

MINUTES

Board of Commissioners - Session 358

Virginia Port Authority
600 World Trade Center
Norfolk, Virginia – May 27, 2014

The Board of Commissioners (“Board”) of the Virginia Port Authority (“VPA”) held its regular meeting on May 27, 2014, in the VPA’s Conference Room located at 600 World Trade Center, Norfolk, Virginia. VPA Board Acting Chairman John N. Pullen called the meeting to order at 11:00 a.m.

The following were then in attendance:

Commissioners:

John N. Pullen, Acting Chairman
G. Robert Aston, Jr.
Jennifer D. Aument
Martin J. Briley
Juliann J. Clemente
The Hon. Alan A. Diamonstein
Frank E. Laughon, Jr.
Gary T. McCollum
Val S. McWhorter
John G. Milliken
Kim Scheeler (non-voting member)

Commissioners Absent:

Manju S. Ganeriwala, State Treasurer

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
James Noel, AAG/Virginia Port Authority Counsel
Russell Held, Senior Vice President, Business Development
Gregory Edwards, Vice President, Government Affairs
Heather Wood, Vice President,
Wendy King, Vice President, Finance
Carla Welsh, Manager, Creative Services
Joe Harris, Media/Public Relations Manager
Debra J. McNulty, Clerk to the Board
Jodie Asbell, Deputy Clerk to the Board/Executive Assistant to Executive Director

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

Joseph P. Ruddy, Chief Operations Officer

Thomas D. Capozzi, Chief Commercial Officer
Matthew Barnes-Smith, Vice President, Financial Planning & Analytics
Mark Thorsen, Chief Information Officer

Guests:

The Honorable Aubrey L. Layne, Jr., Secretary of Transportation, Commonwealth of Virginia
JoAnne Carter, PFM Group (VPA Financial Advisor)
Arthur W. Moye, Jr., Virginia Maritime Association
David White, Virginia Maritime Association
Larry Bachtell, Vice President, Atlantic Coast District-International Longshoremen's Association (ILA)
Kate Glass, Nauticus/City of Norfolk
Barrett Hardiman, Luck Companies
Lin Olsen, Great Bridge Battlefield & Waterways Historic Foundation (Chesapeake)
Della McSwain, Northhampton County Economic Development
Lennie Luke, City of Chesapeake
Chris Bannon, Town of Cape Charles (Vice Mayor)
William "Smitty" Dize, Cape Charles
Joan Natali, Cape Charles
Heather Arcos, Cape Charles
Dan Brown, Southport Investors, Cape Charles
Eyre Baldwin, Southport Investors, Cape Charles
Robert McCabe, *The Virginian-Pilot*
Dave Ress, *The Daily Press*

INTRODUCTIONS

Chairman Pullen called the meeting to order and Mr. Ruddy conducted the safety briefing at this time.

The Chairman welcomed the new commissioners who were recently appointed to the VPA Board by Governor McAuliffe and asked each of them to introduce themselves and provide brief remarks (biographical resumes were included in the agenda materials). The new board members are:

G. Robert (Bob) Aston, Chairman and CEO, TowneBank
Alan A. Diamonstein, Senior Partner, Patten, Wornom, Hatten & Diamonstein
Gary T. McCollum, Senior Vice President and General Manager, Cox Communications
Val S. McWhorter, Of Counsel, Smith Pachter McWhorter PLC
John G. Milliken, Partner, Venable LLP

Secretary Layne took the floor at this time to welcome the newly-appointed commissioners and existing commissioners on behalf of the Governor. The Secretary emphasized the importance of the Port and the Governor's vision for economic vitality. He also talked about the Board's focus and responsibility to ensure that the Port is financially sustainable. Secretary Layne also addressed accountability and stated that he fully supports the Board and the CEO/Executive Director.

Chairman Pullen welcomed James Noel and announced that he was appointed by the Attorney General to serve as VPA's new in-house counsel, effective May 27, 2014. The Chairman credited Mr. Noel on the work and guidance he provided throughout the PPTA process, the Port's restructuring, and the VPA Executive Director search.

At this time, Mr. Harris introduced guests in attendance. Mr. Robert McCabe with *The Virginian-Pilot*, and Mr. Ress with *The Daily Press* were also in attendance.

I. Approval of Minutes

Action: Upon motion by Acting Chairman Pullen, seconded by Mr. Laughon, the minutes were unanimously approved, as distributed, for the meeting held on March 25, 2014.

II. Election of Board Chair

Acting Chairman Pullen opened the floor for nominations for the election of the VPA Board Chair.

Action: Mr. McWhorter offered a motion to elect John G. Milliken, Chairman of the VPA Board. The motion was seconded by Ms. Clemente.

Mr. Pullen closed the floor for nominations and, by an affirmative vote (10-0), the Board elected Mr. John G. Milliken, Chairman of the Board.

Mr. Pullen then turned the gavel over to Chairman Milliken who expressed his appreciation to the Board and made the following remarks:

As many of you know, I have been involved with the Port on several prior occasions but each time is different and each presents different challenges and opportunities.

In the few weeks since the Governor's announcement, I have met with and worked with John Reinhart. I am impressed with his knowledge, his ability to have an immediate impact and, most importantly, with the progress he is making.

John has my full support and I look forward to working with him to fully realize the great potential of The Port of Virginia; to take advantage of the widening of the Panama Canal, opening in 2015; to work with our trucking, rail and maritime partners to help bring jobs and economic growth to all parts of the Commonwealth; and to do these things on a solid, sustainable financial basis.

To do all this we will need an orderly plan of expansion to meet expected worldwide trading growth. Expanding and ultimately controlling APMT in the logical way to do this. But we will need, at the same time, to advance our plans for Craney Island for the long term or, in case it is needed sooner if APMT does not offer the most cost-effective course.

At this time, Chairman Milliken called for nominations to appoint the Vice Chair of the Board.

Action: Mr. Diamonstein offered a motion to elect John N. Pullen, Vice Chairman of the VPA Board. The motion was seconded by Mr. McCollum.

Chairman Milliken closed the floor for nominations and, by an affirmative vote (10-0), the Board elected Mr. Pullen, Vice Chairman of the Board.

Chairman Milliken reported that the Board would be reviewing the Committee structures over the next few months that would necessitate revisions to the VPA Bylaws. The Chairman announced appointments to Standing Committees and explained that the Growth and Operations Committee would be combined. **Attached is a copy of the Standing Committee appointments.** Chairman Milliken noted that the terms of the new Chair and Vice Chair are up for re-election at the Board's annual meeting scheduled for July 22, 2014, at 11:00 a.m.

Chairman Milliken then appointed a Nominating Committee to present a slate of officers for approval by the full Board at the annual meeting. The committee members are:

Val S. McWhorter, Chairman
Jennifer D. Aument
Gary T. McCollum

III. Closed Session

At 11:25 a.m., Ms. Clemente 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, relating to the preliminary FY2015 Budget of Virginia International Terminals, LLC (VIT), for the year beginning July 1, 2014 and ending June 30, 2015; and regarding the VPA and VIT Organizational Strategy."

The motion was seconded by Mr. McCollum.

IV. Open Session

At 1:30 p.m., the Board came out of closed session and the following resolution was read by Ms. Clemente:

"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. Aston and passed by a roll call vote of the Board as follows:
Ayes: 10 (Aston, Aument, Briley, Clemente, Diamonstein, Laughon, McCollum, McWhorter, Milliken, Pullen)

Nays: 0

Absent During Vote: 1 (Ganeriwala)

Absent During Meeting: 1 (Ganeriwala)

V. Reports of Committees

A. Executive Committee

No report.

B. Finance Committee – Juliann J. Clemente, Acting Committee Chair

1. Report on Finance Committee meeting

Ms. Clemente reported that the Finance Committee met on May 9, 2014, at the Greater Richmond Chamber of Commerce. Ms. Clemente advised that, after lengthy discussions and review, the Finance Committee agreed to recommend passage of both the VIT and VPA FY15 budgets to the full Board. Ms. Clemente reported that the budget assumptions include a container volume forecast of 3.08% for FY15.

