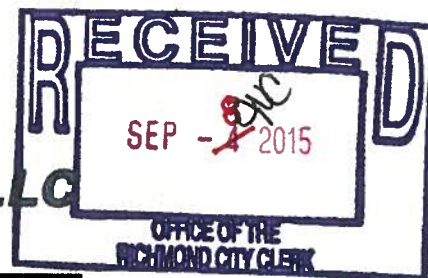


# Bid 2



**PCI of Virginia, LLC**



September 8, 2015

Jean V. Capel, City Clerk  
City of Richmond  
900 East Broad Street, Suite 200  
Richmond, Virginia 23219

Re: Proposal Concerning the City of Richmond's Request for Bids for Lease, Franchise, Right and Privilege to Use and Maintain 5000 Deepwater Terminal Road in the City of Richmond.

Dear Ms. Capel:

PCI of Virginia, LLC ("PCI") is expressing interest in the continuance of our operation of the Port of Richmond and is pleased to respond to the City of Richmond REQUEST FOR BIDS, posted in the Richmond Times-Dispatch on August 26, 2015 at 3PM and referenced in City of Richmond Ordinance No. 2015-168.

**PCI's Background:**

PCI has been the primary operator of the Port of Richmond (the "Port") since December 1, 2009. PCI first operated the Port under a contract with the City of Richmond (the "City"), and subsequently under a contract with the Virginia Port Authority (the "VPA"), following the VPA's agreement with the City on a five year lease of the Port in 2011.

We manage the Port in a responsible manner, with a Richmond first focus, in line with our continued goal of reestablishing the Port of Richmond as a first class inland marine terminal. During our nearly six (6) years at the Port of Richmond, we have worked with the James River Barge Line, the VPA, and our customers to expand value added services within the Port, providing a competitive advantage to customers in central, western, and northern Virginia and neighboring states. Furthermore, we have endeavored to expand the range of Port customers outside the conventional local community to those located up and down the eastern seaboard. In addition to the James River Barge Line, and the multiple import customers that we serve, we were successful in attracting three large exporters of agricultural goods through the Port of Richmond. Two of these customers are exporting their product utilizing PCI's services for loading containers at the Port and utilizing the container barge service. In addition to the customers who utilize our container services, we have a substantial bulk customer which exports agricultural products and has room to grow.

### Vision for the Future:

PCI's vision for the future includes the expansion of the barge service to a minimum of five (5) barge calls per week and the return of ocean-going vessels directly into Richmond. In order to accomplish the goal of five (5) barges per week, PCI will continue to expand our partnership with the Teamsters and increase our fleet of equipment, in order to efficiently manage our container handling operations and minimize wait times for trucks picking up or dropping off containers. We will strive to maintain and improve our already better than industry standard truck turn time below the current average time of thirty (30) minutes.

The goal of bringing ocean-going vessels to the Port of Richmond will be accomplished through an effort involving PCI, the James River Partnership, and local, state, and federal government agencies to ensure that the channel and berths at the Port of Richmond are maintained to the maximum allowable draft. The achievement of this goal would allow for the direct export of agricultural goods to vessels that are destined for shallow draft ports in Europe and Africa and the servicing of both the break bulk and project cargo markets, which will allow companies to import and export large, oversized commodities through the Port of Richmond. Additionally, PCI remains focused on attracting domestic cargo. PCI will continue to work with the VPA to ensure the best possible opportunities are available at the Port.

### Why the Port of Richmond:

PCI believes in the Port of Richmond. As a smaller, niche operator along the eastern seaboard, we have been successful in operating small ports by offering innovative and customized services and solutions to customers from around world. We have brought this same vision to the Port of Richmond where we have increased its customer base and brought it back from the brink of closure. With an unprecedented effort to promote Richmond to potential customers and offer services that did not exist at competing ports, PCI has been successful in establishing the Port of Richmond in the maritime industry. Today, the Port is moving closer and closer to full utilization and bustling with new business, but we have a lot of room to grow. With a continued focus on educating and growing our workforce, we are proud to continue to increase the number of well-paying jobs to local families. As a result, the Port benefits from an increase in activity which carries over into the local trucking community and railroads that rely on the Port for their business.

PCI maintains a strong working relationship with the Teamsters Union Local 322 and the existing collective bargaining agreement is expected to remain in place for the foreseeable future. Please see attached letter of support from Kenny Chism, President of Teamsters Union Local 322.

We will continue to grow our current customer base to ensure we are providing as many needed services as possible and also promote Richmond to potential new customers who require a high level of service to manage their supply-chain.

PCI's Proposal for Operation of the Port of Richmond:

We are proposing a fixed rent payment along with a variable payment that will increase the revenues to the City and allow the City to further share in the success of the Port of Richmond.

**Direct Payments:**

- Fixed Annual Rent - \$200,000
- Variable Volume Incentive – Containers - \$7.50 per Container in excess of 20,000 container lifts annually
- Variable Volume Incentive – Bulk Cargo - \$ 0.20 /Metric Ton
- Variable Volume Incentive – Breakbulk Cargo - \$ 0.20 /Metric Ton

**City of Richmond Future Revenue Estimate:**

Based on our growth oriented model, the City of Richmond can anticipate sharing in the future success of the Port. Based on the pricing proposal above and our goal of continued growth, our estimate of potential revenue to the City is in excess of \$450,000 annually.

