Board of Commissioners

Session 361

September 16, 2014

Finance and Audit Committee
July 2014 Financial Report

Rodney W. Oliver
Chief Finance Officer

Virginia Port Authority/Virginia International Terminals, LLC
CONSOLIDATED INCOME STATEMENT FOR THE MONTH ENDED JULY 31, 2014

	Actual	Budget	$ Variance	% Variance
Operating Revenues	$ 37,957,386	$ 35,601,247	$ 2,356,139	6.6%

- ***Actual container volume was 119,841 vs. 116,717 budget, a 2.7% Increase***
- ***Operating revenue was 6.6% over budget, primarily due to higher volume and favorable mix***

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Operating Expenses:				
Terminal operations	14,696,372	15,867,498	1,171,126	7.4%
Terminal maintenance	8,375,757	6,887,424	(1,488,333)	-21.6%
General and administrative	4,289,371	4,665,362	375,991	8.1%
Facility Rental	4,621,019	4,603,768	(17,300)	-0.4%
Depreciation and amortization	3,992,590	3,943,202	(49,388)	-1.3%
Total operating expenses	35,975,109	35,967,254	(7,855)	0.0%

- ***Total operating expense was $1.2 million under budget primarily due to reduced premium pay, increased efficiencies, and the reclassification of certain expenses to terminal maintenance***
- ***Terminal maintenance was $1.5 million over budget due to the reclassification of certain expenses from terminal operating expense, additional utility costs, and additional repairs***
- ***Remaining expense categories combined to be $309 thousand less than budget***

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Total operating expenses	35,975,109	35,967,254	(7,855)	0.0%
Operating income (loss)	1,982,277	(366,007)	2,348,284	641.6%

- ***The higher than budgeted revenue combined with operating expenses in line with budget resulted in an operating income of $1.98 million or $2.3 million above budget for the month of July***

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Non-operating revenues (expenses)	(1,238,822)	349,105	(1,587,927)	-454.9%
Capital contributions and transfers	2,186,347	1,797,181	389,166	21.7%

- ***Non-operating expenses consist primarily of interest expense and revenues from primary government which is lower than budget due to zone grant funding not yet received***
- ***Capital contributions consist primarily of Commonwealth Port Fund Revenue and was 21.7% above budget***

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Increase (decrease) in Net Assets	$ 2,929,802	$ 1,780,279	$ 1,149,523	64.6%

- ***The overall results show an increase in Net Assets of $2.9 million, which was $1.1 million above budget***

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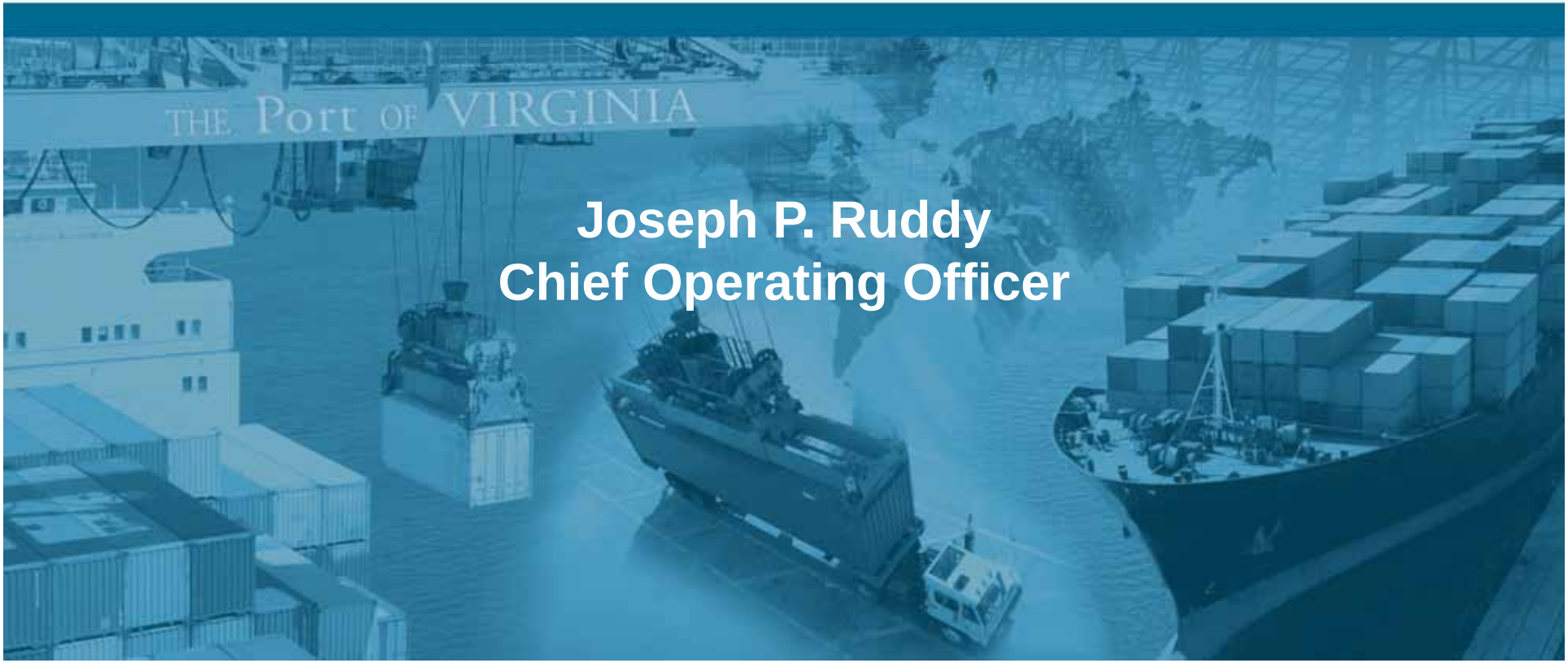
Board of Commissioners

