

MINUTES

MEETING - Board of Commissioners - Session 369

Virginia Port Authority
600 World Trade Center
Norfolk, Virginia
November 17, 2015

The Board of Commissioners (“Board”) of the Virginia Port Authority (“VPA”) held its regular meeting on November 17, 2015, in the VPA’s Conference Room located at 600 World Trade Center, Norfolk, Virginia. VPA Board Vice Chairman John N. Pullen called the meeting to order at 9:00 a.m.

The following were then in attendance:

Commissioners:

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
Manju S. Ganeriwala, State Treasurer

Commissioners Absent:

John G. Milliken, Chairman
Martin J. Briley

VPA Staff:

John F. Reinhart, CEO/Executive Director
Rodney W. Oliver, Chief Financial Officer
Cathie France, Chief Public Affairs Officer
Joseph P. Ruddy, Chief Innovation Officer
James W. Noel, III, General Counsel
Russell Held, Senior Vice President, Business Development
Matthew Barnes-Smith, Vice President, Financial Planning & Analytics
Jay Stecher, Vice President, Marketing and Communications
Christopher “Kit” Chope, Vice President, Sustainability and Process Excellence
Andrew Sinclair, Director, Government Affairs
Sarah McCoy, Manager, Local Government & Community Affairs
Joe Harris, Senior Director, Media Relations/Spokesman

VPA Staff (continued):

Carla Welsh, Director, Creative Services and Brand Management
Debra J. McNulty, Clerk/Secretary to the Board

Virginia International Terminals, LLC (VIT) Staff:

Travis Hill, Vice President, Container Operations (VIG)

Guests:

The Hon. Aubrey L. Layne, Jr., Secretary of Transportation
Brice Fiske, Office of the Attorney General
Larry A. Bachtell, Atlantic Coast District, International Longshoremen's Association (ILA)
JoAnne Carter, Public Financial Management (PFM Group)
Fred Norman, Cousins & Associates
Zoe Arndt, POV Legal Intern

Media

Robert McCabe, *The Virginian-Pilot*

Mr. Ruddy conducted the safety briefing at this time. Mr. Harris introduced guests in attendance.

I. Approval of Minutes

Action: At the request of Vice Chairman Pullen, upon motion by Mr. Diamonstein, seconded by Mr. McCollum, the minutes of the meeting held September 22, 2015, were unanimously approved.

II. Reports of Committees

A. Executive Committee – John N. Pullen, VPA Vice Chairman

Vice Chairman Pullen announced that Chairman Milliken was unable to attend today's meeting due to a family matter. On behalf of the Board, the Vice Chairman announced the following:

The Executive Committee discussed in closed session the status of the Virginia International Gateway (VIG) transaction and, upon completion of our discussion, there was consensus on a way forward for The Port of Virginia (POV) management team. We have directed the Port's management to use commercially reasonable efforts to negotiate and finalize a detailed Term Sheet with Virginia International Gateway. If consummated, the Term Sheet will then be brought before our Board for discussion and action during a Special Meeting likely in late December 2015 or early January 2016.

We believe this meets our timeline and allows the parties to continue the negotiations on the more nuanced tax and legal issues.”

The Secretary expressed the Administration’s support for the long-term lease of VIG.

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

Mr. McCollum reported that the Finance and Audit Committee met yesterday afternoon and received presentations from VPA and VIT external auditors, reviewed year-end financial results, and received updates on certain real estate transactions, legal matters, and human resources activities and initiatives.

Mr. McCollum announced that VPA and VIT external auditors reported that the audits resulted in unmodified (clean) opinions for both year-end audits; reported on accounting policies and practices; year-end adjustments; and noted financial reporting and internal controls.

Mr. McCollum reported that management provided the Finance and Audit Committee with an update on certain real estate acquisitions and human resource performance metrics and incentive programs.

Mr. McCollum announced that no actions or votes were taken by the Committee.

At this time, Mr. Oliver reviewed the VPA/VIT consolidated income statement for the month ended September 30, 2015, and the FY16 fiscal year-to-date report (July 1-September 30, 2015). Mr. Oliver mentioned the new reporting format, as suggested by Secretary Layne at the last meeting. He thanked Jay Stecher and Carla Welsh for their assistance on the graphics.

(A copy of Mr. Oliver’s presentation is attached.)

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

Mr. Diamonstein reported that the Growth and Operations committee met yesterday and heard from Ron Babski, Director of Health, Safety and Environmental, who discussed in detail certain aspects of the Port’s health and safety program. The Committee then heard from Travis Hill, Vice President of Container Operations, (reporting for Shawn Tibbetts, Chief Operations Officer) who provided service level updates and innovative processes used to provide reliable service levels during peak season. Mr. Diamonstein reported that Dave Harriss, VIT’s Director of Breakbulk and Ro-Ro Sales (reporting for Tom Capozzi, Chief Sales

Officer), provided information relating to certain moves within the commercial space impacting the Port. Joe Ruddy, Chief Innovation Officer, updated the committee on preparation of the Master Plan and implementation of the truck reservation system, and Cathie France, Chief Public Affairs Officer, advised the Committee regarding recent developments at the Port of Richmond and the Port's Foreign Trade Zone expansion.

