

MINUTES
Virginia Port Authority Board of Commissioners
Regular Public Meeting, Session 411
January 10, 2023

The Virginia Port Authority (“VPA”) Board of Commissioners (“Board”) held its regular meeting on January 10, 2023 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
John C. Asbury
James C. Burnett
Jason El Koubi
Maurice A. Jones
John W. Kirk III
Edward F. O’Callaghan
David L. Richardson
Deborah C. Waters

Commissioners Absent:

Shaza L. Andersen
Michael W. Coleman
Eva Teig Hardy

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
Sarah J. McCoy, General Counsel and Chief Administrative Officer
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
Andrew Sinclair, Director, Federal Government Affairs

Virginia International Terminals, LLC (VIT) Staff Present:

Thomas D. Capozzi, Chief Sales Officer
Joseph P. Ruddy, Chief Operations Officer
Amanda Nelson, Vice President, Growth
Christina Harris, Director, Project Management Office

Guests:

David White, Virginia Maritime Association
Kenneth Gray, International Longshoremen’s Association
Stephen Walters, International Longshoremen’s Association
Jonathan Coley, International Longshoremen’s Association
Brandon Edwards, International Longshoremen’s Association

I. Call to Order

Chair Layne called the meeting to order at 9:00am.

II. Safety Briefing

A safety briefing was conducted by Joseph P. Ruddy, Chief Operations Officer, VIT.

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III. Approval of Minutes

Following a motion by Commissioner Kirk, seconded by Commissioner Asbury, the minutes of the Board meeting held November 15, 2022 were approved unanimously.

IV. Introductions and Opportunity for Public Comment

At this time, Chair Layne requested introductions of guests from Joe Harris and welcomed the opportunity for public comment.

V. Committee Reports

a. Executive Committee Report – Chair Aubrey L. Layne

Chair Layne reported that the Executive Committee met on Monday, January 9, 2023 where Committee received an update on legislative initiatives at the General Assembly from Cathie Vick. Chair Layne thanked Secretary Miller and Governor Youngkin's office and noted the Board's support of the grant programs and funds proposed for port-related economic development. The Committee also received a report from Stephen Edwards on the port's draft strategic plan with Chair Layne noting the importance for the Board to understand the initiatives and risks within the strategic plan. Chair Layne reported the Board is supportive of S. Edwards and identified the risks and the corresponding mitigation steps taken. Chair Layne offered his appreciation for the work completed on the plan to date and reported the Board looked forward to continued updates.

At this time, Chair Layne thanked the Chair of each committee and all Commissioners for the hard work over the past six months. Chair Layne noted the port's good standing is not solely representative of the last six months but represents many years of diligent effort. Chair Layne expressed appreciation for the work of the Growth Committee that has given a better understanding of the dynamics in place, and thanked all Commissioners for their role in supporting the port staff.

b. Finance and Audit Committee Report – Commissioner James C. Burnett

Commissioner Burnett reported that the Finance and Audit Committee met on Monday, January 9, 2023 and received presentations from management on Fiscal Year 2023 financial performance to date and the forecast for the remainder of the fiscal year. Committee discussed a reimbursement bond resolution, a Commonwealth port fund and port facilities revenue bond refunding resolutions, and finally received reports on compliance and enterprise risk management. With regards to compliance and enterprise risk management, Committee received report from management in review of second quarter compliance results, upcoming internal audits, upcoming compliance activities, and the ISO 9001 recertification process. Committee received report regarding enterprise risk management program and management's overall assessment of risk.

i. Consideration of Resolution 23-01

At this time, Commissioner Burnett reported that the Finance and Audit Committee unanimously recommended approval of:

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- Resolution 23-01, Reimbursement Bond Resolution Regarding the Issuance by the VPA of Commonwealth Port Fund Revenue Bonds in Calendar Year 2023

Chair Layne requested consideration of the Resolution 23-01 by the Board.

Action: Upon motion by Commissioner Burnett and seconded by Commissioner El Koubi, Resolution 23-01 was approved unanimously (10-0) approved by a vote of the Board.

