



Board of Commissioners

Session 360

July 22, 2014

May 2014 Financial Report



Rodney Oliver
Chief Finance Officer

Virginia Port Authority/Virginia International Terminals, LLC CONSOLIDATED INCOME STATEMENT FOR THE MONTH ENDED MAY 31, 2014

	Actual	Budget	\$ Variance	% Variance
Operating Revenues	\$ 34,201,488	\$ 32,852,937	\$ 1,348,551	4.1%

- *Operating revenue was 4.1% over budget, primarily due to an increase in miscellaneous revenues (demurrage, storage, refrigerated services, etc.)*

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MAY 31, 2014**

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Operating Revenues	\$ 34,201,488	\$ 32,852,937	\$ 1,348,551	4.1%
Operating Expenses:				
Terminal operations	16,399,621	14,465,479	(1,934,142)	-13.4%
Terminal maintenance	5,599,079	5,022,806	(576,273)	-11.5%
General and administrative	3,381,419	3,742,744	361,324	9.7%
Facility Rental	4,534,852	4,178,072	(356,780)	-8.5%
Depreciation and amortization	3,929,156	3,926,480	(2,676)	-0.1%
Total operating expenses	33,844,128	31,335,581	(2,508,547)	-8.0%

- **Total operating expense was \$2.5 million over budget**
- **Terminal operations expense was \$1.9 million over budget for the month, primarily due to volume mix and premium pay**
- **Terminal maintenance was up for the month due to increased maintenance related to additional SC's in operation**
- **Remaining expense categories combined to be in-line with budget**

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Total operating expenses	33,844,128	31,335,581	(2,508,547)	-8.0%
Operating income (loss)	357,359	1,517,356	(1,159,996)	76.4%

- **The higher than budgeted revenue was more than offset by higher than budgeted operating expenses resulting in an operating income of \$357 thousand or \$1.2 million below budget for the month of May**

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Non-operating revenues (expenses)	(2,030,772)	(2,298,868)	268,097	11.7%
Capital contributions and transfers	3,178,041	3,244,518	(66,477)	-2.0%

- *Non-operating expenses consist primarily of interest expense which is lower than budget due to bond refundings and the negotiation of lower interest rates on MELPs and interest on investments*
- *Capital contributions consist primarily of Commonwealth Port Fund Revenue and was 2% lower than budget*

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Capital contributions and transfers	3,178,041	3,244,518	(66,477)	-2.0%
Increase (decrease) in Net Assets	\$ 1,504,629	\$ 2,463,006	\$ (958,377)	-38.9%

- *The overall results show an increase in Net Assets of \$1.5 million, which was \$958 thousand below budget*

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**Virginia Port Authority/Virginia International Terminals, LLC
CONSOLIDATED INCOME STATEMENT FOR THE ELEVEN MONTHS ENDED
MAY 31, 2014**

	Actual	Budget	\$ Variance	% Variance
Operating Revenues	\$ 333,181,490	\$ 335,463,350	\$ (2,281,860)	-0.7%

- ***Continued shift in volume mix towards rail, and additional incentives, contributed to lower than budgeted revenue***

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MAY 31, 2014**

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Operating Revenues	\$ 333,181,490	\$ 335,463,350	\$ (2,281,860)	-0.7%
Operating Expenses:				
Terminal operations	160,217,665	149,209,778	(11,007,887)	-7.4%
Terminal maintenance	57,113,263	54,534,560	(2,578,704)	-4.7%
General and administrative	40,222,869	40,980,942	758,073	1.8%
Facility Rental	47,869,761	45,958,792	(1,910,969)	-4.2%
Depreciation and amortization	43,389,787	43,353,319	(36,468)	-0.1%
Total operating expenses	348,813,346	334,037,391	(14,775,955)	-4.4%

- ***Terminal operations expense was \$11 million over budget mostly due to rail mix and higher than budgeted premium pay***
- ***Terminal maintenance was \$2.6 million over budget due to the reclassification of certain expenses from operations, and the age of equipment***
- ***General and administrative expense was slightly lower than budget***
- ***Facility rental was over budget due to a change in estimate***

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Total operating expenses	348,813,346	334,037,391	(14,775,955)	-4.4%
Operating income (loss)	(15,631,856)	1,425,959	(17,057,815)	1196.2%

- ***The combination of lower than budgeted revenue and higher than budgeted expenses have resulted in an operating loss of \$15.6 million or \$17.1 million below budget year to date***

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Operating income (loss)	(15,631,856)	1,425,959	(17,057,815)	1196.2%
Non-operating revenues (expenses)	(15,807,749)	(17,111,654)	1,303,905	7.6%
Capital contributions and transfers	33,593,320	35,689,698	(2,096,378)	-5.9%

- ***Non-operating expenses consist primarily of interest expense which is lower than budget due to bond refundings and negotiation of lower interest rates on MELPs***
- ***Capital contributions consist primarily of Commonwealth Port Fund Revenue which was approximately \$2.1 million below budget***

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Capital contributions and transfers	33,593,320	35,689,698	(2,096,378)	-5.9%
Increase (decrease) in Net Assets	\$ 2,153,715	\$ 20,004,003	\$ (17,850,288)	-89.2%

