

MINUTES

ANNUAL MEETING - Board of Commissioners - Session 332

Virginia Port Authority

World Trade Center

Norfolk, Virginia

July 27, 2010 – 11:00 a.m.

Pursuant to call by Chairman Milliken, the Board of Commissioners held its annual meeting this date at 11:15 a.m., in the Authority's Conference Room A, World Trade Center, Norfolk, Virginia. The following attended:

Commissioners:

John G. Milliken, Chairman

Deborah K. Stearns, Vice Chairwoman

Stephen M. Cumbie

Barbara J. Fried

Marvin S. Friedberg

Allen R. Jones

J. Granger Macfarlane, II

Michael J. Quillen

Manju Ganeriwala, State Treasurer

Thomas M. Wolf

Absent:

Joe B. Fleming

Mark B. Goodwin

Staff:

Jerry A. Bridges, Executive Director

J. J. (Jeff) Keever, Senior Deputy Executive Director, External Affairs

Rodney W. 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

Norris (Ed) Merkle, Director, Security and Emergency Operations

Gregory Edwards, Director of External Affairs

David James, Director, Contracts and Real Estate

Heather Wood, Director, Environmental Affairs

Carla Welsh, Program Manager-Port Promotion

Joe Harris, Media/Public Relations Manager

Debra J. McNulty, Clerk to the Board

Jodie Asbell, Deputy Clerk to the Board

Terri Campbell, Executive Secretary

Stephanie Long, Accounts Payable and Contract Analyst

Roxanne Potts, Procurement Assistant

Elizabeth Saxby, Human Resources Manager

Kristen Cooney, Human Resources Coordinator

Erika Snow, Benefits Clerk

Guests:

David Tyerar, Deputy Secretary of Transportation and CFO
Jeffrey R. Allen, Assistant Attorney General
Mr. and Mrs. Oliver (parents of Rodney Oliver)
Samantha Martin, Governor’s Fellow (interning with State Treasurer)
Joseph A. Dorto, President and CEO, VIT
Joseph P. Ruddy, Chief Operating Officer, VIT
Regina Brayboy, Treasurer and Director of Financial Services, VIT

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. ELECTION OF OFFICERS

Report of the Nominating Committee and election of officers for the fiscal year July 1, 2010 through June 30, 2011.

Nominating Committee
Marvin S. Friedberg, Chair
Allen R. Jones, Jr.
Michael J. Quillen

Under the Bylaws (Article III, page 2) the Board elects a Chairman and a Vice Chairman and may elect from its membership or appoint from the staff a Secretary and Treasurer. The practice of the Board has been to elect its Chairman and Vice Chairman and to appoint from the staff its Treasurer, its Secretary/Clerk and its Assistant Secretary/Deputy Clerk.

Officers for the fiscal year ending **June 30, 2010** were:

Chairman	John G. Milliken
Vice Chairman	Deborah K. Stearns
Treasurer	Rodney W. Oliver
Secretary and Clerk	Debra J. McNulty
Assistant Secretary and Deputy Clerk	Jodie L. Asbell

Mr. Friedberg reported that the Nominating Committee met in open session at 9:40 a.m. and unanimously approved the reappointments of Chairman Milliken, Vice Chairwoman Stearns, Mr. Oliver, Mrs. McNulty, and Mrs. Asbell.

Action: Upon motion made by Mr. Friedberg, seconded by Mr. Jones, and adopted by affirmative vote (10-0) the Board closed the floor for nominations and elected the following officers for the fiscal year ending **June 30, 2011:**

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Chairman	-	John G. Milliken
Vice Chairman	-	Deborah K. Stearns
Treasurer	-	Rodney W. Oliver
Secretary and Clerk	-	Debra J. McNulty
Assistant Secretary and Deputy Clerk	-	Jodie L. Asbell

II. APPOINTMENTS TO STANDING COMMITTEES

Chairman Milliken invited Board members to contact him to request any changes to their committee assignments. The Chairman advised that he would appoint standing committee members at the September 28th board meeting, if there were any requests for changes.

Committee assignments to date are as follows:

Executive Committee

John G. Milliken, Chair
Deborah K. Stearns, Vice Chair
Stephen M. Cumbie
Joe B. Fleming
Mark B. Goodwin
Michael J. Quillen

Facilities Committee

Michael J. Quillen, Chair
Manju S. Ganeriwala, Vice Chair
Barbara J. Fried
Marvin S. Friedberg
Allen R. Jones, Jr.

