



EXECUTIVE DIRECTOR'S REPORT
TO THE
PORT OF PORTLAND COMMISSION
FOR MARCH 2017

SAFETY REPORT

Port of Portland February 2017 safety performance was significantly higher in the frequency of incidents compared to February 2016. February 2017 trending data is indicating a higher number of incidents, which resulted in a higher frequency of claims. There were nine reported incidents that occurred in February, and of those incidents, five resulted in claims. There was one recordable incident and one non-recordable incident reported in February 2017, but they occurred in January 2017.

Monthly Report of Injury Incidents

Administrative

One non-recordable incident:

- Worker was preparing to go home and had an onset of nausea and vomiting.

Aviation

One lost-time recordable incident:

- Worker was at a training conference and fell, hitting his head.

Two recordable incidents:

- Worker had a Standard Threshold Shift in both ears, which was confirmed with a re-test. (Occurred in January 2017.)
- Worker lost balance and fell when an escalator stopped abruptly.

Three non-recordable incidents:

- Worker became anxious while dealing with on-site protestors. (Occurred in January 2017.)
- Worker was carrying turnouts down a boat ramp during an emergency response, slipped on some ice and nearly fell, straining the low back while trying to regain balance.
- Worker was struck on top of the head by a shoe thrown by an unruly passenger.

Marine

One lost-time recordable incident:

- Worker was bending conduit with a hand bender and felt burning pain in the abdomen.

One restricted-duty recordable incident:

- Worker lifted a truck rack out of the paint booth, set it onto a truck, then felt a sharp pain in the shoulder and neck.

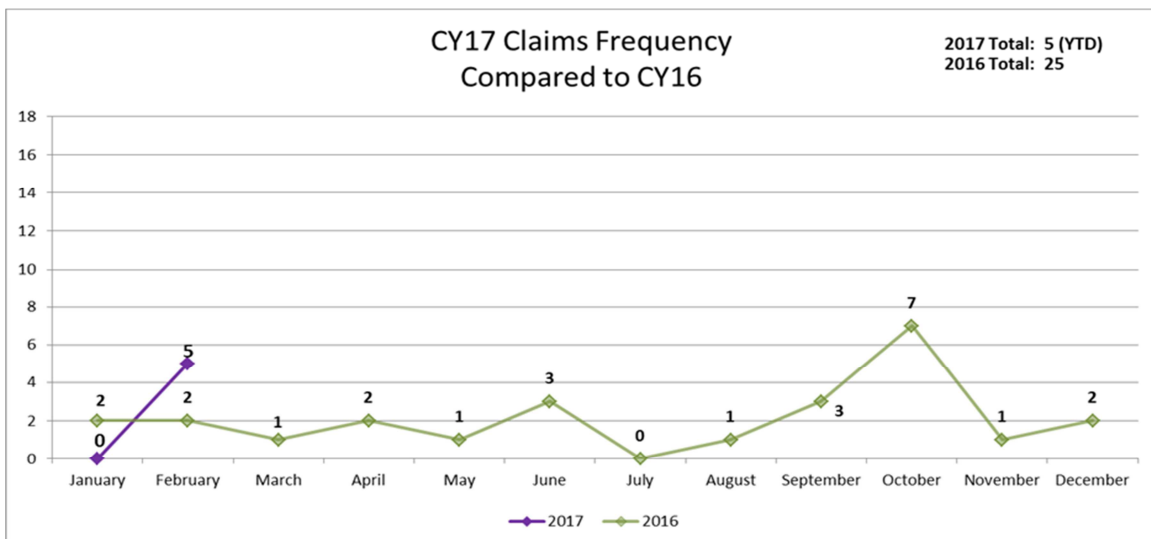
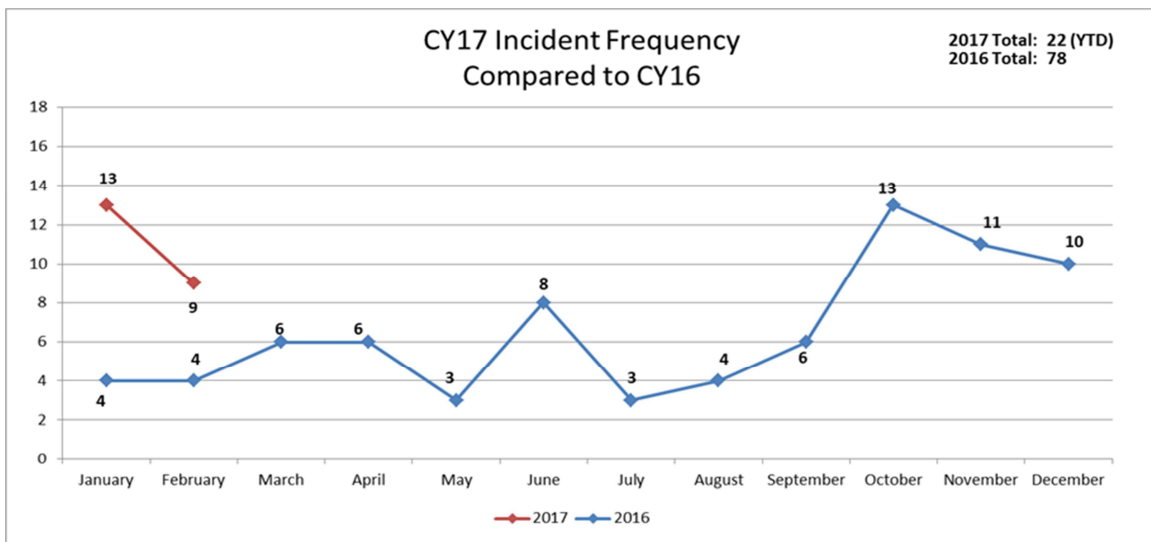
Navigation

One recordable incident:

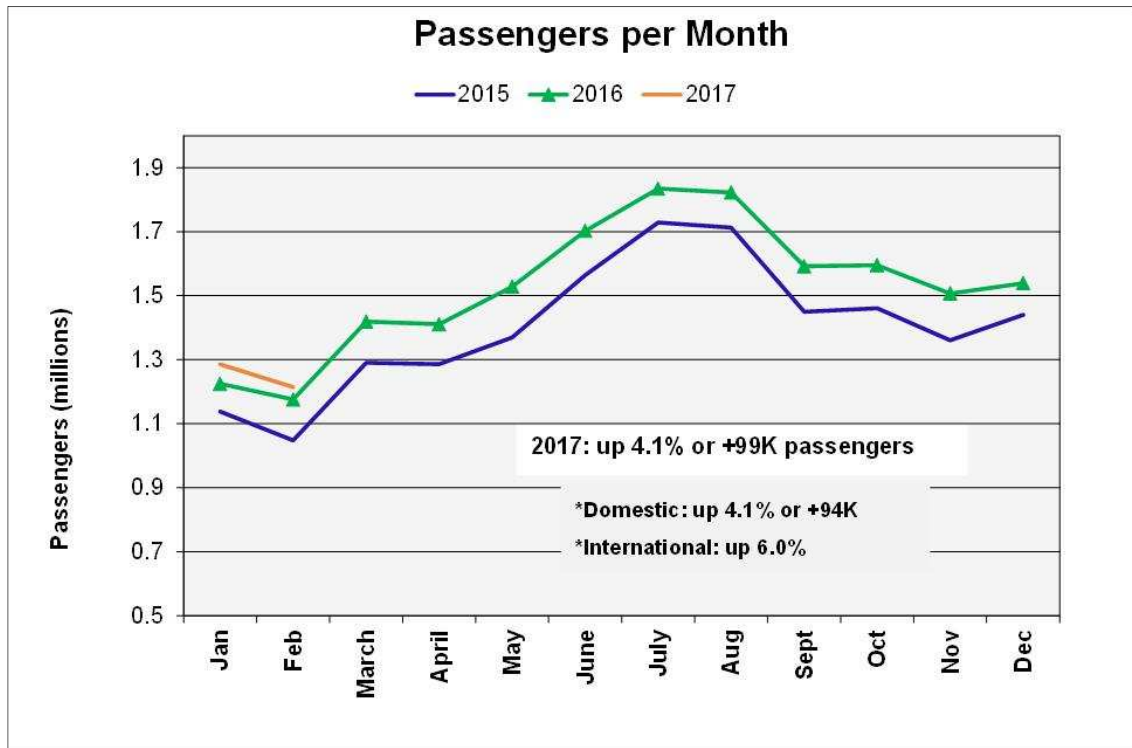
- Worker was putting on a shirt and got some debris in the eye.

One non-recordable incident:

- Worker was removing tangled wire from the cutter shaft of the Dredge when the wire punctured a finger.



AVIATION REPORT



| | Month/Month % change | FYTD % change |
|---------------------|----------------------|---------------|
| | February | July-February |
| Passengers | 3.3% | 7.3% |
| Concessions Revenue | 13.5% | 13.1% |
| Rental Car Revenue | 1.8% | 3.9% |
| Parking Revenue | -0.6% | 3.6% |

Passengers

Passenger volumes increased 3.3 percent in February 2017 compared to February 2016, even with the fact that 2016 was a Leap Year. (The extra day in February 2016 represented about 3.5 percent more passengers that month than an ordinary year.) Seat capacity for February 2017 increased 2.3 percent, with the load factor increasing 0.75 points to 81.2.

Airline service changes at PDX that have been announced in the past month include:

| Start Date | Airline | Destination | Frequency |
|------------|---------|-------------------|-----------------------------------|
| 3/1/17 | PenAir | Arcata/Eureka, CA | Reduced daily flights from 3 to 2 |
| 3/1/17 | PenAir | Klamath Falls, OR | Reduced daily flights from 3 to 2 |

Concessions Revenue

Combined terminal concessions operations reported a 13.5 percent, or \$127,000, rent increase on the month, against a 3.3 percent passenger increase. Similar to January's performance, the rent increase for February was due primarily to the 49 percent growth in the quick-serve category of food and beverage operations. Since the commencement of the current phases of concession transitions, most facilities have now been open for over one year.

Rental Car Revenue

Rental car operations reflect a 3.9 percent, or \$570,000, rent increase year-to-date over last year, against a year-to-date passenger increase of 7.5 percent through February.

Parking Revenue by Lot

February 2017 public parking revenue decreased less than 1.0 percent compared to February 2016, but revenue remains up 3.6 percent year-to-date. Transactions decreased 7.4 percent in February, and have decreased 2.9 percent year-to-date.

Gold Key Valet continues strong growth in revenue and transactions with 13.8 percent more transactions, while short-term parking had an 11.2 percent decrease in transactions against February 2016. Inclement weather and cancelled flights may have contributed to the decline in revenue and transactions.

| Product | Revenue | Variance | YTD Variance |
|----------------|----------------|-----------------|---------------------|
| Short-Term | \$1,337,453 | 0.3% | 5.4% |
| Long-Term | \$1,587,252 | -1.5% | -1.1% |
| Economy | \$1,578,468 | -1.6% | 6.0% |
| Valet | \$124,285 | 15.9% | 19.0% |
| Total | \$4,627,458 | -0.6% | 3.6% |

Ground Transportation

Overall revenue increased 33.5 percent in February 2017, compared to February 2016. Fiscal year-to-date revenue is \$2,788,284.

Lyft has averaged around 20 percent of the total Transportation Network Company (TNC) business at PDX. In December 2016 and January 2017, Lyft made up 26 percent of the TNC market share, and in February 2017, they captured 31 percent of business. Some increase in market share may be attributed to recent negative press that Uber has received.

| | Taxi Trips | TNC Pick-ups | Charter Bus | Reservation-Only Trips | Fixed Route | Courtesy | Total | Minus TNC |
|-----------------|-------------------|---------------------|--------------------|-------------------------------|--------------------|-----------------|--------------|------------------|
| Mar 2016 | 24,650 | 18,430 | 105 | 7,458 | 2,368 | 25,507 | 78,518 | 60,080 |
| Mar 2017 | 18,480 | 43,161 | 76 | 6,737 | 1,980 | 24,313 | 94,747 | 51,586 |
| | -25.0% | 134.2% | -27.6% | -9.70% | -16.4% | -4.7% | 20.7% | -14.1% |

CAPITAL GRANTS

Portland International Airport

Staff submitted a reimbursement request to the Transportation Security Administration (TSA) for the Law Enforcement Officer (LEO) program in the amount of \$12,000.00 (Agreement No. HSTS0213HSLR647).

