

MINUTES

MEETING - Board of Commissioners - Session 372

Virginia Port Authority
600 World Trade Center
Norfolk, Virginia
June 7, 2016

The Board of Commissioners (“Board”) of the Virginia Port Authority (“VPA”) held its regular public session meeting on June 7, 2016, 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
Daniel C. Gundersen
Gary T. McCollum
Val S. McWhorter
Faith B. Power
Kim Scheeler
F. Blair Wimbush
Manju S. Ganeriwala, State Treasurer

VPA Staff:

John F. Reinhart, CEO and Executive Director
James Bibbs, Chief Human Resources 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
Jay Stecher, Vice President, Marketing & Communications
Russell Held, Senior Vice President, Business Development
Joe Harris, Senior Director, Media Relations

VPA Staff (continued):

Laura Godbolt, Economic Development Manager & Foreign Trade Zone Administrator

Andrew Sinclair, Director of Government Affairs

Carla Welsh, Director, Creative Services & 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

Summer Interns:

Jovan Burton – Government Affairs

Gabrielle Cowand - MARCOMM

Erica Mitchell – Process Excellence

Alston Underwood – Environmental

Chandra Winter - Legal

Guests:

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

Brice Fiske, Office of the Attorney General

The Hon. Russell A. Jones, Mayor, City of Onancock

T. Lee Byrd, Councilman, City of Onancock

Matt Walker, Middlesex County Administrator

Brent Manuel, Cape Charles Town Manager

Charlie Farlow, Cape Charles Harbor Master

Charity Gavaza, City of Poquoson

Dave Callis, City of Poquoson

Mark Kronenthal, Richmond Attorney

Robert Pretlow, U.S. Army Corps of Engineers

JoAnne Carter, PFM Group (Financial Advisor)

Bryant McGann, Vandeventer Black LLP

Art Moye, Virginia Maritime Association

William Bateman, Savant Ltd.

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 Milliken, the Board unanimously approved the minutes of the meeting held March 22, 2016, as circulated.

II. Presentation – Aid to Local Ports Grants

Ms. Godbolt provided a brief description of each of the projects that localities submitted for Aid to Local Ports (ALP) Grants for FY17. A copy of the presentation is attached.

Mr. Diamonstein asked about the criteria used to award allocations. Ms. Godbolt described the committee review process and a conversation ensued with regard to the allocation of funds and reasons for carry-over funds. Ms. Godbolt mentioned that the ALP grant policy had been revised in 2014 (approved by the VPA Board). Secretary Layne talked about the Commonwealth's limited funding for projects and he emphasized providing timelines and supporting projects through to completion.

Mr. Reinhart commended the Team on their efforts in reviewing the projects and requests for funds. He mentioned that, over the years, the VPA Board allocated over \$20 million back into the local communities to support waterborne commerce projects and he welcomed representatives from several of the localities who were in attendance.

At this time, Chairman Milliken presented Resolution 16-5, authorizing the award of grants for FY2017 and he noted that there was a revision on page two that clarified the action language approving carry-over funds.

Action: Upon motion by Mr. Diamonstein, seconded by Mr. McWhorter, the VPA Board approved Resolution 16-5, awarding a total of \$1 million in Aid to Local Ports Grant funds to the City of Norfolk, City of Poquoson, City of Richmond, County of Accomack, County of Middlesex, County of Northampton, Town of Cape Charles, Town of Onancock, and the Town of Wachapreague, and approved carry-over requests, as outlined in the resolution.

III. Reports of Committees

A. Executive Committee – John G. Milliken, Chairman

- I. Status report on negotiations for the long-term lease of Virginia International Gateway (VIG)

Chairman Milliken reported that the Executive Committee met yesterday to further discuss the ongoing lease negotiations between the Virginia Port Authority and the owners/investors of VIG. The Chairman explained that discussions are moving in the right direction.

2. Appointment of Nominating Committee members for officer elections at the July 26th annual meeting of the Board

Chairman Milliken appointed the following commissioners to serve on a Nominating Committee, to recommend a slate of officers for appointment by the Board at its annual meeting on July 26, 2016:

Val S. McWhorter, Chair
Deborah C. Waters
F. Blair Wimbush

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 from the external auditors on the upcoming fiscal year 2016 audits, on the fiscal year 2017 budgets, and updates from legal and Human Resources.

Mr. McCollum reported that the auditors addressed their responsibilities for the audit as well as the responsibilities of management and reviewed the scope and timing of the audits.

With regard to the Human Resources update, Mr. McCollum reported that the Finance and Audit Committee received a presentation on the specific results of the recently completed employee engagement survey.

On the fiscal year 2017 budgets, Mr. McCollum announced that the Committee received a budget presentation for fiscal year 2017, and addressed answers to the Committee's questions from the May 23rd meeting. He reported that the Finance and Audit Committee, in open session, voted unanimously to recommend approval of the VPA and VIT fiscal year 2017 budgets by the full Board.

At this time, Mr. Oliver reviewed the VPA/VIT consolidated income statement for the month ended April 30, 2016 and the FY16 fiscal year-to-date report (July 1-April 30). (A copy of his presentation is attached.)

Chairman Milliken made the following remarks:

“Six months ago we were fairly deep in the hole and with very strong operational leadership and significant belt tightening we are now back on a pretty good footing. Hopefully, by the end of the fiscal year we will be back to where we think we ought to be which is a sustainable,

balanced budget. We are not in this business to make money; we are in this business to create jobs and to spur economic development. Any money we may have at the end of the year gets reinvested. A sustainable economic foundation for this port is critical to everything that we want to do.”

The Chairman expressed appreciation to Mr. Reinhart, the Team, Secretary and Board, and our partners in the maritime industry.

In addition, the Secretary stated that “we are in control of the Port” as a result of the actions taken by the Team over a year ago with operating efficiencies and a capital improvement plan.

Mr. Reinhart announced that POV is forecasting a \$1.2 million profit as of the close of April 30. He thanked the Chairman and Board for their support as well as the POV Team for their efforts on the development of the FY17 budget.

(Ms. Waters arrived at this time, 9:20 a.m.)

Mr. Oliver then presented an overview of The Port of Virginia FY17 Budget and assumptions, and a review of the capital outlay plan, debt service coverage, and risk considerations.

Mr. Reinhart talked about the “historic” \$738 million capital development plan that The Port of Virginia will be undertaking with the Board’s approval of the FY17 budget. Secretary Layne expressed his approval of the capital budget and stated that it was a good example of a public-private partnership in leveraging funds from various sources.

Chairman Milliken and Secretary Layne discussed risk considerations and both gentlemen affirmed their approval and support of the FY17 budget and they expressed appreciation to the Team for their work in briefing the Board over the last several months.

(A copy of the FY17 Budget presentation is attached.)

At this time, Mr. McCollum presented Resolutions 16-6 and 16-7, approving the VIT and VPA FY17 Budgets, for consideration and adoption by the Board.

Action: Upon motion by Mr. McCollum, seconded by Mr. Wimbush, the Board unanimously approved Resolution 16-6 and Resolution 16-7, approving the FY17 Budgets for VIT and VPA, for the year beginning July 1, 2016 and ending June 30, 2017.

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

Mr. Diamonstein reported that the Growth and Operations Committee met yesterday and heard from Joe Ruddy, Chief Innovation Officer, on SOLAS – Safety of Life at Sea regulations and a general overview of capital projects and related timelines. He reported that Tom Capozzi, Chief Sales Officer, reported on the development of our strategic growth plan, progress on ocean carriers, cargo sales, break-bulk and ro-ro sales, and our inland terminals.

Mr. Diamonstein reported that Cathie Vick, Chief Public Affairs Officer, provided an update on grant applications that are pending award that relate to infrastructure, equipment, and investment in our port facilities and surrounding localities. He advised that Shawn Tibbetts, Chief Operations Officer, then reviewed safety, service level updates, and metrics concerning efficiency and cost control, maintaining service levels, and customer satisfaction.

1. Safety/Operations Report – Shawn Tibbetts, Chief Operations Officer

Mr. Tibbetts reviewed lost work days (LWD) for FY16 through April 30 and reported a LWD rate of 2.53 for the POV versus the OSHA industry average of 3.5. Mr. Tibbetts emphasized that safety is the number one focus at all of the terminals and explained how the Port continues to monitor metrics/leading indicators, and working with our colleagues/internal partners, ILA, stevedores, motors carriers, and anyone who uses POV facilities.

