of the Authority's Defined Benefit and Defined Contribution Plans for its employees.

The Chairman reported that the Committee reviewed the 4<sup>th</sup> quarter and annual investment performance of assets within the Defined Benefit and Defined Contribution Plans and that plan assets exceeded the blended benchmark for calendar year ending December 31, 2003. Chairman Milliken advised that the Investment and Administrative Committee had adopted a meeting schedule in order to review investment performance and that they would review the performance of a variety of funds this time next year.

Chairman Milliken reported that the Committee also discussed concerns by Great West regarding market timing activities and the proposed actions that needed to be taken by VPA should an employee participate in this type of trading. The Chairman announced that the Committee approved one of four options offered by Great West that would restrict an individual's trading to using only U.S. mail for all future transactions. The Chairman announced that all VPA employees would be notified of this new procedure.

**C. Finance/Planning Committee – Mr. Massie, Committee Chairman**

**1. VPA Financial Reports**

Mr. Oliver reviewed revenue and operating expenditures (cash basis) for the month ended February 29, 2004. He explained that revenue consists of Commonwealth Port Fund (CPF) transfers and terminal revenues and that operating expenditures consist of National and International Trade, Security Services, Port Facilities Acquisition, and Other. Mr. Oliver reported that \$21.4 million in CPF transfers received by VPA are well within budget expectations. He noted that terminal revenues (transfers from VIT) increased almost \$1 million for the first eight months of the fiscal year.

Mr. Oliver reported that all four major categories that make up Operating Expenditures – National and International Trade, Security Services, Port Facilities Acquisition, and Other - are within budget or just slightly ahead of budget.

Mr. Oliver reported obligated and unobligated balances in the Capital Improvement Program and year-to-date expenditures. He described the projects and expenditures that are obligated within each program and reported that operating expenditures are within budget.

Mr. Oliver explained that the Special Fund (or terminal revenues) is utilizing \$7.4 million to fund certain capital projects; two of which include the purchase of 10 straddle-carriers and several parcels of land.

Mr. Oliver reported that VPA has received only one of three approved Federal security grants. He reviewed funds remaining, obligated and unobligated for each of the three outstanding bond issues. Mr. Oliver reported that the entire remaining balance of funds from the 1997 issue is obligated for paving NIT North; \$61 million is obligated through contracts from the 2002 issue; and three projects from the 2003 issue are obligated for backlands at NIT and security buildings at PMT and NIT.

Mr. Oliver referred to Mr. Cavanaugh's reports indicating that debt coverage funding levels for all bond issues are in compliance as of February 29, 2004.

**D. Facilities Committee – Mr. Stalling, Committee Chairman**

Mr. Stalling complimented Moffatt & Nichol Engineering and Mr. Florin on the creation of a website that details each of the completed and ongoing construction projects at VPA terminals. Mr. Stalling announced that the website is: [www.vpa-engineering.net](http://www.vpa-engineering.net).

Mr. Florin presented the "Capital Outlay Program and Facilities Maintenance Overview", with updated photographs of ongoing and completed construction projects.

Mr. Florin reviewed the following projects:

- VIP Pavement Expansion
- PMT ID/Security Building
- PMT Multi-Purpose Labor Support Facility
- PMT New Crane Stowage and Wharf Modifications
- Fender Maintenance
- 50-Foot Channel Dredging
- U.S. Army Corps Budget Concerns
- Pinner's Point Interchange
- Route 164 to PMT POV Entrance via New Service Road
- Midtown Tunnel to PMT POV Entrance via New Service Road
- Route 58 Eastbound to PMT POV Entrance via New Service Road
- NNMT Ship/Crane Collision
- Plum Point Environmental Restoration
- NIT Command and Control Center
- NIT South Improvements – Phase I and Phase II
- NIT Warehouses 4 & 5 Demolition
- Sewell's Point Empty Yard
- Constitution Avenue Empty Yard

*A copy of Mr. Florin's slide presentation can be viewed on the Moffatt & Nichol Engineering website.*

**E. Marketing Committee – Mr. Pruden, Committee Chairman**

Mr. Capozzi announced that business continues to grow at a record pace. He presented an overview of the Hampton Roads Chassis Pool II (HRCP II) initiative by VIT that was formed to decrease the amount of chassis on the terminals, improve quality of chassis, increase the speed, efficiency, and safety of the interchange of containers, increase commerce, and lower cost of chassis. Mr. Capozzi reported that the steamship lines will contribute all 20 and 40 foot chassis and that the operation will be managed, in whole, by Virginia Intermodal Management, L.L.C. HRCP II will operate at all three marine facilities, the Inland Port, and both rail depots. Mr. Capozzi explained that HRCP II would evolve to HRCP III by 2007, effectively removing the steamship lines from supplying chassis and transferring the supply of chassis to CES (Chassis Equipment Suppliers), such as TRAC Lease, Flexi Van, and XTRA.

Mr. Capozzi reviewed HRCP II's phase-in process and reported that ship lines not joining the operation would be required to remove chassis from the terminals by July 15, 2004. He noted that the operation would be fully implemented by August 2004.