Staff submitted a reimbursement request to TriMet for the LEO program in the amount of \$11,805.03 (Agreement No. GS150820LG).

Staff submitted a reimbursement request to the Federal Bureau of Investigation for the Joint Terrorist Task Force program in the amount of \$1,409.63 (Agreement No. 03-026).

Staff submitted a reimbursement request to TSA for the National Explosives Detection Canine Team program in the amount of \$39,753.40 (Agreement No. HSTS0216HNCP464).

Staff submitted a reimbursement request to the Federal Aviation Administration (FAA) for the Airport Improvement Program – Taxiway E North Rehabilitation project in the amount of \$29,968.73 (Agreement No. 03-41-0048-074).

Staff submitted a reimbursement request to the FAA for the Airport Improvement Program – Replace Access Control System project in the amount of \$2,375,341.90 (Agreement No. 03-41-0048-075).

Marine

Staff submitted a reimbursement request to Oregon Department of Transportation (ODOT) for the *ConnectOregon V* – Terminal 6 Crane Drive Electronics project in the amount of \$23,020.13 (Agreement No. 30128).

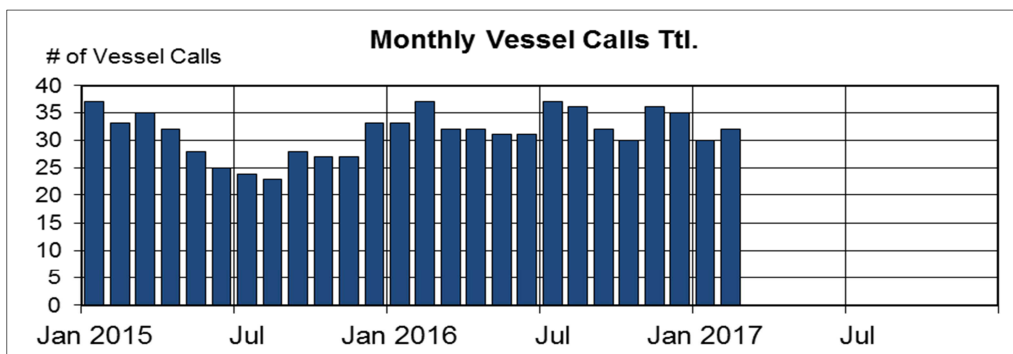
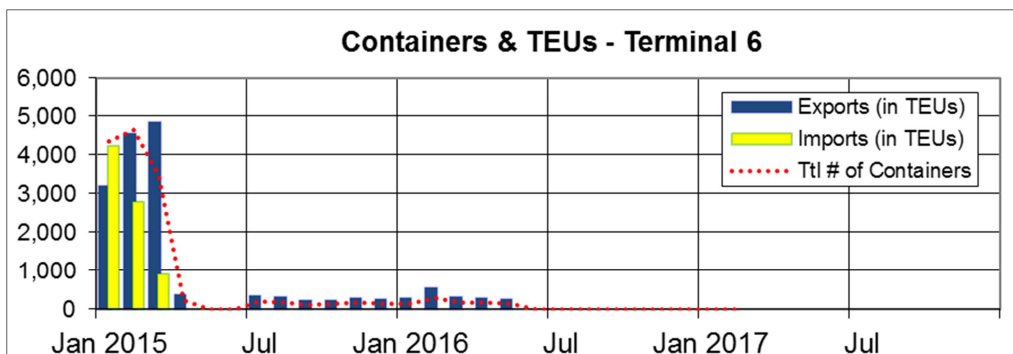
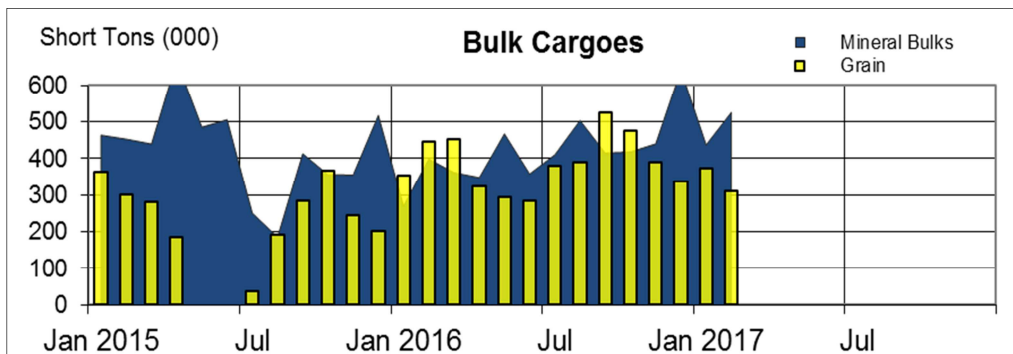
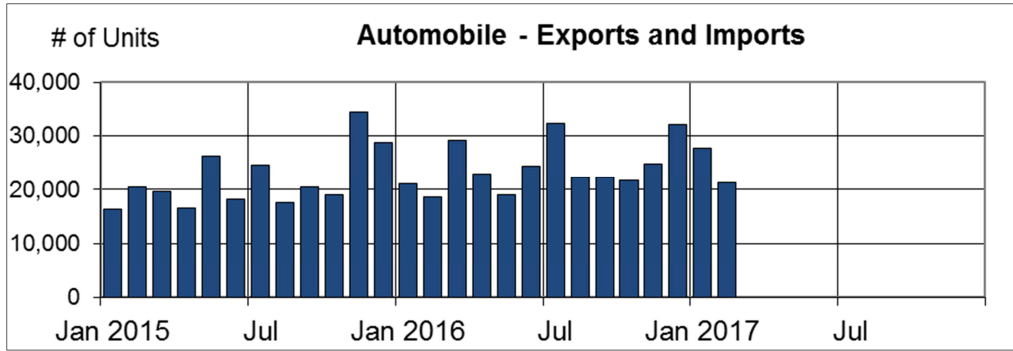
Properties

Staff submitted a reimbursement request to ODOT for the Graham/Swigert Road Jobs and Transportation Act in the amount of \$1,129,086.55, covering the September 2016 to October 2016 work period (Agreement No. 8368).

