

**Virginia Port Authority Board of Commissioners**  
**Finance and Audit Committee Meeting**  
**September 15, 2014**

The Virginia Port Authority (“VPA”) Finance and Audit Committee (“Committee”) held a meeting on September 15, 2014, in the VPA’s Conference Room, 600 World Trade Center, Norfolk, Virginia. Finance and Audit Committee Chairman, G. Robert Aston, Jr., called the meeting to order at 3:40 p.m.

The following were then in attendance:

Finance and Audit Committee Members Present:

G. Robert Aston, Jr., Chair  
Gary T. McCollum, Vice Chair  
Deborah C. Waters

Finance and Audit Committee Members Absent:

Manju S. Ganeriwala, State Treasurer  
Kim Scheeler

Board Members Present:

John G. Milliken, VPA Chairman  
John N. Pullen, VPA Vice Chairman  
Alan A. Diamonstein  
Faith B. Power

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 W. Noel, III, General Counsel  
Russell Held, Senior Vice President, Business Development  
Nina Malone, Vice President, Business Analysis & Strategy  
Virginia Haiderer, Director of Accounting  
Jeff Underwood, Director of Finance  
Colleen Callahan, Human Resources and Legal Analyst  
Carla Welsh, Director, Creative Services and Brand Management  
Debra J. McNulty, Clerk to the Board

VIT Staff:

Joseph P. Ruddy, Chief Operating Officer  
Thomas D. Capozzi, Chief Sales Officer  
Shawn Tibbetts, Vice President, Operations and Maintenance  
Matthew Barnes-Smith, Vice President, Financial Planning & Analytics  
Chris D’Surney, Director of Human Resources

Guests:

JoAnne Carter, PFM Group  
Cory Meyers, Hewitt EnnisKnupp, Inc. (an Aon Company)

Evelyn S. Traub, Troutman Sanders LLP  
Robert McCabe, *The Virginian-Pilot*

Mr. Aston asked for a motion to go into closed session at this time.

**Motion for Closed Session**

At 3:40 p.m., the Finance and Audit Committee went into closed session and Mr. McCollum read the following motion:

“I move that the Finance and Audit Committee convene a closed meeting in accordance with the Virginia Freedom of Information Act, pursuant to the requirements of §2.2-3711(A)(6), discussion or consideration of the investment of public funds where competition or bargaining is involved, where, if made public initially, the financial interest of the governmental unit would be adversely affected; and pursuant to §2.2-3711(A)(7), consultation with legal counsel regarding specific legal matters requiring the provision of legal advice by such counsel, both code sections relating to Board/Committee fiduciary responsibilities, corporate reorganization, the harmonization of benefits, and a proposed debt refunding; and the provisions of §2.2-3711 (A)(38), and the provisions of §62.1-132.4, to discuss proprietary budget information and data furnished to the Virginia Port Authority in confidence relating to: year-end results; and retirement benefit plans for all port entities.”

The motion was seconded by Ms. Waters.

**End of Closed Session**

At 4:45 p.m., the Finance and Audit Committee came out of closed session and the following resolution was read by Mr. McCollum:

“Whereas, the Virginia Port Authority Finance and Audit Committee had 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, Section 2.2-3712 of the Code of Virginia requires a certification by Committee members that such closed meeting was conducted in conformity with Virginia law;

Now, therefore be it resolved, that the Finance and Audit Committee hereby certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements by Virginia law 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 convening the closed meeting were heard, discussed or considered by the Committee.”