Session 361

September 16, 2014

Growth and Operations Committee
Operations/Safety/Security Report



Joseph P. Ruddy
Chief Operating Officer

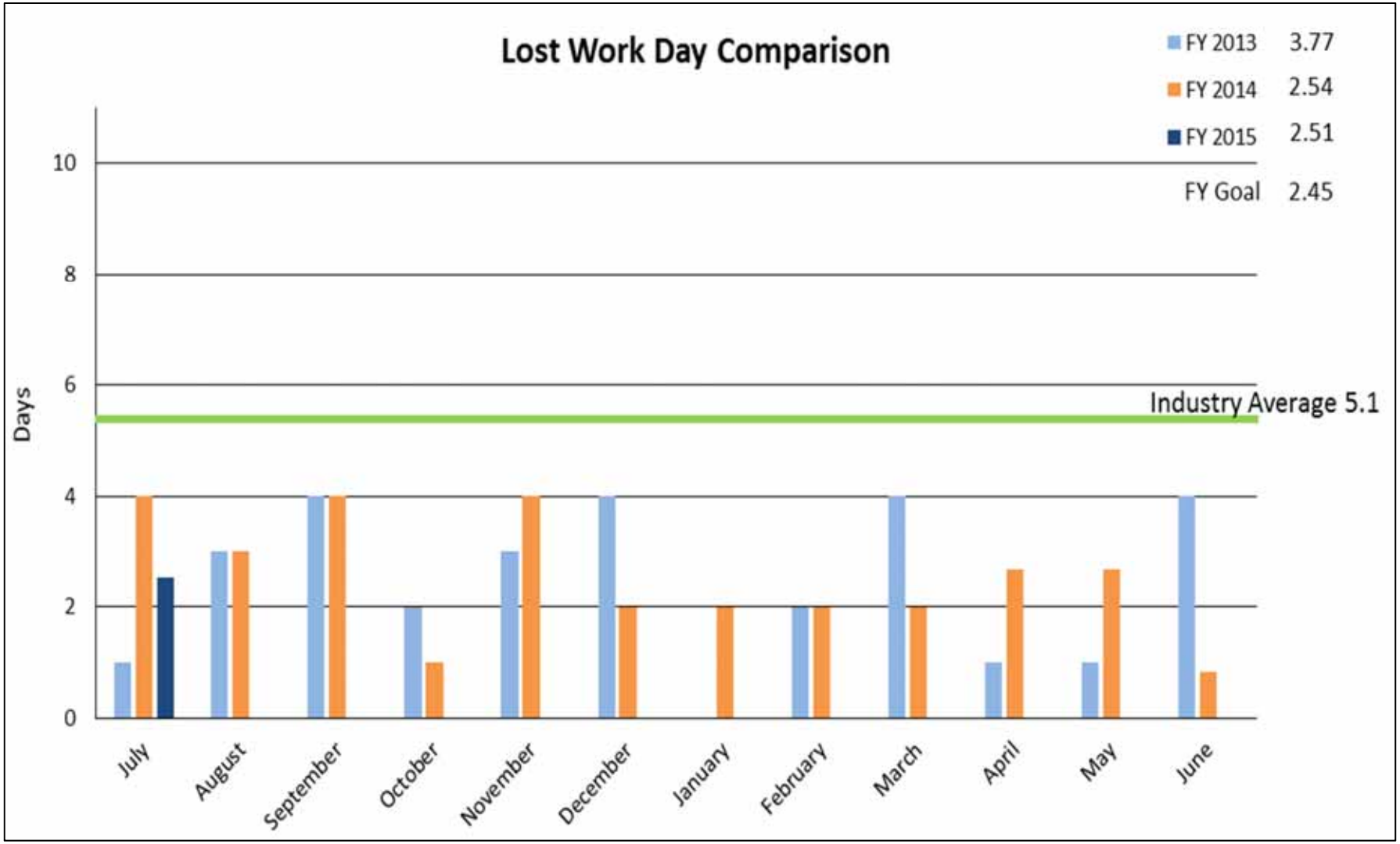
Agenda

- Introduction
- Safety
- Operations
- Security
- Future Changes

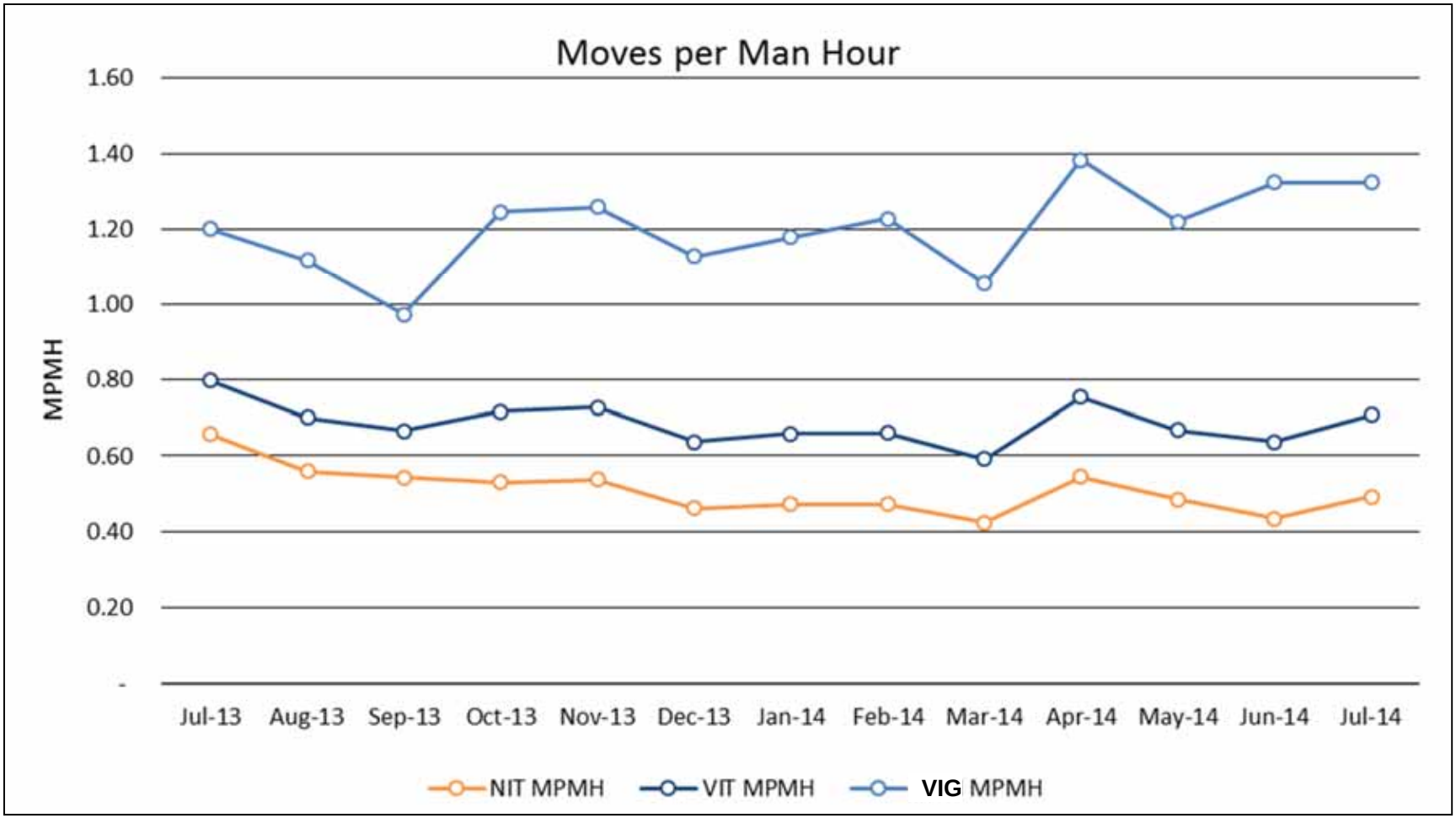
Overview

- As provided earlier, overall volume, while rail volumes remained flat
- Safety numbers continue to move in a positive direction
- Overall productivity increased, while we realized slight decreases in vessel productivity and increases in productivity against our rail operations
- Terminal labor costs reduction due largely to efficiencies gained via the rail and the introduction of straddle carrier drivers into stevedore vessel gangs

