

MINUTES
REGULAR COMMISSION MEETING
THE PORT OF PORTLAND
April 11, 2007

In response to due notice, the regular meeting of the Commissioners of the Port of Portland was held at 9:00 a.m. in the Commission Boardroom of the Port's administrative offices at 121 N.W. Everett Street.

QUORUM

Commissioners present were Jay Waldron, President, presiding; Ken Allen; Steve Corey; Bruce Holte; Judi Johansen; Mary Olson; Bill Thorndike, via telephone; Junki Yoshida and Grant Zadow. Also present were Bill Wyatt, Executive Director; participating staff members; and representatives of the public.

MINUTES

Commissioner Waldron called for a motion to approve the minutes of the Regular Commission Meeting of March 14, 2007. Commissioner Olson moved to approve the minutes. Commissioner Zadow seconded the motion, which was put to a voice vote; Commissioners Allen, Corey, Holte, Johansen, Olson, Waldron, Yoshida and Zadow voted in favor of the motion. Commissioner Thorndike was not present for the vote.

EXECUTIVE DIRECTOR'S REPORT

Bill Wyatt said business has been strong; passenger counts continue to grow and all other revenue-related activities at PDX have been strong. Mr. Wyatt said the marine business has been very strong as well. He said we would soon see the introduction of larger vessels from Yang Ming, who began serving Portland about a year ago.

Mr. Wyatt provided a brief overview of the New Orleans Flight of Friendship trip in which he, Commissioner Olson and other Port staff participated. Mr. Wyatt said the trip included meetings and tours of the Port of New Orleans and the Louis Armstrong International Airport. He said it was extremely helpful to experience firsthand what they did in response to the emergency, how they reacted, and what they would do differently. Mr. Wyatt said Port staff will capture as much information as possible and incorporate it into our own emergency planning.

Commissioner Waldron called for a motion to approve the Executive Director's report. Commissioner Olson moved to approve the Executive Director's Report. Commissioner Allen seconded the motion, which was put to a voice vote; Commissioners Allen, Corey, Holte, Johansen, Olson, Waldron, Yoshida and Zadow voted in favor of the motion. Commissioner Thorndike was not present for the vote.

GENERAL DISCUSSION

Proposed Budget for Fiscal Year 2007-08

Steve Schreiber, Chief Financial Officer, presented the proposed budget for Fiscal Year (FY) 2007-08. Mr. Schreiber said we have a very positive outlook for FY 2007-08, which will see growth for virtually all General Fund and Aviation business lines.

Mr. Schreiber said the principal business driver for PDX is passenger volumes, and we anticipate modest passenger growth, driven largely by new seat capacity in the market from the new services that have been added. We are also projecting an increase in parking revenue, rent, and concessions.

Mr. Schreiber noted the importance of the container business to the General Fund's overall health and said we are expecting growth from all of the container lines of business, as well as from land sales.

Mr. Schreiber said the next several years will see record-high infrastructure investment in our marine, industrial development and aviation businesses and we anticipate that a record could be set for capital expenditures to fund these investments.

Mr. Schreiber said we continue to manage our operating expenses and are projecting an increase of approximately five percent without longshore labor and environmental accruals, which are not directly controlled by the Port.

Mr. Schreiber noted the Port's budget is a plan, not an authorization to spend. Expenditure of budgeted funds requires management and Commission approval.

Commissioner Johansen asked if we are improving our cash flow position relative to what we saw in the past as a dismal cash future. Mr. Schreiber said that overall we are improving; our goal is to keep the working capital balance positive, which means we have to make decisions about where we spend or invest money. Mr. Schreiber said ConnectOregon and other grant money we have received will help stabilize the downward trajectory. He said compared to where we were a few years ago, he is much more positive about where we are with the General Fund. Commissioner Johansen said she would like to see our projection for future cash flows and net income prior to approving the budget.

Commissioner Olson said seat capacity has a direct impact on us. She said she would like to see a presentation about what the future looks like in terms of passenger seat capacity from an airline perspective.

Public Hearing: Proposed Budget for Fiscal Year 2007-08

Commissioner Waldron opened a public hearing for the purpose of taking testimony on the Proposed Budget for FY 2007-08.