The resolution was seconded by Mr. Aston and passed by a roll call vote of the Finance and Audit Committee members, Chairman, and Vice Chairman, as follows:

Ayes: 5 (Aston, McCollum, Milliken, Pullen, Waters)

Nays: 0

Absent During Vote: 2 (Ganeriwala, Scheeler)

Absent During Meeting: 2 (Ganeriwala, Scheeler)

The following open session topics were then discussed:

1. Presentation by PFM Group to review a proposed debt refunding

Ms. Carter reviewed a market update for the proposed Port Facilities Revenue Refunding Bonds – Issue Series 2014 (\$88,620,000), as outlined in the attached presentation. She announced that interest rates had dropped and there had been a rally in the bond market. Ms. Carter advised that PFM and bond counsel are preparing documents for a debt refunding that is scheduled to be presented to the Board for approval on November 18<sup>th</sup>.

Chairman Milliken inquired about the possibility of terminating any refunding in the event interest rates continue to rise. A discussion ensued.

Mr. Oliver mentioned the recently-announced \$15 million TIGER grant that was awarded to VPA for the NIT North Gate project. He reported that staff is currently putting together sources of funding for additional expansion projects for consideration by the Board.

2. Consideration of Resolution 14-10, and discussion relating to fund changes to the VPA Defined Contribution Plan

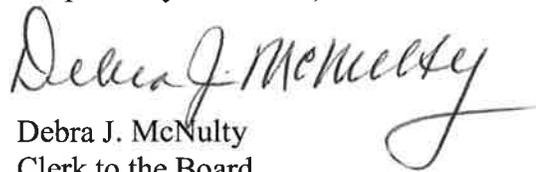
Mr. Meyers reviewed the recommended investment fund changes that were outlined on page 5 (Fund Comments and Exceptions) from the Mid-Year Investment Review Executive Summary (Second Quarter 2014), a copy of which was distributed. Mr. Meyers reviewed each of the fund changes that were outlined in Resolution 14-10 (attached). He also referred to page 20, which details the cost analysis for each of the funds in the plan line-up showing a comparison of each fund expense ratio compared to its peer group. A separate sheet was provided, “Share Class Analysis” that reflected the cost savings for the lower share classes that were selected for replacement that will result in net savings for plan participants.

Mr. Meyers announced that there are also two additional target funds have been added - Vanguard Target Retirement Fund 2055 and 2060.

**Action:** Upon motion by Mr. McCollum, seconded by Ms. Waters, the Finance and Audit Committee agreed to recommend that the full Board adopt Resolution 14-10, revisions to available investment funds in the VPA Defined Contribution Plan and Deferred Compensation Plan.

There were no public comments and the meeting adjourned.

Respectfully submitted,

  
Debra J. McNulty  
Clerk to the Board

# Virginia Port Authority Market Update

September 15, 2014

Port Facilities Revenue Refunding Bonds  
Series 2014

\$88,620,000\*

(\*Preliminary, Subject to Change)

Presented by  
Kevin Rotty, *Managing Director*



**The PFM Group**  
Financial & Investment Advisors

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# VPA's Bonding Programs

*VPA has two separate, active bonding programs that leverage its diverse, dual revenue streams*

- **Commonwealth Port Fund (CPF) Revenue Bonds**

- Secured by 4.2% of revenue received in the Transportation Trust Fund
- Rated Aa1/AA+/AA+ by Moody's/Standard & Poor's/Fitch
- As of July 1, 2014, \$207.6 million of debt outstanding in 6 series

