

MINUTES
Virginia Port Authority Board of Commissioners
Regular Public Meeting, Session 413
May 9, 2023

The Virginia Port Authority ("VPA") Board of Commissioners ("Board") held its regular meeting on May 9, 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
John W. Kirk III
Edward F. O'Callaghan
Michael W. Coleman
Deborah C. Waters
Shaza L. Andersen
David L. Richardson

Commissioners Absent:

Maurice A. Jones
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
Jodie Asbell, Sr. Executive Administrative Assistant and Assistant Secretary to the Board
Joe Harris, Senior Director, Communications
Barb Nelson, VP, Development and Transportation Policy
Melissa Fularon, Director, Grant Program Administration
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
Jessica Gaskins, Manager, Strategic Communications
Lisa Nelson, Executive Administrative Assistant

Guests:

David White, Virginia Maritime Association
Whiting Chisman, Virginia Pilots
Brian Jeffries, CMA/CGM
Brandon Edwards, ILA
Kevin Halstead, ILA
Jonathan Coley, ILA
Larry Bachtel, ILA
Jeremy Bridges, HRSA
Roger Giesinger, HRSA
Anne Bibeau, Woods Roger Vandeventer Black
Florence Kingston, City of Newport News

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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.

III. Approval of Minutes

Following a motion by Commissioner Kirk, seconded by Commissioner El Koubi, the minutes of the Board meeting held March 14, 2023 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, May 8, 2023 where the Committee received an overview on the Virginia Port Authority's enabling legislation from Sarah McCoy and also received information on the General Assembly redistricting. Finally, Committee received an update on succession planning at the port by Stephen Edwards.

Chair Layne reported on the following Memorandums of Board Action authorizing the Executive Director to execute the respective contracts. The written consent of the Chair of the Board and the Chair of the Finance and Audit Committee was granted on April 20, 2023.

- Authorization of the Executive Director to enter into a contract with Allan Myers, Inc. for the acquisition of civil works at north Norfolk International Terminals (NIT).
- Authorization of the Executive Director to enter into a contract with Konecranes for the acquisition of thirty-six (36) Automated Stacking Cranes (ASC) for use at north Norfolk International Terminals (NIT).
- Authorization of the Executive Director to enter into a contract with Shanghai Zhenhua Heavy Industries Company (ZPMC) Limited for the acquisition of four (4) low-profile ship-to-shore cranes for use at north Norfolk International Terminals (NIT).

The next order of business, Chair Layne appointed a Governance Committee, in lieu of a Nominating Committee, to determine nominees for the Officers of the Board for fiscal year 2024 and to examine the meeting cadence for the upcoming year as well as the current committee structure/assignments. The Governance Committee members are as follows:

- Faith Power, Chair
- Eva Tieg Hardy
- Michael W. Coleman

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- John W. Kirk, III

Chair Layne explained that in reviewing the enabling legislation, it is the VPA Board's duty to develop commerce through the Port of Virginia and oversee the operation of the Authority.

Chair Layne noted that Cathie Vick will serve as the executive liaison for the committee and requested a report of the committee be made at the Executive Committee's regularly scheduled meeting on July 10 and invited all board members to attend.

Chair Layne reported that the Investment Committee met on May 1, 2023 and received information from BCG Pension Risk Consultants on options for the VIT Defined Benefit Plan to purchase annuities for retirees in the plan to reduce future investment risk and administrative costs. The committee agreed to obtain quotes and will reconvene to review and report back to the board on any action.

At this time, Commissioner Burnett added that third party providers are not subject to the same costs and expenses that the port is subject to and there is a real cost saving benefit while maintaining the full safety and security of the retirement benefits for VIT retirees.

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

Chair Burnett reported that the Finance and Audit Committee met yesterday afternoon and received presentations from PB Mares on FY23 Audit Planning and from management on fiscal year 2023 financial performance to date. A detailed FY24 consolidated budget presentation was given by Kenon Thomas and Nina Malone. The committee also received information on the north NIT contract executions, Bond Sale results, Aid to Local Ports and Waterway Maintenance Fund grants, and reviewed a resolution for the purchase of additional ship-to-shore cranes.