Mr. Diamonstein asked Mr. Hill to present the safety/operations report at this time.

Mr. Hill reviewed historical month-by-month lost work day (LWD) rates from FY2012 to date and reported that POV's average LWD rate is currently at 0.79. He commended the work of Ron Babski and his colleagues. Mr. Reinhart mentioned the audit style efforts that go into safety training and awareness and that safety is a major component of performance metrics. He noted that safety training also includes ILA membership.

Mr. Hill announced that October was the highest TEU throughput record in the Port's history. He went on to review rail vs. gate/barge volumes at NIT, VIG and total POV; NIT and VIG train volumes; and turns-times at each of the marine terminals.

A discussion ensued regarding turn-times and operational improvements that have taken place over the last several months. Mr. Hill announced that volumes remain strong while turn-times remain low. Mr. Reinhart then discussed turn-time industry metrics and the differences between traditional and expanded turn-times. Mr. Hill talked about the reservation system and how it would smooth out arrival compressions.

Secretary Layne remarked that his office has received no complaints from motor carriers in the last several months.

Mr. Reinhart mentioned how the opening of PMT last fall, which was approved by the Board, was integral to POV's success in handling increased capacity and he explained how the new NIT North Gate will also improve efficiencies. Mr. Hill continued with a review of net crane moves per hour, rail volume per man-hour, and straight time percentage vs. overtime percentage.

Mr. Hill concluded with a review of calendar and fiscal year-to-date volumes (copies attached).

III. Report by Chief Human Resources Officer – James Bibbs

Mr. Bibbs reviewed calendar year-to-date recruitment that reflected percentages within each business unit. He reported that, of the 120 positions filled year-to-date, 63% were new hires and 37% were backfilled.

Mr. Bibbs reported that POV's training efforts provide colleagues with new opportunities for advancement throughout the organization. He also mentioned POV's collaboration with the universities throughout the Commonwealth to help strengthen our employees. Mr. Bibbs reported that 65% of POV training is in-house and 35% is external. POV's Learning Management System is also utilized for employee training.

Mr. Bibbs talked about performance review, goal setting and objectives, and the value of the Employee Engagement survey follow-up. He explained that reviews and evaluations now include more dialogue between employees and managers and that they are more aligned with goal-setting that includes safety metrics and embedding the Employee Engagement feedback in the process.

Mr. Wimbush referred to the number of new positions that were brought into the organization and the need for added training. A discussion then ensued between Mr. Bibbs and Mr. Wimbush relating to hiring challenges over the long term and the retention of talent to which Mr. Reinhart emphasized bringing in talent who will have time to be trained and developed and to find people who are planning to stay long-term with the organization.

Mr. Wimbush asked about POV's efforts in hiring veterans. Mr. Reinhart affirmed there is an effort to increase veteran hires throughout POV and that there are also opportunities for veterans with the ILA and motor carriers.

Vice Chairman Pullen said he was very impressed with the work being done in human resources. He advised that employees who are engaged are safer, more productive, and manage costs better.

IV. Report by Chief Public Affairs Officer – Cathie France

Ms. France reported on recent actions at the Federal level with regard to appropriations bills and transportation reauthorization bills as they relate to Harbor Maintenance Tax funds for navigation funding and additional maintenance dredging. Ms. France mentioned that Mr. Ruddy, who is a member of the AAPA Executive Committee, and Andrew Sinclair, POV Government Relations, met with members of the Appropriations Committees and with some of our delegation on October 8th, to advocate port-related needs in the budget.

Ms. France reported that the delegation circulated a letter on behalf of POV to send to the Administration to support additional funding for the eastward expansion of Craney Island. She mentioned that Senator Warner, Senator Kaine, and Congressman Scott were meeting with Assistant Director Donovan of Office of Management and Budget (OMB) and Assistant

Secretary of the Army (Civil Works), Ms. Jo-Ellen Darcy, to discuss the Limited Reevaluation Report (LRR) which will support additional funding for the eastward expansion of Craney.

Ms. France reported the Army Corps of Engineers published a de-authorization list that includes two Hampton Roads' anchorage areas that have been designated to be de-authorized because they have not been dredged further. Ms. France advised that POV is working with the Virginia Pilots and other stakeholders to make sure we understand the impact of this action in order to prepare our comments to the Corps by January.

Ms. France noted that completion of the Bayonne Bridge expansion was extended to 2017 which will delay the arrival of the mega-ships to that area.

She reviewed community relations and outreach initiatives that included the Governor's Transportation Conference and she mentioned that POV shared a booth with Norfolk Southern and CSX. Economic development announcements included – Interchange in Portsmouth; Ashley Furniture in NC; Trex in Winchester and Frederick County, and the Tranlin ground breaking.