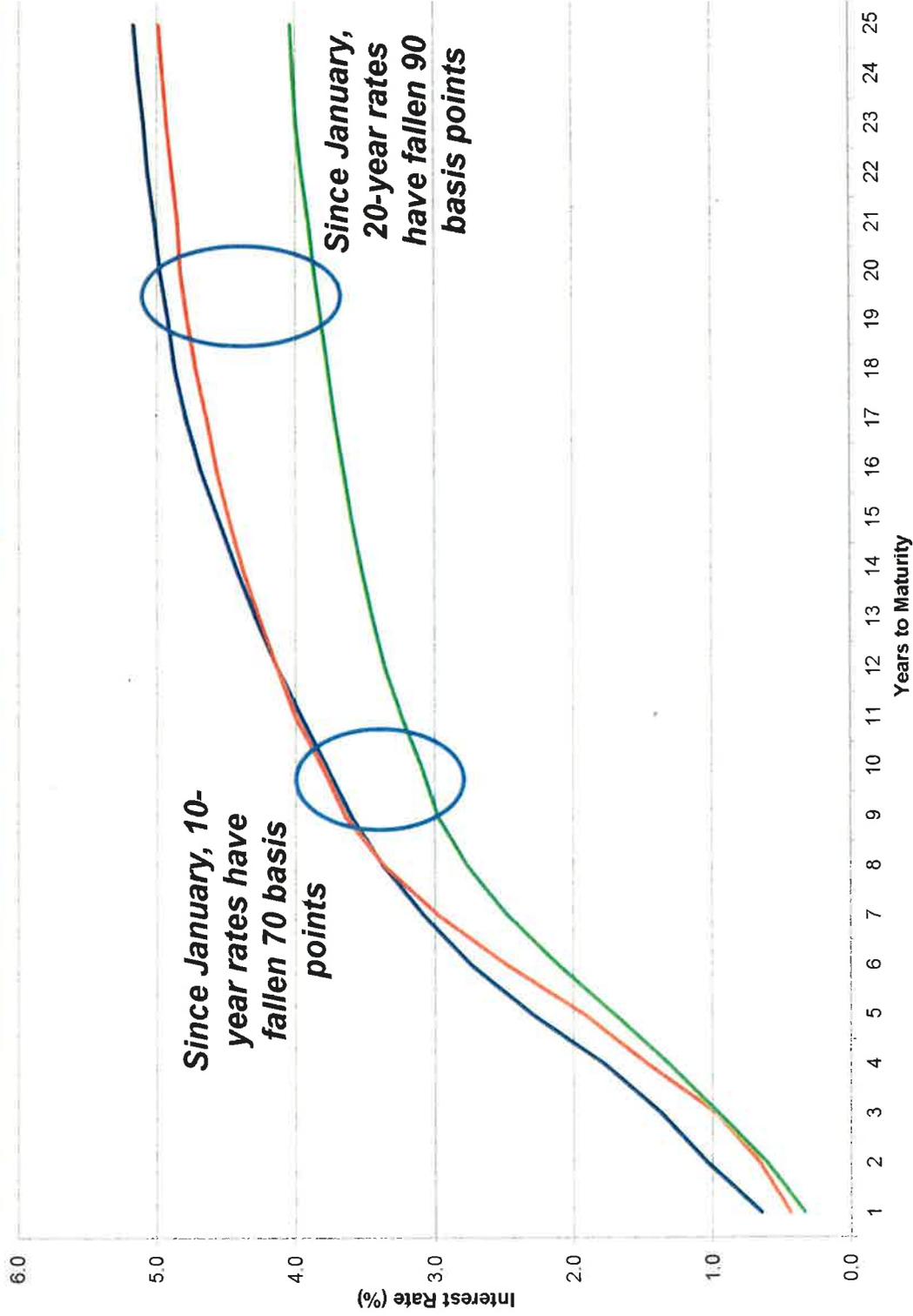
Series Name	Outstanding Par	Tax-Status	Call Date	Refunding Eligibility
2005A	\$1.9M	Tax-ex AMT	7/1/16	Can refund on or after call date on a tax-ex basis, or anytime on a taxable basis
2006	\$4.3M	Tax-ex AMT	Non-callable	Not refundable
2011	\$57.4M	Tax-ex	7/1/20	Can refund on a tax-ex basis
2012	\$95.4M	Taxable	Make-whole	Can refund, but limited economic savings available
2012B	\$43.9M	Taxable	7/1/22	Can refund, but limited economic savings available
2012C	\$4.8M	Tax-ex	7/1/22	Can refund on or after call date on a tax-ex basis, or anytime on a taxable basis

