

***MINUTES***  
***Virginia Port Authority Board of Commissioners - Session 334***  
***September 28, 2010***

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Pursuant to call by Vice Chairwoman Deborah Stearns, the Board of Commissioners held its regular meeting September 28, 2010, at 12:05 p.m., in the VPA Conference Room, 600 World Trade Center, Norfolk, Virginia. The following attended:

Commissioners:

Deborah K. Stearns, Vice Chairwoman  
Joe B. Fleming  
Barbara J. Fried  
Marvin S. Friedberg  
Mark B. Goodwin  
Allen R. Jones  
J. Granger Macfarlane, II  
Thomas M. Wolf  
Manju Ganeriwala, State Treasurer

Absent:

John G. Milliken, Chairman  
Stephen M. Cumbie  
Michael J. Quillen

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  
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  
Lloyd Richardson (VPA Bond Counsel), Williams-Mullen  
Sarah Greer (Financial Advisor), Public Financial Management, Inc.  
Joseph A. Dorto, President and CEO, VIT

## INTRODUCTIONS

Ms. Linda Ford introduced guests in attendance. Ms. Carolyn Shapiro with *The Virginian-Pilot* was the only member of the media present. Vice Chair Stearns announced that Chairman Milliken was unable to attend today's meeting due to a business commitment and she remarked that he has been absent only once since her term on the Board.

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

**Action:** Upon motion made by Vice Chairwoman Stearns, the minutes of the annual and regular meetings, held July 27, 2010, were unanimously approved. To accommodate the State Treasurer's schedule, the closed session was moved up on the agenda.

### **EXECUTIVE CLOSED SESSION**

At 11:40 a.m., at the request of Vice Chairwoman Stearns, Mr. Goodwin presented a motion, seconded by Mr. Friedberg, to go into closed session to hear a report on the negotiations between VPA and the Port of Richmond by Mr. Jeff Keever (Deputy Executive Director, External Affairs), in accordance with the Virginia Freedom of Information Act, §2.2-3711(A)(3),... "Discussion or consideration of the acquisition of real property for a public purpose, or of the disposition of publicly held real property, where discussion in an open meeting would adversely affect the bargaining position or negotiating strategy of the public body".

The Board came out of closed session at 12:05 p.m. After reconvening the open session, the following resolution was read by Mr. Goodwin and seconded by Mr. Jones:

*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 (Stearns, Cumbie, Fleming, Fried, Friedberg,  
Ganeriwala, Goodwin, Jones, Macfarlane, Wolf)

Nays: 0

Absent During Vote: 3 (Cumbie, Milliken, Quillen)

Absent During Meeting: 3 (Cumbie, Milliken, Quillen)

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

#### **A. Executive Committee – Ms. Stearns, Vice Chairwoman**

1. Report from Investment and Administrative Committee and consideration of Eighth Amendment to VPA Defined Benefit Pension Plan and Trust, to permit the Authority to purchase additional pension service in accordance with the Severance Policy adopted by management, in lieu of paying severance for retirement eligible employees.

Ms. Stearns reported that the Investment and Administrative Committee met this morning 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 July 1, 2010 actuarial report with the plan's actuary, Aon Consulting. This report is issued annually, and is undertaken to disclose the actuarial liabilities of the plan, to compare the liabilities to plan assets and to develop the recommended rates at which VPA makes contributions to the plan. The recommended contribution rates for 2010-2011 are up from the prior year due to low investment performance in 2008 and 2009. The recommended VPA contribution is approximately \$1.1 million for the 2010-2011 year, as compared to \$923,000 for the prior year. The actuarial report also provides a development of pension plan information to be included in VPA's financial statements, as well as a reconciliation of the group of plan participants and plan assets over the year.

The Committee also reviewed the investment performance of the plan assets through June 30, 2010. Fiscal year 2010 return on plan assets was 12.55% versus the benchmark of 12.49%. The Authority had a total of \$5.2 million in plan assets as of June 30, 2010.

Regarding the Defined Contribution Plans, the Committee reviewed the investment performance of each of the participant options within the plans. No changes in investment options were recommended. The Committee approved an amendment that will allow the withdrawal of rollover contributions from the Authority's 457 plan.

