

**MINUTES  
REGULAR COMMISSION MEETING  
THE PORT OF PORTLAND  
December 8, 2010**

In response to due notice, the regular meeting of the Commissioners of the Port of Portland was held at 9:30 a.m. in the Chinook conference room of the Port's administrative offices located at 7200 NE Airport Way.

**QUORUM**

Commissioners present were Judi Johansen, President, presiding; Ken Allen; Peter Bragdon; Jim Carter; Steve Corey; Diana Daggett; Bruce Holte; Mary Olson and Paul Rosenbaum. Also present were Steve Schreiber, Aviation Director; participating staff members; and members of the public.

**MINUTES**

Commissioner Johansen called for a motion to approve the minutes of the Regular Commission Meeting of November 10, 2010. Commissioner Daggett moved to approve the minutes. Commissioner Olson seconded the motion, which was put to a voice vote. Commissioners Allen, Bragdon, Carter, Corey, Daggett, Holte, Johansen, Olson and Rosenbaum voted in favor of the motion.

**EXECUTIVE DIRECTOR'S REPORT**

Bill Wyatt noted the passing of Glen Johnny Parks, a former Port Commissioner who was also a former president of ILWU Local 8. He said Mr. Parks was an extraordinary leader and a part of the maritime family in this region for many years.

Mr. Wyatt said it is clear that business activity at both the seaport and airport have improved, and in some cases, significantly. He said a couple of weeks ago, for the first time, the long-term parking garage closed full, which is a solid indication that business is improving and business travelers are back in force. Mr. Wyatt said this also portends good things for the regional economy. Mr. Wyatt noted that concession revenue at the airport was up 21 percent last month. Mr. Wyatt said this activity at the airport reflects an improving level of confidence. Mr. Wyatt said passenger volumes increased 10 percent last month over the previous period last year. He said he expects to see that kind of improvement for some time.

Mr. Wyatt said he was very pleased to receive another affirmation about how great PDX is from Zagat, who rated PDX the number one airport in the United States for the second year in a row.

Mr. Wyatt said Delta Airlines continues to report strong performance on the Tokyo and Amsterdam flights. He said representatives from Delta told him the Amsterdam flight is the second most profitable flight they operate in the Atlantic. He said they are extremely pleased with the performance and the relationship they have with the Port.

Mr. Wyatt said it is a little more complex story for the seaport because unlike the airport, we are a gateway and some of the cargo volumes may not reflect the local economic activity. He said auto imports are a good example: even though 10-15 percent of the cars stay in the region, the

bulk of them are destined for other places in the U.S. He said the same applies for grain sales where a quarter of that comes from our region but the bulk of it comes from other places and is destined for other places. Mr. Wyatt said having said that, cargo volumes are up and the indications for the next several months are positive. He said vessel calls are up significantly in the Columbia River.

Mr. Wyatt noted the Columbia River lock closure on December 10 and said that the Shipper Support Program has been well received. He said the program is very important because it is a strong indication to our customers of how much we value their business.

Mr. Wyatt said the Commission will hear about the regional economic study that the Port participated in with the Portland Business Alliance (PBA), Associated Oregon Industries, Oregon Business Council and Oregon Business Association. He said Rich Read of the Oregonian characterized the study as a sobering one. He said there are things we can do as a community and a region to address the findings. Mr. Wyatt said one add-on feature to the study is the international trade, which will be rolled out on December 15 at PBA's Forum Breakfast.

Commissioner Rosenbaum asked Mr. Wyatt what effects, if any, the "draconian" changes that will take place next year in Washington will have on the Port.

Mr. Wyatt said he does not think we can anticipate a lot more in the way of stimulus money for capital projects, either at the state or local level, and he is not counting on a lot at the federal level. He said on the upside, he is confident that the free trade agreement would have a significant positive local effect on exports. Mr. Wyatt said because of our location and the services we operate, Columbia and Panama have the potential to increase volume and activity, so many of the trade agreements that have been stalled or have not been on the agenda will move up to the top. Mr. Wyatt said this is a superficial look at the year ahead but one area we will focus on, and at the same time, he is happy that we are completing a generation's worth of capital projects because we would have a hard time attracting government money to do these projects today.

