

Virginia Port Authority Board of Commissioners
MINUTES

Board of Commissioners - Session 357

Virginia Port Authority
600 World Trade Center
Norfolk, Virginia – March 25, 2014

The Board of Commissioners (“Board”) of the Virginia Port Authority (“VPA”) held its regular meeting on March 25, 2014, in the VPA’s Conference Room located at 600 World Trade Center, Norfolk, Virginia. VPA Board Chairman Jeffrey D. Wassmer called the meeting to order at 9:05 a.m.

The following were then in attendance:

Commissioners:

Jeffrey D. Wassmer, Chairman
Scott R. Bergeron, Vice Chairman
Jennifer D. Aument
Craig P. Coy
Frank E. Laughon, Jr.
Kim Scheeler (non-voting member)
Manju S. Ganeriwala, State Treasurer

Commissioners Absent:

James M. Boyd (arrived late)
Martin J. Briley (arrived late)
Juliann J. Clemente
John N. Pullen
Robert M. Stanton
Ting Xu

VPA Staff:

John F. Reinhart, CEO/Executive Director
Rodney W. Oliver, Chief Financial Officer
Cathie France, Chief Public Affairs Officer
James Bibbs, Chief Human Resources Officer
Russell Held, Senior Vice President, Business Development
Gregory Edwards, Vice President, Government Affairs
Wendy King, Vice President, Finance
Nina Malone, Vice President, Business Analysis & Sales Support
Elizabeth Saxby, Director, Human Resources
Stephanie Allman, Economic Development Manager
Laura Godbolt, Development & Foreign Trade Zone Specialist
Carla Welsh, Manager, Creative Services
Joe Harris, Media/Public Relations Manager
Mike Brewer, VPA Port Police Chief

VPA Staff (continued):

Debra J. McNulty, Clerk to the Board

Jodie Asbell, Deputy Clerk to the Board/Executive Assistant to Executive Director

Bevan Calo, Web Designer/Social Media Coordinator

Virginia International Terminals, LLC (“VIT”) Staff:

Joseph P. Ruddy, Chief Operations Officer

Thomas Capozzi, Chief Commercial Officer

Shawn Tibbetts, Senior Vice President, Operations & Maintenance

Ron Babski, Director, Health, Safety & Environment

Guests:

The Honorable Aubrey L. Layne, Jr., Secretary of Transportation, Commonwealth of Virginia

Grindly Johnson (Ms.), Deputy Secretary of Transportation

James W. Noel, III, Assistant Attorney General, Transportation Section, Virginia Attorney
General’s Office

William W. Harrison, Jr., Williams Mullen

JoAnne Carter, PFM Group

Kevin Rotty, PFM Group

Larry Bachtell, Vice President, Atlantic Coast District-International Longshoremens’
Association (ILA)

Maria Goodman Hillebrandt, Hillebrandt Consulting, LLC

Robert McCabe, *The Virginian-Pilot*

INTRODUCTIONS

Chairman Wassmer called the meeting to order and asked Mr. Babski to conduct the safety briefing at this time. Mr. Edwards introduced guests in attendance including Mr. McCabe with *The Virginian-Pilot*.

I. APPROVAL OF MINUTES

Action: At the request of Chairman Wassmer, the minutes were unanimously approved, as distributed, for the Board meeting held on January 28, 2014.

II. REPORTS OF COMMITTEES

A. Executive Committee – Mr. Jeffrey D. Wassmer, VPA Chairman

Chairman Wassmer reported that the Board would convene a closed session later in the meeting to review the report that was submitted to the Secretary of Transportation by the VPA in accordance with his directive on January 28, 2014. The Chairman thanked the staff for their work on the project. He also announced that it was “Day 43” for John Reinhart, and welcomed VPA’s new CEO/Executive Director to his first meeting of the Board.

Chairman Wassmer reported that, in order to improve efficiencies at Norfolk International Terminals, the VPA requested and received approval from the Board Chairman and Finance Committee Chairman for the lease of Utility Tractor Rigs (yard tractors). The Chairman further

explained that the lease would result in a change to the conveyance method (shifting from straddle/shuttle carriers to yard hustlers) currently utilized by the VPA's terminal operators at its Rail Transfer Zone. Mr. Reinhart reported that 32 yard tractors would be delivered in two groups in April and May and includes maintenance.

B. Finance Committee – Mr. Craig P. Coy, Committee Chair

1. Report on Finance Committee meeting

Mr. Coy reported that the Finance Committee reviewed two open session items during the meeting on March 24th (items 2 and 3 listed below). He advised that the Committee had recommended several revisions to the draft of a First Amendment to the Defined Contribution Plan that included a clause in section 6.01(b) that would prohibit 100% vesting in the cases of suicide or during the commission of a felonious act; and a revision to the allocation of forfeitures (Section 6.03(e)). A copy of the revised amendment was included in the agenda materials.

Mr. Coy reported that the Finance Committee also approved Resolution 14-3, for the purchase of a mobile harbor crane for its operations at the Port of Richmond, using grant proceeds.

Mr. Coy mentioned that the Committee also reviewed targeted savings and financials and were satisfied with the progress to date.

Chairman Wassmer asked for a motion to approve the following:

2. Motion to approve the First Amendment to the Defined Contribution Plan, adopted on January 28, 2014, addressing part-time employees, forfeitures, and vesting upon an active employee's death

Action: Upon motion by Mr. Coy, seconded by Mr. Laughon, the Board approved the First Amendment to the Defined Contribution Plan, adopted on January 28, 2014, addressing part-time employees, forfeitures, and vesting upon an active employee's death.

3. Approval of Resolution 14-3, authorizing the VPA to enter into a contract to purchase a mobile harbor crane for its operations at the Port of Richmond

Action: Upon motion by Mr. Coy, seconded by Ms. Ganeriwala, the Board approved Resolution 14-3, authorizing the VPA to enter into a contract to purchase a mobile harbor crane for its operations at the Port of Richmond.

(Mr. Boyd arrived at the meeting at 9:40 a.m. and a quorum was present for the above-mentioned votes.)

4. VPA/VIT Combined Financial Reports – Mr. Oliver

Mr. Oliver reviewed the consolidated income statement for the eight months ended February 28, 2014. A copy of the presentation is attached hereto.

C. Growth Committee – Mr. John N. Pullen, Committee Chair

1. Report on Growth Committee meeting

Mr. Bergeron announced that he chaired the Growth Committee meeting in the absence of Mr. Pullen and Ms. Clemente. He reported that Mr. Capozzi reported proprietary commercial information in closed session including information related to the realignment of many of the carrier lines that use the Port and the realignment's potential impact to The Port of Virginia.

2. Business Development/Marketing Report

Mr. Capozzi presented the Commercial Update and reviewed the following: 2014 Fiscal Year-to-Date (July-February) and Calendar Year-to-Date results; budgeted vs. actual container units for FY14 year-to-date; and Ocean Carrier developments. Mr. Held presented Economic Development announcements.

Mr. Held reported that the Governor recently announced the approval by the U.S. Department of Commerce's Foreign-Trade Zones Board for the Port of Virginia's request to reorganize Foreign Trade Zone ("FTZ") 20 under the Alternative Site Framework ("ASF") option. He explained that the ASF designation streamlines the process for companies applying for FTZ status and encourages increased business in manufacturing jobs and exports for Virginia. Mr. Held thanked Governor McAuliffe for the announcement yesterday. He also commended Ms. Laura Godbolt on her work as the VPA's Development & Foreign Trade Zone Specialist.

Mr. Held added that Wallops Island and parts of North Carolina have the potential to become "sub-zones".

