

# **MINUTES**

## **Virginia Port Authority Board of Commissioners – Public Session 390**

600 World Trade Center

Norfolk, Virginia

Wednesday, November 14, 2018

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The Board of Commissioners (“Board”) of the Virginia Port Authority (“VPA”) held its regular meeting on November 14, 2018, in VPA’s Conference Room located at 600 World Trade Center, Norfolk, Virginia. VPA Board Chairman John G. Milliken called the meeting to order at 9:00 a.m. The following were then in attendance:

### Commissioners:

John G. Milliken, Chairman  
F. Blair Wimbush, Vice Chairman  
Jennifer D. Aument  
J. William Cofer  
Manju S. Ganeriwala, State Treasurer  
Faith B. Power  
Louisa M. Strayhorn  
Deborah C. Waters

### Commissioners Absent:

Alan A. Diamonstein  
Val S. McWhorter  
Stephen Moret  
John N. Pullen  
Kim Scheeler

### VPA Staff:

John F. Reinhart, CEO and Executive Director  
James Bibbs, Chief Human Resources Officer  
Sarah McCoy, General Counsel  
Rodney W. Oliver, Chief Financial Officer  
Joseph P. Ruddy, Chief Innovation Officer  
Cathie Vick, Chief Public Affairs Officer  
Matthew Barnes-Smith, Sr. Vice President, Administration Services & Compliance  
Christopher (“Kit”) Chope, Vice President, Sustainability  
Jay Stecher, Vice President, Marketing & Communications  
Joe Harris, Senior Director, Media Relations  
Andrew Sinclair, Director, Federal Government Affairs  
Scott Whitehurst, Director, Environmental Policy & Compliance  
Carla Welsh, Director, Creative Services  
Lisa Nelson, Executive Administrative Assistant  
Rebecca Killen, Innovation Coordinator  
Debra J. McNulty, Secretary to the Board

Virginia International Terminals, LLC (VIT) Staff:

Thomas D. Capozzi, Chief Sales Officer

Shawn Tibbetts, President and Chief Operations Officer

Guests:

The Hon. Shannon Valentine, Secretary of Transportation

Larry Bachtel, International Longshoremen's Association

JoAnne Carter, PFM

Kristy Choi, PFM

Michael Garber, PBMares

Randy Darden, Dewberry

Heather Wood, Dewberry

Bryant McGann, Vandeventer Black LLP

Virginia Pilots Association:

Chip Boggs

Whiting Chrisman

Mike Eubanks

Frank Robena

David Ware

Media:

Gordon Rago, *The Virginian-Pilot*

**Introductions**

Chairman Milliken welcomed Secretary Valentine to the meeting. Mr. Ruddy conducted the safety briefing at this time. Mr. Harris introduced guests who were in attendance.

The Chairman also welcomed members of the Virginia Pilots Association and he spoke of the valuable service and maritime expertise that the Pilots provide in safely guiding vessels in and out of our ports. Chairman Milliken reported that Commissioner (Capt.) Bill Cofer, who is the President of the Virginia Pilots Association, provided a presentation to the Growth and Operations Committee on the importance of deepening and widening the Norfolk Harbor and channels.

**I. Approval of Minutes**

**Please note:** Minutes of the September 25, 2018 and November 14, 2018 meetings will be approved at the next public session of the Board, scheduled for January 29, 2019. Approval of the minutes was inadvertently overlooked.

**II. Reports of Committees**

**A. Executive Committee – John G. Milliken, Chairman**

**I. Report of Executive Committee**

Chairman Milliken reported that the Executive Committee met in closed Monday afternoon to discuss several confidential topics relating to legal, personnel issues, and strategic initiatives.

## **2. Announcement of 2019 VPA Board Meeting Dates**

The Chairman explained that, for the 2019 VPA Board meetings, some dates are not the normal meeting dates in accordance with the Bylaws due to several holidays. Chairman Milliken announced that the following schedule for 2019 would be posted to The Port of Virginia website today:

January 28-29 (Moved back one week - Dr. King Holiday is the 21st)

March 25-26

May 20-21 (Moved up one week - Memorial Day is the 27th)

July 22-23 (Annual Meeting – Election of Board Officers)

September 23-24

November 18-19 (Moved up one week - Thanksgiving is the 28th)

**Please note:** Committee meetings are held the day before the Public Session.

## **B. Finance and Audit Committee – Faith B. Power, Committee Chair**

### **1. Report of Finance and Audit Committee**

Chairman Milliken announced that Ms. Power convened her first Finance and Audit Committee meeting as chair and he welcomed her in that capacity and as a member of the Board's Executive Committee.

Ms. Power reported that the Finance and Audit Committee met in closed session and received presentations from the auditors and management on the fiscal year 2018 financial close and related audits and the financial results through September 30, 2018.

Ms. Power announced that Mr. Michael Garber, Audit Partner with PBMares, would be discussing the 2018 fiscal year-end audit results immediately following this brief and that Mr. Oliver would also be addressing the financial results through September 30, 2018, after Mr. Garber's report.

### **2. Overall Results of the FY18 Audits of VPA and VIT – Michael Garber, PBMares**

Mr. Garber reported that he had presented a more detailed overview of the audit to the Finance and Audit Committee. He announced that PBMares audited VPA and VIT, and conducted a single audit on the federal grant monies that are allocated to the VPA. Mr. Garber reported that all of the opinions issued on those entities regarding financial statements, compliance, and internal controls resulted in clean opinions, or unmodified audit opinions. He announced that work on the audit was completed early this year and he commended Mr. Oliver and the finance team for their work.

Mr. Garber reported that the Finance and Audit Committee discussed audit communications and reviewed a management letter with regard to information systems and information technology and security. Mr. Garber affirmed that the Finance and Audit Committee would work with management on some of the issues that were discussed. He noted that the Committee received copies of the audit statements, management letter, and the report to the Board. Mr. Garber mentioned that, in accordance with best practices, the Finance and Audit Committee members also had a closed session discussion without management present.

3. VPA and VIT Consolidated Financial Reports for the month ended September 30, 2018 – Rodney W. Oliver, Chief Financial Officer

Mr. Oliver reported that September was a challenging month because of the disruption in operations and vessel calls due to Hurricane Florence. He reported that revenues were down 8.2 percent and volumes were down by 10 percent from budget. Operating expenses were also down.

