

## MINUTES

### **MEETING - Board of Commissioners - Session 371**

Virginia Port Authority  
600 World Trade Center  
Norfolk, Virginia  
March 22, 2016

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The Board of Commissioners (“Board”) of the Virginia Port Authority (“VPA”) held its regular public session meeting on March 22, 2016, in the VPA’s Conference Room located at 600 World Trade Center, Norfolk, Virginia. VPA Board Acting Chairman Alan A. Diamonstein called the meeting to order at 9:00 a.m.

The following were then in attendance:

Commissioners:

Jennifer D. Aument  
J. William Cofer  
Alan A. Diamonstein  
Daniel C. Gundersen  
Gary T. McCollum  
Val S. McWhorter  
Faith B. Power  
Deborah C. Waters  
F. Blair Wimbush  
Manju S. Ganeriwala, State Treasurer

Commissioners Absent:

John G. Milliken, Chairman  
John N. Pullen, Vice Chairman  
Kim Scheeler

VPA Staff:

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

VPA Staff (continued):

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:

The Hon. Aubrey L. Layne, Jr., Secretary of Transportation

Grindly Johnson, Deputy Secretary of Transportation

Brice Fiske, Office of the Attorney General

JoAnne Carter, PFM Group (Financial Advisor)

William W. Harrison, Jr., Williams Mullen (Bond Counsel)

Bryant McGann, Vandeventer Black LLP

Eric Sisco, Virginia International Gateway, Inc. (VIG)

Steve Bain, On Course Solutions, LLC

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 Chairman Diamonstein, the Board unanimously approved the minutes of the meeting held February 4, 2016, as circulated.

**II. Reports of Committees**

**A. Executive Committee – Alan A. Diamonstein, Acting Chairman**

Chairman Diamonstein reported that the Executive Committee met yesterday and discussed the continuing dialogue with Virginia International Gateway, Inc. (VIG) for the long-term lease of the facility. The Chairman reported that the Committee also discussed the General Assembly's approval of the \$350 million bond appropriation for the optimization of Norfolk International Terminals (NIT) as it relates to the operational challenges and opportunities ahead for the Port's facilities.

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

Mr. McCollum announced that the Finance and Audit Committee met yesterday afternoon and received presentations on the Legal Division restructuring, Safety and Risk Management, progress on the fiscal year 2017 budgets, and the year-to-date financial results and forecasts for the remainder of the fiscal year. Mr. McCollum reported the following:

With regards to the Legal Division restructuring:

- Specific personnel movements will be reflected through Contracts and Real Estate and Risk Management departments moving from the Finance Division to Legal effective April 1<sup>st</sup>.

With regards to Safety and Risk Management, the Committee discussed:

- Actions taken to date to enhance communication and alignment between the Safety and Risk Management Departments
- Establishing performance metrics for staff and consultants
- An opportunity for operational savings

With regards to the fiscal year 2017 budgets, the Committee:

- Received an update on progress to date on the budget and major assumptions to be included to date
- Decided to retain the May 23<sup>rd</sup> Finance and Audit Committee meeting date in order to provide management comments on the budget well in advance of the Board meeting, which has been rescheduled from May 24<sup>th</sup> to June 7<sup>th</sup>.

With regards to the financial results year-to-date:

- Management discussed with the Committee expectations for the remainder of the year and action items they have taken to address the shortfall from budget year-to-date

Mr. McCollum reported that no actions or votes were taken by the Finance and Audit Committee.

At this time, Mr. Oliver reviewed the VPA/VIT consolidated income statement for the month ended February 29, 2016, which resulted in an operating income of \$726,000. Mr. Oliver announced that this was achieved as a result of the costs savings that have been implemented over the last several months.

Mr. Oliver reviewed the FY16 fiscal year-to-date report (July 1-February 29) and reported a change in net position of \$13.5 million for the eight months ended, compared with \$19.3 million budgeted for FY16.

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

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

Ms. Aument reported that the Growth and Operations Committee received a report from Ms. Sarah McCoy on the Richmond Marine Terminal transition plan and a dredging update that included meeting milestones for the 55-foot channel, presented by Ms. Cathie France. Ms. Aument advised that several topics were discussed during Mr. Tibbett's safety/operations presentation – balancing service to our customers and using the most efficient, cost-effective management across a number of operational metrics and managing data.

