



Virginia Port Authority Board of Commissioners Session 402

Agenda

- Approval of minutes
- Reports of committees
- Unfinished business
- New business
- Other business, opportunity for public comment, and adjournment



Finance and Audit Committee Report

Agenda

- July Financial Performance
- Fiscal Year 2021 Revised Budget
- Master Equipment Lease Programs and Borrowings
- Procurement Manual Update

July/August highlights

	Category	Budget	Final
July	Volume	113,004	122,446
	Operating Income (Loss)	(\$3.0 million)	\$2.0 million
	Operating Revenues	\$39.5 million	\$40.4 million
	Operating Expenses	\$42.5 million	\$38.4 million
August	Volume	117,868	136,144
	Operating Income (Loss)	(\$1.4 million)	\$4.9 million



FY 21 Budget Reforecast

September 22, 2020

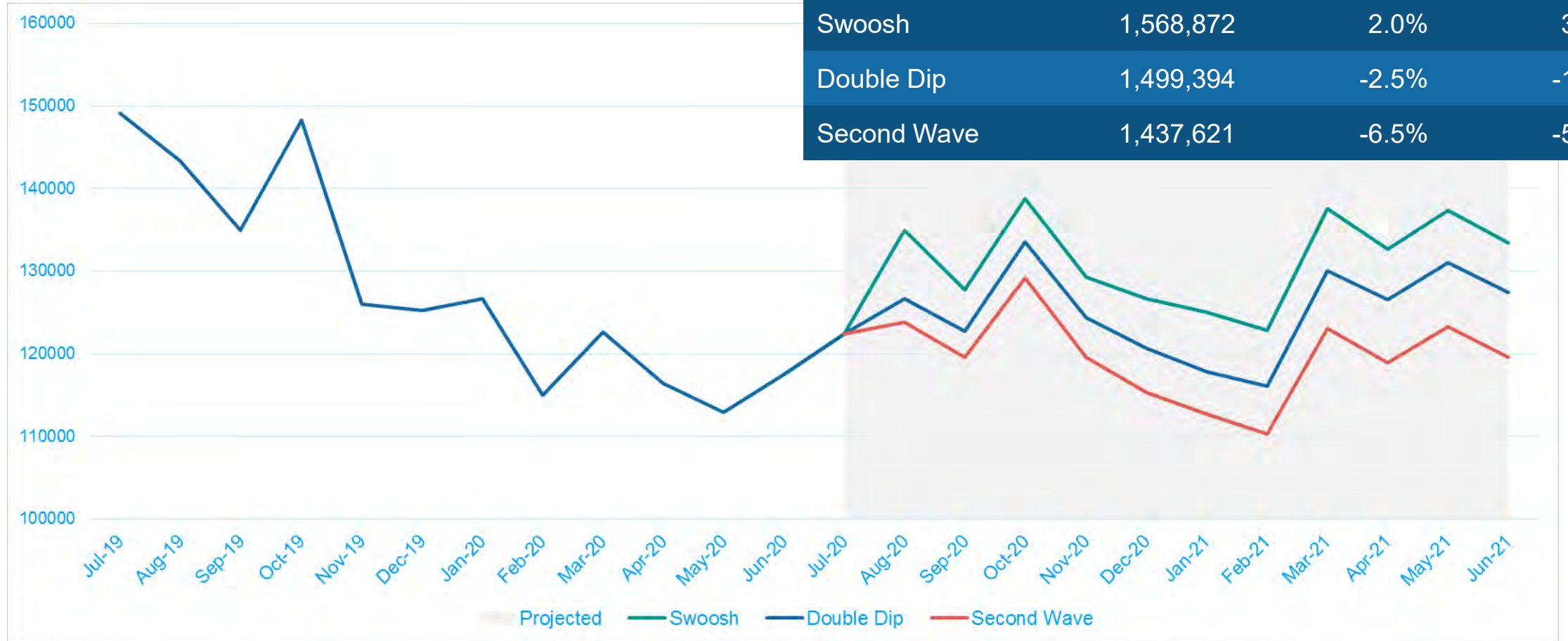
Highlights

	2020 ACTUAL	2021 BUDGET (MAY)	2021 BUDGET
FOR THE YEAR <i>(dollars in millions)</i>			YoY % / May Budget
Container Volume	1,538,169	1,513,859	1,568,872 ▲ 2.0% / ▲ 3.6%
Operating Revenues	\$512.9	\$524.1	\$541.2 ▲ 5.5% / ▲ 3.2%
Operating Income	\$19.6	\$11.6	\$27.8 ▲ 41.9% / ▲ 139.0%
AT YEAR END			
Net Position Change	\$41.8	\$(19.0)	\$(7.2)
Residual Fund & Operating Cash	\$188.0	\$146.7	\$173.7
FINANCIAL RATIOS			
EBITDA	24.1%	25.9%	26.7%
Aggregate Net Revenue Coverage (1.1x test)	1.29	1.33	1.40

POV container volume outlook

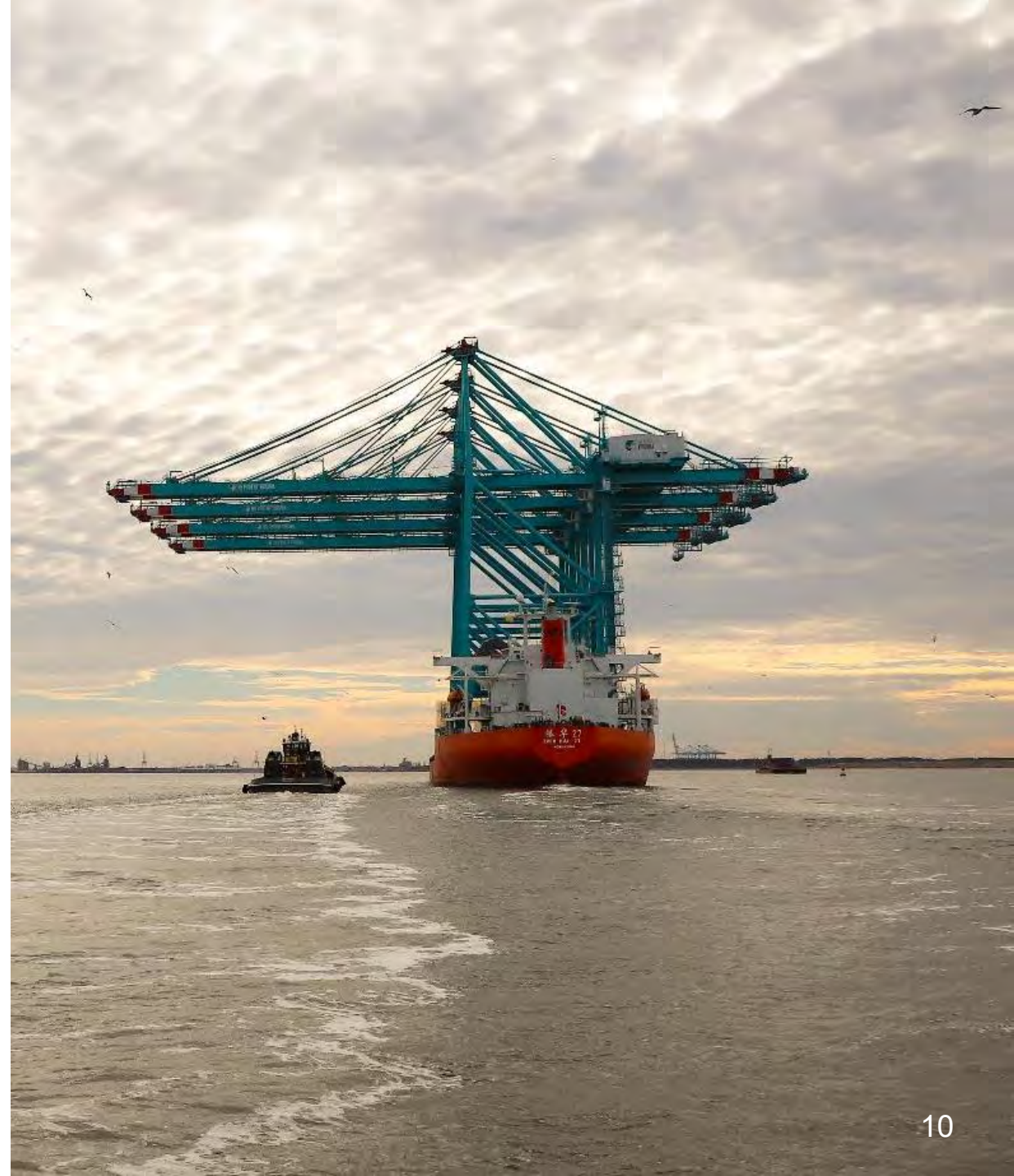
Below scenarios represent baseline for POV volumes based on potential US economic recovery tracks.

