

***MINUTES***  
**Virginia Port Authority Board of Commissioners - Session 344**  
**VPA Boardroom**  
**600 World Trade Center**  
**Norfolk, Virginia**  
**May 22, 2012**

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Pursuant to call by Chairman Michael J. Quillen, the Board of Commissioners convened its regular meeting May 22, 2012 at 1:00 p.m. The following were in attendance:

Commissioners:

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

Commissioners Absent:

James M. Boyd, Vice Chairman

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  
David James, Director, Contracts and Real Estate  
Elizabeth Saxby, Director, Human Resources  
Heather Wood, Director of Environmental Affairs  
Gregory Edwards, Director of External Affairs  
Carla Welsh, Manager, Creative Services  
Joe Harris, Media/Public Relations Manager  
Jodie Love, Community Relations Coordinator  
Debra J. McNulty, Clerk to the Board

Guests:

The Hon. Sean Connaughton, Secretary of Transportation  
David Tyeryar, Deputy Secretary of Transportation and CFO  
Dusty Holcombe, Deputy Director, Office of Transportation Public-Private Partnerships  
Jeffrey R. Allen, Sr. Assistant Attorney General, Chief-Transportation Sector  
John Ryan, Vandeventer LLP (VIT Corporate Counsel)  
Bryant McGann, Vandeventer LLP (VIT Corporate Counsel)  
Smitty Dize, Harbor Master, Town of Cape Charles  
Heather Acors, Town Manager, Town of Cape Charles

Guests (Continued):

Stewart Hall, Public Works Director, Accomack County  
Thomas Robinette, Town Manager, Town of Onancock  
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  
Mark Thorsen, Chief Information Officer, VIT  
Dan Allen, Controller & Assistant Director, Financial Services, VIT  
Shawn Tibbetts, Director, Operations and Maintenance  
Beth Neville, Financial Information Systems Manager, VIT  
Robert McCabe, *The Virginian-Pilot*  
Michael Shapiro, *The Daily Press*

**INTRODUCTIONS**

Ms. Linda Ford introduced guests in attendance and announced that Bob McCabe with *The Virginian-Pilot*, and Michael Shapiro, *The Daily Press*, were also present.

**I. APPROVAL OF MINUTES**

**Action:** Upon motion made by Ms. Clemente, seconded by Mr. Wassmer, the minutes of the regular meeting held March 27, 2012 were unanimously approved.

**II. REPORTS OF COMMITTEES**

**A. Executive Committee**

Chairman Quillen announced that the Board has had a very active budgeting process. He complimented both VPA and VIT staff for their hard work on budget preparations.

The Chairman announced that officers to the VPA Board would be appointed at the Board's annual meeting, scheduled for July 24, 2012, and he reported that the following Commissioners would serve on the Nominating Committee:

William Fralin, Chair  
Robert Stanton  
Ting Xu

**B. Finance/Planning Committee**

Mr. Bergeron reported that the VPA and VIT Boards had a comprehensive discussion on the VPA/VIT consolidated budgets and he announced that the Finance/Planning Committee had met on May 10<sup>th</sup> to review the consolidated budget and VPA FY13 budget. Mr. Bergeron expressed his appreciation to Mr. Dorto and VIT's finance staff and to Mr. Bridges and the finance staff of VPA. He commended everyone for their work on budget reductions that cut the projected operating loss from \$22 million to \$8.8 million for FY13.

Mr. Bergeron recommended, on behalf of the Finance/Planning Committee, that the Board approve both VPA and VIT FY13 budgets, for the period July 1, 2012 through June 30, 2013.

**Action:** Upon motion by Mr. Bergeron, seconded by Ms. Ganeriwala, the Board approved Resolution 12-2 and Resolution 12-3, adopting the FY13 budgets of VPA and VIT.

Mr. Bergeron reported that the VPA/VIT Combined Financial report for the fiscal year-to-date (July-April) was presented earlier in the open session of the VPA/VIT joint board meeting and, due to time constraints, it was suggested that Mr. Oliver not present the report. The Board concurred.

Mr. Oliver announced that he was notified this morning that the VPA's financial report for 2011 received a Certificate of Achievement for Excellence in Financial Reporting for the sixth year in a row. Congratulations were expressed by the Board.

Mr. Keever provided a historical overview of the Aid to Local Ports (ALP) Fund grant program which is derived from VPA's share of the Commonwealth Transportation Fund (CPF). He reported that only two localities had submitted grant requests this fiscal year and he described each of the projects for the County of Accomack and Town of Cape Charles. Mr. Keever presented slides featuring each of the projects and their location. Town officials from each locality were in attendance.