Ms. France mentioned that Mr. Capozzi was traveling in United Arab Emirates with Governor McAuliffe's trade mission and met with United Arab Shipping Company (UASC). He then met with Mediterranean Shipping Company (MSC) officials in Geneva.

Ms. France described internal and external communications – Open Channels (employee publication); POV Sustainability Report; POV Annual Report and recent branding with new signage at NNMT, PMT, VIG, Financial Services Building (Admin Building), PPCY, and VIP.

Ms. France reported that Mr. Reinhart and the Port were featured in Inside Business' "Leadership" magazine and that we have had good coverage by the *The Virginian-Pilot* and the *Daily Press*.

Ms. France reported on recent activities of the Maritime Incident Response Team (MIRT) and Emergency Operations that included the NAS Oceana Air Show, USCG/US Navy preparation exercise at Craney Island, continued work on COOP and assisted in POV Police Command Center power outage, and an active shooter exercise that was held at Busch Gardens.

Ms. France reported that a table-top exercise across all divisions on cyber security is planned for February and severe weather planning was conducted during Hurricane Joaquin.

In light of the recent terrorist threats, Secretary Layne emphasized continued diligence in our emergency preparations.

V. Report by Chief Innovation Officer – Joseph P. Ruddy

Mr. Ruddy announced that the Port had engaged a vendor for creation of a Data Warehouse for POV. He advised that, after a 12-week discovery period beginning the week of January 3, 2016, the estimated Data Warehouse delivery is anticipated in the following 3 weeks.

Mr. Ruddy reported that POV recently contracted with Moffatt and Nichol to create an updated Master Plan through 2065. He advised that a draft is due the end of this month with final draft delivery for review by the senior leadership team on December 15th. Mr. Ruddy explained that the Master Plan will be aligned with current plans for the NIT Optimization Plan and VIG II expansion.

Mr. Ruddy reviewed the work in progress at NIT on the North Gate that necessitated closing the gate and providing temporary access through Baker Street during construction. He also provided an update on the 3rd Street Rail Portal.

He advised that the 45- and 55-foot dredge projects are in the General Re-evaluation Report phase now and that high level meetings will be scheduled with the Corps to make sure the projects are tracking appropriately. The report is scheduled to be delivered to the Corps for execution by September 2018.

Mr. Ruddy announced that POV has contracted with Sera-Brynn for cyber security services and that POV is working on compliance in accordance with the Governor's mandate.

Mr. Ruddy reported on the delivery schedule for the mobile harbor crane and advised that the crane will be erected at the Port of Richmond and will include a series of training for several weeks before it goes into operation.

Mr. Ruddy reported that POV purchased four RTGs (rubber-tired gantry cranes) to supplement NIT and VIG operations during the construction transitions.

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

Mr. Reinhart commended the POV team for the work accomplished to date. He remarked that, working together, we have built capability across this port, we are reaching out and expanding our brand, we are developing the talent, and becoming more competitive.

On behalf of the team, Mr. Reinhart thanked the Commissioners and expressed good wishes for the upcoming holiday season.

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

Vice Chairman Pullen announced the 2016 VPA Board meeting schedule (in accordance with the Bylaws) as follows:

January 26

March 22

May 24

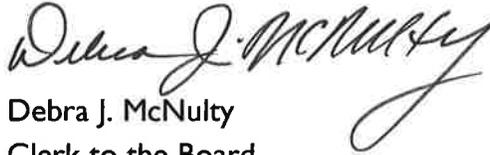
July 26 (Annual Meeting – Election of Officers)

September 27

November 15 (rescheduled from November 22, due to Thanksgiving holiday)

There being no further business and no public comments, the meeting adjourned at 10:35 a.m.

