

MINUTES
Virginia Port Authority Board of Commissioners
Public Session 405
March 8, 2022

The Virginia Port Authority (“VPA”) Board of Commissioners (“Board”) held its regular meeting on March 8, 2022 in the VPA Boardroom, 600 World Trade Center, 101 W Main St, Norfolk, Virginia.

Commissioners Present:

John G. Milliken, Chairman
Faith B. Power, Vice Chair
John C. Asbury
Jason El Koubi
Manju S. Ganeriwala
Eva Teig Hardy (Electronic)
Joni L. Ivey

Aubrey L. Layne
Val S. McWhorter
Edward F. O’Callaghan
Louisa M. Strayhorn
Deborah C. Waters

VPA Staff Present:

Stephen A. Edwards, CEO and Executive Director
Rodney W. Oliver, Chief Financial Officer
Cathie J. Vick, Chief Development and Public Affairs Officer
Monica Y. Sturgis, Chief Human Resources Officer
Sarah J. McCoy, General Counsel
Joe Harris, Senior Director, Communications
Ryanne A. Shields, Secretary to the Board
Jodie Asbell, Sr. Executive Administrative Assistant and Assistant Secretary to the Board
Andrew Sinclair, Director, Federal Government Affairs
Daniel Hendrickson, Vice President, Asset Management and Special Projects
Barbara Nelson, Vice President, Government Affairs
Jason Snow, Police Captain

Virginia International Terminals, LLC (VIT) Staff Present:

Thomas D. Capozzi, Chief Sales Officer
Joseph P. Ruddy, Chief Operations Officer
Amanda Nelson, Director, Growth
Sara Burnett, Director, Commercial Pricing

Public Guests:

Kenny Gray, International Longshoremen’s Association
Larry Bachtel, International Longshoremen’s Association
Jonathan Coley, International Longshoremen’s Association
Brandon Edwards, International Longshoremen’s Association
Kevin Halstead, International Longshoremen’s Association
George Berry, For Truckers By Truckers
Will Fediw, Virginia Maritime Association
Kristy Choi, PFM
JoAnne Carter, PFM
Anne Bibeau, Vandeventer Black
Brice Fiske, Office of the Attorney General
Hon. Shep Miller, Secretary of Transportation

In accordance with the VPA Board of Commissioners Electronic Participation Policy, Commissioner Eva Hardy participated by electronic connection from her personal residence in

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Richmond, Virginia due to various meetings with the General Assembly in the performance of her job duties.

Chairman Milliken called the meeting to order at 8:58am, followed by a safety briefing conducted by Joseph P. Ruddy, Chief Operations Officer, VIT.

I. Approval of Minutes

Minutes of the meeting held January 11, 2022 were approved unanimously.

II. Opportunity for Public Comment

At this time, Chairman Milliken introduced and welcomed Shep Miller, Secretary of Transportation and Secretary Miller greeted the Board and its guests.

Joe Harris then introduced the members of the public who were present.

Chairman Milliken extended the opportunity for public comment and noted George Berry had requested to address the Board. G. Berry greeted the Board and expressed his gratitude for the opportunity to speak to the Board. G. Berry said that in his representation of truck drivers, he wished to reaffirm the relationship with The Port of Virginia and wishes to function as a partner, work through challenges sometimes faced in day-to-day operations. G. Berry reported that a meeting was recently held with senior leadership from VIT where he was able to share concerns and felt that that would be hasty resolve to the expressed concerns.

Chairman Milliken welcomed G. Berry for his comments and noted that the port could not be successful without the truck driving community. Chairman Milliken then thanked G. Berry for the service to the community.

III. Reports of Committees

a. Executive Committee – John G. Milliken, Chairman

The Chairman reported that the Executive Committee met on Monday, March 7 and discussion in closed session a number of economic development opportunities that may be on the way along with strategies for dealing with those as the port grows. The committee also discussed that the larger community grows and that the port is tied to the fortunes of Hampton Roads with great stake in the success of the partnerships the port has and continues to build with localities throughout the Commonwealth which are central to any future success the port may have. The Chairman then reported that no action was taken at this meeting by the committee.

a. Investment Committee – John G. Milliken, Chairman

The Chairman reported that the Investment Committee met on Monday, March 7 and did take action in its approval of the selection of Qualified and Non-Qualified Plan trustees. The committee also received a report on performance of the last calendar year with positive results through the end of December. The Chairman reported that the set of pension funds continue to perform strongly and are appropriately funded.

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b. 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 Monday, March 7 and received presentations from staff on safety and operations, volumes, VIT's integrated marine terminal operations, as well as updates on initiatives related to growth and sustainability.

Joe Ruddy, Chief Operations Officer for VIT, first presented a report on safety and operations. Mr. Ruddy also provided the committee a status report on VIT's integrated marine terminal operations.

