

## **MINUTES**

### **Virginia Port Authority (VPA) Board of Commissioners Public Meeting – Session 405**

Electronic Meeting (Zoom Video Conference)

Tuesday, March 23, 2021 – 9:00 AM

---

*This electronic meeting was assembled during a declared state of emergency, as a result of the COVID-19 pandemic, when it was impracticable or unsafe to assemble a quorum in a single location to discuss or transact the business statutorily required or necessary to continue operation of the public body in accordance with Item 4-0.01.g of Chapter 1283 of the 2020 Amendments to the 2019 Appropriation Act.*

The Board of Commissioners ("Board") of the Virginia Port Authority ("VPA") held an electronic meeting via the Zoom platform, on March 23, 2021. VPA Board Chairman John G. Milliken called the meeting to order at 9:00 a.m. and Mr. Stecher confirmed that the public was on the same public Zoom session as the Board and was able to see the presentations and hear the meeting. The Chairman then asked Mrs. McNulty to conduct a roll call of VPA Board members. Colleagues with Virginia Port Authority ("VPA") and Virginia International Terminals, LLC ("VIT"), guests, and members of the public who were electronically present are listed as follows:

#### Commissioners:

John G. Milliken, Chairman  
F. Blair Wimbush, Vice Chairman  
John C. Asbury  
Jennifer D. Aument (by phone)  
J. William Cofer  
Manju S. Ganeriwala, State Treasurer  
Eva Teig Hardy  
Joni L. Ivey  
Val S. McWhorter  
Faith B. Power (on Zoom for  
first 15 minutes-connection issues)  
Louisa M. Strayhorn  
Deborah C. Waters

#### Guests:

Hon. Shannon Valentine, Secretary of  
Transportation  
W. Brice Fiske, Office of the Attorney General  
John Lawson, Deputy Secretary of  
Transportation  
Bryant McGann, Vandeventer Black LLP  
David White, Virginia Maritime Association  
JoAnne Carter, PFM Group  
Kristy Choi, PFM Group  
Brian Jeffreys, CMA CGM

#### Commissioners Absent:

Stephen Moret

#### VPA Staff:

Stephen A. Edwards, CEO and Executive Director  
John F. Reinhart, Executive Director Emeritus  
Sarah McCoy, General Counsel  
Rodney W. Oliver, Chief Financial Officer  
Joseph P. Ruddy, Chief Innovation Officer  
James (Jay) Stecher, Chief Marketing Officer  
Monica Sturgis, Chief Human Resources Officer  
Cathie Vick, Chief Development and Government Affairs Officer  
Jason Barlow, Vice President, Contracts and Risk Management

VPA Staff (continued):

Ron Green, Vice President, Business Transformation  
Stephen Griffin, Vice President, Accounting  
Daniel Hendrickson, Vice President, Asset Management and Special Projects  
Barbara Nelson, Vice President, Government Affairs and Transportation Policy  
Joseph Harris, Senior Director, Media Relations  
Sara Burnett, Director, Commercial Pricing  
Sandi Jackson, Director, Treasury  
Andrew Sinclair, Director, Federal Government Affairs  
Melissa Fularon, Manager, Grant Administration  
Claire Krull, Analyst  
Debra J. McNulty, Secretary to the Board  
Jodie L. Asbell, Sr. Executive Administrative Asst. and Assistant Secretary to the Board

VPA-Information Technology Support:

Shirley Core, Executive Administrative Assistant  
Rebecca Killen, Traffic Specialist  
Kelly Taylor, Information Technology Technician  
Matt Dudley, Information Technology Technician

Virginia International Terminals, LLC (VIT) Staff:

Thomas D. Capozzi, Chief Sales Officer  
Kevin Price, Chief Operations Officer  
Rob Canizzarro, Vice President, Operations  
Tony Salino, Director, Ocean Carrier Sales

**I. Approval of Minutes**

**Action:** At the request of Chairman Milliken, minutes of the VPA Board's (Zoom) electronic meeting held January 26, 2021, were unanimously approved by the Board (12-0), as circulated previously.

**II. COVID-19 Update – Cathie Vick, Chief Development and Public Affairs Officer**

Ms. Vick reported that VPA, VIT and HRCPII, LLC (collectively, the Port of Virginia ("POV")) continues to see a number of reductions in exposures with COVID-19 cases and have worked with local health departments to provide access to vaccinations. She expressed appreciation to POV colleagues and port partners for their diligence to control the spread of the virus. Since March 2020, Ms. Vick reported that the port has had 255 exposures and 201 positive cases among seven percent of the workforce.

Ms. Vick presented a slide that appears on all of the electronic message boards throughout POV's offices as a reminder to prevent illness and to avoid exposure to the virus.

**III. Reports of Committees**

**A. Investment Committee – Chairman Milliken**

Chairman Milliken explained that the VPA Board's Investment Committee was established to oversee the investments in the various pension and defined contribution benefit plans for VPA, VIT and HRCP II participants.

The Chairman reported that the Investment Committee took several actions in open session on the afternoon of March 22, one of which was the termination of the VIT Executive Pension Plan, as the only member of the plan is deceased. He reported that the Committee heard reports on the status of the advisory services contract and talked about next steps on the custodian contract and approved several investment changes. The Chairman announced that the actions of the Investment Committee would be included in the minutes of the committee.

Chairman Milliken advised that the committee reviewed the status of the various investment managers and reported that several of the funds were removed from the qualitative watch list for improved performance and several were placed on the watch list for under-performing. Those actions would also be included in the Investment Committee minutes.

Chairman Milliken reported, as of December 31, 2020, the VIT pension plan was 110% funded and the VPA pension plan was 83% funded on a GASB (Governmental Accounting Standards Board) basis. The Chairman announced that the VIT and VPA defined benefit plan investments rank in the top 22% of SageView's average plan rankings, with both retirement plans outperforming their relative benchmarks for the trailing one year.

Mr. Oliver affirmed that, according to Resolution 14-12, the Investment Committee has the authority to approve changes to the investment plans without full Board approval.

#### **B. Executive Committee – Chairman Milliken**

Chairman Milliken reported that the Executive Committee met in closed session on March 22 and received an initial report from Mr. Stephen Edwards, the port's new CEO and Executive Director, following his first ten weeks on the job. The Chairman noted that the Board was very pleased with his report and plans to continue the discussions at the next Executive Committee meeting scheduled for May 24, 2021.

#### **C. Finance and Audit Committee – Rodney W. Oliver, Chief Financial Officer, on behalf of Faith B. Power, Committee Chair**

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

Commissioner Power had technical difficulties and she was unable to connect for the remainder of the meeting. Mr. Oliver presented the report of the Finance and Audit Committee meeting that was held Monday, March 22, 2021, as follows:

The Finance and Audit Committee met on March 22 via electronic meeting and received presentations from management on financial performance through January

2021, FY22 budget assumptions and timeline, Investment management program results, and an update on cash flow.

With regard to the FY22 budget assumptions, management addressed the approach, key assumptions, and timeline for completion. The Finance and Audit Committee is scheduled to meet electronically on April 21 (10:00 a.m.) to review a complete draft of the new budget.

With regard to the investment management program results, the Committee heard from management and PFM Asset Management regarding investment program process and performance. The investment returns for all of the major funds under management have performed above their benchmarks for calendar year 2020, including the last quarter of calendar year 2020.

Mr. Oliver reported that the Finance and Audit Committee discussed proposed changes to the VPA Statement of Investment Policy and recommended approval by the full Board.

## 2. Motion to Approve VPA Statement of Investment Policy

**Action:** Upon motion by Commissioner Strayhorn, seconded by Commissioner Hardy, the Board unanimously (12-0), approved revisions to the Virginia Port Authority Statement of Investment Policy attached hereto.

Chairman Milliken then asked for a roll-call vote at this time. Ms. Aument cast her vote by email as she was muted as an attendee (attached). Ms. Power was unable to cast a vote due to connection issues.