US Economy Recovery Track	FY21 Volume	YoY %Chg	vs. (May) FY21 Budget
Swoosh	1,568,872	2.0%	3.6%
Double Dip	1,499,394	-2.5%	-1.0%
Second Wave	1,437,621	-6.5%	-5.0%



<i>Dollars in Thousands</i>	<i>as of 05.13.2020</i> FY21 Budget	<i>as of 8.30.2020</i> FY20 Actuals	<i>as of 08.27.2020</i> New FY21 Budget	FY21 Budget vs FY20 Actuals		FY21 Budget, New vs May	
				Change	% Chg	Change	% Chg
Volume (containers)	1,513,859	1,538,169	1,568,872	30,703	2.0%	55,013	3.6%
Operating Revenues							
Terminal operating revenues	\$506,959	\$496,258	\$520,002	\$23,743	4.8%	\$13,043	2.6%
Other revenues	\$11,259	\$10,946	\$11,718	\$772	7.1%	\$460	4.1%
Operating revenues - grants	\$5,908	\$5,704	\$9,437	\$3,732	65.4%	\$3,528	59.7%
Total operating revenues	\$524,126	\$512,909	\$541,157	\$28,247	5.5%	\$17,031	3.2%
Operating Expenses							
Terminal operations	\$221,388	\$217,208	\$220,705	\$3,497	1.6%	-\$683	-0.3%
Terminal maintenance	\$110,437	\$112,129	\$110,972	-\$1,157	-1.0%	\$534	0.5%
G&A	\$56,337	\$58,476	\$64,541	\$6,065	10.4%	\$8,204	14.6%
Facility rental	\$190	\$1,672	\$350	-\$1,322	-79.0%	\$160	84.5%
Depreciation and amortization	\$124,153	\$103,848	\$116,811	\$12,963	12.5%	-\$7,342	-5.9%
Total operating expenses	\$512,504	\$493,334	\$513,379	\$20,045	4.1%	\$875	0.2%
Operating income	\$11,622	\$19,575	\$27,777	\$8,202	41.9%	\$16,156	139.0%
Non-operating							
Interest expense	-\$124,525	-\$125,264	-\$127,312	-\$2,049	1.6%	-\$2,788	2.2%
All other	\$29,257	\$8,908	\$29,257	\$20,349	228.4%	\$0	0.0%
Capital Contributions & Transfers	\$64,614	\$138,569	\$63,114	-\$75,455	-54.5%	-\$1,500	-2.3%
Increase (decrease) in Net Position	-\$19,031	\$41,788	-\$7,163	-\$48,952	-117.1%	\$11,868	-62.4%

POV capital outlay
increases by **\$1 million**
to **\$127 million** as we
continue to invest in our
people, equipment
and **technology**.



Exceeding our bond requirements

Measure	Minimum Requirement	FY2020	FY2021	
		FY2020 Actual	Budget FY2021 as of May 2020	Budget FY2021 as of Aug 2020
Aggregate Net Revenue Coverage	1.10	1.29	1.33	1.40
Aggregate Adjusted Net Revenue Coverage	1.25	1.48	1.50	1.58
Net Revenue Coverage	1.00	1.20	1.23	1.30
Fixed Obligation Coverage	1.00	1.22	1.22	1.28

Summary

- Continue to manage the business in line with COVID-19 impacts and recovery
- Maximize use of new capacity
- Positive cash flow and improving debt service coverage ratios



Treasury MELP Update

The Port intends to make its draw under the Treasury's Master Equipment Lease Program (MELP) for \$12 million in early October.

Lessor/Lender	Banc of America Public Capital Corp ("BAPCC")
Security	First priority security interest in the equipment, Subordinate Obligations under Resolution 16-9
Estimated Draw Amount	\$12 million
Purpose	To purchase 12 shuttle trucks at VIG
Tax Status	Taxable
Financing Term	10 years
Estimated Annual Lease Payment*	\$1.35 million
Estimated Borrowing Rate*	2.12%

**Preliminary, subject to change. Based on market conditions as of September 2, 2020. Draw is subject to final credit approval of BAPCC.*



Key Terms of the VPA's MELP*

The Port is seeking VPA Board approval to establish a MELP.

Lessor/Lender	SunTrust Equipment Finance & Leasing Corp. ("STEFL")
Not-to-exceed Par Amount	\$63 million
Expiration Date	September 30, 2023
Security	First priority security interest in the equipment, Subordinate Obligations under Resolution 16-9
Financing Terms	5, 7, 10 or 15 years, to match the useful life of the financed equipment
Interest Rate	Interest rates on each draw/loan will be set based on agreed upon formula and prevailing market rates at the time of draw
Amortization	Level annual debt service expected
Pre-payment Provisions	Prepayment premium of 3% through year 3, 2% in year 4, 1% in year 5 & par thereafter.

**Preliminary, subject to final credit approval of STEFL.*



Estimated Interest Rates*

- Agreement sets a formula for rate setting, using an index known as “ICE Swap Rate”
 - For a tax-exempt draw with a 15 year term, the formula is $78.35\% \times 8 \text{ year ICE Swap rate (0.54\% as of 9/2/2020)} + 1.1824\% = 1.61\%$
- Once the rate is set on a loan, loan rate and debt service payments will be fixed for the life of the loan
- The Port intends to make the first draw in early November 2020 to purchase a ship-to-shore crane at NIT
 - Estimated \$12 million of tax-exempt draw amortized over 15 years, annual debt service of ~\$906k*

Term of Loan	5-year	7-year	10-year	15-year
Interest Rate* (Tax-exempt)	0.97%	1.13%	1.35%	1.61%
Interest Rate* (Taxable)	1.23%	1.44%	1.73%	2.05%

