

# 2016-18 Strategic Plan

## Virginia Port Authority [407]

### Mission

It shall be the duty of the Authority (The Port of Virginia), on behalf of the Commonwealth, 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.

### Vision

Guided by our company values, The Port of Virginia will achieve our shared vision of operational excellence, fiscal responsibility, and sustainable growth. Above all, we will remain responsible members of the communities we serve, a valuable resource to our customers, an excellent place to work, and an economic engine for the region.

### Values

**Innovation:** We embrace change and the opportunity to create. We relentlessly pursue new ideas to improve business.

**Helpfulness:** From a hand with the little things to lending perspective, experience, and expertise, our actions large and small make a difference.

**Fortitude:** We will be decisive, follow through, and work as one.

**Accessibility:** We let our customers and colleagues know we are there for them by act and deed.

**Mindfulness:** We lead with purpose, strive for continuous improvement, and take care of our stakeholders.

**Sustainability:** We are responsible stewards of all resources entrusted to our care.

### Finance

#### Financial Overview

The Virginia Port Authority has the following funding sources:

#### Terminal Revenues:

The VPA receives (net) terminal revenues from VIT on a monthly basis. In addition, VPA generates a small amount of revenue from other sources (security surcharge per container or breakbulk ton, license agreements, advertising, special security detail, etc.) Terminal revenues fund all operating expenses for the VPA as well as certain capital expenditures.

#### Commonwealth Port Fund:

The VPA receives 4.2% of Transportation Trust Fund taxes collected on a monthly basis. The allocation is called the "Commonwealth Port Fund". Tax collections allocated to the Transportation Trust Fund are derived from a half percent of the Commonwealth's retail sales and use tax, motor vehicle sales and use taxes, motor fuel taxes, and motor vehicle registration fees. As required by statute, CPF revenues are used by the VPA to pay for capital projects, terminal maintenances expenses, and aid to local ports. The VPA often utilizes CPF revenues to support the issuance of bonds to finance capital projects.

#### Other Sources:

The VPA periodically receives funds from the federal government, primarily in the form of port security grants, though environmental grants are common too. The grant funding is used to fund capital equipment, construction and studies pursuant to the award criteria. The VPA also periodically receives pass-through appropriation from the Commonwealth for specific capital projects. These projects are normally maritime or transportation related, and may benefits other entities outside of the VPA, as well as the VPA.

#### Biennial Budget

	2017 General Fund	2017 Nongeneral Fund	2018 General Fund	2018 Nongeneral Fund
Initial Appropriation for the Biennium	1,000,000	201,066,439	1,000,000	200,886,514
Changes to Initial Appropriation	0	0	0	6,350,000

*(Changes to Initial Appropriation will be 0 when the plan is created. They will change when the plan is updated mid-biennium.)*

## Customers

### Anticipated Changes to Customer Base

#### Current Customer List

Predefined Group	User Defined Group	Number Served Annually	Potential Number of Annual Customers	Projected Customer Trend
Transportation	Shiplines	23	23	Stable
Transportation	Importers/Exporters	10,000	90,000	Increase
Transportation	International Freight Forwarders/Custom House Brokers	650	986	Stable
Consumer	General Public/ U.S. Population	70,000,000	155,000,000	Increase
State Agency(s),	State and Federal Agencies (potential only includes agencies necessary)	20	20	Stable
Transportation	Members of Maritime Community	10	10	Stable
Consumer	Foreign Market Population (billions)	7	8	Increase

## Partners

Name	Description
Railroads	Provide service from port facilities to the hinterlands.
Trucking Companies	Provide service from port facilities to the ultimate end user.
Barge Operators	Provide service between port facilities and end user.
Beneficial Cargo Owners	Importer of record that takes control of their cargo at the point of entry.
Regional, State & Federal Agencies	Work as partners to provide and promote maritime-related trade and transportation services and information.
Commercial Real Estate Developers	Provide land and site development for distribution centers, manufacturing sites and other port-related operations outside the marine terminals.
Sustainability Partners	Promote and build port and maritime related services and practices with consideration for our environment.

## Agency Goals

### • Maintain a positive economic impact of The Port of Virginia on the Commonwealth

#### Summary and Alignment

Foster and stimulate commerce via The Port of Virginia in a fiscally responsible way and with excellence in terminal operations resulting in greater economic impact generated for the Commonwealth.