Ayes: 11 (Milliken, Wimbush, Asbury, Aument, Cofer, Ganeriwala, Hardy, Ivey, McWhorter, Strayhorn, Waters)

Nays: 0

Absent During Vote: 2 (Moret, Power)

Absent During Meeting: 2 (Moret, Power)

## 3. VPA and Virginia International Terminals LLC (VIT) Consolidated Financial Reports for the month ended January 31, 2021 – Mr. Oliver

Mr. Oliver presented fiscal year 2021 year-to-date highlights (July-January). He reported that January was the highest volume month that the port has ever had in its history for the month of January. Volume was 17 percent ahead of FY2020 volume, which was pre-pandemic. Fiscal year-to-date, the port is 10 percent ahead of budget and 4.2 percent ahead of prior year.

Mr. Oliver reported that revenues reflect similar growth and are 10 percent ahead of budget and 9.4 percent ahead of prior year. He remarked that it was very strong fiscal growth for the first seven months of the fiscal year for volumes and revenues.

Mr. Oliver announced that operating expenses are down 2.7 percent from budget for the first seven months in spite of strong volumes. Maintenance and G&A (general and accounting) are the primary areas that are down; operations expenses are up 1.9 percent but with a 10 percent volume increase over what was budgeted. Mr. Oliver credited Mr. Price and the VIT operations team for their performance and operating efficiencies at NIT and VIG.

Mr. Oliver explained that the port is in new territory with operating income and EBITDA (earnings before interest, taxes, depreciation, and amortization) with \$52 million in operating income through the first seven months of FY21 - significantly ahead of budget. He reported EBITDA of \$120 million actual versus \$80.9 million budgeted.

Mr. Oliver reported that February's volume (released last week) and operating income was even stronger than January considering there are only 28 days in the month.

Mr. Oliver then presented cash flow FY20 versus FY21 year-to-date – comparing \$120.2 million to last year's operating income of \$132.9. He announced that the financial results for February indicates the port is already ahead of the full-year results of last year.

Mr. Oliver explained that non-capital financing is related to the 55-foot channel dredging which had to be postponed for a few months and that FY21 is expected to outpace FY20 which involved engineering and design work. He then described the investing funds line item and explained they were converted from cash to investments that are managed by PFM Asset Management. Overall, cash and investments of \$388 million and \$249 million in residual fund and operation was very strong.

Mr. Oliver then reviewed capital and related financing activities. He reviewed a few of the line items and reported that Commonwealth Port Fund (CPF) contributions are in line with expectations. Acquisition of capital assets is expected to be lower by the end of FY21 because the two major terminal expansions are completed. Mr. Oliver explained that the transfer of primary government funds line item is related to NIT South and almost all of the funds from the \$350 million grant from the Commonwealth have been received.

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

**D. Growth and Operations Committee – Val S. McWhorter, Committee Chair**

1. Report of Growth and Operations Committee – Chair McWhorter

Commissioner McWhorter reported the following:

The Growth and Operations Committee held its regularly-scheduled meeting on March 22, via Zoom, and first heard an update on the Port's COVID-19 efforts from Cathie Vick, Chief Development and Public Affairs Officer. Kevin Price, VIT Chief

Operations Officer, presented a safety report that covered lost work days and OSHA total recordable incident rate.

Several confidential updates on negotiations for business at Portsmouth Marine Terminal and targeted growth opportunities for the port were presented by Cathie Vick, Chief Development and Government Affairs Officer and Tom Capozzi, Chief Sales Officer.

Stephen Edwards, CEO/Executive Director provided a confidential update on developments with one of the Port's customers, followed by Mr. Capozzi who reviewed December and January volumes and provided a February/March outlook. Mr. Price presented an operations report that covered vessel, rail, and gate performance and reviewed cost per lift performance and status update on the truck reservation system.

Commissioner McWhorter turned the meeting over to Mr. Price at this time.

2. Report on Safety, Operations and Update on Projects – Kevin Price, Chief Operations Officer, VIT

Mr. Price presented the OSHA Lost Work Day (LWD) rate for FY21 (July-February) and reported that LWDs at the port are below the industry average at 2.43 percent (compared to industry average of 3.1) which is a 23.4 percent increase from FY20. Mr. Price explained that the socially distanced requirements of COVID-19 paused in-person safety training sessions. He reported that the port plans to resume in-person TSIP (Terminal Safety Infraction Policy) training effective May 1, 2021, which, he said, should help drive the accident rate down.

Mr. Price presented OSHA total recordable incident rate (TRIR), which increased 2.0 percent from FY20, to 3.64, but is below the industry average of 5.2. POV's TRIR goal for FY21 is 4 percent and efforts are underway to drive that number down even further.

Mr. Price reported POV gate turn-times increased slightly from 35 minutes to 39 which is still well below the industry average of 60 minutes and handling record volumes. Rail ready dwell is up 12.5 percent February year-over-year that reflected a slight uptick due to the imbalance of exports and imports that caused a car shortage for one of the rail providers. He affirmed that the situation was remedied. Mr. Price said he expects lower rail dwell for the month of March.

Mr. Price reported gross productivity increased 8.7 percent with 28.5 gross moves per hour (gmph) from 26.2 gmph in February 2020.

Commissioner McWhorter asked Mr. Price to explain the correlation that there are more LWDs and fewer TRIR incidents. Mr. Price explained that, while there were fewer incidents, several of the injuries were somewhat more serious than in the past such as a shoulder injury due to lashing a container. He emphasized the importance of in-person TSIP training and interaction between management and labor.

Vice Chairman Wimbush asked Mr. Price to describe the TSIP program and expectations for improved safety performance. Mr. Price explained that the TSIP safety program was put in place by several port colleagues, led by Ron Babski, Vice President, Health and Safety. He briefly described the program that rewards people for practicing good behavior and retrain colleagues for infractions.

3. Sales Report – Stephen Edwards, CEO and Executive Director, on behalf of Thomas D. Capozzi, Chief Sales Officer, VIT

Mr. Edwards announced that Mr. Capozzi had a family emergency.

Mr. Edwards reviewed December 2020 and January 2021 volumes (as indicated on the attached slide). He announced the port was up 17.5 percent for the two-month period in total TEUs (twenty-foot equivalent units) and that numbers were up across all categories.

Mr. Edwards pointed out that most ports are reporting positive volumes on import loads, however, not that many ports are reporting positive results on export loads like POV. Mr. Edwards explained that in some parts of the country there is significant pressure in servicing exporters that has gained the attention of the Federal Maritime Commission (FMC) and the U.S. Senate. He noted that certain agricultural exporters are suffering.

Mr. Edwards announced that the port is in a good position and has taken some actions in March to improve the service receiving levels for agricultural exporters. He added that POV has been recognized by the Agricultural Trade Coalition and they provided very positive comments to the American Association of Port Authorities (AAPA).

Mr. Edwards emphasized the value of the port's exporters to be well-served at a time when import volumes are putting strains on supply chains.

Mr. Edwards reviewed the outlook for February/March volumes – February actuals and March forecast. He reported volumes are expected to be strong in the February/March period and that this is the last comparative in a pre-COVID-19 world. Mr. Edwards mentioned the Chinese holiday that closed factories in February 2020 that produced volumes in April.

Mr. Edwards reported that barge volumes were affected at the Richmond Marine Terminal (RMT) due to the ice storms in Central Virginia in February. He announced that service levels remain very good and certain ocean carriers have diverted discretionary cargo to Virginia.

Mr. Edwards emphasized the port needs to become very agile to secure discretionary volumes as they are sometimes week-to-week decisions and he mentioned that there are also some rail volumes that are being diverted to POV. He also explained that certain retail importers are using the port for greater truck volumes as their distribution and supply chain centers allow, given the constraints that are felt in those areas as well.

In closing, Mr. Edwards forecast a positive growth outlook for The Port of Virginia.