Mr. Tibbetts reported that rail business continues to grow at POV. He reviewed rail versus gate/barge volumes for NIT, VIG, and POV overall, and rail volumes at NIT and VIG. Mr. Tibbetts reported improvements in rail dwell at both terminals over the last year (May 2015-April 2016). He talked about the increased rail velocity at VIG that was gained with the additional five acres that were developed for container handling and he mentioned POV's participation in the Section 559 federal program that provides funding for increased Customs and Border Patrol inspections.

Mr. Tibbetts reported gate turn times for each of the terminals that have been driven down below target times. He concluded with a report on net crane moves per hour.

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

Mr. Capozzi reviewed POV volume statistics for FY2016 (July-April) and CY2016 (year-to-date) (copies attached). Mr. Capozzi explained the decrease in break-bulk tonnage and how the sales team is focusing on project movements. He described the shipment of wind blades for the NC wind farm project that POV recently handled through PMT.

Mr. Capozzi reported that there is strong growth in total rail cargo, especially at the Virginia

Inland Port. He reported that the sales team is working with customers to try to increase business on the barge service.

Mr. Capozzi reported that Richmond Marine Terminal container growth is accelerating with a number of new customers that have started using the barge. He advised that Inland Port traffic has also increased over the last four months. Mr. Capozzi reported that the LNG project at Newport News is also generating new project cargo for POV.

Mr. Capozzi advised that the Strategic Growth Plan, which is currently under development, will include strategies to provide growth plans utilizing rail, barge, and truck. He continued with an overview of recent ocean carrier mergers, acquisitions, alliance changes, and service updates.

Mr. Capozzi announced that POV representatives and officials with the Virginia Maritime Association met with several high level ocean carrier executives during the April Asian Trade Mission. Mr. Moyer spoke briefly about the trip and announced that ship line officials were very happy to hear about the General Assembly's appropriation of \$350 million for port infrastructure. He also commended POV's overseas sales team and said they were "top notch in making sure we sat in front of the right people".

Mr. Reinhart talked about the successful partnership between POV and VMA and he mentioned that VMA has established a chapter in Richmond and looking to expand in Northern Virginia. He thanked Mr. Moyer for his support and for being in attendance today.

IV. Report by Chief Human Resources Officer – James Bibbs

Mr. Bibbs began with an introduction by each of the summer interns who were in attendance. He described POV's internship program, which is in its second year, and reported that the 15 interns currently onboard are producing results. Ms. Waters asked for examples of some of the projects.

Mr. Bibbs mentioned the student from CNU last year who created an apprenticeship program in maintenance which is now a federally registered program. He then gave a high level overview of the 8-week internship program that was developed last year by POV and invited the Board to come back at the end of July to observe the project demonstrations that take place in VPA's board room.

Mr. Bibbs announced that the second Employee Engagement Survey recently concluded with 97% participation from POV colleagues, compared to 90% last year. He explained how confidential feedback sessions with colleagues were conducted last year (by Avatar) which were used to implement actions plans for improvement and incorporated suggestions in the

organization's goals. He advised that sessions will be repeated this year for additional feedback and action plans. Mr. Bibbs reported that all five areas that were included in the Dimension Score Summary improved from 2015 to 2016.

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

Mr. Ruddy provided an update on SOLAS (Safety of Life at Sea) regulations and verified gross mass requirements that go into effect July 1, 2016.

Mr. Ruddy reviewed ongoing maintenance dredging projects and schedules for completion at VIG, NIT, and NNMT.

Mr. Ruddy provided an update on the certification status of POV's ISO 9001 Quality Management and ISO 14001 Environmental Program.

Mr. Ruddy gave an update on the NIT North Gate optimization project and demonstrated the flow of traffic after completion of the project. He reminded the Board that the Steering Committee for this project consists of Mr. Reinhart, Mr. Ruddy, and Mr. Tibbetts.

Mr. Ruddy reviewed the status of the NIT South conversation which is part of NIT's optimization plan. A discussion ensued regarding the design work, change in conveyance at the terminal, and electrical service upgrades.

Chairman Milliken advised that for the next two fiscal years the main focus of the Board will be reviewing the progress on building the capacity that is needed to grow and selling that capacity to our customers.

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

Mr. Reinhart advised that Ms. Vick was attending the AAPA Cargo Optimization Conference and he requested economic development updates from Mr. Held and Ms. Godbolt.

Mr. Held reported, to date, POV made 19 economic development announcements with approximately 2,000 jobs created and 2.5 million square-feet of construction. Mr. Held announced that Inside Business is hosting a seminar on July 28th (11:30-5:30) - Real Estate 2016-Re: Port Conference - at the Westin Virginia Beach Town Center, Virginia Beach. Mr. Reinhart is a keynote speaker and the conference will include a shipper panel, real estate panel, and major site selection representatives.

Ms. Godbolt reported that VPA's application for Foreign Trade Zone (FTZ) #20 expansion, covering Hertford County to Currituck County, North Carolina, has been advertised in the Federal Registry. She advised that the comment period will end July 12th and VPA will have 15 days to reply to those comments, after which the application will go to the FTZ Board for approval.

At this time, Mr. Reinhart made the following remarks:

"As the Chairman said we are less than 30 days away from ending this fiscal year. So our focus has been on, what is the budget, what is the plan and what are we going to do to grow the future. I think it's important, and you have seen it through all of the presentations, we are growing the organizational health of The Port of Virginia. We are growing alignment across The Port of Virginia. So we have built a team, and that team is continuing to grow, and we have improved service, and we have laid the foundation for the very exciting future. The leadership team made significant progress on engagement, attitude, behaviors, and it's all driven by the cultures that we told you about almost two years ago that we have tried to instill across the organization. We have elevated the brand of The Port of Virginia not only across the Commonwealth but across the globe. You have heard it from Art when he was in China. The message is getting out around the world that Virginia is open for business, we want your business, and we are committed to the Port for decades to come. So we have clarity, which is an important thing, because to get people to perform you have to have a clear mission, you have to have clarity of the focus of the people, and the focus is safety, service excellence, fiscal responsibility, and being great stewards. So that's how we are aligning our organization and its working.

We are going to end the year with a very modest increase in volume as you've heard, a modest operating income will be delivered but this is going to transform The Port of Virginia. Look where we are going with investments, look where we are going with our capital, and look where we are going with our brand. You can see it's very transformative. To me, it's exciting what lies ahead for The Port of Virginia and I want to thank you (the Board) for your leadership and direction and I really want to thank my team for all their hard work because they're delivering the message each and every day."

Mr. Pullen commended Mr. Reinhart and the team for their work. Secretary Layne also recognized Mr. Moye for VMA's support and he thanked the Board and the POV team.

Mr. Moye announced that Secretary Layne had received the Champion of the Port award at the VMA Banquet in May.

VII. Unfinished Business

There was no unfinished business to report.

VIII. New Business

There was no new business to report at this time.

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

There being no further business and no public comments, the meeting adjourned at 10:55 a.m.

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

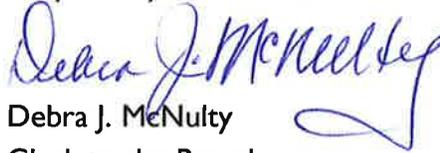
July 26 (Annual Meeting – Election of Officers)

September 27

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

Committee meetings are scheduled on the Monday afternoon prior to Tuesday's Public Session.

Respectfully submitted,



Debra J. McNulty
Clerk to the Board

**VIRGINIA PORT AUTHORITY
RESOLUTION 16-5**

A RESOLUTION AUTHORIZING AID TO LOCAL PORTS FUNDING (FY17) TOTALING \$1,000,000 to the City of Norfolk, City of Poquoson, City of Richmond, County of Accomack, County of Middlesex, County of Northampton, Town of Cape Charles, Town of Onancock, and the Town of Wachapreague.

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 Norfolk, up to \$74,830 for floating dock enhancements at Nauticus.

City of Poquoson, up to \$51,000 for dock and slip upgrades at Messick Point.

City of Richmond, up to \$100,000 for the development of the Intermediate Terminal.

County of Accomack, up to \$300,000 for Greenbackville dock replacement and electrical work.

County of Middlesex, up to \$118,125 for dredging at Jackson Creek.

County of Northampton, up to \$42,295 for dredging at Willis Wharf.

Town of Cape Charles, up to \$50,000 for breakwater and jetty rehabilitation.

Town of Onancock, up to \$200,000 for phase I of wharf area improvements.

Town of Wachapreague, up to \$63,750 for dredging at the Town Marina.

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, 2017, 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 Board of Commissioners of the Virginia Port Authority authorizes payment of the following carryover requests that were submitted to the Virginia Port Authority should the requests comply with the Virginia Port Authority's Aid to Local Ports Policy:

The City of Chesapeake requests to carryover until June 30, 2017, its previous balance estimated to be \$10,063.06.