Committee then heard from VIT staff on the progress of various growth initiatives followed by a report from Tom Capozzi, Chief Sales and Marketing Officer for VIT, regarding volumes and services.

Finally, Cathie Vick, Chief Development and Public Affairs Officer, and VPA staff updated the committee on sustainability measures being implemented across the port.

At this time, Chair McWhorter requested presentations from staff.

1. Report on Safety and Operations – Joe Ruddy, Chief Operations Officer, VIT

J. Ruddy led with a report on COVID, updating the Board that labor across the supply chain appears to be normalizing which allows for additional fluidity.

Stephen Edwards recognized that our labor force with the International Longshoremen's Association (ILA) were a true partner throughout COVID and the recent surge in Omicron variant could have led to a labor shortage but the men and women of the ILA continued to show up every day.

J. Ruddy briefed on the snow events of January 2022, noting that staff executed recovery without flaw, ensuring the port was able to open at its earliest possible time given the weather event. Given the significant amount of snow, the port experienced loss in opportunity to work vessels, to work rail cargo, as well as loss of opportunity for cargo moving in and out of the truck gate. While there were vessels at anchor, the port is able to begin working through those vessels following the snow event. Additionally, a separate event impacting the truck gates has been resolved. J. Ruddy noted that the port does budget for these snow events and through the standard operating procedure documenting response to these scenarios, staff and labor are able to execute and open with fluid operations.

Regarding lost work day rate, the port is well below the industry average and the team continues to impress the importance of safety throughout the culture. J. Ruddy was pleased to report there were no safety events throughout the snow removal operations.

J. Ruddy noted that vessel on-time performance stands at worldwide lows, as well as container dwell time on terminal has doubled for both import and export cargos. Despite the challenges, December was the most productive month in port history, with a 26% increase year over year.

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While January productivity was slightly lower, J. Ruddy noted that given the context of snow events, export dwell time on terminal, as well as loss of opportunity, the figures may be deceiving and February productivity figures preliminarily are strong.

J. Ruddy reported that ail volume was strong in January and gate turn times have seen an increase in turn times. Virginia International Gateway (VIG) continues to see the greatest challenges at the gate turn times, and the relieve those gate turn times, operations has created opportunities to relieve congestion in the container stack by creating a site for longer dwell and empty storage on terminal which assists to decrease the stack density. We have and continue to work on the outliers with those partners experiencing longer turn times.

J. Ruddy reported that the missed reservations increase is directly related to stack density and the first snow event. Given longer times receiving a container from the stack and extended reservation times, missed reservations in this event are a natural response.

At this time, Commissioner O'Callaghan inquired whether operations has engaged the truck community daily with regards to missed reservations. J. Ruddy then relayed that operations staff do engage trucking community routinely and given the stack density, the availability of appointments at VIG terminal requires investigation.

Commissioner Ganeriwala inquires whether the trucking community is updated on the gate wait times for their reservations. Stephen Edwards noted that there is a notification system in place to the trucking community notifying whether container stack or machinery is inoperable as well as additional notifications of other delays on terminal.

Commissioner Layne followed up to inquire whether the truck partner is already on facility, is there a notification process. J. Ruddy reported that VIT Assistant Operation Managers continuously notify those on terminal in person however, there is an identified opportunity to improve.

Chair McWhorter then turned the meeting over to Tom Capozzi for the Sales and Volume Report.

I. Sales and Volume Report – Tom Capozzi, Chief Sales and Marketing Officer

T. Capozzi led with December 2021 and January 2022 container volumes, additional to 20% growth of year over year, reporting strong volumes especially in retail sector. Sales and operations are partnering with customers to offer proactive solutions to create off-terminal operation and storage to relieve congestion. Regarding how cargo moves through the terminal, rail volume has increased, barge volume is flat, and truck containers have increased as well showing solid growth. February actual volume and March forecast volumes are illustrating strong growth, with an increase in import containers and export empty containers.

T. Capozzi then reviewed the performance of port against the balance of the United States East Coast ports, the port is outperforming the competition as a whole, reviewing the year-over-year percentage growth of freight.

Regarding new services calling the port, T. Capozzi reported that CMA CGM will call Norfolk as a first-in service from Asia through their Chesapeake Bay Express with a fixed weekly service in late May. Additionally, a new ocean carrier, Sea Lead, has announced a new monthly service on

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a first-in call to Norfolk. A final announcement given by T. Capozzi was that ocean carrier Wan Hai will begin calling Norfolk on a weekly new service.

Commissioner O'Callaghan congratulated staff on the new services and inquired whether these services are strictly container cargo. T. Capozzi advised that the new vessel services were indeed container cargo arriving at the terminal.

At this time, Chairman Milliken reported to the Board on the Memorandum of Board Action for the Chesapeake Bay Bridge Tunnel Cover.

