

**MINUTES**  
**Virginia Port Authority Board of Commissioners - Session 335**  
**November 23, 2010**

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Pursuant to call by Chairman John Milliken, the Board of Commissioners held its regular meeting November 23, 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  
Deborah K. Stearns, Vice Chairwoman  
Stephen M. Cumbie  
Joe B. Fleming  
Marvin S. Friedberg  
Mark B. Goodwin  
Allen R. Jones  
Michael J. Quillen  
Thomas M. Wolf

Absent:

Barbara J. Fried  
Manju Ganeriwala, State Treasurer  
J. Granger Macfarlane, II

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  
Gregory Edwards, Director of External Affairs  
Elaine Smith, Director, Human Resources  
Ed Merkle, Director of Port Security and Emergency Operations  
Bill Burkett, Director, Maritime Incidence Response Team (MIRT)  
Carla Welsh, Program Manager-Port Promotion  
Joe Harris, Media/Public Relations Manager  
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 P. Brayboy, Chief Financial Officer, VIT  
Deanne Compton, Office of Auditor of Public Accounts  
Jeffrey Heller, Norfolk Southern Corporation  
Andy Hecker, Moffatt & Nichol Engineers

## INTRODUCTIONS

Ms. Linda Ford introduced guests in attendance. Members of the media present were Mr. Bill Cresenzo, with *Inside Business*, 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 September 23, 2010, were unanimously approved.

### **EXECUTIVE CLOSED SESSION**

At 11:10 a.m., at the request of Chairman Milliken, Ms. Stearns presented a motion, seconded by Mr. Friedberg, to go into closed session to convene a meeting under the Virginia Freedom of Information Act in accordance with Virginia Code §2.2-3711(A) (1), the personnel exemption, to report on the November 8<sup>th</sup> Executive Committee meeting discussions with regard to the Executive Director's new Employment Agreement.

The Board came out of closed session at 11:47 a.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: 10 (Milliken, Stearns, Cumbie, Fleming, Friedberg,  
Goodwin, Jones, Quillen, Wolf)

Nays: 0

Absent During Vote: 3 (Fried, Ganeriwala, Macfarlane)

Absent During Meeting: 3 (Fried, Ganeriwala, Macfarlane)

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

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

1. Report from Investment and Administrative Committee.

Chairman Milliken reported that the Investment and Administrative Committee met earlier and reviewed Virginia Retirement System (VRS) Defined Benefit Pension Plan changes that were approved by the General Assembly. Ms. Evelyn Traub, attorney with Troutman Sanders LLP and counsel for the VRS, compared the VRS changes to the VPA's Defined Benefits Plan.

The Chairman also reported that the Authority's investment portfolio is doing very well and that the Committee also heard a report from investment consultants with regard to portfolio allocation, industry benchmarks, calculation, assumptions, and funding levels for the VPA Defined Benefit Pension Plan. There were no actions taken at the Investment and Administrative Committee meeting.

2. Approval of Resolution 10-17, adopting the Executive Director's FY11 Compensation Plan.

Chairman Milliken explained that the Executive Director's goals and objectives were approved at the September 23<sup>rd</sup> board meeting. He presented Resolution 10-17, approving the Executive Director's FY11 Compensation Plan which incorporates the goals and objectives. Chairman Milliken explained that the Executive Director's FY11 Compensation Plan would be sent to the Governor for his concurrence.

**Action:** Upon motion by Ms. Stearns, seconded by Mr. Goodwin, the Board approved the Executive Director's FY11 Compensation Plan.

**B. Nominating Committee – Mr. Jones, Committee Chair**

1. Consideration of Resolution 10-18, reappointing William M. Grace to the Virginia International Terminals, Incorporated (VIT) Board of Directors for a six-year term beginning December 1, 2010 and ending November 30, 2016.

As Chair of the Nominating Committee, Mr. Jones reported that it was the Committee's decision to approve the reappointment of Mr. William M. Grace to the VIT Board of Directors for a six-year term.

**Action:** Upon motion by Mr. Friedberg, seconded by Mr. Quillen, the Board approved Resolution 10-18, reappointing William M. Grace to a six-year term to the VIT Board from December 1, 2010 to November 30, 2016.

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

1. VPA/VIT Combined Financial Reports

Mr. Oliver presented the combined financial report for VPA and VIT for the first four months of the fiscal year. He reported that operating revenues were about \$3.1 million ahead of budget and that operating expenses were a little higher than budgeted due to the APMT transition. Maintenance expenses were about \$2 million ahead of budget because maintenance at APMT was lower than expected. Administrative expenses were \$2.7 million below budget. Depreciation expenses and non-operating expenses were lower due to the recent bond issue.