Mr. Oliver reported that collectively, The Port of Virginia (POV) had a \$2.1 million operating loss for the month of September, which was anticipated. He noted that the change in net position was about \$5 million below expectations mainly due to the timing of Norfolk International Terminals (NIT) South expansion project reimbursements from the Commonwealth for the expansion project (\$4.9 million).

Mr. Oliver announced that revenues were 2.2 percent below budget and volumes were down by 2.8 percent for the first three months of the fiscal year. He added that operating expenses were down 3.2 percent from budget. Overall, Mr. Oliver reported that POV is \$1.6 million ahead of budget projections for the fiscal year. He reported that net position was also affected by the delayed reimbursements from the Commonwealth.

A copy of Mr. Oliver's presentation is attached.

Secretary Valentine mentioned the Governor's mandatory evacuation order prior to the hurricane which was based on initial forecasts that indicated Florence was headed for Hampton

Roads. A discussion ensued with regard to the collaboration that went into the decision. Commissioner Cofer applauded the Governor's decision as he stated that safety of lives is the number one focus.

Mr. Oliver mentioned that there was damage to the Port of Wilmington and that The Port of Virginia collected about \$9,000 in donations for their employees who needed immediate support.

Ms. Power commended Mr. Oliver and his team for completing the audit 12 days ahead of schedule which included the single audit of federal grants. Mr. Reinhart also mentioned that, along with the audit work, Mr. Oliver's team is working on the development of POV's new financial system.

**C. Growth and Operations Committee – Chairman John Milliken (reported for Alan A. Diamonstein, Committee Chair)**

**1. Report of Growth and Operations Committee**

Chairman Milliken announced that the Growth and Operations Committee met in closed session on Monday and received reports from Mr. Tibbetts on POV's safety results and operational information. The Chairman turned the meeting over to Mr. Tibbetts at this time.

**2. Report on Safety/Operations – Shawn Tibbetts, President and Chief Operations Officer of VIT**

Mr. Tibbetts reported that the Port is currently at 2.56 Lost Work Days (LWD) per man hour for FY19 year-to-date (October) which is an increase from last year and above POV's goal of 2.00. He remarked that zero is the ultimate goal. Mr. Tibbetts explained that most of the injuries were soft tissue-related. With safety as the number one goal at the Port, Mr. Tibbetts affirmed that the safety team continues to monitor activities and implement safety initiatives throughout all terminals.

Mr. Tibbetts reported that rail, gate and barge traffic for October resulted in a record month - 150,951 containers handled and 103,000 gate moves. At NIT, Mr. Tibbetts reported that 38.5 percent of the volume was moved by rail. At VIG, there was a 33 percent increase in gate volumes over last month. He noted that gate traffic at Virginia International Gateway (VIG) is very heavy and handling volumes during construction at the terminal is a challenge. Mr. Tibbetts mentioned how the proposed tariff increases between the US and China, that are due to go into effect January 1, are driving some of the import volumes at the Port. A discussion ensued with regard to the increase in dwell time at VIG and how it adds to the congestion

problems at the terminal. Mr. Tibbetts mentioned that POV is increasing gate hours and opportunities at the empty yard to alleviate congestion.

Commissioner Aument commended Mr. Tibbetts and his team on their operational efforts during, what she described as, an extraordinary time with an acceleration of cargo because of the tariffs, a historic expansion of two major terminals, a hurricane, along with volumes of empties that are adding to the congestion. She asked Mr. Tibbetts for his thoughts on first quarter 2019 volumes. Mr. Tibbetts said that tonnage should remain strong through the end of this calendar year due to an extended peak season because first quarter cargo is moving now. He anticipated some congestion in volumes for the first quarter of next year then a small drop off in cargo. Mr. Tibbetts acknowledged Mr. Larry Bachtel, ILA, at this time and thanked him for the ILA's work in moving cargo at the marine terminals.

Mr. Tibbetts reported that Portsmouth Marine Terminal (PMT) has consistent gate moves and has been a good outlet for diverted cargo from NIT and VIG during construction.

Mr. Tibbetts reviewed rail volumes at NIT, VIG, and PMT and described rail ready dwell times. He reported that VIG rail was reduced from six tracks to four tracks and that the second rail bundle of four tracks is scheduled for completion by late spring/early summer of 2019. He credited POV's rail partners, Commonwealth Rail, Norfolk Southern, and CSX, for maintaining fluidity through the VIG terminal.

Mr. Tibbetts then reviewed motor carrier turn-times at each of the terminals. He reported that NIT has good average turn-times considering construction, however, VIG is a "pain point" for motor carriers. Mr. Tibbetts reported that the RMG (rail-mounted gantry crane) stack construction in addition to the flow of cargo from the Asia services are causing congestion at VIG. Mr. Tibbetts affirmed that POV will continue working with the motor carrier community to make sure VIG returns to being a world-class terminal once the construction is completed.

Mr. Tibbetts reported that net crane moves per hour needs improvement and POV is working on some collaborative approaches with the Virginia Pilots and other stakeholder partners to improve communication and to increase productivity.

In answer to Ms. Waters' inquiry, Mr. Tibbetts clarified that net cranes moves is specifically vessel related and does not include the rail or stack cranes.

### 3. Sales Report – Thomas D. Capozzi, Chief Sales Officer

Chairman Milliken reported that the Growth and Operations Committee received a very interesting and important report from Commissioner (Capt.) Cofer on why the deepening and

widening of the channel is critical to the safety of the ships that the Port serves. The Chairman mentioned that the Committee also heard a sales update from Mr. Capozzi and he turned the meeting over to him at this time.

Mr. Capozzi presented fiscal year-to-date volumes (July-October) and reviewed each of the volume categories in the attached slide. He announced that October was a record-setting month, as reported earlier, with POV exceeding both the 150,000 container mark as well as the 270,000 TEU mark (twenty-foot equivalent units).

Mr. Capozzi explained that POV is in the middle of peak season with very strong imports from the Asia trade reflecting 3.6 percent growth and that some of the imports are being converted into empties going back to Asia with export empties growing at 5.3 percent. Total TEUs are up by 2.6 percent.