With regards to FY23 Audit planning, Mike Garber, Audit Partner with PB Mares, will lead the audit and he provided an overview of the audit planning process. Mr. Garber will have full access to the board and management during the audit process.

With regards to the Bond Sale results, VPA received favorable market reception and successfully priced its 2023A and 2023B bonds and the bonds were more than three times oversubscribed. This resulted in a Net Present Value savings of a little over \$3 million.

FY24 Budget and VPA Consolidated Financial Reports for FY23 to Date Ending March 31, 2023 – Rodney Oliver

R. Oliver reviewed major budget assumptions, macroeconomic and industry conditions, volume growth assumptions, risks, and trends considered when preparing the FY24 budget. He noted that volume growth is estimated at 2 percent with a CAGR rate of 6.9 percent over a four year period.

R. Oliver reviewed the Capital Budget describing the capital projects and related equipment purchases and the summary by funding source.

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In summary, R. Oliver reported strong operating and cash flow results, continued capital investments targeted at capacity and efficiency improvements, and strong debt service coverage ratios.

R. Oliver reported on financial results ending March 31, 2023 and through the first nine months of the fiscal year, cargo volume is down 4.1 percent as compared to budget. Operating revenues are in line with expectation, operating income/EBITDA is positive and ahead of expectation and cash flow is very strong.

R. Oliver reviewed capital and related financing activities and noted that acquisition of capital assets for FY23 is substantially ahead of FY22. This will continue to increase in FY24 due to expenditures related to the NIT optimization project.

R. Oliver reviewed the transfer from primary government and the net transfers which included funding for the channel dredging and offshore wind projects.

Aid to Local Ports (ALP) and Waterway Maintenance Grant Projects – Cathie Vick

C. Vick presented on the Aid to Local Ports grant requests and briefly described the seven projects that are being recommended for approval. C. Vick also reported recommended carryover requests for several projects that have not been completed as outlined in Resolution 23-06.

C. Vick presented on the Waterway Maintenance Funding grant requests and briefly described the three project applications that are recommended for approval as outlined in Resolution 23-07.

Consideration of Resolution 23-05

At this time, Commissioner Burnett reported that the Finance and Audit Committee recommended approval of Resolution 23-05

ACTION: Upon motion by Mr. Burnett, seconded by Mr. El Koubi, approving the Virginia Port Authority's Consolidated Annual Budget for Fiscal Year Ending June 30, 2024.

Ayes: 11 (Burnett, Layne, Asbury, El Koubi, Kirk, O'Callaghan, Power, Waters, Andersen, Richardson, Coleman)

Nays: 0

Abstention: 0

Absent During Vote: 2 (Jones, Hardy)

Absent During Meeting: 2 (Jones, Hardy)

Consideration of Resolution 23-06 and Resolution 23-07

At this time, Commissioner Burnett reported that the Finance and Audit Committee unanimously recommended the approval of Resolutions 23-06 and 23-07:

ACTION: Upon motion by Mr. Burnett, seconded by Mr. El Koubi, the Board unanimously adopted Resolution 23-06, authorizing Aid to Local Ports Funding (FY24) totaling an estimated

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\$1,000,000 to the Town of Cape Charles, County of Gloucester, City of Newport News, County of Northampton, Town of Saxis, Town of Tangier, and Town of Wachapreague, and approved the carry over funds, as described in the Resolution.

Ayes: 11 (Burnett, Layne, Asbury, El Koubi, Kirk, O'Callaghan, Power, Waters, Andersen, Richardson, Coleman)

Nays: 0

Abstention: 0

Absent During Vote: 2 (Jones, Hardy)

Absent During Meeting: 2 (Jones, Hardy)

ACTION: Upon motion by Mr. Burnett, seconded by Mr. Coleman, the Board unanimously adopted Resolution 23-07, authorizing Waterway Maintenance Grant Funding (FY24) totaling an estimated \$4,000,000 to the County of Mathews and the County of Northampton, as described in the Resolution.