#### Objectives

#### » Grow The Port of Virginia cargo in a responsible way that optimizes Port facilities.

##### Description

[Nothing Entered]

##### Objective Strategies

- Facilitate the development and occupancy of distribution centers and trade-related manufacturing sites in Virginia which drive job creation and investment in the Commonwealth;
- Explore opportunities to increase trade in the refrigerated cargo segment and specifically with Virginia meat, poultry, and other temperature-controlled commodities;
- Manage facilities in a fiscally responsible way; maximize asset utilization and make strategic investments to increase cargo velocity;

##### Measures

- ◆ Container facilities use
- ◆ Container facilities use

- ◆ Container Throughput
- ◆ Operating Income (Loss) met or exceeded.
- ◆ Volume of cargo moved by barge
- ◆ Volume of cargo moved by rail
- ◆ Volume of cargo moved by truck

• **Develop and increase business through the Port of Virginia's Inland Ports**

**Summary and Alignment**

Develop the Port of Richmond and the Virginia Inland Port as valuable assets to The Port of Virginia and the Commonwealth.

**Objectives**

» **Grow business and expand customer base at the Port of Richmond and the Virginia Inland Port.**

*Description*

[Nothing Entered]

*Objective Strategies*

- Improve competitiveness of the Port of Richmond barge operation;
- Explore opportunities for value-added services on-site at the Port of Richmond;
- Pursue an economic development strategy to utilize available land and warehouse space;
- Balance import/export trade flows on inland corridors to improve profitability and expand customer base;

*Measures*

- ◆ Virginia Inland Port and Port of Richmond Volume

• **Diversify Port of Virginia's cargo profile.**

**Summary and Alignment**

Grow The Port of Virginia's non-containerized business to diversify the Port's portfolio of cargo and optimize available assets.

**Objectives**

» **Grow the Port's non-container business.**

*Description*

[Nothing Entered]

*Objective Strategies*

- Optimize available outside storage capacity at Newport News Marine Terminal;
- Develop Portsmouth Marine Terminal as a multi-use facility by pursuing ro/ro, breakbulk, project and bulk cargoes.

*Measures*

- ◆ Noncontainer Volume

• **To strengthen the culture of preparedness throughout the The Port of Virginia, our employees, and customers**

**Summary and Alignment**

To support achievement of the Commonwealth's statewide goal of protecting the public's safety and security, ensuring a fair and effective system of justice and providing a prepared response to emergencies and disasters of all kinds, both man-made and natural.

**Objectives**

» **Develop, maintain and follow safety and security processes that ensure the Port remains open and safe for commerce.**

*Description*

[Nothing Entered]

*Objective Strategies*

- Foster and support relationships with federal, state and local port partners to develop safety and security processes;
- Provide response to emergencies and severe weather events and perform an “after-action” evaluation to ensure that the agency’s response procedures are effective and aligned with the Commonwealth’s Preparedness Policies and Procedures;
- Coordinate and participate with federal, state, and local port partners in annual training and exercise events;

#### Measures

- ◆ Agency Continuity of Operations Plan (COOP) Assessment Score
- ◆ Agency Preparedness Assessment Score
- ◆ Coordinate and participate with federal, state, and local port partners in annual training events and exercises

## Major Products and Services

The Virginia Port Authority, through its terminal operator Virginia International Terminals, Inc., provides container and non-container handling services for companies involved in international trade. The Authority's main services include the following:

- To promote the use of the state-owned and leased general cargo facilities by increasing container volume and general cargo tonnage from existing and new customers.
- To maintain and improve port and facility infrastructure to ensure future capacity and long-term viability of port assets.
- To promote sustainability and ensure that port development and terminal operations are in compliance with government regulations.
- To provide grant funding to local governments to support port capital and preservation needs for existing ocean, river, or tributary ports within the Commonwealth of Virginia through the Aid to Local Ports program.
- To facilitate the lawful flow of commerce through Port of Virginia facilities; to safeguard life and property, and to maintain law and order at those facilities.
- To issue debt and lease-purchase financing to support the Agency’s capital investment in port development projects and equipment acquisition.
- To inform and provide information to customers, partners and the general public on the services the VPA offers.

## Performance Highlights

The Port of Virginia set a record in fiscal year 2016 (FY16) moving more cargo than ever before. Utilizing trucks, barges and the East’s two class-one railroads, the port handled 2.57 million twenty-foot equivalent units (TEUs) of import and export cargo. This is an increase of 2.5% over fiscal year 2015. The exports were bound for far-away destinations and the imports landed at warehouse, assembly plants and retailers throughout Virginia and the U.S. Midwest’s manufacturing and population centers. Barge volume to Richmond was up 16 percent; rail cargo was up 10 percent; and truck traffic was down slightly at 1.4 percent when compared with last fiscal year. It is worth noting that the port’s on-dock rail operation handled a record amount of rail cargo in August 2016 solidifying Virginia as the port handling more cargo by rail than any other U.S. East Coast port.

