

MINUTES

Board of Commissioners - Session 298

Virginia Port Authority

World Trade Center

Norfolk, Virginia

July 26, 2005 (Held immediately after Annual Meeting)

Pursuant to call by Chairman Milliken, 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:

John G. Milliken, Chairman

E. Massie Valentine, Jr., Vice Chairman

Robert C. Barclay, IV

Mark B. Goodwin

William M. Grace

Jonathan Johnny Johnson

Virginia M. Murphy

Ranjit K. Sen

Deborah K. Stearns

Jody M. Wagner, State Treasurer

Absent:

Ronald W. Massie

Michael J. Quillen

Staff:

J. Robert Bray, Executive Director

J. J. Keever, Deputy Executive Director

Thomas Capozzi, Senior Managing Director of Marketing Services

Linda G. Ford, Director of Port Promotion

Rodney W. Oliver, Director of Finance

Jeffrey L. Florin, Chief Engineer

Elaine Smith, Director of Administration

Donald B. Boyd, VPA Police Chief

Andrew H. Engemann, Jr., VPA Police Captain, Administration

Gregory J. 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

Carla Welsh, Program Manager – Port Promotion

Jake Denton, Public Relations Program Manager

Joe Harris, Media Relations Manager – Port Promotion

Staff (Continued):

Martin Schlosser, Intermodal Coordinator (and Mrs. Linda Schlosser)
Stephanie Rozelle, Multimedia Coordinator
Hannelore Minyard, Executive Secretary
JoAnne Anstett, Customer Service Manager
Rebecca Killen, Administrative Assistant, Senior
Nina Malone, Research Analyst
Debra J. McNulty, Clerk to the Board/Secretary
Jodie L. Asbell, Deputy Clerk to the Board/Assistant Secretary

Guests:

Richard L. Walton, Jr., Senior, Senior Assistant Attorney General
James Hewitt, Department of Planning and Budget
John D. Padgett, McGuireWoods LLC
John M. Ryan, Vandeventer Black LLP
John D. Cavanaugh, Cavanaugh, Nelson & Co., PLC
Keith Franca, St. Martin Port Authority
Bill Jackson, Dallas & Mavis Specialized Carrier Co.
Charles E. Rosemond, Wyatt Transfer, Inc.
Hugh Keogh, President, Virginia Chamber of Commerce
John Frazee, The Flagship Group
Michael T. Crist, P.E., Moffatt & Nichol Engineers
Joseph A. Dorto, General Manager, VIT

I. APPROVAL OF MINUTES

Action: Upon motion made by Mr. Valentine, duly seconded by Mr. Sen, and adopted by unanimous vote (9-0), the Board approved the minutes of the regular meeting held May 24, 2005.

Affirmative Votes:

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

II. REPORTS OF COMMITTEES

A. Executive Committee

1. Presentation of the W. Wright Harrison Award

Chairman Milliken explained that the W. Wright Harrison Award is presented each year for distinguished and exemplary service to the Port Authority. The Chairman announced that Mr. Martin Schlosser, the Authority's Intermodal Coordinator, was chosen by his peers and by the award committee to receive this year's W. Wright Harrison Award.

Chairman Milliken commended Mr. Schlosser on his nine years of service with the Virginia Port Authority and spoke of his accomplishments throughout the trucking community. Mr. Schlosser was presented with the W. Wright Harrison Award and, after thanking the Board, he also expressed appreciation to Mr. Bray, Mr. Capozzi, and Mr. Edwards for having faith in him and selecting him as the Authority's Intermodal Coordinator, when the position was created five years ago. Mr. Schlosser also credited three individuals from the motor carrier community who taught him a lot about the business - Mr. Chick Rosemond, Mr. Bill Franklin, and Ms. Shirley Roebuck.

2. Overview of fiduciary responsibility, coverage, and options for additional coverage for Officers and Directors liability insurance

The Board was reminded by Chairman Milliken that a discussion arose at the last meeting regarding fiduciary responsibility of the Investment and Administrative Committee's oversight of the VPA Defined Benefits Plan.

