

# *MINUTES*

## ***Virginia Port Authority Board of Commissioners - Session 328***

600 World Trade Center

Norfolk, Virginia 23510

November 24, 2009

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Pursuant to call by Chairman Milliken, the Board of Commissioners held its regular meeting this date at 11:00 a.m., in the VPA Conference Room.

The following attended:

Commissioners:

John G. Milliken, Chairman

Deborah K. Stearns, Vice Chairwoman

Joe B. Fleming

Marvin S. Friedberg

Mark B. Goodwin

Allen R. Jones

Absent:

Stephen M. Cumbie

Barbara J. Fried

J. Granger Macfarlane, II

Michael J. Quillen

Thomas M. Wolf

Manju Ganeriwala, State Treasurer

Staff:

Jerry A. Bridges, Executive Director

Rodney Oliver, Deputy Executive Director and CFO

Jeffrey A. Florin, Deputy Executive Director, Operations and COO

Russell J. Held, Deputy Executive Director, Development

Linda G. Ford, Director, Port Promotion

Elaine Smith, Director, Human Resources

Gregory Edwards, Director of External Affairs

David James, Director, Contracts and Real Estate

Heather Mantz, Director, Environmental Affairs

Carla Welsh, Program Manager-Port Promotion

Joe Harris, Media/Public Relations Manager

Debra J. McNulty, Clerk to the Board

Guests:

Jeffrey R. Allen, Assistant Attorney General

DeAnn Compton, Auditor of Public Accounts

Joseph A. Dorto, President and CEO, VIT

Regina Brayboy, Treasurer and Director of Financial Services, VIT

Andy Hecker, Moffatt & Nichol Engineers

## **INTRODUCTIONS**

Ms. Linda Ford introduced guests in attendance. Members of the press in attendance included Mr. Robert McCabe, with *The Virginian-Pilot*, and Mr. Peter Frost, with *The Daily Press*.

Chairman Milliken announced that several Commissioners were unable to fly in to Norfolk for today's meeting due to the weather and that, in addition to the expected absences, there was not a quorum of the Board. The Chairman explained that the Board could take no action to go into an executive closed session, approve the minutes, or vote on a resolution for a VIT Director. The Chairman announced that the reappointment of Mr. G. Robert Aston to the VIT Board could not be confirmed today and that an "emergency" vote would be taken by email, if possible, in order for the VIT Board to have a voting member when it meets on December 17<sup>th</sup>. The Chairman asked the clerk to consult with Mr. Allen on the FOIA requirements for the emergency vote.

### **I. APPROVAL OF MINUTES**

Chairman Milliken announced that minutes from the September 22<sup>nd</sup> meeting were circulated and will be approved at the January 26, 2010 meeting.

### **II. REPORTS OF COMMITTEES**

#### **A. Executive Committee – Chairman Milliken**

##### **1. Report from Investment and Administrative Committee**

Chairman Milliken reported that the Investment and Administrative Committee met this morning and reviewed the performance of the various funds contained within the VPA Employer Funded Defined Benefit/Pension Plan and the Defined Contribution Plan. He announced that the Committee heard encouraging news that the third quarter for 2009 showed an increase in total returns when compared with the benchmark. The Chairman reported that the Committee approved a recommendation by one of our advisors to slightly change the mix of the Strategic Asset Allocation in order to add an additional bond manager for the portfolio and further diversify its current structure. The Strategic Bond is currently 25% of the Defined Benefit/Pension Plan's asset allocation. A new allocation would include 10% in Intermediate Term Bond and the Strategic Bond allocation would be reduced to 15%. Chairman Milliken advised that this action does not require anything on the part of the employees.

At this time, Mr. Milliken asked Mr. Bridges to provide an update on the APMT/VPA negotiations. Mr. Bridges explained that APMT and VPA officials are making some progress since the September board meeting and working through the Attorney General's office and through the appointed attorneys for the negotiations. He advised that the law firm of Williams Mullen is working with the attorney for APMT and that there have been several teams assigned to work, almost daily, on regulatory and operational issues. Mr. Bridges emphasized that the principle and guidelines in the Letter of Intent for the transaction are intact. He reported that everyone is doing a good job trying to accommodate various requests from the operations side and from the state.

Mr. Bridges said he hoped to be able to brief the Board in order to vote to go forward with the program but he could not estimate a time frame on the conclusion. He assured the Board that everyone involved in the negotiation is moving in the right direction.

