

## **MINUTES**

### **MEETING - Board of Commissioners - Session 379**

Virginia Port Authority  
600 World Trade Center  
Norfolk, Virginia  
May 23, 2017

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The Board of Commissioners ("Board") of the Virginia Port Authority ("VPA") held its regular public session meeting on May 23, 2017, in the 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  
John N. Pullen, Vice Chairman  
Jennifer D. Aument  
J. William Cofer  
Alan A. Diamonstein  
Manju S. Ganeriwala, State Treasurer  
Gary T. McCollum  
Val S. McWhorter  
Stephen Moret  
Deborah C. Waters  
F. Blair Wimbush  
Faith B. Power (non-voting member)

Absent:

Kim Scheeler (non-voting member)

VPA Staff:

John F. Reinhart, CEO and Executive Director  
James Bibbs, Chief Human Resources Officer  
Rodney W. Oliver, Chief Financial Officer  
Joseph P. Ruddy, Chief Innovation Officer  
Cathie Vick, Chief Public Affairs Officer  
James W. Noel, III, General Counsel  
Russell Held, Senior Vice President, Business Development  
Matthew Barnes-Smith, Vice President, Strategic Planning & Analytics  
Jay Stecher, Vice President, Marketing & Communications  
Joe Harris, Senior Director, Media Relations  
David James, Senior Director, Contracts & Real Estate

VPA Staff (continued):

Al Collado, Senior Director, Procurement  
Andrew Sinclair, Director, Federal Government Affairs  
Chris Gullickson, Economic Development Manager  
Ron Toran, Manager, Organizational Development  
Melissa Katz, Graphic Designer  
Lisa Nelson, Executive Administrative Assistant  
Debra J. McNulty, Secretary to the Board

Virginia International Terminals, LLC (VIT) Staff:

Shawn Tibbetts, Chief Operations Officer  
Thomas D. Capozzi, Chief Sales Officer

Guests:

The Hon. Aubrey L. Layne, Jr., Secretary of Transportation  
Stephen Cobb, Deputy Attorney General-Transportation Division  
W. Brice Fiske, Assistant Attorney General-Transportation Division  
JoAnne Carter, PFM Group (VPA Financial Advisor)  
Bryant McGann, Vandeventer Black LLP  
Arthur W. Moye, Jr., Virginia Maritime Association  
David White, Virginia Maritime Association  
Marjorie Jackson, Elizabeth River Project  
Charles V. McPhillips, Friends of Elizabeth River Trail (Kaufman & Canoles)  
Charlie Farlow, Town of Cape Charles  
Brent Manuel, Town of Cape Charles  
Stephen Lynch, City of Hampton  
Susan Borland, City of Hampton  
Florence Kingston, City of Newport News  
Doreen Kopacz, City of Newport News  
Andria P. McClellan, City of Norfolk  
Dave Callis, City of Poquoson  
Charity Gavaza, City of Poquoson  
L. Pettis Patton, City of Portsmouth

Media

Robert McCabe, *The Virginian-Pilot*

Mr. Ruddy conducted the safety briefing at this time. Mr. Harris then introduced guests in attendance.

## **I. Approval of Minutes**

**Action:** At the request of Chairman Milliken, the Board unanimously approved the minutes of the meeting held March 28, 2017, as circulated.

## **II. Presentation – Aid to Local Ports Grant Projects and Awards for FY2018**

Chairman Milliken welcomed representatives from the localities of the Eastern Shore, Southside, and Peninsula who were in attendance for the presentation of Aid to Local Ports (ALP) grants. The Chairman turned the meeting over to Mr. Gullickson at this time.

Mr. Gullickson announced that a request was received yesterday from the City of Poquoson to carry-over \$51,000 in FY17 funds and that the information was included in the materials and in the revised Resolution 17-6.

Mr. Gullickson referred to the attached spreadsheet and announced that there were 13 communities that requested over \$3 million in grant funds with only \$1 million available to be allocated. He reported there was also \$1.17 million in carry-over fund requests. Mr. Gullickson briefly explained the projects from each community that were approved for funding.

Mr. Diamonstein expressed his approval of the projects and congratulated the team on their decisions. Secretary Layne said he was pleased to see so many projects approved for grant funds and he talked about VDOT's enhancement programs that are also benefiting communities.

**Action:** Upon motion by Mr. Diamonstein, seconded by Mr. Wimbush, the VPA Board adopted Resolution 17-6 (11-0) authorizing Aid to Local Ports Funding (FY18) totaling an estimated \$1,020,063 to the City of Hampton, City of Newport News, City of Norfolk, City of Poquoson, City of Portsmouth, City of Richmond, County of Northampton, and the Town of Wachapreague.

## **III. 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 session to discuss a confidential personnel matter and he advised that there was no action taken.

The Chairman appointed the following commissioners to a Nominating Committee for the selection of board officers that will take place at the annual meeting of the VPA Board scheduled for July 25:

Val S. McWhorter, Chair  
F. Blair Wimbush  
Faith B. Power

**B. Finance and Audit Committee – Gary T. McCollum, Committee Chair**

Mr. McCollum reported that the Finance and Audit Committee met yesterday afternoon and received presentations from management on the fiscal year-to-date 2017 financial results through March, the fiscal year 2018 budget, a SWaM business update (Small, Women-owned, and Minority), The Port of Virginia compliance program, and an update on certain legal matters.

Mr. McCollum reported that the Committee received a presentation on the draft consolidated FY18 Budget which was an update from the draft budget that was presented to the Committee on May 8<sup>th</sup>. He then turned the meeting over to Mr. Oliver for the financial reporting.

Mr. Oliver announced that the Government Finance Officers Association recently awarded the Virginia Port Authority with the Certificate of Achievement for Excellence in Financial Reporting for its 2016 comprehensive annual financial report (CAFR).

Mr. Oliver first reviewed VPA and Virginia International Terminals LLC (VIT) combined financial reports for the month ended March 31, 2017. He reported that operating expenses were higher than budget and prior year due to higher volumes. Operating income for the month of March was reported at \$343,000. Mr. Oliver explained that the change in net position was significantly ahead of budget and prior year at \$26.4 million which included a portion of the state's \$350 million investment in NIT South (\$22 million received in March).

Mr. Oliver presented the financials for the nine months ended March 31, 2017 (FYTD17 July-March). He reported that POV is seeing significant growth throughout the year which is driving revenues resulting in a \$9 million operating income for FYTD and a change in net position of \$87.6 million (includes \$48 million received to date for NIT South).

