

MINUTES
Virginia Port Authority Board of Commissioners - Session 338
May 24, 2011

Pursuant to call by Chairman John Milliken, the Board of Commissioners convened its regular meeting May 24, 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
Joe B. Fleming
Marvin S. Friedberg
Mark B. Goodwin
Allen R. Jones
J. Granger Macfarlane, II
Michael J. Quillen
Thomas M. Wolf
Manju Ganeriwala, State Treasurer

Absent:

Deborah K. Stearns, Vice Chairwoman
Barbara J. Fried
Stephen M. Cumbie

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
Linda G. Ford, Director, Port Promotion
Elaine Smith, Director, Human Resources
David James, Director, Contracts and Real Estate
Greg Edwards, Director of External Affairs
Carla Welsh, Program Manager-Port Promotion
Jodie Love, Community Relations Manager
Joe Harris, Media/Public Relations Manager
Debra J. McNulty, Clerk to the Board

Guests:

David Tyerar, Deputy Secretary of Transportation and CFO
Jeffrey R. Allen, Assistant Attorney General
Joseph A. Dorto, President and CEO, VIT
Joseph P. Ruddy, Executive Vice President and Chief Operating Officer, VIT
Regina P. Brayboy, Vice President, Administration and Financial Services, VIT
Robert Nestor, Manager, Pricing and Strategic Planning
Lloyd Richardson, Williams Mullen (VPA Bond Counsel)
JoAnne Carter, Public Financial Management, Inc. (VPA Financial Advisor)
Evelyn Traub, Troutman Sanders LLP

Guests (continued):

Kevin Rotty, Morgan Keegan & Co., Inc.

Marc Marling, Williams Mullen

Robert McCabe, *The Virginian-Pilot*

INTRODUCTIONS

Ms. Linda Ford introduced guests in attendance. The only member of the media in attendance was Mr. Robert McCabe, with *The Virginian-Pilot*.

PRESENTATION

Mr. Bridges congratulated Mr. Dorto for 25 years of service with Virginia International Terminals, Inc. He read some of the highlights of Mr. Dorto's career in conjunction with a slide show of photos throughout the years. Mr. Dorto was first employed by the Port Authority and served a total of seven years, leaving his position as Senior Managing Director of Marketing to serve as VIT's Director of International Marketing. He was promoted two years later to General Manager (now titled President and CEO) and has been in that position since 1988.

Chairman Milliken and Mr. Bridges presented Mr. Dorto with an engraved crystal award commemorating his 25-year service with VIT. The Chairman thanked Mr. Dorto and remarked that he was, "the heart of this Port".

Mr. Dorto thanked Mr. Bridges and the Board and he said he was fortunate to have worked with people in the port industry who love what they do. He said, "If you love what you do, then you're going to be good at it." Mr. Dorto said this port has been through a lot of challenges and a lot of growth and he said he was very optimistic for the Port's future. He said it has been a pleasure to work for people like Bobby Bray, the former Executive Director, Jerry Bridges, and members of the VPA and VIT Boards.

PRESENTATION OF VPA 2040 MASTER PLAN UPDATE

Mr. Andy Hecker, of Moffatt & Nichol Engineers, reviewed factors that were considered for the latest update to the VPA 2040 Master Plan that include capacity needs through 2040 with the addition of APMT and reuse of PMT, revenues available for the Capital Improvement Plan, and future port demand and capacity. He noted that the last update was completed and presented to the Board in 2008.

Mr. Hecker reported that, since the last quarter of 2008 to the present, the Port has had to deal with the recession and some significant adjustments to operations as a result of the lease of APMT and PMT's reuse. Mr. Hecker reported that the demand curve in the 2040 Master Plan uses a conservative 5% year-over-year growth for planning projected capital, even though the port has exceeded that on average. Mr. Hecker presented a graph that demonstrated the demand curve using the 5% forecast in the updated 2040 Plan as well as the historical 6.7% growth that the port had experienced over the last 20-30 years. Mr. Hecker noted that in 2002, without knowledge of a recession, the Plan had forecast 1.9 million containers coming through the port. The revised plan is forecasting 1.9 million containers by 2012 with cargo continuing to increase afterwards.