Commissioner Johansen called for a motion to approve the Executive Director's Report. Commissioner Holte moved to approve the Executive Director's Report. Commissioner Olson seconded the motion, which was put to a voice vote. Commissioners Allen, Bragdon, Carter, Corey, Daggett, Holte, Johansen, Olson and Rosenbaum voted in favor of the motion.

## **GENERAL DISCUSSION**

### **Portland Region's Economic Health**

John Tapogna, President of ECONorthwest (ECO), provided an overview of "Portland-Region's Economic Health," a check-up on the region's economic health. He said the overarching structure of the study was to get a picture of Oregon's total personal income and personal income per capita and start to understand how that has changed relative to the U.S. and what the implications are of that with respect to public services. He said what ECO and others have found is a very tight relationship between how much income we generate in this state and what is provided in public services.

Mr. Tapogna provided an overview of the per capita income in Oregon and Washington compared to the U.S. average since 1969. He also compared the per capita income for the non-metro areas compared to the U.S. average, the per capita income for Portland and Seattle

metros compared to the U.S. average, as well as Multnomah and King counties compared to the U.S. average. Since the 1970s, Portland-metro's per capita income has been declining and since 2007, has fallen below the national average.

Mr. Tapogna said the reason we should care about this, from a public sector perspective, is because Oregonians have essentially set a "price of government" at a fixed share of total personal income. He said Oregonians have budgeted revenue and taxes as a share of personal income at 16 cents on the dollar, in good times and bad. Mr. Tapogna said if you look at only taxes and eliminate tuition and fees, you would be looking at about 10 percent. He said if you look at the general/lottery fund, you would see a flat 5 percent total personal income.

Mr. Tapogna said what this says is that if you are interested in the provision of public services, if you are dissatisfied or unsatisfied with what is being provided, there is an income story that as Oregonians we have become more of an economic peer of Idaho than we are one of Washington. He said if we as a collective population decide to establish a set, fixed share of that income to the public sector, then as we become less affluent, we have to look to those low income states and figure out how they are delivering public service: what are they paying their teachers, what are the conditions of the universities, what share of low-income people do they allow under their Medicaid programs, etc. He said these are the consequences if we are going to persist at this level.

Mr. Tapogna said Washington's revenue per capita is above the U.S. average at about 105 percent while Oregon's revenue per capita is below the U.S. average approaching 90 percent, so we have less per person to spend on schools, Medicaid, corrections, parks, libraries, etc.

Mr. Tapogna said if we decide to spend a fixed share of the economy on public services in general and there are aspects of the public sector that are growing faster than the economy, then that means by definition that something else has to give, and historically that has been education. Mr. Tapogna said it has been this type of tradeoff that has been made in the General Fund in Salem.

Mr. Tapogna said all that he has described has taken place in the context where the economy is not as bad as the economy now appears to be in the near term and the demographic challenges have not been as challenging as we are about to face with respect to baby boomers aging into retirement years. There is some tough thinking ahead.

Mr. Tapogna said if we see continued growth in health and human services, public safety, general/lottery fund spending, and the plan as usual is to balance it against education, what you have left provides 1.7 percent annualized growth for pre-K to graduate school education. He expressed the opinion that if we go through another decade of 1.7 percent of annualized growth, the economy would be a train wreck in 2020 due to underinvestment in education.

Mr. Tapogna said the next legislative session will be historic and one that cries out for very deep thinking. He said we can raise the price and reduce the service or we can change the debate into growing income and redesigning public sector services. He said if the legislature and the new governor do not get that right in the session, Oregon will follow the path of California and others with respect to the dysfunction of the public sector.