Mr. Oliver then presented the Virginia Port Authority Consolidated FY18 Annual Budget and reviewed the Executive Summary which provided a breakdown of forecasted operating revenues, expenses, income, and increase in net position. Mr. Oliver reported that there will be a significant amount of volume going through PMT which will impact operations but will enable POV to flow cargo while under construction at NIT South and VIG.

Mr. Oliver reviewed capital budget projects and sources of funds for FY18 and concluded with a report on debt service coverage. He explained that there are three tests for debt coverage that is required by the rating agencies and he reported that VPA should be significantly ahead of the requirement and ahead of expectations that were laid out in the Consulting Engineer's report of November 2016. Mr. Oliver stated that "we have a very good story to tell to the rating agencies".

Mr. McCollum reported that the Finance and Audit Committee approved the FY18 budget yesterday and he presented Resolution 17-7, for approval by the Board at this time.

**Action:** Upon motion by Mr. McCollum, seconded by Mr. Diamonstein, the VPA Board adopted Resolution 17-7 (11-0), approving the VPA FY18 Consolidated Annual Budget for the year beginning July 1, 2017 and ending June 30, 2018.

Copies of Mr. Oliver's presentations are attached.

Secretary Layne recommended that staff review the President's budget to make sure the Army Corps is not impacted. Mr. Oliver assured the Secretary that staff looked at Federal funding for capital projects and was very conservative with FY18 budget projections.

Chairman Milliken remarked that this is the first significant year of a very complex construction program with expected increases in volume and expenses. He mentioned how PMT will be handling a much larger share of the burden than in the past due to the shifting of cargo during construction at NIT South and VIG. The Chairman expressed confidence in the team and in the FY18 budget forecast.

Ms. Aument also commended the team for their focus on customer service.

Mr. Reinhart thanked the Board for their guidance and congratulated the team for their work on the FY18 budget. Secretary Layne mentioned the importance of keeping a historical financial record of the construction projects for future years.

In conclusion, Mr. McCollum reported that the Finance and Audit Committee also heard from the legal division. He remarked that The Port of Virginia's mission to positively impact economic development and growth for the Commonwealth includes efforts to lead the VPA's SWaM initiative toward increased participation. Mr. McCollum reported that the Committee discussed past, current, and expected SWaM numbers as a percentage of the VPA's discretionary income, and management's plan to proactively and strategically target opportunities for improvement.

Mr. McCollum advised that management also discussed efforts to enhance the Port's existing compliance program along with details on the associated roll-out.

**C. Growth and Operations Committee – Alan A. Diamonstein,  
Committee Chair**

**Safety/Operations Report – Shawn Tibbetts, Chief Operations Officer**

Mr. Diamonstein reported that the Growth and Operations Committee heard from Travis Hill, Vice President, Container Operations, who provided a safety report that reflected an 11% improvement rate from FY16 and 30% from FY15. Mr. Diamonstein reported that the Committee heard an operational update on PMT; discussed current events that included the arrival of the COSCO Development, peak season and gate hours, empty container inventory, and the drop-lot services. He advised that Mr. Hill reviewed service level updates that included rail traffic and gate productivity. Mr. Diamonstein turned the meeting over to Mr. Tibbetts for an update on operations at this time.

Mr. Tibbetts reviewed the Lost Work Days (LWD) metrics as reported by Mr. Diamonstein.

Mr. Tibbetts reported rail vs. gate/barge volumes and rail volumes throughout the port. He advised that NIT rail was slightly down in April due to the transition of services to PMT in preparation for the construction at NIT South. With regard to gate turn times, Mr. Tibbetts reported that NIT performance has improved since January and he commended the operations team. Mr. Tibbetts described the expanded gate hours that were implemented at VIG and reported that a significant amount of transactions occur between 3:00-6:00 a.m. He reported that PMT was recently changed from 8:00 a.m. to a 6:00 a.m. start time to accommodate increased traffic at the terminal. Mr. Tibbetts reported that two RTG cranes were recently moved to PMT from NIT.

Secretary Layne commented on the benefits of the Port's expanded gate hours which he said have had a positive effect on Hampton Roads rush-hour traffic. He commended POV and said that the service could be a model for other states. Mr. Tibbetts explained how on-dock rail is also contributing to traffic relief as will ProPass and the truck reservation system.

Mr. Tibbetts concluded with the net crane moves per hour report. He reported that there are more assets coming online at PMT to handle the increase in cargo and he credited our partnership with the ship lines and other entities to ensure we get best practices and best stowage for our customers.

**Sales Report - Thomas D. Capozzi, Chief Sales Officer**

Mr. Diamonstein announced that the Growth and Operations Committee heard from Mr. Capozzi, who provided an update on transatlantic service changes, contract updates, and port rankings, and an update on the Port's confidential Strategic Growth Plan. Mr. Diamonstein reported that the Committee also heard from Dave Harriss, Director, Breakbulk Sales & Services, who provided an update on break-bulk activities.

Mr. Capozzi provided a fiscal year update (July-April) in each of the volumes areas indicated on the attached POV Statistics breakdown.

Mr. Reinhart remarked that it was encouraging to see our import loads up 11% year-to-date and our export loads up 7.5% which is all paid freight and he stated that POV is getting the "lion's share" which bodes well for the constructions plans that are in place. He also talked about POV's increased rail business as a result of our reach to Midwest markets.

(Mr. Reinhart mentioned that the numbers in the statistical slide would be enlarged for the next meeting.)

Secretary Layne talked about the increase in rail and also commended the team on the strategic planning and operational performance.

Mr. Diamonstein expressed concern with the reduction in breakbulk. Mr. Capozzi explained how the sales team changed strategies in order to pursue higher revenue business in place of paper and rubber which are low margin commodities. (Ex: wind blades at PMT)

Mr. Reinhart talked about the regular service patterns that POV can expect from 13,000+ TEU vessels and he announced that, in addition to the COSCO Development that arrived on May 8<sup>th</sup>, two OOCL vessels are scheduled to call VIG over the next couple of weeks.

Mr. Capozzi provided a breakdown of cargo movements that resulted in 6.6% growth FYTD 2017. He described the recent Breakbulk Europe conference that was sponsored by POV, Virginia Maritime Association/Hampton Roads Shipping Association. He also talked about the increase in steel movement, vehicles, power generators, and wind mills.

