

MINUTES

MEETING - Board of Commissioners - Session 365

Virginia Port Authority
600 World Trade Center
Norfolk, Virginia
May 19, 2015

The Board of Commissioners (“Board”) of the Virginia Port Authority (“VPA”) held its regular meeting on May 19, 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
Alan A. Diamonstein
Gary T. McCollum
Val S. McWhorter
Faith B. Power
Kim Scheeler
Deborah C. Waters
F. Blair Wimbush

Commissioners Absent:

Martin J. Briley
Manju S. Ganeriwala, State Treasurer

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
Joseph P. Ruddy, Chief Innovation Officer
James W. Noel, III, General Counsel
Matthew Barnes-Smith, Vice President, Strategic Planning
Jay Stecher, Vice President, Marketing and Communications
Joe Harris, Senior Director, Communications/Spokesman
Andrew Sinclair, Director, Government Affairs
Sarah McCoy, Manager, Local Government & Community Affairs
Carla Welsh, Director, Creative Services and Brand Management
Debra J. McNulty, Clerk to the Board

Virginia International Terminals, LLC (VIT) Staff:

Thomas D. Capozzi, Chief Sales Officer
Shawn Tibbetts, Chief Operations Officer

Guests:

Brice Fiske, Office of the Attorney General
JoAnne Carter, PFM Group (VPA Financial Advisor)
Bryant McGann, Vandeventer Black LLP
Cabell Lawton, Town of Onancock
William Dre, Town of Cape Charles
Wanda Gill, City of Portsmouth
Mark Furlo, Isle of Wight County
Lennie Luke, City of Chesapeake
Florence Kingston, City of Newport News
Doreen Kopacz, City of Newport News

Media:

Robert McCabe, *The Virginian-Pilot*

Introductions

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

Chairman Milliken introduced the newest member of the VPA Board, Mr. F. Blair Wimbush, recently appointed by the Governor. The Chairman announced that Mr. Blair joins the Board with a distinguished career with Norfolk Southern Corporation. After 35 years of service, Mr. Blair recently retired from Norfolk Southern, as the railroad's Vice President, Real Estate and Corporate Sustainability Officer.

I. Approval of Minutes

Action: At the request of Chairman Milliken, the minutes of the regular meeting held March 24, 2015, were unanimously approved, as circulated.

II. Reports of Committees

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

Chairman Milliken announced that the Executive Committee did not meet yesterday. The Chairman appointed the following Nominating Committee members who will recommend a slate of officers for FY2016 for election at the Board's Annual Meeting, scheduled July 28th:

Val McWhorter – Chair
Deborah Waters
Kim Scheeler

The following officers currently serve:

Chairman	-	John G. Milliken
Vice Chairman	-	John N. Pullen
Treasurer	-	Rodney W. Oliver
Clerk/Secretary	-	Debra J. McNulty
Deputy Clerk/Assistant Secretary	-	Jodie L. Asbell

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

Mr. McCollum reported that the Finance and Audit Committee met yesterday and received presentations on human resource needs, strategy, the upcoming VPA and VIT audits from the external auditors, and the fiscal year 2016 budgets.

Mr. McCollum reported that the auditors discussed reports to be issued, audit schedule and engagement team members, and roles and responsibilities of the auditors, management, and the Board.

With regard to the fiscal year 2016 budgets, Mr. McCollum reported that the Finance and Audit Committee met with management on April 23rd to review a draft of the FY16 budgets, significant budget assumptions, and resource needs. He advised that the Committee received an updated presentation yesterday reflecting changes to the budgets requested by the Committee.

Mr. McCollum reported that the Finance and Audit Committee unanimously recommended approval of Resolutions 15-4 and 15-5, approving the VIT and VPA FY16 budgets by the full Board.

At this time, Mr. Oliver reviewed the VPA/VIT consolidated income statement for the month ended March 31, 2015 and for the nine months ended March 31, 2015, followed by a presentation on consolidated FY16 budget. Mr. Oliver also presented a list that includes over \$123 million in capital budget projects (detailed on page 23 of the presentation).

Mr. Oliver noted that as the Newport News Marine Terminal (NNMT) takes on additional business, staff will evaluate NNMT capital outlay needs and report back to the Board for further budgetary approval.

Mr. Oliver announced that the FY16 budget was the first significant capital outlay budget since 2004.

(Copies of Mr. Oliver’s presentations are attached.)

Chairman Milliken commended POV leadership and staff on the progress-to-date and for their work on the FY16 budget. The Chairman announced that \$70 million of capital expenditures for FY16 is allocated for container handling equipment and capital construction, including the “human capital” to operate and maintain the equipment, in order to address congestion issues. The Chairman emphasized the importance of using operating profits for reinvestment in the Port.

Mr. McCollum and Ms. Aument also commended Mr. Reinhart and POV staff. Mr. McCollum praised the leadership and staff for their work on the budget. He also advised that there is still a lot that needs to be done to satisfy our customers. Ms. Aument announced that the capital expenditures proposed for FY16 were based on hearing the voices of the maritime community and she thanked them “for their patience” as the Port continues to work through the congestion issues at the terminals.

Action: Upon motion made by Mr. McCollum, on behalf of the Finance and Audit Committee, and seconded by Ms. Waters, the Board unanimously adopted Resolution 15-4, approving the **VIT FY16 Budget** for the year beginning July 1, 2015 and ending June 30, 2016, and Resolution 15-5, approving the **VPA FY16 Budget** for the year beginning July 1, 2015 and ending June 30, 2016.

C. Growth and Operations Committee – Alan A. Diamonstein, Committee Chair

Mr. Diamonstein announced that the Growth and Operations Committee met yesterday and he introduced each of the following areas, respectively:

1. Safety/Operations Report

Mr. Tibbetts announced the 2.56 lost work days (LWD) per 200,000 man-hours for fiscal year 2015 year-to-date, compared with the industry average of 4.2 days. Mr. Tibbetts reported some of the factors that contributed to a slight increase in the LWD numbers from last year and he expressed POV’s commitment to the safety program.

Mr. Tibbetts reported traditional gate turn-times at NIT were lower in March/April and that extended turn-times (includes time outside the queue) are trending well. He advised that VIG turn-times are not where the facility needs to be currently. Mr. Tibbetts said the operations team is working diligently to manage the technology, arrival rates, timing of operation, and density of cargo at the facility to drive turn-times down.

Mr. Tibbetts announced that the Port’s IT team will soon have technology developed at PMT to measure turn-times now that volumes have increased at the facility since its reopening last year. Mr. Tibbetts reported that a significant number of top-handling equipment has been added to the terminal operations at PMT.

Mr. Tibbetts continued with a review of rail and barge volumes and dwell times at each of the marine facilities and he reviewed net crane moves per hour at NIT and VIG. He reported that rail business has grown significantly over the last several months - 34% in March and 36% in April.

2. Innovation Report

Mr. Ruddy reviewed the areas that Strategic Planning analyses were performed in support of the FY16 budget, HRCP II, and PMT vessel services. He described several notable port development projects.

Mr. Ruddy next reported that several initiatives have been implemented at the Pinner's Point Container Yard (PPCY) as a result of meetings held with motor carriers.

Mr. Ruddy reported surveillance audit results for ISO 14001 (environmental management system) and 9001 (quality management system), conducted by Bureau Veritas, and announced that the Port received re-certification for one year.

Mr. Ruddy described information technology initiatives, including the export delivery rules and certain IT upgrades, and improvements for on-dock rail operations and intra-harbor barge moves.

3. Marketing Report

Mr. Capozzi reported fiscal year-to-date and calendar year-to-date volumes, as indicated on the attached. He reviewed major U.S. East Coast port TEU volumes and growth for fiscal year-to-date 2015 vs. 2014.

Mr. Capozzi described the work of the Customer Service group and percentage of interactions, with 35% of the calls coming in from truckers. He reported that the new Customer Relationship Management (CRM) system is scheduled to be operational by July 1, and he explained how the system will work. A discussion ensued with Board members regarding benefits and integration of the system.

