

Virginia Port Authority Board of Commissioners
Finance/Planning Committee Meeting – July 25, 2006

Open Session Minutes

Committee Members Present:

Mark B. Goodwin, Committee Chairman
Robert C. Barclay, IV, Committee Vice Chairman
Joe B. Fleming
Michael J. Quillen
J. Braxton Powell, State Treasurer

Commissioners Present:

John G. Milliken, Chairman
William M. Grace
Virginia M. Murphy
Ranjit K. Sen

Staff:

J. Robert Bray, Executive Director
J. J. (Jeff) 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 & Treasurer to the Board
Jeffrey A. Florin, Chief Engineer
Diane Reed, Controller
Gregory Edwards, Director of Marketing and Intermodal
Russell Young, Director of Economic Development
Russell J. Held, Managing Director of Marketing, Southeast, U.S. and Europe
Michael W. Jones, National Accounts Manager
Carla Welsh, Public Relations Coordinator
Joe Harris, Program Manager-Media Relations
Debra J. McNulty, Clerk

Guests:

James W. Hopper, Senior Assistant Attorney General
John W. Blanton, Intern, Office of the Attorney General
Lloyd M. Richardson, McGuireWoods LLP
JoAnne Carter, Public Financial Management, Inc.
Ira Smelkinson, Morgan Stanley & Co., Inc.

Members of the Media:

Peter Dujardin, *The Daily Press*
Gregory Richards, *The Virginian-Pilot*

Pursuant to call by Mr. Goodwin, the Finance/Planning Committee convened an open session on this date at 10:30 a.m., in the Authority's Conference Room, 600 World Trade Center, Norfolk, Virginia.

The following items were discussed:

1. Consideration of Resolution 06-8, to approve Series Resolution supplementing Resolution 97-5 of the Virginia Port Authority and authorizing the issuance of up to \$90,000,000 of the Authority's Port Facilities Revenue Bonds, Series 2006, and related matters

Mr. Oliver introduced financial representatives in attendance and announced the firms involved in the issuance of the Authority's \$90 Million Terminal Revenue Bonds, Series 2006. He outlined the Authority's plan of finance for the bonds which will be supported by terminal revenues. Mr. Oliver reported that bond proceeds will be used to fund facilities and an office building at NIT, facilities at the Inland Port, the debt service reserve requirement as required under the Bond Resolution, and expenses incurred with issuing the bonds.

Mr. Oliver explained that, upon issuance of the bonds, the requirement for the VIT CE (current expenses) Reserve Account will be reduced from roughly 45 to 30 days, thereby releasing approximately \$5.8 million in available funds that could be applied toward debt service or the construction fund.

Mr. Oliver reviewed the preliminary sources and uses of funds - \$83.3 million will be available for capital construction. Insurance for the bond issue, which will be purchased if economically feasible, would increase the bond rating from an "A" rating to "AAA" rating.

Ms. JoAnne Carter, Public Financial Management, Inc. (PFM), announced that the structure of this bond issue differs from the last structure in that the estimated debt service would be "wrapped" around existing debt.

Ms. Carter reviewed current market conditions and she explained that when the Authority first commenced this type of borrowing program in 1997, the current market condition was at 5.85% interest. Ms. Carter reviewed the historical yield curve. She announced that PFM is recommending a debt amortization wrap structure with an estimated true interest cost of 5.34%, given the current market. Ms. Carter reviewed the pros and cons of the wrap structure.

Ms. Carter advised that the structure could provide more future debt capacity that would coincide with the construction of the dikes and levees at Craney Island and would also provide more flexibility to deal with competitive pressures.

Ms. Carter reviewed the optional redemption analysis that allows for VPA's bonds to be redeemed in 7 years instead of the typical 10-year call, thereby, giving VPA greater future flexibility.

Key dates were outlined as follows:

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|--------------------------------|---------------------|
| Board Considers Bond Documents | July 25 |
| Rating Agency meetings at VPA | Week of August 28 |
| Bond Insurer meeting at VPA | Week of September 4 |
| Bond pricing | Week of October 2 |
| Closing | Week of October 16 |

At this time, the Authority's bond counsel, Mr. Lloyd Richardson of McGuireWoods LLP, described key components of Resolution 06-8, the Series Resolution. Mr. Richardson explained that the new bonds are being issued as additional bonds under the current Resolution 97-5. He noted that, through Board approval, the Series Resolution delegates authority to the Executive Director to approve the sale of the bonds and details of the bonds as determined under actual market conditions at the time of the sale of the Series 2006 Bonds.

Mr. Richardson explained that the resolution also appoints certain parties necessary for the financing of the bonds and sets out parameters for redemption, all of which will be approved when the Executive Director accepts the terms of the bonds.

Mr. Richardson referred to copies of the Bond Purchase Agreement and the Preliminary Official Statement that were included in the agenda materials. Under the Bond Purchase Agreement, firms will agree and accept bonds subject to certain conditions. He advised that the resolution also authorizes approval to obtain bond insurance under certain conditions and criteria as outlined on page 6 of the resolution.

Mr. Barclay questioned the availability of funds from the reserve account (45 days of reserve reduced to 30 days) and the effects it would have on the cost of borrowing and insurance. Mr. Oliver explained that the Authority had received approval from the rating agencies and the bond insurer for the 2003 Series to drop the reserve from 45 to 30 days and that there would be no effect on ratings or future borrowing.

Chairman Milliken asked Mr. Oliver if the Authority is planning future bond issues. Mr. Oliver reported that the refunding of the 1997 terminal revenue bonds would take place around the April-July 2007 timeframe. He noted that the Board would take initial action on the refunding bonds in January 2007. Mr. Oliver advised that the next new issuance of Commonwealth Port Fund bonds is planned for FY08.

There were no further questions and the Finance/Planning Committee unanimously agreed to recommend the adoption of Resolution 06-8 to the full Board.

2. Consideration of a motion to approve revisions to VPA Travel Policies and Procedures Manual

Mr. Oliver reported that the proposed revisions to the VPA travel policy involve per diem changes that are very important to the traveling marketing staff. He advised that VPA travel rates are based on Federal rates.

Mr. Oliver recommended the following changes to the travel policy, as outlined in the memorandum to the Board:

- Add DuPage County to the Chicago per diem
- Move Hudson County from Newark, NJ per diem to the New York City per diem
- Add Norfolk County to the Boston per diem

The Committee unanimously agreed to recommend revisions to the VPA Travel Policies and Procedures Manual to the full Board.

3. Consideration of Resolution 06-10, authorizing the Virginia Port Authority to authorize an amendment to the E. V. Williams, Inc. contract to renovate NIT South Backlands Area 12 and Capp Street.

Mr. Florin advised that the proposed contract amendment is associated with projects identified in the Series 2006 bond resolution. It was reminded by Mr. Florin that the Board had approved a \$27.5 million contract to E. V. Williams last year.

Mr. Florin explained that the negotiated \$5.8 million amendment to the contract exceeds the \$5 million procurement threshold in accordance with the Authority's Purchasing Policy and Procedures Manual and, therefore, requires Board approval. He advised that the amendment would allow the contractor to proceed with renovations at Area 12 and Capp Street while waiting for the surcharge pile to consolidate Area 5.

The Committee unanimously agreed to recommend the adoption of Resolution 06-10 to the full Board.

There were no public comments and the meeting adjourned at 10:55 a.m.

Respectfully submitted,


Debra J. McNulty
Clerk to the Board