**IV. Report by Chief Development and Public Affairs Officer – Cathie Vick**

**1. Economic Development Updates**

Ms. Vick reported the following economic development totals for fiscal year-to-date 2021:

- 24 announcements
- 2,457 jobs created
- More than \$1.2 billion in investments
- More than 4 million square feet of new manufacturing/distribution space

Since the last board meeting, Ms. Vick announced additional economic development news:

- 7 announcements
- 957 new jobs and retention of over 650 jobs
- More than \$404 million in investments
- More than 1.6 million square feet of space

Ms. Vick mentioned that announcements throughout the Commonwealth include Petersburg, Henrico, Hanover, Henry County, Pennsylvania County, Norfolk, and Suffolk. She added that the jobs are in the areas of manufacturing, distribution, and logistics and noted that the port's collaboration with VEDP and regional partners across the Commonwealth.

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

**1. Small, Women-Owned, and Minority (SWaM) Update**

Mr. Ruddy announced that The Port of Virginia conducted its second annual SWaM event, virtually, on February 10, 2021. He explained the event brings together potential vendors who want to learn about projects at the port and how to do business with the port.

Mr. Ruddy reported that the virtual event exceeded attendance from the in-person event the year before with 124 participants compared to 101. Prior to the event, he noted, the port had 98 SWaM certified vendors in the database and after the event there were 228. Mr. Ruddy announced that the event was not only successful but it was necessary. He shared several complimentary quotes from vendors.

Mr. Ruddy thanked Mr. Edwards, Mr. Reinhart, Commissioner Strayhorn, Kathryn Dolan, Nina Britton, and Angela Barber with the Department of Small Business and Supplier Diversity (DSBSD) and Secretary Valentine for her participation. He further thanked the following colleagues for their efforts:

Kenon Thomas, Manager, Financial Reporting and Budget



Zac Canady, Director, Engineering  
Mike Petty, General Manager, Terminal Operations  
Mark Thorsen, Chief Information Officer  
Marissa Blanco, Senior Director, Supply Management  
Millard Grant, Manager, Procurement  
Ginger Lowey, Procurement Agent  
Erin Griggs, Procurement Agent  
Meg Mergenmeier, Procurement Agent

## **VI. Report by Vice President, Business Transformation – Ron Green**

Mr. Green provided a progress update on POV's Breakthrough Objective (BTO), a program designed to improve the colleague experience at The Port of Virginia. He advised that a lot of focus on factors external to the port and a focus on POV's colleagues was important.

Mr. Green emphasized that volume growth is of paramount importance now that we have two world-class terminals and the need for an engaged workforce who understands and supports POV's vision.

Mr. Green announced that the BTO was launched at the beginning of FY21 with a focus on employee engagement, developed and led by cross-divisional teams, using a technique called Hoshin Planning. He advised that the leadership team worked collaboratively with a team of their direct reports to agree on a focus area, a goal, and supporting initiatives that he described as follows:

- Integrated with existing goal setting process
- The first year has four initiatives underway to move closer to the goal
- Develop a system to solicit, collect, and implement colleagues' ideas

### **Initiative #1: Launching process - reward & recognize ideas**

- Clarify role expectations and improve transparency of how colleagues can take ownership of their professional growth

### **Initiative #2: Updating and standardizing job descriptions; Assistant Operations Manager (AOM) (job description with the most people)**

- Ensure that people understand how our separate parts fit together to make the whole

### **Initiative #3: Focus groups to understand how to better connect people**

- Give colleagues a way to influence aspects of the benefits package

### **Initiative #4: Development of policy/review benefits process to include feedback from outside human resources**

- Metrics: While each initiative has associated targets, the overall BTO will be measured mainly through employee engagement surveys

Mr. Green closed by emphasizing the need for engaged colleagues and talked about the challenges in a post-COVID-19 world where remote working may become more of the norm and how the port may no longer be competing for talent just in our local area.

Commissioner Waters complimented Mr. Green on his report and on his promotion. She asked Mr. Green to describe the definition of "colleague" in the BTO program and the number of people involved.

Mr. Green explained that an initial group of 25 colleagues would be VPA/VIT employees. He advised that some of the changes would be more wide-reaching, for example, Initiative #1 would focus on POV employees and part of the initiative would extend to the ILA later on. Mr. Green clarified that the policies of the program would eventually reach 100 and later on up to 400 colleagues.

With regard to the metrics initiative, Commissioner Strayhorn said it would be helpful to determine how many of those ideas turn into improvements at the port and if there would be some sort of recognition. Mr. Green confirmed that there is a mechanism to reward colleagues for their ideas and that recognition would be tied into the rewards (points-based) program that POV currently has in place. He advised if the idea has a monetary impact for the port, such as revenue, there would be a different level of reward for that action.

## **VII. Report by CEO and Executive Director – Stephen A. Edwards**

Mr. Edwards thanked Mr. Reinhart for his support and onboarding since his arrival on January 19<sup>th</sup> and he said the senior leadership team was ready for his arrival with the various division briefings.

Mr. Edwards referred to the The Port of Virginia colleagues, port stakeholders, people who operate in the port, and customers as "the village" and he remarked on the close working relationships with everyone who "helps the port work". He noted that there is a direct line of engagement particularly with Kevin Price, Chief Operations Officer, with the labor leadership and rank and file.

Mr. Edwards mentioned that he had an opportunity to speak with a vast majority of the stakeholders and customers over the last ten weeks.

With regard to COVID-19, Mr. Edwards complimented the port for one of its values demonstrated during the pandemic which is Fortitude. He said fortitude is needed to get through the pandemic as Mr. Ruddy demonstrated through an online virtual SWaM event that enabled great attendance. Mr. Edwards said the port is looking forward to bringing people back to work to some degree to enable "human-to-human meetings" in the near future. He said he hoped that as the Governor relaxes the regulations and as the vaccinations take effect that the port will be able to, in a limited way, begin bringing teams back together during the summer.

Mr. Edwards remarked on the positive reports that were presented today and he reported that the port is operating well due to the modernization and expansions of VIG and NIT. He said the systems work, the processes work, and the operation is performing well.

Mr. Edwards reported that The Port of Virginia is probably the only port in the nation that can boast that our productivity is up eight and a half percent year-over-year.

Mr. Edwards spoke briefly on the ever-changing supply chain world and the constraints felt throughout the maritime industry. He used the situation in Memphis as an example with congestion at their inland rail ramps, reported March 22, which caused a domino effect throughout the transportation system. He complimented the ability of POV's sales team to act quickly to customer needs that will allow POV to secure some discretionary cargo.

Mr. Edwards advised that the goal is to keep that outreach going over the next couple of months and provide customers with alternate shipping routes to attract discretionary cargo to Virginia.

With regard to confidential negotiations for Portsmouth Marine Terminal, Mr. Edwards said the port will continue to be diligent in making sure that opportunities for the terminal are followed through and brought to a successful conclusion.

Finally, Mr. Edwards said he felt fortunate to be the Executive Director at the start of a new budget process (FY22) which is an opportunity to look at the business as a whole. He remarked that the budget process is in good shape, on time, and allows full review of not only POV's operating and G&A costs but also volume, revenue goals, and capital expenditures.

Mr. Edwards reported that a review of the expansion of the NIT Central Rail Yard is also ongoing.

Chairman Milliken expressed the Board's appreciation to have Mr. Edwards onboard as Executive Director and that he has "gotten his arms around this organization quickly". The Chairman also affirmed that the Board has a good idea on how and where Mr. Edwards wants to lead the port over the next months and years.

Secretary Valentine complimented Mr. Green on his report and the focus on colleagues and she mentioned that she would like to speak with him about the BTO initiative as there are some other authorities that are coming onboard, one of them, the Virginia Passenger Rail Authority.

The Secretary stated that she appreciated Mr. Edwards' analysis of the current state of the port, his perspective on the village, the budget process, taking advantage of opportunities across the system, and moving the Commonwealth's agricultural exports.

