

MINUTES

Board of Commissioners - Session 296

Virginia Port Authority
World Trade Center
Norfolk, Virginia
May 24, 2005

Pursuant to call by Chairman Milliken, the Board of Commissioners held its regular meeting 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
Robert C. Barclay, IV
Mark B. Goodwin
William M. Grace
Michael J. Quillen
Ranjit K. Sen
Deborah K. Stearns
Jody M. Wagner, State Treasurer

Absent:

Jonathan Johnny Johnson
Ronald W. Massie

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
Elaine Smith, Director of Administration
Norris (Ed) Merkle, Director of Security
Russell J. Held, Managing Director of Marketing, Southeast, U.S. and Europe
A. Diane Reed, Controller
Heather L. Wood, Environmental Program Manager
Carla Welsh, Public Relations Coordinator
Public Relations Program Manager
Donald B. Boyd, Port Police Chief
Rebecca Killen, Administrative Assistant Senior
Debra J. McNulty, Clerk
Jodie Asbell, Deputy Clerk

Guests:

Richard L. Walton, Jr., Senior Assistant Attorney General
James M. Hewitt, Dept. of Planning and Budget
John D. Padgett, McGuireWoods LLP
Michael Crist, P.E., Moffatt & Nichol Engineers
Kevin M. Larkin, Bank of America
Ken Sherwood, Zel Technologies, LLC
Joseph A. Dorto, General Manager, VIT
Richard N. Knapp, Assistant General Manager, VIT
W. Millard Meiggs, Chief Financial Officer, VIT

VIT Board of Directors:

Richard Belangia
Regina Brayboy
Robert T. Taylor
John Ryan, VIT Corporate Counsel

Members of the Media:

Bill Sizemore, *The Virginian-Pilot*
Peter Dujardin, *The Daily Press*

INTRODUCTIONS

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

RESOLUTION OF APPRECIATION

Chairman Milliken presented a Resolution of Appreciation and a shadowbox commemorating the service of former VPA Commissioner John E. (Jack) Holleran. The Chairman explained that Mr. Holleran had resigned from the VPA Board for business and personal reasons.

Action: Upon motion made by Mr. Valentine, duly seconded by Mr. Barclay, and adopted by unanimous vote (7-0), the Board approved the Resolution on the Services of John E. Holleran.

Affirmative Votes:

Mr. Barclay	Mr. Sen
Mr. Goodwin	Mr. Valentine
Mr. Grace	Ms. Wagner
Mr. Quillen	

I. APPROVAL OF MINUTES

Action: Upon motion made by Mr. Valentine, duly seconded by Mr. Barclay, and adopted by unanimous vote (7-0), the Board approved the minutes of the regular meeting held March 22, 2005.

Affirmative Votes:

Mr. Barclay	Mr. Sen
Mr. Goodwin	Mr. Valentine
Mr. Grace	Ms. Wagner
Mr. Quillen	

II.

REPORTS OF COMMITTEES

A. Executive Committee – Chairman Milliken

1. Announcement of Nominating Committee for the selection of officers to the Board.

Chairman Milliken appointed Mr. Barclay to chair the Nominating Committee for the selection of officers to the Board. Mr. Sen and Ms. Wagner were also appointed to serve as members of the Committee. The Chairman announced that the Nominating Committee would present a slate of officers for appointment at the Board's annual meeting in July.

2. Report of the Investment and Administrative Committee:
 - a. Consideration of Resolution 05-8, approving amendments to the Virginia Port Authority Defined Benefit Plan (Pension Plan) and approving guidelines for selection of Individual Retirement Accounts.

The Chairman announced that an open meeting of the Investment and Administrative Committee was held earlier. He explained that the Committee was tasked to approve recommended changes to the various pension plans affecting VPA employees. He advised that the Committee reviewed the replacement of three investment managers for the VPA Deferred Compensation (457) and matching plans (401a), based on recommendations from Mr. Robert Sanford and Mr. Kevin Schmid of Aon Investment Consulting.