Hearing no comments, Commissioner Waldron closed the public hearing and noted that no action was required at this time. The FY 2007-08 Proposed Budget will be brought before the Commission at the May 9, 2007, meeting for action.

Portland International Airport Deicing System Enhancements

Susan Aha, deicing project manager, provided an overview of the deicing system at PDX and the efforts undertaken to study alternatives to improve the system. Ms. Aha said the current system does an excellent job of collecting and managing runoff, but we are running into problems once we store it because it is difficult to discharge it to the Columbia Slough due to low-flow conditions. The Columbia Slough is problematic because it is a managed water body and is pumped rather than free flowing. Depending on the groundwater levels and whether there is rainfall or not, there may or may not be sufficient water in the slough to pump, which impedes our ability to discharge.

Ms. Aha briefly discussed the six conceptual design alternatives being considered. She noted that of the six alternatives, only one uses the Columbia Slough because of its constraints. She also said all of the alternatives use the existing system and will be the basis for any enhancements that we do. Ms. Aha said benefits of the Columbia River alternatives include: greater assimilative capacity, average flows are greater than 100,000 cubic feet per second and it is a free-flowing system.

Ms. Aha discussed the outreach conducted since last fall. She said the majority of the comments she heard from stakeholders was that any discharge – whether to the Columbia River or the Columbia Slough – should be treated and we need to address toxics in the discharge.

Ms. Aha noted comments received from the Oregon Environmental Council; Teresa Huntsinger, Clean Rivers Program Director, said she would like to see any discharge fully treated to protect water quality.

Mr. Wyatt said he received a letter from Dean Marriott, Director of Environmental Services for the City of Portland, in which he stated, “It is the City’s strong preference that storm water runoff laden with deicing material be treated and then routed to the Columbia River for discharge. We support sending the discharge to the Columbia River rather than the Slough due to the nature of the two waterways.”

Public Hearing: Portland International Airport Deicing System Enhancements

Commissioner Waldron opened a public hearing for the purpose of taking testimony on the conceptual design alternatives for the deicing system enhancements at PDX.

Nancy Hendrickson, representing the City of Portland Environmental Services, said it is the City’s strong preference to have the discharge go to the Columbia River. She is encouraged that five of the six alternatives include the Columbia River. She commended Port staff for their careful scrutiny of the BOD loads and the toxicity of the additives in the deicing material. Ms. Hendrickson said the greatest degree of protection of our aquatic resources will be achieved through treatment of all runoff prior to discharge, and urged the Port to select an alternative that will provide flexible and effective levels of treatment for potential and present permit discharge limits.

Bob Eaton, Executive Director of the Multnomah County Drainage District, said it would be prudent for the Port to move forward with a plan that involves treatment. He said water quality standards won’t be lowered any time soon and the cost of constructing a deicing facility won’t get any cheaper. He noted the Port has a reputation for being out front and proactive, and this would be another opportunity for the Port to do that.

Hearing no other comments, Commissioner Waldron closed the public hearing and noted that no action was required at this time. The recommended alternative will be presented at the May 9 meeting.

ACTION ITEMS

Agenda Item No. 1

APPROVAL TO CONTINUE FINAL DESIGN WORK FOR A CONSOLIDATED PORT OF PORTLAND HEADQUARTERS BUILDING AND A LONG-TERM PARKING GARAGE AT PORTLAND INTERNATIONAL AIRPORT

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This agenda item requested approval to proceed with final design work for a consolidated Port of Portland (Port) headquarters and long-term parking garage at Portland International Airport (PDX). No formal action on the design or construction contract is being requested. However, the recommendation is that the Commission direct Port staff to continue their efforts for final design of a consolidated headquarters and parking garage at PDX.

Mr. Wyatt said this is clearly a momentous proposal being considered. He said the Port has anticipated the growing demand for parking at PDX and the need for a second garage for quite some time. With the reduced revenues as a result of the loss of Hyundai and K-Line in 2004, the opportunity presented itself to become a more effective, efficient and less expensive organization. He said Steve Schreiber suggested putting the Port's workforce in one building, on top of a new parking structure. Port staff has spent the past 18 months examining in detail whether or not this makes sense. Mr. Wyatt said the business case is not intuitive; it is not something someone would come to without a deeper understanding of how the Port is structured, how it operates and how the financial cost centers function.