Secretary Valentine announced that she is always interested in the port's operational efficiencies in the areas of turn-times and dwell times and she was very pleased with the statistics, especially an eight and a half percent increase in productivity.

In closing, the Secretary said she was encouraged by the port's positive outlook, the teamwork, efforts on SWaM, the transition that is taking place, and the foundation that John Reinhart has left behind to build on.

**IIX. Unfinished Business**

There was no unfinished business to report.

**IX. New Business**

There was no new business to report at this time.

**X. Other Business, Opportunity for Public Comment, and Adjournment**

At the request of Chairman Milliken, Mrs. McNulty confirmed that there were no public comments submitted by email to: [PublicComments@portofvirginia.com](mailto:PublicComments@portofvirginia.com).

There being no further business, the meeting adjourned at 9:58 a.m.

Respectfully submitted,



Debra J. McNulty  
Secretary to the Board

The next VPA Board of Commissioners meeting is scheduled for 9:00 a.m. on May 25, 2021. Committee meetings are scheduled the Monday before the full board meeting.

Please note: The Public (Zoom) Session has been posted to The Port of Virginia's website at: <http://www.portofvirginia.com/who-we-are/our-board/> (At "Meeting Minutes"-FY21). Open Session presentations have also been posted (Click on "Presentations")

## Debbie McNulty

---

**From:** Jennifer Aument <JAument@transurban.com>  
**Sent:** Tuesday, March 23, 2021 9:14 AM  
**To:** Debbie McNulty; John Milliken, Chairman  
**Subject:** Aument Vote-VPA Investment Policy

CAUTION: This email originated from an External Source. Please use proper judgment and caution when opening attachments, clicking links, or responding to this email.

Debbie - please record my vote as yes on investment policy statement. Thanks

Sent from my iPhone

> On Mar 23, 2021, at 9:08 AM, Jennifer Aument <JAument@transurban.com> wrote:  
>  
> Has me as an attendee instead, so I think that's why I'm muted. But I am here!  
>  
> Sent from my iPhone

\*\*\*\*\*

Privileged/Confidential information may be contained in this message. If you are not the addressee indicated in this message (or responsible for delivery of the message to such person), you may not copy or deliver this message to anyone. In such a case, you should destroy this message and kindly notify the sender by reply e-mail or by telephone on (03) 8656-8900 or +61 3 8656-8900.

Please advise immediately if you or your employer does not consent to Internet e-mail for messages of this kind.

Opinions, conclusions and other information in this message that do not relate to the official business of Transurban Limited or any companies within the Transurban Group shall be understood as neither given nor endorsed by them.

# Board Financial Report

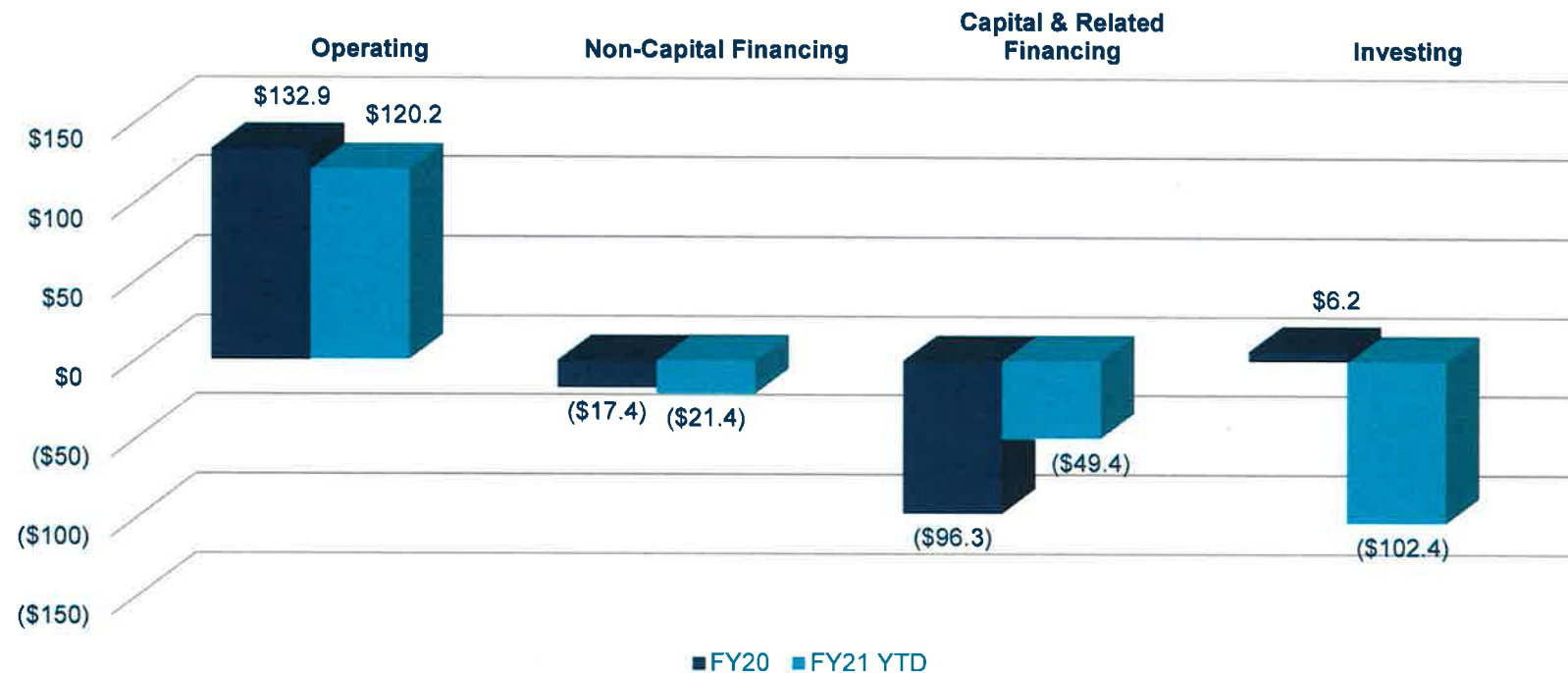
Rodney Oliver, Chief Financial Officer



# Fiscal Year 2021 YTD Highlights

|           | Category           | Budget          | Actual          |
|-----------|--------------------|-----------------|-----------------|
| Jul - Jan | Volume             | 904,923         | 993,368         |
|           | Operating Revenues | \$311.2 million | \$341.9 million |
|           | Operating Expenses | \$298.0 million | \$289.9 million |
|           | Operating Income   | \$13.2 million  | \$52.0 million  |
|           | EBITDA             | \$80.9 million  | \$120.4 million |
| Feb       | Volume             | 122,880         | In-Process      |
|           | Operating Income   | \$0.07 million  | In-Process      |

# Cash Flow FY20 vs FY21 YTD – USD millions



**Cash and Investments as of 1/31/2021: \$387.6 million**

**Residual Fund and Operating as of 1/31/2021: \$248.6 million**



## Capital & Related Financing Activities – USD millions

| Category                         | FY20      | FY21 YTD |
|----------------------------------|-----------|----------|
| Net refunding proceeds           | \$ -      | \$9.9    |
| CPF contribution                 | \$44.0    | \$26.2   |
| Acquisition of capital assets    | \$(165.7) | \$(46.5) |
| Transfer from primary government | \$106.9   | \$32.0   |
| Facility capital lease payments  | \$(88.9)  | \$(51.9) |
| Proceeds from MELP financing     | \$37.1    | \$23.6   |
| Principal paid on long-term debt | \$(18.5)  | \$(21.6) |
| Interest paid on long-term debt  | \$(22.6)  | \$(21.2) |
| Other                            | \$11.4    | \$0.1    |
| Total                            | \$(96.3)  | \$(49.4) |



