

MINUTES
Virginia Port Authority Board of Commissioners - Session 336
January 25, 2011

Pursuant to call by Chairman John Milliken, the Board of Commissioners held its regular meeting January 25, 2011, 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
Barbara J. Fried
Marvin S. Friedberg
Mark B. Goodwin
Allen R. Jones
J. Granger Macfarlane, II

Absent:

Manju Ganeriwala, State Treasurer
Michael J. Quillen
Thomas M. Wolf

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
Kevin Burwell, Director, Business Analysis and Strategy
Linda G. Ford, Director, Port Promotion
Gregory Edwards, Director of External Affairs
David James, Director, Contracts and Real Estate
Ed Merkle, Director of Port Security and Emergency Operations
Elizabeth Saxby, Human Resources Manager
Carla Welsh, Program Manager-Port Promotion
Joe Harris, Media/Public Relations Manager
Jodie Love, Community Relations Coordinator
Melissa Fularon, Executive Secretary (External Affairs)
Debra J. McNulty, Clerk to the Board
Jodie Asbell, Executive Secretary, Senior and Deputy Clerk to the Board

Guests:

Jeffrey R. Allen, Assistant Attorney General
Joseph P. Ruddy, Executive Vice President and Chief Operating Officer, VIT
Regina P. Brayboy, Vice President, Administration and Financial Services, VIT

INTRODUCTIONS

Ms. Linda Ford introduced guests in attendance. Members of the media present were 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 November 23, 2010, were unanimously approved.

EXECUTIVE CLOSED SESSION

At 11:05 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, for the purpose of reviewing the Executive Director's new Employment Agreement.

The Board came out of closed session at 11:26 a.m. After reconvening the open session, the following resolution was read by Ms. Stearns and seconded by Ms. Fried:

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: 9 (Milliken, Stearns, Cumbie, Fleming, Fried, Friedberg,
Goodwin, Jones, Macfarlane)

Nays: 0

Absent During Vote: 3 (Ganeriwala, Quillen, Wolf)

Absent During Meeting: 3 (Ganeriwala, Quillen, Wolf)

II. REPORTS OF COMMITTEES

A. Executive Committee – Mr. Milliken, Chairman

1. Approval of Resolution 11-1, approving the Executive Director's new Employment Agreement for a term commencing February 5, 2011 until February 4, 2017 (with a one-year extension).

Chairman Milliken announced that he was very happy to cast a vote in favor of the new six-year Employment Agreement with Jerry Bridges, and he presented Resolution 11-1. The Chairman remarked that, in Mr. Bridges' four years with the Port Authority, he has led the Authority to a new level of excellence. The Chairman stated that the Port is well on course to become the number one port on the East Coast largely through Jerry Bridge's leadership.

Chairman Milliken credited Mr. Bridges for steering the port through the most difficult economic times ever experienced, negotiating the lease of APM Terminals, reorganizing staff to position it for the next generation of international trade, receiving ISO certification, and increasing the Port's exposure to the community.

Ms. Stearns agreed with the Chairman and she added that Mr. Bridges' accomplishments have been stellar, including his focus on a "green port" and the ISO certification that will continue to enhance VPA's competitiveness.

Mr. Friedberg said he was very proud of the way that Mr. Bridges represents the VPA throughout the world. Mr. Jones commended Mr. Bridges on his leadership and he thanked him.

Mr. Goodwin advised that Mr. Bridges' new contract is definitely a good contract and one that gives him opportunities to receive incentives through the accomplishment of "stretch" goals and objectives that will, in turn, benefit the port and the Commonwealth.

Mr. Macfarlane concurred with everyone. He said the Port was very fortunate "because Mr. Bridges' training, experience, education and his temperament are exactly what we need for the next few years".

Action: Upon motion by Ms. Stearns, seconded by Mr. Cumbie, the Board unanimously adopted Resolution 11-1, approving the Executive Director's new Employment Agreement for a term commencing February 5, 2011 until February 4, 2017 (with a one-year extension).