Ayes: 11 (Burnett, Layne, Asbury, El Koubi, Kirk, O'Callaghan, Power, Waters, Andersen, Richardson, Coleman)

Nays: 0

Abstention: 0

Absent During Vote: 2 (Jones, Hardy)

Absent During Meeting: 2 (Jones, Hardy)

Consideration of Resolution 23-08

At this time, Commissioner Burnett reported that the Finance and Audit Committee unanimously recommended the approval of Resolution 23-08.

ACTION: Upon motion by Mr. Burnett, seconded by Mr. Coleman, authorizing the Executive Director to Execute a Contract for the Acquisition of Civil Works for Electrical Improvements to Norfolk International Terminals.

Ayes: 11 (Burnett, Layne, Asbury, El Koubi, Kirk, O'Callaghan, Power, Waters, Andersen, Richardson, Coleman)

Nays: 0

Abstention: 0

Absent During Vote: 2 (Jones, Hardy)

Absent During Meeting: 2 (Jones, Hardy)

Consideration of Resolution 23-09

ACTION: Upon motion by Mr. Burnett, seconded by Mr. Coleman, authorizing the Virginia Port Authority to exercise an existing contract for the acquisition of three (3) additional ship-to-shore cranes and related equipment and systems for Virginia International Gateway and Norfolk International Terminals.

Ayes: 11 (Burnett, Layne, Asbury, El Koubi, Kirk, O'Callaghan, Power, Waters, Andersen, Richardson, Coleman)

Nays: 0

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Abstention: 0

Absent During Vote: 2 (Jones, Hardy)

Absent During Meeting: 2 (Jones, Hardy)

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

Commissioner Waters reported that the Operations and Infrastructure Committee met yesterday and discussed ongoing projects and received information on plans for future growth of the port. Joe Ruddy gave the safety report and status of operations, including gate, rail, and stevedore services. Rich Ceci, VIT's Senior VP Technology and Projects, provided updates on the infrastructure projects and also gave an overview on the status of Craney Island. Pat Kinsman, VP Offshore Wind Development, gave an update on the offshore wind project at PMT and explained some of the challenges and risks. Cathie Vick provided an update on the harbor deepening and widening projects.

Safety and Operations Report – Joseph P. Ruddy, VIT

J. Ruddy reported that the safety metrics are trending consistently well and through March the Lost Work Day (LWD) rate was at 1.33. He noted that VIT safety culture is widespread and recognized ILA partners, motor carriers, railroads and harbor pilots for their efforts.

J. Ruddy reviewed the operations dashboard and noted the truck gate is performing with world-class turn times with 96.3 percent under one hour. The port continues to analyze the data for trucks over the two-hour mark to determine where it can drive that time down. Rail performance is strong and net productivity (crane moves per hour) continues to increase.

J. Ruddy reported that the Federal Motor Carrier Safety Administration (FMCSA) recently conducted a review of the HRCPII maintenance and repair programs and the outcome of the audit resulted in zero non-conformances. J. Ruddy extended his thanks to the HRCPII team, partners of Local 1970, MRS and CGI.

At this time, J. Ruddy recognized and introduced Jeremy Bridges, President/Chief Negotiator, Hampton Roads Shipping Association (HRSA). Mr. Bridges is succeeding Roger Giesenger upon his retirement. Mr. Ruddy commended Mr. Giesenger for his service and congratulated him on his retirement.

Infrastructure Projects Update – Cathie J. Vick

C. Vick reported that significant milestones had been reached on the Central Rail Yard (CRY) expansion project. The first four train rail bundles are complete and the CRMG rails are being installed. The remote operations desks have also been installed and integration of IT is beginning. The project is scheduled for completion in April of next year.

C. Vick thanked the board for the interim approvals for the acquisition of ship-to-shore cranes, automated stacking cranes and civil works for the NIT Optimization project. Allan Myers will begin construction in July, the cranes have been ordered and the north NIT berth design is 60 percent

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complete. The VPA has applied for a federal Port Infrastructure Development Grant and started the environmental impact review that has to be completed before federal funds can be applied to the project. The first phase is scheduled to be complete in 2025 and full completion in 2027.