# **Virginia Port Authority**

## **Statement of Investment Policy**

**Effective April 1, 2021**

Adopted by the Virginia Port Authority

Board of Commissioners on March 23, 2021

## Table of Contents

|    |  |    |
|----|--|----|
| A. | INTRODUCTION .....   | 1  |
| B. | GOVERNING AUTHORITY .....                                  | 1  |
| C. | SCOPE .....  | 1  |
| D. | OBJECTIVES .....   | 1  |
| E. | DELEGATION OF AUTHORITY .....                              | 2  |
| F. | STANDARD OF PRUDENCE .....                                 | 2  |
| G. | ETHICS AND CONFLICTS OF INTEREST .....                     | 3  |
| H. | INTERNAL CONTROLS .....                                    | 3  |
| I. | AUTHORIZED INVESTMENTS .....                               | 3  |
| J. | INVESTMENT PARAMETERS .....                                | 5  |
| K. | INVESTMENTS OF THE AUTHORITY'S SUBSIDIARIES .....          | 7  |
| L. | SECURITY DOWNGRADES .....                                  | 7  |
| M. | NON-COMPLIANCE WITH INVESTMENT POLICY .....                | 7  |
| N. | COMPETITIVE TRANSACTIONS .....                             | 7  |
| O. | INVESTMENT OF BOND PROCEEDS .....                          | 8  |
| P. | COLLATERALIZATION OF BANK DEPOSITS .....                   | 8  |
| Q. | ENGAGEMENT OF INVESTMENT MANAGERS .....                    | 8  |
| R. | AUTHORIZED FINANCIAL INSTITUTIONS AND BROKER/DEALERS ..... | 9  |
| S. | SAFEKEEPING AND CUSTODY .....                              | 9  |
| T. | RECORDS AND REPORTS .....                                  | 9  |
| U. | PERFORMANCE STANDARDS .....                                | 10 |
| V. | POLICY CONSIDERATIONS .....                                | 10 |
| W. | INVESTMENT POLICY ADOPTION .....                           | 10 |

## GLOSSARY

# **VIRGINIA PORT AUTHORITY STATEMENT OF INVESTMENT POLICY**

## **A. INTRODUCTION**

The intent of the Investment Policy of Virginia Port Authority ("VPA" or "the Authority") is to define the parameters within which certain operating and bond-related funds are to be managed. This policy formalizes the framework for the Authority's investment activities that must be exercised to ensure effective and judicious fiscal and investment management of the Authority's funds. The guidelines are intended to be broad enough to allow the Authority's investment program to function properly within the parameters of responsibility and authority, yet specific enough to adequately safeguard the investment assets.

## **B. GOVERNING AUTHORITY**

The Virginia Port Authority is a political subdivision of the Commonwealth of Virginia created under §62.1-128 et seq. of the Code of Virginia. The investment program shall be operated in conformance with federal, state, and other legal requirements, including the provisions of any applicable bond resolutions, the Amended and Restated Bylaws of the Virginia Port Authority (the "Bylaws"), the Authority's Investment Policy (the "Policy"), Security for Public Deposits Act ("SPDA"; §2.2-4400 et seq.) and Investment of Public Funds Act (§2.2-4500 et seq.), which governs the investment of public funds. In the event of a conflict between this Policy and the Code of Virginia, the Code of Virginia will always apply, and this Policy may establish guidelines that are more restrictive than those imposed by the Code of Virginia.

## **C. SCOPE**

This Policy applies to activities of the Virginia Port Authority with regard to investing the financial assets of all funds. These funds include, but are not limited to, all operating funds, the Revenue Stabilization Fund, the Residual Fund, and any new funds created by the Authority, unless specifically exempted by the Board of Commissioners of the Virginia Port Authority (the "Board") and this Policy.

Any excluded funds such as employee retirement funds, proceeds from certain bond issues and grant funds are covered by separate policies.

Except for funds in certain restricted and special funds, the Authority can commingle its funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

Section K of this Policy will govern the investments belonging to the Authority's subsidiaries.

## **D. OBJECTIVES**

The primary objectives, in priority order, of VPA's investment activities shall be:

### **Safety**

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

### Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

### Return

The investment portfolio shall be designed with the objective of attaining a reasonable market rate of return throughout economic cycles, taking into account the nature of funds being invested and the previously stated priorities of safety and liquidity.

## **E. DELEGATION OF AUTHORITY**

Section 3.3.5 of the Bylaws authorizes the Treasurer to the Board (the "Investment Officer") to manage the investments of the Authority. The Investment Officer shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this Investment Policy. The Investment Officer may delegate day-to-day responsibility for management of the investment program to internal staff member(s) and/or to external investment manager(s).

Section 3.10.2 of the Bylaws grants authority to approve all depositories used by the Authority to the Finance and Audit Committee of the Board. The Investment Officer shall evaluate financial institutions to provide depository services to the Authority and recommend depositories to the Finance and Audit Committee. Whether or not a bank is an approved depository (a "Depository") by the Finance and Audit Committee, the Investment Officer is permitted to use investment products (e.g., bank CDs) offered by any such banks, provided such investments meet the investment parameters otherwise outlined in this policy.

Pursuant to the Agreement for Shared Services dated August 8, 2014 between VPA and its subsidiaries, responsibility for all Accounting and Finance functions, including investment of the funds of VPA's subsidiaries, is delegated to VPA.

The Investment Officer will report quarterly to the Finance and Audit Committee of the Board regarding the investment program. If the Finance and Audit Committee so chooses, it may delegate responsibility for reviewing the investment program to a subcommittee.

All participants in the investment process shall seek to act responsibly as custodians of the public trust. No officer or designee may engage in an investment transaction except as provided under the terms of this policy and supporting procedures.

## **F. STANDARD OF PRUDENCE**

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments. The "prudent person" standard states that:

*"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."*

In accordance with §2.2-4516 of the Code of Virginia, when investments are made in accordance with the Investment of Public Funds Act §2.2-4500 et seq., the Investment Officer shall not be liable for any loss therefrom in the absence of negligence, malfeasance, misfeasance, or nonfeasance on his part or on the part of his assistants or employees.

Furthermore, in accordance with §2.2-4410 et seq. of the Code of Virginia, the Investment Officer shall not be liable for loss of public money due to the default, failure or insolvency of a depository.

## **G. ETHICS AND CONFLICTS OF INTEREST**

The Investment Officer and any VPA staff involved in the cash management and investment processes shall comply with the Code of Virginia Section §2.2-3100 et seq., the State and Local Government Conflict of Interests Act. Specifically, no staff shall:

1. accept any money, loan, gift, favor, service, or business or professional opportunity that reasonably tends to influence him in the performance of his official duties; or
2. accept any business or professional opportunity when he knows there is a reasonable likelihood that the opportunity is being afforded to influence him in the performance of his official duties.

The Investment Officer and VPA staff shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.

## **H. INTERNAL CONTROLS**

Management shall establish a system of internal controls with regards to its investment activities, which shall be documented in writing. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the Authority.

## **I. AUTHORIZED INVESTMENTS**

Subject to applicable state laws, federal laws, bond resolutions, and when required, action by the Authority's Board of Commissioners, VPA's investment portfolio may be invested in the following Authorized Investments within the investment parameters described in Section J. The Investment Officer may, but shall not be obligated to, impose additional requirements and restrictions to ensure that VPA's goals are met.

Code of Virginia §2.2-4500 et seq. describes certain permitted investments for qualified public entities ("QPEs"), defined by §2.2-4511 as "any state agency, institution of the Commonwealth or statewide authority created under the laws of the Commonwealth having an internal or external public funds manager with professional investment management capabilities." So long as VPA has an internal or external public funds manager with professional investment management capabilities, VPA qualifies as a QPE.

1. **U.S. Treasury Obligations.** Bills, notes and any other obligation or securities issued by or backed by the full faith and credit of the United States Government, as described by Code of Virginia §2.2-4501.
2. **Federal Agency/Government Sponsored Enterprise Obligations.** Bonds, notes and other obligations issued by any federal government agency or

instrumentality or government sponsored enterprise, as described by Code of Virginia §2.2-4501.