The City of Isle of Wight requests to carryover until June 30, 2017, its previous balance estimated to be \$10,000.00.

The City of Newport News requests to carryover until June 30, 2017, its previous balance estimated to be \$638,292.00.

The City of Norfolk requests to carryover until June 30, 2017, its previous balance estimated to be \$109,510.90.

The City of Portsmouth requests to carryover until June 30, 2017, its previous balance estimated to be \$187,500.00.

The County of Northampton requests to carryover until June 30, 2017, its previous balance estimated to be \$98,705.16.

The Town of Cape Charles requests to carryover until June 30, 2017, its previous balance estimated to be \$194,188.90.

The Town of Onancock requests to carryover until June 30, 2017, its previous balance estimated to be \$33,775.41.

The Town of Saxis requests to carryover until June 30, 2017, its previous balance estimated to be \$187,249.65.

The Town of Tangier requests to carryover until June 30, 2017, its previous balance estimated to be \$57,925.

PASSED AND ADOPTED this 7th day of June, 2016


John G. Milliken, Chairman

Attest:


Debra J. McNulty, Clerk

RESOLUTION 16-6

**APPROVING VIRGINIA INTERNATIONAL TERMINALS, LLC (VIT) BUDGET
FOR FISCAL YEAR ENDING JUNE 30, 2017**

WHEREAS, Virginia International Terminals, LLC (“VIT”), has proposed its budget for Fiscal Year Ending June 30, 2017 and has presented same to the Board of Commissioners (the “Board”) of the Virginia Port Authority (the “Authority”); and

WHEREAS, VIT has also made available to the Board such other information as the Board has reasonably requested in connection with the preparation of such budget; and

WHEREAS, the budget submission also includes estimated costs and priorities of operational equipment to be purchased by VIT and capital maintenance and improvement projects planned for accomplishment in the ensuing Fiscal Year; and

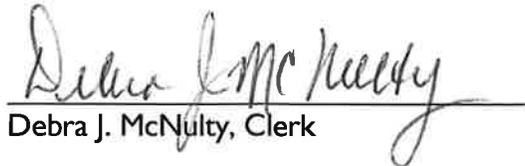
WHEREAS, the budget submitted by VIT is supported by an estimated financial schedule for the ensuing Fiscal Year, in reasonable detail, broken down by calendar months, of (i) the estimated surplus or deficit, and (ii) the operating equipment, renovations, alterations, rebuilding, replacements, additions, improvements and extraordinary maintenance in and to the Authority’s Port Facilities.

NOW, THEREFORE, BE IT RESOLVED that the Board does hereby approve the VIT budget for Fiscal Year Ending June 30, 2017.

PASSED AND ADOPTED this 7th day of June, 2016.


John G. Milliken
Chairman

Attest:


Debra J. McNulty, Clerk

RESOLUTION 16-7

**APPROVING VIRGINIA PORT AUTHORITY'S
ANNUAL BUDGET FOR FISCAL YEAR ENDING JUNE
30, 2017**

WHEREAS, the Chief Financial Officer of the Virginia Port Authority (the "Authority") has proposed the annual budget for the Authority for Fiscal Year Ending June 30, 2017 and has submitted same to the Board of Commissioners (the "Board") of the Authority; and

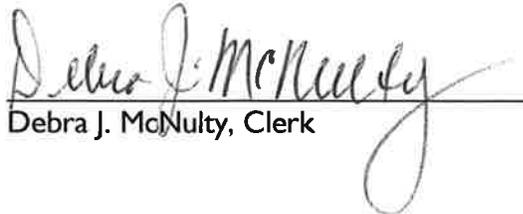
WHEREAS, the Chief Financial Officer has also made available to the Board such other information as the Board has reasonably requested in connection with the preparation of such annual budget.

NOW, THEREFORE, BE IT RESOLVED that the Board does hereby approve the Authority's annual budget for Fiscal Year Ending June 30, 2017.

PASSED AND ADOPTED this 7th day of June, 2016.


John G. Milliken
Chairman

Attest:


Debra J. McNulty, Clerk

Virginia Port Authority Board of Commissioners, Session 372, June 7, 2016
Aid to Local Ports

FY17 Proposed Allocations



FY17 Proposed Allocations

City	Proposed Allocation
City of Norfolk	\$74,830.00
City of Poquoson	\$51,000.00
City of Richmond	\$100,000.00
County of Accomack	\$300,000.00
County of Middlesex	\$118,125.00
County of Northampton	\$42,295.00
Town of Cape Charles	\$50,000.00
Town of Onancock	\$200,000.00
Town of Wachapreague	\$63,750.00
Total	\$1,000,000.00

City of Norfolk

- The City of Norfolk has requested \$178,125 for finger piers, electric and plumbing, and a wave screen at Nauticus.
- The committee recommends funding for a wave screen and other enhancements totaling \$74,830.



City of Poquoson

- The City of Poquoson has requested \$253,125 for breakwater and dock/slip upgrades at Messick Point.
- The committee recommends funding for dock and slip upgrades totaling \$51,000.



City of Richmond

- The City of Richmond has requested any amount up to \$1.4 million for the development of the Intermediate Terminal, a deep water access opportunity, along the James River.
- The committee recommends funding for \$100,000.



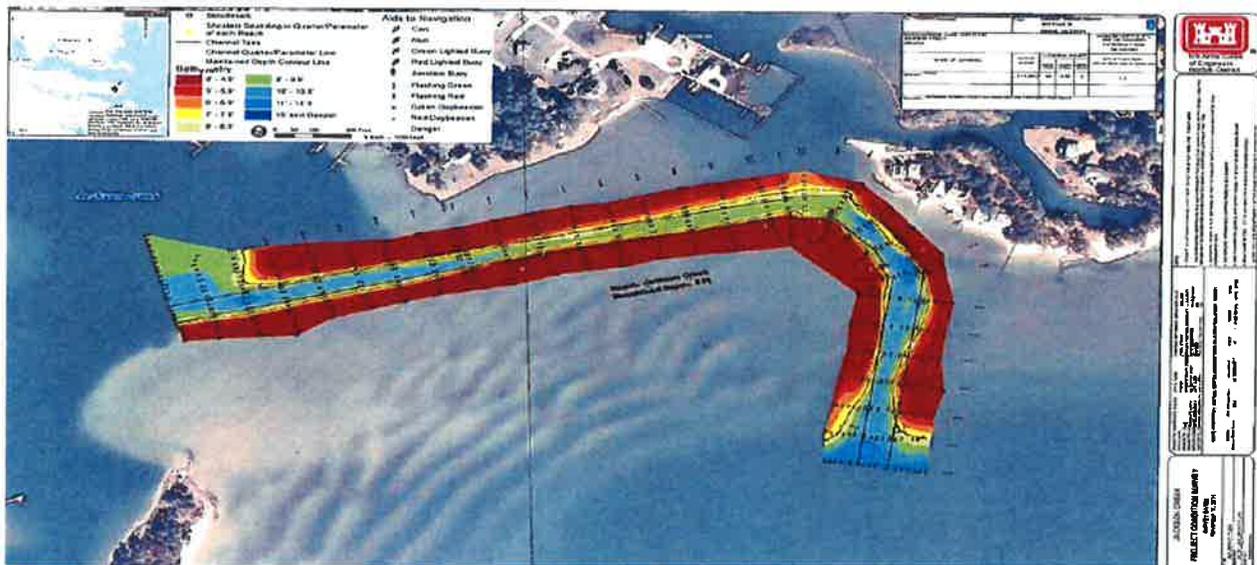
County of Accomack

- The County of Accomack has requested \$300,000 for dock replacement and electrical services at Greenbackville Harbor.
- The committee recommends funding for \$300,000.



County of Middlesex

- The County of Middlesex has requested \$118,125 for dredging at Jackson Creek.
- The committee recommends funding for \$118,125.



County of Northampton

- The County of Northampton has requested \$100,000 for dredging at Willis Wharf.
- The committee recommends funding for \$42,295.



Town of Cape Charles

- The Town of Cape Charles requested \$500,000 for an additional breakwater and jetty rehabilitation to protect the Town Harbor and beach.
- The committee recommends funding for \$50,000.



Town of Onancock

- The Town of Onancock has requested \$545,465 for Phase I and 2 of the Town’s master plan to reconstruct the wharf area.
- The committee recommends funding for \$200,000.



Stewards of Tomorrow

Town of Wachapreague

- The Town of Wachapreague has requested \$63,750 for dredging and various marine repairs at the town marina.
- The committee recommends funding for \$63,750.



Proposed Carryover

- The committee recommends that all carryover requests be approved.

