

MINUTES

Board of Commissioners - Session 306

Virginia Port Authority
World Trade Center
Norfolk, Virginia
September 26, 2006

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
Robert C. Barclay, IV, Vice Chairman
Stephen M. Cumbie
Joe B. Fleming
Mark B. Goodwin
William M. Grace
Ranjit K. Sen
Deborah K. Stearns
J. Braxton Powell, State Treasurer

Absent:

Virginia M. Murphy
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 A. Florin, Chief Engineer
Elaine Smith, Director, Department of Human Resources
Norris (Ed) Merkle, Director of Security
Russell J. Held, Managing Director of Marketing, Southeast, U.S. and Europe
David M. James, Director of Contracts and Real Estate
Heather Mantz, Director of Environmental Affairs
Carla Welsh, Program Manager-Port Promotion
Joe Harris, Program Manager-Media Relations
Jake Denton, Public Relations Program Manager
Diane Kaufman, Community Relations Coordinator
Nina Malone, Research Analyst
Diane Reed, Controller
Andrew Engemann, Chief of Port Police
Michael L. Brewer, Police Captain
Rebecca Killen, Administrative Asst. Senior
Jodie Love, Administrative Asst. Senior
Erika Snow, Administrative Assistant

Staff (Continued):

Jodie L. Asbell, Deputy Clerk to the Board

Debra J. McNulty, Clerk to the Board

Guests:

J. Jasen Eige, Senior Asst. Attorney General

Scott Cummings, Department of Planning and Budget

James L. McDonnell, III, Merrill Lynch

Kevin P. Furey, Merrill Lynch

Michael T. Crist, Moffatt & Nichol Engineers

Joseph A. Dorto, VIT

Richard N. Knapp, VIT

INTRODUCTIONS

Ms. Ford introduced guests in attendance. Members of the press in attendance included Mr. Gregory Richards, *The Virginian-Pilot*, and Mr. Peter Dujardin, *The Daily Press*.

RESOLUTION OF SERVICE

Chairman Milliken presented a Resolution on the Services of former VPA Commissioner Jonathan F. (Johnny) Johnson. Mr. Johnson resigned from the Board in June due to health issues. The Chairman reported that he recently spoke with Mr. Johnson and he is doing well.

Action: Upon motion by Mr. Barclay, seconded by Mr. Goodwin, the Board approved the Resolution on the Services of Jonathan F. (Johnny) Johnson.

Chairman Milliken introduced Governor Kaine's most recent appointment to the VPA Board - Mr. Stephen M. Cumbie. Mr. Cumbie succeeds Mr. E. Massie Valentine, Jr. The Chairman announced that Mr. Cumbie is CEO, President and Principal of NV Commercial, Inc. and that he has known him for many years. The Chairman remarked that Steve Cumbie is an active leader in the business community and that he is a great asset to the Board and to the Commonwealth. Mr. Cumbie said he looked forward to being involved with the Port and serving the Commonwealth.

Chairman Milliken also introduced Senior Assistant Attorney General, Mr. Jasen Eige, who has been assigned to represent the Authority. Mr. Eige explained that he has been with the Attorney General's office for three years in the Commerce and Financial Law section and, prior to that, he was in private practice in Abingdon, Virginia. He said he looked forward to assisting VPA with legal matters.

I. APPROVAL OF MINUTES

Action: Upon motion made by Chairman Milliken, duly seconded by Mr. Goodwin, and adopted by unanimous vote (9-0), the Board approved the minutes of the regular meeting held July 25, 2006.

II. REPORTS OF COMMITTEES

A. Executive Committee

1. Report of the Investment and Administrative Committee

Chairman Milliken explained that he was unable to attend the Investment and Administrative Committee meeting held earlier and he asked Mr. Goodwin to report.

Mr. Goodwin reported that the Committee met this morning to discuss the financial affairs of the Authority's Defined Benefit and Defined Contribution Plans for VPA employees. Regarding the Defined Benefit Plan, the Committee reviewed the July 1, 2006 actuarial report with the plan's actuary, Aon Consulting. Mr. Goodwin explained that this report is issued annually, and is undertaken to disclose the actuarial liabilities of the plan, to compare the liabilities to plan assets and to develop the recommended rates at which VPA makes contributions to the plan. The recommended contribution rates for 2006-2007 are up somewhat from the prior year. This increase is due to growth in the numbers and payroll of participants covered by the plan, as well as the fact that there were a significant number of new retirements among VPA Sworn employees during the year ending June 30, 2006. The recommended VPA contribution is approximately \$663,000 for the 2006-2007 year, as compared to \$466,000 for the prior year. The actuarial report also provides a development of pension plan information to be included in VPA's financial statements, as well as a reconciliation of the group of plan participants and plan assets over the year.

