

MINUTES

Board of Commissioners - Session 316

Virginia Port Authority
600 World Trade Center
Norfolk, Virginia
March 25, 2008

Pursuant to call by Chairman Milliken, the Board of Commissioners held its regular meeting this date at 2:00 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
Martin J. Barrington
Stephen M. Cumbie
Joe B. Fleming
Mark B. Goodwin
Allen R. Jones
Michael J. Quillen
Ranjit K. Sen
Deborah K. Stearns
Thomas M. Wolf
J. Braxton Powell, State Treasurer

Staff:

Jerry A. Bridges, Executive Director
J. J. Keever, Deputy Executive Director
Thomas D. Capozzi, Senior Managing Director of Marketing Services
Rodney W. Oliver, Director of Finance
Linda Ford, Director of Port Promotion
Elaine Smith, Director of Human Resources
Jeffrey A. Florin, Chief Engineer
Norris (Ed) Merkle, Director of Security and Emergency Operations
Gregory J. Edwards, Managing Director of Marketing and Intermodal
Kevin D. Burwell, Director of Business Analysis & Strategy
Carla Welsh, Public Relations Program Manager
Heather Mantz, Director of Environmental Affairs
David M. James, Director of Contracts and Real Estate
Michael Jones, National Accounts Manager
Nina Malone, Market Analyst
Andrew Engemann, Chief of Port Police
Michael Brewer, Captain-NIT Police Operations
Harold (Monty) Willaford, Captain, NIT Police Special Operations
Diane Kaufman, Quality Affairs Manager

Staff (continued):

Jodie Love, Executive Secretary
Rebecca Killen, Administrative Asst. Senior
Kristen Geer, Human Resources Assistant
Erika Snow, Administrative Assistant
Terri Campbell, Administrative Assistant
Debra J. McNulty, Clerk

Guests:

Ralph M. Davis, Deputy Secretary of Transportation
Todd E. LePage, Senior Assistant Attorney General
Jeffrey R. Allen, Assistant Attorney General
Tracy Clemons, Director of Debt Management, Office of the State Treasurer
Michael Crist, P.E., Moffatt & Nichol Engineers
David S. Stevenson, Zel Technologies, Inc.
Joseph A. Dorto, President and Chief Executive Officer, VIT
Richard N. Knapp, Chief Operating Officer, VIT
Regina P. Brayboy, Treasurer and Director of Financial Services, VIT
Rick Madey, Public Citizen

INTRODUCTIONS

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

Chairman Milliken announced that Mr. Todd LePage, the Authority's state legal counsel, would be retiring from the Office of the Attorney General after 30 years of service. A plaque commemorating Mr. LePage's service to the Virginia Port Authority was presented by Chairman Milliken on behalf of the Board of Commissioners and VPA staff. The Chairman introduced Mr. Jeffrey R. Allen, Assistant Attorney General, who was also present. Mr. Allen is replacing Mr. LePage as the Authority's legal representative.

At this time, Mr. Ralph Davis, Deputy Secretary of Transportation, presented "VTrans2035, Moving the Vision Forward" – an extension of VTrans2025. Mr. Davis announced that he and VPA Commissioner Mark Goodwin had recently completed their work on the Transportation Accountability Commission whose goals and objectives would be incorporated in VTrans2035.

Mr. Davis reviewed legislative requirements that lead to the establishment of VTrans2025 and he emphasized the need to develop a statewide multimodal long-range transportation plan. Mr. Davis reviewed some of the accomplishments of VTrans2025, which completed its work in 2004 and whose vision, goals and policy recommendations were adopted by the Commonwealth Transportation Board. He announced that the methodology and estimates were also validated by the Joint Legislative Audit Review Committee. Mr. Davis noted that, in 2005, the Auditor of Public Accounts' report indicated that "the Commonwealth lacks a coordinated transportation plan".

Mr. Davis explained that his goal is for the Commonwealth to have an economic impact plan prepared similar to the recent report that was prepared for VPA.

Mr. Davis outlined goals and objectives of VTrans2035 and he announced that Mr. Jeff Florin, the Authority's Chief Engineer, would continue to serve on the technical committee as port representative. Mr. Davis said he would like to see VTrans2035 integrated with VPA's strategic plan.

Chairman Milliken thanked Mr. Davis for his presentation and he said that VPA welcomes opportunities to be a part of VTrans2035. Ms. Stearns recommended that the VTrans2035 committee consider the use of modeling and simulation avenues, similar to services provided by ODU or William & Mary, for their future planning.