The Chairman advised that details of Aon's recommendations are available in the materials provided to the Investment and Administrative Committee members. He also announced that the Investment Policy Statement was revised to reflect the changes. The Chairman deferred to Mr. Oliver for any questions after the meeting.

(Ms. Stearns arrived at this time.)

Mr. Oliver described amendments contained in Resolution 05-8, as follows:

- Effective with the July 1, 2005 payment, the temporary supplement for law enforcement officers shall be increased to \$10,702 (\$892/month) for all retirees receiving the temporary supplement;
- Effective with the July 1, 2005 payment, a cost of living adjustment of 9.05% shall be applied to the enhanced basic benefit for law enforcement officers resulting from the application of the three-tenths of one percent (0.3%) multiplier for all retirees receiving the enhanced basic benefit;
- Effective with the July 1, 2005 payment, a cost of living adjustment of 9.05% shall be applied to the basic accrued benefit for all retirees who retired in calendar year 2003 or earlier;
- Effective July 1, 2005, a mandatory cash-out of benefits with a lump sum of less than \$10,000 shall be added to the plan subject to the automatic rollover rules imposed by the IRS effective January 1, 2006. The mandatory cash out shall apply to all separated employees, including those who separated prior to July 1, 2005.

Mr. Grace asked how the COLA is calculated. Mr. Oliver explained that there are two different adjustments: 1) the sworn police supplement that will coincide with the Virginia Retirement Service (VALORS) supplement and, 2) those retirees who are not sworn. He explained that VPA applied COLA's since inception of the VPA Plan as a "catch up" adjustment. The Plan currently has no annual automatic COLA. Ms. Wagner asked about the funding performance. Mr. Oliver reported that the Plan has fulfilled every funding requirement and is overfunded in a number of plans.

Ms. Wagner questioned VPA's liability. Mr. Goodwin asked about fiduciary responsibility. Mr. Milliken advised that the Investment and Administrative Committee has fiduciary responsibility. Mr. Goodwin also asked if the Plan was indemnified by the State. The Chairman advised that he would research all of this information for a briefing at the next meeting of the Board.

Action: Upon motion made by Mr. Valentine, duly seconded by Mr. Sen, and adopted by unanimous vote (8-0), the Board approved Resolution 05-8, approving amendments to the Virginia Port Authority Defined Benefit Plan (Pension Plan) and approving guidelines for selection of Individual Retirement Accounts.

Affirmative Votes:

Mr. Barclay	Mr. Sen
Mr. Goodwin	Ms. Stearns
Mr. Grace	Mr. Valentine
Mr. Quillen	Ms. Wagner

3. Report of the Compensation Committee:

- a. Consideration of Resolution 05-9, approving the Executive Director's incentive supplement for fiscal year 2005, ending June 30, 2005 and compensation plan for fiscal year 2006, beginning July 1, 2005.

Chairman Milliken explained the Compensation Committee's responsibilities with regard to setting criteria and reviewing the Executive Director's salary and compensation for approval each year. He announced that the Compensation Committee had conducted a closed session meeting on May 11, 2005 and, in open session, approved Mr. Bray's incentive supplement for FY05 and the compensation plan for FY06, that included the Committee's suggested revisions.

At this time, Mr. Walton presented a motion to go into closed session in order for the full Board to review the performance and salary of the Executive Director in accordance with The Virginia Freedom of Information Act, Virginia Code §2.2-3711(A)(1).

Action: Upon motion made by Mr. Valentine, duly seconded by Mr. Barclay, and adopted by affirmative vote (8-0), the Board voted to convene in closed session at 11:15 a.m.

Affirmative Votes:

Mr. Barclay	Mr. Sen
Mr. Goodwin	Ms. Stearns
Mr. Grace	Mr. Valentine
Mr. Quillen	Ms. Wagner

Chairman Milliken asked guests and staff members to leave the meeting at this time.

