

MINUTES

Board of Commissioners - Session 313

Virginia Port Authority
600 World Trade Center
Norfolk, Virginia
September 25, 2007

Pursuant to call by Chairman Milliken, the Board of Commissioners held its regular meeting this date at 11:15 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
Martin J. Barrington
Stephen M. Cumbie
Joe B. Fleming
Allen R. Jones
Michael J. Quillen
Ranjit K. Sen
Deborah K. Stearns
J. Braxton Powell, State Treasurer

Absent:

Mark B. Goodwin
Thomas M. Wolf

Staff:

Jerry A. Bridges, 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
Elaine Smith, Director of Human Resources
Jeffrey A. Florin, Chief Engineer
Norris (Ed) Merkle, Director of Security
Andrew Engemann, Chief of Port Police
David M. James, Director of Contracts and Real Estate
Heather Mantz, Director of Environmental Affairs
Kevin Burwell, Director of Business Analysis & Strategy
Carla Welsh, Program Manager-Port Promotion
Joe Harris, Program Manager-Media Relations
Jake Denton, Public Relations Program Manager
Rebecca Killen, Administrative Asst. Senior
Jodie Love, Administrative Asst. Senior

Staff (continued):

Kristen Geer, Human Resources Assistant
Erika Snow, Administrative Assistant
Diane Kaufman, Quality Affairs Manager
Jodie L. Asbell, Deputy Clerk to the Board
Debra J. McNulty, Clerk to the Board

Guests:

Todd E. LePage, Senior Asst. Attorney General
John M. Ryan, Vandeventer Black, LLP and VIT Corporate Counsel
Michael T. Crist, Moffatt & Nichol Engineers
Charles Baumann, Kaufman & Canoles
Kenneth Sherwood, Zel Technologies, Inc.
David S. Stevenson, Zel Technologies, Inc.
Antonio Morrison, Merrill-Lynch
Joseph A. Dorto, VIT
Richard N. Knapp, VIT

INTRODUCTIONS

Ms. Ford introduced guests in attendance. The only member of the press in attendance was Mr. Gregory Richards with *The Virginian-Pilot*.

Chairman Milliken welcomed the newest members of the VPA Board who were recently appointed by Governor Kaine - Mr. Allen R. Jones, Jr., a Licensed Physical Therapist and CEO of Dominion Physical Therapy & Associates, Inc., in Newport News, and Mr. Michael J. Barrington, Executive Vice President of Corporate Responsibility at Philip Morris USA, Richmond.

Mr. Jones said it was a pleasure to serve at the will of the Governor and he remarked that he was looking forward to being of assistance to the Port Authority. Mr. Barrington explained that he had been a long-time resident of Virginia and that he had recently returned after assignments with Philip Morris in New York and Switzerland. Mr. Barrington said he was very flattered to have been appointed to the VPA Board by Governor Kaine.

RESOLUTION OF SERVICE

Chairman Milliken presented a Resolution on the Services of Virginia M. Murphy, who recently resigned from the VPA Board. Ms. Murphy left Philip Morris for a new position in her home state of New York.

Action: Upon motion made by Mr. Barclay, duly seconded by Mr. Sen, and adopted by unanimous vote, the Board approved the Resolution for Virginia M. Murphy.

I. APPROVAL OF MINUTES

Action: Upon motion made by Chairman Milliken, the minutes of the regular meeting held July 24, 2007, were unanimously approved.

II. REPORTS OF COMMITTEES

A. Executive Committee – Chairman Milliken

1. Report of Investment and Administrative Committee

Chairman Milliken explained that the Investment and Administrative Committee serves as the oversight committee for the Authority's defined benefit and defined contribution plans and is comprised of the Chairman of the Board, Chairman of Finance/Planning Committee (Mark Goodwin), and VPA's Executive Director.

The Chairman reported that the Committee met this morning to discuss the financial affairs of the Authority's Defined Benefit and Defined Contribution Plans for its employees.

Regarding the Defined Benefit Plan, the Committee reviewed the July 1, 2007 actuarial report with the plan's actuary, Aon Consulting. 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 2007-2008 are down from the prior year due to increased contributions in previous fiscal years. The recommended VPA contribution is approximately \$558,000 for the 2007-2008 year, as compared to \$663,000 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.

The Committee also reviewed the investment performance of the plan assets through June 30, 2007. Fiscal year 2007 return on plan assets was 16.3% versus the benchmark of 14.51%. The Authority had a total of \$4.6 million in plan assets as of June 30, 2007.