Mr. Capozzi reported new and updated services calling the Port and then concluded with an update on new business opportunities for the Port of Richmond and break-bulk business at NNMT.

III. Report by Chief Public Affairs Officer – Cathie France

Ms. France provided updates on federal activities and several local government activities.

Ms. France announced that VPA successfully obtained funding for the studies on the 45-foot and 55-foot harbor dredging projects, described the timeline, and announced that there may be some additional funding that may be awarded after Congress approves the Army Corps' budget. She provided an update on the foreign trade agreement legislation that will open up 11 countries for additional foreign trade markets.

Ms. France described the State of the Port that was held at the Virginia Inland Port that included over 120 attendees from the business community, local elected and state officials, and gave an update on the Port of Richmond.

At this time, Chairman Milliken asked for a motion to approve Resolution 15-7, authorizing the VPA's long-term lease of property owned by the City of Richmond for the operation of The Port of Richmond.

Action: Upon motion by Mr. Diamonstein, seconded by Mr. McCollum, the Board unanimously approved Resolution 15-7, authorizing the VPA's long-term lease of property owned by the City of Richmond for the operation of The Port of Richmond.

Ms. France reported on POV's communications initiatives and she introduced Mr. Jay Stecher, the Authority's new Vice President, Communications, and described his areas of responsibility.

Ms. France concluded with economic development announcements that resulted in \$245 million of investment in the Commonwealth; 584 new jobs, including 100's from Target's expansion; and 298 jobs preserved. Ms. France advised that most of the jobs were in production and manufacturing.

Ms. France described the work of the Maritime Incident Response Team (MIRT) and Emergency Operations that included the 24th Annual Marine Firefighting School that had 90 national and international participants some of which were from Netherlands, Singapore, and Hong Kong fire departments. She also reviewed project updates that involved POV IMT implementation, Ebola State UC, port risk assessments, anchorage planning, submission of 2015 Port Security Grant, USCG hurricane exercise, and response to the *Hanjin Miami*.

At this time, Ms. France welcomed representatives who were in attendance from the localities that requested Aid to Local Ports grant requests. Ms. France referred to the background paper that accompanied Resolution 15-6, and she briefly described each project and the criteria for determining the grants.

Action: Upon motion by Mr. Diamonstein, seconded by Mr. Wimbush, the Board unanimously approved Resolution 15-6, awarding FY16 Aid to Local Ports Grants, that include approval of seven (7) carry-over requests.

IV. Report by Chief Human Resources Officer – James Bibbs

Mr. Bibbs reported the following Human Resources work that began a year ago: SMART goals and values, succession planning implementation, new performance appraisal process, employee engagement survey, performance improvement process, and training opportunities.

Mr. Bibbs described the benefits harmonization process and its successful integration and reviewed talent acquisition that involves revamping the Port's organizational approach to hiring and training.

Mr. Bibbs reported that Human Resources created the business partner group which places a HRBP in each division to maximize colleague development, involvement, and retention.

Ms. Aument said she was pleased to hear that POV is supporting the Governor's Virginia Values Veterans (V3) Program and a discussion ensued between Mr. Bibbs and Ms. Aument.

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

Mr. Reinhart thanked the leadership team and staff for their work over the last 15 months and expressed appreciation to the Board for their support. Mr. Reinhart explained how the POV needed to do more to satisfy the Port's constituents and customers and noted that the FY16 budget is an important step forward.

At this time, Mr. Reinhart announced the Port's operating income for the month of April. The attached press release contains additional information that was announced by Mr. Reinhart.

VI. Unfinished Business

There was no unfinished business to report.

VII. New Business

There was no new business to report at this time.

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

There being no further business and no public comments, the meeting adjourned at 10:45 a.m.

Respectfully submitted,


Debra J. McNulty
Clerk to the Board

The annual meeting, immediately followed by the regular public session of the VPA Board of Commissioners is scheduled for **Tuesday, July 28, 2015, at 9:00 a.m.**, in the Authority's Conference Room, 600 World Trade Center, Norfolk.

Committee meetings are scheduled for Monday, July 27 (times pending).

All open session presentations from today's meeting have been posted to VPA's website at: <http://www.portofvirginia.com/about/our-board/board-room-meetings/>

RESOLUTION 15-4

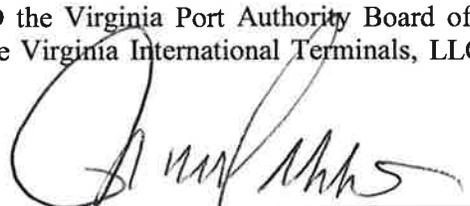
**APPROVING VIRGINIA INTERNATIONAL TERMINALS, LLC (VIT) BUDGET
FOR FISCAL YEAR ENDING JUNE 30, 2016**

WHEREAS, by Service Agreement between the Virginia Port Authority (VPA) and Virginia International Terminals, LLC (VIT), dated June 1, 1997, and Amended and Restated as of June 1, 1998, May 23, 2000, August 28, 2003, September 24, 2008, and November 18, 2014 (the "Service Agreement"):

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

WHEREAS, Virginia International Terminals, LLC, has proposed its budget for Fiscal Year Ending June 30, 2016.

NOW, THEREFORE, BE IT RESOLVED the Virginia Port Authority Board of Commissioners in meeting held May 19, 2015, does hereby approve the Virginia International Terminals, LLC budget for Fiscal Year Ending June 30, 2016.



John G. Milliken
Chairman

Attest:



Debra J. McNulty, Clerk

RESOLUTION 15-5

**APPROVING VIRGINIA PORT AUTHORITY'S BUDGET
FOR FISCAL YEAR ENDING JUNE 30, 2016**

WHEREAS, Resolution 97-5, Authorizing and Securing Virginia Port Authority Port Facilities Revenue Bonds, adopted May 27, 1997, Amended and Restated as of June 1, 1998, further Amended and Restated as of May 23, 2000, and further Amended and Restated as of July 22, 2003 (pursuant to Resolution 03-3):

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

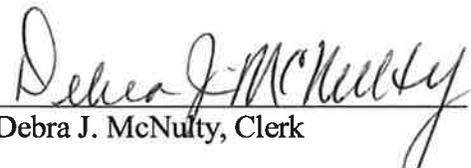
WHEREAS, the Virginia Port Authority has proposed its budget for Fiscal Year Ending June 30, 2016.

NOW, THEREFORE, BE IT RESOLVED, the Virginia Port Authority Board of Commissioners in meeting held May 19, 2015, does hereby approve the Virginia Port Authority's budget for Fiscal Year Ending June 30, 2016.



John G. Milliken
Chairman

Attest:



Debra J. McNulty, Clerk

**VIRGINIA PORT AUTHORITY
RESOLUTION 15-6**

A RESOLUTION AUTHORIZING AID TO LOCAL PORTS FUNDING (FY16) TOTALING \$1,000,000 to the City of Chesapeake, the City of Newport News, the City of Poquoson, the City of Portsmouth, Isle of Wight County, Northampton County, and the Town of Saxis.

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

WHEREAS, the Board of Commissioners of the Virginia Port Authority adopted a Policy on Grants to Local Governments for Financial Assistance for Port Facilities (Aid to Local Ports Policy) on July 28, 1987, which Policy was last amended on November 18, 2014; and

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

City of Chesapeake, up to \$56,250 for dock replacement at Elizabeth River Park.

City of Newport News, up to \$638,292 for the replacement of the west bulkhead at the Seafood Industrial Park.

City of Poquoson, up to \$112,500 for breakwaters at Messick Point.

City of Portsmouth, up to \$187,500 for a pier in City Park.

Isle of Wight County, up to \$10,000 for Tyler's Beach dredging project.

Northampton County, up to \$22,500 for dredging at Willis Wharf.

Town of Saxis, up to \$173,672 for restrooms facilities and a pavilion at the harbor.

