

# 2018-20 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, port security, freight related transportation improvements, 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 benefit other entities outside of the VPA, as well as the VPA.

#### Biennial Budget

	2019 General Fund	2019 Nongeneral Fund	2020 General Fund	2020 Nongeneral Fund
Initial Appropriation for the Biennium	1,000,000	217,317,547	1,000,000	222,083,808
Changes to Initial Appropriation	0	0	0	0

*(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	700	1,000	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)	8	9	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 ensure necessary improvements to navigable tidal waters within the Commonwealth
- To promote sustainability and ensure that port development and terminal operations are in compliance with government regulations.
- To promote port-related economic development to bring investment and jobs to the Commonwealth
- 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 2018 (FY18) moving more cargo than ever before. Utilizing trucks, barges and the East Coast’s two class-one railroads, the port handled 2.83 million twenty-foot equivalent units (TEUs) of import and export cargo. This is an increase of 2.4% over fiscal year 2017. 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 22.8 percent; rail cargo was down slightly at -1.7%; and truck traffic was up 4.7 percent when compared with last fiscal year. It is worth noting that the port’s on-dock rail operation more cargo by rail than any other U.S. East Coast port for Calendar Year 2017.

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. The largest container ships to call on the East Coast continue to call Virginia. In FY18, the port handled an increasingly diverse array of cargo including more than 33,000 vehicles, massive electrical transformers bound for new power plants, 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 FY18, the port helped to attract 51 businesses engaging in international trade that generated more than \$1.4 billion in investment to Virginia. Additionally, the port continues to see the clustering of port users that create synergies and capitalize on growth throughout the throughout the Foreign Trade Zone (FTZ). Like the coffee exchange designation, the Port achieved in Achieved 2016, we have now also successfully passed the rigorous credentialing toto become a metal exchange port. We are in the process of onboarding new clients that will grow imports of metals and store them in local exchange-licensed warehouses for further delivery to manufacturing centers. The exchange port designation creates a center of gravity for all metals and raw materials as the designation is sought out as a “seal of approval” by international banks issuing letters of credit for commodities

With the port’s growth comes increased sustainability and continued statewide economic investment. When fiscal year 2017 (FY17) began July 1, 2016, 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). These projects will continue through FY20 and are already showing results. The first additional capacity came online May 21, 2018 at VIG. The new rail system began operations a week later on May 28th, 2018. The first new cranes at NIT are projected to begin operations in September 2018. The completion of the VIG project is anticipated June 15, 2019. The NIT project is scheduled to complete June 15, 2020.

## Staffing

Authorized Maximum Employment Level (MEL)	236
Salaried Employees	125
Wage Employees	72
Contracted Employees	11

## Key Risk Factors

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

### 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 ongoing increased use of technology in the port's capacity expansion projects, the protection of the terminal operating software 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 technologically advanced 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.

### Disaster Recovery

Should a significant weather event or natural disaster strike the Hampton Roads area, several Port of Virginia facilities could be impacted. The port relies heavily on local transportation and utility infrastructures, over which it has no control, to perform cargo operations. Following a disaster, the response and recovery time can be protracted, leading to the loss of millions of dollars in revenue, as well as a potential loss in cargo through diversions.

## Management Discussion

### General Information About Ongoing Status of Agency

The agency remains focused on optimizing available assets and making strategic investments to increase operating capacity and efficiencies across its facilities. 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, which has continued through fiscal year 2018.

In the fall of 2017, construction began 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 project also moves the major source of energy for cargo handling equipment from diesel fuel to clean electricity.

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. The first of the new automated stacking cranes began operations in May of 2018. The project is expected to be complete in June of 2019.

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. We have recently been awarded two Road Surface Transportation grants that will allow us to modernize this facility and increase its capacity and operating hours.

The Commonwealth has also authorized \$20 million for the preliminary engineering and design and \$330 million for the construction that will widen and deepen our harbor to accommodate the continuing evolution of ship sizes. This will allow two way commercial traffic in and out of our port and help drive first in and last out services that are a catalyst to attracting new businesses across the Commonwealth.

