

# *MINUTES*

## ***Board of Commissioners - Session 307***

Virginia Port Authority  
World Trade Center  
Norfolk, Virginia  
November 28, 2006

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Pursuant to call by Chairman Milliken, the Board of Commissioners held its regular meeting this date at 11:30 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  
Virginia M. Murphy  
Michael J. Quillen  
Kim D. Saunders  
Deborah K. Stearns  
J. Braxton Powell, State Treasurer

### Absent:

Ranjit K. Sen

### Staff:

J. Robert Bray, Executive Director  
J. J. Keever, Deputy Executive Director  
Thomas D. 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 of Human Resources  
Norris (Ed) Merkle, Director of Port Security and Emergency Operations  
Andrew H. Engemann, Jr., Chief of Port Police  
Michael L. Brewer, Captain, Administration  
Harold (Monty) Willaford, Captain, Special Operations  
Lynward W. Wingfield, Captain, Operations  
Gregory J. Edwards, Managing Director of Marketing and Intermodal  
Russell J. Held, Managing Director of Marketing, Southeast, U.S. and Europe  
Kevin D. Burwell, Director of Business Analysis and Strategy  
David M. James, Director of Contracts and Real Estate  
Heather Mantz, Director of Environmental Affairs

Staff (Continued):

Carla Welsh, Program Manager-Port Promotion  
Joe Harris, Program Manager-Media Relations  
Nina Malone, Research Analyst  
Diane Reed, Controller  
Jodie Love, Administrative Asst. Senior  
Rebecca Killen, Administrative Asst. Senior  
Elizabeth Saxby, Human Resources Manager  
Kristen Geer, Human Resources Assistant  
Erika Snow, Administrative Assistant  
Jodie L. Asbell, Deputy Clerk to the Board  
Debra J. McNulty, Clerk to the Board

Guests:

Jerry A. Bridges, Executive Director, Port of Oakland (and  
Appointed VPA Executive Director)  
J. Jasen Eige, Senior Asst. Attorney General  
Scott Cummings, Department of Planning and Budget  
Michael T. Crist, Moffatt & Nichol Engineers  
Arthur W. Moye, Jr., Virginia Maritime Association  
Roger L. Geisinger, Hampton Roads Shipping Association  
JoAnne Carter, Public Financial Management, Inc.  
John M. Ryan, Vandeventer Black LLP and VIT Corporate Counsel  
Timothy C. McNamara, Boyden Global Executive Search  
Ken Sherwood, Zel Technologies, LLC  
James L. McDonnell, III, Merrill Lynch  
Tom Herbert, 3M Design  
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*; Mr. Peter Dujardin, *The Daily Press*; and Erick Soricelli, *Inside Business*.

Chairman Milliken congratulated Ms. Kim D. Saunders on her appointment by Governor Kaine and welcomed Ms. Saunders to her first meeting as a VPA Commissioner. Chairman Milliken announced that Ms. Saunders, who is President and CEO of Consolidated Bank & Trust Co., the oldest continually operating African American bank in the United States, has more than 20 years experience in commercial banking. She holds a Bachelor of Science degree in Economics from the Wharton School of Finance and Commerce, University of Pennsylvania.

**I. APPROVAL OF MINUTES**

**Action:** Upon motion made by Chairman Milliken, the minutes of the regular meeting held September 26, 2006 were unanimously approved.

**II. REPORTS OF COMMITTEES**

## **A. Executive Committee**

1. Consideration of Resolution 06-14, appointing Jerry A. Bridges to serve as Executive Director of the Virginia Port Authority

Chairman Milliken introduced Mr. Tim McNamara, Managing Director of Boyden Global Executive Search. The Chairman explained that Mr. McNamara had worked with the Board's Executive Committee on the search process that led to the selection of Jerry A. Bridges to succeed J. Robert Bray. The Chairman praised the work of Boyden Global and he remarked that the firm was the best search agency that he had encountered after having been involved in five executive searches during his career. The Chairman thanked the Executive Committee and the full Board for having dedicated their time with the search process.

Chairman Milliken presented Resolution 06-14, to appoint Jerry A. Bridges to the position of Executive Director. The Chairman noted that the resolution speaks of Mr. Bridges' credentials and also provides language that would authorize the Chairman of the Board to sign a contract of employment with Mr. Bridges immediately after the adoption of the resolution.

Chairman Milliken welcomed Mr. Bridges back to the East Coast and to Hampton Roads. He also thanked the maritime leaders for attending today's meeting.