- **The overall result is an increase in Net Assets of \$2.2 million which is \$17.9 million below budget**

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Thank you





Board of Commissioners

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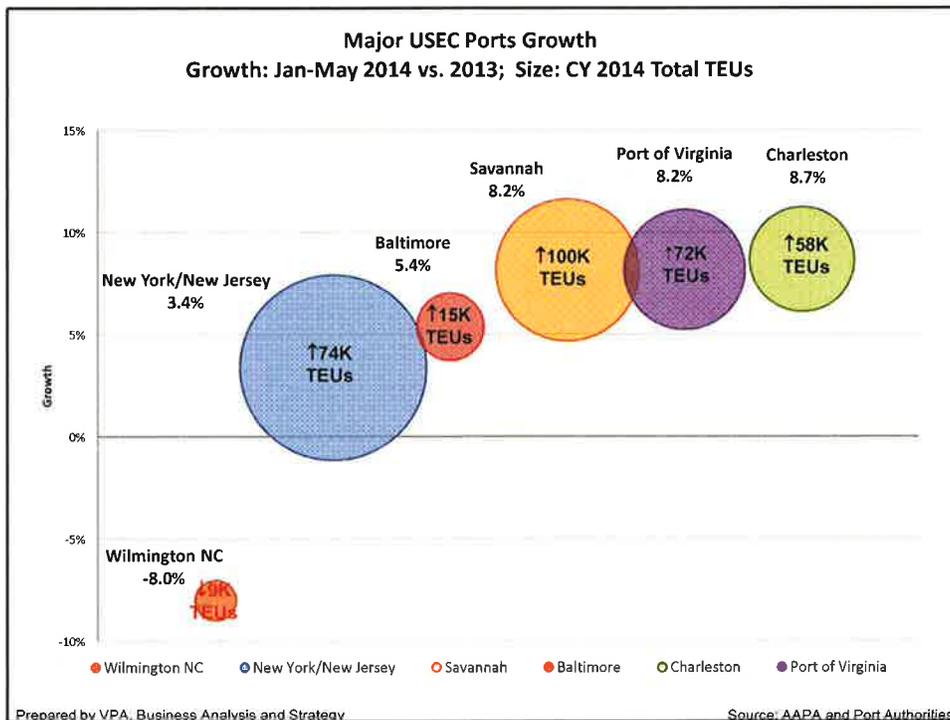
July 22, 2014

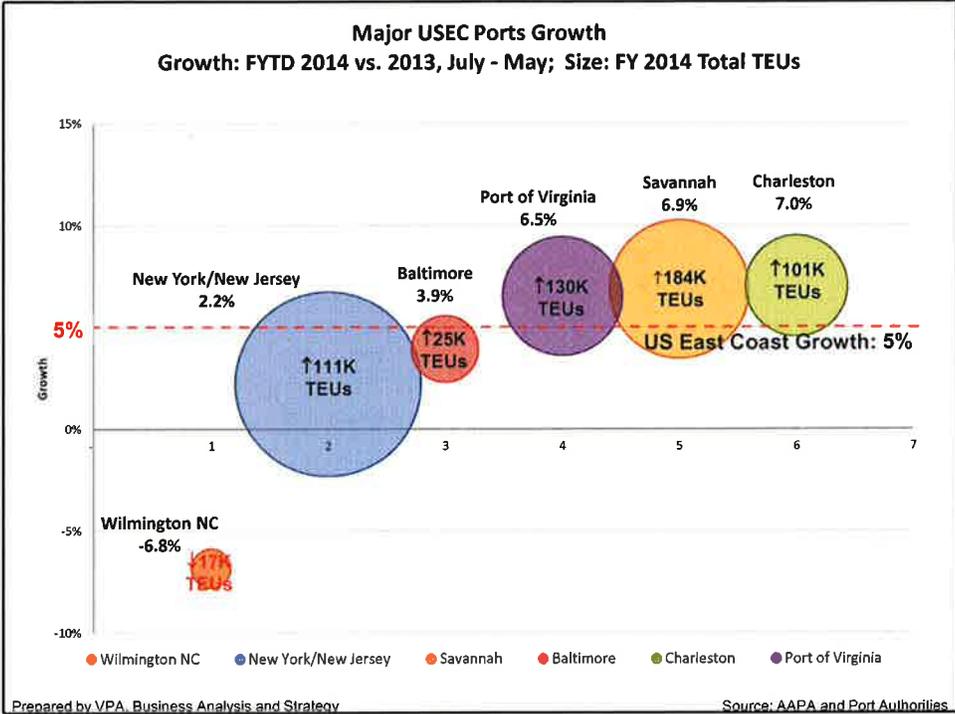
Commercial Update



	CY14: Jan-Jun	CY13: Jan-Jun	% Change
Total TEUs	1,136,654	1,054,275	7.8%
Export TEUs	618,673	568,268	8.9%
Import TEUs	517,981	486,007	6.6%
Total Containers	649,754	605,165	7.4%
General Cargo Tonnage	9,619,462	8,938,763	7.6%
Container Tonnage	9,431,246	8,774,990	7.5%
Breakbulk Tonnage	188,216	163,773	14.9%
Total Rail Containers	221,282	204,891	8.0%
VIP Containers	17,797	14,671	21.3%
Total Barge Containers	25,458	23,529	8.2%
Total Truck Containers	403,014	376,745	7.0%
Ship Calls	941	927	1.5%
Vehicle Units	19,056	12,980	46.8%