Mr. Capozzi reported that POV is seeing strong growth in machine tools, locomotives, steel, and some project cargo reflecting an increase in break-bulk imports by 5 percent. Rail growth is steady with the Inland Port reflecting strong growth at 16.5 percent. Overall barge volumes were up 10.3 percent which is driven by 49.2 percent growth at Richmond Marine Terminal (RMT). Mr. Capozzi also noted that half of the 1.8 percent growth in truck containers occurred in the month of October.

Mr. Capozzi advised that vehicle units are down considerably (31.1 percent) and he stated that the POV sales team continues to work on opportunities to attract new vehicle business.

Mr. Capozzi reported that, since POV's 2016 designation as an Intercontinental Coffee Exchange (ICE), POV recently held its second Coffee Day event that attracted over 50 representatives from the coffee industry. He announced that the event was a collaboration between POV sales and economic development colleagues, Virginia Economic Development Partnership (VEDP), and the Hampton Roads Economic Development Alliance (HREDA).

Mr. Capozzi announced that, since the ICE designation, there are now three roasters within a 25-mile designation of this port and there will be a fourth roaster once the Peet's Coffee facility is built in Suffolk. He added that there are also three certified warehouse providers in the area and a number of companies interested in pursuing the designation. It was reminded by Mr. Capozzi that The Port of Virginia has also obtained preliminary designation for the London Metal Exchange (LME).

Mr. Capozzi highlighted several events in which members of the sales team participated:

- Journal of Commerce (JOC) Container Trade Europe Conference in Hamburg and meeting with Hapag-Lloyd

- Breakbulk Americas in Houston
- TransPacific Maritime (TPM) Asia Conference in Shenzhen, China
- IHS trade event for the plastics industry in Chicago
- Ocean Network Express (ONE) Food Drive – ONE contributed a container/POV contributed a chassis for a food drive for people impacted by the storms in North and South Carolina.

Mr. Capozzi reported that he and Mr. Tibbetts visited with all of the major ocean carriers during their two-week business travel in Asia and provided presentations on POV's construction projects at NIT and VIG. He advised that the reports were very well received and timely as the ocean carriers are developing their networks for 2019. Mr. Reinhart added that POV will have six ultra-large container vessel (ULCV) berths – three at NIT and three at VIG.

Chairman Milliken reported that the Growth and Operations Committee also received an update from Mr. Rich Ceci, Senior Vice President of Technology and Projects, on the construction progress at NIT and VIG. The Chairman announced that it was a good report and that most of the projects are on time and on budget and he confirmed that the Board has confidence in the team.

### **III. Report by Chief Innovation Officer – Joseph P. Ruddy**

Mr. Ruddy reviewed results of Marketing and Communications (MARCOMM) messaging efforts that produced over \$3.5 million in advertising equivalency - a 300 percent increase in news mentions over FY2018. He announced that The Port of Virginia overtook Georgia Ports Authority in effective messaging (“share of voice”) in the first quarter of FY2019. Mr. Ruddy commended the work of the MARCOMM team and said he was very proud of them.

### **Projects**

Mr. Ruddy presented a brief review on the budget/schedule dashboard for the following projects:

- VIG Phase II
- NIT Position Detection System (PDS)
- NIT Optimization
- Finance Projects (Billing and PeopleSoft financial system)
- IT Business Continuity



Mr. Ruddy reported that all projects are primarily on budget and on schedule with the exception of a delay in the north rail bundle at VIG Phase II, which is due to be completed by June 2019, and the NIT PDS delay as it involves training on the new technology.

Mr. Ruddy presented an aerial photo of the stack yard at VIG II and reported that stacks 29-20 are operational. He explained that extensive testing is done by the operations team before the stacks are fully operational. Mr. Ruddy reported that Stacks 19 and 18 are under construction and are scheduled to be turned over to operations by mid-December. He described the work that is being done on Stack 1 (new construction) and Stacks 2 and 3 that involves new refrigerated ("reefer") racks on the waterside and RMG (rail-mounted gantry crane) refurbishment. Mr. Ruddy explained that reefer racks will be located at VIG and NIT which will enable the sales team to attract additional business for refrigerated cargo.

Mr. Ruddy presented a photo of the 800-foot wharf extension at VIG II which is scheduled to be turned over to operations at the end of November 2018, allowing VIG to accommodate three ULCVs simultaneously. He announced that four new ship-to-shore cranes are scheduled to arrive at VIG from China on January 11<sup>th</sup> (tariff-free) and they are scheduled to go into operation by the end of March 2019.

Mr. Ruddy reported that the south rail bundle is fully operational utilizing the cantilever rail-mounted gantry cranes (CRMGs) and the north rail bundle construction has begun. He reviewed the work on the gate project that involves four new inbound gate lanes that are in service. An updated aerial of VIG II was then presented.

Mr. Ruddy described the work-in-progress at South NIT and he announced that the terminal expansion (33 acres) is starting to come to life. He reported that stacks 7-12 are in operation and stacks 13-15 are due to operations by mid-December. The remainder of the RMGs will be in place for the completion of Phase I of South NIT. Mr. Ruddy presented photos of the waterside transfer zone and landside transfer zone and the truck staging area. Phase II involves the construction of the six parallel stacks. Phase III will involve a majority of the rail work.

In conclusion, Mr. Ruddy reviewed timetables for South NIT and VIG II. He reported that in July 2018 the first stacks at NIT became operational; at VIG II, the wharf extension will be completed end of November 2018; and the VIG terminal expansion will be complete by June 2019.

### **Sustainability Initiatives – Kit Chope, Vice President, Sustainability**

Mr. Chope explained that 'Sustainability' is one of The Port of Virginia's anchor values and he described the four pillars of sustainability efforts:

- Environmental Stewardship
- Fiscal Responsibility
- Community Relationships
- Health and Safety

Mr. Chope introduced Mr. Scott Whitehurst, POV's Director, Environmental Policy and Compliance, who oversees the ISO-14001 (International Organization for Standardization) programs that govern the Port's environmental management system. He reported that RMT was incorporated into the program last year and Mr. Whitehurst and his team brought POV up to the 2015 Standard of ISO certification.

Mr. Chope described the Green Operator Program, the dray truck replacement program, which has been in existence at POV for about 12 years. He explained that the program utilizes grant funds received by the Virginia Port Authority to help facilitate the purchase of 450 new, environmentally clean dray trucks that service port facilities. Mr. Chope noted that the port is investigating additional grant dollars from the Volkswagen® settlement through the Virginia Department of Environmental Quality.

