

MINUTES

Board of Commissioners - Session 294

Virginia Port Authority
World Trade Center
Norfolk, Virginia
January 25, 2005

Pursuant to call by Vice Chairman Valentine, the Board of Commissioners held its regular meeting this date at 11:10 a.m., in the Authority's Conference Room A, 600 World Trade Center, Norfolk, Virginia.

The following attended:

Commissioners:

E. Massie Valentine, Jr., Vice Chairman
Robert C. Barclay, IV
Mark B. Goodwin
William M. Grace
Jonathan Johnny Johnson
Ronald W. Massie
Ranjit K. Sen
Deborah K. Stearns
Jody M. Wagner, State Treasurer

Absent:

John G. Milliken, Chairman
John E. Holleran
Michael J. Quillen

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
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
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
Debra J. McNulty, Clerk
Jodie Asbell, Deputy Clerk
Rebecca Killen, Administrative Assistant Senior
Erika Snow, Administrative Assistant

Guests:

Richard L. Walton, Jr., Senior Assistant Attorney General
Mary Lynn Tischer, Virginia Department of Transportation
John D. Padgett, McGuireWoods LLP
Lloyd M. Richardson, McGuireWoods LLP
Gerald K. Mayfield, McGuire Woods LLP
Ronald Tillett, Morgan Keegan & Co., Inc.
Kevin Rotty, Morgan Keegan & Co., Inc.
Napoleon Nelson, Public Financial Management
Kevin Larkin, Bank of America
John Cavanaugh, Cavanaugh, Nelson & Co., PLC
Katrina R. Riddick, M.R. Beal & Company
Michael Crist, P.E., Moffatt & Nichol Engineers
Don Morgan, Barber Martin Advertising
Rob Arnold, Barber Martin Advertising
Stephen A. Curtis, Lockwood Greene Engineering & Construction
Joseph A. Dorto, General Manager, VIT

Members of the Media:

Christopher Dinsmore, *The Virginian-Pilot*
Peter Dujardin, *The Daily Press*
Hayes Howard, *American Shipper*

INTRODUCTIONS

Deputy Secretary Ralph Davis introduced Dr. Mary Lynn Tischer and noted that her efforts were instrumental in the completion of *VTrans 2025–Virginia’s Statewide Multimodal Long-Range Transportation Plan*. Mr. Davis announced that Dr. Tischer had been with the Virginia Department of Transportation and now serves as Special Assistant to the Governor on transportation and reauthorization funding. Dr. Tischer is actively involved in presenting Virginia’s position on transportation.

Ms. Ford introduced guests in attendance and members of the media.

I. APPROVAL OF MINUTES

Action: Upon motion made by Mr. Grace, duly seconded by Mr. Massie, and adopted by unanimous vote (9-0), the Board approved the minutes of the regular meeting held November 23, 2004.

Affirmative Votes:

Mr. Barclay	Mr. Johnson	Ms. Stearns
Mr. Goodwin	Mr. Massie	Mr. Valentine
Mr. Grace	Mr. Sen	Ms. Wagner

II. REPORTS OF COMMITTEES

A. Executive Committee – Vice Chairman Valentine

Vice Chairman Valentine presented photographs of student volunteers from St. Christopher’s and St. Catherine’s Schools in Richmond, who partnered with VPA and a variety of businesses and service providers in setting up a donation collection site for items destined for Sri Lanka’s tsunami victims. A student had contacted a parent who in turn called VPA, setting this project in motion.

Mr. Capozzi announced that a 40-foot shipping container was provided by United Arab Shipping Company. WorldlinkLogistics, Inc., Port City Transportation, Barthco, Inc., and Richmond Corrugated Box Co. also provided shipping and logistical assistance. Mr. Capozzi reported that the loaded container was scheduled to depart NIT this week.

Mr. Ralph Davis, Deputy Secretary of Transportation, presented a status report of *VTrans 2025– Virginia’s Statewide Multimodal Long-Range Transportation Plan*. Copies of the VTrans “Summary of the Final Report”, Governor Warner’s report to the 2005 General Assembly – “Transportation Partnership Act”, and Mr. Davis’ presentation (which can be viewed on VPA’s website), “VTrans 2025 - Multimodal Long-Range Transportation Plan”, were distributed at this time.

Mr. Davis announced that VTrans 2025 was last presented to the VPA Board in 2003 and that the final report was delivered ahead of schedule. He thanked Chairman Milliken, Mr. Bray, Mr. Florin, Ms. Ford, and Mr. Michael Knott (Moffatt & Nichol Engineers) for their contributions in attending meetings and transporting materials throughout Virginia in order to meet with the public and spread the word regarding Virginia’s transportation needs.

