

MINUTES
Virginia Port Authority Board of Commissioners - Session 329
January 26, 2010

Pursuant to call by Chairman Milliken, the Board of Commissioners held its regular meeting January 26, 2010, at 11:00 a.m., in the VPA Conference Room, 600 World Trade Center, Norfolk, Virginia.

The following attended:

Commissioners:

John G. Milliken, Chairman	Allen R. Jones
Deborah K. Stearns, Vice Chairwoman	J. Granger Macfarlane, II
Stephen M. Cumbie	Michael J. Quillen
Joe B. Fleming	Thomas M. Wolf
Marvin S. Friedberg	Manju Ganeriwala, State Treasurer
Mark B. Goodwin	

Absent:

Barbara J. Fried

Staff:

Jerry A. Bridges, Executive Director
J. J. Keever, Deputy Executive Director, External Affairs
Rodney Oliver, Deputy Executive Director and CFO
Russell J. Held, Deputy Executive Director, Development
Kevin Apt, Chief Engineer
Linda G. Ford, Director, Port Promotion
Elaine Smith, Director, Human Resources
David James, Director, Contracts and Real Estate
Heather Mantz, Director, Environmental Affairs
Carla Welsh, Program Manager-Port Promotion
Debra J. McNulty, Clerk to the Board

Guests:

Jeffrey R. Allen, Assistant Attorney General
Joseph A. Dorto, President and CEO, VIT
Joseph P. Ruddy, Chief Operating Officer, VIT
Regina Brayboy, Treasurer and Director of Financial Services, VIT
Douglas Smith, Kaufman & Canoles

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*.

I. APPROVAL OF MINUTES

Action: Upon motion made by Chairman Milliken, the minutes of the regular meetings, held September 22, 2009 and November 24, 2009, were unanimously approved.

II. REPORTS OF COMMITTEES

A. Executive Closed Session – Chairman Milliken

At 11:05 a.m., Chairman Milliken presented a motion, seconded by Mr. Quillen, to go into closed session in accordance with The Virginia Freedom of Information Act, §2.2-3711(A)(3), to discuss a potential lease between APMT and VPA, and in accordance with §2.2-3711(A)(1), the personnel exemption. The vote was unanimous.

Chairman Milliken explained that there would be no action taken after the closed session. Staff and guests were excused with the exception of VPA/VIT senior management, the Assistant Attorney General, and the Clerk.

The Board came out of closed session at 12:00 p.m. After reconvening the open session, the following resolution was read by Ms. Stearns and seconded by Mr. Quillen:

Whereas, the Virginia Port Authority Board of Commissioners had convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of The Virginia Freedom of Information Act; and Whereas, Section 2.2-3712 of the Code of Virginia requires a certification by the Board of Commissioners that such closed meeting was conducted in conformity with Virginia law;

Now, therefore be it resolved, that the Board hereby certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed meeting were heard, discussed or considered by the Board of Commissioners.

The resolution passed by a roll call vote of the VPA Board as follows:

Ayes: 11

Milliken, Stearns, Cumbie, Fleming, Friedberg, Ganeriwala, Goodwin, Jones, Macfarlane, Quillen, Wolf

Nays: 0

Absent During Vote: 3 - Fried, Ganeriwala, Stearns

Absent During Meeting: 1 - Fried

B. Nominating Committee – Mr. Friedberg, Committee Chair

Mr. Friedberg presented Resolution 10-1, approving the reappointment of G. Robert Aston, Jr. to serve an additional six-year term on the VIT Board of Directors. This action was carried over from the November 24, 2009 meeting as there was not a quorum of the board.

Action: Upon motion made by Mr. Friedberg, seconded by Ms. Stearns, the Board approved Resolution 10-1, reappointing G. Robert Aston, Jr. to a six-year term on the VIT Board of Directors, effective December 1, 2009 to November 30, 2015.

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

Mr. Oliver referred to the VPA/VIT Combined Financial Reports for the six months ended December 31, 2009, that were contained in the agenda books.

He reported the following highlights:

- Operating revenues were 2.48% under budget and 10% behind prior year.
- Terminal operating expenses were \$5.3 million under budget and \$10.9 million behind the prior year.
- Terminal maintenance expenses were \$6.1 million below budget and \$4.3 million below prior year. Mr. Oliver reported that maintenance expenses will increase for FY11 as VIT will be performing maintenance that had been deferred due to budget efficiencies.
- General and administrative expenses were \$2.8 million below budget and \$710,000 lower than prior year, primarily due to cost containment measures, and completion of the reorganization.
- Interest income and interest expenses were under budget and below prior year.
- Commonwealth Port Fund (CPF) allocation was \$1.2 million below budget and \$206,000 below prior year.
- The change in net assets (net income) was much lower than budgeted – (\$2.84M) vs. (\$10.4M).