C. Vick reported on the Portsmouth Marine Terminal Offshore Wind staging port and challenges with the pile driving and integrity of the berth. The project is slightly behind schedule for the first phase but will be ready to receive monopiles in October 2023. The dredging contract is being solicited and good progress is being made with port partners Dominion and Skanska.

C. Vick provided an update on the Channel Deepening and Widening Project. The Thimble Shoals East and West, both deepening and widening, will be complete by October 2023. C. Vick reviewed the status of the components that the U.S. Army Corps is managing and reported that on the Newport News side, dredging is 85 percent complete and that the dredge material can be used to raise the dikes at the Craney Island Dredged Material Management Area. Work will start on the inner harbor at the end of this year and notice to proceed has been given by the U.S. Army Corps for the Atlantic Ocean Channel

At this time, Commissioner Waters commended the teams for the fabulous work they are doing on these major projects.

d. Growth Committee – Committee Chair John C. Asbury

Commissioner Asbury reported that the Growth Committee met yesterday and received presentations from staff on cargo volumes, port-centric development, U.S automotive market share and electronic vehicles (EV) opportunities.

Stephen Edwards provided a report on current freight market conditions showing a comparison of North American ports year-over-year, reflecting a downward trend and also shared information on ocean freight rates.

Amanda Nelson, VP of Growth, VIT, presented a report on how the new EV Battery Belt is shifting to the U.S. South and the Port of Virginia's EV opportunities in this emerging market.

Tom Capozzi, Chief Marketing and Sales Officer, VIT, presented a report 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.

Sales and Volume Report – Thomas C. Capozzi, VIT

T. Capozzi reported that freight overall in the U.S has declined due to market conditions and total TEU's are down by 17.2 percent. Despite the decline, the Port of Virginia is performing well against its peers. He explained that the rising interest rates have affected the housing and furniture markets which has negatively impacted imports. Furniture is the largest single import commodity that moves through this port. Exports were strong for the first three months of the year with an increase of 6.8 percent.

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T. Capozzi reviewed the growth in rail containers and attributed this to the port's efficient operations and low dwell times. T. Capozzi then reported that cargo volumes at the Virginia Inland Port were very strong and that Richmond Marine Terminal had a slight increase in cargo volumes. Total truck containers are down due to the decline in imports.

T. Capozzi reviewed the US East Coast Market Comparison statistics for the fiscal year period July – February which demonstrates that the US East Coast is outperforming NY/NJ and Charleston and very close to Savannah.

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

Mr. Edwards welcomed Jeremy Bridges as President/Chief Negotiator of the Hampton Roads Shipping Association.

Mr. Edwards referred to the Memorandums of Board Action in support of the infrastructure projects at North NIT. These approvals represent 70-75 percent of the capital expenditure now under contract for the modernization and expansion project at Norfolk International Terminals (NIT). Inflation has impacted the construction industry and the port is reaching a point where it can be more certain on the final cost expected for completion of the project.

Mr. Edwards reported that from an operating perspective, the port should take pride in how well it is performing with gate performance, ship productivity and low rail dwell times. This allows the port to maintain operating costs at a good level and run very efficiently.

Mr. Edwards shared his thoughts about the economic uncertainty and impact on cargo volumes. He further stated that the port is very conscious of its ILA partners and the impact on man hours.

Mr. Edwards reported that there continues to be a strong interest in business coming to Virginia and we continue to pursue those opportunities and have a relatively strong pipeline. We expect some good announcements coming out in the next few months.

Mr. Edwards stated that the port had a fairly solid first part of the year and due to the economic slowdown and expects volumes to be below FY23 budget for the next few months.

Chair Layne commented that the reports over the last few months have been pointing towards this decline and we have been keeping a watch and managing through. He thanked Mr. Edwards and the team for focusing on that.

VII. Unfinished Business

There was no unfinished business to report.

VIII. New Business

There was no new business to report.

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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 10:02am.

The next meeting of the VPA Board will be July 11, 2023.

Respectfully submitted,

A handwritten signature in cursive script, reading "Jodie L. Asbell". The signature is written in dark ink and is positioned above the printed name and title.

Jodie L. Asbell
Assistant Secretary to the Board