

MINUTES

Virginia Port Authority Board of Commissioners - Public Session 309

Norfolk, Virginia

January 23, 2007

Pursuant to call by Chairman Milliken, the Board of Commissioners held its regular meeting this date at 12:30 p.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:

Jerry A. Bridges, 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
Russell J. Held, Managing Director of Marketing
Kevin D. Burwell, Director of Business Analysis and Strategy
Carla Welsh, Program Manager-Port Promotion
Jodie Love, Administrative Asst. Senior
Rebecca Killen, Administrative Asst. Senior
Andrew Engemann, Port Police Colonel
Lynward W. Wingfield, Port Police 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
Lloyd M. Richardson, McGuireWoods LLP (VPA Bond Counsel)
Treva Saunders, McGuireWoods LLP

Guests (continued):

JoAnne Carter, Public Financial Management, Inc. (VPA Financial Advisor)
James L. McDonnell, III, Merrill Lynch
Kevin Furey, Merrill Lynch
Bryant McGann, Vandeventer Black LLP
Tom Partridge, E. V. Williams
Mark MacIntire, CH2M Hill
Kevin Larkin, Bank of America
Henry Light, Crenshaw, Ware & Martin
Jack Cooper, (Aide) "Henry Light for Senator"
Joseph A. Dorto, VIT General Manager
Richard N. Knapp, VIT Assistant General Manager
W. Millard Meiggs, Chief Financial Officer

VIT Board of Directors:

Marvin S. Friedberg, Board President
Wilson M. Goode, Board Vice-President
Leon Stafford, Board Secretary-Treasurer
Regina P. Brayboy, Director
John M. Ryan, Corporate Counsel, Vandeventer Black LLP

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*.

I. APPROVAL OF MINUTES

Action: Upon motion made by Mr. Barclay and seconded by Mr. Sen, the minutes of the regular meeting held January 23, 2007 were unanimously approved.

II. REPORTS OF COMMITTEES

A. Executive Committee – Mr. Milliken, Chairman of the Board

Chairman Milliken announced that the May 22nd public session meeting of the VPA Board will start at 10:00 a.m. to allow Board members to attend the National Maritime Day ceremony scheduled for noon. The Chairman explained that the maritime community will be hosting invited speaker Governor Tim Kaine at the annual National Maritime Day event that will be held at the new Half Moone Cruise Center at Nauticus. The purpose of National Maritime Day, approved by Congress in 1933, is to recognize the significance and importance of maritime commerce to the United States. Chairman Milliken announced that the VPA and VIT Boards would be invited to attend in addition to maritime industry leaders, Federal, State, and local city officials.

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

1. Update on the sale of the 2007 Terminal Revenue Refunding Bonds

Mr. Oliver reported that the sale of the Authority's 2007 Terminal Revenue Refunding Bonds took

place on March 13, 2007, resulting in a 9.1% net present value benefit for the refunding of the 1997 bonds. He announced that net revenue for the port would be \$7+ million. Mr. Oliver advised that the refunding of the 1997 bonds will take place on the call date of July 1, 2007.

2. VPA/VIT Combined Financial Report

Mr. Oliver presented the VPA/VIT combined income statement and Capital Improvement Program for the eight months ended February 28, 2007. He reported that operating revenues were 1.8% below budget and 8.6% ahead of prior year, with container traffic year-to-date down approximately 2.9% from prior year primarily due to ship line mergers. He advised that all accounts are tracking in line with budget. Terminal operating expenses were \$4.1 million (5.3%) below budget and \$2.5 million (3.6%) higher than prior year. He reported that operating initiatives implemented in recent years have resulted in significant efficiency gains.

Mr. Oliver reported that the Commonwealth Port Fund (CPF) allocation was \$880,000 (3.6%) below budget and \$2 million (8.1%) below prior year. He advised that Trust Fund collections as reported by VDOT are down due primarily to depressed auto sales and a decrease in vehicle usage this year because of higher gas prices.

Mr. Oliver also reviewed obligated/unobligated funds and funds remaining for each of the outstanding bond issues from 2002, 2003, 2005 and 2006.