Mr. Hecker reported that the graph shows the port reaching its optimal maximum capacity near 2016 when APMTII is expected to be completed. He advised that the first phase of Craney Island Marine Terminal is scheduled to open in 2026 to meet increased demand which will coincide with the end of the APMT lease.

Mr. Hecker reviewed projects that are planned for each of the terminals for an estimated total of \$857 million in capital projects. He reviewed funding estimates through 2017 that are based on APMTII opening in 2017, CIMT (Phase I) on schedule for a 2026 opening, fully using Commonwealth Port Funds, and no reliance on un-appropriated Federal funds.

(Mr. Fleming arrived at this time.)

I. APPROVAL OF MINUTES

Action: Upon motion made by Chairman Milliken, the minutes of the regular meeting, held March 15, 2011, were unanimously approved.

II. REPORTS OF COMMITTEES

A. Executive Committee – Mr. John G. Milliken, Chairman of the Board

1. Appointment of a Nominating Committee for the selection of officers to the VPA Board.

The Chairman appointed the following members of the Board to serve as the Nominating Committee for the selection of officers to the Board:

Mark Goodwin, Chair
Allen Jones
Michael Quillen

The Committee will present a slate of officers for appointment at the Board's annual meeting, scheduled for July 26, 2011. Officers are: Chair, Vice Chair, Treasurer, Clerk/Secretary, and Deputy Clerk/Assistant Secretary.

2. Board discussion on conducting a Board retreat in late summer/fall 2011 and potential agenda items.

Chairman Milliken announced that a board retreat will be planned for the August/September timeframe and he suggested Crumbley House for the location. The Chairman asked Ms. McNulty to coordinate available dates for board members and for the staff to work together to structure an agenda for a possible all-day meeting. Chairman Milliken asked the Board and staff to offer ideas for the agenda and he said it might be good to use a facilitator for the meeting. Some of the topics Chairman Milliken suggested were:

- An expanded version of the 2040 Master Plan Update
- Long-term challenges
- Develop a broader Strategic Plan addressing major issues: East Coast competition; gearing up for Panama Canal traffic, etc.

Chairman Milliken suggested that everyone submit their agenda suggestions to Mr. Bridges by mid-June. Mr. Jones suggested adding rail transportation to the agenda and he mentioned yesterday's article in the Wall Street Journal. Mr. Goodwin mentioned that there were several closed session items that were discussed earlier that also need to be on the agenda.

Mr. Dorto suggested a luncheon speaker from either the rail or shipping industry. The Chairman advised that the retreat would not be an "action meeting" and that a significant portion of it will be in closed session.

B. Investment and Administrative Committee – Mr. Milliken

1. Consideration of a motion to approve a Ninth Amendment to the VPA Defined Benefit Pension Plan relating to the Executive Director's new Employment Agreement

Chairman Milliken explained that the amendment is a revision to the VPA Pension Plan which entitles the Executive Director to additional creditable service toward the determination of his Basic Accrued Benefit under the Plan, as outlined in his new Employment Agreement that was adopted by the Board.

Action: Upon motion made by Mr. Goodwin, seconded by Mr. Quillen, the Board unanimously approved the Ninth Amendment to the VPA Defined Benefit Pension Plan and Trust to allow additional creditable service toward the determination of the Executive Director's Basic Accrued Benefit under the Plan.

2. Consideration of Resolution 11-9, relating to changes to the VPA Defined Benefit Pension Plan

Chairman Milliken reported that the Investment and Administrative Committee, in meeting held earlier, approved changes to the VPA Defined Benefit Pension Plan that would parallel changes made to the Virginia Retirement Service (VRS) that have been in effect since last July. The Chairman referred to those changes as outlined in the resolution and he noted that the changes to the VPA Plan would go into effect July 1, 2011, and will apply to new hires only.

Action: Upon motion made by Mr. Goodwin, seconded by Mr. Quillen, the Board unanimously approved Resolution 11-9, authorizing amendments to the VPA Defined Benefit Pension Plan, applicable to new hires, effective July 1, 2011.

