

MINUTES
Virginia Port Authority Board of Commissioners
Public Session 402
September 28, 2021

The Virginia Port Authority ("VPA") Board of Commissioners ("Board") held its regular meeting on September 28, 2021, immediately following the annual meeting, in the VPA Boardroom, 600 World Trade Center, 101 West Main Street, Norfolk, VA.

Commissioners Present:

John G. Milliken, Chairman
John C. Asbury
Manju S. Ganeriwala
Eva Teig Hardy
Joni L. Ivey
Maurice A. Jones
Val S. McWhorter
Stephen M. Moret
Edward F. O'Callaghan
Faith B. Power
Louisa M. Strayhorn (arrived at 9:06am)
Deborah C. Waters

Commissioners Absent:

Aubrey L. Layne

VPA Staff Present:

Stephen A. Edwards, CEO and Executive Director
Rodney W. Oliver, Chief Financial Officer
Joseph P. Ruddy, Chief Innovation Officer
Monica Y. Sturgis, Chief Human Resources Officer
Cathie J. Vick, Chief Development and Public Affairs Officer
Ryenne A. Shields, Secretary to the Board
Jodie Asbell, Sr. Executive Administrative Assistant and Assistant Secretary to the Board
Al Collado, Director, Terminal Services
Thomas Cross, Director, State and Local Government Affairs
Chris Gullickson, Director, Economic Development
Jason Barlow, Vice President, Contracts and Risk Management
Daniel Hendrickson, Vice President, Asset Management and Special Projects
Kelly Taylor, Information Technology Technician
Matt Dudley, Information Technology Technician
Dakota Sorter, Information Technology Technician
Andrew Sinclair, Director, Federal Government Affairs
Kelly Moore - Intern
Lily Tomlinson - Intern

Virginia International Terminals, LLC (VIT) Staff Present:

Thomas D. Capozzi, Chief Sales Officer
Kevin Price, Chief Operations Officer

Guests:

W. Brice Fiske, Office of the Attorney General
Larry Bachtell, International Longshoremen's Association
Jonathan Coley, International Longshoremen's Association
Brandon Edwards, International Longshoremen's Association
Stephen Walton, International Longshoremen's Association
Whiting Chisman Virginia Pilots Association
Brian Jeffreys, CMA CGM
Joel Andrus, Kemper Consulting
David White, Virginia Maritime Association

Chairman Milliken called the meeting to order at 9:00am, followed by a safety briefing conducted by Joe Ruddy.

Joe Harris introduced all members of the public present and the opportunity for comment was extended by Chairman Milliken.

I. Approval of Minutes

Minutes of the meeting held July 27, 2021 were approved as circulated.

II. Reports of Committees

a. Investment Committee – John G. Milliken, Chairman

The Chairman described the purpose of the Investment Committee and their responsibilities. Chairman reviewed that during the meeting on September 27, the Committee was introduced to a new investment advisory consultant, Compass Financial Partners, which was selected after the service was put out for competitive bid and Compass was the selected provider. The Committee received a briefing on performance of all investment plans and heard that the plans are performing well with good return. It was noted that several plans have outperformed their benchmarks. The Committee was advised by the Actuary, that as of June 30, 2021 the VIT pension plan was 118% funded on a GASB basis and VPA was 88% funded on a GASB basis. Finally, Committee was briefed on the plan and timeline for custodial services contract process and began ongoing discussions on asset allocation strategy for future. Chairman reported that there were no investment manager changes recommended by advisors and the report was overall positive.

b. Finance and Audit Committee– Louisa M. Strayhorn

i. Report of Finance and Audit Committee – Chair Strayhorn

Chair Strayhorn stated that during the Committee meeting on September 27, they received presentations from PBMares on the status of the VPA and VIT audits, and from management on fiscal year 2022 financial performance to date, the Masterplan update, Financial and Debt Management Guidelines, Port Opportunity Fund, Cyber Security and Internal Audit and Compliance.

Chair Strayhorn reviewed that the presentation from Mike Garber, Audit Partner with PBMares, reported that VIT audit and related 2021 fiscal year end financials are complete, VPA 2021 fiscal year end financial audit and federally-required Single Audit are very close to completion, and that the fieldwork is complete and the teams are working on the final drafts of the presentations. Chair Strayhorn stated that Mike Garber will report back to the full Board in November.

Chair Strayhorn then extended a thank you to the Finance team for great work on the audits.

With regards to the Masterplan and Financial and Debt Management Guidelines, Chair Strayhorn reported that during the Committee meeting, management addressed their work with Public Financial Management (PFM) on the near term financing plan for the Masterplan which included recommendations to establish certain parameters for Days Cash on Hand, Net Revenue Coverage, and Fixed Obligation Coverage. Chair Strayhorn stated that the formal Financial and Debt Management Guidelines will be presented for approval in November

Chair Strayhorn also reviewed that the Committee was informed that management had established the Port Opportunity Fund, as required by statute, and addressed the next steps towards the use of those funds. With regards to Cyber Security, Chair Strayhorn reported that management addressed the results of the November 2020 penetration testing and significant improvement has been achieved since the initial testing performed three years ago.