Mr. Cumbie said the combined financial reports were very helpful. He suggested that Mr. Oliver develop a set of financial ratios that could be tracked relative to the operating and financial sectors of VPA's business. Mr. Cumbie also suggested that Mr. Oliver seek assistance from the rating agencies to develop a reporting method that compares our port to other ports. Mr. Goodwin agreed and he also commended Mr. Oliver on his reports.

3. VPA Financial Report Consideration of Resolution 07-3, authorizing financing under a proposed Master Equipment Lease Program (MELP)

Mr. Oliver reported that provisions of Resolution 07-3 and the Master Equipment Lease Program Agreement were reviewed by VPA's bond counsel, Mr. Lloyd Richardson, and approved by the Finance/Planning Committee in the meeting held earlier. Mr. Oliver explained the provisions of the initial term of the MELP financing that would be used for the purchase of straddle carriers and other major capital equipment during the 2007 to 2010 fiscal years, at an estimated purchase cost of \$50 million. He explained that the Board had previously approved a \$60 million, 2003 MELP financing (the first lease program), all of which capacity has been used. Mr. Oliver explained that Resolution 07-3 would authorize the Authority's second equipment lease program that is scheduled to go before the Treasury Board for approval on April 18, 2007.

Action: Upon motion presented by Mr. Goodwin, seconded by Mr. Cumbie, and adopted by unanimous vote (9-0), the Board approved Resolution 07-03, authorizing financing under a proposed Master Equipment Lease Program (MELP).

1. Consideration of Resolution 07-4, authorizing Aid to Local Ports Funding (FY07), totaling \$142,353, to the Accomack-Northampton Transportation District Commission (ANTDC)

Mr. Oliver explained that the ANTDC received an award of grant funds in FY2007 and that the initial scope of the work was for significant repairs to their car float operation. Mr. Oliver advised that the car float serves a vital rail corridor through the Eastern Shore. Mr. Oliver reported that ANTDC had a downturn in business and requested that the VPA Board approve a revision to the scope of the project allowing \$143,353 for FY2007 to be reallocated from use for major fender and car float repairs to use for the capitalization of a portion of a tugboat operation, through which the railroad's float cars are towed between its facilities at Cape Charles and Little Creek.

Action: Upon motion presented by Mr. Goodwin, seconded by Mr. Grace, and adopted by unanimous vote (9-0), the Board approved Resolution 07-04, authorizing Aid to Local Ports Funding (FY07), totaling \$142,353, to the Accomack-Northampton Transportation District Commission (ANTDC).

C. 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. He reported that all projects are on target/on budget and that some projects are slightly ahead of schedule.

Mr. Florin reported that the NIT North wharf is currently undertaking a substantial expansion for completion by May 2008 in order to receive three 22-wide cranes that are expected to arrive by June 2008.

Mr. Florin described the work that is currently underway at the NIT South backlands reconstruction area and preparations for the NIT central rail yard. He advised that a resolution would be presented at the next board meeting to consider an award for the construction contract for the first phase that consists of paving and construction of six strings of working rail lines. Mr. Knapp added that a demonstration of the rail yard operation would be presented at the next board meeting.

Mr. Florin reported that demolition of warehouses at NIT would make way for rail lines and the construction of the shuttle-carrier road. He reported that the VIT office building site work is underway and that completion is slated for June 2007 with occupancy planned by November 2007. Mr. Florin also described the work that is being done at the NIT POV parking lot and labor support and foreman buildings.

Mr. Florin reported that the Commonwealth Railway Mainline Safety Relocation project is projected to be completed by December 2009. He reported that permits should be received in mid-April to begin construction by this summer.

Mr. Florin announced that, on March 13, 2007, the Authority received four proposals for the design and construction of a 200,000 square-foot bulk storage warehouse for rubber shipments moving over NNMT. He advised that the contract amount is not-to-exceed \$11 million and needed board approval. Mr. Florin presented Resolution 07-5, authorizing VPA to enter into a contract to construct a bulk storage warehouse at Newport News Marine Terminal.