Mr. Chope announced that POV will conduct an Air Emission Inventory (AEI) next year and he described the program which is scheduled every five years. He explained that the last AEI was conducted in 2014.

Mr. Chope explained factors contributing to sea-level rise and how extreme weather events have more pronounced impacts. He presented several graphs projecting worsening conditions and measurements taken at Norfolk's Sewell's Point location, the closest tide gauge, along with sea-level trends and processes along the U.S. East Coast. The graph indicates sea-level rise by another foot in the next 30 years.

Mr. Chope reported that the Port is building infrastructure projects at NIT and VIG to higher and harder standards and that POV has partnered with ODU's Virginia Modeling, Analysis and Simulation Center for the NIT South berth construction. He reported that POV also commissioned an engineering analysis of current infrastructure.

Mr. Chope provided some examples of projects such as the new substation at Tanner's Point at NIT, which was built 16 feet above sea-level, all of the RMG stacks have had new cable lanes installed, moved back-up systems at the Acosta building, and that POV is considering another system at VIG.

Mr. Chope reported that some of the resilience activities include the creation of construction and design standards and preferences, the creation of a geographic information system (GIS),

BMP (best management practices) rehabilitation/improvements, and addressing Baker Street flooding with the Navy and City of Norfolk.

Mr. Chope explained how active POV has been in working with our community partners outside of the port gates in communications, electrical power supply, and transportation infrastructure. He emphasized that the Commonwealth and Governor's administration are also actively engaged and announced the following:

- The General Assembly passed legislation last year creating a special assistant to the Governor for Coastal Flooding and Adaptation - USN Ret. Rear Admiral Ann Phillips.
- Governor signed Executive Order 24 last week which moves all of the coastal resiliency efforts under the Department of Natural Resources and requires the Administration to create a Coastal Resiliency Master Plan, a unified sea-level projection, a vulnerability assessment of all state-owned buildings, and a review of state disaster mitigation plans.
- All 17 municipalities within the Hampton Roads Planning District Commission (HRPDC) constituency adopted a resolution to fix a standard set of the sea-level rise measurement metric.

Secretary Valentine announced that she looks forward to working with POV and Mr. Chope and she explained how the Transportation Secretariat established initiatives with regard to sea-level rise on security, safety, resiliency, and sustainability. The Secretary mentioned the work of Mr. Quintin Elliott, who just retired as Deputy Secretary of Transportation. Secretary Valentine added that the Governor also established a conservation cabinet that includes transportation, natural resources, and commerce and trade, to collaborate and address the needs in preparing for sea-level rise.

#### **IV. Report by Chief Human Resources Officer – James Bibbs**

Mr. Bibbs reported that open enrollment for health benefits for POV colleagues began November 1 and runs through November 25. He explained that the benefits package includes new providers and new voluntary policies that include pet insurance, home and auto, and additional life insurance policies.

Mr. Bibbs described POV's Smart Dollar program and reported that there is currently a 40% participation rate.

Mr. Bibbs reported that 91 percent of employees recruited are backfill compared with nine percent new recruits and he reviewed percentage of new hires by entity and by business unit, indicating a majority of them are in the operations and maintenance divisions. He then reviewed training hour metrics for each business unit.

Mr. Reinhart pointed out the large percentage of cyber security training that takes place and he announced that cyber security will be a topic for discussion at the next meeting.

Mr. Bibbs reviewed new hire demographics and POV demographics overall (race and age). Commissioner Strayhorn asked about the types of jobs that were in the 18-24 age category. They were predominately assistant operations manager (AOM) positions.

**V. Report by Chief Public Affairs Officer – Cathie Vick**

Ms. Vick reported on the American Association of Port Authorities (AAPA) convention in Chile that she and several POV officials attended several weeks ago. She explained that POV was invited to attend because the Port was selected to host the 2019 AAPA convention in Norfolk next October. Ms. Vick explained that the Port hosted a reception in Chile in order to promote The Port of Virginia and City of Norfolk for the 2019 event. She reported that POV has secured several sponsorships for the event and is working for more commitments.

Ms. Vick reported that POV also participated in and promoted the port at the Governor's Transportation Conference and the World Trade Conference, both held in October.

Ms. Vick reported that authorization was granted for additional channel deepening and widening west of the Thimble Shoals Channel through the passage of the Water Resources Development Act (WRDA). She thanked Commissioner Cofer for his efforts.

Ms. Vick reported that POV has also begun the Preliminary Engineering and Design (PED) phase of the channel deepening, thanks to the Virginia General Assembly's funding authorization which advanced the project. She explained how the Port is actively seeking the federal government's contribution toward the funding of the channel deepening through meetings with the Office of Management and Budget, Assistant Secretary of the Army, and enlisting the help of the Hampton Roads Congressional Delegation and Governor. Ms. Vick also mentioned that Andrew Sinclair, Director, Federal Government Affairs, has also collaborated with the coal industry to garner their support.

Ms. Vick announced that the Work Plan was expected to be released November 21 by the Army Corps of Engineers as they received extra funding in their FY19 budget and that POV is awaiting the President's budget.

Ms. Vick reported that POV, in its continuing education series about the port, has met with and conducted tours for several members of the Virginia House of Delegates Appropriations and Senate Finance Committee, Secretary Valentine, Secretary of Finance, Treasury, and

Appropriations and Finance staff. She mentioned that Mr. Reinhart would also be doing his annual briefing to the General Assembly in January. Ms. Vick advised that they also presented the “draw down” schedule for the harbor deepening/widening funding.

Ms. Vick announced the following Economic Development totals for CY2018 as well as news since the last board meeting:

- 38 announcements
- More than 1,800,000 square feet of space
- Created 2,434 jobs
- Invested more than \$819 million
- **Since last board meeting – 6 announcements**
  - o Invested over \$265 million
  - o More than 89,000 square feet of space
  - o Created 899 additional jobs

Ms. Vick presented a photo of Governor Northam at the announcement of WestRock’s \$250 million expansion in Covington. She also reported on two economic development announcements from 2016 that have come to fruition – Eldor and Fareva Richmond, Inc. Both companies recently received Economic and Infrastructure Development Grants from The Port of Virginia.