**Preliminary, subject to change. Market conditions as of September 2, 2020.*



VPA MELP Next Steps

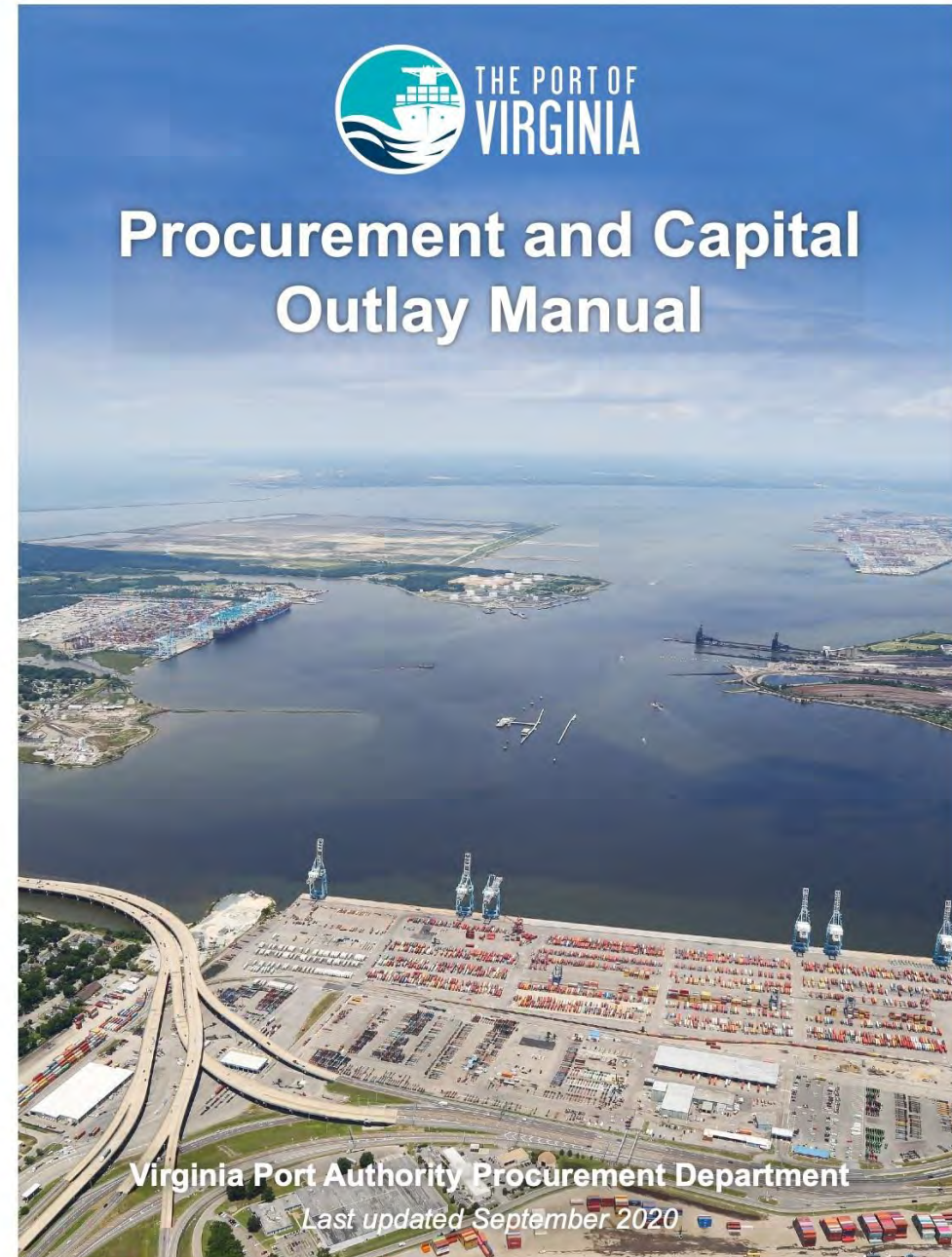
- ◆ Seeking Treasury Board Approval at its October meeting (pending)
- ◆ Finalize lease documentation
- ◆ Availability of funding expected in late October 2020



Administrative Services and Compliance Report

Procurement Manual Update

September 2020



New policies & procedures

- Request for information
- Statewide contracts
- Sustainable procurement program (SPP)

Updated policies

- VPA Purchasing Authority
- Audit Reviews
- Audit of Procurement Contracts
- Responsible/Responsive Bidder
- Credit Cards

Updated procedures

- Competitive Sealed Bids/ Invitation for Bids (IFBs)
- Competitive Negotiations/ Request for Proposal (RFPS)
- Surplus/ Unclaimed Property



Sustainability

We are responsible stewards of the communities in which we operate, the relationships we foster, and all of the resources entrusted to our care.



Accessibility • Fortitude • Helpfulness • Innovation • Mindfulness

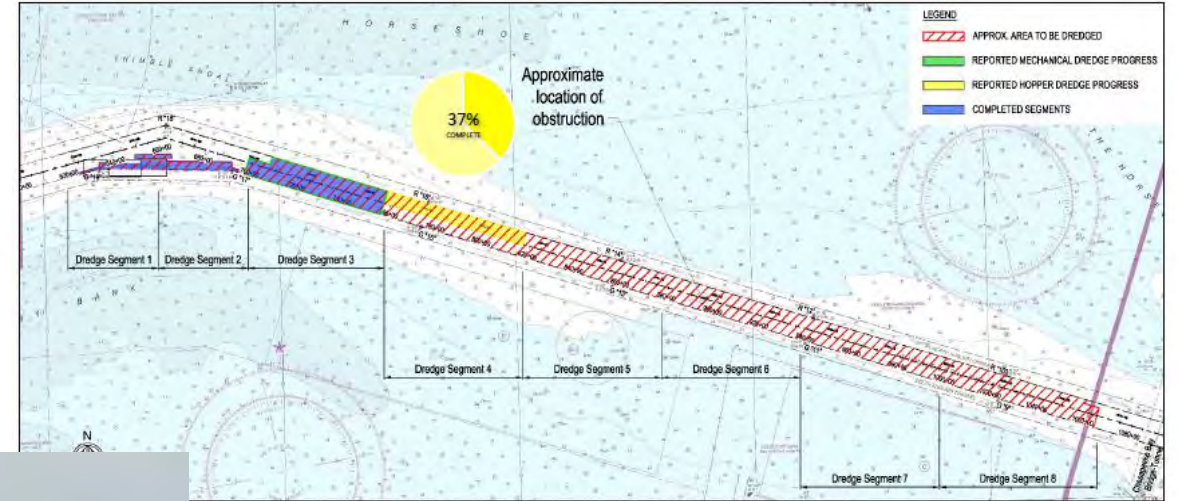


Development and Government Affairs Report

Aid to Local Ports – Town of Saxis



Norfolk harbor and channels deepening



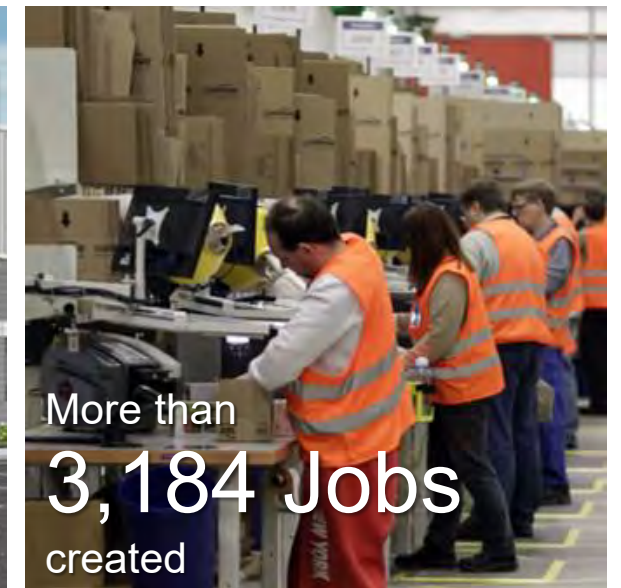
General Assembly 2021 Special Session

Commonwealth's Economic COVID-19 Response



\$234M Tax Revenue Shortfall

Catalysts for Commerce: CYTD 2020



Source: *Economic Development* September 2020

Environmental program updates

- Full recertification audits complete, awaiting final report
- Excellent awareness and alignment of message and priorities port-wide
- New learning management system offered readily accessible evidence of training documentation



