

MINUTES

Board of Commissioners - Session 308

Virginia Port Authority
World Trade Center
Norfolk, Virginia
January 23, 2007

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
Robert C. Barclay, IV, Vice Chairman
Joe B. Fleming
Mark B. Goodwin
William M. Grace
Virginia M. Murphy
Michael J. Quillen
Kim D. Saunders
Ranjit K. Sen
Deborah K. Stearns
J. Braxton Powell, State Treasurer

Absent:

Stephen M. Cumbie

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
David M. James, Director of Contracts and Real Estate
Gregory J. Edwards, Managing Director of Marketing and Intermodal
Kevin D. Burwell, Director of Business Analysis and Strategy
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 Reed, Controller
Jodie Love, Administrative Asst. Senior
Rebecca Killen, Administrative Asst. Senior

Staff (Continued):

Harold (Monty) Willaford, Captain, Special Operations
Lynward W. Wingfield, Captain, Operations
Jodie L. Asbell, Deputy Clerk to the Board
Debra J. McNulty, Clerk to the Board

Guests:

J. Jasen Eige, Senior Asst. Attorney General
Michael T. Crist, Moffatt & Nichol Engineers
Arthur W. Moye, Jr., Virginia Maritime Association
Lloyd M. Richardson, McGuireWoods LLP (VPA Bond Counsel)
Treva Saunders, McGuireWoods LLP
John D. Padgett, McGuireWoods LLP (VPA Special Counsel)
JoAnne Carter, Public Financial Management, Inc. (VPA Financial Advisor)
Kevin D. Rotty, Morgan Keegan & Company, Inc.
Ken Sherwood, Zel Technologies, LLC
James L. McDonnell, III, Merrill Lynch
Joseph A. Dorto, 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 Philip Newswanger, *Inside Business*.

Chairman Milliken announced that Mr. Keever would present the legislative update at this time as he needed to leave early for meetings with General Assembly members in Richmond. Mr. Keever reported that Governor Kaine had included \$50 million for port-related projects in the transportation budget amendment with up to \$40 million for the relocation of the rail median project in Rt.164 and 1664 and a minimum of \$10 million for design work for Craney Island.

Mr. Keever reported that he appeared before the Senate Finance Subcommittee on Transportation on January 19 and the House Appropriations Subcommittee on Transportation on January 22, to urge support for these port-related projects that are proposed in the budget.

Mr. Keever advised that there were efforts to kill several pieces of legislation that would affect the Roanoke Intermodal Yard project (HB2232, HB2233, and HB2234). He reported that the Authority supports HB2785 (payment in lieu of taxes), introduced by Delegate Joannou, relating to allocation of highway funds and additional allocation to port cities by the Commonwealth Transportation Board.

Mr. Keever announced that VPA officials are scheduled to meet with Congressional staff in Washington, D.C., on January 24. The Eastward Expansion of Craney Island will require Congressional authorization to allow the U.S. Army Corps of Engineers to design and construct the project. Mr. Keever reported that VPA has been working diligently for the last few years to ensure the appropriate language is inserted into the 2007 Water Resources Development Act (WRDA).

Mr. Keever reported that VPA was successful in convincing Portsmouth to withdraw their legislative proposal that would have called for a study of the vertical expansion of Craney Island. He advised that the legislation may have held up Craney Island in WRDA.

Ms. Stearns requested that staff prepare a briefing to outline the Authority's position on the Governor's transportation proposal for Board members to use during discussions with legislators. Mr. Keever said he would provide a summary.

Mr. Fleming asked Mr. Keever about the reception that was held for Mr. Bridges. He was unable to attend the event. Mr. Keever reported that Mr. Bridges had a very positive meeting with Virginia Maritime Association representatives. Mr. Keever announced that he and Mr. Bridges met with Secretary Homer in Richmond and that Mr. Bridges also had a personal meeting with the Governor.

Mr. Keever said the transition is going very well and that VPA staff look forward to welcoming Jerry Bridges on February 5.

Mr. Art Moyer, Executive Vice President of the Virginia Maritime Association, announced that VMA invited Mr. Bridges to attend the next maritime breakfast briefing. Mr. Moyer said the maritime community is anxious to meet with Mr. Bridges and to hear his thoughts on the future of the port.

I. APPROVAL OF MINUTES

Action: Upon motion made by Chairman Milliken, the minutes of the regular meeting held November 28, 2006 were unanimously approved.