Chairman Milliken commented that FY15 is a break-even budget putting the Port further on “the path of financial sustainability”.

At this time, Ms. Clemente read Resolutions 14-4 and 14-5.

Action: Upon motion by Ms. Clemente, seconded by Mr. Aston, the Board adopted Resolution 14-4, approving the VIT FY15 Budget for the year beginning July 1, 2014 and ending June 30, 2015.

Action: Upon motion by Ms. Clemente, seconded by Mr. Aston, the Board adopted Resolution 14-5, approving the VPA FY15 Budget for the year beginning July 1, 2014 and ending June 30, 2015.

(Secretary Layne left the meeting at this time.)

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

Mr. Oliver reviewed the consolidated income statement for the month ended April 30, 2014, and for the ten months ended (FY14-July-April). A copy of the presentation is attached.

C. Growth Committee – John N. Pullen, Committee Member

1. Business Development/Marketing Report

Mr. Capozzi presented the Commercial Update and reviewed 2014 Fiscal Year-to-Date (July-April) and Calendar Year-to-Date results. He provided an overview of three major ship line services, rotation schedules, and projected tonnage – Indus Express (new); G6 (restructured); and CKYH-E (AWE8).

Mr. Capozzi reviewed new BCO business (Beneficial Cargo Owners) and provided a break-bulk update of the vehicle shipments at PMT, power plant equipment and generators at NNMT, and locomotives at NIT.

A discussion ensued with regard to the barge business, increasing tonnage volumes, and operational demands.

Mr. Capozzi also reported that an RFP has been issued for the Richmond barge service.

(A copy of the presentation is attached.)

D. Operations Committee

1. Operations Report

Mr. Ruddy reported that there are challenges at the gate and with the rail due to increased volumes of freight month-over-month. April ended with an 11.5% increase in total volume from the same month last year. Mr. Ruddy announced that the NIT rail optimization study is materially complete and he explained the new conveyance that was implemented in early May. He reported that 23 of the 32 hustlers on order have been delivered with the balance due by the end of May.

Mr. Ruddy reviewed volumes, productivity (moves per man hour), gates turn times at NIT and APMT, and terminal labor hours (straight-time vs. overtime). Mr. Ruddy explained that the NIT rail modification will provide stability and capacity and the implementation of the N4 (terminal operating system) scheduled to 'go live' on July 4, 2014, will create a platform for continued efficiency gains in order to handle the forecasted growth in volumes.

2. Security and Safety Reports

Mr. Ruddy reviewed the Safety Leading Indicators and reported that the goal for FY14 is 70% compliance. He reported that the Lost Work Day (LWD) rate through April 30 is currently at 2.67 (goal is 2.45) compared with the industry average of 5.1.

Mr. Ruddy reviewed the Damage Claims Cost and credited Ron Babski, VIT's Director of Health, Safety, and Environment, for his efforts in mitigating accidents at the terminals.

Mr. Ruddy also presented the Port Security Overview, as outlined in the attached presentation.

VI. Report by Chief Public Affairs Officer – Cathie France

Ms. France gave an overview of the Government/Community Affairs outreach plan and described the upcoming schedule of events. Ms. France announced that a meeting is scheduled for June 17th with Vice President Biden's office and that she hopes to also meet with the Office of Management and Budget (OMB) and several Congressional leaders that day in order to address the needs of the Port of Virginia for the FY16 budget.

Ms. France reported that the Water Resources Reform and Development Act (WRRDA), H.R. 3080, passed both the House and the Senate and she indicated a map showing the land area that will be transferred from the Corps of Engineers to the VPA. Chairman Milliken referenced the article that appeared in *The Virginian-Pilot*, stating that the legislation was a critically important step for the Port in the progress on Craney Island.

Ms. France reviewed several news releases and public messages that were broadcast during the month of May, including the release of the comprehensive report of the Motor Carrier Task Force. She announced the public meeting is scheduled for June 11th at the Kroc Center Hampton Roads, located on Ballentine Boulevard in Norfolk at 7:00 p.m. (Announcement on VPA's website.)

Ms. France described the work that has been completed to-date on The Port of Virginia's branding strategy and website development project. Updates on both projects will be provided at the next meeting.

Mr. Held provided a brief overview of the following economic development announcements:

Massimo Zanetti	Honeywell
Smucker's	Ralph Lauren
Mercury Paper	GKN Driveline
Vireol	Katoen Natie

Mr. Held announced that Katoen Natie (located in the former Ford plant, Norfolk) was the first company to be approved for Foreign Trade Zone (FTZ) activation under the Port's new alternative site framework.

At this time, Mr. Held explained the purpose of the Aid to Local Ports (ALP) Grant Program and presented a list of the new requests from localities as well as carry-over requests. Mr. Held's presentation, outlining each request, is attached hereto.

Mr. Held presented Resolution 14-6, awarding FY15 Aid to Local Ports Grants for approval by the Board.

Action: Upon motion by Mr. Diamonstein, seconded by Mr. McCollum, the Board unanimously (10-0) adopted Resolution 14-6, awarding FY15 Aid to Local Ports Grants, totaling \$1 million, to the City of Chesapeake, the City of Norfolk, the County of Accomack, Northampton County, the Town of Cape Charles, and the Town of Saxis.

VII. Report by Chief Human Resources Officer – James Bibbs

Mr. Bibbs reported that work is progressing on the reorganization. Mr. Bibbs announced that, from now and through the next calendar year, the reorganization will include harmonization of benefits, payroll, and, Human Resources Information System (HRIS) implementation (critical) that involves salary and job rating analysis, performance appraisals, talent management, and succession planning. Mr. Bibbs reported that an RFP was recently issued seeking companies that provide medical/health benefits.

Mr. Diamonstein asked if The Port of Virginia was actively cooperating with Old Dominion's Maritime Institute and Mr. Capozzi said he was recently elected as Chairman of their Advisory Board and we have a long history of cooperative efforts with the Institute. Mr. Diamonstein then asked him to provide a memorandum on this cooperation for his information.

VIII. Report by CEO/Executive Director – John F. Reinhart

Mr. Reinhart welcomed Chairman Milliken, Vice Chairman Pullen, and the new commissioners and said he looked forward to working with the Board on a plan for the future and a budget that "is challenging but achievable". Mr. Reinhart also commended the senior leadership team on their work over the last few months.

Ms. Clemente spoke at this time and also expressed support for the new commissioners and Mr. Reinhart and the senior leadership team.

Several of the Aid to Local Ports Grant recipients asked to speak at this time and expressed appreciation for the Board's award of grant funds.

IX. Unfinished Business

No report.

X. NEW BUSINESS

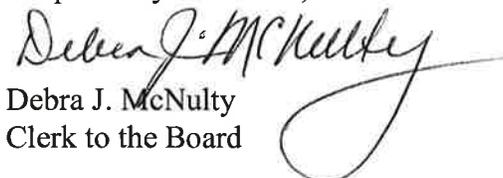
No report.

XI. OTHER BUSINESS AND OPPORTUNITY FOR PUBLIC COMMENT

Chairman Milliken announced that the Board will hold its Annual Meeting on July 22, 2014. He requested the Board's permission to move the September 23rd board meeting date to September 16th, in order to accommodate his travel schedule. The Chairman confirmed that the November 18th board meeting date is on schedule (rescheduled from November 25, previously). There were no objections from the Board.

There being no further business and no public comments, the meeting adjourned at 3:05 p.m.

