

# *MINUTES*

## ***Board of Commissioners - Session 280***

Virginia Port Authority

World Trade Center

Norfolk, Virginia

January 28, 2003 – 11:00 a.m.

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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

E. Massie Valentine, Jr., Vice Chairman

Mark B. Goodwin

William M. Grace

Ronald W. Massie

Gerald S. McGowan

Peter D. Pruden, III

Ranjit K. Sen

Deborah K. Stearns

G. H. Stalling, III

Absent:

Jody M. Wagner, State Treasurer

Office of the Secretary of Transportation

Mr. Ralph M. Davis, Deputy Secretary of Transportation

Staff:

J. Robert Bray, Executive Director

Robert R. Merhige, III, Deputy Executive Director/General Counsel

Linda G. Ford, Director of Port Promotion

Oliver W. Daughdrill, Director of Finance

Thomas Capozzi, Senior Managing Director of Marketing

Jeffrey Florin, Chief Engineer

Rodney Oliver, Assistant Director of Finance

Russell Held, Managing Director, Sales

Charles J. Bauman, III, Director, Marketing Projects

Kelley Anderson, Assistant Director, Business Analysis and Strategy Department

David Stutts, Director of Technology Resource Management

Carla Welsh, Program Manager, Port Promotion

Joseph Harris, Public Relations Coordinator

Staff (continued)

Debra J. McNulty, Clerk to the Board/Secretary

Jodie L. Asbell, Deputy Clerk to the Board/Assistant Secretary

Guests:

Rear Admiral David Architzel, Commander, Navy Region, Mid-Atlantic

Captain Joseph F. Bouchard, Commanding Officer, Naval Station Norfolk

Walter Craigie, Morgan Keegan & Company, Inc.

Kevin D. Rotty, Morgan Keegan & Company, Inc.

John Cavanaugh, Cavanaugh, Nelson & Co., PLC

Robert Dardenne, Financial Consultant

Michael A. Knott, P.E., Moffatt & Nichol Engineers

Joseph A. Dorto, General Manager, VIT

Richard N. Knapp, Assistant General Manager, VIT

**INTRODUCTIONS**

Ms. Ford introduced guests in attendance. Ms. Carolyn Shapiro, from *The Virginian-Pilot*, and Peter Dujardin, from *The Daily Press*, were also present.

**PRESENTATION**

Chairman Milliken described the distinguished Naval career of Captain Joseph F. Bouchard, former Commanding Officer, Naval Station Norfolk, and commended his invaluable service to The Port of Virginia and his efforts to secure the port. The Chairman announced that Captain Bouchard's support was integral to the Port's receiving more than \$5 million in the first round of Federal Port Security grants awarded last year – the largest amount received by any United States cargo port. Chairman Milliken announced that port leaders had recently met with Captain Bouchard's replacement, Captain Jerry Becker. Admiral David Architzel joined Chairman Milliken and Mr. Bray for photographs during the presentation of the VPA "Medal of Excellence" to Captain Bouchard. Captain Bouchard spoke briefly and noted that the Navy and Port Authority were able to come up with innovative approaches to protect the port that did not interfere with commerce. Captain Bouchard's new duty assignment is Washington, D.C.

**RESOLUTION**

Chairman Milliken presented a resolution on the services of former VPA Commissioner Clyde E. Stacy. He announced that Mr. Stacy resigned from the Board due to new business constraints. The Chairman reported that the Governor is currently seeking a replacement for Mr. Stacy. He concluded with an expression of appreciation for Mr. Stacy's service on the Board.

**Action:** Upon motion made by Mr. Stalling, duly seconded by Mr. Pruden, and adopted by affirmative vote (9-0), the Board approved a Resolution on the Services of former VPA Commissioner Clyde E. Stacy.

Affirmative Votes:

|             |               |
|-------------|---------------|
| Mr. Goodwin | Mr. Sen       |
| Mr. Grace   | Mr. Stalling  |
| Mr. Massie  | Ms. Stearns   |
| Mr. McGowan | Mr. Valentine |
| Mr. Pruden  |               |

**2002 PORT BUSINESS REPORT**

Mr. Capozzi reported year-end business results for The Port of Virginia during 2002. Mr. Capozzi announced that TEUs increased 10.3 percent and breakbulk tonnage increased 32.0 percent from CY2001 to CY2002. Vessel calls remained nearly even, increasing very slightly. He attributed the increases to the West Coast labor situation, increased capacity on Asia-East Coast trade, growth in distribution center business, strong rail growth as a result of VIT's rail incentive program, and the ability to handle increased cargo without congestion. Mr. Capozzi continued with a description of market share in Asia imports and in all tradelanes, proving that VPA increased market share in 2002 and that growth is expected to continue.