 2014 Complete FY: July - June			
	FY14: Jul-Jun	FY13: Jul-Jun	% Change
Total TEUs	2,305,911	2,165,435	6.5%
Export TEUs	1,237,636	1,162,863	6.4%
Import TEUs	1,068,275	1,002,572	6.6%
Total Containers	1,319,500	1,242,777	6.2%
General Cargo Tonnage	19,521,003	17,981,371	8.6%
Container Tonnage	19,160,500	17,633,216	8.7%
Breakbulk Tonnage	360,503	348,155	3.5%
Total Rail Containers	447,285	410,947	8.8%
VIP Containers	35,305	31,537	11.9%
Total Barge Containers	50,033	53,514	-6.5%
Total Truck Containers	822,182	778,316	5.6%
Ship Calls	1,879	1,915	-1.9
Vehicle Units	34,254	34,534	-0.8%





THE PORT OF VIRGINIA Commodity Highlights - Gains

FY 2014 vs FY 2013, July-May

General Cargo imports:	+31K TEUs, up 222%
Grain, Soybeans and Feed exports:	+30K TEUs, up 50%
Plastic Product imports:	+8K TEUs, up 41%
Logs and Lumber exports:	+6K TEUs, up 12%

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 **Commodity Highlights - Reductions**

FY 2014 vs FY 2013, July-May

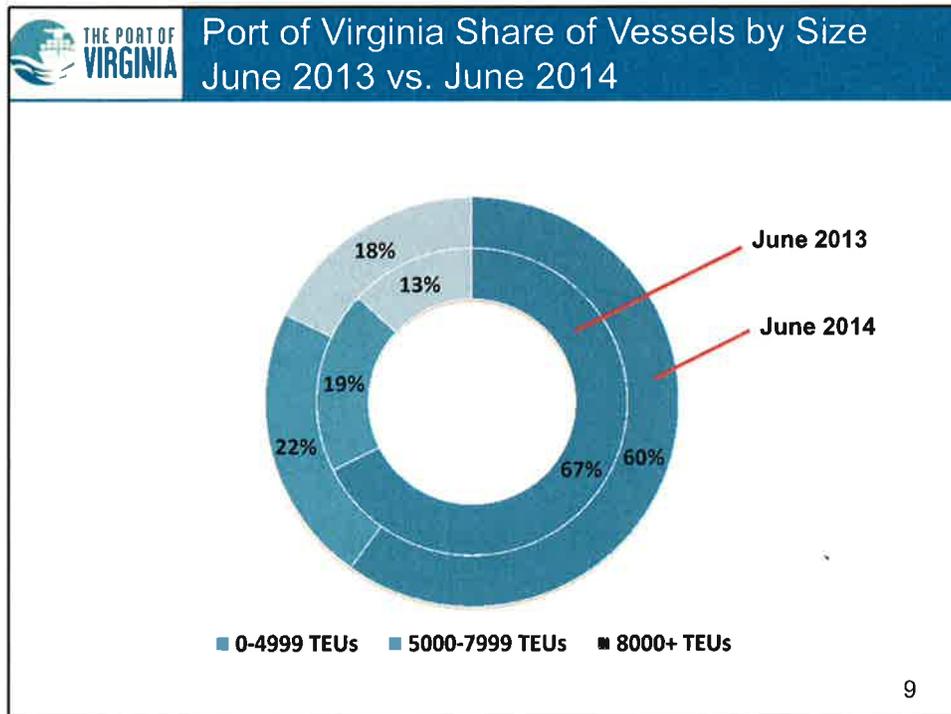
Grocery Product exports:	(7K) TEUs, down 33%
Paper/Paperboard incl. Waste exports:	(6K) TEUs, down 7%
Non-alcoholic beverage imports:	(4K) TEUs, down 24%
Metal scrap exports:	(4K) TEUs, down 28%

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 **New and Upgraded Shipline Services**

- ZIM – ZCP: New Asia service with 4900-TEU capacity vessels; June 2013.
 
- CKYHE – AWE8: New Asia service with 8000-TEU capacity vessels; June 2014.
 
- G6-AX1: Increase vessel capacity in the Transatlantic from 5900 TEUs to 8600 TEUs;
 
- MSC – Indus Express: New Suez service with capacity of 3600 TEUs; July 2014.
 

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THE PORT OF VIRGINIA Intercontinental Exchange Designation

- The Port of Virginia has been selected by the Intercontinental Exchange (ICE) to become a delivery point for the coffee “C” futures contract.
- This allows for owners of exchange-grade coffee stored in an exchange-licensed warehouse in the Port to make delivery against the futures contract using that coffee in the Port.
- Positive development for the Port of Virginia and coffee roasters in the area.