Ms. Vick provided a status report on the PED for the Norfolk Harbor deepening project. She reported that the ship simulation was completed in October 2018 and she thanked Whiting Chisman, with the Virginia Pilots, who assisted POV’s Zac Canody on their work with the Army Corps. Ms. Vick advised that sediment testing was scheduled October-November; environmental modeling scheduled October 2018-March 2019; then dredging begins in January 2020.

At the request of Mr. Reinhart, Commissioner Cofer explained how the ship simulation and modeling looked at the 14,000-16,000 TEU ships up to 18,000 TEUs in planning for the future and recognizing that “the world will be coming to Virginia”. Commissioner Cofer was of the opinion that The Port of Virginia is the only port on the East Coast that has modeled scenarios for the 18,000+ TEU vessels.

Ms. Vick reported that POV’s engineering and operations teams are working closely with sales to prepare for additional business by repaving NNMT to help with the current Nissan business and to make way for future roll-on/roll-off (roro) business. She reported that the heavy lift crane is now in operation for breakbulk and military cargo.

Ms. Vick announced that POV received a regional Surface Transportation grant in the amount of \$2 million for the berth, paving and rail repairs at Richmond Marine Terminal. She reported that the Richmond TPO Technical Advisory Committee recently recommended \$982,000 in additional grant funds, with a final decision expected on December 6, to complete structural repairs that are needed at the berth which could be completed by January in time for the addition of a second barge service. Ms. Vick thanked Secretary Valentine and her team for assisting through the process.

Ms. Vick then reported on activities of POV's Maritime Incident Response Team (MIRT) and Emergency Services:

- Severe weather events – Florence and Michael
- Surface Deployment and Distribution Command (SDDC) efforts – MIRT representatives witnessed a “live load out” in Texas to develop opportunities for POV to service this type of military cargo
- National Defense Transportation Association (NDTA) – Attended by MIRT, sales and operations representatives
- Hosted table-top exercise at POV World Trade Center headquarters on November 5<sup>th</sup> – focusing on NNMT and PMT as POV opens up more capacity at those terminals. The first live load out is scheduled at NNMT and then at PMT in December.
- Mass rescue exercise held on the Spirit of Norfolk with the Coast Guard
- Hosted Public Safety Dive Forum – 100 attendees in Chesapeake

## **VI. Report by CEO and Executive Director – John F. Reinhart**

Mr. Reinhart thanked the chairman, commissioners, Secretary Valentine, colleagues, and guests and remarked on the following:

- We have completed our last Board meeting for 2018. It has been an exciting year where we worked together as a team to deliver service results, safety, and economic growth while we execute our aggressive and historic infrastructure plans.
- Our audited results and Comprehensive Annual Financial Report were completed and delivered almost 2 weeks ahead of last year. A clean audit with a small operating profit for the fourth year. A great outcome as we continue to develop our new financial system. Annual Report is at the printers and will be distributed the first week of December.
- Our results during construction are consistent with expectations during construction and although well below budget, very intentional to maintain service while working around construction.

- VIG and NIT construction projects are being managed well and remain on budget and schedule. The 4 new STS cranes for VIG are on the water and will arrive in mid-January.
- Wider, Deeper, Safer channels are being designed with a target to start dredging in early 2020. We heard from Captain Cofer on the significance of our plan and we will be the widest, deepest and safest port on the East Coast.
- Volumes are up 2.6 % this FY with positive growth on rail, truck and barge. Vessel calls continue to decline as vessel size continues to increase. We set a volume record in October. The record volume is creating significant challenges on our terminals as dwell times increase as supply chains are not staying fluid. This puts pressure on service levels at truck gates, vessel operations, and rail. Our Operations team is doing great work to keep volume moving as new capacity comes on line.
- We have more work to do to build service level, reliability and customer satisfaction and we will continue to make improvements.
- We continue to work with carriers, BCO's, motor carriers and rail partners to build reliability and resiliency.
- Economic development is growing and diversifying across the Commonwealth. Amazon's HQ2 in Northern Virginia is a big win for the Commonwealth and VEDP.
- Looking ahead we see strong volumes through the end of the calendar year as shippers accelerate imports ahead of the January 1<sup>st</sup> scheduled increase in tariffs. We will face headwinds in 2019 if the trade war between U.S. and China continues with escalating tariffs. Globally the impact could dampen volume growth to half of forecast 2% vs. 4% growth with a sharp drop off in the first quarter.
- Our values are anchored, our colleagues are engaged and doing great work to revolutionize America's first port. We are on the right course and will deliver.

Mr. Reinhart then wished everyone a safe and happy Thanksgiving and Holiday Season.

## **VII. Unfinished Business**

There was no unfinished business to report.

## **VIII. New Business**

There was no new business to report at this time.

## **IX. Other Business, Opportunity for Public Comment, and Adjournment**

Chairman Milliken spoke on topics of congestion problems at NIT and VIG and the anticipated financial forecast for next year. He remarked that there are frustrations felt by the Port's motor carrier and trucking partners as well as our labor partners and operations colleagues. The Chairman remarked that everyone is feeling the 'squeeze' and that next year the financial outlook will have challenges as we may experience a decrease in cargo during the first quarter.

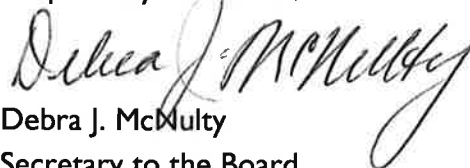
Chairman Milliken opined that the effects would be short-term as the expansion at VIG will be completed by the middle of next summer and the South NIT expansion will be completed a year later. He also challenged the sales team to find additional business to fill the new capacity and our operations team to utilize the terminals more efficiently and to their full advantage.

The Chairman stated that the horizon looks good and he talked about the Board's responsibility in planning for the future and looking at larger overriding issues over the next 10-20 years. He also credited the farsightedness of leaders 20 years ago for the successes that the Port is seeing today.

Vice Chairman Wimbush expressed appreciation to Mr. Reinhart and Ms. Vick for reporting the successes of companies like WestRock in Covington and other companies that are not as large as some projects such as Amazon's HQ2 announcement. Mr. Wimbush stated that, "economic development activities driven by the Port's success spreads throughout the Commonwealth and with the representatives that we have around the state it's important that we applaud those efforts and highlight them when we can".

