

# **MINUTES**

## **Virginia Port Authority Board of Commissioners – Public Session 389**

600 World Trade Center

Norfolk, Virginia

Tuesday, September 25, 2018

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The Board of Commissioners (“Board”) of the Virginia Port Authority (“VPA”) held its regular meeting on September 25, 2018, in 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  
F. Blair Wimbush, Vice Chairman  
J. William Cofer  
Val S. McWhorter  
Stephen Moret  
Kim Scheeler  
Louisa M. Strayhorn  
Deborah C. Waters

### Commissioners Absent:

Jennifer D. Aument  
Alan A. Diamonstein  
Manju S. Ganeriwala, State Treasurer  
John N. Pullen  
Faith B. Power

### VPA Staff:

John F. Reinhart, CEO and Executive Director  
James Bibbs, Chief Human Resources Officer  
Sarah McCoy, General Counsel  
Rodney W. Oliver, Chief Financial Officer  
Joseph P. Ruddy, Chief Innovation Officer  
Cathie Vick, Chief Public Affairs Officer  
Matthew Barnes-Smith, Sr. Vice President, Administration Services & Compliance  
Christopher (“Kit”) Chope, Vice President, Sustainability  
Russell Held, Vice President, Economic Development  
Daniel Hendrickson, Vice President, Strategic Planning & Analytics  
Barbara Nelson, Vice President, Government Affairs & Transportation Policy  
Jay Stecher, Vice President, Marketing & Communications  
Joe Harris, Senior Director, Media Relations  
Carla Welsh, Director, Creative Services  
Debra J. McNulty, Secretary to the Board

Virginia International Terminals, LLC (VIT) Staff:

Thomas D. Capozzi, Chief Sales Officer

Shawn Tibbetts, President of VIT and Chief Operations Officer

Joseph O'Brien, Vice President, Ocean Carrier Sales

Brian Kobza, Director, Ocean Carrier Sales

Guests:

W. Brice Fiske, Office of the Attorney General

Frank Borum, Atlantic Intermodal Services, LLC (AIS)

Solomon H. Ashby, Jr., City of Portsmouth

JoAnne Carter, PFM Financial Advisors, LLC

Kathleen Bowe, PFM Asset Management, LLC

Paul Olsen, Old Dominion University

Michelle Wharton, Kimley-Horn & Associates, Inc.

David White, Virginia Maritime Association (VMA)

Bryant McGann, Vandeventer Black LLP

Media:

Gordon Rago, *The Virginian-Pilot*

**Introductions**

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

**I. Approval of Minutes**

**Action:** At the request of Chairman Milliken, minutes of the annual and regular meetings of the VPA Board, held July 24, 2018, were approved as circulated.

**II. Reports of Committees**

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

**I. Report of Executive Committee**

Chairman Milliken announced that the Executive Committee meeting was cancelled due to lack of a committee quorum.

## 2. Appointments to Standing Committee

Chairman Milliken announced that Commissioner Faith Power had agreed to serve as chair of the Finance and Audit Committee, replacing Commissioner Blair Wimbush, who was appointed Vice Chairman of the Board. In that position, Ms. Power is also a member of the Board's Executive Committee and serves on the Investment Committee. The Chairman added that Commissioner Kim Scheeler had agreed to serve as vice chair of the Finance and Audit Committee.

Chairman Milliken referred to the new Standing Committee list which was provided in the agenda book. He announced that there were no requests from board members to change committee memberships.

## 3. Consideration of Resolution 18-9, approving the adoption of a Terminal Operator Agreement (TOA) Between Virginia Port Authority and Virginia International Terminals, LLC (VIT)

Chairman Milliken presented Resolution 18-9, on behalf of the Growth and Operations Committee, which he chaired in absence of Commissioner Diamonstein.

**Action:** Upon motion by Chairman Milliken, seconded by Mr. Scheeler, the Board unanimously (8-0) approved the adoption of a Terminal Operator Agreement (TOA) between Virginia Port Authority and Virginia International Terminals, LLC (VIT).

Mr. Reinhart explained that the TOA defines the roles and responsibilities between VPA and VIT and he noted that it was a prudent housekeeping measure that, in addition to the other agreements between VPA and VIT (ex: Shared Services Agreement and Payment Agreement), was part of diligent corporate governance.

Mr. Reinhart announced that Mr. Shawn Tibbetts was promoted to President and Chief Operating Officer of VIT. The Chairman stated that it was a well-deserved promotion for Mr. Tibbetts.

## **B. Finance and Audit Committee – F. Blair Wimbush (reporting for Committee Chair, Faith B. Power)**

### **I. Report of Finance and Audit Committee**

Vice Chairman Wimbush reported that the Finance and Audit Committee met Monday afternoon and received presentations from management on progress towards the fiscal year

2018 financial close and related audits, the financial results through July 31, 2018, status of the new billing system and financial system projects, and an update on the Port's investment program implementation.

In regard to the billing system and financial system projects, Vice Chairman Wimbush noted the following:

- Although early in the process, management informed the Committee that both projects are on time and on budget.
- Management provided an overview of progress made to date, planned activity in the near term, and a timeline for completion.
- Both projects are estimated to be completed prior to the end of the current fiscal year.

Mr. Wimbush announced the following, in regard to the Port's Investment Program:

- PFM Asset Management provided a summary of activity since the new program was initiated on July 1st.
- Roughly \$100 million in funds are currently being managed by PFM Asset Management.
- The aggregate portfolio return for the first two months of the fiscal year averaged 2.31% compared to an average yield of .25% on funds not invested in the program.
- All investments are in accordance with the Code of Virginia and VPA's Investment Policy.
- Management will be working with PFM Asset Management to expand the funds subject to investment due to the results of the program so far.

## 2. VPA and VIT Consolidated Financial Reports for the month ended July 31, 2018

Mr. Oliver reported that audited financial results for the June 30, 2018 fiscal year end were completed with positive operating income and no audit issues for VPA and VIT. He announced that the Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2018 (CAFR) will be completed three weeks ahead of schedule.

Mr. Oliver reported that revenues are in line with expectations that were set out in the FY2019 budget. It was reminded by Mr. Oliver that the Board approved a very tight budget and that volume was in line with expectations with operating expenses below budget.

Mr. Oliver affirmed that all major categories of expenses were below budget and that it was a good start to the first month of the new fiscal year. He noted that prior year revenues and expenses were higher due to volumes, rent increase on the operating lease of Virginia International Gateway (VIG) terminal, and full utilization of Portsmouth Marine Terminal (PMT).

Mr. Oliver announced that the first month of the fiscal year resulted in an operating loss of \$425,000. He reported that the operating loss was projected to be larger due to the expansion projects at South Norfolk International Terminals (SNIT) and VIG and having to utilize PMT heavily due to the loss of capacity at the two project terminals. However, Mr. Oliver explained that the Port is \$1.5 million ahead of budget expectations for the first month of the fiscal year. Mr. Oliver also reported that the change in net position/net income was affected by the timing of funds for South NIT and no new grant funds.

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

### **C. Investment Committee Report – Chairman Milliken**

Chairman Milliken explained that the Investment Committee is comprised of the chair of the VPA Board, chair of Finance and Audit Committee, and senior executive staff (Executive Director, Chief Financial Officer, and Chief Human Resources Officer) and oversees the policies of the VPA and VIT pension funds and defined contribution funds.

Chairman Milliken reported that the Investment Committee met Monday afternoon and received presentations from the Port's investment advisors (SageView) on the performance of the individual investments within the VPA and VIT portfolios. The Chairman advised that there were no recommended changes but that a couple of investments were kept on the watch list based on recent performance (see minutes of Investment Committee). The Chairman announced that the Committee spent some time talking about actuarial plans for the level of contribution and anticipated investment returns. He advised that the Committee is trying to determine the right balance to make sure the pension plans have adequate funds over the course of the plans and to avoid overfunding which could affect the Port's annual budget.

Chairman Milliken reported that, for the upcoming required actuarial valuations, the actuary recommended no changes to the major assumptions. He also invited Board members to attend Investment Committee meetings, if they wish.

