

MINUTES
Virginia Port Authority Board of Commissioners
Regular Public Meeting, Session 409
September 13, 2022

The Virginia Port Authority (“VPA”) Board of Commissioners (“Board”) held its regular meeting on **September 13, 2022** in the VPA Boardroom, 600 World Trade Center, 101 W Main St, Norfolk, Virginia.

Commissioners Present:

Aubrey L. Layne, Chair
Shaza L. Andersen
John C. Asbury
James C. Burnett
Michael W. Coleman
Eva Teig Hardy
Maurice A. Jones
John W. Kirk III
David L. Richardson
Deborah C. Waters

Commissioners Absent:

Faith B. Power, Vice Chair
Jason El Koubi
Edward F. O’Callaghan

VPA Staff Present:

Stephen A. Edwards, CEO / 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
Andrew Sinclair, Director, Federal Government Affairs
Ryenne 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

Virginia International Terminals, LLC (VIT) Staff Present:

Joseph P. Ruddy, Chief Operations Officer

Guests:

Hon. Shep Miller, Secretary of Transportation (departed 9:47am)
Jonathan Coley, International Longshoremen’s Association
JoAnne Carter, PFM Financial Advisors, LLC
Kristy Choi, PFM Financial Advisors, LLC
Lloyd Taliaferro – James River Barge Line, Ltd.
Whiting Chisman – Virginia Pilots Association
Paul Olsen – Old Dominion University

MINUTES
Virginia Port Authority Board of Commissioners
Regular Public Meeting, Session 409
September 13, 2022

1. Call to Order

Chair Layne called the meeting to order at 9:00am and a safety briefing was performed by Joe Ruddy.

2. Approval of Minutes

Minutes of the meetings held May 10, 2022, July 12, 2022, and August 12, 2022 Executive Committee were approved unanimously.

3. Introductions and Opportunity for Public Comment

Chair Layne requested the introduction of guests from Andrew Sinclair and welcomed the opportunity for public comments.

4. Welcome and Introduction of Commissioners Appointed July 1, 2022

Chair Layne welcomed Commissioners Kirk and Richardson to the VPA Board of Commissioners.

5. Committee Reports

A. Executive Committee – Chair Aubrey L. Layne

Chair Layne reported that Committee met on Monday, September 12, 2022 in closed session for discussion on personnel matters. Chair Layne then reported that the Committee had convened on August 12, 2022 and executed Resolution 22-07, Approving the Fiscal Year 2022 Incentive Compensation for Stephen A. Edwards, CEO and Executive Director of the Virginia Port Authority.

B. Investment Committee – Commissioner James C. Burnett

Commissioner Burnett reported that Committee met on Monday, September 12, 2022 and received presentations from management, the port's investment advisors, Compass Financial Partners, and the port's actuary, Transamerica Retirement Solutions. Commissioner Burnett reported that management addressed the responsibilities, fiduciary duties, and retirement plans under the Committee's supervision followed by a brief on the performance of retirement plan investments.

During the Committee meeting, discussions were initiated on future considerations on asset allocation strategy, and environmental, social, and governance factors. The Committee was advised that, as of June 30, 2022, the Virginia International Terminals, LLC (VIT) pension plan was 99 percent funded and the VPA pension plan was 74 percent funded on a Government Accounting Standards Board (GASB) accounting basis. Commissioner Burnett reported that the Committee discussed the effects of lowering the expected rate of return on plan assets and a possible cost of living increase for retirees. Following that discussion, the Committee approved reducing the rate of return assumption from 6.75 percent to 6.50 percent.

MINUTES
Virginia Port Authority Board of Commissioners
Regular Public Meeting, Session 409
September 13, 2022

Commissioner Burnett reported that Committee discussed Investment Committee Resolution 22-3, to accept the resignation of Reliance Trust Company as the Trustee of the VPA and VIT pension plans and appoint State Street Bank and Trust Company as the Trustee. Following discussion, the Committee agreed unanimously to approve Investment Committee Resolution 22-3.

At this time, Chair Layne welcomed comments or questions from the Board.