There being no further business and no public comments, the meeting adjourned at 10:45 a.m.

Respectfully submitted,



Debra J. McMulty  
Secretary to the Board

**The next Public Session of the VPA Board is scheduled for Tuesday, January 29, 2019, at 9:00 a.m. Committee meetings are scheduled the day before on Monday afternoon, January 28.**



## September 2018 Financial Report

Rodney W. Oliver  
Chief Financial Officer



# AGENDA

- September Financial Results

# OPERATING REVENUES AND EXPENSES:

## For the Month Ended September 30, 2018

NOTE: For purposes of comparability, the lease amortization and lease interest have been replaced with the full lease payment for Actual, Budget and Prior Year.



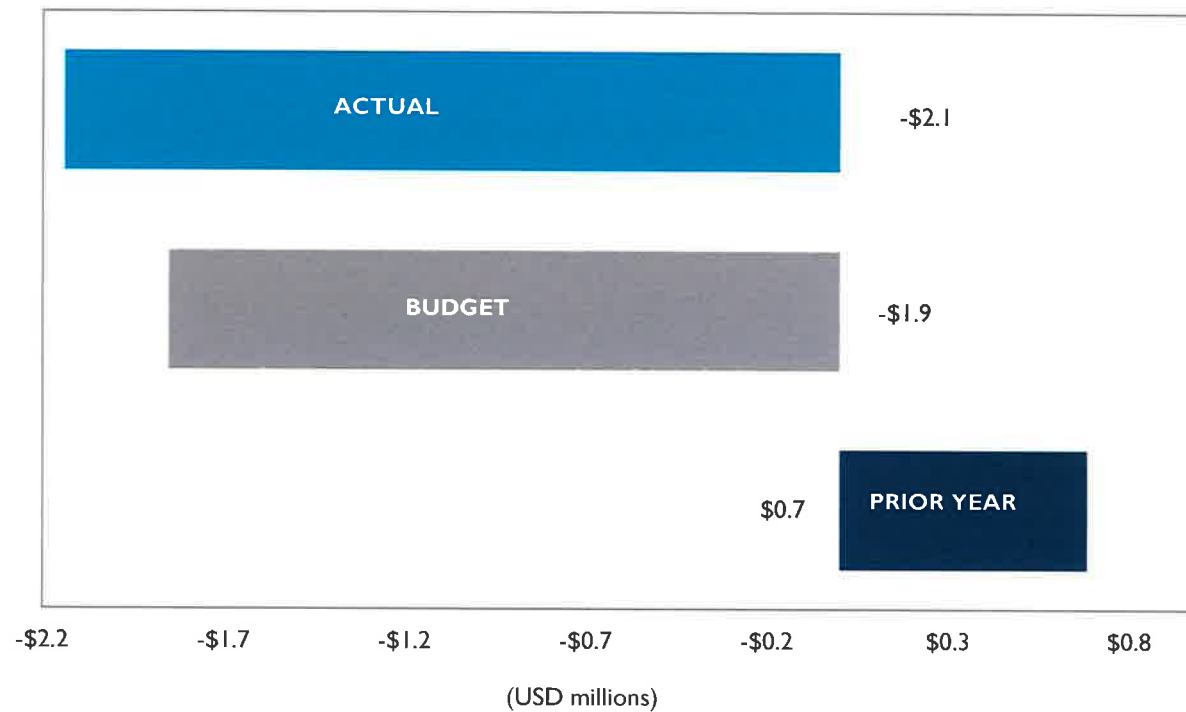
THE PORT OF  
VIRGINIA

Stewards of Tomorrow

# OPERATING INCOME (LOSS):

## For the Month Ended September 30, 2018

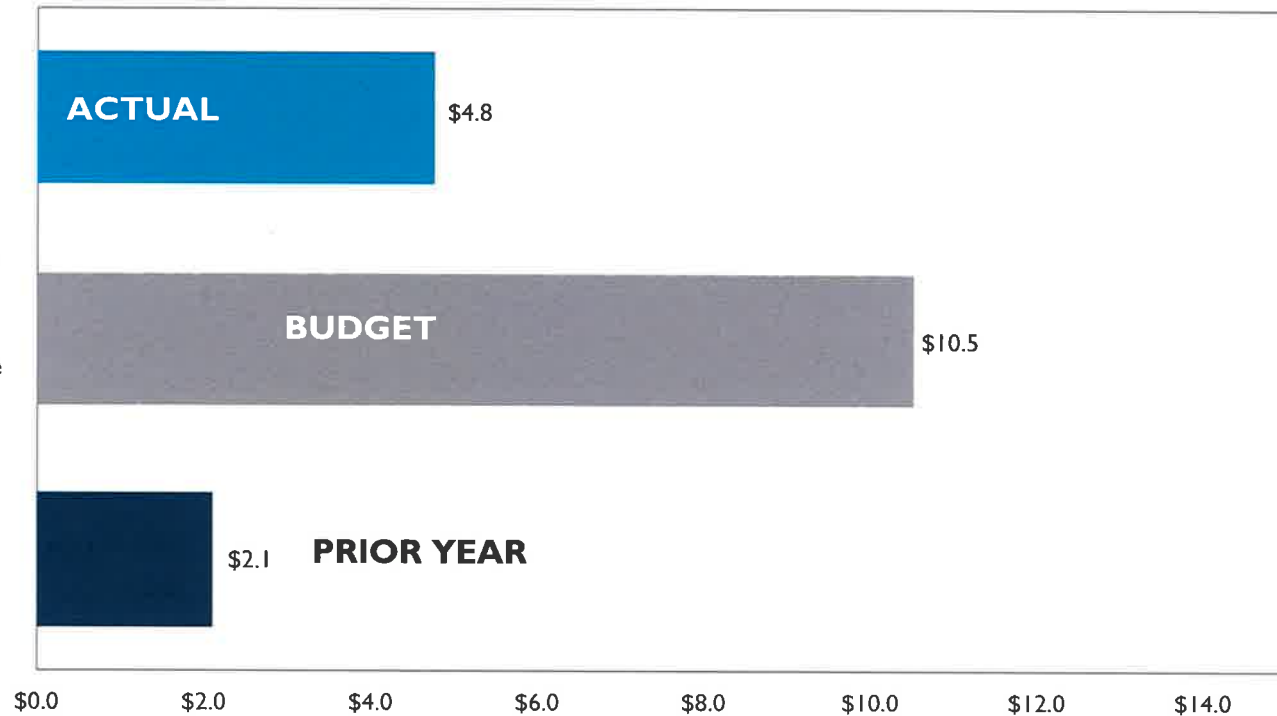
**NOTE:** For purposes of comparability, the lease amortization and lease interest have been replaced with the full lease payment for Actual, Budget and Prior Year.



