

MINUTES

Board of Commissioners - Session 279

Virginia Port Authority

World Trade Center

Norfolk, Virginia

November 26, 2002 – 11:00 a.m.

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

Mark B. Goodwin

William M. Grace

Ronald W. Massie

Gerald S. McGowan

Peter D. Pruden, III

Ranjit K. Sen

Clyde E. Stacy

Deborah K. Stearns

G. H. Stalling, III

Jody M. Wagner, State Treasurer

Absent:

E. Massie Valentine, Jr., Vice Chairman

J. Robert Bray, Executive Director

Office of the Secretary of Transportation

The Honorable Whittington W. Clement, Secretary of Transportation

Staff:

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

Linda G. Ford, Director of Port Promotion

Oliver W. Daughdrill, Director of Finance

Cecile Kennedy, Director of Administration

Tom Capozzi, Senior Managing Director of Marketing

Jeffrey Florin, Chief Engineer

Rodney Oliver, Assistant Director of Finance

Gregory Edwards, Director of Sales

Charles J. Bauman, III, Director, Marketing Projects

David Stutts, Director of Technology Resource Management

Carla Welsh, Program Manager, Port Promotion

Joseph Harris, Public Relations Coordinator

Don Boyd, Chief of VPA Port Police

Rafael Garcia, Deputy Chief of VPA Port Police
Debra McNulty, Clerk to the Board/Secretary

Guests:

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

CERTIFICATIONS OF CLOSED MEETINGS

Action: Upon motion made by Mr. Grace, duly seconded by Mr. Sen, and adopted by affirmative vote, 8-0, the Board approved Resolution 02-E8, certifying a closed meeting of the Security Committee, held October 11, 2002.

Affirmative Votes:

Mr. Grace, Committee Chair	Mr. Massie
Mr. Sen, Committee Vice Chair	Mr. Pruden
Mr. Goodwin	Mr. Stalling
Mr. Milliken	Ms. Stearns

Action: Upon motion made by Ms. Stearns, duly seconded by Mr. Grace, and adopted by affirmative vote, 3-0, the Board approved Resolution 02-E9, certifying a closed meeting of the Nominating Committee, held October 11, 2002.

Affirmative Votes:

Ms. Stearns, Committee Chair
Mr. Grace
Mr. Massie

Action: Upon motion made by Mr. Massie, duly seconded by Ms. Wagner, and adopted by affirmative vote, 3-0, the Board approved Resolution 02-E10, certifying a closed meeting of the Finance/Planning Committee, held November 20, 2002.

Affirmative Votes:

Mr. Massie, Committee Chair
Mr. Pruden
Ms. Wagner

Action: Upon motion made by Mr. Pruden, duly seconded by Mr. Stalling, and adopted by affirmative vote, 8-0, the Board approved Resolution 02-E11, certifying a closed Executive Session of the Board of Commissioners, held November 26, 2002.

Affirmative Votes:

Mr. Grace	Mr. Stacy
Mr. Massie	Mr. Stalling
Mr. McGowan	Ms. Stearns
Mr. Pruden	Ms. Wagner

INTRODUCTIONS

Ms. Ford introduced guests in attendance. Ms. Carolyn Shapiro, of *The Virginian-Pilot*, was also present.

RESOLUTION

Chairman Milliken presented a resolution on the retirement of Doyle E. Hull from the VIT Board of Directors.

Action: Upon motion made by Mr. Massie, duly seconded by Ms. Stearns, and adopted by affirmative vote, 8-0, the Board approved a Resolution on the Services of VIT Director, Doyle E. Hull.

Affirmative Votes:

Mr. Grace	Mr. Stacy
Mr. Massie	Mr. Stalling
Mr. McGowan	Ms. Stearns
Mr. Pruden	Ms. Wagner

I. APPROVAL OF MINUTES

Action: The Board approved the minutes of the regular meeting held September 24, 2002.

II. REPORTS OF COMMITTEES

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

Chairman Milliken announced that the Investment and Administrative Committee met this morning to review the Authority's pension and deferred compensation plan investments and performance over the past year. The Chairman explained that the Committee is made up of the Chairman of the Board, Chairman of the Finance/Planning Committee, and the Executive Director, and that it is not a formal standing committee of the Board. Chairman Milliken noted that this morning's meeting was an introduction for him and for Mr. Massie who are new members of the Committee.

The Chairman remarked that VPA pension investments did not perform well the last couple of quarters but did less poorly than the "mainstream". He announced that the Committee would meet again in January to discuss the plan in more detail. There were no questions from the Board.

B. Nominating Committee – Ms. Stearns, Committee Chairwoman

Ms. Stearns announced that the Nominating Committee has recommended the appointment of Mr. Marvin S. Friedberg to the VIT Board of Directors to succeed Doyle E. Hull for a six-year term (December 1, 2002 to November 30, 2008). Ms. Stearns referred to Mr. Friedberg's resume contained in the board materials. Ms. Stearns advised that she discussed the recommendation with the mayors of Norfolk and Virginia Beach and there were no objections to Mr. Friedberg's appointment.

The Chairman briefly explained the geographical requirements in the selection of VIT Board members (as stated in the VIT Articles of Incorporation). Mr. Friedberg would represent Norfolk and Virginia Beach on the VIT Board.

