

**MINUTES OF WORK SESSION
OF THE NEWPORT NEWS CITY COUNCIL
HELD IN THE 10TH FLOOR CONFERENCE ROOM
2400 WASHINGTON AVENUE
May 10, 2016
4:00 p.m.**

PRESENT: Robert S. Coleman; McKinley L. Price, DDS; Sharon P. Scott; Tina L. Vick (arrived at 4:14 p.m.); Dr. Patricia P. Woodbury; and Herbert H. Bateman, Jr.-----6

ABSENT: Sandra N. Cherry, D. Min.-----1

OTHERS PRESENT: James M. Bourey; Collins L. Owens; Mabel Washington Jenkins; Cynthia Rohlf; Alan Archer; Councilman-Elect Marcellus Harris, III; Wanda Pierre; Darlene Bradberry; Telly Whitfield; Lisa Cipriano; Sherry Crocker; Reed Fowler; Alan Diamonstein; Delegate David Yancey; Sam Workman; Florence Kingston; Sarah McCoy; Dave Harriss, Kim Lee; Cleder Jones; Jennifer Walker; and Teresa Clift

I. Port of Virginia Briefing

Mr. James E. Bourey, City Manager, introduced Ms. Sarah McCoy, Manager, Government & Community Affairs, The Port of Virginia, to provide the presentation.

Ms. McCoy reminded that the Port of Virginia underwent an organizational restructuring in 2014 under their new CEO and Executive Director, Mr. John F. Reinhart. What was once three separate entities (the Virginia Port Authority (VPA), the Virginia International Terminals (VIT), and the Hampton Roads Chassis Pool II [HRCP]) had consolidated into one organization– the Port of Virginia (Port). She advised that the Port had to be engaged with local, state and federal governments (a copy of the presentation, “The Port of Virginia – A Catalyst for Commerce & Collaboration”, is attached and made a part of these minutes).

Ms. McCoy noted the terminals of the Port:

- Newport New Marine Terminal (NNMT)
- Norfolk International Terminals (NIT)
- Virginia International Gateway (VIG)
- Portsmouth Marine Terminal (PMT)
- Richmond Marine Terminal (RMT)
- Virginia Inland Port (VIP)

Ms. McCoy advised that the Port experienced a 9% increase in cargo in FY 2015, over FY 2014, which resulted in the following measurements:

- 2.5 million 20-Foot Equivalent Units (TEUs) handled
 - Rail containers: +4.2%
 - Truck containers: +12%
 - Barge containers: +10.9%

Ms. McCoy stated the Port had experienced steady growth in operating revenue from FY 2009 through April 2016, which resulted in an annual growth rate of 11.3% from 2011 – 2014. The Port had to reinvest their revenue back into their infrastructure to facilitate the need for increased capacity. While the Port's revenue was increasing, they were not making the needed investments, which was not good business sense. The Port began to evaluate and undergo an internal capital prioritization process by noting the items that they needed, the funding available, and prioritizing the most beneficial projects.

Councilwoman Woodbury inquired about the projects that the Port prioritized. Ms. McCoy replied that human capital (people and training) was one priority.

Ms. McCoy reiterated that the Port's stakeholders had to work together to establish the goal of a safe, sustainable and successful economy. She noted the specific initiative of the Port:

- Strengthening Security Through Partnerships and Training (Maritime Response Team)
- Providing Aid to Local Ports - The Port was contributing \$683,292 to the estimated \$2.6 million project for repairs to the Newport News Seafood Industrial Park
- Working with Newport News Public Schools to host the 2016 STEM competition for 2nd and 3rd grade students (Competition June 12, 2016)

Ms. McCoy noted the FY 2013 Economic Impacts of Virginia's Maritime Industry as reported by the College of William and Mary's Raymond A. Mason School of Business:

- 79,000,000 Tons of Cargo Moved
- 530,800 jobs in Virginia
- \$88.4 billion in spending
- 10.1% of VA Gross State Product (GSP)

Ms. McCoy stated the Port partnered with the City's Economic Development team to market the port. She noted the 2016 Calendar Year Economic Development Totals:

- 13 Business Announcements
- Invested more than \$280 million
- Developed 1.6 million Square Feet of Space
- Created 1,482 jobs

Ms. McCoy advised of the top ten Newport News Port users (see list of users on page 15 in the presentation attached to these minutes). She stated \$3.5 million worth of cargo flowed from Newport News through the Port. Over 8,000 tons of cargo flowed from Newport News.

Ms. McCoy stated the Port was part of a rapidly changing industry. She noted three industry hot topics and issues:

- A lack of investment
- Increasing ship sizes
- The ability to serve discretionary markets

She stated to remain competitive, ports had to be able to attract and move cargo swiftly, safely and sustainably.