The cargo growth came aboard increasingly larger ships. In July of 2016, a ship named the MOL Benefactor was the first, and largest, container ship to transit the expanded Panama Canal and call Virginia. The arrival of that ship signaled the start of a new era for the port. Since then, dozens of ships larger than the MOL Benefactor have come to Virginia and even larger ones are on the horizon. In FY16, the port handled an increasingly diverse array of cargo including more than 36,000 vehicles, massive blades for use on power-generating windmills, coffee beans destined for regional roasting operations and boulder sized rolls of paper in addition to the goods stowed into millions of containers.

The growth in cargo equates to job creation, business investment, growth in taxable revenue and economic development across the Commonwealth. A modern and growing port attracts users that, in turn, invest or reinvest in their facilities. In FY16, the port helped to attract 39 business engaging in international trade that generated more than \$733 million in investment to Virginia. Additionally, the port is witnessing the “clustering of port users to create synergies and capitalize on growth and momentum of a Foreign Trade Zone (FTZ). One example is the region’s burgeoning coffee roasting, packaging and handling industry. That industry is growing as a result of the port’s section to be a delivery point, or exchange port, under the International Coffee Exchange (ICE) U.S. Coffee “C” futures contract that went into effect in September. The ICE designation allows owners of exchange-graded coffee imports coming to Virginia and stored in local, exchange-licensed warehouses to be delivered against the Coffee “C” futures contract.

With the port’s growth comes increased sustainability and continued statewide economic investment. When fiscal year 2017 (FY17) began July 1, the port embarked on a plan to significantly expand the cargo capacity at two of the primary container terminals, Virginia International Gateway (VIG) and Norfolk International Terminals (NIT). The FY17 approved capital budget is \$739 million. In comparison, the port’s capital investment in FY16 was \$135 million. At the time, it was the largest capital spending plan, in terms of actual dollar investment, in nearly seven years. In fiscal year 2015, the capital investment was \$31 million.

## Staffing

Authorized Maximum Employment Level (MEL)	215
Salaried Employees	118
Wage Employees	72
Contracted Employees	8

## Key Risk Factors

The following factors will have an impact on the Agency over the next several years:

### Increasing size of vessels and vessel capacity consolidation

The world's ship lines have consolidated into three mega alliances and are deploying ultra large container vessels (ULCVs) to remain competitive and reduce costs. These larger vessels require channels deeper than 50 feet, when fully loaded. Virginia is among a small number of U.S. East Coast ports that can currently handle ULCVs and is in the best position to attract first-in, last-out services that require the deepest channels. The deepening of the channel to 55 feet is critical to Virginia attracting the first-in and last-out services over other East Coast ports. These services will play an important role in port-related business development throughout the Commonwealth of Virginia.

### Financial Risk

The Virginia Port Authority receives the majority of its revenues from operating transfers from its operating entity, Virginia International Terminals, LLC (VIT). Those revenues are used to pay debt service, leases, and operating expenses for the Authority. Future revenues and expenses of VIT and the Authority are subject to a variety of economic and other factors and conditions, including without limitation a) the inability of facilities to meet future cargo demand, b) competition and/or unforeseen decreases in demand, c) impediments to the accessibility of VPA facilities, and d) unanticipated increases in operating and administrative expenses.

### Infrastructure

The Port of Virginia has aging infrastructure assets with state-owned facilities ranging from 25 to 40 years old which can present a risk if infrastructure is not maintained or updated to support current and future demand. In addition, a large percent of terminal operating equipment at the state-owned terminals is approaching the end of its service life. The Port of Virginia needs to continue with a capital improvement plan that ensures that the state-owned facilities remain safe, operational and adequate to handle current and projected demand.

### Cybersecurity

Cyber security threats continue to be on the rise with significant increases in ransomware and industrial control system attacks. With the port in the first stages of the largest automation expansion in its history, the protection of the automation systems is paramount to our continued and future success. Networking, navigation infrastructure, control systems, and numerous integration points between multiple systems increase our target footprint. Adversaries, whether automated, interactive, or the Advanced Persistent Threat, can quickly, and with very little effort, take down a semi-automated or fully automated terminal; and the response and recovery time can be drawn out leading to the loss of millions of dollars in revenue from the incident, as well as a potential loss in cargo through diversions.

### Regulatory Changes

Developments over the last two years with regard to Federal air quality designations may result in future regulation of mobile source emissions. The Port of Virginia continues to work closely with federal and state regulators as well as ports around the nation to ensure any future standards or metrics related to emissions from port operations do not create competitive disadvantages among ports, stifle innovation or negatively impact operational efficiency.

## Management Discussion

### General Information About Ongoing Status of Agency

#### Facility optimization

The agency remains focused on optimizing available assets and making strategic investments to increase operating capacity and efficiencies across its facilities. It is with the support of the Governor, General Assembly, the Transportation Secretary and the Virginia Port Authority Board of Commissioners, the port entered an era of continued and sustainable growth in fiscal year 2016.