Locality	Proposed Carryover
The City of Chesapeake	\$10,063.06
The City of Isle of Wight	\$10,000.00
The City of Newport News	\$638,292.00
The City of Norfolk	\$109,510.90
The City of Portsmouth	\$187,500.00
The County of Northampton	\$98,705.16
The Town of Cape Charles	\$194,188.90
The Town of Onancock	\$33,775.41
The Town of Saxis	\$187,249.65
The Town of Tangier	\$57,925.00
Total	\$1,527,210.08

**Virginia Port Authority
Board of Commissioners Meeting
June 7, 2016**

The Aid to Local Ports Fund appropriation, derived from the Port of Virginia's share of the Commonwealth Transportation Fund, is \$1,000,000 for FY2017. In addition, VPA has an estimated \$1,527,210.08 in FY 2016 grant funds available as a carryover.

VPA staff met with the potential grant applicants on February 19, 2016 during the Aid to Local Ports annual meeting. This preliminary meeting is held to determine the amount and nature of the grant requests.

The following chart lists the localities that are requesting grants this fiscal year and staff recommendations for funding those requests.

City	Amount Requested	Proposed Allocation
Accomack- Greenbackville dock replacement and electrical work	\$300,000.00	\$300,000.00
Cape Charles-Additional breakwater and jetty rehabilitation	\$500,000.00	\$50,000.00
Middlesex- Jackson Creek Dredging	\$118,125.00	\$118,125.00
Newport News- SIP Outer Harbor Repairs/ modifications	\$581,250.00	\$0
Norfolk- finger piers, electric and plumbing/ wave screen	\$178,125.00	\$74,830
Northampton- Dredging	\$100,000.00	\$42,295.00
Onancock-Wharf Area Improvements	\$545,465.91	\$200,000.00
Poquoson-Breakwater and dock/slip upgrades	\$253,125.00	\$51,000.00
Portsmouth-Boat Ramp	\$162,225.00	\$0
Portsmouth-New Portside	\$ 412,500.00	\$0
Richmond- Intermediate Terminal	\$1,421,345.00	\$100,000
Wachapreague- Dredging	\$63,750.00	\$63,750.00
Total	\$4,635,910.91	\$1,000,000.00

Accomack County

Project: Renovations at Greenbackville Harbor

Summary: The wooden docks that serve the boat slips on the north and northwest sides are currently in need of replacement and are over 30 years old. Work would also include electrical service to the facility. Docks and slips serve commercial watermen, charter boat captains, and others who contribute to the local economy. These improvements would allow for a 30% increase in slip rentals.

Timeline: One year from time funds are awarded

Total Project Cost: \$400,000

Requested Amount: \$300,000

Proposed Allocation: \$300,000

Cape Charles

Project: Additional breakwater and jetty rehabilitation

Summary: Cape Charles would like to construct a new breakwater and increase the height of the existing jetty by two feet to protect the Town Harbor and beach. The potential impact to the community includes improvement of wake within the harbor and an increase in boating activities.

Timeline: 90-120 days

Total Project Cost: \$925,000

Requested Amount: \$500,000

Proposed Allocation: \$50,000

Estimated Carryover: \$194,188.90

Middlesex County

Project: Jackson Creek Dredging

Summary: Jackson Creek, in the area between channel markers 9,7, and 5 has been reduced to almost half, from a normal width of 60' to about 40', and the normal depth has been reduced almost half, from 8' to 5'. Dredging would restore the channel to the federally authorized project depth of -8 feet Mean Lower Low Water plus 1 foot. Dredging is required to restore safe boating access by the recreational and commercial vessels. Dredging would allow unimpeded access for thousands of boaters. Annual income for boat slips is \$400,000 and for dry slips \$256,000. Annual income for service work on vessels in the creek is approx. \$4.2 million. Jobs created by commerce in Jackson Creek totals 100 (direct and indirect).

Timeline: Project will begin as soon as permitting and procurement are completed. Project would be completed within 1-1/2 months

Total Project Cost: \$157,500

Requested Amount: \$118,125

Proposed Allocation: \$118,125

Newport News

Project: SIP Outer Harbor Repairs/ modifications

Summary: The Outer Pier and dolphins are showing signs of significant deterioration. Unless this deterioration is remedied, the condition of the outer harbor will continue to decline, resulting in loss of utility to the marine community, loss of revenue and job loss. It is estimated that the capacity to moor 2-3 more scallop boats due to the proposed expansion of the outer harbor pier could increase landings at the SIP by more than \$1 million annually. Repairs and upgrades will improve marine safety throughout the Hampton Roads harbor by offering a safe harbor during storms.

Timeline: August 2016- November 2016

Total Project Cost: \$775,000

Requested Amount: \$581,250

Proposed Allocation: \$0

Estimated Carryover: \$638,292

Norfolk

Project: Finger piers, electric and plumbing, wave screen

Summary: Nauticus is seeking funding for finger piers, electric and plumbing, and a wave screen. The goal is to create a safe and protective harbor for visiting vessels and 20 program vessels. The proposed capital improvement project is going to enhance education and generate revenue through a number of fee for service programs, including lessons, camps, memberships, and corporate outings.

Timeline: Finger pier: 6 months, plumbing and electric: 5 months, Wave screen: readymade

Total Project Cost: \$237,500

Requested Amount: \$178,125

Proposed Allocation: \$74,830

Estimated Carryover: \$109,510.90

Northampton

Project: Dredging

Summary: Northampton is seeking funds to dredge at Willis Wharf. Willis Wharf provides much-needed workboat mooring and small vessel launching facilities to the aquaculture industry. Dredging would increase the amount of slips that are available. Currently only 24 out of 54 slips are available for use.

Timeline: Permit only allowing dredging from September to October

Total Project Cost: \$188,000-203,000

Requested Amount: \$100,000

Proposed Allocation: \$42,295

Estimated Carryover: \$98,705.16

Onancock

Project: Wharf Area Improvements

Summary: Larger boats are being turned away due to small slip widths, no floating dockage available to improve ADA accessibility. Timely improvements will have a noticeable economic benefit on the local economy and momentum is building for a comprehensive wharf area after the completion of the harbor master building and fuel tanks. Improved slip sizes will expand use of harbor and encourage tourism and commerce within the town. Onancock will see improved fuel sales from these improvements.

Timeline: April 2016- March 2017

Phase 1: existing fixed timber finger piers and mooring piles will be removed and replaced.

Phase 2: Mooring piles between boat ramp and restaurant will be removed and replaced with ADA accessibility, lighting, electric connection and water service.

Total Project Cost: \$682,254

Requested Amount: \$545,465.91

Proposed Allocation: \$200,000

Estimated Carryover: \$33,775.41

Poquoson

Project: Breakwater and dock/slip upgrades

Summary: Existing and future business at Messick Point needs to be protected by an expansion of the breakwaters. Improving the docks and slips with light, water and electricity should increase both their value to boaters and marketability. Current rates are \$100 per month and would likely increase. With combine income from the marina store revenues are estimated at \$40,000 per year. Development of additional breakwater coverage is anticipated to encourage the growth of existing businesses and enable additional development.

Timeline: 120 days for completion

Total Project Cost: \$337,500

Requested Amount: \$253,125

Proposed Allocation: \$51,000

Portsmouth

Project 1: Boat Ramp

Summary: Northeast wave action and winds inflict frequent damage on the boat ramp, creating unsafe conditions that require lengthy closures for safety concerns while repairs are being made. Citizens rely on the boat ramp. It is also used by Bill's Marine, Beach Marine Service and the Coast Guard to launch and retrieve their boats. City staff is currently working on a recommendation to charge a nominal fee for usage of the City Park Boat Ramp. New fees generated by charging an annual decal fee to use the boat ramp is estimated to be \$35,000.

Timeline: 60 days to refine project details. Project would be advertised my mid-January with a contractor in place 60 days later. Construction would be complete by June

Total Project Cost: \$216,300

Requested Amount: \$162,225

Proposed Allocation: \$0

Estimated Carryover: \$187,500

Portsmouth

Project 2: Portside

Summary: Tolls and tunnel closures related to the Elizabeth River Tunnels project is having a significant impact on the City, especially its Downtown business area. City council has challenged the former and current city manager to get more people downtown and make better use of the waterfront. The new Portside would help to restore a favorite regional meeting place. The new Portside will consist of a 5,000 sqft pavilion and associated site improvements. The pavilion will be open air with a sloped, standing seam metal roof. The layout of the site will allow for city sponsored events, outdoor dining, festivals and private parties.