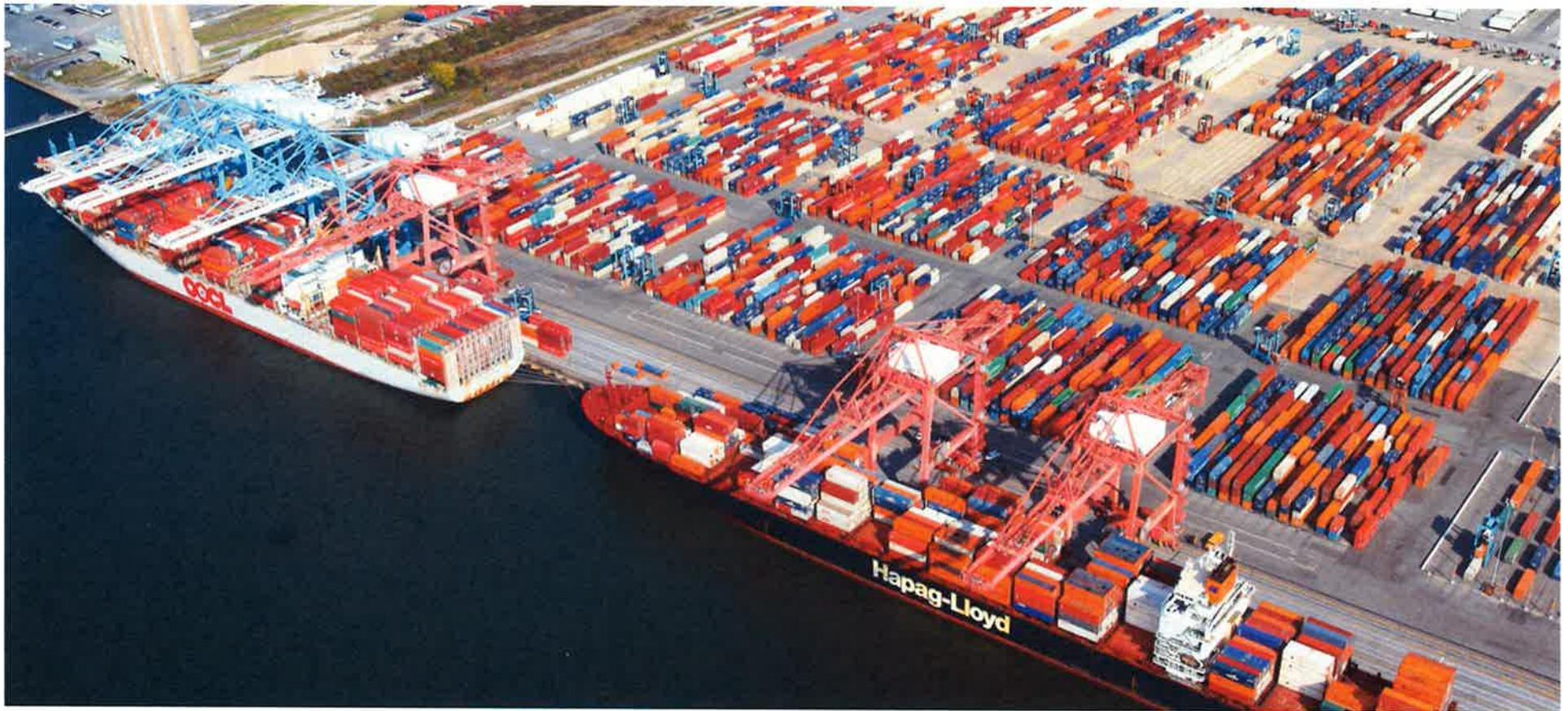
Respectfully submitted,



Debra J. McNulty
Clerk to the Board

**Virginia Port Authority Board of Commissioners, Session 369, November 17, 2015
Financial Report**

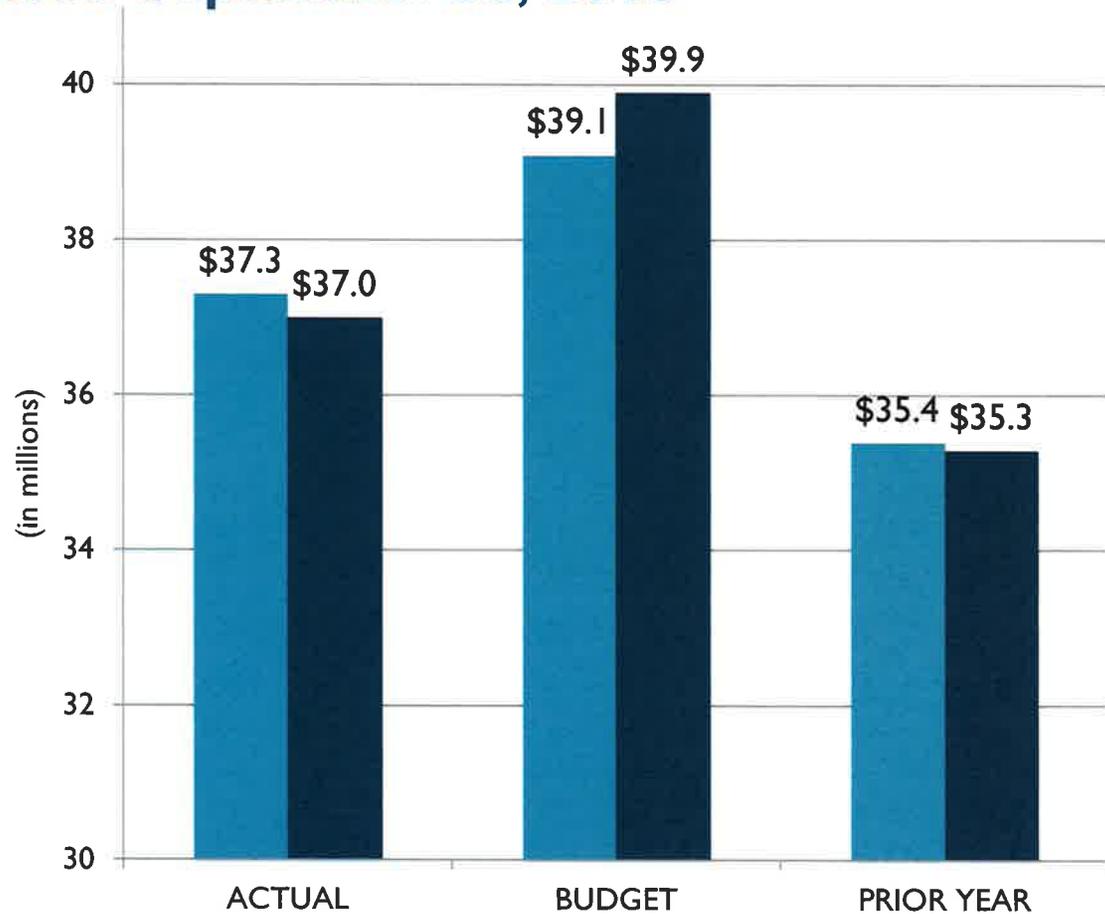
Rodney W. Oliver
Chief Financial Officer