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Thank you





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Operations Update



Joseph P. Ruddy
Chief Operating Officer



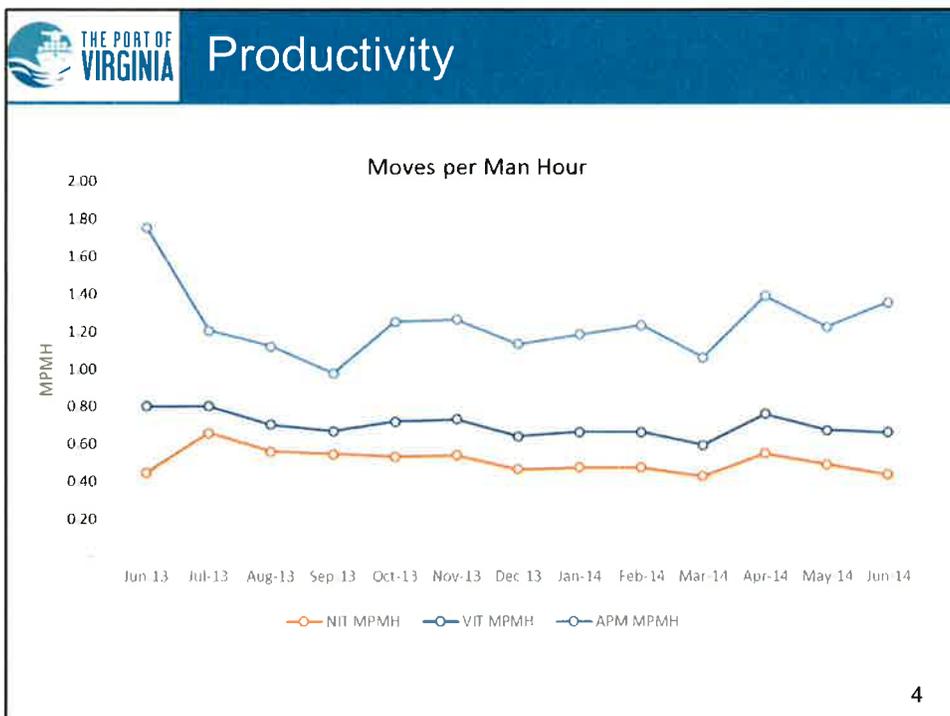
Agenda

- Introduction
- Production
- Rail Operations
- Gate
- N4 TOS Implementation
- Future Changes

Overview

- As provided earlier, overall volume, specifically rail continue to increase
- Overall productivity remained stable
- The NIT rail optimization study has been implemented and consistent outputs. Some remaining infrastructure/ automation is required and currently in the process of being deployed
- Navis/N4 Terminal Operating System successfully went live on Saturday, June 21, 2014

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Rail Operations

- Rail volumes as noted grew through May with a slight reduction seen in June. Outputs had stabilized prior to the introduction of N4
- Since N4 go live, rail dwell has increased for imports, export flow is unaffected
- Rail dwell has increased with volume since October. The combination of new conveyance and familiarity with N4 will improve this metric
- Terminal labor costs were stable with increasing rail volumes, demonstrating improved productivity