MARINE & INDUSTRIAL DEVELOPMENT REPORT

The figures in the table below show change relative to the prior year.

| | <u>February 2017</u> | <u>Fiscal Year-to-Date</u> |
|------------------------|----------------------|----------------------------|
| Total Tonnage | -1.9% | 38.5% |
| Containers (TEU) | -100.0% | -100.0% |
| Import Full Containers | -- | -- |
| Export Full Containers | -100.0% | -100.0% |
| Breakbulk | -100.0% | -88.0% |
| Autos | 15.3% | 11.0% |
| Mineral Bulk | 31.8% | 37.9% |
| Grain | -29.9% | 49.9% |



REAL ESTATE TRANSACTIONS EXECUTED PURSUANT TO DELEGATED AUTHORITY

MEPS-PDX, LLC – Consent to Assignment to Lease

Location: Portland International Center (PIC)

Term: Effective February 08, 2017

Use: Assignment due to 1031 exchange to purchase ownership interest in improvements. The use will remain unvaried as a military entrance processing location subleased to GSA.

MEPS-PDX, LLC – Consent to Assignment to Storm Water System Use Agreement

Location: PIC

Term: Effective February 08, 2017

Use: Assignment due to 1031 exchange to purchase ownership interest in improvements. The use will remain unvaried as a military entrance processing location subleased to GSA.

MEPS-PDX, LLC – Consent to Sublease to Recreational Trail Easement and Maintenance Agreement

Location: PIC

Term: Effective February 08, 2017

Use: Assignment due to 1031 exchange to purchase ownership interest in improvements. The use will remain unvaried as a military entrance processing location subleased to GSA.

Northwest Natural Gas Company – First Amendment to Easement - Utility

Location: Rivergate Industrial District

Term: Effective February 10, 2017

Use: Amendment No. 1: NW Natural has an easement over the Port's property to continue maintenance on an existing gas line. The amendment clarifies that NW Natural's representatives may access and use the easement area, adds insurance language addressing the potential risks associated with a natural gas pipeline, and updates the notice provision.

SSP America, Inc. DBA Laurelwood Public House and Brewery – Third Amendment to Food and Beverage Concession Lease

Location: PDX

Term: February 16, 2017 to January 31, 2018

Use: Amendment No. 3: This amendment extends the term of the lease for seven months.

SSP America, Inc. DBA Laurelwood Public House and Brewery – Seventh Amendment to Food and Beverage Concession Lease

Location: PDX

Term: Effective February 16, 2017

Use: Amendment No. 7: This amendment extends the term of the lease for one year.

Cascade Station Retail Center, LLC – Approval Letter – Nordstrom Rack to Ground Lease

Location: PIC

Term: Effective February 08, 2017

Use: The Port conditionally approves a sublease to Nordstrom Rack at Cascade Station.

WiMacTel Inc. – First Amendment to Operating Agreement

Location: PDX

Term: Effective June 30, 2016

Use: Amendment No. 1: This amendment exercises the first option to extend through June 30, 2017.

USA-DOE-BPA – Second Amendment to Permit and Right of Entry

Location: Troutdale Reynolds Industrial Park (TRIP)

Term: December 31, 2016 to December 31, 2017

Use: Amendment No. 2: This amendment redefines the premises and extends the term of the permit to December 31, 2017.

Daimler Trucks North America LLC – Second Amendment to Sale Agreement

Location: Swan Island

Term: January 31, 2017 to September 15, 2017

Use: Amendment No. 2: This amendment confirms the closure of the due diligence period and sets an outside deadline for closing of September 15, 2017.

Above All Accounting, Inc. – First Amendment to Lease of Improved Space

Location: Hillsboro Airport

Term: Effective November 01, 2016

Use: Amendment No. 1: Amendment exercised the option to extend the term for two years.

Restaurants Unlimited, Inc. – First Amendment to Lease of Storage Space

Location: PDX

Term: Effective February 27, 2017

Use: Amendment No. 1: This amendment changes the premises and replaces the section regarding worker's compensation insurance.

Panda Express, Inc. – Ninth Amendment to Food & Beverage Concession Lease

Location: PDX

Term: February 16, 2017 to June 30, 2018

Use: Amendment No. 9: This amendment extends the lease through June 30, 2018 by exercising the second option to extend the term.

Special Olympics Oregon, Inc. – Permit and Right of Entry

Location: PDX

Term: February 25, 2017

Use: Permit for parking of vehicles for the Polar Plunge and other fundraising events.

Daimler Trucks North America LLC – Permit and Right of Entry

Location: Swan Island

Term: February 07, 2017 to May 07, 2017

Use: Permit to access property to perform due diligence investigation in anticipation of a potential transaction and redevelopment of the premises.

Troutdale Associates, LLC – Sale Agreement and Receipt for Earnest Money

Location: TRIP

Term: Effective February 15, 2017

Use: Agreement for the sale of approximately 74 acres at TRIP for Troutdale Associates, LLC, to construct a fulfillment center for Amazon to serve the regional market.

Honeywell International Inc. – Ground Lease

Location: PDX

Term: February 15, 2017 to February 15, 2027

Use: Lease for the purpose of remediation work, maintenance, repair and restoration of the premises.

Troutdale Associates, LLC – Permit and Right of Entry

Location: TRIP

Term: February 15, 2017 to May 31, 2017

Use: This permit allows permittee to perform due diligence activities on Lots 6, 7 and 8 of TRIP in connection with their purchase.

USA-DOC-NOAA – Permit and Right of Entry

Location: Government Island

Term: February 20, 2017 to June 30, 2017

Use: This permit allows NOAA to enter onto Port property for the purpose of conducting research regarding movement and survival of Chinook Salmon and predatory activities of sea lions in the Columbia River.

Performance Logistics, LLC – PDX Cargo Center Facility Lease

Location: PDX

Term: November 01, 2016 to October 31, 2017

Use: One-year lease for the purpose of maintenance and repair of ground service equipment and processing cargo.

