

MINUTES

MEETING - Board of Commissioners - Session 363

Virginia Port Authority
600 World Trade Center
Norfolk, Virginia
January 27, 2015

The Board of Commissioners (“Board”) of the Virginia Port Authority (“VPA”) held its regular meeting on January 27, 2015, in the VPA’s Conference Room located at 600 World Trade Center, Norfolk, Virginia. VPA Board Chairman John G. Milliken called the meeting to order at 9:00 a.m.

The following were then in attendance:

Commissioners:

John G. Milliken, Chairman
John N. Pullen, Vice Chairman
Jennifer D. Aument
J. William Cofer
Gary T. McCollum
Val S. McWhorter
Deborah C. Waters
Manju S. Ganeriwala, State Treasurer

Commissioners Absent:

Martin J. Briley
Alan A. Diamonstein
Faith B. Power
Kim Scheeler
(Note: G. Robert Aston, Jr. resigned from the Board effective January 12, 2015)

VPA Staff:

John F. Reinhart, CEO/Executive Director
Rodney W. Oliver, Chief Financial Officer
James Bibbs, Chief Human Resources Officer
Cathie France, Chief Public Affairs Officer
James W. Noel, III, General Counsel
Joe Harris, Vice President, Communications and Spokesperson
Nina Malone, Vice President, Business Analysis & Strategy
Russell Young, Vice President, Economic Development
Chris Gulickson, Economic Development Manager
Carla Welsh, Director, Creative Services and Brand Management
Antonio Ward, VPA Port Police Captain
Bevan Calo, Web Designer and Social Media Coordinator
Debra J. McNulty, Clerk to the Board

Virginia International Terminals, LLC (VIT) Staff:

Joseph P. Ruddy, Chief Innovation Officer
Thomas D. Capozzi, Chief Sales Officer
Shawn Tibbetts, Chief Operations Officer
Joe O'Brien, Director, Ocean Carrier Sales
Matthew Barnes-Smith, Vice President, Strategic Planning

Guests:

Grindly Johnson, Deputy Secretary of Transportation
Brice Fiske, Office of the Attorney General
Roy L. Pearson, Ph.D., Raymond A. Mason School of Business, William & Mary
Bill Ralph, R. K. Johns & Associates
Larry Bachtell, International Longshoremen's Association, Local 1624
Arthur W. Moye, Jr., Virginia Maritime Association
Bryant McGann, Vandeventer Black LLP
Robert McCabe, *The Virginian-Pilot*
Jamaal O'Neal, *Daily Press Newspaper*

Introductions

Chairman Milliken called the meeting to order and Mr. Ruddy conducted the safety briefing at this time. Mr. Harris introduced guests in attendance.

I. Approval of Minutes

Action: At the request of Chairman Milliken, the minutes of the regular meeting held November 18, 2014, were unanimously approved, as circulated.

II. Presentations

Dr. Roy L. Pearson presented an Executive Summary entitled, "*The Fiscal Year 2013 Virginia Economic Impacts of The Port of Virginia*". Dr. Pearson announced that K. Scott Swan, Ph.D. co-authored the report and could not attend today's meeting. A copy of the presentation, featuring highlights of the full report, is attached.

Mr. Bill Ralph presented an overview of the report prepared by R. K. Johns & Associates, entitled "*Port Logistics and Economic Development at The Port of Virginia: A Competitive Port Appraisal (The Virginia Model)*". A copy of Mr. Ralph's presentation is attached.

III. Reports of Committees

A. Executive Committee – John G. Milliken, VPA Chairman

Chairman Milliken welcomed Deputy Secretary of Transportation, Ms. Grindly Johnson, who attended on behalf of Secretary Layne.

The Chairman reported that the Executive Committee met in closed session to review Mr.

Reinhart's incentive compensation, and determined that he should receive 93% of his management incentive metrics for calendar year 2014.

On behalf of the VPA Board, Chairman Milliken commended Mr. Reinhart for "a job well done" and remarked that he has "turned this Port around" as evidenced by the monthly statistics. The Chairman opened the floor for additional comments by the Board.

Ms. Aument recognized Mr. Reinhart for his commitment to the Port of Virginia team, employee engagement, leadership development, and the values and branding that are driving the Port's continued success.

Mr. McCollum commended Mr. Reinhart and the team for sustaining the results achieved thus far and focusing on the leadership side of the organization.

Action: Upon motion by Mr. Pullen, seconded by Mr. McWhorter, the Board unanimously adopted Resolution 15-1, approving the incentive compensation for John F. Reinhart, CEO/Executive Director of the Virginia Port Authority, based on FY2014 management incentive metrics.

B. Finance and Audit Committee – Gary T. McCollum, Committee Vice Chair

1. Report of Finance and Audit Committee

Mr. McCollum reported that the Finance and Audit Committee received presentations on the status of the reorganization and benefits harmonization, a general counsel update, forecasted financial results for the remainder of the fiscal year, current capital outlay needs, and an update on the refunding bond issue. At this time, Mr. McCollum asked Mr. Oliver to provide an update on the financials for the first five months of the fiscal year.

2. VPA/VIT Consolidated FY15 Year-to-Date Financial Reports (July 1-November, 2014)

Mr. Oliver presented the VPA/VIT consolidated income statement for the month ended November 30, 2014, and the consolidated income statement for the five months ended November 30, 2014. A copy of his presentation is attached.

Mr. McCollum reported that PFM Group presented a revised market update on the Port Facilities Revenue Refunding Bonds since the November report to the Board. Mr. Oliver provided an overview of the meeting held in early January. He reported that rates continue to remain low and that the sale date for the Series 2015 refunding bonds is scheduled for early March 2015.

3. Consideration of Resolution 15-2, authorizing certain capital outlay projects and expenditures from Commonwealth Port Fund monies

Mr. McCollum reported that the Finance and Audit Committee also reviewed and approved Resolution 15-2. At the request of Chairman Milliken, Mr. Oliver reviewed the list of projects (Schedule A) that accompanied the resolution.

Action: Upon motion made by Mr. McCollum, on behalf of the Finance and Audit Committee, and seconded by Mr. Cofer, the Board unanimously adopted Resolution 15-2, authorizing certain capital outlay projects and expenditures from Commonwealth Port Fund monies.

Mr. Milliken explained that funding had been previously authorized for capital projects that had been put on hold due to the Port's financial condition over the last several years. The Chairman said this action is a positive step resulting from profits reported over the last year.

C. Growth and Operations Committee – Jennifer D. Aument, Committee Vice Chair

1. Report of Growth and Operations Committee

Ms. Aument reported that the Growth and Operations Committee heard a presentation from Mr. Bill Ralph, R. K. Johns & Associates, as well as updates from Mr. Capozzi and Mr. Tibbetts, on the sales and security/operations side. Ms. Aument mentioned the improvements made in the Customer Service division and she congratulated colleagues for their efforts. She reported that the Committee also heard briefings from Mr. Capozzi on ocean carrier and shipper highlights; cargo sales and carrier updates; progress on the Pritchard, WV intermodal ramp; Port of Richmond, and operations at PMT.

Ms. Aument announced that there is a continued focus and progress on safety. She advised that Mr. Tibbetts reported safety numbers that reflected a positive trend well below the industry average, and productivity was reviewed with continued movement in a positive direction. Ms. Aument further reported that initiatives to improve velocity and throughput capacity are underway and yielding results.

2. Marketing Report

Mr. Capozzi introduced Mr. Joe O'Brien, the Port's Director for Ocean Carrier Sales, who is based in the New Jersey/New York area.

Mr. Capozzi reviewed calendar year 2014 and fiscal year-to-date statistics (cargo statistics attached). He reviewed Customer Service interactions from October-December that totaled 22,220 calls and emails.

Mr. Capozzi provided an overview of the information that was provided to the Growth and Operations Committee, as reported by Ms. Aument. Mr. Capozzi reported that in 2014 the POV handled over 7,000 Chrysler vehicles, over 40,000 containers of new business, and received International Coffee Exchange (ICE) designation. Mr. Capozzi announced that Yang Ming is offering a Port of Richmond bill of lading, MSC is now calling PMT, and the CMA-CGM "Liberty Bridge" service is scheduled to start weekly calls at PMT on January 28.

3. Safety/Operations Report

Mr. Tibbetts commended the operations staff for the amount of focus and effort that went into the improvements at the terminals. He reviewed the Lost Work Day (LWD) report that reflected a LWD rate of 1.60 through December 31, 2014, compared with the industry standard of 5.1. Mr. Tibbetts reviewed NIT and VIG rail vs. gate/barge volume; rail volume; and gate turn times; as well as net crane moves per man hour through December 2014. Mr. Tibbetts reported numbers on rail dwell time at the terminals and advised that our numbers are improving and currently well below industry standard.

Mr. Tibbetts announced that a second Port Productivity Summit was recently held that resulted in a number of action items. He reported that volume increases are significant and affecting the turn-times at VIG. Mr. Tibbetts reported that there is also an effort to increase crane moves per man-hour.