**Action:** Upon motion by Mr. Barclay, seconded by Mr. Goodwin, and adopted by unanimous vote (11-0), the Board approved Resolution 06-14, appointing Jerry A. Bridges to serve as Executive Director of the Virginia Port Authority.

Mr. Bridges spoke at this time and he recalled his introduction to the maritime community at the press conference held November 3<sup>rd</sup> as a finalist for the Executive Director position. Mr. Bridges said he was pleased and honored to have received the Board's vote. He said, "The confidence that the Executive Committee had shown in me has been uplifting and inspiring. My pledge is to bring strong leadership to the organization and to bring focus to customers in tribute to the great Port we have here in Virginia".

At this time, Chairman Milliken distributed copies of the Employment Agreement for the Executive Director. He announced that Mr. Bridges would commence employment on February 5, 2006 and will assume the title of Executive Director. The Chairman advised that Mr. Bray's would then become Executive Director emeritus. Chairman Milliken announced that Mr. Bray's title "shows the respect and special status he deserves for having brought us to this point". Chairman Milliken announced that it is the Board's desire to have Mr. Bray stay at the Port Authority until his official retirement date of December 2007 in order to assist Mr. Bridges and the Board with the transition.

Chairman Milliken also presented a revised 2007 Compensation Plan for Mr. Bray, which was initially approved by the Board in May 2006. The Chairman reported that the Compensation Committee and the full Board had met closed session meetings prior to the public session to review Mr. Bridges' employment agreement and to review the revision to Goal #3 of Mr. Bray's compensation plan relating to transition efforts.

**Action:** Upon motion by Mr. Goodwin, seconded by Mr. Grace, and adopted by unanimous vote

(11-0), the Board approved the revised 2007 Compensation Plan for J. Robert Bray.

**B. Nominating Committee – Mr. Barclay, Committee Chairman**

Mr. Barclay presented Resolution 06-15, amending the VIT Articles of Incorporation, and 06-16, reappointing Wilson M. Goode to the VIT Board, for the Board's approval. Mr. Barclay reported that the Nominating Committee had approved the amendment and the reappointment of Mr. Goode.

Mr. Bray explained that the Articles of Incorporation had prevented a VIT Director who had been serving an unexpired term to succeed himself or herself. The proposed amendment outlined in Resolution 06-15, changes one section of the Articles of Incorporation so that a director serving an unexpired term of up to four years, rather than one year, would be eligible for reappointment of a full six-year term.

**Action:** Upon motion by Ms. Stearns, seconded by Mr. Grace, and adopted by unanimous vote (11-0), the Board approved 06-15, accepting the report from the chair of the VIT Governance Committee approving the second amended and restated VIT Articles of Incorporation.

**Action:** Upon motion by Mr. Barclay, seconded by Ms. Stearns, and adopted by unanimous vote (11-0), the Board approved Resolution 06-16, reappointing Wilson M. Goode to the Board of Virginia International Terminals, Incorporated, to serve a six-year term beginning December 1, 2006 and ending November 30, 2012.

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

Mr. Oliver announced that the Authority's \$90 million Port Facilities Revenue Bond Issue (Series 2006) was successfully completed in October 2006.

Mr. Oliver presented the VPA/VIT combined income statement and the Capital Improvement Program for the four months ended October 31, 2006. He advised that the port is operating very efficiently and that everything is in line with budget.

Mr. Oliver reported that interest expenses were \$1.5 million below budget due to the timing of the bond issue which was originally scheduled for July 2006.

Mr. Oliver reported that the Transportation Trust Fund (TTF) is performing below budget expectations due to fewer people traveling as a result of high gas prices and declining tax revenues from the slump in car sales. The Authority receives 4.2% of the TTF through the Commonwealth Port Fund (CPF). 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, 2005, and 2006 bond issues.

Mr. Oliver reported that net assets (net income) are at \$9.5 million versus budget projections of \$9.0 million. He noted that \$12.8 million of the Special Fund is budgeted for the procurement of straddle-carriers through the Master Equipment Lease Program.

Mr. Oliver presented highlights of the 2006 Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2006, as follows:

Consolidated Financial Results:

- Operating revenues \$229.0M vs. \$204.9 M
- Operating Income \$4.8M vs. \$2.1M
- Increase in Net Assets \$22.1M vs. \$1.8M

VPA Financial Highlights:

- Cash flow from operations \$29.1M vs. \$7.0M
- Acquisition of fixed assets \$72.4M vs. \$106.6M
- Net pension obligation \$1.1M vs. \$1.4M
- Unqualified-Clean Audit Opinion
- One Audit Comment – Need to update information technology manuals

**D. Facilities Committee** – Ms. Murphy, Committee Vice Chairwoman

Mr. Florin presented the Capital Outlay Program and Facilities Maintenance Overview and reviewed each of the following projects:

- Railway Mainline Safety relocation project – involves the relocation of the Commonwealth Railway Line to Route 164/I-644 median rail corridor and the New Highway 17 Overpass Bridge

Mr. Florin reported that the rail relocation project ties in with the Heartland Corridor. He advised that a meeting with VDOT is scheduled next month to review the design and associated costs. Scheduled completion of the project is December 2009. Mr. Florin presented an aerial view of the Heartland Corridor Mainline Safety Relocation site indicating 14 at-grade intersections in the cities of Portsmouth and Chesapeake that will be relocated.