B. 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 six months ended December 31, 2010. He reported that operating revenues were up about \$2 million and volumes were up by 6% for the first six months. Operating expenses increased a little more than anticipated due to the accelerated transfer of cargo from PMT to APMT and bad weather conditions. Mr. Oliver reported that VIT has done a good job keeping maintenance and administrative expenses down. Depreciation expenses and non-operating expenses were within budget.

Mr. Oliver reported that the Commonwealth Port Fund (CPF) allocation for the first six months of the fiscal year was about \$1 million below budget, however, he advised that the activity is starting to pick up according to the latest VDOT report released in December.

Mr. Oliver presented a status report on Federal and State grants as of December 31, 2010. He advised that Mr. Macfarlane had requested a report on grant activity at the last meeting. Mr. Oliver advised that the grant report will be provided monthly with the financial statements. He reported that, overall, there is over \$65 million in grants that have either been awarded or are in progress.

Mr. Oliver also presented the dashboard report reflecting Overall Goals and Objectives of the VPA. He reviewed the status of each category – Financial, Administrative, Business Development, Operations, and External Affairs.

Mr. Oliver reported that VPA should be able to meet the operating income goal by the close of FY2011. Mr. Oliver did not review the Business Development goals as they contain certain confidential information. The dashboard information is emailed to the VPA Board after each update.

Mr. Milliken complimented the new reporting format presented by Mr. Oliver.

C. Facilities Committee – Mr. Quillen, Committee Chair

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

- **Central Rail Yard Phase 2** – Will provide additional six tracks at NIT Central Rail Yard and Branscome is scheduled to complete the \$10.1 million project by March 2011.
- **Straddle Carrier Parking Lot** – This is a \$4.1 million project involving concrete pavement, electrical improvements and steel racks for storage and parking of 66 straddle carriers. S.B. Ballard is scheduled to complete the project by January 31, 2011.
- **Transfer Zone Safety Improvements** – Kiosk, weight sensor, and light detection system for safety of truck drivers waiting in the transfer zone. E.V. Williams is scheduled to complete the \$2.5 million project by May 2011.
- **Craney Island: South and Division Cross Dikes – Stage 1** – Great Lakes Dredge & Dock Co. began construction on this \$26.3 million project that is scheduled for completion by October 2011. Project involves placing Stage 1 foundation, lift of sand and installing wick drains for two cross dikes.
- **Craney Island Jetty Demolition** – W. F. Magann has finished demolishing 11,169 tons of a section of the re-handling basin jetty to allow room for future access channels to Craney Island Marine Terminal.
- **Paradise Creek Wetland Mitigation (map)** – C.T. Purcell, Inc. has begun construction to excavate 315,000 cubic yards of material for 11 acres of tidal wetlands planting. Project is expected to be completed by November 2012.
- **Navy Pipeline Relocation (map)** – Involves relocation of a Navy gas pipeline higher up onto the Craney Island site to make way for the new dikes. A “utilidor” was created last year to house all of the utilities, including the fuel line.

Mr. Florin presented a map depicting the current location of the two new ZPMC cranes that were ordered in December and destined for APM Terminals. The cranes are just off the coast of Africa and are expected to arrive in Portsmouth on February 8th. Mr. Florin reported that the lease between VPA and APMT requires that the cranes be operational by March 1st.

D. Marketing/Business Development Committee – Mr. Cumbie, Committee Chair

Mr. Held presented the 2010 calendar year-to-date (January-December) statistics as follows:

	<u>CY10</u>	<u>CY09</u>	<u>Change</u>
Total TEUs	1,895,018	1,745,228	+8.6
Exports	1,005,370	928,360	+8.3
Imports	889,648	816,868	+8.9
Total Rail Containers	261,399	231,091	+13.1
VIP Containers	30,414	24,453	+24.4
Ship Calls	1,841	1,758	+4.7
Break-bulk Tonnage	253,854	196,939	+28.9

Mr. Held explained that his department is still waiting for year-end figures and feedback from competitive ports around the country. He advised that one of the strong points is our balance between imports and exports. Mr. Held reported that the Port is seeing a strong comeback in rail at the Inland Port due primarily to Home Depot, Family Dollar, and Mercury Paper and an increase in break-bulk tonnage.