Secretary Layne expressed satisfaction with the commercial and economic development reports. The Secretary mentioned the Governor's focus on economic development and jobs in Virginia and desire for The Port of Virginia to become a center for agricultural business.

A copy of the presentation is attached hereto.

D. Operations Committee – Mr. Robert M. Stanton, Committee Chair

1. Report on Operations Committee meeting

Mr. Laughon reported that the Operations Committee goal is for a 20% increase in efficiencies with the lease of hustlers for the rail operation. He reported that the deadline for N4 implementation was moved back from March 28th to July 4th and the new appointment system is scheduled to be operational by May 1.

Mr. Laughon reported that port officials met with the railroads and labor to discuss increasing efficiencies at the terminals. He commended the efforts of Mr. Babski and Chief Brewer on the safety/security programs.

2. Security and Safety Reports

Mr. Ruddy thanked Mr. Larry Bachtell for attending today's meeting and he stated that the ILA is a very important partner in the Port's ongoing efforts to increase efficiencies. Mr. Ruddy reported that February demonstrated a 6.1% increase in total volume from the same month last year. He briefly explained the NIT rail optimization study and implementation schedule.

Mr. Ruddy announced that 19 of the 32 yard tractors are scheduled for delivery on April 30 and the remaining 13 are scheduled for delivery on May 26. Mr. Ruddy reviewed volumes and productivity (moves per-man-hour), rail operations, gate turn times at NIT and APMT, and terminal labor hours. Mr. Ruddy reported on recent negotiations with the ILA and also reviewed the effects the winter weather has had on port operations and inland markets.

Mr. Ruddy announced that volumes are forecasted to increase in the remaining months of FY2014. He advised that the rail initiatives to improve productivity are a priority.

Mr. Ruddy reported that the N4 implementation was rescheduled to 'go live' on July 4, 2014, as opposed to the previous 'go live' date, March 28th.

Mr. Ruddy reported on the recently announced Motor Carrier Task Force and that several meetings have been held to date.

Ms. Aument expressed support for the staff's decision to postpone the start of N4 and she stated that it was critical that the system is implemented with as little disruption as possible for the Port's customers.

Mr. Ruddy explained the need for additional Assistant Operations Managers (entry-level) to work primarily at NIT given the anticipated increases in volumes.

Secretary Layne encouraged the staff to also look for missed opportunities in addition to identifying issues. The Secretary also thanked Mr. Bachtell for the ILA's support.

At this time, Mr. Babski reviewed the Safety Leading Indicators for FY14 (Q3), and progress to date. Mr. Ruddy explained that the reporting is a "grass roots" system designed by Mr. Babski and that the goal is to progress from "red" indicators on the composite rating to "yellow" by the end of FY14.

Mr. Ruddy reviewed the Lost Work Day (LWD) rate for the fiscal year and reported that the Port of Virginia's LWD rate for FY14 was 2.58% compared to the industry average of 5.1%. Mr. Babski also explained the training programs that he conducts for staff and management.

Mr. Babski reported that Damage Claims Costs are trending in the right direction. He announced that the ISO 14001 Environmental Management System (EMS) re-certification was in progress and reported that several findings are being addressed.

Chief Brewer reported on TWIC enrollment and the TWIC escort program, which are being combined into the Port Identification Enrollment program. He advised that the testing phase began in January 2014.

Chief Brewer explained the work to date on the Security Facility Plan. The Plan primarily involves combining the facility and security plans that are in place at NIT and APMT in order to implement one plan for all terminals. He reported the draft will be completed by July 2014 and the plan is anticipated to be in place by January 2015.

In conclusion, Chief Brewer reported on the annual NTSA inspection by the U.S. Coast Guard.

Chairman Wassmer announced that he and Mr. Reinhart attended the Operations Committee meeting yesterday and he commended the staff on their initiatives to make changes to improve efficiencies and on their formation of the Motor Carrier Task Force.

Chairman Wassmer also offered the Board's support on the decision to postpone the implementation of N4.

In addition to welcoming the Secretary of Transportation, the Chairman welcomed Ms. Grindly Johnson, Deputy Secretary of Transportation, who was also in attendance.

III. REPORT OF EXECUTIVE DIRECTOR

1. General Assembly Update - Cathie France, Chief Public Affairs Officer

Ms. France provided an update on the Water Resources Reform and Development Act, H.R. 3080, with regard to the Craney Island Dredge Material Management Area (CIDMMA). Ms. France reported on the changes to the Port of Virginia Economic and Infrastructure Development Grant Program under HB672, which expanded the zone to all localities within the Commonwealth.

Ms. France explained each of the port-related items for the FY15 President's Budget as outlined in her presentation (attached hereto). She also reviewed the Port of Virginia Tax Credit Program (HB873).

Ms. France reported that capital and maintenance projects are being prioritized by her division with recommendations that will be reviewed by Mr. Reinhart. She also described the Government Affairs Outreach Plan and advised that further information will be provided at the next meeting.

2. Introduction of the new Chief Human Resource Officer (CHRO)

Mr. Reinhart introduced Mr. James Bibbs, the Virginia Port Authority's new Chief Human Resources Officer (CHRO). Mr. Reinhart reviewed some of the highlights of Mr. Bibbs' career and welcomed him as the newest member of the Senior Leadership Team. Mr. Bibbs said he was honored to be a part of the Port of Virginia.

3. State of the Port Update

Mr. Reinhart updated the Board on the Port's progress since their January 28th board meeting and reported the following:

- Senior Leadership Team (“SLT”) has been strengthened and aligned, and is focused on working together with a sense of urgency and focus.
- Transparency and communications with the Port’s stakeholders have increased in the wake of the State of the Port address, including interviews with the media and presentations to the community and colleagues.
- As described below, financial performance, although still at a loss, improved in February. Weekly action items have been established and implemented to improve results (e.g., incentives, tariffs, financial controls).
 - February loss was \$1.3 million; Second-best month in Fiscal Year with smallest loss in seven months;
 - Burn rate reduced to \$47,000 per day; a 34% reduction from the first seven-month average; YTD burn rate reduced by \$2,700 per day, or a 3.8% improvement
- The Port has been partnering for progress and improving productivity (e.g., meetings with the Port’s rail customers, labor force, and suppliers; creation of the Motor Carrier Task Force). Meetings have been focused on implementing cost savings and initiating process improvements for the Port.
- Financial Report to Secretary Layne completed and submitted to the Secretary on March 20th.
- Restructuring continues to produce efficiency, accountability and alignment. There is more to be done, but Port is continuing to move forward.
- Optimization of facilities, processes, and planning for the future is underway. Prioritization is being completed and managed by the SLT.
- Volume continues to trend positively with 6% growth in February and 5.3% YTD. Metrics on performance and cost control, and productivity improvements will deliver improved financial results for the Port.
- Focus on safety is and will continue to be the objective and obligation of all at the Port. The Port will be safe and focused on eliminating risk, reducing incidents, and promoting a culture and behavior of safety.
- It is day “43” for Mr. Reinhart and the team is making inroads on all priorities. Although a long road ahead still remains, the SLT and all of the Port’s employees will deliver on the mission and vision of the Port of Virginia.

Closing

- Mr. Reinhart emphasized the Port’s immediate focus on business triage, stabilization, and stopping the financial losses. Concurrently, the Port is reconstructing itself via the implementation of operational and fiscal objectives and metrics. Mr. Reinhart further stated that this focus extends to all Port priorities and possesses an urgency across all departments.
- According to Mr. Reinhart, next steps for the Port revolve around its rehabilitation and forward thinking, including: initiating cultural and value change, completing reorganization and developing accountability, performance management, and facility plans for future.
- Mr. Reinhart closed in stating that The Port of Virginia must be reinvented to deliver on its vision and mission and to become the economic engine for the Commonwealth of Virginia.