Finance/Planning Committee

Mark B. Goodwin, Chair
Stephen M. Cumbie, Vice Chair
Marvin S. Friedberg
J. Granger Macfarlane
Manju S. Ganeriwala, State Treasurer

Marketing/Business Development Committee

Stephen M. Cumbie, Chair
Thomas M. Wolf, Vice Chair
Joe B. Fleming
Barbara J. Fried
Allen R. Jones, Jr.

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Security Committee

Joe B. Fleming, Chair
Michael J. Quillen, Vice Chair
Mark B. Goodwin
J. Granger Macfarlane
Thomas M. Wolf

NOTE: Under the Bylaws (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.

III. OTHER BUSINESS

There was no other business to report.

IV. ADJOURNMENT

There being no further business, the annual meeting adjourned at 11:20 a.m.

Respectfully submitted,

Debra J. McNulty
Clerk to the Board

MINUTES

Board of Commissioners - Session 333

Virginia Port Authority
600 World Trade Center
Norfolk, Virginia
July 27, 2010

Pursuant to call by Chairman Milliken, the Board of Commissioners held its regular meeting this date at 11:20 a.m., in the Authority's Conference Room A, 600 World Trade Center, Norfolk, Virginia.

The following attended:

Commissioners:

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

Absent:

Joe B. Fleming
Mark B. Goodwin

Staff:

Jerry A. Bridges, Executive Director
J. J. (Jeff) Keever, Senior Deputy Executive Director, External Affairs
Rodney W. 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
Norris (Ed) Merkle, Director, Security and Emergency Operations
Gregory Edwards, Director of External Affairs
David James, Director, Contracts and Real Estate
Heather Wood, Director, Environmental Affairs
Carla Welsh, Program Manager-Port Promotion
Joe Harris, Media/Public Relations Manager
Debra J. McNulty, Clerk to the Board
Jodie Asbell, Deputy Clerk to the Board

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Guests (continued):

David Tyerar, Deputy Secretary of Transportation and CFO

Jeffrey R. Allen, Assistant Attorney General

Samantha Martin, Governor's Fellow (interning with State Treasurer)

Joseph A. Dorto, President and CEO, VIT

Joseph P. Ruddy, Chief Operating Officer, VIT

Regina Brayboy, Treasurer and Director of Financial Services, VIT

I. APPROVAL OF MINUTES

Action: Upon motion made by Chairman Milliken, the minutes of the regular meeting held May 25, 2010 and minutes of the special meeting held June 24, 2010 were unanimously approved, as circulated.

II. REPORTS OF COMMITTEES

A. Executive Committee – Chairman Milliken

1. Presentation of W. Wright Harrison Award

Chairman Milliken announced that Rodney W. Oliver, the Authority's Deputy Executive Director and Chief Financial Officer, was selected as this year's recipient of the W. Wright Harrison Award. The Chairman spoke of Mr. Oliver's 11-year career with the Port Authority and of his numerous accomplishments as the head of the Finance, Human Resources, Contracts and Real Estate and Information Technology Departments, as well as serving as the ISO Management Representative. Mr. Oliver coordinated the Authority's efforts to achieve ISO 9001 Certification in 2008, handled significant financial challenges during the economic crisis, assisted in the planning and implementation of the 2009 reorganization, and coordinated numerous debt issuances. Most recently, Mr. Oliver was the point person in the Authority's efforts to bring the APMT transaction together. The Chairman, on behalf of the Board, announced that Mr. Oliver deserves this recognition.

Mr. Oliver gave credit to several of his staff members who were in attendance and he remarked that he could not have done everything himself without their help. Mr. Oliver said that when he first came to the Port he knew nothing about the business and that he is fascinated with learning every aspect of the industry.

2. Notification of VIT Board of Directorship expiring November 30, 2010.

Chairman Milliken announced that the term of VIT Director, William M. Grace, will expire November 30, 2010 and that Mr. Grace is eligible for reappointment to the VIT Board. Chairman Milliken explained that VIT's Articles of Incorporation allows a VIT Director to be reappointed if the appointment expires four years or less from the date of fulfilling an unexpired term. The Chairman advised that he will appoint a Nominating Committee at the September board meeting in order to recommend an appointment to the VIT Board in November.

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Mr. Grace represents the Newport News/Hampton seat on the VIT Board. The candidate filling this seat must have their principal place of business or residence within the jurisdiction of Newport News or Hampton.

