

MINUTES

Board of Commissioners - Session 293

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

Pursuant to call by Chairman Milliken, the Board of Commissioners held its regular meeting this date at 10:00 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
Robert C. Barclay, IV
William M. Grace
John E. Holleran
Michael J. Quillen
Deborah K. Stearns
Jody M. Wagner, State Treasurer

Absent:

Mark B. Goodwin
Ronald W. Massie
Ranjit K. Sen
Jonathan Johnny Johnson

Staff:

J. Robert Bray, Executive Director
J. J. Keever, Deputy 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
Elaine Smith, Director of Administration
Norris (Ed) Merkle, Director of Security
Donald Boyd, Chief of Port Police
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, Director of Economic Development
Kevin Burwell, Director, Business Analysis and Strategy
A. Diane Reed, Controller
Heather L. Wood, Environmental Program Manager
Jake Denton, Public Relations Program Manager

Staff (Continued):

Carla Welsh, Public Relations Coordinator
Elizabeth Cho, Human Resources Manager
Debra J. McNulty, Clerk

Guests:

Richard L. Walton, Jr., Senior Assistant Attorney General
John D. Padgett, McGuireWoods, LLP
Michael Crist, P.E., Moffatt & Nichol Engineers
Don Morgan, President and COO, Barber Martin Advertising
Christopher Scott, Wilcox & Savage
Joseph A. Dorto, General Manager, VIT

Members of the Media:

Joy Buchanan, *The Daily Press*

INTRODUCTIONS

Ms. Ford introduced guests in attendance. Ms. Joy Buchanan, with *The Daily Press*, was also in attendance.

RESOLUTION OF APPRECIATION

A resolution honoring the service of retiring VIT Director, Derry L. Haywood, II, was presented for recognition and approval by the VPA Board.

Action: Upon motion made by Ms. Stearns, duly seconded by Mr. Quillen, and adopted by unanimous vote (7-0), the Board approved the Resolution on the Services of VIT Director Derry L. Haywood, II.

Affirmative Votes:

Mr. Barclay	Ms. Stearns
Mr. Grace	Mr. Valentine
Mr. Holleran	Ms. Wagner
Mr. Quillen	

I. APPROVAL OF MINUTES

Action: Upon motion made by Mr. Valentine, duly seconded by Mr. Quillen, and adopted by unanimous vote (7-0), the Board approved the minutes of the regular meeting held September 28, 2004.

II. REPORTS OF COMMITTEES

A. Executive Committee – Chairman Milliken

1. Report of the Investment and Administrative Committee

Chairman Milliken reported that the Investment and Administrative Committee had met earlier this morning to discuss the financial affairs of the Authority's Defined Benefit and Defined Contribution Plans for its employees. He announced that VPA's annual contribution would be less than last year due to the increase of employee contributions.

The Committee reviewed third quarter and year-to-date investment performance of the plan assets. The Chairman remarked that VPA is on track in keeping up with benchmarks for the various accounts. He also mentioned that several items for discussion had been tabled until the next meeting of the Committee, scheduled for March 2005.

2. Consideration of Resolution 04-7, to approve proposed revisions to the VPA Purchasing Policies and Procedures Manual

Chairman Milliken referred to the copy of the draft VPA Purchasing Policies and Procedures Manual and memo outlining revisions to the manual that was included in the agenda materials. The Chairman read highlights of the procurement thresholds that were incorporated in the manual that had been previously reviewed by the Board's Executive Committee. The Chairman explained that the revisions would provide more "checks and balances" by the Authority with the realignment of approving authority and procurement thresholds.

The Chairman explained that the Authority's SWAM (small businesses and businesses owned by women and minorities) Procurement Plan, which is renewed annually, is incorporated in the procurement manual by reference. This was done to eliminate the need for the board to adopt the manual every time a new SWAM Plan is developed. It also allows VPA to move forward with adoption of the manual rather than continue to wait for an official response from the Attorney General's office on SWAM.

Mr. Walton explained that the Attorney General's office is currently reviewing over 200 SWAM plans along with the disparity study.

Action: Upon motion made by Mr. Grace, duly seconded by Ms. Wagner, and adopted by unanimous vote (7-0), the Board approved Resolution 04-7, adopting revisions to the VPA Purchasing Policies and Procedures Manual.

B. Nominating Committee – Mr. Grace, Committee Chairman

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

Mr. Grace presented the biographical resume of Mr. Leon Stafford, the Nominating Committee's recommendation for appointment to the VIT Board. Mr. Grace announced that Mr. Stafford has a vast military background in the transportation sector of the Army and brings unique qualifications to the VIT Board.

Action: Upon motion made by Mr. Grace, duly seconded by Ms. Stearns, and adopted by unanimous vote (7-0), the Board approved the adoption of Resolution 04-8, appointing Mr. Leon Stafford to serve one

six-year term on the VIT Board of Directors beginning December 1, 2004 and ending November 30, 2010.