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

1. Grants will be made in the individual amounts and for the purposes indicated above.
2. Funds will be made available following the approval of certified requisitions which are accompanied by supporting documentation provided to the Virginia Port Authority as provided for in the Aid to Local Ports Policy.
3. The grantees are required to return any unused funds from these grants to the Virginia Port Authority.
4. If, by June 30, 2016, the grants authorized herein have not been fully drawn upon, or the contracts covering the improvements for which the grants were made have not been entered into, the grants will lapse and will not be carried over to the next fiscal year.

BE IT FURTHER RESOLVED that:

The City of Norfolk requests to carryover until June 30, 2016, its previous balance estimated to be \$450,000.

The County of Accomack request to carryover until June 30, 2016, its previous balance estimated to be \$450,301.

The County of Northampton requests to carryover until June 30, 2016, its previous balance estimated to be \$92,150.

The Town of Cape Charles requests to carryover until June 30, 2016, its previous balance estimated to be \$830,250.

The Town of Saxis requests to carryover until June 30, 2016, its previous balance estimated to be \$37,077.65.

The Town of Onancock requests to carryover until June 30, 2016, its previous balance estimated to be \$63,879.06.

The Town of Tangier requests to carryover until June 30, 2016, its previous balance estimated to be \$57,925.

BE IT FURTHER RESOLVED that:

Carryover for Accomack-Northampton Transportation District Commission estimated at \$200,715 to be reallocated to the City of Newport News.

PASSED AND ADOPTED this 19th day of May 2015.



John G. Milliken, Chairman

Attest:



Debra J. McNulty, Clerk

RESOLUTION 15-7

RESOLUTION AUTHORIZING THE VIRGINIA PORT AUTHORITY'S LONG-TERM LEASE OF PROPERTY OWNED BY THE CITY OF RICHMOND FOR THE OPERATION OF THE PORT OF RICHMOND

The Virginia Port Authority (the "Authority"), a body corporate and a political subdivision of the Commonwealth of Virginia, has been established pursuant to Chapter 10, Title 62.1 of the Code of Virginia of 1950, as amended (the "Act").

Pursuant to the Act, the Authority is empowered to rent, lease, buy, own, acquire, construct, reconstruct, and dispose of harbors, seaports, port facilities and such property, whether real or personal, as it may find necessary or convenient and issue revenue bonds therefore without pledging the faith and credit of the Commonwealth.

Pursuant to the Act, it is the duty of the Authority to foster and stimulate the commerce of the ports of the Commonwealth and related facilities by serving as the United States Eastern Seaboard gateway for the global import and export of freight throughout the world, to promote the shipment of freight through the maritime and inland ports, to seek to secure necessary improvements of navigable tidal waters within the Commonwealth, and in general to perform any act or function that may be useful in developing, improving, or increasing the commerce, both foreign and domestic, of all maritime and inland ports of the Commonwealth and related facilities.

The Authority is party to a Deed of Facilities Lease Agreement for Port of Richmond dated June 30, 2011 (the "Existing Lease"), pursuant to which the Authority leases certain real property and related assets (the "Leased Premises") from the City of Richmond (the "City") for the operation of a port facility. The initial term of the Existing Lease expires June 30, 2016. Subject to certain contingencies, including approval by the City Council of the City, the Existing Lease may be renewed for up to three (3) additional terms of five (5) years each. If the Authority were to exercise the first renewal option, the Existing Lease requires the Authority to notify the City in writing of such intent prior to June 30, 2015.

The Authority desires to secure a long term lease from the City of Parcel S0090759006 and Parcel S0080572040 containing approximately 144.33 acres in the aggregate, a portion of which is the Leased Premises, generally in the form of the Existing Lease and on terms substantially similar to or better than those in the Existing Lease (the "New Lease"). The Board has found and determined that entering into the New Lease is in conformity with the purposes of the Authority set forth in the Act and is in the public interest and otherwise beneficial to the Commonwealth of Virginia.

The Board has determined that it is necessary to delegate to the CEO/Executive Director the authority to negotiate and approve the terms of the New Lease, including necessary or proper modifications to terms of the Existing Lease that are incorporated into the New Lease.

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

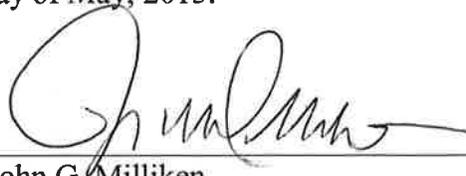
Section 1. Approval of New Lease. The Authority's entering into the New Lease, with a term of up to forty (40) years, and the execution and delivery thereof by the Authority are hereby authorized. The CEO/Executive Director is authorized to negotiate and approve the terms of the New Lease, including necessary or proper modifications to terms of the Existing Lease that are incorporated into the New Lease. Provided that the CEO/Executive Director has first obtained the prior review and consent of the Chairman of the Board and the Chairman of the Board's Growth and Operations Committee, the CEO/Executive Director is authorized to execute the New Lease on behalf of the Authority. The execution of the New Lease by the CEO/Executive Director shall be conclusive evidence of the Authority's approval of the New Lease. The CEO/Executive Director shall obtain such other approvals, if any, as may be required by law.

Section 2. Ratification; Further Action. The actions previously taken by the officers and staff of the Authority in furtherance of the New Lease are hereby ratified and confirmed. The officers and staff of the Authority, any of whom may act, 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 New Lease.

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

[Signatures on following page.]

PASSED AND ADOPTED this 19th day of May, 2015.



John G. Milliken
Chairman

ATTEST:



Debra J. McNulty
Clerk



Virginia Port Authority Board of Commissioners, Session 365, May 19, 2015
March 2015 Financial Update

Rodney Oliver
Chief Financial Officer



Stewards of Tomorrow

Virginia Port Authority/Virginia International Terminals, LLC
CONSOLIDATED INCOME STATEMENT FOR THE MONTH ENDED
March 31, 2015

	<u>Actual</u>	<u>Budget</u>	<u>\$ Variance</u>	<u>% Variance</u>
Operating Revenues	\$42,602,727	\$37,068,823	\$ 5,533,904	14.9%

- Actual container volume was 129,873 vs. 107,592 budgeted, 20.71% ahead of budget
- Operating Revenue was 14.9% over budget, primarily due to the increased volume



Stewards of Tomorrow

Virginia Port Authority/Virginia International Terminals, LLC
CONSOLIDATED INCOME STATEMENT FOR THE MONTH ENDED
March 31, 2015

	<u>Actual</u>	<u>Budget</u>	<u>\$ Variance</u>	<u>% Variance</u>
Operating Revenues	\$ 42,602,727	\$ 37,068,823	\$ 5,533,904	14.9%
Operating Expenses:				
Terminal operations	19,197,459	16,408,081	(2,789,378)	-17.0%
Terminal maintenance	9,094,945	7,134,432	(1,960,513)	-27.5%
General and administrative	4,163,914	4,200,217	36,303	0.9%
Facility Rental	4,810,167	4,603,768	(206,399)	-4.5%
Depreciation and amortization	3,741,047	4,285,929	544,882	12.7%
Total operating expenses	41,007,532	36,632,428	(4,375,104)	-11.9%

- Terminal operations expense was \$2.8 million (17.0%) over budget primarily due to volume
- Terminal maintenance expense was \$2.0 million (27.5%) over budget primarily due to volume and the costs to repair aging equipment
- Overall, operating expenses were \$4.4 million (11.9%) over budget for the month



Virginia Port Authority/Virginia International Terminals, LLC
CONSOLIDATED INCOME STATEMENT FOR THE MONTH ENDED
March 31, 2015

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Total operating expenses	41,007,532	36,632,428	(4,375,104)	-11.9%
Operating income (loss)	1,595,195	436,395	1,158,800	265.5%

- Operating income of \$1.6 million for the month of March was \$1.2 million more than budgeted

Virginia Port Authority/Virginia International Terminals, LLC
CONSOLIDATED INCOME STATEMENT FOR THE MONTH ENDED
March 31, 2015

