

MINUTES

Board of Commissioners - Session 281

Virginia Port Authority
Crumbley House at Norfolk International Terminals (NIT)
Norfolk, Virginia
March 25, 2003 – 10:00 a.m.

Pursuant to call by Chairman Milliken, the Board of Commissioners held its regular meeting this date at 10:05 a.m., at NIT's Crumbley House, Norfolk, Virginia.

The following attended:

Commissioners:

John G. Milliken, Chairman
E. Massie Valentine, Jr., Vice Chairman
Mark B. Goodwin
William M. Grace
Jonathan Johnny Johnson
Ronald W. Massie
Gerald S. McGowan
Peter D. Pruden, III
Ranjit K. Sen
Deborah K. Stearns
G. H. Stalling, III
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
Jeffrey Jenkins, Director of Business Development
Carla Welsh, Program Manager, Port Promotion
Joseph Harris, Public Relations Coordinator
Debra J. McNulty, Clerk to the Board/Secretary
Jodie L. Asbell, Deputy Clerk to the Board/Assistant Secretary

Guests:

Stephanie L. Hamlett, Assistant Attorney General
Michael Maul, Department of Planning and Budget
Julie Moore, Department of Planning and Budget
R. Kenneth Johns, Sr., R. K. Johns & Associates, Inc.
Jack A. Drobnick, R. K. Johns & Associates, Inc.
Michael A. Knott, P.E., Moffatt & Nichol Engineers
Stephen Shaffer, Moffatt & Nichol Engineers
Michael T. Crist, P.E., Moffatt & Nichol Engineers
John D. Padgett, McGuireWoods, LLP (VPA Bond Counsel)
John Cavanaugh, Cavanaugh, Nelson & Co., PLC
Regina P. Brayboy, Vice President, VIT Board of Directors
Derry L. Haywood, VIT Board
Douglas W. Fuller, VIT Board
Marvin S. Friedberg, VIT Board
Joseph A. Dorto, General Manager, VIT
Richard N. Knapp, Assistant General Manager, VIT
W. Millard Meiggs, Chief Financial Officer, VIT

INTRODUCTIONS

Chairman Milliken welcomed Commissioner Johnny Johnson to his first meeting of the VPA Board and extended a welcome to the VIT Directors in attendance. Mr. Merhige introduced Ms. Stephanie Hamlett, Assistant Attorney General (Financial Division). Ms. Carolyn Shapiro, from *The Virginian-Pilot*, was the only member of the press in attendance.

Chairman Milliken also asked each person in the audience to introduce themselves.

RESOLUTION

Chairman Milliken presented a resolution on the services of former VIT Director, Mark S. Davis.

Action: Upon motion made by Mr. McGowan, duly seconded by Mr. Sen, and adopted by affirmative vote (10-0), the Board approved a Resolution on the Services of former VIT Director Mark S. Davis.

Affirmative Votes:

Mr. Grace	Mr. Sen
Mr. Johnson	Mr. Stalling
Mr. Massie	Ms. Stearns
Mr. McGowan	Mr. Valentine
Mr. Pruden	Ms. Wagner

PRESENTATION

Representatives from Moffatt & Nichol Engineers presented the following segments of the VPA 2040 Financial/Capital Master Plan:

Mr. Michael Crist, P.E., presented the Port Authority's 2040 Capital Plan, and gave an overview of capital projects planned for the build-out of Newport News Marine Terminal (NNMT), Norfolk International Terminals (NIT), Portsmouth Marine Terminal (PMT), and the Virginia Inland Port (VIP). Mr. Crist described each phase of the proposed Craney Island Marine Terminal (CIMT) construction and associated costs. He also outlined VDOT transportation initiatives that include the proposed Hampton Roads Third Harbor Crossing, the I-564 Connector, the Hampton-Greenbrier and Hampton-Terminal Boulevard grade separations in Norfolk and the Pinner's Point Interchange in Portsmouth.

In summary, Mr. Crist reported the following costs (adjusted for inflation) for planned capital improvement projects at each of the terminals:

- NIT (South, Central, and North)	\$ 735,022,000
- PMT	\$ 187,373,000
- NNMT	\$ 25,744,000
- VIP	\$ 6,061,000
- CIMT	\$1,760,325,000

Mr. Stephen Shaffer, Moffatt & Nichol Engineers, described VPA's 2040 Financial Plan. In conclusion, Mr. Shaffer emphasized the following:

- The Port can endure competitive cost and price pressures.
- Productivity improvements add to effective capacity and improve financial performance of the Port.
- Must secure state funding for future 55-foot dredging costs.
- Securing favorable cost-sharing agreement with the U.S. Army Corps of Engineers for Craney Island is vital.
- It is critical to maintain Commonwealth Port Fund (CPF) allocation at existing levels.
- It is critical to maintain PILOTs (payments in lieu of taxes) at existing levels.