At 11:25 a.m. the meeting resumed in open session at which point the Board members made the certification required by Section 2.2-3712 (D).

Roll Call:

Mr. Barclay	Mr. Sen
Mr. Goodwin	Ms. Stearns
Mr. Grace	Mr. Valentine
Mr. Quillen	Ms. Wagner

Chairman Milliken announced that he was very pleased with the performance and record of the VPA and he said, "One of the highest contributing factors is the leadership of Bobby Bray".

Mr. Milliken reported that the Board had recommended additional language to page 4 (3rd sentence) of Mr. Bray's FY06 Compensation Plan, to include "...human resource management, management succession and ethics, and capital project cost containment..."

It was reminded by Chairman Milliken that the Executive Director's FY06 Compensation Plan sets the criteria for his incentive supplement next year. He advised that, during the course of this year, he would take a look at the types of criteria for the following year.

Action: Upon motion made by Mr. Valentine, duly seconded by Mr. Barclay, and adopted by affirmative vote (8-0), the Board approved Resolution 05-9, approving the Executive Director's incentive supplement for fiscal year 2005, and compensation plan for fiscal year 2006.

Affirmative Votes:

Mr. Barclay	Mr. Sen
Mr. Goodwin	Ms. Stearns
Mr. Grace	Mr. Valentine
Mr. Quillen	Ms. Wagner

B. Report on Matters Relating to Virginia International Terminals, Inc.

A text of Chairman Milliken's announcement is as follows:

"Questions have been raised by members of the media and others about the relationship between the Virginia Port Authority and Virginia International Terminals, Inc. It is my conclusion that it is a good time for us to examine again that relationship.

VIT came into existence in January 1982 to operate the Norfolk International Terminals (NIT) and, as a second step in Port unification, assumed operating responsibility at all three facilities in early 1983. It has been a spectacular success. But like all good things, it ought to be looked at from time to time.

The Working Group I am going to name today is being asked to address this question:

Does the VPA Board receive the information that it needs to carry out its responsibilities to (1) appoint the members of the Board of VIT and (2) approve the VIT annual budget?

Related questions such as what information should be kept confidential to protect the competitive position of the Port or to respect the confidentiality of the business records of its customers should

also be addressed.

I expect this to be a thorough review. I would ask the committee to provide its recommendations to this Board in the fall. I have asked the following individuals to serve on this working group.”

Chairman Milliken announced the appointees to the Working Group and provided a brief description of their business affiliations and credentials.

Working Group Appointees:

Conway H. Sheild, III, Chairman
Joshua P. Darden, Jr.
Deborah K. Stearns
Mark B. Goodwin
Regina P. Brayboy
John G. Milliken – Ex Officio Member

Chairman Milliken invited members of the Board to participate in meetings of the Working Group.

C. Finance/Planning Committee – Mr. Goodwin, Committee Vice Chairman

Mr. Goodwin announced that the Finance/Planning Committee had convened a public meeting earlier to consider the 2006 fiscal year budgets for VIT and VPA and there were a number of questions asked by members of the Board. He remarked that the discussions were very good and that the Committee had fully covered all of the financial materials. He asked Mr. Oliver to provide a brief summary of each report.

1. VPA Financial Reports

Mr. Oliver reported fiscal year-to-date financials for the ten months ended April 30, 2005. He presented revenues (cash basis) from both the Commonwealth Port Fund (CPF) and Terminal Revenues. CPF revenue year-to-date is \$29 million compared with total budget of \$33.4 million. Terminal revenues year-to-date are \$34.5 million compared with total budget of \$38.2 million. Mr. Oliver also reviewed Operating Expenditures that include Port Facilities Acquisition, National and International Trade, Security Services, and Other Expenses.