OPERATING REVENUE AND EXPENSES: For the Month Ended September 30, 2015

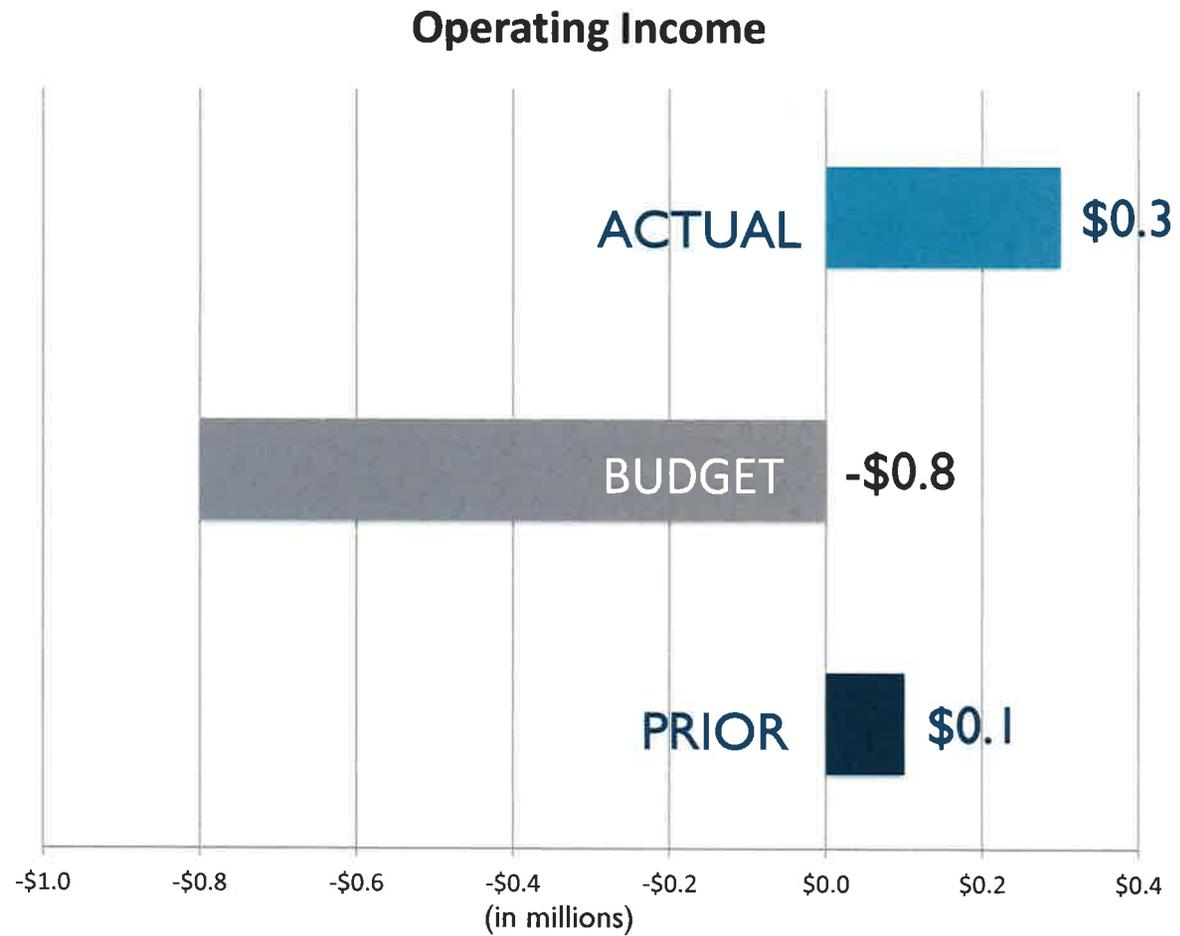
Revenues lower than budget, but lower operating expenses more than offset