In June, the port will complete construction on the North Gate at NIT. The 26-lane gate will more than double the terminal's gate capacity and link with the I-564 Connector, a road project designed to give motor carriers faster access to market and cut emissions by reducing idle time in traffic.

In the fall of 2017, construction will begin at the south end of NIT — the port's oldest and largest facility. With the help of a \$350 million investment from the Commonwealth, the port will renovate and reconfigure the area to move cargo more swiftly, safely, and sustainably than ever before. When complete in 2020, the project will increase the terminal's annual capacity by 400,000 containers — or 46 percent — without adding an inch of real estate.

The state's investment at NIT enabled the port to negotiate a new historic, long-term lease of its Virginia International Gateway (VIG) terminal in Portsmouth that gives the port oversight and operating rights at the facility until 2065. As part of a \$320 million project, the port is developing 60 unused acres inside VIG's 231-acre footprint to add 26 automated stacking cranes and expand the container yard. To accommodate the largest container vessels working in the Atlantic, the pier will be lengthened, four ship-to-shore cranes added and the rail operation expanded. The project will maximize industry-leading technology and double VIG's annual capacity to 1.2 million containers.

In fiscal year 2016, we executed a 40-year lease with the City of Richmond for the operating rights at Richmond Marine Terminal (RMT). A federal grant also allowed us to purchase a new mobile harbor crane for use at RMT, replacing an older, less efficient piece of equipment.

With each new investment from the state or federal government, we work toward a more sustainable operating future. Ultimately, these investments in our network of terminals enable our port to meet the needs of the millions of Americans we serve daily across the Commonwealth and beyond. It is long range, responsible planning for expansion projects like the ones at VIG and NIT that open the door to even more cargo and sustainable growth.

### **Industry and trade developments**

Several developments will have a positive impact on future business at the Port of Virginia. The Authority looks to develop and capitalize on these opportunities in the future.

- Expansion of the Panama Canal was completed in the summer of 2016. In July of 2016, a ship named the MOL Benefactor was the first, and largest, container ship to transit the expanded Panama Canal and call Virginia. With this development, larger vessels are able to call the U.S. East Coast through both the Panama and Suez canals.
- CSX achieved double stack capacity throughout its entire network in December of 2016. This enables both class one rail roads that utilize the port to move twice the amount of cargo on each train.
- Consolidation of the major ship line alliances. Beginning in 2017, three new shipping alliances made up of eleven ocean carriers began transiting the seas. Together they control more than 90 percent of container capacity on major trade routes. Virginia will be among the busiest ports in North America, with twenty inbound and twenty outbound alliance calls per week. This is roughly equivalent to Savannah. New York/New Jersey will see seventeen inbound and seventeen outbound calls per week. The ports of Los Angeles-Long Beach will see just one more inbound and outbound alliance service call than Virginia.

### **Information Technology**

There are several strategic initiatives underway that will improve the port's operational and administrative abilities.

There are five initiatives that impact the port's operational facilities.

- The Terminal Operating System upgrade at Virginia International Gateway, PPCY empty yard and the Virginia Inland Port will combine the facilities under a common software version allowing for much more consistent reporting and support.
- The VIG II project will nearly double the size of the Virginia International Gateway facility expanding its throughput and rail capacity.
- The third project will optimize the Norfolk International Terminal yard and berth by implementing container stacks similar to those at the Gateway facility and increasing pier length allowing for larger container ships.
- The fourth project will open a new truck gate adding 26 new lanes that will link directly to I-564. This expansion increases access and will help to alleviate traffic congestion on local streets by taking many trucks per day off local roads.
- Lastly, IT has implemented a truck reservation system that creates a predictable arrival rate at the truck gate, improved turn times and container availability information to our business partners.

In addition to the operational projects, the IT department in concert with Finance will implement a new financial system. This project will combine the port's two aging finance systems into a single modern and robust system that will automate many manual processes, upgrade existing workflows and enhance financial reporting.

### **Estimate of Technology Funding Needs**

### **Workforce Development**

Behind all of The Port of Virginia's economic and environmental activity stands a healthy and productive workforce. Our colleagues are our most valuable resource and it's those team members who develop more efficient programs, streamline internal processes and give back to their local communities. In short, they are the port's emotional quotient (EQ) — the human capital that makes The Port of Virginia truly sustainable in every sense of the word.

