

MINUTES
Virginia Port Authority Board of Commissioners
Regular Public Meeting, Session 408, July 12, 2022

The Virginia Port Authority (“VPA”) Board of Commissioners (“Board”) held its regular meeting on July 12, 2022 in the VPA Boardroom, 600 World Trade Center, 101 W Main St, Norfolk, Virginia.

Commissioners Present:

Aubrey L. Layne, Chair
Faith B. Power, Vice Chair
Shaza L. Andersen
John C. Asbury
James C. Burnett
Michael W. Coleman
Jason El Koubi
Maurice A. Jones
Edward F. O’Callaghan
Deborah C. Waters

Commissioners Absent:

Eva Teig Hardy
John W. Kirk III
David L. Richardson

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
Jackie Campbell, IT Support
Dakota Sorter, IT Support
Andrew Sinclair, Director, Federal Government Affairs
Dan Hendrickson, Vice President, Asset Management and Special Projects

Virginia International Terminals, LLC (VIT) Staff Present:

Thomas D. Capozzi, Chief Sales Officer
Joseph P. Ruddy, Chief Operations Officer

Guests:

Hon. Shep Miller, Secretary of Transportation
David White, Virginia Maritime Association
Will Fediw, Virginia Maritime Association
Anne Bibeau, Woods Rogers Vandeventer Black
Eric Sisco, Virginia International Gateway, Inc
Brandon Edwards, International Longshoremen’s Association
Jonathan Coley, International Longshoremen’s Association
Larry Bachtell, International Longshoremen’s Association
Stephen Walters, International Longshoremen’s Association

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I. Call to Order

Chair Layne called the meeting to order at 9:04am and expressed his appreciation for the remarks made by Secretary Miller during the Annual Meeting.

II. Approval of Minutes

Minutes of the meeting held May 10, 2022 will be considered for approval at the September 13, 2022 meeting.

III. Introductions and Opportunity for Public Comment

Chair Layne welcomed new Commissioners to the Board and asked for brief introductions by each. Commissioner Andersen introduce herself as CEO, Trustar Bank and expressed that she looks forward to serving on the Board. Commissioner Coleman then introduced himself as President and Chief Executive Officer for CV International and Cape Shipping Agency as well as the Chairman of the Virginia Maritime Association. Commissioner Coleman expressed his excitement to serve the Board. Commissioner Burnett introduced himself as the Chief Financial Officer for WM Jordan and expressed his appreciation for the warm welcome.

Chair Layne then requested Joe Harris to introduce the guests in attendance and welcomed the opportunity for public comment. Guest, Eric Sisco, expressed congratulations to the newly appointed Commissioners and officers of the Board.

At this time, Chair Layne reported that he would be reviewing committee assignments and welcomed Commissioners to express their committee interest directly to him for consideration. Chair Layne then explained that, in addition to the Finance and Audit Committee, he wishes to split the Growth and Operations Committee into two separate committees, the Operations and Infrastructure Committee and the Growth Committee, which would have a sales and marketing focus in addition to public affairs and development efforts. This structure, Chair Layne explained, aligned with the efforts of the port, the Governor, as well as the Virginia Economic Development Partnership (VEDP). With the new committees, it would allow a focus for what is happening and the port and Chair Layne said that no single entity is a bigger economic engine than the port and what is happening at the port and outside its gates.

Commissioner Waters asked whether the adjustment of committees required a change to the Bylaws. Chair Layne advised that a vote of the Board was needed to enact the change.

ACTION: Upon motion by Chair Layne and seconded by Commissioner El Koubi, the Board unanimously approved the new committees.

Ayes: 10 (Asbury, Andersen, Burnett, Coleman, El Koubi, Layne, Jones, O'Callaghan, Power, Waters)

Nays: 0

Abstention: 0

Absent During Vote: 0

Absent During Meeting: 3 (Hardy, Kirk, Richardson)

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Chair Layne expressed his intention to rotate committee assignments, allowing Commissioners to have multiple committee assignments as succession is important as well as varied experiences during their terms.

