

MINUTES

Board of Commissioners - Session 289

Virginia Port Authority
World Trade Center
Norfolk, Virginia
May 25, 2004

Pursuant to call by Chairman Milliken, the VPA Board of Commissioners convened an open session on this date at 1:30 p.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
Michael J. Quillen
Ranjit K. Sen
G. H. Stalling, III
Deborah K. Stearns

Absent:

Jonathan Johnny Johnson
Peter D. Pruden, III
Jody M. Wagner, State Treasurer

Staff:

J. Robert Bray, Executive Director
Robert R. Merhige, III, Deputy Executive Director/General Counsel
Thomas D. Capozzi, Senior Managing Director, Marketing Services
Linda G. Ford, Director of Port Promotion
Jeffrey Florin, Chief Engineer
Rodney W. Oliver, Director of Finance
Donald B. Boyd, Chief of Police
A. Diane Reed, Controller
Charles J. Bauman, III, Economic Development Director
Russell J. Held, Managing Director of Marketing, Southeast, U.S. and Europe
Michael W. Jones, National Accounts Manager
Jeffrey M. Jenkins, Director, Business Analysis and Strategy
Russell W. Young, Economic Development Manager
Carla Welsh, Public Relations Coordinator
Debra J. McNulty, Clerk to the Board/Secretary

Guests:

John D. Padgett, McGuireWoods, LLP
Walter Craigie, Mogan Keegan & Co.
Kevin Rotty, Morgan Keegan & Co.
Robert A. Dardenne, CPA
Aaron Barman, Raymond James & Associates, Inc.
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, with *The Virginian-Pilot*, and Mr. Peter Dujardin, with *The Daily Press*.

PRESENTATION

Chairman Milliken announced the retirement of VPA Commissioner Gustav H. (Buddy) Stalling, III, after having served 10 years on the Board. Mr. Stalling was presented with a Resolution of Service and a VPA shadowbox commemorating his tenure on the Board of Commissioners.

Mr. Stalling commended Mr. Bray, Mr. Dorto and the staff of VPA for their contributions to the success of the Port.

Action: Upon motion made by Chairman Milliken, duly seconded by Mr. Grace, and adopted by unanimous vote (8-0), the Board approved the Resolution of Service honoring the retirement of VPA Commissioner Gustav H. (Buddy) Stalling, III.

I. APPROVAL OF MINUTES

Action: Upon motion made by Mr. Valentine, duly seconded by Mr. Grace, and adopted by unanimous vote (8-0), the Board approved the minutes of the meeting held March 23, 2004.

Affirmative Votes:

Mr. Goodwin	Mr. Sen
Mr. Grace	Mr. Stalling
Mr. Massie	Ms. Stearns
Mr. Quillen	Mr. Valentine

II. REPORTS OF COMMITTEES

A. Executive Committee – Chairman Milliken

Chairman Milliken appointed the following Commissioners to serve on the Nominating Committee for the selection of officers to the Board. He announced that officers to the Board would be appointed at the July 27th Annual Meeting of the Board.

Nominating Committee: Chair - William M. Grace
 Member - Michael J. Quillen
 Member - Deborah K. Stearns

Chairman Milliken announced that the Executive Committee had met and reviewed a draft of the proposed revisions to the VPA Purchasing Policies and Procedures Manual. The Chairman explained that VPA's procurement procedures are consistent with the Commonwealth's Public Procurement Act. He advised that VPA is awaiting changes to the Commonwealth's Public Procurement Act as a result of the Governor's "Procurement Disparity Study of the Commonwealth of Virginia" that will have an impact concerning Small, Women, and Minority owned (SWAM) procurement. He announced that, after approval by the Department of General Services, a revised VPA Purchasing Policies and Procedures Manual would be presented to the full Board at either the July or September meeting for final approval.

B. Finance/Planning Committee – Mr. Massie, Committee Chairman

1. VPA Financial Report.

Mr. Oliver reviewed VPA revenue (cash basis) for the ten months ended April 30, 2004. Revenue consists of Commonwealth Port Fund (CPF) transfers and terminal revenues. He reported that Operating Expenditures - Port Facilities Acquisition, National and International Trade, Security Services, and Other Expenditures - are well within budget. Mr. Oliver reported that VPA has requested an appropriation transfer from the Department of Planning and Budget to move \$300,000 from Security Services to cover the overage for maritime security at the port as a result of additional gate duty at PMT for the construction of Pinner's Point.