Ms. Aument reported that the Committee was briefed by Mr. Ruddy on a Strategic Growth Plan that will be presented to the Board in the fall timeframe and he reviewed the work being done by SAS on the POV data warehouse project.

**I. Safety/Operations Report – Shawn Tibbetts, Chief Operations Officer**

Mr. Tibbetts announced that the Lost Work Days (LWD) rate for FY16 (through February) was at 2.32 LWD (per 200,000 man hours), compared with the industry standard of 3.5. Mr. Tibbetts announced that safety of life is paramount at The Port of Virginia and he advised that our colleagues are responding well to the challenges.

Mr. Tibbetts reviewed POV total rail volume vs. gate/barge volumes and reported that POV saw the highest rail percentages and value of rail cargo in February. Mr. Tibbetts reported that rail continues to remain strong at NIT and VIG and with the increased cargo, POV also continues efforts to keep gate turn-times within target. Mr. Tibbetts reviewed turn-times at each of the three marine terminals and advised that more work is needed at VIG to control turn-times, which were slightly over the target in the last few months.

At the request of Mr. Reinhart, Mr. Tibbetts described the process of "hub matching", whereby POV, in coordination with both Class I railroads and the ship lines, provides strategic service deliveries to inland points based on customer need.

Mr. Tibbetts reviewed net crane moves per hour and rail volume per man hour and emphasized that POV strives for continual improvements in these areas by continuing to work with our partners in the stevedoring area.

Ms. Aument announced that Mr. Reinhart and the team are watching metrics closely and are being mindful of continuing to provide better serve to our customers.

## 2. Sales Report – Thomas D. Capozzi, Chief Sales Officer

Mr. Capozzi reviewed POV volumes for FY2016 (July-Feb) and CY2016 (year-to-date) (copies attached). He advised that break-bulk is down due to a decrease in news print paper and the conversion of rubber shipments into 20-foot containers.

Mr. Capozzi reported that Virginia Inland Port rail containers remain strong. He explained that barge containers are down for the Baltimore/Philadelphia shipments due to direct services into Baltimore. **Mr. McCollum asked about the percentage of change in TEUs due to rubber being containerized and Mr. Capozzi advised he would provide follow-up for the next meeting.**

Mr. Capozzi announced that the Richmond barge and vehicle units have experienced substantial growth and that truck and ship calls have increased slightly.

Mr. Capozzi reviewed East Coast growth comparing Port of Virginia to NY/NJ, Savannah, Charleston, Baltimore and Wilmington, NC. He advised that POV has trailed behind East Coast ports due to previous congestion issues but that we have received good feedback from our customers since service levels have improved. Mr. Reinhart mentioned that POV did not keep up with capital investment, as our competitors did, and he emphasized the importance of NIT optimization and VIG II build-out.

Mr. Capozzi announced that MSC signed a new five-year contract with POV and that Evergreen recently signed a three-year contract for service to NIT.

Mr. Capozzi reported on the TransPacific Maritime Conference that he recently attended. He said the conference provided a good exchange of networking and information on maritime trade which included a focus on SOLAS (Safety of Life at Sea) regulations. He announced that POV held a customer appreciation dinner that was also attended by Virginia Maritime Association and Hampton Roads Shipping Association members.

Ms. Aument announced that there will be challenges over the next couple of years to keep volumes and service levels up while POV makes significant capital improvements.

Secretary Layne talked about POV's recovery from the financial difficulties of two years ago and he expressed confidence in the Board and the POV team. The Secretary emphasized the need to keep up with capital investments for long-term sustainability of the Port and he announced the recent approval by the General Assembly appropriating \$350 million in bond proceeds for the NIT optimization project, which was proposed by Governor McAuliffe in his budget.

The Secretary remarked that the Port is now in the business of long-term capital investments and sustainability as we work through the construction schedules and financial challenges ahead.

### **III. Report by Chief Human Resources Officer – James Bibbs**

Mr. Bibbs announced that another Employee Engagement Survey will be introduced to POV Colleagues in April. He explained that last year's survey resulted in a 90% response rate and that POV is looking forward to 100% for its second survey.

