



AGENDA
Regular Commission Meeting
Port of Portland Headquarters
7200 N.E. Airport Way, 8th Floor
May 9, 2012
9:30 a.m.

Minutes

Approval of Minutes: Regular Commission Meeting – April 11, 2012

Executive Director

Approval of Executive Director's Report – April 2012

Consent Item

1. CONSENT TO ENTERPRISE ZONE APPLICATION BY THE CITY OF BEAVERTON *LISE GLANCY*

Requests consent to an Enterprise Zone application by the City of Beaverton, located within Port of Portland boundaries.

Action Items

2. CONCESSION LEASE – PENDLETON WOOLEN MILLS, INC. – PORTLAND INTERNATIONAL AIRPORT *REBECCA SONNIKSEN*

Requests approval to enter into a new concession lease with Pendleton Woolen Mills, Inc., for the operation of a retail store at Portland International Airport.
3. 2012-2013 ADMINISTRATIVE COMPENSATION PROGRAM *JAMES TRUJILLO*

Requests approval to fund the merit pool and additional compensation for promotions, equity and special adjustments for the Port of Portland's Fiscal Year 2012-2013 Administrative Compensation Program.
4. PORT OF PORTLAND FISCAL YEAR 2012-2013 BUDGET APPROVAL *SUZANNE KENNY*

Requests that the Commission, acting as the Port of Portland's Budget Committee, approve the Port's Fiscal Year 2012-2013 Budget and authorize its submittal to the Tax Supervising and Conservation Commission.

5. CONTRACT – APPOINTMENT OF INDEPENDENT AUDITOR *ROBERT BURKET*
Requests approval to enter into a five-year audit services contract with PricewaterhouseCoopers, LLP, to conduct required independent audits of the Port of Portland's financial records.

6. CONSTRUCTION CONTRACT – CENTRAL UTILITY PLANT BOILER AND FUEL OIL REPLACE AND UPGRADE – PORTLAND INTERNATIONAL AIRPORT *GEORGE SEAMAN*
Requests approval to award a construction contract to Anderson Environmental Contracting, LLC, to replace and upgrade the fuel oil storage tanks, condensate tank and miscellaneous components of the steam system in the Central Utility Plant at Portland International Airport.

CONSENT TO ENTERPRISE ZONE APPLICATION BY THE CITY OF BEAVERTON

May 9, 2012

Presented by: Lise Glancy, Manager
Regional Government Relations**EXECUTIVE SUMMARY**

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

BACKGROUND

In the 2005 legislative session, the statute for the Enterprise Zone program was changed to require the governing bodies of a port district to consent by resolution to Enterprise Zone applications by a city or county within the boundaries of the port. This change was requested to ensure coordination of economic development activities within port districts. Oregon ports play a key role in economic development in the community. Since the statute changed in 2005, the Port Commission routinely receives requests from jurisdictions as they move forward with Enterprise Zone applications and/or boundary changes.

Enterprise Zones are discrete areas up to 12 or 15 square miles in size that are sponsored by one or more local governments. Various types are found throughout the world. Oregon's version has been in existence since the mid-1980s. Each zone designation lasts up to 11 years. State law permits up to 68 to exist now. They are intended to offer tax and other incentives to induce additional investment and employment by non-retail businesses in areas meeting certain measures of economic hardship. They have proven to be Oregon's key offering in the pursuit of business growth and expansion. Their effectiveness is due to a typically short-term but immediate benefit for the business project's cash flow.

The City of Beaverton is seeking the Port's support and consent in favor of creating a Beaverton Enterprise Zone to include the industrial areas adjacent to Oregon Highway 217 and near Tualatin Valley Highway. The geographic boundaries are along Highway 217 from Scholls Ferry Road to the South and 5th Street to the North, and the area north of Tualatin Valley Highway to Jenkins Road – a total area of approximately 1.5 square miles.