Contracts Over \$50,000 Pursuant to Delegated Authority

APPROVAL LIMITS (Administrative Policy 7.2.3)

All expenditures require management approval:

| | | |
|-----------------|--|-----------------|
| BUDGET APPROVAL | Approval by Directors | Up to \$ 50,000 |
| | Approval by Chief Officers | Up to \$250,000 |
| | Approval by Executive Director & Deputy Executive Director | Unlimited |

Contracting authority is limited to the following:

| | | |
|----------------------|--|-------------------|
| CONTRACTING APPROVAL | Chief Officers | Up to \$ 10,000 |
| | Buyers | Up to \$ 50,000 |
| | Manager of Contracts & Procurement | Up to \$ 250,000* |
| | Executive Director & Deputy Executive Director | Up to \$ 500,000* |

*And any amount approved by Commission

Monthly Report for March 2017 (February Activity)

New Purchases

| Title | Requestor Department | Vendor Name | | | P.O. Amount | |
|--|---------------------------------|----------------------------------|--|--|-------------|--|
| Purchase airfield lighting equipment for the Taxiway B Rehabilitation Project. | Engineering Project Development | Airport Lighting Equipment | | | \$69,643 | |
| Obtain consulting services related to marine crane painting. | Engineering Facility Services | Greenman Pedersen, Inc. | | | \$81,300 | |
| Purchase airfield lighting and signage equipment for the Taxiway B Rehabilitation Project. | Engineering Project Development | Airside Solutions, Inc. | | | \$188,269 | |
| Obtain engine room noise mitigation services for the Dredge <i>Oregon</i> . | Engineering Project Development | Performance Contracting, Inc. | | | \$338,000 | |
| Obtain software maintenance and support for the automated vehicle identification system. | Airport Operations | Transcore ITS LLC | | | \$559,985 | |
| Obtain pre-construction services for the new PDX Rental Car Center Project. | Engineering Project Development | JE Dunn Construction Group, Inc. | | | \$4,194,826 | |

Change Orders and Amendments to Project-Specific Contracts

Contracts in this category are initially awarded with a specific work scope and an identified not-to-exceed project total.

| Title | Requestor Department | Vendor Name | Original Amount | Previous Changes to Contract | Current Change to Contract | New Contract Total | |
|---|-------------------------------------|--|-----------------|------------------------------|----------------------------|--------------------|--|
| Change orders #10-18 to obtain additional construction services related to the PDX Terminal and Central Utilities Plant Upgrade Project. | Engineering Project Development | Dynalectric Company | \$1,458,197 | \$103,027 | \$58,392 | \$1,619,616 | |
| Administrative action to obtain additional maintenance and support for financial planning software. | Information Technology | Longview Solutions | \$60,000 | \$180,420 | \$60,300 | \$300,720 | |
| Change order #9 for additional construction services for the Colwood Pipe and Outfalls Project. | Development Services Administration | K&E Excavating, Inc. | \$1,843,275 | \$179,165 | \$112,056 | \$2,134,496 | |
| Administrative action to obtain additional customs inspections services at Hillsboro Airport. | Airport Operations | U.S. Customs and Border Protection | \$140,874 | \$1,222,214 | \$123,438 | \$1,486,526 | |
| Amendment #2 to obtain additional technical support for the PDX baggage handling system. | Information Technology | Jervis B. Webb Company | \$41,000 | \$47,000 | \$314,857 | \$402,857 | |
| Change orders #91 and #99-113 to obtain additional construction services for site improvements at the Troutdale Reynolds Industrial Park. | Engineering Project Development | Goodfellow Brothers, Inc. | \$1,851,228 | \$19,826,635 | \$569,528 | \$22,247,391 | |
| Amendment #2 to purchase additional pavement deicing chemicals due to cold weather. | PDX Maintenance | Cryotech Deicing Technology | \$421,227 | \$951,940 | \$909,447 | \$2,282,614 | |
| Change order #2 to obtain additional construction services for the PDX Rental Car Quick Turnaround Facility Project. | Engineering Project Development | Hoffman Construction Company of Oregon | \$52,406,784 | \$5,852,634 | \$4,327,632 | \$62,587,050 | |

New Task Orders and Changes to Task Orders Against Non-Project Specific Contracts

Items in this category are issued against contracts that were initially awarded with no specific work scope or product quantity identified (e.g., "requirements" or "on-call" contracts). These contracts establish pricing or rates for products or work that may be needed over a stated term. Estimated quantities may be identified, but no guarantee of actual contract compensation or work is made. Contract durations may be short-term or for multiple years with optional renewal/extension terms.

| Title | Requestor Department | Vendor Name | Original Task Order Amount | Previous Changes to Task Order | Current Change to Task Order | New Task Order Total | Total Contract Activity - All Task Orders |
|--|---------------------------------|-----------------------------------|----------------------------|--------------------------------|------------------------------|----------------------|---|
| Amendment #1 to task order against contract #742 for additional inspection support services. | Engineering Project Development | Mott Macdonald LLC | \$157,200 | | \$53,200 | \$210,400 | \$2,887,834 |
| Task order against contract #858 to obtain design services for the Taxiway K Rehabilitation Project. | Engineering Project Development | Cornforth Consultants, Inc. | \$54,702 | | | \$54,702 | \$173,254 |
| Task order against contract #976 to obtain construction services related to the post-security concessions redevelopment program. | Engineering Project Development | Viking Engineering & Construction | \$59,992 | | | \$59,992 | \$991,019 |
| Amendment #1 to task order against contract #742 for additional construction inspection services. | Engineering Project Development | Mott Macdonald LLC | \$178,464 | | \$80,400 | \$258,864 | \$2,887,834 |
| Task order against contract #973 to obtain construction services for signage at the Gresham Vista Business Part (GVBP). | Engineering Project Development | Andersen Construction Company | \$82,594 | | | \$82,594 | \$2,098,669 |
| Task order against contract #951 to obtain abatement services for lead-based paint on the Dredge <i>Oregon</i> . | Environmental | Performance Abatement Services | \$99,820 | | | \$99,820 | \$220,387 |
| Task order against contract #1039 for consulting services related to Streaked Horn Lark habitat management on Sandy Island. | Environmental | AKS Engineering & Forestry LLC | \$105,465 | | | \$105,465 | \$105,465 |
| Task order against contract #864 to obtain design services for post-security concessions storefronts. | Engineering Project Development | ZGF Architects LLP | \$148,513 | | | \$148,513 | \$1,102,283 |
| Task order against contract #977 to obtain construction services for sewer lines at GVBP. | Executive Administration | SDB Contracting Services | \$164,159 | | | \$164,159 | \$1,019,571 |

