

**MINUTES**  
**JOINT MEETING OF THE**  
**Virginia Port Authority (VPA) Board of Commissioners**  
**and**  
**Virginia International Terminals, Inc. (VIT) Board of Directors**  
**600 World Trade Center, Norfolk, Virginia**  
**May 22, 2012 – 11:00 a.m.**

The following were in attendance:

**VPA Board:**

Michael J. Quillen, Chairman  
Jennifer D. Aument  
Scott R. Bergeron  
Juliann J. Clemente (also VIT Board Director)  
William H. Fralin, Jr.  
Frank E. Laughon, Jr.  
John N. Pullen  
Robert M. Stanton  
Jeffrey D. Wassmer  
Ting Xu  
Manju S. Ganeriwala, State Treasurer

**VIT Board:**

Charlotte P. Herndon, Chairwoman  
Wilson M. Goode, Vice Chairman  
William M. Grace  
Thaddeus B. Holloman, Sr.  
Robert W. Jones, Jr.  
John M. Ryan (Corporate Counsel)  
Bryant McGann (Corporate Counsel)

**VIT Board Members Absent:**

G. Robert Aston, Jr.

**VPA Board Members Absent:**

James M. Boyd (also VIT Board Secretary)

**VPA Staff:**

Jerry A. Bridges, Executive Director  
J. J. (Jeff) Keever, Senior Deputy Executive Director, External Affairs  
Rodney Oliver, Deputy Executive Director and CFO  
Jeffrey Florin, Deputy Executive Director, Operations and COO  
Linda G. Ford, Director, Port Promotion  
Wendy King, Director of Finance  
Nine Malone, Director, Business Analysis and Strategy  
Carla Welsh, Manager, Creative Services  
Joe Harris, Media/Public Relations Manager  
Debra J. McNulty, Clerk to the Board

**VIT Staff:**

Joseph A. Dorto, President and CEO, VIT  
Joseph P. Ruddy, Executive Vice President and Chief Operating Officer, VIT  
Thomas Capozzi, Vice President, Global Sales and Customer Service  
Regina P. Brayboy, Vice President, Administration and Financial Services, VIT  
Robert Nestor, Manager, Pricing and Strategic Planning, VIT  
Shawn Tibbetts, Director, Operations and Maintenance  
Mark Thorsen, Chief Information Officer, VIT  
Dan Allen, Controller & Assistant Director, Financial Services, VIT  
Beth Neville, Financial Information Systems Manager, VIT

**Guests:**

David Tyeryar, Deputy Secretary of Transportation and CFO  
Jeffrey R. Allen, Sr. Assistant Attorney General, Chief-Transportation Sector  
John Ryan, Vandeventer LLP (VIT Corporate Counsel)  
Bryant McGann, Vandeventer LLP (VIT Corporate Counsel)  
Robert McCabe, *The Virginian-Pilot*  
Michael Shapiro, *The Daily Press*

Pursuant to call by Chairman Quillen, the VPA Board of Commissioners and VIT Board of Directors convened an open session on this date at 11:00 a.m., in the Virginia Port Authority's Boardroom, 600 World Trade Center, Norfolk, Virginia.

At this time, Chairman Quillen asked everyone around the table to introduce themselves. He announced that Secretary Connaughton would be joining the VPA Board later. The Chairman thanked the staff of VPA and VIT for the work that they had done on both FY13 budgets. He mentioned that it was his ninth year reviewing port budgets as a VPA board member and he commented that it was easier to prepare a budget when the economy is up and volumes are better. Chairman Quillen commended everyone involved in the budgetary process.

At this time, Mr. Rodney Oliver presented the consolidated financial results for VPA and VIT for the first 10 months of the fiscal year. He reported that operating revenues are slightly below budget (2.2%) which was a result of lower than budgeted container volumes. Mr. Oliver noted that volumes have begun to slowly increase over the last few months. He reported that operating expenses are about \$3 million over budget due to increases in rail activity and the estimated transition of cargo to APMT, scheduled for October 1, which did not occur until last month.