4. Innovation Report

Mr. Ruddy reviewed each of the following analyses that were performed by his division in support of the organization:

- Chief Engineers (CE) Report for refinancing of current debt
- Capital Prioritization Analysis
- Service Movement to PMT
- Report of Automated Gate efficiencies
- Fuel Purchase Analysis for FY2016
- William & Mary Economic Impact Study

Mr. Ruddy reviewed the timetable for the NIT North Gate Complex and I-564 Intermodal Connector. He advised that the expansion at VIG will provide much-needed capacity. Mr. Ruddy reported that the Port of Richmond mobile harbor crane manufacture/delivery timetable is 6-12 months.

Mr. Ruddy reviewed sustainability projects that include the development of a Business Operating System (BSO); re-launch of the Green Operator Clean Truck Program on February 1; and POV's 12th RiverStar award from the Elizabeth River Project. On the information technology side, Mr. Ruddy described full automated gate system implementation; migration of employees (VPA/VIT); testing of the NIT automated transfer zone that is due to go live this month; and the recent upgrade to the NIT Terminal Operating System (N4) that took place on December 6.

IV. Report by Chief Public Affairs Officer – Cathie France

Ms. France provided an overview of U.S. East Coast water depths/vessel access and funding comparisons for Norfolk, New York/New Jersey, Baltimore, Charleston, Savannah, and Jacksonville. Ms. France reported that the Port worked with the Army Corps to secure federal funding for dredging studies for the 45-foot Elizabeth River project and 55-foot (authorized) Norfolk harbor. She mentioned the visit by U.S. Vice President Biden last fall and meetings with

federal officials in Washington, D.C. Ms. France reported that Public Affairs colleagues are coordinating with port customers and our strategic partners for follow-up meetings this spring.

Ms. France reported that Mr. Reinhart presented to the House Appropriations and Senate Finance Committees last week. She provided a General Assembly update on port legislation and other bills that could impact the Port, and described the Business Advisory Council (at Virginia Inland Port), Richmond Task Force, and Workforce Development. Ms. France announced that there is a reception planned for May at the Virginia Inland Port and members of the General Assembly, economic development officials, and local business people would be invited. She announced that the State of the Port annual address, hosted by the Hampton Roads Global Commerce Council (HRGCC), is scheduled for March 11th (noon) at the Norfolk Waterside Marriott.

Ms. France presented the communications piece that will be included in every port presentation (copy attached), ongoing efforts on our branding (signage and logos on trucks/hustlers), recent economic development announcements, and total economic development statistics for 2014. Ms. France commended the work of Russ Young and Chris Gulickson. She announced that applications for Aid to Local Ports grant funds are due March 1, approval by the VPA Board on May 19, and funds available by July 1.

Ms. France concluded with a briefing on the latest activities of the Maritime Incident Response Team (MIRT) and Emergency Operations that are overseen by Mr. Bill Burket.

V. Report by Chief Human Resources Officer – James Bibbs

Mr. Bibbs reported that 38 colleagues successfully transitioned from VIT to VPA, with one colleague transitioning from VPA to VIT, from primarily two main divisions – Finance and Innovation.

Regarding employee benefits, Mr. Bibbs reported that Human Resources is completing an RFP for consolidation of administrators for the Defined Benefit Plan. All six plan documents have been updated; including HRCP II colleagues integrated into VIT Deferred Compensation plans and transferred colleagues integrated into appropriate plans.

Mr. Bibbs announced that VPA, VIT and HRCP II policies have been reviewed and harmonization is in process, three separate policy manuals will be retained and final editions to be completed by June 30, 2015.

Mr. Bibbs provided an overview of the Training Transition – VPA, VIT and HRCP II have been harmonized into one Learning Management System; integrating training process and request to go through one central location to ensure efficient pricing and record keeping; and communication of processes was delivered mid-January.

Mr. Bibbs reported that first quarter 2015 will include the succession planning implementation; mid-year reviews; employee engagement survey; integrated new hire orientation program; and recruiting for the summer internship program.

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

Mr. Reinhart announced that the results over the last year were achieved by the combined efforts of everyone at The Port of Virginia.

At this time, Mr. Reinhart presented Governor McAuliffe's press release (attached) announcing the Port's December 2014 financials. Mr. Reinhart reported that the port is \$16.8 million ahead of the same period last fiscal year.

Mr. Reinhart reported that more work needs to be done and discussed the ongoing efforts to achieve faster turn-times for our motor carriers. He announced that the Port would be reporting metrics for total turn-times and traditional turn-times, effective March 1, 2015.

Mr. Reinhart cautioned that, despite six months of profitable results, there may be some turbulence in the future. He remarked that the Port needed to be prepared for some rough waters and headwinds in the coming months. Mr. Reinhart also stated that he anticipates the Port will exceed expectations on the budget. He thanked the Board members for their guidance and support.

Mr. Milliken and Ms. Johnson also thanked the Commissioners and the entire staff of VPA, VIT, and HRCF II.

VII. Unfinished Business

There was no unfinished business to report.

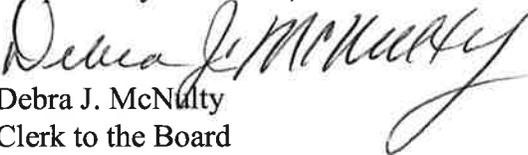
VIII. New Business

There was no new business to report at this time.

IX. Other Business, Opportunity for Public Comment, and Adjournment

There being no further business and no public comments, the meeting adjourned at 11:05 a.m.

Respectfully submitted,


Debra J. McNulty
Clerk to the Board

The next meeting of the VPA Board of Commissioners is scheduled for **Tuesday, March 24, 2015, at 9:00 a.m.**, in the Authority's Conference Room, 600 World Trade Center, Norfolk. Committee meetings will be scheduled on Monday, March 23.

All open session presentations have been posted to VPA's website, along with the 2015 meeting schedule at: <http://www.portofvirginia.com/about/our-board/board-room-meetings/>

***THE FISCAL YEAR 2013
VIRGINIA ECONOMIC IMPACTS
OF THE
PORT OF VIRGINIA***

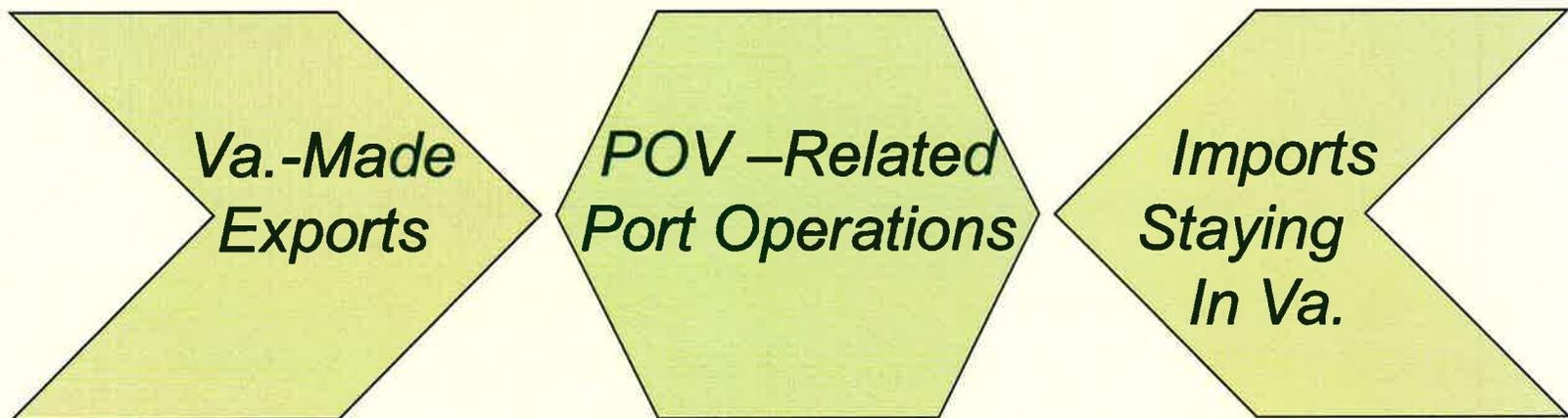
January 27, 2015



**Raymond A. Mason
School of Business**
WILLIAM & MARY

POV, center of a Va. value chain

- ◆ **Center of a broader Virginia value chain that creates value through 3 main channels:**



- ◆ **The POV's full contribution to Virginia's economy includes the impacts flowing from exports produced in Virginia and the imports used here: The POV terminals' value-in-use to the Commonwealth.**

Total FY 2013 POV economic impacts

- ◆ **18 million tons of cargo valued at \$53.2 billion flowed through the POV terminals.**
- ◆ **Virginia impacts directly and indirectly flowing from use of the Port of Virginia were:**
 - **Virginia spending of \$60.3 billion,**
 - **Va. Gross State Product of \$30.5 billion, 1/15 of the total GSP,**
 - **with employee compensation of \$17.5 billion paid to 374 thousand Virginia employees, 9.4% of Virginia resident employment in FY 2013.**
 - **\$1.44 billion generated in the Big 3 Virginia tax sources.**

