

MINUTES
Virginia Port Authority Board of Commissioners - Session 330
March 23, 2010

Pursuant to call by Chairman Milliken, the Board of Commissioners held its regular meeting March 23, 2010, at 12:00 p.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
Marvin S. Friedberg	Thomas M. Wolf
Barbara J. Fried	Manju Ganeriwala, State Treasurer
Mark B. Goodwin	

Absent:

Joe B. Fleming

Staff:

Jerry A. Bridges, Executive Director
Rodney Oliver, Deputy Executive Director and CFO
Jeffrey 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
Ed Merkle, Director of Port Security and Emergency Operations
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
Jodie L. Asbell, Deputy 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
JoAnne Carter, Public Financial Management, Inc.
Mike Abbott, China Ocean Shipping (Group) Co. (COSCO)
Yvonne Brown (widow of Edward L. Brown, Sr.) and family members:
 Judy Brown
 Edward Brown, II
 Edward Brown, III
 Robin Hairston
Art Moyer, Virginia Maritime Association
Roger Geisinger, Hampton Roads Shipping Association (HRSA)
Members of VMA, HRSA and International Longshoremen's Association (ILA)

INTRODUCTIONS

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

PRESENTATION OF RESOLUTION

Chairman Milliken presented a resolution to Mrs. Yvonne Brown and family in memory of Edward Lee Brown, Sr., International Vice President of the International Longshoremen's Association (ILA), who passed away on February 5, 2010. Mrs. Brown was accompanied by her children and grandson. Chairman Milliken read the resolution and he added that Mr. Brown was a man of integrity and great vision who helped build the Port of Hampton Roads into what it is today. The Chairman mentioned that he remembered what the former VPA Executive Director, Bobby Bray, had said to him about Mr. Brown - that one of the strengths of this port is the vision of the man who leads the workforce.

I. APPROVAL OF MINUTES

Action: Upon motion made by Chairman Milliken, the minutes of the regular meeting, held January 26, 2010, were unanimously approved.

II. REPORTS OF COMMITTEES

A. Executive Closed Session – Chairman Milliken

At 12:10 p.m., Ms. Stearns presented a motion, seconded by Mr. Cumbie, 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 pursuant to §2.2-3711(A) (38) to discuss proprietary budget information of Virginia International Terminals, Inc. (VIT) gathered for or by the Virginia Port Authority pursuant to the provisions of Virginia Code §62.1-132.4. The vote was unanimous.

The Board came out of closed session at 1:20 p.m. (Mr. Cumbie had to leave at this time.) 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, Fried, Friedberg, Ganeriwala, Goodwin, Jones, Macfarlane, Quillen, Wolf

Nays: 0

Absent During Vote: 1 – Fleming

Absent During Meeting: 1 - Fleming

At this time, Chairman Milliken announced that the Investment and Administrative Committee met earlier to discuss the financial affairs of the Authority's Defined Benefit and Defined Contribution Plans for its employees.

Regarding the Defined Benefit Plan, the Committee reviewed the investment performance of the plan assets through December 31, 2009. For the fourth quarter of the calendar year 2009 the return on plan assets was 3.91% versus the benchmark of 3.75%. For the full calendar year of 2009 the return on plan assets was 23.94% versus the benchmark of 18.1%. The Authority had a total of \$5.4 million in plan assets as of March 17, 2010.

Regarding the Defined Contribution Plans, the Committee reviewed the investment performance of each of the participant options within the plans for the calendar year 2009. Eight (8) of the Authority's eleven (11) actively managed investment options outperformed their core benchmark. No firms were recommended for replacement. In addition to the performance review, the Committee approved a change to the deferred compensation plan to allow permanent part-time employees to make eligible contributions to the 457 plan as well as certain other minor administrative changes.

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

1. VPA/VIT Combined Financial Reports

Mr. Oliver referred to the VPA/VIT Combined Financial Reports for the eight months ended February 28, 2010, that were contained in the agenda books. (Mr. Cumbie left at this time.)

He reported the following highlights:

- Operating revenues year to date were 5.2% under budget and 6.6% behind prior year.
- Terminal operating expenses were \$7.6 million under budget and \$10.9 million behind the prior year.
- Terminal maintenance expenses were \$6.5 million below budget and \$3.2 million below prior year
- General and administrative expenses were \$3.7 million below budget and \$724,000 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. Interest expense was under budget primarily due to beneficial rates as a result of the BAN and MELP financings.

- Commonwealth Port Fund (CPF) allocation was \$2 million below budget and \$1.2 million below prior year. Mr. Oliver explained how the median rail project funding (\$9 million) would affect CPF transfers and net assets.
- Net assets (net income) for the year are in line with the budget.