Mr. Keever explained the process of determining eligibility for recipients of the grant funds which is done in cooperation with the legislators who represent the localities.

Chairman Quillen said it was very rewarding for the VPA Board to be able to provide grant funds to localities within the Commonwealth for these types of projects. He explained that it was very difficult for some of localities to come up with matching funds which results in ALP carry-over funds. The Chairman encouraged VPA to continue working with the Corps on that issue and also with the EPA permitting process.

**Action:** Upon motion by Ms. Clemente, seconded by Mr. Bergeron, the Board approved Resolution 12-4, authorizing Aid to Local Ports Funding for FY13 for the County of Accomack, in the amount of \$300,000; the City of Cape Charles, in the amount of \$500,000; and the six requests for carry-over funds, as outlined in the Resolution.

Mr. Bridges also expressed his appreciation to the staff of VPA/VIT and he recognized the efforts of the "grass roots" committees in analyzing the day-to-day budgetary expenditures. Mr. Bridges said "what would be considered modest budget reductions, recommended by VPA and VIT employees, were substantial because it shows a buy-in from the organization, top to bottom, and a commitment to make our organizations more efficient and committed". Chairman Quillen also thanked the Finance/Planning Committee.

#### **D. Facilities Committee**

Mr. Fralin reported that the Facilities Committee had a very productive meeting in Richmond on April 5<sup>th</sup> and he advised that the committee is working with staff on a long-range comprehensive plan that involves more synergies and alliances with economic development agencies in the Commonwealth and outside our borders.

Mr. Fralin advised that the first draft of the plan will be reviewed by the Facilities Committee in order to expand it and bring it back to the full Board for review.

(Secretary Connaughton arrived at this time.)

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

- NNMT Pier C Bollard Upgrade – Scheduled for completion June 1, 2012
- NIT Marshalling Yard – Rail upgrades on former Norfolk-Portsmouth Beltline rail yard site - Funded by \$3.5M Rail Enhancement Fund – Completion scheduled August 30, 2013.
- NIT Gate Improvements - Security, interchange, and transfer zone automation - Personnel shifted to remote facility- Automation, appointment system and remote processing - Improves cargo velocity, safety and efficiency - \$4.1M of the \$10M in costs is for the N4 system software
  - Project 1 : Interchange & CBP improvements
  - Project 2 : Chassis/Customer Service Areas
  - Project 3 : OCR Portals
- NIT Main Gate Rail Yard - Main gate rail yard repairs on tracks 2, 3, and 4. Project substantially complete
- Craney Island Cross Dikes Stage 2A
  - USACE will bid and implement Stage 2A
  - Placing foundation lifts of sand
  - Land will be visible this time next year
  - Project cost: \$26.8M federal appropriations
  - No new VPA money will be appropriated**
  - Corps issued pre-solicitation notice May 19
  - Pending PPA approval
  - Bidding in June - Bid opening July 10
- Paradise Creek Mitigation
  - Earthwork with beneficial reuse of excavated materials substantially complete
  - Planting of 11 acres of tidal wetlands scheduled for June/July 2012
  - Project completion by November 6, 2012

#### **E. Marketing/Business Development Committee**

Ms. Aument reported that the Marketing/Business Development Committee has been working on a new Strategic Marketing Plan and plans to meet in June.

Mr. Bridges announced that Mr. Russell Held was in Panama representing the port and he presented the Business Report. The following 2012 Fiscal Year-to-Date (July-April) results were reviewed:

	<u>FY2012</u>	<u>FY2011</u>	<u>%Change</u>
Total TEUs	1,621,835	1,593,172	1.8
Export TEUs	874,659	848,875	3.0
Import TEUs	747,176	744,297	.4
Total Rail Containers	285,885	249,096	14.8
VIP Containers	28,765	27,370	5.1
Ship Calls	1,580	1,505	5.0
Break-bulk Tonnage	306,873	243,233	26.2

Mr. Bridges noted that exports are creating more jobs and that rail growth, with cargo out of the Midwest and Greensboro, continues to outpace everything. He reported that VIT is handling bigger ships at the port and ship calls are up. Mr. Bridges reported that there are significant increases in break-bulk tonnage at Newport News and growth at NIT with paper cargo. He advised that the warehouse planned for PMT will also handle break-bulk cargo (paper).