To foster such a team, we offer several engaging initiatives:

- Stewardship Recognition Program (SRP) - Through SRP, we highlight colleagues' work that promotes sustainability, be it environmental, financial or social. At The Port of Virginia, it's all about creating a culture that celebrates successes and fosters future growth for the Commonwealth. Launched in November 2015, SRP is a colleague-driven initiative highlighting excellence through living our values across the organization. Colleagues earn recognition from peers and supervisors via "high fives" and awarded points, which they can exchange for merchandise from an online store.

- Tuition Reimbursement Program - In fiscal year 2016, 23 port employees pursued their college degrees with the help of a reimbursement program, which offers port employees \$5,000 per year toward their studies.
- CDL Pilot Program - Launched in 2016 through a partnership with Tidewater Community College, our in-house commercial driver's license (CDL) training has enabled six port colleagues to obtain their CDL. As employees earn their CDLs, we can operate with greater flexibility and at a reduced cost to move cargo from one terminal to another.
- Wellness Program - Additionally, incentive programs offer employees the opportunity to earn rewards for completing important health screenings and participating in physical fitness activities. We also offer free annual flu shots, mobile mammography screenings and an onsite clinic, allowing team members to prioritize their health without taking costly time away from the job.
- Colleague Engagement Survey - Our annual survey helps us gauge team members' needs and solicit feedback on port processes. With a best-in-class response rate of 97 percent, the survey gives employees an avenue for making recommendations that enhance our culture, ultimately making the port more productive, more profitable and thus, more sustainable.

### Physical Plant

The Port of Virginia is investing to ensure we are able to serve the vessels of any ocean carrier here at what is becoming one of the most modern and efficient container terminals in North America. Not only are construction projects commencing to expand the port's two largest container terminals to add one million additional containers worth of capacity, but the port is making investments to ensure the sustainability and versatility of its entire network.

When a vessel comes to The Port of Virginia, an extensive transportation system goes to work. At its core are trucks traveling interstates, trains headed to Virginia Inland Port (VIP) and the Midwest markets, and container barges moving up the Chesapeake Bay and James River.

Newport News Marine Terminal (NNMT) is best suited to handle rolling cargo (primarily cars), breakbulk, or non-containerized cargo, and massive, heavy-lift pieces. PMT, as a mixed-use facility, is uniquely equipped to handle diverse cargo from giant windmill blades to containers.

At VIP, in Front Royal, the port extends its operations 230 miles inland. Cargo owners can save 400-plus miles by stopping their trucks at VIP and loading to double-stack rail destined for the port's Hampton Roads' container terminals.

Though it accounts for just three percent of the total cargo movement, barge traffic represents the greatest area of growth in the port's fiscal year 2016 cargo. In fact, the port moved 16 percent more cargo by barge than the year before, equating to 32,000 fewer trucks on the roads.

The port recognizes the importance of versatility in order to drive a growing and diverse cargo mix at the port resulting in jobs and investment. As ships get bigger, this versatility will grow in parallel allowing the port to handle almost any cargo and move it efficiently to market.

### Supporting Documents

Title	File Type
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## National and International Trade Services [53413]

### Description of this Program / Service Area

To promote the use of the state-owned general cargo terminals by increasing container volume and general cargo tonnage from existing customers and identifying and securing new potential business.

### Mission Alignment

The mission statement of the Virginia Port Authority (VPA) mandates that the primary goal is to stimulate cargo movement through the leased and state-owned terminals. This is accomplished through direct customer contact and a well-developed strategic plan.

### Products and Services

#### Description of Major Products and Services

Summary - Virginia's strategic mid-Atlantic location and unparalleled transportation infrastructure offer unbeatable access to two-thirds of the U.S. population and one of the most frequent direct sailing schedules of any port. Virginia has the best natural deep-water harbor on the U.S. East Coast. Fifty-foot-deep, unobstructed channels provide easy access and maneuvering room for the larger post-Panamax ships. Virginia ports are located just 18 miles from the open sea on a year-round, ice-free harbor. A modern network of rail, interstate, and local highways permits fast, direct inland motor-freight transportation to any point in the United States.

Shiplines - As coordinated through VIT: provide berth space, reliable and available cranes, inside and outside storage, intermodal connections, price competitiveness, well-trained labor and ample importer/exporter base.

Importer/Exporters - Provide shipline service to all trade lanes, efficient intermodal connections, security/safety, price competitiveness, customer service and ample inside and outside storage.

Intermodal Customers (railroad, truckers, barge services, etc.) - Provide sufficient cargo volume, import and export balance, efficient access to state-of-the-art facilities, and trade information.

General Public - Job generation, community support and responsiveness, and trade information.

International Freight Forwarders/Custom House Brokers - Provide effective communications between the terminal and state and federal agencies (i.e., U.S. Customs, USDA), and other customer service.

Other Members of Maritime Community - Provide customer service, reliable transportation modes, port management, and strategic planning.