Mr. Held described the following economic development projects:

- **American Condenser and Coil** – Manufacturer and distributor of automotive condensers that will lease 50,000 square-feet at the Northgate Logistics Center in Suffolk.
- **Caspari, Inc.** – Premier publisher of quality paper products such as plates, napkins, and gift wrap. Last week, the company leased 60,762 square-feet at Virginia Regional Commerce Park in Suffolk.

Mr. Held explained that VPA had been working with Caspari, Inc. since 2003 to negotiate their relocation from Connecticut to Hampton Roads and he credited VPA’s Economic Development Director, Mr. Russ Young, for his work on the project as well as the Hampton Roads Economic Development Alliance (HREDA).

Mr. Held introduced Mr. Kevin Burwell, Director, Business Analysis & Strategy, who oversees the Authority’s Foreign Trade Zone (FTZ) applications and also serves on the Foreign Trade Zone Board. Mr. Held presented Resolution 11-2, authorizing the VPA application for reorganization of FTZ #20 under the Alternative Site Framework. Mr. Held explained the purpose of a Foreign Trade Zone and the reason for the reorganization. A briefing paper describing the project was provided in the agenda notebooks. Mr. Held also presented a map indicating the size of the entire FTZ area under the reorganization and he explained that the reorganization would streamline the application process.

Mr. Held reported that VPA will be able to designate the entire Hampton Roads area as FTZ #20, under the Alternative Site Framework, which will become a major marketing tool as well as streamlining the application process.

Mr. Held explained that there are two prime user sites – Canon and Stihl – which, he said, are great examples of importing and exporting product duty-free, in addition to four multi-use facilities/warehouses that would be designated as “usage drive sites”. The sites that are not in use or had not been activated over the years will become “magnet sites” for sunset provisions in order to deactivate and activate those sites as needed. Mr. Held reported that the application will also include a request to designate the Suffolk Intermodal site as a magnet site.

Mr. Held advised that several economic development organizations, especially the Hampton Roads Partnership, are promoting FTZ #20 as an initiative to bring in more business. Mr. Burwell explained how this new FTZ program is catching on at other ports and is being used as a marketing tool to lure business.

Mr. Macfarlane mentioned the 24.4% rail increase at the Virginia Inland Port (Front Royal) and that our facility is included in the FTZ designation. He requested that Mr. Held provide a briefing for the Board on the Elliston (Ironto) intermodal project and the Heartland Corridor.

Mr. Cumbie suggested that Mr. Macfarlane's request be included in a closed meeting of the Marketing and Business Development Committee that will be scheduled in March. He also suggested that Mr. Held update the Committee on the number of FTZ operators in the existing areas.

Action: Upon motion by Mr. Cumbie, seconded by Ms. Stearns, the Board unanimously adopted Resolution 11-2, authorizing the VPA application for reorganization of FTZ #20 under the Alternative Site Framework.

Mr. Held announced that VPA is working with FTZ, free-zones, and economic zones throughout the world and VPA will share FTZ marketing ideas with members of the FTZ Shanghai when they visit VPA in March.

Mr. Held described the recent business trip to India and Singapore by VPA and VIT officials. He presented two news articles out of India that described their visit with VPA's shipping agent in Mumbai - P.L. Shipping. Port officials held a reception in Mumbai for the shipping industry and received lots of press in India. Mr. Bridges and Mr. Held also attended a maritime conference in Gujarat – "Vibrant Gujarat" - which had 2,500 visitors over a three-day period. Mr. Bridges was a speaker at the conference and spoke of Port integration, highlighting what VPA has done in Virginia to build capacity and the Commonwealth's highway connections.

After Gujarat, Mr. Tom Capozzi and Mr. Cary Hagen (VIT marketing staff) traveled to Chennai to meet with seafood industry officials and they hosted a reception to promote our port for India-made products and services. Mr. Held reported that India has been a good target market for Virginia and that they have moved up to #4 on our import list and #7 on our export list.

In Singapore, port officials met at the headquarters of some of our largest customers - APL Lines, NYK Logistics, Trade Lane Management Group, and K-Line, to promote the port as well as the Heartland Corridor, National Gateway Project, and APM Terminals.