Mr. Bergeron asked about the amount of paper cargo vs. automobiles. Mr. Dorto advised that a majority of the break-bulk (about 80%) is paper.

Mr. Bridges presented a Container Comparison (FY12/FY11) that reflects exports continuing to outpace imports and he reviewed Container Units (FY12 Budget vs. Actual). He reported that, while VPA's tonnage is currently behind major East Coast ports, the last couple of months have shown an upward trend.

Mr. Bridges announced that in June, MOL will begin a weekly "first-in" vessel call to Norfolk International Terminals. The port rotation will be called the SVS (South China/Vietnam – the U.S. South East Coast) service and will include; Hong Kong, Yantian, Singapore, Suez Canal transit, Algeciras, Virginia, Savannah, Jacksonville, Charleston and Cai Mep. The capacity range will be 4,500-5,600 TEU per ship. Mr. Bridges congratulated Mr. Capozzi and the marketing team of VIT. Mr. Capozzi explained the negotiations that went into capturing the MOL service. He mentioned that Norfolk Southern is the rail partner for MOL.

Mr. Bridges reported the Port of Virginia also gained a "last-out" port call as a result of the CKYH shipping alliance's decision to upgrade its all-water services that operate between Asia and the US East Coast. Under the new rotation Virginia will be the "last-out" call on the AWE-2 service. Mr. Bridges said this was a "sign of things to come".

The following economic development announcements were described by Mr. Bridges:

- Ashley Furniture
- Massimo Zanetti
- Hybrid Vehicles of Danville
- Sumitomo Machinery Corporation

Ms. Aument asked Mr. Bridges to explain VPA's role in economic development projects and he described the work that is done by Mr. Held's Development division that involves bringing all of the parties together and providing a supporting role to the lead development agencies that move the project forward.

Mr. Bergeron asked for a status update on the CenterPoint project and vehicle wash-down proposal for PMT. Mr. Bridges advised that negotiations for the CenterPoint project are almost complete with the exception of taxation for the City of Portsmouth. He advised that Mr. Keever has been working with city officials and that VPA is awaiting information from their city council.

Mr. Bridges reported that VPA is also negotiating for a wood pellet operation at PMT and he advised that a contract may be ready for approval by the VPA Board at the next meeting. He also mentioned that negotiations are ongoing with a bulk grain company out of Maryland.

Mr. Bridges advised that the vehicle wash-down project has expanded the scope and they are also looking at other ports. He explained that there are issues with the USDA and other agencies who have expressed concerns.

Chairman Quillen asked about the poultry and log bans by China. Mr. Bridges reported that Mr. Keever and Ms. Heather Wood hosted Chinese officials who were accompanied by Ms. Xu and they visited the port and the fumigation sites with USDA officials. At the conclusion of the visit, Mr. Bridges reported that the officials had promised to recommend that the log ban be lifted. He advised that Secretary Haymore had confirmed that the message was received in Beijing.

**(Note: May 23<sup>rd</sup> Press Release - Governor McDonnell Announces Easing of Chinese Ban on Virginia Hardwood and Softwood Logs).**

Mr. Bridges advised that the poultry ban is still in place and there has been no progress on that issue. Mr. Fralin suggested that the Board also receive information when the Port loses business.

## **F. Security Committee**

Mr. Wassmer announced that Mr. Merkle was on business travel. He referred to the news article that was included in the agenda materials that described The Port of Virginia's perfect rating on the Agency Preparedness Assessment.

Mr. Wassmer presented the Security/Safety Report and covered the following material:

- Agency Preparedness Assessment – Measures level of preparedness in areas of physical security, continuity of operations planning, information technology security, document protection, human resources preparedness, training, and interoperable communications.
- Non-Sworn (Contract) Transition completed at all terminals
  - o Security and Safety Staff = 25 officers, 14 non-sworn, 58 contract
  - o Vehicles = 21 Security, 7 Safety, 20 Deactivated
- Security Contract Renewal – Securitas Security Services USA, Inc.
  - o APM Contract initial July 1, 2007
  - o Assumed by VPA July 1, 2010
  - o Annual renewal on December 31

Mr. Wassmer reported that there are several items that need to be included in the draft Request for Proposals, scheduled for release by September 1, and they are:

- Maintain Federal Security Pay and Benefit Guidelines
- Maintain VA DCJS Certification for Armed Security
- DHS Safety Act Certified (Federal Terrorism Protection)
- Ability to Surge Sentries (Special Operations, MARSEC change)
- Past Performance
- Employee Profile (full-time percentage, turnover rate..)
- SWAM Participation
- Transition Plan

He reported that Lost Work Days are up to 26 over VPA's goal of 19. He explained the LWD reporting criteria and Safety Normalized Data (industry).

