

***MINUTES***  
***Virginia Port Authority Board of Commissioners - Session 331***  
***May 25, 2010***

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Pursuant to call by Chairman Milliken, the Board of Commissioners held its regular meeting May 25, 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  
Joe B. Fleming  
Marvin S. Friedberg  
Barbara J. Fried  
Mark B. Goodwin

Allen R. Jones  
J. Granger Macfarlane, II  
Michael J. Quillen  
Manju Ganeriwala, State Treasurer

Absent:

Deborah K. Stearns, Vice Chairwoman  
Stephen M. Cumbie  
Thomas M. Wolf

Staff:

Jerry A. Bridges, Executive Director  
J. J. Keever, Senior Deputy Executive Director, External Affairs  
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  
Jodie Love, Community Relations Coordinator  
Carla Welsh, Program Manager-Port Promotion  
Joe Harris, Media/Public Relations Manager  
Debra J. McNulty, Clerk to the Board

Guests:

David Tyeryar, Deputy Secretary of Transportation and CFO  
Jeffrey R. Allen, Assistant Attorney General  
The Honorable Dora Sullivan, Mayor, Town of Cape Charles  
Smitty Dize, Harbor Master, Cape Charles  
Heather Acros, Town Manager, Cape Charles  
Joseph A. Dorto, President and CEO, VIT  
Joseph P. Ruddy, Chief Operating Officer, VIT  
Andy Hecker, Moffat & Nichol Engineers  
Mark Marling, Williams Mullen  
Ronald Sforza, R. K. Johns & Associates, Inc.

## **INTRODUCTIONS**

Chairman Milliken introduced Mr. David Tyeryar who was recently appointed Deputy Secretary of Transportation and Chief Financial Officer. Mr. Tyeryar announced that he is responsible for all financial activities for the seven agencies that fall under the Secretariat of Transportation. Mr. Tyeryar mentioned that he has a finance and budget background having worked for Prince William County and Fairfax County as well as some public accounting experience.

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 meeting, held March 23, 2010, were unanimously approved.

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

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

Chairman Milliken appointed the following Commissioners to serve on the Nominating Committee for the selection of officers that will take place at the Board's annual meeting, scheduled for July 27<sup>th</sup>:

Mr. Marvin Friedberg – Chair

Mr. Allen Jones

Mr. Michael Quillen

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

1. Status Report on the \$69,455,000 Virginia Port Authority Port Facilities Revenue Refunding Bonds-Series 2010

Mr. Oliver reported that the sale of the bonds that were approved at the May board meeting took place on May 6, 2010, and that the all-in cost of capital was 4.75% for 30-years, non-AMT bond issuance. Mr. Oliver advised that VPA took advantage of a market-timing benefit and deferred the first five years of principal payments at a cost of two basis points with no change in the cost of the sale. He said the bonds were three times over-subscribed which meant there was a tremendous amount of interest that day and that one-third of the bonds sold at retail which resulted in a very attractive interest rate.

Ms. Ganeriwala questioned the cost of issuance and she noted that it was much higher than what the Treasury Department normally pays. Mr. Oliver did not know the total cost offhand and said he would obtain the information for the Treasurer after the meeting. Ms. Ganeriwala said she realized it was too close to the pricing date to question the issuance and she suggested that Mr.

Oliver consult with her staff on the next bond issue to look into cost efficiencies.

## 2. VPA/VIT Combined Financial Reports

Mr. Oliver presented the VPA/VIT Combined Financial Report for the ten months' ended April 30, 2010, and reviewed the following:

- Operating revenues year-to-date were 6.6% under budget (\$12 million) and 2.8% behind prior year.
- Operating expenses are about \$11 million below budget and VIT was credited for driving down costs during the economic crisis.
- Terminal maintenance expenses are about \$8 million below budget primarily due to cost containment measures, deferral of some maintenance projects, and eliminating overtime expenses at VIT.
- Administration expenses are \$5 million below budget due to the reorganization and reducing expenses.
- Non-operating income expenses were below budget due to beneficial rates as a result of the Bond Anticipation Note and MELP financings.
- Capital contributions and transfers include Commonwealth Port Fund (CPF) monies as well as federal and state sources. VPA received some federal and state funds for the median rail project which is nearing completion. The CPF allocation to VPA was down about \$2 million below budget but is showing some signs of improvement.