Ms. McCoy noted the major comparisons of U.S. East Coast Ports (see information on page 18 of the presentation attached to these minutes). She stated the Port of Virginia experienced a 6.5% growth rate which was the least of all major East Coast ports. The East Coast competitors of the Port moved at a faster pace, which resulted in the capture of the competitive/discretionary market share at a quicker rate. The Port was at capacity, and had to change their dynamics to improve capacity.

Ms. McCoy advised that the VPA grew up as a containerized terminal. In order to remain competitive and capture the market share, the Port had to diversify its portfolio of offerings. Not all cargo moved by container and that's where NNMT was strategically positioned, which would help to capture and diversify the Port's offerings. Ms. McCoy noted the strategy and critical investments for the NNMT in CY 2016:

- Human Capital – Breakbulk Specialist
- Rail Repairs
- Crane Maintenance and Improvements
- Warehouse Improvements
- Cargo Handling Equipment

Ms. McCoy stated with the help of the Newport News Legislators the Port received \$350 million to assist with the build out of the NNMT. The funding would help to increase the capacity of the NNMT by 40% to handle more cargo. The 40% increase in capacity gave the NNMT breathing room and the Economic Development teams of the City and the Port the leverage to go out and offer companies the cargo room they needed.

Councilwoman Vick inquired whether the \$350 million was already awarded. Ms. McCoy replied it was awarded during the 2016 General Assembly Session. She stated that Delegate David Yancey was very instrumental in helping to secure the funding sources, which would be awarded to NIT.

Ms. McCoy noted additional projects of the Port included:

- Phase I of NIT South Conversion
 - \$350 million investment
 - Increased capacity by 400,000 containers
 - First stacks completed in 2017
 - All 30 stacks completed in 2019
- Phase II of Virginia International Gateway
 - \$320 million investment
 - Increased designed capacity to 1.2 million containers
 - Expanded Rail Operation
 - Extended Berth
 - Four new Ship-to-Shore Cranes

Ms. McCoy stated the ports needed to be dredged to become deeper, wider and safer. The Port began a project with the Army Corps of Engineers to study their channels for three years in order to become deeper. She noted the milestones of the study:

- June 2015: Cost-Sharing Agreement Signed
- December 2015: Alternatives Milestone met to dredge the channel (different channel routes within the waterway)
- January 2017: Selected Plan and Economic Development Plan identified
- August 2017: Agency Decision on the Selected Plan
- June 2018: Chief's Report Issued to dredge deeper

Ms. McCoy stated the Port had a clear path forward and a plan was in place. They were carefully making investments and were starting to execute on those investments. They wanted to see growth and diversification. The City of Newport News was vital to the Ports diversification efforts.

Mayor Price thanked Mr. Alan Diamonstein, Newport News/Hampton Representative, Virginia Port Authority Board (VPA) of Commissioners, for accepting the brunt of the conversations, regarding funding for the NNMT, to ensure that they received their fair share of the \$350 million. He and Mr. Diamonstein tried to emphasize the need for needed improvements to the NNMT. They wanted to ensure that NNMT was a part of the plans for the region. He was happy about the \$350 million award from the State, but wanted to make sure that NNMT was part of the process.

Mr. Diamonstein commended the staff of the Port, but he differed with some of the information provided by Ms. McCoy regarding the \$350 million award. He stated that not one dime of the \$350 million would come to the NNMT.

Councilman Bateman inquired whether the Port's barge traffic always went to Richmond and whether there was a possibility for any additional barge traffic to unload and upload at the NNMT. Mr. Dave Harriss, Director, Breakbulk & Ro-Ro Sales, the Port of Virginia, replied yes, there was a possibility for additional barge traffic to unload and upload at the NNMT. The Port was courting a glass company that would move approximately 12,000 containers per year. A barge stop would be added to NNMT should the glass company choose Newport News as their East Coast distribution center. The barge traffic usually went to NIT, VIG, PMT, and RMT.

Mayor Price advised that part of the discussion centered on whether to build it and then they would come or whether to wait until a contract was awarded to build it. The

infrastructure had to be on hand in order to recruit deals and have a “chip” in the stake. He was in support of dredging the NNMT channel in order to be a team player in the process of negotiation. He would continue to push to make sure that Newport News was represented and had a voice at the Regional meetings so that they were part of the core system. Mayor Price reiterated that the \$350 million was great; however, it did not affect the NNMT. He wanted to ensure that there was a future plan and timeframe for improvements to the NNMT.

