

MINUTES

Board of Commissioners - Session 292

Virginia Port Authority
World Trade Center
Norfolk, Virginia
September 28, 2004

Pursuant to call by Chairman Milliken, the Board of Commissioners held its regular meeting this date at 11:50 a.m., in the Authority's Conference Room A, 600 World Trade Center, Norfolk, Virginia.

The following attended:

Commissioners:

John G. Milliken, Chairman
Robert C. Barclay, IV
Mark B. Goodwin
William M. Grace
John E. Holleran
Jonathan Johnny Johnson
Ronald W. Massie
Ranjit K. Sen
Deborah K. Stearns

Absent:

E. Massie Valentine, Jr., Vice Chairman
Michael J. Quillen
Jody M. Wagner, State Treasurer

Staff:

J. Robert Bray, Executive Director
Thomas Capozzi, Senior Managing Director of Marketing Services
Jeffrey L. Florin, Chief Engineer
Linda G. Ford, Director of Port Promotion
Rodney Oliver, Director of Finance
Donald Boyd, Chief of Port Police
A. Diane Reed, Controller
David M. James, Director of Contracts and Real Estate
Gregory Edwards, Director of Marketing and Intermodal
Russell J. Held, Managing Director of Marketing, Southeast, U.S. and Europe
Charles J. Bauman, III, Economic Development Director
Carla Welsh, Public Relations Coordinator
Russell Held, Managing Director, Sales
Erin Wolfgang, Research Analyst
Debra J. McNulty, Clerk
Jodie L. Asbell, Deputy Clerk
Rebecca Killen, Administrative Assistant Senior

Guests:

Richard L. Walton, Jr., Senior Assistant Attorney General
Tracy L. Clemons, Public Finance Manager, Office of the State Treasurer
Michael Maul, Department of Planning and Budget
James Hewitt, Department of Planning and Budget
John D. Padgett, McGuireWoods, LLP
Lloyd M. Richardson, McGuireWoods, LLP
JoAnne Carter, Public Financial Management
Sarah Greear, Public Financial Management
John Cavanaugh, Cavanaugh, Nelson & Co., PLC
Michael Crist, P.E., Moffatt & Nichol Engineers
John M. Ryan, Vandeventer Black, LLP (VIT Corporate Counsel)
J. J. (Jeff) Keever, Hampton Roads Maritime Association
Don Morgan, President and COO, Barber Martin Advertising

Members of the Media:

Christopher Dinsmore, *The Virginian-Pilot*
Peter Dujardin, *The Daily Press*
Philip Newswanger, *Inside Business*

INTRODUCTIONS

Ms. Ford introduced guests and representatives from the media in attendance. Mr. Bray introduced Mr. Richard L. Walton, Jr., Senior Assistant Attorney General, who has been assigned to represent the transportation agencies. Mr. Bray said he has known Mr. Walton for nearly 30 years and he welcomed him to the meeting.

Mr. Bray introduced Mr. J. J. (Jeff) Keever, who is currently the Executive Vice President of the Hampton Roads Maritime Association and Hampton Roads Shipping Association. Mr. Bray announced that, effective November 1, 2004, Mr. Keever will join the VPA as the Authority's new Deputy Executive Director.

Mr. Keever thanked Mr. Bray and the Board and said he looked forward to the challenges that were reported in the Finance/Planning Committee meeting he attended this morning. Mr. Keever said he has been fortunate to have worked in the maritime community for a long time and has experienced the growth and development of the Port.

The Chairman remarked that he was very pleased to hear of Mr. Bray's decision to hire Mr. Keever. He added that, "Jeff has been a leader in the Hampton Roads maritime community since 1991 and brings a wealth of experience and knowledge with him to the VPA."

At this time, a Channel 3 News film clip was presented, featuring the arrival of the Port's "Virginia Class" cranes that arrived in August on the ZPMC ship.

I. APPROVAL OF MINUTES

Action: Upon motion made by Mr. Massie, duly seconded by Mr. Sen, and adopted by unanimous vote (8-0), the Board approved the minutes of the annual meeting held July 27, 2004.