Mr. Capozzi attributed the overflow of containers to the record growth of distribution centers. He reported that 11 steamship lines currently participate in the chassis pool operation. He advised that the U.S. is the only industry in the world where steamship lines provide chassis for movement of containers. Mr. Capozzi added that the steamship lines are eager to learn more about this initiative. He reported that the chassis pool would also address proposed legislation on chassis safety. He congratulated Mr. Dorto and Mr. Bob Motley of VIT.

Mr. Dorto reported that the main issue is insurance and he mentioned that the chassis pool board held their first meeting last month.

Mr. Goodwin asked if the project would address the roadability issue that is such a concern for truckers. Mr. Dorto said it would and that the operation would also improve operating efficiencies by VIT. Mr. Goodwin commended Mr. Dorto and said, "Just like we are ahead in security we are ahead in this issue".

Mr. Capozzi continued with a report of steamship line and rail volumes for 2004 fiscal year-to-date and calendar year-to-date. He reported that the port is also seeing strong growth as a result of congestion at the Port of NY&NJ, increased business by Norfolk Southern and CSX, and diversion of West Coast cargo through Columbus, Ohio.

Mr. Capozzi reviewed VPA's trading partners and reported that Virginia has experienced increased tonnage volumes, compared to our East Coast competitors, particularly in the Northeast Asia (15.3%) and Indian Subcontinent (38.5%) trade lanes.

Mr. Capozzi reported that a new Round-the-World service to Newport News, currently in negotiations, could have the potential to add three to five additional services next year. He advised that the Port is currently growing at 11% and that, with new services coming on board and efficiencies by VIT, VPA could be well positioned to have an "excellent" Calendar Year 2004.

**F. Security Committee – Mr. Grace, Committee Chairman**

Mr. Merhige reviewed the three rounds of security grants that were awarded to VPA by the Transportation Security Administration (TSA). He reported that VPA has received funds for only Round 1, awarded October 2002, and is awaiting funds for Rounds 2 (awarded July 2003) and Round 3 (awarded February 2004). He reported that total funds awarded amount to \$9.3 million.

Mr. Merhige announced that the Federal government has recently allocated \$55 million for a fourth round of security grants. Mr. Merhige reported that one port is assessing barges a \$1.00 per linear-foot security surcharge. Mr. Dorto advised that VIT is in discussion with terminal operators and is staying on top of this issue. He emphasized that VIT does not want security charges to become an impending issue and they have, therefore, formed a committee to establish a universal charge.

Mr. Merhige summarized the status of projects, along with associated costs, for each security grant award as follows:

Round 1 – Total Federal Funds Awarded = \$5,293,140

Pier and wharf container crane radiation detection devices - Finished October 2003

CCTV surveillance systems at NIT, PMT and NNMT - 99% Finished - Grant deadline extended to May 1, 2004

Rail gates, clear zone and fence improvements at NIT and NNMT - Finished April 2003

Maritime Domain Awareness System - 99% Finished – Grant deadline extended to May 1, 2004

Mr. Merhige explained that the Maritime Domain Awareness System is a very sophisticated computer program that gathers large amounts of data and allows VPA to share information with Customs, TSA, Coast Guard, and other entities of the port. Mr. Merhige mentioned that a demonstration of the system, once it comes on-line, could be presented at the May or July board meeting.

Round 2 – Total Federal Funds Awarded = \$3,090,400

NIT Port Security Command and Control Center – Underway (Completion August 2004)

Rail gates, clear zone and fence improvements at PMT and VIP:

VIP – 90% Finished (Completion April 2004)

PMT – 20% Finished (Completion July 2004)

NIT Electronic security for critical buildings – 20% Finished (Completion July 2004)

Round 3 – Total Federal Funds Awarded = \$874,600

*(Award recently made by TSA in February 2004. Projects to undergo “final negotiations” by April 2004. Projects to be completed within 12 months, by February 2005.)*

VIP CCTV Surveillance Camera System

Electronic Security for Critical Buildings at PMT, NNMT and VIP

At this time, Mr. Merhige presented a VHS tape demonstrating security challenges at The Port of Virginia and the Authority’s accomplishments, since September 11<sup>th</sup>, in securing the port. Mr. Merhige explained that the video was filmed by L-3 Communications, a security contractor who subcontracts under Zel Technologies. Mr. Merhige explained that, once the video is refined, it could be formatted to DVD and used as a marketing tool. Mr. Goodwin suggested that the video also feature portals. Mr. Merhige advised that the next project to address is access control using proximity and biometric devices. He reported that VPA is awaiting Federal standards before enhancing identification cards.

**III. REPORT OF EXECUTIVE DIRECTOR**

There was no report from the Executive Director.

**IV. UNFINISHED BUSINESS**

There was no unfinished business.

**V. NEW BUSINESS**

There was no new business.

**VI. OTHER BUSINESS AND ADJOURNMENT**

There being no further business and no comments from the public, the open meeting adjourned at 12:20 p.m.

***The next meeting of the Board of Commissioners will be held in the Authority's Conference Room, 600 World Trade Center, Norfolk, Virginia, on Tuesday, May 25, 2004.***

Respectfully submitted,

Debra J. McNulty  
Clerk to the Board