2020 NDTA Corporate Distinguished Service Award





Growth and Operations Committee Report

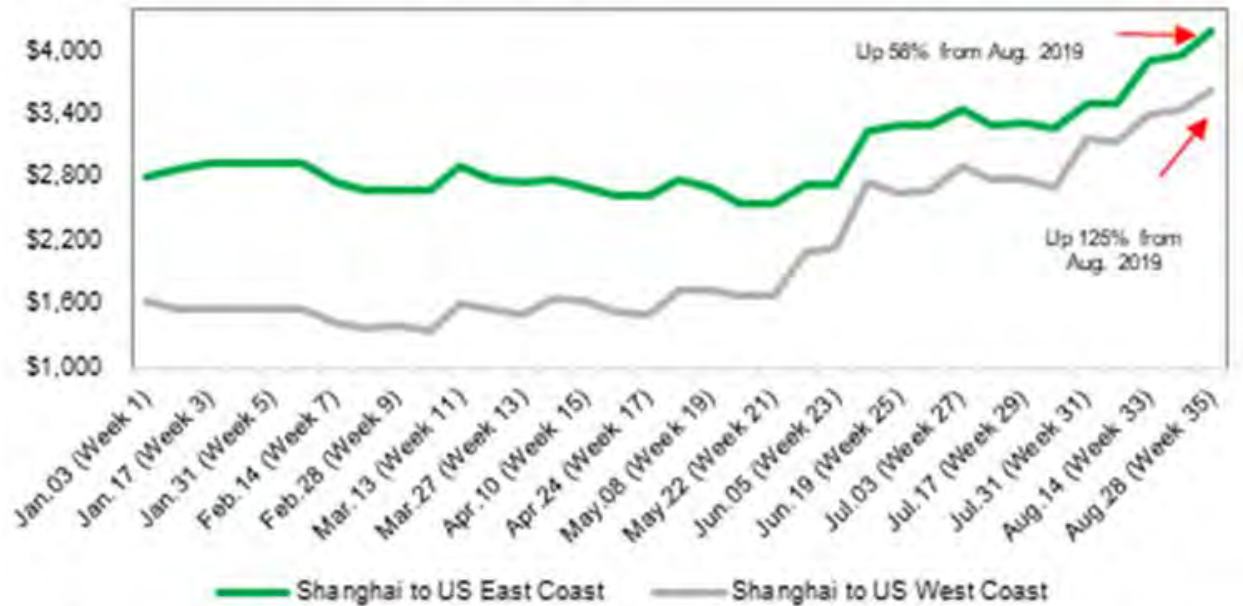


Sales Report

Market developments

Asia-US West Coast spot rate sets new record

Shanghai Containerized Freight Index rate per FEU



Source: Shanghai Shipping Exchange

© 2020 IHS Markit

Market developments



POV volume FYTD

	FY 2020	FY 2021	Change	% Change
Total TEUs	523,235	468,377	(54,858)	-10.5%
Export Loaded TEUs	161,610	143,919	(17,691)	-10.9%
Export Empty TEUs	111,101	95,543	(15,558)	-14.0%
Import Loaded TEUs	246,802	226,606	(20,196)	-8.2%
Import Empty TEUs	3,722	2,309	(1,413)	-38.0%
Total Containers	292,490	258,590	(33,900)	-11.6%
General Cargo Tonnage	3,745,998	3,337,957	(408,041)	-10.9%
Container Tonnage	3,715,341	3,329,685	(385,656)	-10.4%
Breakbulk Tonnage	30,657	8,272	(22,385)	-73.0%
Total Rail Containers	95,745	83,202	(12,543)	-13.1%
VIP Containers	6,084	4,860	(1,224)	-20.1%
Total Barge Containers	11,171	11,142	(29)	-0.3%
RMT Containers	7,122	7,040	(82)	-1.2%
Total Truck Containers	185,574	164,246	(21,328)	-11.5%
Ship Calls	268	239	(29)	-10.8%
Vehicle Units	3,419	426	(2,993)	-87.5%

Webinars and video conferences

PARTICIPATED IN

100+

AS A CONTRIBUTOR



JOINED

300+

AS AN ATTENDEE

New MSC service, Indusa – POV last out

First vessel ETA at VIG on October 6th

Rotation: Mundra – Nhava Sheva – Colombo – Valencia – New York – Savannah – Norfolk – Mundra