## VPA's Bonding Programs (cont'd)

- Port Facilities Revenue Bonds issued under Resolution 97-5, as amended and supplemented
  - Secured by net revenues derived from terminal revenues
  - Rated Aa3/A+/NR by Moody's/Standard & Poor's/Fitch
  - As of July 1, 2014, \$262.3 million of senior lien debt outstanding in 5 series

Series Name	Outstanding Par	Tax-Status	Call Date	Refunding Eligibility
2003	\$15.3M	Tax-ex AMT	7/1/13	Can refund on a tax-ex basis (call date passed)
2006	\$80.8M	Tax-ex AMT	7/1/13	Can refund on a tax-ex basis (call date passed)
2007	\$59.6M	Tax-ex AMT	7/1/16	Can refund on or after call date on a tax-ex basis, or anytime on a taxable basis
2010	\$68.6M	Tax-ex	7/1/19	Can refund on a tax-ex basis
2013	\$37.9M	Tax-ex AMT	Make-whole	Can refund, but limited economic savings available

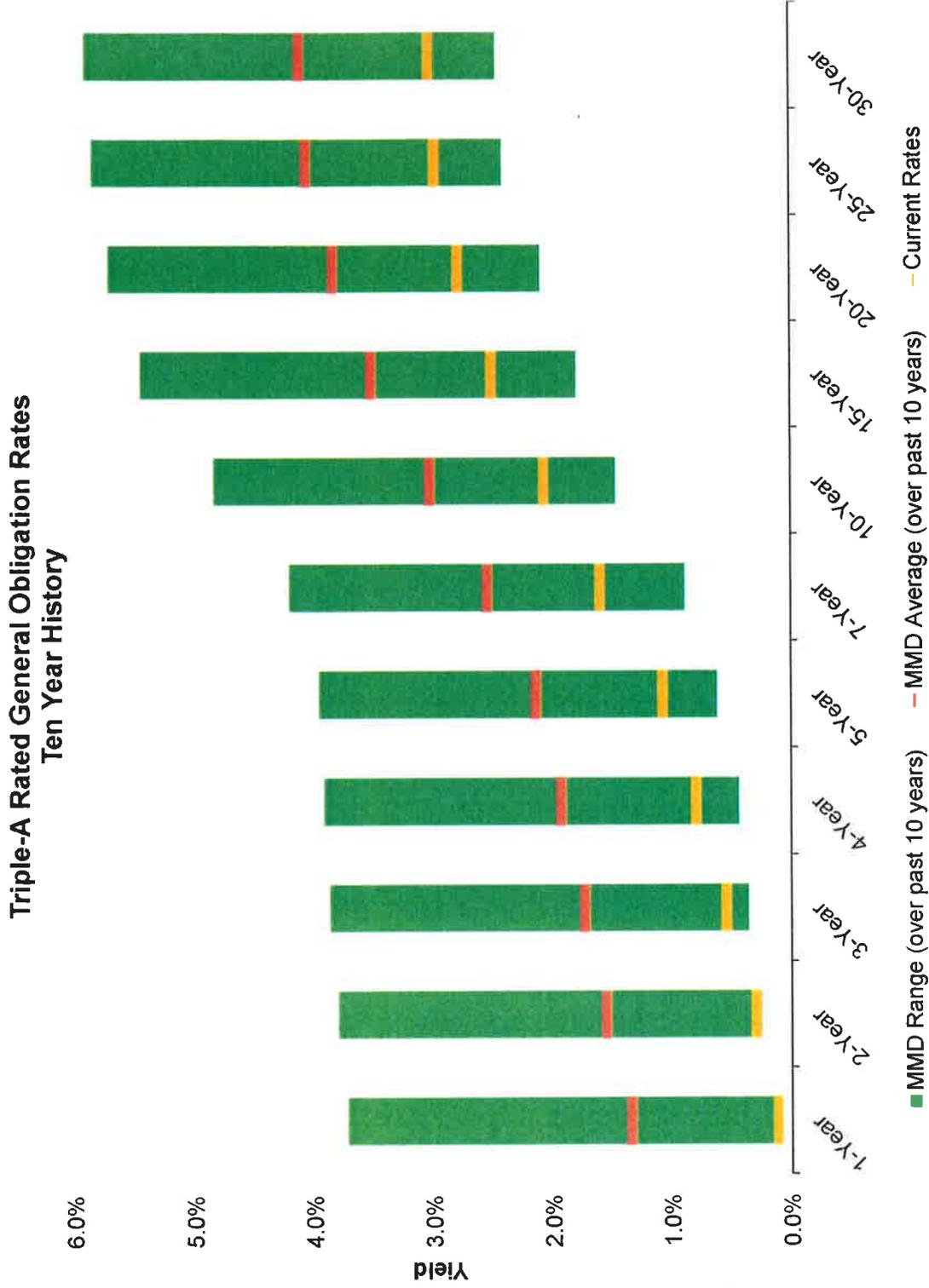
# Interest Rate Environment



— A-rated Revenue AMT as of 10/1/2013 — A-rated Revenue AMT as of 1/31/2014 — A-rated Revenue AMT as of 8/28/2014

Source: Thomson Municipal Market Monitor, as of August 28, 2014

# Tax-Exempt Interest Rates 10 Year History



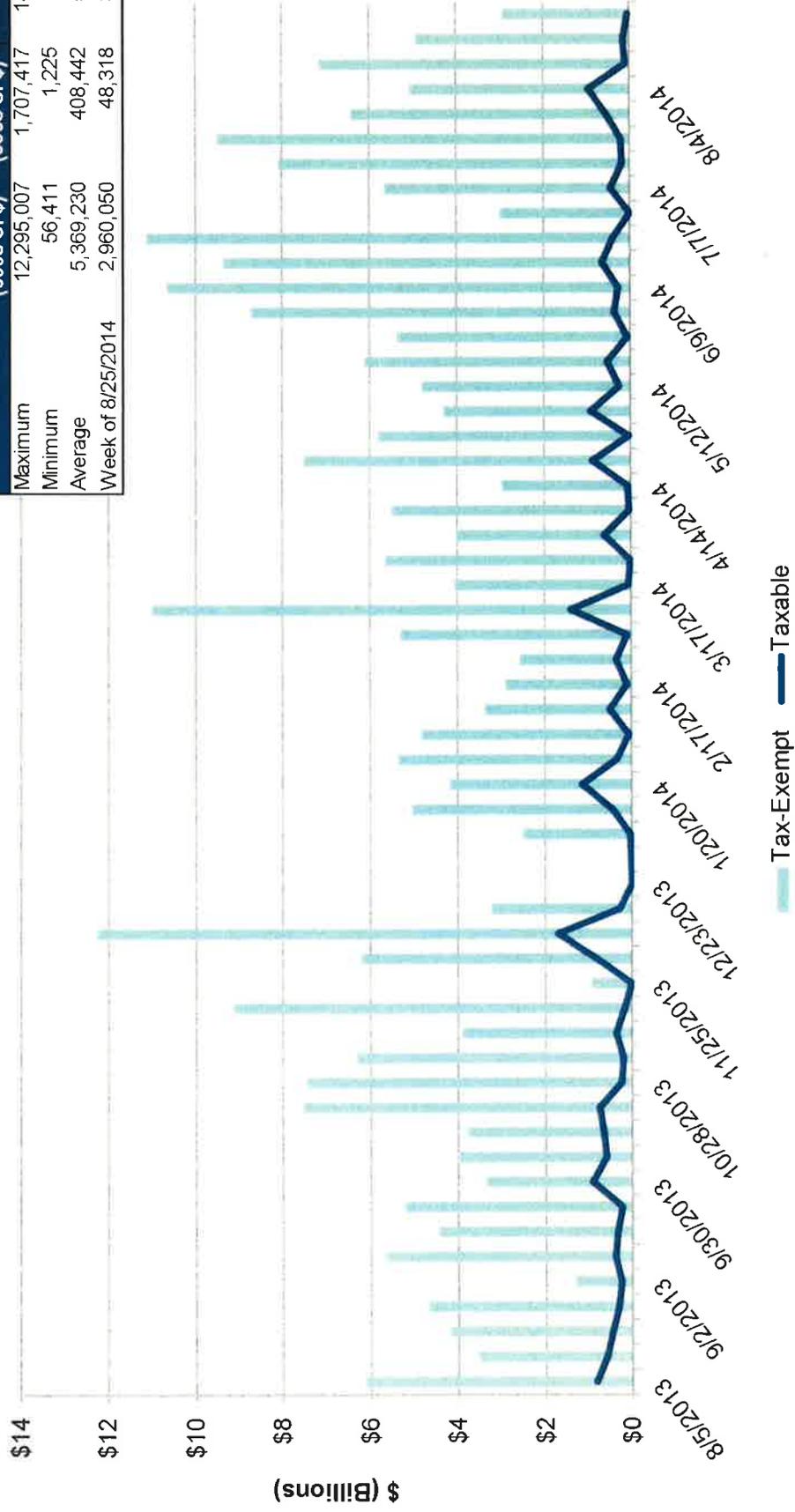
Source: Thomson Municipal Market Monitor, as of August 28, 2014