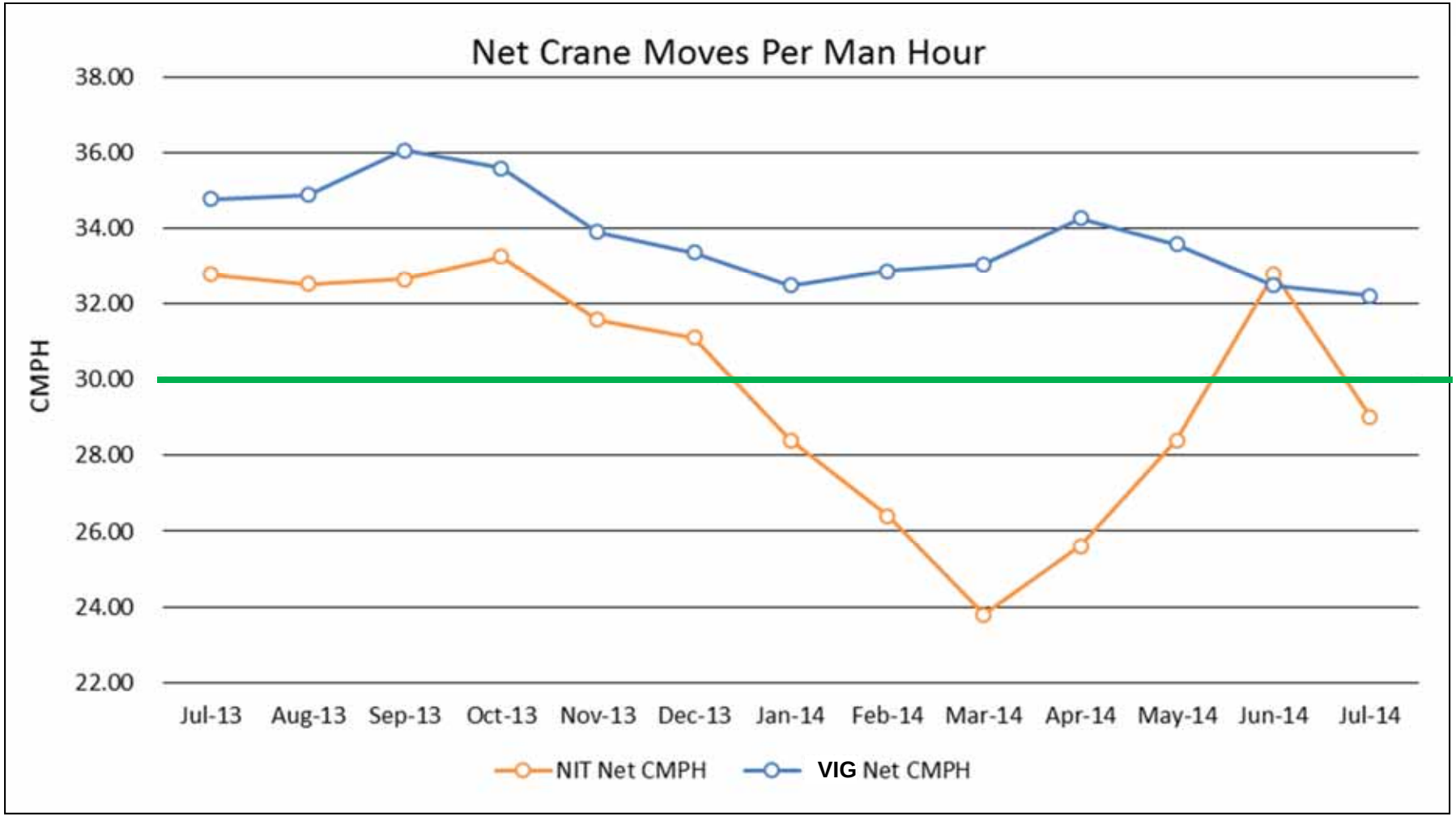
Safety


Lost Work Day Comparison
FY 2013 3.77
FY 2014 2.54
FY 2015 2.51
FY Goal 2.45
Industry Average 5.1
Days
10
8
6
4
2
0
July
August
September
October
November
December
January
February
March
April
May
June