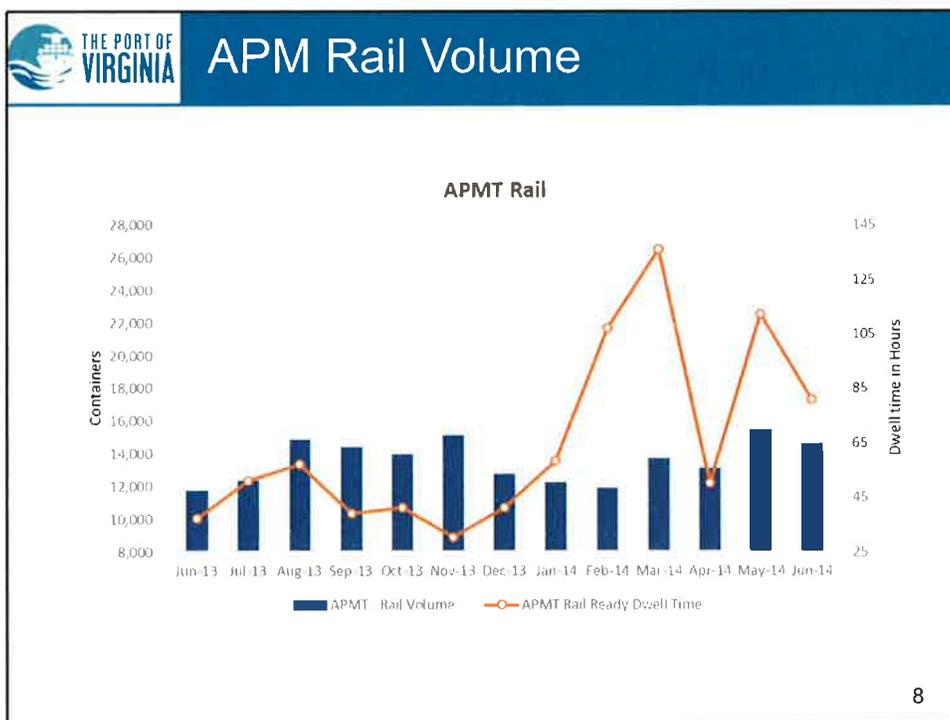
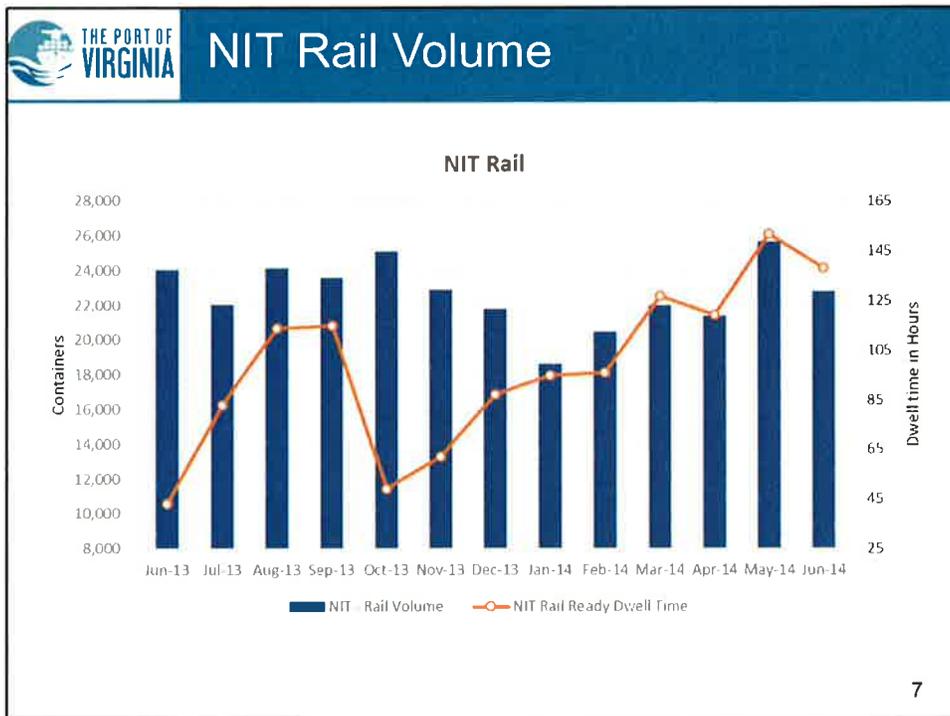
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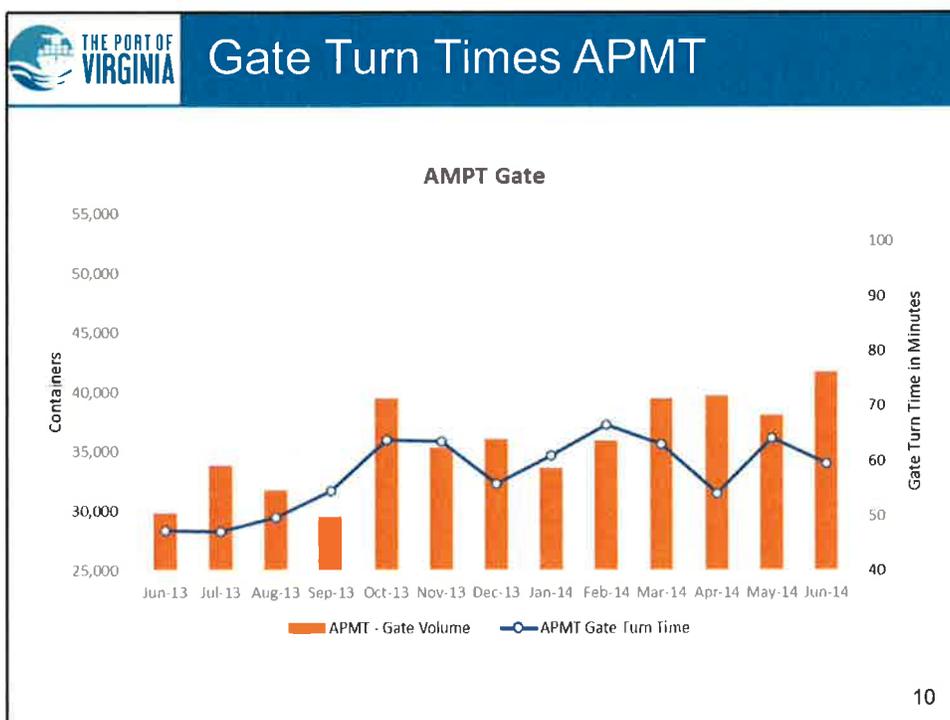
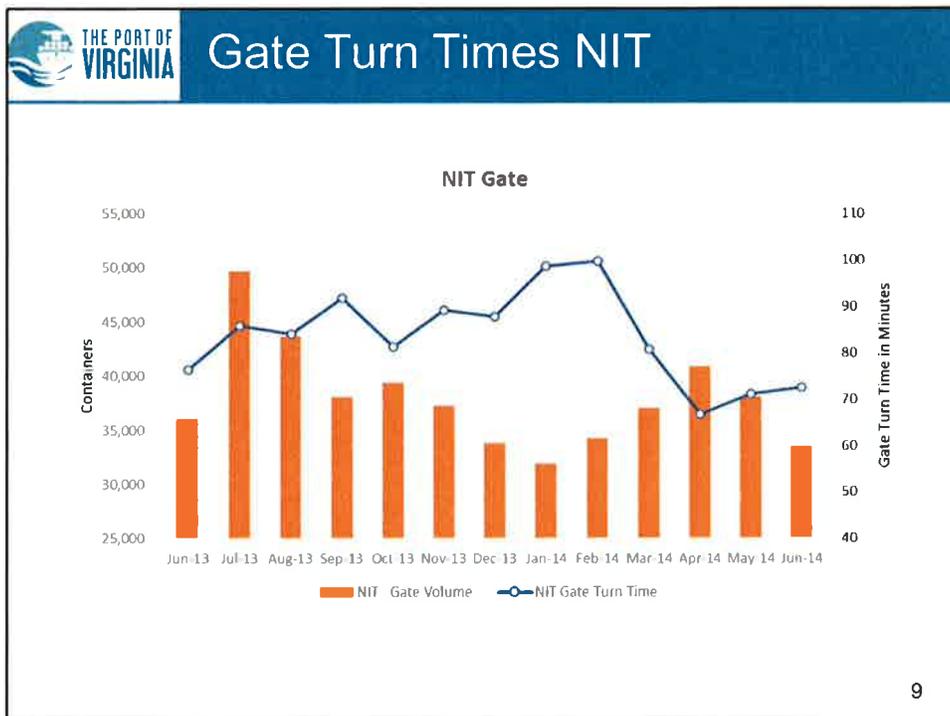