POV economic and tax impacts

Total Virginia Economic Impacts of the Port of Virginia

	(Dollar amounts in billions)			
	<u>Direct</u>	<u>Indirect</u>	<u>Induced</u>	<u>Total</u>
Virginia Spending	\$34.2	\$15.0	\$11.1	\$60.3
Value added (GSP)	\$15.7	\$7.9	\$7.0	\$30.5
Employee Compensation	\$8.5	\$5.1	\$3.9	\$17.5
Number of Employees	190,986	96,145	87,333	374,464

Major FY 2013 Virginia Taxes Generated by POV activity

	(Dollar amounts in millions)		
	<u>POV Related</u>	<u>Total Va. Collections</u>	<u>POV-Related % of Total</u>
Virginia income taxes	\$553.5	\$12,136.7	4.6%
Virginia 5% general sales tax	\$457.0	\$5,052.1	9.0%
<u>Local real property taxes</u>	<u>\$426.1</u>	<u>\$9,118.7</u>	<u>4.7%</u>
Totals	\$1,436.6	\$26,307.5	5.5%

POV impacts outgrew the Va. economy

	Gross State Product	Employee Compensation	Employment
<i>POV Impacts % Change, FY '06 to FY '13</i>	31.8%	29.8%	9.2%
<i>Va. % Change, '05- '06 Average to '12- '13</i>	22.4%	20.7%	-0.1%
<i>Difference, POV - Va.</i>	9.4%	9.0%	9.3%

Port-related operations data

FY 2013 POV-related cargo movement in Virginia

Total Containers		1,242,777
Total Rail Containers	410,947	
Total Barge Containers	53,514	
Total Truck Containers	778,316	
Total TEUs		2,165,435
Export TEUs	1,162,863	
Import TEUs	1,002,572	
Container Tonnage		17,633,216
Breakbulk Tonnage		348,155
Vehicle Units		34,534
Ship Calls		1,928

Port operations direct impacts

POV-Related Port Operations (\$ in mil)	Spending	GSP (Value Added)	Employee Compensation	Employment
Ship & harbor operations, vessel (un)loading	\$ 979.9	\$ 409.2	\$ 308.7	3,900
Warehousing/storage	\$ 114.7	\$ 69.1	\$ 65.3	1,412
Freight arrangement & other transportation support	\$ 434.8	\$ 189.4	\$ 186.5	3,815
Truck & rail transportation	\$ 934.4	\$ 445.7	\$ 301.8	5,001
Total	2,464	1,113	862	14,128

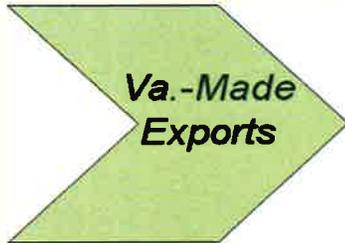
Port operations direct & indirect impacts

***POV-Related Port
Operations Impacts
(\$ in mil)***

	<i>Direct</i>	<i>Indirect</i>	<i>Induced</i>	<i>Total</i>
Spending	\$2,463.7	\$1,040.5	\$1,721.3	\$5,225.5
Value Added (GSP)	\$1,113.4	\$ 645.4	\$1,086.7	\$2,845.5
Employee Compensation	\$ 862.2	\$ 480.5	\$ 588.4	\$1,931.1
Employment	14,128	9,062	13,581	36,771

***POV-Related
Port Operations***

POV Virginia export impacts



*Of \$26.1 billion in exports handled,
\$10.9 billion was made in Virginia.*

POV Va.-Made Export Impacts (\$ in mil)

	<u>Direct</u>	<u>Indirect</u>	<u>Induced</u>	<u>Total</u>
Spending	\$ 10,857	\$ 4,704	\$ 2,880	\$ 18,441
Value Added (GSP)	\$ 2,536	\$ 2,211	\$ 1,818	\$ 6,566
Employee Compensation	\$ 1,453	\$ 1,455	\$ 1,016	\$ 3,924
Employment	27,261	31,407	22,728	81,395

POV Virginia import impacts

*Of \$27.1 billion in imports handled,
\$10.4 billion stayed in Virginia.*

Imports
Staying
In Va.

POV Va.-Used Import Impacts (\$ in mil)

	<u>Direct</u>	<u>Indirect</u>	<u>Induced</u>	<u>Total</u>
Spending	\$ 20,837	\$ 9,298	\$ 6,464	\$ 36,600
Value Added (GSP)	\$ 12,022	\$ 5,031	\$ 4,081	\$ 21,134
Employee Compensation	\$ 6,225	\$ 3,181	\$ 2,280	\$ 11,686
Employment	149,596	55,676	51,025	256,297

POV total economic impacts, again

	<i>POV Va.- Made Export Impacts (\$ mil)</i>	<i>POV-Related Port Operations Impacts (\$ mil)</i>	<i>POV Va.- Used Import Impacts (\$ mil)</i>	<i>POV Total Impacts</i>
Spending	\$ 18,441	\$ 5,225	\$ 36,600	\$60,266
Gross State Product	\$ 6,566	\$ 2,845	\$ 21,134	\$30,545
Employee Comp.	\$ 3,924	\$ 1,931	\$ 11,686	\$17,541
Employment	81,395	36,771	256,297	374,464

Hampton Roads share of POV impacts

Total POV-Related Hampton Roads Impacts as a Percent of Virginia Impacts

	<u>Direct</u>	<u>Indirect</u>	<u>Induced</u>	<u>Total</u>
Spending	32%	21%	36%	30%
Value-Added (GSP)	12%	14%	20%	14%
Employee Compensation	21%	22%	36%	25%
Employment	21%	23%	36%	25%



**Port Logistics and Economic Development
at the Port of Virginia:**

A Competitive Port Appraisal

Presented to

Virginia Port Authority Board of Commissioners

Tuesday, January 27, 2015

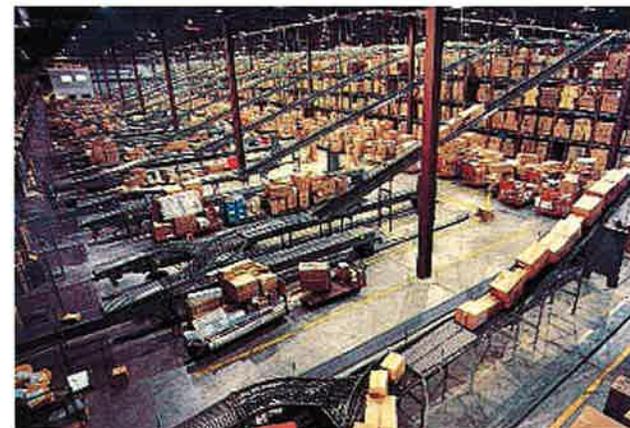
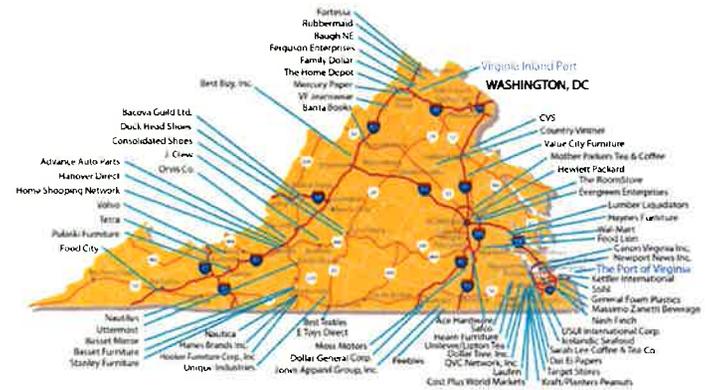


R.K. Johns & Associates Inc.