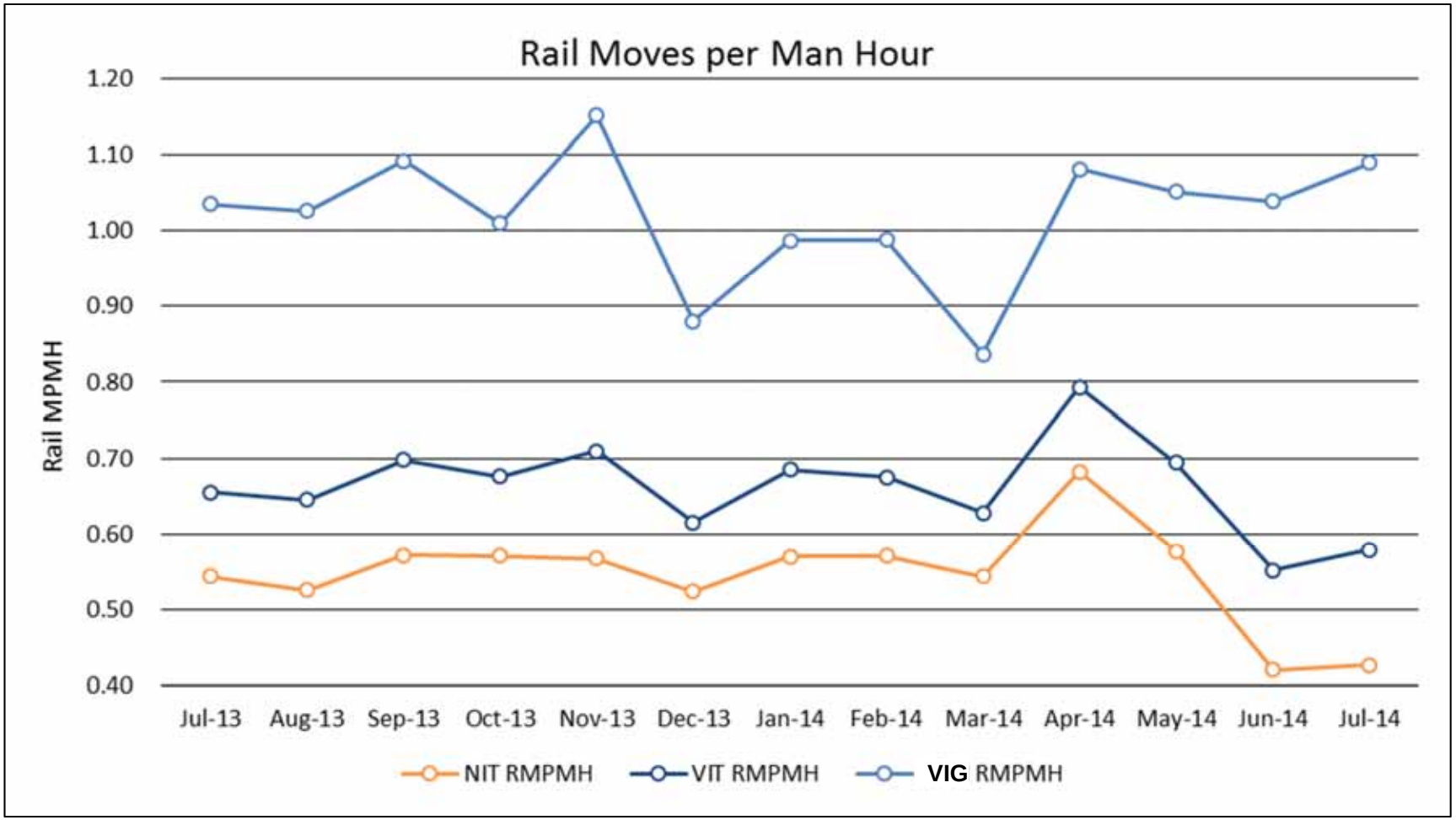
Productivity



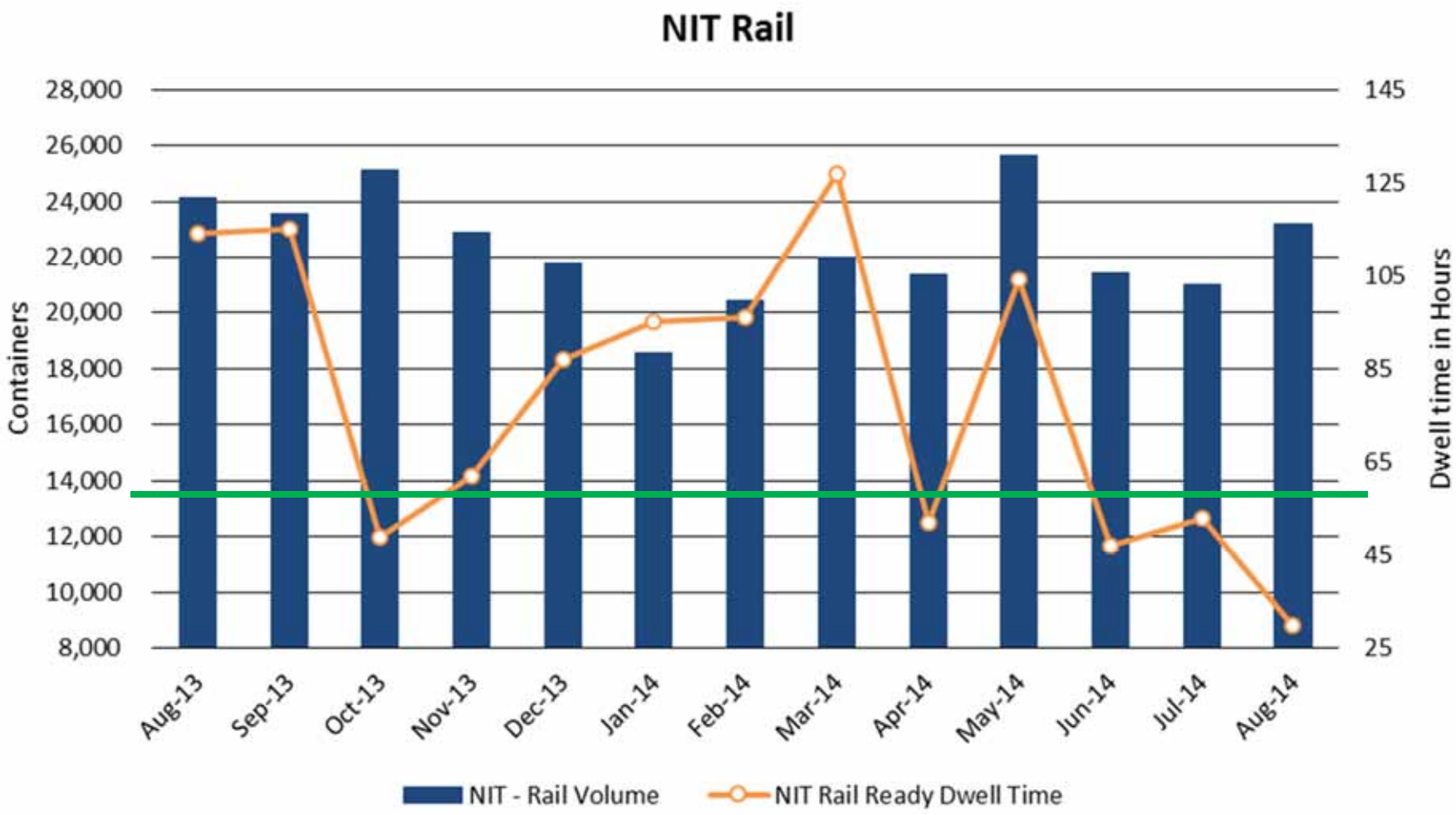
Productivity



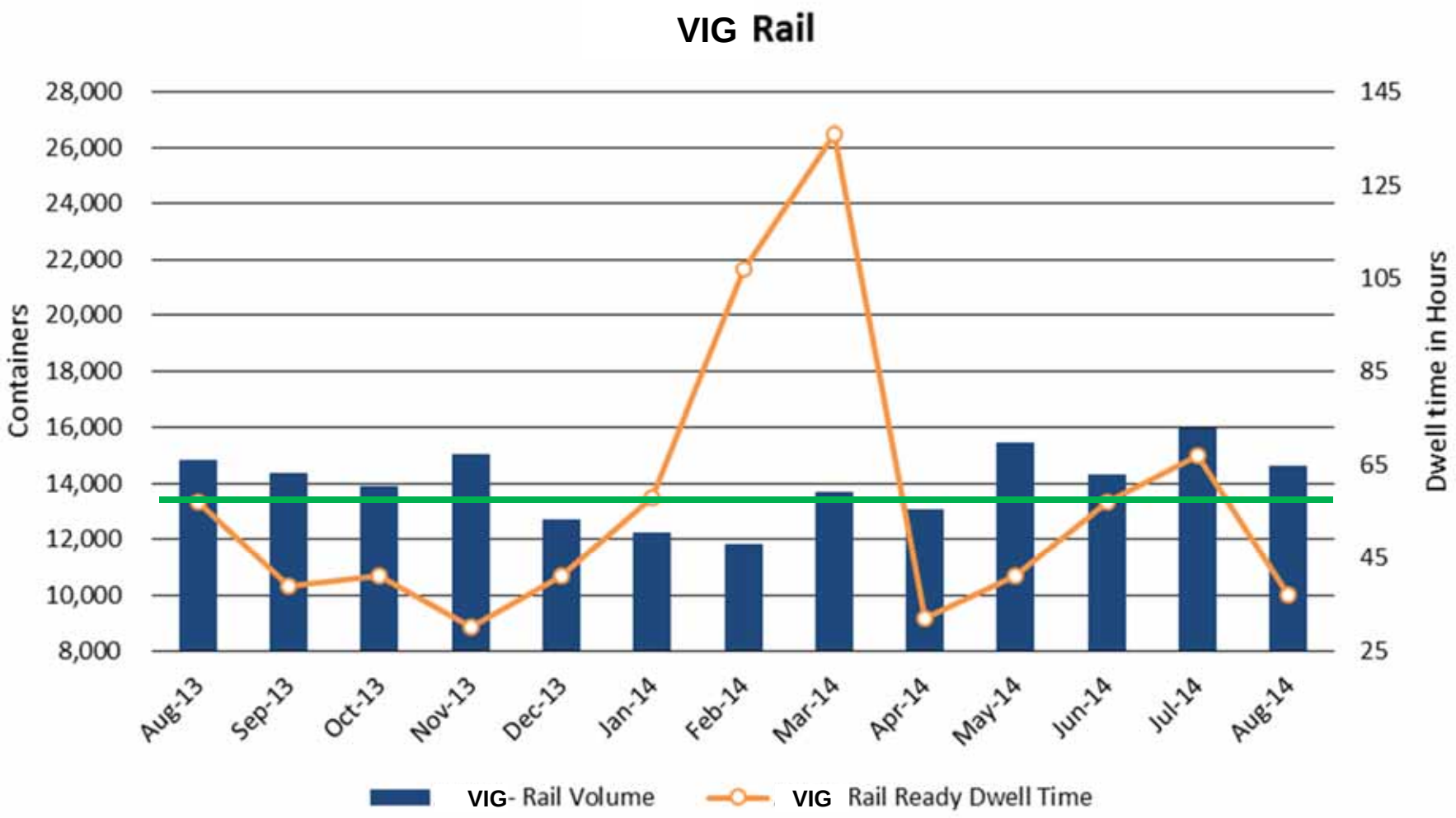
Productivity



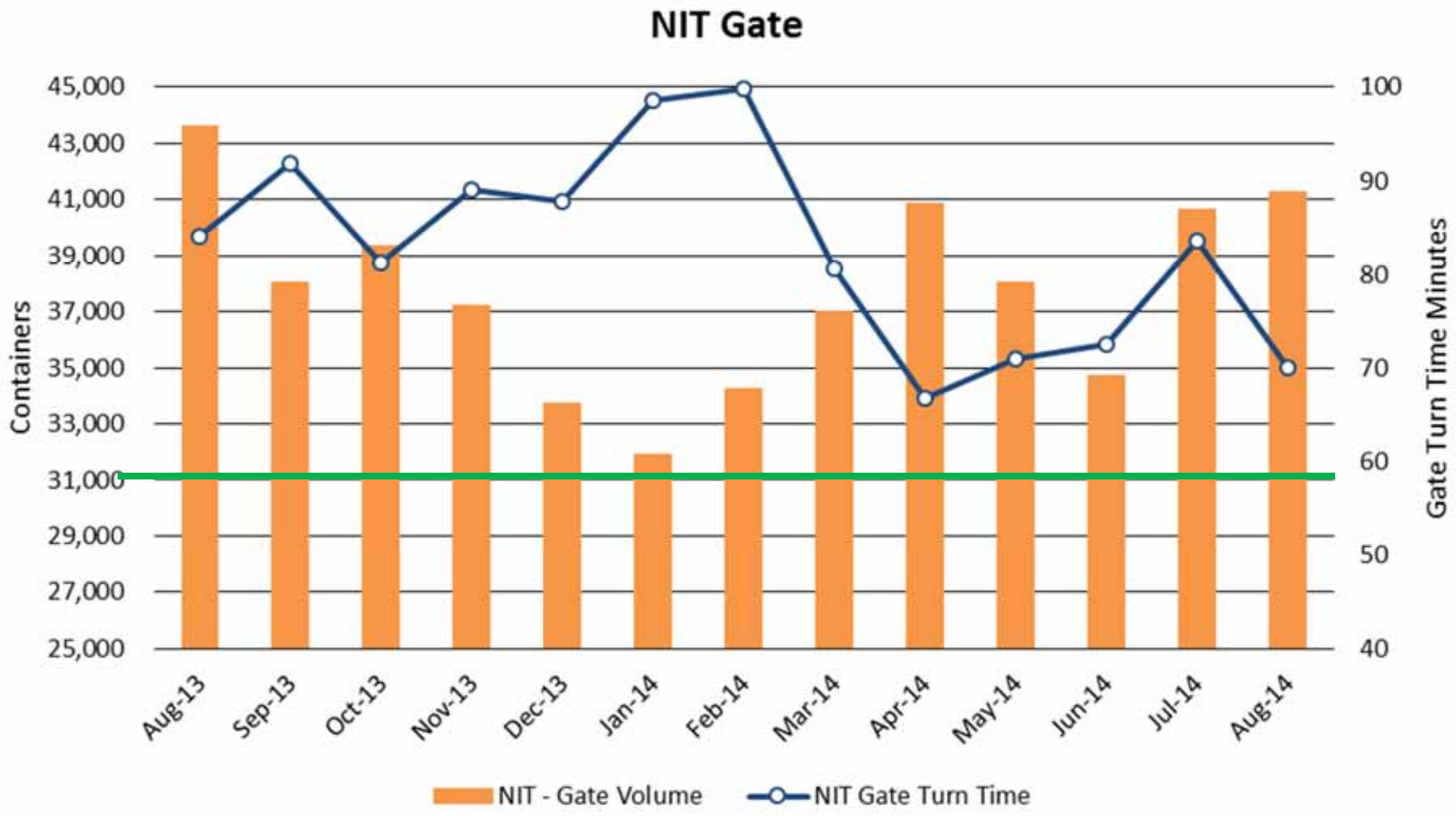
NIT Rail Volume



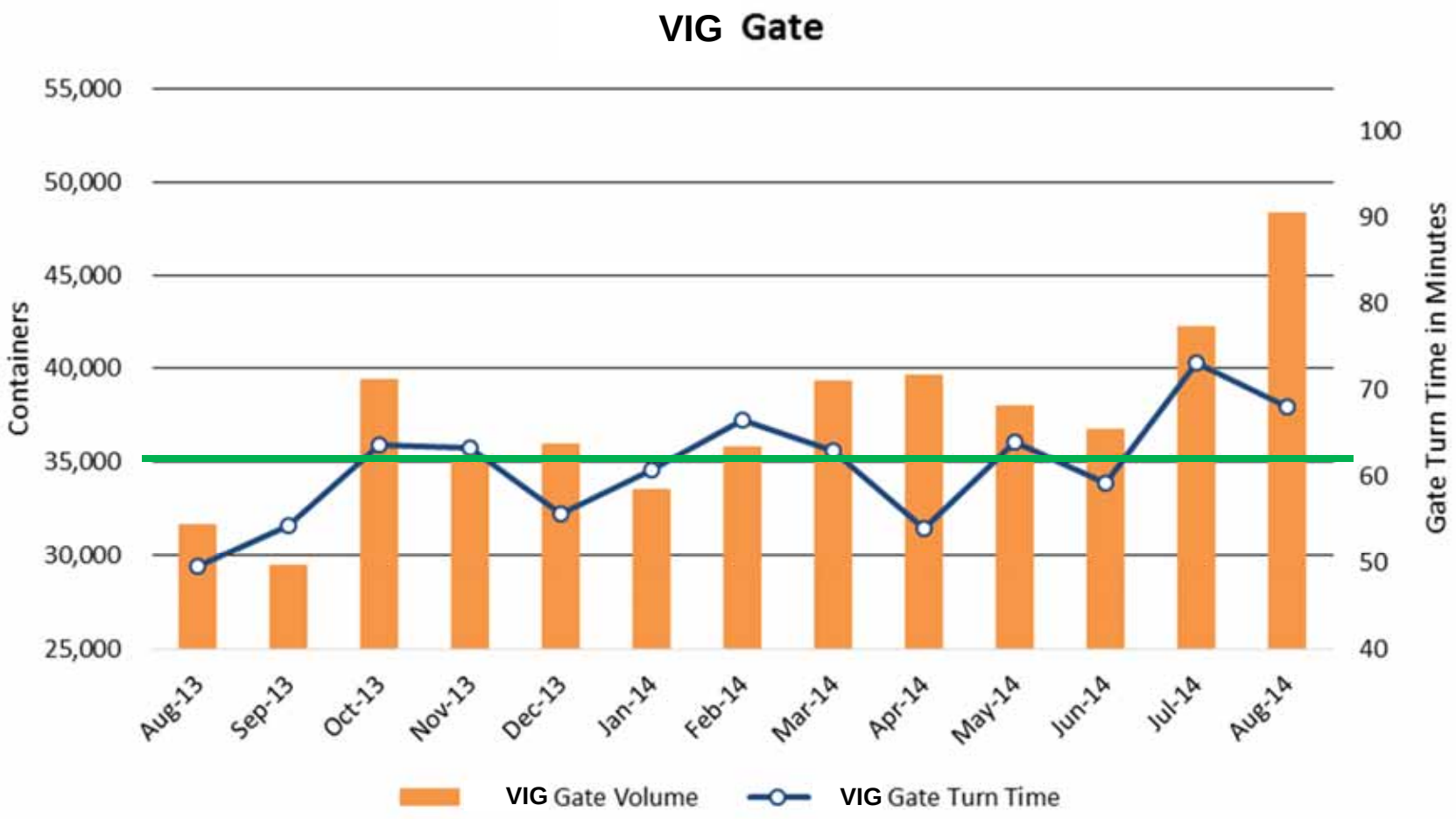
VIG Rail Volume



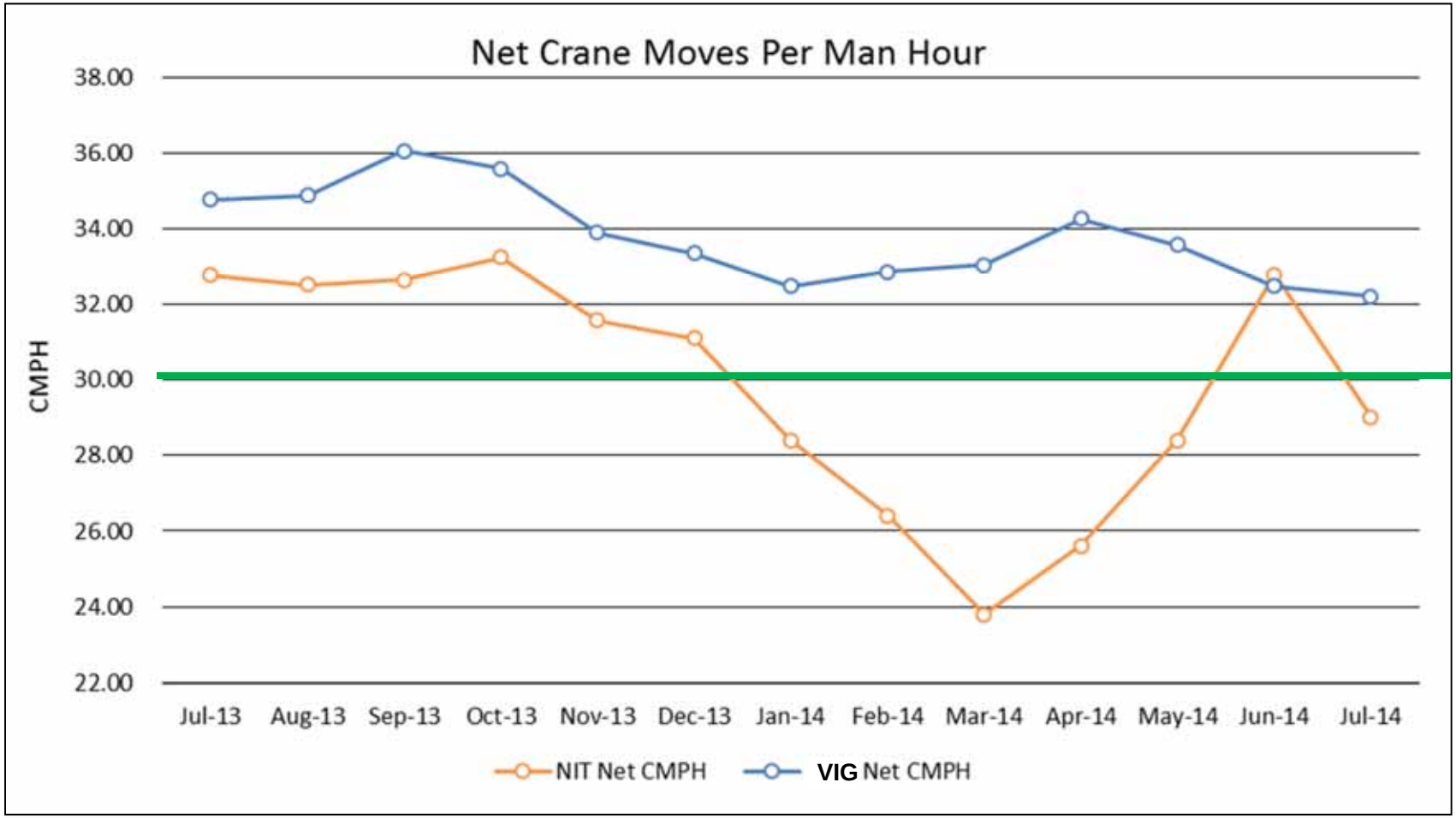
Gate Turn Times NIT



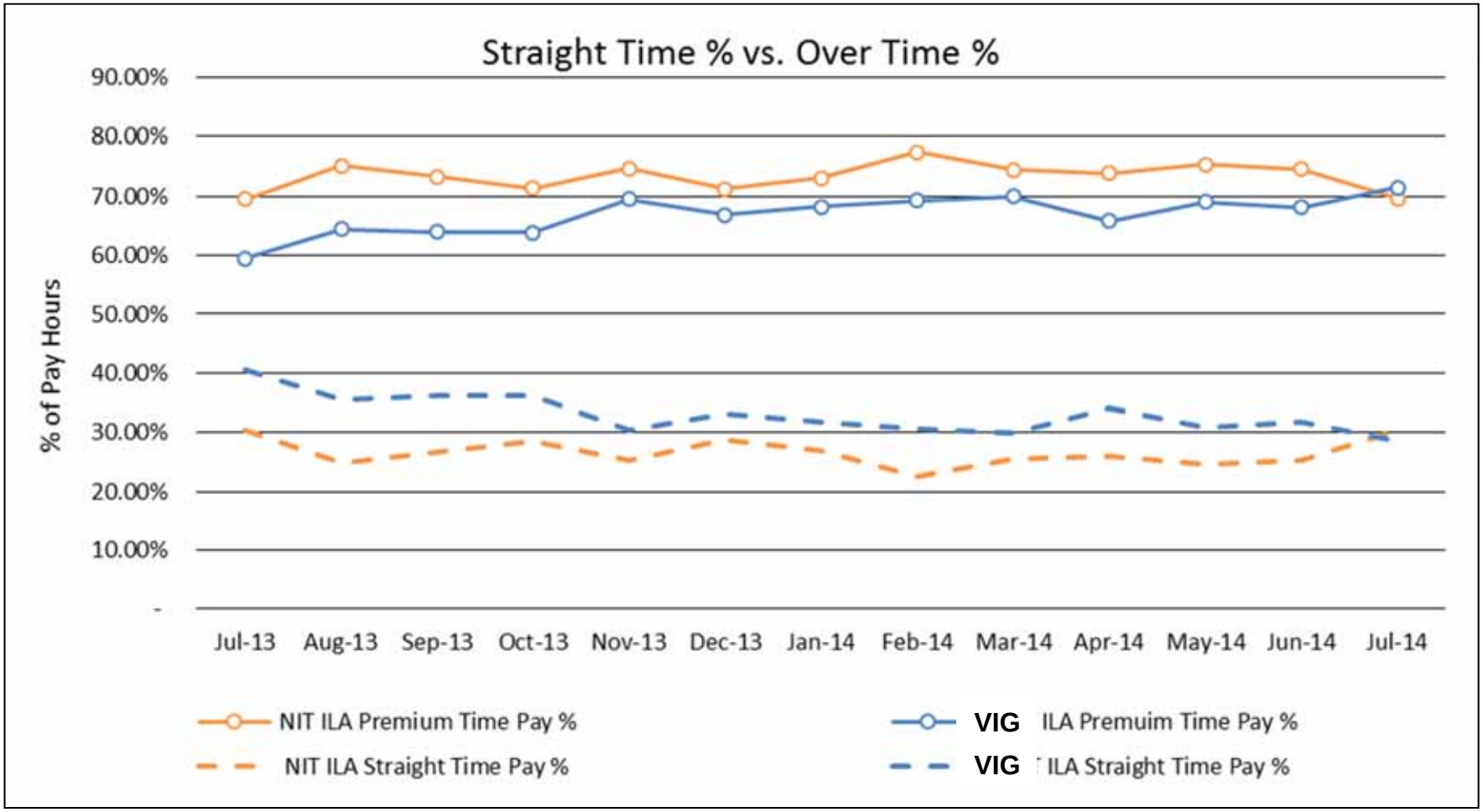
Gate Turn Times VIG



Vessel Productivity



Terminal Labor Hours



Police/Security

Deterrence during 3rd Quarter 2014