Finally, the Committee reviewed, and is recommending board approval of, a Defined Benefit Pension Plan amendment to allow terminated retirement-eligible employees receiving a severance to use those severance payments to purchase additional service time. Ms. Stearns announced that this is consistent with the Commonwealth's severance policy and defined benefit pension plan. Mr. Goodwin advised that this topic was discussed at length by the Committee and he remarked that it makes sense for VPA to be consistent with Virginia's policy.

At this time, Ms. Stearns presented the Eighth Amendment to VPA Defined Benefit Pension Plan and Trust that would permit the Authority to purchase additional pension service in accordance with the Severance Policy adopted by management.

**Action:** Upon motion by Mr. Goodwin, seconded by Mr. Jones, the Board approved the Eight Amendment to the Defined Benefit Pension Plan and Trust.

In answer to Mr. Tyerar's question, Mr. Oliver advised that, at June 30, 2010, about 60% of the defined benefit pension plan was funded and that figure rose to about 68% as of last week.

2. Standing Committee Assignments

Ms. Stearns reported that Chairman Milliken received no requests from Board members for changes to Standing Committees assignments and she advised that the Commissioners were welcome to suggest changes at any time during the fiscal year.

3. Appointment of Nominating Committee for consideration of an appointment/reappointment to the VIT Board of Directors

Ms. Stearns announced appointments to a Nominating Committee and she advised that the Committee will meet at the November 23<sup>rd</sup> meeting in order to determine a reappointment/appointment to the VIT Board of Directors. The Nominating Committee is as follows:

Allen Jones – Chair  
Marvin Friedberg  
Joe B. Fleming

*Note: The term of William M. Grace expires November 30, 2010. Mr. Grace was appointed to an unexpired term effective May 24, 2007. He is one of the Newport News/Hampton representatives on the VIT Board of Directors and is eligible for a six-year reappointment. According to the VIT Articles of Incorporation, a director is eligible for reappointment when their term expires four years or less from the date of appointment. The appointee's principal place of business or residence must be within the jurisdiction of Newport News or Hampton.*

4. Approval of the Executive Director's Goals and Objectives for the FY11 Compensation Plan.

Ms. Stearns announced that the Compensation Committee met earlier and, together with Deputy Secretary Tyeryar, reviewed and made several changes to a draft of the Executive Director's FY11 goals and objectives. She explained that this information will be included in Mr. Bridges' FY11 Compensation Plan that will be presented to the Board at a later meeting. It was reminded by Ms. Stearns that the Board approved Mr. Bridges' incentive compensation at the July meeting based on the goals and objectives he achieved in FY10.

Ms. Stearns presented the FY11 goals that were distributed to the Board members and asked Mr. Bridges to review them. Mr. Bridges explained that there were five goals with sub-goals under each that represent a "stretch" for the organization and that the goals involve every aspect of the organization. Mr. Bridges announced that there is some crossover between VPA's goals and some of the goals that are being pursued by VIT. There were no questions from the Board.

Mr. Goodwin noted one minor correction to the goals and objectives. (Goal #3- Combine both sentences involving the Heartland Corridor as one goal.)

**Action:** Upon motion by Mr. Goodwin, seconded by Ms. Ganeriwala, the Board approved the Executive Director's FY11 Goals and Objectives, noting Mr. Goodwin's correction, for inclusion in the FY11 Compensation Plan.

*Note: The Executive Director's Employment Agreement for the period February 6, 2011 through February 5, 2016 and FY11 Compensation Plan will be discussed at a subsequent meeting.*

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

1. VPA/VIT Combined Financial Reports

Mr. Oliver presented the VPA/VIT Combined Financial Report for the two months' ended August 31, 2010, and reviewed the following:

- Operating revenues, fiscal year-to-date, were \$4.1 million ahead of budget which reflected an increase in container volumes over and above what was expected (12.4% increase versus 6%-8%).
- Operating expenses were up \$2.4 million over budget, also due to container increases.

Mr. Oliver announced that there are still some transition expenses occurring with the shifting of cargo from PMT to APMT which, he said, is progressing very well.

- Terminal maintenance expenses were \$1.8 million below budget as a result of VIT's efforts to streamline costs on the maintenance side.
- Administration expenses were \$2.5 million below budget.
- Depreciation expenses were on track.
- Non-operating income expenses (interest expense/net of interest income) was well ahead of budget.
- The Commonwealth Port Fund (CPF) allocation is 5.7% below budget and is showing signs of improvement. The budgeted number includes the revised CPF estimate provided by VDOT in June 2010.
- Net Assets were up - close to \$7 million.