Ms. Ganeriwala suggested that staff provide an analysis outlining the pros and cons of employees funding their own pension plan. She mentioned the recent change made to the state employee pension plan, whereby employees would receive a 5% increase in their salaries to fund 5% of their pension plan. Chairman Milliken explained that the Investment and Administrative Committee would be meeting at a later date in order to dedicate further discussion on this subject and will be taking a broader look at some of the differences between the VRS and VPA plans. He said the committee will also review Cost of Living Adjustments (COLAs are not automatic in the VPA pension plan).

C. Finance/Planning Committee – Mr. Mark B. Goodwin, Committee Chair

1. VPA/VIT Combined Financial Reports

Mr. Oliver reviewed the VPA/VIT consolidated financials for the 10 months ended April 30, 2011. He reported that operating revenues year-to-date were .5% ahead of budget and 40% over prior year; operating expenses are about \$9 million above budget due to costs associated with APMT which, he said, should level out by the end of the year. Maintenance expenses are about \$4 million below budget thanks to cost-control measures at the terminals. Administrative expenses are also below budget and depreciation expenses are on track.

Mr. Oliver reported on the non-operating revenue and expenses. Interest income was slightly below budget due to low interest rates on the debt service reserve balance on hand and interest expense was over budget due to the financing of the 2010 Port Facilities Revenue Refunding Bonds.

Mr. Oliver reported that the Commonwealth Port Fund (CPF) allocation, which is 4% of the Port's allocation from the Transportation Trust Fund (TTF), was \$1.1 million under budget. He advised that VDOT has forecasted growth in the TTF from motor fuel taxes, motor vehicle sales and retail sales taxes. He advised that, overall, VPA/VIT is reflecting a \$5.4 million change in net assets versus the \$10 million budget estimate.

Mr. Oliver concluded his report with a status report on the VPA Goals and Objectives Dashboard which is updated monthly. He reported that VPA is making great strides in almost all areas with the exception of operating income/loss which is currently at 25% completion. Mr. Oliver said that VPA is not expected to meet the fiscal year-end goal. He reported that there may be a lease agreement for the use of PMT for the Board to approve in July. He said there will be no additional cargo moved to APMT until the two new cranes have been accepted for operation.

Almost all of the capital outlay goals have been achieved to date with the exception of Central Rail Yard-Phase II, which is on schedule to be completed by June 30, and the Navy Fuel line project which was delayed by the Navy.

External Affairs goals are also on a good track for completion, however, Mr. Oliver did not review Business Development goals as some items are confidential.

Mr. Wolf asked Mr. Oliver to explain the reason for higher operating expenses. Mr. Oliver explained that the APMT transaction was concluded July 6, 2010 and that a revised VIT budget was brought back to the VPA Board 18 days later for approval on July 24th. Mr. Oliver explained that we (VPA/VIT) did not correctly estimate the costs associated with the movement of cargo from PMT to APMT.

2. Consideration of Resolution 11-3, approving the VIT FY12 Budget for the year beginning July 1, 2011 and ending June 30, 2012

Mr. Dorto reported that VIT's budgeted revenue is projected to be \$302 million when compared to the current estimate of \$272 million for the fiscal year ended June 30, 2011. He explained that budget estimates for FY12 net income would be reduced by \$2 million (from \$93.95 million) as suggested in the closed session. Mr. Dorto reported that VIT forecasts a 6% increase in container volumes. He reported that terminal labor costs are 25% of VIT's revenue and are expected to increase by 8.1% during FY12. The ratio of labor to revenue is increasing by only

0.7% points lower than is anticipated for the current fiscal year as a result of efficiencies earned with increased volume at APMT.

Mr. Dorto reported that other operating expenses are budgeted to increase from \$46.1 million to \$46.4 million for FY12. Staffing requirements will remain the same (385 positions) and salary increases are budgeted at an average of 5%.

Mr. Dorto explained that maintenance expenses are forecast to increase by 19.6% as delayed maintenance and repairs are completed and, because of higher oil prices, fuel costs are expected to increase next year. Accounting and administrative expenses are expected to increase 14.3% which reflects an increase in contracted services for IT and VIT's commitment to modernizing customer-oriented software applications. Mr. Dorto explained that VIT is converting to a new operating system called "N4" at a cost of almost \$4 million which will involve moving some of the operations and maintenance people into the N4 program.