Respectfully submitted,


Debra J. McNulty
Clerk to the Board

The Annual Meeting of the VPA Board of Commissioners is scheduled for Tuesday, July 22, 2014, at 11:00 a.m., in the Authority's Conference Room, 600 World Trade Center, Norfolk,

Virginia. **After July, the remaining board meeting dates for 2014 are September 16 and November 18.**

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

VIRGINIA PORT AUTHORITY

(Committee Assignments effective May 27, 2014)

FY2014 STANDING COMMITTEES

Executive Committee

John G. Milliken, Chair
John N. Pullen, Vice Chair
G. Robert Aston, Jr.
Jennifer D. Aument
Alan A. Diamonstein

Finance Committee

G. Robert Aston, Jr., Chair
Gary T. McCollum, Vice Chair
Juliann J. Clemente
Manju S. Ganeriwala (State Treasurer)
Kim Scheeler

Audit Subcommittee

Chairman of the Board, Vice Chairman of the Board, or
Voting Member of the Finance Committee, Chair
At least three additional members appointed by the Chairman of the Board

Growth and Operations Committee

Alan A. Diamonstein, Chair
Jennifer D. Aument, Vice Chair
Martin J. Briley
Frank E. Laughon, Jr.
Val S. McWhorter

NOTE: Under the By-Laws (Article XII), the Chair and Vice Chair of the Board are ex-officio members of all committees of which they are not a regular member.

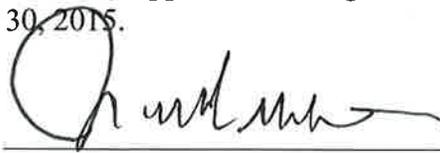
RESOLUTION 14-4
Approval of Virginia International Terminals, LLC
Budget for Fiscal Year Ending June 30, 2015

WHEREAS, by Service Agreement between the Virginia Port Authority (VPA) and Virginia International Terminals, LLC (VIT), dated June 1, 1997, and Amended and Restated as of June 1, 1998, May 23, 2000, August 28, 2003, and September 23, 2008:

At least thirty (30) days prior to the beginning of each fiscal year, VIT shall submit to VPA for its review and approval an annual budget for such fiscal year for each Terminal and in consolidation, broken down by calendar quarters, of the Current Expenses of VIT, as defined in Section 101 of the Resolution, in the operation, repair and maintenance of the Terminals during such fiscal year. The budget shall be in a form and reasonable detail generally conforming to budgets of public authorities operating facilities substantially comparable to the Terminals and shall include, among other costs: (i) compensation of employees and officers, stating the number of employees, (ii) fees to independent contractors and service contractors, (iii) cost of materials, supplies and equipment, (iv) insurance costs, (v) cost of maintenance dredging, (vi) expenditures for business promotion, and (vii) such other costs and expenses to be incurred as Current Expenses during such fiscal year. VIT shall also make available to VPA such other information as VPA may reasonably request in connection with the preparation of such budget. The budget submission shall also include price lists setting priorities of operational equipment to be purchased by VIT and capital maintenance and improvement projects planned for accomplishment in the following year. The budget shall be supported by an estimated cash flow statement for the year, for each Terminal and in consolidation, in reasonable detail, broken down by calendar months, of (i) the estimated surplus or deficit, (ii) the estimated receipts and disbursements, and (iii) estimates of expenditures for operating equipment, renovations, alterations, rebuilding, replacement, additional improvements and extraordinary maintenance in and to the Terminals. VPA shall promptly review such budget and inform VIT either of its approval of or its disapproval; in the event of the latter, VPA shall submit items in question to VIT for explanation, clarification or modification. VIT and VPA agree that such budget shall be approved and adopted not later than June 1 in each fiscal year.

WHEREAS, Virginia International Terminals, LLC, has proposed its budget for Fiscal Year Ending June 30, 2015.

NOW, THEREFORE, BE IT RESOLVED the Virginia Port Authority Board of Commissioners in meeting held May 27, 2014, does hereby approve the Virginia International Terminals, LLC budget for Fiscal Year Ending June 30, 2015.



John G. Milliken, Chairman

Attest:


Debra J. McNulty, Clerk

RESOLUTION 14-5
Approval of Virginia Port Authority's
Budget for Fiscal Year Ending June 30, 2015

WHEREAS, Resolution No. 97-5 Authorizing and Securing Virginia Port Authority Port Facilities Revenue Bonds, adopted May 27, 1997, Amended and Restated as of June 1, 1998, further Amended and Restated as of May 23, 2000, and further Amended and Restated as of July 22, 2003 (pursuant to Resolution 03-3):

The Authority will cause a budget of its revenues and expenses for the Port Facilities (herein called the "Annual Budget") to be prepared for each Fiscal Year and to be approved and adopted in accordance with the then applicable law and procedures of the State respecting the Authority. The Authority covenants that it will, on or before June 1 in each Fiscal Year, adopt an Annual Budget for the ensuing Fiscal Year of the Gross Revenues and Current Expenses of the Authority, which annual budget shall comply with the provisions of Section 501. Such Annual Budget shall also set forth the amount to be deposited to the credit of the Debt Service Fund, the Reserve Maintenance and Improvement Fund and the Subordinate Obligations Fund in each ensuing Fiscal Year. The Authority may at any time adopt an amended or supplemental budget for the remainder of the then current Fiscal Year. In preparing such budget or any amended or supplemental budget, consideration shall be given to any recommendations of the Management Consultant. Copies of each such budget and of any amended or supplemental budget shall be filed with the Trustee and mailed by the Authority to the Management Consultant.

WHEREAS, the Virginia Port Authority has proposed its budget for Fiscal Year Ending June 30, 2015.

NOW, THEREFORE, BE IT RESOLVED the Virginia Port Authority Board of Commissioners in meeting held May 27, 2014, does hereby approve the Virginia Port Authority's budget for Fiscal Year Ending June 30, 2015.



John G. Milliken, Chairman

Attest:


Debra J. McNulty, Clerk

**VIRGINIA PORT AUTHORITY
RESOLUTION 14-6**

A RESOLUTION AUTHORIZING AID TO LOCAL PORTS FUNDING (FY15) TOTALING \$1,000,000 to the City of Chesapeake, the City of Norfolk, the County of Accomack, Northampton County, the Town of Cape Charles, and the Town of Saxis.

WHEREAS, in September 1986, the Virginia General Assembly established the Commonwealth Port Fund in order to support port capital needs of all ocean, river or tributary ports within the Commonwealth; and

WHEREAS, the Board of Commissioners of the Virginia Port Authority adopted a Policy on Grants to Local Governments for Financial Assistance for Port Facilities (Aid to Local Ports Policy) on July 28, 1987, which Policy was last amended on November 29, 1995; and

WHEREAS, in accordance with the Aid to Local Ports Policy, the following entities have applied for grants for the purposes indicated;

City of Chesapeake, up to \$90,000 for dock replacement at Great Bridge Battlefield & Waterways Center.

City of Norfolk, up to \$200,000 for maintenance-free concrete floating docks at Nauticus.

County of Accomack, up to \$243,750 for repair of the Harborton Barge Wharf.

Northampton County, up to \$90,000 for dredging at the County Marina at Willis Wharf and for replacement of the third pier.

Town of Cape Charles, up to \$255,250 for a wave attenuation system, which is the first phase of a marine terminal.

Town of Saxis, up to \$165,000 for phase two of the harbor jetty project.

NOW THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Virginia Port Authority that:

1. Grants will be made in the individual amounts and for the purposes indicated above.
2. Funds will be made available following the approval of certified requisitions which are accompanied by supporting documentation provided to the Virginia Port Authority as provided for in the Aid to Local Ports Policy.
3. The grantees are required to return any unused funds from these grants to the Virginia Port Authority.
4. If, by June 30, 2015, the grants authorized herein have not been fully drawn upon, or the contracts covering the improvements for which the grants were made have not been entered into, the grants will lapse and will not be carried over to the next fiscal year.

Resolution 14-6 (Page 2)

BE IT FURTHER RESOLVED that:

The City of Norfolk requests to carryover until June 30, 2015, its previous balance estimated to be \$450,000.

The County of Accomack request to carryover until June 30, 2015, its previous balance estimated to be \$502,325.

The County of Northampton requests to carryover until June 30, 2015, its previous balance estimated to be \$40,000.

The Town of Cape Charles requests to carryover until June 30, 2015, its previous balance estimated to be \$575,000.

The Town of Saxis requests to carryover until June 30, 2015, its previous balance estimated to be \$33,017.42.

The Accomack-Northampton Transportation District Commission (ANTDC) requests to carryover until June 30, 2015, its previous balance estimated to be \$200,715.33.