Mr. Held announced that a copy of the "Competitive Port Update", prepared by VPA Business Analysis & Strategy, was included in the agenda briefing materials.

Ms. Stearns commended the marketing efforts of VPA and VIT, and especially Mr. Bridges, with regard to getting in front of our customers to promote the Port of Virginia.

Mr. Cumbie announced that the Marketing and Business Development Committee would meet on the morning of the March 22nd board meeting and he invited everyone on the Board to attend.

NOTE: Since the date of this meeting, the March 22nd board meeting has been rescheduled for March 15, 2011.

E. Security Committee – Mr. Fleming, Committee Chair

Mr. Merkle provided a briefing on a number of exercises that Port Police are participating in, as follows:

- 5th Annual Search and Rescue Forum (Hampton, February 28 – March 4) – S&R training for over 80 local fire and police marine team personnel which is sponsored by the USCG and VPA.
- 20th Annual Hampton Roads Marine Firefighting Symposium (May 9 – 14) – Annual Marine Firefighting Symposium which draws firefighters from across the nation and internationally. Conducted in the Port of Hampton Roads.
- COOP Exercise (March 9) – VPA normally tests its systems in the IT arena, knowing that is always the most challenging and a critical part of operations. This year, we are exercising (tabletop) the loss of corporate spaces for an extended period of time.
- Hampton Roads Full-Scale Exercise 2011 – Final component of a three-year tabletop and exercise series to test response plans and procedures to terrorist events. Congressional earmark to the Office of Domestic Preparedness. VPA/MIRT is leading the coordination of day 1 of a three-day exercise which consists of a maritime incident aboard a ship. The other two days focus on a Mumbai-like attack in Newport News and a Mass Casualty at Harbor Park.

IV. REPORT OF EXECUTIVE DIRECTOR

Mr. Bridges announced that it has been a very busy January with the General Assembly in Session and he asked Mr. Greg Edwards to provide a briefing on port-related legislation.

Mr. Edwards reported that Mr. Keever was speaking before the Senate Finance Committee this morning on behalf of VPA legislation. Mr. Edwards announced that VPA is pursuing three specific legislative initiatives this session and he referred to the briefing paper that was included in the agenda notebook which describes the following:

- **SB1136** – (Senator Wagner) - Would provide a \$3,000 tax credit for every employee hired by Virginia shippers where employment was based on increasing cargo moved through the port by 10 percent or a 2% tax credit for capital investment by a similar company. As mentioned, Mr. Keever spoke on behalf of this bill to the Senate Finance Committee this morning.
- **SB1282** – (Senator McWaters) - Would create a business tax credit for international trade facilities utilizing cargo container barge or rail shipment services rather than shipping the cargo container by truck on the state highways. A \$50 per container incentive would be offered. Both of these bills are part of the Governor’s legislative package.
- **HB1625** – (Delegate B. Knight) – This bill would provide an exemption for permit requirements under EPA and current Virginia guidelines, to fumigate international cargo. USDA requires the use of ethyl bromide and/or phosphene to fumigate certain international cargo at VPA ports; however, the EPA classifies those fumigants as hazardous air pollutants. More than 150,000 TEUs, or 7% of the port’s business, is subject to fumigation. Mr. Edwards reported that his bill unanimously passed the House yesterday.

Mr. Edwards listed other legislation that VPA is also following – HB1635, HB2222, HB1945, and HB2403.

Mr. Bridges reported that, due to VPA’s full legislative agenda in seeking financial incentives for the movement of cargo, VPA will pursue legislation for the next session with regard to overweight cargo permits. He advised that Virginia’s law allows up to 80,000 pounds in 40-foot shipping containers yet Charleston just released new permitting laws that allow up to 100,000 pounds which, Mr. Bridges said, is a competitive disadvantage for Virginia. He advised that VPA’s proposed legislation has support in Richmond.

At this time, Mr. Edwards provided an overview of the External Affairs and highlighted each of the areas that their division covers. He introduced Ms. Melissa Fuleron, who is Mr. Keever’s new Executive Secretary and assists him with government affairs issues.