### **D. Growth and Operations Committee – Chairman John Milliken (reported for Alan A. Diamonstein, Committee Chair)**

#### **I. Report of Growth and Operations Committee**

Chairman Milliken reported that the Growth and Operations Committee met on Monday and heard reports from Mr. Tibbetts who reviewed POV's safety results, operational statistics with regard to productivity at the gates, and the ongoing expansion projects at SNIT and VIG.

Chairman Milliken reported that the Committee received updates on construction projects and he affirmed that everything is progressing well with just a few issues that can be resolved.

The Chairman reported that Mr. Capozzi and his sales team provided a progress report on the Port's confidential Strategic Growth Plan (SGP). Chairman Milliken remarked that it will be the sales team's responsibility to secure business for the Port to fill the extra capacity that will be available after the expansion projects are completed. He announced that another SGP update will be presented in about six months.

Chairman Milliken reported that the Growth and Operations Committee heard from Ms. McCoy, General Counsel, on the Terminal Operators Agreement that the Board just approved. Ms. Cathie Vick, Chief Public Affairs Officer, also provided an update on the Norfolk Harbor and Channels deepening and widening project.

2. Report on Safety/Operations – Shawn Tibbetts, President and Chief Operations Officer of VIT

Mr. Tibbetts presented a photo of the big lift vessel, the "Happy Buccaneer" at load port which he said was currently at South NIT offloading the RMG (rail mounted gantry) cranes. He took a moment to commend the work of the ILA and Hampton Roads Shipping Association (HRSA).

Mr. Tibbetts announced that the OSHA Lost Work Day (LWD) rate for FY19 year-to-date was 2.32 which was an increase from FY18's LWD rate of 1.98 (goal is 2.00). He advised that the increase was due in most part to soft-tissue injuries and that the Port is working to drive that number down.

Mr. Tibbetts reported on the preparations by the Port in advance of Hurricane Florence. He commended the swift actions by colleagues to secure the port and prepare for 100 MPH winds. Mr. Tibbetts reported that the Port went through all of the proper steps and that it was a good drill, although Hampton Roads was spared. He reported that working together with port partners, the Port was closed for two days during that week to secure the facilities while still providing enough time for colleagues to be home to prepare. Mr. Tibbetts said there were lessons learned and he thanked everyone for their efforts.

Mr. Tibbetts announced that Newport News Marine Terminal (NNMT) had a new lay-berth opportunity with the Maritime Administration (MARAD) for one of their vessels who needed berthing space. He reported that the CMI crane will be in operation in early October and will provide 100 tons of lift capabilities at NNMT.

Mr. Tibbetts reported that, as new capacity at VIG becomes available, container volumes will be moved out of PMT to VIG. At Richmond Marine Terminal (RMT), Mr. Tibbetts reported that Nucor steel coils are being handled by truck to rail movements and Scoular agricultural products are being shipped in containers on the James River barge service to the port for overseas shipments. He described the current barge service schedule and advised that additional barge capacity will begin next fiscal year with the intent to bring daily barge service to RMT.

Mr. Tibbetts reported rail versus gate/barge volumes at each of the terminals and announced that the Port set a new rail record in August at 55,152 rail containers - an increase of 10.2% from prior year. Mr. Tibbetts announced that average rail ready dwell across POV facilities was 26 hours which is better than the industry standard across the nation.

Mr. Tibbetts advised that POV is working with our two Class I railroads on a strategy for rail growth. He reported that service movements are scheduled to take place every two months over the course of this fiscal year, from PMT, as capacity opens up at VIG. Mr. Tibbetts advised that going forward, PMT will be used for other commodities, for example, vehicles and break-bulk cargo.

Mr. Tibbetts announced that average "port wide" turn-times (regular and expanded) are 55 and 65, respectively. He advised that the Port continues to work with motor carriers to receive their feedback and suggestions to drive the turn-times down. He talked about the reservation system and efforts to create a generic empty container return area to provide flexibility for the motor carriers. Mr. Tibbetts emphasized that the reported turn-times are averages and does not mean that all truckers are getting in and out of the terminals within those times. He added that there was more work to do to improve the flow of traffic in and out of the gates.

Mr. Tibbetts reviewed net cranes moves per hour and reported that weekly meetings are held with our port partners to address congestion mitigation strategies and ways to operate our berths more efficiently.

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

Mr. Capozzi presented fiscal year-to-date volumes (July-August) and reviewed each of the line items in the attached slide. He noted that volumes are being driven by export and import loaded containers. He talked about the increase in empty export containers and efforts to encourage ship lines to remove empties from our terminals.

Mr. Capozzi reported that rail volume is up at the Virginia Inland Port (VIP) and that RMT is experiencing "incredible" cargo volume growth. He then reviewed the top export and import

commodities at the Port. A discussion then ensued with regard to tariffs imposed by the Federal Government.

Mr. Capozzi announced that the Port celebrated the One Stork (Ocean Network Express) maiden voyage to VIG. He also mentioned he recently attended Evergreen's 50<sup>th</sup> Anniversary in Taiwan.

Mr. Capozzi reported that a Memorandum of Understanding (MOU) was signed with the Brazilian Foreign Trade Association and the Port will be assisting Brazilian aluminum exporters to meet some of the third party logistics providers in our region to set up a distribution operation here in the U.S.

Mr. Capozzi presented statistics from the National Retail Federation's Global Port Tracker North America Report September 2018 that highlighted Virginia's double-digit percentage gains (Montreal was the other port mentioned in the report).

### **III. Report by Chief Innovation Officer – Joseph P. Ruddy**

Mr. Ruddy reported messaging results compiled by the Marketing and Communications team (MARCOMM) from July 1 to September 1, 2018, that produced 782 mentions which is \$1.28 million in advertising equivalency. He reviewed the key messaging and noted that the top hits were on the tariffs, new capacity coming online, and economic development efforts.

Mr. Ruddy announced that the terminal expansion projects at VIG and SNIT are on time and on budget and tracking well with the exception of some scheduling issues with VIG Phase II and NIT PDS (positional detection system). He reviewed the following projects:

- VIG Phase II (slight delay on the north rail bundle – no effect on delivery of CRMGs)
- NIT PDS (new technology/training colleagues)
- NIT Optimization
- Finance Projects (Billing and PeopleSoft)
- Business Intelligence
- IT Business Continuity

Mr. Ruddy presented updated aerial photos of the VIG II expansion that involves the stack yard, wharf extension, and rail yard. He reported that stacks #18-#20 will be turned over for use in mid-October and he explained the refurbishment and preparations to begin the waterside reefer racks at Stacks 1-3. He reported that all of the RMG (rail mounted gantry) cranes are in place at VIG.



Mr. Ruddy announced that the wharf extension is close to completion and is due for use in mid-November to handle the ultra-large container vessels (ULCV). Mr. Reinhart announced that the new wharf at VIG will be able to accommodate three ULCVs at one time.

Mr. Ruddy reported that the south rail bundle has been turned over to operations and they are conducting testing. He advised there is a slight delay on the north rail bundle and is on schedule to be completed by June 2019. Mr. Ruddy advised that the gate lanes at VIG are nearing completion and he described the relocation of the ship-to-shore cranes that was done to allow the largest cranes to be positioned in the middle of the wharf to increase productivity.

At South NIT, Mr. Ruddy explained the resequencing of phased construction and he announced that stacks #7, #8, and #9 will be the first to be turned over to operations for testing.

In conclusion, Mr. Ruddy mentioned key dates for VIG on the 12-month timeline slide (attached) indicating ship-to-shore cranes will be in operation by March 2019 and completion of the terminal build-out scheduled for June 2019.

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

Mr. Bibbs expressed appreciation to Port colleagues on preparations for the hurricane.