Mr. Oliver reported that maintenance expenses are about 14.15% under budget and that efficiency measures are continually evaluated and implemented. General and Administrative expenses are also below budget. Mr. Oliver advised that facilities rental expenses are 16.5% under budget as a result of the delayed full-rent payment to APMT. He explained that the increases in Non-Operating Revenue and Expenses were due to low interest rates from a refinancing in January and a bond issue in July that was smaller than anticipated.

Mr. Oliver reported that the Commonwealth Port Fund (CPF) allocation was 3.6% under budget. He advised that Net Assets (Net Income) was also well within budget.

Mr. Oliver continued with a review of the dashboard that monitors progress on the FY12 Goals and Objectives that were approved by the Board. He reported that VPA has basically been at break-even for the last two months on the financial goal and the net operating loss lower than what VPA had anticipated. Mr. Oliver noted that a portion of the safety goal will not be met as a result of the lost work days (LWD) numbers which, he mentioned, was an issue that had been discussed by the Board's Security/Safety Committee.

Mr. Oliver explained the Greensboro rail goal and he reported that April was a significant month for the Port. He also mentioned that there is a confidential shipping initiative goal and staff is working on memorandums of agreement with the parties involved.

Mr. Fralin questioned why maintenance expenses have increased from last year. Mr. Oliver

explained that VIT had budgeted in FY12 to take care of some maintenance that had been deferred in 2011 due to the economy. Mr. Dorto advised that some of the deferred projects are budgeted for FY13.

Mr. Oliver reviewed the highlights pages of the VPA/VIT Accrual Basis Budget for FY13 and the VPA Cash Basis Budget Highlights for FY13 that were included in the board materials. He also presented Resolution 12-3, approving VPA's FY13 budget, for consideration by the Board. (Mr. Fralin requested page numbers on the financial reports.)

Mr. Oliver reported that the increase in Net Assets (Net Income) was projected to be almost \$15 million in the FY13 budget which he said was very significant compared to the decrease in net assets projected in FY12.

Mr. Wassmer asked about current staffing levels. Mr. Oliver reported that VPA had 126 employees prior to the early retirement offer and reorganization of VPA police and that there would be a total of 83 employees by July 1. He reported that the rating agencies recently reviewed VPA's pledged net revenue coverage and pledged adjusted net revenue coverage, both of which are expected to be substantially above the required 1.1 and 1.35X test requirement.

Mr. Bergeron asked and Mr. Oliver confirmed that there were no further intended staff reductions and that all of the anticipated budget reductions, including FTE level of 83 staff, have been previously announced and reflected in the FY13 budget. The Chairman asked Mr. Oliver to explain the decrease in funding for Financing Sources under the Capital Financing line item in the cash basis budget summary (\$35.1M vs. \$13M for FY13). Mr. Oliver explained that it reflected funding from the bond funds slated for Craney Island and that most of the funds were reflected in and expended in 2012.

Mr. Laughon asked if Craney Island grant funds could be diverted for other projects. Mr. Florin explained that a Rail Enhancement Fund grant application for \$4.5 million was submitted by VPA a year ago for the rail connector to Craney Island. He explained that VPA went back to the Department of Rail and Public Transportation (DRPT) and returned \$4 million to the Secretary and retained a \$500,000 request for the design work. Mr. Florin explained that VPA cannot shift the funds to any other project other than Craney Island unless a grant application is resubmitted for which VPA would have to compete for funds. Mr. Tyeryar further explained the Rail Enhancement Fund. Mr. Laughon was of the opinion that the rail connector was not needed for Craney Island and that funds could be used for rail at PMT. Mr. Florin explained the funding for the PMT rail upgrades and rail at APMT.