Mr. Harriss agreed that not one cent of the \$350 million would be used for the NNMT; however, there was a significant amount of funding earmarked for the NNMT. There was a winning strategy implemented in 2015 and 2016 to diversify the Port’s portfolio to strengthen their ports. Many projects were in place.

Councilman Bateman stated the NNMT was in the middle of everything and he believed the water was deep enough to handle barge traffic. He would like to see the Port lean that way and take a hard look at the issue as it seemed there could be much business that could locate to the NNMT in relation to where they were located. Mr. Harriss advised that there was some discussion about Wilmington, North Carolina barge traffic extending to the NNMT. The barge traffic competed with trucking. When transporting containers from the Port’s container terminals to NNMT, the cost equation became a factor, wherein the longer the distance, the barge made sense. Any chance they had to take trucks off the road was a good idea.

Councilwoman Scott stated that she occasionally received a Facebook post of truckers stuck in line for hours at the NNMT. She understood and was glad to hear that they were talking about infrastructure, but inquired what the NNMT would do in the interim to ensure that truck traffic would be able to get in and out of the port in a reasonable timeframe. Some of the truckers stated that they were waiting up to five hours. They believed it was cute to send Facebook posts to her since she represented the City of Newport News. Mr. Harriss replied that truckers stuck in line just did not happen at the NNMT. NNMT turnaround times were approximately 15 minutes and truckers loved the NNMT. He advised that she was receiving a legacy complaint. Several years ago, truckers were waiting in line at the NIT and the NNMT for two to three hours; however, part of the leadership’s goal was to improve turnaround times in order to grow.

Councilwoman Scott advised that her last complaint was received over the past 60 days and inquired what caused the back-up of truck traffic into the NNMT. Mr. Harriss replied he was not aware of such recent incidents, but stated if cargo had not been taken off ships, then

the truckers would have to wait. Ms. McCoy replied that the issue did arise at NIT and Portsmouth from time-to-time because they were at capacity. Sometimes they had to move three to four boxes to get to the fifth box. That was the reason it was imperative that they added the additional capacity to the terminals.

Councilwoman Vick inquired whether the City would be required to assist with the repair to the CSX Railroad. Ms. McCoy replied no; that was part of the investment that the Port was making to the City of Newport News. Mr. Harriss replied that CSX was the rail provider, but the Port owned the rail-line. Ms. McCoy replied that the Port had to maintain the CSX and keep it in good repair to have ingress and egress onto the facility.

Councilwoman Vick inquired about a tour of the facility. Mr. Harriss replied he would be happy to provide a tour of the facility to Councilwoman Vick.

Mr. Diamonstein commended Ms. McCoy and Mr. Harriss for the outstanding jobs they were doing in representing the Port. He stated that he chaired a Committee of truckers in the City of Norfolk to determine the reason for the port delays. The truckers were very upset because of the volumes and gate system in Norfolk and stated that the turnaround time was not competitive. NIT had made improvements. Mr. Diamonstein advised that he had received a small number of complaints about delays at the NNMT, which he agreed with Councilwoman Scott, but indicated that most of the complaints were about delays that truckers experienced at the NIT. He reminded, in regards to funding, that during a period of time there was an administration that wanted to sell the ports. During such time, funding was not being spent on the ports. The goal of the port changed since the hiring of Mr. John Reinhardt. Mr. Diamonstein stated that he differed with Mr. Harriss that the NNMT was a major part of the growth in the region. He asked Mr. Harriss to show proof that part of the \$350 million was going to be spent at the NNMT. Mr. Reinhart and members of the Legislature advised that none of the \$350 million would be spent at the NNMT. NNMT was a great port and could return to its big days. The VPA Board of Commissioners and Mr. Reinhart understood that and were trying to do their best to grow the port.

Mayor Price advised that the City of Newport News wanted the NNMT to be part of the team, growth and resources that came to the Port.

The Honorable David E. Yancey, Delegate, Virginia House of Delegates, advised that there was legislative action taken during the 2016 General Assembly session that helped the

Port. He encouraged everyone to read HB 186 (attached to these minutes) which extended the expiration date of the international trade facility, barge and rail usage, and Virginia port volume increase tax credits from January 1, 2017 to January 1, 2022. This legislation would continue to grow the Port of Virginia and make it competitive with other ports, such as Savannah, Georgia. The Legislature would continue to work with the Port to gain funding to assist them in becoming one of the best port facilities on the East Coast.

Councilwoman Woodbury questioned how the NNMT was going to acquire funding from the State. Delegate Yancey replied that he and members of the Legislature would continue to work with the Chair of Appropriations of the House and the Senate and Mr. Diamonstein, and the VPA Board of Commissioners would continue to propose legislation and budget amendments to ensure that the NNMT received funding.