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

The Committee received a report from Evelyn Small Traub, with Troutman Sanders regarding the recently submitted legislative change requests to allow the Authority to 1) establish a trust fund to pre-fund the actuarially determined retiree health benefit calculated under new accounting pronouncement GASB 45 and, 2) automatically enroll new employees into the 457 plan with an option for the employee to opt out of the plan.

Chairman Milliken mentioned that Mr. Cumbie had attended this morning's committee meeting and he welcomed all board members to attend future meetings of the Investment and Administrative Committee.

2. Announcement of Standing Committees

Chairman Milliken announced that there were some changes in committee assignments due to several board members' terms ending. The Chairman presented a new roster of standing committees and he encouraged Board members to contact him if they would like to change their assignments so that he could consider adjustments to the roster.

3. Consideration of Resolution 07-16, approving the appointment of Mr. Thaddeus

B. Holloman, Sr., to the Board of Virginia International Terminals, Inc. (VIT).

Chairman Milliken announced that Mr. Thaddeus B. Holloman, Sr. was chosen by the Nominating Committee to serve the unexpired term of Regina Brayboy who left the VIT Board in order to take on the position of Chief Financial Officer for VIT. The Chairman explained that this item was held over from the July 24th meeting of the Nominating Committee.

Action: Upon motion made by Mr. Jones, duly seconded by Mr. Barclay, and adopted by unanimous vote, the Board approved Resolution 07-16, appointing Mr. Thaddeus B. Holloman, Sr. to the VIT Board to serve the unexpired term of Regina P. Brayboy, effective May 24, 2007 and ending November 30, 2007.

Note: Mr. Holloman will be considered for reappointment at the November 27, 2007 meeting of the VPA Board.

(Mr. Fleming arrived at this time.)

B. Finance/Planning Committee

Mr. Oliver presented the VPA/VIT combined income statement for the one month ended July 31, 2007. He reported that operating revenues have increased by \$3 million and operating expenses increased by \$1 million. Mr. Oliver commended VIT on their operating efficiencies at all the terminals. He advised that it was too early to tell if maintenance expenses and administration expenses would continue to stay below budget.

Mr. Oliver further reported on depreciation, non-operating income and expenses, capital transfers (4.2% of the Transportation Trust Fund), and net assets. He advised that net assets (net income) are at \$4.5 million which reflects very positive results for the first month of the fiscal year.

Mr. Oliver continued with an update on the obligated balance, year-to-date expenditures, and unobligated balances in each of the Capital Improvement Program funds – Commonwealth Port Fund allocations; Special Fund; Federal Grant program; and the remaining bond issues.

Chairman Milliken requested that Mr. Oliver's Capital Improvement Program report contain more information to include projects that receive the funding. He suggested that Mr. Oliver work with the chair and vice chair of the Finance/Planning Committee to revise the Capital Improvement Program reporting format. Mr. Oliver explained that Mr. Florin's capital outlay report covers projects that are funded by the financials that are outlined in his report. The Chairman suggested they work together to possibly combine funding and projects. Mr. Cumbie suggested that they also report if there is enough money to cover projects.

At this time, Mr. Oliver presented Resolution 07-20, requesting a reallocation of \$175,000 from the Town of Onancock to the Town of Saxis from Aid to Local Ports Grant funds.

Mr. Oliver explained that the Town of Onancock had relinquished their claim to grant funds in the amount of \$175,000 for FY08, thereby allowing the Town of Saxis to receiving funding to complete major repairs to their harbor bulkhead.

Action: Upon motion made by Mr. Cumbie, duly seconded by Mr. Barclay, and adopted by unanimous vote (7-0), the Board approved Resolution 07-20, reallocating \$175,000 from the Town of Onancock to the Town of Saxis from Aid to Local Ports Grant funds.

D. Facilities Committee

Mr. Florin reported that all projects are on track and ahead of schedule. He reviewed progress-to-date on the following:

- NIT North Wharf Extension - Pile driving will be complete by end of October.
- NIT North Crane Procurement – 3 new (ZMPZ) Suez-class cranes expected by June 2008.
- NIT South Backlands Reconstruction – Area 5/6 was turned over to VIT mid-September. Area 6/7 is scheduled to be turned over to VIT by next August.
- VIT Office Building

Mr. Florin reported that the office building is the Authority's first design-build contract and is currently 60% complete. He advised that VIT finance and human resources personnel will move off-terminal and will be housed in the new office building.