II. REPORTS OF COMMITTEES

A. Executive Committee

1. Consideration of Resolution 07-01, appointing Jerry A. Bridges to serve on the Board of Directors of Virginia International Terminals, Inc., in his capacity as Executive Director of the Virginia Port Authority

Chairman Milliken explained that, according to VIT's Articles of Incorporation, the Executive Director of the Virginia Port Authority serves as a permanent member of the VIT Board of Directors.

Action: Upon motion by Mr. Barclay, seconded by Mr. Sen, and adopted by unanimous vote (10-0), the Board approved Resolution 07-01, appointing Jerry A. Bridges to serve on the Board of Directors of Virginia International Terminals, Inc.

Chairman Milliken announced that the next joint meeting of the VPA and VIT Boards, is scheduled to coincide with the VPA's board meeting scheduled for March 27, 2007. He explained that postponing the joint meeting, which was originally scheduled to be held in January, would allow Mr. Bridges to acclimate after he is in office.

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

Mr. Oliver presented the VPA/VIT combined income statement and the Capital Improvement Program for the six months ended December 31, 2006. He reported that operating revenues were 1.9% below budget and 9.1% ahead of prior year, with container traffic year-to-date, for the facilities operated by VIT, down approximately 3% from prior year. Mr. Oliver attributed the downturn in container traffic to two recent ship line mergers. He advised that Administration, Maintenance, and Operations expenses are well in line with budget. Mr. Oliver announced that operating initiatives implemented in recent years have resulted in significant efficiency gains.

Mr. Oliver reported that interest income was \$1.6 million ahead of budget and \$1.9 million ahead of prior year primarily due to interest earnings on the 2006 bond proceeds and improving short-term interest rates. He advised that interest expense was below budget primarily due to the refunding of the 1996 CPF bonds in April 2006 and postponing the sale of the \$90 million Terminal Revenue Bonds from July to October.

Mr. Oliver reported that CPF allocation was \$1.1 million below budget and \$1.5 million below prior year. He advised that Transportation Trust Fund allocations are down due primarily to depressed auto sales and a decrease in vehicle usage this year because of higher gas prices. Mr. Oliver reported that VDOT and the Department of Taxation came out with new revenue estimates for the Transportation Trust Fund. Mr. Oliver compared June 2006 estimates with December 2006 estimates for FY2007-2012. He advised that VPA had not deferred any capital projects as a result of the lower revenue estimates, however, it has caused VPA to tighten its budget.

Mr. Oliver introduced the financing team for the Authority's Port Facilities Revenue Refunding Bonds, Series 2007, and presented the plan of finance for issuance of up to \$88 million. Mr. Oliver reported that bond proceeds will be used to refund a portion of the 1997 Port Facilities Revenue Bonds with estimated savings of \$5.9 million (7.5%). He reported that sale of the bonds is scheduled for the week of March 11, closing week of April 8, and the 1997 bonds called the week of July 1.

Mr. Lloyd Richardson, McGuireWoods LLP and VPA's bond counsel, presented Resolution 07-02, and reviewed key sections of the Series 2007 Resolution that authorizes the sale and issuance of up to \$88 million for the refunding of the Series 1997 bonds. Mr. Richardson advised that the resolution reflects a worst-case scenario and that the refunding is not expected to be as high as \$88 million. Mr. Oliver reported that the refunding will not take place if there is not at least a 5% savings.

Mr. Richardson also noted that the final page of the resolution authorizes the Executive Director Emeritus to act in place of the Executive Director with respect to any matter authorized under the resolution. Mr. Richardson referred to the Preliminary Official Statement, Continuing Disclosure Agreement, Refunding Bond Escrow Agreement, and Bond Purchase Agreement documents that were included in the agenda materials.

(Ms. Saunders arrived at this time.)

Action: Upon motion presented by Chairman Milliken, seconded by Mr. Barclay, and adopted by unanimous vote (11-0), the Board approved Resolution 07-02, a Series Resolution supplementing Resolution 97-5 of the Virginia Port Authority and authorizing the sale and issuance of up to \$88,000,000 of the Authority's Port Facilities Revenue Refunding Bonds, Series 2007 to refund the Authority's \$98,065,000 Port Facilities Revenue Bonds, Series 1997.

D. Facilities Committee – Mr. Sen, Committee Chairman

Mr. Florin presented the Capital Outlay Program and Facilities Maintenance Overview and provided a status report on projects that are ongoing at all VPA-owned terminals.

Mr. Florin announced that the award of a contract for the design of the 600-acre eastward expansion of the Craney Island Marine Terminal will be presented for Board approval at the March 27, 2007 meeting. He advised that the Board will also need to approve a contract for the design infrastructure and existing Navy fuel line relocation in support of the Craney Island eastward expansion.