Mr. Oliver reported obligated/unobligated balances and year-to-date expenditures for the Capital Improvement Program that includes the CPF, Special Fund, Federal Grant, and the 2002, 2003, and 2005 bond issues. He referred to Mr. Cavanaugh’s Financial Covenant Compliance report as of April 30, 2005, that confirmed required balances for the reserve accounts and various debt service funds are in compliance with the bond covenants.

2. Consideration of Resolution 05-10, approving the FY2006 VIT Budget for the year beginning July 1, 2005 and ending June 30, 2006.

Mr. Dorto reviewed highlights of the VIT budget that were discussed in detail during the open session of the Finance/Planning Committee meeting.

Action: Upon motion made by Mr. Grace, duly seconded by Mr. Barclay, and adopted by affirmative vote (8-0), the Board approved Resolution 05-10, approving the FY2006 VIT Budget.

Affirmative Votes:

Mr. Barclay	Mr. Sen
Mr. Goodwin	Ms. Stearns
Mr. Grace	Mr. Valentine
Mr. Quillen	Ms. Wagner

3. Consideration of Resolution 05-11, approving the FY2006 VPA Budget for the year beginning July 1, 2005 and ending June 30, 2006

Mr. Oliver reviewed highlights of the VPA Budget that were also presented during the Finance/Planning Committee open meeting. Mr. Oliver announced that FY06 budgeted revenues for the Special Fund are projected to increase by 4.1%, and Commonwealth Port Fund budgeted revenues are projected to increase 15.5%, over FY05 projections.

Mr. Oliver also presented budgeted operating expenditures and capital expenditures. He announced that VPA has budgeted \$12.6 million for the purchase of straddle carriers. He advised that VPA has no plans to purchase cranes or issue bonds next year.

Action: Upon motion made by Mr. Grace, duly seconded by Mr. Sen, and adopted by affirmative vote (7-0), the Board approved Resolution 05-11, approving the FY2006 VPA Budget.

Affirmative Votes:

Mr. Goodwin	Ms. Stearns
Mr. Grace	Mr. Valentine
Mr. Quillen	Ms. Wagner
Mr. Sen	

(Mr. Barclay was not present during the vote.)

4. Consideration of a motion authorizing VPA to amend Contract #2004-01 between VPA and Banc of America Leasing & Capital LLC to extend the contract period and the maximum expenditure limit.

Mr. Oliver explained that VPA purchased straddle-carriers in January 2005, causing VPA to reach the \$45 million cap in the Master Equipment Lease Purchase (MELP) program. He advised that the contract contains a clause that offers the option for a one-year extension and/or a \$15 million increase in the cap. Mr. Oliver reported that VIT needs new straddle-carriers at PMT to replace four that are past their useful life and two extra straddle-carriers to handle additional volumes at the terminal.

Action: Upon motion made by Ms. Stearns, duly seconded by Ms. Wagner, and adopted by affirmative vote (7-0), the Board approved the amendment to Contract #2004-01 between VPA and Banc of America Leasing & Capital LLC.

Affirmative Votes:

Mr. Goodwin	Ms. Stearns
Mr. Grace	Mr. Valentine
Mr. Quillen	Ms. Wagner

Mr. Sen

(Mr. Barclay was not present during the vote.)

5. Consideration of Resolution 05-12, awarding Aid to Local Ports Grants

Mr. Oliver referred to the background paper and resolution and he reviewed each of the grant requests from the localities and recommended award amounts. The background paper also includes localities that have requested a carry-over of funds from the previous fiscal year that have not been expended.

Action: Upon motion made by Ms. Wagner, duly seconded by Mr. Grace, and adopted by unanimous vote (8-0), the Board approved Resolution 05-12, authorizing Aid to Local Ports funding for FY06, totaling \$580,000, to the Accomack-Northampton Transportation District Commission (ANTDC), Isle of Wight County, Northampton County, Northumberland County, Town of Onancock, City of Poquoson, Port of Richmond, and Town of Saxis.