EXECUTIVE CLOSED SESSION

At 11:35 a.m., Ms. Stearns presented a motion, seconded by Mr. Macfarlane, to go into closed session in accordance with The Virginia Freedom of Information Act, §2.2-3711(A)(1), the personnel exemption, and in accordance with §2.2-3711(A)(38), to discuss proprietary budget information gathered by or for the Virginia Port Authority, pursuant to §62.1-132.4, to review the following:

1. Review of Executive Director's FY2010 Accomplishments for the period July 1, 2009 through June 30, 2010
2. Further discussion of new Employment Agreement for Executive Director and review of goals and objectives for the FY2011 Compensation Plan.
3. Review of VIT's revised FY2011 budget that includes APM Terminals
4. Presentation of an analysis, prepared by KPMG Corporate Finance LLC, of the operating assets of the Virginia Port Authority in order to determine indicative values for those assets

The Board came out of closed session at 12:45 p.m. After reconvening the open session, the following resolution was read by Ms. Stearns and seconded by Mr. Cumbie:

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: 10 (Milliken, Stearns, Cumbie, Fried, Friedberg,
Ganeriwala, Jones, Macfarlane, Quillen, Wolf)

Nays: 0

Absent During Vote: 2 (Fleming, Goodwin)

Absent During Meeting: 2 (Fleming, Goodwin)

3. Consideration of Resolution 10-10, approving the Executive Director's Incentive Compensation for FY2010 Accomplishments for the period July 1, 2009-June 30, 2010

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Ms. Stearns reported out of closed session with regard to the Executive Director's incentive compensation for FY2010. She advised that the full Board reviewed the FY10 goals and accomplishments memorandum (referred to in Resolution 10-10). Ms. Stearns reported that a recommendation on the performance of the Executive Director was made in closed session and is represented in Resolution 10-10 and the accompanying memo.

Ms. Stearns announced that it was the consensus of the Board that the Executive Director had done an excellent job in FY10 and that one of the significant accomplishments, not identified in the beginning of the fiscal year, was the successful execution of the lease of APM Terminals, which had been factored into the Board's consideration.

For the record, Mr. Wolf announced that several of the Board members felt that Mr. Bridges merited a higher bonus but that the Executive Director graciously conceded, in light of economic times, to not request the full amount of incentive compensation. Mr. Wolf said that the recognition of Mr. Bridges' extraordinary efforts and achievements related to the APMT transaction were not fully captured today. Mr. Wolf noted that, in the future, the results of APMT will merit additional consideration with regard to incentive compensation.

Mr. Milliken stated that success comes from a lot of people doing a good job but also from effective, solid leadership that Mr. Bridges has shown this year, in particular, regarding the APMT transaction. Mr. Milliken announced that the APMT transaction was a true win/win for the Commonwealth and that the credit belongs to Jerry Bridges and his team. Mr. Milliken agreed with Mr. Wolf. He announced that this has been an extraordinarily good year for the Authority with Mr. Bridges' leadership.

Ms. Ganeriwala announced that she would abstain from voting.

Action: Upon motion made by Ms. Stearns, and seconded by Mr. Quillen, the Board (9-0) adopted Resolution 10-10, approving the Executive Director's incentive compensation in the amount of \$75,000, for FY10 accomplishments. Ms. Ganeriwala abstained from voting.

B. Finance/Planning Committee

1. Consideration of Resolution 10-11, approving the revised VIT FY11 Budget for the year beginning July 1, 2010 and ending June 30, 2011

Chairman Milliken announced that the revised VIT FY11 budget was discussed in closed session. It was reminded by Mr. Dorto that the Board approved VIT's FY11 budget at the May meeting which was prior to the closing of the APMT transaction. Mr. Dorto presented highlights of the revised FY11 VIT Budget factoring in the APM Terminal, as follows:

- Revised budgeted revenue for VIT is projected to be \$279,280,000, up 28.2% when compared to the original budget of \$217,918,000 for the fiscal year ending June 30, 2011.

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- Revised terminal labor costs represent 22.1% of revenue for the fiscal year ending June 30, 2011. This ratio of direct labor to revenue is 6.2 percentage points lower than the original projection for the fiscal year ending June 30, 2011, as a result of anticipated efficiencies available at the APMT-Virginia facility.
- Revised other operating expenses are budgeted to increase by \$16,331,000 from the original budget for the fiscal year ending June 30, 2011. The additional expense includes projected \$15,137,000 in contracted stevedoring service at the APMT-Virginia facility.
- The number of VIT staff positions has increased to 394 following the assimilation of the APMT-Virginia operation on July 6, 2010. The additional positions include 32 former staff employees of APM Terminals in Portsmouth.
- Revised total maintenance expenses are budgeted to increase by 11.2% over the original budget. The increases in maintenance expenses are expected following the increase in container volume with the addition of APMT.
- Revised accounting and administrative expenses are budgeted to increase by \$7,579,000 from the original FY11 budget. The 30.2% increase over the original budget is a result of APMT staff assimilation and increased contracted Information Technology support services.
- Revised budgeted net income of \$88,060,000 for FY11 represents an increase of \$32,664,000 from the original approved budget. Net cash flows from operations should provide sufficient cash to fund revised payments totaling \$87,200,000 to the VPA during FY11.