Study Objective



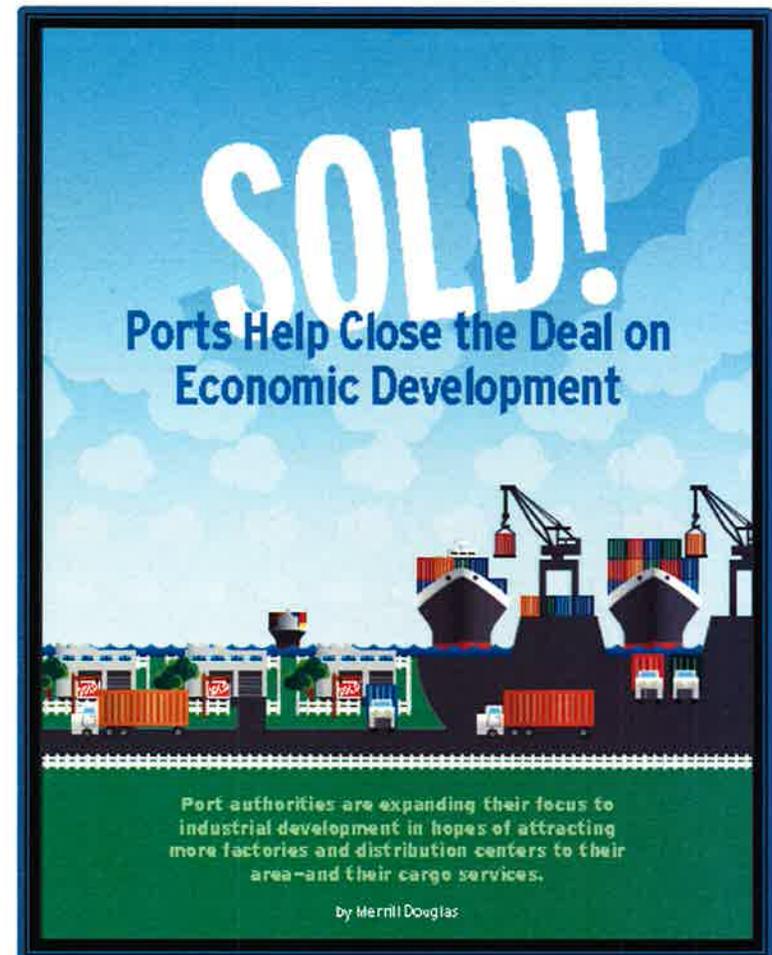
Understand how we can continue to secure and grow “captured” freight opportunities at the Port of Virginia by gaining insights about the success and failure of neighboring state/port development strategies.



Market sizing, port positioning & site selection

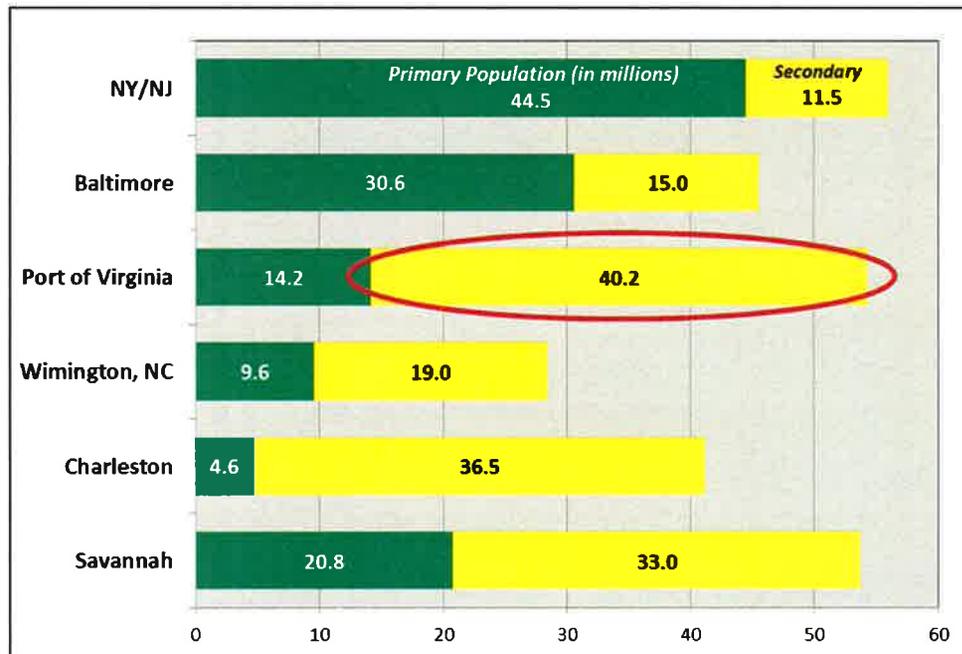
The following key determinants for market proximity and connectivity were evaluated:

- Population
- Rail and barge service availability
- Competitive port performance & trade balance
- Industrial warehouse capacity



Inbound Logistics magazine, January 2012

Market sizing & port positioning: Population



Source: Colliers, population categories defined by R K Johns

Primary: population proximate enough where the port is the preferred or exclusive gateway (based on inland distances)

Secondary: the discretionary population in areas that overlap in regards to the opportunity to be served by competing ports

Population figures include 16 states (AL, CT, DC, FL, GA, KY, MD, NC, NJ, NY, OH, PA, SC, TN, VA, WV)

- Port of Virginia's market reach is competitive in size to NY/NJ & Savannah – all 3 ports able to serve a market potential of +50 million people
- Without a large, local population base, the Port of Virginia's trade prospects are substantial, but very competitive!
- The Port of Virginia needs to be savvy in its economic development efforts

Market sizing & port positioning: Rail and barge service availability

Port	Rail Services (On dock)	Primary Rail Markets	Barge Service	Primary Barge Markets
NY/NJ	Yes, select terminals, others near dock	Ohio, Indiana, Illinois, Pennsylvania, Michigan, Missouri	No	
Baltimore	Yes (w/o double stack)	Ohio, Indiana, Illinois	Yes	Norfolk, Philadelphia
Port of Virginia	Yes <input checked="" type="checkbox"/>	Front Royal, Northern North Carolina, Ohio, Indiana, Illinois, Michigan, Missouri, Kentucky	Yes <input checked="" type="checkbox"/>	Richmond, Baltimore, Philadelphia
Wilmington, NC	No	No scheduled intermodal services	No	
Charleston	Near dock only	Western South Carolina, Atlanta, Alabama, Tennessee, Southwest North Carolina	No	
Savannah	Yes	Atlanta, Tennessee, Alabama, Florida, Southwest North Carolina	No	

- Port of Virginia maintains a competitive rail advantage over Baltimore (single stack restriction will remain for years) and Wilmington NC (no scheduled services)
- Short-haul intermodal business is a growth market for railroads:
The growth of intermodal and its drivers, including tightening truck capacity and higher fuel costs, also make inland ports that are several hundred miles from seaports more feasible. The Virginia Inland Port was one of the first, and has been joined by projects in South Carolina and Georgia.
The Journal of Commerce
- The success of inland barge services hinges on building two-way trade flows

Market sizing & port positioning: Competitive port performance

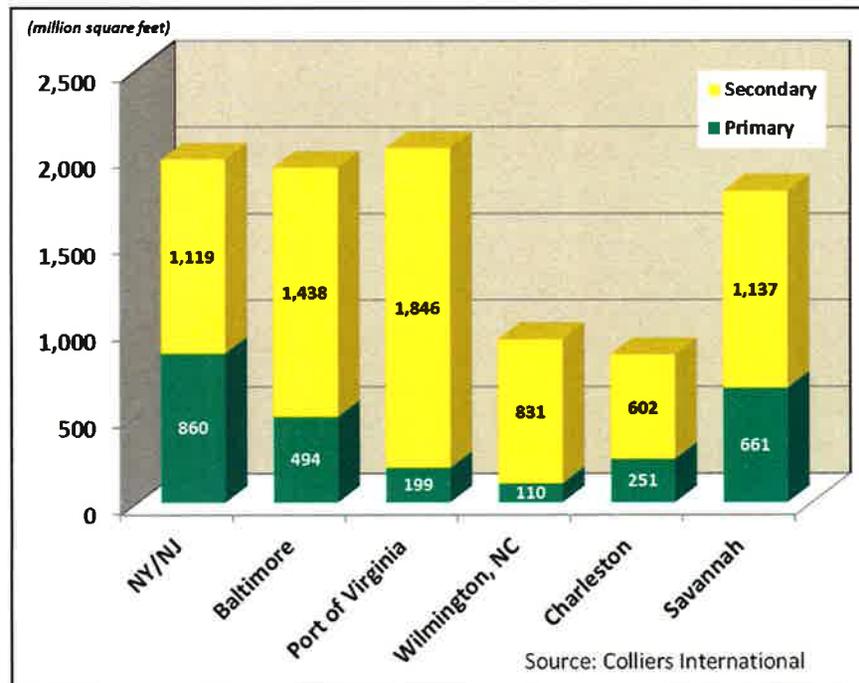
Port	FY 2014 Imports	% change vs. FY 2009	FY 2014 Exports	% change vs. FY 2009	FY 2014 Total Loads	% change vs. FY 2009
Port of Virginia	949	29%	958	39%	1,907	34%
NY/NJ	2,828	18%	1,357	7%	4,185	15%
Baltimore	332	10%	195	13%	527	11%
Wilmington, NC	101	(18)%	112	10%	213	(6)%
Charleston	702	21%	651	26%	1,353	24%
Savannah	1,217	25%	1,236	31%	2,453	27%

Port of Virginia

- Strongest volume growth among competitors since the recession
- Better trade balance than NY/NJ