Mr. Bibbs reported on the following FY19 Talent Management initiatives:

- Book Galley (book club)
- Myers Briggs (MBTI)
- Zenger Folkman
- Stewardship Captain

Mr. Bibbs announced that the Aspiring Leadership Development Program, which launched in July 2018, has been very successful in preparing colleagues for upward mobility. He reported that 43 percent of the last group that graduated the program have moved on to higher positions.

Mr. Bibbs described the Outreach Ambassador Program and he informed Board members that Human Resources will be preparing briefing information for them in order to have consistent messaging when meeting with constituents. He advised that 32 colleagues are in the Ambassador Program.

Mr. Bibbs also reviewed the following metrics:

- Recruitment – Backfill and New Hires
- Percentages of Recruitment by Business Unit
- Training Hour Metrics

- New Hire Demographics
- Demographics

## **V. Report by Chief Public Affairs Officer – Cathie Vick**

Ms. Vick reported that the Pre-construction Engineering and Design (PED) on the Norfolk Harbor deepening project is underway and progressing well. She reported that the Army Corps of Engineers has accelerated the PED schedule and will start ship simulations with the Virginia Pilots in October of this year. Ms. Vick announced that after working with the Environmental Protection Authority (EPA) the project was able to capture some efficiencies and save about \$1 million in project costs. The first bid package for the project is scheduled for June 2019 with plans to have dredges in the water by January 2020 – one year ahead of schedule.

Ms. Vick announced that The Port of Virginia is well ahead of dredging projects scheduled for other ports thanks to the support and assistance of the Legislature, State, and Army Corps of Engineers. She expressed gratitude to the General Assembly for authorizing the bonds that provided funding for the Port's expansion projects at SNIT and VIG and for the funding that enabled the acceleration of the PED for the Norfolk Harbor 55-foot deepening and Thimble Shoals widening projects. Ms. Vick also mentioned VMA's efforts in coordinating presentations to the General Assembly. She emphasized that the Port would continue to work with our federal partners in order to receive the full funding for the project.

Ms. Vick provided an update on the Water Resources Development Act (WRDA) legislation and explained the need for Congressional authorization on the harbor deepening/widening projects. The General Reevaluation Report (GRR) for the project was presented and accepted by Congress on September 7<sup>th</sup> for inclusion in WRDA which also authorizes the 1,400-foot Thimble Shoals widening. She reported that the House passed WRDA on September 13, that includes full funding for the harbor deepening/widening projects and the Senate is due to take up a vote end of this month.

Mr. Vick reported the FY19 appropriations minibuss, including Energy & Water (USACE), passed the House and Senate and was signed by the President with an increase of \$7 billion in the Army Corps of Engineer's budget for navigation projects. She advised there are a series of meetings this week and next with federal officials and the work plan should be out within 60 days.

Ms. Vick announced that ship-to-shore cranes were removed from the Section 301 tariff list after Mr. Reinhart testified in Washington before the U.S. Trade Representative Commission advising of the detrimental impacts tariffs of this nature could have on port development

projects. She commended the work of MARCOMM, Government Relations, and the Legal team for their efforts in preparing Mr. Reinhart for his testimony. Ms. Vick advised that the economic impact on POV would have been close to \$11 million in tariffs on the cranes. She noted that chassis are still included in the tariffs.

Ms. Vick advised that the Port does not plan to submit any proposals for legislative amendments for the 2019 General Assembly Session, but will support the needs of Virginia Economic Development Partnership (VEDP) on funding for site development.

Ms. Vick mentioned the tours that the Public Affairs team held with legislators, Virginia Department of Transportation, and the Commonwealth Transportation Board (CTB).

Ms. Vick introduced Ms. Barbara Nelson, who recently came onboard as Vice President, Government Affairs and Transportation Policy.

Ms. Vick presented economic development totals for CY2018 as follows:

- 33 announcements
- More than 1.8 million square-feet of space
- Created 1,535 jobs
- Invested more than \$554 million

Since last Board meeting: 6 announcements; over 290,000 square-footage; created 270 jobs; invested over \$331 million.

Ms. Vick presented a photo of Commissioner Alan Diamonstein presenting a \$31,000 Port of Virginia Economic and Infrastructure Development Grant check to Printpack, Inc. of Newport News.

She then presented the attached NIT South Berth Dredging Project outline.

Ms. Vick reported on the NIT warehouse demolition (photo) that will provide additional capacity for storage of empties and rail expansion. She commended the engineering and facilities maintenance teams for their work on the project.

Ms. Vick presented an aerial of Richmond Marine Terminals and she described the grant-funded repairs that are taking place at the terminal. She reported on the sink hole that was discovered and estimated cost of repair. Ms. Vick announced that Ms. Nelson, who was formerly with the Richmond Transportation Planning Organization, is working with VDOT to obtain additional grant funds for the repairs. She also pointed out the Panattoni and Hourigan spec development projects that are being constructed across from RMT.

Ms. Vick announced that POV recently received grants funds from the Maritime Administration (MARAD) for a new top-loader at RMT, in the amount of \$56,000. POV is working with the James River Barge line to support a second barge that will go into service by January.

Ms. Vick then reviewed activities involving the Maritime Incident Response Team (MIRT) and Emergency Operations as follows:

- Hurricane Florence preparations
- Multiple Regional Search and Rescue (SAR) cases
- Service Deployment and Distribution Command (SDDC) efforts – shipments to military installations throughout the world. They are interested in opportunities for business at Portsmouth Marine Terminal and Newport News Marine Terminal
- Mass Rescue Exercise – planned for January/February timeframe
- 2018 Department of Homeland Security (DHS) Grant Awards to POV:
  - o \$1,902,490 Port Security Grant
  - o \$150,000 UASI Grant

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

Mr. Reinhart addressed the Chairman, Commissioners, colleagues and guests, as follows:

- Resiliency, sustainability, accessibility are all growing at The Port of Virginia.
- Collaboration with stakeholders, customers and partners is stronger than ever.
- We are executing our plan to improve our service and build capacity. Our team is doing an exceptional job to build our projects on time and budget while improving safety and service levels across the Port.
- Anchored by our values our colleagues continue to grow, perform, collaborate and compete to be best in class.
- We continue to be mindful and fiscally responsible while innovating and developing new systems, processes and capability for tomorrow.
- We are building momentum with economic development, sales, branding and marketing.
- We are going Wider, Deeper and Safer today with plans to begin dredging in early 2020. We will be the deepest, safest port on the East Coast.
- Headwinds remain with tariffs, competition, carrier consolidation and growing and operating through construction - our team is capable and resilient guided by our values.

Mr. Reinhart said, in closing, that “it is a privilege and honor to be part of such a great team, reinventing The Port of Virginia, and accelerating the economic engine that is The Port of Virginia.” He then thanked the Board and his colleagues “for their fortitude, hard work and dedication. We are on the right course and building the Port of tomorrow today.”

## **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**

Mr. David White, Executive Vice President of the Virginia Maritime Association, commended the Board and Port colleagues on their leadership. Mr. White announced that the Hampton Roads Navigational Summit, which is a joint stakeholder forum held annually, will be held on October 4, 2018 (Norfolk Yacht & Country Club) and he invited the Board to attend. He emphasized that the Summit is an important event to keep the stakeholders engaged and to “keep a very loud drumbeat” to execute the harbor deepening and widening project.

At this time, Chairman Milliken announced that the Board would be departing for lunch and a tour of Norfolk International Terminals (NIT).

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

Respectfully submitted,

  
Debra J. McNulty  
Secretary to the Board

The next meeting of the VPA Board is scheduled for **Wednesday, November 14** (Rescheduled from November 27 due to the Thanksgiving Holiday).

Committee meetings are scheduled the day before the Public Session (**Tuesday, November 13**).