Secretary Layne expressed his confidence in Mr. Reinhart's leadership and progress to-date. The Secretary announced that the financial report submitted to him by the VPA was a credible and realistic assessment of the current financial state of the Port.

IV. UNFINISHED BUSINESS

No report.

V. NEW BUSINESS

No report.

VI. OTHER BUSINESS AND OPPORTUNITY FOR PUBLIC COMMENT

None

MOTION FOR CLOSED SESSION

At 10:27 a.m., Mr. Bergeron read the following motion to go into closed session:

"I move that the VPA Board convene a closed meeting in accordance with the requirements of the Virginia Freedom of Information Act, pursuant to §2.2-3711(A)(7), for consultation with legal counsel regarding specific legal matters requiring legal advice by such counsel, and pursuant to §2.2-3711(A)(38) and the provisions of §62.1-132.4, to discuss proprietary information and data furnished to the VPA in confidence, regarding the financial state of the VPA and VIT; and regarding the VPA and VIT Organizational Strategy."

The motion was seconded by Mr. Laughon. Mr. Briley arrived at this time.

END OF CLOSED SESSION

At 12:10 p.m., the Board came out of closed session and the following resolution was read by Mr. Bergeron:

"WHEREAS, the VPA Board has 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, §2.2-3712 of the Code of Virginia requires a certification that such closed meeting was conducted in conformity with Virginia law; NOW, THEREFORE, BE IT RESOLVED, that the VPA Board certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements under this chapter 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 by which the closed meeting was convened were heard, discussed or considered by the Board."

The resolution was seconded by Mr. Boyd and passed by a roll call vote of the Board as follows:

Ayes: 7 (Bergeron, Boyd, Briley, Coy, Ganeriwala, Laughon, Wassmer)

Nays: 0

Absent During Vote: 5 (Aument, Clemente, Pullen, Stanton, Xu)

Absent During Meeting: 5 (Aument, Clemente, Pullen, Stanton, Xu)

Chairman Wassmer reported that the Board reviewed the Port of Virginia's financial situation and reorganization of VPA and VIT in closed session. The Chairman reported that Mr. Reinhart would continue to review operations and look for efficiencies and provide an update at the next board meeting.

The Chairman reported that the Board also reviewed committee structures and he advised that revisions to the VPA Bylaws would be considered at the next meeting.

Chairman Wassmer turned the meeting over to Secretary Layne at this time. The Secretary thanked the Board, Mr. Reinhart and staff, financial consultants, and legal counsel who provided information to the Authority for the FY14 financial review that he requested on January 28th. Secretary Layne announced that he received the report last week and that the Port has fulfilled its obligation to him. The Secretary commented on the February financial results for the Port and, while the Port is still showing an operating loss, he said he believed the Port is heading in the right direction.

Secretary Layne reminded the VPA leadership that on January 28th he requested a high-level analysis of the port facilities, including its growth opportunities and capital restructuring, which is due to him by July 1, 2014.

There being no further business and no public comments, the meeting adjourned at 12:20 p.m.

Respectfully submitted,



Debra J. McNulty
Clerk to the Board

The next meeting of the VPA Board of Commissioners is scheduled for Tuesday, May 27, 2014, at 11:00 a.m., in the Authority's Conference Room, 600 World Trade Center, Norfolk, Virginia.

All open session presentations for this meeting have been posted to VPA's website at:
<http://www.portofvirginia.com/about/board-room.aspx>

**FIRST AMENDMENT TO
VIRGINIA PORT AUTHORITY
DEFINED CONTRIBUTION PLAN
(As Restated Effective January 28, 2014)**

Pursuant to section 10.02 of the Virginia Port Authority Defined Contribution Plan (formerly the Virginia Port Authority Matching Plan) (as restated effective January 28, 2014) (the "Plan"), the Plan is hereby amended as follows, effective April 1, 2014 or as otherwise expressly provided herein:

1. Section 1.13 of the Plan is added, effective April 1, 2014, to read as follows:

1.13 Employee means any employee employed by the Employer, subject to the following:

- 1.13(a) The term "Employee" shall exclude any person who is a Leased Employee.
- 1.13(b) The term "Employee" shall exclude any employee who is a part of a collective bargaining unit for which benefits have been the subject of good faith negotiation unless and until the Employer and the collective bargaining unit representative for that unit through the process of good faith bargaining agree in writing for coverage hereunder.
- 1.13(c) The term "Employee" shall exclude any person who is classified by the Employer as an independent contractor.
- 1.13(d) Effective April 1, 2014, the term "Employee" shall exclude employees who are not full-time, salaried, permanent employees.

When used with an initial lower case letter, the term "employee" shall mean a person employed by the Employer, as the context requires, without regard to the limitations contained in this Section.

2. Section 6.01 of the Plan is amended, effective April 1, 2014, to read as follows:

6.01 Vesting—

- 6.01(a) A Participant shall be one hundred percent (100%) vested in his Account upon attaining his Normal Retirement Age or upon the occurrence of a Disability while employed by the Employer.
- 6.01(b) If a Participant dies while employed by the Employer (other than by suicide or during the commission of a felonious act), he shall be one hundred percent (100%) vested in his Account.
- 6.01(c) At any time when a Participant is not fully vested in his Account under subsections (a) or (b), he shall have a non-forfeitable interest in accordance with the following:

(i) A Matching Plan Participant shall be vested in his Matching Account and Discretionary Account in accordance with the following table:

<u>Years of Service</u>	<u>Non forfeitable Percentage</u>
Less than 5 years	0%
5 years or more	100%

(ii) An Enhanced Matching Plan Participant shall be vested in his Base Account, Matching Account and Discretionary Account in accordance with the following table:

<u>Years of Service</u>	<u>Non forfeitable Percentage</u>
Less than 2 years	0%
2 years	25%
3 years	50%
4 years	75%
5 years or more.....	100%

3. Section 6.03 of the Plan is amended, effective April 1, 2014, to read as follows:

6.03 Use of Forfeitures. Forfeitures shall be used or reallocated to the remaining active Participants' Accounts in the following manner:

- (a) Forfeitures from an Enhanced Plan Participant's Base Account shall be allocated to the remaining Enhanced Plan Participants' Base Accounts in proportion to their Compensation.
- (b) Forfeitures from an Enhanced Plan Participant's Matching Account shall be allocated to the remaining Enhanced Plan Participants' Matching Accounts in proportion to their Deferred Compensation.
- (c) Forfeitures from a Matching Plan Participant's Matching Account shall be allocated to the remaining Matching Plan Participants' Matching Accounts in proportion to their Deferred Compensation.
- (d) Forfeitures from a Participant's Discretionary Account shall be allocated to the remaining Participants' Discretionary Accounts in the same manner as the Discretionary Contribution that gave rise to the forfeiture.
- (e) In the event that there are no remaining Participants in a category to receive an allocation of the forfeitures as described above, forfeitures shall be used to reduce the next due Employer contribution of any type or to pay reasonable administrative expenses of the

Plan no later than the end of the second plan year following the forfeiture, as directed by the Administrator.

IN WITNESS WHEREOF, the Virginia Port Authority has caused its name to be signed to this Amendment by its Chair, as of the 25th of March, 2014.