Mr. Goodwin advised that the Committee also reviewed the investment performance of the plan assets through June 30, 2006. The Authority had a total of \$2.8 million in plan assets as of June 30, 2006.

Regarding the Defined Contribution Plans, the Committee reviewed the investment performance of the 16 participant options within the plans. No changes in investment options were recommended.

The Committee also received a report from Ms. Evelyn Small Traub, with Troutman Sanders Mays & Valentine, regarding the recently enacted Pension Protection Act and the effect on governmental retirement plans. No changes were recommended to the plan documents.

2. Standing Committee Assignments

Chairman Milliken appointed Mr. Cumbie to fill Mr. Barclay's seat that he had held on the Finance/Planning Committee and the Marketing Committee. Mr. Barclay now serves on the Executive Committee in his capacity as Vice Chairman. The Chairman recommended that the committee structure stay as is and that he would appoint the new board member to those seats vacated by former commissioner, Johnny Johnson.

3. Appointment of Nominating Committee for the selection of a Director to the VIT Board

Chairman Milliken appointed Mr. Barclay to chair a Nominating Committee, along with Mr. Fleming and Ms. Stearns as members. The Chairman explained that Mr. Wilson Goode's term expires November 30, 2006. Mr. Goode is the Portsmouth/Chesapeake representative. Chairman Milliken asked the Nominating Committee to present their recommendation for a VIT Director appointment at the VPA Board's November 28th meeting.

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

Mr. Oliver presented the VPA/VIT combined income statement and the Capital Improvement Program for the two months ended August 31, 2006. He advised that operating revenues are slightly below budget due to marketing efforts and operating expenses are \$1 million below budget. Maintenance expenses are also below budget due to the timing of some VPA-related maintenance projects.

Mr. Oliver reported that non-operating income expense is \$900,000 below budget for the first two months of the fiscal year due to the upcoming \$90M Port Facilities Revenue Bond issue (Series 2006). He advised that the bond sale, originally scheduled for July, is scheduled to be held next week and will save the Authority \$600,000 in interest costs. The Authority also refunded the Commonwealth Port Fund bonds with the cost savings.

Mr. Oliver reported that capital transfers, 4.2% of the Transportation Trust Fund (Commonwealth Port Fund), are \$1.2 million below budget and net assets are budgeted at \$3.6 million which is in line with budget. Mr. Oliver also reviewed the obligated/unobligated balances and year-to-date expenditures from the Capital Improvement Program that consists of the Commonwealth Port Fund, Special Fund (terminal revenues), Federal Grants, and the outstanding 2002, 2003, and 2005 bond issues.

Mr. Oliver reported that the Authority recently hosted meetings with three rating agencies for the upcoming terminal revenue bond issue (Series 2006). He advised that the bond pricing is scheduled next week and closing will take place October 16. He advised that the rating agency meetings went very well and resulted in upgraded ratings by Moody's Investors Service (from A1 to Aa3) and Fitch Ratings (A+ to A), with Standard & Poor's maintaining its "A" rating. Mr. Oliver announced that the VPA has become the first major port owner/operator on the U.S. East Coast to carry a "double A" bond rating.

Mr. Oliver advised that the rating upgrades also helped the VPA save \$1.2 million in bond insurance costs. He noted that a VPA press release was forthcoming. Mr. Goodwin said the ratings upgrade was excellent news.

D. Facilities Committee – Mr. Sen, Committee Chairman

Mr. Florin announced that the Authority recently received two environmental awards – the American Association of Port Authorities Environmental Improvements Award in the category of Environmental Enhancements, and the Governor's Environmental Excellence Award. Mr. Florin credited Ms. Heather Mantz, the Authority's Director of Environmental Affairs, and VIT for their efforts in achieving a 30% reduction in diesel exhaust emissions at the Port.

Mr. Florin advised that Moffatt & Nichol Engineers is currently working on a modeling program for air emissions at the port that will include Craney Island.

Mr. Florin presented an update on several projects at NIT North that included proposals for the procurement of three new Suez-Class container cranes and an overview of three projects that are briefly outlined in Resolutions 06-11 (NIT North Wharf Extension), 06-12 (NIT North Dredging), and 06-13 (NIT Office Building Design/Build).