## **RESOLUTION 18-9**

### **AUTHORIZING THE EXECUTION OF AN AGREEMENT FOR TERMINAL OPERATION WITH VIRGINIA INTERNATIONAL TERMINALS, LLC**

**WHEREAS**, the Virginia Port Authority ("Authority") and Virginia International Terminals, LLC were previously parties to a Service Agreement, initially dated as of June 1, 1997, later amended and restated as of June 1, 1998, May 23, 2000, August 28, 2003, September 24, 2008, and November 18, 2014 (the "Original Service Agreement");

**WHEREAS**, the Original Service Agreement was terminated by the Authority effective November 17, 2016; a Payment Agreement dated as of November 17, 2016, between the Authority and Virginia International Terminals, LLC (the "Payment Agreement") addressed certain issues pertaining to the relationship of the Authority and Virginia International Terminals, LLC which were previously addressed in the Original Service Agreement;

**WHEREAS**, in conjunction with the Payment Agreement, the Authority now desires to further state the terms pursuant to which Virginia International Terminals, LLC operates the Port of Virginia Terminals; and

**WHEREAS**, the Board of Commissioners has been presented at its meeting the proposed Terminal Operator Agreement for consideration and approval.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE VIRGINIA PORT AUTHORITY**, as follows:

Section 1. Authorization of the Terminal Operator Agreement. The Executive Director is hereby authorized to execute and deliver an agreement for terminal operation with Virginia International Terminals, LLC in substantially the form presented at this meeting and with such changes, omissions and insertions as may be approved by the Executive Director, his execution of such Terminal Operator Agreement to be conclusive evidence of his approval of any such changes, omissions and insertions; and authorizes the Executive Director of the Authority to authorize and approve the execution of such Terminal Operator Agreement by the appropriate officer(s) of Virginia International Terminals, LLC.

Section 3. Ratification; Further Action. The actions previously taken by the officers and staff of the Authority in furtherance of this Resolution are hereby ratified and confirmed. The officers and staff of the Authority, any of whom may act, are hereby authorized to take such actions, and deliver such additional documents and certificates, as they may, in their discretion, deem necessary or proper in connection with the adoption of this Resolution.

Section 4. Effective Date. This Resolution shall take effect immediately upon its adoption.

[END OF RESOLUTION]

**PASSED AND ADOPTED** this 25<sup>th</sup> day of September, 2018.



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John G. Milliken  
Chairman

Attest:



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Debra J. McNulty, Clerk

**TERMINAL OPERATOR AGREEMENT**

**Dated as of September 25, 2018**

**between**

**VIRGINIA PORT AUTHORITY**

**and**

**VIRGINIA INTERNATIONAL TERMINALS, LLC**



## TERMINAL OPERATOR AGREEMENT

THIS TERMINAL OPERATOR AGREEMENT ("Agreement") is made as of the 25<sup>th</sup> day of September, 2018, by and between THE **VIRGINIA PORT AUTHORITY**, a body corporate and political subdivision of the Commonwealth of Virginia ("VPA"), and **VIRGINIA INTERNATIONAL TERMINALS, LLC**, a Virginia limited liability company ("VIT"), as follows.

### RECITALS

WHEREAS VIT was formed as a corporation under the laws of the Commonwealth of Virginia on June 3, 1981 and was converted to a limited liability company effective August 17, 2013 and VIT has operated the Terminals (defined below) for VPA since VIT's inception; and

WHEREAS, VIT and VPA were previously parties to a Service Agreement, initially dated as June 1, 1997, later amended and restated as of June 1, 1998, May 23, 2000, August 28, 2003, September 24, 2008, and November 18, 2014 (the "Original Service Agreement"); and

WHEREAS, the Original Service Agreement was terminated by VPA effective November 17, 2016 and supplanted, superceded and replaced with The Payment Agreement, dated as of November 17, 2016, between VPA and VIT (the "Payment Agreement"); and

WHEREAS, notwithstanding the Payment Agreement, VPA and VIT now desire to further state the terms pursuant to which VIT operates the Terminals.

In consideration of the foregoing Recitals, the mutual promises stated below, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows.

### ARTICLE I

#### TERMS OF THE AGREEMENT

Section 1.1                    Defined Terms. The following terms shall have the following meanings in this Agreement:

"Act" means Chapter 10, Title 62.1 of the Code of Virginia of 1950, as amended.

“Bond Resolution” means Resolution Number 16-9 of VPA, adopted September 21, 2016.

“Executive Director” means the Executive Director of VPA.

“HRCP II” means HRCP II, L.L.C., a Virginia limited liability company and wholly-owned subsidiary of VIT. HRCP II currently operates and owns the chassis pool at the Terminals and may also operate one or more empty container yards.

“VIG Maintenance Agreement” means the Amended and Restated Facilities Maintenance and Lease Compliance Agreement between VIT and Virginia International Gateway, Inc. which is Exhibit H to the VIG Lease.

“Rules and Regulations” means the reasonable rules, regulations, and policies lawfully established by the Board of Commissioners of VPA pursuant to the Code of Virginia as may be amended from time to time.

“Terminals” means the marine terminals and ancillary facilities owned or leased by VPA from time to time, including without limitation Norfolk International Terminals (“NIT”), Newport News Marine Terminal (“NNMT”), Portsmouth Marine Terminal (“PMT”), Virginia Inland Port (“VIP”), Virginia International Gateway (“VIG”), and Richmond Marine Terminal (“RMT”).

“VIG Lease” means that certain Amended and Restated Deed of Facilities Lease Agreement between VPA and Virginia International Gateway, Inc. dated September 21, 2016, as may be further amended from time to time.

“VIT’s Operating Agreement” means VIT’s Second Amended and Restated Operating Agreement, dated November 17, 2016, as it may be further amended and/or restated from time to time.

## ARTICLE II.

### OPERATION OF TERMINALS

Section 2.1    VIT Independent Contractor.    VIT shall manage and operate the Terminals as an independent contractor for VPA. The Terminals shall be managed and operated as public marine terminals, or inland extensions of marine terminals, as the case may be, in a manner (i) which is competent, efficient, and competitive with other marine terminal facilities, (ii) consistent with the Rules and Regulations and this Agreement, and (iii) consistent with VPA's responsibilities under the Code of Virginia.

Section 2.2    Scope; Restrictions.    Any discussion of specific authority and duties assigned to VIT in this Agreement shall not be deemed to be exclusive; VIT shall have full authority to operate the Terminals within in its sole discretion and expertise, within the terms of this Agreement, and subject only to the following limitations, restrictions, reservations, and rights determined by:

- A. All current and future easements on the Terminals. VIT will consult with VPA concerning any granting of any future easements.
- B. All present and future federal, state, and municipal laws, ordinances, regulations, orders affecting any part of the Terminals included in this Agreement; provided, however, that this section shall not be construed to impose any obligations on VIT or VPA to the extent they may be exempt therefrom.
- C. Contracts between the United States Maritime Administration and VPA, if any.
- D. The right of unobstructed ingress and egress by VPA's employees, agents, invitees, consultants, and contractors.
- E. The Payment Agreement.

## ARTICLE III.

### TERM

Section 3.1    This Agreement shall expire on June 30, 2023; provided, however, that unless either party gives the other written notice of its intent to terminate this Agreement at least twelve (12) months prior to the termination date, it may be extended. Without written notice of a party's intent to terminate this

Agreement, this Agreement shall thereafter automatically renew on a year-to-year basis on July 1<sup>st</sup> of each year after June 30, 2023. If VPA terminates this Agreement: (i) VPA agrees that it will require the subsequent operator of the Terminals to assume the obligations of VIT arising after the termination date under any executory contracts which VIT has entered into during the term of this Agreement; and (ii) VIT agrees that it will transfer to VPA such rights and equipment, for fair market value, as may be necessary and appropriate for the operation of the Terminals. If either VIT or VPA terminates this Agreement, VIT and VPA shall cooperate to effect the transition of the operation of the Terminals to VPA or any other subsequent operator. Furthermore, any transfer of the operation of the Terminals shall be in compliance with the current VIG Lease, including but not limited to Section 12 thereof.

#### ARTICLE IV.

##### PAYMENT AGREEMENT AND MANAGEMENT OF FUNDS

Section 4.1 Compliance with Payment Agreement. The Payment Agreement contains, among other things, specific requirements for the disposition of VIT's income, requirements for liquidity reserves, and restrictions on incurring certain indebtedness. VIT covenants that it and its subsidiaries, including without limitation HRCP II, shall comply with the Payment Agreement as long as it is in effect.