Mr. Oliver reported that the Commonwealth Port Fund (CPF) allocation for the first four months of the fiscal year was about \$2.5 million below budget. He advised that a recent draft VDOT report foresees an increase in CPF transfers for the next fiscal year although he explained that it was not an official estimate. Overall, Mr. Oliver reported that VPA/VIT is ahead of budget by about \$1.8 million.

Mr. Oliver presented the funding profile for the projects that are ongoing at the terminals, including Craney Island. Mr. Oliver reviewed the funding sources for the projects and announced that a debt issuance will occur in July 2011. He also reviewed the federal grant funds and projects associated with each.

Ms. Deanne Compton with the Auditor of Public Accounts (APA) office reviewed the Authority's annual audit for the FY10 fiscal year that ended June 30, 2010. The audited financials were provided in the board materials and Mr. Oliver noted that the report contains a lot of good factual information relating to the port.

Ms. Compton advised that a separate report is issued on internal controls that would contain any findings by the APA, which the board members should have received in early November. She announced that the APA had an "unqualified opinion" on the financial statements and reviewed internal controls and found only one significant deficiency with no "material weaknesses", which is considered the worst finding. Ms. Compton explained that the significant deficiency relates to the information security program for the Authority. She explained that VPA is not required to follow Virginia Information Technology Administration (VITA) security standards that other state agencies must follow, however, it was recommended by APA that VPA collect specific best practices to follow and document them. She also noted that, with the transfer of VPA's IT system to VIT in 2007, APA can no longer audit the program and it was recommended that we receive assurances from VIT with regard to the system's security.

Mr. Oliver explained that when VPA outsourced its IT function in 2007 to VIT there were several programs in place, including the COOP, that assured the system's security. He explained how VPA performed an "intrusion detection" exercise that involved someone attempting to hack into VPA's system which also insured the system was secure. Mr. Oliver explained that the next step is to have VIT develop the same policies and procedures as VPA's IT security and that work is ongoing with a consultant that also involves VPA's security force.

Ms. Compton concluded by saying there were no issues of non-compliance with regard to federal laws, no fraud or illegal acts, and no material changes in future accounting policies. She explained there was one audit adjustment relating to year-end approval of sales tax that involved a miscommunication to the Port Authority which had been corrected.

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

Mr. Florin presented the capital improvement plan and updated the Board on the following projects:

- Phase 2 of the Central Rail Yard - \$10.1 million project that will be completed by March 2011 and is funded by ARRP stimulus funds. Phase 2 will be a mirror image of Phase 1 that will include a total of 12 tracks at NIT.
- Straddle-Carrier Parking Lot – Project is about 75% complete and will provide parking space for 66 straddle carriers that will provide safety for workers to get on and off the machines from a platform that will be level with the cab.
- Improvements to Transfer Zone – Gates at NIT will be similar to APMT gates. Will provide safety for people working in transfer zone and completion is scheduled for May 2011. Bollards will be installed outside the booths to provide safety from trucking operations as well as weight-sensitive mats on the floor of the booth that will alert when

the trucker is inside so that straddle-carrier operations can continue. The system will eventually be tied into the gates and will provide more productivity at the terminal.

- Craney Island – Recently announced a \$26M project awarded to Great Lakes Dredging & Dock Company to start dredging work December 15, 2010, to build a footprint for the cross-dikes for the first phase of Craney Island. The Paradise Creek mitigation project involves VPA doing the wetlands piece and Elizabeth River Project will be completing the other phase of the project that will include bike trails similar to Plum Point.

Mr. Florin announced that there was a ship strike at the berth at NIT on Sunday, November 21, causing damage to both the berth and ship (photos shown). Little damage was done to the crane.

**E. Marketing/Business Development Committee – Mr. Cumbie, Committee Chair**

Mr. Held announced that the port is continuing to show positive growth with a 10.5 % increase over calendar year 2009. He advised that exports still outnumber imports and there had been a recent increase in the number of empty exports going back overseas in anticipation of the pre-Christmas season. For the last four months of the fiscal year, through October 30, 2010, rail containers and break-bulk tonnage have been doing exceptionally well.

