

MINUTES

Board of Commissioners - Session 286

Virginia Port Authority

Meeting Held at Target Distribution Center

Suffolk, Virginia

November 25, 2003 – Scheduled: 11:00 a.m.

Pursuant to call by Chairman Milliken, the VPA Board of Commissioners convened an open session on this date at 11:20 a.m., at the Target Distribution Center, Suffolk, Virginia.

The following attended:

Commissioners:

John G. Milliken, Chairman

E. Massie Valentine, Jr., Vice Chairman

Mark B. Goodwin

William M. Grace

Peter D. Pruden, III

Ranjit K. Sen

G. H. Stalling, III

Deborah K. Stearns

Jody M. Wagner, State Treasurer

Absent:

Jonathan Johnny Johnson

Ronald W. Massie

Michael J. Quillen

Staff:

J. Robert Bray, Executive Director

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

Thomas D. Capozzi, Senior Managing Director, Marketing Services

Gregory J. Edwards, Director of Marketing and Intermodal

Charles J. Bauman, III, Economic Development Director

Jeffrey M. Jenkins, Director of Business Analysis and Strategy

Russell W. Young, Economic Development Manager

Linda G. Ford, Director of Port Promotion

Oliver W. Daughdrill, Director of Finance

Rodney W. Oliver, Assistant Director of Finance

Jeffrey Florin, Chief Engineer

Carla Welsh, Program Manager, Port Promotion

Joseph Harris, Public Relations Coordinator

Debra J. McNulty, Clerk to the Board/Secretary

Guests:

Michael A. Knott, P.E., Moffatt & Nichol Engineers
Michael T. Crist, P.E., Moffatt & Nichol Engineers
Joseph Widoff, President and CEO, WHRO
Gary McDonald, Facility Operations Manager, Target Corporation
Tracey Edwards, Regional Transportation Manager, Target Corporation
Mike Bellich, Human Resources Manager, Target Corporation
Joseph A. Dorto, General Manager, VIT

INTRODUCTIONS

Ms. Ford introduced guests in attendance. Members of the press in attendance included Mr. Philip Newswanger, from *Dolan's Virginia Business Observer*, Mr. Christopher Dinsmore, from *The Virginian-Pilot*, and Peter Dujardin, from *The Daily Press*.

Chairman Milliken introduced representatives with Target Corporation who were in attendance and he thanked them for allowing VPA to conduct the Board's meeting in Target's facility. Ms. Tracey Edwards, Regional Transportation Manager, Target Corporation, announced that a tour of the facility would take place after the meeting.

RESOLUTION OF SERVICE

Chairman Milliken presented a Resolution of Service for VIT Director Douglas W. Fuller, whose term ends November 30, 2003.

Action: Upon motion made by Mr. Valentine, duly seconded by Mr. Stalling, and adopted by unanimous vote (8-0), the Board approved that a Resolution of Service be presented to Douglas W. Fuller.

I. APPROVAL OF MINUTES

Action: Upon motion made by Mr. Stalling, duly seconded by Mr. Valentine, and adopted by unanimous vote (8-0), the Board approved the minutes of the annual meeting held September 23, 2003.

II. REPORTS OF COMMITTEES

A. Executive Committee – Chairman Milliken

Chairman Milliken announced that the Investment and Administrative Committee had met on Monday, November 24, 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 actuarial valuation as of July 1, 2003, and the underlying assumptions of the Defined Benefit Plan. He reported that the Committee agreed to leave the actuarial assumptions intact for FY2004.

The Committee also reviewed the performance results of the plan through September 2003. On a calendar year basis, plan assets have returned 12.1% through the 3rd quarter, 2003 versus 10.57% for the blended benchmark. The Authority has a total of \$1.2 million in plan assets as of September 30, 2003.

With regard to the Defined Contribution Plans, Chairman Milliken reported that, since the September meeting, employees were counseled on the approved changes to investment fund options, and the investment fund changes took place without incident.

B. Nominating Committee – Ms. Stearns, Committee Member

1. Consideration of Resolution 03-9, for an appointment to the VIT Board of Directors to serve one six-year term beginning December 1, 2003 and ending November 30, 2009.