C. Finance/Planning Committee – Mr. Massie, Committee Chairman (absent)

1. VPA Financial Reports

Mr. Oliver reported fiscal year financials for the four months ended October 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 \$38.2 million. Mr. Oliver reported that CPF year-to-date revenues (\$10.6 million) were slightly under the budgeted amount, however, revised figures from the Department of Taxation are due in next month. He added that year-to-date terminal revenues (\$12.8 million) are on track with budgeted estimates.

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. He advised that VPA has several sizeable debt service payments to make by January 1, 2005.

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

Mr. Oliver reported that VIT's credit rating was upgraded by Dunn & Bradstreet from 4A1 to 5A1 due to increases in terminal activity and year-end results as of June 30, 2004. He reported that VPA had recently concluded its annual audit and there were no findings. He advised that the Board would receive copies of the audit.

2. Consideration of Resolution 04-9 to approve revisions to VPA Travel Policies and Procedures.

It was reminded by Mr. Oliver that the Board last adopted revisions to the VPA Travel Policies and Procedures Manual in July of this year. He explained that the latest revision to the travel policy incorporates regulation changes that were recently established by the State with regard to lodging, meal and incidental per diem rates.

Mr. Oliver referred to the resolution that includes language authorizing the Executive Director to make future changes to the Manual that are solely made to adopt future changes to the State Travel Regulations, or to clarify existing language, without further Board approval. Mr. Oliver explained that the State had lowered its per diem rate for Newark from \$125 to \$83, based on the Federal government's change. He advised that VPA had made calls to several hotels in Newark and they were still quoting \$125 as the per diem rate. Mr. Oliver noted that when the hotels in Newark change the per diem rate, VPA would then make that change to its travel policy.

Action: Upon motion made by Mr. Quillen, duly seconded by Mr. Valentine, and adopted by unanimous vote (7-0), the Board adopted Resolution 04-9, approving revisions to VPA Travel Policies and Procedures.

D. Facilities Committee – Mr. Holleran, Committee Vice Chairman

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
 - o Stages I and II are complete.
 - o Stage III scheduled for completion December 2004
 - o Stage IV has begun.
- NIT South Improvements – Phase II – (Stage 1) Backlands Reconstruction for straddle-carrier operation (48 acres) – 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
- NIT Command and Control Center – Estimated completion date November 30, 2004
- Rail Planning at NIT Central – Improvements to Intermodal Container Transfer Facility (ICTF) Rail Operations to increase rail capacity at NIT

At this time, Mr. Florin outlined the repositioning of cranes scheduled from November–January and in March 2005, after the arrival of two new cranes, and outlined final crane locations at NIT, NNMT, and PMT.

- PMT ID/Security Building – Project Complete
- PMT Security Canopies at Main Gate and POV Gate – Estimated completion: May 2005
- NNMT Pier C turning dolphin and Pier B bollard
- Craney Island Update – Final Economic Benefits Report due December 2005
- 50-Foot Channel Dredging – Project to be completed over a two-year schedule

E. Marketing Committee - Ms. Stearns, Committee Chairwoman

Mr. Capozzi presented calendar year and fiscal year-to-date performance for the period January through October. The Port performed as follows:

<u>Calendar Year-to-Date Performance</u>		<u>Fiscal Year-to-Date Performance</u>	
TEUs	+9.4%	TEUs	+10.5%
Ship Calls	-6.2%	Ship Calls	-5.1%
Breakbulk	-10.4%	Breakbulk	-20.3%
Midwest Train	+13.4%	Midwest Train	+11.2%
VIP Train	+94.6%	VIP Train	+94.2%

Mr. Capozzi announced the addition of three new shipline services: K-Line AWE4 (Asia), MSC – ECS III (South America), and NYK/Hapag/BEX (South America) and reviewed ports of call. He reported that

trade from Northeast and Southeast Asia and India continues to increase.

Mr. Capozzi announced economic developments highlights that included construction of The Warehouse Co., Inc. (next to the VIP), and expansion of Lydall Distribution Center.

He concluded with FY05 highlights that produced record-breaking months for the Port:

- VIT moved over 168,000 TEUs in the month of August
- VIT moved over 4,000 rail units in one week
- Longshoremen man hours were up 16% for the year
- VIP moved over 600 containers in one week

F. Security Committee – Mr. Grace, Committee Chairman

Mr. Bray introduced Mr. Ed Merkle, the Authority's new Director of Security, who retired from the Coast Guard after recently serving as Deputy Captain at the Port of New York/New Jersey.

Mr. Merkle presented a summary of TSA Port Security Grants that were awarded to VPA and each of the projects and associated costs for Rounds 1-4. Mr. Merkle advised that the Authority has completed all projects that meet Federal security requirements.

Mr. Merkle reported that total Federal funds awarded amounted to \$11.4 million, VPA matching funds amounted to \$10.5 million, at a total cost of \$21.9 million for security enhancements at all four terminals.

The Chairman asked Mr. Merkle if it was known when the application for Round 5 security grants would be announced. Mr. Merkle advised that it is anticipated that the ODP (Office of Domestic Preparedness) will release that information in December with a completion date of filing some time in January 2005.

(Note: Copies of all open session presentations can be viewed on Virginia Port Authority's 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 10:55 a.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, January 25, 2005. Happy New Year!

Respectfully submitted,

Debra J. McNulty
Clerk to the Board