C. Finance and Audit Committee – Committee Chair James C. Burnett

Committee Chair Burnett reported that Committee met on Monday, September 12, 2022 and received presentations from PB Mares regarding VIT audit results and from management on fiscal year 2022 Financial Results, fiscal year 2023 financial performance to date, Internal Audit and Compliance, and modifications to the VPA Procurement and Capital Outlay Manual. Committee Chair Burnett reported that Committee received a presentation from Betsy Hedrick, Audit Partner with PBMares, on results of the VIT audit for fiscal year 2022 that noted VIT received an unmodified opinion; there were no audit adjustments or uncorrected misstatements.

Committee Chair Burnett then reported that Committee received a presentation from management on internal audit and compliance, where management reviewed the compliance audit process, recent audits completed, and planned fiscal year 2023 compliance reporting to Committee. Committee was also briefed on the results of the fiscal year 2022 internal financial audits performed and the planned internal financial audits for fiscal year 2023.

1. VPA Consolidated Financial Reports for the month ended July 31, 2022 – Rodney W. Oliver

R. Oliver reported that the VIT audit was successfully completed and two VPA audits, one financial and one federal compliance, are nearing completion with a scheduled report for the November Board meeting. R. Oliver briefed the Board that a surveillance audit from Moody and S&P resulted in an A1 credit rating retained by Moody's and S&P rating was upgraded to the same level. R. Oliver noted these are very positive reports and findings.

R. Oliver then reviewed financial results from the month of July 2022, reporting a positive start to fiscal year 2023 at two percent ahead of the cargo volume budget and 7.4 percent increase from fiscal year 2022. R. Oliver reported increased operating revenues and loaded container storage revenue beginning to dissipate, with expected operating efficiencies to result from decreased loaded container storage. With cargo volume, earnings before income, tax, depreciation and amortization (EBITDA), and operating income ahead of budget and major areas of operating expenses under budget, R. Oliver reported a very positive start to the fiscal year.

MINUTES
Virginia Port Authority Board of Commissioners
Regular Public Meeting, Session 409
September 13, 2022

R. Oliver reviewed that the internal month-end financial closing was in progress and forecasted August 2022 cargo volumes to remain ahead of budget.

R. Oliver reported that operating cash flow was ahead of previous fiscal year results of the same period. Non-capital financing showed no reimbursements for the month of July 2022 but R. Oliver forecasted activity in later reporting periods, related to the Norfolk harbor dredging project. R. Oliver then reviewed investment income and noted the impact of interest rate changes.

With regards to capital and related financing activity, R. Oliver highlighted the transfer from primary government related to funding for the North NIT optimization project and to the Waterway Maintenance Fund. R. Oliver noted the VIG lease payment figure reflected a Consumer Price Index (CPI) adjustment effective July 1, 2022 and then interest semi-annual payment to be in line with the budgeted amount.

2. Procurement and Capital Outlay Manual Report – Sarah J. McCoy

S. McCoy reviewed the VPAs exemption from the Virginia Public Procurement Act so long as the VPA has a policy manual, where approved by the Board and embraces fairness and competition. The VPA Procurement and Capital Outlay Manual has been approved by the board and is reviewed every two years to ensure adherence to those principles. S. McCoy reported that the procurement team conducted the review this year and recommended two material changes for Board consideration. At this time, S. McCoy outlined details of the material changes to Section 5 and Section 9.1 and the importance of each change as recommended in Resolution 22-11, as well as non-material changes to align titles across the VPA for consistency during structure changes.

3. Consideration of Resolution 22-11, Authorizing the Adoption of the Procurement and Capital Outlay Manual – Committee Chair James C. Burnett

At this time, Committee Chair Burnett requested consideration of Resolution 22-11.

Action: Upon motion by Committee Chair Burnett and seconded by Commissioner Kirk, the Board unanimously (10-0) approved Resolution 22-11.