Mr. Oliver advised that Other Expenditures, which includes advertising and Aid to Local Ports, is \$1 million below budget. He reported that Aid to Local Ports expenditures are approximately \$700,000 below budget due to the fact that VPA cannot always determine when grant funds will be requested by localities.

Mr. Oliver reviewed the Capital Improvement Program – CPF, Special Fund, Federal Grant, and the 1997, 2002, and 2003 Bond Issues. He reviewed the obligated/unobligated balances and year-to-date expenditures.

Mr. Oliver referred to Mr. Cavanaugh's reports indicating that debt coverage funding levels for all bond issues are in compliance as of April 30, 2004.

2. Consideration of Resolution 04-2, approving the proposed FY2005 VIT Budget for the year beginning July 1, 2004 and ending June 30, 2005.

Mr. Dorto reviewed highlights of the proposed VIT Budget for FY2005 that were also reviewed in the Finance/Planning Committee's closed session, held earlier. A copy of the highlights and budget were contained in the Commissioners' agenda notebook. He reported that budgeted revenue for VIT is projected to be \$189 million - a 13.1% increase from FY2004.

The forecasted revenue growth is based on an 11.9% increase in container volume. Total projected container volume is 888,000. Revenue reflects a 5% increase in Schedule of Rates effective October 1, 2004 and 25,000 VIP rail containers.

Mr. Dorto reviewed breakbulk and container tonnage for this year, estimated at 11.3 million tons and is projected at 12.3 million tons for next fiscal year. He reported that terminal labor costs are 33.3% of revenue and expected to increase by 9.2% during the fiscal year ending June 30, 2005.

Mr. Dorto attributed some of VIT's operating efficiencies to the opening of two new empty container depots and chassis pool. He announced that the budget includes 14 new hires for VIT due to overtime costs.

Mr. Dorto reported maintenance expenses are budgeted to increase by 7.6% in FY2005. Budgeted net income for the fiscal year ending June 30, 2005 of \$43.2 million is an increase of 20.3% as compared to the projected net income of \$35.9 million for the current fiscal year.

Action: Upon motion made by Mr. Massie, duly seconded by Mr. Valentine, and adopted by unanimous vote (8-0), the Board approved Resolution 04-2, approving the proposed FY2005 VIT Budget for the year beginning July 1, 2004 and ending June 30, 2005.

3. Consideration of Resolution 04-3, approving the VPA Budget for Fiscal Year Ending June 30, 2005.

Action: Upon motion made by Mr. Massie, duly seconded by Mr. Stalling, and adopted by unanimous vote (8-0), the Board approved Resolution 04-3, approving the VPA Budget for Fiscal Year Ending June 30, 2005.

Mr. Massie explained that most of the information contained in VPA's budget is derived from the Governor's budget. He referred to the budget materials that were distributed to the Board previously. Mr. Oliver announced that there were no changes to VPA's budget, which was approved by the Governor and General Assembly.

Mr. Oliver reviewed VPA budget highlights for fiscal year ending June 30, 2005, that briefly described operating revenues/expenditures, and capital financing/expenditures. He reported that VPA expects to issue \$60 million (\$55 million net) revenue bonds backed by CPF revenues for backlands construction at NIT South and certain other improvements. He noted that VPA would also finance \$23.6 million (Master Lease Equipment Purchase) for the purchase of 18 new straddle carriers and 3 new container cranes.

Mr. Oliver reported that VPA also expects \$874,600 of round 3 federal security grant funds in FY05.

Chairman Milliken expressed his pleasure on the new reporting format for VPA's FY05 Budget.

4. Consideration of Resolution 04-4, awarding Aid to Local Ports grants.

Mr. Oliver reviewed each of the localities' requests for Aid to Local Ports grants that total \$580,955.

Action: Upon motion made by Mr. Massie, duly seconded by Mr. Valentine, and adopted by unanimous vote (8-0), the Board approved Resolution 04-4, awarding Aid to Local Ports Grants.

C. **Facilities Committee** – Mr. Stalling, Committee Chairman

Mr. Stalling announced that this would be his last meeting as a Commissioner of the Board and he expressed his appreciation to the Board and to the staff.

Mr. Florin presented the “Capital Outlay Program and Facilities Maintenance Overview”, with updated photographs of ongoing and completed construction projects.

Mr. Florin reviewed the following projects:

- VIP North Pavement Expansion – Final completion date is May 30, 2004
- PMT ID/Security Building – Completion is scheduled for July 15, 2004
- PMT Multi-Purpose Labor Support Facility – Project is 90% complete
- PMT New Crane Stowage and Wharf Modifications – Completion date scheduled for July 4, 2004

Mr. Florin reported that two new container cranes, destined for PMT, will be shipped out of Shanghai mid-June and should arrive mid-August.

