

MINUTES

Board of Commissioners - Session 282

Virginia Port Authority
World Trade Center
Norfolk, Virginia
May 20, 2003 – 10:00 a.m.

Pursuant to call by Vice Chairman Valentine, the Board of Commissioners held its regular meeting this date at 10:10 a.m., in the Authority's Conference Room A, 600 World Trade Center, Norfolk, Virginia.

The following attended:

Commissioners:

E. Massie Valentine, Jr., Vice Chairman
Mark B. Goodwin
William M. Grace
Jonathan Johnny Johnson
Gerald S. McGowan
Peter D. Pruden, III
Ranjit K. Sen
Deborah K. Stearns
G. H. Stalling, III

Absent:

John G. Milliken, Chairman
Ronald W. Massie
Jody M. Wagner, State Treasurer

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
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
Dawn Secord, Program Manager
Debra J. McNulty, Clerk to the Board/Secretary

Guests:

Stephanie L. Hamlett, Assistant Attorney General
Michael T. Crist, P.E., Moffatt & Nichol Engineers
John D. Padgett, McGuireWoods, LLP
Lloyd M. Richardson, McGuireWoods, LLP

Guests (continued):

John Cavanaugh, Cavanaugh, Nelson & Co., PLC
George Consolvo, Kaufman & Canoles PC
Napoleon Nelson, Public Finance Management
JoAnne Carter, Public Finance Management
Kevin Rotty, Morgan Keegan & Co., Inc.
Jim Johnson, Morgan Keegan & Co., Inc.
Sandy Reynolds, Loop Capital Markets, LLC
Hampton Roads Maritime Association Board of Directors:
 Robert T. Taylor, Chairman
 Robert P. Armbruster, Vice President
 Carl D. Parker, III, Director
 George E. Watkins, Director
Kip Hinkle, Maersk Sealand
Jeffrey Heller, Norfolk Southern Corporation
M. John Vickerman, TranSystems Corporation
Joseph A. Dorto, General Manager, VIT
Richard N. Knapp, Assistant General Manager, VIT
W. Millard Meiggs, Chief Financial Officer, VIT

INTRODUCTIONS

Ms. Ford introduced guests in attendance. Members of the press in attendance included Mr. Christopher Dinsmore and Cherise Williams, from *The Virginian-Pilot*, and Kimball Payne, from *The Daily Press*.

PRESENTATION

Mr. Vickerman presented the final report of the National Chamber Foundation of the U.S. Chamber of Commerce, entitled, "Trade and Transportation – A Study of North American Port and Intermodal Systems". Mr. Vickerman explained that the study, based on economic forecasts and future import/export trends, examines the current and projected capabilities of the U.S. freight infrastructure.

Mr. Vickerman emphasized that the proposed Craney Island terminal is vital to the Port's expansion needs and to handle projected tonnage. He reported that, by the year 2020, most U.S. container ports will double or triple tonnage volumes. Mr. Vickerman predicted that VPA would be closer to tripling volumes by 2020.

Copies of the report were included in the Commissioners' agenda materials.

An Executive Summary of the report can be viewed on the Chamber's website at:
www.uschamber.com/ncf

I.

APPROVAL OF MINUTES

Action: Upon motion made by Mr. Stalling, duly seconded by Mr. Grace, and adopted by affirmative vote (9-0), the Board approved the minutes of the meeting held March 25, 2003.

Affirmative Votes

Mr. Goodwin	Mr. Sen
Mr. Grace	Mr. Stalling
Mr. Johnson	Ms. Stearns
Mr. McGowan	Mr. Valentine
Mr. Pruden	

II.

REPORTS OF COMMITTEES

A. Executive Committee - Mr. Valentine, Vice Chairman of the Board

Vice Chairman Valentine appointed the following Commissioners to serve on a Nominating Committee for the selection of officers to the Board:

Gerald McGowan, Chair
William Grace
Ranjit Sen

Mr. Valentine announced that the Committee is scheduled to present a slate of officers for nomination at the VPA annual meeting on July 22, 2003.

B. Finance/Planning Committee - Mr. Goodwin, Committee Vice Chairman

Mr. Goodwin announced that the Finance/Planning Committee had met on April 29, 2003, and discussed the progress on the revenue bond issue and had also approved the VIT Budget.