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. Currently 2 weekly services include 14,000 TEU ships, the largest class of ships that call the East Coast. These ships carry 40% more freight than the largest ships of 2016.

CSX achieved double stack capacity throughout its entire network in December of 2016, with one way traffic through the Virginia Avenue tunnel in Washington DC. This enables both class one rail roads that utilize the port to move twice the amount of cargo on each train. CSX is continuing to expand that capability by making the Virginia Avenue Tunnel bi-directional double stack capable, decreasing transport costs for Port of Virginia customers.

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 continues to be among the busiest ports in North America, with twenty inbound and twenty outbound alliance calls per week. Consolidation continues with independent lines joining more closely collaborating with the alliances and larger shiplines purchasing the smaller. Each consolidation brings larger vessels into the Port. In FY18, as compared to FY16, with total container volume increasing 10%, ship calls declined 16%. Average interchange per vessel increase 30%.

## 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 PPCY empty yard and the Virginia Inland Port will combine the facilities under a common software version with the waterfront terminals, 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 increasing its 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 implementing GPS technology to support the operations.
- The fourth project, completed last June, opened a new truck gate adding 26 new lanes at NIT that link directly to I-564. This expansion increases access and has helped 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.
- Professional Development Programs – We offer several programs focused on developing our colleagues. Our approach is to provide the tools and knowledge that build self-awareness, so that one can in turn be more equipped with the competencies and strengths needed to better lead people and lead the organization.
- 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 deepen and widen the harbor and 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 6.2 percent more cargo by barge than the year before, equating to 49,000 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 to 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 VIT and the ILA that resulted in work stoppages, and VPA believes that VIT's relationship with the ILA is in good standing. The current labor agreement runs through September 30, 2018. An extension of the Master Contract has been voted on and is in the process of being ratified. No labor disruption is reasonably foreseeable at this time.

Distribution and Manufacturing 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 the past two fiscal years there has been 6.7 million square feet of new speculative development announced, of which 2.1 million square feet is already on-line. This will help sustain the port's volume growth and 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. This will allow the continued expansion of efficient cargo movement from the port facilities to the rest of the country.

**Financial Overview**

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

Biennial Budget

	2019 General Fund	2019 Nongeneral Fund	2020 General Fund	2020 Nongeneral Fund
Initial Appropriation for the Biennium	0	4,481,946	0	4,481,946
Changes to Initial Appropriation	0	0	0	0

**Supporting Documents**

**Title** **File Type**

**Commerce Advertising [53426]**

**Description of this Program / Service Area**

The Marketing/Communications Team (MarComm) 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**

MarCom Generates the advertising used by the port to attract business. Internally they provide all Service Areas support with

- Social Media
- Internal and Partner Communications
- Graphic Design
- Speechwriting
- Event Planning
- Website Design
- Website Maintenance
- Photography
- Video Production

The MarComm team is the primary face of the organization externally to the media, provides for public relations for the port, designing and acquiring marketing collateral, maintain communications assets, and the branding for the port

**Anticipated Changes**

**Factors Impacting**

**Financial Overview**

Commerce Advertising is funded 100% from Port Facility Revenue

Biennial Budget

	2019 General Fund	2019 Nongeneral Fund	2020 General Fund	2020 Nongeneral Fund
Initial Appropriation for the Biennium	0	1,250,000	0	1,500,000
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**

VPA has initiated a new Asset Management program to more efficiently plan and control the lifecycle of our facilities and equipment. The goal of the program is to move from mostly a corrective maintenance system to a more predictive method of fixing plant and machines before failures occur. For the facilities, the port is conducting detailed assessments of each terminal and location to ensure full understanding of the long-term needs. With the large investments being made, it is essential that a responsible future looking maintenance program is implemented to be good stewards of the development.