He explained that Ms. Heather Wood and Mr. Billy Goodson oversee the Environmental Department; Mr. Joe Harris and Ms. Jodie Love are involved with community affairs and media relations; and everyone in the department has some involvement with social media and publications. Mr. Edwards described the following initiatives and projects:

- **Social Media and Publications**
 - Face book/Twitter
 - The Virginia Maritimer – 6 issues printed annually with a full digital copy viewing on VPA’s website: www.portofvirginia.com (mailed to over 9,000 recipients with over 1,500 recipients living outside the U.S.)
- **Environmental Relations**
 - Green Operator Update

First voluntary clean truck program in the U.S. As of September 1, 2010, 214 trucks have been replaced or retrofitted under the program and 24 Virginia trucking companies are currently participating. Recognized nationally by the Coalition for Responsible Transportation (CRT). CRT wants to use Green Operator as the model for a Southeast regional program. Green Operator is also the model for the development of a mid-Atlantic clean truck initiative.

- Environmental Initiatives:
 - VIT will offer an operational incentive to GO participants
 - ISO 14001 Environmental Management Certification of NIT
 - Received 10th Riverstar Award from Elizabeth River Project
 - Recycled over 18,000 gallons of used oil and 440 pounds of fluorescent light bulbs
 - Obtained environmental permits for construction of Craney Island
- **Outreach Programs**
 - Community Outreach – In the last 16 months, VPA External Affairs has hosted, met with and presented to over 100 groups consisting of more than 3,000 people from Virginia
 - Academic Outreach and Workforce Development:
 - Maritime Career Guide
 - ODU Maritime Institute
 - NATO Student Forum at Norfolk State University

- Nauticus Educator Training and Nauticus Oceanquest Camps
- Media Relations

Mr. Edwards reviewed future plans for External Affairs that include:

- Expansion of social media efforts, examining flickr®, LinkedIn and YouTube
- Review and update of VPA's Website
- Expanding media relations with trade publications and national media to address the advantages that The Port of Virginia has over other U.S. East Coast ports
- Environmental Relations – Use of advanced energy management technology and conservation measures and groundbreaking of Paradise Creek Park with the Elizabeth River Project
- Outreach Programs – Children's Museum in Portsmouth and development of a Corporate Volunteer Program.

V. UNFINISHED BUSINESS

At the request of Mr. Fleming, Mr. Bridges provided a status report on VPA's negotiations with the Port of Richmond. He advised VPA is continuing negotiations with Richmond to operate the port and they are currently viewing a third draft of an agreement that would allow VPA to operate that facility. Mr. Bridges advised that he will provide an update at the March meeting. He advised that a majority of the business at the Port of Richmond will be the operation of the barge and that he has received very positive news from the shipping community and the City Council in Richmond.

Mr. Bridges also reported that the transition at APM Terminals is going very well and he asked Mr. Joe Ruddy to provide an update on business. Mr. Ruddy advised that the transition of ship lines from PMT to APMT is going very well and is ahead of schedule. He reported that PMT will be clear for future development after ACL moves to APMT in February.

Mr. Ruddy advised that APMT is very excited about receiving the new cranes that will enable VIT to transition a consortium of lines to generate greater revenues. He said that VPA and VIT staff have done a great job during the first six months of the transition.

VI. NEW BUSINESS

VII. ADJOURNMENT

The following announcements were made:

Mr. (Pastor) Joe Fleming will be honored by the Virginia Center for Inclusive Communities (VCIC), along with several others, at the VCIC's 2011 Humanitarian Awards for the Southside at an awards dinner planned for March 31st at the Norfolk Waterside Marriott Hotel.

Also, Mr. Allen Jones has been selected as one of the honorees to receive the 2011 Peninsula Humanitarian Awards by the VCIC. The event will be held on Thursday, February 24th at the Newport News Marriott at City Center.

There being no further business and no public comments, the open meeting adjourned at 12:45 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, March 15, 2011, at 11:00 a.m.

The remaining VPA Board schedule for 2011 is:

March 22 (rescheduled to March 15)

May 24

July 26 (Annual Meeting)

September 27

November 22

Respectfully submitted,

Debra J. McNulty
Clerk to the Board