

# *MINUTES*

## ***Board of Commissioners - Session 277***

Virginia Port Authority

World Trade Center

Norfolk, Virginia

July 23, 2002 (Held immediately after Annual Meeting)

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Pursuant to call by Chairman Milliken, the Board of Commissioners held its regular meeting this date at 11:40 a.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

Gerald S. McGowan

Peter D. Pruden, III

Ranjit K. Sen

Clyde E. Stacy

G. H. Stalling, III

Deborah K. Stearns

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

Thomas Capozzi, Senior Managing Director of Marketing Services

Linda G. Ford, Director of Port Promotion

Oliver W. Daughdrill, Director of Finance

Rodney Oliver, Controller

Jeffrey Florin, Chief Engineer

Jeffrey Jenkins, Director of Business Development

Carla Welsh, Program Manager, Port Promotion

Joseph Harris, Public Relations Coordinator

Don Boyd, Chief, Port Police

Rafael Garcia, Deputy Chief, Port Police

Claudia J. Young, Captain, Port Police

Staff (Continued):

Lynward Wingfield, Lieutenant, Port Police  
Jo Ann Fitzgerald, Assistant to Chief of Police  
Claudia J. H. Craft, Accounting Manager  
Patty A. Wilson, Finance Support Supervisor  
Mary Kaye Hinson, Accounting Specialist  
Janie B. Fogle, Payroll Specialist  
Lorraine H. Gousse, Program Support Technician Senior  
Mary Elizabeth Reilly, Fiscal Technician  
Terri S. Campbell, Program Support Technician  
Debra J. McNulty, Clerk to the Board/Secretary  
Jodie L. Asbell, Deputy Clerk to the Board/ Assistant Secretary

Guests:

Brian Goodman, Assistant Attorney General  
Julie Morris, Department of Planning and Budget  
J. J. Keever, Hampton Roads Maritime Association  
Arthur L. Collins, Hampton Roads Planning District Commission  
A. Francis Robinson, Jr., Sidley Austin Brown & Wood, LLP  
John D. Cavanaugh, Cavanaugh, Nelson & Co., PLC  
Robert A. Dardenne, Financial Consultant  
Ronald Tillett, Morgan Keegan & Company, Inc.  
Kevin Rotty, Morgan Keegan & Company, Inc.  
Michael A. Knott, P.E., Moffatt & Nichol Engineers  
Michael T. Crist, P.E., Moffatt & Nichol Engineers  
Joseph A. Dorto, General Manager, VIT

**RESOLUTIONS OF SERVICE**

Chairman Milliken presented resolutions on the services of former VPA Commissioners:

Mr. William B. Bales;  
Mr. James H. Burnley, IV  
Capt. M. Ray Hurst, Jr.  
Mr. Robert M. Tata

**Action:** Upon motion made by Mr. Grace, duly seconded by Ms. Wagner, and adopted by affirmative vote (11-0) the Board approved Resolutions on the Services of Former VPA Commissioners.

**I. APPROVAL OF MINUTES**

**Action:** Upon motion made by Mr. Stalling, duly seconded by Mr. Grace, and adopted by affirmative vote (11-0) the Board approved the minutes of the regular meeting held May 28, 2002.

**II. REPORTS OF COMMITTEES**

**A. Executive Committee**

1. Presentation of the W. Wright Harrison Award

Chairman Milliken turned the meeting over to Mr. Merhige for the announcement of the W. Wright Harrison Award. Mr. Merhige mentioned that he served as chairman of the Special Award Committee and said it was his honor to announce Donald B. Boyd, Chief of Port Police, as the recipient of this year's W. Wright Harrison Award.

Mr. Merhige described the history behind the award and spoke of Chief Boyd's professional accomplishments and dedication to the Port Authority. Mr. Merhige named several of Chief Boyd's professional affiliations: retired Captain, Newport News Police Department; graduate of the FBI National Academy; former chairman of the Security Committee of the American Association of Port Authorities; and currently on the Board of Directors of the International Association of Airport and Seaport Police.