- Most East Coast ports gained national market share since the recession. This is an on-going opportunity owing to the introduction of larger ships (via the Suez & Panama Canals) and systemic terminal operating issues on the West Coast. East Coast ports' share of imports from North Asia has risen from 16% (in 1993) to 26% (in 2013). Over the same period, market share for South Asia expanded from 21% to 33% (based on PIERS statistics).
- The Port of Virginia's trade balance is a competitive advantage over the Port of NY/NJ; and in parallel with development of more logistic center capacity, can further the port's business and market share.
- A concerted effort by the Port of Virginia with state and local economic development support to attract more exporters with sites for manufacturing, value-added activities and consolidation and transloading operations could attract carriers to divert discretionary import rail volumes from NY/NJ to Norfolk (assuming railroads price competitively)
- VEDP reports the state has over 700 international companies – creates opportunities to attract international & domestic suppliers to these companies

Market sizing & port positioning: Industrial warehouse capacity



Primary: industrial warehousing within 50 miles of a port, or within 100 miles if in the same state

Secondary: industrial warehousing within 300 miles of a port that is considered discretionary as to competitive port choice

- The State and the Port of Virginia have been successful in attracting logistics center clusters. The approximate 2 billion square feet of warehouse capacity within the Port's market reach is competitive in size to NY/NJ, Baltimore & Savannah
- The Hampton Roads area residential & commercial density has forced most industrial development inland
- Competitive land use is an issue in Hampton Roads. As an example, the average warehouse in Savannah is one third larger than in Hampton Roads, with room for expansion.
- The Port of Virginia, as the most efficient port gateway, should promote and be a leader in development of logistics center clusters throughout Virginia – job creation is an important driver, but the economic impact created by increased port volume is even more beneficial
- Port of Virginia economic impact: as a benchmark, every 1,000 containers impacts about 300 jobs (direct/indirect/induced) at an average wage of \$46,000

Role of State Agencies

“Winning the Jobs War” ... “Open for Business” ...priceless? Not quite but costs \$80 billion for economic development each year in the U.S. according to the NY Times

What matters most in industrial site selection:

Rank	Factor
1	Transportation Infrastructure
2	Ease of permitting and regulatory procedures
3	Existing workforce skills
4	Land/building prices and supply
5	Utility infrastructure
6	State and local tax schemes
7	Flexibility of incentive programs
8	Availability of incentives
9	Access to higher education resources
10	Legal climate

Site Selection magazine, 2014 survey

- “Incentives” was previously ranked #3
- “State economic development strategies” dropped out of the Top 10

How has Virginia fared?

Organization	Rank
Pollina/Amer. Econ. Dev. Institute	4
Forbes	4
Site Selection (Executives’ survey)	5
CNBC	8
Site Selection (overall)	10
Chief Executive magazine	11

Criteria varies by publisher, usually based on rankings for either economic development or business climate

- Virginia (10), South Carolina (6), North Carolina (3) and Georgia (1) are all top ranked by Site Selection magazine
- Amer. Econ. Dev. Institute ranks both Virginia and North Carolina’s incentive programs as “Excellent”

Role of State Agencies

What is changing in economic development?

- Increased funding & more discretionary uses (example: Governor's Closing Fund)

South Carolina:

- ❖ *The SC General Assembly voted to give the Coordinating Council for Economic Development the authority to "transfer economic development funds at its disposal to the Governor's Closing Fund."*
- ❖ *Mid-year 2014, the SC Comptroller General's Office reported \$80 million in the combined Governor's Closing Fund and the Council's Set-Aside Funds*

North Carolina:

- ❖ *No Governor's Closing Fund, "The closing fund is often times what is needed to differentiate your state from another state, it is a very big deal." [John Lassiter, head of the N.C. Economic Development Board]*

Maryland:

- ❖ *"As the economy continues to recover, we face increasing opportunities competing against states with greater funding. Our history of underfunding and dwindling balances sends a clear message to competing states, site consultants and large companies that Maryland is not serious about economic development."*

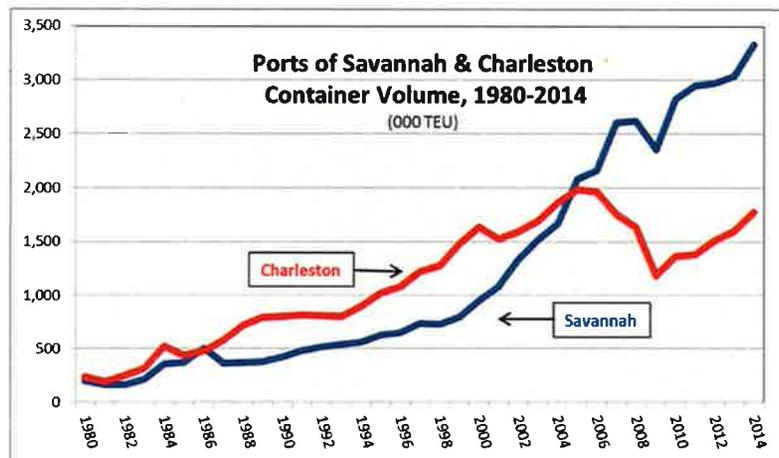
- Property differentiators (real or promotional) labeled as "shovel ready certified"

- ❖ "Ease of permitting" jumped from #8 to #2 in Site Selection key development issues list
- ❖ No standard criteria for "shovel-ready"
- ❖ Virginia's competitors have already jumped on the bandwagon at the state level (NC & GA) – Georgia has its "GRAD" program based on 11 property requirements, while North Carolina has its "Certified Sites" program with 31 prerequisites

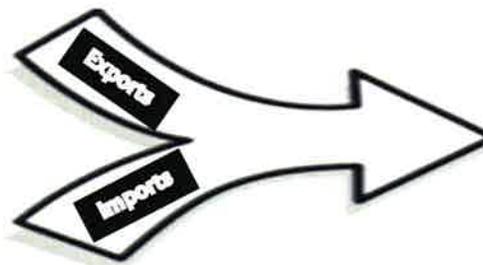
Role of Port Authorities: Competitive efforts in economic development

- The Port of Virginia leads the competition in staff size, knowledge & outreach ... how do you parlay these talents and take a stronger leadership/partnership role in state/local development efforts?
- NY/NJ - \$300k budget for economic development but focused on retail/commercial. One staffer is liaison with states' agencies. Has only a secondary role in "Portfields" initiatives (IKEA, ProLogis warehousing on port property)
- Port of Baltimore – primarily leaves promotion & negotiations to the state/city
- Port of Wilmington – one dedicated staff person, lost "Port Tax Credit" this year
- SCSPA – AGGRESSIVE! (from the Chairman and CEO on down) ... spent \$22 million last 5 years to lock up deals by writing checks for infrastructure to county gov't., Port Chairman one of eleven members of state's CCED (in charge of discretionary economic development funds)
- Georgia Ports – long standing, active team of two reports to CCO. Works directly with state's economic development agency (GDEcD) and Savannah's city agency (SEDA). Port owns and promotes 1,000 acre site for development of trade-related distribution/manufacturing within 5 miles of their container terminal.

A Case Study: The Savannah Model



- Issue: a carrier’s bankruptcy in late 1986 forces the port to find new carriers
- Solution: create a more balanced trade at the port
- Seeking imports: Walmart (‘94) and Home Depot (‘96) to the rescue!
- Building on success ... get more big-box retailers to have a local brick-and-mortar vested interest and ocean carriers will “follow the freight”
- Champion the cause ... buy property, lead/build partnerships (SEDA, Georgia DOT, Georgia Power) and implement a hands-on promotion strategy



The Savannah Model: takeaways for success

- Legal and financial capacity to purchase land, enter into intergovernmental development agreements and sublease for commercial use (AND land availability!)
- Ability to finance and develop “shovel ready” properties
- Major roadway access between port facilities and developed industrial sites (and commitment to expand infrastructure as the port grows) ... *I-16 and I-95 are 5 miles from the port and both CSX and NS are on-terminal*
- Adequate, efficient and rate-competitive port rail capacity
- Strong port leadership/Board support in influencing and directing economic development efforts at state/local levels (logistics center developments may not be as “job beneficial” as other development interests but do create significant port economic impact)
- A trusting working relationship with port labor and truckers.
- Efficient, customer focused terminal facilities, equipment and gate and yard management systems. This emphasis may include the need to provide specific BCO activities. Examples include extended gate hours, dedicated gates and expedited container delivery.
- A port marketing plan that targets specific BCO activities and commodities that will broaden the port’s appeal and growth opportunity. Examples: refrigerated commodity trades requiring supporting warehouse infrastructure & retailers need for “Rapid Dispatch” of containers to import DCs.

Within Governor McAuliffe’s
“New Economy” ... how do
we align and orchestrate a
unique “Virginia Model” for
port related economic
development?