Mr. Oliver review project funding as of April 30, 2010, that reflected unobligated, obligated, and total expended funds for NIT, where the bulk of port projects are taking place. He also reviewed project funding for the remaining terminals, as well as for the Craney Island Marine Terminal that include the levee design, fuel line, road and rail connector, and interchange data/access modifications.

Mr. Oliver concluded with a review of funding sources for current FY2010 projects and FY2011 projects.

## 3. Consideration of Resolution 10-6, approving the VIT FY11 Budget for the year beginning July 1, 2010 and ending June 30, 2011

Mr. Goodwin announced that the VIT FY11 budget was discussed at length in the Finance/Planning Committee's closed session, held earlier. Mr. Dorto reviewed the following budget highlights:

- Budgeted revenue for VIT is projected to be \$217,918,000, up 9.8%, when compared to the current estimate of \$198,506,000 for the fiscal year ending June 30, 2010.
- Total projected container volume is 860,000 units plus 31,000 Inland Port rail containers.
- Combined breakbulk and container tonnage for the current fiscal year is estimated at 11,241,000 tons and is projected at 12,014,000 tons for next fiscal year. Container tonnage is projected to increase 784,000 tons or 7.1% in the fiscal year ending June 30, 2011. Breakbulk tonnage is projected to decrease 6.8% to 161,000 tons.
- Terminal labor costs, representing 28.3% of revenue, are expected to increase by 8.3% during the fiscal year ending June 30, 2011.

- Other operating expenses are budgeted to increase from \$31,322,000 for the current fiscal year to \$31,527,000 for the fiscal year ending June 30, 2011. The increase is due to increased insurance expenses.
- VIT has a hiring freeze on eight of the vacant staff positions included in the budget next year. Budgeted staff payroll expense for the fiscal year ending June 30, 2011, has been provided for 362 positions with average increases of 3.5%.
- Total maintenance expenses are budgeted to increase by 30.7% in the fiscal year ending June 30, 2011 as delayed maintenance and repairs are completed. However, these expenses are still projected to represent only 20.3% of revenue. Fuel prices are expected to be higher next year as the price for oil increases and VIT moves to 5% Ultralow Sulfur Bio-Diesel.
- Budgeted accounting and administrative expenses total \$25,086,000 for the fiscal year ending June 30, 2011. The 4.9% increase over the current fiscal year reflects an increase in contracted services for VIT.
- Budgeted net income of \$55,396,000 for the fiscal year ending June 30, 2011 represents a \$2,937,000 increase from projected net income of \$52,459,000 for the current fiscal year. Net cash flows from operations should provide enough cash to fund payments totaling \$55,000,000 to the VPA during the fiscal year ending June 30, 2011.

Mr. Dorto also referred to the salaries and benefits of the top three executives of VIT that were listed in the budget highlights.

Chairman Milliken announced that the budgets for VIT and VPA would be reformulated to take into account the APMT transaction, after it is approved, and that the revised budgets would be presented at the July 27<sup>th</sup> meeting.

**Action:** Upon motion by Mr. Goodwin, seconded by Mr. Friedberg, the Board approved Resolution 10-6, approving the VIT FY11 Budget for the year beginning July 1, 2010 and ending June 30, 2011.

4. Consideration of Resolution 10-7, approving the VPA FY11 Budget for the year beginning July 1, 2010 and ending June 30, 2011

Mr. Goodwin asked Mr. Oliver to provide an overview of the VPA FY11 budget that had been previously reviewed during the Finance/Planning Committee meeting.

Mr. Oliver reviewed actual and projected operating revenues (cash basis) and he referred to page 5 of the VPA FY11 budget that highlighted the cash basis budget. He reported that terminal revenues are expected to be \$59.5 million in FY2011 or 2.5% above the estimate for FY2010. Mr. Oliver noted that \$4.5 million of the FY2010 revenues are from the one-time cash receipt for the sale of 10 straddle carriers.