Mr. Bibbs described several programs and initiatives that the Human Resources division is undertaking:

- Stewardship Recognition Program – Rolled out a point-based recognition program in November with 33% participation (49% of recognition had been non-point based)
- Wellness Program – Provides monetary incentive for employees to achieve and maintain a healthy lifestyle by completing an annual physical exam, online health assessment, or 36 hours of approved wellness activity. In summary – 249 employees and 113 spouses participated

Mr. Bibbs explained that employees were also able to waive the incentive payment and apply it to their health care deductible.

- Summer Internship Program – Over 125 applicants for 16 internship opportunities that will run from June 1 through July 29<sup>th</sup>. Intern's Presentation Fair will be held on July 28<sup>th</sup>.

Mr. Bibbs reported that last year's presentations by the interns were very informative and he announced that one of the interns was hired by POV.

- CDL Training Program – Launched February 22<sup>nd</sup> in partnership with Tidewater Community College. Six new CDL licenses issued to VIT employees. Will improve efficiency by enabling VIT to move their own equipment and will cut outside vendor costs.

#### **IV. Report by Chief Public Affairs Officer – Cathie France**

Ms. France reported that three legislative bills relating to the Port had passed through the General Assembly and she announced that the big news was the \$350 million investment that the General Assembly agreed to provide to The Port of Virginia, as proposed by the Governor. Ms. France expressed appreciation to the Board, Chairman Diamonstein, Capt. Cofer, and the VMA for assembling their annual Port Day at the General Assembly.

Ms. France advised that the POV team had been meeting with legislators, Hampton Roads delegation, and committee members on Homeland Security and Appropriations. She reported that the President's budget, which was released February 9<sup>th</sup>, included the Army Corps work plan that included \$4.1 million in funding for the Craney Island eastward expansion. Among other items in the President's budget - \$1.5 million in additional funds for maintenance dredging of the James River; \$6 million for the Thimble Shoals channel maintenance; \$2.5 million towards dredging at the berth; and the remaining \$350,000 of the federal share for the 55-foot study.

Ms. France reported that MARAD will be featuring the 64-Express barge service in their whiteboard video as an example for other ports. Ms. France provided a brief description of several grant applications that will be submitted by POV that include Homeland Security, clean diesel, TIGER, and Fastlane funding.

Ms. France mentioned the State of the Port presentation series that are being held in Portsmouth, Richmond, and the Virginia Inland Port region.

Ms. France reported that, in February and March, there were 11 economic development announcements (over 500,000 square footage, over \$250 million in investment, and 1379 jobs created). Recent announcements include Emser Tile and the expansion of Target, both in Suffolk. Given the recent port news, Ms. France announced that Panattoni development is also looking to expand in our region.

Ms. France described internal and partner communications and announced the creation of the Operations Hotline. With regard to external communications, POV will release a new Economic Development Newsletter. She reported that a new fold-out map with key metrics was produced as a tool for marketing/sales discussions and Mr. Held distributed copies at this time. Ms. France also described the latest branding and messaging initiatives.

Ms. France reported on the activities that have been undertaken by the MIRT (Maritime and Incident Response Team) and Emergency Operations division.

The Secretary took a moment to express appreciation to the legislature and to thank Delegate Chris Jones, Chairman of the House Appropriations Committee, for his efforts in securing the \$350 million bond package for the Port. The Secretary announced that the bonding agencies have reported favorably on The Port of Virginia since the news broke about the \$350 million. Secretary Layne also mentioned that the General Assembly approved a feasibility study that will be undertaken for an inland port concept in Southwest Virginia.

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

Mr. Ruddy reported that SOLAS (Safety of Life at Sea) regulation goes into effect July 1, 2016. Mr. Ruddy confirmed that POV will be compliant and he advised that POV is monitoring this regulation closely.

Mr. Ruddy briefed the Board on cyber security efforts that are ongoing at POV to repel threats to our IT systems. He announced that POV has contracted with a third party outside vendor to assess sensitive data and to create internal firewalls to prevent penetration from outside sources.

Mr. Ruddy reported that a third party vendor has been contracted to write a cyber-security policy for The Port of Virginia that will be in line with the Commonwealth's policy. He talked about the cyber security table-top exercise that was held on February 9<sup>th</sup>.

Ms. Waters announced that POV has been recognized as a leader in cyber security.

Mr. Ruddy reviewed progress-to-date on the NIT North Gate project and yard expansion and provided several aerials and an engineering map indicating the plans for the layout of the terminal.

Mr. Ruddy concluded with an updated list of major milestones on the NIT Optimization Project (attached).