Mr. Capozzi described opportunities for plastic resin cargo and he advised that suppliers are looking at East Coast ports. He concluded with a report on the top US East Coast ports for Asia Trade, with Norfolk in first place (source: BlueWater Reporting).

A discussion ensued with regard to alliance changes and first-in/first-out services calling The Port of Virginia.

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

Mr. Diamonstein reported that the Growth and Operations Committee also heard from Rich Ceci, Sr. Vice President of Technology and Projects who reviewed progress on major port projects and equipment updates that includes today's request for Board approval to purchase 16 hybrid shuttle trucks for the VIG Phase II expansion. Mr. Diamonstein further mentioned that Mr. Ceci also provided an update on timelines for the expansions at NIT and VIG. The Committee also heard from Mark Thorsen, Chief Information Officer, who spoke on The Port of Virginia's Cyber Plan and the work of the Cyber Security Oversight Committee and Cyber Team.

Mr. Diamonstein turned the meeting over to Mr. Ruddy for an update on projects within his division.

Mr. Ruddy reviewed projects and announced that they are being delivered on-time and on-budget, with the exception of the NIT PDS (positional detection system) project which is on hold.

Mr. Ruddy described progress on the VIG stack yard, wharf extension, and rail yard. He announced that the NIT North Gate project will be delivered on time for truck traffic by June 30, 2017. He presented photos depicting progress from March through May.

Chairman Milliken asked Mr. Ruddy to describe how the North Gate and I-564 connector, when completed, will affect traffic on Hampton Boulevard. Mr. Ruddy explained how the RFID tracking system will be mandatory to access the automated gate and he advised that the new entrance to the terminal will alleviate truck traffic going through the streets of Norfolk. Mr. Reinhart noted that the Secretary had reported that the I-564 ramps to NIT are projected to open by December 2017, which could result in a significant amount of trucks off of Hampton Boulevard. He mentioned that those statistics would be provided to the Board at a future meeting.

Mr. Reinhart announced that a ribbon-cutting ceremony is planned for the NIT North Gate opening the end of June. (The event has been scheduled for Monday, June 26<sup>th</sup>, at 9:00 a.m.)

Mr. Ruddy continued with project updates on South NIT, the N4 conversion, Pro Pass-RFID tag replacement, and the truck reservation system. With regard to South NIT, Mr. Ruddy reported that 100% design of the project is due June 1<sup>st</sup> in order for the project



team to begin the bid packaging and mobilization for construction scheduled for September 1<sup>st</sup>. He reported that the N4 upgrade at NIT is scheduled to go-live June 15-17, and will be done in collaboration with operations and finance. The go-live for N4 at VIG is anticipated in January 2018.

Mr. Ruddy reported that the RFID project is scheduled for later in 2017 with a phased approach with our motor carrier partners as new technology comes online. The truck reservation system is in addition to the RFID tag. Mr. Ruddy explained that POV has organized a testing group of about 20 truckers to test several phases of the system and Mr. Ceci is meeting with the Truckers Association (tonight) to discuss implementation of the technology.

Mr. Ruddy reviewed timelines for the 18-month horizon and 3-year horizon for the expansion projects at South NIT and VIG.

Mr. Reinhart announced that there has been an acceleration of the first six stacks at VIG which are scheduled to go-live in April/May 2018 and he spoke on the importance of safety and the environmental benefits of the technology.

At this time, Mr. Ruddy presented Resolution 17-8, and explained that the intended purchase of 16 hybrid shuttle trucks would be deployed at VIG II, as recommended by the Project Team and Steering Committee.

**Action:** Upon motion by Mr. Diamonstein, seconded by Mr. Wimbush, the VPA Board approved Resolution 17-8 (11-0) authorizing the Virginia Port Authority to enter into a contract for the acquisition of shuttle trucks for Virginia International Gateway.

**V. Report by Chief Human Resources Officer – James Bibbs**

Mr. Bibbs reported that the Colleague Engagement Survey sent out on April 3<sup>rd</sup> resulted in a 97.4% completion rate on May 2<sup>nd</sup>. He announced that POV completed internship interviews resulting in 12 offers extended and accepted. The Intern Leader Orientation will be conducted during the week of May 15<sup>th</sup> and internships begin work on June 8<sup>th</sup>.

Mr. Bibbs explained the process for year-end performance reviews that are scheduled to begin in July and administered through the ADP system.

Mr. Bibbs reviewed FYTD17 recruitment metrics and training metrics for The Port of Virginia, and he announced that POV expects internal training to increase with the hiring of POV's new Manager, Organizational Development and Talent Management, Mr. Ron Toran.

Mr. Bibbs described the ADP migration project that involves consolidating VPA, VIT, and HRCP colleagues under one HRIS and payroll system. He reported that Phase I was completed on April 28<sup>th</sup>, with the first pay checks issued in the new system and that the Phase II estimated completion date is May 19<sup>th</sup>. Mr. Bibbs advised that, after a successful pilot program, additional time clocks were ordered for Facility and Vehicle Maintenance Departments to improve accuracy and productivity.

With regard to the engagement survey, Mr. McCollum asked if there were any consistent themes from last year and if there was an action plan implemented. Mr. Reinhart advised that the data had not been compiled to date, however, an action plan will be reported at the July board meeting.

Mr. McWhorter asked if the internship program was being used as a recruitment tool. Mr. Bibbs explained that POV has hired approximately 3-5 interns since the program began. He added that over 100 applications were received for 12 intern positions for this summer.

Ms. Power asked if the community colleges are included and Mr. Bibbs advised that POV will be implementing a program in the operations and maintenance divisions to bring in students from the community colleges.

Mr. Toran was introduced at this time to review the Organizational Development (OD) Model.

Mr. Toran announced that a lot of work had been done in the areas of coaching and preparing for the coming year. He described the three core development areas within the OD Model – leadership, professional, and technical development – as they relate to developing the port's human capital for sustainability of the organization. Mr. Toran explained that any development which takes place at the port will tie in with the Culture Alignment as demonstrated on the slide. Ms. Power asked about measurements for emotional development. Mr. Toran mentioned that the Kilpatrick's measurement would be used. He also noted the 360 program and behavioral assessment tools that would include progress assessment.

## **VI. Report by Chief Public Affairs Officer – Cathie Vick**

Ms. Vick announced that ports fared well in the Omnibus bill that recently passed through Congress that included increases for the U.S. Army Corps, Harbor Maintenance Tax, and donor and energy ports.