Mr. Oliver introduced Mr. John Frazee, with The Flagship Group, who presented information regarding the Board's liability coverage under the Commonwealth's Virginia Liability Risk Management Plan ("VaRISK2"). The Plan is administered by the Treasury Department's Division of Risk Management. Mr. Frazee described some of the features of the VaRISK2 policy, which is designed to cover public officers, including law enforcement officers. He advised that VaRISK2 is not a commercial policy and it does not specifically mention fiduciary liability coverage with regard to the VPA's Defined Benefits Plan. Mr. Frazee recommended a commercial plan combined with a fiduciary policy that would cover VPA officers and employees. He noted that pension plans of federal/state government and political subdivisions are not covered under ERISA (Employee Retirement Income Security Act of 1974).

Mr. Goodwin asked Mr. Frazee if there is a plan in place that would provide insurance for the Board's actions for good faith and reasonable decisions. Mr. Frazee advised that the Board is covered for their actions as officers and directors of a political subdivision under the VaRISK2 policy. He said the state program does not address, in writing, fiduciary liability insurance.

Ms. Wagner said she would bring the matter to the attention of the Department of Treasury and the Division of Risk Management. She advised that VaRISK2 was designed to provide state agencies with liability coverage in order that extra costs were not incurred for additional commercial policies. Ms. Wagner suggested that a revision to VaRISK2 might be necessary that would address fiduciary liability for political subdivisions that have defined benefit plans. She suggested a conference call between Treasury and Mr. Frazee to discuss the matter.

3. Reappointments to Investment and Administrative Committee

Mr. Milliken reminded the Board that a resolution was adopted in 2000 to establish the VPA Investment and Administrative Committee. The Chairman advised that the Committee is charged with overseeing the operation of the various retirement and deferred compensation plans for VPA employees and to act as plan administrator to oversee the investment of the assets of the Plans, that includes:

1. the appointment and removal of the trustees for the plans,
2. the appointment of various investment managers as the committee deems appropriate for

- the defined benefit plan, and
3. to review and select the investment funds to be made available for investment direction by participants under the defined contribution, account balance plans.

The Chairman reported that the Investment and Administrative Committee consists of the Executive Director, Chairman of the Board, and Chairman of the Finance/Planning Committee. The Resolution further states that any member of the Committee shall be automatically removed when he or she is no longer serving in his or her current position with the Authority and upon such removal, the remaining members shall continue to act and the Board may appoint a replacement member as it deems appropriate.

Chairman Milliken asked for a motion from the Board to approve the appointment of the Chairman, Commissioner Ronald W. Massie, and Mr. J. Robert Bray as members of the Investment and Administrative Committee.

Action: Upon motion made by Mr. Valentine, duly seconded by Mr. Sen, and adopted by unanimous vote (9-0), the Board approved the reappointments of Chairman Milliken, Mr. Massie, and Mr. Bray to the Investment and Administrative Committee.

Affirmative Votes:

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

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

1. VPA Financial Reports

Mr. Oliver reported fiscal year financials for the twelve months ended June 30, 2004. He reported Commonwealth Port Fund (CPF) transfers to VPA totaled \$34.9 million, over \$33.4 budgeted, and VIT terminal revenues for VPA operations totaled \$43.8 million, over \$38.2 million budgeted.

Mr. Oliver reported operating expenditures that include Port Facilities Acquisition, National and International Trade, Security Services, and Other Expenditures. He reviewed obligated/unobligated balances and year-to-date expenditures in the Capital Improvement Program that consists of CPF, Special Fund, Federal Grants, and the 2002, and 2003, and 2005 (Series A and B) bond proceeds.

Mr. Oliver referred to Mr. Cavanaugh's June 30, 2004 summary of the required reserve balances and various debt service funds confirming that balances on hand are in compliance with the bond financial covenants.