## **B. Nominating Committee – Mr. Friedberg, Committee Chair**

Mr. Friedberg reported that the Nominating Committee met earlier and unanimously approved the reappointment of Mr. G. Robert Aston, Jr. to succeed himself on the VIT Board of Directors. Mr. Bridges mentioned that he serves as a permanent member of the VIT Board and he spoke very highly of Mr. Aston's board record. He concurred with the Nominating Committee's recommendation for reappointment. Chairman Milliken advised that this item would be presented to the VPA Board for possibly an emergency email vote, as mentioned earlier.

## **C. Finance/Planning Committee – Mr. Goodwin, Committee Chair**

Mr. Oliver referred to the VPA/VIT Combined Financial Reports for the four months ended October 31, 2009, that were contained in the agenda books. He announced that operating revenues for the first four fiscal months of 2009 were \$3.2 million ahead of budget.

He reported the following highlights:

- Operating revenues were 4.8% over budget and 7.9% behind prior year
- Operating expenses were \$3.8 million under budget and \$9.3 million behind the prior year.
- Terminal maintenance expenses were \$4.1 million below budget and \$4.1 million below prior year due to VIT's continued cost containment measures implemented.
- General and administrative expenses were also held below budget and lower than prior year.
- Interest income and interest expense were under budget and below prior year.
- Commonwealth Port Fund (CPF) allocation was 8.8% below budget and 9.6% below prior year.
- The change in net assets (net income) were up \$3 million for the first four months of FY2010 and \$9 million ahead of budget.

Mr. Oliver briefly reviewed funding for projects at NIT that include the north wharf expansion, central rail yard, and south renovations (Phase II, Stage 2). He presented projected funding for all other terminals that include the median rail project, port security grants, Craney Island Marine Terminal (CIMT) design, and miscellaneous projects at all terminals. Mr. Oliver concluded with a brief review of funding sources and projects for 2010.

Mr. Goodwin asked Mr. Oliver to explain the variance between the first months of the fiscal year and what was budgeted. Mr. Oliver explained that volumes were dropping consistently from September to February and several factors affected the slight increase in operating revenues - VIT cut expenses and made changes in their operation with the elimination of over-time, operation of the rail yard, and VIT lay-offs (93 employees). Mr. Dorto noted that the increase was primarily in export volumes.

At this time, Mr. Oliver introduced Ms. DeAnn Compton from the office of the Auditor of Public Accounts (APA) and she reviewed the results of the 2009 audit. Ms. Compton referred to the internal control report that was provided for the Board and she explained that the APA's opinion of the financial statements is included in the Authority's Comprehensive Annual Financial Report.

Ms. Compton announced that the APA issued an unqualified opinion and found no issues with VPA nor did they find any instances of non-compliance, fraud or illegal actions and no material changes in accounting policies during the year.

Ms. Compton reported that there were three audit adjustments for unusual transactions relating to the Commonwealth Median Rail Project, the contract with Virginia Natural Gas involving the Corps of Engineers, and the Bond Anticipation Note (BAN).

Ms. Compton advised that it was recommended that VPA work with APA to discuss any unusual transactions prior to their occurrence. She added that VPA staff in the Finance Department worked very hard to cooperate with the audit and that everything went well considering all of the organizational changes that VPA had gone through this year.

Chairman Milliken thanked Ms. Compton as well as Mr. Oliver and his staff.

#### **D. Facilities Committee – Mr. Quillen, Committee Chair**

Mr. Florin presented the Capital Outlay Program and Facilities Maintenance Overview featuring updated slides from each of the following construction projects:

- NIT South Backlands Reconstruction – Area 8 was turned over to VIT. Area 9 is currently under surcharge and project completion is scheduled by end of June 2010.
- NIT North Gate Relocation – To accommodate Greenbrier grade separation work. Project scheduled for completion by December 2009.
- Commonwealth Railway Mainline Safety Relocation Project – The project is currently at 95% and is scheduled for completion by December 31, 2009.
- Craney Island Eastward Expansion (CIEE):

Mr. Florin announced that Congress has appropriated \$100,000 towards CIEE construction in the FY10 Energy and Water Appropriations Bill. He advised that this was a huge achievement which allows federal funds to start flowing to the project and qualifies CIEE for federal stimulus money. Mr. Florin reported that Virginia's Congressional Delegation was integral to Craney's inclusion in the bill.

Mr. Florin reviewed next steps for Craney Island:

- Sign Project Partnership Agreement (PPA) – Winter 2009/2010
- Issue contracts for first construction stage – Winter/Spring 2010
- Issue Bonds – Summer 2010
- Start Dike Construction – Fall 2010

#### **E. Marketing Committee – Mr. Cumbie, Committee Chair**

Mr. Held reported that fiscal year-to-date performance through October shows that the Port's volumes are still suffering from the economic downturn.