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Depreciation and amortization	3,741,047	4,285,929	544,882	12.7%
Total operating expenses	41,007,532	36,632,428	(4,375,104)	-11.9%
Operating income (loss)	1,595,195	436,395	1,158,800	265.5%
Non-operating revenues (expenses)	(2,434,312)	(1,640,478)	(793,834)	-48.4%
Capital contributions and transfers	3,245,634	2,984,884	260,750	8.7%

- Non-operating revenues (expenses) were \$793.8 thousand over budget , primarily due to debt issuance costs to accomplish the debt refunding
- Capital Contributions and transfers were \$260.8 thousand over budget



Virginia Port Authority/Virginia International Terminals, LLC
CONSOLIDATED INCOME STATEMENT FOR THE MONTH ENDED
March 31, 2015

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General and administrative	4,163,914	4,200,217	36,303	0.9%
Facility Rental	4,810,167	4,603,768	(206,399)	-4.5%
Depreciation and amortization	3,741,047	4,285,929	544,882	12.7%
Total operating expenses	41,007,532	36,632,428	(4,375,104)	-11.9%
Operating income (loss)	1,595,195	436,395	1,158,800	265.5%
Non-operating revenues (expenses)	(2,434,312)	(1,640,478)	(793,834)	-48.4%
Capital contributions and transfers	3,245,634	2,984,884	260,750	8.7%
Increase (decrease) in Net Position	\$ 2,406,517	\$ 1,780,801	\$ 625,716	35.1%

- Increase in Net Position was \$2.4 million, \$625.7 thousand (35.1%) over Budget



Virginia Port Authority/Virginia International Terminals, LLC
CONSOLIDATED INCOME STATEMENT FOR THE NINE MONTHS ENDED
March 31, 2015

	<u>Actual</u>	<u>Budget</u>	<u>\$ Variance</u>	<u>% Variance</u>
Operating Revenues	\$ 333,716,409	\$ 321,872,084	\$ 11,844,325	3.7%

- Operating Revenue was \$11.8 million (3.7%) ahead of budget primarily due to the 8.7% increase in volume fiscal year-to-date



Virginia Port Authority/Virginia International Terminals, LLC
CONSOLIDATED INCOME STATEMENT FOR THE NINE MONTHS ENDED
March 31, 2015

	Actual	Budget	\$ Variance	% Variance
Operating Revenues	\$ 333,716,409	\$ 321,872,084	\$ 11,844,325	3.7%
Operating Expenses:				
Terminal operations	143,984,355	141,893,877	(2,090,478)	-1.5%
Terminal maintenance	68,761,263	62,439,666	(6,321,597)	-10.1%
General and administrative	37,470,535	39,166,401	1,695,866	4.3%
Facility Rental	42,286,125	41,433,915	(852,210)	-2.1%
Depreciation and amortization	35,018,683	37,254,169	2,235,486	6.0%
Total operating expenses	327,520,961	322,188,028	(5,332,933)	-1.7%

- Terminal operating expenses were \$2.1 million (1.5%) over budget primarily due to the increase in container volume, but controlled by efficiencies
- Terminal maintenance expense was \$6.3 million over budget primarily due to the increased volume, increased utilities costs, costs to repair aging equipment, and weather related costs
- We continue to take a conservative approach with general and administrative expenses
- Total Operating expense was \$5.3 million (1.7%) over budget



Virginia Port Authority/Virginia International Terminals, LLC
CONSOLIDATED INCOME STATEMENT FOR THE NINE MONTHS ENDED
March 31, 2015

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Depreciation and amortization	35,018,683	37,254,169	2,235,486	6.0%
Total operating expenses	327,520,961	322,188,028	(5,332,933)	-1.7%
Operating income (loss)	6,195,448	(315,944)	6,511,391	2060.9%

- Higher than budgeted revenue combined with operating expenses in line with budget resulted in and operating income of \$6.2 million, \$6.5 million ahead of budget for the first nine months of the fiscal year.

Virginia Port Authority/Virginia International Terminals, LLC
CONSOLIDATED INCOME STATEMENT FOR THE NINE MONTHS ENDED
March 31, 2015

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Total operating expenses	327,520,961	322,188,028	(5,332,933)	-1.7%
Operating income (loss)	6,195,448	(315,944)	6,511,391	2060.9%
Non-operating revenues (expenses)	(14,316,255)	(13,816,838)	(499,417)	-3.6%
Capital contributions and transfers	27,831,032	27,706,282	124,750	0.5%

- Non-operating expense were \$499.4 thousand (3.6%) below budget
- Capital contributions and transfers were \$124.7 thousand (0.5%) ahead of budget



Virginia Port Authority/Virginia International Terminals, LLC
CONSOLIDATED INCOME STATEMENT FOR THE NINE MONTHS ENDED
March 31, 2015

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Capital contributions and transfers	27,831,032	27,706,282	124,750	0.5%
Increase (decrease) in Net Position	\$ 19,710,225	\$ 13,573,501	\$ 6,136,724	45.2%

- The overall results show an increase in Net Position of \$19.7 million through the first nine months of the fiscal year, \$6.1 million ahead of Budget.



Stewards of Tomorrow



May 19, 2015

Port of Virginia FY 2016 Draft Budget Board of Commissioners



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Agenda

- Executive Summary
- Volume
- Revenue
- Expenses
- Operating Income
- Capital Outlay
- Debt Service Coverage

Executive Summary

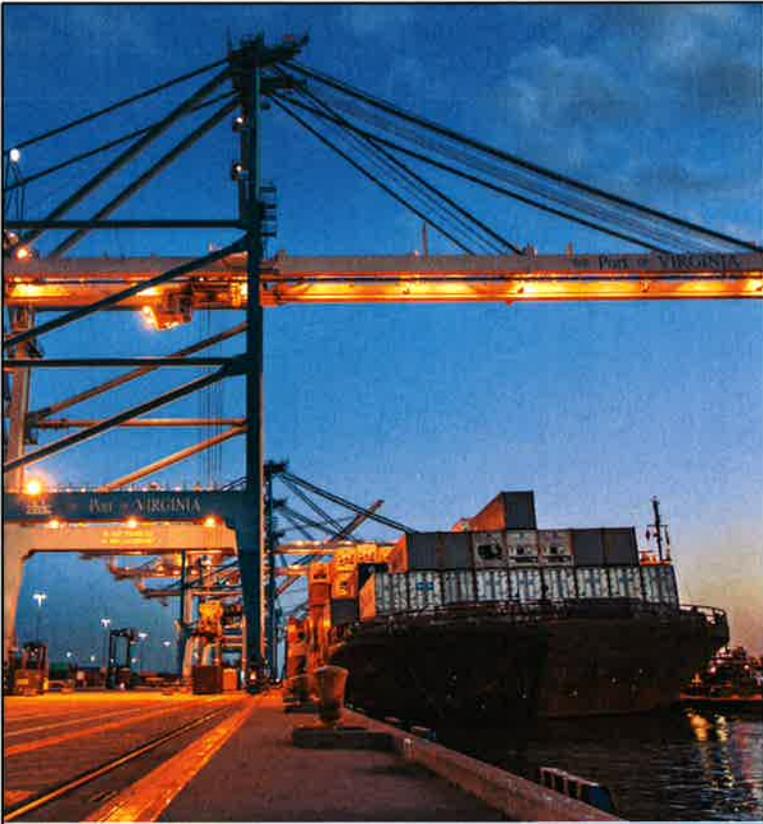
\$000's	Budget FY 2015	Forecast FY 2015	Budget FY 2016
Operating Revenues	\$432,199	\$448,557	\$489,669
Operating Expenses	\$431,539	\$441,001	\$486,981
Operating Income	\$659,659	\$7,557	\$2,688
Increase Net Position	\$43,314	\$35,016	\$53,789

- 5.4% volume increase (from 2015 forecast)
- Operating Income of \$2.7 million
- \$53.8 million increase in net position
- 95 new positions (80 from 2015 budget)
- \$135 million capital expenditure plan
- Debt Service Coverage Ratio of 2.87x