I. APPROVAL OF MINUTES

Action: Upon motion made by Chairman Milliken, seconded by Mr. Barclay, the minutes of the regular meeting held January 22, 2008 were unanimously approved.

II. REPORTS OF COMMITTEES

A. Executive Committee – Chairman Milliken

There was no report from the Executive Committee.

Chairman Milliken reported that the Investment and Administrative Committee met earlier to discuss the financial affairs of the Authority's Defined Benefit and Defined Contribution Plans for its employees. The Chairman reported that the Committee reviewed the investment performance of the Defined Benefit Plan assets through December 31, 2007 and the calendar year return on plan assets was 7.58% versus the benchmark of 6.39%. He advised that the Authority had a total of \$4.8 million in plan assets as of December 31, 2007.

Chairman Milliken reported that calendar year 2008 to date reflects a 4.2% return on plan assets. He advised that the Committee also approved a 7.53% cost of living increase for current retirees, covering a three-year period since the last cost of living adjustment authorized in July 2005.

Regarding the Defined Contribution Plans, the Committee reviewed the investment performance of each of the participant options within the plans. Chairman Milliken explained that Aon Consultants had recommended placing two fund managers on the "watch" list – Legg Mason Value Trust Fund and Templeton World Fund.

B. Finance/Planning Committee

1. VPA Financial Reports – Mr. Rodney Oliver

Mr. Goodwin announced that the Finance/Planning Committee met this morning, along with VIT management staff, to discuss projected budgets for both VPA and VIT for fiscal year 2009. The VIT budget discussions were held in closed session.

Mr. Oliver presented the VPA and VIT Combined Income Statement for the eight months ended February 29, 2008. He reported that operating revenues were 12% over budget and 8.7% ahead of prior year.

Mr. Oliver reported that the increase in the first half of this year was due to volume from three new ship line services, increased rail activity, and the result of APM Terminals' move from PMT to their new facility. Mr. Oliver advised that the current level of increased volume is not expected to continue through calendar year 2008 due to the discontinuance of two services and no provision for a rail incentive. He announced that volume growth for calendar year 2008 is expected to be 2.5% port-wide.

Mr. Oliver reported that maintenance and administrative expenses are in line with budget. He reported that net assets are at \$58 million compared with budget of \$45 million. He explained that \$39 million of net assets is revenue from the General Fund for the median rail project with \$1 million in Federal grant funds for security projects. Mr. Oliver advised that capital transfers from the Commonwealth Port Fund are tracking slightly below the revised budget figures from VDOT in November.

Mr. Oliver presented a new format for the Capital Improvement Program reflecting funding for each of the major terminal projects, year-to-date, including a breakdown of FY09 projects with funding sources categorized into Priority 1, 2, and 3, with a separate category for Craney Island Projects.

Mr. Oliver announced that he plans to present a \$55 million debt issuance before the Board at the May 27th meeting. He explained that, due to market uncertainties and the port privatization study recently approved by the General Assembly, the issue would be a one-year bond anticipation note so as not to have additional long-term debt on the books. Mr. Oliver explained that short-term rates are very attractive right now.

2. Status Report on ISO 9001 and ISO 14001 Certification Process and Consideration of Resolution 08-02, approving the Authority's Quality Policy

Mr. Oliver announced that one of Mr. Bridges' objectives since taking over as Executive Director of VPA was to obtain ISO (International Organization of Standards) 9001 and ISO 14001 certification. He reported that VPA has been working extensively since last summer to establish a Quality Management System in accordance with ISO 9001. Mr. Oliver is the Authority's Management Representative for ISO.

Ms. Diane Kaufman, the Authority's Quality Assurance Manager, described ISO 9001 and the work that has been accomplished to date. She explained that implementation of ISO 9001 would improve the Port's customer focus and satisfaction, increase customer communication, market share, and would ensure that every employee strives for continual improvement. Certification is scheduled to be complete by May or June 2008.

Ms. Kaufman presented the Authority's Quality Policy which, according to ISO 9001, is the foundation of the VPA Quality Management System. The Quality Policy was developed in alignment with the Authority's mission statement.

Ms. Heather Mantz, Director of Environmental Affairs, provided a status report on ISO 14001 and her work to date on the Environmental Management System (EMS). She advised that ISO 14001 provides the framework for developing and implementing an EMS. Ms. Mantz described how the system works and how The Port of Virginia would become recognized internationally as an environmentally responsible or "green" port. Ms. Mantz reported that VPA is seeking ISO 14001 certification by May 2008.