VIRGINIA PORT AUTHORITY

By: 
Jeffrey D. Wassmer
Its: Chairman

Attest:

By: 
Debra J. McNulty
Clerk to the Board/Secretary
Virginia Port Authority

RESOLUTION 14-3

RESOLUTION AUTHORIZING THE VIRGINIA PORT AUTHORITY TO ENTER INTO A CONTRACT TO PURCHASE A MOBILE HARBOR CRANE FOR THE PORT OF RICHMOND

WHEREAS, the Virginia Port Authority's Procurement and Surplus Property Manual provides that procurements over one million dollars require approval by the Board; and

WHEREAS, the Virginia Port Authority secured a Congestion Mitigation and Air Quality (CMAQ) grant from the Richmond Metropolitan Planning Organization (MPO); and

WHEREAS, the CMAQ grant is in the amount of \$4.2 million; and

WHEREAS, no additional funding will be sought from the Virginia Port Authority to cover the cost of the purchase of the new crane;

NOW THEREFORE BE IT RESOLVED, the Virginia Port Authority Board of Commissioners, pursuant to the requirements of the Virginia Port Authority's Procurement and Surplus Property Manual, hereby authorizes the Executive Director to publicly solicit proposals for a new mobile harbor crane for the Port of Richmond, and to enter into a contract with the selected offeror for an amount not to exceed the CMAQ grant total of \$4.2 million.

PASSED AND ADOPTED this 25th day of March 2014.



Jeffrey D. Wassmer
Chairman

Attest:



Debra J. McNulty, Clerk



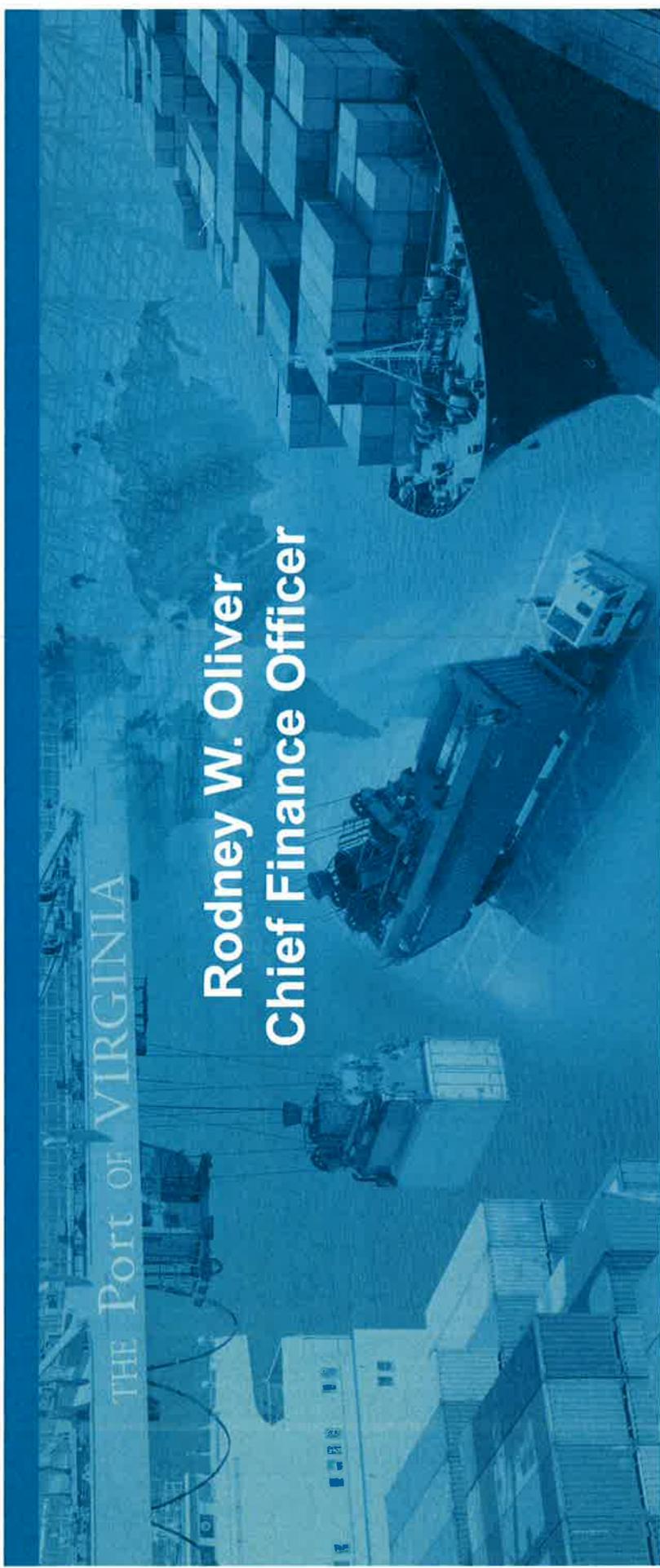
**THE PORT OF
VIRGINIA**

Board of Commissioners

Session 357

March 25, 2014

February 2014 Financial Report



THE PORT OF VIRGINIA

Rodney W. Oliver
Chief Finance Officer

**PORT OF VIRGINIA
CONSOLIDATED INCOME STATEMENT FOR THE MONTH ENDED
FEBRUARY 28, 2014**

	Actual	Budget	\$ Variance	% Variance
Operating Revenues	\$ 29,931,063	\$ 28,355,672	\$ 1,575,392	5.6%

- ***Actual container volume was 102,289 vs. 103,099 budget, a 0.8% decrease***
- ***Operating revenue was 5.6% over budget, primarily due to an increase in miscellaneous revenues (demurrage, storage, refrigerated services, etc.)***

**PORT OF VIRGINIA
CONSOLIDATED INCOME STATEMENT FOR THE MONTH ENDED
FEBRUARY 28, 2014**

	Actual	Budget	\$ Variance	% Variance
Operating Revenues	\$ 29,931,063	\$ 28,355,672	\$ 1,575,392	5.6%
Operating Expenses:				
Terminal operations	14,121,104	12,824,019	(1,297,084)	-10.1%
Terminal maintenance	5,364,861	4,887,118	(477,743)	-9.8%
General and administrative	3,487,543	3,697,865	210,322	5.7%
Facility Rental	4,347,896	4,178,072	(169,824)	-4.1%
Depreciation and amortization	3,929,183	3,926,507	(2,676)	-0.1%
Total operating expenses	31,250,586	29,513,581	(1,737,005)	-5.9%

- **Total operating expense was \$1.7 million over budget**
- **Terminal operations expense was up for the month, primarily due to weather and volume mix**
- **Terminal maintenance was up, primarily due to weather**
- **General and Administrative expense was below budget**
- **Facility rental expense was higher than budget due to a change in estimate**
- **Remaining operating expenses were relatively flat in total**

**PORT OF VIRGINIA
CONSOLIDATED INCOME STATEMENT FOR THE MONTH ENDED
FEBRUARY 28, 2014**

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Total operating expenses	31,250,586	29,513,581	(1,737,005)	-5.9%
Operating income (loss)	(1,319,523)	(1,157,910)	(161,613)	14.0%

- *The higher than budgeted revenue was offset by higher than budgeted operating expenses resulting in an operating loss of \$1.3 million or \$162 thousand below budget for the month of February*

**PORT OF VIRGINIA
CONSOLIDATED INCOME STATEMENT FOR THE MONTH ENDED
FEBRUARY 28, 2014**

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Total operating expenses	31,250,586	29,513,581	(1,737,005)	-5.9%
Operating income (loss)	(1,319,523)	(1,157,910)	(161,613)	14.0%
Non-operating revenues (expenses)	(1,655,014)	(1,730,603)	75,589	4.4%
Capital contributions and transfers	2,750,141	3,244,518	(494,377)	-15.2%

- ***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 15.2% lower than budget***