Mr. Dorto reported that FY11 looks to be a break-even year due to the transition with APMT. He explained that VIT will be operating both PMT and APMT at the same time because the transition from PMT to APMT is expected to take about six to nine months. Mr. Dorto reported there are two additional cranes on delivery from China to APMT and they will not arrive until January with full operation scheduled by April 2011. In the first few weeks of the transition, Mr. Dorto announced that APMT had a record-breaking week with 7,000 containers being handled and a Maersk vessel that worked 46 containers per hour. Mr. Dorto explained that it is a “new world” for VIT because APMT’s operations are driven by state-of-the-art technology. VIT is also integrating outside stevedores into APMT’s operations and he reported that is going well. Mr. Dorto anticipated increased volumes at APMT in the months ahead. He also spoke very highly of the APMT employees that are now under VIT employ.

In answer to Mr. Tyerar’s question about lease payments, Mr. Oliver explained that the first transition rent payment will start September 1st and that the transition rent will continue until after the cranes are shipped and in operation.

Ms. Stearns announced that Mr. Dorto could not be present at the VPA Board’s special meeting that was held on June 24th, at which time the Board approved the APMT transaction. Ms. Stearns wanted Mr. Dorto to be recognized for his role, along with Mr. Bridges, in bringing the APMT lease to fruition. Mr. Dorto said there were a lot of good people working on the deal and that he was “glad to have lived long enough to see it happen”.

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Action: Upon motion made by Mr. Friedberg, and seconded by Ms. Stearns, the Board (10-0) adopted Resolution 10-11, approving the revised VIT FY11 Budget for the year beginning July 1, 2010 and ending June 30, 2011.

2. Consideration of Resolution 10-12, approving the revised VPA FY11 Budget for the year beginning July 1, 2010 and ending June 30, 2011

Mr. Oliver compared actual and projected revenues (cash basis) for the FY11 revised VPA Budget with the original FY11 budget that was approved by the Board in May. The revised budget incorporates APM Terminals. Mr. Oliver reported that the Special Fund (terminal revenues) is projected to increase \$33.5 million (35.9%) which is the additional net revenue that VIT estimates it will transfer to VPA during FY2011. There is no change to the Commonwealth Port Fund.

Mr. Oliver reported that with the inclusion of APMT on the books, several operating expense line items were revised. General Management and Direction, which includes rent payments to APMT, is expected to increase 85.6%, and Security Services are expected to increase by 5.4%. Mr. Oliver reported that VPA has a \$33 million appropriation from the Commonwealth through an administrative adjustment which was required in the negotiations in order to show APMT that VPA could make rent payments in the first year.

Mr. Oliver reviewed staffing, reserves, and debt service coverage. There are no increases in staffing, however, the current expense reserve is scheduled to go up substantially because of the APMT lease payments and coverage ratios are also expected to increase. Overall, Mr. Oliver advised that the transaction will result in an \$800,000 positive impact on cash flow.

Mr. Oliver presented the original budget estimates compared to the revised budget for 2011. He advised that Mr. Dorto had covered a lot of the same revisions in his budget highlights. Operating revenues and gross revenues are expected to increase substantially because of the assumption of Maersk and Evergreen contracts. Operations, maintenance, administration, and depreciation are areas that have also been revised for budgeted increases.

Mr. Tyerar requested an email of Mr. Oliver's presentation.

Action: Upon motion made by Ms. Stearns, and seconded by Mr. Cumbie, the Board (10-0) adopted Resolution 10-12, approving the revised VPA FY11 Budget for the year beginning July 1, 2010 and ending June 30, 2011.

3. VPA/VIT Combined Financial Reports – Mr. Oliver

Mr. Oliver presented the VPA/VIT financial highlights for the 11 months ended May 31, 2010. He commented on VIT's cost-containment efforts at the terminals which have kept down operating and maintenance/administrative expenses. Operating revenues year to date were 6.9% under budget and 1.1% behind prior year. Mr. Oliver reported that May volume was ahead of prior year 16.5% and that a steady recovery is expected.