Mr. Oliver reviewed project funding as of August 31, 2010, that reflected unobligated, obligated, and total expended funds for NIT, where the majority of port projects have taken place or are close to completion. He presented a graph of project funding for the remaining terminals, as well as for the Craney Island Marine Terminal that includes the levee design, fuel line, road and rail connector, and interchange data/access modifications.

Mr. Oliver noted that the majority of unobligated funds represent capital outlay projects, such as pay-as-you-go projects, that were not started because cash flow in 2008-2009 was down. He confirmed that there are no unobligated monies that are not accounted for.

Mr. Oliver presented the funding sources of FY2011 future projects and explained that the largest portion of funding is \$71.3 of debt issuance for a short-term Treasury loan that will lead to a Commonwealth Port Fund (CPF) loan for Craney Island construction which is described in Resolution 10-13.

2. Consideration of Resolution 10-13, authorizing an interim loan from the Virginia Department of Treasury, not to exceed \$70M, that includes permission to issue Commonwealth Port Fund Revenue Bonds to refund the Treasury Loan.

Mr. Goodwin reported that Resolution 10-13 was the subject of a special meeting of the Finance/Planning Committee that met earlier to discuss the need for an interim Treasury loan for Craney Island construction. Mr. Goodwin advised that the Committee approved the recommendation for the interim loan after receiving input from the State Treasurer Ganeriwala and from Board members. Mr. Oliver advised that the timing of this request is important for the majority of work that needs to be done at Craney Island.

Mr. Florin explained that the next phase of Craney Island involves the foundation for the cross-dikes and that this type of work is constrained by the Department of Environmental Quality (DEQ) requirement that work commence between December 1 and April 1, due to dredging restrictions in the channel. Mr. Florin advised that the interim loan is important in order to take advantage of a good bid situation and to allow more time for construction.

**Action:** Upon motion by Mr. Goodwin, seconded by Mr. Wolf, the Board approved Resolution 10-13, approving an interim loan from the Virginia Department of Treasury.

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

Mr. Florin presented a slide showing the location of CIDMMA (Craney Island Dredged Material Management Area) and the surrounding marine terminals – APM, PMT, NIT and NNMT. He explained that PMT will be converted to a break-bulk operation as a result of the APMT lease. Mr. Florin explained that Craney Island is a dual-purpose project - to extend the life of Craney as a dredge management area and to prepare the area for a future marine terminal, when capacity is needed.

Mr. Florin presented graphs showing the construction sequence and reviewed the time scale for the dike construction that will eventually lead to build-out of the Craney Island Marine Terminal (CIMT). Mr. Florin explained each of the projects associated with the following resolutions. He advised that the resolutions are needed now in order to start construction and to take advantage of a good bid market.

1. Consideration of Resolution 10-14, authorizing the VPA to enter into a contract to construct the Craney Island Eastward Expansion – South and Division Cross Dikes Stage 1.

**Action:** Upon motion by Mr. Friedberg, seconded by Ms. Ganeriwala, the Board approved Resolution 10-14, authorizing the Executive Director to contract with Great Lakes Dredge & Dock Company, LLC, at a cost of \$26,322,296, contingent upon the Commonwealth's approval of a Treasury Loan, to construct the Craney Island Eastward Expansion – South and Division Cross Dikes Stage 1.

2. Consideration of Resolution 10-15, authorizing the VPA to enter into a contract to construct the Craney Island Eastward Expansion – Paradise Creek Wetland Mitigation.

**Action:** Upon motion by Mr. Jones, seconded by Ms. Ganeriwala, the Board approved Resolution 10-15, authorizing the Executive Director to contract with C. T. Purcell Excavating, Inc., at a cost of \$4,568,942, contingent upon the Commonwealth's approval of a Treasury Loan, to construct the Craney Island Eastward Expansion-Paradise Creek Wetlands Mitigation.

3. Consideration of Resolution 10-16, authorizing VPA to serve as the Project Administrator to construct the additional rail line in the median of State Route 164.

Mr. Florin explained that the additional rail line will provide a second connection into the APM Terminal and improves capacity for increased rail operations. He reported that Federal stimulus funds were used for the project and it was approved by the Commonwealth Transportation Board

several weeks ago. Ms. Stearns asked Mr. Florin on the status of negotiations for the operation on the initial track. Mr. Florin reported that negotiations are going well but taking longer than anticipated. Mr. Florin reported that all of the major parties are agreeable and that, once a lease is signed, it will take 45 days for approval by the Surface Transportation Board. He guessed that the rail line would be in operation by the end of the year.