Mrs. Patty Boyd and the port police staff in attendance were introduced at this time.

Mr. Merhige said, when talking with new recruits, he tells them, "If you want to know how a police officer should act, just look at the Chief."

**B. Finance/Planning Committee**

1. VPA Financial Reports

Mr. Daughdrill reviewed the June "Statements of Monthly Operational Revenue and Expenditures" and the "Capital Improvement Program" for monthly and year-to-date operational expenditures. Mr. Daughdrill reported that revenues and expenditures and capital improvements are maintained within the parameters of the budget.

Mr. Cavanaugh reported that, as of May 31, 2002, calculated covenant requirements for the 1996, 1997, and 1998 bonds were in compliance. Requirements through June 30, for the debt service accounts were also in compliance. Mr. Cavanaugh said he looked at preliminary calculations for the 1997 rate covenant for the revenue bonds. He said, while the audited numbers are not yet in, he was certain that VPA would be in compliance with the covenant for the fiscal year ended June 30, 2002.

2. Results of Bond Sale

Mr. Daughdrill reviewed the work that was completed on the \$135 million revenue bond that lead to a successful sale of the bonds. He commended the senior managing underwriting firm of Morgan Keegan & Company, Inc., Mr. Frank Robinson, the Authority's bond counsel, Mr. Steven Peyser, financial advisor, and Ms. Jody Wagner, State Treasurer.

Mr. Daughdrill reported that on July 9<sup>th</sup> and 10<sup>th</sup>, the Authority's bonds were placed in the market for sale producing true interest cost on the bonds at just under 5% and carries with it \$1.2 million of premium.

Mr. Daughdrill advised that, earlier this morning, he was informed \$136,200,000 had been posted to the

Authority's account, thus enabling VPA to begin construction.

Mr. Bray explained that proceeds from the bond issue will be used to start the renovation of NIT South, portions of which date back to 1917. He announced that the Authority would need to issue an additional \$50 million in Commonwealth Port Fund-supported bonds in 2003, and then again issue \$50 million in revenue bonds in 2004, to complete NIT South. Mr. Bray explained that VPA would not be able to issue Commonwealth Port Fund-supported bonds next year had it not been for the leadership, understanding, and patience of State Treasurer Jody Wagner. Mr. Bray thanked the Treasurer for helping the Authority by structuring payments on the \$135 million bond issue so that VPA would have the capacity to issue bonds next year.

(A Pricing Analysis was provided for each member of the Board and Deputy Secretary Davis.)

3. Consideration of Resolution 02-9 - Request by The National Maritime Center (Nauticus) to utilize funds from a previous Aid to Local Ports Grant (Resolution 01-5) for the preliminary design of an expanded terminal and federal inspection station.

It was reminded by Mr. Bray that the Board adopted Resolution 01-5, last year, providing a grant of up to \$500,000 from the Aid to Local Ports Fund for planned improvements to The National Maritime Center (Nauticus) in connection with federal requirements regarding cruise ships. Mr. Bray explained that the Port Authority got out of the cruise business at Newport News Marine Terminal because the requirements are so costly. Mr. Bray reported that, since September 11<sup>th</sup>, requirements by U.S. Customs and the Immigration and Naturalization Service have changed the scope of the project to include an expanded self-standing facility adjacent to Nauticus.

Mr. Bray stated that he had concerns that the City of Norfolk might rely on additional funds from the ALP fund for a project that might become much more expensive than the City first anticipated. However, Mr. Bray thought the City was proceeding in a prudent manner and he requested that the Board approve Resolution 02-9, allowing the City to utilize up to \$170,000 of the remaining grant funds for the preliminary design work on an expanded Federal Inspection Station.

Mr. Grace noted that the Board had not supported plans for a cruise terminal at Newport News Marine Terminal because of the cost and uncertainty of the cruise business and VPA should not do so here. Mr. Bray advised that the project could cost up to \$10 million. Chairman Milliken recommended that a letter be sent with the resolution informing Nauticus that the VPA Board could not support additional funding for a cruise terminal.