Mr. Dorto reported that net cash flows from operations should provide enough cash to fund the transfer to VPA during FY12. He advised that the VIT Board had approved the FY12 budget and he requested that the VPA Board approve same.

Action: Upon motion made by Mr. Friedberg, seconded by Mr. Macfarlane, the Board unanimously approved Resolution 11-3, approving the VIT FY12 Budget for the year beginning July 1, 2011 and ending June 30, 2012, with a \$2 million adjustment (-) in budgeted net income.

3. Consideration of Resolution 11-4, approving the VPA FY12 Budget for the year beginning July 1, 2011 and ending June 30, 2012

Mr. Oliver presented actual and projected revenues (cash basis) and he reported that terminal revenues (Special Fund) are forecast to increase 11.2% (\$10 million) primarily due to a full year of operation at APMT, no transition issue with PMT, and a 6% increase in volumes as reported by Mr. Dorto. He reported that the Commonwealth Port Fund (CPF) revenues are forecasted to increase by 1.6% in FY12.

Mr. Oliver announced that Operating Grants are expected to double in FY12, including an additional barge grant of \$2.6 million that will support the purchase of a second barge and an increase in the service from once a week to twice a week, effective July 1, 2012.

Mr. Oliver reviewed Budgeted Operating Expenses and explained there were very few changes from FY11. National and International Trade was increased by 4.6% which includes pay and benefit increases. The 30.4% increase in General Management and Direction includes an increase for full rent payments for APMT (\$11.2 million increase) that will commence October 1, 2012. Mr. Oliver reported that Operational Maintenance is budgeted to increase 39.7% which is the expense side of the increased barge service. Debt Service is budgeted to increase 14.8% due to the Commonwealth Port Fund bond issue that is on the agenda today. He noted that a decrease is forecast for Security Services due to the closure of PMT and reduction in police force through attrition. Port Facilities Planning budget was increased to 6.8% to allow for pay and benefit increases. Mr. Oliver reported that VPA received a health insurance quote which increased by 8.2% from FY11 to FY12.

Mr. Wolf asked Mr. Oliver to clarify the increase in General Management and Direction with regard to APMT. Mr. Oliver explained that VPA is currently under transition rent which is \$80

per box and in 2011 there were very few boxes going through the terminal. He advised that there was an increase in traffic for the first six months of the fiscal year due to the transfer of cargo from PMT and NIT. He explained that full rent payments will begin October 1, 2011, if both of the new cranes are accepted.

Mr. Oliver reviewed staffing, expense reserve requirements, and pledged debt service coverage.

Mr. Oliver reviewed the Capital Expenditures budget for 2012 that include increased budgets for the following projects:

- Expand Empty Yard at NIT
- Craney Mitigation and Construction
- Federal Grant Projects
- PMT Warehouse

Mr. Oliver reviewed VPA/VIT consolidated financials and compared current year estimates to budgeted FY12 and funding sources for FY12 future projects. He reported that revenues are projected to increase about \$35 million with a 6% increase in volumes forecasted combined with the 5% increase in Schedule of Rates (SOR). Operating expenses are budgeted to increase 6.1% and maintenance expense is expected to increase 22.2% to catch up on deferred projects, which includes costs associated with the purchase of a second barge for increased operations. Administrative expenses are expected to increase 18.1% due to APMT rent. Non-operating income expense is projected to increase \$2.5 million due to the 2011 CPF bond issue.

Mr. Oliver reported that budgeted net assets for FY12 are approximately \$11 million versus \$6.7 million projected for FY11.

Mr. Goodwin confirmed with Mr. Oliver that the VPA/VIT budgets will reflect the suggested revision to the projected FY12 net income which will also affect the transfer to VPA by \$2 million. Mr. Oliver advised that all documents will reflect the revision to VIT's budgeted net income that was recommended in closed session.