**I. APPROVAL OF MINUTES**

**Action:** Upon motion made by Mr. Valentine, duly seconded by Mr. Grace, and adopted by affirmative vote (9-0), the Board approved the minutes of the meeting held November 26, 2002.

Affirmative Votes:

|             |               |
|-------------|---------------|
| Mr. Goodwin | Mr. Sen       |
| Mr. Grace   | Mr. Stalling  |
| Mr. Massie  | Ms. Stearns   |
| Mr. McGowan | Mr. Valentine |
| Mr. Pruden  |               |

**II. REPORTS OF COMMITTEES**

**A. Executive Committee - Mr. Milliken, Chairman of the Board**

**1. VPA Travel Regulations**

Chairman Milliken's remarks regarding events that lead to the development of a draft VPA travel policy are attached hereto. The Chairman expressed confidence that VPA's policy "will insure the prudent use of Port resources in the future".

At this time, Mr. Merhige compared the differences between the State's policy and the revised draft of VPA's travel policy. A copy of Mr. Merhige's report is attached hereto.

Mr. Grace commended the committee on the VPA travel policy refinements for addressing "reasonable" expenses by incorporating language from the Internal Revenue Service code. He expressed frustration concerning the onslaught of bad publicity by the press regarding Authority travel expenses. Mr. Grace suggested that the press move away from the travel subject and focus more on the Port's business successes.

Mr. Grace concluded by saying that VPA proved that port revenues were well spent considering the Port's growth during 2002.

Mr. Goodwin asked for clarification and assurance that, regardless of what the new travel policy allows, staff would continue to seek the most economic method of air travel and hotel expenses. Mr. Bray confirmed that the new policy encourages economic comparisons when planning for travel. Mr. Goodwin expressed his approval of the policy.

Chairman Milliken expressed appreciation to the staff on their performance during this time.

There were no further questions from the Board. There were no public comments.

**Action:** Upon motion made by Mr. Valentine, duly seconded by Mr. Massie, and adopted by affirmative vote (9-0), the Board approved the VPA Travel Policy.

Affirmative Votes:

|             |               |
|-------------|---------------|
| Mr. Goodwin | Mr. Sen       |
| Mr. Grace   | Mr. Stalling  |
| Mr. Massie  | Ms. Stearns   |
| Mr. McGowan | Mr. Valentine |
| Mr. Pruden  |               |

2. Investment and Administrative Committee Report - Chairman Milliken

Chairman Milliken reported that the Investment and Administrative Committee convened an open meeting on January 14, 2003, to continue discussions on the Authority's defined benefit pension plans and defined contribution and matching plans. The Chairman explained that the committee, which consists of the Chairman of the Board, the Chairman of the Finance/Planning Committee, and the Executive Director, provides oversight of pension investments. The Chairman referred to the summary of the meeting contained in the Commissioners' agenda materials. There were no questions from the Board.

B. **Finance/Planning Committee** - Mr. Massie, Committee Chairman

1. VPA Financial Reports – Mr. Daughdrill

Mr. Oliver reviewed revenue and operating expenditures (cash basis) for the six months ended December 31, 2002. He reported that transfers from VIT to VPA are significantly ahead of budget - \$21.7 million. Mr. Oliver commended VIT for operating efficiencies. He advised that, during the first six years of transfers from the Commonwealth Port Fund, the Port Authority saw an increase from \$17 million to \$30.7 million. He reported that operating expenditures are well within budget. Security services are slightly over budget at \$2.2. Mr. Oliver advised that the Authority submitted a request to the Department of Planning and Budget to reappropriate funds to the Aid to Local Ports grant program. He advised that reappropriation language should be included in time for his report in March.

Mr. Oliver reviewed the three sources of funds for the Capital Improvement Program - the Commonwealth Port Fund and the 1997 and 2002 bond issues. He described the obligated balance, year-to-date expenditures, and unobligated balance in each fund. Chairman Milliken asked for the total

amount of funds spent to date from the 1997 bonds. Mr. Oliver explained that \$25.6 million is the remaining appropriation available as of July 1, 2002, and that approximately \$70 million of that issue had been spent to date. Mr. Grace asked who manages the bond funds. Mr. Oliver explained that bond proceeds are maintained by the Authority in a trust account and funds are restricted to only those projects identified in the bond's Official Statement. He reported that 86 percent of the 2002 bond funds (\$135M) are obligated and that \$19 million has been spent on NIT South.