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

Nays: 0

Abstention: 0

Absent During Vote: 3 (Andersen, Coleman, Hardy)

Absent During Meeting: 3 (Andersen, Coleman, Hardy)

ii. Consideration of Resolution 23-02 and Resolution 23-02

At this time, Commissioner Burnett reported that the Finance and Audit Committee unanimously recommended approval of:

- Resolution 23-02 Authorizing the Issuance of Commonwealth Port Fund Revenue Refunding Bonds in Calendar Year 2023 and Authorizing the Executive Director to Approve the Issuance of Such Bonds and Related Matters, and
- Resolution 23-03 Authorizing the Issuance of Port Facilities Revenue Refunding Bonds in Calendar Year 2023 and Authorizing the Executive Director to Approve the Issuance of Such Bonds and Related Matters

Chair Layne requested consideration of the Resolution 23-02 and Resolution 23-03 by the Board.

Action: Upon motion by Commissioner Burnett and seconded by Commissioner El Koubi, Resolution 23-01 was approved unanimously (10-0) approved by a vote of the Board.

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

Nays: 0

Abstention: 0

Absent During Vote: 3 (Andersen, Coleman, Hardy)

Absent During Meeting: 3 (Andersen, Coleman, Hardy)

iii. VPA Consolidated Financial Reports for Fiscal Year 2023 to Date Ending November 30, 2022 – Rodney Oliver

R. Oliver reported a positive report for the first five months of the fiscal year with slight increase in cargo volume. R. Oliver noted that while cargo volume has begun to normalize, the first five months of the fiscal year remained above budget. R. Oliver noted operating revenues above budget with lingering positive impact of loaded container storage earlier in the fiscal year. R. Oliver reported ancillary revenues with Schedule Of Rates (SOR) increase above budget due to higher CPI. Operating expenses, R. Oliver reported, were slightly under budget despite increased cargo volume over expectations.

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At this time, R. Oliver reviewed operating cash flow and noted that the figures will begin to change over the second half of the fiscal year due to the comparison against an incredibly positive fiscal year 2022. R. Oliver reviewed figures for non-capital financing, capital related financing activities, and investing activities. R. Oliver noted that non-capital financing included the channel dredging project activity; the capital related financing activities for fiscal years' 2021 and 2022 reflected the conclusion of major infrastructure projects; and investing activities figures were a reflection of the movement of cash to investments. R. Oliver reported the expectation to see increase in capital expenditures through the remainder of Fiscal Year 2023 and into Fiscal Year 2024 due to the North NIT infrastructure project and the Central Rail Yard project.

R. Oliver reviewed that the major components included in the transfers from primary government line item were the contribution from the Commonwealth for North NIT optimization and channel dredging projects. Additional funds noted were received from Dominion for the infrastructure improvements to Portsmouth Marine Terminal to accommodate offshore wind staging port needs.

At this time, Chair Layne noted positive financial performance reported recently and addressed the obligation in utilization of those monies. Chair Layne reported that the Board requested a capital allocation plan for the coming years and noted the challenges ahead. Chair Layne addressed that the positive performance enables the port to better position the Commonwealth of Virginia for business and the ports' expansion to reinvest in the Commonwealth.

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

Commissioner Waters reported that the Operations and Infrastructure Committee met on January 9, 2023 and received reports on safety, operations performance indicators, infrastructure projects, and the channel dredging project. Joe Ruddy presented safety metrics as well as key performance indicators in operations. Rich Ceci reported to the Committee on status and risks of infrastructure projects, including North NIT and Central Rail Yard. Committee received report from Pat Kinsman on status and risks of PMT Offshore Wind Staging Port project followed by a report from Cathie Vick on the Channel Dredging project status and risks.

iii. Safety Report – Joseph P. Ruddy, VIT

J. Ruddy reported a positive trend in safety metrics and noted current incident rate almost 27 percent below Fiscal Year 2022, and noted an adjusted benchmark of 1.8. J. Ruddy reviewed safety metrics specific to VIT stevedoring operations 71 percent below Fiscal Year 2022. J. Ruddy noted that the safety culture of the port is a collective effort of colleagues and ILA partners.

iv. Operations Report – Joseph P. Ruddy, VIT

J. Ruddy reported strong numbers in truck gate performance and reviewed the low percentage of motor carriers on terminal over two hours. J. Ruddy noted that the operations team continues to review the experience of those motor carriers on facility over two hours and opportunities to improve subsequent visits.