# Municipal Bond Volume

Municipal bond issuance to date in CY2014 has been low compared to historical levels. Bond issuance volume through the end of the year is projected to remain low.

Weekly Municipal Supply

	Tax-Exempt (000s of \$)	Taxable (000s of \$)	Total
Maximum	12,295,007	1,707,417	14,002,424
Minimum	56,411	1,225	58,991
Average	5,369,230	408,442	5,777,672
Week of 8/25/2014	2,960,050	48,318	3,008,368



Source: Thomson Municipal Market Monitor, as of 8/25/2014.

# Series 2014 Refunding

## Preliminary Refunding Statistics

Principal*	\$88.6 million
Purpose	Refund all outstanding callable Series 2003 and Series 2006 Bonds (maturities in FY29-FY36)
Refunded Principal*	\$96.1 million
Tax Status	Tax-Exempt (Subject to AMT)
Cash flow Savings*	\$240k - \$340k (FY15-FY28) \$1.1 million (FY29-FY36)
NPV Savings*	\$6.4 million
NPV Savings as a % of Refunded Par*	6.7%
Average Life*	18.3 years
True Interest Cost*	4.3%

\*Preliminary, subject to change. Market conditions as of August 25, 2014. Assumes ratings in the A-category.

# Financing Schedule

*The current financing schedule contemplates seeking the Board's approval for the refunding transaction and the form of refunding documents at its November 18<sup>th</sup> Board Meeting. Refunding documents will include a proposed form of the Preliminary Official Statement (along with the Continuing Disclosure Agreement as an Appendix), Bond Purchase Agreement, and the Escrow Agreement.*

Activity	Timeframe
Consideration by VPA Board:	November 18
Rating Meetings:	Early November
Ratings Expected:	Mid / Late November
Preliminary Official Statement (POS) distributed:	Late November / Early December
Negotiated Pricing:	Early December
Settlement:	Mid December

**RESOLUTION 14-10**

**REVISIONS TO AVAILABLE INVESTMENT FUNDS IN  
DEFINED CONTRIBUTION PLAN AND  
DEFERRED COMPENSATION PLAN**

**WHEREAS**, the Virginia Port Authority Defined Contribution Plan and the Virginia Port Authority Deferred Compensation Plan (collectively the “account balance plans”) and related trusts under which plan participants are permitted to direct the investment of their account balances from among funds selected and made available by the Authority.

**WHEREAS**, following review and consultation with qualified investment advisors, the Authority has determined that certain changes should be made to the investment funds available for participant investment direction under the account balance plans.