Mr. Florin presented slides of similar median rail projects in Richmond and Williamsburg.

- Construction of a Newport News Marine Terminal Warehouse – 200,000 square foot multi-purpose warehouse to support break-bulk operations

Mr. Florin advised that the VPA 2040 Master Plan calls for the demolition of warehouses at NNMT and the relocation of break-bulk. He reported that the Board will be asked to approve an estimated \$11.5 million for the design-build contract at the January meeting.

Mr. Florin described activities at NIT North involving the container yard expansion, North wharf extension, and the procurement of three additional Suez-class container cranes from ZPMC. He reported that the 900-foot extension to the North wharf was awarded to Tidewater-Skanska for \$31.8 million and that the \$8.7 million dredging project is currently 40% complete.

In reply to Mr. Grace's inquiry, Mr. Dorto advised that the cranes would be designed to handle two 40-foot containers at the same time thereby increasing capacity at the terminal and improving throughput. Mr. Dorto advised that no port in the U.S. has "2-40" capacity. Mr. Florin presented Resolution 06-18 for approval by the Board.

**Action:** Upon motion by Ms. Stearns, seconded by Mr. Powell, and adopted by unanimous vote (11-0), the Board approved Resolution 06-18 to award a contract to Zhenhua Port Machinery Company

(ZPMC) to purchase three (3) 100-gage 65 long-tonnage capacity container cranes.

Mr. Florin reported that the NIT South Backlands reconstruction project is one year ahead of schedule. He referred to Resolution 06-17, which requires approval by the Board to award an addendum to the contract with E. V. Williams for the next phase of renovations for additional container yard acreage. Mr. Florin reported that the completion date for 35 acres, currently under construction, is January 2007. He advised that the backlands contract allows for additional phases by addendum and that Resolution 06-17 would approve the next phase involving 15 acres.

**Action:** Upon motion by Ms. Stearns, seconded by Mr. Barclay, and adopted by unanimous vote (11-0), the Board approved Resolution 06-17 to issue a change order for Contract 2006-02 NIT South Phase 2 Renovations (Backlands area) to renovate 15 acres of container yard.

At this time, Mr. Florin introduced Mr. Michael Crist, of Moffatt & Nichol Engineers and Ms. JoAnne Carter of Public Financial Management, Inc. who presented highlights of the revised VPA 2040 Master Plan. Mr. Crist announced that today's presentation of the Port's Master Plan is an update from the plan that was presented in 2003, which was an update to the 2020 plan that was released in 2001.

Mr. Crist reviewed cargo and capacity forecasts, completed and planned improvements at each of the terminals and an update on the proposed Craney Island Marine Terminal. Mr. Crist reported that the total estimated cost for Master Plan projects had decreased from 2005 by \$225 million due to completed projects and reduced cost estimates for the levee construction at Craney Island. He reported that revenue forecasts were conservatively based on 4% growth. The costs for capital improvement projects from 2006 to 2032 are estimated at \$2.958 billion, including \$2.2 billion for Craney Island.

Mr. Crist attributed future growth to expansion plans by the Panama and Suez Canals and container ship growth. The opening of APM Terminals and Craney Island Marine Terminal were also factored into the projections. He presented a slide comparing the size of the Marie Maersk (966 ft.) to that of the Emma Maersk (1,303 ft.) which was recently put into service.

Ms. Carter reviewed the revenue forecast and assumptions that went into revenue projections, financing principles and sources of funds for the \$2.95 billion in construction costs estimated through 2040. Ms. Carter reported that one-third of the total costs associated with the Master Plan are "pay-as-you-go" financing, Terminal Revenue Bonds, and Commonwealth Port Fund Revenue Bonds. She advised that the financing plan is a very healthy and flexible approach and reduces dependence on debt. Ms. Carter explained some of the flexible financing methods that could be available depending on fluctuations in the market.