Action: Upon motion made by Ms. Ganeriwala, seconded by Mr. Wolf, the Board unanimously approved Resolution 11-4, approving the VPA FY12 Budget for the year beginning July 1, 2011 and ending June 30, 2011, to include revisions to budgeted net income that will affect the transfer to VPA by \$2 million.

4. Consideration of Resolution 11-5, authorizing Commonwealth Port Fund Revenue Bonds-Series 2011A&B (the "2011 Bonds"), not to exceed \$88 Million.

Mr. Oliver announced that the Authority's proposed \$88 million CPF Revenue Bond Series 2011A&B will provide approximately \$25 million for the PMT warehouse, \$60 million for Craney Island, and up to \$3 million for cost of issuance.

Ms. JoAnne Carter provided a brief review of conditions in the municipal bond market which is where VPA will go to sell the CPF revenue bonds in mid-July. She reviewed the following information:

- History of Municipal Bond Interest Rates (10 year history)
- Current Municipal Bond Yield Curve (10 years)

- Credit Spreads (10 years)
- Alternative Minimum Tax (AMT) Penalty (10-year spread)
- Municipal Bond Flows
- Virginia Municipal Bond Issuance

Ms. Carter reported that the current estimate for the true interest cost for this issue is around 4.43% which is well below the revenue bond index. VPA has very high credit quality on the bonds and she is expecting the bonds to be rated very high – AA1, AA+, AA+ (just below the Commonwealth’s triple AAA rating). Ms. Carter announced that it is a good time to be in the market as interest rates are favorable for borrowers. She explained, due to the quasi-public/private nature of VPA’s projects, some debt does not qualify for pure tax-exempt financing. VPA’s bonds will be tax-exempt but subject to the Alternative Minimum Tax (AMT), which means there is a premium over borrowing costs that we might have otherwise.

Ms. Carter explained that there are two different structures to the CPF bonds (A&B) because some of the funds will be used with public/private funding, which are non-AMT funds. Ms. Carter explained the following:

Commonwealth Port Fund Bonds

Series 2011A (Non-AMT) and Series 2011B (AMT)

- Estimated par amount of \$80,015,000, subject to change based on market conditions
 - \$57,475,000 Series A (Non-AMT)
 - \$22,540,000 Series B (AMT)
- Issued under Resolution 02-4
- Proceeds to be used for the following purposes:
 - Repayment of the Treasury Loan
 - Costs of the Craney Island Eastward Expansion
 - Costs of constructing a warehouse, including associated rail infrastructure improvements at the Portsmouth Marine Terminal
- 25-Year Fixed-Rate bonds

Ms. Carter presented the participants and preliminary schedule for the Series 2011 Bonds:

Participants:

Senior Managing Underwriter: Morgan Keegan
 Co-Senior Managing Underwriter: Siebert Brandford Shank & Co.
 Co-Managing Underwriters: BB&T Capital Markets, Fidelity Investments, Morgan Stanley
 Underwriter’s Counsel: Kaufman & Canoles LLP
 Bond Counsel: Williams Mullen PC
 Financial Advisor: Public Financial Management, Inc.

Preliminary Schedule:

Ratings Expected: Friday, July 1st
 Preliminary Official Statement (POS) distributed: Tuesday, July 5th
 Negotiated Pricing: Wednesday, July 13th
 Settlement: Tuesday, July 26th
 Maturity of Treasury Loan: August 30th

Mr. Friedberg questioned the 6.5% (not to exceed) interest rate in the bond documents. Ms. Carter explained that the rate was determined in order to allow flexibility in the event there are major market changes or changes to the structure of the bonds due to market conditions.

Mr. Fleming questioned the number of minority firms that were included in the proposals that were considered for underwriting services. Mr. Oliver reported that the Co-Senior Managing Underwriter, Siebert Brandford Shank & Co., is a minority firm. In answer to Mr. Fleming's questions, Mr. Oliver reported that staff received 26 proposals, selected 12 for interviews, three (3) of which were minority firms. Mr. Fleming wanted to know how many minorities were in the pool of 26, what was considered in the rating system, and the firms' experience in municipal bonds. Mr. David James left the meeting at this time to provide the information that was compiled during the selection process. Ms. Carter explained that Siebert Brandford Shank & Co. is ranked in the top ten of all underwriting firms in the country and have been in business for at least 30 years.