Secretary Layne reported that the Commonwealth Transportation Board was recently made aware that the I-564 Intermodal Connector project, which he said is a companion project to the NIT North Gate, is behind schedule, according to the Federal Highway Administration (FHA). The Secretary advised that VDOT is monitoring the situation with FHA.

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

Mr. Reinhart thanked the Board, Secretary Layne, and the Deputy Secretary for the progress to date. With the support of the Administration and the General Assembly entrusting POV with \$350 million, Mr. Reinhart said it was a tribute to the Team. As Secretary Layne mentioned, Mr. Reinhart announced that the bonding agencies have already come out to recognize this port for future growth.

Mr. Reinhart mentioned the discussions that were held in the Growth and Operations Committee meeting about fiscal year results and metrics. He said we need to be more resilient and that the awareness of the operations and finance leadership team is clear, we have a plan but we have some work to do, and the Team is fully engaged.

Mr. Reinhart announced that we are going to keep telling the Port story all throughout the Commonwealth and help to create jobs in every corner of the state. Regarding the global economy, Mr. Reinhart said there will be some choppy waters but that we should continue to see single digit growth.

We have a culture and focus on safety but we still have to continue to bring all of our partners, contractors, and suppliers at the Port to come to the level of safety we expect. Mr. Reinhart said we will strive to get to zero incidents at the Port every day.

Mr. Reinhart remarked that the success with POV's budget and the \$350 million was achieved because of partnership. He talked about the collaboration with VMA, the Hampton Roads Business Roundtable, Richmond Management Roundtable, as well as the efforts by VPA Board members. Mr. Reinhart announced we are growing our community involvement and our partnership across Virginia with the right people. "We are building the Port of Tomorrow, today".

Mr. Reinhart further stated, "As we move forward with our plans and discussions with the VIG group and with NIT, the interest in Virginia is going to accelerate beyond anything we have seen."

At this time, Ms. Johnson referred to yesterday's discussion in the Growth and Operations Committee meeting regarding the POV's SWaM expenditures.

Secretary Layne read the following excerpt from a Moody's Credit Outlook (copy attached):

"The state's \$350 million injection is also credit positive in that it signals the state's commitment to VPA. The financial support within the plan is the largest amount of state aid earmarked for VPA in its 40-year history. Such support is especially beneficial for ports on the Mid-Atlantic Seaboard..."

The Secretary remarked “this will be the beginning of the shot heard ‘round the world”.

Chairman Diamonstein commended Mr. Reinhart, Ms. France, and the POV team for their work with the General Assembly.

**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**

Chairman Diamonstein announced that the May 24<sup>th</sup> board meeting has been rescheduled to Tuesday, June 7<sup>th</sup>. Mr. McCollum reported that the Finance and Audit Committee would meet on Monday, May 23<sup>rd</sup>, to review the preliminary POV FY17 budget.

There being no further business and no public comments, the meeting adjourned at 10:25 a.m.

The 2016 VPA Board Public Session schedule for the remainder of the year is as follows:

March 22

June 7 (rescheduled from May 24)

July 26 (Annual Meeting – Election of Officers)