- VIG 71 total
- NIT 20 total
- PMT 20 total
- NNMT 10 total

Current/Future Initiatives (update)

- Portsmouth Marine Terminal will be reopened to receive export containers against the vessels on **September 15, 2014**

- Automated Gate/entry system that will allow for motor carriers to enter the marine terminal quicker and with a more stable process. This gate shall be operational by **September 30, 2014**

- NIT integrated Appointment System that will both regulate the flow of trucks into the terminal. This will be phased in to allow for varying degrees of enforcement beginning by **November 30, 2014**

- A portion of Portsmouth Marine Terminal will be reopened to container traffic. This will be a wheeled operation with limited services moved over to the PMT. The terminal is slated to open for vessel operations on **October 1, 2014**

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September 16, 2014

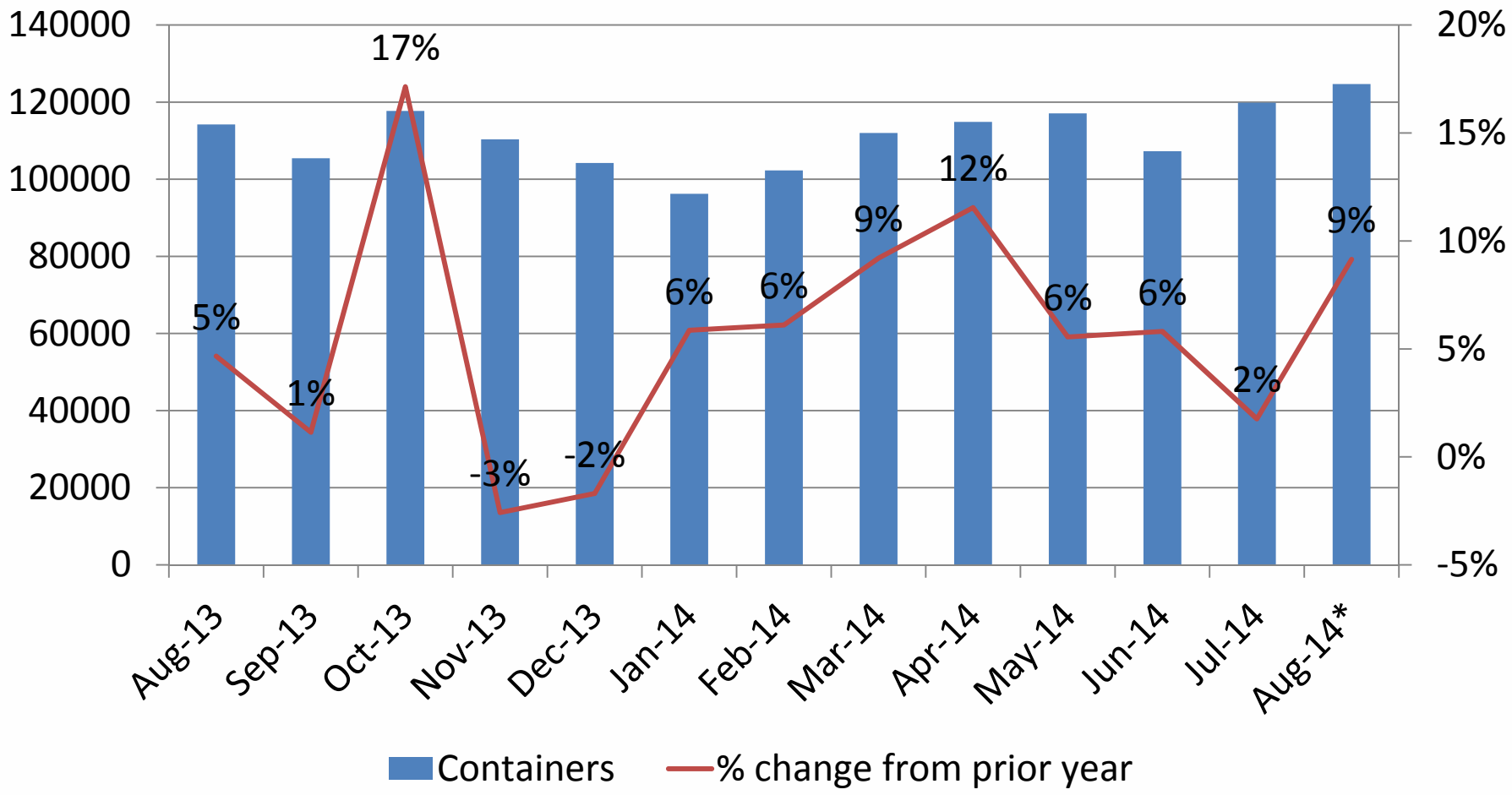
Growth and Operations Committee
Marketing Report