### Anticipated Changes

#### Factors Impacting

New Ocean Carrier Alliances – During 2016 ocean carriers announced a series of mergers to form larger alliances in order to achieve high vessel utilization through operating consolidation and increase efficiencies by deploying larger ships. These new alliances will look to make fewer port calls and service a wider geographic area per port call. Implications for ports on the East Coast, which are part of these service rotations, include the ability to accommodate the larger vessels and the need to have infrastructure and operating processes to handle the increase in cargo efficiently. The Port of Virginia is among a small number of US East Coast ports that can currently handle these larger vessels and is working with the U.S. Army Corps of Engineers on the deepening of the channel to 55 feet which is critical in Virginia attracting first-in and last-out services over other East Coast ports.

Union Contract Agreement – VIT, through the Hampton Roads Shipping Association, enters into collective bargaining agreements with various International Longshoremen's Association ("ILA") locals, which are involved in the handling, transfer and storage of cargo passing through the port facilities. It is critical that relations remain positive between VIT and the ILA to continue to retain the port's customer base and to allow the successful ongoing operations of the port. Over the last 20 years, there have been no labor disputes between the VPA or VIT and the ILA that resulted in work stoppages, and VPA believes its relationship and VIT's relationship with the ILA to be good. The current labor agreement runs through September 30, 2018.

Distribution Center Development - A major component of the port's future and current growth has been the development of many port-related distribution facilities throughout the Commonwealth. There are more than 100 port-related distribution facilities within the borders of Virginia that make the port more attractive to shiplines. Further, in 2016 the port saw an uptick in speculative warehouse development to help sustain the port's volume growth and which will bring new jobs and investment to the Commonwealth. The VPA staff has made the recruitment and development of these facilities a very high priority and this will continue into the foreseeable future.

Intermodal Connections – CSX, one of two Class I railroads offering intermodal service at The Port of Virginia, achieved double stack capacity throughout its entire network in December of 2016. This development opens new markets for the port and enables both Class I rail roads that utilize the port to move twice the amount of cargo on each train.



## Financial Overview

National and International Trade Services is funded 100% from Port Facilities Revenues.

Biennial Budget

	2017 General Fund	2017 Nongeneral Fund	2018 General Fund	2018 Nongeneral Fund
Initial Appropriation for the Biennium	0	4,374,365	0	4,374,365
Changes to Initial Appropriation	0	0	0	0

## Supporting Documents

Title File Type

### Service Area Plan

#### Commerce Advertising [53426]

##### Description of this Program / Service Area

The Communications Team is responsible for Commerce Advertising. This advertising activity is a vital area within which design, development and printing of promotional literature, brochures, audiovisual materials, and institutional advertising are executed.

##### Mission Alignment

To inform and educate customers on the various services the VPA has to offer, to meet the needs of clients, and to encourage use of VPA ports by shippers.

##### Products and Services

##### Description of Major Products and Services

##### Anticipated Changes

##### Factors Impacting

##### Financial Overview

Commerce Advertising is funded 100% from Port Facility Revenue

Biennial Budget

	2017 General Fund	2017 Nongeneral Fund	2018 General Fund	2018 Nongeneral Fund
Initial Appropriation for the Biennium	0	914,253	0	914,253
Changes to Initial Appropriation	0	0	0	0

## Supporting Documents

Title File Type

**Maintenance and Operations of Ports and Facilities [62601]**

**Description of this Program / Service Area**

Maintenance and Operations of Ports and Facilities is responsible for maintenance and improvements to the infrastructure on the state-owned port facilities. Major work areas of this function are the planning, design, and construction activities to accommodate cargo-handling requirements, which ensure compliance with project plans and specifications. In order to adequately maintain the more than 1,500 acres of fully developed, state-of-the-art marine terminals, the VPA must also manage a maintenance program sufficient to protect the Commonwealth's extensive marine terminal investment. Maintenance policies and standards are developed to process work required, to promote efficient operation and to ensure an extended life of state owned facilities.

**Mission Alignment**

As a result of the Maintenance and Operations of Ports and Facilities, the VPA's terminal operators have the tools needed to operate more efficiently, resulting in lower operating costs, while at the same time increasing revenues and capacity for additional cargo volume and protecting the Commonwealth's investment.

**Products and Services**

**Description of Major Products and Services**

Developing, expanding, improving, and maintaining state-owned port facilities.

**Anticipated Changes**

**Factors Impacting**

**Financial Overview**

Maintenance and Operations of Ports and Facilities is funded 86% from Commonwealth Port Fund revenues and 14% from a Federal grant.