September 27

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

Respectfully submitted,

  
Debra J. McNulty  
Clerk to the Board

**Virginia Port Authority Board of Commissioners, Session 371, March 22, 2016  
Financial Report**

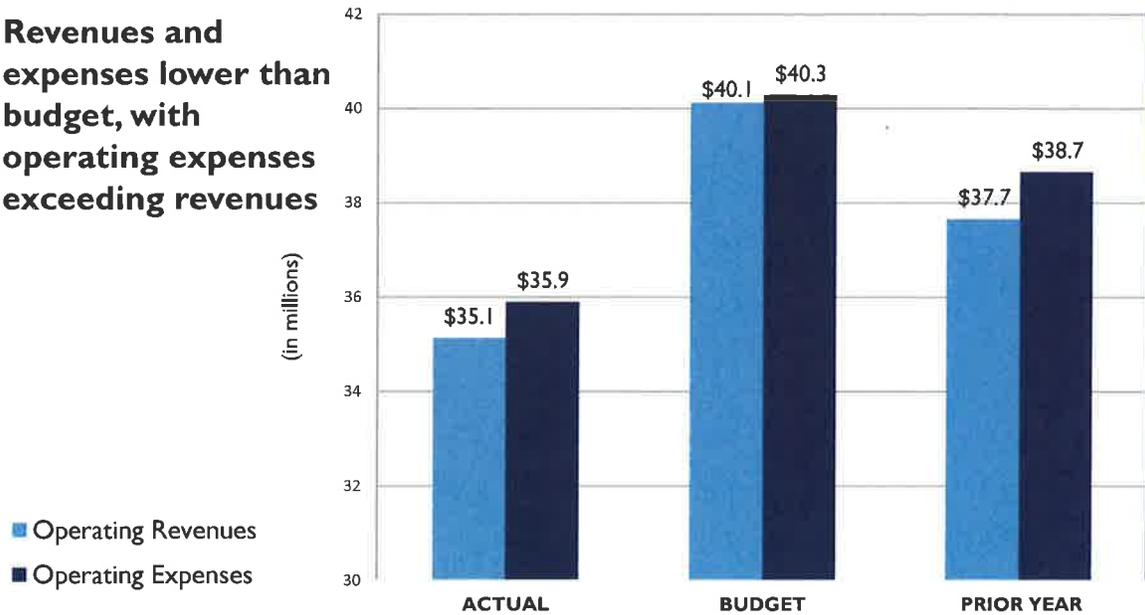
Rodney W. Oliver  
Chief Financial Officer



*Stewards of Tomorrow*

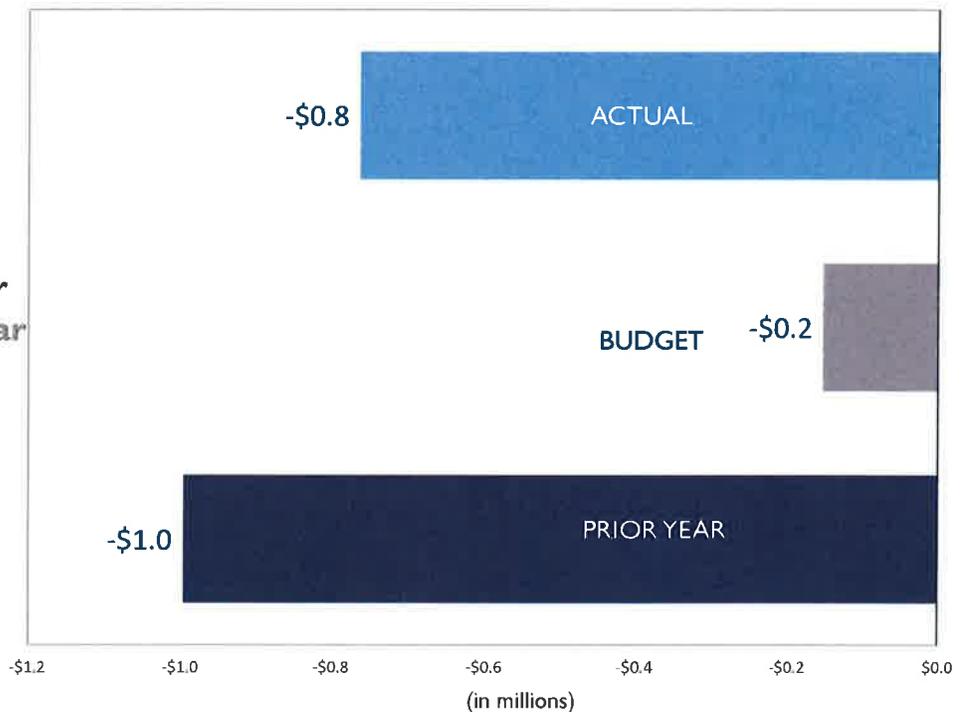
## OPERATING REVENUE AND EXPENSES: For the Month Ended January 31, 2016

Revenues and expenses lower than budget, with operating expenses exceeding revenues

