

MINUTES

Board of Commissioners - Session 291

Virginia Port Authority

World Trade Center

Norfolk, Virginia

July 27, 2004 (Held immediately after Annual Meeting)

Pursuant to call by Chairman Milliken, the Board of Commissioners held its regular meeting this date at 11:15 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

Robert C. Barclay, IV

Mark B. Goodwin

John E. Holleran

Jonathan Johnny Johnson

Ronald W. Massie

Michael J. Quillen

Ranjit K. Sen

Deborah K. Stearns

Jody M. Wagner, State Treasurer

Absent:

William M. Grace

Office of the Secretary of Transportation

The Honorable Whittington W. Clement, Secretary of Transportation

Staff:

J. Robert Bray, Executive Director

Thomas Capozzi, Senior Managing Director of Marketing Services

Russell Held, Managing Director, Sales

Linda G. Ford, Director of Port Promotion

Rodney W. Oliver, Director of Finance

Donald Boyd, VPA Police Chief

William Revell, VPA Police Sergeant

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

David James, Director of Contracts and Real Estate

David Stutts, Director, Technology Resource Management

Elaine Smith, Director of Administration

Staff (Continued):

A. Diane Reed, Controller
Carla Welsh, Public Relations Program Manager
Rebecca Killen, Administrative Assistant, Senior
Jo-Ann Fitzgerald, Executive Assistant
Debra J. McNulty, Clerk to the Board/Secretary
Jodie L. Asbell, Deputy Clerk to the Board/ Assistant Secretary

Guests:

Todd E. LePage, Senior Assistant Attorney General
John D. Padgett, McGuireWoods
Don Morgan, President and COO, Barber Martin Advertising
Michael T. Crist, P.E., Moffatt & Nichol Engineers
Joseph A. Dorto, General Manager, VIT

I. APPROVAL OF MINUTES

Action: Upon motion made by Mr. Valentine, duly seconded by Mr. Massie, and adopted by unanimous vote (10-0), the Board approved the minutes of the regular meeting held May 25, 2004.

Affirmative Votes:

Mr. Barclay	Mr. Quillen
Mr. Goodwin	Mr. Sen
Mr. Holleran	Ms. Stearns
Mr. Johnson	Mr. Valentine
Mr. Massie	Ms. Wagner

PRESENTATION

The Chairman presented a resolution and shadowbox commemorating six years' of service by former VPA Commissioner Peter D. Pruden, III.

Action: Upon motion made by Ms. Stearns, duly seconded by Mr. Sen, and adopted by unanimous vote (10-0), the Board approved the Resolution of Service honoring the retirement of VPA Commissioner Peter D. Pruden, III.

II. REPORTS OF COMMITTEES

A. Executive Committee

1. Presentation of the W. Wright Harrison Award

Chairman Milliken announced that Mrs. Jo-Ann S. Fitzgerald, Executive Assistant to the Chief of Port Police, was the recipient of the annual W. Wright Harrison Award. Chairman Milliken commended Mrs. Fitzgerald for 37 years of service with the Virginia Port Authority and spoke of her accomplishments as a secretary and administrative assistant throughout several departments during her tenure with VPA. The Chairman noted, in particular, that Mrs. Fitzgerald served as clerk stenographer

to the General Counsel who, at that time, was J. Robert Bray, and was clerk to the VPA Board of Commissioners from 1972 to 1975. The Chairman also credited Mrs. Fitzgerald for her assistance to Chief Boyd in meeting Federal security mandates that were required after the terrorist attacks on September 11, 2001.

B. Finance/Planning Committee

1. VPA Financial Reports

Mr. Oliver reported fiscal year financials for the twelve months ended June 30, 2004. He reported Commonwealth Port Fund (CPF) transfers to VPA total \$33.3 million and VIT terminal revenues for VPA operations total \$31.6 million.

Mr. Oliver reported operating expenditures that include Port Facilities Acquisition, National and International Trade, Security Services, and Other Expenditures. Mr. Oliver reviewed obligated/unobligated balances and year-to-date expenditures in the Capital Improvement Program that consist of CPF, Special Fund, Federal Grants, and the 1997, 2002, and 2003 bond proceeds.

Mr. Oliver referred to Mr. Cavanaugh's June 30, 2004 summary of the required reserve balances and various debt service funds; confirming balances on hand are in compliance with the bond financial covenants.

2. Motion to approve proposed revisions to the VPA Travel Policies and Procedures.

Mr. Massie announced that ample information on the proposed revisions to the VPA Travel Policies and Procedures had been provided previously (by e-mail) for the Board's review. Mr. Massie also referred to a copy of the red-lined draft of the policy that was contained in the meeting agenda materials. There were no questions or comments from the Board. Mr. Peter DuJardin (*The Daily Press*) asked the Board for a review of the proposed changes to the travel policy. The Chairman announced that, due to time constraints, he would review those changes with Mr. Dujardin after the meeting. The Chairman also reminded Mr. Dujardin that a copy of the draft travel policy along with a memorandum outlining the revisions was included in his press package.

