

***MINUTES***  
***Virginia Port Authority Board of Commissioners - Session 302***  
600 World Trade Center, Norfolk, Virginia  
March 28, 2006

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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  
Joe B. Fleming  
Mark B. Goodwin  
William M. Grace  
Jonathan Johnny Johnson  
Virginia M. Murphy  
Michael J. Quillen  
Deborah K. Stearns  
J. Braxton Powell, State Treasurer

Absent:

Ranjit K. Sen

Office of the Secretary of Transportation

James G. Carr, Assistant Secretary of Transportation

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, Department of Human Resources  
Russell J. Held, Managing Director of Marketing, Southeast, U.S. and Europe  
Norris (Ed) Merkle, Director of Security  
David M. James, Director of Contracts and Real Estate  
Carla Welsh, Program Manager – Port Promotion  
Diane Reed, Controller  
Andrew H. Engemann, Jr., Chief of VPA Police  
Michael L. Brewer, Police Captain - Administration  
Harold "Monty" Willaford, Police Captain - Special Operations  
Debra J. McNulty, Clerk to the Board/Secretary

Guests:

John D. Padgett, McGuireWoods LLC and VPA Special Counsel  
John M. Ryan, Vandeventer Black, LLP and VIT Corporate Counsel  
Ronald L. Tillett, Morgan Keegan & Company, Inc.  
Michael T. Crist, P.E., Moffatt & Nichol Engineers  
Jack L. Ezzell, Jr. (Col. USAF Ret.) Zel Technologies LLC (ZelTech)  
Joseph F. Bouchard (Capt. USN Ret.) ZelTech  
Kenneth Sherwood, ZelTech  
Stan DeFillippis, Science Applications International Corporation (SAIC)  
Terry Gibson, SAIC  
Aaron Newton, SAIC  
Joseph A. Dorto, General Manager, VIT  
Richard N. Knapp, Assistant General Manager, VIT

**INTRODUCTIONS**

Ms. Ford introduced guests in attendance. Mr. Peter Dujardin, with *The Daily Press*, and Mr. Gregory Richards, with *The Virginian-Pilot*, were also in attendance.

Chairman Milliken introduced Mr. Jack L. Ezzell, Jr., CEO of Zel Technologies LLC. (*ZelTech is the Authority's lead systems integrator.*) The Chairman announced that Mr. Ezzell had recently been named one of Virginia's Outstanding Scientists and Industrialists for 2006 by Governor Kaine. The Chairman stated that Mr. Ezzell had deservedly received recognition statewide by the Governor for his leadership and quality of work.

The Chairman also announced that the Virginia Port Authority was recently recognized and awarded "Port of the Year 2006" by *Containerisation International*, which is a leading publication of the international shipping and port industry. Chairman Milliken congratulated Mr. Bray, Mr. Dorto and their staffs and stated that, "The combination of the VPA and its partner, VIT, is what makes this port so successful."

**I. APPROVAL OF MINUTES**

**Action:** Upon motion made by Mr. Grace, duly seconded by Ms. Stearns, and adopted by unanimous vote (11-0), the Board approved the minutes of the meeting held January 24, 2006.

**II. REPORTS OF COMMITTEES**

**A. Executive Committee – Chairman Milliken**

**1. Report of Investment and Administrative Committee**

It was reminded by Chairman Milliken that the Investment and Administrative Committee is a committee of the Board which provides oversight of the Authority's various pension and deferred compensation plans. The Chairman announced that he, Mr. Bray, and Mr. Goodwin, as chairman of the Finance/Planning Committee, make up the membership of the Committee. He reported that the Committee had met this morning to discuss the financial affairs of the Authority's Defined Benefit and Defined Contribution Plans for its employees and that there were no changes to the Plans. The Chairman

reported that the Authority surpassed the blended benchmark for fourth quarter returns and plan assets are doing well.

Chairman Milliken announced that members of the Board are welcome to attend meetings of the Investment and Administrative Committee.