Mr. Fleming questioned why the underwriting firms were selected without Board approval. Chairman Milliken explained that it was customary for staff to interview and select the underwriting firms and the bond documents are then presented to the Board for approval. Mr. Oliver explained that the Board approves all contracts over \$5 million.

Mr. Quillen questioned the 6.5% interest rate which, he said, provides a lot of flexibility considering VPA is anticipating an interest rate below 5%. Ms. Carter agreed and she advised that the 6.5% rate ties in with the planning/borrowing rate used in determining the funding for the 2040 Master Plan and it was considered that 6.5% would be affordable given our planning parameters. She said if the interest rate went up to 6.5%, VPA would definitely pause and reevaluate the market. Chairman Milliken agreed with Mr. Quillen.

At this time, Mr. Richardson, reviewed key items outlined in the Series Resolution 11-5, which supplements Resolution 02-4 of the VPA and authorizes the issuance of up to \$88 million of the Authority's Commonwealth Port Fund Revenue Bonds (2002 Resolution), Series 2011.

He referred to the additional documents that accompanied Resolution 11-5 – the Preliminary Official Statement, Continuing Disclosure Statement, and Bond Purchase Agreement. Mr. Richardson pointed out the true interest cost rate of (not to exceed) 6.5% which is noted in the resolution. The final section in the resolution explains how VPA will seek approval from the Treasury Board. Ms. Ganeriwala suggested that the interest rate be lowered to 5.5% as the Treasury Board might not be comfortable with 6.5%.

While the investment consultants determined a revised interest rate, Mr. Oliver and Mr. James provided information to Mr. Fleming with regard to the selection process for the underwriting group and the number of minority firms (3) who submitted proposals including the criteria for the selection process. Mr. Oliver reported there were a total of 26 proposals received, three of which were certified SWaM, one was not a SWaM vendor and is based in San Francisco (Grigsby & Associates), 12 proposals were selected, and of those three were SWAM. Mr. Fleming asked for information on Grigsby. Chairman Milliken told Mr. Fleming that he was satisfied that the evaluation process was done thoroughly and that he intended to offer a vote on the bond issue today.

After a discussion with regard to interest rates and costs associated with the AMT penalty, Ms. Carter and Mr. Richardson recommended a 5.75% interest rate, to allow more room for an AMT penalty. Ms. Ganeriwala said she was amenable to that suggestion. The Board concurred.

Chairman Milliken suggested that the Board move to Resolution 11-7 (Aid to Local Ports Grant requests) and defer the vote on Resolution 11-5 and Resolution 11-6, until additional information is provided.

5. Consideration of Resolution 11-7, awarding Aid to Local Ports Grants – Ms. Jodie Love, Community Relations Coordinator

Ms. Love introduced several guests from the Town of Cape Charles who were in attendance – Mr. Chris Bannon, Vice Mayor, and Mr. Smitty Dize, Harbor Master, who have made application to the Aid to Local Ports Grant Program. Ms. Love explained that funds for the Aid to Local Ports Grant program is appropriated by the General Assembly out of the Commonwealth Port Fund and is a very important program for local watermen and harbors throughout the Commonwealth of Virginia. She reported that total available funds for the FY12 program year is \$2.4 million and that it is the responsibility of VPA staff to make recommendations to the Board as to how the funds are utilized. VPA staff met with most of the applicants in Richmond during the General Assembly session on February 3, 2011, along with Delegate Linwood Lewis and Delegate Harvey Morgan whose districts encompass many of the localities who normally make ALP fund grant requests.

Ms. Love briefly reviewed the application and selection process for grants. The following is a list of grant requests that were approved by the selection committee:

Accomack-Northampton Transportation District Commission ANTDC	\$ 30,000
Accomack	265,000
Town of Cape Charles	500,000
City of Chesapeake	325,000
City of Norfolk	233,750
Middlesex	78,750
Town of Saxis	150,000
Town of Wachapreague	<u>25,000</u>
Total Requests	\$1,607,500

Ms. Love referred to the background paper in the agenda materials that describe each of the projects for the grant requests and she presented a few photos of projects that have been completed.