**PORT OF VIRGINIA
CONSOLIDATED INCOME STATEMENT FOR THE MONTH ENDED
FEBRUARY 28, 2014**

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Operating income (loss)	(1,319,523)	(1,157,910)	(161,613)	14.0%
Non-operating revenues (expenses)	(1,655,014)	(1,730,603)	75,589	4.4%
Capital contributions and transfers	2,750,141	3,244,518	(494,377)	-15.2%
Increase (decrease) in Net Assets	\$ (224,396)	\$ 356,006	\$ (580,401)	-163.0%

- ***The overall results show a decrease in Net Assets of \$224 thousand which is \$580 thousand below budget***

**PORT OF VIRGINIA
CONSOLIDATED INCOME STATEMENT FOR THE EIGHT MONTHS ENDED
FEBRUARY 28, 2014**

	Actual	Budget	\$ Variance	% Variance
Operating Revenues	\$ 233,033,350	\$ 240,869,311	\$ (7,835,961)	-3.3%

- ***Actual container volume was 868,260 vs. 875,428 budget, a 0.8% decrease***
- ***Continued shift in volume mix towards rail and additional incentives contributed to lower than budgeted revenue***

**PORT OF VIRGINIA
CONSOLIDATED INCOME STATEMENT FOR THE EIGHT MONTHS ENDED
FEBRUARY 28, 2014**

	Actual	Budget	\$ Variance	% Variance
Operating Revenues	\$ 233,033,350	\$ 240,869,311	\$ (7,835,961)	-3.3%
Operating Expenses:				
Terminal operations	114,010,613	107,316,215	(6,694,397)	-6.2%
Terminal maintenance	39,564,297	39,548,505	(15,792)	0.0%
General and administrative	29,711,249	29,717,295	6,046	0.0%
Facility Rental	34,785,665	33,424,576	(1,361,089)	-4.1%
Depreciation and amortization	31,568,496	31,540,057	(28,439)	-0.1%
Total operating expenses	249,640,319	241,546,648	(8,039,671)	-3.4%

- ***Terminal operations expense was \$6.7 million over budget mostly due to rail mix and higher than budgeted premium pay***
- ***Terminal maintenance expense was only slightly over budget***
- ***General and administrative expense was slightly lower than budget***
- ***Facility rental expense was higher than budget due to a change in estimate***

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CONSOLIDATED INCOME STATEMENT FOR THE EIGHT MONTHS ENDED
FEBRUARY 28, 2014**

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Total operating expenses	249,640,319	241,546,648	(8,039,671)	-3.4%
Operating income (loss)	(16,606,969)	(677,337)	(15,929,632)	2351.8%

- *The combination of lower than budgeted revenue and higher than budgeted expenses have resulted in an operating loss of \$16.6 million or \$15.9 million below budget year to date*

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CONSOLIDATED INCOME STATEMENT FOR THE EIGHT MONTHS ENDED
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Operating income (loss)	(16,606,969)	(677,337)	(15,929,632)	2351.8%
Non-operating revenues (expenses)	(10,769,113)	(11,341,120)	572,007	5.0%
Capital contributions and transfers	24,327,580	25,956,144	(1,628,564)	-6.3%

- ***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 is currently approximately \$1.6 million below budget***

**PORT OF VIRGINIA
CONSOLIDATED INCOME STATEMENT FOR THE EIGHT MONTHS ENDED
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Capital contributions and transfers	24,327,580	25,956,144	(1,628,564)	-6.3%
Increase (decrease) in Net Assets	\$ (3,048,502)	\$ 13,937,687	\$ (16,986,189)	-121.9%

- ***The overall result is a decrease in Net Assets of \$3.0 million which is \$17.0 million below budget***