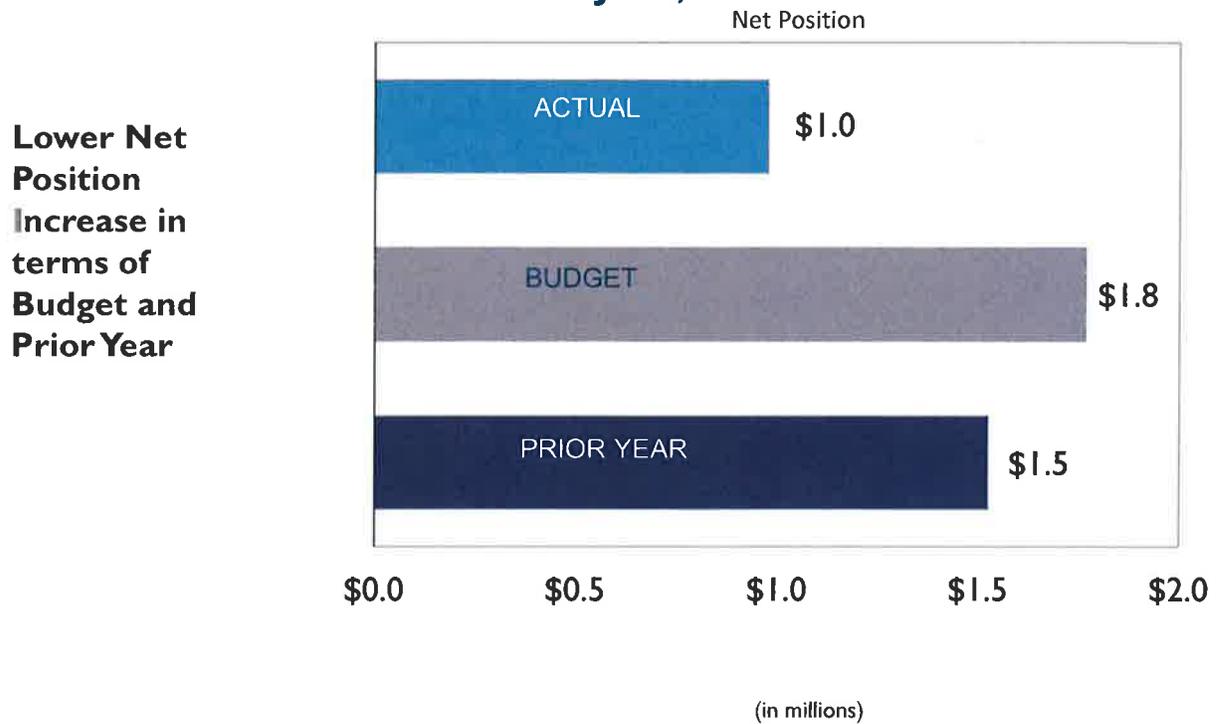


## OPERATING INCOME (LOSS): For the Month Ended January 31, 2016

**Negative results in terms of Budget but slightly better than Prior Year**

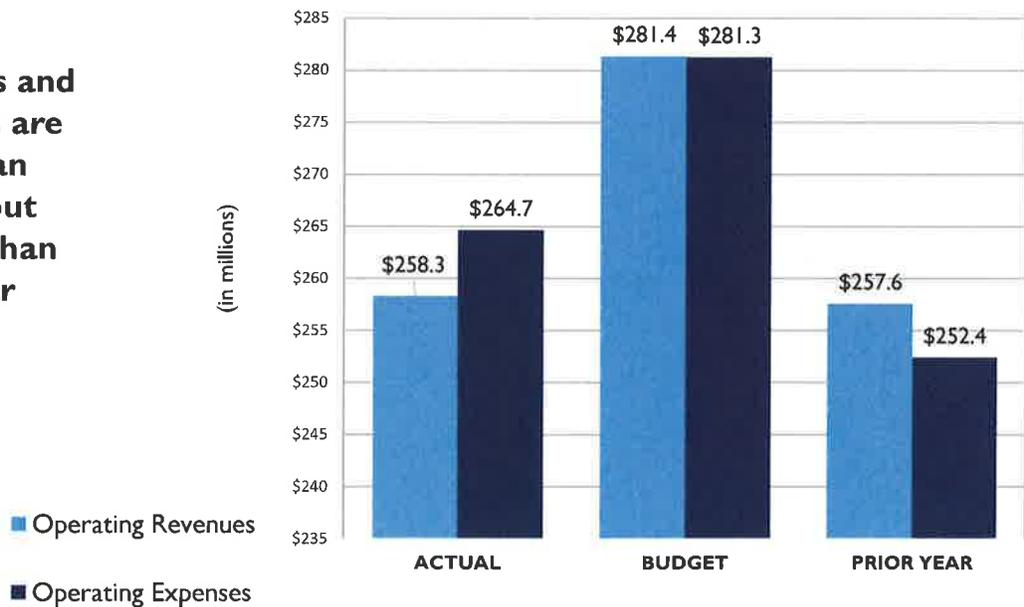