**Factors Impacting**

**Financial Overview**

Maintenance and Operations of Ports and Facilities is funded 17% from Port Facility Revenues, 72% from Commonwealth Port Fund revenues and 11% from a Federal grant.

Biennial Budget

	2019 General Fund	2019 Nongeneral Fund	2020 General Fund	2020 Nongeneral Fund
Initial Appropriation for the Biennium	0	28,926,314	0	28,926,314
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 Public Affairs 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 Public Affairs 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**

Port Facilities Planning will be increasingly involved with supporting the harbor deepening and widening project. The project has begun initial engineering work. With the Commonwealth’s share of the federal-state funding split approved, the port intends to keep the project moving as expeditiously as possible

**Factors Impacting**

**Financial Overview**

Port Facilities Planning is funded 100% from Port Facility Revenues.

Biennial Budget

	2019 General Fund	2019 Nongeneral Fund	2020 General Fund	2020 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**

In July 2018 the Authority completed a refunding of our 2011 Commonwealth Port Fund Bonds, achieving savings of \$7.8% on a net present value basis for the Authority and the Commonwealth. The Authority will continue to look for refunding opportunities in the current low interest rate environment.

**Factors Impacting**

The Authority’s two major container terminals are currently under construction. Cargo volume continues to grow and present operational challenges to meet and exceed customers throughput expectations. The operational efforts in the near term to maintain service levels impact operating costs, which also impact cash flow and resulting debt service coverage levels. Debt service coverage results have continued to exceed expectations and are expected to grow as new capacity comes on line from the infrastructure development.

**Financial Overview**

Debt Service for Port Facilities is currently funded 68% from Port Facility revenues and 32% from Commonwealth Port Fund revenues

Biennial Budget

	2019 General Fund	2019 Nongeneral Fund	2020 General Fund	2020 Nongeneral Fund
Initial Appropriation for the Biennium	0	63,632,363	0	63,632,363
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) 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.

In 2018, the Virginia General Assembly established the Virginia Waterway Maintenance Fund (VWMF) to support the dredging projects of political subdivisions and the governing bodies of Virginia Localities. In conjunction with establishing the VWMF, the Virginia Waterway Maintenance Grant Program was established and is administered by the VPA. The grant program is used to for the purpose of supporting shallow-draft dredging projects throughout 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 and Virginia Waterway Maintenance Fund 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 or VWMF.

**Anticipated Changes**

**Factors Impacting**

**Financial Overview**

Aid to Localities is funded 40% from Port Facility Revenues and 60% from Commonwealth Port Fund Revenues.

Biennial Budget

	2019 General Fund	2019 Nongeneral Fund	2020 General Fund	2020 Nongeneral Fund
Initial Appropriation for the Biennium	0	3,350,000	0	3,350,000
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. Additionally, the Commonwealth contributes \$1,000,000 each fiscal year to PILOT payments.

**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 regularly request 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 revenue.

Biennial Budget

	2019 General Fund	2019 Nongeneral Fund	2020 General Fund	2020 Nongeneral Fund
Initial Appropriation for the Biennium	1,000,000	1,530,725	1,000,000	1,531,925
Changes to Initial Appropriation	0	0	0	0

**Supporting Documents**

**Title** **File Type**

**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, Procurement/Purchasing, Sustainability, Innovation, 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 VIG terminal in Portsmouth Virginia.

**Anticipated Changes**

**Factors Impacting**

**Financial Overview**

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

Biennial Budget

	2019 General Fund	2019 Nongeneral Fund	2020 General Fund	2020 Nongeneral Fund
Initial Appropriation for the Biennium	0	100,916,121	0	105,207,161
Changes to Initial Appropriation	0	0	0	0

**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 throughout 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.

**Financial Overview**

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

**Biennial Budget**

	2019 General Fund	2019 Nongeneral Fund	2020 General Fund	2020 Nongeneral Fund
Initial Appropriation for the Biennium	0	11,949,831	0	12,173,852
Changes to Initial Appropriation	0	0	0	0

**Supporting Documents**

**Title** **File Type**