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Volume



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Volume

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

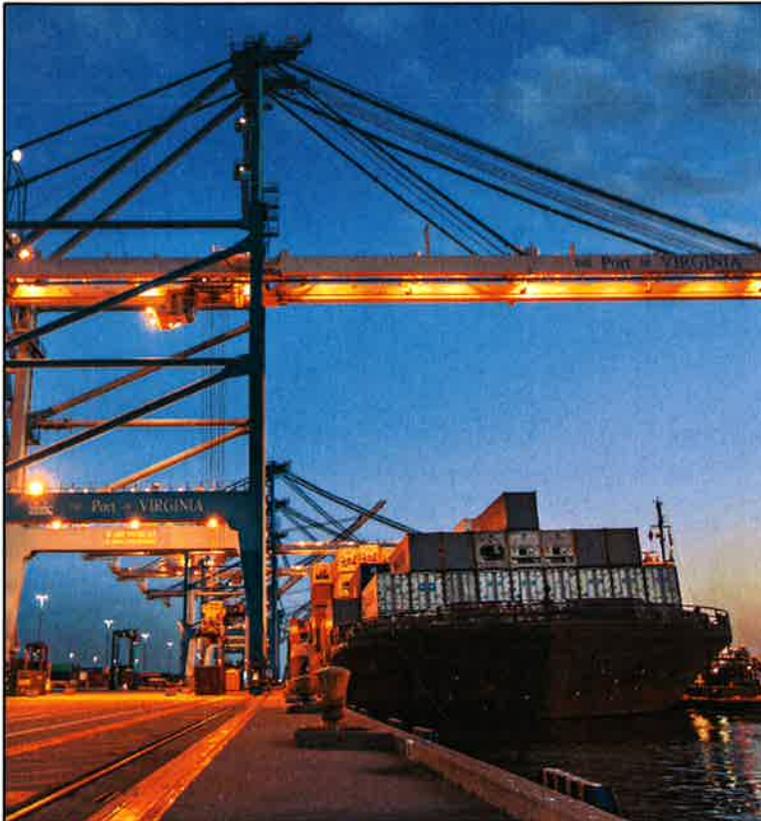


Annual Volume Trends

Port of Virginia Yearly Container Volumes
Actual Plus Forecast
Forecast begins Feb 2015



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Revenue



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Revenue

\$000's	Budget FY 2015	Forecast FY 2015	Budget FY 2016
Terminal Revenues	\$419,053	\$434,660	\$475,200
Other Revenues	\$8,732	\$8,760	\$10,014
Grants	\$4,413	\$5,137	\$4,455
Total Operating Revenue	\$432,199	\$448,557	\$489,689

- 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
- Schedule of Rates (SOR) will increase by 1.9% resulting in a \$7.0 million increase to revenue across all revenue line items



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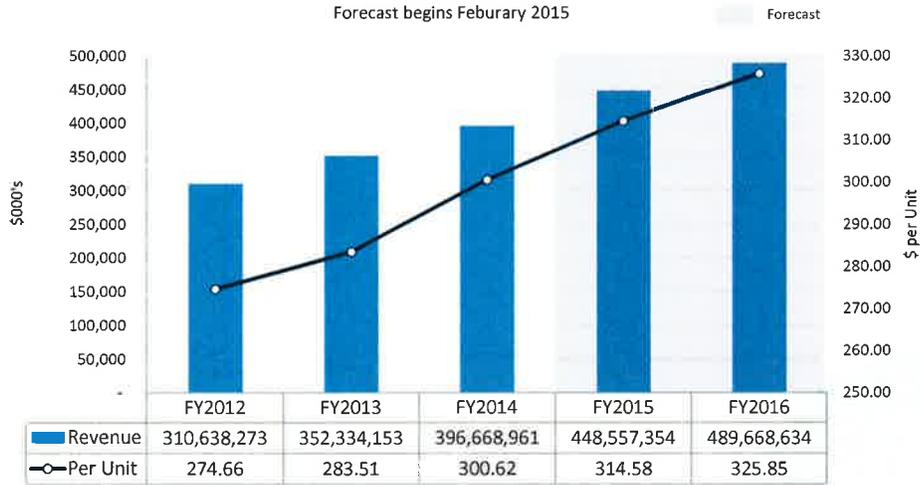
Revenue Cont.

- HRCF revenues will increase by \$6.2 million due to the addition of 2,010 chassis to the fleet for FY2016
- HRCF revenues will also increase by \$5.5 million due to a budgeted increase in the daily use rates for FY2016

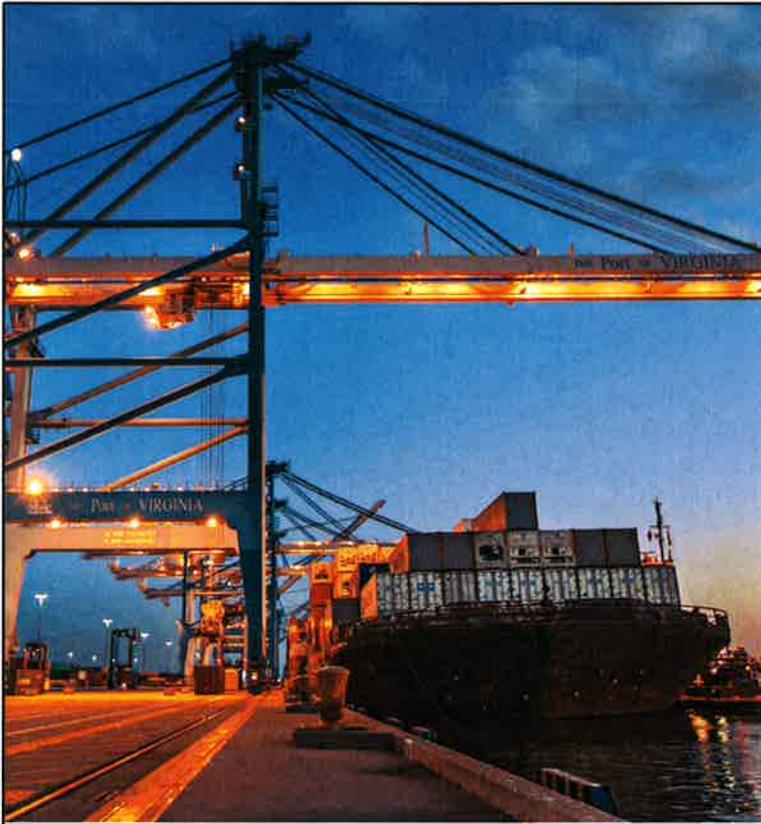


Revenue Trends

Port of Virginia Yearly Operating Revenue
Actual Plus Forecast
Forecast begins February 2015



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Expenses



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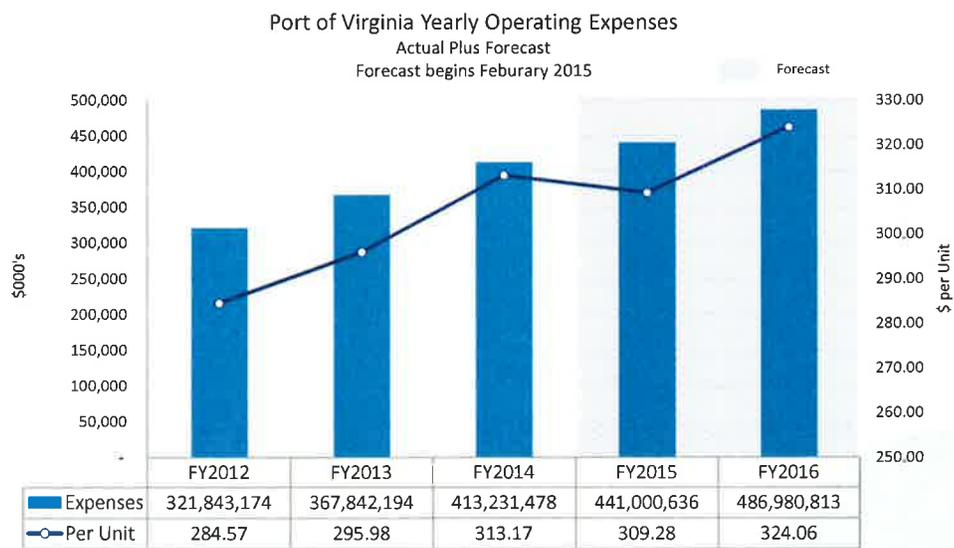
Expenses