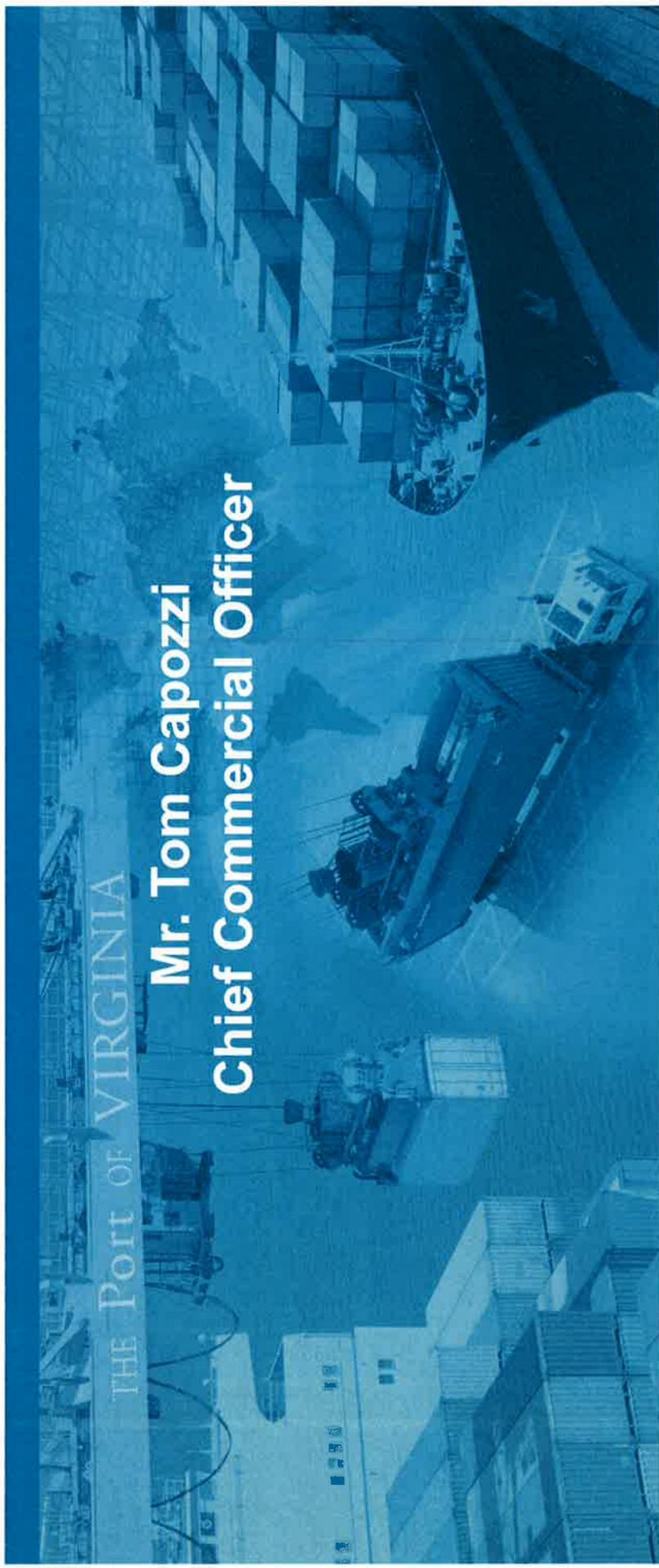


Board of Commissioners

Session 357

March 25, 2014

Commercial Update



THE PORT OF VIRGINIA

Mr. Tom Capozzi
Chief Commercial Officer

2014 Fiscal Year, July-February

FY2014

FY2013 %Change

Total TEUs **1,516,052** **1,439,316** **+5.3**

Export TEUs **804,921** **770,994** **+4.4**

Import TEUs **711,131** **668,322** **+6.4**

B/B Tonnage **226,150** **238,534** **-5.2**

Vehicles **21,681** **28,069** **-22.8**

Total Rail Containers **291,803** **267,729** **+9.0**

VIP Containers **22,586** **22,274** **+1.4**

Total Barge Containers **32,449** **38,157** **-15.0**

Truck Containers **544,008** **519,030** **+4.8**

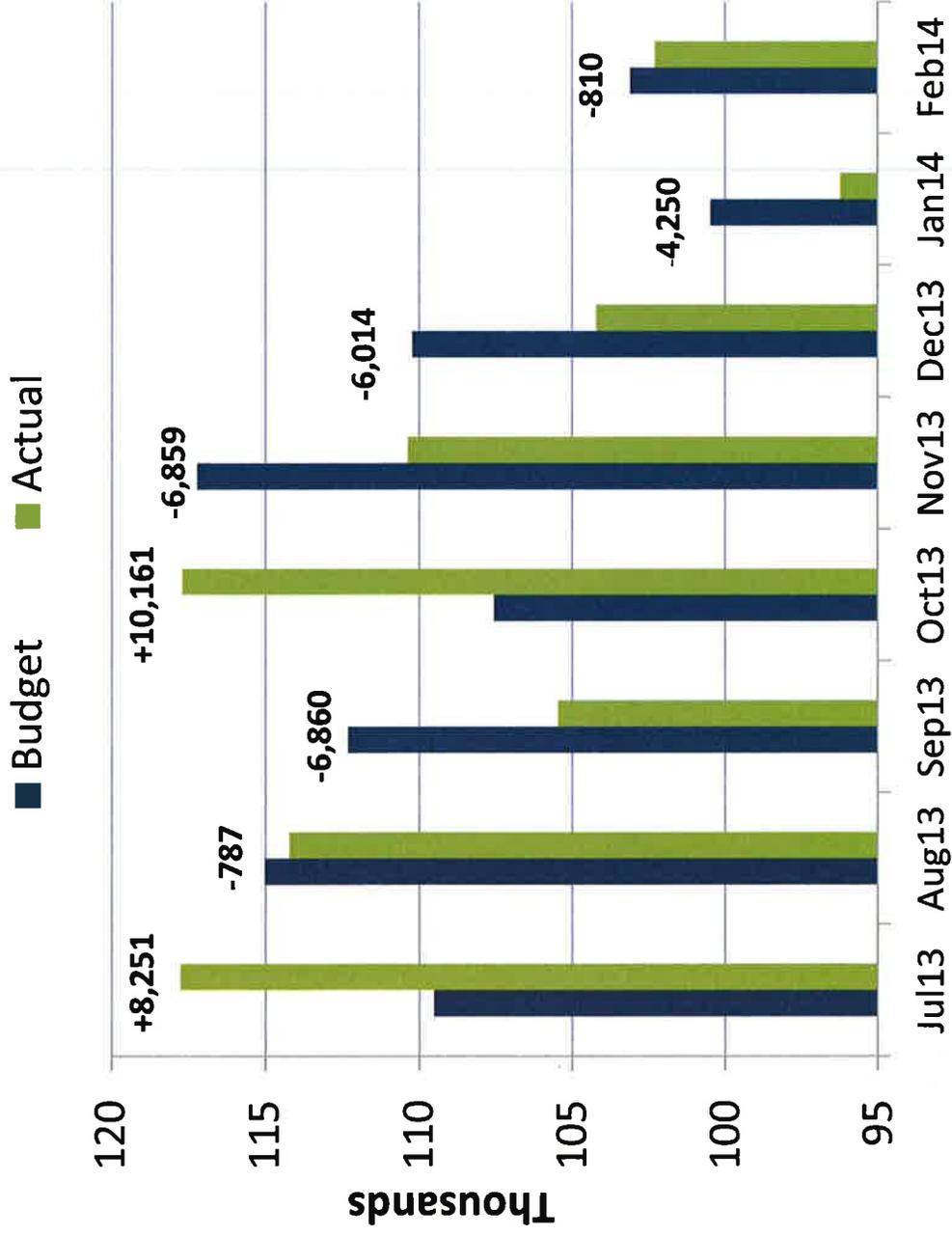
Source: Terminal Statistics

2014 Calendar Year, January-February
CY 2014 CY 2013 %Change

Total TEUs	346,795	328,157	+5.7
Export TEUs	185,958	176,399	+5.4
Import TEUs	160,837	151,758	+6.0
B/B Tonnage	53,863	54,152	-0.5
Vehicles	6,483	6,515	-0.5
Total Rail Containers	65,800	61,673	+6.7
VIP Containers	5,078	5,408	-6.1
Total Barge Containers	7,874	8,172	-3.6
Truck Containers	124,840	117,459	6.3

Source: Terminal Statistics

Container Units Budgeted vs. Actual, FY 2014



FY 2014, Jul-Feb:
-7,168 units
-0.8%

875,428 **868,260**



FY 2014



Ocean Carrier Developments

CKYH-E



- Evergreen joins CKYH Alliance
- CKYHE announces AWE-8 service to start in May
- Connects Asia to USEC via Suez
- 8,000 TEU vessels
- NY, Norfolk, Savannah rotation

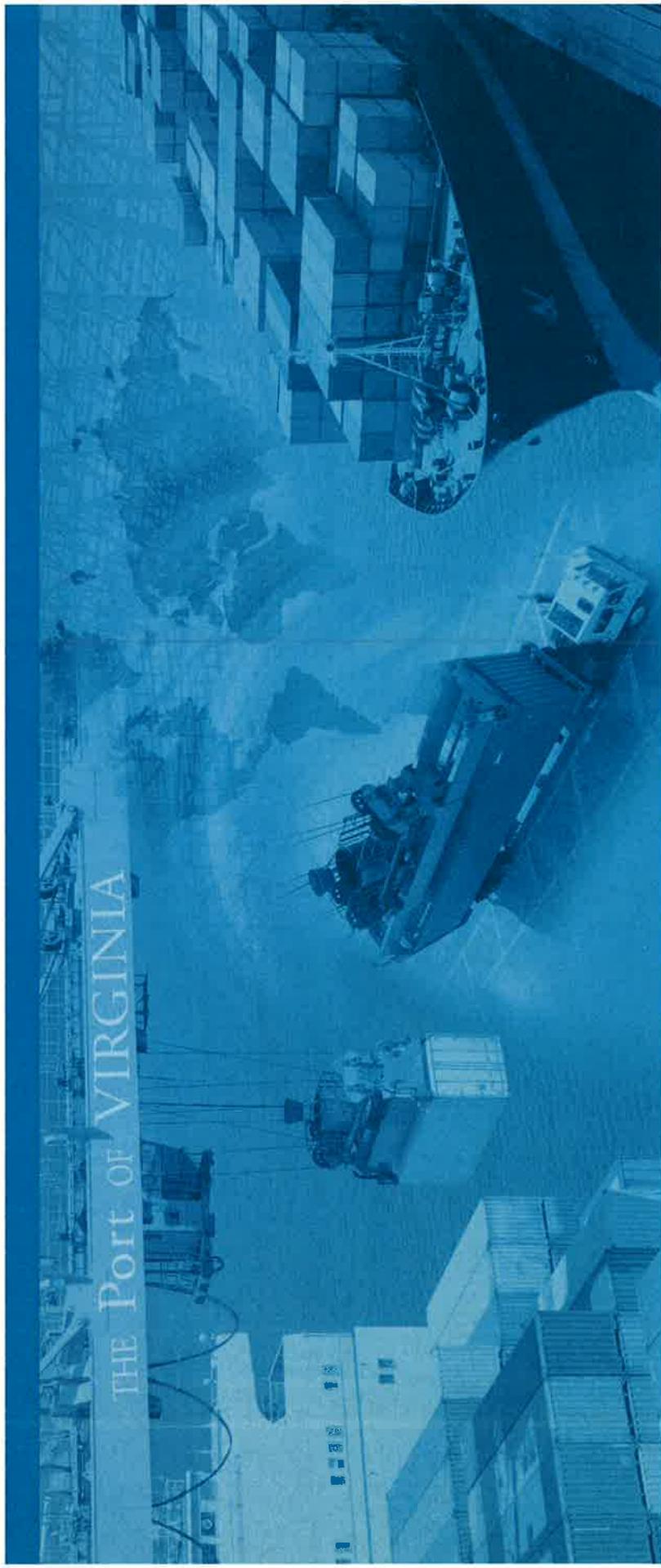


- CKYHE suspends the AWE-5 service
- Connected Asia to USEC via Panama
- 4,000-4,800 TEU vessels
- Savannah, New York, Wilmington, Charleston rotation