Mr. Oliver announced that December was a very good month for VIT and he congratulated VIT for keeping operating expenses down through efficiencies at the terminals.

Mr. Oliver reviewed project funding as of December 31, 2009 for NIT that included NIT North Wharf Expansion, NIT Central Rail Yard, and NIT South Renovations-Phase II, Stage 2. He also reviewed project funding for all other terminals that included the median rail project, port security grants, Craney Island Marine Terminal Design work, and miscellaneous projects at all terminals. Mr. Oliver reviewed the funding sources of FY2010 projects.

Mr. Dorto predicted that it will take a couple of years for port volumes to be close to where they were before the economic crisis.

FY2011 Governor's Budget Presentation

Mr. Oliver reviewed projected and budgeted revenues for the Special Fund and Commonwealth Port Fund that includes revenues from the sale of 10 straddle carriers for \$4.3 million. It was noted that the numbers do not reflect projected impact from the pending APMT transaction.

Mr. Oliver continued with a review of VPA's budgeted operating expenditures. He announced that the budget was developed in September and that the numbers will reflect changes when the budget is presented to the VPA Board at the May 25, 2010 meeting.

Mr. Oliver reported that VPA plans to refinance the existing \$65 million Bond Anticipation Note (BAN) which will come due May 15, 2010. The issue will go before the VPA Board for approval at the March 23, 2010 meeting. He explained that the largest increase in the FY11 budget is for debt service for port facilities.

Mr. Oliver concluded his report with an overview of budgeted capital expenditures that contains no funding for FY11 for the Craney Preliminary Engineering and Design Work and Craney construction. Mr. Oliver explained that VPA has requested a budget amendment that allows the Authority to issue up to \$155 million in Commonwealth Port Fund bonds for the Craney Island levee work. He noted that the bond authorization is in the Governor's budget but is not authorized until 2012. VPA is requesting authorization for 2011, and will likely only issue \$60-\$65 million in bonds if authorization is received.

Mr. Keever announced that Secretary Connaughton is scheduled to make a presentation to the Senate Appropriations Committee tomorrow and that he and Mr. Bridges will be present.

D. Facilities Committee – Mr. Quillen, Committee Chair

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

- NIT South Backlands Reconstruction – Project is 2-1/2 years ahead of schedule. 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 end of January 2010.
- Commonwealth Railway Mainline Safety Relocation Project – The project is scheduled for completion by February 28, 2010.
- NIT Central Rail Yard-Phase 1 – Project complete since November 30, 2008.
- NIT Central Rail Yard-Phase 2 – Additional six tracks in Central NIT rail yard. Mr. Abt reported that VPA is waiting for American Recovery and Reinvestment Act (ARRA) Stimulus Funds for the second track. Project has Commonwealth Transportation Board approval. Resolution #10-2, for VPA Board approval, authorizes the contract with Branscome.

Mr. Abt reported that VPA is currently trying to work out an operating agreement with the Commonwealth Railway and the state. He explained that the warehouse next to the railroad tracks will be demolished to make way for Phase 2.

Mr. Abt presented Resolution 10-2, authorizing VPA to enter into a contract to construct the NIT Central Rail Yard, Phase 2, Facility.

Action: Upon motion made by Mr. Quillen, seconded by Mr. Cumbie, the Board approved Resolution 10-2, authorizing VPA to enter into a contract with Brancome to construct Phase 2 of the NIT Central Rail Yard.

E. Marketing Committee – Mr. Cumbie, Committee Chair

Mr. Held reported the following calendar year-to-date and fiscal year-to-date performance:

	<u>CY09</u>	<u>CY08</u>	<u>Change</u>	<u>FY10</u>	<u>FY09</u>	<u>Change</u>
TEUs	1,745,227	2,083,277	-16.2%	913,175	1,047,303	-12.8%
Ship Calls	1,758	1,933	-9.1%	906	967	-6.3%
Break-bulk	228,905	342,884	-33.2%	104,210	170,186	-38.8%
Total Rail	415,964	536,018	-22.4%	216,101	258,873	-16.5%
VIP	44,024	60,493	-27.2%	23,614	28,017	-15.7%

Mr. Held announced that VIT saw an increase in cargo for the first part of FY10 and that exports have outpaced imports significantly which has driven new business our way.