Mr. Wyatt reviewed the business drivers for the project: significant growth in aviation business activity; insufficient office space at PDX will require the construction of new space in approximately five to seven years; opportunity to gain efficiencies and reduce operating costs through consolidation; and insufficient General Fund resources to fund business needs and long-term liabilities.

Mr. Wyatt said this item reflects what the Port is often engaged in doing: thinking about, proposing, constructing and maintaining enormous capital assets. This requires thoughtful and intensive processes. He said putting everyone in one place offers us a tremendous opportunity to make those processes much more efficient and much less expensive. This is not something that happens automatically, it will require a tremendous effort on the part of this organization to make certain that we achieve these efficiencies and gains.

Steve Schreiber presented the Executive Director's recommendation as follows:

BE IT RESOLVED, That approval is given to proceed with final design work for a consolidated Port of Portland headquarters and long-term parking garage at Portland International Airport, consistent with the terms presented to the Port of Portland Commission.

Commissioner Johansen congratulated staff for the great job in making their case. She said she was the biggest skeptic and officially declared that she has been converted. She asked that staff ensure we lock in the savings; she said when you project efficiencies through consolidation, as time goes on, it becomes more and more difficult to identify them. She would like to see how we plan to track these savings.

Commissioner Zadow asked if there is a risk that an economic downturn would affect how quickly we realize savings or impact our cash flow. Mr. Schreiber said the risk is low; for the most part, the cash needed for the project is in the bank and the bonds would be issued by the PDX Port Cost Center, which has been remarkably stable over time as far as revenue generation. Mr. Schreiber said we would have to have a \$30-million drop in revenue, primarily from parking and rental cars, over the course of a year to get us down to our legal requirement of revenue generation at the airport.

Commissioner Zadow also asked if we are confident that the budget numbers presented will not inflate or expand as we go forward with the project. Mr. Brame said, while he can never say never, we are at 30-percent design and have recognized market inflation in construction, which

is included in the price. He said he has been in engineering for 30 years, and he is very confident of this budget. He also noted the Port's past experience on major capital projects has been good. He said he also has confidence that Port management will assure that we live within the budget.

Commissioner Waldron asked if the operating costs of the new headquarters building would be comparable to those of the current headquarters. Mr. Brame said they should be below the operating costs of both the current building and airport offices. He said the sustainability team did an excellent job looking at life-cycle savings on energy costs from the geothermal heating and cooling system to the lighting systems.

Commissioner Waldron said he will vote to approve the project. He said this is a hard decision for the Commission because it will affect the core of who we are. He also complimented Bill and the staff for their work throughout the past year; they have been diligent and thoughtful and made the business case, and there is no question that the benefits outweigh the costs. Commissioner Waldron said consolidating will streamline us and make us a less expensive operation. He said the leadership has worried about the more important soft side, which is what is the effect on staff, what is the cultural effect on the Port itself and what is the effect on our standing within the business community; and Bill has answered those questions on the positive side. He said we will all be proud that we have a green, sustainable building, which will be looked at by all Oregonians as a symbol of the Port's environmental leadership.

Commissioner Allen moved that the Executive Director's recommendations be approved. Commissioner Yoshida seconded the motion, which was put to a voice vote; Commissioners Allen, Corey, Holte, Johansen, Olson, Thorndike, Waldron, Yoshida and Zadow voted in favor of the motion.

Agenda Item No. 2

CONTRACT – COMMERCIAL BANKING SERVICES

This agenda item requested approval to enter into a five-year commercial banking services contract with Wells Fargo, N.A. Services provided under this contract include maintenance and servicing of the Port of Portland's bank accounts, investment safekeeping, credit card services, lockbox service and checking and electronic payment services.

Diana Pickering presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That approval is given to award a contract to Wells Fargo, N.A., for commercial banking services consistent with terms presented to the Commission; and

BE IT FURTHER RESOLVED, That the Executive Director or his designee is authorized to execute the necessary documents on behalf of the Port of Portland Commission in a form approved by counsel.

Commissioner Waldron declared a conflict of interest with this agenda item and abstained from voting.