**B. Finance/Planning Committee – Mr. Goodwin, Committee Chair**

**1. VPA/VIT Combined Financial Reports**

Mr. Oliver reviewed the combined income statement of VPA and VIT for the eight months ended February 28, 2006. He announced that operating revenues are ahead of budget while terminal operating expenses are below budget due to operating efficiencies in place at the terminals. Mr. Oliver reported that maintenance expenses were \$4 million below budget due to a \$4 million operating maintenance expense appropriation transfer from VDOT in November for yet to be obligated capital projects. He noted that administrative and depreciation expenses are also well in line with budget projections.

Mr. Oliver reported that capital transfers from the Authority's 4.2% allocation of the Transportation Trust Fund (Commonwealth Port Fund) are slightly below budget.

Mr. Oliver reviewed the obligated/unobligated balances and year-to-date expenditures in the Capital Improvement Program that includes the Commonwealth Port Fund (CPF), Special Fund, Federal Grant, and the 2002, 2003, and 2005 bond issues.

**2. Consideration of Resolution 06-1, authorizing FY2006 Aid to Local Ports Funding, totaling \$100,000 to the Accomack-Northampton Transportation District Commission (ANTDC)**

Mr. Oliver referred to Resolution 06-1, and described the latest request by the ANTDC for FY06 funds that involves emergency repairs to the carfloat operation on the Eastern Shore. Mr. Oliver explained that the barge had to be dry-docked due to corrosion. He explained that FY06 funds were made available to ANTDC because the Town of Saxis had agreed to relinquish their claim to grant funds that would not be utilized in FY06, in the amount of \$116,000. There were no questions from the Board.

**Action:** Upon motion made by Mr. Grace, duly seconded by Ms. Stearns, and adopted by unanimous vote (11-0), the Board approved Resolution 06-1, authorizing FY06 Aid to Local Ports Funding totaling \$100,000 to the ANTDC.

**C. Marketing Committee – Ms. Stearns, Committee Chair**

Mr. Capozzi announced that the port increased TEUs (20-foot equivalent units) by 9.3% for fiscal year to date, July 2005 to February 2006. He reported that ship calls increased by 79 vessels which is an increase of 5.6%. Mr. Capozzi noted that, although breakbulk shipments decreased by 13.7%, the Port saw a slight increase in commodities such as automobiles, machinery and paper.

Mr. Capozzi reported that Midwest train traffic, measured by container units, increased by 15.3% and the Inland Port rail increased 20.1% for the fiscal year to date. The Chairman questioned the measurement of container units versus TEUs and Mr. Dorto suggested that it would be simpler for VPA and VIT to report

rail volumes by TEU. The Chairman and Mr. Capozzi agreed.

Mr. Capozzi compared VPA's tradelane growth index to that of major East Coast ports (CY05 vs. CY04) – New York, Baltimore, Charleston, and Savannah. He noted that VPA is doing very well in all areas except South America and Africa. Mr. Capozzi remarked that Virginia is growing faster than any other port on the East Coast except Savannah.

Mr. Capozzi announced that VIT had solidified their position with steamship lines by signing 10-year contracts. The latest 10-year contract was signed with Mediterranean Shipping Company (MSC) – the second largest ship line – with guaranteed MSC annual throughput of 65,000 containers. Mr. Capozzi reported that MSC's service would relocate from NNMT to NIT South due to larger vessels requiring deeper draft, effective March 2006.

Atlantic Container Lines is the 11<sup>th</sup> shipping line to sign a 10-year contract with cargo valued between \$25-\$30 million, required to move at least 10,000 containers annually, and producing 50,000 tons per year of roll-on/roll-off cargo, effective 2006.

Mr. Dorto advised that Maersk recently signed an 18-month contract at NNMT in place of MSC until Maersk opens their new terminal in Portsmouth. He advised that 18 months is a good time-frame to demolish warehouses and address the breakbulk situation at NNMT.