3. **U.S. Dollar Denominated Supranational Agency Bonds.** Bonds and other obligations issued, guaranteed or assumed by the International Bank for Reconstruction and Development, by the Asian Development Bank or by the African Development Bank, as described by Code of Virginia §2.2-4501.
4. **Municipal Obligations.** Bonds, notes and any other obligation of a state or municipal government, upon which there is no default, and which otherwise meet the requirements of Code of Virginia §2.2-4501.
5. **Commercial Paper.** "Prime quality" commercial paper, issued by corporations organized and operating under the laws of the United States or any state thereof, and otherwise meeting the requirements of Code of Virginia §2.2-4502.
6. **Bankers' Acceptances.** Issued by domestic banks or a federally chartered office of a foreign bank, which are eligible for purchase by the Federal Reserve System, as described by Code of Virginia §2.2-4504.
7. **Corporate Notes.** Unsecured promissory notes issued by corporations, and otherwise meeting the requirements of Code of Virginia §2.2-4510.
8. **Negotiable Certificates of Deposit and Bank Deposit Notes.** Negotiable certificates of deposit and negotiable bank deposit notes of domestic banks and domestic offices of foreign banks, and otherwise meeting the requirements of Code of Virginia §2.2-4509.
9. **Bank Deposits and Non-Negotiable Certificates of Deposit.** Demand deposits, time deposits, and other deposits that comply with all aspects of SPDA and with §2.2-4518.
10. **Asset-Backed Securities ("ABS").** Securities whose principal and income payments are derived from and collateralized by a specific pool of underlying assets, and otherwise meeting the requirements of Code of Virginia §2.2-4511.
11. **Repurchase Agreements.** Repurchase agreements meeting the requirements of Code of Virginia §2.2-4507 and the conditions stated below:
  - a. the contract is fully secured by deliverable U.S. Treasury and Federal Agency/Government Sponsored Enterprise obligations as described in paragraphs 1 and 2 above, having a market value at all times of at least one hundred and two percent (102%) of the amount of the contract;
  - b. a Master Repurchase Agreement or specific written Repurchase Agreement governs the transaction;
  - c. the securities are free and clear of any lien and held by an independent third party custodian acting solely as agent for VPA, provided such third party is not the seller under the repurchase agreement;
  - d. a perfected first security interest under the Uniform Commercial Code in accordance with book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of VPA;
  - e. the counterparty is a:
    - i. primary government securities dealer who reports daily to the Federal Reserve Bank of New York, or
    - ii. a bank, savings and loan association, or diversified securities broker-dealer having at least \$5 billion in assets and \$500 million in capital and subject to regulation of capital standards by any state or federal regulatory agency; and
  - f. the counterparty meets the following criteria:

- i. a long-term credit rating of at least 'AA' or the equivalent from a Nationally Recognized Statistical Ratings Organization ("NRSRO"), and
- ii. has been in operation for at least 5 years.

12. **Money Market Mutual Funds (Open-Ended Investment Funds).** Shares in open-end, no-load investment funds provided such funds are registered under the Investment Company Act of 1940. The mutual fund must comply with all requirements of Rule 2(a)-7, or any successor rule, of the United States Securities and Exchange Commission, provided the investments by such funds are restricted to investments otherwise permitted by the Code of Virginia for political sub-divisions, as described by Code of Virginia §2.2-4508.
13. **Pools.** Pooled investment programs provided that the underlying investments by such funds are restricted to investments otherwise permitted by the Code of Virginia for political sub-divisions, as described by Code of Virginia §2.2-4513.1. The Authority can invest in two different types of Pools:
  - a. **Principal Stability Pools.** Pools that operate in compliance with the Government Accounting Standard Board's Statement 79 ("GASB 79"), which maintain a weighted average maturity of less than 60 days and whose primary objective is to maintain a stable net asset value; and
  - b. **Bond Funds.** Pools that may have a longer average maturity than principal stability pools and a fluctuating net asset value.

## **J. INVESTMENT PARAMETERS**

### Mitigating Credit Risk in the Portfolio

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. It is the policy of the Virginia Port Authority to perform independent credit analysis on any corporate or municipal issuers held in VPA's portfolio. Such analysis will be performed prior to the purchase of any corporate or municipal security and on an ongoing basis as long as such security is held in the portfolio. VPA will also diversify its investment portfolios to minimize risk of loss resulting from the over-concentration of assets in a specific maturity, issuer, or class of securities.

### Mitigating Market Risk in the Portfolio

Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The Authority recognizes that, over time, longer-term/core portfolios have the potential to achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The Authority further recognizes that certain types of securities, including variable rate securities, securities with principal pay downs prior to maturity, and securities with embedded options, will affect the market risk profile of the portfolio differently in different interest rate environments. The Authority shall mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes.

### Maximum Maturity

Maintenance of adequate liquidity to meet the cash flow needs of VPA is essential. Accordingly, the portfolio will be structured in a manner that ensures sufficient cash is available to meet anticipated liquidity needs. Selection of investment maturities must be consistent with the cash requirements of VPA.



The Authority's investment portfolio will be invested in permitted investments with a stated maturity of no more than five (5) years from the transaction settlement date (with the exception of Agency Mortgage-Backed Securities and Asset-Backed Securities which must have a weighted average life (WAL) of no more than five (5) years). To control the volatility of the portfolio, the Investment Officer will determine a duration target, not to exceed three (3) years.

#### Diversification Parameters

The following diversification parameters have been established and will be reviewed periodically by the Investment Officer for all funds. The Investment Officer may choose to implement limitations that are more restrictive than these parameters if he deems it prudent to do so. The diversification parameters will be applied across all of the Authority's investments governed by this policy, not at the individual fund level.

| <b>Permitted Investment</b>   | <b>Sector Limit</b> | <b>Issuer Limit</b> | <b>Minimum Ratings Requirement<sup>1,2</sup></b>   | <b>Max Maturity<sup>3</sup></b> |
|---|---------------------|---------------------|--|---------------------------------|
| U.S. Treasury Obligations   | 100%                | 100%                | N/A  | 5 Years                         |
| Federal Agency/GSE Obligations  | 75%                 | 40%                 | Same as or higher than the U.S. Federal Government   | 5 Years                         |
| Agency Mortgage-Backed Securities                                     | 30%                 | 30%                 | Same as or higher than the U.S. Federal Government   | WAL of 5 Years                  |
| Supranationals  | 30%                 | 5%                  | Same as or higher than the U.S. Federal Government   | 5 Years                         |
| Municipal Obligations   | 20%                 | 5%                  | AA by at least one NRSRO   | 5 Years                         |
| Commercial Paper  | 35%                 | 5%                  | At least two of the following: A-1 (S&P), P-1(Moody's), or F-1(Fitch)  | 270 Days                        |
| Bankers' Acceptances  | 30%                 | 5%                  | A-1 or equivalent by an NRSRO  | 180 Days                        |
| Corporate Notes   | 35%                 | 5%                  | At least two of the following: A (S&P), A (Moody's) or A (Fitch).  | 5 Years                         |
| Negotiable Certificates of Deposit and Bank Deposit Notes             | 35%                 | 5%                  | At least two of the following: A-1 (S&P), P-1 (Moody's) or F1 (Fitch) if less than one year to maturity; at least two of the following: AA (S&P),Aa (Moody's) or AA (Fitch) if greater than one year to maturity | 5 Years                         |
| Bank Deposits and Non-Negotiable Certificates of Deposit <sup>4</sup> | 100%                | 100%                | Collateralized in accordance with the SPDA   | N/A                             |
| Asset-Backed Securities   | 20%                 | 5%                  | AAA or equivalent by two NRSROs, one of which must be either S&P, Moody's or Fitch   | WAL of 5 Years                  |
| Repurchase Agreements   | 25%                 | 25%                 | N/A  | 90 Days                         |
| Money Market Mutual Funds   | 100%                | 25%                 | AAAm or equivalent by an NRSRO   | N/A                             |
| Principal Stability Pools   | 100%                | 25%                 | AAAm or equivalent by an NRSRO   | N/A                             |
| Bond Funds  | 100%                | 25%                 | AAf or equivalent by an NRSRO  | Maximum duration of 3 years     |

1. Ratings by a Nationally Recognized Statistical Ratings Organizations ("NRSRO") as designated by the SEC without regards to rating modifiers.
2. At time of purchase
3. From transaction settlement date
4. Whether or not a bank is an approved Depository by the Finance & Audit Committee, the Investment Officer is permitted to use investment products (e.g., bank CDs) offered by any such banks, provided such investments meet the investment parameters otherwise outlined in this policy.