The proposed Enterprise Zone has a number of vacant sites that serve as gateways to large-scale industrial areas of the city as well as vacant or underutilized buildings that are prime for expansion and redevelopment. The City of Beaverton is requesting designation from the Oregon Business Development Department to help develop this area for industrial purposes. The Enterprise Zone designation will provide Beaverton with a strong economic development tool to encourage existing and new companies to invest in this area.

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The primary beneficiaries of Enterprise Zone benefits are manufacturing and other industrially-oriented facilities serving businesses. Most commercial and retail-type operations are ineligible.

Enterprise Zones provide up to 100 percent property tax abatement on a company's new investment in facilities, equipment and machinery over a three- to five-year period if a job threshold is met: 110 percent or more of existing employment over the 12 months preceding the pre-project application. Land or existing machinery or equipment are not tax exempt; therefore, there is no loss of current property tax levies to the Port or other taxing jurisdictions. Under the current tax levy, the Port will forgo approximately \$0.0689 per \$1,000 of assessed value until the exemption period ends. We expect the impact on Port property tax revenue will be relatively small: approximately \$1,365 over a three-year period if a \$6.5 million investment is made in the zone. Upon completion of the three- to five-year exemption period, the property will be fully taxed.

The City of Beaverton is scheduled to take action on the proposed Enterprise Zone application on May 8, 2012. In order to move the Beaverton Enterprise Zone application forward to the Oregon Business Development Department for approval, the City of Beaverton is required to have the consent of the Port Commission for this application. The City has requested that the Port Commission provide a resolution consenting to this Enterprise Zone application.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolution be adopted:

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

**CONCESSION LEASE – PENDLETON WOOLEN MILLS, INC. – PORTLAND
INTERNATIONAL AIRPORT**

May 9, 2012

Presented by: Rebecca Sonniksen
Market Development
Project Manager**EXECUTIVE SUMMARY**

This agenda item requests approval to enter into a new concession lease with Pendleton Woolen Mills, Inc., for the operation of a retail store in the Oregon Market at Portland International Airport (PDX).

BACKGROUND

Almost 24 years ago, the PDX concession program created its innovative specialty retail program with six local retailers in the Oregon Market. That program has since expanded over the years to include many more local favorites like Beaverton Bakery, Beaches Restaurant, Elephant's Delicatessen and Rogue Ales.

Portland is recognized as one of the best airports in the industry and a large contributing factor is the Port of Portland's (Port) success in attracting some of the best regional retailers to its concessions program. Goals of the concessions program include a strategic leasing plan that combines direct leasing, as well as a public solicitation process or Request for Proposal. This has proven successful to secure local retail tenants including Columbia Sportswear, Nike and Real Mother Goose.

The selected space for the store has high visibility and is a prime location. Securing the right successor for this location is important to the continued success of the concessions program at PDX.

This agenda item requests approval to enter into a lease with Pendleton Woolen Mills, Inc., effective May 17, 2012, through June 30, 2020. Annual revenue to the Port is projected to be \$114,000. Other key business terms are outlined below.

Key Business Terms

Term: Eight years and 45 days commencing May 17, 2012.

Rent: The greater of the Minimum Annual Guarantee (MAG) or percentage rent.
The percentage rent will be 12 percent of gross revenues.

MAG is estimated to be approximately \$91,200.

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Tenant Investment: An initial minimum investment of \$250,000 at no cost to the Port.

Projected Opening: August 2012

Standard Terms: Other lease terms for street pricing, quality assurance, customer service, cleanliness and operational efficiencies are included.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to enter into a concession lease with Pendleton Woolen Mills, Inc., at the Portland International Airport, based on the terms and conditions described herein; 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.

2012-2013 ADMINISTRATIVE COMPENSATION PROGRAM

May 9, 2012

Presented by: James S. Trujillo
Senior Manager
Human Resources**EXECUTIVE SUMMARY**

This agenda item requests Commission approval to fund the merit pool and additional compensation for promotions, equity and special adjustments for the Port of Portland's (Port) Fiscal Year 2012-2013 Administrative Compensation Program.