IV. Committee Reports

a. Executive Committee – Vice Chair Power

Vice Chair Power reported that the Executive Committee met on Monday, July 11, 2022, held a broad discussion on compensation at the port, and no action was taken.

b. Growth and Operations Committee – Commissioner Deborah C. Waters

Commissioner Waters reported that the Growth and Operations Committee met on Monday, July 11, 2022 and received presentations from VPA and VIT staff on safety and operations, cargo volumes, and strategic growth opportunities and objectives. Commissioner Waters remarked that all reports received from staff were positive and illustrated the thriving nature of the port, and then welcomed presentations J. Ruddy and T. Capozzi.

i. Safety Report – Joseph P. Ruddy, VIT

J. Ruddy highlighted first the importance of safety and ensuring that all employees come to work and leave in the same fashion. J. Ruddy then reviewed the port's Lost Work Day metrics that demonstrated a 32% decrease for fiscal year 2022. Following significant headwinds during COVID-19, J. Ruddy noted this is a good performance and with safety walks reinstated across the terminal there is engagement from the teams.

ii. Sales and Volume Report – Thomas C. Capozzi, VIT

T. Capozzi reported that May was the port's top month in its history for cargo handling with tremendous cargo volumes. T. Capozzi then reviewed the overall cargo volume figures and growth figures for loaded imports and export empty containers. T. Capozzi reported rail cargo volumes were steady and barge cargo volumes to Virginia Inland Port have decreased, however, the port remains agile to engage customers in that inland market.

T. Capozzi reported on fiscal year 2022 volume that illustrated a strong growth of 14.7% in total TEU cargo, driven largely by import loaded containers and export empty containers. Fiscal year highlights, T. Capozzi shared, were the addition of ten new vessel services with five commencing since April 2022. Noting the ship call figure showing a decrease, T. Capozzi explained this reflects blank sailings by the ocean carriers and that the port anticipates a reversal of that number with the new service calls.

With regards to cargo volume growth, T. Capozzi reported that in comparison to other ports across the U.S. East Coast, the port performed well and was the fastest growing in year-over-year figures. T. Capozzi noted that Charleston's cargo volume growth may be attributed to congestion and shift in vessel calls in Savannah as well as the Walmart distribution center newly located outside of Charleston. T. Capozzi reported that significant work has been done by the port-centric

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logistics team at the port to engage new facilities and create additional trans-load capacity in the market. With the closest geographical ports reporting cargo volume growth decreases, T. Capozzi highlighted the decrease as evidence that the port is winning the area's market.

Commissioner El Koubi asked what the port is monitoring by way of microeconomics to forecast impacts on global trade. T. Capozzi expressed concern about the economy and the impact of COVID on consumer purchases and then expressed confidence that the shift in cargo volume from the U.S. West Coast to the U.S. East Coast will allow the port to overcome any decline in the market. The port sees great opportunity in attracting and retaining captive cargo opportunities here in the Commonwealth, reported T. Capozzi.

With regards to competitive advantage and automation, Chair Layne inquired how the port quantifies the current capacity and costs to maintain demand in calculating competitive advantage and how competitors will keep up. Stephen Edwards advised that Rodney Oliver would pull together those figures and provide those details to the Board.

iii. Operations Report – Joseph P. Ruddy, VIT

J. Ruddy reported gate performance and average turn time at 47 minutes. J. Ruddy acknowledged the challenges attributed to stack capacity and fluidity of cargo and highlighted the difference in comparison since January, addressing the difference in both stack capacity and number of truck visits. J. Ruddy reported that the turn times over two hours show significant decrease, through the management of stack capacity and fluidity of cargo, the port now has a manageable capacity and will continue to work with offering additional gate hours.

J. Ruddy commended the ports labor partners for gate operations. J. Ruddy noted that the port opened its reservation system to motor carriers, offering additional availability and the port received feedback that the motor carriers have accepted the early gate appointments. J. Ruddy reported that opening the aperture of appointment times allows the port to offer better service to the motor carrier community. Commissioner O'Callaghan inquired whether there is less staffing at the early hours to ensure the motor carrier experience and if the port was monitoring turn times specifically for those hours. J. Ruddy reported that the port monitors those times with operations management rotating shifts to ensure fluidity at the early gate hour, and that the turn times are stable.