Mr. Florin reviewed the recently completed 19-acre NIT North Container Yard Expansion, designed by Moffatt & Nichol and constructed by Branscome, Inc. The 900-foot NIT North Wharf Extension, designed by Parsons Brinckerhoff and contract awarded to Tidewater-Skanska, is expected to be completed by Summer 2008. The NIT North Wharf Dredging project by Norfolk Dredging, will bring the entire berth area to a 50-foot depth and is expected to be completed by mid-March.

Mr. Florin reported that the Board approved a resolution at the last meeting that would allow up to \$24 million for three new Suez-class container cranes. He advised that VPA and VIT are in the process of making an operational decision on the specifications for the tandem-40 cranes within the next three weeks. Mr. Florin reported that the NIT South Backland Reconstruction project is one year ahead of schedule.

Mr. Florin reported that the proposed VIT office building will provide off-terminal office space and is expected to be completed by October 31, 2007. He advised that the design-build contract was awarded to Ritchie-Curbow. He reported on the relocation of the NIT POV (private occupancy vehicle) parking lot and labor support and foreman buildings that will accommodate the NIT Central Rail Yard project. The Commonwealth Railway Mainline Safety Relocation Project involves retiring 14 at-grade rail crossings in Portsmouth and Chesapeake and the existing rail line for construction of a new Highway 17 overpass bridge and rail line from I664 to 164 that will link cargo to the new APM/Maersk terminal. Project completion is estimated for December 2009. Funding for some of the project is contained in the Governor's proposed transportation budget.

Mr. Florin reported that the Board will also be asked to approve the award of a design-build contract for the NNMT multi-purpose warehouse at the March meeting. Construction of the warehouse was recommended according to the VPA Master Plan.

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

2. Report on the Authority's efforts to increase Small, Women-Owned and Minority (SWaM) procurement

Mr. David James, Director of Contracts and Real Estate, presented the Authority's FY2006 spending results on SWaM expenditures for a total of \$5.8 million. The Authority awarded 11% of its contracts to SWaM vendors compared with 12% for transportation agencies and 13% for all state agencies. Mr. James explained that Governor's Executive Order 33 requires that all purchases valued at less than \$50,000 go to small businesses. He advised that all VPA personnel with purchasing authority are now required to follow this directive.

Mr. James explained that there are some instances when a small business may not be able to provide a good or service and, under those circumstances, a written justification is required. Mr. James explained that purchases \$50,000 or greater require small business set-asides, request for proposals, and invitation for bids. He noted that, due to the unique nature of the port business, it is often a challenge to find SWaM vendors for projects such as dredging, purchase of cranes and straddle carriers.

Mr. James reported that recent SWaM contract awards for FY2007 include the following:

- \$1.053M contract award for the New Foreman Building and Multi-Purpose Labor Support facility at NIT was awarded to Z-Corp, a small minority-owned business.
- \$3.44M contract awarded for the demolition of Warehouses 5, 6, 7 and 8 at NIT to Sun Bay Contracting, a small minority-owned business.
- \$408,950 contract awarded for security fence improvements at all terminals to Hurricane Fence Company, a small business.

Mr. James announced that total SWaM expenditures for FY2007 as of December 31, 2006, amounted to \$2.4 million. VPA anticipates an increase in expenditures for FY2007 over FY2006.

Mr. Grace congratulated Mr. James and the Port Authority on efforts to increase business with SWaM vendors and he said he was very encouraged to see what VPA had accomplished in the last several years.

Mr. Fleming asked how the Port Authority approved the banking institutions named previously during the presentation on the bond refunding. Mr. Oliver explained that any financial institution that VPA wants to do business with must be approved by the Board. Mr. Fleming asked if VPA had hired any minority banks. Ms. Saunders named two minority-owned banks in Virginia – Consolidated Bank & Trust in Richmond, and First State Bank in Danville.

Mr. Fleming asked if VPA would consider using a minority bank. Mr. Oliver explained that a terminal revenue bond issue has flow of fund requirements that VPA must meet. He advised that there are four to five different accounts and that all are with Bank of America, VPA's primary depository for the transaction of foreign funds and currencies. Mr. Oliver suggested that a minority bank could handle an escrow fund of some nature for the Authority. Mr. Fleming noted that Towne Bank is a young bank and he asked if the decision to hire them was made by the Board. Mr. Oliver advised that the bank was recommended by staff, was an authorized Depository by the Department of Treasury, and had been approved by the Board.