Chairman Milliken moved that the recommendation of the Nominating Committee for the appointment of Mr. Friedberg to the VIT Board of Directors be accepted as presented. There were no nominations from the floor.

Action: Upon motion made by Ms. Stearns, duly seconded by Mr. Massie, and adopted by affirmative vote, 10-0, the Board approved Resolution 02-12, confirming the appointment of Marvin S. Friedberg to the VIT Board of Directors for a six-year term.

Affirmative Votes:

Mr. Goodwin	Mr. Sen
Mr. Grace	Mr. Stacy
Mr. Massie	Mr. Stalling
Mr. McGowan	Ms. Stearns
Mr. Pruden	Ms. Wagner

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

1. VPA Financial Reports – Mr. Daughdrill

Mr. Daughdrill reported that the Finance Department has been working with the Finance/Planning Committee to modify the financial statements and reporting format.

Mr. Oliver reviewed revenue and expenditures (cash basis) for the three months ended September 30, 2002. He reported that VPA is ahead of budget and that VIT revenue had increased during the first quarter. Mr. Oliver advised that Commonwealth Port Fund (CPF) revenues, which are 4.2% of the Transportation Trust Fund, were slightly ahead of projections.

Mr. Oliver described appropriations for VPA's Capital Outlay Program that consist of the Commonwealth Port Fund, 1997 Revenue Bond Issue, and 2002 Commonwealth Port Fund Bond Issue.

Mr. Massie thanked Mr. Daughdrill and Mr. Oliver for orienting new members of the Board's Finance/Planning Committee and he welcomed suggestions from the Board as the Committee and staff work towards "fine-tuning" financial reporting.

Mr. Daughdrill advised that Mr. Cavanaugh, the Authority's bond financial advisor, was unable to attend the meeting today. Mr. Daughdrill reported that bond covenant requirements on all three issues are in compliance as of September 30, 2002.

D. Facilities Committee - Mr. Stalling, Committee Chairman

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

Mr. Florin announced that NIT South renovations would be constructed in three phases that are currently estimated to cost approximately \$278 million. He reported that \$131 million would be spent on wharf reconstruction, dredging, and the acquisition of 8 container cranes. Mr. Florin explained that the Authority plans to raise additional funds through two bond issues - \$50 million CPF bond issue in July 2003 and \$50 million pure revenue bond issue in July 2004 - and the remaining work to be accomplished on a pay-as-you-go basis.

Mr. Florin described the following projects:

- NIT Sound Wall
- NIT North Gate – Phase I
- Doughties Warehouse Demolition
- PMT/Pinner’s Point Interchange Construction
- NIT South Improvements – Phases I, II, and III
- Update on the 50-foot Inbound Channel
 - Received approval from U.S. Army Corps of Engineers
 - Dredging to be complete by 2005

E. Marketing Committee - Mr. Pruden, Committee Chairman

1. Business Report - Mr. Capozzi

Mr. Capozzi reported that West Coast labor problems contributed to The Port of Virginia’s strong growth since September of this year. He reviewed calendar year-to-date (CYTD) and fiscal year-to-date (FYTD) tonnage figures:

CYTD Results

Total TEUs increased 7.2%
Loaded TEUs increased 8.8%
Midwest Rail Containers increased 15.3%
VIP Rail Containers decreased 13.7%
Breakbulk tonnage increased 30.3%

FYTD Results

Total TEUs increased 18.6%
Loaded TEUs increased 17.5%
Midwest Rail Containers increased 21.6%
VIP Rail Containers decreased 23.8%
Breakbulk tonnage increased 53.5%

Growth Factors:

- Importers shipping early
- Diversions due to West Coast labor
- Distribution/Deconsolidation Centers
- New/Expanded Services

Mr. Capozzi reported that distribution center business will continue to grow, capacity on all-water services from Asia are expected to grow, and more diversions of rail cargo are expected from the Port of NY&NJ. He projected distribution centers would be 27.3% of total port volumes by 2007.

Secretary Clement asked how Hampton Roads compared with the competition. Mr. Capozzi advised that Norfolk, New York and Savannah are posting the strongest numbers. He added that Baltimore and Charleston tonnages increased slightly in comparison.

Mr. Capozzi said that business diverted here from the West Coast could return but that the majority of business we are experiencing is business that will stay. He mentioned the latest announcement by Governor Warner regarding the opening of Target's new Suffolk distribution center in June 2003. Mr. Capozzi explained that Target's business could generate 20,000 additional containers and that Wal-Mart is currently producing in excess of 40,000 containers.

III. REPORT OF EXECUTIVE DIRECTOR

Mr. Merhige had no report from the Executive Director.

IV. UNFINISHED BUSINESS

There was no unfinished business.

V. NEW BUSINESS

There was no new business.

VI. ADJOURNMENT

Chairman Milliken thanked Secretary Clement for attending today's meeting.

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

The next meeting of the Board of Commissioners will be held in the Authority's Conference Room A, 600 World Trade Center, Norfolk, Virginia, on Tuesday, January 28, 2003.

Respectfully submitted,

Debra J. McNulty
Clerk to the Board