With regards to Internal Audit and Compliance, Chair Strayhorn reported that during Committee, Management addressed the comprehensive enterprise risk management program that has been established, the external and internal financial audits that are conducted routinely, the additional financial controls in place, the Agency Risk Management and Internal Control System (ARMICS) framework established by the Commonwealth to ensure the material accuracy and completeness of financial results, and the planned internal audits for fiscal year 2022. Chair Strayhorn also reported management's plans to brief the Committee on risk management topics in future meetings.

ii. VPA and VIT Consolidated Financial Reports for the month ended July 31, 2021 – Rodney W. Oliver

Rodney Oliver presented that volumes were 14% ahead of budget expectations, operating revenues were 22% ahead of budget expectations due in part to volume, loaded container spoilage, and chassis revenues. Operating expenses, R. Oliver reported, were higher than budget but to be expected with the container volume increase, with Maintenance and G&A costs below budget.

R. Oliver went on to discuss that EBITDA was ahead almost \$10 million more than budgeted and with August volumes, he looks forward to positive August financials as well. R. Oliver reported cash flow up \$3 million over last year, investment earnings were low due to low interest rates, cash.

With regards to capital related financing activities, R. Oliver reported that capital lease payments related to a new accounting pronouncement involved capitalization of certain lease payments, excluding the VIG lease, with significant changes primarily to chassis pool leases.

R. Oliver reported that principal interest of long-term debt reflects more principal than interest due to principal pay down through level debt service.

i. VIG Lease Accounting – Rodney W. Oliver

As a result of new standards, R. Oliver reported, the VIG lease was revalued. R. Oliver reviewed that a major impact was budgeted and the revaluation includes use of CPI but was higher than budget. R. Oliver reported that the result reflects the balance sheet grossed up in assets and liabilities and the beginning position increased with amortization expense higher than assumed. R. Oliver presented that the VIG lease payments will see an increase.

c. **Growth and Operations Committee** – Val S. McWhorter

i. Report of Growth and Operations Committee – Chair McWhorter

Chair McWhorter reported that the Growth and Operations committee held its regularly scheduled meeting on September 27 and received presentations from staff on safety and operations, VIT's integrated marine terminal operations status report, volumes and services, offshore wind, and decarbonization strategy. Chair McWhorter also reported that several updates on confidential growth opportunities were presented.

ii. Report on Safety and Operations – Kevin Price, Chief Operations Officer, VIT

Kevin Price opened by reporting working closely with the ILA to improve safety standards and holding meetings to put an aggressive safety strategy together.

K. Price presented the rail and gate volumes noting an increase in rail dwell due to embargos and has since decreased in August and that gate turn times were well below industry standards in both traditional and expanded turn time calculations.

K. Price provided a breakdown of truck visits and briefed that the operations team is continuously evaluating the cause of the turn times over two hours for ways to decrease that time. K. Price noted that with missed reservations, it is anticipated that longer turn times will follow and the operations team has added appointment hour openings at the beginning of the day to drive that number down.

At this time, Mr. Price turned the meeting over to Thomas C. Capozzi.

iii. Sales Report – Thomas C. Capozzi, Chief Sales Officer, VIT

T. Capozzi reported on June and July volumes with a total TEU increase 33.1%, contextually against COVID in 2020, the increase is up 13% over 2019 volumes. T. Capozzi presented that exports are growing faster than any port on the east coast, which are ahead 14% from January through July.

T. Capozzi reviewed that both rail volume and truck volumes are up, with strong performance in Front Royal. T. Capozzi reported 40 additional ship calls in a two-month period due to extraloaders and new services. Regarding August actual volume and September forecasted volume combined, T. Capozzi reported strong growth in exports, imports, loaded containers, rail, barge, and truck volumes.

T. Capozzi then briefed on two new services with one being a first-in call.

At this time, Commissioner Waters posed a question regarding blank sailings that had been previously reported on during COVID and whether the port was still seeing the same number of blank sailings. T. Capozzi responded that we do occasionally receive notification of blank sailings but that the volume was not that of those numbers reported during COVID. Due to volume and extra loaders, those vessel numbers are overtaking the number of blank sailings, reported T. Capozzi.

There were no further questions.

d. Executive Committee – John G. Milliken, Chairman

Chairman Milliken reported that the Executive Committee convened on Monday, September 27 and the principle topic of discussion was the annual establishment of performance metrics for the CEO / Executive Director. Chairman Milliken reviewed that the CEO / Executive Director contract allows the board to award additional compensation annually based on performance using established criteria as benchmark. At close of fiscal year, the Board will evaluate Mr. Edwards' performance using metrics discussed in Committee and shared with Mr. Edwards. Chairman Milliken noted that the performance metrics are tied into the business plan and goals, and while they are confidential, the metrics will be key as we continue to make good progress. The metrics were discussed at length by the Executive Committee and developed in draft by Vice Chair Power on behalf of the Committee, and include milestones throughout the year that will be reviewed with the Board.