Mr. Oliver announced that the pre-assessment audit is scheduled for April 15 and 16 and the final audit is scheduled May 6-9, with a goal for full certification no later than June 30.

Action: Upon motion made by Mr. Jones, duly seconded by Mr. Barclay, and adopted by unanimous vote, the Board approved Resolution 08-02, approving the Authority's Quality Policy in accordance with the ISO 9001 and ISO 14001 certification process.

D. Facilities Committee

Mr. Florin presented the Capital Outlay Program and Facilities Maintenance Overview featuring updated slides from each of the major construction projects. Mr. Florin announced that three Suez-class cranes have been loaded in Shanghai this week and are expected to arrive at NIT by the end of May.

- NIT North Wharf Extension – Project is currently 80% complete.
- NIT Central Rail Yard

Mr. Florin reported that the central rail yard will be built in two phases with pavement operations to begin in April and track work scheduled for May. The project is scheduled for completion by August 2008 and Mr. Florin announced that the rail yard operation will increase capacity from 300,000 to 650,000 lifts.

- NIT Shuttle Carrier Road – Scheduled for completion by August 2008.
- NNMT Bulk Storage Warehouse – Scheduled for completion by June 2008.
- Commonwealth Railway Mainline Safety Relocation Project – Project is currently 30% complete.
- Craney Island Marine Terminal Update

Mr. Florin reported that the Dike Alternatives Analysis Report had been finalized and the design solution decided on a rock/sand dike. He advised that the permit submittal is scheduled for summer 2008. Mr. Florin announced that an amended design contract, for the second half of the design effort, in the amount of \$14 million would be presented for Board approval at the May meeting.

- Craney Island Connector

Mr. Florin reported that the draft submission of the Access Modification Study would be submitted in April. He explained that the study would determine interchange alignment (need permission to tie into I64) and requires Commonwealth Transportation Board approval. Mr. Florin announced that an RFP for A/E services for the design-build solicitation will be issued in summer 2008. He explained that the road must be in place by 2014 in order to support construction of the Craney Island Marine Terminal.

- NIT South Backlands Reconstruction

At this time, Mr. Florin presented Resolution 08-03, authorizing an amendment to Contract #2006-02 for the construction of an additional 15 acres of container yard at NIT South, at a cost of \$13,400,000.

Action: Upon motion made by Mr. Sen, duly seconded by Mr. Barclay, and adopted by unanimous vote, the Board approved Resolution 08-03.

Mr. Florin presented a map indicating the Norfolk and Portsmouth Beltline Railroad (NPBL) property.

Mr. David James explained that VPA attempted to negotiate the purchase with NPBL in 2005 and at that time NPBL rejected VPA's offer of \$6.6 million. He explained that negotiations broke off until 2007 at which time both parties agreed to hire a different independent appraiser not previously used by either party and to share the cost. The appraisal led to VPA's offer of \$5.1 which was accepted by NPBL. Mr. James noted that VPA saved \$1.5 million over the previous offer. Mr. Florin presented Resolution 08-04 for adoption by the Board.

Action: Upon motion made by Mr. Sen, duly seconded by Mr. Barclay, and adopted by unanimous vote, the Board approved Resolution 08-04, authorizing the Executive Director to purchase 33 (+/-) acres of real property from the Norfolk Portsmouth Beltline Railroad (NPBR) Company in the amount of \$5.1 million.

Mr. Florin announced that it had been eight years since the VPA 2040 Master Plan had been updated and that the revised plan will include major projects such as the Heartland Corridor, the widening of the Panama Canal and Craney Island.

Mr. Michael Crist, with Moffatt & Nichol Engineers, announced that the current master plan was developed in 2000 from 1999 data and that portions are periodically updated for actual results, completed projects, adjusted capital improvement needs, and changes in funding. Mr. Crist presented a graph showing the demand forecast from 2000 through 2020 and he noted that the forecast supports capital project schedules and that results stayed ahead of the forecast. He noted that the Port's average rate of growth has been 8%.