**NOW, THEREFORE, BE IT RESOLVED**, that the following investment funds shall be removed and replaced with the institutional shares of the same funds and that participant account balances currently invested in such funds shall be automatically mapped to the respective institutional share:

<b>Fund to be Removed</b>	<b>Replacement Fund</b>
PIMCO Total Return A	PIMCO Total Return Instl
Templeton World A	Templeton World Adv
American Funds EuroPacific Growth A	American Funds EuroPacific Growth R-6
American Funds Growth Fund of America A	American Funds Growth Fund of America R-6*
Royce Low Priced Stock Svc	Royce Low Priced Stock Instl*

\*Until further Replacement Fund is named

**BE IT FURTHER RESOLVED**, that the following target retirement funds are added:

<b>Additional Target Funds</b>
Vanguard Target Retirement Fund 2055
Vanguard Target Retirement Fund 2060

**BE IT FURTHER RESOLVED**, that the proper officers are directed to identify a replacement for the following funds which shall be removed upon the designation of replacement funds:

<b>Fund to be Removed</b>
American Funds Growth Fund of America A
Royce Low Priced Stock Svc

**Resolution 14-10 (Page 2)**

**BE IT FURTHER RESOLVED**, that the following investment fund shall be removed and participant account balances currently invested in such fund shall be automatically mapped to the following existing fund:

<b>Fund to be Removed</b>	<b>Existing Fund</b>
Davis NY Venture Fund	Fidelity Spartan 500 Index Fund

**BE IT FURTHER RESOLVED**, that the appropriate officers are authorized to take such action as may be required to accomplish these investment fund changes and communicate such changes to the Participants as soon as administratively possible.

**BE IT STILL FURTHER RESOLVED** that a copy of this Resolution be attached to the minutes of the Virginia Port Authority Board Meeting of September 16, 2014.

\_\_\_\_\_  
John G. Milliken  
Chairman

Attest:

\_\_\_\_\_  
Debra J. McNulty, Clerk

**Virginia Port Authority  
Deferred Compensation 457 Plan and Matching Plan 401(a)  
Share Class Analysis**

Fund/Current Share Class	Ticker	Current Expense Ratio	Revenue Share (%)	Net Expense	Lower Share Class Availability	Ticker	Expense Ratio	Revenue Share (%)	Net Expense	Cost Savings	Notes
PIMCO Total Return A	PTTAX	0.85%	0.25%	0.60%	PIMCO Total Return Instl	PTTRX	0.46%	0.00%	0.46%	-0.14%	
Fidelity Spartan 500 Inv	FUSEX	0.10%	0.00%	0.10%	Fidelity Spartan 500 Instl	FXSIX	0.04%	0.00%	0.04%	-0.06%	Not available on Great West platform
					Fidelity Spartan 500 Adv	FUSVX	0.05%	0.00%	0.05%	-0.05%	\$100M minimum investment required
AF Growth Fund of America A	AGTHX	0.70%	0.24%	0.46%	AF Growth Fund of America R-6	RGAGX	0.34%	0.00%	0.34%	-0.12%	
Royce Low Priced Stock Service	RYLPX	1.50%	0.25%	1.25%	Royce Low Priced Stock Instl	RLPIX	1.22%	0.00%	1.22%	-0.03%	
Templeton World A	TEMWX	1.05%	0.25%	0.80%	Templeton World R6	FTWRX	0.72%	0.00%	0.72%	-0.08%	Not available on Great West platform
					Templeton World Adv	TWDAX	0.81%	0.15%	0.66%	-0.14%	
AF EuroPacific Growth A	AEPGX	0.86%	0.24%	0.62%	AF EuroPacific Growth R-6	REERG	0.49%	0.00%	0.49%	-0.13%	

 Indicates lowest cost share class with lower net plan expense.

 Indicates lowest cost share class, but not available to the Plan at this time.