Commissioner Corey moved that the Executive Director's recommendations be approved. Commissioner Thorndike seconded the motion, which was put to a voice vote; Commissioners Allen, Corey, Holte, Johansen, Olson, Thorndike, Yoshida and Zadow voted in favor of the motion.

Agenda Item No. 3

CONSTRUCTION CONTRACT – TAXIWAY T AND TERMINAL APRON REHABILITATION, PHASE 2, PORTLAND INTERNATIONAL AIRPORT

This agenda item requested approval to award a contract for pavement rehabilitation on Taxiway T and the terminal apron at Portland International Airport. The work will rehabilitate pavement on the north and west sides of the terminal, including segments of the parking apron and segments of Taxiway T, the apron edge taxiway that serves the terminal.

Dennis Bertek presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That approval is given to award a contract for pavement rehabilitation on Taxiway T and the terminal apron at Portland International Airport to Kodiak Benge Construction, in accordance with its bid; and

BE IT FURTHER RESOLVED, That the Executive Director or his designee is authorized to execute the necessary documents on behalf of the Port of Portland Commission in a form approved by counsel.

Commissioner Olson moved that the Executive Director's recommendations be approved. Commissioner Allen seconded the motion, which was put to a voice vote; Commissioners Allen, Corey, Holte, Johansen, Olson, Thorndike, Waldron, Yoshida and Zadow voted in favor of the motion.

Agenda Item No. 4

MASTER DEVELOPMENT AGREEMENT AND GROUND LEASES – 113.91 ACRES TO MEPT RIVERGATE III LLC – RIVERGATE INDUSTRIAL DISTRICT

This agenda item requested approval to enter into a Master Development Agreement and up to six ground leases for approximately 113.91 acres of land located on North Lombard Street in Rivergate Industrial District, to MEPT Rivergate III LLC, a Delaware limited liability company, wholly owned by the NewTower Trust Company Multi Employer Property Trust.

Joe Mollusky presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That approval is given to enter into a Master Development Agreement and up to six ground leases for approximately 113.91 acres of land located on North Lombard Street in Rivergate Industrial District to MEPT Rivergate III LLC, for development and marketing of warehouse and distribution facilities, consistent with the terms presented to the Port of Portland Commission; and

BE IT FURTHER RESOLVED, That the Executive Director or his designee is authorized to execute the necessary documents on behalf of the Port of Portland Commission in a form approved by counsel.

Commission Waldron asked why we are entering into an agreement with a private entity to market this property rather than keep the property in the bank. Sam Ruda said the property has been held in reserve for the right time and customer for this lease. He said we are at the tipping point in our container franchise and we have a lot of momentum right now. The value of this

type of development project is consistent and marketable now, especially with the return of container carriers calling direct to Portland. Mr. Ruda said this shows a lot of confidence in Portland as a gateway port for logistics.

Commissioner Johansen asked about the overall financial strength of MEPT. Dan Lowen, Assistant Vice President from Kennedy Associates Real Estate Counsel, said MEPT is a pension fund advisor and they invest on behalf of the 300 smaller pension funds that are participants in the plan. He said MEPT's asset base is over \$6 billion, and currently they are holding approximately \$250 million in cash. Since MEPT is a privately-owned entity, they do not have a credit rating.

Mr. Wyatt acknowledged the tremendous work that has been done by Port staff, Trammell Crow and our other partners to bring this project to this point. He said we could easily have sold this property a long time ago for a greater market value, but we've been holding this in reserve for the right opportunity. Our assessment is that the global transportation forces driving container volumes and import activity into the United States are making our area more attractive. Mr. Wyatt said there is no port-accessible land like this anywhere on the West Coast so close to an international container facility. Today we have a level of service that gives potential importers, distribution providers and third-party logistic providers and others confidence that they can make a go of it in Portland.

Commissioner Olson moved that the Executive Director's recommendations be approved. Commissioner Corey seconded the motion, which was put to a voice vote; Commissioners Allen, Corey, Holte, Johansen, Olson, Thorndike, Waldron, Yoshida and Zadow voted in favor of the motion.

The meeting adjourned at 12:37 p.m.

President

Assistant Secretary

Date Signed

A complete audio recording of these proceedings is available at the Port of Portland administrative offices, 121 N.W. Everett Street, Portland, Oregon 97209.

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