Affirmative Votes:

Mr. Barclay	Mr. Sen
Mr. Goodwin	Ms. Stearns
Mr. Grace	Mr. Valentine
Mr. Quillen	Ms. Wagner

D. Facilities Committee – Mr. Sen, Committee Chairman

Mr. Florin presented the “Capital Outlay Program and Facilities Maintenance Overview”, with updated slides featuring ongoing and completed projects at all of the terminals. Mr. Florin reported that all projects are within budget and are on time. He announced that the contractor on the NIT South wharf renovation is scheduled to complete the project by May 31, except for a few “clean up items”. He remarked that NIT South will have the most modern wharf on the East Coast.

Mr. Florin reported that the contractors are ahead of the October 15th completion date for Phase II (Stage 1) of the NIT South backlands project (48 acres) and are currently 87% complete. Mr. Florin reviewed the remaining stages (2-7) of Phase II. He announced that the contract for the remaining construction will be brought before the Board in July.

He reported that all stages of the Phase II backlands reconstruction are scheduled to be complete by February 2012 for a total of 147 total acres.

Mr. Florin reported that both Security Canopies at PMT, located at the Main Gate and POV Gate, are scheduled for completion by July 2005. He also announced that both the NNMT Pier C Turning Dolphin and Pier B Bollard projects have been completed.

Mr. Florin described the planned addition for the VIP Administration Building that will include more office space, improved energy efficiency, and back-up computer space. He reported that the project was re-advertised as a Limited Solicitation to SWAM-owned businesses certified with the Department of Minority Business Enterprise (VDMBE).

Mr. Florin reviewed the NIT North rail yard modifications that will involve the demolition of existing railroad track along Railroad Avenue and installation of 1,250 ft. of new railroad tracks, turnouts, grade crossings, etc.

He continued with an overview of the 19-acre expansion grading at NIT North; PMT reefer relocation and transfer zone; PMT Kone crane modifications (by Liftech), and an update on the 50' Channel dredging projects. Mr. Florin described the three stages planned for the 50' channel dredging: Norfolk Harbor channel will be completed in one to two weeks; dredging of NIT access channel and berths to -50 feet will begin after Norfolk Harbor channel is complete; Atlantic Ocean channel contract is planned for award by August 2005.

Ms. Wood presented Resolution 05-13, approving an Environmental Policy for VPA and VIT. She said the policy is a further statement to both organizations' commitment to improve water and air qualities. Ms. Wood advised that this is the first step in formalizing an environmental program. Resolution 05-13 was presented for the Board's approval.

Action: Upon motion made by Mr. Sen, duly seconded by Ms. Wagner, and adopted by unanimous vote (7-0), the Board approved Resolution 05-13, approving an Environmental Policy for VPA and VIT.

Affirmative Votes:

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

(Mr. Quillen left the meeting prior to the vote.)

E. Marketing Committee - Ms. Stearns, Committee Chairwoman

Mr. Capozzi announced that the Port's fiscal year-to-date tonnage increased 11.6%, a 130,000 TEU increase from the previous year. April was the Port's best month, to date. He advised that ship calls are down (-1.1%) along with a decrease in breakbulk (-11.4%). Mr. Capozzi announced that gains also came from non-VIT terminals here at the Port. He announced that the Inland Port is showing tremendous growth in rail business (+77.5%). Midwest rail increased by 12.7%.

Mr. Capozzi gave an overview of containerized trade by region with Northeast Asia and North Europe demonstrating the largest percentage share of total business. He also compared the growth of tradelane imports from 2003-2004: India (37.8%), Northeast Asia (33.2%), South America (13.3%) and Southeast Asia (10.3%). Mr. Capozzi announced that one of the fastest growing trade lanes is Northeast Asia; increasing from 102,000 TEUs in 2001 to 266,000 TEUs in 2004.