Biennial Budget

	2017 General Fund	2017 Nongeneral Fund	2018 General Fund	2018 Nongeneral Fund
Initial Appropriation for the Biennium	0	21,600,000	0	21,600,000
Changes to Initial Appropriation	0	0	0	0

**Supporting Documents**

**Title** **File Type**

**Port Facilities Planning [62606]**

**Description of this Program / Service Area**

Port Facilities Planning, under supervision of the Chief Innovation Officer, is responsible for developing, expanding, improving, and maintaining state-owned port facilities. In addition, Port Facilities Planning is responsible for all environmental management programs, including environmental compliance related to port development and terminal operations. They also perform pre-planning work necessary to assist in capital budget and grant requests. Major work areas of this function include the selection of engineering design consultants; the management of the design process; the project public bid process; and the oversight of construction activities to accommodate cargo handling requirements which ensure compliance with project plans and specifications.

**Mission Alignment**

As a result of the Port Facilities Planning work performed/supervised by the Chief Innovation Officer, the VPA’s terminal operators, have the tools they need to operate more efficiently, resulting in lower operating costs, while at the same time increasing revenues and capacity for additional cargo volume and protecting the Commonwealth’s investment.

The Sustainability team works with the VPA’s terminal operators to promote sustainability and ensure that port development and terminal operations are in compliance with government regulations. The goals of this support are to prevent construction delays and losses in operating efficiency, and achieve lower operating costs.

**Products and Services**

**Description of Major Products and Services**

Developing, expanding, improving, and maintaining state-owned port facilities.

**Anticipated Changes**

**Factors Impacting**

**Financial Overview**

Port Facilities Planning is funded 100% from Port Facility Revenues

Biennial Budget

	2017 General Fund	2017 Nongeneral Fund	2018 General Fund	2018 Nongeneral Fund
Initial Appropriation for the Biennium	0	1,280,247	0	1,280,247
Changes to Initial Appropriation	0	0	0	0

**Supporting Documents**

**Title** **File Type**

**Debt Service for Port Facilities [62607]**

**Description of this Program / Service Area**

The VPA utilizes the issuance of tax-exempt debt and lease-purchase financing to support its capital investment in port development projects and equipment acquisition. The VPA issues both terminal revenue (Special Fund) and Commonwealth Port Fund (CPF) revenue supported debt instruments, which require regularly scheduled debt service payments.

**Mission Alignment**

Debt financing funds the majority of the port’s major capital projects and improvements. These enhancements allow the Port to provide modern and efficient cargo-handling facilities, and expand those facilities, to be competitive.

**Products and Services**

**Description of Major Products and Services**

Debt service instruments for the acquisition of capital assets and improvements.

**Anticipated Changes**

**Factors Impacting**

**Financial Overview**

Debt Service for Port Facilities is currently funded 63% from Port Facility revenues and 37% from Commonwealth Port Fund revenues.

Biennial Budget

	2017 General Fund	2017 Nongeneral Fund	2018 General Fund	2018 Nongeneral Fund
Initial Appropriation for the Biennium	0	72,603,929	0	70,099,004
Changes to Initial Appropriation	0	0	0	0

**Supporting Documents**

**Title** **File Type**

**Aid to Localities [62801]**

**Description of this Program / Service Area**

The Virginia General Assembly, in September, 1986, established the Commonwealth Port Fund (CPF) in order to “support port capital needs and the preservation of existing capital needs of all ocean, river, or tributary ports within the Commonwealth,” as presented by the Governor’s Commission on Virginia’s enactment of this legislation. In conjunction with establishing the CPF, the VPA also established the Aid to Local Ports (ALP) program. The ALP program is a grant program through which the Commonwealth Port Fund is used to support port capital and preservation needs for existing ocean, river, or tributary ports within the Commonwealth of Virginia. Local governments within the Commonwealth may apply for capital improvement support for their local port facilities. The grants will foster and stimulate the flow of commerce through the ports of Virginia.

**Mission Alignment**

Aid to Local Port grants foster and stimulate the flow of commerce through the ports of Virginia, which is VPA’s primary mission.

**Products and Services**

**Description of Major Products and Services**

Grant funding to local governments, which apply and qualify for ALP.

**Anticipated Changes**

**Factors Impacting**

**Financial Overview**

Aid to Localities is funded 100% from Commonwealth Port Fund Revenues.

Biennial Budget

	2017 General Fund	2017 Nongeneral Fund	2018 General Fund	2018 Nongeneral Fund
Initial Appropriation for the Biennium	0	1,000,000	0	1,000,000
Changes to Initial Appropriation	0	0	0	0

**Supporting Documents**

**Title** **File Type**

**Payment in Lieu of Taxes [62802]**

**Description of this Program / Service Area**

In lieu of paying real property taxes, in accordance with §58.1-3043 of the Code of Virginia, the VPA pays a service charge to the localities where VPA property is located based on the assessed value of state-owned tax exempt real estate and the amount that the locality spent on fire, police and refuse collection/disposal.