Mr. Florin announced that the Board will be asked to approve a contract for the purchase of the (3) cranes at the November meeting. He advised that limited solicitations were sent to six crane manufacturers – IMPSA, Konecranes, Liebherr, Mitsubishi, PACECO, and ZPMC. Mr. Florin reported that Liebherr

dropped out of the bid due to time constraints. Proposals are due October 24, 2006.

Mr. Florin presented a rendering of the proposed design for the NIT office building. He reported that the Executive Director approved the recommended contract be awarded to Ritchie-Curbow at an estimated construction cost of \$4.4 million. Ms. Stearns was pleased to learn that costs included interior design. It was reminded by the Chairman that the proposed building was discussed in previous meetings and he thanked Mr. Florin for bringing it before the Board.

Action: Upon motion by Mr. Sen, seconded by Mr. Goodwin, and adopted by unanimous vote (9-0), the Board approved Resolution 06-11, granting authority to the Executive Director to award a contract for the NIT North Wharf Extension

Action: Upon action by Mr. Sen, seconded by Mr. Grace, and adopted by unanimous vote (9-0), the Board approved Resolution 06-12, authorizing VPA to enter into a contract with Norfolk Dredging Company to dredge NIT North for the new 900-foot wharf extension

Action: Upon motion by Mr. Sen, seconded by Mr. Powell, and adopted by unanimous vote (9-0), the Board approved Resolution 06-13, to support the construction of an office building for NIT Administrative personnel to be located on Terminal Boulevard

Mr. Florin added that construction on the container yard at NIT South is well ahead of schedule and, weather permitting, should be completed by year-end. He also reported that the work at NIT's north end should be done by January, weather also permitting.

Photos and status of major projects are posted at the following web link: www.vpa-engineering.net

E. Marketing Committee - Ms. Stearns, Committee Chairwoman

Mr. Capozzi announced that due to recent ship line consolidations and changes to traffic flows, the VPA is reducing its 2007 fiscal and calendar year-end growth forecast from 7% to 4%. He advised that these events were not forecasted because of timing and errant projections and commitments from affected ship lines.

Mr. Dorto advised that the change in VPA's forecast would impact VIT's budget.

Mr. Capozzi presented the Port's fiscal year performance for the period July 2006–August 2006 reflecting a -0.5% decrease in TEUs; 7.7% increase in ship calls; 34.2% increase in break-bulk; -6.4% decrease in Midwest train traffic; and -19.5% decrease in rail shipments through the Inland Port. He reported that the decline in VIP rail shipments is attributed to two major import customers whose cargo is going direct-to-store instead of to distribution centers.

Mr. Capozzi compared VPA's trade lane growth index to that of major East Coast ports for the period January-June 2006 vs. 2005. He explained that trade with India and Southeast Asia is critical as they are becoming larger manufacturing bases.

The following distribution facilities and ship line services were announced:

- Oxburn-Hessey Logistics – Winchester – Added another multi-client facility to its over 21

million square-foot network.

- Massimo Zanetti Beverage, USA – Portsmouth – Agreed to a long-term lease of a 228,000 square-foot facility.
- Goya Foods, Inc. – Prince George County – Will invest \$5.1 million to open a new distribution facility in Southpoint Business Park.
- Hanjin, K-Line, Yang Ming and UASC announced new service (SINA) in Southeast Asia, India, U.S. East Coast trade.
- CMA-CGM PEX3 – Norfolk added to rotation – By September 2007, when the last 5,000 TEU vessel is phased in the PEX3, it will be operating 8 vessels.

F. Security Committee – Mr. Grace, Committee Chairman

Mr. Merkle announced that VPA had the opportunity to host two distinguished groups of officials for port security briefings. Mayor Rudolph Guiliani and Senator Allen visited NIT on August 30, and Secretary of the Department of Homeland Security, Michael Chertoff, and members of the Congressional Delegation visited on August 31.

Mr. Merkle reported that the Secretary commented, “What we see here is the use of smart people and smart technology that is a great model for the rest of the country.”

Mr. Merkle advised that the Port had an opportunity to ensure the Port of Hampton Roads is designated as “one” port instead of being “split” into two security grant areas, and to lay out our security requirements and needs as one unified port.

Mr. Merkle announced that U.S. Representative Thelma Drake informed VPA late yesterday (September 25) that our port had been awarded \$2,265,800 in federal grant money through the Department of Homeland Security’s Fiscal Year 2006 Port Security Grant Program. He mentioned that Trans-Montaigne, a Chesapeake oil transfer terminal, was awarded just under \$1 million and the Cities of Norfolk and Portsmouth was awarded just under \$300,000.