Tom Capozzi
Chief Sales Officer

Calendar Year-to-date: January - July

	CY14: Jan-Jul	CY13: Jan-Jul	Change	% Change
Total TEUs	**1,344,425**	**1,259,413**	**85,013**	**6.8%**
Export TEUs	724,709	674,631	50,078	7.4%
Import TEUs	619,716	584,781	34,935	6.0%
Total Containers	**769,595**	**722,934**	**46,661**	**6.5%**
General Cargo Tonnage	**10,833,867**	**10,649,606**	**184,261**	**1.7%**
Container Tonnage	10,621,977	10,448,249	173,728	1.7%
Breakbulk Tonnage	211,890	201,357	10,533	5.2%
Total Rail Containers	**259,089**	**242,876**	**16,213**	**6.7%**
VIP Containers	21,142	16,881	4,261	25.2%
Total Barge Containers	**30,245**	**27,782**	**2,463**	**8.9%**
Total Truck Containers	**480,261**	**452,276**	**27,985**	**6.2%**
Ship Calls	**1,117**	**1,095**	**22**	**2.0%**
Vehicle Units	**20,714**	**16,031**	**4,683**	**29.2%**

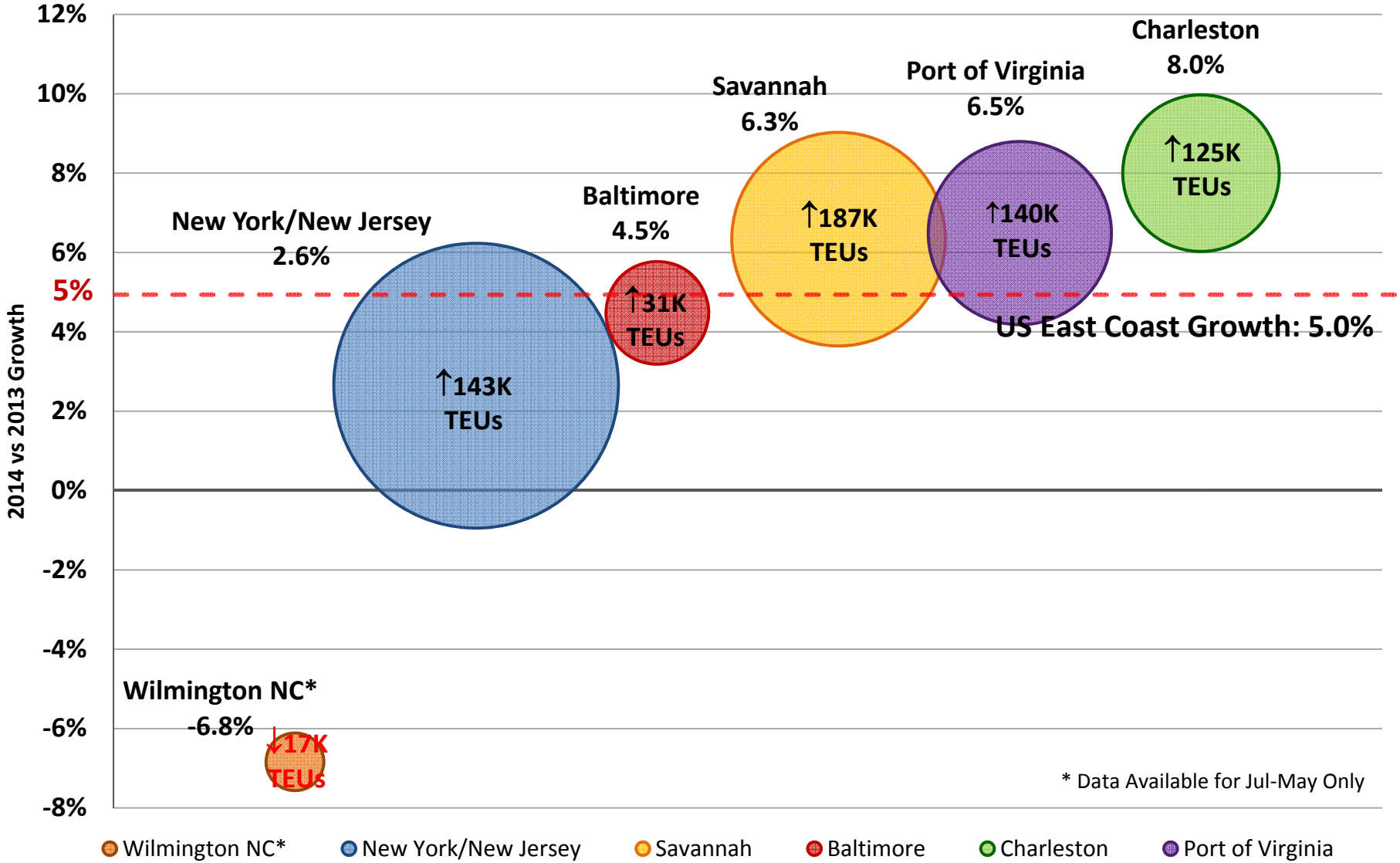
The Port of Virginia Containers



**August 2014 numbers are preliminary.*

Major USEC Ports Growth

Growth: FYTD 2014 vs. 2013, July - June; Size: FY 2014 Total TEUs



Prepared by VPA, Market Analysis and Strategy

Source: AAPA and Port Authorities

Ocean Carrier Developments

- Turkon three-year contract extension
- MSC Indus Express started calling VIG
- PMT movement:
  - Working with ACL, HSUD, CSAV, G6, CSG, UASC and MSC to move initial services to PMT
  - Working out agreements with railroads for drayage to/from PMT

Cargo Sales Highlights

- Michelin
- Continental Tire
- Port of Richmond
- Grifols
- PS International
- Ashley Furniture

Breakbulk Highlights

- NNMT
  - PEPCO project (GE loaded 23 pcs 23 tons & 1 piece 305 tons to BBC Mont Blanc
  - GE
  - CrossGlobe vessel operation (paper)
- NIT
  - Handled (7) heavy lifts for Dominion Virginia Power in July
  - Handling modules approx. 24000# each for export on ACL going to Gothenburg, could handle up to 300 modules (Liebert Corp, MN) The modules will create data centers for Facebook in Sweden.
  - Received (3) transformers for Dominion Power going to Fredericksburg, VA. in August each one is approx172,000 #, loaded by Sampson crane to over the road trucks

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Public Affairs Update

Cathie J. France
Chief Public Affairs Officer

- Selection of Federal Lobbyist
  - Federal Advocates
  - Hosted Planning Meeting and Tour on August 19
- New Team Member:
  - Sarah McCoy, Local Government Affairs & Community Relations Manager

State Legislative Activity

3

- Legislative Proposals Submitted to Secretary of Transportation for consideration.
- Streamline of process for acquiring or conveying property.
- Grant Port Police authority on leased property.
- Allow a company to receive a second Port Economic and Infrastructure Development Grant if the project is significant.
- Update the requirements of the Port's retirement system to reflect current practice including changes made to VRS.
- Authorize the Port to operate and maintain Foreign Trade Zones outside the borders of the Commonwealth.