J. Ruddy then reported strong rail cargo volume performance in May and cargo dwell times had normalized following metering and shortages from rail partners. J. Ruddy emphasized that the supply chain has struggled and inland facilities have experienced challenges with equipment and congestion at rail hubs, leading to cargo route diversions. The port was working closely with rail partners to ensure efficient rail transit to and from the port, J. Ruddy reported.

With regards to the competitive advantage details to be provided by R. Oliver, Vice Chair Power requested an analysis of competitor ports, to include the constraints competitor ports may have, and potential opportunities or assets competitor ports may have that would allow them to maintain their market position.

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Chair Layne requested confirmation on the turn time figure from January and the difference in January to May. J. Ruddy provided the comparison data and reported approximately a decrease of approximately 3,000 impacted truck turns in the two-hour turn time category. J. Ruddy commended the innovation of the operations teams delivering alternate solutions to maintain fluidity and perform on schedule.

Commissioner Waters stated that the performance and reports given during the committee report were testaments to the operations team, labor partners, motor carrier partners, and rail partners ensuring that the port will continue to be a success. Commissioner Waters then commended the team on their achievements given the record high cargo volumes the port has experienced.

Chair Layne thanked the VIT operations team for their dedication and execution.

c. Finance and Audit Committee – Committee Vice Chair John C. Asbury

Commissioner Asbury reported that the Finance and Audit Committee met on Monday, July 11, 2022 and received presentations from management on May year-to-date and fiscal year 2022 financial performance, a General Assembly update, and a Development update.

At this time, Commissioner Asbury requested reports from R. Oliver and C. Vick.

**i. VPA Consolidated Financial Reports for the month ended May 31, 2022
– Rodney W. Oliver**

R. Oliver reported a positive fiscal year 2022 performance and looked forward to reporting future positive results in fiscal year 2023. R. Oliver reviewed that the first 11 months of the fiscal year reporting was completed on June 30, 2022 and three separate audits were underway as the team works towards financial close of the month ending June 30, 2022.

R. Oliver highlighted that cargo volume was up from figures anticipated during the budget process and was a significant achievement following the fiscal year 2021 cargo volume growth over 15%. With regards to the first 11 months of the fiscal year, R. Oliver reported that operating revenues were up with a significant attribution to cargo volume and the normal contracted rate increase, and chassis utilization related revenues indicated significant utilization. R. Oliver then reviewed loaded container storage as a factor in revenue figures with container dwell times longer than usual. R. Oliver recognized the operations team for managing the challenges and exceeding expectations as demonstrated by the increased cargo volume moving through the facilities with efficiency. While operating expenses have increased, the relationship of cargo volume to operating expenses speak to the management of the operation with no detriment to preventative maintenance as it was performed on schedule.

R. Oliver reviewed the statement of cash flow and reported anticipation to continue the increase trend through the close of the fiscal year. Non-capital related finance activities will see a change as activity resumes on the channel deepening and widening project, R. Oliver noted. Investment activity showed a shift from cash to investment and R. Oliver reported the figure as positive.

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R. Oliver then reviewed capital and related financing activities and the ports strong contribution to the Commonwealth Port Fund. R. Oliver reported that the acquisition of capital assets shows a light fiscal year 2022 and that fiscal year 2021 reflects the large capital expenditure plan through 2020 but that the port anticipates an increase to capital expenditures in 2023 and through following years. R. Oliver remarked it was a positive performance for the first 11 months of fiscal year 2022.

R. Oliver reviewed that Resolution 22-10 would be presented to request the purchase of up to 11 shuttle carriers from Kalmar, under an existing contract with the option for additional purchase. Not to exceed \$12.6 million, in the approved fiscal year 2023 budget, R. Oliver reported that the exchange rate from Europe to the U.S. had decreased and allowed for the purchase of additional equipment.

ii. Development and General Assembly Update – Cathie J. Vick

C. Vick reported that the General Assembly reached a conclusion on the budget where it appropriated \$266 million towards to the North NIT optimization project also authorizing the port to issue \$166 million in bonds, \$38 million of harbor maintenance tax, and \$180 million master equipment lease program to fully fund the optimization of North NIT. C. Vick reported that the project team was diligently working to finalize the design and expected to break ground mid-year of fiscal year 2023.