Mr. Merkle described two projects that will be included in the grant proceeds:

- Security Command Center – VPA has partnered with Zel Technologies to develop operational requirements for integrating VPA’s security system sensors and other regional information into a single common operating picture in order to assimilate information to other local, state and federal Emergency Operations Centers.
- Communications and Information Security – VPA will be joining the Virginia Statewide Agencies Radio System (STARS) that will connect VPA Police to the Hampton Roads Planning District Commission – regional emergency communications network linking port police into each of the local 17 EOCs.

Mr. Merkle reported that the Transportation Worker Identification Credential (TWIC) cards for port workers could be issued by year-end, however, the roll-out of card readers would be postponed to next year. He also reported that VPA signed an agreement with Savi Networks to install e-seal technology at VPA’s exit gates. Mr. Merkle described how “Smart Box” technology operates. He explained that VPA is the only port on the East Coast that will be using two companies for container security – General Electric

(GE) and Savi.

III. REPORT OF EXECUTIVE DIRECTOR

Mr. Bray asked Mr. Keever to provide an update on the Water Resources Development Act (WRDA) and the Craney Island Marine Terminal project.

Mr. Keever reported that WRDA passed both the House and Senate and was in conference with Senator John Warner as a conferee. He advised that Congressional leaders are trying to work out the differences between the two versions of the bill.

Mr. Keever referred to the Governor's letter addressed to the co-chairs of the Committee on Transportation and Infrastructure that was included in the agenda materials. The Governor expressed support of VPA's request to include the authorization of the eastward expansion of the Craney Island Dredge Material Management Area (CIDMMA), including a federal cost share of 50 percent.

Mr. Keever reported on the panel review process for the U.S. Army Corps' "Final Feasibility Study and Environmental Impact Statement for the Eastward Expansion of Craney Island", and he advised that VPA's presentation at ACOE headquarters was favorably received. Mr. Keever advised that the Chief's Report could be released by November 2006.

Mr. Keever also reported on VPA's funding request for the preliminary design work on Craney Island that was before the General Assembly Special Session. He announced that VPA had requested total funding of \$29 million within a two-year legislative timeframe. Mr. Keever said he would provide a status report at the November meeting.

IV. UNFINISHED BUSINESS

There was no unfinished business.

V. NEW BUSINESS

VI. OTHER BUSINESS AND ADJOURNMENT

At this time, Chairman Milliken announced that the VPA Board would go into closed session in order to continue discussions for the Executive Director search.

At 12:05 p.m., at the request of Chairman Milliken, Mr. Barclay moved that the VPA Board of Commissioners convene a closed meeting under the Virginia Freedom of Information Act §2.2-3711(A)(1), the personnel exemption, in order for the Chairman to entertain a discussion of the full Board on the closed session meetings held by the Executive Committee on September 8 and September 20, regarding the interview process for the selection of Executive Director. The vote was unanimous.

Ayes:

Mr. Milliken	Mr. Grace
Mr. Barclay	Mr. Powell
Mr. Cumbie	Mr. Sen
Mr. Fleming	Ms. Stearns
Mr. Goodwin	

Board members came out of closed session at 1:30 p.m. Mr. Cumbie and Ms. Stearns did not return to the meeting. After reconvening the open session, the following resolution was read by Mr. Barclay:

“WHEREAS, the VPA Board of Commissioners has convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of The Virginia Freedom of Information Act; and

WHEREAS, §2.2-3712 of the Code of Virginia requires a certification that such closed meeting was conducted in conformity with Virginia law;

NOW, THEREFORE, BE IT RESOLVED, that the VPA Board of Commissioners certifies that, to the best of each member’s knowledge, (i) only public business matters lawfully exempted from open meeting requirements under this chapter were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered by the Board.”

The resolution passed by a roll call vote of the Board as follows:

Mr. Milliken	Aye	Mr. Grace	Aye	<u>Absent During Vote:</u>
Mr. Barclay	Aye	Mr. Powell	Aye	Mr. Cumbie
Mr. Fleming	Aye	Mr. Sen	Aye	Ms. Stearns
Mr. Goodwin	Aye			

There being no further business and no public comments, the open meeting adjourned at 1:30 p.m.

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, November 28, 2006.

Respectfully submitted,

Debra J. McNulty
Clerk to the Board