Mr. Davis described the efforts that went into VTrans 2025, public involvement, vision and goals, financial needs, and the Policy Committee’s results and recommendations.

Mr. Davis presented a plaque to both Linda Ford and Jeff Florin for their service to VTrans. At this time, Mr. Davis requested the Board’s approval of Resolution 05-1, recommending Phase 3 and Final Report to the General Assembly.

Action: Upon motion made by Mr. Massie, duly seconded by Mr. Sen, and adopted by unanimous vote (9-0), the Board approved Resolution 05-1, recommending Phase 3 and Final Report to the General Assembly.

Affirmative Votes:

Mr. Barclay	Mr. Johnson	Ms. Stearns
Mr. Goodwin	Mr. Massie	Mr. Valentine
Mr. Grace	Mr. Sen	Ms. Wagner

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

1. VPA Financial Reports

Mr. Oliver reported fiscal year-to-date financials for the six months ended December 31, 2004. He presented revenues (cash basis) from both the Commonwealth Port Fund (CPF) and Terminal Revenues. CPF revenues, year-to-date, total \$16.1 million and VIT terminal revenues for VPA operations total \$20.2 million, year-to-date.

Mr. Oliver reviewed balances and expenditures from each of the accounts in Operating Expenditures and Capital Improvement Program that includes the 1997, 2002, and 2003 bond issues.

Mr. Oliver reported that Security Services is \$400,000 over budget due to increasing security requirements at all of the terminals. He advised that \$1.2 million has been expended year-to-date from Federal security grants #2, #3, and #4.

Mr. Oliver referred to Mr. Cavanaugh's December 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.

2. Consideration of Resolution 05-2, to approve Series Resolution supplementing Resolution 02-4 of the Virginia Port Authority and authorizing the issuance of up to \$60,000,000 of the Authority's Commonwealth Port Fund Revenue Bonds (2002 Resolution), Series 2005 and related matters.

Mr. Oliver announced that the Series Resolution would authorize the Authority to issue \$60 million in bonds supported by Commonwealth Port Funds (CPF). He reviewed the use of proceeds (projects that are contained in the resolution). Mr. Oliver announced that \$5M of bond proceeds will be appropriated to the City of Norfolk towards the construction of the cruise facility at Nauticus. He also referred to the accompanying Bond Purchase Agreement, Preliminary Official Statement, and CPF Debt Capacity Analysis, contained in the agenda materials.

Mr. Oliver reported that the Treasury Board is scheduled to consider the bond transaction on February 16, 2005, followed by discussions with the bond rating agencies, a scheduled sale date at the end of March, and final closing in mid-April.

Mr. Richardson reviewed key provisions contained in Resolution 05-2.

Vice Chairman Valentine announced that he would abstain from voting on Resolutions 05-2 and 05-6, as his firm is one of the underwriters for the bonds. Mr. Valentine is Vice President of Investment for Davenport & Co. of Virginia, Inc.

Action: Upon motion made by Mr. Massie, duly seconded by Mr. Grace, and adopted by unanimous vote (8-0), the Board adopted Resolution 05-2, approving Series Resolution supplementing Resolution 02-4 of the Virginia Port Authority and authorizing the issuance of up to \$60,000,000 of the Authority's Commonwealth Port Fund Revenue Bonds (2002 Resolution), Series 2005 and related matters.

Affirmative Votes:

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

3. Consideration of Resolution 05-6, authorizing the issuance of up to \$25M of the Authority's Commonwealth Port Fund Revenue Refunding Bonds (2002 Resolution), Series 2005, to refund the Series 1996 Bonds, subject to certain conditions.

Mr. Richardson announced that VPA could potentially enter into a forward refunding of the 1996 CPF Revenue Bonds, which are not due to mature until July 1, 2016. He reported that the bonds are redeemable beginning July 1, 2006, and refunding bonds can be sold now on a forward basis. Mr. Richardson advised that, by proceeding with a forward transaction this year and with current low interest rates (5%), a forward refunding could generate \$1.5 million in savings. He advised that VPA would lose this opportunity if interest rates were to rise significantly by July 1, 2006.

Mr. Richardson reviewed key provisions of Resolution 05-6. He explained that, as stated in Section 2 (iv), additional documents related to the forward refunding would be presented at the March 22 board meeting. Mr. Richardson also noted that the net present value savings to be achieved by the Authority upon issuance of the Series 2005 Refunding Bonds shall not be less than 5.00%.

Action: Upon motion made by Mr. Massie, duly seconded by Ms. Wagner, and adopted by unanimous vote (8-0), the Board adopted Resolution 05-6, authorizing the issuance of up to \$25M of the Authority's Commonwealth Port Fund Revenue Refunding Bonds (2002 Resolution), Series 2005, to refund the Series 1996 Bonds, subject to certain conditions.