Affirmative Votes:

Mr. Barclay Mr. Massie
Mr. Goodwin Mr. Sen
Mr. Grace Ms. Stearns
Mr. Holleran
Mr. Johnson

II. REPORTS OF COMMITTEES

A. Executive Committee

1. Appointment of Nominating Committee for the selection of a VIT Director for Newport News/Hampton

Chairman Milliken announced that the term of VIT Director, Mr. Derry L. Haywood, II, expires November 30, 2004. Mr. Haywood is one of the Newport News/Hampton representatives. The Chairman explained that a Nominating Committee would recommend someone to fill this seat for a single six-year term at the VPA's November meeting.

The Chairman appointed the following Commissioners to serve on the Nominating Committee:

William M. Grace - Chairman
Ronald W. Massie - Member
Deborah K. Stearns - Member

2. Consideration of Resolution 04-5, amending Article XII "Committees of the Board" of the Bylaws of the Virginia Port Authority

The Chairman explained that the revision to the Bylaws includes a more balanced membership, thereby, decreasing the Finance/Planning Committee from six members to five, and increasing the Security Committee from four members to five.

Action: Upon motion made by Mr. Holleran, duly seconded by Mr. Sen, and adopted by unanimous vote (8-0), the Board approved Resolution 04-5, amending Article XII "Committees of the Board" of the Bylaws of the Virginia Port Authority.

3. Confirmation of Standing Committee Appointments

Chairman Milliken announced that he had corresponded with members of the Board and finalized his choices for standing committee assignments on September 10, 2004.

The Chairman referred to the copy of the new Standing Committee Assignments for FY2005 that was included in the agenda materials. The Board approved Standing Committee assignments.

B. Finance/Planning Committee – Mr. Massie, Committee Chairman

1. Report of Finance/Planning Committee

Mr. Massie reported that the Finance/Planning Committee had convened a meeting earlier and heard a presentation on interest rate swaps from Ms. Carter, of Public Financial Management, and how that may be of some assistance to the VPA. Mr. Massie reported that financial advisors and VPA staff would follow up with the Board within the next few months on that financing strategy. He reported that the Committee also heard a summary from Mr. Dorto on VIT's historic results and revisions to the VIT FY2005 budget that had been previously adopted by the VPA Board in May. Mr. Massie added that Mr. Oliver also gave an overview of VPA's debt and future debt obligations, including the upcoming Series 2005 bond issue. Mr. Lloyd Richardson, McGuire Woods, also outlined VIT and VPA monthly flow of funds, along with an explanation of the reserve balances and permitted use of reserves.

2. VPA Financial Reports

Mr. Oliver reported fiscal year financials for the two months ended August 31, 2004. He reported that Commonwealth Port Fund (CPF) budgeted transfers to VPA totaled \$33.4 million and VIT terminal revenues for VPA operations totaled \$38.1 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 advised that increases in expenditures for security services included costs associated with additional gates open at PMT for Tidewater Skanska's work on the Pinner's Point project.

Mr. Oliver explained that new container cranes for PMT and 18 straddle-carriers were received and paid for in July through the Master Equipment Lease Program (MELP) from the Special Fund.

Additionally, Mr. Oliver advised that \$1.6 million in the Federal Grant fund is the remaining balance from Security Grants #2 and #3. He reported that funds from Grant #4 are not reflected.

Mr. Oliver referred to Mr. Cavanaugh's August 31, 2004 summary of the required reserve balances and various debt service funds; confirming balances on hand are in compliance with the bond financial covenants.

3. Consideration of Resolution 04-6, approving proposed revisions to VIT's FY2005 Budget.

Mr. Oliver reported that Mr. Dorto had reviewed revisions to VIT's FY2005 budget in the open session of the Finance/Planning Committee. Mr. Oliver advised that the revisions were due to changes in

circumstances that were unforeseen at the time of preparing the original budget. He reported that it was the consensus of the Committee to recommend adoption of Resolution 04-6. There were no questions from the public or from the Board at this time.

Action: Upon motion made by Mr. Massie, duly seconded by Mr. Goodwin, and adopted by unanimous vote (8-0), the Board approved revisions to VIT's FY2005 Budget.

(Mr. Massie left the meeting at this time.)

C. Facilities Committee – Mr. Sen, Committee Chairman

Chairman Milliken congratulated Mr. Sen on his first day as Chairman of the Facilities Committee. He also welcomed Mr. Florin who recently returned to work after recovering from surgery. Mr. Florin thanked the Board and staff for their thoughts and notes during his convalescence.