Timeline: July 2016- September 2017

Alternative dates (weather delays): August 2017- April 2018

Total Project Cost: \$731,000

Requested Amount: \$412,500

Proposed Allocation: \$0

Richmond

Project: Intermediate Terminal

Summary: Intermediate Terminal is the primary opportunity for the City along the James River to develop commercial passenger, tourist, and City resident interaction with the deep water portions of the river- a historic and currently underused deep water access opportunity that truly connects the City by water to the entire world. Potential community impacts include the potential for a small cruise ship operation, addition of water transportation the capital trail/multimodal transportation node, enhancement of the Richmond Marine Terminal, visitor from Stone brewing, and promote recreational fishing.

Timeline: 2017-2020 subject to allocation

Total Project Cost: \$4,044,318

Requested Amount: \$1,421,345

Proposed Allocation: \$100,000

Wachapreague

Project: Dredging and other marine repairs

Summary: The Town of Wachapreague has a working waterfront that provides a base for commercial and recreational offshore and inshore fishing, ecotourism and harvesting of our shellfish and crabs. If dredging is not performed slips become too shallow for use. Wachapreague supports a number of fishing tournaments and has a large tourist population that utilize the marina. These dollars support jobs through Accomack County.

Grant will support town dredging, marina bulkhead, floating dock repairs, marina bulkhead, marina office walkway, general M & R, and dock and office repairs.

Timeline: Completion by April 2017

Total Project Cost: \$85,000

Requested Amount: \$63,750

Proposed Allocation: \$63,750

Other ALP Matters

There are ten remaining matters for the Board's consideration in connection with the Aid to Local Ports. The following port communities have requested carryover of funding from FY16 into FY17.

The City of Chesapeake requests to carryover until June 30, 2017, its previous balance estimated to be \$10,063.06.

The City of Isle of Wight requests to carryover until June 30, 2017, its previous balance estimated to be \$10,000.00.

The City of Newport News requests to carryover until June 30, 2017, its previous balance estimated to be \$638,292.00.

The City of Norfolk requests to carryover until June 30, 2017, its previous balance estimated to be \$109,510.90.

The City of Portsmouth requests to carryover until June 30, 2017, its previous balance estimated to be \$187,500.00.

The County of Northampton requests to carryover until June 30, 2017, its previous balance estimated to be \$98,705.16.

The Town of Cape Charles requests to carryover until June 30, 2017, its previous balance estimated to be \$194,188.90.

The Town of Onancock requests to carryover until June 30, 2017, its previous balance estimated to be \$33,775.41.

The Town of Saxis requests to carryover until June 30, 2017, its previous balance estimated to be \$187,249.65.

The Town of Tangier requests to carryover until June 30, 2017, its previous balance estimated to be \$57,925.

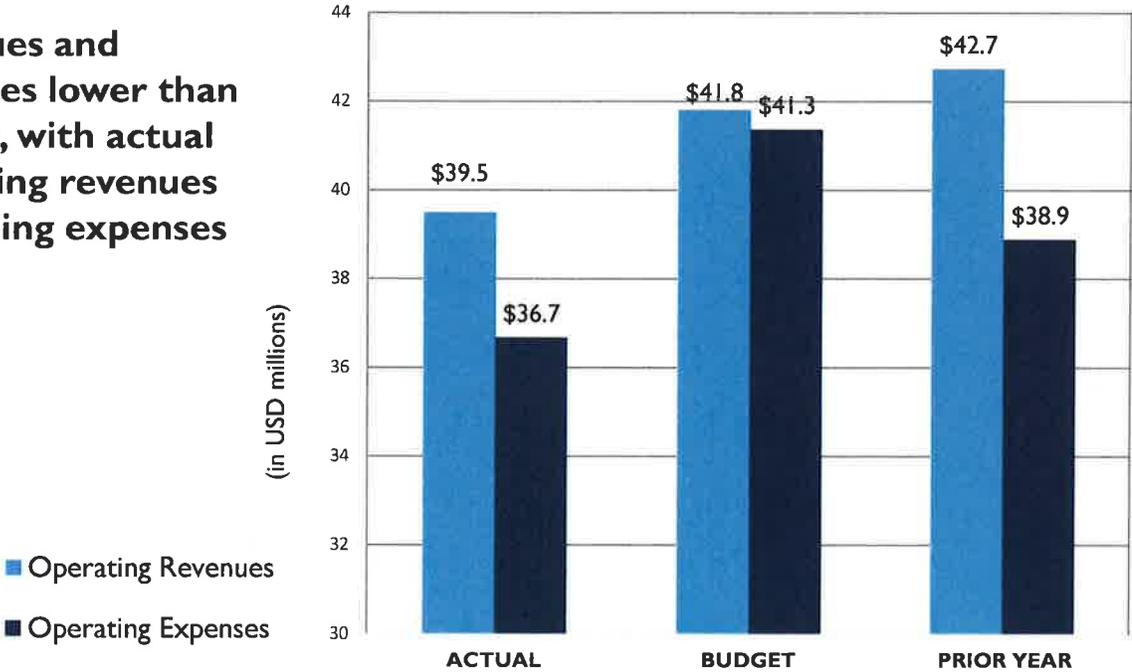
**Virginia Port Authority Board of Commissioners, Session 372, June 7, 2016
Financial Report**

Rodney W. Oliver
Chief Financial Officer



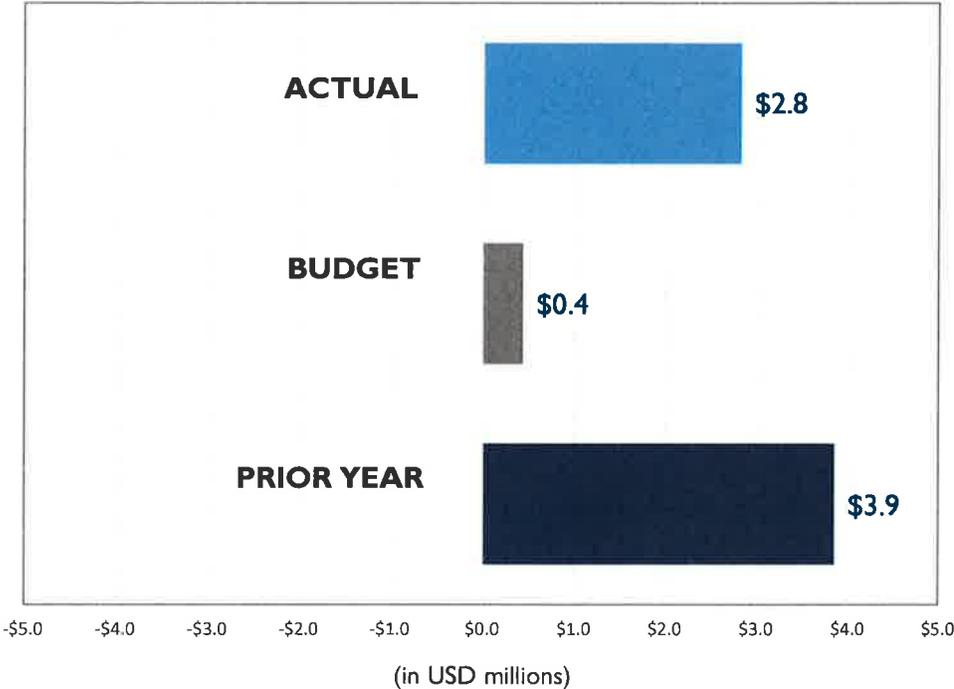
OPERATING REVENUES AND EXPENSES: For the Month Ended April 30, 2016

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



OPERATING INCOME (LOSS): For the Month Ended April 30, 2016

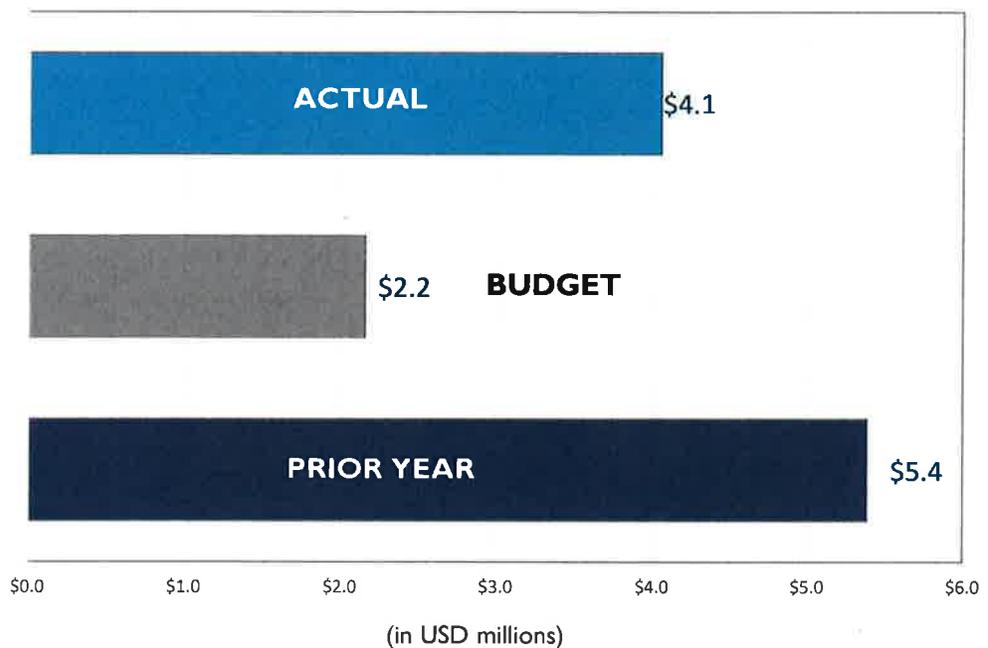
Favorable
variances to
Budget and
Unfavorable to
Prior Year