Action: Upon motion made by Ms. Ganeriwala, seconded by Mr. Macfarlane, the Board unanimously approved Resolution 11-7, awarding FY12 Aid to Local Ports Grants totaling \$1,607,000 to Accomack-Northampton Transportation District Commission (ANTDC), County of Accomack, Town of Cape Charles, City of Chesapeake, City of Norfolk, Middlesex County, Town of Saxis, and Town of Wachapreague.

At this time, Mr. Oliver explained the evaluation criteria that was used for the selection of underwriters, for Mr. Fleming. He explained that the firm, Grigsby & Associates, rated well below the rest of the group that was selected. The Chairman asked the Board to consider Resolution 11-5, to appropriately reflect the changes that were discussed. Ms. Ganeriwala asked Mr. Richardson to suggest the language as it would also relate to the Virginia Transportation Infrastructure Bank (VTIB) loan. Mr. Richardson said the language would explain that the VTIB loan, if approved, would replace the Series B portion of the bond issue.

Action: Upon motion made by Mr. Jones, seconded by Mr. Wolf, the Board unanimously approved Resolution 11-5, authorizing Commonwealth Port Fund Revenue Bonds-Series 2011A&B, with a revision in the true interest cost rate and the maximum coupon rate not in excess of five-and-three-quarters percent (5-3/4%) from the original rate of 6.5%, and to include language that refers to the Virginia Transportation Infrastructure Bank (VTIB) loan that would reduce a portion of the Series 2011 bonds.

6. Resolution 11-6, authorizing a loan from Virginia Transportation Infrastructure Bank (VTIB) in lieu of Series B of the 2011 Bonds – Ms. JoAnne Carter, Financial Advisor (Public Financial Management, Inc.)

Ms. Ganeriwala advised that the motion for Resolution 11-6 should also reflect the interest rate change from Resolution 11-5.

Action: Upon motion made by Ms. Ganeriwala, seconded by Mr. Jones, the Board unanimously approved Resolution 11-6, authorizing a loan from Virginia Transportation Infrastructure Bank (VTIB) in lieu of Series B of the 2011 Bonds, with a revision in the true interest cost rate and the maximum coupon rate not in excess of five-and-three-quarters percent (5-3/4%) from the original rate of 6.5%.

D. Facilities Committee - Mr. Michael Quillen, Committee Chair

1. Status report on current construction projects – Mr. Jeffrey Florin, Deputy Executive Director, Operations and COO

Mr. Florin presented the Capital Outlay Program and Facilities Maintenance Overview and reviewed each of the following projects:

Facilities Update

- Median Rail 2nd Track – Project completion by December 2011
- NIT Maintenance Dredging – North and South dredging completed by July 2011
- NIT Central Rail Yard Phase II – Additional six tracks to be completed by June 30, 2011
- NIT Transfer Zone Safety Improvements - Project completed May 15, 2011 - Kiosk, weight sensor, and light detection system for safety of truck drivers waiting in transfer zone

Craney Island Eastward Expansion

- South & Division Cross Dikes Stage 1 - Placing stage 1 foundation lift of sand, and installing wick drains for two cross dikes. Wick drain installation started in May – Project completed by October 1, 2011

Bond Projects

- PMT Warehouse – Will have rail access for future operations
- South & Division Cross Dikes Stage 2 - Next fiscal year: placing stage 2 foundation lift of sand; installing wick drains for two cross dikes

E. Marketing/Business Development Committee - Mr. Thomas Wolf, Committee Vice Chair

Mr. Held presented the following fiscal year end results:

2011 Fiscal Year to Date, July-April

	FY 2011	FY 2010	Change
Total TEUs	1,593,174	1,526,703	+4.4
Export TEUs	848,876	807,562	+5.1
Import TEUs	744,298	719,141	+3.5
Total Rail Containers	249,093	196,842	+26.5
VIP Containers	27,370	22,322	+22.6
Ship Calls	1,505	1,512	-0.5
Breakbulk Tonnage	243,233	173,413	+40.3