Action: Upon motion presented by Mr. Sen, seconded by Ms. Stearns, and adopted by unanimous vote (9-0), the Board approved Resolution 07-05, authorizing VPA to enter into a contract to construct a bulk storage warehouse at Newport News Marine Terminal.

Mr. Florin reported that the Craney Island Marine Terminal design funding was included in the Governor's budget and that VPA and the Corps are partnering on the design with VPA doing most of the design work for the levees. He advised that the Authority received four proposals from "world-class firms" on February 7, 2007. Three firms were selected for short list interviews that were conducted March 9, resulting in one firm that stood out above the rest in terms of experience and rail reclamation projects - Craney Island Design Partners – a consortium of 14 engineering firms.

Mr. Florin reported that \$20 million for the first phase of constructing the levees would be split between VPA and the Corps and that the Corps would be responsible for hydrodynamic and navigational studies. Mr. Florin presented Resolution 07-6 and explained that the resolution would award what the Governor had approved, up to \$11 million, and that the project would need further board approval for the next phase.

Mr. Cumbie and Mr. Barclay had expressed concern that Resolution 07-6 was not specific enough with regard to the award of a contract for the first design phase and that it needed additional language "not to exceed \$10 million". Mr. Florin explained that the resolution was asking for approval of the design firm and not to award an amount. Mr. Milliken asked when the work would commence. Mr. Florin explained that VPA had asked the firm to put together a cost proposal anticipating that this resolution would be approved by the Board. Mr. Barclay stated that the resolution reads like a contract and that it needed revision. Mr. Barclay and Mr. Cumbie left the meeting at this time to draft the appropriate language for the resolution.

Mr. Florin concluded his report with a status on the Craney Island Fuel Depot Fuel/OWWO line replacement contract that was recently awarded to Austin Brockenbraugh & Associates.

Ms. Stearns mentioned that the AE selection process does not consider price, rather, it is based on qualifications and that price is the next phase.

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

D. Marketing Committee - Ms. Stearns, Committee Chairwoman

Mr. Capozzi reported that, for fiscal year performance for the period July 2006-February 2007, TEUs were down -0.5% along with rail figures as a result of major ship line mergers. He announced that rail traffic at the Virginia Inland Port declined by -19.4% due to distribution center re-routings.

Mr. Capozzi announced that Building One, a 385,320 square foot cross-dock facility, located in the Virginia Commerce Center (a 101-acre master planned park near the Port of Virginia) is the first of three buildings planned in the development. At completion, the development will total over 1.3 million square feet of Class A distribution space with access to the Port via all major highways and serviced by CSX Rail Service.

Mr. Capozzi announced the latest ship line services with a shift in carriers in the North America-South America Trade. APL and MOL joined MSC's Intra-America 1, providing weekly U.S. East Coast/East Coast South America service. Norfolk is the first port of call in the rotation, with service commencing mid-April 2007. Mr. Capozzi announced that Maersk Line and Hamburg Sud joined a weekly service between the East Coasts of North America and South America, with Norfolk as the third port of call, effective mid-April 2007.

Mr. Capozzi predicted that VPA would see an upturn in the March tonnage figures due to early indicators from VIT.

E. Security Committee – Mr. Grace, Committee Chairman

Mr. Merkle provided an update on the Transportation Worker Identification Card (TWIC) program. He explained that fees for the cards are \$137.25 for a five-year card and that VPA would require all employees to have the card. VPA would pay the cost. Mr. Merkle advised that TWIC could be used in lieu of security background checks with a possible offset in savings. Mr. Merkle described technical problems that were experienced by Wilmington which was chosen as the first pilot port. He advised that Hampton Roads could expect an enrollment center by July/August.

Mr. Merkle reported that VPA recently submitted its 2007 Port Security Grant Application. He announced that the Federal/VPA cost share is 75/25 for a total of \$5.85 million for the following projects. VPA's cost share amounts to \$1.46 million:

Surveillance and MDA (Maritime Domain Awareness) improvements
Preparedness and recovery
TWIC implementation

Mr. Merkle announced that the Executive Summary of the Virginia Port Authority's Port Security Grant 2007 submittal was also emailed to the VPA Board and to Congressional staff members.