He reported that VIT's transfers are expected to be up approximately 5.6% as a result of the SOR (Schedule of Rates) increase of 1.2% and an expected increase in container traffic of approximately 6.3%. He advised that Commonwealth Port Fund allocations are expected to be flat.

Mr. Oliver advised that budgeted operating expenditures will not increase much from FY2010 to FY2011 other than an increase in debt service expenditures as a result of the recent bond issue. He reported that there are no new debt issuances planned for FY2011 for capital projects, however, the Authority is working with the Administration to move up a planned \$70 million CPF bond issue for Craney Island from FY2012 to FY2011. He reported that there are several federal and state grants expected for the Commonwealth Rail Relocation project, security improvements, the I-64 Express barge operation, and Craney Island related projects.

Staffing requirements are 146 positions for FY2011, consistent with FY2010 and 18 of those positions are currently unfilled and 6 are budgeted to be filled during the year.

**Action:** Upon motion by Mr. Goodwin, seconded by Mr. Friedberg, the Board approved Resolution 10-7, approving the VPA FY11 Budget for the year beginning July 1, 2010 and ending June 30, 2011.

5. Consideration of Resolution 10-8, awarding Aid to Local Ports Grants

Mr. Keever referred to the briefing paper that listed the localities and the list of grant requests amounting to \$1,897,829, from the Aid to Local Ports Grant Funds. The list of recommendations for FY2011 grants includes the Accomack-Northampton Transportation District Commission (ANTDC), Accomack, Towns of Cape Charles and Chincoteague, City of Norfolk, Port of Richmond, and Town of Saxis.

Mr. Keever reported that he met with Delegate Harvey Morgan and Delegate Linwood Lewis, (whose districts encompass many of the localities that normally make ALP grand fund requests) and most of the potential grant applicants on February 16, 2010, during the General Assembly session. He advised that, after a staff committee met to determine allocation of funds, the committee agreed to appropriate \$1,070,222 for distribution among all requestors with the exception of the Port of Richmond. Mr. Keever referred to the list of recommended grant allocations listed in the briefing materials.

At this time, Mr. Keever presented slides that featured each of the projects that were also described in the staff briefing paper. Resolution 10-8 was presented for consideration by the Board.

Chairman Milliken acknowledged guests in the audience who were in attendance from the Town of Cape Charles – the Mayor, Town Manager, and Harbor Master.

**Action:** Upon motion by Mr. Goodwin, seconded by Ms. Ganeriwala, the Board approved Resolution 10-8, awarding \$1,070,222 million in FY11 Aid to Local Ports Fund Grants and \$1,089,315 in carryovers from FY10 grants.

**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. He noted that a majority of the projects are taking place at the Authority's largest marine terminal - NIT:

- Area 9 – Involves complete renovation of pavement system at NIT South and will be completed within next 30 days. This was a seven-year project that is two years ahead of schedule and involves converting the area into a straddle-carrier operation.
- Central Rail Yard Phase II – Funded by an ARRA (America Recovery and Reinvestment Act) stimulus grant – Doubles capacity of rail yard at NIT
- Greenbrier Grade Separation – A VDOT project that involves depressing Hampton Boulevard beneath railroad tracks outside of NIT's North Gate. North Gate was relocated on Railroad Avenue so that the police building could be off-terminal for easier access.
- Construction of Sound Wall at entrance of NIT South – VPA worked with Lochhaven neighborhood on placement of wall to mitigate increased sounds of rail operations.
- Working closely with VIT on automation of gate operations that are similar to APMT – Implementing Optical Character Recognition (OCR) is being funded by security grant.
- Craney Island Eastward Expansion – Anticipating a Commonwealth Port Fund bond within the next biennium to initiate first construction contract for foundation for south and division cross dikes. All permits have been secured. Proposed Paradise Creek mitigation will provide 11 acres of wetlands.

**D. Marketing/Business Development Committee**

Mr. Held reported the following 2010 fiscal year-to-date performance for July-April and 2010 calendar year performance for January-April. He announced that the port saw significant growth in the first four months of the calendar year.