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J. Ruddy reviewed a positive increase to rail performance with a decrease in cargo dwell time. J. Ruddy noted this performance can largely be contributed to railroad partner performance, intermodal freight volume normalization, and decreased metering of routes to the Midwest.

J. Ruddy reported a steady positive climb of productivity metrics and noted a significant improvement from January and February. The improvement, J. Ruddy addressed, is a concerted effort process vessels as safely and efficiently as possible.

At this time, Commissioner O'Callaghan inquired as to a defined program of outreach to the limited number of motor carrier companies experiencing increased gate turn times. J. Ruddy reviewed the process for operations and customer service staff members to identify and connect with specific motor carriers experiencing turn times over two hours, determine any systematic issues, and attempt to correct identified issues. Additionally, J. Ruddy reported that a pier committee and a motor carrier stakeholders group allow discussion of issues in open forum.

Commissioner O'Callaghan inquired as to any prediction for positive rail performance continuing through the remainder of the fiscal year. J. Ruddy reported a predicted sustained improvement to rail performance. At this time, Commissioner O'Callaghan requested clarification as to net productivity as representative of both stevedoring companies. J. Ruddy expressed the belief the figure included a blend of both stevedoring companies but advised the Board the intent to confirm.

Commissioner Kirk requested clarification on the calculation of traditional and expanded performance turn times. J. Ruddy clarified the measurement scope of each calculation and where the operations teams utilizes the measurement internally to identify specific areas within the terminal that may be underperforming.

Commissioner Waters commended the downward trend in safety metrics and acknowledged the critical importance of safety. Commissioner Waters thanked the efforts of the VIT operations team.

v. Infrastructure Projects Update – Cathie J. Vick

C. Vick reported that the four major infrastructure projects were going well and the team has worked hard to overcome challenges to keep the projects on track. NIT Central Rail Yard expansion, C. Vick reported, reached 100 percent design completion and construction begun with positive collaboration between port management and contractor to manage schedule challenges due to weather. C. Vick reported that the installation of the first crane rail had begun and the team expected equipment arrival in July with an expectation of the project to be fully operational by Spring of 2024.

C. Vick reported that the North NIT Optimization design was nearly complete with final design submitted for review. C. Vick anticipated that the invitation for bids for yard-side construction may be issued prior to the March Board meeting. C. Vick reported ongoing collaboration with the Federal Aviation Administration and the U.S. Navy to ensure that the low profile ship to shore cranes will not impede the naval airways.

C. Vick reported 14 percent progress on construction of the Portsmouth Marine Terminal Offshore Wind Staging Hub and reviewed challenges impacting the schedule and the collaboration with the contractor to ensure preparedness to receive the first monopiles in October 2023.

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C. Vick reported challenges to the last section of the Channel Dredging section similar to challenges on a previous section and expected completion of the final section by the end of March 2023. C. Vick reviewed the cover of the Chesapeake Bay Bridge Tunnel was completed and congratulated the team for submitting the first section for final review by the Army Corp. Finally, C. Vick reviewed the status of remaining dredging sections managed by the Army Corps that proceed commencement of the final dredging phase of the approach channel.

Commissioner Waters inquired about the expected final completion date of the channel dredging project. C. Vick reported that all elements are expected to be completed by December 31, 2024 with the channel widening on track for completion by October 2023 that will allow two way vessel traffic.

At this time, a brief discussion ensued on the channel deepening and widening sections, depths, and vessel traffic allowances.

Chair Layne acknowledged Commissioner Waters previous comment during Committee on the safety performance and execution of infrastructure projects and echoed the appreciation to staff and labor partners for the efforts towards project progress and safety.

d. Growth Committee – Committee Chair John C. Asbury

Commissioner Asbury reported that the Growth Committee met on January 9, 2023 and received presentations from staff on cargo volumes, port-centric development, a strategic overview on sales and marketing. Tom Capozzi presented a report to the Committee on the port's year-over-year comparison of cargo volumes as well as a comparison of primary cargo volumes across the U.S. East Coast Ports market. T. Capozzi also reported to Committee on the ports sales and marketing strategies. Amanda Nelson presented a report of announcements and opportunities within the areas of port-centric development.