Mr. Capozzi advised that PWC Logistics/Interchange, a cross-dock warehouse facility at the Inland Port that services foodstuffs destined for Iraq, would move containers from the Inland Port and ship exclusively through APM's Portsmouth terminal. He also announced new business with FLEXA Furniture in Suffolk and Lydall and Kruger newsprint products through NNMT.

Mr. Dorto reported that rubber has historically been the largest breakbulk commodity and he advised that the Port is starting to see rubber move out of breakbulk and into containers. Mr. Dorto advised that other breakbulk shipments such as paper and machinery parts may move into containers as a result of bigger ships and lower rates.

#### **D. Facilities Committee – Ms. Murphy, Committee Vice Chair**

##### **1. Status report on current construction projects**

Mr. Florin presented the Capital Outlay Program and Facilities Maintenance Overview. He announced that all projects are on schedule and within budget. The following projects were reviewed by Mr. Florin:

- 50-Foot Channel Dredging –
  - o NIT South Access Channel and Berths Completed
  - o Dredging of NIT North Access Channel and Berths Underway
  - o Work on the Atlantic Ocean Channel Achieved Substantial Completion March 2006
- NIT South Improvements – Phase II (Backlands Reconstruction – Stage 2) – Contractor is substantially well ahead of schedule.

Mr. Florin reported that all stages of the NIT South Reconstruction (147 acres) are scheduled to be completed by February 2012.

- NIT North Container Yard Expansion (19 acres) – Expected to be completed January 2007
- PMT Reefer Row/Transfer Zone Relocation – Overall project is 48% complete.
  - o Container Transfer Zone will be constructed in its place.
- PMT Kone Cranes – Retrofit relocated Kone cranes for use at PMT
  - o Installing diesel generator and enclosures on each crane.
  - o Raise cranes an additional six feet to increase lift height.
  - o Remove shore hoist system.
  - o Project to be advertised first week of April.
- NIT North Wharf Extension (900 feet-second wharf) – To accommodate 3 new Suez-Class Cranes
  - o Anticipated bid advertisement date is scheduled for September 2006

Mr. Florin reported that NIT will have a total of six container berths and 14 cranes. Mr. Dorto added that all ports are ordering Suez-Class cranes with 22-container reach.

2. Discussion regarding the proposed construction of a Maritime Center

Mr. Keever reported that the Facilities Committee had heard a brief presentation earlier regarding the need to demolish some warehouses at NIT, that currently house VIT employees, in order to make room for additional container-handling capacity. Mr. Keever advised that VPA is looking to construct a building on property located on Terminal Boulevard that is owned by VPA in order to house those displaced employees from NIT. He reported that Ms. Stearns, who is a member of the Facilities Committee, had recommended that VPA conduct a market survey and consider utilizing available office space in the downtown Norfolk area in lieu of constructing a new building. Mr. Keever advised that staff would have information available to report back to the Facilities Committee for consideration at the May meeting.

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

1. Security Report – Review of Current and Planned National Efforts to Secure the Supply Chain

Mr. Merkle announced VPA’s most recent senior personnel changes in the police department. He reported that Andrew Engemann had been promoted to the role of Port Police Chief and Facilities Security Officer. Mr. Merkle also welcomed two new captains to the police department – Captain Mike Brewer and Captain “Monty” Willaford.

Mr. Merkle described each of their credentials, some of which include Masters Degrees, FBI Academy, and over 26 years of police experience.

Mr. Merkle described the layers of maritime security that include 12 Federal security programs and initiatives that are in place. He referred to the briefing materials that were included in the agenda materials. Mr. Merkle reported that VPA has invested \$22 million, to date, in security upgrades including fencing, closed circuit television systems, intrusion detection systems, communications, and command and control facilities. He advised that expenditures for security related costs for this year

alone amounts to \$5.7 million which is double what the port spent before September 11th.