Mr. Oliver reviewed revenue and operating expenditures (cash basis) for the nine months ended March 31, 2003. He confirmed that VPA is well within budget due to increases in terminal volumes and VIT's continued efforts to control operating costs.

Mr. Oliver reported on the sources of funds and expenditures/balances in the Capital Improvement Program – the Commonwealth Port Fund, the 1997 and 2002 bond issues, and Federal security grant funds. He also reported on the Authority's outstanding bond issues that amount to \$370 million, including the proposed 2003 bond issue.

At this time, Mr. Oliver introduced the Authority's new bond financial advisors, Mr. Napoleon Nelson and Ms. JoAnne Carter, of Public Financial Management, and several members of the bond working group who were also in attendance.

Mr. Nelson thanked the Authority for the opportunity to provide financial management services on the Series 2003 issue. He presented a brief overview of Public Financial Management and described the firm's credentials. Mr. Nelson remarked that VPA's bond ratings are "fabulous" and that an efficient closing on this issue is anticipated. Copies of his presentation were distributed.

At this time, Mr. Merhige announced that he, Vice Chairman Valentine, and Mr. Bray, would leave the meeting during the discussion and vote of Resolution 03-2. Mr. Merhige announced that BB&T Capital Markets and Davenport & Company, LLC are part of the underwriting group named in the resolution.

Mr. Merhige disclosed that his daughter-in-law is employed with BB&T Capital Markets, Mr. Valentine is Vice President of Investment for Davenport & Company of Virginia, Inc., and Mr. Bray's family owns stock in BB&T. Mr. Merhige stated that he, Mr. Valentine, and Mr. Bray did not participate in the selection process for underwriting firms. The gentlemen left the meeting at this time.

Mr. Richardson referred to the background paper that briefly described each of the bond resolutions for consideration by the Board. He announced that the Series 2003 bonds would be issued before the end of the Authority's fiscal year. He noted that Resolution 03-2 also refers to the Bond Purchase Agreement and the Preliminary Official Statement (both documents included in the agenda package). Mr. Richardson explained that the Bond Purchase Agreement is the formal agreement between the underwriting group and VPA and the Official Statement will be distributed to potential investors in early June. He reported that the pricing of the bonds will take place June 17-18 and closing is scheduled for the end of June. Mr. Richardson advised that the bonds are secured by VIT operating revenues and the issue is structured from the 1997 revenue bonds.

In answer to Mr. Grace's inquiry, Mr. Richardson explained that the Appropriations Act approved net proceeds of up to \$50 million with an additional aggregate principal amount not in excess of \$8 million to finance issuance costs, reserve funds, and other financing expenses.

Mr. McGowan asked about interest rates. Mr. Oliver confirmed that interest rates are currently low and that now is a good time to be in the bond market. Ms. Carter reported that the Port Authority should see interest rates at around 5 to 5 ½ percent for a 30-year financing.

Mr. Stalling asked how the 1997 bond issue would affect the Series 2003. Mr. Richardson explained that Resolution 03-3 would address potential amendments to the 1997 bond resolution (Resolution 97-5). He further explained that certain financial covenant tests are conducted prior to closing and that the issue would not take place until VPA is guaranteed to receive good ratings.

Mr. Dorto questioned the need for reserve accounts and discussed the financial pressures faced by VIT in having to set aside terminal revenues in reserve in accordance with the 1997 bond issue. Mr. Richardson said that Resolution 03-3 would address that issue. He advised that the Series 2003 issue would require a debt service reserve fund, but would not add to VIT's operating reserves - approximately \$14.1 million.

Action: Upon motion made by Mr. Grace, duly seconded by Mr. Pruden, and adopted by affirmative vote (8-0), the Board approved Resolution 03-2, Series Resolution supplementing Resolution 97-5, as amended and restated, authorizing the issuance of Virginia Port Authority Port Facilities Revenue Bonds, Series 2003, and related matters, including confirmation of the appointment of Underwriters, Morgan Keegan & Company, Inc. (book-running senior manager), BB&T Capital Markets, Davenport & Company LLC, Morgan Stanley, and Loop Capital Markets, LLC.