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

T. Capozzi reported the port's cargo volume for the months of October and November 2022 and noted the normalization in cargo volumes is not unique to this port but ports across North America experienced declines in cargo volumes. T. Capozzi reported while import volumes showed a decline, the difference was balanced by loaded export volumes that were strong and growing. T. Capozzi also reviewed demonstrated positive volumes on empty cargo exports.

T. Capozzi reviewed the growth in rail cargo volumes and attributed the growth to the excellent service provided that has attracted discretionary retail cargo. T. Capozzi then reported an increase to barge cargo volume, a slight decline in cargo volume at Virginia Inland Port and Richmond Marine Terminal. T. Capozzi reviewed that the decline can be attributed to ocean carriers choosing to conserve short-haul moves inland. T. Capozzi reported that the port is growing its strategy to create a new way for customers to book inland moves directly with the port or through the ocean carrier.

At this time, a discussion ensued on the discouragement of pricing action on short-haul container moves.

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T. Capozzi reported a decline in truck cargo volumes that was largely due to a decrease in import loaded cargo volume by retailers who experienced excess inventory volumes. T. Capozzi then reviewed the market performance across the U.S. East Coast ports, through the fiscal year period of July through October, that demonstrated the ports growth ahead of New York/New Jersey and Charleston. T. Capozzi reviewed a comparison of growth of the port and Savannah over the previous 15 months.

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

S. Edwards reviewed the legislative agenda of the Commonwealth's budget and its support of business and the port. S. Edwards expressed intent to collaborate with the Virginia Maritime Association regarding the Transportation Partnership Opportunity Fund and its ability to help develop port-related business throughout the Commonwealth. S. Edwards acknowledged the ports support and assistance to deliver that development. S. Edwards reviewed the discussion of Virginia Sites Development Program and Virginia Economic Development Partnerships' opportunity.

S. Edwards reported the marketplace is positively acknowledging Virginia's efforts to enhance freight corridors, such as the Hampton Roads Bridge Tunnel, as part of an integrated freight strategy. S. Edwards reported on the port's market growth and the opportunity to win cargo volume from the U.S. West Coast. As the port measures its performance against other U.S. East Coast ports, S. Edwards noted the amount of businesses moving to Virginia. S. Edwards reported two positive business developments since the November 2022 meeting of the Board.

S. Edwards acknowledged positive operational performance and positive financial performance through the end of calendar year 2022. S. Edwards reported the port slightly outperforming New York in rail performance and acknowledged the attribution of operational performance as well as the port's management through cargo volume trends.

S. Edwards reported the addition of a first-in vessel service through the Suez Canal and acknowledged the successful win of the Sales team of a service from the fastest growing market in Vietnam. S. Edwards advised that as cargo volumes temper through Chinese New Year, the port will continue to remain conscious of late cargo arrivals and remaining within budget with a focus on costs.

S. Edwards reviewed the four expansion projects focus to remain on schedule, manage cost given inflation, and manage contractor availability for procurement once the Infrastructure Act commences. S. Edwards thanked the Board for its support and restated leaderships' intent to watch the recession. S. Edwards reflected on the opportunity to win cargo volume from the U.S. West Coast, the port's continued focus on competition across the U.S. East Coast, and the port's ability to ensure its share of the market. S. Edwards acknowledged the port's appreciation for the Commonwealth's budget and the support to help win market share.

At this time, a discussion ensued around trade routes and the Suez Canal.

VII. Unfinished Business

There was no unfinished business to report.

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VIII. New Business

There was no new business to report.

IX. Other Business

There was no other business to report.

X. Adjourn

There being no further business or comments from the public, the meeting adjourned at 9:48am.

The next meeting of the VPA Board will be March 14, 2023.

Respectfully submitted,



Ryanne A. Shields
Secretary to the Board