BACKGROUND

The Port's Administrative Compensation Program covers approximately 460 employees. In overall terms, the achievement of market rates (100 percent), plus or minus five percent, measures the competitiveness of this plan. On an individual basis, the Administrative Compensation Plan provides pay-for-performance, in which salary levels reflect demonstrated performance over time.

The following expenditures for the Fiscal Year 2012-13 compensation cycle reflect the total recommended annual expenditure for the Administrative Compensation Plan for administrative employees.

- Merit increase pool of \$1,071,848 (3.0 percent of payroll).
- Miscellaneous pool of \$374,892 (1.0 percent of payroll) to be used for promotions, equity and special adjustments throughout the year.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to implement the Port of Portland's Fiscal Year 2012-2013 Administrative Compensation Program 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.

PORT OF PORTLAND FISCAL YEAR 2012-2013 BUDGET APPROVAL

May 9, 2012

Presented by: Suzanne Kenny
Senior Manager, Finance**EXECUTIVE SUMMARY**

This agenda item requests that the Commission, acting as the Port of Portland's (Port) Budget Committee, approve the Port's Fiscal Year (FY) 2012-2013 Budget (Budget) and authorize its submittal to the Tax Supervising and Conservation Commission (TSCC) for its public hearing on June 13, 2012. The TSCC is an independent, impartial panel of citizen volunteers established to monitor the financial affairs of local governments. The TSCC, required in counties with a population over 500,000, has jurisdiction over all local governments that are required to follow local budget law and that have more than half of their real market value within Multnomah County. After review by the TSCC, we will request Commission approval to adopt the Budget at a special meeting on June 22, 2012. At that time, the Commission may take into consideration any suggestions of the TSCC or make other modifications to the Budget subject to the limitations of Oregon Revised Statutes (ORS) 294.435.

BACKGROUND

The Budget provides the Port's best estimate of the resources and requirements needed to achieve the Port's mission in a context of community and environmental responsibility. The Budget provides a funding plan for actions that have been approved by the Commission and, for planning purposes, anticipated actions or initiatives that may require further Commission review and approval prior to the implementation of such initiatives.

In order to conform to the ORS governing the local budget process, the Port began the process for the Budget at a public hearing on April 11, 2012. Subsequent to the first hearing, adjustments have been made to the Budget. Exhibits A and B outline the changes to each fund and the explanations for those changes. Changes to the appropriation categories within each fund between the April 11 hearing on the Budget and this meeting are shown on Exhibit C.

Overview – Resources

Budgeted resources for FY 2012-2013 total \$838.5 million. Anticipated resources include:

- Beginning working capital balance of \$285.6 million is composed of the General Fund (\$149.6 million), the Airport Revenue Fund (\$35.0 million), the Passenger Facility Charge Fund (\$28.3 million), the Airport Construction Fund (\$26.0 million), Airport Revenue Bond Fund (\$21.2 million), the Passenger Facility Charge Bond Fund (\$15.5 million), and the Bond Construction Fund (\$10.0 million).
- Projected operating revenues of \$248.6 million.

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- Property taxes of \$9.5 million.
- Grants, Interest and Other Income of \$56.7 million is composed primarily of \$2.8 million of interest income, \$26.4 million in Federal and State Grants (including Connect Oregon and Federal Aviation Administration funding), as well as \$27.5 million in Passenger Facility Charges.
- An Airport Revenue Bond Issue in the amount of \$50.6 million is budgeted to fund capital projects budgeted in the Airport Construction Fund (\$46.2 million) and a debt service reserve in the Airport Revenue Bond Fund (\$4.4 million).
- Transfers between funds of \$172.4 million make up the balance of the resources. Technically required to be budgeted for under Oregon Budget Law, transfers track dollars moving between funds and are shown as both resources and requirements in the Budget document.

Overview – Requirements

Operating expenditures of \$167.5 million reflect costs of personal services and all materials and services. These expenditures do not include depreciation or the cost of property sold since those expenses are not recognized under Oregon Budget Law.