Mr. Oliver briefly reviewed project funding as of February 28, 2010 at all terminals, and project funding for Craney Island Marine Terminal. He reviewed funding sources of FY2010 projects and explained that most of the capital projects are funded by federal grants.

2. Consideration of Resolution 10-3, Supplementing Resolution 97-5, as previously amended and restated, authorizing the issuance of the VPA Port Facilities Revenue Refunding Bonds (Series 2010) and related matters.

Mr. Oliver announced that the call date on the Bond Anticipation Note (BAN) is May 18, 2010 and he explained that a refinancing of the BAN for a long-term bond issuance was recommended because interest rates are good. He introduced Ms. JoAnne Carter, the Authority's bond financial advisor from Public Financial Management, Inc. who presented a Municipal Market Update for the \$68,295,000 Port Facilities Revenue Refunding Bonds, Series 2010 (non-AMT). Ms. Carter announced that market conditions for long-term debt are very viable at this time. She reviewed municipal bond interest rates which, as of March 17, 2010, were at 4.92% vs. 5.21% for the industry average.

Ms. Carter continued with a review of municipal bond yield curves, credit spreads, bond insurance update, and the municipal market volume. She advised that this type of issue would allow VPA to borrow without having investors pay the alternative minimum tax (AMT) which means about 1% less on the interest rate - another financial advantage to lock in long-term bonds now.

Ms. Carter explained that the last time VPA was in the long-term bond market was May 2007 and that VPA will save money on this issue as a result of our strong credit ratings. She advised that it would not be cost effective for VPA to purchase bond insurance for this note.

Ms. Carter reviewed the Port Facilities Revenue Refund Bonds, Series 2010, as follows:

- Estimated par amount of \$68,295,000 subject to change based on market conditions
- Senior lien bonds under Resolution 97-5
- Current refunding of the \$65,000,000 Subordinate Port Facilities Revenue BAN Series 2009 due May 18, 2010
- No new projects financed
- 30-year fixed rate bonds
- Level debt service

Ms. Carter reviewed the participants for the Series 2010 bonds and noted that Morgan Stanley is the Senior Managing Underwriter. She explained that on March 24 and 25, meetings will be held with the rating agencies, the ratings and Preliminary Official Statement are expected by April 7, negotiated pricing on April 13, settlement April 28, and maturity of the 2009 BAN on May 18.

At this time, Mr. Oliver reviewed key sections of Resolution 10-3 (the Series Resolution) and referred to the Bond Purchase Agreement, Preliminary Official Statement, and Engineers' Report, that were contained in the agenda materials.

Action: Upon motion by Mr. Goodwin, seconded by Ms. Ganeriwala, the Board approved Resolution 10-3, supplementing Resolution 97-5, as previously amended and restated, authorizing the issuance of the Virginia Port Authority's Port Facilities Revenue Refunding Bonds, Series 2010, and related matters.

(Mr. Jones and Ms. Fried left at this time.)

C. 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 9 Surcharge – Completion by June 2010
- NIT North Gate Relocation – Project funded by VDOT and is part of the Greenbrier Grade Separation. Expect completion by March 31, 2010
- Central Rail Yard-Phase 2 – After warehouse demolition, will add six additional tracks in Central NIT Rail Yard and slated for completion by February 2011.

Mr. Florin explained that he is awaiting federal stimulus funds for Phase 2 of the rail project at NIT and that he will be meeting with VDOT the end of April. He said the contractors are ready to proceed as soon as they receive the “green light”.

- Commonwealth Railway Mainline Safety Relocation Project – Relocate Commonwealth Railway Line to Route 164/I-664 Median Rail Corridor – 100% complete
- Craney Island Eastward Expansion – All permits are now in place and can start construction of expansion.

Mr. Florin announced that the permitting for Craney Island took about 18 months and he commended the work done by the Corps, Moffatt & Nichol, and VPA. He advised that, as the economy improves, VPA will need the Craney Island project to continue in order to gain capacity.

Mr. Florin presented a slide showing the Hampton Roads Sanitation Division (HRSD) property at NIT. He explained that VPA would be selling 1.757 acres at NIT to the HRSA for \$360,000 and that VPA would acquire .580 acres located at the HRSD Pinner's Point Treatment Plant at PMT from HRSD for \$120,000. Mr. Florin noted that VPA would receive \$250,000 from HRSD after both land transactions. He presented Resolution 10-5 for consideration by the Board.

Action: Upon motion made by Mr. Quillen, seconded by Mr. Wolf, the Board approved Resolution 10-5, authorizing acquisition and disposition of real property at the Army Base and former Pinner's Point Treatment Plant sites.

D. Marketing Committee – Mr. Cumbie, Committee Chair

Mr. Held presented Resolution 10-4, which authorizes a revision to the VPA Bylaws to change the name of the “Marketing Committee” to the “Marketing/Business Development Committee”. Ms. Stearns agreed that the new committee name would more aptly describe the activities under the Business Development division.