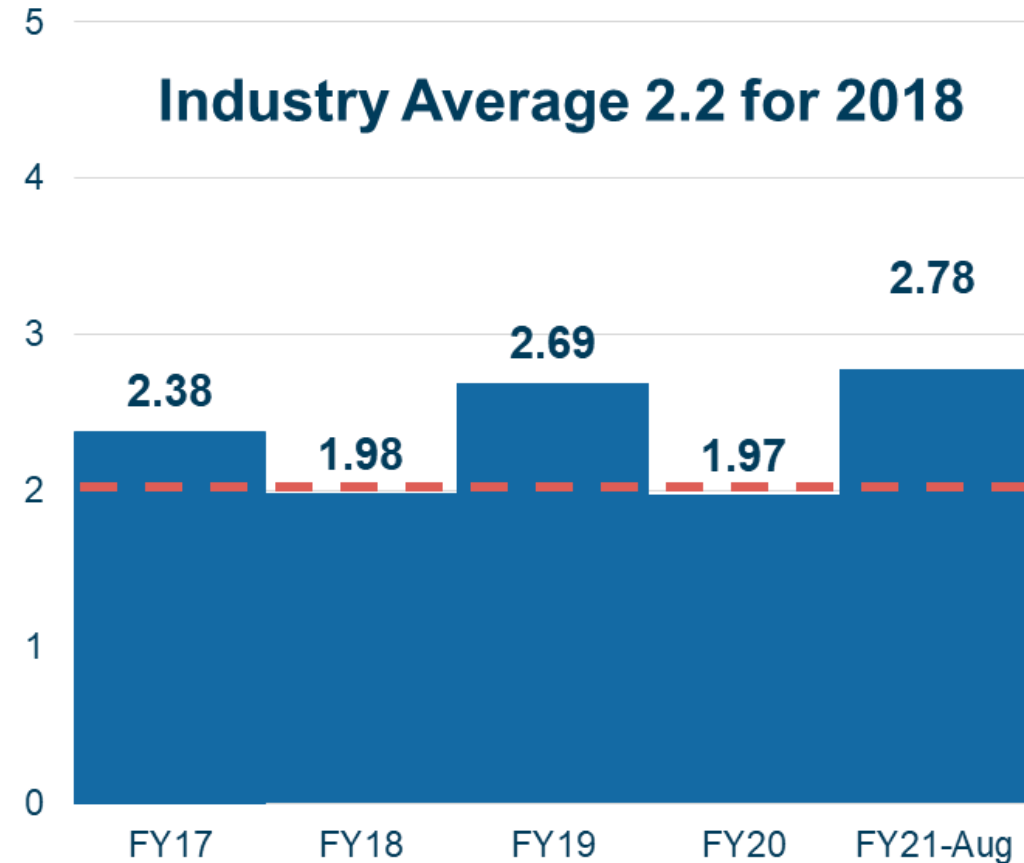




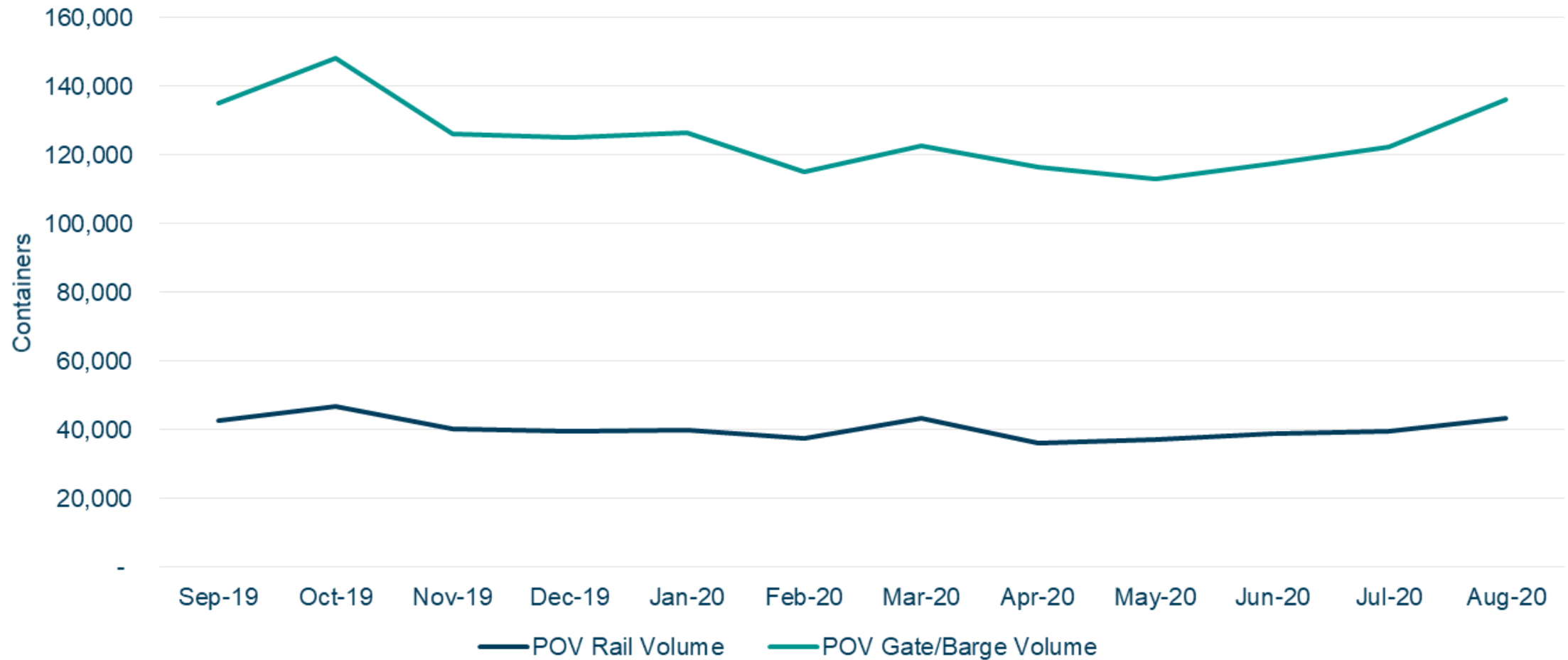
Operations Report

POV OSHA lost work day rate

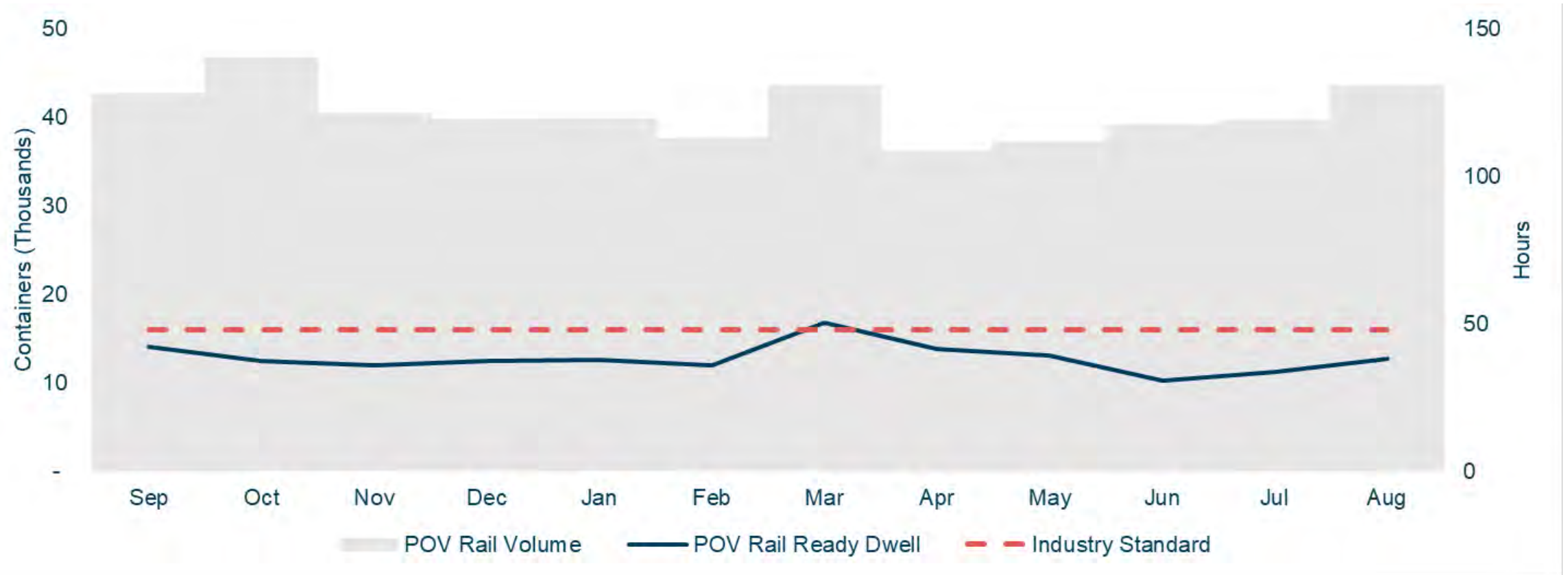
As of August 30th, the POV
FY21 LWD rate of 2.78 is
41.1% increase from FY20
3.3% increase from FY19
FY21 year end goal is 1.9