## **K. INVESTMENTS OF THE AUTHORITY'S SUBSIDIARIES**

### Authorized Investments

Investment holdings allocated to the Authority's subsidiaries may be invested in the following Authorized Investments within the investment parameters described below. The Investment Officer may, but shall not be obligated to, impose additional requirements and restrictions to ensure that VPA's goals are met.

1. **Bank Deposits.** Demand deposits and other overnight deposit vehicles.
2. **Repurchase Agreements.** Overnight repurchase agreements meeting the conditions described in Section I Paragraph 11 of this Policy.
3. **Money Market Mutual Funds (Open-Ended Investment Funds).** Shares in open-end, no-load investment funds provided such funds are registered under the Investment Company Act of 1940. The mutual fund must comply with all requirements of Rule 2(a)-7, or any successor rule, of the United States Securities and Exchange Commission and maintain a stable net asset value.

### Investment Parameters

The primary purpose of any investments of the Authority's subsidiaries is to preserve principal and provide daily liquidity. As such, all investments will be limited to overnight vehicles. Because of the highly liquid nature of the authorized investments, sector and issuer limits will not apply to investments of the Authority's subsidiaries.

## **L. SECURITY DOWNGRADES**

If the credit rating of a security is subsequently downgraded below the minimum rating level for a new investment of that security, the security must be sold within 30 calendar days, unless retention of the security is approved in writing by the Investment Officer. If VPA engages an external Investment Manager, the Investment Manager is required to notify the Investment Officer of a downgrade below the minimum rating level within 5 business days.

## **M. NON-COMPLIANCE WITH INVESTMENT POLICY**

In the event of non-compliance with this Policy, the Investment Officer or other appropriate investment management staff will determine what course of action to take and notify the chair of the Finance and Audit Committee. The Finance and Audit Committee will review compliance concerns on a quarterly basis and, if unresolved at the time of the meeting, determine whether to grant an exception. If VPA engages an external Investment Manager, the Investment Manager will notify the Investment Officer immediately of any known compliance breach within this Policy or other investment related regulations governing the Virginia Port Authority. Written notification must follow within 5 business days.

## **N. COMPETITIVE TRANSACTIONS**

The Authority has established the following procedures:

1. The Investment Officer or Investment Manager shall seek to obtain competitive bid information on all purchases of investment instruments purchased on the secondary market. A competitive bid can be executed through a bidding process involving at least three separate brokers/financial institutions or through the use of a nationally recognized trading platform.
2. If the Authority is offered a security for which there is no readily available competitive offering on the same specific issue, then the Investment Officer shall document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

## **O. INVESTMENT OF BOND PROCEEDS**

VPA intends to comply with all applicable sections of the Internal Revenue Code relating to Arbitrage Rebate and the investment of bond proceeds. All investment records will be maintained to ensure compliance with all regulations. All bond proceeds will be invested in accordance with applicable bond resolutions.

## **P. COLLATERALIZATION OF BANK DEPOSITS**

All bank deposits of the Authority should be considered Public Deposits as defined by Code of Virginia Security for Public Deposits Act (Section 2.2-4400 et seq.) and all deposits must be made with Qualified Public Depositories. There shall be no sector or issuer limit for properly insured or collateralized public deposits, or deposits made in accordance with Code of Virginia 2.2-4518.

## **Q. ENGAGEMENT OF INVESTMENT MANAGERS**

VPA may engage one or more qualified firms registered under the Investment Advisers Act of 1940 to provide investment management services. All investment management firms engaged by VPA will be provided with a current copy of the Investment Policy. Before an organization can provide investment services to VPA, it must confirm in writing that it has reviewed the Investment Policy and will not purchase for VPA any security that, at the time of purchase, is in conflict with the Policy.

If VPA engages external investment managers, the selection process should include:

1. Confirmation that the investment manager meets minimum requirements, including registration with the Securities and Exchange Commission under the Investment Advisers Act of 1940 and registration to conduct business in the Commonwealth of Virginia;
2. Review of the investment manager's Form ADV, Part II; and
3. Consideration of the following criteria:
  - a. The investment manager's understanding of VPA's investment program, objectives and constraints
  - b. The investment manager's background and experience of individuals assigned to the account
  - c. Fees

Any firm engaged by VPA to provide investment services shall:

1. Maintain a list of approved security brokers/dealers selected by creditworthiness who are authorized to provide investment services in the Commonwealth of Virginia;
2. Provide monthly reports of transactions and holdings to the Investment Officer;

3. Provide quarterly performance reports that display investment performance in comparison to VPA's investment benchmarks;
4. Upon request, show that it has solicited at least three bids for any security purchased or sold on behalf of VPA; and
5. Not collect any soft dollar fees from any broker/dealer or other financial firm in relation to services provided to VPA.

## **R. AUTHORIZED FINANCIAL INSTITUTIONS AND BROKER/DEALERS**

A list will be maintained of approved security broker/dealers selected by conducting a process of due diligence.

Institutions eligible to transact investment business with the Authority may include:

1. Primary government dealers as designated by the Federal Reserve Bank;
2. Nationally or state-chartered banks;
3. The Federal Reserve Bank; and
4. Direct issuers of securities eligible for purchase

All financial institutions who desire to serve as broker/dealers and conduct investment transactions with VPA must supply the following (as appropriate):

1. Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines
2. Proof of FINRA certification
3. Proof of State Registration
4. Evidence of adequate insurance coverage
5. Certification of having read and understood and agreeing to comply with the Authority investment policy

If the Authority hires an external investment manager to provide investment management services, the investment manager will be responsible for selecting qualified broker/dealers on behalf of the Authority.

## **S. SAFEKEEPING AND CUSTODY**

### Delivery vs. Payment

All trades of marketable securities will be executed (cleared and settled) on a delivery vs. payment (DVP) basis to ensure that securities are deposited in the Authority's safekeeping institution prior to the release of funds.

### Third-Party Custody

Securities will be held by an independent third-party custody bank selected by the Authority. All securities will be evidenced by safekeeping receipts in the Authority's name. The custody bank shall annually provide a copy of its most recent report on internal controls - Service Organization Control Reports (formerly 70, or SAS 70) prepared in accordance with the Statement on Standards for Attestation Engagements (SSAE) No. 16 (effective June 15, 2011.)