Affirmative Votes:

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

4. Consideration of Resolution 05-3, adopting VPA's "Interest Rate and Currency Derivatives Policy."

Mr. Massie reported that, by motion adopted in the Finance/Planning Committee, held earlier, it was the sense of the Committee that further review is needed on the subject of "swaps" and derivatives before the adoption of an "Interest Rate and Currency Derivatives Policy", and that the matter would be brought back to the Board at the March 22, 2005 meeting.

5. Consideration of Resolution 05-4, authorizing VPA to enter into a contract with Kalmar Industries, Inc., to purchase 31 straddle-carriers.

Mr. James briefly described the competitive negotiation process that involved the purchase of 31 straddle-carriers.

Mr. Oliver outlined the financing terms that involved the conversion of U.S. dollars to Euros, which was one of the requirements by Kalmar Industries, Inc. He announced that the price of the strads had increased by 15% since March 2004. Mr. Oliver reported that Bank of America is providing the financing through the Authority's Master Equipment Lease Program (MELP).

Action: Upon motion made by Mr. Massie, duly seconded by Mr. Johnson, and adopted by unanimous vote (9-0), the Board adopted Resolution 05-4, authorizing VPA to enter into a contract with Kalmar Industries, Inc., to purchase 31 straddle-carriers.

Affirmative Votes:

Mr. Barclay	Mr. Johnson	Ms. Stearns
Mr. Goodwin	Mr. Massie	Mr. Valentine
Mr. Grace	Mr. Sen	Ms. Wagner

6. Consideration of Resolution 05-5, authorizing Aid to Local Ports Funding (FY05), totaling \$49,166, to the Accomack-Northampton Transportation District Commission (ANTDC).

Mr. Oliver reported that Accomack-Northampton Transportation District Commission requested grant monies from VPA to partially fund the capitalization of a tugboat operation that transports ANTDC's float cars between its facilities at Little Creek and Cape Charles. Mr. Oliver reported that Eastern Shore Railroad officials met with VPA to request additional funding due to an increase in volumes that had exceeded their expectations on the barge operation.

Mr. Oliver advised that VPA had called several localities who were grant recipients last year to determine if there were unused funds that could be reallocated. As a result, the Port of Richmond offered to return a portion their grant as the project was no longer on the table. Mr. Oliver reported that ANTDC initially requested \$125,000, however, VPA could only partially fund the project up to \$49,166.

Action: Upon motion made by Mr. Massie, duly seconded by Mr. Grace, and adopted by unanimous vote (9-0), the Board adopted Resolution 05-5, authorizing Aid to Local Ports Funding (FY05), totaling \$49,166, to the ANTDC.

Affirmative Votes:

Mr. Barclay	Mr. Johnson	Ms. Stearns
Mr. Goodwin	Mr. Massie	Mr. Valentine
Mr. Grace	Mr. Sen	Ms. Wagner

C. Facilities Committee – Mr. Sen, Committee Chairman

Mr. Florin announced that all projects are on schedule. He presented the "Capital Outlay Program and Facilities Maintenance Overview", with updated slides featuring the following projects:

- NIT South Improvements – Phase I – Wharf Construction – Stages I and II Completed

- Stage III - Completed December 2004
- Stage IV- Work has begun

Mr. Florin remarked that NIT South will be the most modern wharf on the East Coast.

- NIT South Backlands Reconstruction – Phase II – Stages 1-8
- NIT Command and Control Center – Building is complete
- Rail Planning at NIT Central
- VPA Crane Locations – Relocations/movements scheduled from November 2004 -March 2005

Mr. Florin reported that, once Maersk vacates the PMT property, their cranes will be moved and VPA will be prepositioned to have all state-of-the-art cranes at PMT.

- PMT Security Canopies – Estimated completion date: May 11, 2005
- NNMT Pier C Turning Dolphin and Pier B Bollard
- 50-Foot Channel Dredging – Three Phases:
 - o Work on Norfolk Harbor Channel ongoing
 - o New Dredging is 44% complete
 - o 190,000 CY of Maintenance Dredging Completed
 - o Construction on Phase III – Atlantic Ocean Channel expected to begin October 2005

Mr. Florin presented a status report on results from Craney Island Stakeholders meeting and schedule for the completion of the Craney Island Feasibility Study, due by December 2005. Mr. Florin remarked that, due to the explosive growth of the Port, the Craney Island Marine Terminal needs to be in operation by 2017. He presented a map of the Regional Transportation Plan that featured all of the proposed transportation/construction projects that would link all marine terminals in Hampton Roads: Third Crossing, Western Freeway Median Rail Corridor, Craney Island Road and Rail Corridor, the recently announced Maersk Terminal, and the Craney Island Marine Terminal.