# CHANGE IN NET POSITION:

For the Month Ended September 30, 2018

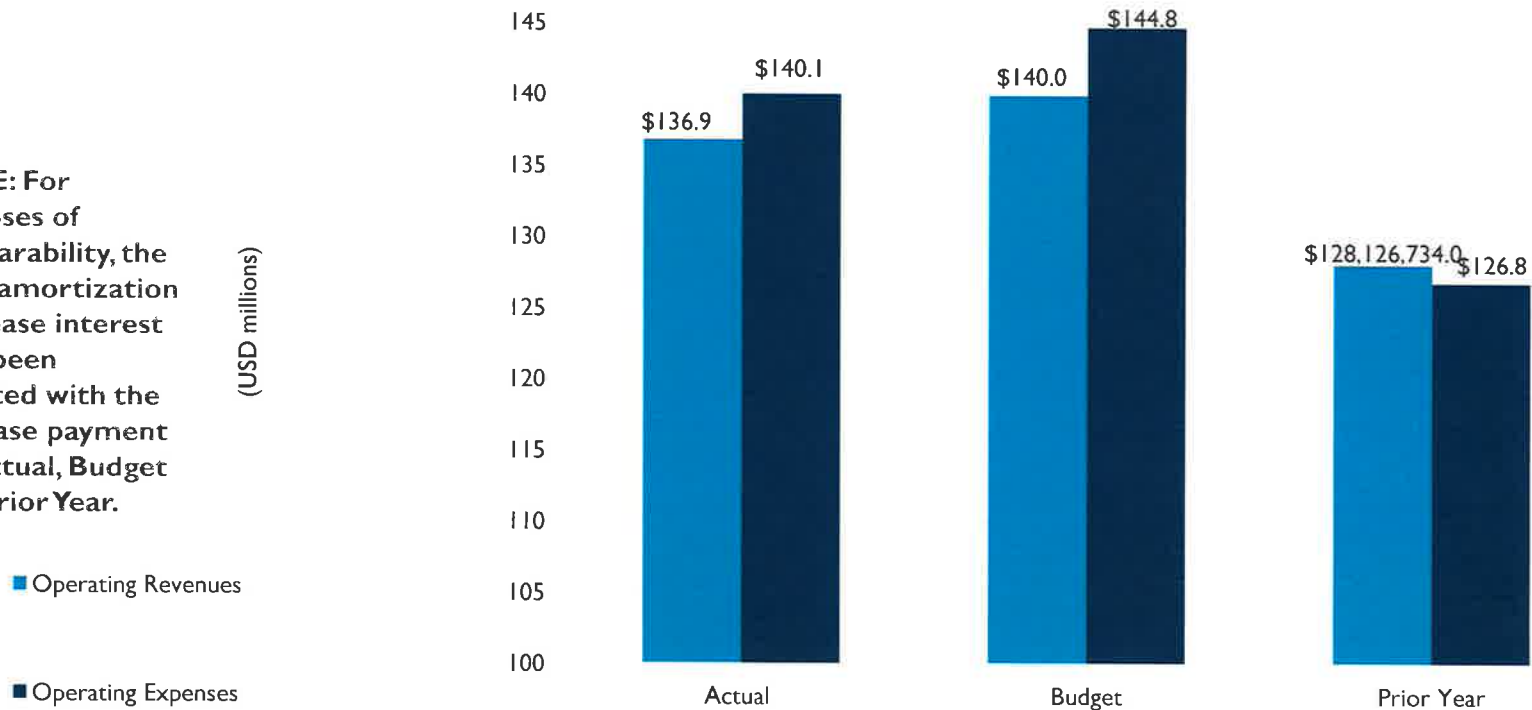
**NOTE:** For purposes of comparability, the lease amortization and lease interest have been replaced with the full lease payment for Actual, Budget and Prior Year.



# OPERATING REVENUES AND EXPENSES:

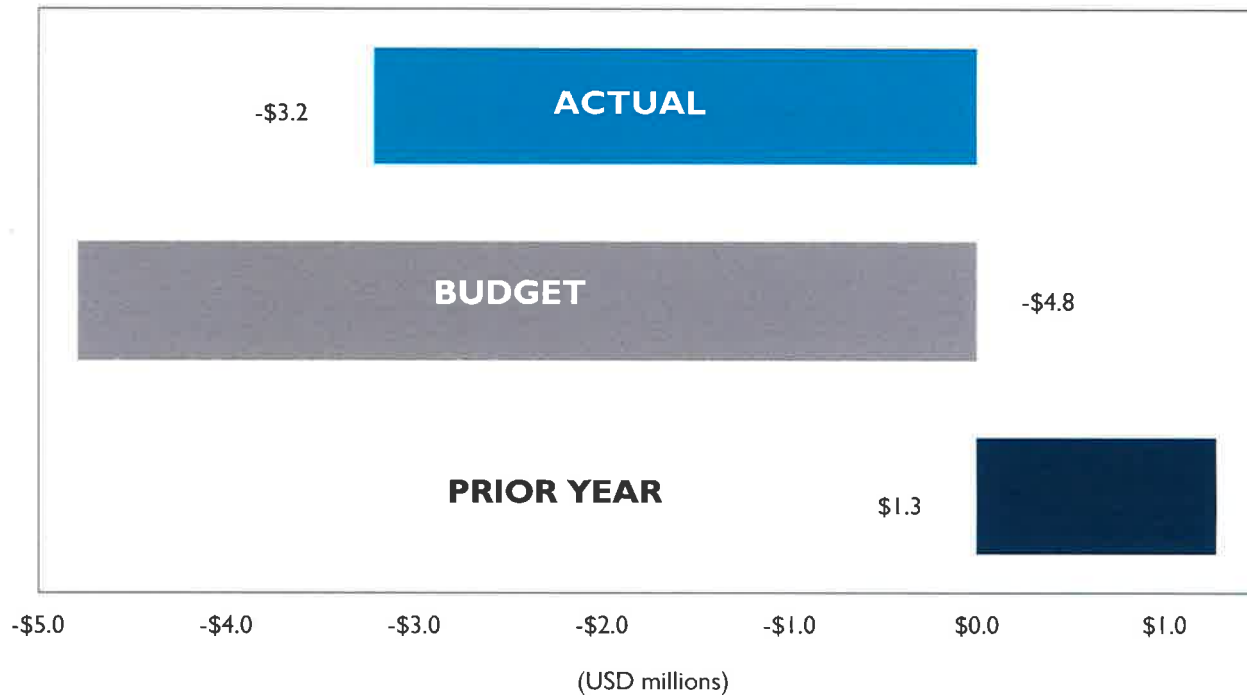
## For the Three Months Ended September 30, 2018

