

MINUTES

Board of Commissioners - Session 278

Virginia Port Authority

World Trade Center

Norfolk, Virginia

September 24, 2002 - 11:00 a.m.

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

Ranjit K. Sen

G. H. Stalling, III

Deborah K. Stearns

Jody M. Wagner, State Treasurer

Absent:

Peter D. Pruden, III

Clyde E. Stacy

Office of the Secretary of Transportation:

Mr. Ralph M. Davis, Deputy Secretary of Transportation

Staff:

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

Thomas Capozzi, Senior Managing Director of Marketing Services

Gregory Edwards, Director of Sales

Russell Held, Managing Director, Sales

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

Debra J. McNulty, Clerk to the Board/Secretary

Guests:

Brian Goodman, Assistant Attorney General
John D. Cavanaugh, Cavanaugh, Nelson & Co., PLC
John R. Cox, Exploranium, GS Ltd.
Richard N. Knapp, Assistant General Manager, VIT

(Mr. Bray was in Florida attending the American Association of Port Authorities Convention.)

CERTIFICATION OF CLOSED MEETING

Action: Upon motion made by Mr. Valentine, duly seconded by Mr. Stalling, and adopted by affirmative vote (9-0) the Board approved Resolution 02-E7 certifying the closed Executive Session of the Board of Commissioners, held September 24, 2002.

INTRODUCTIONS

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

I. APPROVAL OF MINUTES

Action: Upon motion made by Ms. Stearns, duly seconded by Mr. McGowan, and adopted by affirmative vote (9-0) the Board approved the minutes of the regular meeting held July 23, 2002.

II. REPORTS OF COMMITTEES

A. Executive Committee – Chairman Milliken

1. Consideration of Resolution 02-11, amending Article XII of the VPA Bylaws, entitled “Committees of the Board”

Chairman Milliken explained that the Bylaws would have to be revised to reflect an increase in the membership of the Security Committee from three to four and to reduce the membership of the Finance/Planning Committee from seven to six. The Chairman requested that the current draft of Resolution 02-11 include the change in the membership of the Finance/Planning Committee from seven to six members. He explained that the new membership would allow each Commissioner to serve on two committees.

Action: Upon motion made by Mr. Valentine, duly seconded by Ms. Stearns, and adopted by affirmative vote (9-0) the Board approved Resolution 02-11, with revisions, amending Article XII of the VPA Bylaws, reflecting changes to the membership of the Security Committee and Finance/Planning Committee.

2. Announcement of Standing Committee Assignments

A copy of the new Standing Committee appointments was distributed at this time. The following are Chairman Milliken's appointments to Standing Committees.

VIRGINIA PORT AUTHORITY
(Committee Assignments effective September 24, 2002)
FY2003 STANDING COMMITTEES

Executive Committee

John G. Milliken, Chairman
E. Massie Valentine, Jr., Vice Chairman
William M. Grace
Ronald W. Massie
Peter D. Pruden, III
G. H. Stalling, III

Facilities Committee

G. H. Stalling, III, Chairman
Deborah K. Stearns, Vice Chairman
William M. Grace
Ranjit K. Sen
Jody M. Wagner

Finance/Planning Committee

Ronald W. Massie, Chairman
Mark B. Goodwin, Vice Chairman
Gerald S. McGowan
Peter D. Pruden, III
G. H. Stalling, III
Jody M. Wagner, State Treasurer

Marketing Committee

Peter D. Pruden, III, Chairman
Gerald S. McGowan, Vice Chairman
Ronald W. Massie
Clyde E. Stacy
Deborah K. Stearns

Security Committee

William M. Grace, Chairman
Ranjit K. Sen, Vice Chairman
Mark B. Goodwin
Clyde E. Stacy

NOTE: Under the By-Laws (Article XII), the Chairman and Vice Chairman of the Board are ex-officio members of all committees of which they are not a regular member.

Chairman Milliken requested that Board members contact him after the meeting if they have a preference to change a committee assignment.

3. Appointment of Nominating Committee for the Selection of a VIT Director to the Board of Virginia International Terminals, Inc. (VIT)

Chairman Milliken explained that the VPA Board appoints the members of the VIT Board and the Nominating Committee is historically made up of the VPA Commissioners who represent the three port cities.