Chairman Milliken then briefed the Board on the Memorandum of Board Action approval of a sublease of approximately 4 acres adjacent to VIG.

S. Edwards reviewed that announcement was to build a 70,000 square feet transload facility on One Wild Duck Lane in Portsmouth, as well as a 910,000 square feet transload facility in Suffolk, with a third party logistics company as tenant to come to market in 2023.

c. **Finance and Audit Committee**– Louisa M. Strayhorn, Chair of Finance and Audit Committee

ii. Report of Finance and Audit Committee – Chair Strayhorn

Chair Strayhorn reported that the committee met Monday, March 7 and received presentations from management on fiscal year 2022 financial performance to date, FY23 budget planning, Process Excellence, Accounting Department Statistics, and a General Assembly Update.

With regards to FY23 Budget Planning, Management presented its approach, assumptions, and timeline, and noted that FY23 budget development was underway. With regards to Process Excellence, management presented the 2019 through 2021 ISO 9001:2015 audit results and discussed leadership's commitment, oversight of quality management system, and process approach. With regards to the Accounting Department Statistics, management presented the department's metrics and milestones achieved during the first half of the fiscal year. Final with regards to the General Assembly Update, management presented on the status of budget requests with the General Assembly, and differences between the House and Senate versions moving to cross-over.

Chair Strayhorn noted that the VPA Small and Minority-owned (SWaM) Virtual Event was scheduled for April 27.

At this time, Chair Strayhorn requested presentations from staff.

iii. VPA and VIT Consolidated Financial Reports for the month ended October 30, 2021 – Rodney W. Oliver

R. Oliver reported that the revenue and cargo volume performance in the first seven months of the fiscal year have been ahead of budget and above previous year. Operating revenues were higher than volume and above budget, significant factors are container dwell storage that the port is temporarily experiencing as well as high chassis utilization. R. Oliver reported slight increase

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in operating expenses given the increase in volumes, with maintenance in line with budget. R. Oliver reviewed the depreciation and amortization figures reportedly over budget due to the revaluation in the VIG lease. Significant operating income and cash flow has been shown in the first seven months of the fiscal year.

Commissioner Waters inquired as to the utilization of chassis and whether the port was adequately equipped with those chassis, given those already ordered. J. Ruddy reviewed that given tariff, demand, and production challenges, the port has been able to get into the market early for ordering additional equipment.

Commissioner Layne inquired how expense performance compared to the previous year and whether the relation is sustainable for fixed cost increase. S. Edwards acknowledged the fixed cost, maintenance cost, and variable operating costs across the different operation functions in VIT leading to the increase. The storage income, as long as not disruptive to capacity, comes through and is not sustainable as it is expected that the market will normalize.

R. Oliver reviewed operating cash flow strong and above previous year. Non-capital related financing related to channel deepening and widening will begin again in April and will note the change at that time. R. Oliver noted that investing activities illustrate cash flow shifted to investment accounts. R. Oliver noted that the acquisition of capital assets will began to increase as capital projects begin.

Chairman Milliken requested to review the future capital demands for which the port will reinvest current revenue. R. Oliver noted that expansion of North NIT and Central Rail Yard as well as other planned expansion. R. Oliver reports that in the event of economic downturn, the port strives to keep reserves of operating expenses for continuity. Commissioner Layne expressed the benefit of understanding days of cash on hand to illustrate flexible points of operation during any potential interruption.

Chair Strayhorn noted her appreciation for allowing staff to present to the Board.

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

S. Edwards began by acknowledging the supply chain challenges, operating volumes, and COVID. S. Edwards reported that Russian and Ukrainian cargo is less than one percentage of business through the port however, the port is primary for military sealift exports which is of importance. Additional headwinds, S. Edwards noted, were inflation and price of oil. S. Edwards then reviewed tailwinds as the interest in the port marketplace as third party logistics, beneficial cargo owners, ocean carriers places the port in a positive position. Given the U.S. West Coast congestion, increase opportunity becomes available. S. Edwards looks to report on sensitivity analysis on variables at the April meeting of the Finance and Audit Committee as well as evaluating consumer purchasing behavior. S. Edwards looks forward to a large agenda in May to include offshore wind, budget, and potential capital expenditures.

Chairman Milliken acknowledged the positive performance of the port with the partnership of labor and trucking communities.

V. Unfinished Business

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There was no unfinished business to report.

VI. New Business

There was no new business to report.

VII. Other Business and Adjournment

There was no other business to report.

There being no further business or comments, the meeting adjourned at 10:06am.

Respectfully submitted,



Ryanne A. Shields
Secretary to the Board

The next VPA Board of Commissioners public meeting is scheduled for 9:00am on Tuesday, May 10, 2022. Committee meetings are scheduled the Monday before the full board meeting.