Mr. Florin featured a slide that indicated the containment levees and wetlands that would be constructed by 2009. Total cost of levee design and construction: \$500M. By 2011, dredged material from rapid filling, dredge material deposits, and surcharge material would allow for the start of marine terminal construction. Mr. Florin reported that East expansion of Craney Island (Phase I) would open in 2017 at the cost of \$523M. Costs for the build-out of the CIMT by 2032 would be \$1.6B. Total projected cost for the Eastward Expansion of Craney Island is projected at \$2.1B. Cost to VPA = \$1.8B – Cost to Corps = \$250M.

Mr. Florin described national and regional economic benefits. The \$2.1B project cost can generate \$6B in National economic development benefits.

Mr. Florin announced that VPA was awarded the Model Level River Star by the Elizabeth River Project, which is the highest level awarded for exceptional results in pollution prevention and habitat creation. Mr. Florin credited Ms. Heather Wood, VPA's Project Manager, for her work in pollution prevention initiatives, and mitigation and wetlands restoration. He announced that VPA was one of 10 ports selected to participate in the AAPA (American Association of Port Authorities) Environmental Management System Assistance Project, sponsored by EPA and AAPA.

Mr. Florin described the Authority's Plum Point Restoration project that resulted in an award for the restoration of wetlands and creation of a landscaped park with multi-purpose trails, located off of the Elizabeth River.

D. Marketing Committee - Ms. Stearns, Committee Chairwoman

Mr. Capozzi announced that VPA and VIT have recently negotiated a new three-year contract with the Evergreen Group. Mr. Capozzi presented calendar year and fiscal year-to-date performance for the period January through December. The Port performed as follows:

<u>Calendar Year-to-Date Performance</u>		<u>Fiscal Year-to-Date Performance</u>	
TEUs	+9.9%	TEUs	+11.1%
Ship Calls	-5.0%	Ship Calls	-2.5%
Breakbulk	-9.3%	Breakbulk	-9.3%
Midwest Train	+12.5%	Midwest Train	+10.4%
VIP Train	+101.1%	VIP Train	+107.7%

Mr. Capozzi reviewed calendar year 2004 highlights. He reported that VPA broke the 1.8 million TEU mark, broke the 200,000 container mark for rail, had three record-breaking months for the second half of 2004 (August, October, December), moved over 4,000 rail units in one week, and VIP moved over 600 containers in one week.

Mr. Capozzi announced two new economic development projects:

- Suffolk Industrial Park – Downtown Suffolk, Virginia
- Ashley Capital Distribution Facility – Chesapeake, Virginia

He reported that the marketing staff are aggressively pursuing new economic development projects and continue to work with local economic development agencies.

Mr. Capozzi described the latest developments in the U.S. Aid program (PL-480 cargo). He advised that VPA worked with TransLoad Logistics and both railroads on a bid for PL-480 cargo. Mr. Capozzi explained that cargo would be pre-positioned at a port overseas for immediate distribution to those countries in need. Mr. Capozzi said the winning bidder is expected to be announced in February .

Mr. Capozzi reported the following projections for CY2005:

- **9% Container Growth – Exceed CY04 by 1.9M TEUs**
- **11% Rail Growth – Exceed CY04 by 230,000 rail units**
- **3% Increase in Breakbulk Tonnage – Exceed CY04 by 600,000 tons**

Mr. Goodwin asked if VPA had data on growth rates for other major East Coast ports compared to VPA. Mr. Capozzi advised that he has not received CY data as of yet. He said VPA should compare very favorably. He noted that, last year, VPA surpassed Savannah as the fastest growing port.

E. Security Committee – Mr. Grace, Committee Chairman

Mr. Merkle announced that the PMT ID/Security Station is officially open and in operation. He reported that work is ongoing to streamline ID credentialing system for customers and employees. In the near

future, a control room on the second floor will monitor the gate that is currently under construction.

Mr. Merkle reviewed results of 2004:

- VPA met Maritime Transportation Security Act (MTSA) 2002 requirements and installed radiation portals.
- For the 8th consecutive year, VPA had “zero” cargo theft.
- Transportation Security Administration (TSA) Grant – Round 1 – Projects Completed

Mr. Merkle reviewed TSA Port Security Grants that were awarded for Round 2 (\$3.1M), Round 3 (\$874,600), and Round 4 (\$2.1M) and all of the projects required under each grant. Mr. Merkle announced that, under Grant #3, L3 Communications was awarded the CCTV contract by ZelTech and they have 120 days to complete the project.

He announced that VPA plans to pursue additional Federal grants for further security enhancements as soon as the 2005 grant program is announced by TSA.

(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 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, March 22, 2005.

Respectfully submitted,

Debra J. McNulty
Clerk to the Board