**NOTE:** For purposes of comparability, the lease amortization and lease interest have been replaced with the full lease payment for **Actual, Budget and Prior Year**.



## OPERATING INCOME (LOSS): For the Three Months Ended September 30, 2018

**NOTE:** For purposes of comparability, the lease amortization and lease interest have been replaced with the full lease payment for Actual, Budget and Prior Year.



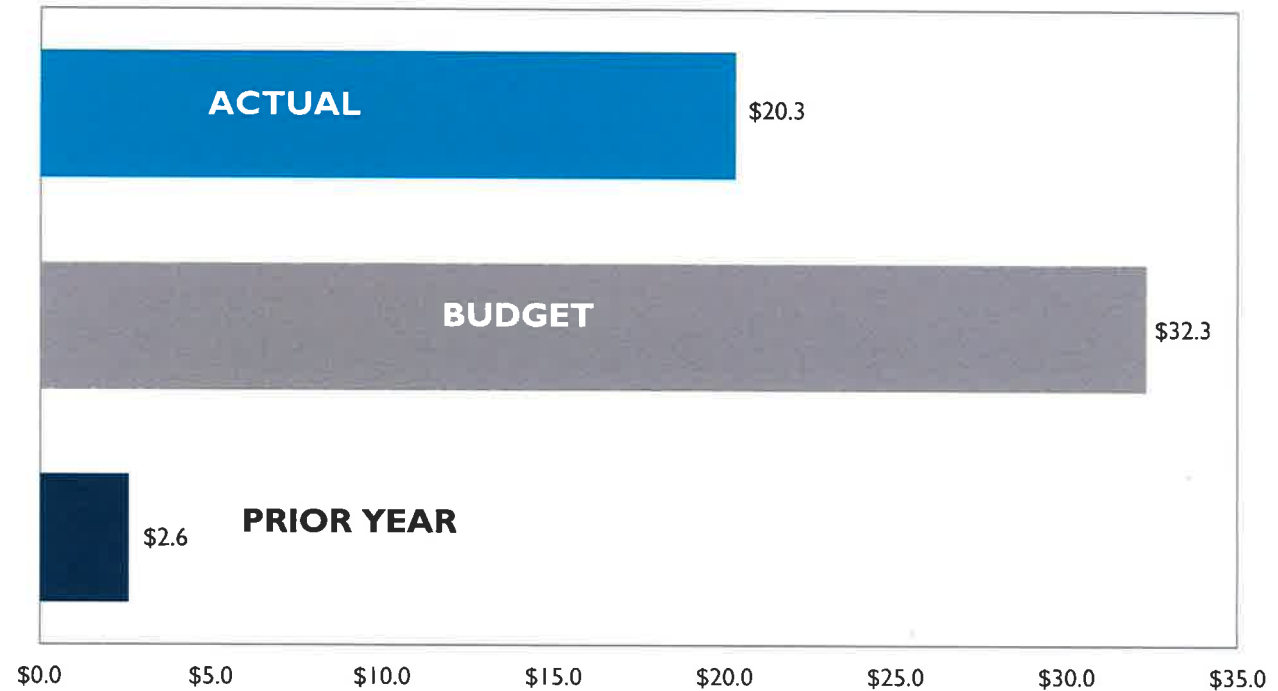
**THE PORT OF  
VIRGINIA**

*Stewards of Tomorrow*

# CHANGE IN NET POSITION:

## For the Three Months Ended September 30, 2018

NOTE: For purposes of comparability, the lease amortization and lease interest have been replaced with the full lease payment for Actual, Budget and Prior Year.





# POV VOLUMES – FYTD JULY-OCT 2018

	FY 2018	FY 2019	Change	% Change
<b>Total TEUs</b>	<b>978,140</b>	<b>1,003,392</b>	<b>25,253</b>	<b>2.6%</b>
Export Loaded TEUs	315,677	315,530	(147)	0.0%
Export Empty TEUs	197,945	208,495	10,550	5.3%
Import Loaded TEUs	457,194	473,831	16,636	3.6%
Import Empty TEUs	7,324	5,537	(1,786)	-24.4%
<b>Total Containers</b>	<b>555,567</b>	<b>565,924</b>	<b>10,357</b>	<b>1.9%</b>
<b>General Cargo Tonnage</b>	<b>7,199,099</b>	<b>7,316,135</b>	<b>117,036</b>	<b>1.6%</b>
Container Tonnage	7,141,403	7,255,528	114,125	1.6%
Breakbulk Tonnage	57,696	60,607	2,911	5.0%
<b>Total Rail Containers</b>	<b>191,611</b>	<b>193,945</b>	<b>2,334</b>	<b>1.2%</b>
VIP Containers	12,597	14,679	2,082	16.5%
<b>Total Barge Containers</b>	<b>16,763</b>	<b>18,487</b>	<b>1,724</b>	<b>10.3%</b>
RMT Containers	7,853	11,716	3,863	49.2%
<b>Total Truck Containers</b>	<b>347,193</b>	<b>353,492</b>	<b>6,299</b>	<b>1.8%</b>
<b>Ship Calls</b>	<b>589</b>	<b>561</b>	<b>(28)</b>	<b>-4.8%</b>
<b>Vehicle Units</b>	<b>10,715</b>	<b>7,381</b>	<b>(3,334)</b>	<b>-31.1%</b>