The Town of Onancock requests to carryover until June 30, 2015, its previous balance estimated to be \$63,879.06.

The Town of Tangier requests to carryover until June 30, 2015, its previous balance estimated to be \$57,925.

The Town of Wachapreague requests to carryover until June 30, 2015, its previous balance estimated to be \$80,000.

BE IT FURTHER RESOLVED that:

Carryover from Isle of Wight to be reallocated to the Town of Cape Charles.

PASSED AND ADOPTED this 27th day of May 2014.



John G. Milliken, Chairman

Attest:



Debra J. McNulty, Clerk



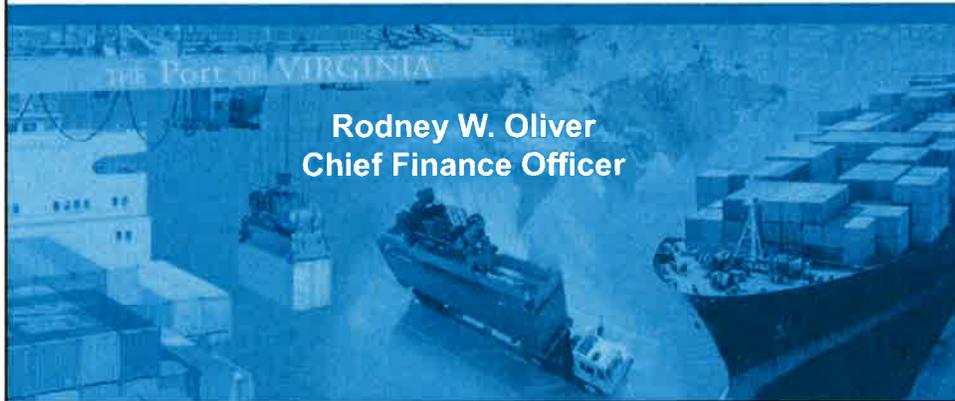
**THE PORT OF
VIRGINIA**

Board of Commissioners

Session 358

May 27, 2014

April 2014 Financial Report



**Rodney W. Oliver
Chief Finance Officer**

**PORT OF VIRGINIA
CONSOLIDATED INCOME STATEMENT FOR THE MONTH ENDED
APRIL 30, 2014**

	<u>Actual</u>	<u>Budget</u>	<u>\$ Variance</u>	<u>% Variance</u>
Operating Revenues	\$ 32,634,029	\$ 30,616,027	\$ 2,018,002	6.6%

- *Actual container volume was 114,875 vs. 113,841 budget, a 0.9% increase*
- *Operating revenue was 6.6% 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
APRIL 30, 2014**

	Actual	Budget	\$ Variance	% Variance
Operating Revenues	\$ 32,634,029	\$ 30,616,027	\$ 2,018,002	6.6%
Operating Expenses:				
Terminal operations	13,785,914	13,794,852	8,938	0.1%
Terminal maintenance	6,568,564	4,971,402	(1,597,162)	-32.1%
General and administrative	3,676,835	3,796,738	119,903	3.2%
Facility Rental	4,201,347	4,178,072	(23,275)	-0.6%
Depreciation and amortization	3,933,193	3,930,517	(2,676)	-0.1%
Total operating expenses	32,165,853	30,671,581	(1,494,272)	-4.9%

- **Total operating expense was \$1.5 million over budget**
- **Terminal operations expense was down for the month, partially due to a reclassification of certain expenses to terminal maintenance**
- **Terminal maintenance was up for the month due the reclassification of certain expenses from operations and the age of equipment**
- **Remaining expense categories were in-line with budget**

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**PORT OF VIRGINIA
CONSOLIDATED INCOME STATEMENT FOR THE MONTH ENDED
APRIL 30, 2014**

	Actual	Budget	\$ Variance	% Variance
Operating Revenues	\$ 32,634,029	\$ 30,616,027	\$ 2,018,002	6.6%
Operating Expenses:				
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General and administrative	3,676,835	3,796,738	119,903	3.2%
Facility Rental	4,201,347	4,178,072	(23,275)	-0.6%
Depreciation and amortization	3,933,193	3,930,517	(2,676)	-0.1%
Total operating expenses	32,165,853	30,671,581	(1,494,272)	-4.9%
Operating income (loss)	468,176	(55,554)	523,730	942.7%

- **The higher than budgeted revenue was partially offset by higher than budgeted operating expenses resulting in an operating income of \$468 thousand or \$524 thousand over budget for the month of April**

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**PORT OF VIRGINIA
CONSOLIDATED INCOME STATEMENT FOR THE MONTH ENDED
APRIL 30, 2014**

	Actual	Budget	\$ Variance	% Variance
Operating Revenues	\$ 32,634,029	\$ 30,616,027	\$ 2,018,002	6.6%
Operating Expenses:				
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Facility Rental	4,201,347	4,178,072	(23,275)	-0.6%
Depreciation and amortization	3,933,193	3,930,517	(2,676)	-0.1%
Total operating expenses	32,165,853	30,671,581	(1,494,272)	-4.9%
Operating income (loss)	468,176	(55,554)	523,730	942.7%
Non-operating revenues (expenses)	(1,479,044)	(1,743,660)	264,616	15.2%
Capital contributions and transfers	3,150,364	3,244,518	(94,154)	-2.9%

- *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 2.9% lower than budget*

5

**PORT OF VIRGINIA
CONSOLIDATED INCOME STATEMENT FOR THE MONTH ENDED
APRIL 30, 2014**

	Actual	Budget	\$ Variance	% Variance
Operating Revenues	\$ 32,634,029	\$ 30,616,027	\$ 2,018,002	6.6%
Operating Expenses:				
Terminal operations	13,785,914	13,794,852	8,938	0.1%
Terminal maintenance	6,568,564	4,971,402	(1,597,162)	-32.1%
General and administrative	3,676,835	3,796,738	119,903	3.2%
Facility Rental	4,201,347	4,178,072	(23,275)	-0.6%
Depreciation and amortization	3,933,193	3,930,517	(2,676)	-0.1%
Total operating expenses	32,165,853	30,671,581	(1,494,272)	-4.9%
Operating income (loss)	468,176	(55,554)	523,730	942.7%
Non-operating revenues (expenses)	(1,479,044)	(1,743,660)	264,616	15.2%
Capital contributions and transfers	3,150,364	3,244,518	(94,154)	-2.9%
Increase (decrease) in Net Assets	\$ 2,139,496	\$ 1,445,304	\$ 694,192	48.0%

- *The overall results show an increase in Net Assets of \$2.1 million, which was \$694 thousand ahead of budget*

6

**PORT OF VIRGINIA
CONSOLIDATED INCOME STATEMENT FOR THE TEN MONTHS ENDED
APRIL 30, 2014**

	Actual	Budget	\$ Variance	% Variance
Operating Revenues	\$ 298,980,000	\$ 302,610,411	\$ (3,630,411)	-1.2%

- **Actual container volume was 1,095,141 vs. 1,101,841 budgeted, a 0.6% decrease**
- **Continued shift in volume mix towards rail, and additional incentives, contributed to lower than budgeted revenue**

7

**PORT OF VIRGINIA
CONSOLIDATED INCOME STATEMENT FOR THE TEN MONTHS ENDED
APRIL 30, 2014**

	Actual	Budget	\$ Variance	% Variance
Operating Revenues	\$ 298,980,000	\$ 302,610,411	\$ (3,630,411)	-1.2%
Operating Expenses:				
Terminal operations	143,818,043	134,744,299	(9,073,744)	-6.7%
Terminal maintenance	51,514,186	49,511,755	(2,002,431)	-4.0%
General and administrative	36,841,449	37,238,199	396,749	1.1%
Facility Rental	43,334,909	41,780,720	(1,554,189)	-3.7%
Depreciation and amortization	39,460,629	39,426,837	(33,792)	-0.1%
Total operating expenses	314,969,216	302,701,810	(12,267,406)	-4.1%

- **Terminal operations expense was \$9.1 million over budget mostly due to rail mix and higher than budgeted premium pay**
- **Terminal maintenance was \$2.0 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**