Mr. Florin noted that ARRA (American Reinvestment and Recovery Act) funds have been allocated by FHWA and VDOT for the second track.

**Action:** Upon motion by Mr. Wolf, seconded by Ms. Ganeriwala, the Board approved Resolution 10-16, authorizing VPA to administer the construction of the Additional Rail Line in the median of State Route 164 and authorizes the Executive Director to contract with Commonwealth Railway at a cost, not to exceed, \$9 million.

Mr. Florin also described the Central Rail Yard Phase 2 project that will provide an additional six tracks at the NIT Central Rail Yard and is scheduled for completion by March 2011. He reported that the straddle-carrier parking lot for NIT South is scheduled for completion by December 2010. Mr. Florin explained that the straddle-carrier racks will provide a safe way for drivers to enter/exit the vehicles.

Mr. Dorto complimented the VPA Engineering Department for completing and turning over the NIT South area to VIT two years earlier than scheduled. He explained that VIT was able to reduce container stacks from three-high to two-high which improves vessel productivity and savings on labor.

**D. Marketing/Business Development Committee**

Mr. Held announced that tonnage increased by 12.2% for calendar year-to-date (January-August) with solid growth in both imports and exports.

	<u>CY10</u>	<u>CY09</u>	<u>Change</u>
Total TEUs	1,264,831	1,125,228	+12.4
Exports	670,841	600,916	+11.6
Imports	593,990	524,311	+13.3
Total Rail Containers	164,059	151,787	+8.1
VIP Containers	20,364	15,732	+29.4
Ship Calls	1,253	1,156	+8.4
Break-bulk Tonnage	164,945	158,804	+3.9

Mr. Held reported the following growth in August 2010 versus August 2009:

	<u>Aug10</u>	<u>Aug09</u>	<u>Change</u>
Total TEUs	175,123	151,005	+16.0
Exports	92,616	80,523	+15.0
Imports	82,506	70,482	+17.1
Total Rail Containers	24,879	20,970	+18.6
VIP Containers	2,914	2,343	+24.4
Ship Calls	164	155	+5.8
Break-bulk Tonnage	23,353	14,569	+60.3

Mr. Held announced that the first double-stack train to travel on Norfolk Southern's new Heartland Corridor route departed September 8<sup>th</sup>. The new route shaves 230 miles off the original route and connects Norfolk with Roanoke, Prichard, Columbus, and Chicago.

He announced that on October 1, Archer Daniels Midland (ADM) will open a new transload facility near the Rickenbacker Logistics Park, 18 miles from Columbus, OH. The facility will be operated by Container Port Group.

Mr. Held reported the following ship line and barge announcements:

- Wallenius Wilhelmsen Logistics (WWL), an auto handler at NNMT, has extended their contract with VIT for seven years. They handle roll-on/roll-off cargo including autos and other break-bulk.
- On August 25<sup>th</sup>, the CMA-CGM Figaro became the largest containership to ever call The Port of Virginia. It has an 8,500 TEU capacity and is the length of a Nimitz-class aircraft carrier.
- All the MSC and CMA-CGM ship line services that previously called at PMT are now calling APMT. With the increase in container volumes, APMT's highly-automated cranes will perform closer to their optimal efficiency level.
- The 64 Express weekly barge service between The Port of Virginia and Richmond made its 100<sup>th</sup> sailing in August.
- Columbia Coastal has started a 13-week trial barge service between The Port of Virginia and Philadelphia.

Economic Development Announcements:

- Becton, Dickinson and Company (BD) manufacturers and sells medical devices, instrument systems and reagents. The company will invest \$38.4 million to build a warehouse and East Coast distribution center in Johnston County, NC and will hire 187 workers.
- Kimball Hospitality, an Indiana-based manufacturer of furniture for hotels, institutions, and offices, will open a plant in Henry County this fall that will create 67 jobs. Investment of \$1 million with \$205,000 from the Tobacco Region Opportunity Funds.
- Caterpillar is the world's largest maker of earth-moving equipment and will build a \$426 million manufacturing plant in Winston-Salem and create more than 500 jobs over the next five years. The 850,000-square-foot facility will assemble, test, and paint axles for large mining machines.
- The Tile Shop, a provider of natural stone, ceramic and porcelain tiles, will invest \$1.1 million to open a warehouse distribution operation in Henry County, with 25 new jobs. The Tile Shop received \$80,000 in Tobacco Region Opportunity Funds.
- Total Transportation Solutions, Inc. (TTSI) is a full-service 3PL offering warehousing a trucking and is expanding their 28,000 square-foot facility in Chesapeake and has leased 140,000 square-feet on Diamond Hill Road from First Potomac Realty.
- Windspeed Logistics – This is the third expansion in Chesapeake to 100,000 square-feet.
- MM Rotors leased 17,000 square-feet at West Park Lane in Hampton to handle after-market auto parts.