Ayes: 10 (Andersen, Asbury, Burnett, Coleman, Hardy, Kirk, Jones, Layne, Richardson, Waters)

Nays: 0

Abstention: 0

Absent During Vote: 0

Absent During Meeting: 3 (El Koubi, O'Callaghan, Power)

MINUTES
Virginia Port Authority Board of Commissioners
Regular Public Meeting, Session 409
September 13, 2022

D. Operations and Infrastructure Committee – Committee Chair Deborah C. Waters

Committee Chair Waters reported that Committee met on Monday, September 12, 2022 and received presentations from management on safety, operations, infrastructure and projects, and cybersecurity. Joe Ruddy, Chief Operations Officer for VIT presented updates on safety metrics including the lost work day rate, followed by a report on operations key performance indicators. Committee then received a report from Cathie Vick, Chief Development and Public Affairs Officer, Rich Ceci, Senior Vice President of Technology and Projects for VIT, as well as Pat Kinsman, Vice President of Offshore Wind Development, regarding progress updates on three additional infrastructure projects; NIT Central Rail Yard Expansion, NIT North Optimization, Norfolk Harbor Dredging and PMT Offshore Wind Hub. Finally, the Committee received a report from R. Ceci on cybersecurity business continuity across the port.

1. Safety Report – Joseph P. Ruddy, VIT

J. Ruddy led the safety report by defining the calculation of the Lost Work Day rate as every 200,000 man-hours worked at the port. J. Ruddy reviewed the industry standard of 3.1 and the ports goal of 1.9 lost work days. J. Ruddy reported the ports' lost work day rate for July 2022, while a slight increase from July 2021, was a positive trend from previous years. J. Ruddy highlighted two consecutive months of no lost work days reported from stevedoring, where the nature of work is predominantly manual. J. Ruddy reported continued training for the ports' ILA partner and safety walkthroughs conducted at port facilities by VIT operations leadership to enhance the culture of safety.

2. Operations Report – Joseph P. Ruddy, VIT

J. Ruddy reported key metrics within operations and led with a positive report of truck turn times at the gate. J. Ruddy reviewed that detailed reporting allows measurement of trucks served and the amount of time trucks spent on terminal, and specifically highlighted the number of truck partners experiencing times in excess of two hours per visit.

J. Ruddy reported strong rail performance and highlighted the operations teams' continued management of rail freight metering due to crew and rail car availability. With cargo fluidity, J. Ruddy noted that the port continues to attract rail cargo from other ports experiencing congestion. J. Ruddy also briefed the Board that the port is monitoring reports of potential rail action and collaborating with both Class I railroads for contingent on-terminal and off-terminal cargo plans.

At this time, J. Ruddy reviewed stevedoring productivity and noted the ports' continued improvement to performance as vessel rotations become predictable, which decreases the need for repositioning cargo on vessels whose ports of call are out of rotation. J. Ruddy noted that VIT stevedoring had

MINUTES
Virginia Port Authority Board of Commissioners
Regular Public Meeting, Session 409
September 13, 2022

secured a second CMA CGM service and expected an upward trend for performance.

3. Infrastructure Projects Report – Joseph P. Ruddy, VIT and Cathie J. Vick

C. Vick reported that the design for NIT Central Rail Yard is complete and construction is at 20 percent completion. The land disturbance phase presented no unexpected challenges to mitigate and C. Vick reported that the port continues to work with vendors on challenges in equipment delays to prevent impact to the project timeline.

With regards to the NIT North Optimization project, C. Vick reported 60 percent design completion and construction expected to begin in the first quarter of 2023. C. Vick reviewed that this project will be managed similar to the previous optimization project of NIT South, where construction is phased to allow NIT North to remain a working part of the terminal. C. Vick estimated Phase I completion in 2025 and Phase II completion in 2027.

C. Vick then reviewed the project status of PMT Offshore Wind project and thanked the Board for their approval of the construction contract to strengthen the berth to increase the load-bearing capacity for offshore wind components, particularly in the area leased by Dominion Energy. VPA issued the Notice to Proceed to the vendor and expects construction to begin in late September 2022.

C. Vick reported that the Norfolk Harbor Dredging project experienced challenges in the first two segments as channel conditions differed from expectations. C. Vick noted that the port is working in collaboration with contractors to complete the segment by end of calendar year 2022. C. Vick reported that widening can begin on Thimble Shoals Channel West and that the Army Corps had awarded contract to begin the Newport News harbor deepening.

Committee Chair Waters remarked that the port is nimble and fluid in operations, well positioned, and moving forward through small challenges in its infrastructure projects. Committee Chair Waters commended the teams involved and noted that these successes make the port competitive in the market.

At this time, Committee Chair Waters commended the excellent leadership of Stephen A. Edwards that has helped to expand the port into the market outside of the gate, and managed the volume alongside labor and other port partners.