8

**PORT OF VIRGINIA
CONSOLIDATED INCOME STATEMENT FOR THE TEN MONTHS ENDED
APRIL 30, 2014**

	Actual	Budget	\$ Variance	% Variance
Operating Revenues	\$ 298,980,000	\$ 302,610,411	\$ (3,630,411)	-1.2%
Operating Expenses:				
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Depreciation and amortization	39,460,629	39,426,837	(33,792)	-0.1%
Total operating expenses	314,969,216	302,701,810	(12,267,406)	-4.1%
Operating income (loss)	(15,989,216)	(91,399)	(15,897,817)	-17393.9%

- *The combination of lower than budgeted revenue and higher than budgeted expenses have resulted in an operating loss of \$16.0 million or \$15.9 million below budget year to date*

9

**PORT OF VIRGINIA
CONSOLIDATED INCOME STATEMENT FOR THE TEN MONTHS ENDED
APRIL 30, 2014**

	Actual	Budget	\$ Variance	% Variance
Operating Revenues	\$ 298,980,000	\$ 302,610,411	\$ (3,630,411)	-1.2%
Operating Expenses:				
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Depreciation and amortization	39,460,629	39,426,837	(33,792)	-0.1%
Total operating expenses	314,969,216	302,701,810	(12,267,406)	-4.1%
Operating income (loss)	(15,989,216)	(91,399)	(15,897,817)	-17393.9%
Non-operating revenues (expenses)	(13,776,977)	(14,812,784)	1,035,807	7.0%
Capital contributions and transfers	30,415,279	32,445,180	(2,029,901)	-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 was approximately \$2.0 million below budget*

10

PORT OF VIRGINIA
CONSOLIDATED INCOME STATEMENT FOR THE TEN MONTHS ENDED
APRIL 30, 2014

	Actual	Budget	\$ Variance	% Variance
Operating Revenues	\$ 298,980,000	\$ 302,610,411	\$ (3,630,411)	-1.2%
Operating Expenses:				
Terminal operations	143,818,043	134,744,299	(9,073,744)	-6.7%
Terminal maintenance	51,514,186	49,511,755	(2,002,431)	-4.0%
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Non-operating revenues (expenses)	(13,776,977)	(14,812,784)	1,035,807	7.0%
Capital contributions and transfers	30,415,279	32,445,180	(2,029,901)	-6.3%
Increase (decrease) in Net Assets	\$ 649,086	\$ 17,540,997	\$ (16,891,911)	-96.3%

- *The overall result is an increase in Net Assets of \$649 thousand which is \$16.9 million below budget*

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Board of Commissioners

Session 358

May 27, 2014





Board of Commissioners

Session 358

May 27, 2014

Commercial Update



Mr. Tom Capozzi
Chief Commercial Officer

2014 Fiscal Year, July-April

	FY2014	FY2013	%Change
Total Containers	1,095,141	1,030,466	+6.3
B/B Tonnage	293,132	290,262	+1.0
Vehicles	27,788	30,594	-9.2
Total Rail Containers	369,019	338,493	+9.0
VIP Containers	29,402	27,696	+6.2
Total Barge Containers	41,014	45,788	-10.4
Truck Containers	685,108	646,185	+6.0

Source: Terminal Statistics

2

2014 Calendar Year, January-April

	CY 2014	CY 2013	%Change
Total Containers	425,395	392,854	+8.3
B/B Tonnage	120,845	105,880	+14.1
Vehicles	12,590	9,040	+39.3
Total Rail Containers	143,016	132,437	+8.0
VIP Containers	11,894	10,830	+9.8
Total Barge Containers	16,439	15,803	+4.0
Truck Containers	265,940	244,614	+8.7

Source: Terminal Statistics

3



 **G6**







HYUNDAI MERCHANT MARINE CO., LTD.

 **CKYH-E (or A-7?)**









BCO

- Family Dollar
- Abercrombie and Fitch
- Kuehne & Nagle
- Wal-Mart
- West Coast import diversions



Breakbulk Update



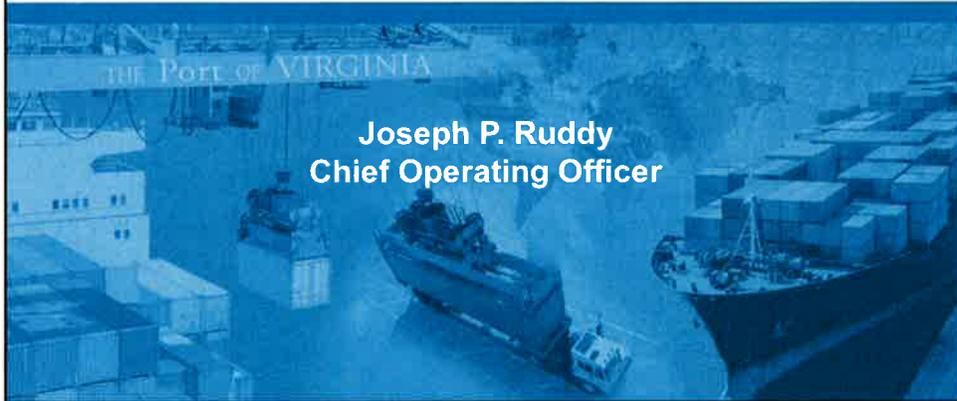


Board of Commissioners

Session 358

May 27, 2014

Operational Summary



Agenda

- Volume
- Production
- Rail Operations
- Gate
- Future Changes



Overview

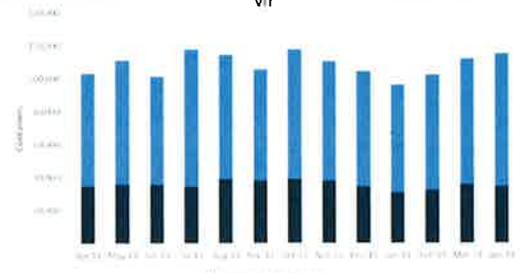
- April demonstrated a 11.5% increase in total volume from the same month last year (114,875 : 102,986)
- The NIT rail optimization study is materially complete and implementation began in early May
- Hustlers bid awarded
 - 23 of 32 hustlers have been delivered
 - Delivery expected on balance by the end of this week