Mr. Bray reported that VPA obligated all of the Aid to Local Ports Funds, which come out of the Commonwealth Port Fund (CPF), through next year for various localities. He emphasized that CPF funds are critical to the reconstruction of NIT South.

Chairman Milliken asked for approval of Resolution 02-9, with the understanding that the Board's position is transmitted in a letter to Nauticus.

**Action:** Upon motion made by Ms. Stearns, duly seconded by Mr. Valentine, and adopted by affirmative vote (11-0) the Board approved Resolution 02-9.

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

Mr. Stalling introduced the Authority's new chief engineer, Mr. Jeffrey Florin, who began work with the Authority in June of this year.

Mr. Florin described the following projects from the "Capital Outlay Program and Facilities Maintenance Overview":

Sound Wall – NIT South

- Contractor: Century Concrete
- Construction Cost: \$1,242,000
- Completion: October 1, 2002
- Wall at terminal entrance complete
- Longer section of wall to begin August 1, 2002.

Oyster Reef Construction

- Reef constructed off of PMT as mitigation for shoreline improvements to be constructed at NIT North Gate – Phase I
- Cost: \$200,000 Contractor: W. F. MaGann Corporation
- Completion: July 1, 2002

Fender Maintenance

- Maintenance of fenders at NNMT, NIT, and PMT - \$1,500,000 budgeted
- Completed fenders on the NIT Ro-Ro Berth
- New fenders underway at PMT
- Contractor: Marine Contracting, Inc.

Pavement Maintenance

- Significant pavement rehabilitation of the "C" stack at PMT - \$380K
- Concrete pad completed in straddle carrier parking area - \$90K
- Annual pavement maintenance contractor: Contractors Paving, Inc.

Ro/Ro Platform and Pier C Bulkhead Repairs – NNMT

- Repair of cylinder pile bulkhead
- Repair of sinkholes
- Replace Ro/Ro platform
- Construction Cost: \$837,860
- Notice-to-Proceed Date: October 9, 2001
- Estimated Completion Date: August 5, 2002
- Contractor: Precon Marine, Inc.

PMT/Pinner's Point Interchange

Mr. Florin explained that the Pinner's Point Interchange is the largest single VDOT contract in the history

of Virginia. The project spans the entire entrance of PMT with the potential for disruption at the terminal.

Mr. Florin advised that the loss of container space at PMT would be alleviated once the HRSD lot is completed for container storage use.

- Low Bidder: Tidewater Construction
- Construction Cost: \$132,000,000
- Construction Start: April 2002
- Construction Duration: 4 Years

Mr. Florin summarized South NIT Improvements:

- Phase I Improvements (To be completed in 4 Stages):
  - Renovate Wharf for Suez-Class Cranes (\$75M)
  - Purchase 8 Suez-Class (100-ft. Gage) Container Cranes (\$48M)

Mr. Florin reported that four of the container cranes are planned to arrive September 2003 to coincide with the completion of Stage I. The remaining four cranes will arrive September 2004 – coinciding with the completion of Stage III. Mr. Florin advised that an IFB (invitation for bids) for the wharf renovation was issued July 22, bid opening scheduled for August 15, and start date scheduled October 1.

- Crane No.'s 5, 6 & 7 to be modified and relocated to PMT
- Dredge to 45-ft. for deep-water access to berth (\$5M)
- Civil/utility improvements (\$3M)
- Total Phase I Cost = \$131M
- Phase II Improvements:
  - Renovate 74 acres of container land
    - Demolish Warehouse 1, 2, & 3
    - Relocate Cargo Control
    - Relocate Crane Maintenance
  - \$50M of CPF Bonds to be issued July 2003
- Phase III Improvements:
  - Renovate 90 acres of container land
  - \$50M of Revenue Bonds to be issued July 2004
- Improvements Permit Straddle Carrier Operations

Mr. Stalling asked if there would be a loss of revenue from the demolition of the warehouses. Mr. Dorto explained that one warehouse is used by VIT for storage of supplies and one is the container freight station. He advised that most of the container freight stuffing and stripping is moved off terminal. Mr. Dorto said the removal of warehouses would have minimal effect on revenue.