Chairman Milliken appointed Ms. Stearns, as the Norfolk/Virginia Beach representative, to chair the Nominating Committee, and Mr. Grace and Mr. Massie to serve as members, in order to recommend the selection of a director to the VIT Board at the VPA November board meeting. The Chairman explained that the term of Mr. Doyle E. Hull expires November 30, 2002, and he is one of the Norfolk/Virginia Beach representatives on the VIT Board.

The Board concurred the membership of the Nominating Committee.

B. Finance/Planning Committee – Chairman Massie

1. VPA Financial Reports

Mr. Daughdrill reviewed the July “Statements of Monthly Operational Revenue and Expenditures” and the “Capital Improvement Program” for monthly and year-to-date operational expenditures. It was noted that figures for August statements were not available at this time due to the regular 2002 fiscal year audit. Mr. Daughdrill reported that revenues and expenditures and capital improvements are within budget and reflect normal operational expenses.

Mr. Daughdrill reviewed the Capital Improvement Program appropriations, expenditures, and remaining balances. It was reminded that unexpended figures are obligated.

2. Bond Trust Compliance

Mr. Cavanaugh reported that, as of July 31, 2002, calculated covenant requirements and cash on hand for the 1996, 1997, 1998 and 2002 series bonds were in compliance. Debt service accounts were also in compliance. Mr. Cavanaugh noted that covenant requirements total \$28 million, of which \$25 million is required for the 1997 revenue bond. He commented that the 1997 revenue bond was issued based on the ability of VIT to generate revenue and to transfer that revenue to VPA. Mr. Cavanaugh reviewed the reserve accounts in the Series '97 Revenue Bond Requirements – the VIT CE reserve and CEMA reserve, and the VPA CE reserve, totaling \$17.6 million in “set-aside” funds to support the '97 bonds. He explained that the funds are not utilized by either entity. Mr. Cavanaugh said he hoped that the Authority would have the ability to issue future revenue bonds without having to establish reserves as they are a drain on financial resources. He advised that the Authority intends to refund the '97 bond issue in 2007 and thus eliminate the reserves.

Mr. Cavanaugh explained each of the covenant requirements that were met for the 1996, 1998, and recently issued 2002 series. He advised that, because the financial performance of VPA and VIT was so good in the month of July, it was a very good start to meet the rate covenant requirements of the '97 bonds.

3. Report on VPA Budget Amendments for the 2003 General Assembly Session – Mr. Daughdrill

Mr. Daughdrill announced that the VPA intends to submit three budget amendments for approval by the 2003 General Assembly and Governor Warner. Chairman Milliken asked Mr. Daughdrill to clarify the purpose for budget amendments. Mr. Daughdrill explained that the Authority must request budget amendments in order to

establish an appropriation from the Commonwealth Port Fund (CPF) to issue \$50 million in CPF bonds next year and to purchase two parcels of land located in Portsmouth.

Mr. Florin explained that one parcel of land is owned by the Norfolk-Portsmouth Beltline Railway and runs between PMT and the newly acquired Doughties' property.

The second parcel is located in the Hampton Roads Sanitation District (HRSD) lot and is needed so that the existing pump-house building can be demolished to construct the new transfer zone.

C. Facilities Committee – Mr. Stalling, Committee Chairman

Mr. Stalling remarked that NIT South is the Port's largest construction project since NIT North.

Mr. Florin presented the Capital Outlay Program and Facilities Maintenance Overview and summarized the following projects:

Sound Wall at NIT:

- Completion Date: November 15, 2002
- Total cost for both sections: \$1.2 million

NIT North Gate – Phase I:

- Will provide space for additional 10 acres of container yard at NIT North
- Grading and drainage improvements for future North Gate
- Construction Cost: \$1.5 million
- Contractor: E.V. Williams
- Completion: January 1, 2003

NIT – Interchange Re-Roof – Completed August 30, 2002

Doughties' Warehouse Demolition:

- Recently acquired 7 acre parcel on west end of PMT
- Contract awarded for \$96,000 to demolish both buildings
- Existing warehouse is not functional for cargo operations and is in poor condition
- Demolition will make space for wheeled storage
- Additional space will alleviate some disruption from Pinner's Point construction

At this time, Mr. Florin presented a slide of PMT and described the various construction projects taking place as a result of the Pinner's Point Interchange project.

Mr. Florin presented a graphic design outlining the total build-out for South NIT Improvements:

- Wharf reconstruction involves 4,230 feet of marginal wharf, 60-foot design for water depth, and 8 Suez-class cranes.
- Backlands Reconstruction involves 145 acres of container yard for a straddle-carrier operation.