3

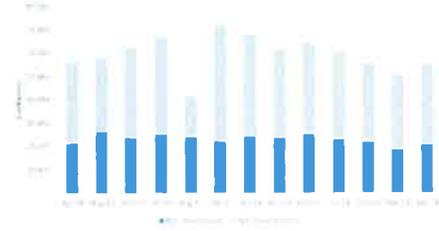


Volume

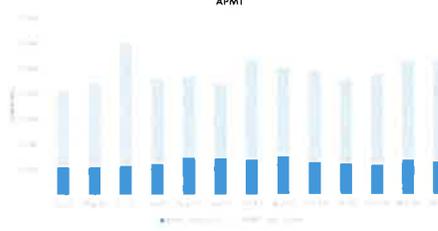
VIT



NIT



APMT

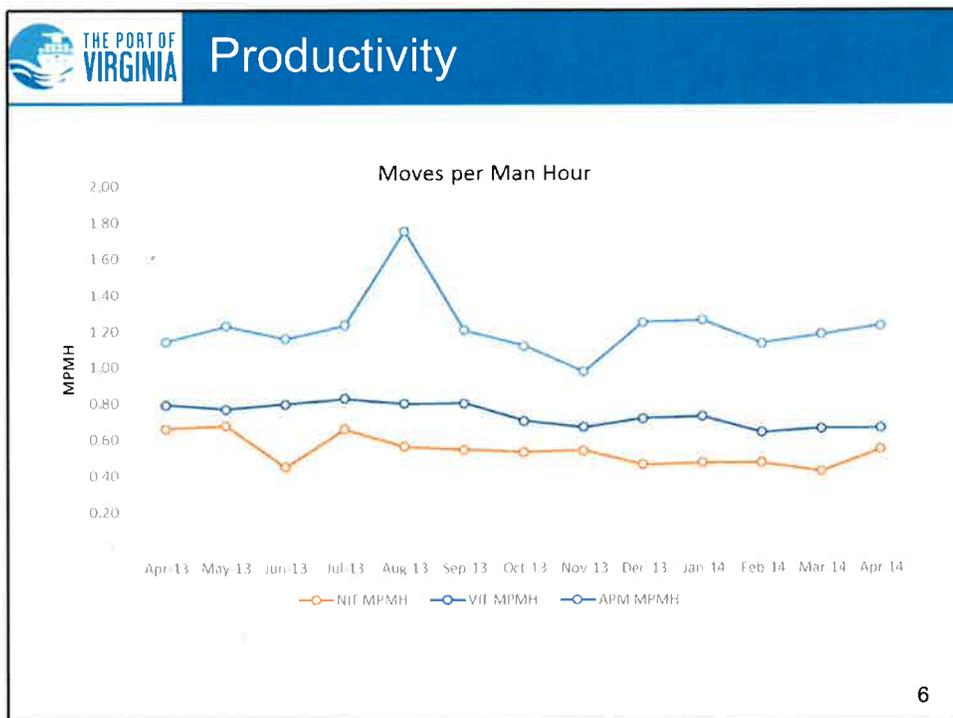


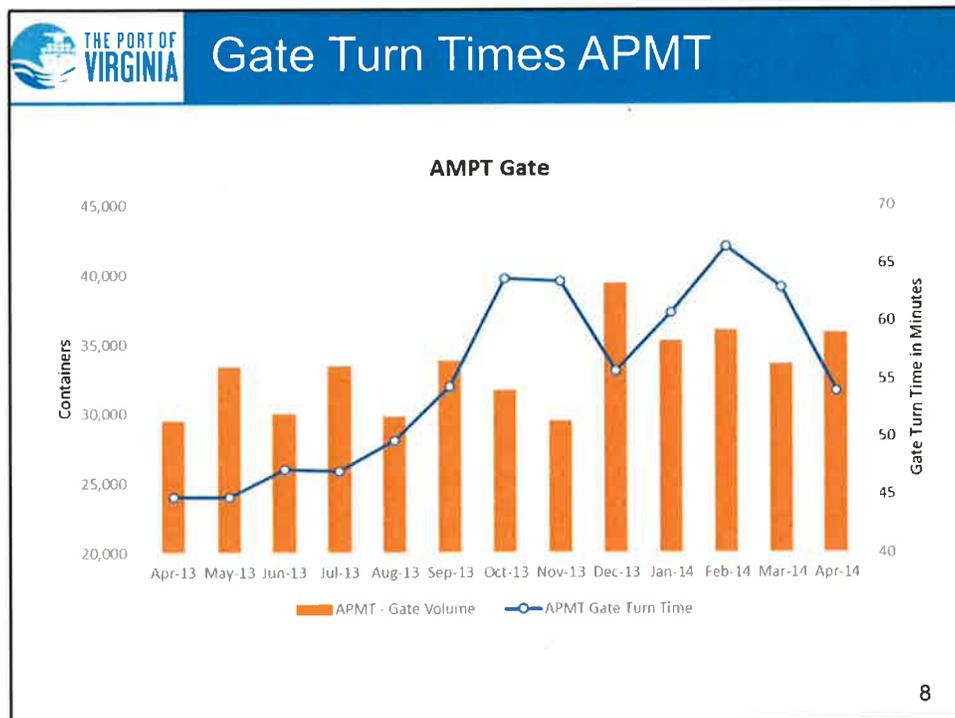
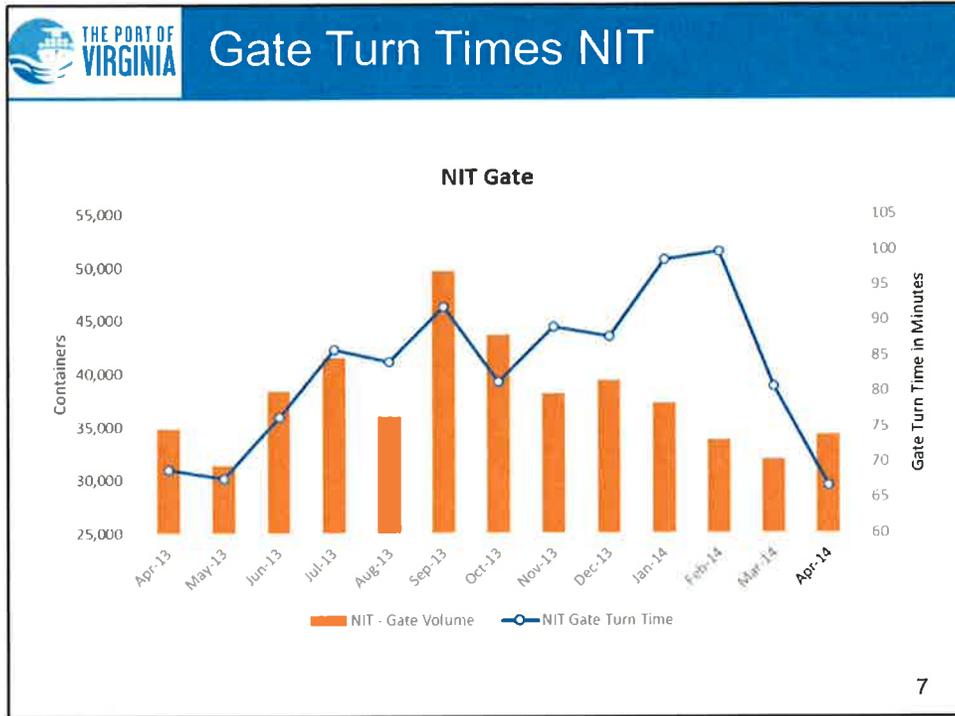
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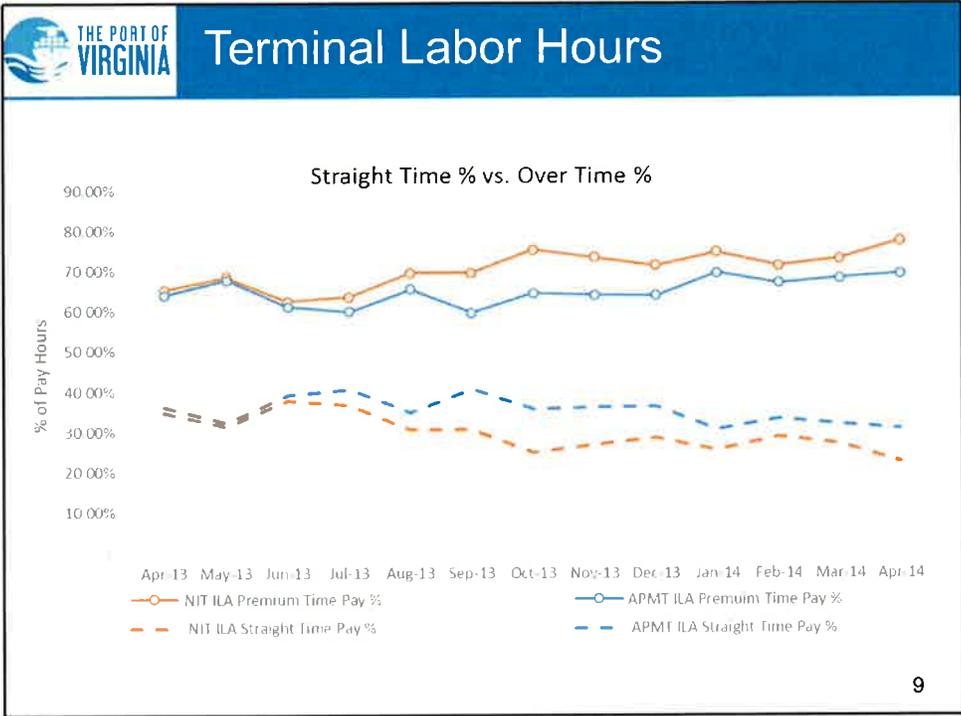
Rail Operations