Mr. Crist reported that VPA is working with members of Congress to increase the Army Corps' share for federal financing through the Water Resources Development Act (WRDA) for as much as 50% federal funding. Mr. Crist advised that the 2040 Master Plan projects 30% financing by the Corps for the Craney Island levee construction. Mr. Keever advised that Congressional approval of the Eastward expansion of Craney Island must come before WRDA.

Mr. Keever reported that legislation may move forward in the next couple of weeks.

In summary, the Port of Virginia is expected to grow by more than 400% in the next 30 years; a Master Plan is in place to capture this growth; and full funding of the Master Plan is viable.

Photos and status of port construction projects are posted at the following web link: [www.vpa-engineering.net](http://www.vpa-engineering.net)

**E. Marketing Committee - Ms. Stearns, Committee Chairwoman**

Mr. Capozzi announced that for the first time in many years TEU performance for the fiscal year period July-October 2006 is down by 0.6%. Ships calls increased by 5.7% and break-bulk increased by 5.8%. Mr. Capozzi reported that a downturn in rail movements have also affected Midwest train cargo (-7.2%) and the Inland Port (-20.8%). Mr. Capozzi attributed the downturn in TEU tonnage to two major ship line mergers, however, he predicted that the Port should see an increase in cargo next year with the anticipation of new services and opportunities for rail cargo.

Mr. Capozzi reported that rail traffic at the Inland Port has been affected by two customers that had experienced major rerouting of their distribution patterns.

Mr. Capozzi reviewed import and export distribution moving averages from 2005 to 2006 which is the average dwell time for containers. He announced that VIT, along with the Ocean Carriers Equipment Management Association, received the 2006 Intermodal Achievement Award in recognition of the Hampton Roads Chassis Pool II.

Mr. Capozzi announced that NYK Logistics opened a new 120,000 square foot distribution facility in Chesapeake. He reviewed the Panama Canal Referendum that passed in October 2006 that proposes a third set of locks that would double the canal's capacity by 2014 (estimated). Mr. Capozzi also mentioned that the Royal Treatment Center, located on 12 acres in Suffolk, offers on-site fumigation, a process that was formerly performed at NIT.

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

Mr. Merkle described the following projects that are included in the recently announced port security grants awarded to VPA:

- Security Command Center – Projected Cost = \$2.3 million (Federal \$1.7M/VPA \$0.6M)

Mr. Merkle reported that VPA and Zel Technologies have begun to develop the operational requirements for integrating security system sensors and other regional information into a single common operating picture using the latest command and control software applications linking CCTV images with graphic terminal views.

- Communications and Information Security – Projected Cost = \$1.6 million STARS Integration

Mr. Merkle estimated that in January 2007 VPA would be joining the Virginia Statewide Agencies Radio System (STARS) thereby providing significant improvement in coverage, reliability and response capabilities across all state agencies. He advised that VPA police would be connected to the Hampton Roads Planning District Commission regional emergency communications network that would link to each of the local 17 Emergency Operations Centers.

Mr. Merkle described network projects initiated by VIT's Information Technology Division involving marine terminal wireless capability.

Mr. Merkle reported that, over the last several months, port police have made several gate stops of individuals presenting false immigration documents who had arrived via contractors who work at the terminals. He introduced Special Agent Mike Netherland, Assistant Special Agent in Charge of the Commonwealth's Southeast Region, U.S. Immigration and Customs Enforcement (ICE), Department of Homeland Security. Mr. Netherland described efforts by his organization in dealing with illegal immigration and how ICE is forging partnerships with other agencies to combat this problem. Mr. Netherland reported that there are over 12 million illegal immigrants in the United States.

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

Mr. Keever explained that all Army Corps projects, including the eastward expansion of Craney Island, are contained within the Water Resources Development Act (WRDA) of 2006 which must be approved by Congress. Mr. Keever reported that Congress had not passed new WRDA legislation in six years. He advised that there was a huge effort by legislators to advance the legislation, however, it was not contained in the President's FY07 budget. Mr. Keever advised that, without approval of WRDA, the authorization for construction and cost-sharing of the eastward expansion of Craney Island is on hold.

### **IV. UNFINISHED BUSINESS**

There was no unfinished business.

### **V. NEW BUSINESS**

### **VI. OTHER BUSINESS AND ADJOURNMENT**

Chairman Milliken announced that Mr. Grace had been selected as the "2006 Distinguished Citizen" by the Virginia Peninsula Chamber of Commerce.

The Chairman appointed Ms. Saunders to the Marketing and Security Committees.

There being no further business and no public comments, the open meeting adjourned at 1:00 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, January 23, 2007. Happy New Year!***

Respectfully submitted,

Debra J. McNulty  
Clerk to the Board