Affirmative Votes

Mr. Goodwin	Mr. Pruden
Mr. Grace	Mr. Sen
Mr. Johnson	Mr. Stalling
Mr. McGowan	Ms. Stearns

Mr. Richardson described the reserve accounts that had been established with the 1997 bond issue. The reserve accounts consist of approximately \$35 million in the aggregate as of March 31, 2003. He referred to the May 13, 2003, letter to the rating agencies that describes the rationale for the proposed changes to Resolution 97-5.

Mr. Richardson reported that the financial picture of the port has been very strong and that VPA can thus recommend to the rating agencies reduction of certain reserve accounts. He requested that the Board approve, in substance, the amendments described in Resolution 03-3, subject to a formal amending resolution that will be presented at the July 22 meeting. He reported that there had been preliminary, informal conversations with the rating agencies, with the help of Public Financial Management, and that a good outcome is expected.

Mr. Richardson described the proposed amendments. He advised that the amendments would not go into effect until the earlier to occur of (i) payment or defeasance in full of the Series 1997 Bonds (by their terms the Series 1997 Bonds cannot be redeemed before June 1, 2007) and (ii) consent having been obtained from not less than a majority in aggregate principal amount of Bonds then outstanding (which could occur before 2007 if at any time VPA has issued Additional Bonds, including the Series 2003 Bonds, in an aggregate amount exceeding the amount of Series 1997 Bonds then outstanding).

Mr. Valentine, Mr. Bray, and Mr. Merhige returned to the meeting at this time.

Mr. Richardson described Resolution 03-4, which authorizes the Executive Director to hold public hearings in connection with the Authority's issuance of bonds. Mr. Richardson announced that a public hearing relating to the Series 2003 Bonds was successfully held on May 15, 2003 and no issues were raised at the public hearing.

The Board voted on Resolutions 03-3 and 03-4, concurrently.

Action: Upon motion made by Mr. McGowan, duly seconded by Mr. Pruden, and adopted by affirmative vote (9-0), the Board approved Resolution 03-3, further amending Resolution 97-5, as amended and restated on the date hereof, to revise certain provisions regarding maintenance of reserves and to accomplish certain other amendments, subject to the receipt of the consent of the holders of the bonds outstanding under such resolution.

Affirmative Votes

Mr. Goodwin	Mr. Sen
Mr. Grace	Mr. Stalling
Mr. Johnson	Ms. Stearns
Mr. McGowan	Mr. Valentine
Mr. Pruden	

Action: Upon motion made by Mr. McGowan, duly seconded by Mr. Stalling, and adopted by affirmative vote (9-0), the Board approved Resolution 03-4, ratifying and authorizing actions of Executive Director and staff taken in connection with conducting public hearings for TEFRA purposes, as required, to issue the Authority's bonds.

Affirmative Votes

Mr. Goodwin Mr. Sen
Mr. Grace Mr. Stalling
Mr. Johnson Ms. Stearns
Mr. McGowan Mr. Valentine
Mr. Pruden

Mr. Dorto reviewed highlights of the proposed VIT Budget for fiscal year 2004. VIT revenue is projected to be \$159.5 million – an 8.3 percent increase compared to the current estimate of \$147 million for the fiscal year ending June 30, 2003. The forecasted revenue growth is based on a 6% increase in container volume. An additional 43,000 containers are anticipated to move through VIT terminals resulting from captured former West Coast business and distribution centers in Virginia. Total projected container volume is 773,000. Combined breakbulk and container tonnage for this year is estimated at 10.6 million tons and is projected at 11.2 million tons for next fiscal year. Container tonnage is projected to increase 6% in fiscal year ending June 30, 2004. Breakbulk tonnage is projected to remain level at 439,000 tons.

Mr. Dorto reviewed budget estimates for terminal labors costs, and operating, maintenance, and administrative expenses. He reported that VIT seeks to limit congestion at the south-side terminals by introducing the use of an off-terminal empty container yard and budgeting for increases in insurance costs.

He reported that budgeted net income for the fiscal year ending June 30, 2004, \$37.5 million, is an increase of 2.9 percent compared to the projected net income of \$36.5 million for the current fiscal year. Mr. Dorto reported that budgeted net income should provide cash flow to fund payments to VPA in the amount of \$30.3 million for the fiscal year ending June 30, 2004.

Mr. Dorto also reported on required fund balances maintained in the reserve accounts.

Action: Upon motion made by Ms. Stearns, duly seconded by Mr. Grace, and adopted by affirmative vote (9-0), the Board approved Resolution 03-5, approving the FY2004 VIT Budget for the year beginning July 1, 2003 and ending June 30, 2004.

