

**Virginia Port Authority Board of Commissioners**  
**Finance/Planning Committee Meeting – May 24, 2005**  
**Open Session Minutes**

Committee Members Present:

Mark B. Goodwin, Committee Vice Chair  
Robert C. Barclay, IV  
Michael J. Quillen  
Jody M. Wagner, State Treasurer

Members Absent:

Ronald W. Massie, Committee Chair

Commissioners Present:

John G. Milliken, Chairman  
E. Massie Valentine, Jr.  
Ranjit K. Sen

Staff:

J. Robert Bray, Executive Director  
Linda G. Ford, Director of Port Promotion  
Rodney Oliver, Director of Finance  
A. Diane Reed, Controller  
Carla Welsh, Public Relations Coordinator  
Debra J. McNulty, Clerk

Guests:

Richard L. Walton, Jr., Senior Assistant Attorney General  
James M. Hewitt, Department of Planning and Budget  
John M. Ryan, Vandeventer Black, LLP (VIT Corporate Counsel)  
Kevin M. Larkin, Bank of America  
Joseph A. Dorto, General Manager, VIT  
Richard N. Knapp, Asst. General Manager, VIT  
W. Millard Meiggs, Chief Financial Officer, VIT

Members of the Media:

Bill Sizemore, *The Virginian-Pilot*

Pursuant to call by Mr. Goodwin, the Finance/Planning Committee convened an open session on this date at 9:10 a.m., in the Authority's Conference Room, 600 World Trade Center, Norfolk, Virginia.

The following items were discussed:

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

Mr. Goodwin referred to the VIT Budget contained in the agenda notebook. Mr. Dorto reviewed highlights of the VIT Budget for FY2006. Overall, budgeted revenue for VIT is projected to be \$216,700,000 for an 8.5% (\$16,970,000) increase, as compared to the current estimate of \$199,730,000, for the fiscal year ending June 30, 2005. The forecasted revenue growth is based on an 8.2% increase in container volume. Total projected container volume is 962,000 units and 32,000 rail containers at the Virginia Inland Port. Revenue reflects a 3% increase in Schedule of Rates (SOR) effective October 1, 2005.

Mr. Dorto reviewed operating expenses, terminal labor costs, staffing requirements, maintenance expenses, budgeted accounting and administrative expenses, budgeted net income, and funding for the reserve accounts. He reported that labor costs are 34% of VIT's revenue.

Mr. Dorto reported that VIT set staffing levels at 446 positions for fiscal year ending June 30, 2006. He also advised that VIT is budgeted to transfer \$39 million in operating funds to VPA this fiscal year.

Chairman Milliken remarked that the Port had the best year, to date, and he asked if VIT were feeling the pressure of congestion at the terminals. Mr. Dorto advised that NIT is at 85% capacity and that the terminal will lose a large section of space in a couple of weeks due to construction. Mr. Dorto explained that VIT continues to find innovative ways to keep the terminal fluid and that the empty container depots and chassis pool have alleviated some pressures. The Chairman announced that the Board would like to hear VIT's contingency plans on this subject at the July meeting. Mr. Dorto requested a closed meeting due to the competitive issues that will be discussed. The Commissioners agreed.

Mr. Sen asked about the number of employees in the (G&A) general and accounting departments. Mr. Meiggs explained that the accounting and administrative departments are made up of accounts payable/receivables, information technology, and top people in engineering and maintenance. He estimated the number of employees to be 50. (This was later corrected to 120 employees.)

Mr. Quillen asked about the labor contract. Mr. Dorto explained that the ILA recently approved a six-year Master Contract, effective October. Mr. Barclay asked about health insurance coverage. Mr. Dorto explained that VIT has its own health insurance plan for employees and also pays a benefit in the ILA fund.

Mr. Goodwin had questions relating to salaries and he referenced page 5 and page 14. Mr. Dorto explained that page 5 lists salaries for administrative and accounting employees and that salaries listed on page 14 are operations employees. He gave a brief description of the divisions within VIT. Mr. Goodwin also questioned the budget for salaries listed on page 15. Mr. Dorto explained they are salaries for positions in each of the maintenance categories. Mr. Goodwin had no further questions.

Mr. Sen asked about overhead categories. Mr. Millard explained that G&A expenses include overhead. He referred to page 5 for detail.

**Action:** Upon motion by Mr. Quillen, seconded by Mr. Sen, the Finance/Planning Committee recommended that Resolution 05-10, approving VIT's FY2006 Budget, be presented to the full Board for adoption.