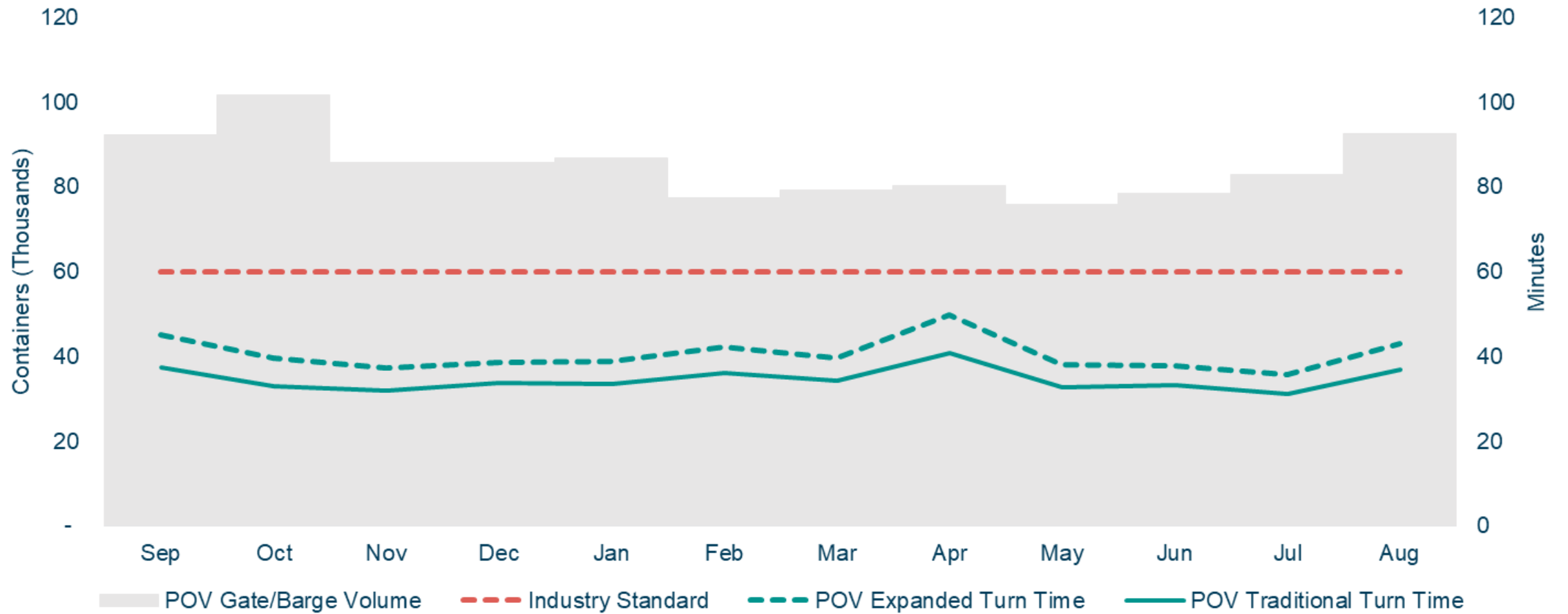
POV rail vs gate/barge volume



POV rail volume

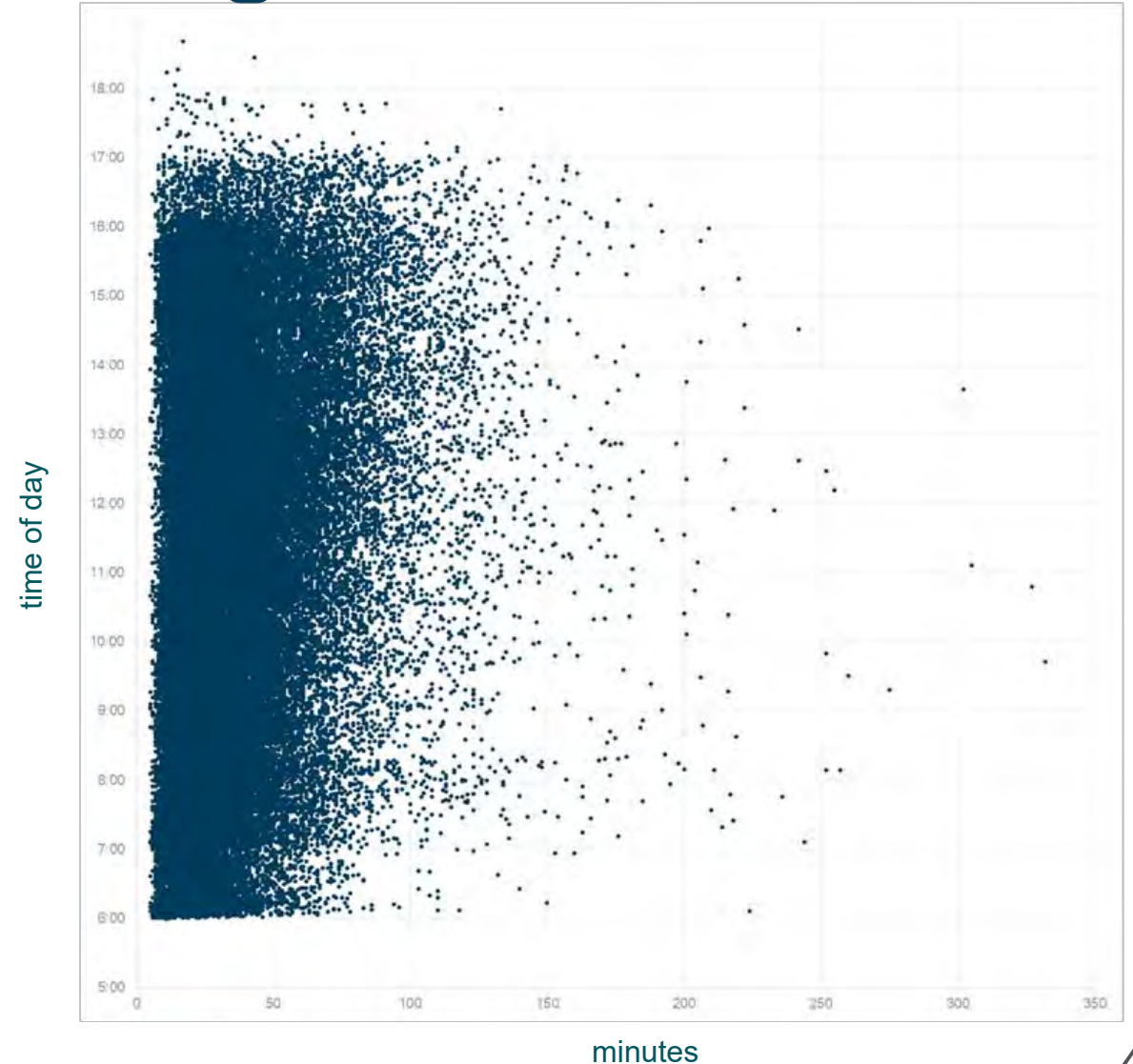


POV gate turn times

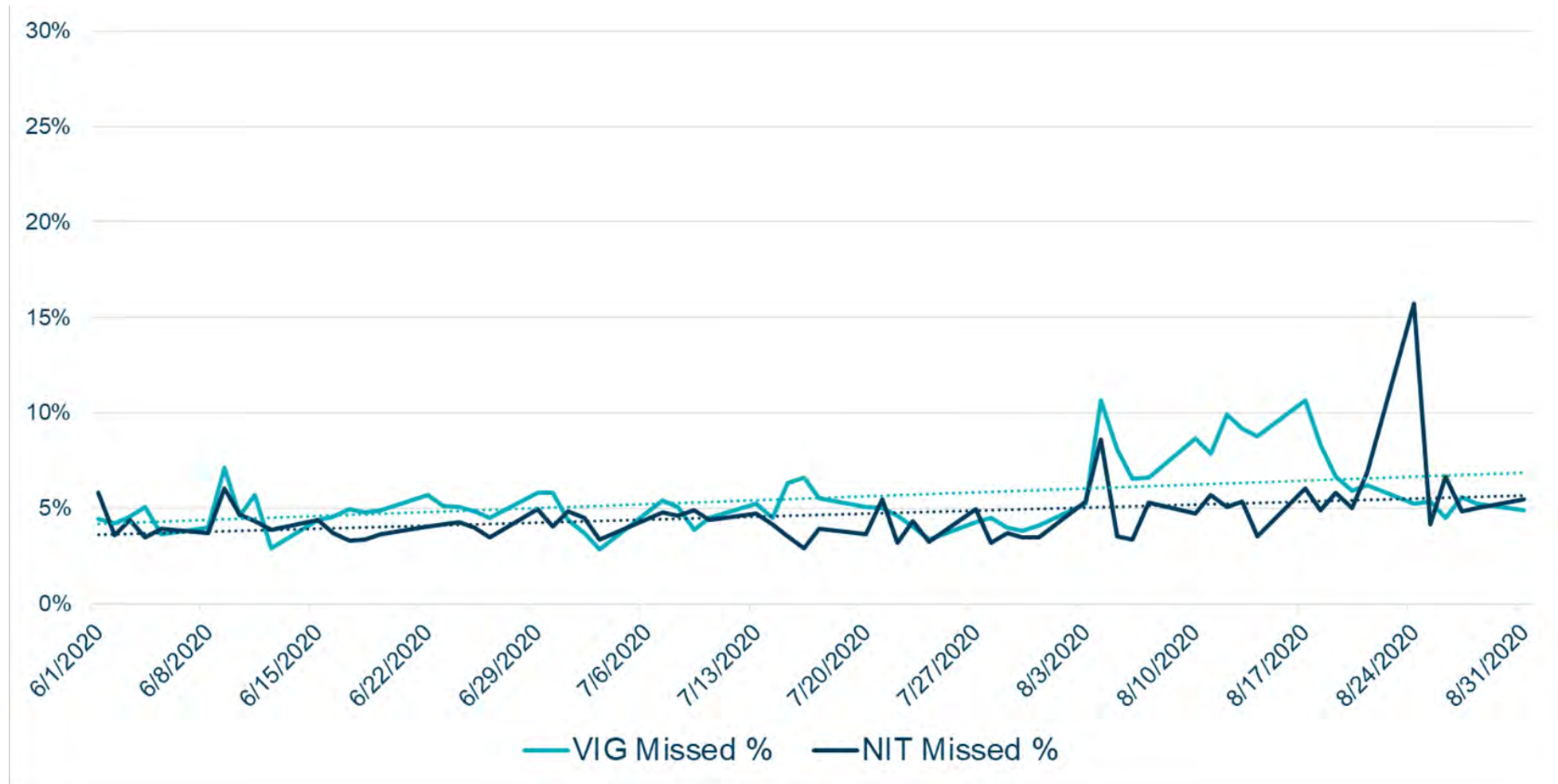


Traditional turn time – August 2020

- In August POV handled 69,193 truck visits:
 - 30,225 at NIT
 - 38,968 at VIG
- 86.9% under 1 hour
- 12.2% in 1-2 hours
- 0.8% or 565 visits in 2-4 hours
- 0.04% or 26 visits over 4 hours



Missed reservations





Fortitude

We are clear in our intent, thoughtful in our approach,
and professional in our execution.