Mr. Daughdrill reported that bond covenant requirements on all three issues are in compliance as of December 31, 2002.

**D. Facilities Committee - Mr. Stalling, Committee Chairman**

1. Status report on current construction projects – Mr. Florin

Mr. Florin announced that the Pinner's Point Interchange (VDOT) project and NIT South renovations are two of the largest projects currently affecting the port.

Mr. Florin presented updated slides and described the following projects:

- NIT Soundwall – To be completed by January 31, 2003
- NIT North Gate – Phase I
  - Relocate surcharge at NIT
  - Will provide space for additional 10 acres of container yard at NIT North
  - Grading and drainage improvements for future North Gate
  - Completion: February 15, 2003
- PMT: Doughtie's Warehouse Demolition
  - Demolition of existing warehouse will make space for chassis and wheeled storage and alleviate some disruption from Pinner's Point construction
- PMT/Pinner's Point Interchange

Mr. Florin presented photographs depicting various stages of construction - new bridge piers, grading for POV parking, VDOT's new administration building, and a view of recently repaved Lee Street which is the main traffic pattern leading into the Midtown Tunnel.

Ms. Stearns asked about security concerns with a new bridge/highway overlooking PMT. Mr. Dorto agreed that security for that area would need to be addressed.

Mr. Florin reviewed the total build-out of NIT South, which involves 4,230' of marginal wharf; 60' design water depth, 8 Suez-class cranes (26-container-wide reach), and backlands reconstruction for 145 acres of container yard for straddle carrier operation. The first four container cranes are expected to arrive in August 2003.

Mr. Florin described the construction schedule for NIT South Phases I, II, and III, and a funding schedule for the \$279 million (estimated) project:

- \$131 million currently underway (2002 bond issue)
- \$50 million of Revenue Bonds issued in May 2003
- \$50 million of Commonwealth Port Fund bonds issued in July 2004
- \$48 million “pay-as-you-go”

**E. Marketing Committee - Mr. Pruden, Committee Chairman**

1. Consideration of an expression of support regarding Norfolk Southern’s proposal to clear the coalfield route for double-stack service.

It was reminded by Mr. Pruden that Mr. Robert E. Martínez (former Secretary of Transportation) had presented Norfolk Southern’s proposal to the Board, in closed session, on November 26, 2002. He reported that the Marketing Committee had subsequently met and reviewed an analysis, prepared by Mr. Greg Edwards, in support of the project for reconsideration to the full Board. Mr. Pruden asked Mr. Capozzi to give a brief synopsis of the marketing staff analysis. Benefits of double-stack clearance would include stronger operating efficiencies that would lead to more competitive rail pricing, improved transit times, and New York’s current mileage advantage for double-stack service to and from Chicago would be reduced from 352 miles to 134 miles.

Mr. Goodwin questioned Norfolk Southern’s financial expectations. Mr. Milliken advised that Secretary Martínez is seeking support from the Administration at the Federal level for TEA-21 funding (Transportation Equity Act for the 21<sup>st</sup> Century). The Chairman added that the state would have to match Federal funds.

Chairman Milliken requested a motion from Mr. Pruden, on behalf of the Marketing Committee, authorizing the Chairman to write a letter to Secretary Clement for favorable consideration. He advised that the Secretary and Governor would then need to consider the request and make a decision on behalf of the Authority.

Chairman Milliken added that the letter should include VPA’s analysis of the project and he requested staff to prepare a draft for his signature.

**Action:** Upon motion made by Mr. Pruden, duly seconded by Mr. Stalling, and adopted by affirmative vote (9-0), the Board authorized the Chairman to write a letter to Secretary Clement and express the Board’s support of the proposal by Norfolk Southern to clear the coalfield route for double-stack service.

**Affirmative Votes:**

|             |               |
|-------------|---------------|
| Mr. Goodwin | Mr. Sen       |
| Mr. Grace   | Mr. Stalling  |
| Mr. Massie  | Ms. Stearns   |
| Mr. McGowan | Mr. Valentine |
| Mr. Pruden  |               |

## 2. Marketing Forecast 2003

Mr. Capozzi projected a 5 percent increase in TEUs (20-foot equivalent units), from 1,437,779 in 2002 to 1,509,668 in 2003, and flat projections for breakbulk. He reported that a regional economic development analysis, conducted by Old Dominion University, projected 6 percent growth for 2003.