Copies of the presentations were distributed to the Board.

Mr. R. Kenneth Johns, Sr., and Mr. Jack Drobnick, of R. K. Johns & Associates, Inc., discussed current trends in shipping and ship line activities.

Mr. Dorto mentioned that growth would also come from barge and rail traffic. He added that the increase of distribution centers locating in Virginia could cause the port to reach capacity sooner than expected. Mr. Capozzi and Mr. Dorto discussed rail traffic and mentioned Norfolk Southern's clearance project.

Mr. Goodwin asked for clarification with regard to the port subsidizing rail service. Mr. Johns explained that rail traffic is an income stream and that it makes much more sense to move traffic through the state of Virginia.

Mr. Johns announced that VPA is one of the fastest growing port on the East Coast and is challenged by growth. He congratulated the work of Mr. Dorto and VIT. Mr. Johns also mentioned that his firm is currently interviewing terminal operators on the East Coast regarding problems they experience and solutions. Mr. Johns said he would report the results of that study to VPA.

Further presentation and discussion was held regarding a public relations campaign dealing with the Port Authority's value to the Commonwealth. Members of the VPA and VIT Boards were impressed with the presentation and unanimously agreed that VPA should embark on a public relations campaign.

The Commissioners discussed ways in which the Port could relay this message to the citizens of Virginia and to members of Virginia's Congressional Delegation. Mr. Merhige mentioned that VPA meets several times a year with the Director of the Virginia Liaison Office, Ms. Jan Faircloth. Mr. Bray also acknowledged the support that VPA receives from General Assembly members and members of Congress.

Mr. McGowan mentioned that many people in Northern Virginia are not aware of the importance and economic value of the Port. It was reminded by Chairman Milliken that the Board discussed updating the Port's economic impact study at the last meeting.

Chairman Milliken suggested that VPA develop two versions of the communication piece – one for legislators and one for citizens of Virginia – and he also suggested distributing information to legislators after the November elections. The Board agreed. Mr. Davis recommended that VPA involve the members of the Commonwealth Transportation Board.

Ms. Stearns referred to last year's transportation referendum and suggested that the campaign add more information geared towards the consumer. Mr. Johnson agreed and suggested that VPA, "...put a billboard outside of every WalMart". Mr. Grace stated that this was the first time he has had something presented to him that would sell the Port. He emphasized that a public relations campaign should target the areas of central and northern Virginia, in particular.

Mr. Massie announced that the City of Portsmouth would be hosting the National League of Cities Transportation Infrastructure and Services Steering Committee (NLCTIS) in May and that the group expressed an interest in touring port facilities. Mr. Massie added that this would be a good opportunity to demonstrate the Port's value. He noted that the NLCTIS is a major lobbying group. Mr. Dorto suggested a joint VPA/VIT board meeting at the Inland Port in order to see the industry that has developed in that region.

Mr. Bray announced that the American Association of Port Authorities (AAPA) 2007 Convention would be held in Hampton Roads and that VPA has been working closely with the Jamestown Foundation. He added that the convention could bring over 1,000 people to the area.

Chairman Milliken announced that today's public relations presentation needed to be more specific, for example, by describing business generated by distribution centers, retail sales and tax revenues. Mr. Davis concurred that the message needs more specific economic impact figures. Mr. Dorto suggested a joint advertising campaign with big retailers such as WalMart and Target. He mentioned the Port's advertisement at Norfolk International Airport.

Ms. Wagner suggested mentioning Virginia products that are shipped from the port. Mr. Johnson suggested marketing to the consumer by comparing differences in the cost of products in and outside of Virginia. Mr. McGowan asked about VPA's advertising budget. Mr. Bray advised that the budget had been reduced from approximately \$1 million to \$600,000, even though the Authority's total operating budget is funded from terminal revenues.

Chairman Milliken suggested that staff and the appropriate committee members report back to the Board at the next meeting to further discuss development of an advertising campaign.

Mr. Stalling said VPA Board members were doing a good job in keeping political leaders from each of their regions informed about the Port.

I. APPROVAL OF MINUTES

Action: Upon motion made by Mr. Valentine, duly seconded by Mr. Grace, and adopted by affirmative vote (10-0), the Board approved the minutes of the meeting held January 28, 2003.

II. REPORTS OF COMMITTEES

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

Chairman Milliken appointed Mr. Johnson to serve on the Marketing Committee and Security Committee.

B. Nominating Committee – Mr. Massie, Committee Chairman

1. Consideration of Resolution 03-01, for an appointment to the VIT Board of Directors to serve an unexpired term, ending November 30, 2006.

Mr. Massie announced that he met earlier with the Nominating Committee members, Mr. Grace and Ms. Stearns, and that the Committee unanimously agreed to nominate Mr. Wilson M. Goode for appointment to the VIT Board of Directors. Mr. Massie referred to Mr. Goode's biographical resume contained in the agenda materials. It was noted that Mr. Goode fulfills the unexpired term of Mr. Mark Davis as the Portsmouth/Chesapeake seat on the VIT Board.