Mr. Diamonstein advised that Delegate Yancey and the Delegates and Senators of our region understood the problems of the VPA Board of Commissioners as they had a huge battle to fight with the Southside.

Mayor Price agreed with Mr. Diamonstein and asked if there was a ten year plan for the ports that there be funding with NNMT's name on it.

II. Comments/Ideas/Suggestions

Councilwoman Vick recalled that the City imposed a restriction on the amount of time that makeshift memorials, in honor of deceased citizens, could remain erected. Assistant City Manager Cynthia Rohlf replied that the Department of Codes Compliance tried to enforce such restriction when they were made aware of makeshift memorials.

Councilwoman Vick stated she noticed two memorials on Jefferson Avenue along Bellwood Road. City Manager Bourey stated he would have staff follow-up on the matter.

Councilwoman Scott reminded about her request made at the April 26, 2016 City Council Work Session, for a one-time \$10,000 grant for the STAR program. The STAR program was a program in Denbigh that offered a homework tutorial to youth who had been suspended or expelled from school. She advised that she provided information about the program to the City Clerk. The head of the program had been providing the service with another program since

2013. The STAR Program was a non-profit 501(C)3 organization. There was consensus among City Council to provide \$10,000 of FY 2016 City Council Contingency funding to the STAR Program. Mayor Price asked that Assistant City Manager Alan Archer check out the organization to ensure that they qualified before the funding was awarded.

Councilman Bateman reminded about Vice Mayor Coleman's concern voiced at the April 26, 2016 City Council Work Session, regarding Newport News citizens who went to the Lackey Free Clinic, but had no transportation. He asked for \$10,000 for the Lackey Free Clinic.

Vice Mayor Coleman agreed, and stated he supported Councilman Bateman's recommendation to provide \$10,000 of FY 2016 City Council Contingency funding to the Lackey Free Clinic. He stated that 60% of the patients at the Lackey Free Clinic were residents of the City of Newport News.

Councilwoman Scott voiced support to provide \$10,000 to the Lackey Free Clinic. She agreed that the Lackey Free Clinic provided a needed service to the residents of Denbigh.

Councilwoman Woodbury reminded about her suggestion that the City compose a plan to help elderly citizens who had Reverse Mortgages who were unable to pay their real estate taxes. She understood that the City of Hampton had frozen their amount. She had asked the City Manager and the Director of Budget and Evaluation to come up with a real estate tax exemption plan to help elderly citizens who had lived in the City for many years and were at risk of losing their homes. She stated City Council was providing funding to organizations throughout the City (\$25,000 here and \$10,000 there) and felt a creative program needed to be implemented to help the elderly who could not afford to pay their real estate taxes.

Councilwoman Scott stated that she liked the suggestion made at a prior meeting by the Vice Mayor to offer real estate tax relief to senior citizens based on their age and years of residency.

Vice Mayor Coleman agreed that it should be a program based on years of residency, as the City did not want to become a magnet for senior citizens who were looking for tax relief. City Attorney Collins Owens advised that a State Code amendment would be required to put stipulations on a real estate tax exemption program, such as the amount of years that a

resident lived in the City. He also had researched the issue of Reverse Mortgages, and there was nothing that the City could do to, individually, to help such seniors. The City would have to reinstate a general exemption program to provide real estate tax relief.

Councilwoman Woodbury believed the matter needed to be addressed no matter what process had to be taken.

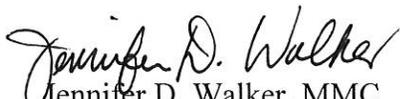
City Manager Bourey stated that he and staff had been in conversations about a real estate tax exemption program that would help elderly citizens who really needed assistance, without negatively impacting the economic wellbeing of the City.

Councilman Bateman stated he was interested in a tax abatement program to encourage citizens to invest in home improvements. City Manager Bourey stated that staff had been in conversations about such, as well. He stated the current program posed difficult requirements for citizens to qualify for funding from the City. He and staff would continue to work on the matter.

Councilman Bateman thanked Assistant City Manager Rohlf and City staff for their help in alleviating the graffiti in the City. Councilwoman Vick agreed.

City Manager Bourey announced that the City refinanced its 2016 Series Bond issue and received a reduced interest rate of 2.01%, which generated a net savings of \$2.5 million. He thanked Ms. Cipriano and staff for their assistance.

THERE BEING NO FURTHER BUSINESS
ON MOTION, COUNCIL ADJOURNED AT 4:50 P.M.


Jennifer D. Walker, MMC
Chief Deputy City Clerk

McKinley L. Price
Mayor
Presiding Officer

A true copy, teste:

City Clerk