Section 4.2 Management of Funds. Subject to the terms of this Agreement and the Payment Agreement, VIT shall manage and control the handling of all money received by or for VIT in connection with the Terminals and shall establish an adequate system, based on standard, prudent practices of internal control, covering the receipt and expenditure of money in the purchase of equipment and the maintenance, repair, operation, and improvement of the Terminals. Such management and control may be contracted with third parties subject to the approval of the Executive Director.

#### ARTICLE V.

##### OPERATION OF TERMINALS

Section 5.1 No Nuisance. VIT shall not use, or permit the use of the Terminals, or any part thereof, for any unlawful purposes, or permit any private or public nuisance to exist thereon.

Section 5.2 Compliance with Laws. VIT shall promptly comply with all applicable rules, regulations, ordinances, statutes, and all federal, state, and local laws. Notwithstanding the foregoing, however, VIT may, with VPA approval, contest by appropriate legal representation and proceedings the validity of any

law, rule, regulation, or requirement affecting the Terminals, without cost or expense to VPA or the Commonwealth of Virginia,.

Section 5.3     Payment of Taxes. VPA shall promptly pay all taxes, license fees, service charges, and any special assessments that are lawfully incurred, levied, or assessed against the Terminals, subject, however, to the allocation of any responsibilities under the VIG Lease and all applicable state and federal exemptions.

Section 5.4     No Liens. VIT shall not create or suffer to be created any lien or encumbrance upon the Terminals or any part thereof without the express prior written approval of VPA. VIT shall satisfy, cause to be discharged, or bond-off within sixty (60) days any claim which, if not satisfied, might by law become a lien upon the Terminals or any part thereof; provided, however, that the foregoing language shall not be construed as a waiver of any defense to any lien by VPA.

Section 5.5     VIG Documents. VIT shall comply with the VIG Maintenance Agreement. The VPA shall promptly pay the rent and all other payments required under the VIG Lease.

Section 5.6     Contracts and Licenses. In addition to providing any service, stevedoring, and satisfying any other agreements with steamship lines, VIT may make such agreements as it may deem in furtherance of this Agreement with any railroads, beneficial cargo owners, and other users of the Terminals, subject to the terms of this Agreement, consistent with and in line with VIT's approved budget. VIT may, with reasonable prior notice to, and written approval by, the Executive Director, permit others to occupy portions of the terminals by permit, license, or berthing agreement for any purposes consistent with this Agreement. VIT may grant or restrict access to the Terminals and related facilities in its discretion. Notwithstanding the foregoing, however, this Agreement provides solely for the operation of the Terminals by VIT, and conveys no interest in real or personal property to VIT, and this Agreement does not grant any right or authority to VIT to unilaterally grant any interest in real estate. All licences and other agreements for the occupancy or use of the Terminals shall contain without limitation normal commercial terms, such as the appropriate allocation of commercial risk and reasonable and prudent insurance requirements for the benefit of both VIT and the VPA.

Section 5.7     HRCP II. VIT shall not amend the operating agreement of HRCP II without the express written consent of the Executive Director. VIT may enter into sub-agreements with HRCP II from time to time for services, including without limitation sub-agreements for the use of chassis and other equipment and for the operation of certain facilities, including without limitation empty container yards.

Section 5.8     Shared Services. VIT may enter from time to time into agreements with third parties, including without limitation the VPA, for shared services. Such shared services may include, without limitation, services for accounting, human resources, risk management, procurement, information technology, strategic planning, and legal services.

Section 5.9     Services to VPA. Subject to further agreement of the parties, VIT, in furtherance of its obligation to manage and operate the Terminals, may also provide services from time to time to the VPA, including without limitation, services in the areas of consulting, procurement, hosting of information, information technology, construction and engineering planning and oversight, construction management, security, and the publishing and collecting tariff items.

Section 5.10   Inland Ports and Depots; Barge Services. VIT may form or enter into agreements with respect to inland terminals inside and outside of Virginia with the approval of the Executive Director, which shall not be unreasonably withheld. VIT agrees to manage the use of the barge services by users of the Terminals, and VIT may provide stevedoring for those services. VIT shall enter into such separate agreements for those services as it may deem necessary in its reasonable discretion.

Section 5.11   Procurement. VIT shall adopt guidelines governing procurement of goods and services subject to the approval of the Executive Director in his/her reasonable discretion.

## ARTICLE VI.

### TERMINAL CHARGES AND RATES

Section 6.1     Rates. The parties acknowledge their statutory authority and responsibilities with respect to the establishment of rates, charges, rules, regulations, tariffs, practices, and requirements (hereinafter referred to collectively as the "rates"), concerning the use of the Terminals and related maritime services. The parties also recognize VIT's statutory responsibility regarding establishing rates for the Terminals. Accordingly, VIT shall have the primary authority to establish, revise, and enforce such rates in a manner consistent with applicable law and in consultation with the VPA. VIT agrees that the rates will be consistent with applicable law, the statutory mandate of the VPA, and this Agreement.

Section 6.2     Notice of Collection Activities. VIT shall provide timely notice to the VPA concerning any collection activities beyond the posting of dunning letters.

ARTICLE VII.  
SALES AND CUSTOMER RELATIONS

Section 7.1     VIT Marketing Responsibilities. VIT shall perform the tactical sales, customer relations, and marketing and development functions for the Terminals, including without limitation performing and being responsible for direct customer relations for business at the Terminals. VIT shall provide regular updates on sales and development results and marketing plans at each regular meeting of VPA's Board of Commissioners. VIT may maintain offices, and contract with foreign sales consultants, outside of Virginia and the United States, subject to the approval of the Executive Director.

Section 7.2     VPA Responsibilities. The VPA shall be responsible for the strategic development of the Terminals, public relations, economic development, traffic analysis, and research, and such other maritime and business functions as VPA deems necessary so as to properly discharge its statutory duties under the Code of Virginia. VIT shall support and assist the VPA in the performance of these responsibilities.

Section 7.3     Access to and Custody of Information. VIT and the VPA will strive to ensure that the proprietary and confidential nature of customer and business records will be protected from unauthorized dissemination. VPA recognizes, and VIT acknowledges, the state statutory responsibility of VPA for compliance with the Virginia Freedom of Information Act.

ARTICLE VIII.  
MAINTENANCE, INSPECTION, IMPROVEMENTS, AND DEMOLITION OF FACILITIES

Section 8.1     Maintenance. VIT shall keep and maintain the real and personal property of the Terminals (i) according to industry standards, and (ii) otherwise in at least as good condition or repair, as they are at the time of the commencement date of this Agreement, ordinary wear and tear excepted. VIT shall provide the VPA with any and all maintenance records for the Terminals upon request.

Section 8.2     Capital Maintenance. The division of responsibility for the capital maintenance of the Terminals shall be determined by the VPA and VIT, and their staffs, which costs shall be reflected in VIT's approved budget. All capital expenditures of VPA or VIT shall be subject to the provisions of the Bond Resolution and Payment Agreement.

Section 8.3     Scheduling Maintenance. The parties shall consult to schedule capital improvements, repairs, and maintenance activities to accommodate the cargo-handling activities at the Terminals.

Section 8.4     Consulting Engineer. The VPA may from time to time engage an independent consulting engineer to inspect the Terminals. Any such independent consulting engineer inspecting the Terminals shall submit a written report as to the condition of each Terminal's real and personal property to the Executive Director. If any repair work or maintenance not budgeted for by VIT is required, the VPA shall report the same to VIT, and VIT shall, subject to the availability of funds as provided in this Agreement and the Payment Agreement, accomplish the repair or maintenance within a reasonable time. Any dispute between VPA and VIT over the necessity for or extent of such repair work or maintenance shall be resolved by the Executive Director, whose decision shall be final and binding.