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

Mr. Merkle presented the list of new grant projects that are now underway which amount to \$7.4 million in federal funds. Total cost for all five projects is \$9.4 million. He reported that the release of grant project funds from Department of Homeland Security has been very slow.

Mr. Merkle announced that these projects cover a large area from prevention, detection, response and recovery – the four cornerstones of operational security.

Mr. Merkle referred to the first item in the project list – Security and Surveillance – and reported that VPA is close to awarding almost \$1 million for that contract. He reported that VPA recently awarded a \$1.5 million contract for the Modeling and Simulation project to MYMIC, which is a business unit spin-off of the Virginia Modeling, Analysis, and Simulation Center (VMASC) in Suffolk. Mr. Merkle reported that TWIC (Phase II), which was awarded under ARRA stimulus funding, is bringing uninterrupted power supply to all of the Port's security gate operations as well as the interchange gate.

Mr. Merkle reported that there are two grant projects which have cleared the local and state review process and await DHS approval and funding release, described as follows:

Port Security Training is an effort to shift from a personnel-managed process to a web-based program. Early review indicates both a positive reception by employees, due to ease of completing requirements and high-quality of training delivered. Additionally, Mr. Merkle explained that the second project will provide funding to our MIRT operations in out-years' 2012 and 2013.

Deputy Secretary Tyerar expressed his appreciation for the emergency management plan that went into effect during the hurricane threat last month and he noted that the Chief of Staff and head of Emergency Operations were aware of the efforts by everyone involved.

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

Mr. Keever announced that last week Secretary LaHood announced grants to expand America's Marine Highway Program that included eight marine highway projects designated under the plan. Mr. Keever explained that the projects are new or expanded highway programs that offer the promise of public benefit and long-term sustainability.

Mr. Keever reported that projects will continue to receive preferential treatment for future Federal assistance if their services have the potential to reduce pollution and gridlock. Mr. Keever announced that VPA received a \$1.1 million grant for the 64 Express Barge that runs between Norfolk and Richmond. He noted that VPA continues to receive recognition on the Federal level.

Mr. Dorto presented several slides of the "Emma Maersk" – the world's largest container ship built by Maersk (\$145 million). He reported that the ship holds 15,000 containers and it was noted that Wal-Mart was the driving force to get Maersk to build the ship. It is too big to fit through the Panama Canal, 31-knot speed, and is manned by just 13 crew members because of the automation. Eleven cranes can operate the ship simultaneously. Because of its size, the ship only travels between China and the West Coast and Europe and the Far East.

Mr. Held mentioned that, in spite of our Port's deep harbor and state-of-the-art cranes, a vessel of this size would burden our road and rail systems in getting the containers to and from the terminal. Mr. Held emphasized the importance of expanding our intermodal system as well as keeping the barge system in operation.

**V. UNFINISHED BUSINESS**

There was no unfinished business.

**VI. NEW BUSINESS**

There was no new business.

**VII. ADJOURNMENT**

Mr. Macfarlane requested that the Board receive a quarterly update of state and federal grant monies that VPA receives, including their sources.

Mr. Bridges mentioned the strike action that took place at the Port of New York/New Jersey and the Port of Philadelphia. Mr. Dorto explained the reason for the strike. He announced that the ILA was scheduled to re-vote on their break-bulk contract on Friday, September 24<sup>th</sup>.

There being no further business and no public comments, the open meeting adjourned at 1:05 p.m.

**The next regularly scheduled meeting of the Board of Commissioners will be held in the Authority's Conference Room, 600 World Trade Center, Norfolk, on Tuesday, November 23, 2010, at 11:00 a.m.**

Respectfully submitted,

Debra J. McNulty  
Clerk to the Board