The Port of Virginia S.W.O.T. For Economic Development

Internal	Strengths	Weaknesses
		<ul style="list-style-type: none"> * State's has an active & funded economic development group in place * Traditional State and port incentives are rated excellent (Am. Econ. Dev. Instit.) * Port performance issues are being addressed & the situation is improving quickly * Strong Port economic development organization * Cargo volume growth leader among East Coast competitors * Existing distribution/consolidation centers with major exporters & importers * Port already has deep harbor & permit for 55 ft. * Existing inland logistics clusters in Front Royal, Richmond & Greensboro (NC)

The Port of Virginia S.W.O.T. For Economic Development

External	Opportunities	Threats
	<ul style="list-style-type: none"> * Champion the Port's economic development plans with all levels of government, including new Port Board & state executives * Educate and promote the Port's significant economic impact to prospective developers, manufacturers & beneficial cargo owners (BCOs) * Build on barge service and operations in Richmond -expanded land, rail & incentives * Grow existing networks of distribution centers, manufacturing & FTZ developments in Hampton Roads and Front Royal * Establish stronger collaboration with private developers - partnerships to help advance occupancy of existing sites & bring to market more shovel-ready sites * Build on work force development through military, universities and community colleges 	<ul style="list-style-type: none"> * BCOs & 3PLs remain unsure of Commonwealth's support of Port's future developments * Overall ability to handle expected volume growth & to fund capex requirements * Prolonged congestion issues (road & rail) force cargo to competing ports & dampen logistics center cluster development activities * Growth of the Port of Baltimore through private partnership (vested interests of carrier & terminal operator), and through repurposing of industrial property

The Port of Virginia

What are the go-forward opportunities?

Build strong partnerships throughout the state and form a “group of champions” for port development among local, regional and state agencies. Establish “Board-to-Board” cross memberships.

Take an active leadership role in “selling” the importance of logistics center developments and the funding needed from the state as a stimulus for new clusters in Virginia. This focus should be on opportunities in and outside of the Port of Virginia’s local market.

Obtain or earmark additional funding (public or 3rd-party) with a directed purpose to advance the Port’s/Commonwealth’s economic development plans.

Advocate and implement a “Port Readiness” program - accelerate capital investment to have the capacity to grow business at the Port of Virginia

Enhance the Port’s efforts to secure new logistics developments with an emphasis on funding additional speculative “shovel ready” sites. Virginia is considered behind its competitors on “site and facility planning”.

Focus development on the inland ports in Richmond and Front Royal as incubators for new strategies (purchase land, establish shovel-ready sites, etc.)

Lead/foster such start-ups for expansion by developing specific marketing plans for each site and include other state agencies in building the strategies.

Work with state agencies & railroads to enhance service and offer competitive rates.

Strengthen partnership with private developers in Hampton Roads region to accelerate site use (use of incentives)

Communicate success stories to build awareness

RESOLUTION 15-1

A RESOLUTION APPROVING THE INCENTIVE COMPENSATION FOR JOHN F. REINHART, CEO/EXECUTIVE DIRECTOR OF THE VIRGINIA PORT AUTHORITY, BASED ON 2014 MANAGEMENT INCENTIVE METRICS

WHEREAS, §62.1-129 of the Code of Virginia states that the Virginia Port Authority Executive Director's compensation shall be fixed by the Virginia Port Authority Board of Commissioners in accordance with law; and

WHEREAS, §62.1-129 further states that the compensation shall be established at a level which will enable the Virginia Port Authority to attract and retain a capable Executive Director; and

WHEREAS, for the first full year of Mr. Reinhart's employment, his employment agreement with the Virginia Port Authority provides that the Board of Commissioners will grant Mr. Reinhart a base salary supplement provided Mr. Reinhart remains employed through February 10, 2015 and permits the Board of Commissioners to grant Mr. Reinhart additional incentive compensation up to 12.5% of his Annual Base Salary, as defined in the agreement, provided Mr. Reinhart achieves certain performance goals and objectives set by the Board; and

WHEREAS, the Board of Commissioners established and approved the Management Incentive Metrics for Calendar Year 2014 for Mr. Reinhart; and

WHEREAS, the Board of Commissioners has determined that Mr. Reinhart has achieved ninety-three percent (93%) of his Management Incentive Metrics for Calendar Year 2014; and

WHEREAS, Mr. Reinhart's employment agreement provides that the base salary supplement and the additional incentive compensation for the first full year of employment and in the future will be contributed to the Supplemental Defined Contribution Plan and Qualified Governmental Excess Benefit Arrangement (referred to as the 415(m) Plan) established pursuant to the employment agreement; and

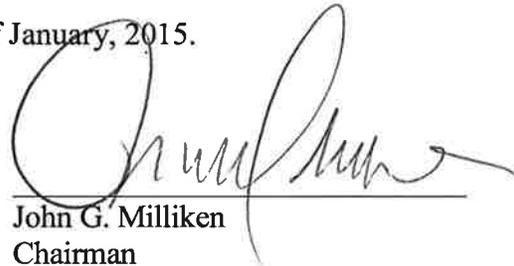
WHEREAS, the Board desires more flexibility in determining how the base salary supplement and the additional incentive compensation will be paid, both for the first year of employment and in the future, and Mr. Reinhart is willing to agree to an amendment to that effect to the employment agreement dated October 31, 2013.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Commissioners of the Virginia Port Authority grants the Chairman of the Board the power to authorize payment of additional incentive compensation in the amount of 93% of 12.5% of Mr. Reinhart's Annual Base Salary, as defined in the agreement, effective February 10, 2015.

FURTHER RESOLVED, that the Chairman is authorized to execute an amendment to Mr. Reinhart's employment agreement dated October 31, 2013 to provide that the base salary supplement and additional incentive compensation both for the first year of employment and in the future "may", as opposed to "will", be paid to the Supplemental Defined Contribution Plan and Qualified Governmental Excess Benefit Arrangement (referred to as the 415(m) Plan) established pursuant to the employment agreement.

FURTHER RESOLVED, that following execution of the amendment to the employment agreement by both parties, the Chairman is authorized to determine the amount of the payments described above that will be contributed to the Supplemental Defined Contribution Plan and Qualified Governmental Excess Benefit Arrangement (referred to as the 415(m) Plan) established pursuant to the employment agreement, and the remaining amount that will be paid to Mr. Reinhart.

PASSED AND ADOPTED this 27th day of January, 2015.

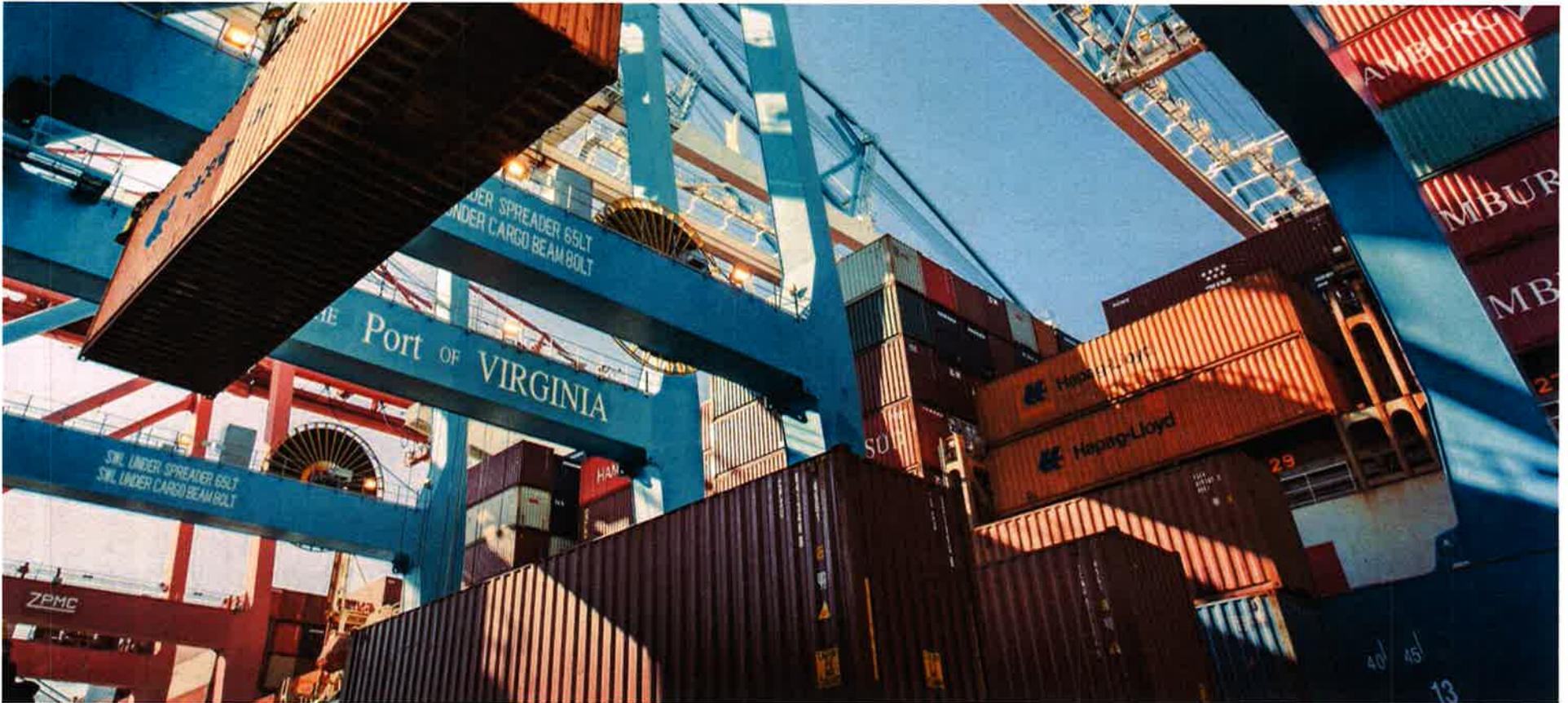


John G. Milliken
Chairman

Attest:



Debra J. McNulty, Clerk



Virginia Port Authority Board of Commissioners, Session 363, January 27, 2015
November 2014 Financial Update

Rodney Oliver
Chief Financial Officer



Stewards of Tomorrow



Virginia Port Authority/Virginia International Terminals, LLC
CONSOLIDATED INCOME STATEMENT FOR THE MONTH ENDED
November 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>\$ Variance</u>	<u>% Variance</u>
Operating Revenues	<u>\$35,439,217</u>	<u>\$36,575,855</u>	<u>\$ (1,136,638)</u>	<u>-3.1%</u>

- Actual container volume was 119,267 vs. 117,909 budgeted, a 1.2% increase
- Operating Revenue was 3.1% below budget, primarily due to lower than budgeted container unit rate revenue

Virginia Port Authority/Virginia International Terminals, LLC
CONSOLIDATED INCOME STATEMENT FOR THE MONTH ENDED
November 30, 2014

	Actual	Budget	\$ Variance	% Variance
Operating Revenues	\$35,439,217	\$36,575,855	\$ (1,136,638)	-3.1%
Operating Expenses:				
Terminal operations	14,878,112	16,084,303	1,206,191	7.5%
Terminal maintenance	7,051,245	6,852,396	(198,849)	-2.9%
General and administrative	4,050,996	4,133,719	82,723	2.0%
Facility Rental	4,621,019	4,603,768	(17,251)	-0.4%
Depreciation and amortization	3,934,314	4,288,367	354,053	8.3%
Total operating expenses	34,535,686	35,962,553	1,426,867	4.0%

- Terminal operating expense was \$1.2 million (7.5%) lower than budget primarily due to increased efficiencies on the rail and gate at NIT
- Terminal maintenance expense was \$198.8 thousand (2.9%) over budget primarily due to volume and the costs to repair aging equipment
- Overall, operating expenses were \$1.4 million (4%) below budget

Virginia Port Authority/Virginia International Terminals, LLC
CONSOLIDATED INCOME STATEMENT FOR THE MONTH ENDED
November 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>\$ Variance</u>	<u>% Variance</u>
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Depreciation and amortization	3,934,314	4,288,367	354,053	8.3%
Total operating expenses	<u>34,535,686</u>	<u>35,962,553</u>	<u>1,426,867</u>	<u>4.0%</u>
Operating income (loss)	<u>903,531</u>	<u>613,302</u>	<u>290,229</u>	<u>47.3%</u>

- Lower than budgeted operating expenses resulted in an operating income of \$903.5 thousand, \$290.2 thousand (47.3%) ahead of budget

Virginia Port Authority/Virginia International Terminals, LLC
CONSOLIDATED INCOME STATEMENT FOR THE MONTH ENDED
November 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>\$ Variance</u>	<u>% Variance</u>
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Total operating expenses	<u>34,535,686</u>	<u>35,962,553</u>	<u>1,426,867</u>	<u>4.0%</u>
Operating income (loss)	<u>903,531</u>	<u>613,302</u>	<u>290,229</u>	<u>47.3%</u>
Non-operating revenues (expenses)	(1,615,110)	349,105	(1,964,216)	-562.6%
Capital contributions and transfers	3,035,729	3,012,624	23,105	0.8%

- Non-operating revenues (expenses) are \$2.0 million below budget due to timing of budgeted Federal Grant Receipts

Virginia Port Authority/Virginia International Terminals, LLC
CONSOLIDATED INCOME STATEMENT FOR THE MONTH ENDED
November 30, 2014

	Actual	Budget	\$ Variance	% Variance
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Non-operating revenues (expenses)	(1,615,110)	349,105	(1,964,216)	-562.6%
Capital contributions and transfers	3,035,729	3,012,624	23,105	0.8%
Increase (decrease) in Net Assets	\$ 2,324,149	\$ 3,975,031	\$ (1,650,882)	-41.5%

- Increase in Net Assets was \$2.3 million, \$1.7 million (41.5%) below Budget

Virginia Port Authority/Virginia International Terminals, LLC
CONSOLIDATED INCOME STATEMENT FOR THE FIVE MONTHS ENDED
November 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>\$ Variance</u>	<u>% Variance</u>
Operating Revenues	\$ 185,009,523	\$ 179,587,890	\$ 5,421,633	3.0%

- Operating Revenue was \$5.4 million (3.0%) ahead of budget primarily due to increased volumes and favorable cargo mix

Virginia Port Authority/Virginia International Terminals, LLC
CONSOLIDATED INCOME STATEMENT FOR THE FIVE MONTHS ENDED
November 30, 2014

	Actual	Budget	\$ Variance	% Variance
Operating Revenues	\$ 185,009,523	\$ 179,587,890	\$ 5,421,633	3.0%
Terminal operations	79,113,601	78,815,723	(297,878)	-0.4%
Terminal maintenance	37,470,129	34,555,766	(2,914,363)	-8.4%
General and administrative	20,200,978	21,931,221	1,730,243	7.9%
Facility Rental	23,105,095	23,018,842	(86,253)	-0.4%
Depreciation and amortization	19,593,413	20,114,764	521,352	2.6%
Total operating expenses	179,483,216	178,436,315	(1,046,900)	-0.6%

- Terminal operating expenses were \$298 thousand below budget despite the increase in container volume, primarily due to efficiencies
- Terminal maintenance expense was \$2.9 million over budget primarily due to the increased volume, increased utilities costs, and the costs to repair aging equipment
- We continue to take a conservative approach with general and administrative expenses
- Total Operating expense was \$1.0 million (0.6%) over budget

Virginia Port Authority/Virginia International Terminals, LLC
CONSOLIDATED INCOME STATEMENT FOR THE FIVE MONTHS ENDED
November 30, 2014

	Actual	Budget	\$ Variance	% Variance
Operating Revenues	\$ 185,009,523	\$ 179,587,890	\$ 5,421,633	3.0%
Terminal operations	79,113,601	78,815,723	(297,878)	-0.4%
Terminal maintenance	37,470,129	34,555,766	(2,914,363)	-8.4%
General and administrative	20,200,978	21,931,221	1,730,243	7.9%
Facility Rental	23,105,095	23,018,842	(86,253)	-0.4%
Depreciation and amortization	19,593,413	20,114,764	521,352	2.6%
Total operating expenses	179,483,216	178,436,315	(1,046,900)	-0.6%
Operating income (loss)	5,526,307	1,151,574	4,374,733	379.9%

- Higher than budgeted revenue combined with operating expenses in line with budget resulted in and operating income of \$5.5 million, \$4.4 million (379.9%) ahead of budget for the first five months of the fiscal year

Virginia Port Authority/Virginia International Terminals, LLC
CONSOLIDATED INCOME STATEMENT FOR THE FIVE MONTHS ENDED
November 30, 2014

	Actual	Budget	\$ Variance	% Variance
Operating Revenues	\$ 185,009,523	\$ 179,587,890	\$ 5,421,633	3.0%
Terminal operations	79,113,601	78,815,723	(297,878)	-0.4%
Terminal maintenance	37,470,129	34,555,766	(2,914,363)	-8.4%
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Depreciation and amortization	19,593,413	20,114,764	521,352	2.6%
Total operating expenses	179,483,216	178,436,315	(1,046,900)	-0.6%
Operating income (loss)	5,526,307	1,151,574	4,374,733	379.9%
Non-operating revenues (expenses)	(7,629,864)	1,745,527	(9,375,392)	-537.1%
Capital contributions and transfers	15,099,556	15,415,076	(315,520)	-2.0%

- Non-operating revenues were \$9.4 million (537.1%) below budget due to timing of budgeted Federal Grant Receipts
- Capital contributions and transfers were \$316 thousand (2.0%) below budget

Virginia Port Authority/Virginia International Terminals, LLC
CONSOLIDATED INCOME STATEMENT FOR THE FIVE MONTHS ENDED
November 30, 2014