CHANGE IN NET POSITION:

For the Month Ended April 30, 2016

**Favorable in
Net Position
to Budget but
Unfavorable
compared to
Prior Year**

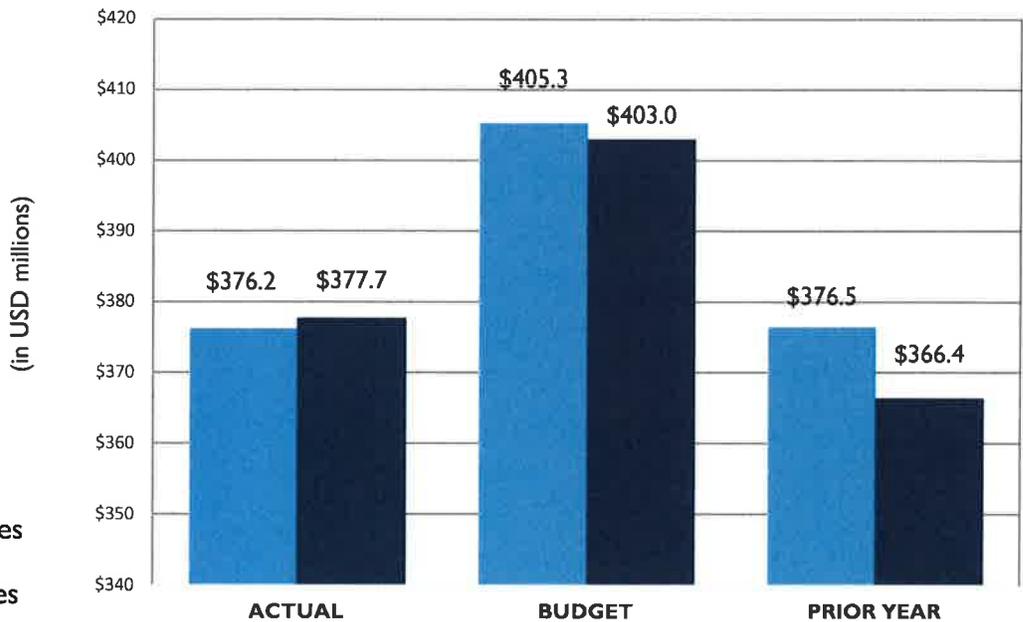


OPERATING REVENUES AND EXPENSES:

For the Ten Months Ended April 30, 2016

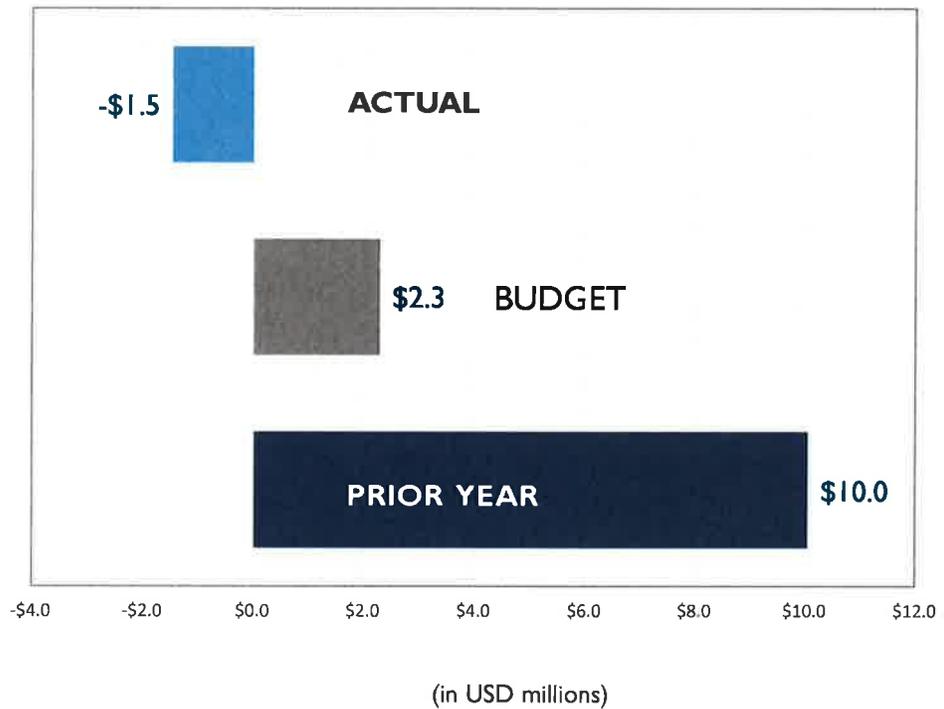
Revenues and expenses are lower than budget, with revenues even to prior year and expenses greater than prior year

- Operating Revenues
- Operating Expenses



OPERATING INCOME(LOSS): For the Ten Months Ended April 30, 2016

Unfavorable
variances to
Budget and
Prior Year



CHANGE IN NET POSITION: For the Ten Months Ended April 30, 2016

Lower Change
in Net Position
compared to
Budget and
Prior Year



Port of Virginia FY 2017 Budget

Presented June 7, 2016



Stewards of Tomorrow

Port of Virginia FY 2017 Budget

Agenda

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



Stewards of Tomorrow

Executive Summary

\$000's	Budget FY 2016	Forecast FY 2016	Budget FY 2017	% Growth
Operating Revenues	\$489,669	\$455,710	\$485,020	6.43%
Operating Expenses	\$486,981	\$454,445	\$482,810	6.24%
Operating Income	\$2,688	\$1,264	\$2,210	74.84%
Increase Net Position	\$53,789	\$26,676	\$40,015	50.00%

- 5% volume increase (from FY 2016 forecast)
- Operating Income of \$2.2 million
- \$40.0 million increase in net position
- No additional positions budgeted for FY 2017
- \$746 million capital expenditure plan



Volume



Stewards of Tomorrow

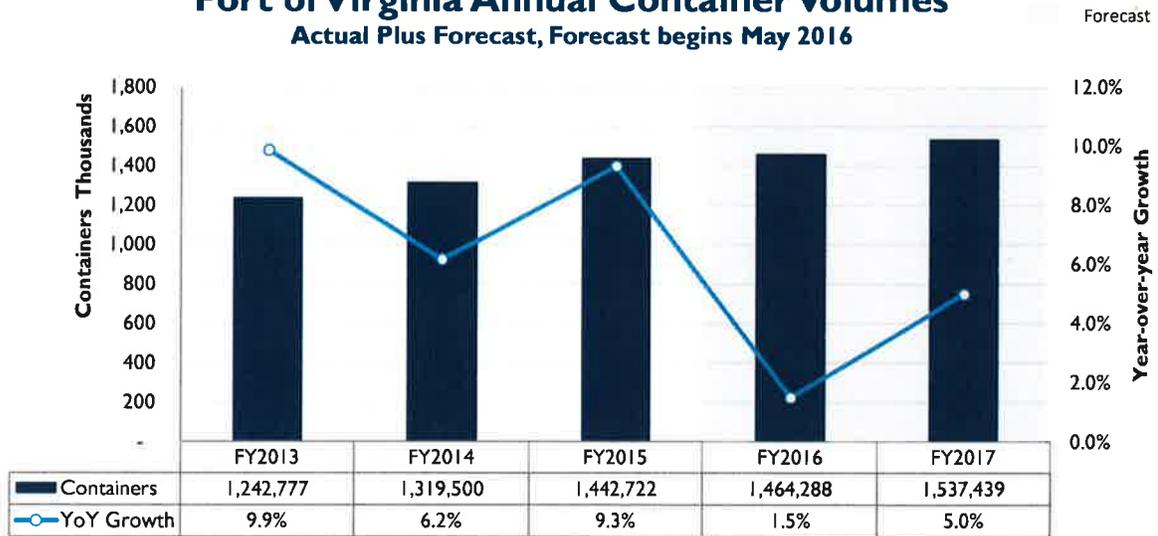
Volume

- Volume for FY 2017 is forecasted at 1,537,439 containers, an increase of 5.0% from an estimated 1,464,288 containers for FY 2016
- Developed based on economic conditions and market insight for known shiplines and volume shifts between Port of Virginia and other ports
- Growth is expected for rail at 5.7%, barge at 10.5%, and truck at 4.4%