Mr. Merkle advised that TWIC was third in priority on the request list due to delays in the program which gives VPA more time to implement the first phase. He explained that Hampton Roads is in Tier II consisting of 17 ports that will be in competition for approximately \$40 million in grant funds.

At this time, Mr. Barclay introduced and read the suggested language to be added to Resolution 07-6, which the Board approved, as follows:

Last sentence added to Now Therefore Be it Resolved, "The contract fees and costs obligated for the first design phase by this Resolution will not exceed \$10 million. Added: "Be it further resolved, that the Chief Engineer of the Virginia Port Authority will report back to the Board of Commissioners the actual contract sum for the first design phase at the next regular meeting of the Virginia Port Authority Board of Commissioners and any further funding authorizations."

Action: Upon motion presented by Mr. Barclay, seconded by Mr. Grace, and adopted by unanimous vote (9-0), the Board approved the revised Resolution 07-6, authorizing VPA to enter into a contract with Craney Island Design Partners for the design of the Craney Island Marine Terminal.

III . REPORT OF EXECUTIVE DIRECTOR

Mr. Bridges provided the legislative report in Mr. Keever's absence as he was attending the memorial service for his mother who recently passed.

Mr. Bridges reported that he had very productive meetings with Congressional leaders and their staff last week in Washington to discuss passage of the Water Resources Development Act (WRDA). He met with Senator Warner, Senator Webb's legislative assistant, Trent Bauserman, Congresswoman Drake, Congressman Scott, Virginia delegation staffers, Rod Hall of Congresswoman Eddie Bernice Johnson's office (Texas), and Congressman John Mica (Florida).

Mr. Bridges announced that the delegation agreed to support WRDA legislation for this session which contains authorization for funding Craney Island. He advised that Senator Warner and Congresswoman Drake promised to carry the legislation forward. Mr. Bridges said that everyone was optimistic for the continued funding for Craney Island. He explained that the legislation could change the mix for the Corps' cost sharing ratio and that VPA is hoping for 50/50. Mr. Bridges said that the worst case scenario of 70/30 cost sharing would also be good for the port. He added that the Corps' budget also contains \$3 million for FY07 for Craney Island and a \$3 million allocation for FY08. In addition, Mr. Bridges reported that a total of \$50 million is in the Governor's transportation bill which includes up to \$40 million for the Route 164 median rail relocation project and the remainder to initiate planning for the Craney Island Eastward expansion.

Mr. Bridges also reported that HB2785 would authorize an additional \$1 million for aid to port host cities which, he said, is good news for cities who host VPA's port facilities. He advised that allocation is in addition to the \$1 million that the port currently provides to each of the cities.

Mr. Barclay suggested that next year's General Assembly Session take a look at how the General Assembly or Congress could appropriate a study for grade crossings in Suffolk for a rail track. Mr. Florin advised that the Hampton Roads Planning District Commission just completed a study with the final draft due next month. Mr. Barclay asked Mr. Florin to report on that subject at the next board meeting.

Mr. Bridges commented that, since he took over the position of Executive Director on February 5th, he has had very long and beneficial days with customers and community leaders and has felt very welcome.

Ms. Stearns mentioned regional organizations, such as the Greater Norfolk Corporation and the Hampton Roads Partnership, that have recognized the port as an economic engine and its impact on Hampton Roads. Ms. Stearns said that "this underscores the increased awareness of the value of the port and interest of many organizations to do what they can to support our growth."

IV. UNFINISHED BUSINESS

There was no unfinished business.

V. NEW BUSINESS

VI. OTHER BUSINESS AND ADJOURNMENT

There being no further business and no public comments, the open meeting adjourned at 1:40 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, May 22, 2007, at 10:00 a.m.

Respectfully submitted,

Debra J. McNulty
Clerk to the Board