Mr. Florin presented the "Capital Outlay Program and Facilities Maintenance Overview", with updated slides featuring the following projects:

- NIT South Improvements – Phase I – Wharf Construction – Estimated completion date: May 2005

Mr. Florin explained that NIT South is being done in four stages with Stages 1 and 2 completed and Stage 3 completion scheduled for December 2004. He reported that the contractor, Tidewater Skanska, is on target for an early completion by November 5, 2004.

- New Cranes at NIT South (Cranes 7 and 8 – 11-foot gage with 26' container reach)

Mr. Florin reported that cranes have been secured and are electrified. Testing and certification is underway.

- NIT South Improvements – Phase II – (48 Acres) Backlands Reconstruction for straddle-carrier operation (Stage 1) – Estimated completion date: October 2005
- NIT South Improvements – Phase II – Stages 2-8 – Involves renovation of remaining 96 acres of container yard - \$60 Million of CPF Bonds to be issued FY05

Mr. Florin reported that all stages of Phase II are scheduled for completion in February 2012 for a total of 147 total acres.

Mr. Florin continued with a status report on the following projects:

- NIT Command and Control Center
- PMT ID/Security Building
- New cranes at PMT - received August 2004
- Relocation of Kone cranes from NIT South to the west end of PMT
- PMT new crane stowage and wharf modifications
- PMT Security Canopies
- NNMT Pier C turning dolphin and Pier B bollard
- 50-Foot Channel Dredging – Project to be completed over a two-year schedule

- Pinner's Point Interchange

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

D. Marketing Committee - Ms. Stearns, Committee Chairwoman

1. Business Report

Mr. Capozzi's reviewed the following topics:

- U.S. Containerized Trade – Northeast Asia accounts for over half of U.S. containerized trade.
- Top U.S. Importers and Exporters
- Calendar Year-To-Date 2004 Performance:
 - Total TEUs – Increased 9.2%
 - Breakbulk Tons – Decreased 4.9%
 - Ship Calls – Decreased 7.2%
 - Midwest Rail Containers – Increased 13.7%
 - VIP Rail Containers – Increased 101.1%
- Fiscal Year-To-Date 2005 Performance:
 - Total TEUs – Increased 11.1%
 - Breakbulk Tons – Decreased 2.4%
 - Ship Calls – Decreased 6.5%
 - Midwest Rail Containers – Increased 7.3%
 - VIP Rail Containers – Increased 123.7%
- Performance by Region
- East Coast Comparison

Mr. Capozzi explained that the decrease in ship calls does not mean a decrease in the volume of cargo. Ships are getting bigger and ship lines are forming alliances.

Mr. Capozzi commended VIT, particularly Mr. Dorto and Mr. Knapp, for their outstanding work in finding solutions to minimize congestion at the terminals. He reported that, since the opening of the chassis pool and empty depots, there have been no complaints from customers.

(Mr. Sen left the meeting at this time.)

E. Security Committee – Mr. Grace, Committee Chairman

Mr. Grace reported that the Security Committee met on September 15, 2004. Mr. Grace turned the meeting over to Mr. Florin at this time. Mr. Florin reported that the VPA Security Committee reviewed the following:

- Security improvements implemented since 9/11 terrorist attacks
- VPA is in full compliance with Federal requirements
- Participation in Customs-Trade Partnership Against Terrorism (C-TPAT)
- Committee toured NIT to see Command & Control Center and CCTV System

Mr. Florin also reviewed security grants 1 through 4 received by VPA from the TSA Port Security Grants Program, that amount to \$11.4 million. Mr. Florin reported that total VPA matching funds amount to \$10 million, with a total project cost of \$21.4 million for authorized security projects.

The Committee was advised of gate access controls that will be installed at all three marine terminals that will allow remote monitoring, based on electronic ID card system, with a dedicated video surveillance system to monitor the gates.

(Note: Copies of all open session presentations can be viewed on the Virginia Port Authority website, at: <http://www.vaports.com/boardmeeting.htm>)

III. REPORT OF EXECUTIVE DIRECTOR

There was no report by the Executive Director.

IV. UNFINISHED BUSINESS

There was no unfinished business.

V. NEW BUSINESS

There was no new business.

VI. ADJOURNMENT

There being no further business, the open meeting adjourned at 12:25 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, November 23, 2004.

Respectfully submitted,

Debra J. McNulty
Clerk to the Board