## **T. RECORDS AND REPORTS**

The Investment Officer shall prepare an investment report at least quarterly for the Finance and Audit Committee of the Board or to a subcommittee, if so designated. This report will provide an analysis of the status of the current investment portfolio and the individual transactions executed over the last quarter. This report will allow the Finance and Audit Committee to ascertain whether investment activities during the reporting

period have conformed to the Investment Policy. The report will include, at a minimum, the following:

1. Summary of relevant economic and capital markets information
2. Summary of portfolio's sector, maturity, and credit quality distribution
3. Confirmation that the portfolio is invested in compliance with the Code of Virginia and the Investment Policy
4. Summary of performance relative to established benchmarks

Additionally, staff and/or external investment manager(s) shall provide the Investment Officer with monthly and quarterly reports. These reports will include, at a minimum, the following:

1. An asset listing showing par value, cost and accurate and complete market value of each security, type of investment, issuer, and interest rate
2. Average maturity of the portfolio and effective duration of the portfolio
3. Maturity distribution of the portfolio
4. Average portfolio credit quality
5. Confirmation that the portfolio is invested in compliance with the Code of Virginia and the Investment Policy
6. Time-weighted total rate of return for the portfolio for the reporting period and trailing periods compared to the portfolio's benchmark returns for the same periods
7. Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks
8. Distribution by type of investment
9. Performance relative to established benchmarks
10. Performance attribution analysis

## **U. PERFORMANCE STANDARDS**

The investment portfolio will be managed in accordance with the parameters specified within this Policy. The Investment Officer shall establish investment performance benchmarks for the Authority that appropriately represent the use and objectives of the funds invested and are consistent with the investment parameters described in this Policy. The portfolio's performance against these benchmarks will be reviewed on a quarterly basis. Short-term funds and other funds that must maintain a high degree of liquidity will be compared to the return on the three-month U. S. Treasury Bill. Medium term investments and other funds that have a longer-term investment horizon will be compared to an index of U. S. Treasury securities having a similar duration or other appropriate benchmark comprised of the permitted security types and having a similar duration to VPA's portfolio.

## **V. POLICY CONSIDERATIONS**

This policy shall be reviewed on an annual basis by the Investment Officer. Any changes must be approved by the Finance and Audit Committee and any other appropriate authority, as well as the individuals charged with maintaining internal controls.

## **W. INVESTMENT POLICY ADOPTION**

This policy is enacted by the Virginia Port Authority, this 23<sup>rd</sup> day of March, 2021, and will become effective April 1, 2021.

A handwritten signature in black ink, reading "Rodney W. Oliver". The signature is written in a cursive style with a large, stylized "R" and "O".

---

Rodney W. Oliver, Chief Financial Officer  
Virginia Port Authority

## Glossary of Terms

**Bankers' Acceptance:** a draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

**Benchmark:** a comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

**Broker:** brings buyers and sellers together for a commission.

**Certificate of Deposit (CD):** a time deposit with a specific maturity evidenced by a Certificate. Large-denomination CD's are typically negotiable.

**Collateral:** securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

**Commercial Paper:** An unsecured promissory note with a fixed maturity no longer than 270 days. Public offerings are exempt from SEC regulation.

**Corporate Notes:** Unsecured promissory notes issued by corporations to raise capital.  
**Dealer:** acts as a principal in all transactions, buying and selling for his own account.

**Debenture:** a bond secured only by the general credit of the issuer.

**Delivery versus Payment:** delivery of securities with an exchange of money for the securities. (See also "Delivery versus Receipt")

**Delivery versus Receipt:** delivery of securities with an exchange of a signed receipt for the securities. Also known as "free" delivery. (See also "Delivery versus Payment").

**Diversification:** allocation investment funds among a variety of securities offering independent returns.

**Federal Agency:** government sponsored/owned entity created by the U.S. Congress, generally for the purpose of acting as a financial intermediary by borrowing in the marketplace and directing proceeds to specific areas of the economy considered to otherwise have restricted access to credit markets, also referred to as Government Sponsored Enterprises or GSEs. The largest are Ginnie Mae, Fannie Mae, Freddie Mac, Federal Home Loan Banks, Federal Farm Credit Bank, Tennessee Valley Authority.

**Federal Funds:** funds placed in Federal Reserve Banks by depository institutions in excess of current reserve requirements, and frequently loaned or borrowed on an overnight basis between depository institutions.

**Federal Funds Rate:** the rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open – market operations.

**Liquidity:** the ability of ease with which an asset can be converted into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be transacted at those quotes.

**Market Value:** the price at which a security is trading and could presumably be purchased or sold.

**Master Repurchase Agreement:** a written contract covering all future transactions between the parties to repurchase—reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower.

**Maturity:** the date upon which the principal or stated value of an investment becomes due and payable.

**Nationally Recognized Statistical Rating Organization (NRSRO):** A credit rating agency which issues credit ratings that the U.S. Securities and Exchange Commission (the "SEC") permits other financial firms to use for certain regulatory purposes. Several examples include Moody's Investor Service, Standard & Poor's and Fitch Ratings.

**Portfolio:** collection of securities held by an investor.

**Primary Dealer:** a group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

**Rate of Return:** the yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

**Repurchase Agreement (RP or REPO):** an agreement under which the holder of securities sells these securities to an investor with a commitment to repurchase the securities at a fixed price on a fixed date. The security's "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this.

**Safekeeping:** a service rendered by banks for a fee whereby securities and valuables of all types and descriptions are held by the bank for protection.

**SEC Rule 15C3-1:** see "Uniform Net Capital Rule".

**Securities and Exchange Commission ("SEC"):** agency created by Congress to protect investors in securities transactions by administering securities legislation.

**Treasury Bills:** a non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

**Treasury Bonds:** long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

**Treasury Notes:** medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.



**Uniform Net Capital Rule:** Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

**Yield:** the rate of annual income return on an investment, expressed as a percentage. Income/current yield is obtained by dividing the current dollar income by the current market price for the security. Net yield or yield to maturity is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

## Dec 2020/Jan 2021 Volumes

|                               | Dec 2019/<br>Jan 2020 | Dec 2020/<br>Jan 2021 | Change        | % Change     |
|-------------------------------|-----------------------|-----------------------|---------------|--------------|
| <b>Total TEUs</b>             | <b>452,135</b>        | <b>531,370</b>        | <b>79,235</b> | <b>17.5%</b> |
| Export Loaded TEUs            | 157,613               | 167,358               | 9,746         | 6.2%         |
| Export Empty TEUs             | 78,510                | 107,905               | 29,396        | 37.4%        |
| Import Loaded TEUs            | 212,595               | 253,994               | 41,400        | 19.5%        |
| <b>Total Rail Containers</b>  | <b>79,523</b>         | <b>90,432</b>         | <b>10,909</b> | <b>13.7%</b> |
| VIP Containers                | 4,628                 | 5,468                 | 840           | 18.2%        |
| <b>Total Barge Containers</b> | <b>9,686</b>          | <b>11,363</b>         | <b>1,677</b>  | <b>17.3%</b> |
| RMT Containers                | 7,088                 | 8,484                 | 1,396         | 19.7%        |
| <b>Total Truck Containers</b> | <b>162,706</b>        | <b>189,917</b>        | <b>27,211</b> | <b>16.7%</b> |
| <b>Ship Calls</b>             | <b>246</b>            | <b>263</b>            | <b>17</b>     | <b>6.9%</b>  |

# February/March Volumes Outlook

|                               | Feb 2020 /<br>Mar 2020 | Feb 2021 /<br>Mar 2021 | Change        | % Change     |
|-------------------------------|------------------------|------------------------|---------------|--------------|
| <b>Total TEUs</b>             | <b>427,131</b>         | <b>517,384</b>         | <b>90,253</b> | <b>21.1%</b> |
| Export Loaded TEUs            | 171,595                | 182,088                | 10,493        | 6.1%         |
| Export Empty TEUs             | 54,265                 | 100,955                | 46,690        | 86.0%        |
| Import Loaded TEUs            | 196,688                | 229,570                | 32,882        | 16.7%        |
| <b>Total Rail Containers</b>  | <b>81,171</b>          | <b>91,672</b>          | <b>10,501</b> | <b>12.9%</b> |
| VIP Containers                | 4,016                  | 5,043                  | 1,027         | 25.6%        |
| <b>Total Barge Containers</b> | <b>9,296</b>           | <b>10,558</b>          | <b>1,262</b>  | <b>13.6%</b> |
| RMT Containers                | 6,759                  | 7,031                  | 272           | 4.0%         |
| <b>Total Truck Containers</b> | <b>147,147</b>         | <b>182,568</b>         | <b>35,421</b> | <b>24.1%</b> |
| <b>Ship Calls</b>             | <b>223</b>             | <b>249</b>             | <b>26</b>     | <b>11.7%</b> |