Action: Upon motion made by Mr. Massie, duly seconded by Ms. Stearns, and adopted by unanimous vote (10-0), the Board approved revisions to the VPA Travel Policies and Procedures.

At this time, the Chairman introduced Secretary Clement and asked him to say a few words. The Secretary said he was very pleased to have the opportunity to attend the VPA's Board meeting and he thanked Mr. Bray and the staff for keeping his office informed. The Secretary mentioned that the Governor is also very pleased with VPA. He welcomed our newest members of the Board, Commissioners Barclay and Holleran.

Secretary Clement said he was very excited about the activities at VPA and VIT and remarked that the Port "...was a wonderful success story that continues to unfold." He expressed his pleasure with the Maersk announcement and said he hoped the project continues to move forward as the news was very exciting for the entire Commonwealth. The Secretary said he had a great experience in China with the Governor, Chairman Milliken, Tom Capozzi, and VPA's Hong Kong representative, Ringo Chi.

The Secretary remarked that he was very impressed with the amount of knowledge by steamship line representatives and their knowledge of Hampton Roads and the Port Authority. Secretary Clement thanked Mr. Bray for suggesting that he accompany the Governor's delegation to China and he concluded by saying that, for him, the trip certainly accentuated the role that shippers play in our Port's success.

C. **Facilities Committee** – Ms. Stearns, Committee Vice Chairwoman

In the absence of Mr. Florin, the Authority's Chief Engineer, Mr. Michael Crist, P.E., of Moffatt & Nichol Engineers, presented the "Capital Outlay Program and Facilities Maintenance Overview", with updated slides featuring the following projects:

- NIT Command and Control Center – Project is 75% Complete – Completion Date: September 1, 2004
- NIT South Improvements – Phase 1 – Wharf Construction (Stages 1 and 2 Complete)
- NIT South Improvements – Phase 1 – Stage 3 – Overall project is 55% complete.

Mr. Crist reported that cranes 7 and 8 are scheduled for delivery August 2004 for PMT and that cranes 5 and 6 will be delivered in December 2004 for NIT.

- NIT South Improvements – Phase II – Backlands Reconstruction – Stage 1

Mr. Crist explained that Stage 1 involves the renovation of 48 acres of backlands in preparation for a straddle carrier operation that scheduled for completion in October 2005. He described Stages 2 through 8 that involve the renovation of the remaining 96 acres of container yard. Total NIT South renovation is expected to be complete by February 2012 and estimated to cost \$279 million.

- PMT ID/Security Building – Completion: August 16, 2004
- PMT Multi-Purpose Labor Support Facility – Final Completion on July 30, 2004
- PMT New Crane Stowage and Wharf Modifications – For new container cranes arriving in Summer 2004
- PMT Security Canopy at Main Gate and Canopy and Security Booth at POV Gate
- PMT Building 100 Roof Repairs
- NNMT Pier C Turning Dolphin and Pier B Bollard
- NNMT Fender Repairs – 85% Complete
- NNMT New Crane Stowage and Wharf Modifications – Completion Date: August 30, 2004
- Norfolk Portsmouth Belt Line (NPBL) Property Acquisition

Mr. Crist explained that the NPBL acquisition would provide 33.5 acres for additional storage track for inbound and outbound trains for better access to NIT when Hampton-Greenbrier is grade separated.

- 50-Foot Channel Dredging – U.S. Army Corps project to be completed over a two-year schedule.

Mr. Crist advised that the Thimble Shoals Channel dredging was completed December 2003 and that the design for Norfolk Harbor Channel was completed February 2004.

- Pinner's Point Interchange – Project scheduled for completion in December 2004.

The Chairman encouraged Commissioners Barclay and Holleran to arrange for a tour of the port facilities.

(A copy of Mr. Crist's construction report can be viewed on the VPA Engineering Project Website, at <http://vpa-engineering.net/>)

At this time, Mr. Crist reported the status of the Heartland Corridor Project. He explained that VPA and Norfolk Southern are working together to seek funding from the reauthorization of the Transportation Equity Act for the 21st Century (TEA-21). Mr. Crist advised that TEA funding is crucial to the success of the project that would provide central corridor double-stack rail service from Norfolk to Chicago. He reported that the service would save 233 miles from the Norfolk-Chicago route and would reduce transit time by 1-1/2 days.

Mr. Crist described the Heartland Corridor components that include a Central Corridor Double-Stack Initiative, Pritchard (WV) Intermodal Facility, new terminal capacity in Roanoke, VA and Columbus, OH, and the Western Freeway Rail Corridor. Mr. Crist explained that the realignment of the Western Freeway Rail Corridor through Portsmouth to the Route 164/I-664 median would eliminate 13 at-grade rail crossings and allow trains to travel at faster speeds that would provide rail service to the Maersk/Sea-Land facility and to the proposed Craney Island Marine Terminal. He reported that total costs for the project are estimated at \$266 million.

Mr. Crist said that the Heartland Corridor project is gaining momentum and has the support of members of Congress from Virginia, Ohio, and West Virginia. Mr. Crist emphasized that VPA and all interested parties must continue to lobby Congress. He reported that funding was being sought from the \$6.6 billion for regional corridors of national significance contained in the House version of the reauthorization bill.

