

Virginia Port Authority Board of Commissioners
Finance/Planning Committee Meeting
March 25, 2013

Open Session Minutes

Committee Members Present:

Scott R. Bergeron, Chair
Manju S. Ganeriwala, State Treasurer
John N. Pullen
Ting Xu

Committee Members Absent:

Juliann J. Clemente, Vice Chair

Commissioners Present:

William H. Fralin, Jr., Board Chairman
Jeffrey D. Wassmer, Board Vice Chairman
James M. Boyd
Frank E. Laughon, Jr.
Robert M. Stanton

Staff:

Rodney W. Oliver, Interim Executive Director
J. J. (Jeff) Keever, Senior Deputy Executive Director
Jeffrey Florin, Deputy Executive Director, Operations and COO
Russell Held, Deputy Executive Director, Development
Wendy King, Director of Finance
Carla Welsh, Manager, Creative Services
Debra J. McNulty, Clerk to the Board

Guests:

David Tyeryar, Deputy Secretary of Transportation and CFO
Jeffrey R. Allen, Office of the Attorney General
Norman A. Thomas, Office of the Attorney General
James Noel, Office of the Attorney General
JoAnne Carter, PFM Group
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, VIT
Michael Shapiro, *The Daily Press*

Pursuant to call by Mr. Bergeron, the Finance/Planning Committee convened an open session on this date at 3:00 p.m., in the Authority's Conference Room, 600 World Trade Center, Norfolk, Virginia.

At this time, Mr. Pullen presented a motion, seconded by Mr. Wassmer, to go into closed session in accordance with the Virginia Freedom of Information Act, pursuant to §2.2-3705.1(5), §2.2-3705.6(1) and (3), and §2.2-3711(5), (38) and (40), to review the Draft 2040 VPA Master Plan Executive Summary for approval.

At 3:37 p.m., upon motion by Mr. Pullen, seconded by Ms. Ganeriwala, and having certified that the matters discussed in the preceding closed session met the requirements of §2.2-3712 of the Code, the Finance/Planning Committee reconvened in open session.

The resolution certifying the closed session passed by a roll call vote of the Finance/Planning Committee members as follows:

Ayes: 4 (Bergeron, Ganeriwala, Pullen, Xu)

Nays: 0

Absent During Vote: 1 (Clemente)

Absent During Meeting: 1 (Clemente)

At 3:38 p.m., Mr. Pullen presented a motion, seconded by Ms. Ganeriwala, to go into closed session in accordance with the Virginia Freedom of Information Act, pursuant to §2.2-3711(A)(38), to discuss proprietary budget information gathered by or for the Virginia Port Authority, pursuant to §62.1-132.4, to review VIT FY2013 Budget vs. Actual, year-to-date; and review prospective FY2014 VIT Budget for the year beginning July 1, 2013 and ending June 30, 2014.

At 5:00 p.m., upon motion by Mr. Pullen, seconded by Ms. Ganeriwala, and having certified that the matters discussed in the preceding closed session met the requirements of §2.2-3712 of the Code, the Finance/Planning Committee reconvened in open session.

The resolution certifying the closed session passed by a roll call vote of the Finance/Planning Committee members as follows:

Ayes: 4 (Bergeron, Ganeriwala, Pullen, Xu)

Nays: 0

Absent During Vote: 1 (Clemente)

Absent During Meeting: 1 (Clemente)

The following items were discussed in open session:

1. Discussion of Terminal Revenue Bond Refunding Opportunities

Ms. JoAnne Carter presented a Market Update for the proposed Port Facilities Revenue Refunding Bonds, Series 2013. She announced that the Authority completed a number of refinancings last year on the Commonwealth Port Fund Bonds that were outstanding.

Ms. Carter explained that the proposed Port Facilities 2013 bonds would be backed by net revenues of terminal operations and that there are over \$100M in bonds that are eligible for refinancing in today's market. She announced that her presentation is for informational purposes only and that there would be no decision made by the Board at this time. Ms. Carter advised, if the market continues to hold, she would be back before the Board's regularly scheduled meeting on May 28th.