Mr. Joe Bouchard, Senior Program Executive with Zel Technologies, LLC, announced that he has been working with the Department of Homeland Security and various Congressional staffers. He reviewed Congressional responses to the Dubai World Port acquisition of P&O Ports and the divestment offer that resulted from Senator Warner's efforts. Mr. Bouchard also reviewed three legislative bills endorsed by the American Association of Port Authorities (AAPA): Transportation Security Improvement Act (May 2005), GreenLane Maritime Cargo Security Act (November 2005), and Security and Accountability for Every (SAFE) Port Act (March 2006). He advised that, of the 37 bills introduced by Congress in reaction to this sale, only three may be enacted.

Mr. Bouchard reviewed several of the proposed bills and the effects on port operations. He advised that approximately 80% of U.S. maritime terminal operating companies are foreign-owned. Mr. Bouchard described ISPS, the International Ship and Port Security Code, that was adopted by the International Maritime Organization (IMO), and he advised that ISPS is very similar to the U.S. Maritime Transportation Security Act and Coast Guard regulations. He continued with a discussion of port safety measures that are in place throughout the world and the security problems at "transshipment" ports.

Mr. Merkle introduced representatives from SAIC. He reviewed the Port's "non-intrusive screening" devices that involve radiation detection equipment and gamma-entry equipment. He announced that The Port of Virginia is the nation's first port to install radiation detection equipment.

Mr. Terry Gibson, with SAIC, presented an overview of the Integrated Cargo Inspection System (ICIS) that provides a layered security strategy with the ability to screen containers while supporting detailed scanning and inspections using state-of-the-art technology. He advised that the ICIS is a developmental system designed to scan more than 3,000 containers per day without impeding traffic. Mr. Gibson advised that the system provides assurance of security and integrates data from many sources: gamma ray imaging, radiation scanning, Optical Character Recognition (OCR) equipment identifications, and driver data. Mr. Gibson also described the Vehicle and Cargo Inspection System (VACIS), the Exploranium AT-980 Radiation Portal Monitor (RPM), and OCR Systems.

Mr. Merkle described features of "Smart Box" technology and the Transportation Worker Identification Credential (TWIC) program that will be used in combination with the Port's new (electronic) "E-Gates". Mr. Merkle reviewed VPA's credentialing requirements for the TWIC Program:

- Company must be certified by VPA/VIT
- Employee must be certified by company
- Employee must have valid government issued photo identification

### **III. REPORT OF EXECUTIVE DIRECTOR**

Mr. Keever reported on the following legislation:

HB953 – Withdrawn by Patron (Joannou) – Would have required VIT to be completely covered by the Freedom of Information Act.

HB954 – Carried over to 2007 General Assembly – Would make VIT subject to the Auditor of Public

Accounts and the Joint Legislative Audit and Review Commission (JLARC).

SB45 – Carried over to 2007 General Assembly – Would require the VPA to pay an increase in the service charge to the localities comparable to a real estate tax assessment valued between \$4.5 and \$10 million annually.

HB1467 - Passed both the House and the Senate - Would grant an exemption from the open meeting provisions of the Freedom of Information Act to allow closed meeting discussions of proprietary information provided to VPA by VIT (this action resulted from the Structural Review Committee recommendations).

SB173 – Would allow the use of VPA police to provide security services at APM/Maersk Terminals' new facility in Portsmouth.

Mr. Keever said it is expected that both HB1467 and SB173 would be signed into law by the Governor.

Mr. Keever reported that VPA has submitted funding requests for \$28.5 million for preliminary engineering and design work for Craney Island and Governor Kaine has also included \$29 million in his transportation initiatives. He advised that the Governor's budget also contains significant funding for the Heartland Corridor including funding from the Rail Enhancement Fund.

**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 1:45 p.m. *The next meeting of the Board of Commissioners is scheduled to be held in the Authority's Conference Room A, 600 World Trade Center, Norfolk, Virginia, on Tuesday, May 23, 2006.*

Respectfully submitted,

Debra J. McNulty  
Clerk to the Board