Ms. Vick reported on several port security grants that have been funded which include the Marine Highway Program, DERA (Diesel Emissions Reduction Act), and TIGER (Transportation

Investment Generating Economic Recovery). She noted that the Port is currently working on intelligent transportation system grants for the automated gates and Pro Pass projects.

Ms. Vick announced that the Port, along with Commissioner Kim Scheeler, hosted Senator Kaine at Richmond Marine Terminal and she reported on several upcoming legislative meetings that are scheduled for June.

Ms. Vick described the quarterly legislative update that is produced by MARCOM and that this month's focus will be on the need for the 55-foot harbor deepening featuring Commissioner (Capt.) Cofer in the video.

The following fiscal year-to-date 2017 economic development statistics were reviewed by Ms. Vick:

- 32 Announcements
- 3,494 Jobs
- Over \$708 Million Invested
- More than 2,512,000 Sq. Feet of Space

Ms. Vick reported several economic development announcements that were released since the last Board meeting – Amazon (Frederick County); Hershey (Stuarts Draft); and Phoenix Packing Operations (Pulaski County).

Mr. Reinhart and Mr. Moret both spoke of the dual memberships on the VPA Board and Virginia Economic Development Partnership (VEDP) Board. Effective July 1, Mr. Reinhart will be a member of the VEDP Board. Mr. Moret announced that Ms. Vick will also serve on the Strategic Planning Committee and he was encouraged that the close relationship between VPA and VEDP would bring more business to the Commonwealth.

Ms. Vick reported that Site Selectors, along with VEDP representatives, visited the port last month and toured manufacturing sites in the region and held work-force development discussions.

Ms. Vick reviewed some of the earned media coverage and messaging leading up to the arrival of the COSCO Development and she provided some statistics from April 10-May 12. She mentioned that Mr. Rich Ceci, POV's Senior Vice President of Technology and Projects, has authored an article on automation.

Ms. Vick described some of the new technology that was implemented by the MARCOM division that include a new reality application that will bring the port to our customers, a PR measurement software, and a new customer insight tool to maintain proactive communication.

In conclusion, Ms. Vick reviewed some of the exercises and initiatives undertaken by POV's Maritime Incident Response Team (MIRT) and Emergency Operations – the 26<sup>th</sup> Annual Hampton Roads Marine Firefighting School and response/planning that involved a coordinated search for sunken Buoy 20 and cyber planning exercises.

Secretary Layne commended the team on their reports. The Secretary made the following announcements:

- VPA Board members, Faith Power and Kim Scheeler, would have voting rights effective July 1, 2017, according to new legislation
- The Governor will be appointing members to the Virginia International Trade Commission.
- Four VPA Board members are eligible for reappointment by the Governor (John Milliken, Alan Diamonstein, Gary McCollum, and Val McWhorter)
- The Port of Virginia will be participating in GoVirginia
- There is nothing in the Governor's budget that impacts the Port

Secretary Layne thanked the Board members on behalf of Governor McAuliffe, for their work over the last year.

Chairman Milliken asked Mr. McCollum if the Finance and Audit Committee could focus on the federal budget, grant programs, and funding relating to the Army Corps and Water Resources Development Act (WRDA) legislation, sometime between the July and November board meetings.

## **VII. Report by CEO/Executive Director - John F. Reinhart**

Mr. Reinhart reviewed the level of activity that has occurred since March, some of which have been reviewed today. He mentioned the following:

- Since April 1, The New Alliances were formed and networks implemented
- April 10, the East Coast Gateway Talking Agreement (ECGTA) was authorized by the Federal Maritime Commissioner which allows VPA and Georgia Ports Authority to meet and discuss all things operational (not costs)
- State of the Port presentations, in conjunction with VMA, were conducted in April resulting in the largest attendance in the history of the Port.
- POV hosted the Port Technology Conference, held in Norfolk
- Site Selectors visit
- The Port of Virginia nominations by Lloyd's List – "Port Operator of the Year" and "Deal of the Year"

- \$2.2 million in Aid to Local Ports Grant funds for localities, approved by the Board

Mr. Reinhart remarked that we are building awareness of the port and what we offer to the Commonwealth and strengthening our brand. He announced that our volumes, revenue, and operating results continue to trend positive; the construction projects are safely underway; and will be delivered on-time and on-budget.

Mr. Reinhart advised that the FY18 budget, approved by the Board, continues the “road map” for next year. He also mentioned the arrivals of the big ships (COSCO/OOCL) and the recognition of being a first-in and/or last-out port and that Virginia is a safe-harbor for the mega-ships.

Mr. Reinhart said we will go “deeper, wider, safer” and that is why Capt. Cofer is doing the legislative update on that topic. He announced that POV is operating safer than we have ever been and affirmed that zero LWDs is the goal. Mr. Reinhart stated that construction is underway and service levels and volumes are better than ever.

Completed the third year of an employee engagement survey and Mr. Reinhart confirmed that results would be shared with the Board in July.

In conclusion, Mr. Reinhart spoke to the momentum of The Port of Virginia and thanked the Board and the team for their efforts.

Chairman Milliken congratulated Mr. Reinhart and the team on a successful conclusion to FY2017.

#### **VIII. Unfinished Business**

There was no unfinished business to report.

#### **IX. New Business**

There was no new business to report at this time.

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

Following are the remaining 2017 meeting dates for the VPA Board of Commissioners Public Sessions (9:00 a.m. start time and subject to change):

July 25 (Annual Meeting – Election of Officers)  
September 26  
November 28

Committee meetings are scheduled on the Monday afternoon prior to Tuesday's Public Session.

There being no further business and no public comments, the meeting adjourned at 11:00 a.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Debra J. McMulty", with a long, sweeping horizontal line extending to the right.