Mr. Capozzi reviewed major factors in projecting growth:

- A percentage of West Coast diversions will stay.
- Distribution Center cargo will continue to grow.
- New York and Savannah are congested. New York will not complete rail improvements until 2004.
- Norfolk is the only alternative port with the liner service portfolio to handle rail.
- Target's import distribution center will open in June 2003 and bring 30,000 FEUs (40-foot equivalent units) annually.
- Expecting 3 new Asia services to start adding 570,000 TEUs in annual capacity.

Mr. Capozzi announced that marketing strategy teams would focus on a competitive rail/intermodal gateway, attract more distribution/logistics facilities, create new business opportunities and development at the Virginia Inland Port/Front Royal, stimulate export growth and increase steamship line business.

Mr. Capozzi reported that VPA marketing representatives plan to attend the International Mass Retail Association Logistics Conference next month.

Ms. Stearns congratulated Mr. Dorto and Mr. Knapp on VIT's operating efficiencies. She stated, "The best marketing team in the world will fail if you cannot service the customers when cargo gets here".

Mr. Sen questioned how much growth the port can handle. Mr. Dorto estimated that VIT could increase capacity at the terminals by 30 percent by completing the demolition of remaining warehouses at NIT; finalize renovation and rebuilding of NIT South; move Mediterranean Shipping to NIT; move breakbulk from NIT to NNMT, and complete build-out of NIT North.

Mr. Bray emphasized that, around 2012, the eastward expansion of Craney Island for a fourth marine terminal is critical in keeping up with growth at the Port.

Chairman Milliken reported that several meetings would be held to focus on the development of a 2030 facilities plan and a 2040 financial plan. He recommended that the Facilities Committee and Finance/Planning Committee meet Tuesday, February 25, 2003, to review a draft of the long-range plan. He advised that the results of that meeting would be presented to the full Board on March 25, 2003. The Chairman encouraged full attendance by committee members.

Chairman Milliken added that the VIT Board of Directors would be invited to the VPA Board meeting, scheduled for March 25.

Mr. Dorto advised that a "snowball" effect resulting from cargo being diverted from the West Coast could cause terminal capacity to run out by 2007. He advised that port planners would need to be mindful of that when designing the terminals. Mr. Dorto advised that Virginia's deepwater ports, Suez-class cranes, distribution centers, and the proposed Maersk/Sealand terminal would insure an increase in Far East traffic.

Mr. Bray added that more than 50 percent of cargo that moves through Los Angeles and Long Beach is East Coast cargo. Ms. Stearns suggested that this point be incorporated in the letter of support to Norfolk Southern. The Chairman agreed.

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

Mr. Davis reported that a “Statewide Multimodal Long-Range Transportation Plan” (VTrans2025) is currently in the planning and development stage. He defined the multimodal concept as “options for transportation issues”, and intermodal as the “interconnectivity between transportation modes”. Mr. Davis gave an overview of federal and state requirements, status of VTrans2025, and future directions. He reported that the Commonwealth Transportation Board approved the first phase of the three-phase planning process at its November board meeting.

Mr. Davis announced that Chairman Milliken and Mr. Bray serve on the Multimodal Policy Committee, appointed by Secretary Clement, to oversee Phases 2 and 3. The Steering Committee membership consists of staff from the intermodal agencies, including VPA’s Chief Engineer, Jeff Florin. Mr. Davis reported that Phase 2 legislative requirements and a Vision/Policy Plan are due December 1, 2003 and that results will be reported to the Commonwealth Transportation Board for presentation to the Governor and General Assembly.

Mr. Davis encouraged everyone to read about Vtrans2025 on the Secretary of Transportation’s website: [www.transportation.state.va.us](http://www.transportation.state.va.us)

### **IV. UNFINISHED BUSINESS**

There was no unfinished business.

### **V. NEW BUSINESS**

There was no new business.

### **VI. ADJOURNMENT**

Chairman Milliken confirmed that a joint meeting of the Board’s Facilities Committee and Finance/Planning Committee would be held Tuesday, February 25, 2003, at 10:00 a.m.

There being no further business, the open meeting adjourned at 12:45 p.m.

***The next meeting of the Board of Commissioners will be held at Norfolk International Terminals (NIT), Crumbley House, located at the intersection of Hampton Boulevard and Terminal Boulevard, Norfolk, Virginia, on Tuesday, March 25, 2003.***

Respectfully submitted,

Debra J. McNulty  
Clerk to the Board

Attachments