Ms. Stearns explained that Mr. Massie was traveling out of the country. She announced that the Nominating Committee had met and approved the selection of Mr. Robert (Tommy) Belangia to succeed Douglas W. Fuller for a six-year term (December 1, 2003 to November 30, 2009) on the VIT Board. Ms. Stearns mentioned that Mr. Massie has known Mr. Belangia for a long time and that he has highly recommended him for appointment. Ms. Stearns referred to Mr. Belangia's resume that was contained in the board materials.

Action: Upon motion made by Ms. Stearns, duly seconded by Mr. Valentine, and adopted by unanimous vote (8-0), the Board approved the adoption of Resolution 03-9, appointing Mr. Richard Belangia to serve one six-year term on the VIT Board of Directors beginning December 1, 2003 and ending November 30, 2009.

C. Finance/Planning Committee – Mr. Goodwin, Committee Vice Chairman

1. VPA Financial Reports

Mr. Oliver reviewed revenue, operating expenditures (cash basis), and the Authority's Capital Improvement Program, including obligated balances, year-to-date expenditures, and unobligated balances, for the month ended October 31, 2003.

Mr. Oliver explained that the Capital Improvement Program consists of Commonwealth Port Funds, Special Fund, Federal Grants, and the 1997, 2002, and 2003 bond issues. He reported that Commonwealth Port Fund transfers (4.2% of the Transportation Trust Fund) amounted to \$31.8 million. Mr. Oliver reported that VPA's budget is on target. He advised that the largest portion of the budget consists of port facilities acquisition and debt service related expenditures.

Mr. Oliver reviewed the Capital Improvement Program obligated/unobligated balances and year-to-date expenditures. He reported that 10 straddle-carriers would be purchased for the port through the Master Equipment Lease Program. It was reminded by Mr. Oliver that the Board approved the equipment lease program in September and that the Treasury Board approved the program on October 15, 2003. Mr. Oliver reviewed the three outstanding bond issues.

Mr. Oliver announced that the Governor just released the Capital Outlay Budget and that all requested items for VPA were included in the budget. He referred to Mr. Cavanaugh's reports indicating that debt coverage funding levels for all bond issues are in compliance as of October 31, 2003.

D. Facilities Committee – Mr. Stalling, Committee Chairman

Mr. Florin presented the "Capital Outlay Program and Facilities Maintenance Overview", with updated slides of ongoing and completed construction projects. He announced that, beginning February 2004, traffic routes to and from PMT would be redirected as a result of the Pinner's Point Interchange construction.

Mr. Florin described the status of each of the following projects:

- VIP North Pavement Expansion
- Plum Point Environmental Restoration
- NIT Command and Control Center (State-of-the-Art Security)
- NIT Warehouse 4 and 5 Demolition
- NIT Warehouse 1, 2, and 3 Site Grading – Advance preparations for NIT South, Phase II – Completion Date: November 2003
- NIT South Improvements – Phase I
- NIT South – Phase II - Backlands Reconstruction – Stage 1
- NIT South – Phase II - Backlands Reconstruction - Stages 2-8
- Sewell's Point Empty Yard – 14-acre site for empty containers
- PMT ID/Security Building – Completion scheduled for June 2004
- PMT building 400 and 401 Roof Repairs
- PMT Multi-Purpose Labor Support Facility
- Fender Maintenance
- 50-Foot Channel Dredging Update
- Pinner's Point Interchange Construction Update

Mr. Florin explained that the empty yard project is on a "fast track" in order to provide relief for terminal congestion. He advised that multiple construction contracts would be awarded as the design progresses. The yard should be operational by March 2004 at an estimated construction cost of \$1.6 million.

E. Marketing Committee - Mr. Pruden, Committee Chairman

Mr. Capozzi announced that the Target Distribution Center is a 1.5 million square-foot facility that will provide over 25,000 new containers to the port annually. He remarked that Target is the kind of business that is driving business at the Port.