Mr. Dorto advised that VIT plans to supplement the warehouses at Newport News Marine Terminal by switching cargo from the NIT warehouses that are slated for demolition.

**D. Marketing Committee - Mr. Pruden, Committee Chairman**

Mr. Capozzi summarized Fiscal Year 2002 results:

- Container cargo down 4.1%
- Breakbulk cargo down 6.2%
- Rail volume up 5.5%
- Virginia Inland Port (VIP) basically flat - down 0.1%

Year-to-Date 2002 Update:

- TEUs (twenty-foot equivalent units) decreased 0.4% with last three months showing a 6.2% gain. Positive trend should continue through the end of the calendar year.
- Breakbulk tonnage increased 14.8% - largely due to the new paper warehouse operated by Lydall, Inc. at NNMT.
- Midwest rail boxes increased 10.8%
- VIP international containers decreased 4.5% - largely due to Avian flu outbreaks that have been devastating the poultry industry and subsequent import bans enacted by major overseas markets such as Japan, China, and Russia.

Mr. Capozzi reported that loaded TEUs showed a 9.6% gain in the second quarter and 3% year-to-date for calendar year 2002. Comparison: NY/NJ (+3%); Baltimore (+2%); Charleston (-3%).

Major Issues for the Port:

- Economy
- West Coast labor situation
- Increase in vessel size in all-water strings
- Rail cost disadvantage with northern competitors

Mr. Capozzi predicted overall growth for the remainder of the calendar year.

**III. REPORT OF EXECUTIVE DIRECTOR**

1. Presentation on the Transportation Referendum for the Hampton Roads Area

Mr. Bray explained that the transportation referendum, scheduled to go before Hampton Roads' voters on November 5<sup>th</sup>, would require about \$6 billion in revenue bond monies to construct five major transportation initiatives and fund mass transit over the next 20 years. Mr. Bray said it is critical to the region that the citizens vote for the referendum. He emphasized that VPA would be only one of thousands of entities that would benefit from these initiatives.

(A briefing notebook entitled, "Transportation Challenges and Opportunities", prepared by the Hampton Roads Partnership, was provided to each of the Board members and Deputy Secretary Davis.)

Mr. Michael T. Crist, P.E., Moffatt & Nichol Engineers, presented slides outlining five projects that would be included in the Transportation Referendum:

- Third Crossing:
  - Provides traffic an alternate to the Hampton Roads Bridge Tunnel.
- I-64 Widening:

- Project would continue to widen I-64 to improve traffic flow between the Peninsula and South Hampton Roads.
- Provides an alternate access route to Norfolk International Terminals.
- Provides an alternate access route to the proposed Craney Island Marine Terminal.
- Midtown Tunnel:
  - Construction of a new 2-lane tunnel would alleviate congestion in the existing 2-lane tunnel.
  - Project is necessary to efficiently move traffic from Norfolk to Portsmouth.
- Route 460 Improvements:
  - Project would solve many safety problems with the existing divided highway.
  - Project would provide a viable alternate to I-64 for traffic from South Hampton Roads to Richmond.

Mr. Crist advised that VDOT is conducting a study to designate Route 460 as an interstate.

- Southeastern Parkway:
  - Project would provide an alternate route to south Virginia Beach; thus alleviating traffic on I-64.

Mr. Arthur L. Collins, Executive Director, Hampton Roads Planning District Commission (HRPDC), described the method of financing. Mr. Collins explained that the projects could be paid for if the citizens of Hampton Roads approve a 1% increase in sales tax on everything except food and non-prescription drugs on November 5<sup>th</sup>. Mr. Collins reported that these projects could be delivered within 20 years and paid for in 35 years. According to legislation, HRPDC can bond up to \$5.99 billion for the costs.