■ Operating Revenue
■ Operating Expenses



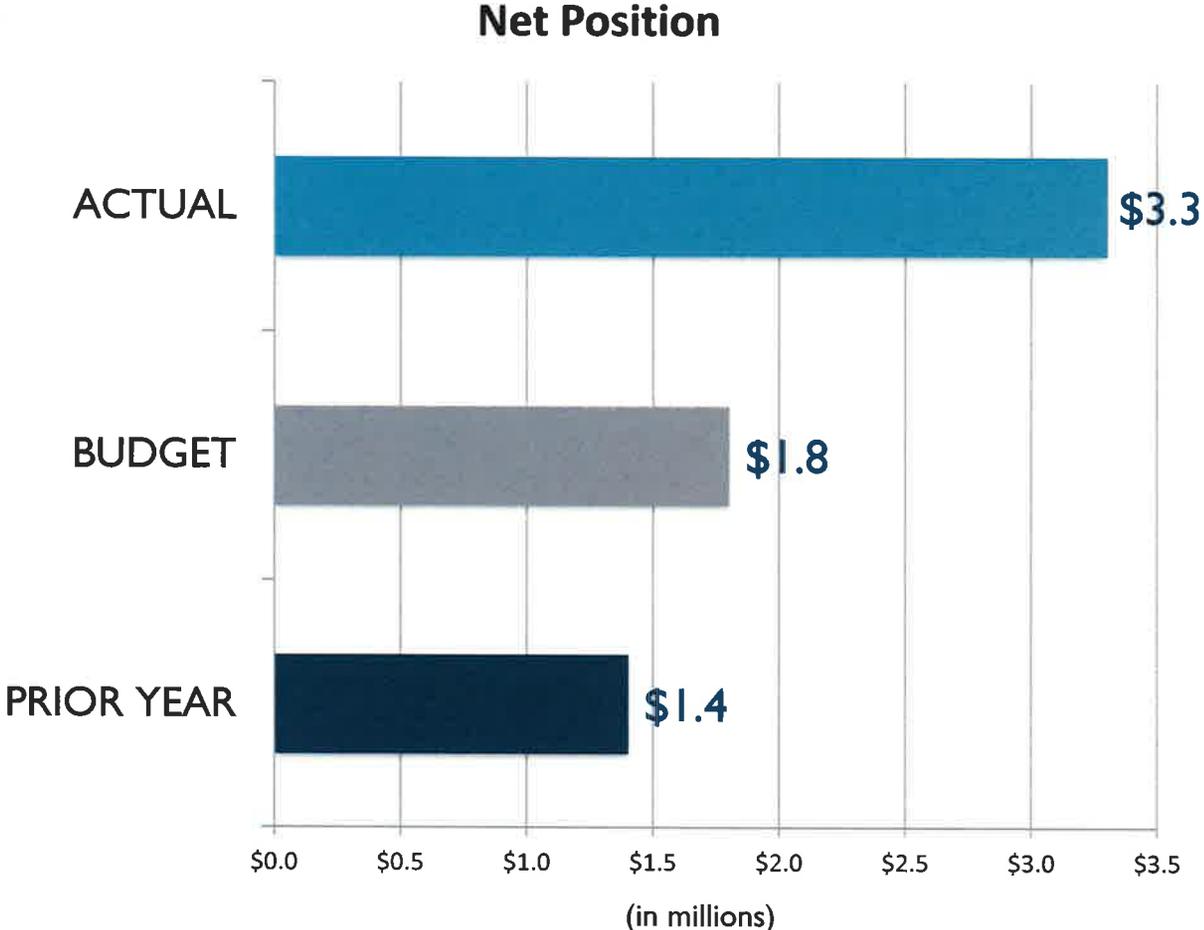
OPERATING INCOME (LOSS): For the Month Ended September 30, 2015

