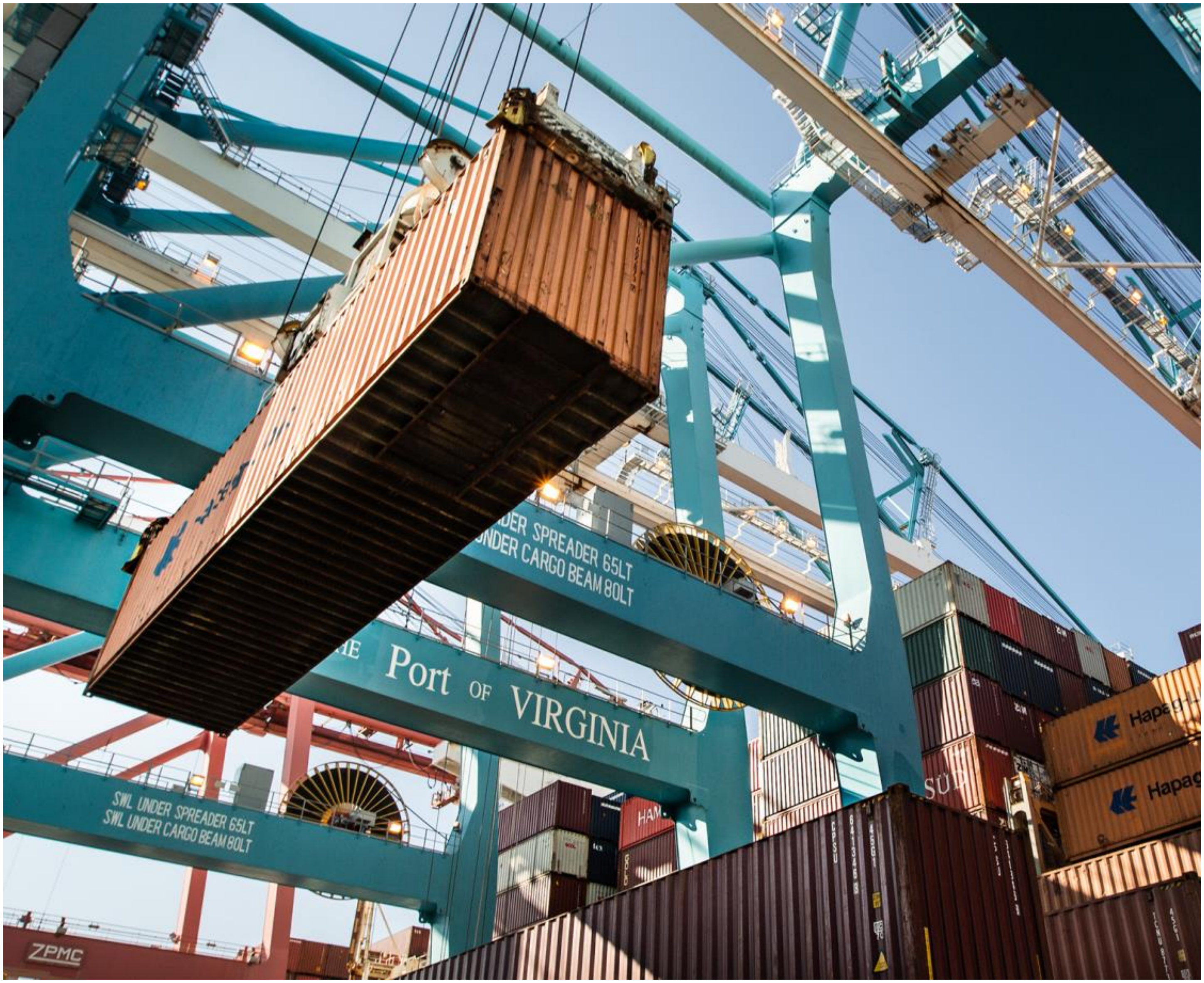

FY 2016 Budget Assumptions

The Port of Virginia


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Introduction

This document has been assembled to outline the overarching business assumptions that are built into the Fiscal Year 2016 budget. Budget expectations for The Port of Virginia (VPA, VIT, and HRCP II) are included in this document.