Debra J. McMulty  
Secretary to the Board

**VIRGINIA PORT AUTHORITY  
RESOLUTION 17-6**

**A RESOLUTION AUTHORIZING AID TO LOCAL PORTS FUNDING (FY18) TOTALING AN ESTIMATED \$1,020,063 to the City of Hampton, City of Newport News, City of Norfolk, City of Poquoson, City of Portsmouth, City of Richmond, County of Northampton, and the Town of Wachapreague.**

**WHEREAS**, in September 1986, the Virginia General Assembly established the Commonwealth Port Fund in order to support port capital needs of all ocean, river or tributary ports within the Commonwealth; and

**WHEREAS**, the Board of Commissioners of the Virginia Port Authority adopted a Policy on Grants to Local Governments for Financial Assistance for Port Facilities (Aid to Local Ports Policy) on July 28, 1987, which Policy was last amended on November 18, 2014; and

**WHEREAS**, in accordance with the Aid to Local Ports Policy, the following entities have applied for grants for the purposes indicated;

**City of Hampton**, up to \$50,000 for repairs and maintenance to the Downtown Hampton Commercial Fishing Pier.

**City of Newport News**, up to \$404,627 for outer-harbor repairs and modifications at the Newport News Seafood Industrial Park.

**City of Norfolk**, up to \$82,500 for the construction of a kayak launch at Plum Point Park.

**City of Poquoson**, up to \$202,125 for a new breakwater at Messick Point.

**City of Portsmouth**, up to \$109,650 for construction of Portside and up to \$25,000 for construction of the River Academy at Paradise Creek Nature Park.

**City of Richmond**, up to \$81,848 for construction of a public restroom and pavilion area at the Intermediate Terminal.

**County of Northampton**, up to \$26,250 for repairs to the boat ramp at Morley's Wharf.

**Town of Wachapreage**, up to \$38,000 for maintenance at the Town Marina.

**NOW THEREFORE, BE IT RESOLVED** by the Board of Commissioners of the Virginia Port Authority that:

- I. Grants will be made in the individual amounts and for the purposes indicated above.

2. Funds will be made available following the approval of certified requisitions which are accompanied by supporting documentation provided to the Virginia Port Authority as provided for in the Aid to Local Ports Policy.
3. The grantees are required to return any unused funds from these grants to the Virginia Port Authority.
4. If, by June 30, 2018, the grants authorized herein have not been fully drawn upon, or the contracts covering the improvements for which the grants were made have not been entered into, the grants will lapse and will not be carried over to the next fiscal year.

**BE IT FURTHER RESOLVED** that:

The City of Norfolk requests to carryover until June 30, 2018, its previous balance estimated to be \$74,830.

The County of Accomack requests to carryover until June 30, 2018, its previous balance estimated to be \$300,000.

The County of Northampton requests to carryover until June 30, 2018, its previous balance estimated to be \$114,075.57.

The Town of Cape Charles requests to carryover until June 30, 2018, its previous balance estimated to be \$233,000.

The Town of Onancock requests to carryover until June 30, 2018, its previous balance estimated to be \$224,347.81.

The Town of Saxis requests to carryover until June 30, 2018, its previous balance estimated to be \$173,394.71.

The Town of Tangier requests to carryover until June 30, 2018, its previous balance estimated to be \$57,925.

The City of Poquoson requests to carryover until June 30, 2018, its previous balance estimated to be \$51,000.

**BE IT FURTHER RESOLVED** that carryover from the City of Chesapeake and County of Isle of Wight, estimated at \$20,063.05 will be reallocated to the Aid to Local Ports total funds for FY18.

**PASSED AND ADOPTED** this 23<sup>rd</sup> day of May, 2017.

  
John G. Milliken, Chairman

Attest:

  
Debra J. McMulty, Secretary



# March 2017 Financial Report

Rodney W. Oliver  
Chief Financial Officer



# Agenda

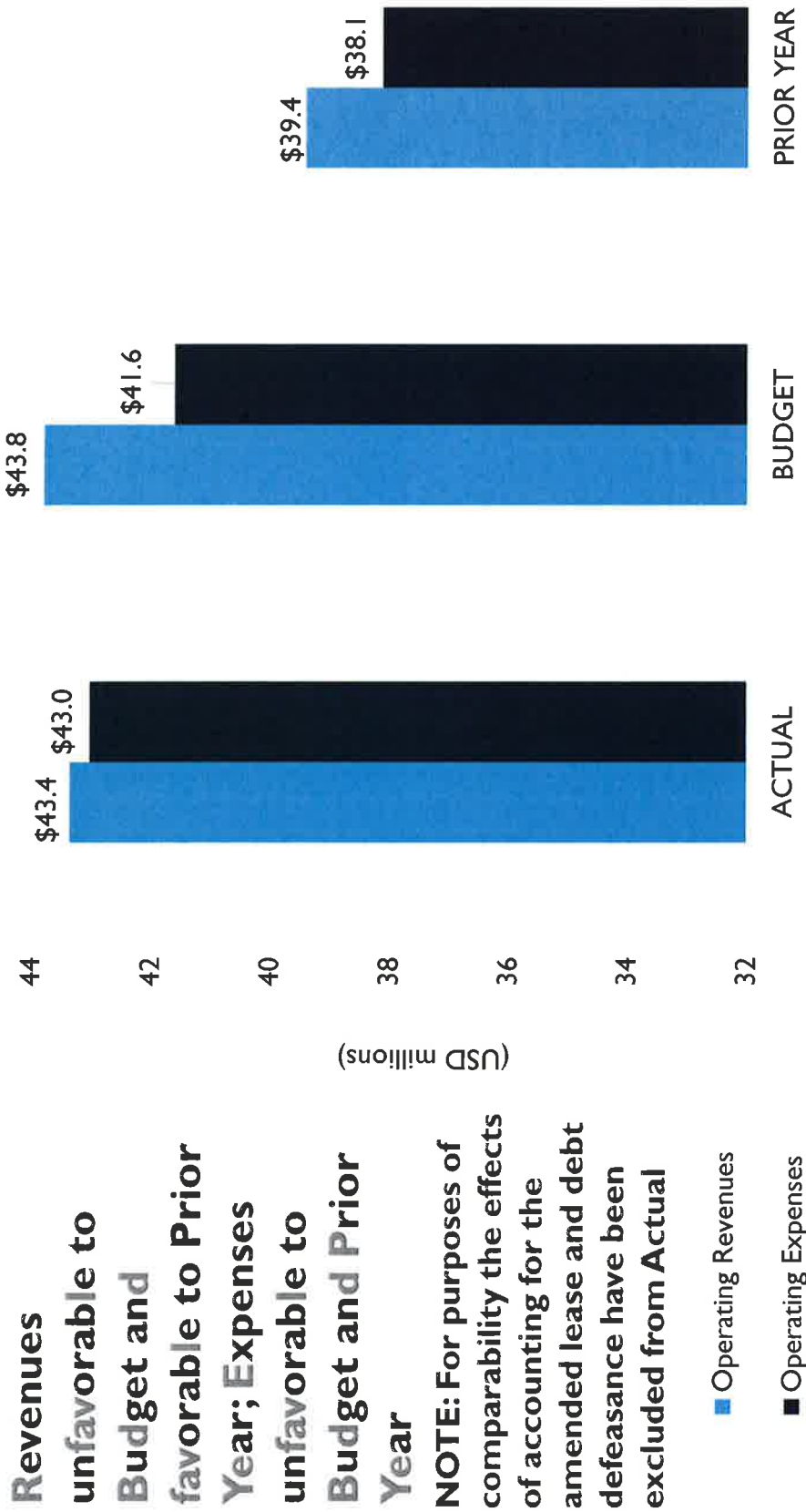
- March Results
- FY18 Budget
  - Executive Summary
  - Volume
  - Revenue
  - Expenses
  - Operating Income
  - Capital Outlay
  - Debt Service Coverage