	Rail	Barge	Truck	Total
Total	532,815	45,603	959,030	1,537,439

Annual Volume Trends

Port of Virginia Annual Container Volumes
Actual Plus Forecast, Forecast begins May 2016





Revenue



Stewards of Tomorrow

Port of Virginia FY 2017 Budget

Revenue

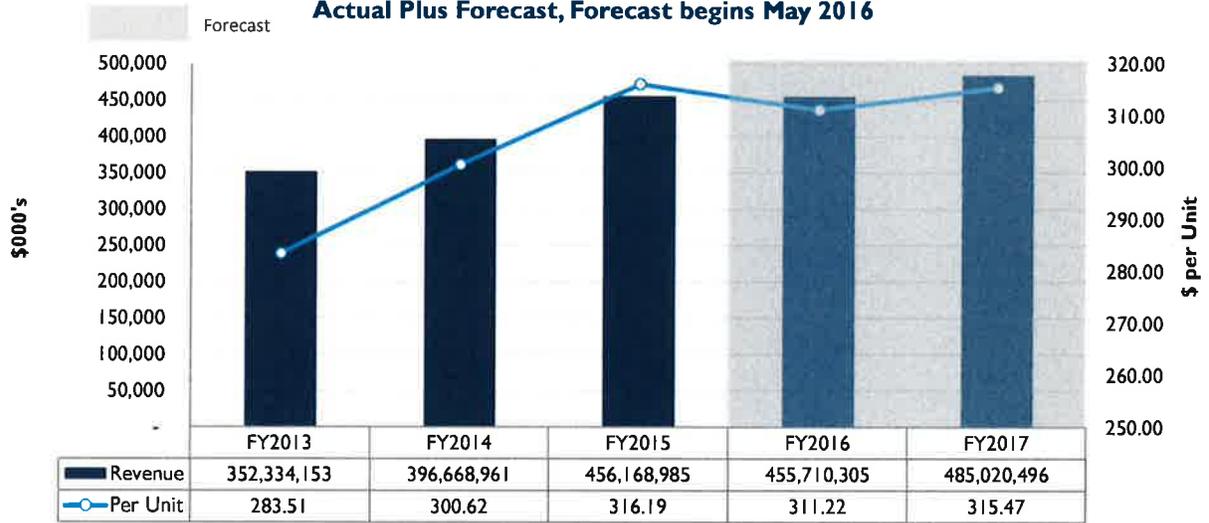
\$000's	Budget FY 2016	Forecast FY 2016	Budget FY 2017	% Growth
Terminal Revenues	\$475,200	\$440,472	\$469,040	6.49%
Other Revenues	\$10,014	\$9,479	\$10,181	7.41%
Grants	\$4,455	\$5,758	\$5,800	0.73%
Total Operating Revenue	\$489,689	\$455,710	\$485,020	6.43%

- Overall terminal operating revenue will increase by \$29.3 million or 6.4% from the FY2016 forecast
- Volume will increase by approximately 5.0%
- Schedule of Rates (SOR) will increase by 2.5%

Revenue Trends

Port of Virginia Annual Operating Revenue

Actual Plus Forecast, Forecast begins May 2016





Expenses



Stewards of Tomorrow

Expenses

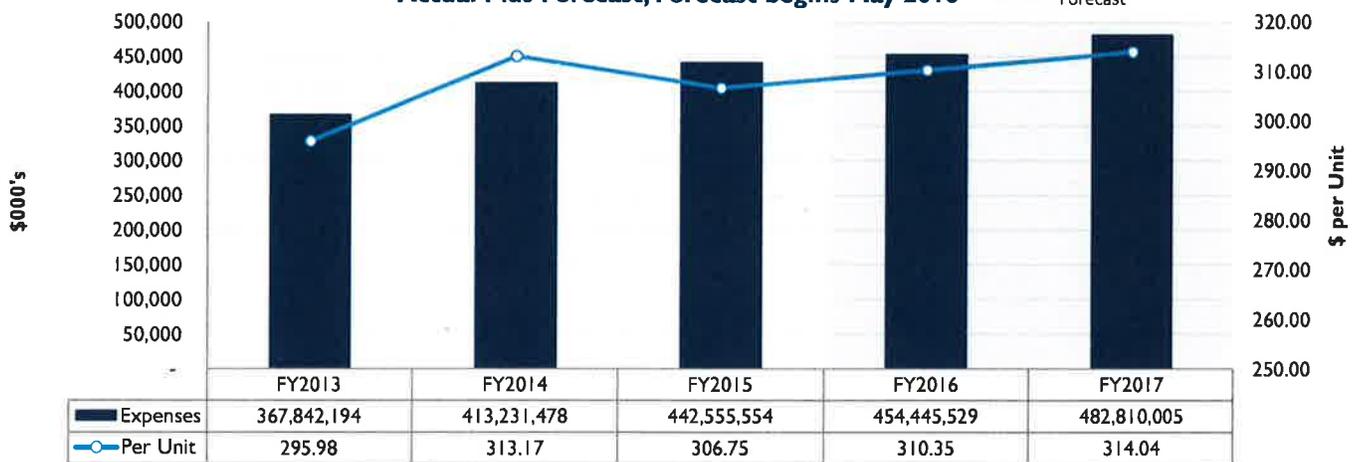
\$000's	Budget FY 2016	Forecast FY 2016	Budget FY 2017	% Growth
Terminal Operations	\$210,410	\$193,119	\$209,164	8.31%
Terminal Maintenance	\$101,073	\$98,174	\$103,151	5.07%
General & Administrative	\$64,159	\$59,777	\$59,708	-0.12%
Facility rental	\$59,567	\$55,596	\$61,154	10.00%
Depreciation	\$51,776	\$47,780	\$49,633	3.88%
Total Operating Expenses	\$486,981	\$454,446	\$482,810	8.31%

- Expenses are estimated to be \$482.8 million in FY 2017, or 6.2% higher than FY 2016 forecasted expenses
- \$209.1 million in costs are specific to terminal operations
- \$61.1 million in costs are specific to VIG rent

Port of Virginia FY 2017 Budget

Expense Trends

Port of Virginia Annual Operating Expenses
Actual Plus Forecast, Forecast begins May 2016



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Expense Assumptions

- Terminal labor cost (excluding Maintenance) is expected to increase by \$10.1 million, or 9.3%, in FY 2017 driven primarily by volume increases and a labor rate increase
- Stevedoring expenses based on current contracts, 280k moves and 28 gross moves per gang hour productivity
- CBP expenses are estimated to cost \$1.5 million in FY 2017, consistent with FY 2016 budget
- Port of Virginia takes over RMT operations November 1, 2016

Expense Assumptions Continued

- Total Maintenance expenses are estimated to increase by \$5.0 million, or 5.1% with take over of RMT and annual increases
- Total Administrative expenses are estimated to remain flat as compared to the FY 2016 forecast
- Facility Rent budgeted to increase \$5.6 million, or 10.0% with new VIG Lease beginning October 1, 2016



Operating Income



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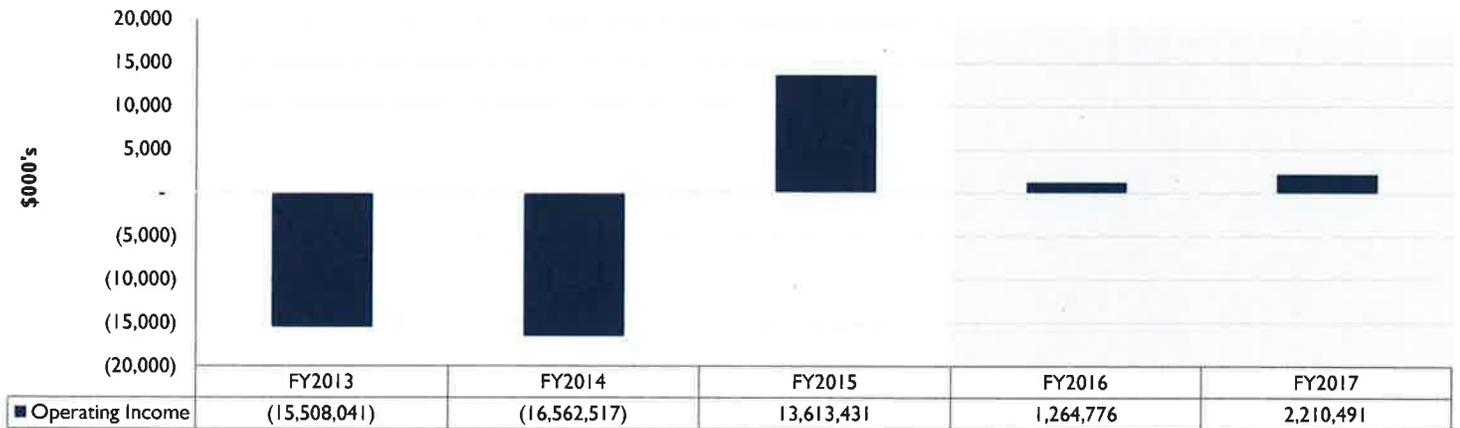
Operating Income