Section 8.5     Improvements to VPA Real Property. VIT may make such minor alterations to any of the real property now or hereafter existing on the Terminals and, with the prior written approval of the Executive Director, may (i) construct or place thereon such additional minor improvements as VIT deems necessary or desirable for any of the purposes contemplated herein, or (ii) demolish such minor improvements, with the prior written approval of the Executive Director as VIT deems necessary. The funding of such work is subject to the provisions of this Agreement and the Payment Agreement. All buildings, structures, improvements, and fixtures which are constructed, placed, or installed on the Terminals as a substitute for, an addition to, or in renewal or replacement of, any buildings, structures, improvements, equipment or fixtures constituting part of the Terminals shall become the property of the VPA and part of the Terminals.

Section 8.6     Capital Improvement Plan. The VPA and its Board of Directors shall adopt and maintain a capital improvement plan for the Terminals. The VPA shall review this plan from time to time, in conjunction with VIT, and make such revisions as may be required. The review will establish budget priorities for additional facilities, construction sequences and such other improvements or modifications as may be desirable to meet the needs of the Terminals. VIT will make available to the VPA all plans and documents necessary for VPA to prepare such a capital improvement plan and will cooperate fully with the VPA in providing input and technical advice.

Section 8.7     Dredging. The VPA is primarily responsible for causing the channels and berths at (and leading to) the Terminals to be properly dredged; however, from time to time, the parties may agree for VIT to undertake maintenance dredging to keep the berths dredged to a sufficient depth and width for the reasonable accommodation of vessels desiring to use the berths.



Section 8.8     Capital Equipment Purchases. Major capital equipment purchases will be determined by the VPA and its Board of Directors, primarily at the time it considers VIT's budget. The funding of such purchases to be made by VIT shall be subject to the terms of this Agreement and the Payment Agreement.

Section 8.9     Construction Management. The VPA and VIT will perform construction management, design supervision, contract administration and periodic inspection for their respective Terminal projects. The VPA and VIT will coordinate all activities necessary to ensure that construction work does not interfere with cargo operations and other projects and activities at the Terminals.

ARTICLE IX.  
INSURANCE

Section 9.1     Insurance. VIT shall cause the Terminals to be insured and shall also procure liability insurance, including without limitation terminal operator coverage, workers' compensation, longshore and harbor workers act coverage, and such other coverages as the VPA may reasonably request, with appropriate deductibles considering the availability, adequacy of coverage, and premiums associated with such coverage. All such insurance shall to the extent commercially available name VIT, the VPA, HRCF II, and all of VIT's other affiliated or subsidiary companies (if any) as named or additional insured, as may be applicable. Without limiting the foregoing, VIT shall procure and comply with all insurance requirements undertaken by the VPA under the VIG Lease. Copies of all insurance policies referred to in this Article shall be sent with the Declaration Page to VIT for use by its agents and representatives. The VPA, in its own name, may demand, sue for, collect, and give a receipt for any insurance money which may become due and payable under any policies of insurance required hereunder, if VIT shall have failed to do so within thirty (30) days after the receipt of written notice from VPA. HRCF II shall procure its own chassis pool operator's and related insurance coverage. VIT may in its discretion maintain a "joint liability policy" with any third parties who are on the Terminals (for property damage in cases where cause is difficult to determine).

Section 9.2     Damage; Destruction. If any part of the Terminals, or any Terminal equipment is destroyed or damaged by fire or other casualty, VIT shall, with the approval and assistance of VPA, oversee the prompt replacement, repair, rebuilding, or restoration of the Terminal property damaged or destroyed by using available insurance proceeds and other available funds.

Section 9.3 Insurance not Obtained by VIT. If VIT fails or otherwise refuses to procure or maintain any insurance coverage provided above, the VPA may cause such insurance coverage to be procured and maintained.

## ARTICLE X.

### ACCOUNTING, AUDITING, AND BUDGETING

Section 10.1 Accounting. VIT shall establish and maintain accounts and an accounting system in accordance with generally accepted accounting principles, and shall specifically maintain separate accounts for each Terminal. The fiscal year of VIT shall be concurrent with the Fiscal Year of VPA.

Section 10.2 Financial Statements. VIT shall, within ninety (90) days after the end of each fiscal year, have its financial statements audited by a certified public accountant licensed in Virginia, and thereafter have such audit approved in writing by the VPA. The full audit report will be submitted to VPA after each fiscal year. The full audit report shall include all matters customarily included in an annual audit report and shall specifically include a report on the internal controls on which the audit was based, and a statement that such report has been prepared in accordance with generally accepted accounting and auditing standards.

Section 10.3 Accounts and Records. The accounts and other financial and internal control records of VIT shall be open for inspection to representatives of VPA at all times during reasonable hours.

Section 10.4 Financial Statements. Upon request by the VPA, VIT shall furnish to the VPA all such financial statements in a form reasonably acceptable to VPA to include, without limitation: (i) income statements, (ii) balance sheets, (iii) budget comparisons, (iv) accounts receivable and accounts payable reports with aging schedules, and (v) tonnage and container activity reports.

Section 10.5 VIT Annual Budget. At least sixty (60) days prior to the beginning of each fiscal year, the VPA and VIT staff shall meet to plan VIT's budget, including revenues, expenses, and any cash flow plan for the following year. The budget planning shall include equipment purchases and all capital projects and expenditures. VIT's budget shall conform to all applicable requirements of the Payment Agreement. At least thirty (30) days prior to the beginning of each fiscal year, VIT shall submit to the VPA for its review and approval an annual budget for such fiscal year, for the operation, repair and maintenance of the Terminals during such fiscal year. The budget shall be in a form generally conforming to budgets of operating facilities substantially comparable to the Terminals and shall be in reasonable detail to allow for financial and budgetary planning for the next fiscal year. The budget submission shall include reasonable detail of assumptions, supporting revenues, expenses, and capital expenditures. The budget shall also be

supported by an estimated cash flow statement for the year in reasonable detail. The VPA shall promptly review the budget and submit any items in question to VIT for any necessary explanation, clarification, or modification. VIT and the VPA and its Board of Directors agree to work to achieve agreement on the budget not later than June 1 in each fiscal year.

Section 10.6    Compliance with Budget. VIT shall comply with the budget for each fiscal year as approved and shall not incur any additional expenses, or change the manner of the operation of the Terminals without the approval of the Executive Director; provided, however, that prior approval is not required for an emergency or other extraordinary circumstances that make such approval impractical where the reallocation of any amount budgeted for expenses to another item of expense can be made so long as the total amount of expenses in the budget shall not be exceeded. The VPA and VIT staff shall annually present the budget to the Executive Director and the VPA Board of Directors for their approval.

Section 10.7    Claims for Damages. VIT shall receive and dispose of claims for damages arising in connection with the Terminals; provided that no claim for more than Twenty-Five Thousand Dollars (\$25,000) payable from revenues of the Terminals shall be paid by VIT, without the prior written approval of the Executive Director. All such claims and all settlements shall be promptly reported in writing by VIT to VPA.

## ARTICLE XI.

### SECURITY

Section 11.1    Security Rules. VPA may adopt Rules and Regulations governing the security of the Terminals with input and advice from VIT. Rules and Regulations shall be uniform, to the extent deemed practicable by VPA. VPA will provide or arrange for all security at the Terminals. VPA shall cooperate with VIT to meet Terminal security needs. VPA shall cooperate with VIT in the enforcement of VIT's separate security policies.

## ARTICLE XII.

### UTILITIES

Section 12.1    VPA to Contract for Utilities. VPA will contract for utilities serving the Terminals. VIT will pay the full cost of the utility services promptly upon receiving the applicable invoice(s).

ARTICLE XIII.  
MISCELLANEOUS PROVISIONS

Section 13.1 VIT Operating Agreement. This Agreement shall not be construed to modify VIT's Operating Agreement as it may have been or may be amended or restated from time to time. Without limiting the foregoing, nothing in this Agreement shall (i) affect the duties or scope of authority of VIT, its President and Chief Operations Officer, or its Chief Sales Officer under the Operating Agreement or (ii) eliminate any requirement for any approvals under the VIT Operating Agreement.