Source: Terminal Statistics

Mr. Held presented the following economic development announcements and briefly described each of the projects:

- Terminal Warehouse, Inc. – Norfolk Industrial Park
- Glasdon International Limited – Sandston, Virginia – Manufacturer of plastic bins in UK
- Katoen Natie – Global logistics provider establishing operations in Norfolk
- Lumber Liquidators – Expanding in Hampton to support Toano, Virginia facility
- California Cartage Company – Third-party Logistics Provider – Expanding operations at Virginia Commerce Center in Suffolk
- J. Crew – Expanding distribution center in Lynchburg
- QVC – Multi-channel retail expanding business to Rocky Mt., N.C.
- Essel Propak America – Laminated tubes for Proctor & Gamble and Crest – Expanded Danville facility

F. Security Committee – Mr. Quillen, Committee Vice Chair

In Mr. Ed Merkle’s absence, Mr. Florin reported on two major security exercises that were conducted in Hampton Roads involving Port security officers:

- 20th Annual Hampton Roads Marine Firefighting Symposium – May 9-14, 2011
- Hampton Roads Full-Scale Exercise – May 17, 2011

III. REPORT OF EXECUTIVE DIRECTOR

Chairman Milliken explained that there were three closed session items and that the only vote in open session would take place on the Richmond Port lease. It was also suggested by the Chairman that the Board combine two of the closed sessions under one motion due to time constraints.

1. EXECUTIVE CLOSED SESSION

At 1:25 p.m., at the request of Chairman Milliken, Mr. Quillen presented a motion, seconded by Mr. Goodwin, 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), for the purpose of reviewing the draft lease with the Port of Richmond Terminal.

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

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, Fleming, Friedberg, Ganeriwala,
Goodwin, Jones, Macfarlane, Quillen, Wolf)

Nays: 0

Absent During Vote: 3 (Cumbie, Fried, Stearns)

Absent During Meeting: 3 (Cumbie, Fried, Stearns)

2. Consideration of Resolution 11-8, approving the Port of Richmond Terminal lease

Chairman Milliken announced that the Port of Richmond Terminal lease was an important step forward for The Port of Virginia and for the Commonwealth which combines Richmond with the Hampton Roads and Front Royal terminals. The Chairman also spoke of the barge business that will flow from the Richmond terminal to Hampton Roads, thereby taking trucks off of I64. Chairman Milliken credited the Governor and Secretary of Transportation for encouraging VPA to proceed with the lease and supporting the Port's efforts to reduce the amount of trucks on highways.

Action: Upon motion by Mr. Quillen, seconded by Mr. Goodwin, the Board unanimously adopted Resolution 11-8, approving the Port of Richmond Terminal lease between VPA and the City of Richmond.

3. **EXECUTIVE CLOSED SESSION**

At 1:48 p.m., at the request of Chairman Milliken, Mr. Quillen presented a motion, seconded by Mr. Goodwin, 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 hear an update on an intermodal project, and pursuant to §2.2-3711(A) (6), to discuss financial matters related to a VDOT transportation project.

The Board came out of closed session at 3:00 p.m. After reconvening the open session, the resolution certifying the closed session was read by Chairman Milliken and seconded by Ms. Ganeriwala.

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

Ayes: 9 (Milliken, Fleming, Friedberg, Ganeriwala,
Goodwin, Jones, Macfarlane, Quillen, Wolf)

Nays: 0

Absent During Vote: 3 (Cumbie, Fried, Stearns)

Absent During Meeting: 3 (Cumbie, Fried, Stearns)

IV. UNFINISHED BUSINESS

No Report

V. NEW BUSINESS

No Report

VI. ADJOURNMENT

There being no further business and no public comments, the open meeting adjourned at 3:05 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, July 26, 2011, at 11:00 a.m. This is the Authority's Annual Meeting for the selection of officers to the Board.

The remaining VPA Board schedule for 2011 is:

July 26 (Annual Meeting)

September 27

November 22

Respectfully submitted,

Debra J. McNulty
Clerk to the Board