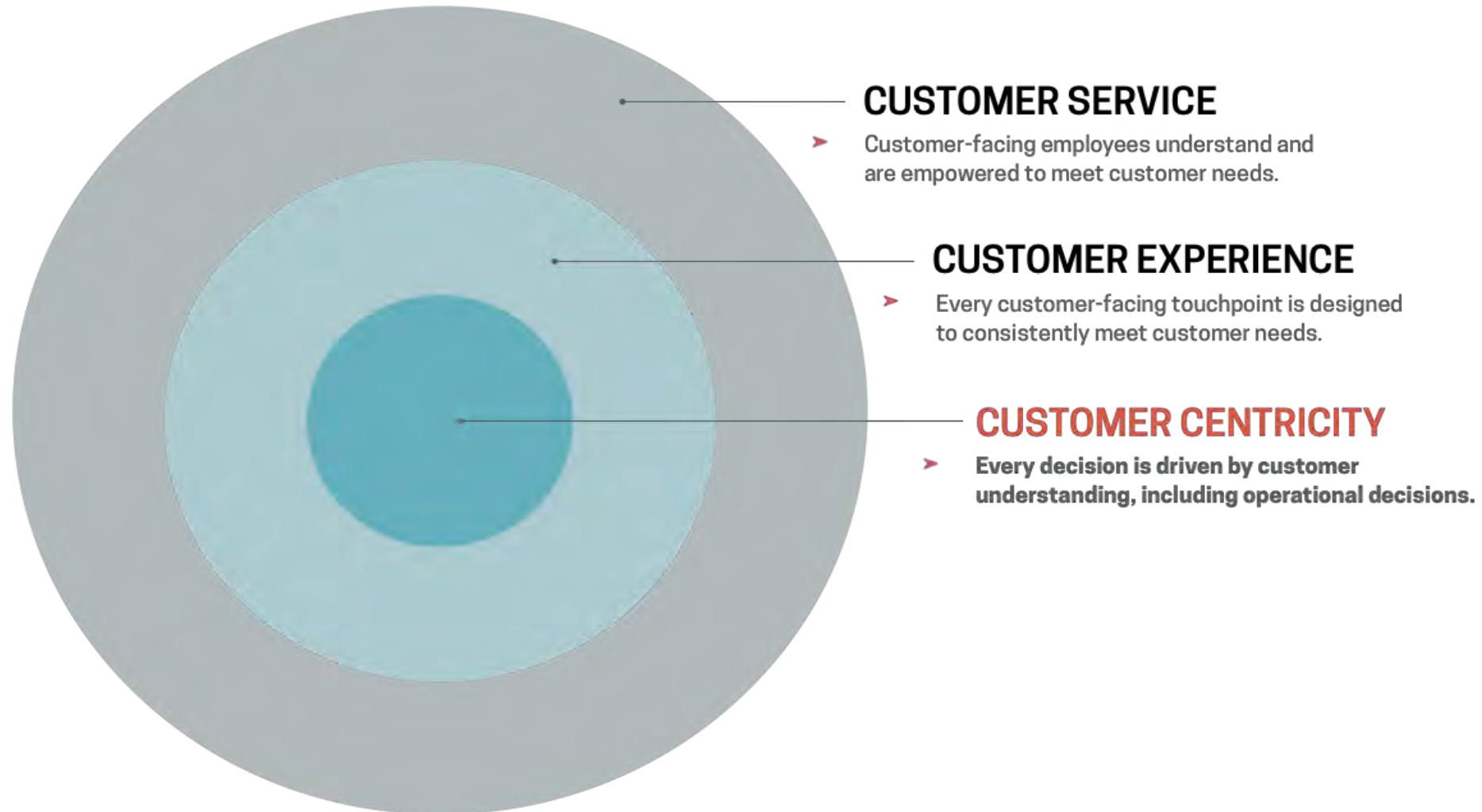


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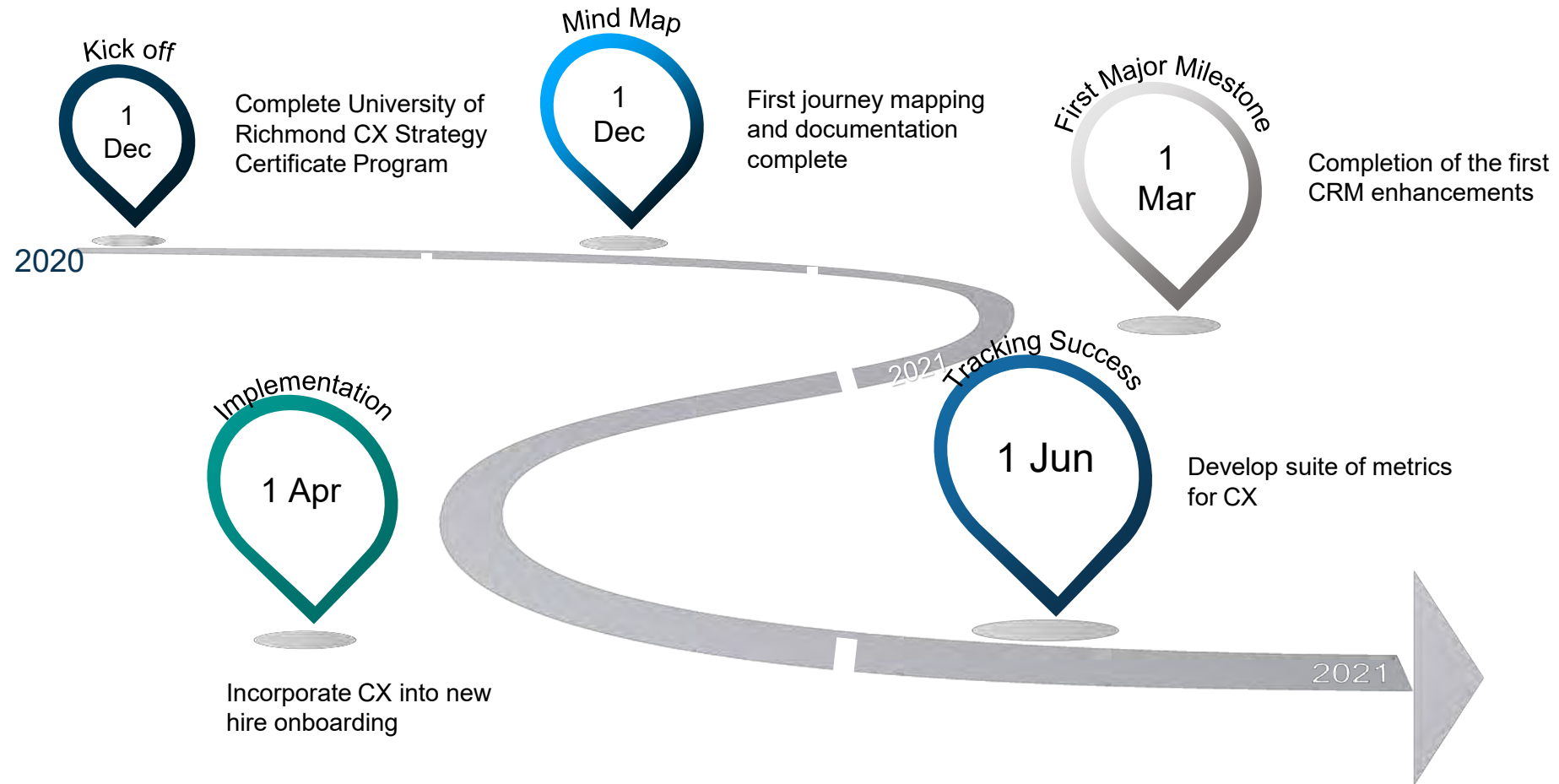


Innovation Report















Customer experience strategy and customer relationship management



CX & CM integration milestones



Major port projects

PROJECT	BUDGET	SCHEDULE
NIT Optimization		
Finance Projects – Billing		
IT Business Continuity		
Asset Management		
HRCP Business System Re-write		
HRSA Labor Ordering System		
Maintenance Inventory Management		