C. Vick reported that the port was partnering with VEDP to determine feasibility of an inland port both in Southside and Bristol areas of Virginia. Working together with VEDP, the team was hard at work to report out by November 1. C. Vick also reported that the port received appropriations for the economic development zone grant, Waterway Maintenance Fund, and Aid to Local Ports. The language within the appropriation for offshore wind funding allowed for concurrent use on two projects. Also appropriated in the Commonwealth budget was funding for the final widening of Interstate 64 as well as business ready programs receiving a significant increase in funding as well. C. Vick acknowledged that VEDP was looking into the best use those funds for economic development in the Commonwealth.

C. Vick reviewed that, following appropriations, two projects are moving forward. C. Vick reviewed that both have been put out to bid. The offshore wind staging port improvements project received four bids with the lowest bid delivered by SKANSKA at \$228.3 million. Consideration for approval of entering into such contract will be requested in Resolution 22-08.

The final agreement, for a Port Infrastructure Development (PID) grant allowing \$20 million in federal funds, fully complies with federal grant requirements, C. Vick reported.

With regards to the channel deepening and widening project, C. Vick reported that following full federal funding, the Army Corps Norfolk District has moved forward to open bids for dredging to inner harbor and Newport News section as the port requested bids for the widening of Thimble Shoals West. The port received four bids, with the winning bid issued by Great Lakes Dredging and Dock at \$56.8 million. Consideration for approval of entering into such contract will be requested in Resolution 22-09.

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ACTION: Upon motion by Commissioner Asbury and seconded by Commissioner Jones, the Board unanimously approved Resolution 22-08 Authorizing the Executive Director to Execute a Contract for the Acquisition of Civil Works for Improvements to Portsmouth Marine Terminal, Resolution 22-09 Authorizing the Executive Director to Enter into a Contract for the Norfolk Harbor Navigation Dredging Improvements at Meeting Area One, and Resolution 22-10 Authorizing the VPA to Enter into Contract Documents for the Acquisition of Shuttle Carriers.

Ayes: 10 (Asbury, Andersen, Burnett, Coleman, El Koubi, Layne, Jones, O'Callaghan, Power, Waters)

Nays: 0

Abstention: 0

Absent During Vote: 0

Absent During Meeting: 3 (Hardy, Kirk, Richardson)

Chair Layne thanked Commissioner Asbury, Rodney Oliver, and Cathie Vick for their reports, acknowledged that the positive reports could be attributed in part to the leadership of S. Edwards, and welcomed the report of S. Edwards.

V. CEO/Executive Director Report – Stephen A. Edwards

S. Edwards recognized the importance of the Board's approval of the offshore wind staging port improvements, noting it as the first major construction award provided to the offshore wind hub. S. Edwards remarked it to be the first part of transforming Portsmouth Marine Terminal (PMT) to real economic value to the Commonwealth. The readiness requires PMT to be prepared by January 2025 and the awarded contract aligns to the readiness for customers of offshore wind. While this is a construction contract, S. Edwards reports, it is readiness to create an offshore wind hub and a significant move forward towards such. The efforts are fully funded by federal grants, state grants, and Dominion with no impact to the ports' cash flow, reports S. Edwards.

S. Edwards remarked that when operations are running well, as the ports are, there is opportunity to become an infrastructure builder and a marketing company, to which the newly formed committees align well.

S. Edwards reported that the channel dredging and widening and the opportunity for two-way vessel traffic is critically important. Reducing the transit time for vessels by half creates more capacity, reports S. Edwards.

With regards to the Commonwealth's budget, S. Edwards notes that the \$266 million in appropriations is now available to put towards the \$650 million optimization project at North NIT, with the balance funded by the ports bonding efforts and cash flow. The port will then be positioned to perform and 800,000 container lift modernization, which is important, reports S. Edwards. From a timing perspective, S. Edwards reports that the completion of the first phase of the North NIT optimization will align with the channel widening and deepening completion, the NIT Central Rail Yard expansion project completion, as well as approximately the same completion time as the Hampton Roads Bridge Tunnel expansion. In addition to the new funding appropriated for Interstate 64, this positions the Commonwealth with an integrated infrastructure plan. S. Edwards reports that this is a strong position and story in the market.