Section 13.2 Third Parties. There are no third-party beneficiaries of this Agreement.

Section 13.3 Amendments. This Agreement may be amended only in writing signed by the authorized officers of the parties.

Section 13.4 Applicable Law. This Agreement shall be construed only according to the laws of the Commonwealth of Virginia without resort to any conflict of laws rules.

Section 13.5 FMC Filing. Because VIT is a wholly-owned subsidiary of VPA, this Agreement is exempt from filing with the Federal Maritime Commission pursuant to 46 C.F.R. Section 535.307. If any applicable law changes to require the filing of this Agreement, the parties mutually agree to file this Agreement with the FMC.

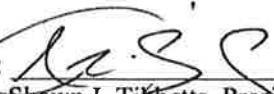
Section 13.6 Counterpart Signature Pages; Images of Signatures Binding. This Agreement may be executed by counterpart signature pages. Electronic images of signatures, such as a portable document format (.pdf), shall be binding on a party when delivered.

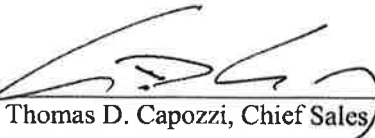
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their authorized officers.

VIRGINIA PORT AUTHORITY

By:  (SEAL)  
John F. Reinhart, CEO and Executive Director

VIRGINIA INTERNATIONAL TERMINALS, LLC

By:  (SEAL)  
Shawn J. Tibbetts, President and Chief Operations Officer

By:  (SEAL)  
Thomas D. Capozzi, Chief Sales Officer

**July 2018  
Financial Report**

Rodney W. Oliver  
Chief Financial Officer



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# AGENDA

- July Financial Results



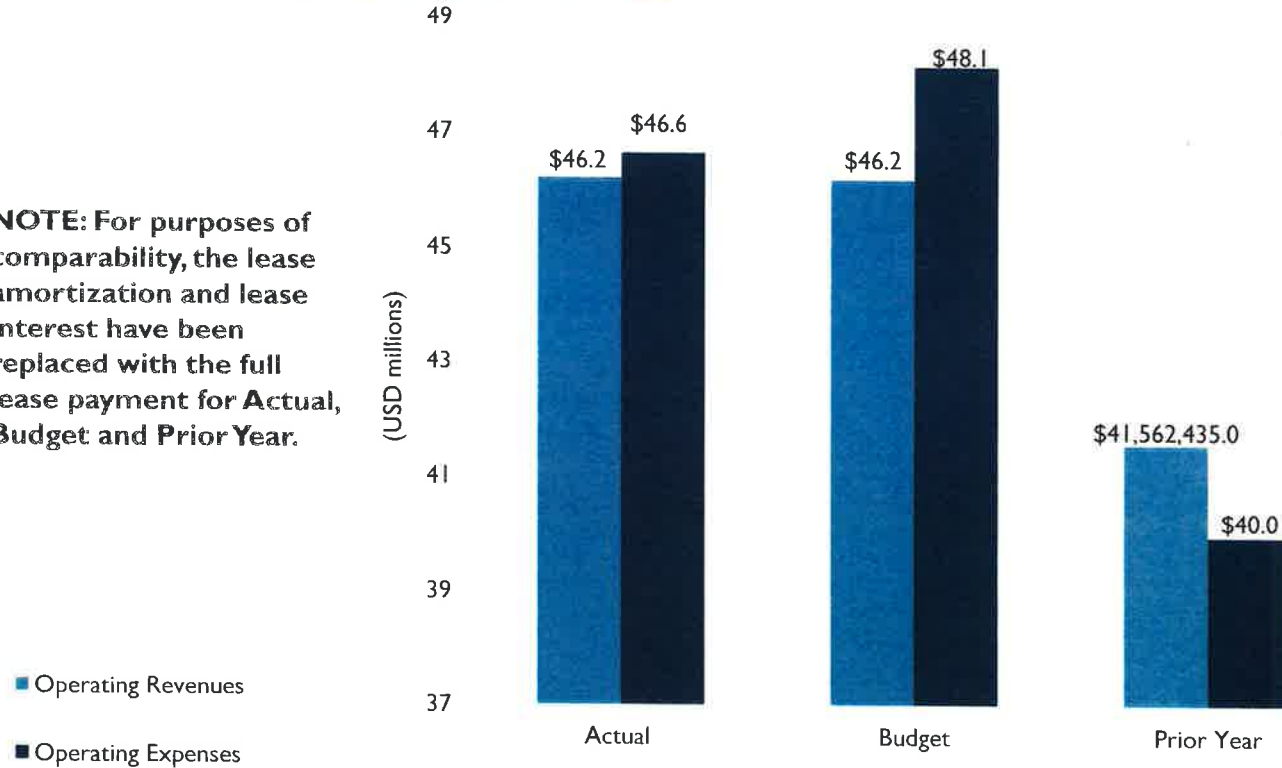
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# OPERATING REVENUES AND EXPENSES:

## For the Month Ended July 31, 2018

**NOTE:** For purposes of comparability, the lease amortization and lease interest have been replaced with the full lease payment for Actual, Budget and Prior Year.



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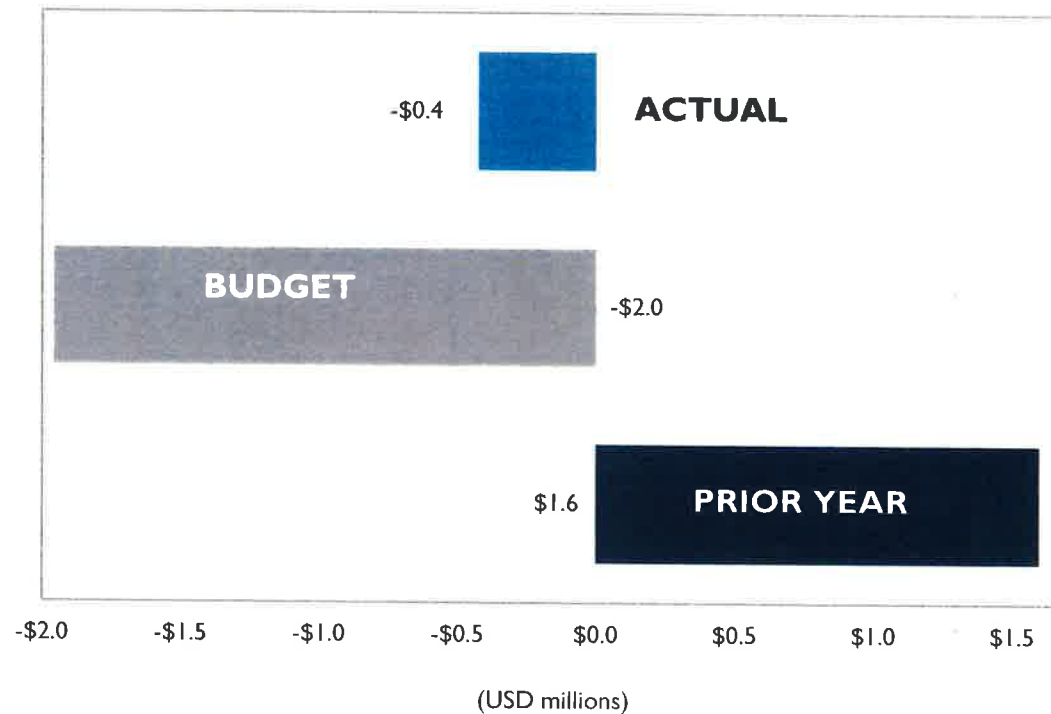
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# OPERATING INCOME (LOSS):

## For the Month Ended July 31, 2018

**NOTE:** For purposes of comparability, the lease amortization and lease interest have been replaced with the full lease payment for Actual, Budget and Prior Year.