## CHANGE IN NET POSITION: For the Month Ended January 31, 2016



## OPERATING REVENUE AND EXPENSES: For the Seven Months Ended January 31, 2016

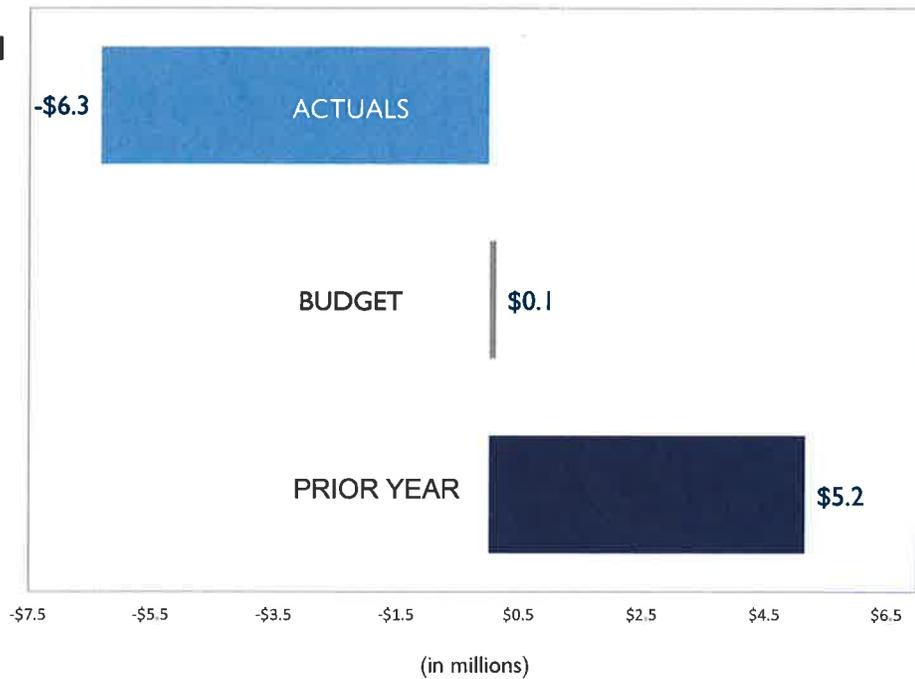
Revenues and expenses are lower than budget, but greater than prior year