Positive results
both in terms
of Budget and
Prior Year



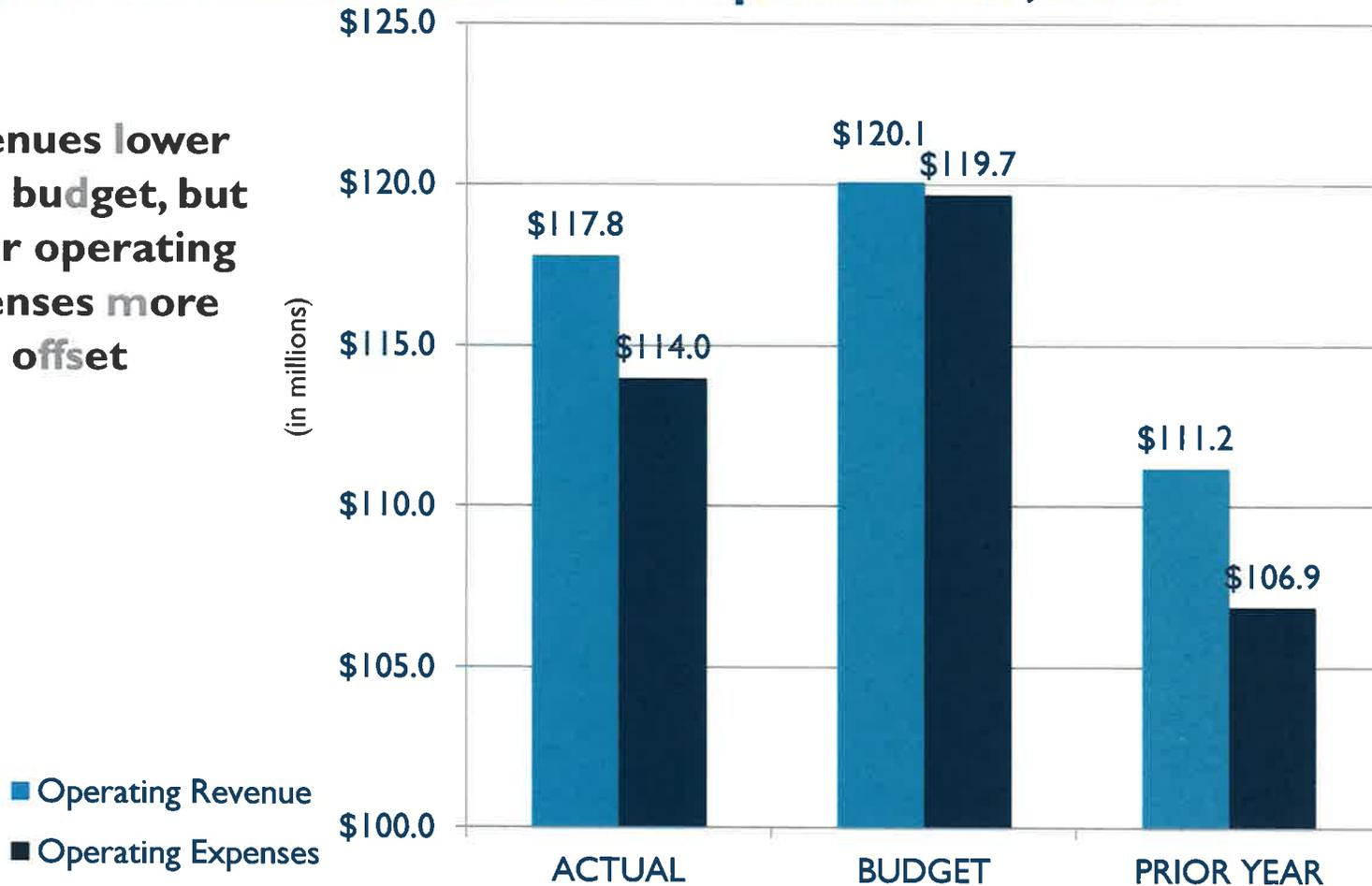
INCREASE IN NET POSITION: For the Month Ended September 30, 2015