Mr. Crist reported that capital projects stayed on schedule and that actual results allowed projects such as the Central Rail yard, PMT back gate, VIT office building, and NNMT warehouse, to be added or advanced. He advised that, in addition to updating the demand forecast, the following major factors will be incorporated into the revised 2040 Master Plan:

- Approved Federal cost share of 50/50 for Craney Island
- Heartland Corridor – Opens 2010
- West Coast rail rate increases = East Coast opportunities
- Increased Use of Suez Canal
- Panama Canal widening – Opens 2014
- 50' Channel completed
- APM Terminal opening
- Maersk to consolidate rail points
- Increasing interest in intermodal parks
- Craney Island – Opens 2017
- Route 460 Relocation – PPTA Contractor Selection in 2009

Mr. Crist reviewed some of the components of the Plan that will be updated and reviewed the update schedule as follows:

- Update began January 2008
- Mid-Point April 2008:

- Updated terminal layouts
- VPA and VIT involvement and consensus
- New demand forecast
- Completion Summer 2008 – updated demand and financial forecast
- July 22, 2008 – Presentation of draft 2040 Master Plan presented to VPA Board for approval

Mr. Oliver announced that an abbreviated version of the 2040 Plan will be presented in conjunction with the approval needed on the bond issue at the May 27, 2008 board meeting.

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 compared FY2008 to FY2007 year-to-date performance as follows:

	<u>FY2008</u>	<u>FY2007</u>	<u>Change</u>
TEUS	1,451,476	1,360,307	+6.7%
Ship Calls	1,453	1,562	-7.0%
Break-bulk	224,955	289,651	-22.3%
Midwest train	345,128	285,433	+20.9%
VIP train	46,139	33,752	+36.7%

Mr. Capozzi announced that ship calls decreased due to larger ships consolidating cargo and entering into slot-chartering and ship line alliances. He reported that rail volumes remain strong and accounted for almost all of the Port’s growth last year. Break-bulk shipments are weak due to the decline in lumber and plywood shipments as a result of the housing market and that rubber shipments are moving in containers versus break-bulk.

Mr. Capozzi announced economic development projects for Isle of Wight County, Duke Realty properties in Suffolk and Norfolk, Southampton Terminal in Courtland, Virginia, and facility sites in Suffolk - Bridgeway Business Center (former GE plan), Virginia Commerce Center (cross-dock facility) and Virginia Regional Commerce Park. Mr. Capozzi compared import/export growth for CY07 vs. CY06, and Port of Virginia versus East Coast trade-lane growth for CY07 vs. CY06.

Mr. Capozzi announced that VPA would be issuing a Request for Proposals (RFP) to solicit customers for a cross-dock facility at the Virginia Inland Port. He reported that VPA had identified 11.6 acres (map shown) on VPA property that will be offered for a long-term lease to a customer who can build a facility and generate cargo in order to provide a good source of revenue. Mr. Capozzi advised that proposals are due May 23, 2008.

F. Security Committee

Mr. Merkle provided a briefing on the TWIC (Transportation Worker Information Card) enrollment process that was initiated over five months ago. He announced that TWIC enrollment centers are open in Greenbrier Professional Park, Chesapeake, and in City Center, Newport News. Mr. Merkle advised

that the program has a long way to go to meet congressional mandates outlined in the Safe Port Act of 2006; specifically, to complete enrollments by September 25, 2008.

Mr. Merkle reported that VPA and others in the maritime community are encouraging workers to enroll in a timely manner so as to avoid a traffic jam in September.

Mr. Merkle reported that container volumes at PMT increased considerably over the last 90 days causing some gate congestion. He advised that VIT management, along with senior port police staff, made the decision to change the flow of container traffic, utilizing the old "APM" gate as the new exit gate, thereby creating one-way traffic within the terminal.

Mr. Merkle announced that VIT recently opened PMT's back gate, installed two temporary police booths, and relocated the radiation portal monitors as an interim solution pending the final engineering design and construction. He reported that PMT has experienced significant improvements in reduced turn times, improved safety, and less truck congestion. Mr. Merkle also described the temporary data system that is currently in place at the back gate which links VIT's cargo management system with police security monitoring.

Mr. Merkle announced that Customs and Border Protection (CBP) has completed the rail radiation portals that are fully staffed and funded by CBP. He advised that this, along with NNMT and NIT truck portals, complete their efforts, leaving just the PMT exit gate construction.

III. REPORT OF EXECUTIVE DIRECTOR

Mr. Keever reported that VPA tracked seven pieces of legislation that were presented and approved during the 2008 General Assembly Session – four of them were administrative issues relating to the Authority's pension and retirement benefits. He referred to the copies of bills that were provided in the agenda notebook.