At this time, Chairman Milliken asked for the Board's consideration of Resolution 21-12 Amending the Bylaws of the Virginia Port Authority.

Action: Upon motion by Commissioner McWhorter seconded by Commissioner Power, the Board unanimously (12-0) approved Resolution 21-12 amending the bylaws of the VPA.

Ayes: 12 (Milliken, Asbury, Ganeriwala, Jones, Hardy, Ivey, McWhorter, Moret, O'Callaghan, Power, Strayhorn, Waters)

Nays: 0

Abstention: 0

Absent During Vote: 1 (Layne)

Absent During Meeting: 1 (Layne)

III. Report by CEO and Executive Director – Stephen A. Edwards

Stephen Edwards began with addressing the state the supply chain industry. S. Edwards acknowledged that the congestion across the supply chain assists the port in telling the story of our investments and performance provided. With the capacity restraints on the supply chain as

a whole, vessels held up in other USEC ports have affected our port, resulting in lost opportunities for volume that cannot be recovered. S. Edwards reported that the decisions to invest in modernizing our terminals and are paying dividends now and the port is doing a first class job keeping our operations running with carriers noticing our performance and model, and responding by changing the vessel call rotation. S. Edwards noted the constraints on rail capacity and warehouse capacity taking place result in a dislocated supply chain. S. Edwards cautions that dwell times are rising and the port will be agile to stay ahead of that by opening gate hours to trucking community with support from our labor partners to offer a better product to the market. S. Edwards then briefed on the other risk is inflationary risk on construction and the port is looking critically at construction projects and how to modify those projects to achieve a moderate budget.

Addressing Commissioner Waters earlier inquiry regarding blank sailings, S. Edwards briefs that the blank sailings are schedule necessity rather than capacity necessity, and congestion across the globe impacted by COVID outbreak and response, and that it may continue through the coming months. S. Edwards reports our steps taken to improve our chassis fleet will allow us to continue to position the port for success in 2022. The beginning of the fiscal year is financially strong, S. Edwards reports, and he expects September to repeat that performance as well.

Commissioner Hardy asked whether the most significant challenge for the port is warehousing space. S. Edwards confirmed that yes, for the port, the additional cargo through the terminal requires space at its destination and that will continue to be a short-term, mid-term, and long-term challenge.

IV. Unfinished Business

There was no unfinished business to report.

V. New Business

There was no new business to report.

VI. Other Business and Adjournment

Commissioner Moret thanked Stephen Edwards and the team for the great work navigating the terminal and global environment and for the performance of the port.

There being no further business or comments, the meeting adjourned at 9:41am.

Respectfully submitted,



Ryanne A. Shields
Secretary to the Board

The VPA Board of Commissioners public meeting is scheduled for 9:00am on November 16, 2021. Committee meetings are scheduled the Monday before the full board meeting.

RESOLUTION 21-12

A RESOLUTION AMENDING THE BYLAWS OF THE VIRGINIA PORT AUTHORITY

WHEREAS, the operation of the Virginia Port Authority Board of Commissioners (the "Board") is governed by the Amended and Restated Bylaws of the Virginia Port Authority (the "Bylaws"), adopted by the Board of Commissioners on November 15, 2016;

WHEREAS, Section 4.4 of the Bylaws allow for amendment by resolution duly adopted by the Board at any meeting, regular or special, provided that notice of intention to present such resolution shall be given at least three (3) business days in advance of the meeting at which the motion to adopt such resolution is to be made; and

WHEREAS, having received proper notice, the Board desires to amend the Bylaws to change the schedule of the regular and annual meetings of the Board as provided herein.

NOW THEREFORE BE IT RESOLVED, by the Board of Commissioners of the Virginia Port Authority, the Bylaws of the Virginia Port Authority are amended effective January 1, 2022 as follows:

"Section 3.6 Regular and Annual Meetings of the Board. Regular meetings of the Board shall be held on the ~~fourth~~ second Tuesday of January, March, May, July, September and November, unless otherwise previously agreed upon by the Board. Written notice of each regular meeting specifying the time and place of the meeting together with an agenda setting forth the items proposed to come before the Board at that particular regular meeting shall be given to members by mail or otherwise at least three (3) business days in advance of the meeting, but any other matters may be considered at the meetings in the Chairman's discretion. The annual meeting of the Board for the election of officers shall be held preceding the regular meeting of the Board in the month of July each year.

PASSED AND ADOPTED this 28th day of September 2021.



John G. Milliken, Chairman

Attest:



Ryanne A. Shields, Secretary