South NIT Improvements – Phase I (\$131 Million):

- Renovate 4,300 feet of wharf in four stages for Suez-class cranes:
 - Contractor: Tidewater Skanska
 - Construction Started: September 9, 2002 (within two weeks of bid opening)
- Purchase 8 Suez Class (100-ft. gage) Container Cranes:
 - Contractor: ZPMC
 - First 4 cranes scheduled for delivery August 15, 2003

- Dredging to widen berth for larger ships:
 - Contractor: Norfolk Dredging
 - Construction Started: September 20, 2002

South NIT Improvements – Phase II (\$50 Million CPF Bond Issued July 2003):

- Design to Renovate 74 acres of container yard is underway and bidding planned for July 2003
- Demolition of Warehouse 1, 2, and 3 required – Bids Open: September 24, 2002
- Engineering work is underway to relocate the Crane Maintenance building. Bidding is planned for February 2003.

South NIT Improvements – Phase III (\$50 Million Revenue Bonds Issued July 2004):

- Renovate 90 acres of container land
- Improvements permit straddle-carrier Operations

D. Marketing Committee – Vice Chairman McGowan

Mr. Held reported that, after a slow start this year, tonnage increased in May and June contributing to a 3.5% increase in total TEUs (twenty-foot equivalent units) for CYTD2002 (January-July) from CYTD2001. Mr. Held reported an increase of 24.4% in breakbulk tonnage and attributed it to the Lydall Paper facility that opened in Newport News last fall. Total TEUs for FYTD 2002 (July-August) from FYTD 2001 increased 15.3% and breakbulk tonnage increased 53.4%. Vessel calls continue to reflect consolidations by the ship lines.

Mr. Held reported that new distribution centers in the region have contributed to a boost in cargo and a 15% increase in retail sales.

Mr. Held reported that Governor Warner had announced that Sysco, Inc. would be locating an 800,000 square-foot warehouse in Warren County. He added that this business would create 388 jobs and provide significant volumes over the Virginia Inland Port.

Mr. Edwards began with a comparison of rail business at The Port of Virginia and the Port of NY& NJ and noted that Virginia's percentage of rail business is significantly higher than New York. He presented the following quote from Rick Larabee, Director of Port Commerce, Port of NY&NJ:

“My department’s 20-year goal is to reduce port reliance on trucking from 87% of modal market

share to 57% by strongly growing waterborne and rail market shares.”

Mr. Edwards mentioned that 21% of all-water cargo moves by rail at The Port of Virginia.

Mr. Edwards reported that, for the first eight months of 2002 (January-August), the port has already exceeded 100,000 intermodal containers handled (a 12% increase) that equates to 400 containers a day moving in and out of this port. Midwest rail traffic increased 13% for the same period. Mr. Edwards mentioned that the threat of labor disruption on the West Coast could result in more cargo for our port. He described how cargo could arrive at East Coast ports by way of the Panama or Suez Canals and potentially railed to Midwest markets. Mr. Edwards contributed current rail growth to the success of the rail incentive program.

Mr. Edwards announced that service enhancements were recently posted on CSX Intermodal’s website that lists improved transit times in and out of Portsmouth Marine Terminal. He concluded by saying that it would be very interesting to see if CSX builds the customer base to attract more freight to this port.

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

Mr. Merhige announced that Assistant Attorney General Brian Goodman had been reassigned full-time to the Virginia Retirement System. Mr. Merhige commended Mr. Goodman for the years that he had provided counsel to the Authority and stated that he would be missed at VPA board meetings. Chairman Milliken presented an engraved clock to Mr. Goodman at this time.

Mr. Merhige also announced that Assistant Attorney General Rick Walton had been assigned to represent the VPA and would be in attendance at the next meeting of the Board.

The Board was provided with the VPA’s first version of an interactive CD that was created as a marketing tool for port customers. Ms. Ford explained that the CD contains a progression of NIT South improvements, a video from The Discovery Channel depicting the arrival of the ZPMC cranes, and a great deal of information on each of the terminals. Ms. Ford advised that, in order to view the CD, instructions for software installation are noted on the CD.

Chairman Milliken announced that a closed meeting of the Security Committee would be held on Friday, October 11, 2002, at 2:00 p.m. and he instructed the clerk to notify Commissioner Stacy promptly.

There being no further business, the open meeting adjourned at 12:05 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, November 26, 2002.

Respectfully submitted,

Debra J. McNulty
Clerk to the Board