Affirmative Votes

Mr. Goodwin Mr. Sen
Mr. Grace Mr. Stalling
Mr. Johnson Ms. Stearns
Mr. McGowan Mr. Valentine
Mr. Pruden

Mr. Merhige referred to the background paper that describes FY04 grants to localities from the Aid to Local Ports Fund. Mr. Merhige announced that, due to funding constraints and the number of grant requests received, each locality received a proportionate (40%) amount of their total grant request. There were no questions from the Board.

Action: Upon motion made by Mr. Stalling, duly seconded by Mr. McGowan, and adopted by affirmative vote (9-0), the Board approved Resolution 03-6, authorizing grants totaling \$794,000 to the Accomack-Northampton Transportation District Commission (ANTDC), the Municipal Corporation of Cape Charles, Isle of Wight, The Jamestown-Yorktown Foundation, Northampton County, Northumberland County, the Town of Onancock, and The Port of Richmond, and authorizing the “carry over” of previous grants to the Cities of Chincoteague and Poquoson.

Affirmative Votes

Mr. Goodwin	Mr. Sen
Mr. Grace	Mr. Stalling
Mr. Johnson	Ms. Stearns
Mr. McGowan	Mr. Valentine
Mr. Pruden	

C. Facilities Committee - Mr. Stalling, Committee Chairman

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

Mr. Florin described the following Projects in Planning:

- PMT ID/Security Building
- PMT ILA Breakroom
- NIT Crane Maintenance Facility (Relocation)
- Police Headquarters

Mr. Florin presented update slides and described each of the following projects:

- Doughties Warehouse Demolition – Project completed last week and will provide 9 additional acres at PMT.
- PMT/Pinner’s Point Interchange

Mr. Florin indicated the location of the new entrance and new ID security building.

- PMT Collision Damage
 - Ship struck PMT wharf on April 15
 - Wharf repaired and back in service on May 13
 - Contractor: McLean Contracting – Cost: \$325,000
- NIT North Gate – Phase I – Substantial Completion: February 15, 2003
- NIT South Improvements –

Mr. Florin reviewed Phases I, II, and III of the NIT South reconstruction project. He reported that Phase I is proceeding well and the contractor is accelerating work towards May 2005 completion. Stage 1 of Phase I will be completed October 2003. The four new cranes are due to arrive NIT on August 26, 2003.

- NIT - Demolition of Warehouses 1, 2, and 3 – Completion Date: June 15, 2003

D. Marketing Committee - Mr. Pruden, Committee Chairman

Mr. Edwards announced that TEUs for CYTD 2003 (January-April) from CYTD2002 increased 21.5%. Breakbulk increased 13.9% and vessel calls increased 5.2% for the same period.

He reported that TEUs for FY2003 (July-April) increased 21.3% from FY2002, breakbulk increased 35.2%, and ship calls increased 3%, for the same period.

Mr. Edwards reported the following:

Growth Factors:

- West Coast strike changed distribution patterns
- New All-Water services from Asia
- Expanded All-Water services from Asia
- New and expanded distribution center business
- No expected declines in major markets

Mr. Edwards reported that four new services that will bring over 45,000 new containers to the Port and four services are adding capacity for over 112,600 TEUs.

Challenges:

- Handle 40,000+ more containers while under construction at PMT and NIT South
- Maintain fluidity at terminals while empty containers build up due to trade imbalance
- Continue strong intermodal growth through RSVP and increased rail competition
- Continue economic development momentum in distribution

Mr. McGowan asked for a status on Norfolk Southern's double-stack clearance project. Mr. Bray reported that the railroad is in the process of working with the Congressional Delegation for Federal funding.

III. REPORT OF EXECUTIVE DIRECTOR

IV. UNFINISHED BUSINESS

There was no unfinished business.

V. NEW BUSINESS

VI.

ADJOURNMENT

There being no further business and no comments from the public, the open meeting adjourned at 12:20 p.m.

The Annual Meeting of the VPA Board of Commissioners will be held in the Authority's Conference Room A, 600 World Trade Center, Norfolk, Virginia, on Tuesday, July 22, 2003.

Respectfully submitted,

Debra J. McNulty
Clerk to the Board

Attachments