General Fund

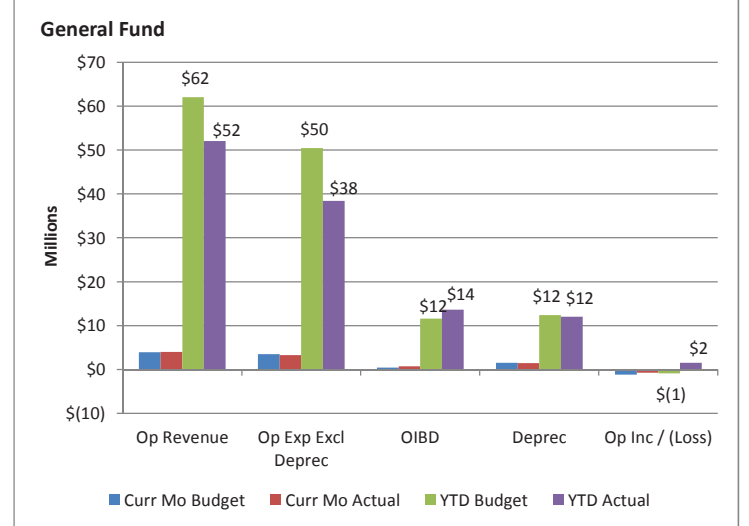
The General Fund includes Marine, Industrial Development, Navigation, General Aviation, Environmental, Financial & Administrative Services, Executive, Public Affairs, Human Resources, Legal, and Project & Technical Services (IT, Engineering, and the Project Portfolio Office).

Operating revenues are \$10.0M lower than the Revised Budget primarily due to the timing of land sales. Excluding land sales, operating revenue is \$305K over budget.

YTD operating expenses excluding depreciation are \$12.0M lower than the Revised Budget also due to the timing of land sales. Excluding land sales, operating expenses are \$6.5M below budget.

The key variances are listed below:

- Contracts, professional & consulting services expenses (\$5.6M < budget).
- Personnel services (\$151K > budget).
- Cost of property sold (\$5.6M < budget).
- Equipment rental, repair and fuel expenses (\$1.0M < budget).
- Travel and management expenses (\$568K < budget).
- Materials and Supplies (\$368K < budget).



Marine

Marine Volumes:

Autos – Auto volumes are 0.5% higher than forecast YTD with volumes YTD being 11.0% higher than last year due to continued growth in both Hyundai and Honda imports, as well as Ford exports.

Breakbulk – YTD tonnage is 89.0% lower than forecast and 93.6% below last year as there were no ship calls at T-2 until October, with no other activity for the Fiscal Year.

Containers – Until container service resumes, there will be no TEU variances to report.

Grain Bulk – YTD grain volumes are 33.6% higher than forecast and 49.9% higher than last year primarily because production is up nationally (no drought or disease hurting crops). Also, Columbia River locks closed in December for maintenance spanning three months, so upriver wheat growers moved their cargo earlier in the year so that it would not be tied up in their silos for several months.

Mineral Bulk – Tonnage is 18.4% higher than forecast and 37.3% higher than last year. Portland Bulk was offline for the first two months of last fiscal year during the installation of the new potash shiploader.

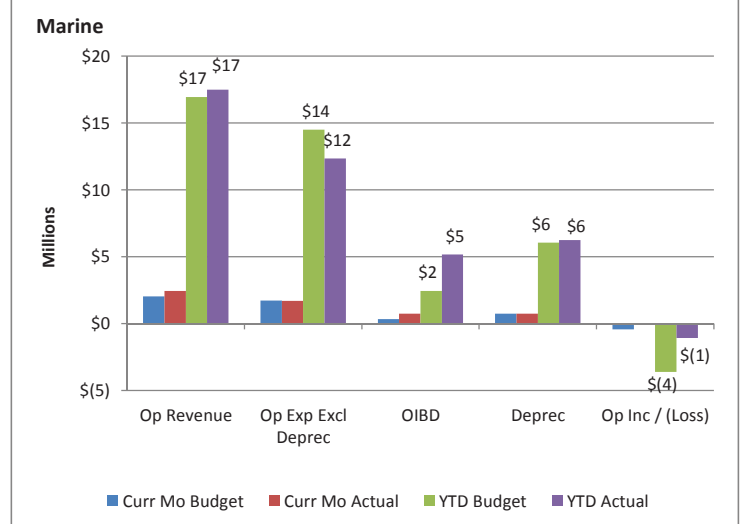
| Marine Volumes* | Current Year-to-Date | | | Annual Adopted Budget |
|-------------------|----------------------|----------------|----------|-----------------------|
| | Adopted Budget | Actual Amounts | Variance | |
| Autos (Units) | 203,998 | 204,924 | 0.5% | 309,000 |
| Breakbulk | 72,620 | 7,964 | (89.0%) | 132,277 |
| Containers (TEUs) | - | - | - | - |
| Grain Bulk | 2,382,767 | 3,182,385 | 33.6% | 3,527,396 |
| Mineral Bulk | 3,224,743 | 3,819,072 | 18.4% | 5,141,179 |

* Volumes in short tons unless otherwise noted.

Marine Operating Results:

YTD operating revenues are \$562K higher than the Revised Budget due to higher than anticipated grain bulk revenues (\$350K > budget) and South Rivergate rail access fees (\$536K > budget; the rail access fees were expected to move to the balance sheet at beginning of FY 16-17). Auto volumes have increased revenues (\$628K > budget). These increases are offset by \$1.2M of Lease Revenues budgeted to T-5 (Tenex and Georgia Pacific) which have been transferred from Marine to Industrial Development. YTD operating expenses excluding depreciation are \$2.2M less than budget, with the largest variances listed below:

- Contracts, professional & consulting services are \$1.3M < budget due to timing of T-4 and other Marine environmental expenses (~\$830K) and outside services expenses for waterway/navigation improvements (\$263K < budget; includes contribution for additional stern buoys in the Columbia River and LOADMAX fees).
- Utilities expenses are \$40K < budget due to timing, primarily of electric power expenses.
- Travel and management expenses are \$158K < budget.
- Materials and supplies expenses are \$78K < budget, primarily in the Electrical Maintenance, Crane Shop and Security business units.
- Insurance expenses are \$135K < budget.
- Equipment rental, repair and fuel expenses are \$75K < budget.
- Longshore labor is \$294K < budget.