C. Facilities Committee – Mr. Sen, Committee Chairman

1. Status report on current construction projects.

Mr. Florin presented the Capital Outlay Program and Facilities Maintenance Overview.

Mr. Florin announced that the 50' channel dredging project is "one of the keys to the Port's success". He reported that the project is being completed in three phases with the second phase, the Norfolk Harbor Channel, having been completed last month. Mr. Florin explained that the contractor had remobilize on site last week to take care of some high spots in the channel and has since moved to NIT South to begin dredging the access channel and south berth which should be completed in three months. He advised that work is ongoing for another solicitation to dredge NIT North. Mr. Florin reported that the Corps is expected to award a contract for the Atlantic Ocean Channel dredging by August-September that will take the channel down to 56' by Spring 2006.

Mr. Florin reviewed the following projects:

- NIT South Renovation
 - Phase I – Wharf Renovation Complete
 - Phase II, Stage 1 – Backlands Reconstruction Complete

Mr. Florin reported that Phase II, Stage 1 was completed three months ahead of schedule. He presented a slide that featured the new wharf and the 100-gage cranes that are in place. Mr. Florin advised that the cranes are the largest and fastest in the world and that The Port of Virginia is the only port on the East Coast that can handle the largest vessels.

- NIT South Improvements – Phase II, Stage 2 – Backlands Reconstruction (25 additional acres)

Mr. Florin advised that the construction contract for Stage 2 would be presented to the Board for approval at the September meeting. He also reported that Stages 3-7 are currently being advertised. Mr. Florin advised that the NIT South improvements are funded by the \$60 million Commonwealth Port Fund bond issue.

Mr. Florin reported that NIT South total build-out is expected to cost \$279 million and will provide 147 acres for VIT's straddle-carrier operation when completed in February 2012. Mr. Florin also reported that site preparation for the 19-acre expansion at NIT North involves clearing site, building demolition, earthwork, and placement of aggregate base. Bids were received June 30, 2005, however, notice to proceed is pending negotiations with apparent low bidder.

Mr. Milliken remarked that the Port's message is, "We are getting ready to handle Suez-class vessels".

2. Consideration of Resolution 05-15, authorizing the acquisition of property at Portsmouth Marine Terminal, Parcels 1b and 2, pursuant to the terms of the ordinance.

Mr. Keever presented a slide of Portsmouth Marine Terminal that outlined Parcel 2 and Parcel 1b, and additional lots that were later incorporated into the lease purchase agreement by amendment. The following background information was provided:

Parcel 2

In 1971, when the VPA acquired the City of Portsmouth's interest in PMT, the property included Parcel 2.

At that time, Portsmouth Port and Industrial Commission was negotiating with the American flagged ship

line SeaLand to issue bonds to build a separate facility for SeaLand and have the bonds paid for by SeaLand rental. The City asked the Port Authority in 1971 if the VPA would re-transfer Parcel 2 to the City should these negotiations prove successful. The Port Authority agreed, the negotiations were successful and VPA transferred the property to the City of Portsmouth in 1975. The City agreed at that time to transfer Parcel 2 to VPA when the bonds were paid off. The bonds have been paid off and Portsmouth City Council has agreed to transfer Parcel 2 back to the VPA.

Parcel 1B

In the mid-1970's, the VPA entered into a lease purchase agreement with the City of Portsmouth for Parcel 1B, as shown on the map presented. Additional lots identified as numbers 179,181,182, 185-204, 212-237, 205-210, 334, 328, 239, 241, 243, 245, 247, 249, 251, 253, 255 were later incorporated into the lease purchase agreement by amendment. The conditions of this lease purchase agreement have been satisfied and the Portsmouth City Council has likewise adopted an ordinance granting a deed for the parcel to the VPA.

Mr. Keever reported that Resolution 05-15 will allow the VPA to receive these parcels of land from the City of Portsmouth since the bonds and lease purchase agreements have been satisfied.