*Refer to appendix at end of presentation for Budget and Legislative timelines

Local Government Activity

4

- Hampton Boulevard
  - Hosted three well attended public meetings.
  - Anticipate City Council action by end of September.
- PMT Reopening
  - Outreach to elected and community leaders.

Notable Visits

August 28, 2014 – Senator Kaine is briefed on the future Craney Island Marine Terminal

5

- Hampton Roads General Assembly Caucus – August 14
- Congressman Rigell on Coastal Energy – August 20
- Congressman Rigell on Coastal Energy – August 20
- Senator Kaine visit with Army Corps – August 28
- Senator Kaine visit with Army Corps – August 28
- VA Congressional Staff – August 29
- Congressman Wittman Staff – September 2

- **July** & **August** (news releases)
- Storm Updates and lack of impact on Operations
- Volumes: Port Records Record-Setting FY 2014, June Volumes Strong
- Region's Coffee-Industry Gets Boost with Port Certification
- Virginia International Gateway Is Open For Business
- Fiscal 2015 Begins With Record Cargo Volume and Profitability
- Port Cuts Operating Losses; Consolidated Revenue Increases
- **Use of Facebook and Twitter**
- 17 operational alerts (July = 8 / Aug. = 9), 18 general interest messages, 161 Tweets (July = 80 / Aug. = 81), Four job postings, Independence and Labor Day messages to employees and customers
- Virginia Business-Calming the Seas

Website Project

7

- **Evans Distribution** recently opened a new warehouse facility in the Richmond market
- This new warehouse expanded Evans' Virginia presence by 93,778 square feet

- **Core Health & Fitness LLC** will invest $2 million to expand the former Med-Fit operation in Grayson County
- They will create 250 new jobs and manufacture commercial fitness products
- Virginia successfully competed against California and China for the project

- **InterChange Group, Inc**., a warehousing and logistics company, is planning on expanding its Front Royal location
- The company is planning to build a 126,000 square-foot speculative building

- **Independence Lumber** announced the rebuilding and expansion of its sawmill operation that was destroyed by fire in November of 2012
- The company will invest more than $5 million, retain 57 current jobs, and create 25 new jobs at the site
- They will purchase 90% of the timber needs from Virginia forests

- **Hansen Turbine,** a manufacturer of coating spray applications for the aircraft and turbine parts coating industry, will invest $2.5 million to expand operations in Grayson County. The project will create 25 new jobs

- **Continental**, a leading international automotive supplier, will invest approximately $150 million to expand its operation in the City of Newport News
- Continental's investment will start up turbocharger production and increase production of Continental's gasoline high pressure injector, fuel rail and pump assembly lines
- This will create approximately 500 new jobs
- Virginia successfully competed against Mexico

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Human Resources Update

Jim Bibbs
Chief of Human Resources

Leadership Development 360° Feedback

- Leadership team member to receive direct and timely feedback to build a high performing team and culture
- Members of the Leadership Team received feedback from their immediate circle (colleagues/supervisor/interested stakeholders)
- The goal is to map specific paths to each member's individualized development
- 4 members of the SLT and 2 of their direct reports

Performance Appraisal Process

The Performance Appraisal Process shall ensure that all employees:

1. Are aware of what is expected of them
   - Write S.M.A.R.T. performance goals and objectives
2. Are provided with continuous feedback about their performance
   - Monitor and Coach – Interaction Management to include mid-year review session
3. Are provided with opportunities for collaboration, training and development
   - Encourage improved performance and growth
4. Are treated in a fair and equitable manner
   - Consistently rate all employees

S.M.A.R.T. Goals

- Developed and executed a series of interdisciplinary workshops training all managers and colleagues about S.M.A.R.T. Goals and objectives and how to use The Port of Virginia's values and behaviors to achieve and create one's goals, which will then be used for performance metrics
- SLT went through training first
- HR scheduled 16 mandatory manager training sessions in August
- The trainings were to highlight differences between goals and objectives
- Train managers on how to write S.M.A.R.T. Goals (Specific/Measurable/Achievable/Relevant/Time-bound)
- 19 training sessions for all colleagues through month of September (at all POV locations)

S.M.A.R.T. Goals

- In August, SLT created overarching organizational goals to be cascaded down
- Generated goals from the organization's vision statement
- Four objectives listed to select from for teams and individuals to create measurable performance metrics.
- September 4, 2014,Town Hall session to introduce to enterprise

Fiscal Responsibility

We will treat company money like our own, align project priorities and maximize opportunities for alternative funding. We will seek a positive return on capital investments, both human and financial, and deliver projects on time and under budget.

- Goal 1: Year-over-year cost reduction by 5%
- Goal 2: Achieve a healthy and growing operating profit by targeting an operation margin of 5% on revenue.
- Goal 3: Ensure investments/expenditures are aligned with the Facilities Optimization Plan and Strategic Growth Plan
- Goal 4: Procure goods and services in accordance with policy

Deliver Sustainable Growth

We will understand the costs of successfully running our business, conduct thorough, critical and disciplined financial analysis before commitments and decisions are made, and continue to diversify our cargo base beyond the container.

- Goal 1: Operate with a focus on continuous improvements that result in enhanced safety, efficiency, and positive environmental impact
- Goal 2: Establish and implement a selling price strategy for our product/services
- Goal 3: Evaluate adjacent markets and grow consistent with market or slightly better
- Goal 4: Strategically invest and reinvest in our people, equipment and capital to increase operating efficiency today and tomorrow

Excellence in Operations

We will achieve industry best in class standards within every area of our organization and harvest our organizational structure to align services, create efficiencies, and improve velocity.

- Goal 1: Quality management of our established processes & their continuous improvements
- Goal 2: Perform to agreed standards & metrics that maximize service to our internal and external customers
- Goal 3: Utilize technology to increase innovative practices across the organization
- Goal 4: Improve operational yield, effectiveness and velocity in every part of the business (cost, internal controls, etc.)

Living Our Values

We will foster trust across the organization and with our external stakeholders and empower our colleagues to take informed risks, be ever present, demonstrate their strengths and work as one

- Goal 1: Hold ourselves and each other accountable for living the values in our day-to-day internal and external interactions
- Goal 2: Listen and give others room to grow and contribute
- Goal 3: Celebrate successful implementation of the values demonstrated by act and deed
- Goal 4: Create opportunities for collaboration and communication within teams and across divisions

Succession Planning

- Plans are to begin this process with the SLT mid October 2014
- Assess SLT and direct reports for successors within the organization
- Gain understanding of organizational bench strength of ready now (0-12 mos) and ready later (1-3 years) successors
- Perform gap analysis of talent to needs and if there are gaps, acquire talent from the market
- Highlight critical resources where we have single point of failure and share the knowledge to strengthen organizational capabilities

Benefits Harmonization 2015

- Below are the recommended vendors from our Benefits RFP for year 2015:

Type of Benefit	Provider
Medical	Anthem
Dental	Delta Dental
Life & Vision	Metropolitan Life Insurance Company
Disability	CIGNA
Flexible Spending Account	ADP
COBRA	Flexible Benefit Administrators
Health Savings Account	Health Savings Administrators
Employee Assistance Program	Bon Secours
Family Medical Leave Act	CIGNA

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