Mr. Held announced the following economic development projects:

- **Knight Transportation** – A Phoenix, Arizona-based truckload carrier that has selected a site in Portsmouth to expand their operation and provide drayage services for Hampton Roads.
- **Valeo** – One of the world’s leading automotive suppliers has leased 56,129 square-feet of warehouse/distribution space in Hampton in October.
- **Hermes Abrasives** – A leading manufacturer of quality coated abrasives for industry applications. Over the next 30 months, Hermes plans to add 30 positions and invest \$5 million to bolster operations at their Virginia Beach facility.

Mr. Cumbie announced that the Marketing Committee will meet on March 23, 2010, prior to the full board meeting.

Ms. Stearns inquired as to the Governor’s plans to expand the Governors Opportunity Fund and she encouraged VPA to, perhaps, be included as a source of incentives for attracting business to Virginia.

F. Security Committee – Mr. Fleming, Committee Chair

Mr. Merkle briefly reviewed Port Security Grants 6 and 7 that were awarded in March and August of 2007, respectively, and he noted that Round 6 had been completed and closed. He reported that VPA issued a “proceed to work” on the NIT wireless system under round 7, following successful implementation at PMT. Mr. Merkle said he did not foresee any issues with completing the 2007 projects within time or budgets and that projected completion is December 2010.

Mr. Merkle announced that, after a slow release of grant project funds by the Department of Homeland Security, VPA was recently awarded over \$7 million. The funds will be used for enhancing perimeter security, improving physical and cyber resiliency to either manmade or natural events, recapitalizing investment in MIRT equipment, and development of a user friendly model and simulation for port-wide realistic and challenging training. Mr. Merkle explained that VPA will be requesting a cost-share waiver for both the MIRT and modeling and simulation efforts as these are regional projects.

Mr. Merkle reported that TWIC (Phase II) was submitted under the ARRA grant program to pay for the upcoming federal regulations on use of PIN/Biometric at VPA’s gate complexes; bringing conditioned power or UPS to the gates.

Mr. Merkle advised that VPA is working to take advantage of using Urban Area Security Initiative (UASI) 2009 grant to fully fund MIRT operating expenses for the next three years.

IV. REPORT OF EXECUTIVE DIRECTOR

Mr. Bridges asked Mr. Keever to update the Board on the legislative initiatives for the 2010 General Assembly Session that VPA is tracking.

Mr. Keever reported that several bills introduced in the 2010 General Assembly call for requiring the approval of both the Governor and the General Assembly before any change in ownership of the Virginia ports is permitted – HB121 (Delegate Bob Purkey) and SB140 (Senator John Miller). Mr. Keever explained that SB605, introduced by Senator Richard Saslaw, would require

approval for any lease of over ten years. He advised that all of the bills would add another level of bureaucracy which the Secretary's office, as well as VPA, opposes.

Mr. Keever advised that the Assistant Secretary of Transportation would be providing information to the General Assembly tomorrow.

Mr. Keever mentioned that Senator Blevins' withdrew SB202, which would authorize the Marine Resources Commission to require nonrefundable application and permit fees for the use of state-owned bottomlands. He reported that Senator Purkey's committee report (Joint Subcommittee on Public-Private Partnerships Related to Seaports) is in draft form with release of the final document pending. Mr. Keever mentioned VPA's budget amendment, described earlier by Mr. Oliver, which is before the General Assembly.

Mr. Keever reported that there are also a few legislative proposals to increase international trade activity through the Port. He announced that Senator Purkey's "Port Day" will be held at the General Assembly on Thursday, February 18th and he expected a good turnout from the port community.

The Federal Budget is due out February 1 and it was Mr. Keever's hope that there would be significant funding for Craney Island.

Mr. Cumbie requested that the Board receive copies of the legislation.

Mr. Bridges announced that VPA was approached by the Navy requesting berthing assistance for the Haiti relief efforts. He advised that the Navy is overwhelmed by cargo being sent to Haiti, however, VPA had not been called upon, to date.

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 1:05 p.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, March 23, 2010, at 11:00 a.m.

The remaining 2010 meeting dates for the VPA Board of Commissioners is:

March 23

May 25

July 27 (Annual Meeting)

September 28

November 23

Respectfully submitted,

Debra J. McNulty
Clerk to the Board