	<u>FY10</u>	<u>FY09</u>	<u>Change</u>
TEUs	610,400	724,021	-15.7%
Ship Calls	613	655	-6.4%
Break-bulk	72,244	113,991	-36.6%
Total Rail	147,666	179,504	-17.7%
VIP	16,758	20,842	-19.6%

Mr. Held announced the following new services and economic development projects:

- Golden Gate Service (6,700 TEU vessels) will commence January 10, 2010 with Norfolk the last port out. The cargo will originate from Asia and the Indian Subcontinent.
- Rolls-Royce – Building a 1,000-acre site with 60 acres cleared for the first phase of development for manufacturing of aircraft-engine components in Prince George County. Opens in 2011 and expected to employ 140.
- Japan Tobacco International (JTI) - \$19.5 million investment to establish a tobacco processing facility in Danville that will create 30 new full-time positions and 150 seasonal jobs.

Mr. Bridges announced that the Port of Virginia expects 30,000-40,000 containers with the Golden Gate Service and a potential for 20,000 rail containers associated with that new service. He announced that this is significant new service for the Port and he congratulated Mr. Dorto and the VIT marketing team for capturing this business. Mr. Bridges also announced that VIT was successful in negotiating a three-year extension on its contract with the Grand Alliance.

#### **F. Security Committee – Mr. Fleming, Committee Chair**

Mr. Merkle reported that last month’s storm caused VPA to implement the mass notification system for the first time due to massive flooding and traffic-related issues that closed many areas of Tidewater. He explained that VIT was able to work vessels dock-side, with approval from the Coast Guard, and with help from the Norfolk Fire Department and Maritime Incident Response Team (MIRT). Mr. Dorto announced that, given the cost of operating under those conditions, the fire department, MIRT, VIT staff, and the ILA did an outstanding job.

Mr. Merkle announced that VPA, working with VIT IT, released a \$1 million contract to Motorola to install a modern wireless infrastructure at PMT which was 75% funded through a port security grant. He explained the Orthogon system which will improve the Port’s point-to-point microwave system between terminals. The system is capable of “bending” around objects, where microwave lost connectivity due to the passing of large ships, cranes or Navy aircraft. Over the life of the system, VPA will realize a savings of \$500,000.

Mr. Merkle reported that the wireless infrastructure is designed around public safety for security of transmission and the ability to stream live video to or from a moving vehicle or movable object. The system is capable of “self-healing” by rerouting data if its path becomes blocked, disrupted, or busy. He also explained 802.11 wireless secure capabilities.

Mr. Merkle announced that port police are very pleased with the results at PMT and they expect the NIT infrastructure to be completed within 12 months.

#### **IV. REPORT OF EXECUTIVE DIRECTOR**

Mr. Bridges reported that VPA has developed a Blog on its website in order to allow public feedback. He also mentioned the “Inside Business” article that featured VPA’s Community Relations Coordinator (Jodie Love). Mr. Bridges advised that works with the public as well as local middle schools to educate students about the port.

Mr. Bridges announced that VPA employees have begun another “food and fund” drive for the holiday season in order to assist the FoodBank of Southeastern Virginia. The drive will run from December 1-15, 2009. Mr. Bridges said he hoped to exceed what was accomplished by the employees last year.

Mr. Bridges announced that Mr. Rick Knapp, VIT’s Chief Operating Officer, recently retired after 31 years of service. Mr. Joe Ruddy, who was Director of Operations, was promoted to Mr. Knapp’s position. Mr. Bridges wished Mr. Knapp a healthy retirement. Chairman Milliken asked the clerk to work with him on drafting a letter to express congratulations to Mr. Knapp, on behalf of the VPA Board.

Ms. Stearns announced that the Hampton Roads Partnership has been working on a comprehensive development plan for Hampton Roads and she congratulated Mr. Held on his work as chair of the Port Committee.

**V. UNFINISHED BUSINESS**

There was no unfinished business.

**VI. NEW BUSINESS**

There was no new business.

**VII. ADJOURNMENT**

There being no further business and no public comments, the open meeting adjourned at 11:55 a.m.

**The next meeting of the Board of Commissioners is scheduled to be held in the Authority’s Conference Room, 600 World Trade Center, Norfolk, on Tuesday, January 26, 2010, at 11:00 a.m. The 2010 Schedule for the VPA Board of Commissioners Public Sessions is:**

<b>January 26</b>	<b>July 27 (Annual Meeting)</b>
<b>March 23</b>	<b>September 28</b>
<b>May 25</b>	<b>November 23</b>

Respectfully submitted,

Debra J. McNulty  
Clerk to the Board