Positive results
both in terms
of Budget and
Prior Year



OPERATING REVENUE AND EXPENSES: For the Three Months Ended September 30, 2015

Revenues lower than budget, but lower operating expenses more than offset

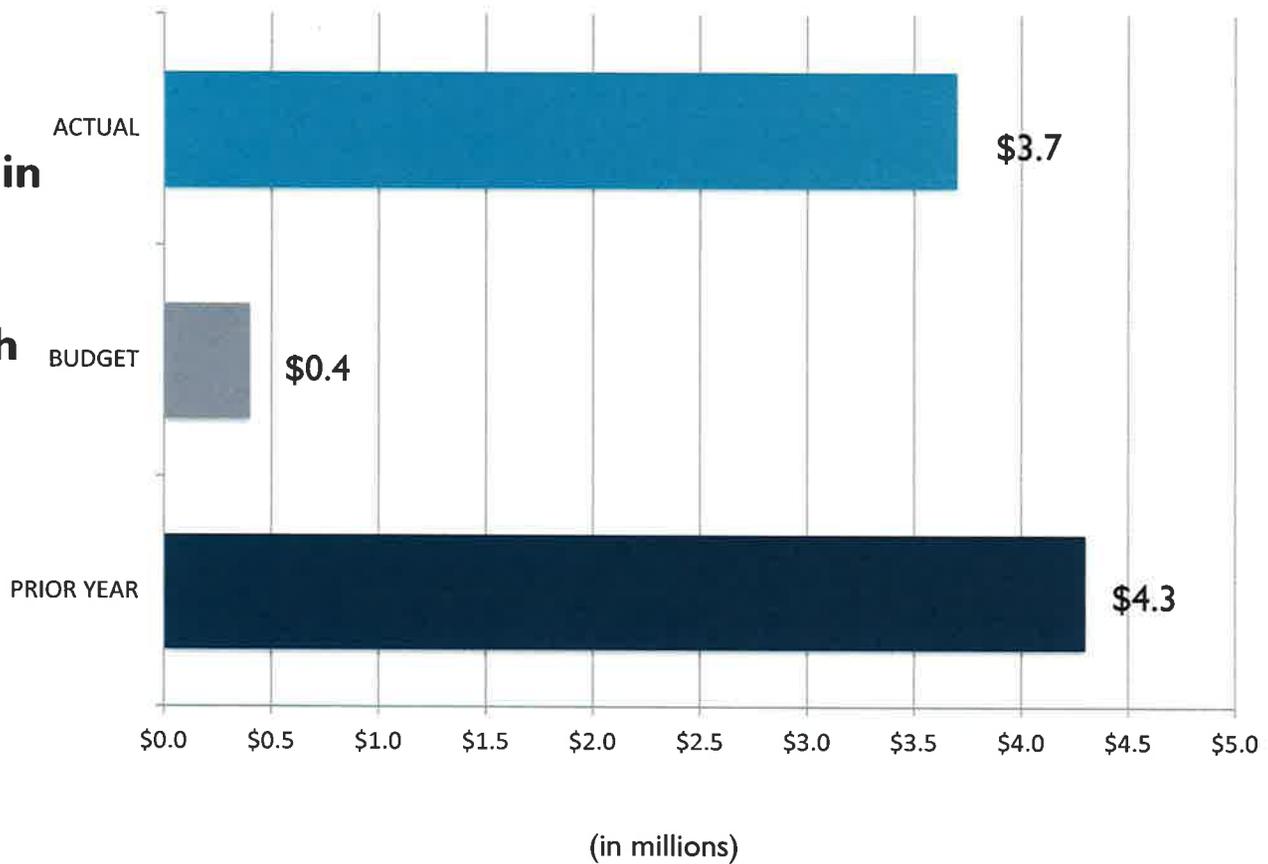


OPERATING INCOME:

For the Three Months Ended September 30, 2015

Operating Income

Positive trend in terms of Budget and consistent with Prior Year



INCREASE IN NET POSITION:

For the Three Months Ended September 30, 2015

Net Position

Positive trend both in terms of Budget and Prior Year



Month: October				
	Oct 2014	Oct 2015	Change	% Change
Total TEUs	221,105	233,466	12,361	5.6%
Export TEUs	117,756	129,296	11,540	9.8%
Import TEUs	103,349	104,170	821	0.8%
Total Containers	126,100	131,076	4,976	3.9%
General Cargo Tonnage	1,740,853	1,665,036	(75,817)	-4.4%
Container Tonnage	1,718,447	1,636,862	(81,585)	-4.7%
Breakbulk Tonnage	22,406	28,174	5,768	25.7%
Total Rail Containers	39,380	43,062	3,682	9.3%
VIP Containers	3,947	3,576	(371)	-9.4%
Total Barge Containers	5,345	3,475	(1,870)	-35.0%
Total Truck Containers	81,375	84,539	3,164	3.9%
Ship Calls	175	179	4	2.3%
Vehicle Units	1,363	4,325	2,962	217.3%

Calendar Year-to-Date: January - October

	CY14: Jan-Oct	CY15: Jan-Oct	Change	% Change
Total TEUs	1,980,999	2,148,759	167,761	8.5%
Export TEUs	1,072,454	1,168,704	96,250	9.0%
Import TEUs	908,545	980,056	71,511	7.9%
Total Containers	1,136,178	1,228,067	91,889	8.1%
General Cargo Tonnage	15,492,650	16,782,002	1,289,352	8.3%
Container Tonnage	15,206,416	16,531,183	1,324,767	8.7%
Breakbulk Tonnage	286,234	250,819	(35,415)	-12.4%
Total Rail Containers	374,264	408,159	33,895	9.1%
VIP Containers	31,047	31,772	725	2.3%
Total Barge Containers	45,190	40,575	(4,615)	-10.2%
Total Truck Containers	716,724	779,333	62,609	8.7%
Ship Calls	1,628	1,659	31	1.9%
Vehicle Units	24,519	42,144	17,625	71.9%

Fiscal Year-to-Date: July - October

	FY15: Jul-Oct	FY16: Jul-Oct	Change	% Change
Total TEUs	844,344	895,044	50,699	6.0%
Export TEUs	453,781	491,933	38,153	8.4%
Import TEUs	390,564	403,110	12,547	3.2%
Total Containers	486,424	508,806	22,382	4.6%
General Cargo Tonnage	5,873,189	6,496,566	623,377	10.6%
Container Tonnage	5,775,170	6,399,507	624,337	10.8%
Breakbulk Tonnage	98,019	97,059	(960)	-1.0%
Total Rail Containers	152,982	169,075	16,093	10.5%
VIP Containers	13,250	14,756	1,506	11.4%
Total Barge Containers	19,732	16,545	(3,187)	-16.2%
Total Truck Containers	313,710	323,186	9,476	3.0%
Ship Calls	687	686	(1)	-0.1%
Vehicle Units	5,463	14,245	8,782	160.8%