	Actual	Budget	\$ Variance	% Variance
Operating Revenues	\$ 185,009,523	\$ 179,587,890	\$ 5,421,633	3.0%
Terminal operations	79,113,601	78,815,723	(297,878)	-0.4%
Terminal maintenance	37,470,129	34,555,766	(2,914,363)	-8.4%
General and administrative	20,200,978	21,931,221	1,730,243	7.9%
Facility Rental	23,105,095	23,018,842	(86,253)	-0.4%
Depreciation and amortization	19,593,413	20,114,764	521,352	2.6%
Total operating expenses	179,483,216	178,436,315	(1,046,900)	-0.6%
Operating income (loss)	5,526,307	1,151,574	4,374,733	379.9%
Non-operating revenues (expenses)	(7,629,864)	1,745,527	(9,375,392)	-537.1%
Capital contributions and transfers	15,099,556	15,415,076	(315,520)	-2.0%
Increase (decrease) in Net Assets	\$ 12,995,999	\$ 18,312,177	\$ (5,316,179)	-29.0%

- The overall results show an increase in Net Assets of \$13 million through the first five months of the fiscal year

Calendar Year 2014

Complete Calendar Year: January - December				
	CY13: Jan-Dec	CY14: Jan-Dec	Change	% Change
Total TEUs	2,223,532	2,393,038	169,506	7.6%
Export TEUs	1,187,231	1,298,389	111,158	9.4%
Import TEUs	1,036,301	1,094,649	58,348	5.6%
Total Containers	1,274,911	1,373,138	98,227	7.7%
General Cargo Tonnage	18,840,304	19,061,402	221,098	1.2%
Container Tonnage	18,504,244	18,733,342	229,098	1.2%
Breakbulk Tonnage	336,060	328,060	(8,000)	-2.4%
Total Rail Containers	430,894	448,096	17,202	4.0%
VIP Containers	32,179	36,841	4,662	14.5%
Total Barge Containers	48,104	56,934	8,830	18.4%
Total Truck Containers	795,913	868,108	72,195	9.1%
Ship Calls	1,865	1,957	92	4.9%
Vehicle Units	28,178	27,950	(228)	-0.8%

Fiscal Year to Date

Fiscal Year-to-date: July - December				
	FY14: Jul-Dec	FY15: Jul-Dec	Change	% Change
Total TEUs	1,169,257	1,256,384	87,127	7.5%
Export TEUs	618,963	679,716	60,753	9.8%
Import TEUs	550,294	576,668	26,374	4.8%
Total Containers	669,746	723,384	53,638	8.0%
General Cargo Tonnage	9,901,540	9,441,941	(459,599)	-4.6%
Container Tonnage	9,729,253	9,302,096	(427,157)	-4.4%
Breakbulk Tonnage	172,287	139,845	(32,442)	-18.8%
Total Rail Containers	226,003	226,814	811	0.4%
VIP Containers	17,508	19,044	1,536	8.8%
Total Barge Containers	24,575	31,476	6,901	28.1%
Total Truck Containers	419,168	465,094	45,926	11.0%
Ship Calls	938	1,016	78	8.3%
Vehicle Units	15,198	8,894	(6,304)	-41.5%

RESOLUTION 15-2

RESOLUTION AUTHORIZING CERTAIN CAPITAL OUTLAY PROJECTS AND EXPENDITURES FROM COMMONWEALTH PORT FUND MONIES

WHEREAS, the Virginia Port Authority (the “Authority”) acting by its Board of Commissioners (the “Board”) has found and determined that it is in the best interest of the Authority to invest in additional capital in order to meet increasing demand, accommodate new customer needs, and ensure interoperability; and

WHEREAS, to meet these objectives it will be necessary to purchase additional equipment, invest in additional infrastructure, and invest in additional information technology to ensure safe and continuous operation of the terminals, collectively “the Projects”, as outlined in Schedule A, attached to this Resolution, all of which have been described to the Board by the officers of the Authority; and

WHEREAS, the officers of the Authority have estimated that the cost of the Projects will not exceed \$9,405,000 and have represented to the Board that there are monies and existing appropriation available to the Authority in the Commonwealth Port Fund to pay the required Project expenditures.

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

Section 1. Authorization of Projects. The Board approves the Projects and authorizes the officers and staff of the Authority to take such further action as they deem necessary to implement, complete and pay for costs of the Projects. The Board hereby approves the expenditure of monies from the Commonwealth Port Fund not to exceed \$9,405,000 to pay for costs of the Projects.

Section 2. Ratification; Further Action. The actions previously taken by the officers and staff of the Authority with regard to the Projects and the use of Commonwealth Port Fund monies are hereby ratified and confirmed. The officers and staff of the Authority are hereby authorized to take such actions, and deliver such additional documents and certificates as they may in their discretion deem necessary or proper in connection with the Projects.

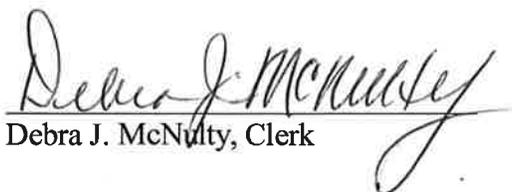
Section 3. Effective Date. This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED this 27th day of January, 2015.



John G. Milliken
Chairman

Attest:



Debra J. McNulty, Clerk

SCHEDULE A

Container Handling Equipment	\$2,140,000
Intermediate Expansion VIG	2,200,000
PMT Infrastructure Improvements	1,700,000
IT- Disaster Recovery and Billing System	2,665,000
NIT and VIG Truck Gate Improvements	700,000
	\$9,405,000

26018076v1

Communications



\$17.5 billion in wages
374,000 employees
9.4% Va workforce



18 million tons
\$53.2 billion



4.5 million tons
\$10.9 billion



GSP \$30.5 billion
6.9% of GSP

Source: *The Fiscal Year 2013 Economic Impacts of The Port of Virginia*, Raymond A. Mason School of Business, William & Mary

For Immediate Release
January 27, 2015

Office of the Governor

Brian Coy
804-225-4260
Brian.Coy@Governor.Virginia.Gov

Virginia Port Authority

Joe Harris
757-683-2137
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Governor McAuliffe Announces Port of Virginia Operating Profit in December

Norfolk – Today Governor Terry McAuliffe announced that the Port of Virginia completed December with an operating income of \$631,114 and TEU volumes surpassing 200,000 units, bringing the port's consecutive string of profitable months to six.

"I am very pleased to see the Port of Virginia not only setting records for cargo volume, but also posting six consecutive profitable months," said **Governor McAuliffe**. "The port is a one-of-a-kind economic asset for our Commonwealth and we finally have the leadership in place to leverage it. I look forward to continuing to work with the Virginia Port Authority Board of Commissioners and staff to continue this outstanding growth trend as we work together to build a new Virginia economy."

"When Governor McAuliffe took office, getting the port's books in order was a top priority," said **Virginia Secretary of Transportation Aubrey Layne**. "Given the record volumes of 2014 and the performance thus far in the fiscal year, it is clear that John Reinhart has brought stability to the port and many of its initiatives are beginning to bear fruit. Challenges remain, but we are confident in the port's ability to address them and continue the progress we are celebrating today."

John F. Reinhart, CEO and Executive Director of the Virginia Port Authority continued, "The port's operating profit in the first half of fiscal 2015 was \$6.2 million, compared with an operating loss of \$10.6 million in the same period of fiscal 2014, putting the port \$16.8 million ahead of the same period last fiscal year. Moreover, the December operating income was a \$3.4 million improvement over December 2013.

"The December results put us more than \$6 million ahead of budget and we have had six consecutive profitable months, so from a financial perspective we are stabilizing," Reinhart, said. "The congestion challenges remain, so we continue to act with a sense of urgency from

the standpoint of operations: We have to deliver on our word to motor carriers and customers to provide consistent, competitive service at the gates.”

In a January news release summarizing the 2014 (calendar) cargo year, The Port of Virginia reported that it handled 203,276 TEUs in December 2014, an increase of 12.3 percent, or 22,185 TEUs, when compared with December 2013. Further, December was the eighth month in 2014 when port TEU volumes exceeded 200,000 units.

December 2014 vs. December 2013, in containers:

- Truck volume, up 13.5%
- Rail volume, up 8.2%
- Virginia Inland Port, up 21.4%
- Barge volume, up 44.3%
- Ship calls, up 8.5%
- Vehicle units, down 5.8%

Last April Governor McAuliffe named five new members to the Virginia Port Authority Board and charged them, Secretary Layne and the port’s staff with making the port the profitable economic asset it should be.

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The Virginia Port Authority (VPA) is a political subdivision of the Commonwealth of Virginia. The VPA owns and through its private operating subsidiary, Virginia International Terminals, LLC (VIT), operates four general cargo facilities Norfolk International Terminals, Portsmouth Marine Terminal, Newport News Marine Terminal and the Virginia Inland Port in Warren County. The VPA leases Virginia International Gateway and the Port of Richmond. In fiscal 2013, The Port of Virginia provided more than 374,000 jobs and generated \$60.3 billion in total economic impact throughout the Commonwealth.