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Mr. Oliver reported on non-operating revenue and expenses which were all under budget primarily due to lower rates and lower construction fund and debt service reserve balances on hand. Interest expense was under budget primarily due to beneficial rates as a result of the BAN and MELP financings.

C. Facilities Committee

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

- NIT South Backlands Reconstruction – Area 9 Surcharge - Project completed by July 31, 2010 - Project started in 2003 and is two years ahead of schedule.
- Central Rail Yard Phase 2 – Additional six tracks in Central NIT Rail Yard – Project completion by March 30, 2011 (funded with AARA stimulus funds)
- NIT Rail Sound Wall – Between NIT Terminal Boulevard entrance and main rail yard – Project completion by October 2, 2010
- Median Rail Project – 2nd Track – Will allow trains to efficiently enter and exit APMT – Awaiting Federal stimulus funding. Original project completed in December 2009. The second phase a going through the final approval process between VDOT and Federal Highways and should get approval in August. A resolution will be presented for approval by the Board at the September 28, 2010 Board meeting.

D. Marketing Committee

Mr. Held reviewed 2010 Complete Fiscal Year Performance – July-June 30 - as follows:

	<u>FY10</u>	<u>FY09</u>	<u>% Change</u>
Total TEUs	1,848,940	1,879,355	-1.6
Total Rail Containers	236,606	254,848	-7.2
VIP Containers	28,203	26,899	4.8
Ship Calls	1,844	1,819	1.4

2010 Calendar Year – January-June:

	<u>CY10</u>	<u>CY09</u>	<u>% Change</u>
Total TEUs	935,764	832,052	+12.5
Export TEUs	497,058	445,610	+11.5
Import TEUs	438,706	386,442	+13.5
Total Rail Containers	116,550	110,030	+5.0
VIP Containers	15,084	11,334	+33.1

Mr. Held reported that VIP rail was up 78% for the month of June driven by Red Bull, Home Depot, Family Dollar and Mercury Paper (new business). He added that break-bulk for June was up 105% and that the port is seeing rubber and Nissan car shipments coming back. Mr. Held reported that trucking has suffered nationwide over the last few years and VPA has been involved with several programs to help truckers.

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Mr. Held reviewed recent economic development announcements:

- Southern Cal Transport/Chesapeake – Transportation and logistics provider
Mr. Held reported that the trucking industry has suffered nationwide over the last few years and he explained how VPA is involved with several programs to help truckers such as recruiting trucking companies and drivers to the industry and support driver training.
- Icelandic Brand Seafood/Newport News – Frozen seafood supplier expanding its operation in Oakland Industrial Park. VPA has been highlighting reefer capacity at NIT and APMT.
- Swedish Match/Hampton – Smoke-free tobacco products – 30,000 square-foot distribution center at Enterchange in Hampton (from New Jersey). Creates 30 new jobs and over \$1 million in capital investment for Virginia
- Avon – Will build a distribution center in Zanesville, Ohio to handle 50% of Avon’s U.S. distribution. Expects to employ 500 people by mid-2010. This business will benefit from the Norfolk Southern’s Heartland Corridor which opens in October.

E. Security Committee

Mr. Merkle reported that the VPA assumed security related responsibilities and functions from APMT parent organization that required several key legal transfers and approval. VPA police are currently developing a shared best practices list and will look for opportunities over the next 12-18 months to better meet security needs in the areas of better credentialing enrollment for port workers and security awareness training for employees.

Mr. Merkle presented a list of new grant projects that are now underway after a very slow release of grant project funds by the Department of Homeland Security (DHS). He advised that these efforts cover a large area from prevention, detection, response and recovery – the four cornerstones of operational security.

Mr. Merkle also presented two grant projects awaiting approval by DHS which have cleared the local and state review process and involves port security training and funding for the Maritime Incident Response Team (MIRT). Port Security Training is an effort to shift from a personnel-managed process to a web-based program and the MIRT funding is for operations in the out-years of 2012 and 2013.

Mr. Jones commended Mr. Merkle for the work that his department has done and he asked what is being done about cyberspace technology. Mr. Merkle explained how VPA and VIT are working with FBI information technology professionals.

IV. REPORT OF EXECUTIVE DIRECTOR

There was no report by the Executive Director.

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 1:25 p.m.

The next meeting of the Board of Commissioners is scheduled to be held on Tuesday, September 28, 2010, in the Authority's Conference Room, 600 World Trade Center, Norfolk.

Respectfully submitted,

Debra J. McNulty
Clerk to the Board