Mr. Barclay advised that the transaction was the result of successful negotiations with the City of Portsmouth over the last several months.

Action: Upon motion made by Mr. Sen, duly seconded by Ms. Stearns, and adopted by unanimous vote (9-0), the Board approved Resolution 05-15, authorizing the acquisition of property at Portsmouth Marine Terminal.

Affirmative Votes:

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

3. Consideration of Resolution 05-16, authorizing the Executive Director to execute a Second Amendment to the Agreement of the lease with Universal Maritime Service Corporation (UMSC).

Mr. Keever reported that an Agreement of Lease between VPA and Sea-Land Service, Inc., dated October 6, 1989, as amended by Amendment No. 1, dated January 25, 1990, allowed Tenant to lease terminal space at PMT until October 31, 2005. On April 20, 2005, Tenant exercised its option, in writing, to extend the term of the Lease for a period of ten years. Mr. Keever explained that Tenant (UMSC/Maersk) is in the process of developing new terminal facilities nearby the existing terminal which, when operational, will eliminate Tenant's need to utilize space at PMT. Mr. Keever advised that UMSC and VPA have agreed to adjust the term of the Lease, which will commence on November 1, 2005, to December 31, 2007.

Mr. Keever referred to copies of Resolution 05-16 and the Second Amendment, provided in the briefing materials, that describes the terms of the agreement.

Mr. Bray explained that when VPA leased the property to Sea-Land, VPA made improvements and UMSC

is scheduled to pay VPA annual rent during each renewal term.

Action: Upon motion made by Mr. Sen, duly seconded by Ms. Stearns, and adopted by unanimous vote (9-0), the Board approved Resolution 05-16, authorizing the Executive Director to execute a Second Amendment to the Agreement of Lease with Universal Maritime Service Corporation.

Affirmative Votes:

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

4. Consideration of Resolution 05-17, authorizing VPA to enter into a contract with S. B. Ballard Construction Co., to relocate refrigerated container storage and to consolidate the transfer zone at Portsmouth Marine Terminal.

Mr. Florin presented a slide of PMT outlining the reefer relocation and transfer zone sites. He reported that the transfer zone, which will be constructed on the former reefer site, would provide increased efficiency for the movement of cargo. Mr. Florin advised that the relocation provides enhanced safety from separation of straddle-carrier and truck operations. The estimated construction cost is \$5.1 million and the design engineer is Kimley Horn. Mr. Florin advised that S. B. Ballard was the only (solicited) bid on the project. The Chairman asked why there was only one bid.

Mr. Florin reported that the solicitation did not attract a lot of pavement contractors as the project involves complex electrical utility work in addition to the construction of paving. He added that S. B. Ballard is a very well known and reliable contractor. It was reminded by the Chairman that the Board must approve all construction contracts over \$5 million.

Action: Upon motion made by Mr. Sen, duly seconded by Ms. Stearns, and adopted by unanimous vote (9-0), the Board approved Resolution 05-17, authorizing VPA to enter into a contract with S. B. Ballard Construction Co., to relocate refrigerated container storage and to consolidate the transfer zone at Portsmouth Marine Terminal.

Affirmative Votes:

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

D. Marketing Committee - Ms. Stearns, Committee Chairwoman

1. Business Report and FY2005 Results

Mr. Capozzi announced that this has been another “tremendous” year at the Port, having passed 1.9 million

TEU's for the first time with an increase of 186,524 TEUs in new business for FY05 – a +10.9% increase from FY04.

Mr. Capozzi reported that ship calls showed a slight increase of +0.4%, which, he said, was encouraging as ships are getting bigger and consolidating cargo, thereby making fewer port calls. Breakbulk was down by –10.2% due to the decline in private warehousing. He advised that Midwest train performance increased by +14.6% and the Inland Port increased train traffic by +51.8% from FY04 to FY05.