SNIT optimization update

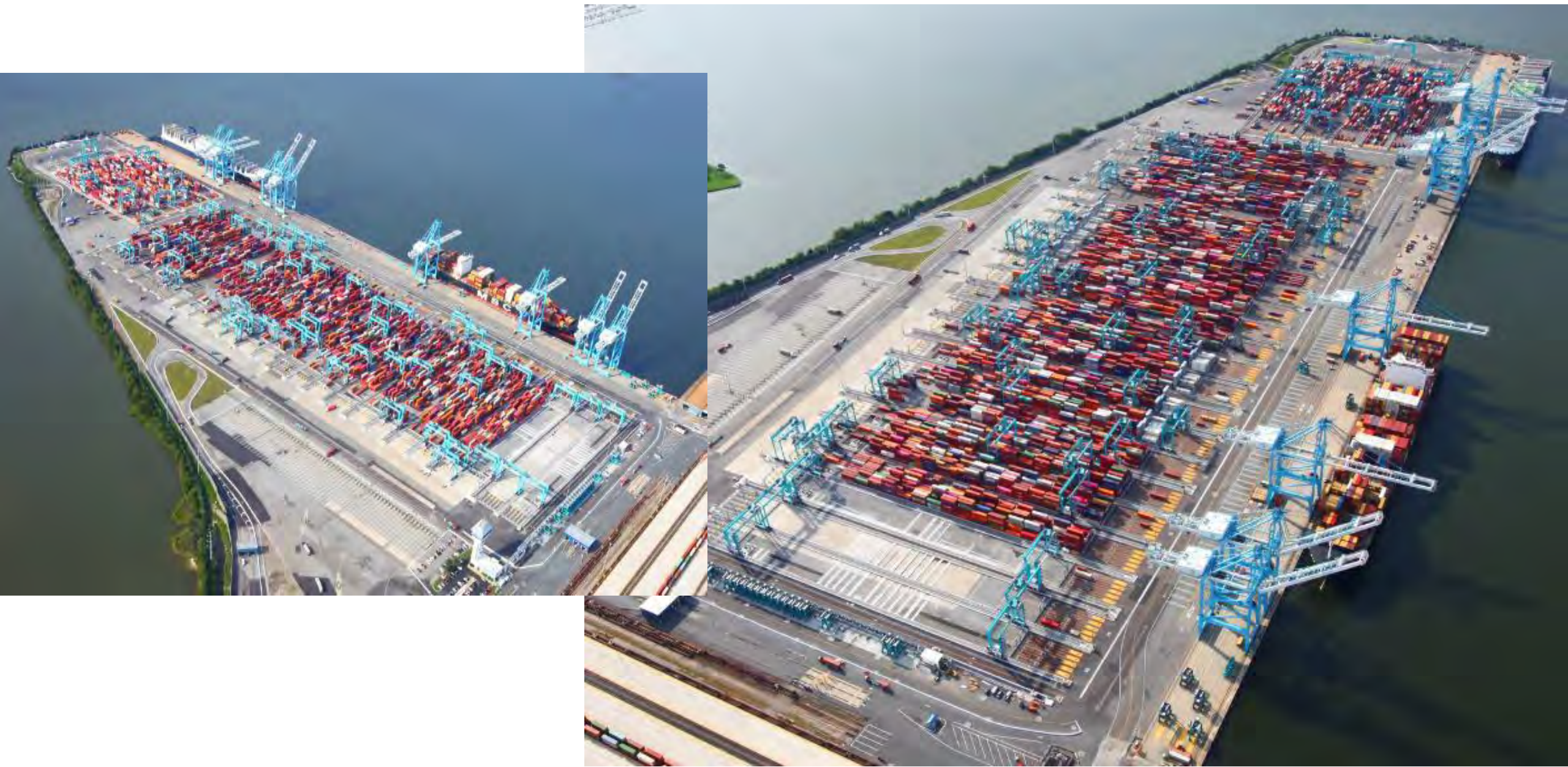
Wharf modification project

Building the Cable Horn Form Work

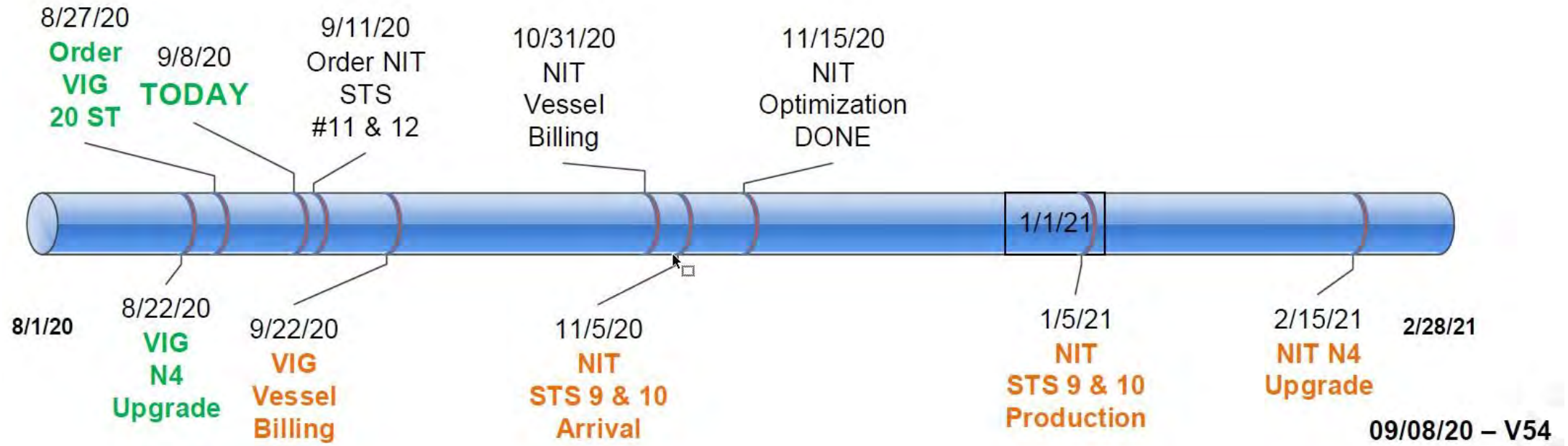


NIT STS production schedule





Timeline





Accessibility

We build strong, enduring relationships with our customers by listening, fostering dialogue, and creating connections.



Fortitude • Helpfulness • Innovation • Mindfulness • Sustainability



Marketing Report

A 360° approach to communications



Earned Media
reaching out to new
outlets and new
mediums to drive
business.



Targeted advertising
combined with our new
website will help inform
audiences and drive
leads.



Platform-specific social
approach will strengthen
our reputation as service
providers and drive
leads.



The Hampton Roads Global Commerce Council presents:



2020 State of the Port

Free livestream event

October 1 • 10:00 am



Watch John F. Reinhart share his thoughts on the past, present, and future of one of Virginia's largest economic engines. Live Q&A at the conclusion of the presentation.

An unusual year merits a unique annual report.

OUR ECONOMIC IMPACT

Economic Impact

CEO's Letter

Challenges

The Response

Timeline

Investments


Financials

Chairman's Letter

Virginia is open for business

The Port of Virginia delivers opportunity by driving business to, and through, the Commonwealth.

READ FULL STORY >



CEO'S LETTER

We have been tested and are stronger because of it.

Who could have predicted what fiscal year 2020 held for The Port of Virginia: record cargo volumes, unparalleled investment, expansion and pandemic?



John F. Reinhart, CEO

Our Priorities

Our Recommendations

Labor Precautions

Operational Changes

Planning for Recovery

Planning for Recovery

We also began preparing for recovery. To that effort we accelerated the maintenance cycles of some equipment, tested systems to ensure efficiency and used this opportunity to focus on completing the NIT expansion project on time and on-budget.





Innovation

We embrace challenges as opportunities. We leverage technology and experience to move our business and our industry forward.



Accessibility • Fortitude • Helpfulness • Mindfulness • Sustainability



Human Resources Report

Performance and goals

FY20 Performance Reviews



FY21 Goal Setting



Benefits





Mindfulness

We drive business and deliver opportunities today
while maintaining a clear vision for the future.



Accessibility • Fortitude • Helpfulness • Innovation • Sustainability

Conclusion of Committee Reports