Mr. Oliver asked Ms. Saunders if both minority banks were authorized by the state, which she confirmed. Mr. Fleming asked if VPA could provide business opportunities for a minority bank.

Mr. Milliken advised the staff to prepare a report for the March board meeting outlining how and why decisions are made regarding banking and to look into providing opportunities for minority banks. The Chairman asked the Finance/Planning Committee to look at the matter at its next meeting.

Ms. Saunders recommended looking at the schematic of banks and how their cash flow is structured. Chairman Milliken stated he wanted a better understanding of the process. Mr. Oliver advised that VPA chose Towne Bank in May 2006 and that all bank decisions must come before the Board. He reported that the CE Reserve Account is at Towne Bank.

E. Marketing Committee - Ms. Stearns, Committee Chairwoman

1. 2006 Calendar Year-End Business Report, 2007 Fiscal Year Performance Update, and 2007 Calendar Year Forecast

Mr. Capozzi announced that the Port had a great 2006 calendar year-end resulting in a 3.2% increase from CY2005 = 2,046,286 million TEUs. He mentioned that VPA was recognized by the Containerization International as the top port and VIT was awarded the International Achievement Award for the port-wide chassis pool. Mr. Capozzi presented calendar year-to-date and fiscal year-to-date performance as follows:

<u>Calendar Year-End</u>		<u>Fiscal Year-End</u> (July – December 2006)	
-	TEUs +3.2%	-	TEUs +0.1%
-	Ship Calls +7.3%	-	Ship Calls +7.0%
-	Breakbulk -4.2%	-	Breakbulk -2.1%
-	Midwest Train -1.30%	-	Midwest Train -5.57%
-	Inland Port -13.3%	-	Inland Port -23.1%

Mr. Capozzi also discussed factors affecting expected port growth – steamship line mergers, loss of RIPI (reverse inland point intermodal) business, and changes in retail distribution patterns. He explained that retail companies have established a new distribution center that decreased distribution centers that were operating in our region.

Mr. Capozzi provided a summary of new and recently announced ship line services at The Port of Virginia in 2006 that included nine long-term contracts. He also announced economic development projects throughout the Commonwealth that are completed and ongoing.

Mr. Capozzi reported that VPA’s calendar year forecast for 2007 is 4% growth based on the rising economy (exports/imports), rising intermodal costs via West Coast (pending ILWU negotiations), moderately strong rail growth through East Coast gateways (India/Southeast Asia services via the Suez), and expected new shipline services.

Mr. Capozzi announced that the 10-year contract with the New World Alliance, scheduled to call NIT and PMT, is valued revenue of \$175-\$200 million. The CSAV 5-year contract, with a +5-year option, is valued revenue of \$50 million calling for 75,000 containers and at NNMT. Mr. Capozzi also announced two new Maersk services scheduled to call NNMT – Oceania Americas Pendulum Service and NASA-1 Service. It was noted that long-term contracts represent 81% of the port’s current business.

Ms. Stearns announced that a closed session of the Marketing Committee will be held at 10:00 a.m. on March 27, 2007, to review factors affecting port growth. She encouraged all board members to attend.

Chairman Milliken asked if the new Maersk business would leave NNMT after the opening of the APM Terminals. Mr. Capozzi confirmed that VPA would lose the business but that Maersk's tonnage would be included in VPA's tonnage figures. The Chairman asked Mr. Capozzi for clarification. Mr. Capozzi explained that VPA reports port-wide volume and that VIT reports only VIT volumes to their board.

F. Security Committee – Mr. Grace, Committee Chairman

Mr. Merkle reviewed VPA port police activities in 2006 that included 1,974 incidents involving radiation portal alerts, first call vessel interfaces, port ID violations, and motor vehicle violations. He reported that the port police have made significant efforts to continue to improve and enhance security skills. Police captains, sergeants and lieutenants had the opportunity participate in the comprehensive weapons of mass destruction training at the nation's premier nuclear facility in Los Alamos that was funded by federal grant appropriations. Senior police officers have completed all requirements in compliance with the National Incident Management System.

Mr. Merkle described efforts to improve perimeter security by managing overgrowth at the fence line to provide clear zones and installing protective concrete and steel barriers to minimize fence damage. He announced that VPA police participated in a training drill alongside the 24th Marine Expeditionary Unit for the port's annual exercise that is required by the Maritime Transportation Security Act (MTSA). Also, the Maritime Incident Response Team (MIRT) was deployed locally to assist with two fires onboard ships - a major engine room fire on the container vessel Maersk Doha and the USS Gilmore.