- NIT Labor Support and Foreman Buildings - This is a \$1 million SWaM contract that is currently 90% complete. Completion is scheduled for October 2007. Mr. Florin reported that this is a preliminary project for the NIT Central rail operation.
- Commonwealth Railway Mainline Safety Relocation Project - Involves relocation of the existing rail line and elimination of 14 at-grade neighborhood crossings. The project involves construction of a new rail line that be relocated to the Route 164/I664 median rail corridor for cargo destined for APM Terminal.

Mr. Florin advised that the rail relocation project is critical to APM Terminal and will alleviate rail traffic through the neighborhoods. The laying of track is scheduled for next summer and construction of the new Highway 17 overpass bridge is scheduled for the January/February 2008 timeframe. Project completion is scheduled for end of December 2009.

- NNMT Bulk Storage Warehouse – Mr. Florin reported that VIT has been in the process of relocating break-bulk cargoes to NNMT and that NIT and PMT would become primarily container facilities. He advised that Virtexco Corporation is a SWaM contractor. Completion is expected by June 2008.
- Craney Island Marine Terminal (CIDMA)

Mr. Florin announced that VPA received news last night that the Senate passed WRDA (Water Resources Development Act) legislation that will fund 50% of the dike construction for CIDMA. He advised that Mr. Keever would report further on this subject.

Mr. Florin reported that the Craney Island eastward expansion constructions costs involve \$712 million for the dike construction and \$30 million for the Preliminary Engineering and Design (PED) work. VPA and

U.S. Army Corps are partnering on the PED.

Mr. Florin reported that VPA negotiated a 35% design contract with Craney Island Design Partners for \$9.82 million and that VPA and the Corps recently signed the PED agreement.

- NIT Central Rail Yard – H&B Railroad Company (SWaM contractor)

Mr. Florin advised that the central rail yard will double rail capacity at NIT and he explained Phases I and II of the project. He also described the work that is being done in preparation for the shuttle carrier road at NIT that will provide 3,000 linear feet of heavy duty shuttle carrier pavement along Bulkhead Avenue from Third Street to Lagoon Avenue. Demolition and utility work is in progress.

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

E. Marketing Committee

Mr. Capozzi announced that the port experienced a 9.3% increase in tonnage for the first two months of the new fiscal year (2008) from the same period last year. He reported that ship calls decreased by 1.8% and that break-bulk tonnage was down by 31.8%. Mr. Capozzi advised that the break-bulk decreases are a result of the shortage of warehouse space at NIT.

Midwest train traffic increased by 31.4% and VIP traffic increased 33.8%. Mr. Capozzi advised that rail is experiencing tremendous growth with an increase of over 20,000 TEUs for the first two months of the fiscal year. He advised that VPA and VIT have been very successful in targeting specific ship line accounts to increase rail traffic.

Mr. Capozzi announced that Midwest rail traffic experienced a record month in August - 44,629 TEUs (124,794 boxes) - as well as a record week at the Inland Port (August 20-24) - 1,663 TEUs (961 boxes).

Mr. Capozzi reported that Restoration Hardware just signed a 15-year lease for an 800,000 square-foot distribution center in Rickenbacker Global Logistics Park, located on the Heartland Corridor route in West Jefferson, Central Ohio.

He announced VIT's new cooperative initiative with the City of Norfolk to alleviate truck traffic on Hampton Boulevard. Starting Saturday, September 15 through December 1, VIT will voluntarily adjust its operating hours at NIT in an effort to cooperate with the Norfolk City Council's desire to keep heavy trucks off Hampton Boulevard during the work week. The Saturday moves are expected to limit trucks on Hampton Boulevard Monday through Friday from 4:00 p.m. to 6:00 a.m. Mr. Capozzi announced that, since starting two weeks ago, 1,137 truck moves have been diverted to Saturdays. Mr. Capozzi advised that Mr. Keever was instrumental in presenting the proposal to the City of Norfolk.

Mr. Capozzi announced 68 companies, to date, have joined Governor Kaine's Virginia International Trade Alliance (VITAL) forming 10 task groups. He advised that some of the port-related recommendations include a port usage tax incentive, development of barge operations to relieve road congestion, and the need for VPA and Virginia Economic Development Partnership (VEDP) representation in India and China's mainland. Mr. Capozzi advised that he would have more information regarding representation in India for the next meeting.

Mr. Barclay was concerned that overall volumes are down. Mr. Capozzi advised that VPA and VIT hope to bring a significant piece of business to Hampton Roads that was destined for a West Coast port. He also mentioned the huge increase in exports out of the Midwest. Mr. Dorto explained that most of our rail traffic is loaded on truck and that the rates are included in VIT's rates.