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

Mr. Oliver announced that VPA's FY06 Budget was recently approved by the Governor and General Assembly. The Budget Highlights that accompanied the materials summarized the operating revenues and expenditures and capital financing and expenditures.

Mr. Oliver reported that terminal revenues (Special Fund) are expected to be \$42.9 million in FY06, or 4.1% ahead of the estimate for FY05. He advised that these figures include approximately \$1.6 million for the proposed security surcharge that the Board will be asked to approve in the Public Session, following this meeting.

Mr. Oliver reported that VDOT estimates an increase of 15.5% in Commonwealth Port Fund (CPF) revenues for FY06 as a result of an increase in 2006 accelerated sales tax, approved by the Governor, and an increase in the actual estimate of CPF revenue collections.

Mr. Oliver reviewed Operating Expenditures that include a 3% increase in employee pay, increased benefit costs and increased marketing activities including costs associated with the 2007 AAPA Convention.

He reported that the postponement of the 2005 bond issue from October, 2004 to April, 2005 saved debt service monies that were used instead for the purchase of a straddle carrier for VIP and planning for 2006 projects. Mr. Oliver reported that Port Acquisition increased 17.5% due to a full year of 2005 bond issue and MELP draw debt service.

*(Mr. Walton arrived at this time.)*

Mr. Oliver advised that VPA is anticipating an increase in security costs for 2006. Aid to Local Ports funding includes \$580,000 plus reappropriation of grants not used in FY05 that will be carried over, pending approval of by the Board. He advised that five new staff positions were included for the port police department to alleviate overtime issues.

He reported that the budget for some Capital Expenditures would increase as a result of expected increases in the CPF revenues and terminal revenues. He continued with an explanation of "pay as you go" projects, such as the maintenance reserve, expanding the empty container yard, and cargo handling facilities.

Mr. Oliver stated that VPA has no plans for a bond issue or crane purchases for FY06.

Mr. Goodwin asked for clarification of “Terminal Administration” in the Operating Expenditures budget. Mr. Oliver explained that the largest portion of the expenditure consists of approximately \$950,000 for payments in lieu of taxes (PILOTS) to the port cities with the remainder of the funds allocated for consulting reports throughout the year that track terminal productivity. Mr. Goodwin asked what programs contain salaries. Mr. Oliver advised that salaries are included in National and International Trade, Port Rate Traffic Management, Security Services, and Port Facilities Planning.

**Action:** Upon motion by Mr. Barclay, seconded by Mr. Quillen, the Finance/Planning Committee recommended that Resolution 05-11, approving VPA’s FY2006 Budget, be presented to the full Board for adoption.

3. 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 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.

Mr. Oliver announced that he is working with DPB on approval on the additional Capital Outlay budget. Ms. Wagner asked whether VPA also needed approval for issuing additional MELP debt and the associated debt service. Mr. Oliver confirmed for Ms. Wagner that the additional debt service is also included in the FY2006 budget. He added that VPA only needed the additional Capital Outlay appropriation in order to pay the vendor.

**Action:** Upon motion by Mr. Milliken, seconded by Mr. Barclay, the Finance/Planning Committee authorized VPA, upon approval by the full Board, to amend Contract #2004-01 between VPA and Banc of America Leasing & Capital LLC.

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

Mr. Oliver briefly described each of the FY2006 Aid to Local Ports Fund Grant projects and VPA’s recommendations for funding the requests. A total of \$580,000 is available for allocation to the following localities, as set forth in the background paper and resolution:

- Accomack-Northampton Transportation District Commission - \$125,000
- Isle of Wight - \$10,000
- Northampton County - \$77,210
- Northumberland County - \$17,500
- Onancock - \$31,905
- Poquoson - \$67,751
- Port of Richmond - \$134,634
- Saxis - \$116,000

Mr. Oliver explained that Senator Nick Rerras and Delegate Linwood Lewis provided guidance in determining the allocation of grants as the legislators’ districts encompass many of the localities that normally make ALP fund grant requests.

Mr. Goodwin remarked that he was very interested in the program and Mr. Oliver confirmed for him that the appropriation amount is determined by the General Assembly.

**Action:** Upon motion by Ms. Wagner, seconded by Mr. Milliken, the Finance/Planning Committee recommended that Resolution 05-12, awarding Aid to Local Ports Grants, be presented to the full Board for adoption.

There were no comments from the public. The meeting adjourned at 9:50 a.m.

Respectfully submitted,

Debra J. McNulty  
Clerk to the Board