- 50-Foot Channel Dredging – Project to be completed over a two-year schedule
- Pinner’s Point Interchange – Project scheduled for completion in December 2004
- NIT Command and Control Center – Completion date scheduled for August 1, 2004
- NIT South Improvements – Phase I–Wharf Construction
 - Stage 1 was completed December 2003

Mr. Florin reported that Stage 2 (Phase I), originally scheduled for completion in July 2004, would be completed by early June as the contractor is ahead of schedule.

- Cranes 7 and 8 are scheduled for delivery August 2004
- Cranes 5 and 6 and the final PMT crane are scheduled to arrive December 2004
- Wharf construction is scheduled for completion by August 2005.
- NIT South Improvements – Phase II–Backlands Reconstruction – Stage 1
- NIT South Improvements – Phase II–Backlands Reconstruction – Stages 2-8
- Sewells Point Empty Yard – Completion date was April 15, 2004
- NNMT Turning Dolphin
- VIP Administration Building Addition
- NIT North Railyard Renovation
- Norfolk Portsmouth Beltline Property Acquisition – To provide additional storage track for inbound/outbound trains and better access to NIT when Hampton-Greenbrier is grade separated.
- Plum Point Environmental Restoration – Completion date scheduled for June 1, 2004

A copy of Mr. Florin’s slide presentation can be viewed on the Moffatt & Nichol Engineering website.

D. **Marketing Committee** – Ms. Stearns, Committee Chairwoman

Mr. Capozzi announced several economic development projects:

- Wal-Mart to expand in James City County
- Cost Plus to expand in Isle of Wight
- Windsor Mills, Surry County
- Evans Distribution Systems, Suffolk
- Arreff Warehouse Expansion, Portsmouth
- Basic Sportswear, Clarksville

Mr. Capozzi credited his marketing staff for their efforts in attracting this port-related business. Mr. Capozzi continued with a report on steamship line volumes and rail volumes for FY2004 and CY2004.

Mr. Capozzi reported that total TEUs for FY04 have increased by 8.6% and ship calls increased by 8.9%. Rail volumes are up 33.2% at VIP and this is attributed to Home Depot. Mr. Capozzi reported that ship calls for CY04 were down 8.8% due to the number of ships that had dropped Norfolk recently for weather problems, ship delays and Norfolk is the last port of call to Asia.

Mr. Capozzi presented a snapshot of tradelane growth that shows 34% of all trade for the first quarter of 2004 coming from the Indian Sub-Continent and 25% from Northeast and Southeast Asia. He discussed the Asian cargo market, tight capacity in the Asia-U.S. East Coast trade, and steamship line developments.

Mr. Capozzi compared future growth at the port from 2002 (10.3%), 2003 (14.5%) to CY2004 (January-April - 6.6%). Mr. Capozzi remarked that growth ahead creates some operational capacity problems for VIT. He advised that the Port is facing tough times until we get over the construction phase at NIT.

E. **Security Committee** – Mr. Grace, Committee Chairman

Mr. Merhige announced that VPA is preparing for the fourth round of security grants and will be filing the application within two weeks. Mr. Merhige advised that VPA has not finalized the grant request but that it would include application for enhancements to VPA's perimeter access control, biometrics, and proximity ID cards.

III. REPORT OF EXECUTIVE DIRECTOR

Mr. Bray announced that VPA was awarded the "2002-03 Progress Report of the Uniform Accident Prevention and Safety Program for State-Owned Vehicles" by the Department of State Police. He explained that the award was given for the highest number of miles driven and least number of accidents.

IV. UNFINISHED BUSINESS

There was no unfinished business.

V. NEW BUSINESS

There was no new business.

VI. OTHER BUSINESS AND ADJOURNMENT

Chairman Milliken announced that Mr. Merhige had recently informed him and Mr. Bray of his intention to retire from the Virginia Port Authority in early Fall 2004. The Chairman commended Mr. Merhige on his service to the Authority.

There being no further business and no comments from the public, the open meeting adjourned at 2:15 p.m.

The Annual Meeting of the VPA Board of Commissioners will be held in the Authority's Conference Room, 600 World Trade Center, Norfolk, Virginia, on Tuesday, July 27, 2004.

Respectfully submitted,

Debra J. McNulty
Clerk to the Board