Volume

Container

- The Port of Virginia volume for FY2016 is forecasted at 1,502,750 containers, an increase of 5.4 % from an estimated 1,425,895 containers for FY2015. The FY2016 port volume forecast is developed based on economic conditions and market insight for known shipline volume shifts between Port of Virginia and other ports.

- Volume forecast is prepared using available actual volumes through January 2015. Any subsequent periods for the remainder of FY15 are forecasted.

- Terminal volumes are derived based on historical breakdown of each shipline's rail and non-rail volume by terminal based on the latest 12-month averages ending in January 2015. Future inter-terminal shipline service moves will impact actual breakdowns of volume by terminal.

Chassis

- At 90% utilization, the average number of chassis is expected to increase from 12,968 per month in FY15 to 14,504 per month in FY16, an 11.5% increase. This equates to approximately 609,460 additional use days compared to FY15.
- Additional 2,010 chassis will be added to HRCP in order to fulfill chassis usage at 90% utilization.

Revenue

- Overall terminal operating revenue will increase by $41.1 million or 9.2% from the FY2015 forecast.

- Volume will increase by approximately 5.2% or 1.5 million containers, equating to a $14.8 million increase in revenue.

- SOR will increase by 1.9% resulting in a $7.0 million increase to revenue across all revenue line items.

- HRCP revenues will increase by $5.5 million due to a budgeted increase in the daily use rates for FY2016.

- HRCP revenues will also increase by $6.2 million due to the addition of 2,010 chassis to the fleet for FY2016.

Expenses

- Expenses are estimated to be $487.0 million in FY2016, or 10.4% higher than FY2015 forecasted expenses. $210.4 million of the budget is allocated towards terminal operations.

Personnel:

- Headcount for FY 2016 is budgeted at 536 which is an 80 position increase from the budgeted FY 2015 headcount of 441

- The positions are budgeted to be brought in over the course of the fiscal year

- Headcount request takes us back to 2010 levels when our TEU volume was 2 million vs the current 2.6 million

Operating Expenses

Terminal operating expenses are estimated to increase by $14.2 million, or 7.2%, due primarily to the following:

Terminal Labor

- Terminal labor cost (excluding stevedoring labor) is expected to decrease by $1.6 million, or 1.4%, in FY2016 driven primarily by efficiencies.

- Due to an increase in volume and the Ports current capacity limitations we have budgeted for Saturday gates at all facilities for 6 months of the year.

Other Operating Expenses

- Stevedoring expenses will increase $5.8 million due to stevedoring at PMT and taking over the Richmond barge operation and associated costs. In addition, contracted services will also increase by $2.9 million as a result.

- CBP expenses are estimated to cost $1.76 million in FY2016, due to extended gate operating hours, working vessels and grooming stacks at night, and opening the terminals for at least 14 hours a day on weekends.

- HRCP operating expenses are forecasted to increase $7.1 million, due primarily to the increase in leased chassis ($4.4 mil) and increased operating expenses at the empty container yard ($2.7 mil).

Maintenance Expenses

Total Maintenance expenses are estimated to increase by $11.9 million, or 13.3% due primarily to the following:

- The opening of the PMT terminal will add $4.5 million, or 6.1% of maintenance's overall budget for FY 2016.
- HRCP maintenance expenses are expected to increase $3.3 million, or 16.4%, due to the 14% increase in the chassis fleet and a labor increase.

Administrative Expenses

Total Administrative expenses are estimated to increase by $12.8 million over the FY2015 forecast due primarily to the following:

- $3.2 million in additional IT consulting costs related to various of on terminal projects.
- $2.6 million due to the addition of 30 new administrative positions assumed to be hired ratably over the fiscal year.
- Facility rent is expected to increase $2.1 million due to additional volume rent and 1.9% rate increase

Operating Income

Operating income for FY 2016 for The Port of Virginia is budgeted at $2.7 million, a decrease of $4.9 million from the forecast for FY 2015.