Action: Upon motion made by Mr. Massie, duly seconded by Mr. Sen, and adopted by affirmative vote (10-0), the Board approved the appointment of Mr. Wilson M. Goode, to the VIT Board of Directors to serve an unexpired term effective March 25, 2003 and ending November 30, 2006.

C. Finance/Planning Committee - Mr. Massie, Committee Chairman

1. VPA Financial Reports – Mr. Daughdrill

Mr. Oliver reviewed revenue and operating expenditures (cash basis) for the eight months ended

February 28, 2003.

He reported that VPA is well ahead of budget due to increases in terminal volumes and VIT's ability to continue to maintain operating costs at expected levels.

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 reported obligated balances, year-to-date expenditures, and unobligated balances for each fund. Mr. Oliver referred to Mr. Cavanaugh's report and reported that bond covenant requirements on all three outstanding bond issues were in compliance as of February 28, 2003.

D. Facilities Committee - Mr. Stalling, Committee Chairman

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

(Mr. Massie, Ms. Brayboy, and Mr. Johnson departed at this time.)

Mr. Florin described the following projects:

- Doughtie's Warehouse Demolition – Area to be used for a wheeled storage operation at PMT
- Construction progress and updated photos of the PMT/Pinner's Point Interchange project
- NIT North Gate – Phase I
- NIT South Improvements – Phases I, II, and III
 - \$279 Million Total NIT South Renovation
- NIT Warehouse Demolition – To make way for straddle carrier operation (Phase II)

E. Marketing Committee - Mr. Pruden, Committee Chairman

Mr. Capozzi announced that TEUs for CYTD 2003 (January-February) from CYTD2002 increased 20.4%. He explained that the increase was not primarily due to diverted cargo from the West Coast but from normal port business. Breakbulk increased 13.9% and vessel calls increased 9.6% for the same period.

He reported that TEUs for FY2003 (July-February) increased 21% from FY2002, breakbulk increased 39.6%, and ship calls increased 3.4%, for the same period.

Mr. Capozzi discussed increased trade from China and the shift of manufacturing firms from Mexico to China as a result of lower wages and efficient modes of transportation. He added that 13% of all cargo shipped from China to the East Coast comes through The Port of Virginia.

Mr. Capozzi announced the following new services to the Port:

- Zim/Lloyd Triestino/Evergreen (AUX Service) - First Arrival: May 18, 2003
2,800 TEU Capacity - 20,000 containers
- New World Alliance (ECS-II Service) - First Arrival: June 2003
2,800-3,200 TEU Capacity - 30,000 Containers
- South American Consortium – 11 Carriers (FORRO Service) - First Arrival: April 2003
1,200 TEU Capacity – 4,000 Containers

Mr. Capozzi announced that Virginia is the "first-in" Port for the South American service.

III.

REPORT OF EXECUTIVE DIRECTOR

1. Declaration of the executive director of the Virginia Port Authority declaring his intention to reimburse the authority from the proceeds of a tax-exempt financing for certain expenditures to be made in connection with the reconstruction of the backup area of Norfolk International Terminals (South) and the construction of security facilities at Norfolk International Terminals (North) and Portsmouth Marine Terminal.

Mr. Bray announced that the letter of declaration is in conjunction with the upcoming \$50 million revenue bond issue and that it is appropriate for the VPA to receive reimbursement from the proceeds of the tax-exempt issue for the above-mentioned expenditures. Mr. Bray explained that it was not necessary for the Board to vote on the passage of the declaration letter as it is public information and only requires the Executive Director's signature.

IV.

UNFINISHED BUSINESS

There was no unfinished business.

V.

NEW BUSINESS

Chairman Milliken announced the formation of a Procurement Task Force to work with staff and make recommendations for the Authority's procurement rules. He explained that, because the VPA has greater procurement latitude than other state agencies, there is a need to redefine rules and not necessarily follow state rules. In addition to Chairman Milliken, the following members of the Board were appointed to the Task Force:

Commissioner Sen
Commissioner Grace
Commissioner Massie
Commissioner Goodwin

Mr. Grace mentioned that he had some concerns and had requested Chairman Milliken to form a task force.

VI.

ADJOURNMENT

At the request of Chairman Milliken, the May 27th meeting of the Board of Commissioners has been rescheduled to Tuesday, May 20, 2003, and will be held in the Authority's Conference Room A, 600 World Trade Center, Norfolk, Virginia. Chairman Milliken announced that he would be out of the country during the week of May 26, 2003.

There being no further business and no comments from the public, the open meeting adjourned at 12:55 p.m.

Respectfully submitted,

Debra J. McNulty
Clerk to the Board

Attachments