F. Security Committee

Mr. Merkle reported that the Department of Homeland Security recently awarded Hampton Roads \$8 million in Urban Area Security Initiative (UASI) funds for port security that includes personal protection gear for port police, local police communication and interoperability enhancements and state-of-the-art bomb suits/equipment for the Virginia State Police and several other security priorities.

He reported that Port of Hampton Roads has been earmarked for approximately \$1.5 million of the \$22 million allocated to the 17 "Tier II" ports in supplemental port security grand funding. He advised that the Virginia Department of Emergency Management's (VDEM) grant management section had agreed to act as the Fiduciary Agent for Hampton Roads. That means, the region has been pre-allocated funds and we will fall to Hampton Roads' Area Maritime Security Committee for approved projects in the region.

Mr. Merkle described the two-day annual Facility Security Plan (FSP) Exercise that is required under the Maritime Transportation Security Act. VPA's exercise was conducted on June 26 and 27 and included a variety of federal, state, and local security partners. Mr. Merkle explained that these drills and exercises are conducted at different maritime security levels and range from less complex voice communications drills to the significantly more extensive annual FSP exercise.

VPA police learned the challenges of having the command team serve as evaluators and the number of officers required for vehicle search teams and escort duties.

Mr. Merkle also described the nation's first electronic terminal security gate which has been in operation at PMT since March 19, 2007. The "E-Gate" processes 1,600 to 2,000 transactions per day. Mr. Merkle complimented VPA engineering, Moffatt & Nichol Engineers, and VIT IT and facility engineering departments. He reported that security directors and senior port police officials from the southeast ports recently met at the Port of Savannah to discuss lessons learned and preparations for implementation of the Transportation Worker Identification Credential (TWIC) program.

Mr. Merkle concluded with a status report on VPA's re-validation for the C-TPAT (Customs-Trade Partnership Against Terrorism) program. Mr. Merkle reported that VPA successfully completed the re-validation at the highest facility tier level without discrepancies and the Customs' C-TPAT Director was very complimentary of our efforts to-date and continual progress to improve/enhance both facility and cargo security.

III. REPORT OF EXECUTIVE DIRECTOR

Mr. Bridges reported that VPA staff has been very busy the last couple of months and that fiscal year 2008 was off to a good start. Mr. Bridges asked Mr. Keever to report on the latest development regarding WRDA.

Mr. Keever said that "...today is a great day for The Port of Virginia, the Commonwealth and the Nation"

with yesterday's overwhelming passage of WRDA by the Senate. Mr. Keever explained that WRDA includes a 50/50 cost share for the Eastward Expansion of Craney Island, estimated to cost \$712M; which totals \$356M in federal funds for the project. Mr. Keever commended members of Congress who made this possible, particularly Senator John Warner, and he said it solidifies our position to become the dominant port on the East Coast.

Mr. Keever noted that there are veto-proof margins in both the House and the Senate and that the legislation must appear before the money committees for final approval.

Mr. Bridges also thanked the U.S. Army Corps and Moffatt & Nichol Engineers who worked very closely with VPA staff.

Mr. Bridges reported that VPA and the Port of Xiamen have entered into a sister-port agreement and that a delegation from Xiamen was in attendance last week for the signing ceremony.

Mr. Bridges also announced that the VPA is hosting the annual American Association of Port Authorities (AAPA) Convention from September 30 – October 4 and he encouraged Board members to attend the functions that were described in the agenda that was distributed.

At this time, Mr. Bridges presented Resolution 07-21, authorizing the application for an expansion application of the VPA General Purpose Foreign Trade Zone #20 in order to reorganize and expand the amount of foreign trade zone activity in Suffolk. The City of Suffolk has approximately 533 acres designated for zone use and a majority of this, 372 acres, is in Bridgeway Commerce Park.

This reorganization will allow for 85 acres within the Virginia Regional Commerce Park and 72 acres within the Williams Tract to be included in FTZ#20.

Action: Upon motion made by Mr. Barclay, duly seconded by Mr. Sen, and adopted by unanimous vote, the Board approved Resolution 07-21, authorizing the application for an expansion application of the Virginia Port Authority General Purpose Foreign Trade Zone #20..

IV. UNFINISHED BUSINESS

There was no unfinished business.

V. NEW BUSINESS

There was no new business.

VI. ADJOURNMENT

Chairman Milliken announced that a full agenda is being planned for the November 27th meeting that will also include a joint meeting of both VPA and VIT boards.

There being no further business and no public comments, the open meeting adjourned at 1:15 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 27, 2007.

Respectfully submitted,

Debra J. McNulty
Clerk to the Board