	<u>FY10</u>	<u>FY09</u>	<u>Change</u>
Total TEUs	1,531,609	1,599,465	-4.2
Total Rail Containers	196,837	218,547	-9.9
VIP Containers	22,317	23,301	-4.2
Ship Calls	1,442	1,512	-4.6
	<u>CY10</u>	<u>CY09</u>	<u>Change</u>
Total TEUs	618,443	552,163	+12.0
Export TEUs	326,658	295,774	+10.4
Import TEUs	291,775	256,389	+13.8
Total Rail Containers	76,781	74,729	+2.7
VIP Containers	9,198	7,736	+18.9

Mr. Held announced that the Virginia Inland Port reflected significant growth as a result of Solaris and Mercury Paper. He reported that preliminary approval was granted for the expansion of Foreign Trade Zone #20 which adds over 600 acres of potential development. Mr. Held advised that FTZ#20 moved over \$106 billion in goods in FY09. The expansion would make Virginia one of the top five trade zones in the country.

Mr. Held described the following recent economic development announcements:

- Polymer Group International – Expanding existing plant in Waynesboro, Virginia
- Griffin Pipe – Nearing completion of a 52,700 square-foot addition to its Lynchburg Plant
- Liebherr – Will hire 80 employees in manufacturing, engineering and sales for its Newport News facility
- Kenco Logistic Services – Expanding Chesterfield County Facility

**E. Security Committee – Mr. Fleming, Committee Chair**

Mr. Merkle reported that port security grant 7 was awarded in August of 2007 and continues to move along on schedule. VPA police recently issued the “proceed to work” for the NIT wireless system, following successful implementation at PMT. He advised this is the last major project for improvements to VPA’s wireless system which is very timely as the 2003 system is operating outside of design specifications and has a very high failure rate.

Mr. Merkle announced that VPA is up-to-date on TWIC implementation, pending the release of the final rule-making regarding use of the biometrics. The federal final rule is now over a year late with ongoing pilot testing still in progress.

Mr. Merkle reviewed grants that were recently awarded that amount to over \$7 million. He reported that the first four projects – Security and Surveillance, Preparedness and Recovery, Maritime Incident Response Team (MIRT) and Modeling and Simulation – 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 Department of Homeland Security (DHS) approval.

He reported that TWIC (Phase II) was submitted under the ARRA grant program and VPA has focused on bringing “conditioned” power or UPS to the security gates. VIT is managing this grant and VPA is close to selecting a Disadvantaged Business Enterprise (DBE) firm to complete the work. Mr. Merkle mentioned that he is also taking advantage of using an Urban Area Security Initiative (UASI) 2009 grant to fund the MIRT expenses for the next several years.

Mr. Merkle reported that VPA recently submitted four new projects for approval under the Port Security Grant Rounds 9 and 10 and he described each of those projects. VPA also submitted a grant application with the Hampton Roads UASI program to continue MIRT funding for FY12 and FY13.

Mr. Merkle provided a brief overview of what the port security focus is nationwide.

Mr. Dorto commended Mr. Merkle for the “outstanding job that he has done” in securing grants that have not only provided security measures but also for operating efficiency applications that have enabled our port to receive grants.

**IV. REPORT OF EXECUTIVE DIRECTOR**

**A. Executive Closed Session – Chairman Milliken**

At this time, 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 lease agreement between APMT and VPA. The vote was unanimous.

The Board came out of closed session at 3:15 p.m. After reconvening the open session, the following resolution was read by Mr. Milliken 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: 7 (Milliken, Fried, Friedberg, Ganeriwala, Goodwin, Macfarlane, Quillen)

Nays: 0

Absent During Vote: 5 (Cumbie, Fleming, Jones, Stearns, Wolf)

Absent During Meeting: 4 (Fleming, Cumbie, Stearns, Wolf)

**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 3:20 p.m.

**The Annual Meeting of the Board of Commissioners will be held in the Authority's Conference Room, 600 World Trade Center, Norfolk, on Tuesday, July 27, 2010, at 11:00 a.m.**

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

**July 27 (Annual Meeting)**

**September 28**

**November 23**

Respectfully submitted,

Debra J. McNulty  
Clerk to the Board