# March Results

# OPERATING REVENUES AND EXPENSES:

## For the Month Ended March 31, 2017



**Revenues**  
unfavorable to  
**Budget and**  
favorable to Prior  
**Year; Expenses**  
unfavorable to  
**Budget and Prior**  
**Year**

**NOTE:** For purposes of comparability the effects of accounting for the amended lease and debt defeasance have been excluded from Actual



# OPERATING INCOME:

## For the Month Ended March 31, 2017

Unfavorable  
variances to  
Budget and  
Prior Year

ACTUAL  
\$0.3

NOTE: For purposes of comparability the effects of accounting for the amended lease and debt defeasance have been excluded from Actual

BUDGET  
\$2.2

PRIOR  
YEAR  
\$1.3

\$0.0 \$0.5 \$1.0 \$1.5 \$2.0 \$2.5  
(USD millions)

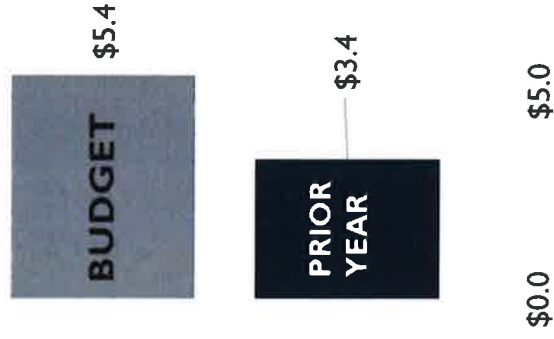
# CHANGE IN NET POSITION:

## For the Month Ended March 31, 2017

Favorable to  
Budget and  
Prior Year



**NOTE:** For purposes of comparability the effects of accounting for the amended lease and debt defeasance have been excluded from **Actual**



\$0.0 \$5.0 \$10.0 \$15.0 \$20.0 \$25.0 \$30.0

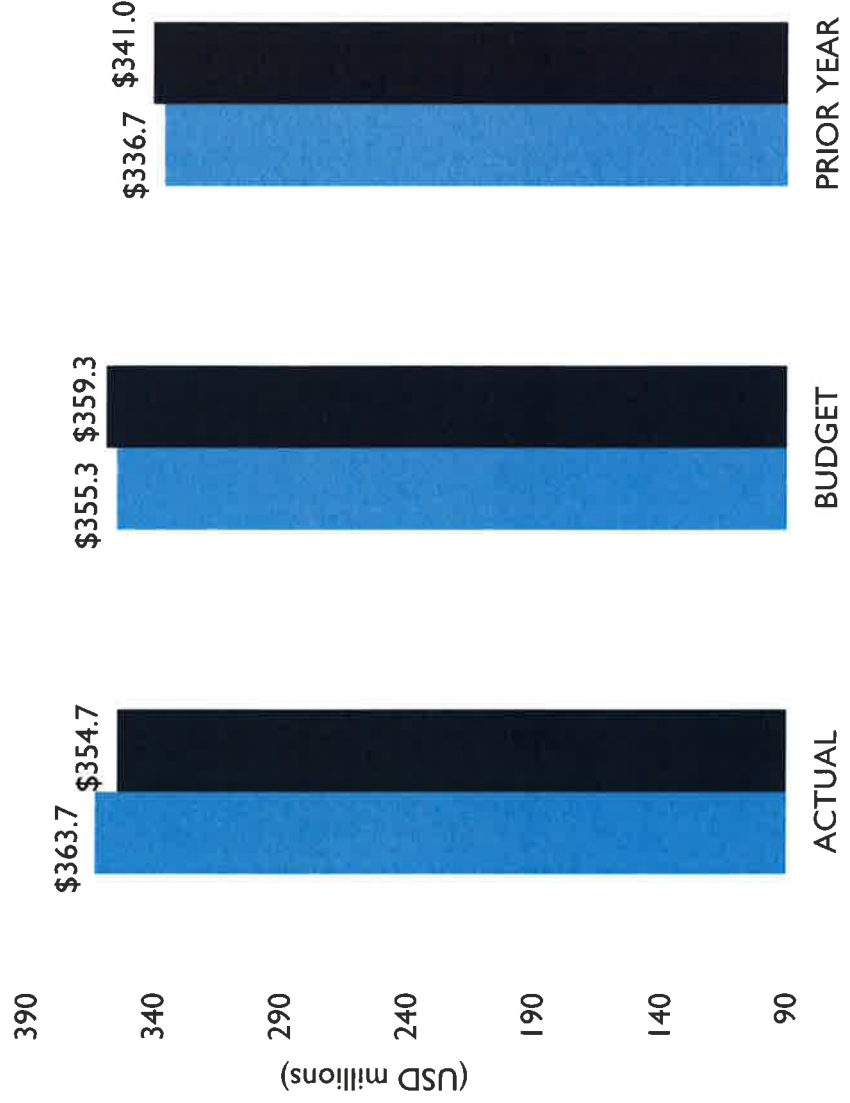
(USD millions)

# OPERATING REVENUES AND EXPENSES:

## For the Nine Months Ended March 31, 2017

**Revenues favorable to Budget and Prior Year**  
**Expenses unfavorable to Budget and favorable to Prior Year.**

**NOTE:** For purposes of comparability the effects of accounting for the amended lease and debt defeasance have been excluded from Actual