Mr. Capozzi reviewed calendar and fiscal year-to-date results:

Calendar Year-to-Date 2003 vs. 2002: Total TEUs increased 16.2% and loaded TEUs increased 14.0%. Midwest rail containers increased 6.2%; VIP rail containers decreased 11.8%; breakbulk tonnage increased 9.4%; and vessel calls increased 2.3%

Fiscal Year-to-Date 2004 vs. 2003: Total TEUs increased 11.8% ; loaded TEUs increased 9.7%; Midwest rail containers increased 1.8%; VIP rail containers increased 2.7%; breakbulk tonnage increased 0.9%; and vessel calls decreased 1.3%.

Mr. Capozzi reported that a significant increase in rail cargo is anticipated after Home Depot becomes fully operational in December. He announced that, by October, there were a number of ship lines that had reached their benchmark and received rewards in the Port's rail program. Mr. Capozzi reported that there is evidence from ship lines that cargo is being re-routed through Norfolk from New York and Halifax.

Mr. Capozzi compared East Coast trade lane traffic for Northeast Asia, North Europe, Indian Subcontinent, Mediterranean, and East Coast South America that showed significant increases in traffic for Virginia. He reported that Virginia is the fastest growing Port in the United States for Asian imports – 81.0% growth through third quarter 2003. Mr. Capozzi reviewed steamship line developments.

Mr. Capozzi advised that more and more businesses are outsourcing from China. He mentioned Chairman Milliken's upcoming visit to China and that he would be meeting with China Shipping.

Mr. Capozzi announced that VIT broke the one million ton mark in October - handling 967,774 containers and 50,789 tons of breakbulk. He credited VIT and the Marketing Department for their efforts.

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

1. Status report on mandatory Federal security regulations and the obligation of funds to date.

Mr. Merhige updated the Board on security grant applications and awards (Rounds 1 and 2) that VPA received from the Transportation Security Administration (TSA). He announced that VPA was notified that grant awards for Round 3 applications would be announced any day. Mr. Merhige provided a handout that outlined the status of all of the security projects included in each award application submitted by VPA.

Mr. Merhige confirmed that VPA would meet all deadlines for the expenditure of federal grants, as required by the TSA.

He reported that there would be a fourth round of security funds awarded by the TSA for first responders in various states. He mentioned that VPA's Chief of Port Police, Don Boyd, is currently working with security consultants at Zel Technology to determine VPA's eligibility for those funds.

Mr. Grace indicated that VPA is doing very well on implementing security measures.

III. REPORT OF EXECUTIVE DIRECTOR

Mr. Bray introduced Mr. Joseph Widoff, President and CEO of WHRO, who presented several film clips that were produced by WHRO for the Port Authority featuring the arrival of the cranes at NIT and three public service announcements. Mr. Widoff remarked that this is a good opportunity for a partnership between VPA and WHRO to help explain the impact and benefits of the Port, to not only Hampton Roads, but throughout the country.

Mr. Widoff explained that the three public service announcements would be aired throughout the state and that the third presentation is still in production.

Chairman Milliken suggested that WHRO produce a fourth public service message that demonstrates Virginia as the “center of the world” for exports.

IV. UNFINISHED BUSINESS

There was no unfinished business.

V. NEW BUSINESS

Chairman Milliken announced that he had been asked to serve on the Board of Directors of Virginia Economic Bridge, Inc. (VEB). The Chairman explained that VEB is a Southwest Virginia-based organization whose purpose is to try to underscore economic decisions between the regions of Southwest Virginia and other parts of the Commonwealth.

The Chairman explained that it would be good to increase VPA’s exposure and strengthen ties in those communities. Chairman Milliken said he would initially serve on the board and later choose a Commissioner to attend in his capacity. The Chairman asked the Commissioners to consider who should serve from the VPA Board. He emphasized that it was important that a Commissioner who is not from the Southwest Virginia region for the appointment.

VI. OTHER BUSINESS AND ADJOURNMENT

There being no further business and no comments from the public, the open meeting adjourned at 12:40 p.m. Chairman Milliken announced that, after boxed lunches are served, guests are invited to tour the Target facility.

The next meeting of the Board of Commissioners will be held in the Authority’s Conference Room, 600 World Trade Center, Norfolk, Virginia, on Tuesday, January 27, 2004.

Respectfully submitted,

Debra J. McNulty
Clerk to the Board