Mr. Wassmer described the MISHAP Report Criteria for Injuries and criteria and reporting for property loss/damage and he also explained the Proposed Safety Metrics for FY13. He reported that the new safety policy went into effect May 21, 2012 which is a joint agreement between VPA and VIT. He described the safety measures that have been implemented and efforts that are underway, as follows:

- OHSAS 18001
- Terminal Safety Unit (TSU) – Added TSU to NNMT for safety and to supplement security
- Safety Climate Assessment
- Safety Incentive Program
- Safety *Moment* and *Stand-down* Process
- All-Worker Safety Pledge
- Near Miss Reporting Process
- Terminal Radio Communications System Upgrade

### **III. REPORT OF EXECUTIVE DIRECTOR**

Mr. Keever reported that the legislation for the economic development zone tax grant program passed through the General Assembly after three attempts. He described the parameters of the tax zone that run from Virginia Beach to the far Southside of Virginia, along Route 460 up to Richmond. Mr. Keever reported that the grant program provides tax incentives for companies that relocate within the zone and it is based on the number of new hires.

Mr. Keever thanked the Board, Secretary Connaughton, and Assistant Secretary Matt Strader for their assistance with the legislation.

Mr. Bridges announced that there was an envelope of invitations for the various functions for OpSail 2012 contained in the Board’s agenda notebooks. He advised that the Port is sponsoring several events and that we expect to have some customers in attendance as well as visitors from China.

### **IV. UNFINISHED BUSINESS**

There was no unfinished business.

### **V. NEW BUSINESS**

At 2:02 p.m., upon motion by Ms. Clemente and duly seconded by Mr. Bergeron, the Board voted to convene a closed meeting pursuant to §2.2-3711(A)(3) of the Code of Virginia, to hear an update on lease negotiations for Portsmouth Marine Terminal (PMT).

At 2:19 p.m., upon motion by Ms. Clemente, seconded by Mr. Wassmer, and having certified that the matters discussed in the preceding closed session met the requirements of §2.2-3712 of the Code, the Board reconvened in open session.

The resolution certifying the closed session 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)

**Action:** Upon motion by Ms. Ganeriwala, seconded by Ms. Clemente, the board adopted the following amendment to the lease agreement between VPA and SKW Constructors, as follows:

*(b) Tenant will pay to Landlord the value determined in Section 7.3(a) above within the same state fiscal year (July 1 -June 30) and not beyond the end of the state fiscal year during which Tenant begins demolition of the building.*

The motion further states that the VPA Board requires SKW Constructors 30 days to agree to the amendment or the lease would revert to the original language in the agreement.

At 2:21 p.m., upon motion by Ms. Clemente and duly seconded by Mr. Fralin, the Board voted to convene a closed meeting pursuant to §2.2-3711(A)(28) of the Code of Virginia, to hear presentations by the Office of the Secretary of Transportation regarding proposals under the Virginia Public-Private Transportation Act and discussion of same.

At 3:40 p.m., upon motion 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 Board reconvened in open session.

The resolution certifying the closed session passed by a roll call vote of the Board as follows:

Ayes: 10 (Aument, Bergeron, Clemente, Ganeriwala, Laughon, Pullen, Quillen, Stanton, Wassmer, Xu)

Nays: 0

Absent During Vote: 2 (Boyd, Fralin) – Mr. Fralin left at 3:32 p.m.

Absent During Meeting: 1 (Boyd)

## **VI. ADJOURNMENT**

There being no further business and no public comments, the open meeting adjourned at 3:40 p.m.

(Presentations can be viewed on VPA's website: <http://www.portofvirginia.com/corporate/board-room.aspx>)

**The annual and regular meetings of the Board of Commissioners will be held in the Virginia Port Authority Conference Room, 600 World Trade Center, Norfolk, Virginia, on Tuesday, July 24, 2012, (tent.) at 11:00 a.m.**

**The 2012 schedule for the remainder of the VPA Board of Commissioners meetings is:**

**July 24 (Annual Meeting-Election of Officers)**

**September 25**

**November 27**

Respectfully submitted,

Debra J. McNulty  
Clerk to the Board