\$000's	Budget FY 2015	Forecast FY 2015	Budget FY 2016
Terminal Operations	\$190,566	\$196,258	\$210,410
Terminal Maintenance	\$83,316	\$89,193	\$101,073
General & Administrative	\$52,223	\$51,362	\$64,159
Facility rental	\$55,369	\$57,447	\$59,567
Depreciation	\$50,066	\$46,740	\$51,776
Total Operating Expenses	\$431,539	\$441,001	\$486,981

- Expenses are estimated to be **\$487.0 million** in FY2016, or **10.4%** higher than FY2015 forecasted expenses.
- **\$210.4 million** in costs are specific to terminal operations
- **\$59.6 million** in costs are specific to VIG rent



Expense Trends



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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



Terminal labor

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

- Due to an increase in volume and the port's 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 \$1.8 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)



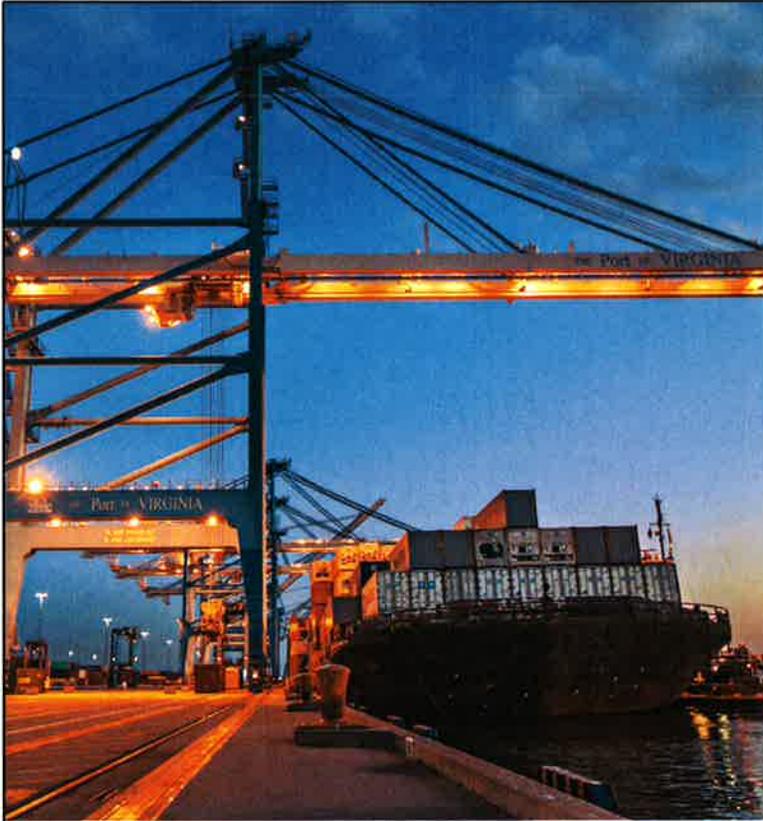
Maintenance Expense

- 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%, due to the 14% increase in the chassis fleet and a labor increase

Administrative Expense

- 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 on terminal projects
 - \$2.6 million due to the addition of 30 new administrative positions assumed to be hired 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



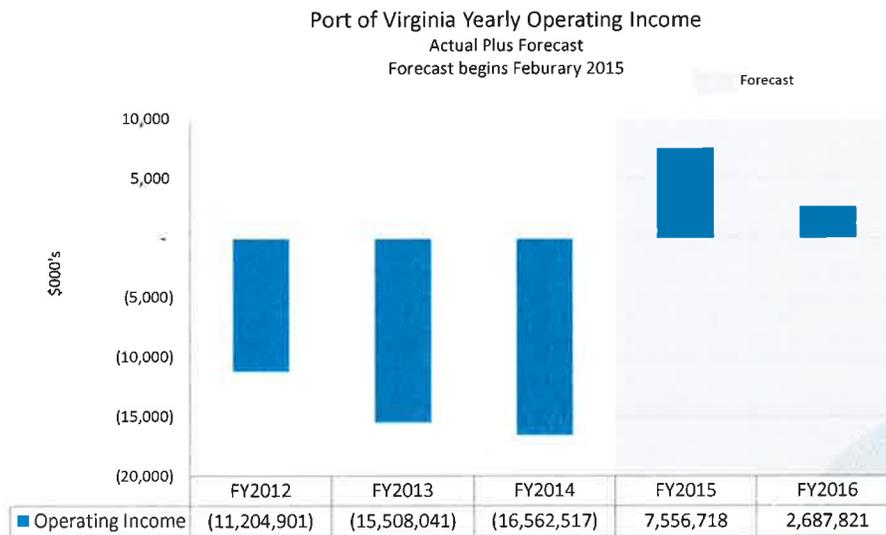
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Operating Income

- 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

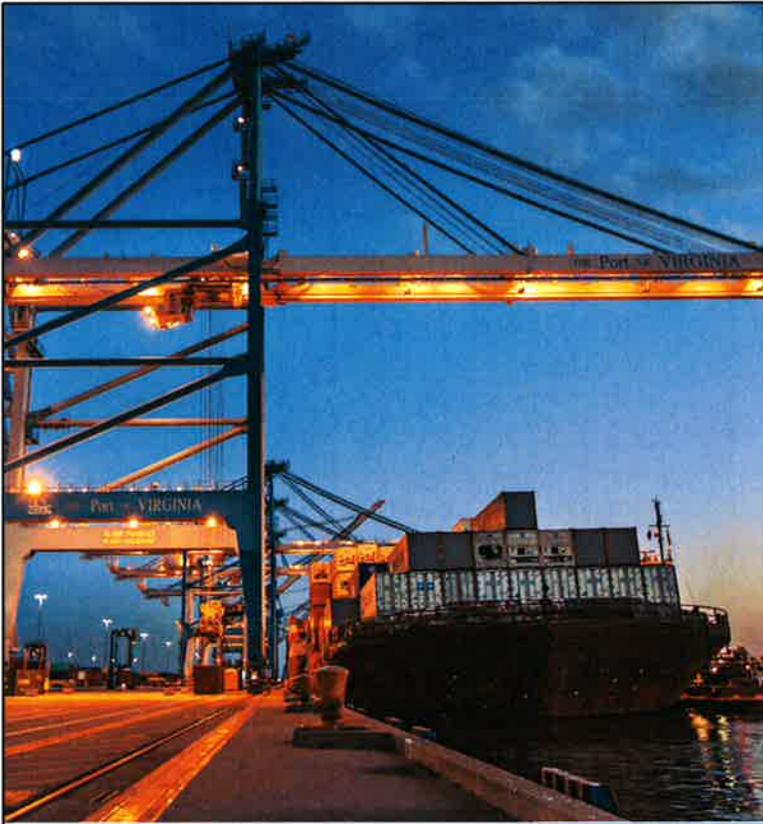


Operating Income Trends



**THE PORT OF
VIRGINIA**

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Capital Outlay



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Capital Budget Projects

CAPITAL PROJECTS:

FY2016:

Container Handling Equipment	44,353,680
NIT Rail/3rd Street Improvements	2,000,000
VIG II Rail Portal	250,000
VIG II Modeling and Simulation (also see maint)	1,825,000
IT Projects (DR, GPS for equipment, etc.)	1,749,000
NIT North Gate/Yard (TIGER)	15,000,000
Rebuild VIP Rail	750,000
VIP Rail Expansion	5,000,000
NIT Infrastructure	3,500,000
NIT Rail Expansion	13,400,000
Dredging	7,700,000
PMT landside Infrastructure Improvements	2,000,000
PMT Wharf and Fender Improvements	3,640,000
Richmond Infrastructure Improvements	2,600,000
VPA - CIEE Corp Support (2011 Funds)	3,500,000
CIEE - Fill to maintain elev 10	3,500,000
VPA - CIEE Project Operations & Management	2,000,000
CIEE Pre-dredge debris removal	3,000,000
CIEE Wick Drains	5,200,000
CIEE CIRRC Permitting	1,000,000
FED Port Security Grant	1,484,250

Total

\$ 123,451,930

Note: Infrastructure improvements at NNMT to be evaluated and brought to the Board as new business opportunities develop.