Various Commissioners engaged in discussion with Mr. Tapogna.

### Strategic Planning Outlook

Scott Drumm, Research Manager, presented a mid-term economic outlook for 2011-2015. He said the theme from Tom Potiowsky, State of Oregon economist, and Tim Duy, University of

Oregon Economics Professor, for the economic outlook is uncertainty; they do not know where the economy is headed at this point, where we are going, when we will get there or what it will look like when we finally arrive. According to Mr. Potiowsky, the recession technically ended in summer/fall 2009, yet unemployment remains high, job growth in the region is anemic and the housing market and credit has not come back.

Mr. Drumm said a number of corrections in the economy were needed for recovery to occur; some have trended the right way, some the wrong way, others have not changed and still others have done a u-turn. He said inventory to sales ratio and savings rates are improving; the trade balance is worsening; there is no improvement in new housing starts or the unemployment rate; and manufacturing activity, initial unemployment claims and the GDP were improving but are now worsening.

Mr. Drumm reported that after the last two recessions, the jobs lost were more or less recovered. He said this recession was worse; we saw the biggest loss of jobs in the post-war era by any measure and nearly half of all jobs that were lost may be gone permanently. Mr. Drumm said Mr. Potiowsky paints a brighter picture looking out five years; he has Oregon outperforming the nation in terms of job growth, particularly in manufacturing and the high tech industry, and transportation warehousing holding its own.

Mr. Drumm discussed the Aviation business outlook, including the industry trends, passenger and air cargo forecasts. He said worldwide, there was a spurt in growth early in the worldwide recovery but that will fall back a bit, and even growth in the U.S. market will be slower because it is a more mature market. Mr. Drumm said carriers are very focused on the bottom line, looking at both revenue and cost, and managing capacity seems to be the key to their stability. Mr. Drumm said there are new planes on order, but those are primarily to replace older equipment. He said planes are not as efficient and they are not adding to the fleet for new flights or services. Mr. Drumm said load factors have historically been in the 70s but now we are looking at load factors in the 80s. Mr. Drumm said low cost carriers who have expanded aggressively will expand at a more modest pace. He said the airlines have a few challenges ahead of them to return to profitability, fuel costs being one of them.

Mr. Drumm reviewed the trends for the marine industry, highlighting the outlook for containers, autos, bulks and breakbulk. He said there will be continued growth of larger vessels in the transpacific trade (7,500+ TEU) focused on the service of deep-water ports. Mr. Drumm said slow steaming for vessel deployments is also likely to continue.

Mr. Drumm said the auto market is recovering slowly, but is not likely to return to earlier levels. He said the market for fuel-efficient and hybrid models continues to expand, which is good for imports.

Mr. Drumm said there is optimism for bulk and breakbulk cargoes; Columbia Grain is already beginning to handle more corn and soybeans; the demand for potash will increase production and exports; and steel imports should return early in the recovery, as raw materials are often the first to come back, particularly in support of public works projects

Mr. Drumm also provided a brief overview of the trends for industrial real estate. He said the market has hit a trough; vacancies are high, but should drop slightly, development costs are high relative to rents due to higher underwriting costs and energy efficiency requirements, and

construction has also stalled due to slow absorption of existing space and low consumer demand for goods. However, Mr. Drumm noted the regional supply of large vacant space and vacant parcels is low, positioning Troutdale Reynolds Industrial Park well.

### State Legislative Overview

Annette Price, State Government Affairs Manager, provided a brief summary of the results of the 2009 legislative session, as well as an overview of the Port's agenda for the upcoming legislative session, State Legislative leadership and the political and budget environment during the 2011 session. Ms. Price said the Port's proposed State Legislative agenda for 2011 includes: transportation funding for Columbia River Crossing and improving access to PDX and Troutdale Industrial Park. Ms. Price said she will be working to maintain or increase funding for the Strategic Reserve Fund, funding for state agency international offices and marketing funds and traditional funding sources for ports (including tax credits). Ms. Price said she will also be working to support the Department of Environmental Quality legislation on prospective buyer liabilities as well as legislation to improve prospects for industrial land development and/or brownfield redevelopment.