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S. Edwards reports that the fiscal year completed with positive financial numbers and record cargo volume for the month of May, which demonstrates that when dwell times are under control, what the labor force and the ports systems can deliver. While the port looks to finish strong in June, S. Edwards notes that there are headwinds to watch for operationally. S. Edwards acknowledges that there are developing problems with backup of freight to the North and South, and the diversion of cargo from U.S. West Coast to U.S. East Coast with the labor negotiations on the U.S. West Coast. S. Edwards provided background that the collective bargaining on the U.S. West Coast had an expiry date of June 30 and while July 1 was the renewal date, as of the date of this meeting there had been no renewal. While both sides are approaching well and there have been forecasted difficulty, S. Edwards reports that it has caused a diversion of freight which has impacted congestion in Savannah and New York ports. S. Edwards noted that this impacts the port by schedule inconsistencies through a surge of vessels or waiting on delayed vessels. S. Edwards acknowledges that this could result in lost capacity and the operation must work hard to keep the volume moving.

From a capacity perspective, S. Edwards reports that two ship-to-shore cranes were commissioned in May at South NIT, of which the cranes are operational and performing well. Additional trans-load capacity, S. Edwards reports, will come on-line in third quarter of fiscal year 2023 in Suffolk. Of the new vessel services calling the port, two are first-in calls from Asia that will allow customers to navigate other delays and is critical to continuing the ports momentum. Combined with the delivery of chassis, the port has capacity to maintain its momentum.

With regards to inflation, S. Edwards acknowledges that while the port understands the impact of inflation to cost structure, it will monitor its impact to consumer buying patterns. S. Edwards reported that through the shift from goods to services, the port anticipates a more normalized growth pattern but will continue to ensure it grows market share. Additionally, S. Edwards noted that the port will monitor the retailers response to consumer buying patterns and its impact to the supply chain and development.

In summary, S. Edwards reported that the port ended fiscal year 2022 very strongly, will continue to accelerate and market itself throughout fiscal year 2023, and ensure continued strong performance.

Chair Layne welcomed comments or questions.

Secretary Miller remarked that the state has made a huge investment in rail in Virginia, separating passenger and freight, to ensure that they both perform better. Those investments, Secretary Miller reported, will integrate to be a better servicer of the port and aid in the ports continued growth. Secretary Miller offered his congratulations on the ports performance and commended the team on a fantastic job.

Chair Layne thanked the support of the committee in regards to its approvals of investment in the port and acknowledged the impact to both the port as well as the economic interest of the Commonwealth. Chair Layne noted the importance for the port to benefit from the investment of the opening of corridors, but also to support the efforts outside of its gates.

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Chair Layne recognized the positive position of the port and offered his thanks to S. Edwards for his leadership and to the port team.

VI. Unfinished Business

There was no unfinished business to report.

VII. New Business

There was no new business to report.

VIII. Other Business

There was no other business to report.

Commissioner EL Koubi remarked that VEDP appreciated its relationship with the port, its relationship with port staff, and recognized the connections between the organizations interdependent missions. At this time, Commissioner El Koubi acknowledged the retirement of Russ Held, Vice President of Economic Development and shared sentiments from VEDP staff around the decades of partnership, the support of economic development at every level across the Commonwealth, and the preparedness and responsiveness of R. Held. Commissioner El Koubi shared other comments from VEDP staff regarding R. Held's participation in the development of the International Trade Plan alongside many other important partners including the Virginia Maritime Association. On behalf of other VEDP staff, Commissioner El Koubi shared appreciation for the close friendships and mentorships, and that they wished R. Held the very best. Commissioner El Koubi echoed the comments from VEDP staff and acknowledged R. Held for his amazing contributions.

R. Held thanked Commissioner El Koubi and the Board, and acknowledged the special relationships that developed between the port and VEDP and those who supported that success.

Chair Layne again welcomed the new Commissioners and thanked the Commissioners who are no longer on the board for their service that contributed to the success of today. Chair Layne recognized the significant progress of the port and looked forward to the continued success.

Chair Layne thanked the board for its confidence in electing leadership.

IX. Adjourn

There being no further business or comments, the meeting adjourned at 10:08am.

Respectfully submitted,

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Ryanne A. Shields
Secretary to the Board

The next VPA Board of Commissioners public meeting is scheduled for 9:00am on Tuesday, September 13, 2022. Committee meetings are scheduled the Monday before the full board meeting.