■ Operating Revenues

■ Operating Expenses

# OPERATING INCOME(LOSS):

## For the Nine Months Ended March 31, 2017

Positive  
Operating  
Income with  
favorable  
variances to  
Budget and  
Prior Year



**NOTE:** For purposes of comparability the effects of accounting for the amended lease and debt defeasance have been excluded from Actual

-\$5.0      \$0.0      \$5.0      \$10.0  
(USD millions)



# CHANGE IN NET POSITION:

## For the Nine Months Ended March, 31 2017



**NOTE:** For purposes of comparability the effects of accounting for the amended lease and debt defeasance have been excluded from Actual



# FY18 Budget

# Executive Summary

\$000's	Budget FY 2017	Forecast FY 2017	Budget FY 2018 (including lease)	Budget FY 2018
Operating Revenues	\$485,020	\$493,011	\$543,146	\$543,146
Operating Expenses	\$482,810	\$484,731	\$489,765	\$537,312
Operating Income	\$2,210	\$8,280	\$53,381	\$5,834
Increase Net Position	\$40,015	\$131,543	\$108,450	\$163,611

- 5.4% volume increase (from FY 2017 forecast)
- Operating Income of \$5.8 million
- \$164 million increase in net position
- \$38.3 million capital expenditure plan

# Volume

- Volume for FY 2018 is forecasted at 1,639,396 containers, an increase of 5.4% from an estimated 1,555,934 containers for FY 2017
- Developed based on U.S. and global economic conditions; forecast consistent with 2016 Consulting Engineer's Report
- Growth is expected for rail at 10.3%, barge at 4.1%, and truck at 2.4%

Terminal	Rail	Barge	Truck	Total
<b>NIT</b>	327,041	19,723	382,761	729,525
<b>PMT</b>	54,664	0	155,207	209,871
<b>VIG</b>	200,305	26,608	473,087	700,000
<b>Total</b>	<b>582,010</b>	<b>46,331</b>	<b>1,011,055</b>	<b>1,639,396</b>

# Revenue

\$000's	Budget FY 2017	Forecast FY 2017	Budget FY 2018
<b>Terminal Revenues</b>	\$469,040	\$481,677	\$531,053
<b>Other Revenues</b>	\$10,181	\$10,091	\$10,660
<b>Grants</b>	\$5,800	\$1,243	\$1,433
<b>Total Operating Revenue</b>	<b>\$485,020</b>	<b>\$493,011</b>	<b>\$543,146</b>

- Overall terminal operating revenue will increase by \$49.4 million or 10.3% from the FY2017 forecast
- Volume will increase by approximately 5.4%
- Schedule of Rates (SOR) will increase by 2.5%
- Includes all new ship line contracts negotiated in FY 2017 through March 31, 2017
- Includes increased stevedoring revenue due to increase in volume at PMT

# Expenses

\$000's	Budget FY 2017	Forecast FY 2017	Budget FY 2018
Terminal Operations	\$209,164	\$207,727	\$229,361
Terminal Maintenance	\$103,151	\$102,287	\$110,267
General & Administrative	\$59,708	\$59,031	\$64,977
Facility Rental	\$61,154	\$62,141	\$75,649
Depreciation	\$49,633	\$53,545	\$57,058
<b>Total Operating Expenses</b>	<b>\$482,810</b>	<b>\$484,731</b>	<b>\$537,312</b>

- Expenses are estimated to be \$537 million in FY 2018, or 10.8% higher than FY 2017 forecasted expenses
- \$229.4 million in costs are specific to terminal operations
- \$75.5 million in costs are specific to VIG rent excluding capital lease accounting



# Operating Income

- Operating income excluding lease accounting for FY 2018 for The Port of Virginia is budgeted at \$5.8 million, a decrease of \$2.4 million from the forecast for FY 2017 but an increase of \$3.6 million from the FY 2017 budget

# Capital Budget Projects

Item		Total Cost
Container handling equipment	\$	15,380,000
NIT South Entrance Channel and Berth Widening		7,000,000
N4 related		6,900,000
Acosta Build-Out		2,500,000
IT, excluding N4		1,707,500
PMT Dredging		1,600,000
VIG Portal Upgrades		750,000
Financial System Replacement (FY18 portion)		500,000
NNMT Racking system		260,000
Miscellaneous other		1,707,000
<b>Total</b>	<b>\$</b>	<b>38,304,500</b>



# Capital Budget Sources of Funds

Funding Source	Amount
MELP	\$ 13,000,000
VIT pay-as-you-go	10,942,500
CPF Bond	5,465,000
Grant funds	4,287,500
18245 (State \$350m)	2,500,000
Reserve Maintenance	1,547,000
Craney Bond	500,000
Security operating	62,500
<b>Total Sources</b>	<b>\$ 38,304,500</b>

# Debt Service Coverage

Debt Service Coverage	Forecasted 2017	CE Report 2017	Budgeted 2018	CE Report 2018
Agg Net Revenue Coverage (1.1x test)	2.48	1.76	1.47	1.27
Agg Adjusted Net Revenue Coverage (1.25x test)	2.76	2.04	1.70	1.42
Net Revenue Coverage (1.0x test)	2.18	1.66	1.24	1.19

**RESOLUTION 17-7**

**APPROVING VIRGINIA PORT AUTHORITY'S  
CONSOLIDATED ANNUAL BUDGET FOR FISCAL  
YEAR ENDING JUNE 30, 2018**

**WHEREAS**, the Chief Financial Officer of the Virginia Port Authority (the "Authority") has proposed the annual consolidated budget for the Authority for Fiscal Year Ending June 30, 2018 and has submitted same to the Board of Commissioners (the "Board") of the Authority; and

**WHEREAS**, the Chief Financial Officer has also made available to the Board such other information as the Board has reasonably requested in connection with the preparation of such annual budget.

**NOW, THEREFORE, BE IT RESOLVED** that the Board does hereby approve the Authority's annual consolidated budget for Fiscal Year Ending June 30, 2018.