Mr. Capozzi reported that Target visited VPA last week and they have very strong projections for the Port. He said Target also expressed that they were very pleased with VIT's performance.

Mr. Capozzi announced that VIT just signed a 10-year contract with Turkon America for service from the Eastern Mediterranean to U.S. East Coast, dropping Charleston, and adding one vessel to the string. Mr. Dorto and Mr. Capozzi also discussed the recent acquisition of P&O Nedlloyd by Maersk, Inc. Mr. Dorto remarked that VIT plans to market Virginia with Maersk.

Mr. Capozzi announced several economic developments - Devon Properties USA (Suffolk), Devon Properties USA and American Port Services (Hampton), Target (Suffolk), and NYK Logistics (Hampton). Mr. Capozzi credited the work of Mr. Russell Held and Mr. Russell Young on these projects.

He concluded with photographs from the Japan/India Trade Mission with Governor Warner.

Commissioner Sen and Mr. Keever also accompanied the Governor. Mr. Capozzi reported that there are opportunities with exporters from India for warehousing/LCL service in Hampton Roads.

(Mr. Sen left at this time.)

F. Security Committee – Mr. Grace, Committee Chairman

Mr. Merkle presented Resolution 05-14 for the Board's consideration for approval to implement a security surcharge on all cargo using VPA facilities, effective July 1, 2005. He explained that the surcharge would be administered by VIT and fees collected would be transferred to VPA.

Mr. Merkle reported that VPA's security costs increased from \$3.5 million in FY1999 to \$5.5 million in FY2005. A breakdown of 2005 costs include payroll, supplies and services, insurances, and equipment. Mr. Merkle reported that, based on 2004 data, the proposed fee structure would have brought in approximately \$1.73 million in security fees. He advised that the proposed security fees are comparable to what the following ports have already implemented:

- Port of Miami
- Port of Houston
- Maersk
- Tampa Port Authority
- Georgia Port Authority
- South Carolina State Ports Authority

Mr. Merkle continued with a report on the VIP CCTV System that is expected to be fully operational by June 15, 2005. An operational test and evaluation on the system will be conducted June 1. He reported that VPA is currently working with Moffatt & Nichol and SAIC on the security access component of the Gate Access Controls (Round 4 Grant).

Mr. Merkle advised that Round 5 of the Department of Homeland Security grant program was announced May 12, 2005, and applications are due June 10, 2005. The award announcements are due August 1, and could be awarded by September 30, 2005. Mr. Merkle announced that awards for Grant 5 are based on a risk assessment and that The Port of Virginia has been identified as one of 66 ports designated high risk due to the Port's proximity to the Naval Base.

Mr. Merkle reported that VPA is currently developing proposals and refining budget requirements for \$8 million in Federal grant requests, for the following:

- C2 Center Operations Integration
- Waterfront Small Boat Detection
- Communications
- Cybersecurity
- Chemical Detection System

Mr. Grace presented Resolution 05-14 for the Board's consideration.

Action: Upon motion made by Mr. Grace, duly seconded by Ms. Stearns, and adopted by unanimous vote (6-0), the Board approved Resolution 05-14, authorizing the implementation of a Security Surcharge pursuant to Virginia Code §62.1-132.16.

Affirmative Votes:

Mr. Barclay
Mr. Goodwin
Mr. Grace

Ms. Stearns
Mr. Valentine
Ms. Wagner

III. REPORT OF EXECUTIVE DIRECTOR

The Executive Director had no report.

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 12:45 p.m.

*(Note: Presentations can be viewed on Virginia Port Authority's website, at:
<http://www.vaports.com/boardmeeting.htm>*

The Annual Meeting of the Board of Commissioners will be held in the Authority's Conference Room A, 600 World Trade Center, Norfolk, Virginia, on July 26, 2005.

Respectfully submitted,

Debra J. McNulty
Clerk to the Board