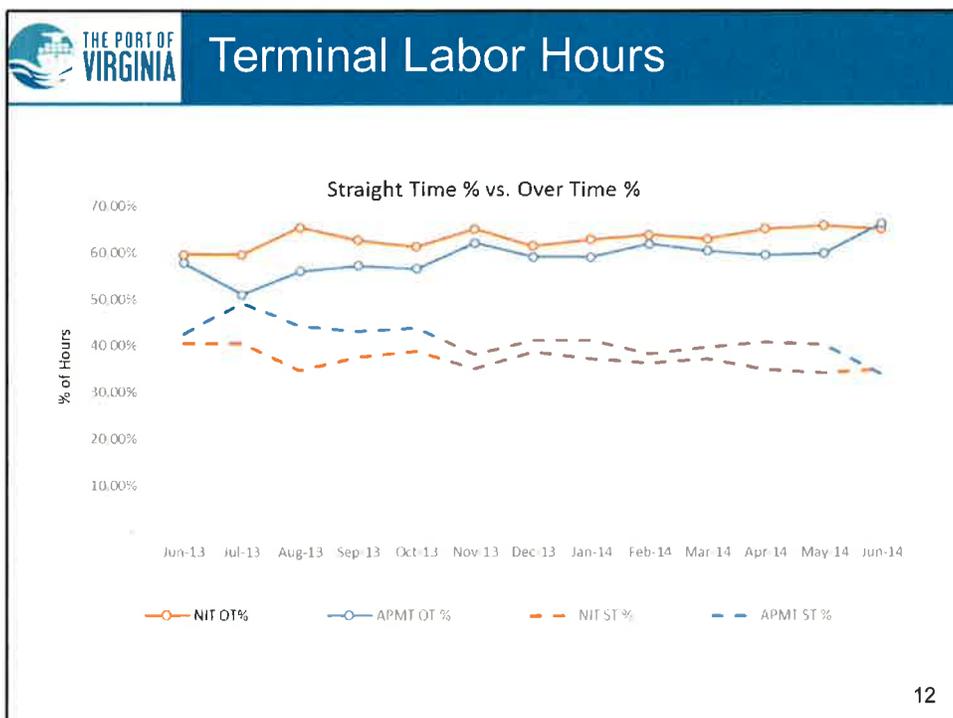
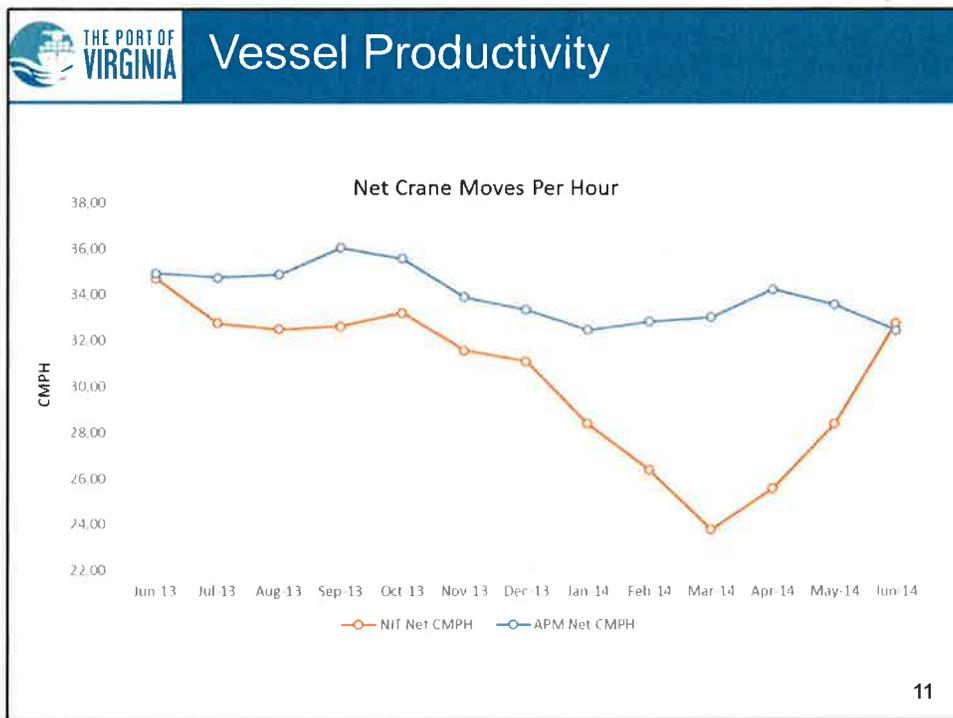
Rail Operations