Mr. Capozzi referred to The Journal of Commerce' feature article on the Port's chassis pool operation and he reported that other ports are looking at VPA/VIT as a model port. He continued with a review of fiscal year highlights that included:

- 4 new steamship line services (1 Asia, 3 S. America)
- First Port in North America to establish a port wide chassis pool
- 25 of 44 steamship lines had double-digit growth
- 18.6% total rail growth
- First East Coast port to obtain 50-foot inbound and outbound channel
- Eight new or expanded port related distribution center operations
- Seven announced speculative distribution projects

Mr. Capozzi reported the breakdown of trade lane performance (includes exports and imports and does not include empties). He noted the 9.7% growth in North Europe trade due to rail diversions out of New York and Canada. Mr. Capozzi also noted growth in trade from India, Mediterranean, Middle East, and South America.

Mr. Capozzi presented a volume comparison of the last three months (March, April, May) that surpassed FY2004's peak season - September, October, and November. He continued with a description of the Port's new ship line service – China Shipping – that will launch an all-water service from Asia to the U.S. East Coast via the Suez Canal in late July.

Mr. Grace asked about cargo security risks. Mr. Capozzi advised that U.S. Customs is analyzing every container that comes through this Port. Captain Engemann reported that Customs is assigned to 39 foreign ports.

Mr. Capozzi announced that the Port is projecting a 9.5% growth in FY2006 that will produce approximately 2.1 million TEUs.

The Chairman congratulated VPA and VIT on having another successful year. Mr. Dorto reported that VIT's container volume is up by 14.3%.

E. **Security Committee** – Mr. Grace, Committee Chairman

In Mr. Merkle's absence, Mr. Keever presented the security report. He outlined the five projects that are contained in the Port's recently submitted application for Round 5 grants through the Department of Homeland Security Office of Domestic Preparedness (ODP) Grant Management System. Mr. Keever reported that the grant application includes approximately \$7.8 million in Federal grant funds and VPA's

matching share of \$2.3 million. Mr. Keever advised that grant awards would be announced soon with funding available by September.

VPA Projects Listed in Grant Application and Total Cost:

1. VPA Maritime Domain Awareness (MDA) Integration at NIT	-	\$3,000,000
2. Waterfront Small Boat Detection	-	\$1,355,000
3. Communications Upgrade and Enhancements	-	\$2,000,000
4. VPA Information Security Protection	-	\$1,600,000
5. Chemical Detection and Threat Agent Monitoring System	-	\$2,220,000

Mr. Grace announced that results of Round 5 grant awards would be presented at the September board meeting. Chairman Milliken suggested a formal overview as to the Port's security status. He suggested that the Security Committee meet prior to the September board meeting.

Mr. Barclay referred to the series of articles that were recently published by *The Virginian-Pilot* regarding the yellow fever epidemic and he asked how the maritime industry monitors bilge water. Mr. Keever explained that Virginia had passed legislation several years ago requiring ballast water reporting by the vessel operator. That information is forwarded to the Virginia Marine Resources Commission and then on to the Smithsonian Institute for a report they are preparing for the U.S. Coast Guard on non-indigenous species.

III. REPORT OF EXECUTIVE DIRECTOR

Mr. Bray announced that the term of VIT Director, Robert T. Taylor, representing the Norfolk/Virginia Beach seat, ends November 30, 2005. He explained that Chairman Milliken would appoint a Nominating Committee at the September board meeting for the selection of Mr. Taylor's replacement. Mr. Bray advised that the Nominating Committee would present a candidate for the VIT Board at the November meeting.

At this time, Chairman Milliken announced that he has asked the Compensation Committee to meet regarding the subject of severance in order to report to the full Board at the September 27th meeting.

IV. UNFINISHED BUSINESS

There was no unfinished business.

V. NEW BUSINESS

VI. ADJOURNMENT

There being no further business and no public comments, the open meeting adjourned at 12:20 p.m.

(Note: Copies of presentations can be viewed on the Authority's website at: www.vaport.com)

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, September 27, 2005.

Respectfully submitted,

Debra J. McNulty
Clerk to the Board