Mr. Merkle announced that he was notified today that Hampton Roads is on the draft list for Phase I implementation of the Transportation Workers Identification Card (TWIC), with enrollments as early as March. He reported that TWIC cards will be in the field but there would not be readers at the access points.

He explained that the card would only be used as a "flash pass", similar to VPA's port ID, until Phase II (reader deployment) is activated. Mr. Merkle reported that the cost of a TWIC card will be passed on to the user and the estimated cost is up to \$150, with replacement cards up to \$60. Credentials will be valid for five years.

Mr. Merkle reviewed the 2007 Homeland Security Grant Program that includes the Urban Areas Security Initiative (UASI) and the Port Security Grant Program. He announced that Hampton Roads was one of four new areas added to the UASI list this year that will also make Hampton Roads eligible for other grant programs, such as Transit Security. UASI is split into two tiers with Hampton Roads competing in Tier II with 39 areas.

Mr. Merkle explained that, like UASI, under the Port Security Grant Program, the ports were designated into tiers based on Department of Homeland Security Risk Assessment. Hampton Roads is in Tier II competing for just over \$40 million with 16 ports. Applications are due March 6, 2007.

III. REPORT OF EXECUTIVE DIRECTOR

No report.

IV. UNFINISHED BUSINESS

There was no unfinished business.

V. NEW BUSINESS

VI. OTHER BUSINESS AND ADJOURNMENT

Ms. Saunders announced that she would be resigning from the VPA Board and leaving Virginia for the position of President and Chief Executive Officer for Mechanics and Farmers Bank holding company in Durham, North Carolina.

Chairman Milliken announced that today is a “milestone meeting” with Mr. Bray attending his last meeting as Executive Director. Mr. Bray assumes the title of Executive Director Emeritus when Mr. Bridges takes over as Executive Director on February 5, 2007. The Chairman mentioned that Mr. Bray sat through 16,412 meetings during his tenure. Chairman Milliken remarked that Mr. Bray is moving on to what is the most enviable of positions, taking pride in what he has done for this port. The Chairman said Mr. Bray’s strategic vision has brought us to the place we are at now. Chairman Milliken said Bobby’s leadership of this agency and the leadership that he has brought to transportation agencies has been extolled by Governor after Governor that he has had an opportunity to serve. Chairman Milliken praised Mr. Bray for creating a vision and seeing it become a reality. The Chairman thanked Mr. Bray on behalf of the VPA Board, the citizens, and the Commonwealth of Virginia for his service.

Mr. Grace remarked that, as the senior member of the VPA Board, he has watched Mr. Bray very quietly work miracles. Mr. Grace said, “When I walked in here we were competing with Baltimore and here we are now on the heels of New York, which is a great achievement.”

Mr. Quillen said, “Bobby Bray has friends far across the state and that he has been a very good friend of that part of the state (southwest Virginia) as well as the coal industry.”

Ms. Stearns praised Mr. Bray for his effective leadership and involvement in the many organizations that help the Commonwealth and Hampton Roads.

Mr. Sen said, “You have been an outstanding and great Executive Director of the Port and by that, we will miss you Bobby Bray”.

Chairman Milliken presented Mr. Bray with a shadowbox containing two newly-minted Jamestown coins (displaying front and back) and a photograph of the Port’s newest cranes at NIT with handwritten signatures with personal messages from the Board.

Mr. Bray announced that it has been his great pleasure to have watched a vision become a reality. He said he was leaving with a great deal of satisfaction because the Port is poised for greatness. Mr. Bray said the port will have obstacles to overcome, however, with the financial plan outlined by Rodney Oliver and the operational abilities of Joe Dorto, we can get there.

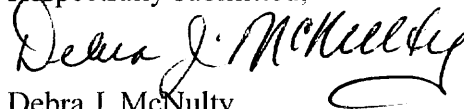
Mr. Bray said the opportunity to serve the Commonwealth was one of the greatest pleasures of his life. He concluded by saying, "I am envious of Jerry Bridges, to come in and take the port to greatness, but this old body is tired and I am ready to step aside."

Chairman Milliken presented a video that was produced for the Darden Award for Regional Leadership that was awarded to Mr. Bray on November 2, 2006. Personal testimonials of Mr. Bray's accomplishments that were featured in the film included: Virginia Governor Tim Kaine, Senator John Warner, former Governors Linwood Holton and Gerald Baliles, former VPA chairman, Robert Spilman, and Kurt Nagle, President of the American Association of Port Authorities (AAPA).

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, March 27, 2007.

Respectfully submitted,



Debra J. McNulty
Clerk to the Board