### West Hayden Island Update

Susie Lahsene, Regional Transportation and Land Use Manager, provided a brief progress report of the development of a concept plan for West Hayden Island (WHI). She said there are three elements to the plan; the first is to look at the technical reports that were requested in the City's resolution; the second is the development of the concept plan that considers meeting the needs of the marine terminal requirements including rail access within the 300 acre footprint and looking at natural resource opportunities associated with the 500-acre open space; and the third phase is a recommendation.

Ms. Lahsene said the advisory committee that has been selected to participate in the process includes: Sam Ruda, Port of Portland; Bob Tackett, NW Labor Council; Don Hanson, City Planning and Sustainability Commission; Bob Sallinger, Audubon; Andy Cotugno, Metro; Pam Ferguson, Hayden Island resident; Victor Viets, Hi-Noon; Susan Barnes, ODF&W; Andrew Colas, Colas Construction; Brian Owendoff, CB Ellis; and Chris Hathaway, Lower Columbia Estuary Project.

Ms. Lahsene said the facilitator for the process will be Sam Imperati. The first meeting was held on December 3, which was a "get to know you" meeting and the next meeting is scheduled for December 10. The next check in with Portland City Council and the Port Commission will be in February 2011.

### 2011 Port of Portland Transportation Improvement Plan

Susie Lahsene said the Port Transportation Improvement Plan (PTIP) is a capital budgeting tool that helps the Port focus its transportation priorities and takes a 20-year look at our transportation needs and our short-term funding strategy. She said the projects contained in the document were developed based on the assumptions that the region has about population and

employment growth and is a compilation of transportation improvement projects that will be needed to ensure good access to and from Port facilities and properties. While the Port is the source of funding for some of the improvements, other agencies in the private sector are also identified to provide funding.

Philip Healy, MID Transportation Planner, said this year's PTIP includes 99 surface transportation (road, rail, bike, transit and ITS) and marine and aviation capital projects. He provided a brief overview of the projects for which the Port would be seeking federal, state and regional funding, as well as the potential sources of funding.

## **PUBLIC HEARING**

Commissioner Johansen opened a public hearing for the purpose of taking testimony on the 2011 Port of Portland Public Transportation Improvement Plan.

Hearing no comments, Commissioner Johansen closed the public hearing and noted that no action was required at this time. The PTIP will be back before the Commission for approval at the January 12, 2011, meeting.

Commissioner Rosenbaum declared a conflict of interest with agenda item No. 1, as he is Chairman of the Board of Rentrak and recused himself from the discussion and vote.

## **ACTION ITEMS**

### Agenda Item No. 1

#### CONSENT TO ENTERPRISE ZONE EXPANSION APPLICATION BY THE CITY OF PORTLAND

This agenda item requested consent to an Enterprise Zone expansion application by the City of Portland, located within Port of Portland boundaries, to provide an additional incentive to encourage existing or new companies to invest and add employees within the zone

Lise Glancy presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That the Port of Portland Commission consents to an application by the City of Portland for the expansion of the Portland Enterprise Zone located within Port of Portland district boundaries.

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 Corey moved that the Executive Director's recommendations be approved. Commissioner Holte seconded the motion, which was put to a roll call vote. Commissioners Allen, Bragdon, Carter, Corey, Daggett, Holte, Johansen and Olson voted in favor of the motion.

The meeting adjourned at 11:46 a.m.

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President

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Assistant Secretary

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Date Signed

A complete audio recording of these proceedings and the full Commission agenda is available by contacting the Port of Portland administrative offices, 7200 N.E. Airport Way, Portland, Oregon 97218.

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