Category	Estimated Quantity	Payment to City	Estimated Revenue
Barge Containers <sup>1</sup>	30,000	\$7.50/container	\$225,000
Bulk Cargo	250,000	\$0.20/Metric Ton	\$50,000
Breakbulk/Project Cargo	50,000	\$0.20/Metric Ton	\$10,000
Fixed Annual Rent	n/a	\$200,000	\$200,000
		<b>ESTIMATED ANNUAL TOTAL:</b>	<b>\$485,000</b>

Forgoing Rent Reduction and Other Key Lease Terms:

PCI endeavors to grow the Port of Richmond and will seek to generate additional economic activity and tax revenue within the Target Area. However, PCI will forgo the Rent Reduction provision of the Deed of Facilities Lease Agreement (the "Lease"), if the City deems that such a forbearance is in its best interest.

PCI will manage the facilities and equipment on behalf of the City of Richmond and focus on growing the Port.

Since PCI is a private business, rather than a subdivision of the Commonwealth of Virginia, we would anticipate agreeing to a modified Lease that removes provisions that would no longer be required, including but not limited to the requirement that Lessee's obligation to

<sup>1</sup> Assuming a larger barge with 120 container capacity, calling 5 days per week at 80% average capacity. This will total approximately 50,000 containers per year with revenue share starting for all containers over 20,000 annually.

pay Rent depends on funds being appropriated funds for that purpose and references to Section 62.1-132.19 of the Code of Virginia related to prohibitions against pledging the full faith and credit of the Commonwealth of Virginia.

The Lease may also require other non-material stylistic revisions and modifications if the City awards the Lease to PCI.

To the extent that any local, state or federal grants or other funding sources may be available for any maintenance or repair of the Leased Premises, we request that the City of Richmond agree to support, apply for or otherwise participate in any application for such grants or funding.

PCI anticipates it will be able to agree to the Deed of Facilities Lease Agreement, subject to modification as described above, if the City awards the Lease to PCI.

Alternative Approach:

As the city evaluates its options, PCI would entertain continuing the model we have today, where the VPA leases the Port and PCI is the operator. In many ways, this could be the best of both worlds for the City of Richmond. It would provide the City with a partner in global shipping and with PCI, the established operator with deep knowledge and focus on growing the Richmond market.

Thank you very much for taking the time to review our proposal. Please do not hesitate to contact us if you require additional information or clarifications on our proposal. We look forward to working with you as we build on our successes at the Port of Richmond.

Sincerely,



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Michael Evanko  
President  
PCI of Virginia, LLC

**PCI of Virginia Proposal Contacts:**

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## Warehouse Employees Union No. 322



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TRUSTEES  
ERICH AYERS  
FRANK NORDBLAD  
BERNIE HAIRSTON

September 8, 2015

To the Esteemed Members of Richmond City Council:

On behalf of the more than fifteen hundred (1,500) members of Teamsters Local 322 in the Richmond area, I am writing to you to express the Locals support of PCI and its effort to stay as the operator of the Port of Richmond.

As one of two Teamsters locals in the Richmond area, Teamsters Local 322 and PCI have had a long history of working together to operate the Port and to provide business services that are important to the Richmond area. In doing this, the two (2) have also provide numerous job opportunities to the citizens of Richmond.

Due to recent negotiations, we have established a new benefits model that makes the Port of Richmond a more affordable place for cargo interests to conduct business and to still provide a wage and benefit scale that makes the Port a place where the employees can make a good living and provide for their families. Included in this package is a retirement plan so that the members will know that they can retire and have a good income.

The long history of working together proactively has resulted in a very low number of employee-employer issues. The average member stays at the Port for many years with most retiring from the Port. There is little to no turn over unlike many companies in the area. PCI has been able to grow the business at the Port of Richmond even in the recent downturn in the economy. They have been creative and driven in their efforts to re-develop the Port and its workforce. Through these efforts they have increased the volume at the Port and also the size of the workforce and adding new Teamster jobs to the payroll. PCI is also engaging and developing current Teamsters members as well as

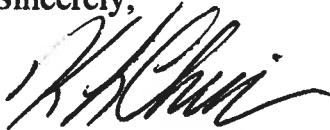
**Richmond City Council  
September 8, 2015**

**promoting them into higher skill jobs such as foreman, skilled equipment operators, and conveyor operators.**

**Companies like PCI provide the services that the Richmond area needs and has been good for both the City and its citizens. The Local, therefore, would encourage City Council to support the proposal for PCI to remain as the operator of the Port of Richmond. Working together with the City, PCI and the Teamsters, I believe that the Port of Richmond will prosper and provide many business opportunities in addition to good paying jobs for the citizens of Richmond.**

**Thank you for the opportunity to express our support for PCI.**

**Sincerely,**



**Kenneth L. Chism  
President  
Teamsters Local 322**

**KLC/srh**

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