Economic Development Announcements





Anord

- Anord is an Ireland-based company that makes switchgear equipment and other infrastructure for data centers
- They plan to open their first U.S. operation in Henrico County, creating around 99 jobs over the next 3 years

ANORD
ENERGY UNDER CONTROL



Kayser- Roth

- Sock and hosiery manufacturer Kayser-Roth Corp. has begun an expansion of its facility in Asheboro, NC
- The expansion is expected to add a total of 100 new jobs in the Triad
- The project represents a \$28 million investment



an affiliate of **THE GOLDEN LADY** GROUP

- Kilgour Industries Ltd, a UK-based supplier of aircraft airframe and engine machined products will invest \$27.3 million in its first U.S. operation in Henry County and create 155 new jobs
- Virginia successfully competed against Florida, Michigan, North Carolina and South Carolina for the project





Mercury Paper

- Mercury Paper announced it is expanding its Strasburg operations. Mercury Paper manufactures Fiora toilet paper and paper towels for Winchester-based Oasis Brands
- Mercury Paper is investing \$25 million into expanding its operations that will create 96 jobs by early 2015





Alternative Site Framework (ASF)

INCREASE YOUR COMPETITIVE EDGE WITH
FOREIGN TRADE ZONES



THE PORT OF
VIRGINIA

JPM, Fortmads, Virginia, Newport, News Marine Terminal, Norfolk International Terminal, Portsmouth Marine Terminal, Port of Richmond, Virginia Island Port.



- Last spring, Port of Virginia, which is the grantee of FTZ 20, applied to the U.S. Department of Commerce's Foreign-Trade Zones Board to reorganize the zone under the Alternative Site Framework (ASF) option. The ASF designation streamlines the process for companies applying for FTZ status
- Existing and new companies within FTZ 20 service area can obtain FTZ site designation within 30 days of receipt of the application by the FTZ Board
- The Port of Virginia's request to reorganized was officially approved on February 28th



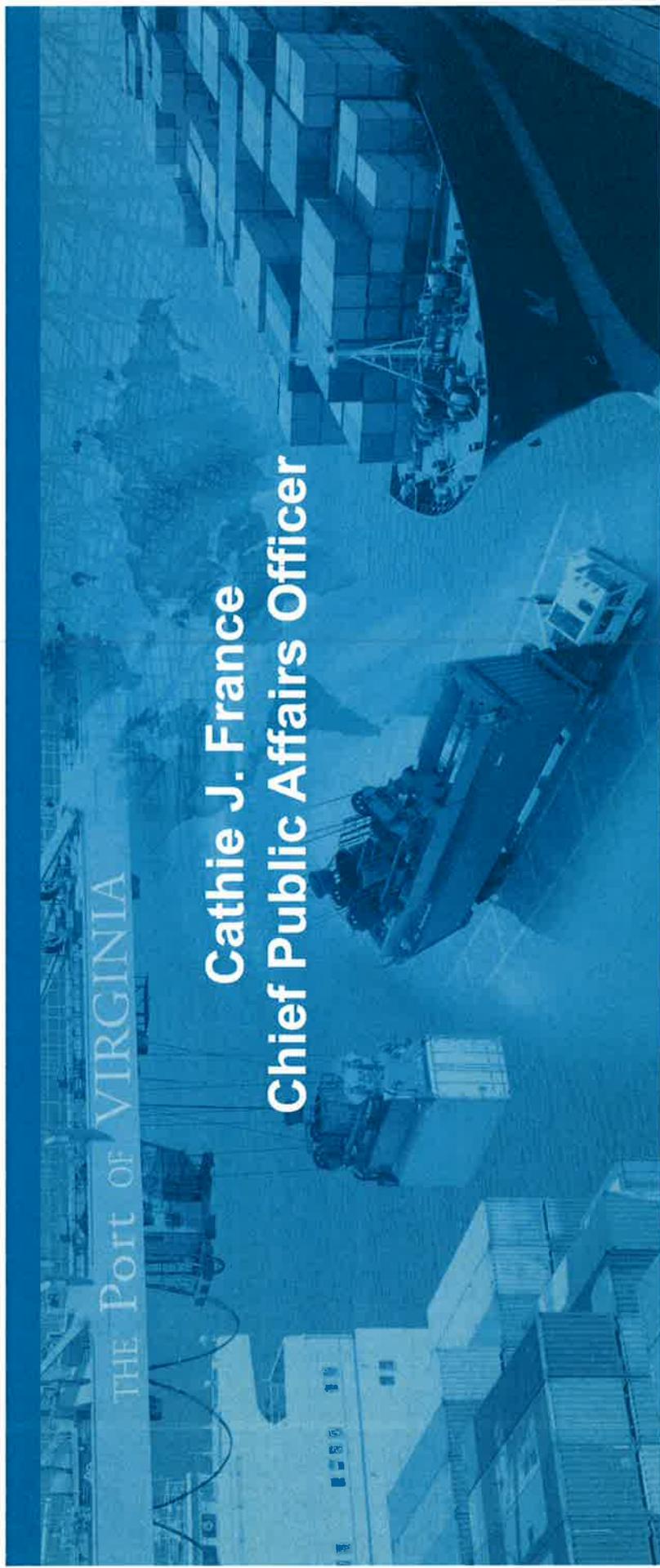
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Public Affairs Update