MINUTES
Virginia Port Authority Board of Commissioners
Regular Public Meeting, Session 409
September 13, 2022

Chair Layne remarked that the port is performing extremely well, and the Board is well apprised of risk and confident S. Edwards and the team are proactively managing.

E. Growth Committee – Committee Chair John C. Asbury

Chair Layne commented on the critical nature of development inside the port but emphasized the role the port performs in economic development outside of its gates. Chair Layne observed that often growth is referenced through cargo volume, which is the core of the ports' business, but noted that the port is also helping Virginia businesses to succeed and expand and positively affecting local and regional economies. The restructuring of the Growth Committee ties into the ports' strategic plan that management is evaluated against, Chair Layne stated.

Committee Chair Asbury reported that Committee met on Monday, September 12, 2022 and received presentations from management on cargo volumes, port-centric growth, marketing initiatives, and a proposed policy on the use of Port Opportunity Funds. Stephen Edwards, CEO and Executive Director, presented a report of the port's fiscal year comparison of cargo volumes, as well as a comparison of cargo volumes of July 2022 and July 2021. S. Edwards also reported a fiscal year comparison of cargo volumes across the U.S. East Coast Ports market.

Committee Chair Asbury reported that Amanda Nelson, Vice President of Growth for VIT presented a report of announcements and opportunities within the areas of port-centric development. Committee then received an update on the ports' marketing initiatives and advertising campaign from Ashley Fisher, Vice President of Strategy for VIT. During the Committee meeting, Cathie Vick, Chief Development and Public Affairs Officer, presented the proposed guidelines for use of funds from the Port Opportunity Fund. Committee then discussed Resolution 22-12, Authorizing Adoption of the Policy on the Use of Port Opportunity Funds, and unanimously recommended its approval.

1. Sales and Volume Report – Stephen A. Edwards

S. Edwards reported the cargo volume comparison for fiscal year 2022 against fiscal year 2021 with an overall increase driven by import cargo flow and positive export cargo growth. S. Edwards noted that the port is one of the few reporting growth in export cargo volume and that the port has secured the capacity for export freight to continue. S. Edwards reported strong rail cargo volume growth, significant barge cargo growth with Philadelphia and Baltimore cargo being shipped through the port. S. Edwards reviewed that the port has determined competitive pricing for RMT and VIP cargo and taken action to bill directly in those markets.

S. Edwards reviewed the cargo volume for July 2022 against July 2021 and noted the growth percentage demonstrated a great start to fiscal year 2023. S.

MINUTES
Virginia Port Authority Board of Commissioners
Regular Public Meeting, Session 409
September 13, 2022

Edwards reported that certain types of import cargo had slowed slightly with stronger export and export empty cargo shipped from the port. S. Edwards noted that forecasted and preliminary cargo volume figures for August 2022 indicated a strong performance and the second best month on record for the port. Current cargo volume figures for September 2022 forecasted little or no growth year-over-year. S. Edwards reported strong rail cargo volume for August 2022 with a slight increase of discretionary cargo in place of core business cargo.

S. Edwards reviewed the port's performance against other U.S. East Coast ports, which highlighted a higher growth rate for the port against the overarching growth rate of the east coast ports. S. Edwards remarked that the port should be pleased with the fiscal year 2022 performance and remain aware of changes in the economy.

1. Legislative Update – Cathie J. Vick

C. Vick reported two ongoing studies prepared for the General Assembly: a Virginia Inland Port study and a Joint Legislative Audit and Review Commission (JLARC) assessment of incentives for VPA within the Code of Virginia. C. Vick noted that a complete report will be presented to the Board in November 2022. In the assessment of incentives, C. Vick reported, opportunities were identified that can strategically utilize the Port Opportunity Fund. The proposal for guidelines on use of such incentive funds is outlined in Resolution 22-12 and in accordance with the Code of Virginia requires approval by the Board.

C. Vick reviewed the two areas recommended for the incentive guidelines to be transportation planning and port-centric development. C. Vick reported that as a result of the ports' fluidity, port-centric development is interested in the market of Virginia but may outpace the plan for the transportation corridors. In an effort to expedite state and federal infrastructure and transportation funds, the guidelines allow incentive funding to be provided to localities and developers in transportation design. Additionally, the guidelines scope complimentary use of funds to incentivize the commitment for development projects in the Commonwealth, C. Vick reviewed. C. Vick noted that the Economic Development Zone Grant supports development with a focus on jobs added to the market where this incentive is based on development and speculative development added to the market.