Mr. Wassmer asked Mr. Florin to explain the benefits of doing the Craney Island connector now. Mr. Florin explained that rail determines the link to Craney Island and he described the road work and geotechnical and survey work that is currently being done.

Mr. Fralin asked about deferred maintenance work and noted that the same amount is budgeted as last year. Mr. Oliver explained that VPA's maintenance work is minor compared to VIT's costs.

At this time, Mr. Bergeron thanked the staff of VPA and VIT for early budgeting this year which he said was primarily due to the new Board and to address the historical losses. He said, as a

result, the Board asked for completion of a preliminary budget by March. Mr. Bergeron admitted that it extended and prolonged the amount of time and effort to put together the budgets. He recalled from the March 27<sup>th</sup> board meeting that the Board agreed that the VPA Finance/Planning Committee would come together to review both budgets after the VIT budget was approved by their board and to focus, in particular, on VPA's budget. Mr. Bergeron reported that the Finance/Planning Committee met in Richmond on May 10th. He thanked Mr. Pullen for hosting the Committee at his corporate headquarters at Luck Stone Companies which made it convenient for all of the committee members who are from the Richmond area to attend.

Mr. Bergeron reported that the initial budget presentation in March indicated a potential operating loss of \$22 million and that the budget presented today reflects an \$8 million operating loss. He remarked that, "We have come a long way and, as Rodney had indicated, the loss was cut in half from FY12 projections".

Mr. Bergeron reported that VPA reduced expenses by \$5.6 million and VIT reduced expenses by \$7.4 million. VPA reduced their G&A by \$4.6 million. He advised that this port needs to focus on reducing G&A and maintenance expenses when compared to other ports along the Eastern seaboard. Mr. Bergeron advised that the budgets were aggressive and he said that VPA and VIT have proven that it was achievable.

Mr. Bergeron concluded by announcing that the Finance/Planning Committee would present a motion in the full Board session to adopt both FY13 budgets.

Chairman Quillen agreed that VPA and VIT have done a good job reducing the budgets but that there remains the issue of costs at APMT and regaining volume levels.

Mr. Tyeryar announced that there are some options that VPA could pursue with regard to Rail Enhancement Funds as well as options within the Transportation Trust Fund. The Chairman also acknowledged Mr. Laughon's concerns to put funds into rail projects for the existing terminals rather than Craney Island.

At 11:25 a.m., Ms. Clemente read/presented the motion to go into closed session, seconded by Mr. Bergeron, in accordance with The Virginia Freedom of Information Act (FOIA), §2.2-3711(A)(38), pursuant to §62.1-132.4 and §2.2-3711(A)(1) to hear a presentation from Mr. Jonathan Doherty (KPMG) on the results of the KPMG Performance Assessment Study and a review of the VIT FY13 Budget by Mr. Joseph A. Dorto, VIT President and CEO. The vote was unanimous.

At 12:48 p.m., the Board came out of closed session and guests and staff returned to the meeting. Upon motion presented and read by Ms. Clemente, seconded by Mr. Bergeron, and having certified that the matters discussed in the preceding closed session met the requirements of §2.2-3712 of the Code, the motion passed by a roll call vote of the Board as follows:

Ayes:	11 (Aument, Bergeron, Clemente, Fralin, Ganeriwala, Laughon, Pullen, Quillen, Stanton, Wassmer, Xu)
Nays:	0

Absent During Vote: 1 (Boyd)  
Absent During Meeting: 1 (Boyd)

Ms. Herndon reported that the VIT Board reviewed Resolution 12-1 that was adopted by the VPA Board last month and outlined recommendations with regard to VIT's procurement policies. Ms. Herndon announced that the VIT Board incorporated some of the requests of the VPA Board into VIT's formal procurement policy with regard to purchasing limits by VIT staff and that there was proper visibility from the VIT and VPA Boards.

There being no further comments the meeting adjourned at 12:50 p.m.

Respectfully Submitted,

Debra J. McNulty  
Clerk to the Board