Cathie J. France
Chief Public Affairs Officer

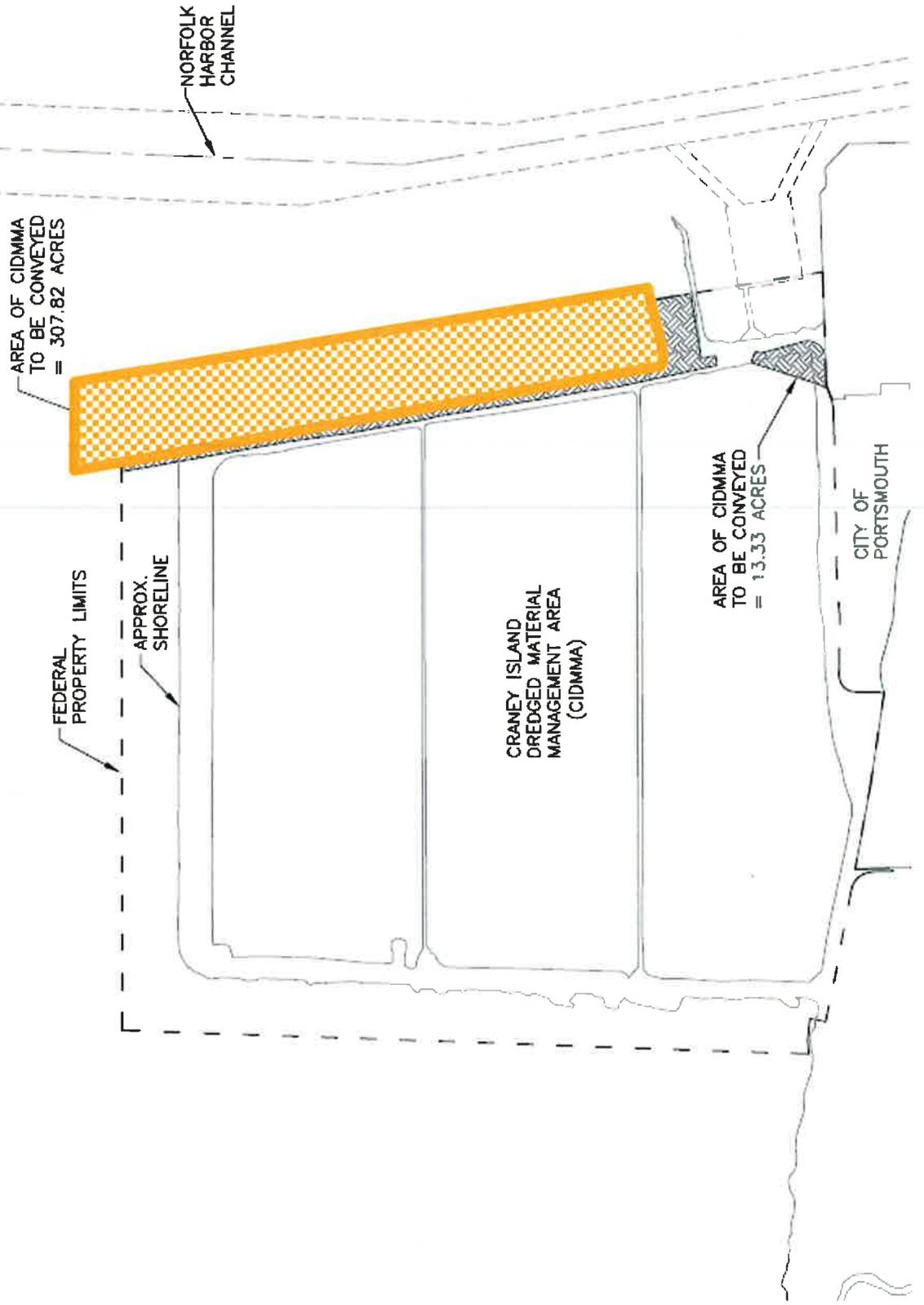




THE PORT OF
VIRGINIA

WRRDA

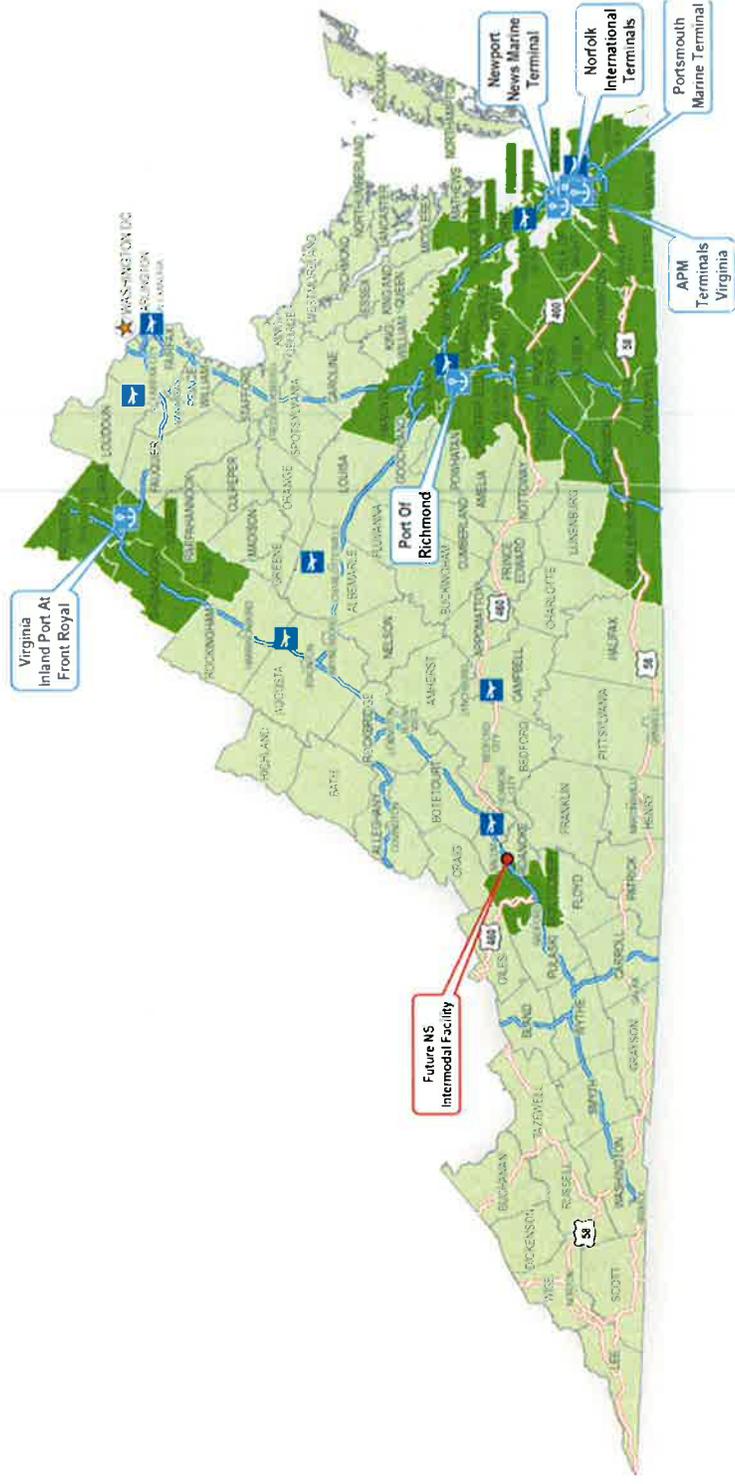
Water Resources Reform and Development Act, H. R. 3080





General Assembly Update: HB 672

Port of Virginia Economic and Infrastructure Development Grant



Expands zone to all localities within the Commonwealth



THE PORT OF
VIRGINIA

FY15 President's Budget

- \$1.25B for creation of Multimodal Transportation Infrastructure Trust Fund
 - Increases and sustains funding for TIGER grants program.
 - Ports, Rail, and highway projects eligible
- \$4.5 billion in USACE Civil Works Budget
 - Decrease of \$1B from FY14
 - Construction: \$1.25 billion
 - Operation and Maintenance: \$2.6 billion
 - Investigations: \$80 million
 - Mississippi River and Tributaries: \$245 million
 - Regulatory: \$200 million
- Provides \$915 million from the Harbor Maintenance Trust Fund
 - Decrease of \$1B from FY14.
- \$700K for 45-Foot Elizabeth River Dredging Study
- \$10.9M for Harbor Operations & Maintenance



Port of Virginia Tax Credit Program

- Revisions to facilitate administration of tax credit program
 - International Trade Facility, Barge and Rail, Port Volume Increase
- “Qualified Cargo” includes “Ro-Ro” cargo
- Equalizes volume increase at 5% among all credits
- Balances funding between the three tax credits
- Allows a taxpayer to be eligible for the port volume increase tax credit and the barge and rail usage tax credit if the taxpayer meets the criteria for both.



Project Prioritization

- Capital & Maintenance Projects Prioritized
 - 3-Tier Prioritization
 - Rail, NIT North Gates, NIT Densification
 - Parallel Long-Term Strategic Projects
 - Harbor Dredging / Craney Island Expansion



Government Affairs Outreach Plan