- Volumes and arrival rates are being combated by the new rail operation at nit.
- terminal labor costs were stable with increasing rail volumes, demonstrating improved productivity.
- The change in conveyance will be fully operational by May 31st leading to additional capacity, lower labor costs and more straddle carrier resources at the gates
- Operations received 19 hustlers in early April to begin the ramp up period. An additional 4 hustlers delivered last week and the balance due this week
- Continued improvements will be realized as the process is refined

5







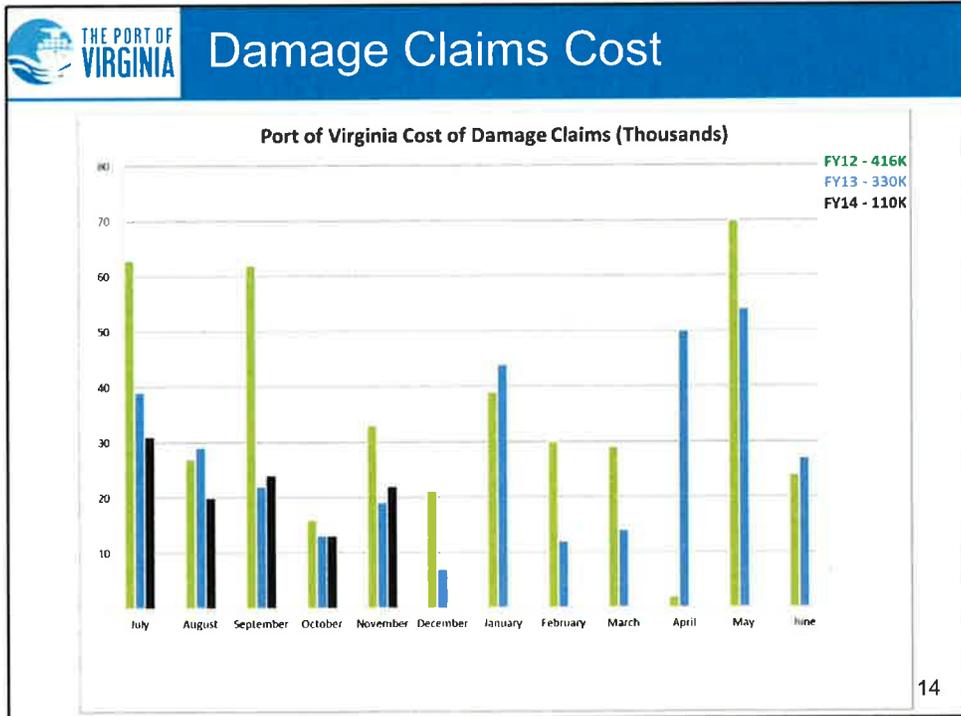
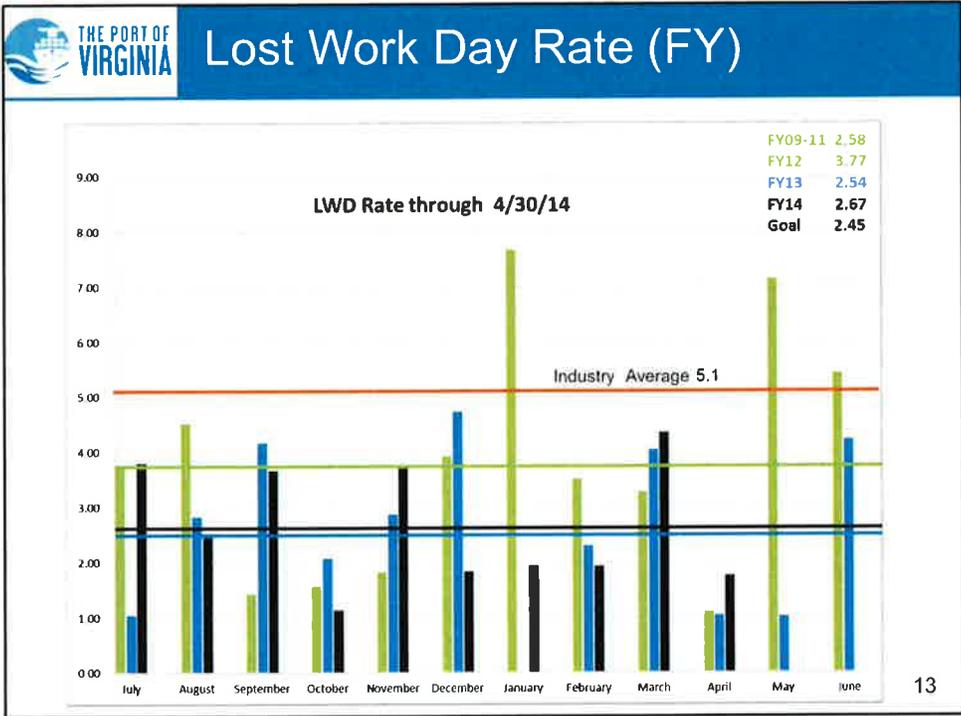
Future Changes

- Forecast indicates volumes will increase in the remaining months of FY2014.
- NIT rail modification will provide stability and capacity
- N4 Implementation on July 4, 2014 will create a platform for continued efficiency gains



Safety Metrics

 Safety Leading Indicators – FY14				
Operational Procedures and Regulatory Compliance		Number of Areas Evaluated	Composite Rate	
NIT		Q3 = 339 Q4 In Progress	Q3 = 55% Q4 In Progress	
APM		Q3 = 351 Q4 In Progress	Q3 = 64% Q4 In Progress	
<70% = Red		70-90% = Yellow	>90% = Green	
Safety Citations	Terminal Management Visibility Hours	Resolution of Key Risks	Manager & Supervisor Training	Housekeeping Compliance Rate
Q3 = 168 Q4 In Progress	Q3 = 72/72 Q4 In Progress	Q3 14/14/8 = 36 Q4 In Progress	Q3 = 107/158 Q4 In Progress	Q3 = 73% Q4 In Progress





Port Security Overview



Security

Police

Recovered Weapons (Firearms)

- Four firearms have been recovered at our gates.
- All legally owned.

Grants

- Justification packages were submitted for grant funds to address our records management system through adding CADS capability to our Port Command Center and contracted maintenance for our Command and Control system.

Breach Reports

- No major security breaches. Minor breaches have been addressed by Port Police in appropriate fashion



Security

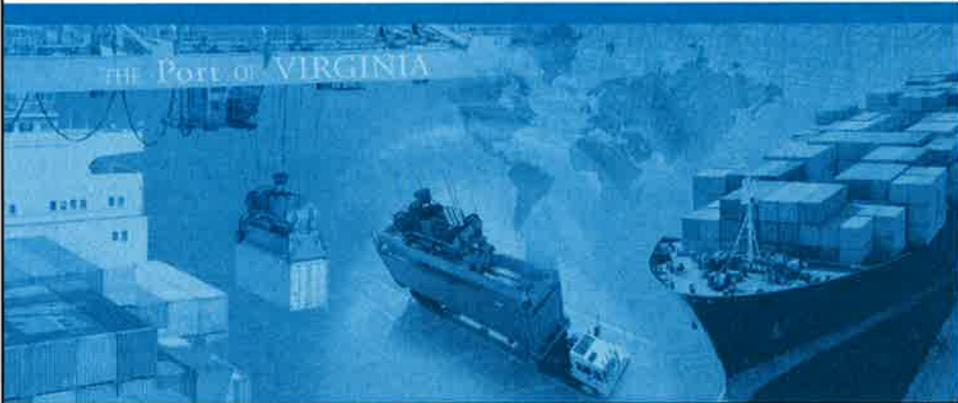
Escort Program

- Seven training sessions conducted in four weeks.
- All of PASHA's escorts have been certified by attending our training classes.
- We have conducted training for a large number of registered escort companies that perform escort duties at our facilities. This training supports a list of trained escort companies who are registered in our system, allowing drivers a choice and insuring a qualified escort will be available
- Training material for the in-house escort program has been completed. This program is designed to expedite and streamline the escorting process for VPA/VIT management.