**PASSED AND ADOPTED** this 23rd day of May, 2017.

  
\_\_\_\_\_  
John G. Milliken  
Chairman

Attest:

  
\_\_\_\_\_  
Debra J. McNulty, Clerk

# POV STATISTICS

Fiscal Year-to-Date: Jul - Apr FY 2017

	FY 2016	FY 2017	Change	% Change
<b>Total TEUs</b>	2,137,565	2,283,861	146,296	6.8%
Export Loaded TEUs	806,234	866,979	60,745	7.5%
Export Empty TEUs	365,867	350,253	(15,614)	-4.3%
Import Loaded TEUs	918,867	1,020,270	101,403	11.0%
Import Empty TEUs	46,598	46,360	(238)	-0.5%
<b>Total Containers</b>	1,211,977	1,291,817	79,840	6.6%
<b>General Cargo Tonnage</b>	16,371,707	18,137,538	1,765,831	10.8%
Container Tonnage	16,163,696	17,979,730	1,816,034	11.2%
Breakbulk Tonnage	208,012	157,808	(50,203)	-24.1%
<b>Total Rail Containers</b>	420,398	473,881	53,483	12.7%
VIP Containers	34,864	28,789	(6,075)	-17.4%
<b>Total Barge Containers</b>	35,421	38,828	3,407	9.6%
RMT Containers	13,861	19,092	5,231	37.7%
<b>Total Truck Containers</b>	756,158	779,108	22,950	3.0%
<b>Ship Calls</b>	1,683	1,510	(173)	-10.3%
<b>Vehicle Units</b>	31,513	29,098	(2,415)	-7.7%



THE PORT OF  
VIRGINIA

Stewards of Tomorrow

## **RESOLUTION 17-8**

### **RESOLUTION AUTHORIZING THE VIRGINIA PORT AUTHORITY TO ENTER INTO A CONTRACT FOR THE ACQUISITION OF SHUTTLE TRUCKS FOR VIRGINIA INTERNATIONAL GATEWAY**

#### **RECITALS:**

The Virginia Port Authority (the "Authority"), a body corporate and a political subdivision of the Commonwealth of Virginia, has been established pursuant to Chapter 10, Title 62.1 of the Code of Virginia of 1950, as amended (the "Act").

Pursuant to the Act, the Authority is empowered to rent, lease, buy, own, acquire, construct, reconstruct, and dispose of harbors, seaports, port facilities and such property, whether real or personal, as it may find necessary or convenient and issue revenue bonds therefore without pledging the faith and credit of the Commonwealth.

Pursuant to the Act, it is the duty of the Authority to foster and stimulate the commerce of the ports of the Commonwealth and related facilities by serving as the United States Eastern Seaboard gateway for the global import and export of freight throughout the world, to promote the shipment of freight through the maritime and inland ports, to seek to secure necessary improvements of navigable tidal waters within the Commonwealth, and in general to perform any act or function that may be useful in developing, improving, or increasing the commerce, both foreign and domestic, of all maritime and inland ports of the Commonwealth and related facilities.

In furtherance of this duty, the Authority intends to make significant capital improvements to Norfolk International Terminals ("NIT") and Virginia International Gateway ("VIG"). These improvements include the purchase of sixteen (16) hybrid shuttle trucks and associated spare parts (the "VIG SHUTTLE TRUCKS") to support terminal operations upon implementation of the ongoing VIG Phase II expansion project.

The VIG SHUTTLE TRUCKS will be owned by the Authority. The purchase of the VIG SHUTTLE TRUCKS was approved by the Project Governance Committee as part of the VIG Phase II expansion project, pursuant to the Amended and Restated Deed of Facilities Lease Agreement between the Authority and Virginia International Gateway, Inc. dated as of September 21, 2016, and the associated Construction Authority Agreement, the forms of which were approved by the Authority pursuant to its Resolution 16-8.

Pursuant to its Procurement Manual and the Construction Authority Agreement referenced above, the Authority issued a Request for Proposals ("RFP") for the VIG SHUTTLE TRUCKS, an option for the future purchase of Shuttle Trucks for NIT, and related equipment and systems. Upon evaluation of the proposals submitted in response to the RFP, it was determined that the proposal by Kalmar USA Inc. ("Kalmar") represented the best value to the VPA according to the criteria in the RFP. Subject to negotiation of final contract terms, the Authority intends to award a contract to Kalmar for the procurement of the VIG SHUTTLE TRUCKS. The contract for the VIG SHUTTLE TRUCKS shall provide for them to be delivered

and installed for a price up to U.S. \$16,000,000.00, which could fluctuate depending on the U.S. Dollar/Euro exchange rate on the date of contract execution.

The Board has determined that it is necessary and appropriate to delegate to the Executive Director the authority to negotiate and approve the terms of the contracts for the procurement of the VIG SHUTTLE TRUCKS from Kalmar (hereinafter the "Kalmar Contract") consistent with the foregoing Recitals.

**NOW THEREFORE, IT IS RESOLVED** by the Board of Commissioners of the Virginia Port Authority, as follows:

Section 1. Approval of Kalmar Contract. The execution and delivery of the Kalmar Contract by the Authority consistent with the foregoing Recitals are hereby authorized. The Board hereby authorizes the Executive Director to approve the form and content of, and to execute and deliver, the Kalmar Contract on behalf of the Authority. The execution of the Kalmar Contract by the Executive Director shall be conclusive evidence of the Authority's approval of the Kalmar Contract. The Board hereby authorizes the Executive Director to execute and deliver all ancillary documents which he deems necessary to further the intent of this Resolution.

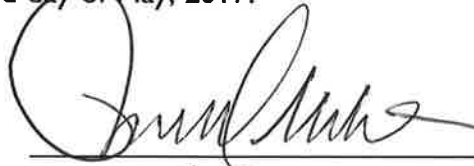
Section 2. Ratification; Further Action. All actions previously taken by the Commissioners, officers, and staff of the Authority in furtherance of the Kalmar Contract are hereby ratified and affirmed. The officers and employees of the Authority are hereby authorized to take such actions, and deliver such additional documents and certificates, as they may in their discretion deem necessary or proper in furtherance of the Kalmar Contract and the transactions described therein if and when they are approved and executed.

Section 3. Effective Date. This Resolution shall take effect immediately upon its adoption. The Secretary of the Authority shall file this Resolution with the books and records of the Authority maintained according to Section 3.11 of the Authority's Bylaws.

[Signatures on following page.]

**[SIGNATURE PAGE TO VIRGINIA PORT AUTHORITY RESOLUTION # 17-8]**

PASSED AND ADOPTED this 23rd day of May, 2017.

A handwritten signature in dark ink, appearing to read "John G. Milliken", written over a horizontal line.

John G. Milliken  
Chairman

ATTEST:

A handwritten signature in dark ink, appearing to read "Debra J. McNulty", written over a horizontal line.

Debra J. McNulty  
Secretary to the Board