- Operations received all 32 Hustlers
- North and South portals are fully operational
- Infrastructure such as automated portals shall be put in place over the next 12 months
- Process has demonstrated independence from Gate operations as planned

6









Navis/N4 Terminal Operating System

- N4 Go Live: June 21, 2014
- System has not experienced an unplanned shutdown since go-live. Stability of all wired, wireless, and systems has been good
- Training in all facets of the system will continue
- Challenges are being addressed daily as users become familiar with this system
- As the system continues stabilization and productivity levels return, further enhancements will be implemented.

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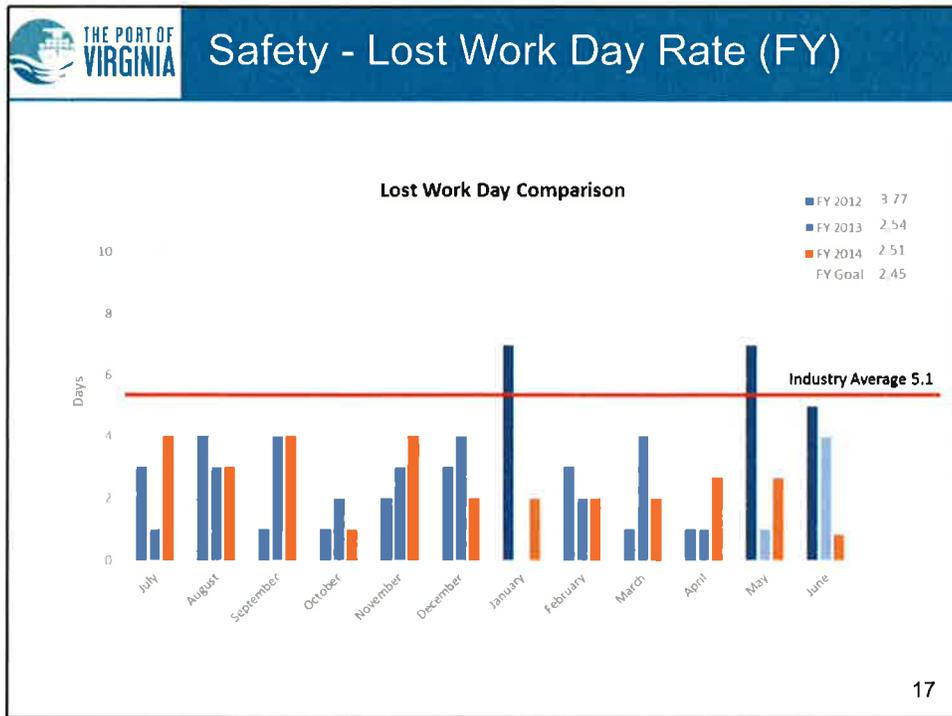
Current/Future Initiatives

- Terminal Empty Yards in Norfolk and Portsmouth – control has been transferred to HRCP II (chassis pool company), internalizing cost of these operations – July 1, 2014
- Straddle Carrier drivers as supplied by operations will become the responsibility of the stevedores, allowing for greater capacity for Yard and Rail Operations – July 25, 2014
- N4 go live will allow for continued efficiency gains:
 - Automated Gate – September/October 2014
 - Enterprise Appointment System – September/October 2014
 - Differential Global Positioning System (Yard) – January 2015

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Operational Procedures and Regulatory Compliance		Number of Areas Evaluated	Composite Rate		
NIT		Q4 = 517	Q4 = 70.6%		
APM		Q4 = 449	Q4 = 74.3%		
<70% = Red		70-90% = Yellow		>90% = Green	
Safety Citations	Terminal Management Visibility 1 hour per week	Resolution of Key Risks	Manager & Supervisor Training	Housekeeping Compliance Rate	
Q4 = 149 (PPE/SB/Cell)	Q4 = 88%	Q4 = 18/15/3	FY = 171/189	Q4 = 77%	



-
- THE PORT OF VIRGINIA** Police/Security
- Agenda
 - Police Realignment
 - Breach Reports
- 18



Police

- Complement
 - Police transferred two contract positions to full-time Port of Virginia employees
 - Affords opportunity to address administrative responsibilities consistent with downsizing voids.
 - Enhances efficiency of program development, employee growth and budget monitoring
 - Adds additional operations supervision (a police officer on the terminal)