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Thank you





Board of Commissioners

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Public Affairs Update



Government /Community Affairs

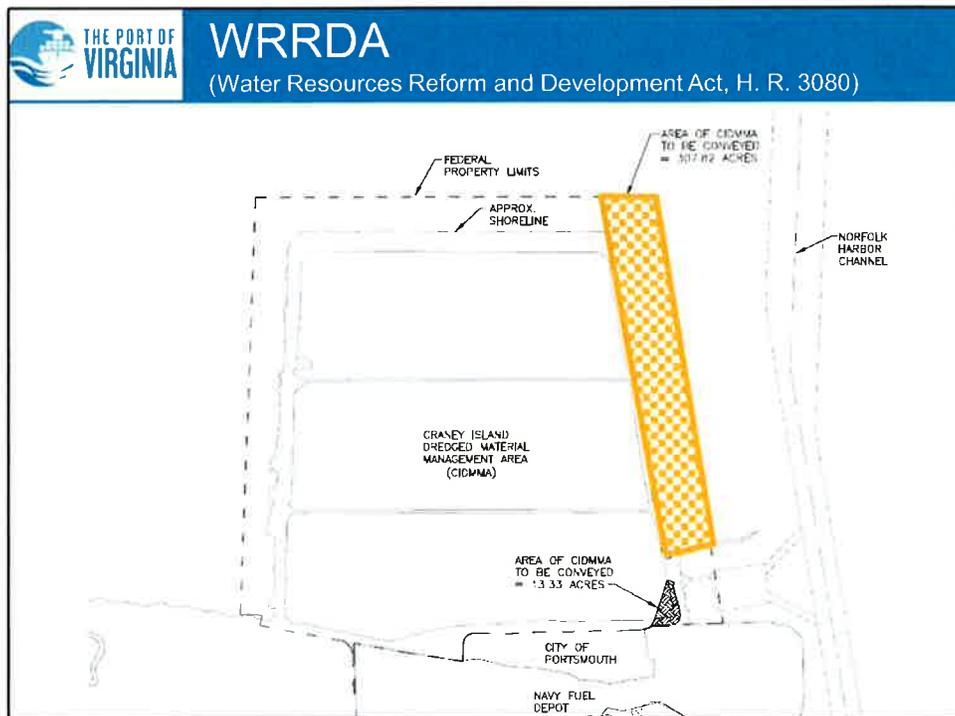
Outreach Plan

Federal, State, Local, and External partner Focus

- Identifies and prioritizes outreach efforts by "port partner" group
- Engage new and old "port partners" with fresh message
 - Who we are.
 - Where we are today
 - Our Vision Forward

Upcoming schedule of events:

- Webinar – May 28
- Save the Bay Day – June 7
- Motor Carrier Task Force Meeting – June 11
- House Appropriations – Sept.
- Meetings with OMB, White House - June
- Day on Capitol Hill – Sept.
- Senate Finance – TBD fall
- Hampton Roads Caucus - July



THE PORT OF VIRGINIA **Communications**

May News Releases:

- International Paper is first recipient of port's economic/infrastructure grant
- April cargo volumes
- Lumber Liquidators named Port's Shipper of the Year
- China lifts its ban on Virginia poultry imports

May Public Messages:

- Mark your calendar for National Maritime Day
- Mark your calendar for Clean the Bay Day
- Appointment system registration and training (for motor carriers)
- Revised hours of operation for Memorial Day weekend
- Weekend gate hours for terminals (2X)
- Traffic pattern change alert

Report

- Release of comprehensive report of the Motor Carrier Task Force

Culture and Brand

Conducted cross-divisional confidential interviews with internal and external stakeholders. Topics of discussion included:

1. How we can better serve our customers
2. What we can do to improve internal communication
3. How leadership--at all levels--can improve
4. Ideas for working together across disciplines
5. Coming together as "A Port United"
6. What we want our values to be

Used that information to conduct cross-divisional small group workshops. Topics of discussion:

1. The lay of our land--the current culture at the Port of Virginia, both good and bad
2. Strong brands that we can learn from
3. What we'd like our company values to be
4. What behaviors we will codify into our performance metrics, ways of working across disciplines, and with our customers

In the weeks and months following this board meeting, we'll develop our brand strategy and devise an implementation strategy.

Website Project



Aid to Local Ports / Commonwealth Port Fund



Aid to Local Ports

- **What is it?**

The Aid to Local Ports program is a result of the VA General Assembly's 1986 legislation establishing a Commonwealth Port Fund.

- **What is the purpose?**

The fund is to support port capital needs of publicly-owned ocean, river, and tributary ports and their marine facilities within the Commonwealth to foster and stimulate the flow of commerce through the ports of Virginia.

- **What is the process?**

Applications are due by March 1. Funds are allocated by VPA Board at the May Board of Commissioners meeting. Funds are available to successful applicants on July 1.

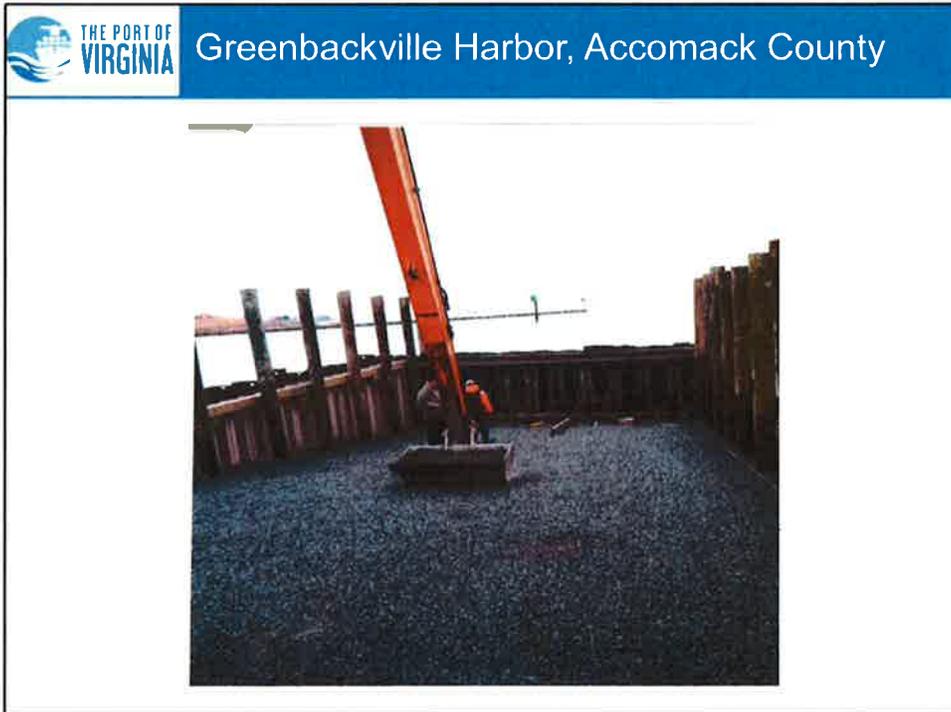


Town of Cape Charles



Town of Saxis





 New Requests		
Locality	FY 2015 (Request)	FY 2015 (Recommended)
City of Chesapeake (GBB)	\$120,000	\$90,000
City of Norfolk	\$200,000	\$200,000
County of Accomack	\$250,000	\$243,750
Northampton County	\$120,000	\$90,000
Town of Cape Charles	\$320,250	\$211,250 + \$44,000 = \$255,250
Town of Saxis	\$220,000	\$165,000
Total New Requests	\$1,823,550	\$1,000,000
		*\$44,000 reallocated from carryover



Carryover Requests

Locality	FY 2015 (Request)	FY 2015 (Recommended)
City of Norfolk	\$450,000	\$450,000
County of Accomack	\$502,325	\$502,325
Northampton County	\$40,000	\$40,000
Town of Cape Charles	\$575,000	\$575,000
Town of Saxis	\$33,017.62	\$33,017.62
ANTDC	\$200,715.33	\$200,715.33
Isle of Wight	\$44,000	Reallocate
Onancock	\$63,879.06	\$63,879.06
Tangier	\$57,925	\$57,925
Wachapreague	\$80,000	\$80,000
Total Carryover Requests	\$2,046,862	\$2,046,862