Action: Upon motion made by Ms. Stearns, seconded by Ms. Ganeriwala, the Board approved an amendment to Article XII. “Committees of the Board” of the Bylaws of the VPA, to reflect the name change of the Marketing Committee to Marketing/Business Development Committee.

Mr. Held reported the following 2010 fiscal year-to-date performance for July-February:

	<u>FY10</u>	<u>FY09</u>	<u>Change</u>
Total TEUs	1,217,228	1,318,655	-7.7
Total Rail	156,538	181,008	-13.5
VIP	16,475	19,046	-13.5
Ship Calls	1,174	1,242	-5.5

Mr. Held announced that 2010 volume performance for total TEUs showed significant growth during the months of January (+8%) and February (+16.3%). He reported that the MSC Tomoko, Mediterranean Shipping’s largest vessel, called NIT recently. Mr. Held explained that the vessel has 8,400 TEU-capacity (17 containers across) and is larger than a Nimitz class aircraft carrier at approximately 1,090 feet long.

Mr. Held announced the following recent economic development projects:

- California Cartage Company – Leased 33,000 SF in Chesapeake
- Medici 888 – Locally-based designer/importer of floor mats and decorative pillows for major retailers purchased 101,150 SF warehouse in Norfolk Industrial Park
- Sanderson Farms – Construction of a poultry complex in Kinston, NC, to begin construction this summer. Complex will employ 1,500 people at full capacity.
- Solaris/Mercury Paper - Investing \$21.2 million to expand its facility in the North Shenandoah Industrial Park in Strasburg and relocating its North American headquarters to the site, creating 150 new jobs.

E. Security Committee – Mr. Fleming, Committee Chair

Mr. Merkle announced that Port Security Grant 7, awarded in August of 2007, continues to move along on schedule. VPA recently issued the proceed to work for the NIT wireless system under Round 7, following successful implementation at PMT. He advised that this is the last major project for the improvements to the Police Department’s wireless system which is much needed due to the high failure rate of the ’03 system.

Mr. Merkle reported that TWIC implementation is completed pending the release of the final rule making with regard to use of biometrics. Pilot testing by the federal government is in progress.

Mr. Merkle announced that the Port has been awarded over \$7 million in the last 90 days and that the following projects were authorized in the Port Security Grant Round 8, our “no-cost share” waiver request for the MIRT and Modeling projects were submitted and are pending DHS approval:

- Security and Surveillance
- Preparedness and Recovery
- Maritime Incident Response Team
- Modeling and Simulation

Mr. Merkle reported that TWIC (Phase II) was submitted under the America Recovery and Reinvestment Act (ARRA) grant program. The police have focused on bringing conditioned power or UPS to the security gates. He advised that VIT is managing this grant and VPA is close to selecting a Disadvantaged Business Enterprise (DBE) firm to complete the work.

Mr. Merkle reported that his division is working to take advantage of using Urban Area Security Initiative (UASI) '09 grant to fully fund MIRT expenses for the next several years. Mr. Merkle explained that, aside from adding biometrics, there are no further projects planned beyond maintaining and enhancing existing infrastructure. Mr. Merkle demonstrated the enhancement of port police cameras with the latest technology upgrades.

Mr. Merkle advised that four new projects were submitted for approval under Security Grant Rounds 9 and 10 and he reviewed a list of those projects.

IV. REPORT OF EXECUTIVE DIRECTOR

In Mr. Keever's absence, Mr. Bridges provided an update on General Assembly activities that relate to the Port. He announced that none of the bills that would have adversely affected VPA passed through the session. Mr. Bridges explained that several proposals submitted by VPA were set aside until the next General Assembly session due to the economic downturn.

Mr. Bridges announced that, due to budget shortfalls, VPA's request for bonding authority was denied, however, Secretary Connaughton has advised that \$11 million will be authorized in 2011 and another \$11 million will be authorized in 2012, allowing the Craney Island Project to continue to move forward. (This will be handled through a technical correction during the Veto session in April.)

Mr. Bridges announced that VPA is sponsoring a Port Summit this Friday for the benefit of the new Secretary of Transportation to hear presentations on the Port and tour the facilities.

Mr. Macfarlane warned that there could be changes to the Budget Bill (HB30) during the veto session. Mr. Bridges advised that Mr. Keever actively monitors General Assembly actions for the Port and also works with the Virginia Maritime Association.

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 2:20 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, May 25, 2010, at 11:00 a.m.

Remaining 2010 meeting dates for the VPA Board of Commissioners are:

May 25

July 27 (Annual Meeting)

September 28

November 23

Respectfully submitted,

Debra J. McNulty
Clerk to the Board