Ms. Carter reviewed the 10-year history of U.S. Treasury yields. She reported that the 10-year average is at 3.62%, it was well below that average last year for the VPA refinancings, and rates are continuing to hold creating opportunities for a 2013 terminal revenue bond refinancing. Ms. Carter explained the difference between tax-exempt and taxable refinancings and she advised that for this issue a tax-exempt refinancing would be favorable in the market.

Ms. Carter reviewed the Weekly Municipal Bond Volume, comparing tax-exempt and taxable issues, and she noted that last year was a particularly high volume year.

Ms. Carter reviewed the following with regard to the Port Facilities 2013 bonds:

- Secured by net revenues generated by terminal operations
- Rated Aa3/A+/NR by Moody's/Standard & Poor's/Fitch
 - Moody's assigned a negative outlook to the Bonds in May 2009 reflecting concerns regarding global economic conditions, debt service coverage, and liquidity
- \$265.7 million principal outstanding as of July 1, 2013

Ms. Carter presented three financing options – a tax-exempt approach, and two scenarios for a taxable issue. She advised that the tax-exempt financing would be recommended for an annual cash flow savings of \$757,000 and net present value savings of \$11.5M.

Ms. Carter reviewed a list of the underwriting team and she advised that the bond documents would be presented at the Board's May meeting with settlement scheduled by June 30.

Mr. Pullen asked about the underwriting costs and Ms. Carter advised it was based on the size of the transaction which in this case would be approximately \$400,000. Mr. Bergeron asked if the bond refinancing should be approved by the Board before the May 28th meeting. Ms. Carter explained that there is a lot of volatility in the treasury market and she advised that the transaction should hold until then.

Ms. Ganeriwala asked if the VPA had a policy with regard to structuring bond issues. Mr. Oliver explained that the VPA takes the market into consideration over time and that this issue would provide excess cash to pay down additional debt. He also noted that there could also be a delay in getting to the markets given the busy summer vacation period.

2. Review of the preliminary FY2014 VPA Budget for the year beginning July 1, 2013 and ending June 30, 2014

Ms. King referred to the VPA Statement of Revenues, Expenses, and Changes in Net Assets, for the projected FY14 budget and she advised that the statement does not contain projected VIT FY14 terminal operating revenues. She noted that there are no cost savings projected in the FY14 budget and it includes a 2% payroll increase and benefits increase of 4.25%.

Ms. King reported that the projected FY13 budget shows operating revenues at \$11.9M, operating expenses at \$118.2M, capital contributions and transfers of \$37.2M, leaving a decrease of net assets in the amount of (\$82.1M) before any transfers from VIT.

Ms. King reviewed the upcoming budgeted FY14 budget with operating revenues slightly up at \$12.7M, operating expenses of \$120.8M (due to increased rent at APMT), capital contributions and transfers increasing to \$39.5M, resulting in a decrease in net assets of (\$86.7M) before terminal revenue transfers from VIT.

Mr. Bergeron asked about the additional revenue expected from the Governor's transportation bill and Mr. Oliver advised that the Commonwealth Port Fund estimates do not come out until June.

Ms. King reviewed the future capital outlay projects planned for FY14. Mr. Bergeron asked about the APMT Phase II budgeted amount of \$20.1M. Mr. Florin advised that it was an estimate that will be adjusted within the next two months and Mr. Oliver confirmed that the line item does include cost

estimates for some infrastructure improvements that were discussed with the Board. Chairman Fralin asked about the Rail Enhancement Fund and other fund sources. Mr. Oliver confirmed that VPA has applied for funding for APMT rail and Richmond but not for PMT at this time. Mr. Florin explained that the grants are based on volume that is generated and PMT did not qualify.

Mr. Bergeron thanked the staff for providing early FY14 budget information.

There were no public comments and the Finance/Planning Committee meeting adjourned at 5:25 p.m.

Respectfully submitted,



Debra J. McNulty
Clerk to the Board