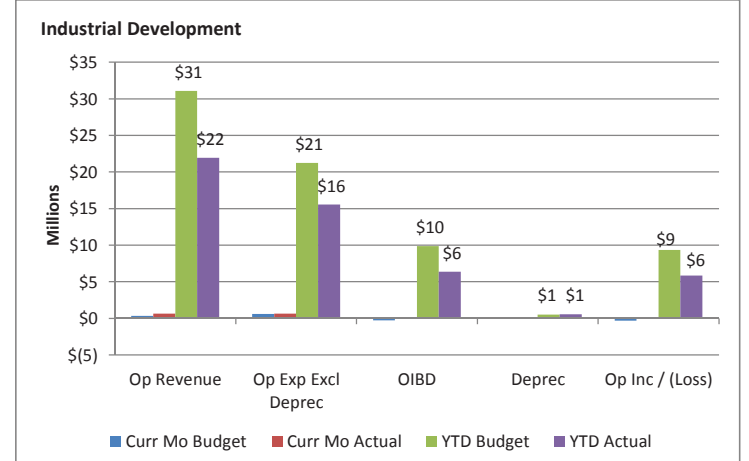


Industrial Development

YTD operating revenues are \$9.2M lower than the Revised Budget due to the timing of land sales. The budget assumed \$5.7M in proceeds for the sale TRIP Lots 11 & 12 to BPA in August, as well as the \$4.9M for the sale of Daimler parcel 8 in November. These sales have not yet closed. \$1.2M of Rent Revenues For Tenex and Georgia Pacific have been transferred from Marine to Industrial Development.

YTD operating expenses excluding depreciation are \$5.7M lower than the Revised Budget, with the largest variances listed below:

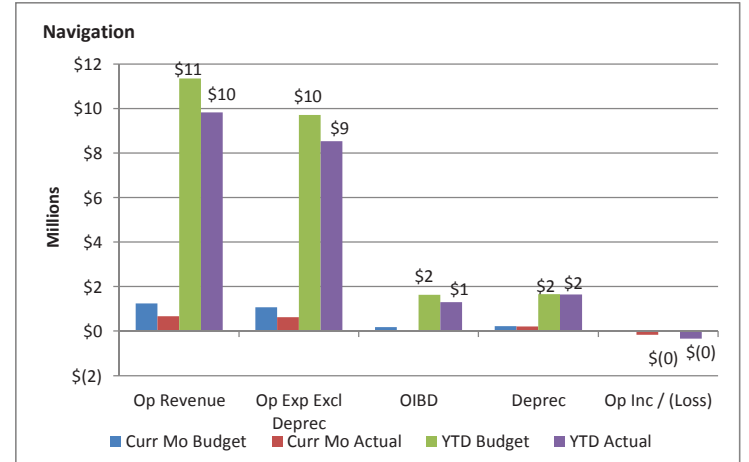
- Cost of property sold is \$5.6M < budget (Daimler parcel 8 is \$884K < budget, TRIP is \$4.4M < budget, Gresham Vista is \$303K < budget)
- Contracts, professional & consulting services are \$548K < budget due to a credit for a Tidewater barge sublease (\$151K; offsets a payment for the Port's lease with DSL that has not yet posted). Remainder primarily from timing of design review and appraisal, mitigation, and Hayden Island and general environmental expenses.



Navigation

YTD operating expenses excluding depreciation are \$1.2M lower than the Revised Budget due to 32 fewer dredging days than budgeted (safety stand-down delayed the start of the dredging season to late July). Lower operating expenses translate into lower operating revenues, which are \$1.5M < budget.

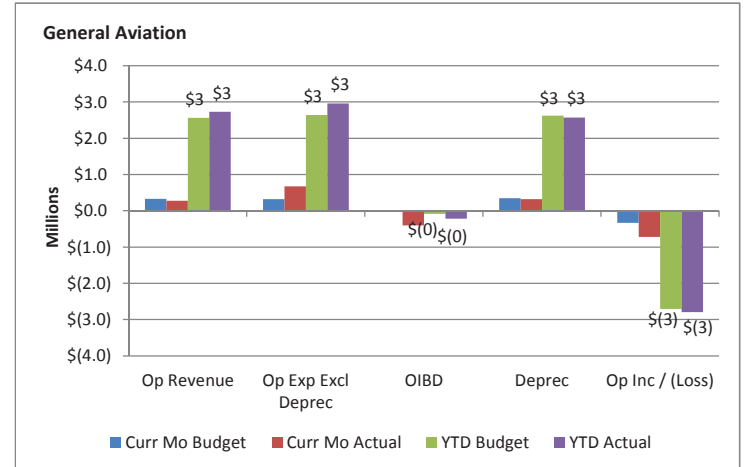
| Dredging Volumes | Current Year-to-Date | | | Annual Adopted Budget |
|---------------------|----------------------|----------------|----------|-----------------------|
| | Revised Budget | Actual Amounts | Variance | |
| Dredging Days | 115 | 83 | (27.8%) | 132 |
| Cubic Yards Dredged | | 1,706,492 | | |



General Aviation

YTD operating revenues are above budget by \$176K. The primary driver of this variance is a \$300K early termination fee that the Port received from BHG Hillsboro. Other key drivers include: increased HIO airside rentals (up \$143K) offset by a Hillsboro Master Plan grant that has not been realized (down \$225K).

YTD operating expenses before depreciation are over budget by \$314K, primarily due to emergency HIO runway repair excavating costs (up \$385K) as well as higher materials and utilities costs. These are offset by lower consulting and environmental costs.