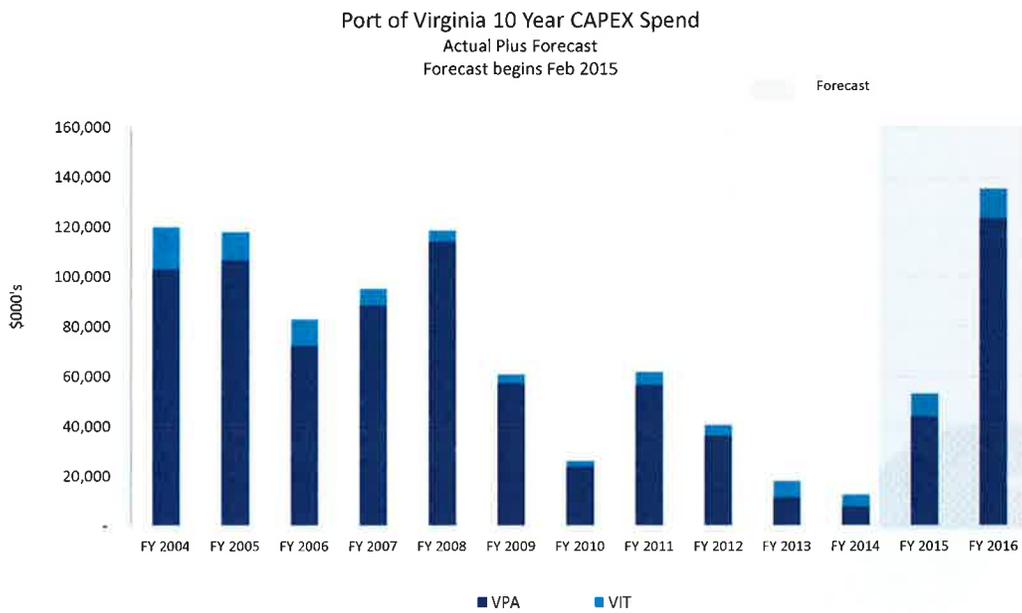
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Capital Budget Sources of Funds

Source	\$000's
CPF Paygo	\$9,525
TR Paygo	\$5,780
State Grant	\$21,438
Federal Grant	\$8,985
Bond	\$77,725
Total Capital Budget	\$123,452

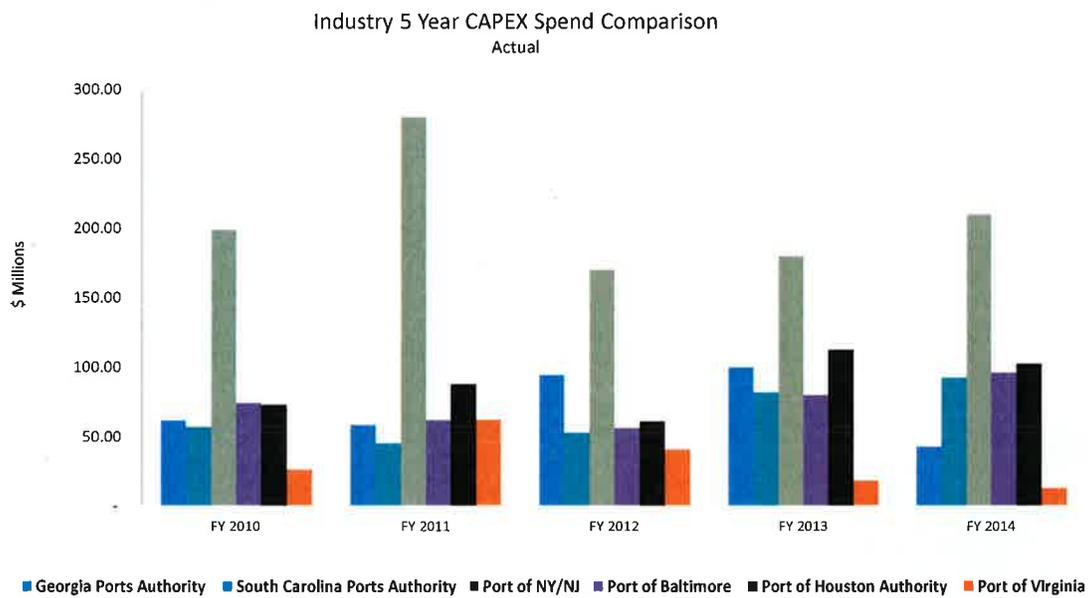


Historical Capital Outlay Spending



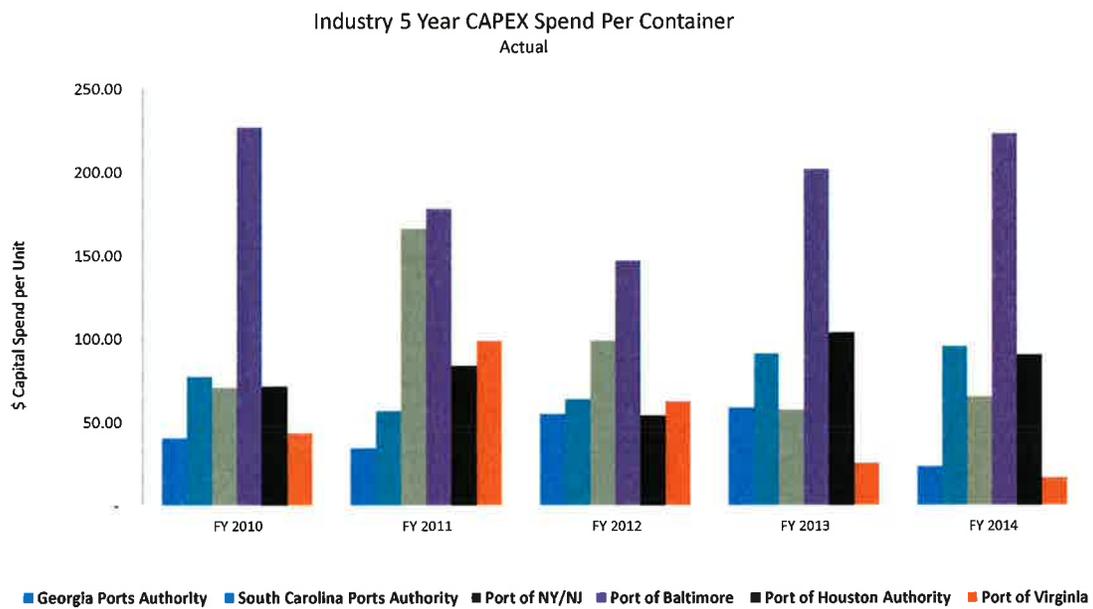
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Total Capital Spend Comparison