**Mission Alignment**

The Payments in Lieu of Taxes (PILOT) fees are less than the actual real property tax that the Port would have to otherwise pay. This reduction in expenses allows the Port to utilize its money towards furthering the commerce through the Ports of Virginia, resulting in job creation, increased state and local tax revenues, and economic development.

**Products and Services**

**Description of Major Products and Services**

Provides revenues to the localities to offset fire, police, and refuse collection/disposal costs.

**Anticipated Changes**

**Factors Impacting**

The localities are regularly requesting a change to the PILOT fee language to increase the service charge. However, the properties at NIT and PMT have never been subject to real estate and property taxes (NIT was a federal military installation, and PMT was created primarily from dredged material), and the NNMT property was purchased by the city in 1965 and taken off of the property tax registers prior to the acquisition by VPA. Any increase in payments in lieu of real property taxation required to be paid from VPA revenues sources would severely limit the Authority's ability to complete robust plans for expansion required to meet industry demands.

**Financial Overview**

Payment in Lieu of Taxes is paid 60% by Port Facility revenues and 40% by General Fund revenues

Biennial Budget

	2017 General Fund	2017 Nongeneral Fund	2018 General Fund	2018 Nongeneral Fund
Initial Appropriation for the Biennium	1,000,000	1,422,625	1,000,000	1,487,625
Changes to Initial Appropriation	0	0	0	0

**Supporting Documents**

**Title** **File Type**

## Service Area Plan

### General Management and Direction [69901]

#### Description of this Program / Service Area

The Administrative and Support Services area provides the funding, staffing, technology, managerial, and administrative services to help the other service areas achieve their goals and objectives. Included in this service area are the following departments: CEO/Executive Director, Chief Financial Officer, Finance, Human Resources, Risk Management, Contracts & Real Estate, Sustainability, and Information Technology.

#### Mission Alignment

This service area provides support to the other service areas to help them achieve agency goals and objectives.

#### Products and Services

##### Description of Major Products and Services

Funding, staffing, technology, managerial, and administrative services, including payment of rent on the APM terminal in Portsmouth Virginia.

##### Anticipated Changes

##### Factors Impacting

#### Financial Overview

Administrative and Support Services are funded 100% from Port Facility Revenues.

Biennial Budget

	2017 General Fund	2017 Nongeneral Fund	2018 General Fund	2018 Nongeneral Fund
Initial Appropriation for the Biennium	0	86,830,305	0	88,910,305
Changes to Initial Appropriation	0	0	0	6,350,000

#### Supporting Documents

**Title** **File Type**



**Security Services [69923]**

**Description of this Program / Service Area**

The Virginia Port Authority Police Department is responsible for providing a full range of law enforcement and security services for the state owned and operated maritime, storage and inland intermodal facilities. Authorized under state code, police and security officers are certified under the Department of Criminal Justice Services with full arrest powers. In addition to routine law enforcement and security responsibilities, The Port of Virginia Police/Security division is under regulatory direction of the 2002 Maritime Transportation Security Act. Police Department functions ensure a safe, secure, and environmentally responsible workplace, consistently maintaining the lowest pilferage rate of any port in the United States.

**Mission Alignment**

The mission of the Virginia Port Authority Police Department is to facilitate the lawful flow of commerce through the marine terminals of Hampton Roads; to safeguard life and property, and to maintain law and order at those facilities; and to meet goals and objectives of the department.

**Products and Services**

**Description of Major Products and Services**

The protection of cargo and personnel that move through the ports, and to safeguard against possible terrorist acts against the ports, the Commonwealth, or the United States.

**Anticipated Changes**

**Factors Impacting**

Federal mandates have been enacted that require security enhancements at all waterfront facilities. The required enhancements include changes in perimeter security, surveillance, access control, and training of security personnel, background checks on persons with waterside access, and the detection of weapons hidden in shipping containers. VPA is in compliance and is a leader in the port industry.

Necessary capital-related security improvements have been estimated to be in the range of \$30 to \$35 million. From 2014 to 2016, the VPA has been awarded a total of \$2.3 million of federal grants in this area.

**Financial Overview**

Security Services is funded 88% from Port Facility Revenues and 12% from Commonwealth Port Fund Revenues.

**Biennial Budget**

	2017 General Fund	2017 Nongeneral Fund	2018 General Fund	2018 Nongeneral Fund
Initial Appropriation for the Biennium	0	11,040,715	0	11,220,715
Changes to Initial Appropriation	0	0	0	0

**Supporting Documents**

**Title** **File Type**