# OPERATING INCOME(LOSS): For the Seven Months Ended January 31, 2016

Operating Income

**Negative trend  
in terms of  
Budget and  
Prior Year**



# CHANGE IN NET POSITION: For the Seven Months Ended January 31, 2016

**Lower Net  
Position  
Increase in  
terms of  
Budget and  
Prior Year**



<b>Month: February</b>				
	<b>Feb 2015</b>	<b>Feb 2016</b>	<b>Change</b>	<b>% Change</b>
<b>Total TEUs</b>	<b>178,105</b>	<b>220,726</b>	<b>42,622</b>	<b>23.9%</b>
Export TEUs	93,413	117,086	23,673	25.3%
Import TEUs	84,692	103,641	18,949	22.4%
<b>Total Containers</b>	<b>101,184</b>	<b>124,458</b>	<b>23,274</b>	<b>23.0%</b>
<b>General Cargo Tonnage</b>	<b>1,482,478</b>	<b>1,711,246</b>	<b>228,768</b>	<b>15.4%</b>
Container Tonnage	1,459,696	1,699,326	239,630	16.4%
Breakbulk Tonnage	22,782	11,920	(10,862)	-47.7%
<b>Total Rail Containers</b>	<b>30,421</b>	<b>45,870</b>	<b>15,449</b>	<b>50.8%</b>
VIP Containers	2,052	4,035	1,983	96.6%
<b>Total Barge Containers</b>	<b>3,242</b>	<b>2,874</b>	<b>(368)</b>	<b>-11.4%</b>
RMT Containers	786	1,116	330	42.0%
<b>Total Truck Containers</b>	<b>67,521</b>	<b>75,714</b>	<b>8,193</b>	<b>12.1%</b>
<b>Ship Calls</b>	<b>143</b>	<b>157</b>	<b>14</b>	<b>9.8%</b>
<b>Vehicle Units</b>	<b>3,422</b>	<b>1,849</b>	<b>(1,573)</b>	<b>-46.0%</b>
<b>Calendar Year-to-Date: January - February</b>				
	<b>CY15: Jan-Feb</b>	<b>CY16: Jan-Feb</b>	<b>Change</b>	<b>% Change</b>
<b>Total TEUs</b>	<b>370,101</b>	<b>413,571</b>	<b>43,470</b>	<b>11.7%</b>
Export TEUs	199,871	220,231	20,361	10.2%
Import TEUs	170,230	193,339	23,109	13.6%
<b>Total Containers</b>	<b>212,506</b>	<b>234,225</b>	<b>21,719</b>	<b>10.2%</b>
<b>General Cargo Tonnage</b>	<b>3,101,664</b>	<b>3,239,126</b>	<b>137,462</b>	<b>4.4%</b>
Container Tonnage	3,053,880	3,207,554	153,674	5.0%
Breakbulk Tonnage	47,784	31,572	(16,212)	-33.9%
<b>Total Rail Containers</b>	<b>69,823</b>	<b>84,273</b>	<b>14,450</b>	<b>20.7%</b>
VIP Containers	5,051	6,650	1,599	31.7%
<b>Total Barge Containers</b>	<b>7,635</b>	<b>5,914</b>	<b>(1,721)</b>	<b>-22.5%</b>
RMT Containers	1,679	2,411	732	43.6%
<b>Total Truck Containers</b>	<b>135,048</b>	<b>144,038</b>	<b>8,990</b>	<b>6.7%</b>
<b>Ship Calls</b>	<b>307</b>	<b>324</b>	<b>17</b>	<b>5.5%</b>
<b>Vehicle Units</b>	<b>7,199</b>	<b>5,103</b>	<b>(2,096)</b>	<b>-29.1%</b>
<b>Fiscal Year-to-Date: July - February</b>				
	<b>FY15: Jul-Feb</b>	<b>FY16: Jul-Feb</b>	<b>Change</b>	<b>% Change</b>
<b>Total TEUs</b>	<b>1,626,484</b>	<b>1,709,125</b>	<b>82,641</b>	<b>5.1%</b>
Export TEUs	879,586	935,673	56,087	6.4%
Import TEUs	746,898	773,452	26,554	3.6%
<b>Total Containers</b>	<b>935,890</b>	<b>969,712</b>	<b>33,822</b>	<b>3.6%</b>
<b>General Cargo Tonnage</b>	<b>12,543,605</b>	<b>12,931,397</b>	<b>387,792</b>	<b>3.1%</b>
Container Tonnage	12,355,976	12,757,866	401,890	3.3%
Breakbulk Tonnage	187,629	173,531	(14,098)	-7.5%
<b>Total Rail Containers</b>	<b>296,637</b>	<b>329,270</b>	<b>32,633</b>	<b>11.0%</b>
VIP Containers	24,095	26,888	2,793	11.6%
<b>Total Barge Containers</b>	<b>39,111</b>	<b>29,490</b>	<b>(9,621)</b>	<b>-24.6%</b>
RMT Containers	9,003	10,381	1,378	15.3%
<b>Total Truck Containers</b>	<b>600,142</b>	<b>610,952</b>	<b>10,810</b>	<b>1.8%</b>
<b>Ship Calls</b>	<b>1,323</b>	<b>1,348</b>	<b>25</b>	<b>1.9%</b>
<b>Vehicle Units</b>	<b>16,093</b>	<b>26,677</b>	<b>10,584</b>	<b>65.8%</b>

## Major Milestones

Major Milestones	Completion Date
Third Street Rail Portal	February 1, 2016
Third Street Paving and Striping	December 15, 2015
Operation Specification	April 1, 2016
Order ASCs	June 1, 2016
Order STS Cranes	TBD
Baker Street POV Gate	April 30, 2017
North Yard Expansion	July 30, 2016
North Gate Software Development	August 1, 2016
North Gate IT Hardware Installation	October 16, 2016
North Gate Complex Construction	October 24, 2016
North Gate Hardware Commissioning and Testing	November 15, 2016
North Gate Open for 1 <sup>st</sup> Commercial Container	December 21, 2016
South Terminal ASC Conversion	June 19, 2019