(A copy of Mr. Crist's report, "Heartland Corridor Status Update", can be viewed on the VPA Engineering Project Website, at <http://vpa-engineering.net/>)

D. Marketing Committee - Ms. Stearns, Committee Vice Chairwoman

1. Business Report and FY2004 Results

Mr. Capozzi thanked Mr. Dorto and Ms. Ford for their efforts in promoting the Port through speaking engagements and press articles that appeared in numerous publications. Mr. Capozzi referred to previous conversations among Board members with regard to marketing The Port of Virginia. He thanked everyone for "telling our story".

Mr. Capozzi reviewed market conditions that included a forecast of 10% increase in Asian imports to the U.S. Overall growth to the U.S. East Coast is expected to be even higher at 16%. Mr. Capozzi explained that large retail importers are forecasting huge growth for Virginia that could result in 40,000 new containers this year. He reported that inbound vessel capacity is currently full at pre-peak season coupled with the problem that no Panamax ships are available to add new capacity. Mr. Capozzi explained that most of the shipbuilding now is for Post-Panamax-size vessels. He added that there is only one new all-water service introduced which is not calling Virginia.

Mr. Capozzi described peak season challenges and alternatives to moving cargo. He reported steamship line rail volumes for **Calendar Year-to-Date 2004** (January-June) as follows:

- Total TEUs increased 8.5% (856,198 – YTD04)
- Breakbulk Tons decreased 5.7%
- Ship Calls decreased 7.4%
- Midwest Rail Containers increased 16.3%
- VIP Rail Containers increased 95.1%

Mr. Dorto noted that, regardless of a decrease in ship calls, ships were larger and can handle more containers producing an **increase in container volumes**.

Steamship line and rail volumes for **Fiscal Year-to-Date 2004** were reported, as follows:

- Total TEUs increased 9.3% (1,713,502 – FY04)
- Breakbulk Tons decreased 3.8%
- Ship Calls decreased 0.4%
- Midwest Rail Containers increased 9.4%
- VIP Rail Containers increased 52.1%

Mr. Capozzi reviewed cargo performance by region showing Asia producing 37% of the volumes. He announced that The Port of Virginia leads East Coast ports in Northeast and Southeast Asia imports, and Indian Sub-Continent imports and exports.

Mr. Capozzi announced that portwide container growth is expected to increase 7% with a breakbulk loss of 10% due to the expected decline in automobiles and loss of warehouse capacity at NIT. He also announced economic development by Wal*Mart in James City County, Hanover Direct in Roanoke County, Lumber Liquidators in James City County, Liberty Property Trust in Suffolk, and West Essex Management in Chesapeake.

Mr. Capozzi presented photographs of the Governor's China Trade Mission featuring members of the Delegation.

Mr. Edwards presented the status of business for the U.S. rail industry. He featured several news articles that warned of rail delays as peak shipping season nears. Mr. Edwards advised that the nation's largest railroad, Omaha, Nebraska-based Union Pacific, warned in a recent letter to its customers that it may have to limit carloadings and shift some freight to other modes of transport. The railroad also announced that limiting carloads could mean asking customers to ship less freight or to switch freight to trucks. Mr. Edwards also discussed congestion delays at CSXI's Charleston Terminal which resulted in CSXI changing its daily storage charge structure in an effort to improve terminal fluidity. Mr. Edwards reported those storage charges are effective August 15, 2004.

Mr. Edwards also described Norfolk Southern's new border billing information requirements to assist with Homeland Security Initiatives that would eventually result in extra costs to shippers if there is missing data that would potentially delay shipments.

Mr. Edwards reported that VPA Marketing will closely monitor these developments.

The Chairman added that marketing drives the organization by meeting with customers, getting the business, and increasing volumes through this Port. He remarked that there is a direct correlation between volumes that move through this facility and the number of new jobs that are created from distribution centers and other users of Port products.

E. **Security Committee** – Mr. Sen, Committee Vice Chairman

The Chairman announced that, due to Mr. Florin's absence, the security report would be postponed until the September 28th meeting, at which time, a full update would be provided for the Board.

III. REPORT OF EXECUTIVE DIRECTOR

Chairman Milliken announced that the term of a VIT Director, representing the Newport News/Hampton seat, ends November 30, 2004. For the benefit of new Commissioners, the Chairman explained that VPA's Board appoints the Board of Directors of Virginia International Terminals, Inc. and he mentioned there are also certain jurisdictional requirements for the candidate. The Chairman advised that he will appoint a Nominating Committee at the September 28th meeting, with Mr. Grace to serve as chair, and that the VPA Board will appoint a new director to the VIT Board at the November 23, 2004 meeting.

IV. UNFINISHED BUSINESS

There was no unfinished business.

V. NEW BUSINESS

VI. ADJOURNMENT

There being no further business, the open meeting adjourned at 12:30 p.m.

The next meeting of the Board of Commissioners will be held in the Authority's Conference Room A, 600 World Trade Center, Norfolk, Virginia, on Tuesday, September 28, 2004.

Respectfully submitted,

Debra J. McNulty
Clerk to the Board