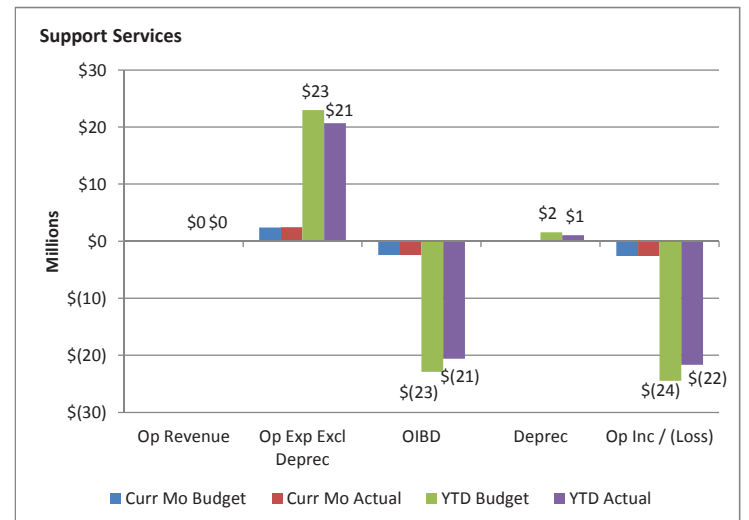


Support Services

Support Services is comprised of Financial & Administrative Services, Executive, Public Affairs, Human Resources, Legal, and Project & Technical Services. Costs for these areas are allocated to the operating areas.

YTD operating expenses excluding depreciation are \$2.3M under budget, with the largest variances listed below:

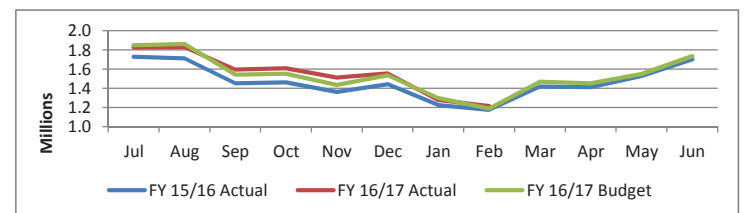
- Contracts, professional & consulting services are \$1.8M < budget, mostly due to timing of ProMIS contract/consulting expenses (\$1.1M budgeted in Project Portfolio Office business unit; 438K expenses YTD). Contracts and outside services in HR, IT, Public Affairs, Financial & Administrative Services, and Environmental Affairs are \$1.1M < budget due to timing of expenditures.
- Interdepartmental charges are \$624K > budget due to Engineering capitalized labor.
- Travel and management expenses are \$356K < budget primarily due to timing of PROPS recognition program/Achievers contract expenses (\$210K budgeted in August but no expenses YTD).
- Personnel Services are \$84K < budget.
- Equip Rents & Repair is \$142K < budget.
- Other expenses are \$338K < budget (\$178K < budget in IT software expenses).



Portland International Airport

Total Passengers

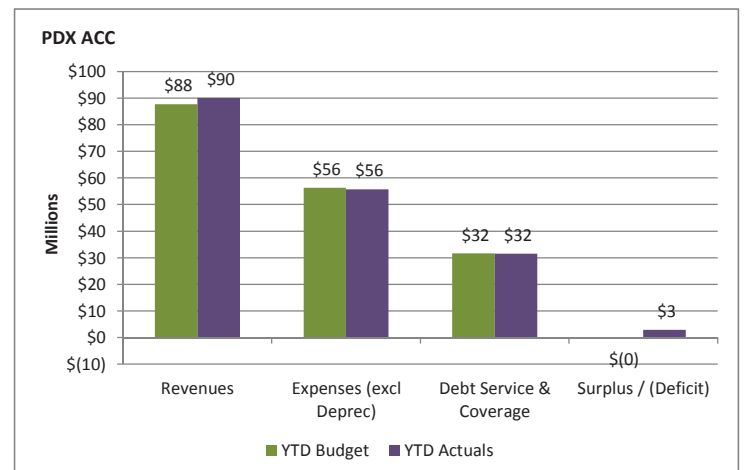
Passengers traveling through PDX are a key driver of revenues and expenses for the Airport. YTD, 12.4 million total passengers have utilized PDX, exceeding the prior year by 7.4%. The higher passenger levels are a result of the continued growing economy and new flights by air carriers serving PDX. As a result of strong demand for air travel, PDX passenger levels are increasing as carriers increase seat capacity and add flights.



PDX Airline Cost Center (ACC)

YTD ACC revenues are \$2.4M higher than budget. Airline revenues are \$1.1M higher than budget due to higher than expected terminal rents (over \$535K), landing activity (over \$381K), and common use rentals (over \$154K). Retail, food and beverage revenues are \$1.1M higher than budget as a result of higher passenger volume and higher than expected spending per passenger.

YTD ACC expenses are \$545K below budget. Personnel Services are \$122K under budget due lower than budgeted fire, police, and administrative costs driven by vacancies. Materials, services, and transfers are \$422K under budget, primarily due to: direct security services (down \$149K), direct deicing operating materials and supplies (down \$139K), direct environmental costs (down \$177K), and maintenance costs (down \$81K). These are offset by deicing materials for multiple winter storms (up \$1.3M). Indirect costs included in this variance include: Air Service Development marketing (down \$572K), CUP heating fuel and consulting services (down \$278K), long range planning consulting (down \$92K), travel expenses/conferences (down \$63K), equipment repair (down \$62K) and Insurance (down \$55K). Transfers are \$134K under budget.



PDX Port Cost Center (PCC)

YTD PCC revenues are \$2.6M > budget. YTD rental car revenues are \$1.2M > budget due to June forecasted accruals being \$615K less than actuals invoiced; this amount carried into July. Passenger volume related activity for July through February account for the remaining \$555K increase in revenues. Other PCC revenues are \$1.7M > budget as a result of higher than expected volumes for transportation network companies (e.g. Uber, Lyft; over \$973K), additional revenues for overflow ramp parking to the cargo area (over \$183K), and ORANG drainage fees (over \$111K). This is offset by parking revenues, which are \$202K below budget due to multiple flight cancellations throughout the winter.

PCC expenses are \$839K < budget. Personnel services expense is in line with budget. Materials, services, and transfers are \$850K < budget, primarily due to lower direct equipment rentals and repairs (\$173K lower) and direct custodial services (\$112K lower). Indirect costs related to this variance include: Air Service Development marketing (down \$387K) and long range planning consulting (down \$63K). This is offset by deicing costs for the roadways (up \$168K). Transfers are \$328K under budget.