The following bills were the administrative items:

SB466 and HB1211 – Automatic enrollment in Deferred Compensation Plan

SB467 – Establish trust fund for post-employment retirement benefits

HB1211 – Establish trust fund for post-employment retirement benefits

Mr. Keever reported that SB465 and HB1206 expands VPA police jurisdiction allowing police to pursue anyone violating laws of the Commonwealth outside the geographic boundaries of port property pursuant to permission by each of the localities.

Mr. Keever briefly explained the history behind HB1125, an Act to authorize the Virginia Marine Resources Commission (VMRC) to grant easements and rights-of-way across and in the beds of Hampton Roads Harbor (Lower James River), including a portion of the Baylor Survey, to the VPA, for the Eastward Expansion of Craney Island. Mr. Keever noted that the additional language contained in the legislation basically authorizes the VPA right-of-way for the property known as the Baylor Grounds as the area was determined to be non-productive for shellfish.

Mr. Keever reported that HJR 117 and SJR50 (Craney Island "Height Study"), legislation that would have had an adverse impact on the development of Craney Island, died in General Assembly committees.

Mr. Keever announced that he and Mr. Bridges attended the General Assembly's "Port Day" and that Mr. Bridges was introduced on the floor of the House of Delegates. He announced that Delegate Purkey introduced HJR 484 commending the Virginia Port Authority and that 44 members of the House and 33 members of the Senate co-patroned the legislation.

Mr. Keever explained that HJR 72, the privatization study that was patroned by Delegate Purkey, calls for a joint subcommittee to study public-private partnerships regarding seaports in Virginia. The subcommittee will consist of 17 members – 8 legislative members and 9 non-legislative citizen members. Mr. Keever mentioned that the joint subcommittee's requirements and meeting schedule were detailed in HJR 72.

Mr. Keever announced that the General Assembly Special Session is scheduled for April 23.

Chairman Milliken remarked that the contributions of the Virginia Port Authority and development of transportation infrastructure are important components of the study.

Mr. Bridges announced that Mr. Ed Merkle, the Authority's Director of Security and Emergency Operations, was recently appointed by the Honorable Michael Chertoff, Secretary of the U.S. Department of Homeland Security, to serve on the National Maritime Security Advisory Committee (NMSAC) for a term of office ending December 31, 2010. Mr. Bridges read the letter of appointment and he commended Mr. Merkle for his appointment to NMSAC.

Mr. Powell left the meeting at this time.

At 3:50 p.m., Mr. Barclay presented a motion, seconded by Mr. Fleming, to go into closed session in accordance with The Virginia Freedom of Information Act, §2.2-3711(A)(1), the personnel exemption, to discuss "...assignment, appointment, promotion, performance, demotion, salaries, disciplining, or resignation of specific public officers, appointees, or employees..." of the VPA. The vote was unanimous. Attendees for closed session in addition to the full Board, Mr. Bridges, and Mr. Dorto, were Mr. Ralph Davis, Mr. Todd LePage, and Mr. Jeffrey Allen.

The Board came out of closed session at 5:35 p.m. After reconvening the open session, the following resolution was read by Mr. Barclay and seconded by Mr. Jones:

Whereas, the Virginia Port Authority Board of Commissioners had 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, Section 2.2-3712 of the Code of Virginia requires a certification by the Board of Commissioners that such closed meeting was conducted in conformity with Virginia law;

Now, therefore be it resolved, that the Board hereby certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements by Virginia law 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 convening the closed meeting were heard,

discussed or considered by the Board of Commissioners.

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

Ayes: 8 (Milliken, Barclay, Barrington, Cumbie, Fleming, Goodwin, Jones, Stearns)

Nays: 0

Absent During Vote: 4 (Powell, Quillen, Sen, Wolf)

Absent During Meeting: 1 (Powell, Quillen left at 5:00 p.m.)

IV. UNFINISHED BUSINESS

There was no unfinished business.

V. NEW BUSINESS

There was no new business.

VI. ADJOURNMENT

Mr. Bridges announced that there would be a Marketing Committee meeting scheduled prior to the May 27th board meeting.

There being no further business and no public comments, the open meeting adjourned at 5:25 p.m.

The next meeting of the Board of Commissioners is scheduled to be held in the Authority's Conference Room A, 600 World Trade Center, Norfolk, Virginia, at 11:00 a.m. on Tuesday, May 27, 2008.

Respectfully submitted,

Debra J. McNulty
Clerk to the Board