- Operating income for FY 2017 for The Port of Virginia is budgeted at \$2.2 million, an increase of \$0.9 million from the forecast for FY 2016

Port of Virginia FY 2017 Budget

Operating Income Trends

Port of Virginia Annual Operating Income
Actual Plus Forecast, Forecast begins May 2016



THE PORT OF
VIRGINIA

Stewards of Tomorrow



Capital Outlay



Stewards of Tomorrow

Port of Virginia FY 2017 Budget

VPA Capital Budget Projects

Project	Funding
NIT South Facility Optimization	350,000,000
VIG Phase II Expansion	320,000,000
VIP Rail Expansion	31,205,000
VIG Phase I RMG Upgrades	7,000,000
NIT North Gate Information Technology Additions	6,000,000
Container Handling Equipment (unrelated to expansion projects)	9,380,000
Other Information Technology additions	3,000,000
Replace and Consolidate Financial Systems	2,500,000
Other Equipment and Improvements	2,500,000
NNMT Berth Dredging	2,000,000
Building Renovations	2,100,000
Business Intelligence Hardware/Software	1,200,000
Data Warehouse Development	750,000
NNMT Heavy Lift Crane Upgrades	500,000
Computer Aided Dispatch	325,000
NNMT Warehouse Improvements	250,000
Total	\$ 738,710,000



Port of Virginia FY 2017 Budget

Capital Budget Sources of Funds

Source	Funds
State Bond	350,000,000
VIG Partner	320,000,000
CPF Paygo	12,625,000
TR Paygo	6,300,000
State Grant	22,073,000
Federal Grant	14,832,000
Uncommitted VPA Bond Proceeds	12,880,000
	\$ 738,710,000



Stewards of Tomorrow

Port of Virginia FY 2017 Budget

VIT Capital Budget Projects

TERM	ITEM DESCRIPTION	TOTAL COST
VIG	N4 Implementation	\$6,000,000
Multiple Locations	Reservation System	\$ 500,000
Multiple Locations	Navis Breakbulk Module	\$ 250,000
Multiple Locations	CRM and Customer Service Phase II/ACD	\$ 161,000
NIT	NIT DGPS Vessel implementation	\$ 160,400
Multiple Locations	Remote Access Improvements	\$ 75,000
NIT	IKE decommission: recoding ILA Labor	\$ 75,000
Multiple Locations	POV/VIT New Hire equipment	\$ 60,000
FSC	Upgrade Dynamics GP v 10 to 2015	\$ 40,000
Multiple Locations	Small equipment, building, and infrastructure improvements	\$ 2,753,960
		\$ 10,075,360



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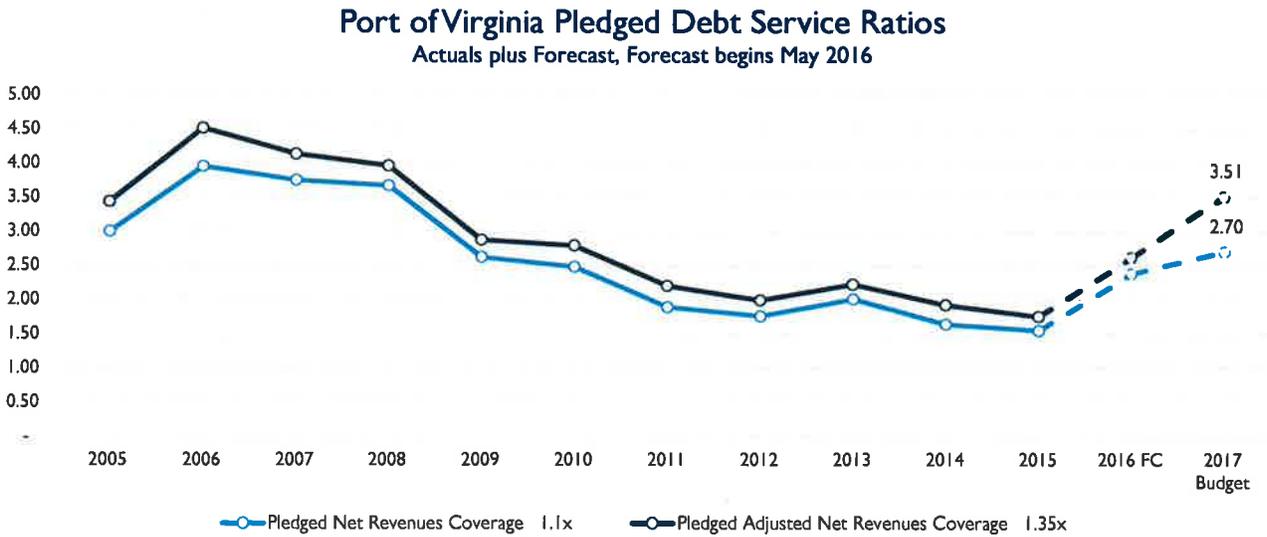
Debt Service Coverage



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Port of Virginia FY 2017 Budget

Debt Service Coverage



Stewards of Tomorrow



Risk Considerations



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Port of Virginia FY 2017 Budget

Risk Considerations

Budget assumptions driven by the volume forecast:

- Forecasted increase in volume
- Mix between gate, rail, and barge
- Distribution between the shipping lines

Additional major risk considerations:

- Impact on terminal construction
- Legal risk
- Partnership risk
- Terminal closure
- Weather / Environmental



Stewards of Tomorrow

PORT OF VIRGINIA VOLUMES CY2016

Calendar Year-to-Date: January - April

	CY15: Jan-Apr	CY16: Jan-Apr	Change	% Change
Total TEUs	809,688	842,010	32,323	4.0%
Export TEUs	429,237	456,659	27,422	6.4%
Import TEUs	380,451	385,352	4,901	1.3%
Total Containers	462,931	476,490	13,559	2.9%
General Cargo Tonnage	6,816,417	6,679,434	(136,983)	-2.0%
Container Tonnage	6,719,787	6,613,382	(106,405)	-1.6%
Breakbulk Tonnage	96,630	66,052	(30,578)	-31.6%
Total Rail Containers	157,037	175,401	18,364	11.7%
VIP Containers	11,337	14,626	3,289	29.0%
Total Barge Containers	15,615	11,845	(3,770)	-24.1%
RMT Containers	4,249	5,891	1,642	38.6%
Total Truck Containers	290,279	289,244	(1,035)	-0.4%
Ship Calls	629	657	28	4.5%
Vehicle Units	14,025	9,939	(4,086)	-29.1%



Stewards of Tomorrow

PORT OF VIRGINIA VOLUMES FY2016

Fiscal Year-to-Date: July - April

	FY15: Jul-Apr	FY16: Jul-Apr	Change	% Change
Total TEUs	2,066,071	2,137,565	71,493	3.5%
Export TEUs	1,108,953	1,172,100	63,147	5.7%
Import TEUs	957,119	965,465	8,346	0.9%
Total Containers	1,186,315	1,211,977	25,662	2.2%
General Cargo Tonnage	16,258,358	16,371,705	113,347	0.7%
Container Tonnage	16,021,883	16,163,694	141,811	0.9%
Breakbulk Tonnage	236,475	208,012	(28,464)	-12.0%
Total Rail Containers	383,851	420,398	36,547	9.5%
VIP Containers	30,381	34,864	4,483	14.8%
Total Barge Containers	47,091	35,421	(11,670)	-24.8%
RMT Containers	11,573	13,861	2,288	19.8%
Total Truck Containers	755,373	756,158	785	0.1%
Ship Calls	1,645	1,681	36	2.2%
Vehicle Units	22,919	31,513	8,594	37.5%



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