At this time, Committee Chair Asbury requested consideration of Resolution 22-12.

MINUTES
Virginia Port Authority Board of Commissioners
Regular Public Meeting, Session 409
September 13, 2022

Action: Upon motion by Committee Chair Asbury and seconded by Commissioner Coleman, the Board unanimously (10-0) approved Resolution 22-12.

Ayes: 10 (Andersen, Asbury, Burnett, Coleman, Hardy, Kirk, Jones, Layne, Richardson, Waters)

Nays: 0

Abstention: 0

Absent During Vote: 0

Absent During Meeting: 3 (El Koubi, O'Callaghan, Power)

Chair Layne noted that the Secretary of Transportation retains the authority to transfer monies into the Port Opportunity Fund and that the proposal is a good use of the funds as well as work in tandem with the Office of the Secretary of Transportation.

At this time, a discussion ensued on examples of where funds could be used in the market.

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

S. Edwards led by acknowledging the nature of the port as an operation running 24 hours a day and 360 days of the year and commended those who work those hours to achieve the positive results of the port.

S. Edwards reported a positive performance for fiscal year 2022 and a strong start to fiscal year 2023, then noted awareness to the macroeconomic position ahead indicating a slow in production in China. S. Edwards reported that this will be seen as early indicators where U.S. West Coast may see a slower growth rate. While the supply chain disruptions were managed well last year, S. Edwards noted, the challenges are not finished. S. Edwards acknowledged the challenges of ports in Europe surrounding management and labor disputes and the U.S. potential for railroad action and reported that he urged congressional action to assist in reaching a conclusion. S. Edwards noted that agility will be required through the next quarter of the fiscal year and that the VIT operations team is well prepared.

S. Edwards acknowledged that a railroad stoppage is lost cargo capacity and throughput that cannot be recovered. The port will use its strong performance as the economy slows and will continue to over-perform in its relative position, S. Edwards reported, and will seek to keep the discretionary cargo it has gained by providing excellent service.

S. Edwards noted, a key point made during the Operations and Infrastructure Committee, was the management of the ports infrastructure projects. S. Edwards acknowledge that, with the exception of the NIT Central Rail Yard project, all other projects are in early stages with little active construction. S. Edwards reported that the impact of inflation risk on the construction projects, procurement of components, and future construction contracts for bid will need to be managed. S. Edwards noted two areas of inflation where the port is exposed to risk, outside the cost of labor,

MINUTES
Virginia Port Authority Board of Commissioners
Regular Public Meeting, Session 409
September 13, 2022

which is the VIG lease and fuel. While fuel cost is trending in the right direction, S. Edwards reports that the port will review fueling options to determine a reasonable strategy to lock in pricing. S. Edwards reports that pricing will be increased effective October 1, 2022 with the annual adjustment to contracts and Schedule of Rates, which will offset relative inflationary increases.

S. Edwards noted that there was an excellent discussion on growth during the Growth Committee meeting on September 12, 2022 and acknowledged the work with both the Administration and Virginia Economic Development Partnership (VEDP) is strong and collaborative. S. Edwards reported that engaging the communities to explain the ports' development efforts and the benefits will help define the willing partners and where a clarification of logistics and manufacturing differs.

Finally, S. Edwards thanked the Board for remuneration approved in Resolution 22-07 and expressed his appreciation.

At this time, a discussion ensued regarding the state and local government relationship management and education on the ports operations as well as port-centric development.

Chair Layne noted that the compensation awarded to S. Edwards was well deserved.

7. Unfinished Business

There was no unfinished business to report.

8. New Business

There was no new business to report.

9. Other Business

Chair Layne reported that two former members of the Board attended the Board dinner on Monday, September 12, 2022, following invitation by the Chair, and the Board would look to engage former Board members in additional ways to continue their advocacy of the port.

10. Adjourn

There being no further business or comments, the meeting adjourned at 9:58am.

The next meeting of the VPA Board of Commissioners will be held on November 15, 2022 with Committee meetings the Monday prior.

Respectfully submitted,

Ryanne A. Shields
Secretary to the Board