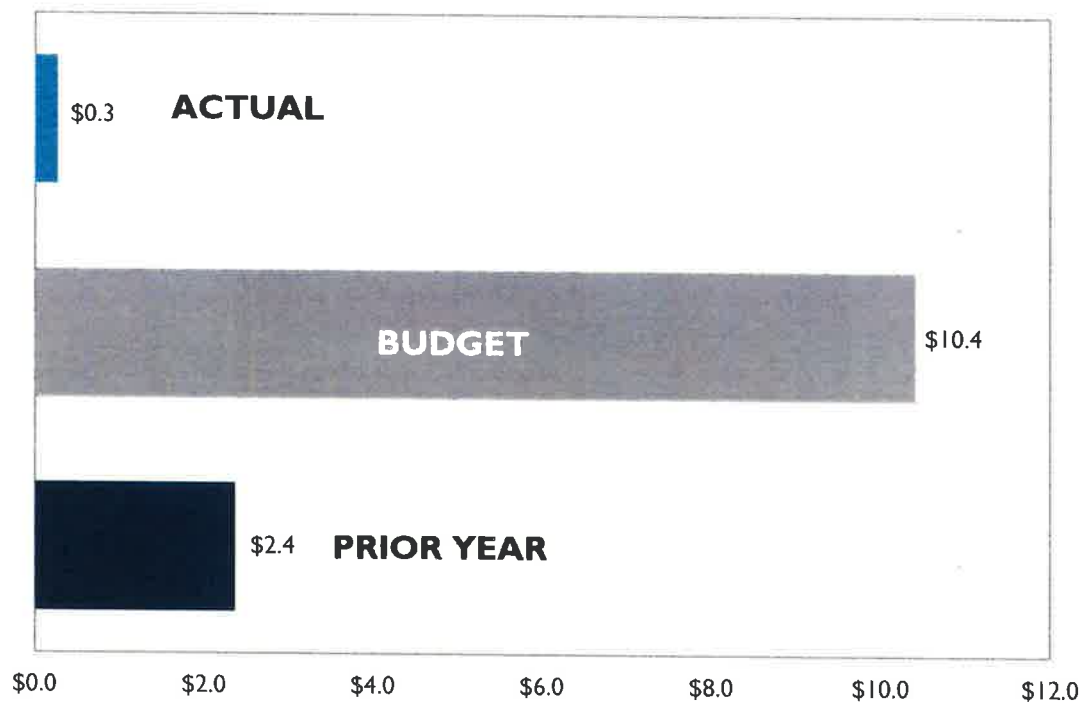
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# CHANGE IN NET POSITION:

For the Month Ended July 31, 2018

**NOTE:** For purposes of comparability, the lease amortization and lease interest have been replaced with the full lease payment for Actual, Budget and Prior Year.

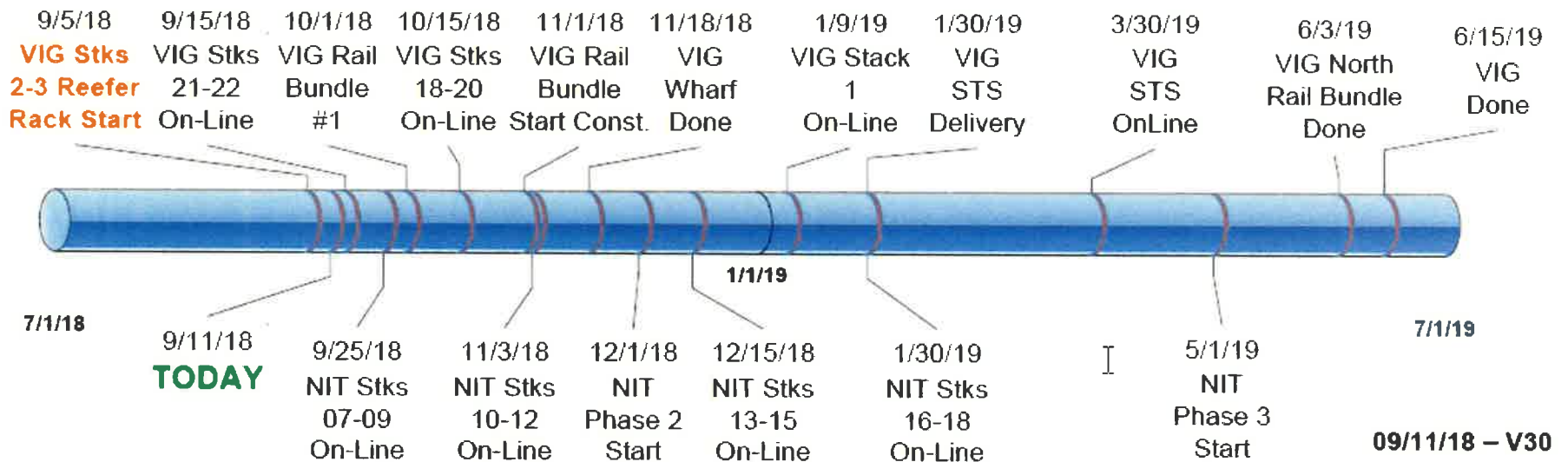


# FISCAL YEAR-TO-DATE: JULY-AUGUST 2019

	<b>FY 2018</b>	<b>FY 2019</b>	<b>Change</b>	<b>% Change</b>
<b>Total TEUs</b>	<b>474,835</b>	<b>511,500</b>	<b>36,665</b>	<b>7.7%</b>
Export Loaded TEUs	151,133	166,365	15,233	10.1%
Export Empty TEUs	96,919	104,909	7,990	8.2%
Import Loaded TEUs	222,403	237,174	14,771	6.6%
Import Empty TEUs	4,380	3,052	(1,328)	-30.3%
<b>Total Containers</b>	<b>270,930</b>	<b>290,257</b>	<b>19,327</b>	<b>7.1%</b>
<b>General Cargo Tonnage</b>	<b>3,487,212</b>	<b>3,787,061</b>	<b>299,849</b>	<b>8.6%</b>
Container Tonnage	3,457,101	3,750,224	293,123	8.5%
Breakbulk Tonnage	30,111	36,837	6,726	22.3%
<b>Total Rail Containers</b>	<b>94,627</b>	<b>103,505</b>	<b>8,878</b>	<b>9.4%</b>
VIP Containers	5,995	7,533	1,538	25.7%
<b>Total Barge Containers</b>	<b>7,914</b>	<b>10,053</b>	<b>2,139</b>	<b>27.0%</b>
RMT Containers	3,659	6,235	2,576	70.4%
<b>Total Truck Containers</b>	<b>168,389</b>	<b>176,699</b>	<b>8,310</b>	<b>4.9%</b>
<b>Ship Calls</b>	<b>297</b>	<b>287</b>	<b>(10)</b>	<b>-3.4%</b>
<b>Vehicle Units</b>	<b>6,488</b>	<b>5,306</b>	<b>(1,182)</b>	<b>-18.2%</b>

# TIMELINES

## 12 Month Horizon



# NORFOLK HARBOR DEEPENING PROJECT



Pre-construction Engineering & Design: Underway

Ship Simulation: Oct '18

Env. Modeling: Oct '18 – Mar '19

Dredging Begins: Jan '20



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# NORFOLK INTERNATIONAL TERMINALS SOUTH BERTH DREDGING PROJECT

## Phase I

Will allow the safe handling of ships 1200' Length overall (LOA) x 168' beam (aprox. 366m x 51.2m), ~14K TEUs

## Phase II

Will allow the safe handling of ships 1309' LOA x 177' beam (aprox. 399m x 54m), ~17K TEUs



### PHASE I AUGUST 2018

Start dredging  
Cost \$10.5M



### SEPTEMBER 2018

Access channel widened  
Widens berth itself to allow ships  
to pass each other on berth



### LATE FALL 2018 PHASE I COMPLETE

Safe movement of ULCVs up to  
1200' LOA and 168' beam  
Decreases time the ship obstructs  
the federal channel while turning



### PHASE II CALENDAR YEAR 2019

Safe movement of ULCVs up to  
1309' LOA and 177' beam  
Allows for entire ship turning procedure  
outside federal channel. Cost \$8M



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