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Security

- Breach Reports
 - Five (5) during 2nd Quarter 2014
 - 2 - Vessel Crew Members leaving containment area
 - 2 - Failure to Stop at Entry Gate
 - 1 - Unauthorized Passenger in Truck
 - Deterrence during 2nd Quarter 2014
 - Truck driver was stopped at PMT gate attempting to enter using fraudulent TWIC card.
 - Security confiscated 88 expired VPA Port Identification Cards.
 - Stopped 24 drivers with no TWIC card.
 - Turned seven (7) individuals with expired TWIC cards.
 - Mitigated 35 exceptions involving restricted TWIC cards
 - Located three (3) unauthorized passengers
 - Discovered five (5) unauthorized firearms

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Thank you





Board of Commissioners

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Public Affairs Update



Government /Community Affairs

- **Local, State, Federal, and external partner focus**
 - Hampton Boulevard
 - State reporting, state delegation meetings
 - Federal strategy and visits
 - Community outreach and service
- **New team members**
 - Andrew Sinclair, Director Government Affairs
 - Manager, Local Government Affairs and Community Outreach



Hampton Boulevard

- Working with City of Norfolk to extend motor carrier access hours
 - Study Completed: Truck Volume < 4% of total volume
 - Balancing safety, quality of life, operational efficiency
 - Metering the flow of trucks throughout day and optimizing the appointment system
- Better alignment with hours of operation at NIT
 - Current: 0600 to 1600 - trucks permitted
 - Proposed: 0600 to 1900 – trucks permitted
- Public outreach: good neighbors

3



State Legislative Activity

- Monthly reporting, development grant report
- Budget process beginning
- Tag Greason, Conferee, visiting July 28
- Hampton Roads Caucus, meeting and harbor tour August 14
- Working with House Appropriations and Senate Finance staff for a fall meeting and tour

4



Washington, D.C. Visits

- Meeting with Office of the Vice President
- Meeting with White House staff
- Meeting with Office of Ass't Secretary of the Army
- Visits with Senators Warner and Kaine, and Representatives Forbes, Rigell, Scott, Hurt, Griffith, Wittman
 - 55' Channel funding to match VA share
 - Craney Island Eastward Expansion
 - Land transfer – leadership appreciation
 - \$50M Request for Construction in FY16
 - LRR Update
 - TIGER grant

5



Federal Lobbying Services RFP

- 15 Proposals Submitted in June with 3 finalists selected for interviews in early July
 - Alcade & Fay
 - Federal Advocates
 - McDonald Hopkins Government Strategies
- Selection?

6



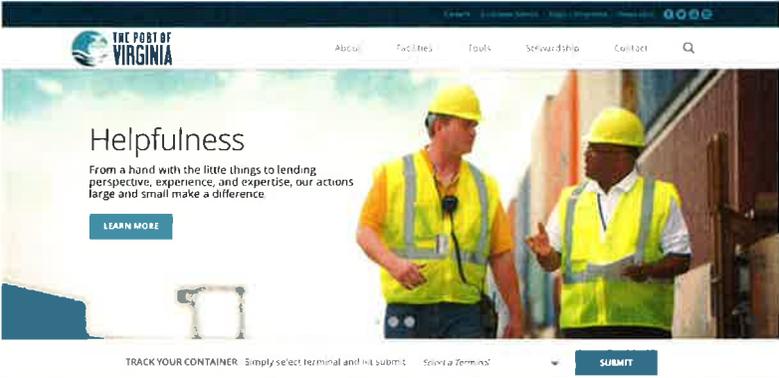
Communications

- **June/July Messaging:**
 - Launch of N4 terminal operating system, training, updates
 - Port tracking for record-setting calendar year for TEU volume
 - China lifts its ban on Virginia poultry imports, first shipment to China
 - Appointment System
 - Operation updates
 - Severe Weather
 - Welcoming of first calls by new services
 - Job postings
- **POV Communications Policy**
 - Outlines the process for how all internal and external communications will be conducted

7



Website Project



The screenshot shows the website's navigation menu (Home, About Us, Facilities, Tools, Stewardship, Contact) and a search bar. The main content area features a 'Helpfulness' section with a photo of two workers in safety vests and a 'LEARN MORE' button. Below this is a 'TRACK YOUR CONTAINER' form with a dropdown menu for 'Select a Terminal' and a 'SUBMIT' button.

Our Mission

It shall be the duty of the Authority, on behalf of the Commonwealth, to foster and stimulate the commerce of the ports of the Commonwealth and related facilities by serving as the United States eastern seaboard gateway for the global import and export of freight throughout the world, to promote the shipment of freight through the maritime and inland ports, to seek to secure necessary improvements of navigable tidal waters within the Commonwealth, and in general to perform any act or function which may be useful in developing, improving, or increasing the commerce, both foreign and domestic, of all maritime and inland ports of the Commonwealth and related facilities.

8



Economic Development Announcements



Announcements



 **LOGISTXGAMES**

- June 6 teams of warehouses competed in the first-ever LogistXGames in Virginia at the Ace Import Redistribution Center
- Created 8 years ago to promote the logistics industry and support workforce development.
 - \$6,240 for Paul D. Camp Community College
 - CenterPoint donated \$1,000 for an endowed scholarship.



Thank you