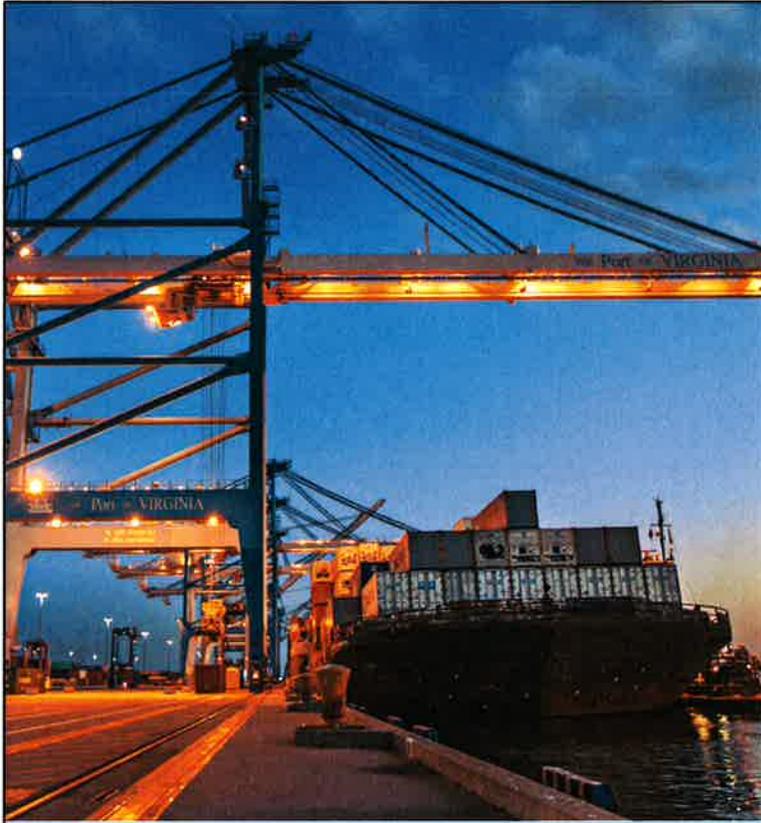


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Per Unit Capital Spend Comparison



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Debt Service Coverage

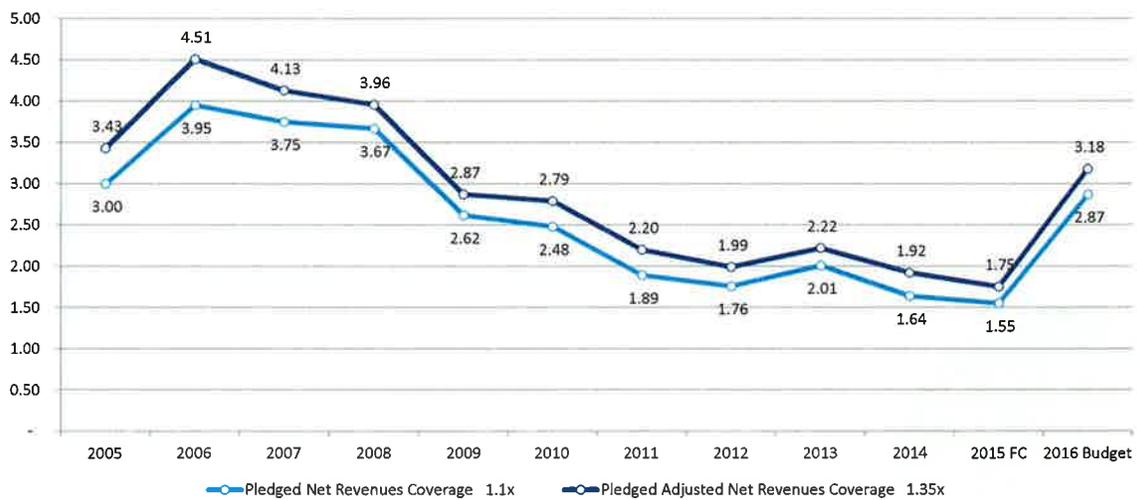


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Debt Service Coverage

Port of Virginia Debt Service Coverage Ratio
Actual Plus Forecast
Forecast begins Feb 2015



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Virginia Port Authority Board of Commissioners, Session 365, May 19, 2015
Growth and Operations Committee Update

Thomas Capozzi
Chief Sales Officer



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Fiscal Year to Date

Fiscal Year-to-Date: July - April

	FY14: Jul-Apr	FY15: Jul-Apr	Change	% Change
Total TEUs	1,915,276	2,066,071	150,796	7.9%
Export TEUs	1,020,551	1,108,953	88,402	8.7%
Import TEUs	894,725	957,119	62,394	7.0%
Total Containers	1,095,141	1,186,315	91,174	8.3%
General Cargo Tonnage	16,385,248	16,258,358	(126,890)	-0.8%
Container Tonnage	16,092,116	16,021,883	(70,233)	-0.4%
Breakbulk Tonnage	293,132	236,475	(56,657)	-19.3%
Total Rail Containers	369,019	383,851	14,832	4.0%
VIP Containers	29,402	30,381	979	3.3%
Total Barge Containers	41,014	47,091	6,077	14.8%
Total Truck Containers	685,108	755,373	70,265	10.3%
Ship Calls	1,553	1,645	92	5.9%
Vehicle Units	27,788	22,919	(4,869)	-17.5%



Calendar Year to Date

Calendar Year-to-Date: January - April

	CY14: Jan-Apr	CY15: Jan-Apr	Change	% Change
Total TEUs	746,019	809,688	63,669	8.5%
Export TEUs	401,588	429,237	27,649	6.9%
Import TEUs	344,431	380,451	36,020	10.5%
Total Containers	425,395	462,931	37,536	8.8%
General Cargo Tonnage	6,483,708	6,816,417	332,709	5.1%
Container Tonnage	6,362,863	6,719,787	356,924	5.6%
Breakbulk Tonnage	120,845	96,630	(24,215)	-20.0%
Total Rail Containers	143,016	157,037	14,021	9.8%
VIP Containers	11,894	11,337	(557)	-4.7%
Total Barge Containers	16,439	15,615	(824)	-5.0%
Total Truck Containers	265,940	290,279	24,339	9.2%
Ship Calls	615	629	14	2.3%
Vehicle Units	12,590	14,025	1,435	11.4%



May 19, 2015

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Port Reports Profitable April; Accelerating Reinvestment in The Port of Virginia

Norfolk – The Port of Virginia is reporting a \$10 million operating profit thus far into fiscal 2015, a total bolstered by strong cargo volumes and accompanying financial performance in April.

Today, John F. Reinhart, CEO and executive director of the Virginia Port Authority (VPA), reported the port's operating profit in April was \$3.9 million; he made the announcement at the VPA Board of Commissioners' meeting.

"Our financial performance is improving and as that happens, we are reinvesting the profits in the terminals," Reinhart said. "We have a commitment to improving our delivery of service. We are not there yet, but positive operating results combined with our strong bond rating puts us in a very good position to continue our investment strategy and work to improve cargo velocity. The work has to be done now and with the support of the board we are investing in facility improvements, cargo handling equipment and people."

In April, the port handled 210,000 twenty-foot equivalent units (TEUs); truck containers, rail containers and ship calls were up compared with the same month last year. Reinhart said monthly TEU volumes above 200,000 units are becoming the norm and the port must invest now to create capacity and improve throughput.

At today's meeting, the board approved the purchase of 500 new chassis to improve the service to motor carriers. That purchase comes in addition to replacement scales at Norfolk International Terminals, facility upgrades at Pinners Point Container Yard, container handling equipment being delivered to Portsmouth Marine Terminal and the interim expansion at Virginia International Gateway. Moreover, the board approved a budget for fiscal 2016 that includes \$123 million in capital projects, which is the largest capital plan in more than a decade.

"This budget will accelerate much-needed capital investments of which \$70 million are for near-term improvements for motor carrier service, congestion relief and expanding capacity," said Board Chairman John G. Milliken. "This budget will generate a modest operating profit of \$2.7 million in fiscal 2016 and provide investments in equipment, personnel and system improvements to begin moving the port and the Commonwealth forward."

The fiscal-year-to-date result is an operating profit of \$10 million, versus a prior-year operating loss of \$16 million, or an improvement of \$26 million when compared with the same period last year.

There are two months left in fiscal 2015.

About The Port of Virginia

The Port of Virginia is the brand name for the Virginia Port Authority (VPA), which 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.

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