Mr. Held predicted that Hampton Roads will see an increase in tonnage for the holiday season and, over the last two months, he advised that there has been some positive development in project negotiations that have been in the works for six or seven years. Mr. Held said he would hope to bring some additional good news on those projects for 2011. He presented the 2010 calendar year-to-date (January-October) statistics as follows:

|                       | <u>CY10</u> | <u>CY09</u> | <u>Change</u> |
|-----------------------|-------------|-------------|---------------|
| Total TEUs            | 1,593,355   | 1,422,452   | +10.5         |
| Exports               | 843,031     | 765,180     | +10.2         |
| Imports               | 750,324     | 677,272     | +10.8         |
| Total Rail Containers | 214,046     | 193,071     | +10.9         |
| VIP Containers        | 24,984      | 20,644      | +21.0         |
| Ship Calls            | 1,550       | 1,465       | +5.8          |
| Break-bulk Tonnage    | 210,351     | 196,939     | +6.8          |

Mr. Held described the following economic development projects:

- PER Properties – An affiliate of Salmons, Inc., PER Properties plans to build a grain exporting facility on the 16.5-acre Allied Site in Portsmouth and expects to ship 5M bushels of grain annually and create 35 jobs.
- ProTrade International Transfer Services – ProTrade, a Hudson, Ohio-based firm, began operating a facility at the Bay Coast Railroad site near Little Creek in October to export scrap metal. It is estimated that ProTrade will ship over 50,000 tons per year of scrap metal (about 500-600 rail cars).

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

Mr. Merkle introduced a new member of the VPA security team, Mr. Bill Burkett, who is a 30-year professional firefighter having recently retired as a Captain from Firehouse #1 with the Virginia Beach Fire Department. Mr. Burkett has been involved in a number of personal and high visibility public rescues, most recently, the barge that ran aground at Sandbridge and the U.S. Coast Guard member whose body was recovered after falling overboard. Mr. Burkett was also a key member of MIRT (Maritime Incidence and Response Team) for over 20 years.

Mr. Merkle provided an overview of new grant projects, totaling \$9.8 million. He announced that the 2008 projects were just awarded this July after being held up by Department of Homeland Security for almost two years.

The ARRA project (TWIC Phase II) was just completed providing UPS (uninterrupted power supply) as well as emergency generator support for all of the port's gate operations.

Mr. Merkle announced that VPA just recently released an award to a local company, Rileen, for the contract for hand-held TWIC readers and the UASI 10 MIRT project was recently released.

Mr. Merkle described the two projects that are currently awaiting approval by DHS (PSG 10 and PSG 09). He advised that Port Security Training is an effort to shift from a personnel managed process to a web-based program and early review indicates both a positive reception by employees, due to ease of completing requirements and high-quality of training delivered. Mr. Merkle also reported that VPA took advantage of funding our MIRT operations in out-years 2012 and 2013.

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

At 1:00 p.m., at the request of Chairman Milliken, Ms. Stearns presented a motion, seconded by Mr. Jones, to go into closed session to convene a meeting under the Virginia Freedom of Information Act in accordance with Virginia Code §2.2-3711(A) (3), to consider a draft lease regarding the Port of Richmond.

The Board came out of closed session at 1:20 p.m. After reconvening the open session, the resolution certifying the closed session was read by Ms. Stearns and seconded by Mr. Quillen.

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

Ayes: 10 (Milliken, Stearns, Cumbie, Fleming, Friedberg,  
Goodwin, Jones, Quillen, Wolf)

Nays: 0

Absent During Vote: 3 (Fried, Ganeriwala, Macfarlane)

Absent During Meeting: 3 (Fried, Ganeriwala, Macfarlane)

## **V. UNFINISHED BUSINESS**

There was no unfinished business.

## **VI. NEW BUSINESS**

At 1:22 p.m., at the request of Chairman Milliken, Ms. Stearns presented a motion, seconded by Mr. Jones, to go into closed session to convene a meeting under the Virginia Freedom of Information Act in accordance with Virginia Code §2.2-3711(A) (3), to discuss an intermodal project.

The Board came out of closed session at 1:45 p.m. After reconvening the open session, the resolution certifying the closed session was read by Ms. Stearns and seconded by Mr. Friedberg.

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

Ayes: 10 (Milliken, Stearns, Cumbie, Fleming, Friedberg,  
Goodwin, Jones, Quillen, Wolf)

Nays: 0

Absent During Vote: 3 (Fried, Ganeriwala, Macfarlane)

Absent During Meeting: 3 (Fried, Ganeriwala, Macfarlane)

## **VII. ADJOURNMENT**

There being no further business and no public comments, the open meeting adjourned at 1:47 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, January 25, 2011, at 11:00 a.m.**

**The VPA Board schedule for 2011 is:**

**January 27**

**March 22**

**May 24**

**July 26 (Annual Meeting)**

**September 27**

**November 22**

Respectfully submitted,

Debra J. McNulty  
Clerk to the Board