Mr. Collins advised that the project would be paid for with a combination of “pay as you go” and bonds. He explained that the planning, design work, and environmental permits, which start at \$150 million a year would grow by 4% or 5%. Mr. Collins reported that HRPDC would establish a fund prior to actual construction. He advised that in the early years the project would be paid with cash-on-hand and, after looking outward in 3-year increments and determining cash needs for construction, HRPDC will then go to the bond market.

Mr. Collins reported that HRPDC consulted with Salomon Smith Barney and they are very comfortable that the projects can be achieved within the revenue stream anticipated and the construction needs. He advised that later, in years 15, 16 and 17, when the amount of money needed to pay for construction projects goes down, sales tax will continue to go up and there will be a large amount of money at the “tail-end” to pay the bonds off early.

Mr. Collins said that HRPDC believes this will pass the constitutional test and they are very excited about providing the infrastructure that this community will need to grow.

Mr. Collins confirmed that HRPDC would issue the bonds in accordance with General Assembly legislation. The sales tax revenues will be collected and held in the Eastern Virginia Transportation Fund that will be managed by HRPDC for disbursement of funds to VDOT.

Mr. Collins predicted that, by 2004 when the project takes place, it will cost the average family \$120-

\$127 per year. He commented that the biggest opponent is apathy and that the challenge is encouraging citizens to go to the polls.

Mr. Massie commented that today's presentations clearly demonstrate how important these projects are to the Port and also to the public. He encouraged the Commissioners to find other opportunities to talk about the referendum and the benefits that the projects will bring to the region.

Chairman Milliken announced that he chairs Citizens for Better Transportation, supporters of the Northern Virginia referendum.

Mr. Dorto said he is considering holding a rally with VIT employees and labor in order to get masses of people out to vote.

2. Consideration of Resolution 02-10, in support of the Transportation Referendum on November 5, 2002, in order to provide funding and immediate action on critical transportation projects affecting the future success and competitiveness of The Port of Virginia.

**Action:** Upon motion made by Mr. Massie, duly seconded by Ms. Stearns, and adopted by affirmative vote (11-0) the Board approved Resolution 02-10.

3. Notification of VIT Board of Directorship expiring November 30, 2002.

Mr. Bray announced that the term of Doyle E. Hull expires November 30, 2002. Mr. Hull is one of the Norfolk/Virginia Beach representatives on the Virginia International Terminals, Inc. (VIT) Board of Directors. He explained that the VPA Board, at its November meeting, will need to appoint someone to fill this seat for a single six-year term. Mr. Bray reported that the appointee's principal place of business or residence must be within the jurisdiction of Norfolk/Virginia Beach. He noted that the VPA Chairman will appoint a Nominating Committee at the VPA's September board meeting.

Chairman Milliken requested that a brief description of the role of VIT and the organization's relationship with VPA be provided at the September 24<sup>th</sup> Board meeting.

4. Recognition of VPA's Finance Department

Mr. Bray explained that VPA is audited by the Department of Accounts and the Auditor of Public Accounts on various activities. He noted that the Department of Accounts in Richmond monitors VPA's performance and due diligence on a monthly basis. Mr. Bray announced that the Finance Department, through the first nine months of this year, achieved a 99.76% compliance rate and for three months of the fiscal year VPA has had no late payments.

Mr. Bray explained that the Department of Accounts conducts an annual decentralization audit to monitor compliance on maintaining adequate supporting documentation. He announced that this year, the auditors pulled 222 vouchers and noted only one finding which represents a 99.5% compliance rate.

Mr. Bray congratulated the Finance Department and introduced each of the staff members present.

**IV. UNFINISHED BUSINESS**

There was no unfinished business.

**V. NEW BUSINESS**

There was no new business.

**VI. ADJOURNMENT**

There being no further business, the open meeting adjourned at 12:25 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, September 24, 2002.***

Respectfully submitted,

Debra J. McNulty  
Clerk to the Board