The Port's capital budget as shown in the document is \$127.3 million. In conformance with Oregon Budget Law, that amount does not include \$15.1 million of internal labor (which the Port does include as a capitalized cost for accounting purposes). Of the total budgeted capital expenditure, \$98.1 million is budgeted for Portland International Airport (PDX) in the Airport Construction Fund and includes:

- \$19.8 million for pavement rehabilitation of Air Trans Center/South Cargo facilities
- \$15.2 million for rehabilitation of Taxiway C West and East
- \$5.2 million for Taxiway E South and Exits Rehabilitation
- \$4.7 million for completion of the airfield Deicing System Enhancements
- \$4.0 million for completion of the In-line Baggage Screening System Improvements
- \$3.9 million for the North Apron Rehabilitation
- \$3.0 million for Terminal Carpet Replacement
- \$2.7 million for Taxiway F South Rehabilitation

There is \$29.2 million of capital expenditures budgeted in the Bond Construction Fund (which includes all divisions other than PDX) and includes:

- \$6.3 million to Repower the Dredge Oregon
- \$2.0 million for Runway 2-20 Relocation and Taxiway B Extension at Hillsboro Airport

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- \$2.0 million for completion of the South Rivergate Rail Expansion – Phase I
- \$1.7 million for Portland Bulk Terminal 5 Expansion
- \$1.5 million for Phase II improvements at Troutdale Reynolds Industrial Park

Other Budget requirements include:

- Debt Service payments of \$80.7 million – \$54.4 million for PDX Revenue Bonds, \$16.5 million for Passenger Facility Charge Bonds and \$9.8 million for General Fund obligations.
- The \$5.1 million budgeted for “Other Environmental” consists of environmental costs that are not directly related to the Port’s current business operations such as the Lower Willamette River Cleanup Project.
- Contingency balances of \$243.8 million represent amounts that are expected to be unspent in FY 2012-2013 and, therefore, would become the beginning balance in the following fiscal year. Of the total, \$81.3 million is for Aviation uses. By leaving these amounts in the Contingency category, however, they are available for appropriation by the Commission during the coming fiscal year as needed.
- The Unappropriated Balance of \$41.0 million is a category under Oregon Budget Law that is the only available category to budget the Debt Service Reserve in the Airport Revenue Bond Fund and the Passenger Facility Charge Bond Fund. These amounts cannot be appropriated by the Commission in the coming fiscal year. Oregon Budget Law does not permit the use of the Contingency category in association with Debt Service Funds.
- Transfers of \$172.4 million make up the balance of the requirements.

Fiscal Year 2012-2013

Changes from April to May Budget Documents

The attached exhibits detail changes to each Fund from the April Budget Proposal to the Budget document submitted for approval today. The changes in the following areas account for the \$186,879 increase in the Port’s FY 2012-2013 Budget from the \$838.3 million in the April proposal to the \$838.5 million in the budget document submitted for approval:

- Estimated Operating Revenues decreased by \$26,390 in the Airport Revenue Fund as a result of lower operating costs, reducing the rent and landing fees required to cover those costs.
- Estimated Operating Expenditures decreased by \$876,000, primarily due to revised estimates for outside contract and consulting services.

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- Transfers between funds increased by \$213,269, primarily the result of revised operating expenditure forecasts.
- Finally, the net impact of the changes outlined above result in an \$851,135 increase in ending (contingency) fund balances.

Other minor changes are shown on the exhibits.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That the Port of Portland's Budget document for Fiscal Year 2012-2013 as presented to the Port of Portland Commission is approved; and

BE IT FURTHER RESOLVED, That the maximum tax levy for the General Fund of the Port of Portland be set at a rate of \$0.0701 per thousand of assessed value, such rate subject to the local government limitation; and

BE IT FURTHER RESOLVED, That the Budget Officer is directed to submit the Budget document to the Tax Supervising and Conservation Commission for a public hearing and for orders, recommendations or objections as provided by law.

EXPLANATION OF CHANGES - FISCAL YEAR 2012-13

Resources	BUDGET PROPOSAL SUBMITTED ON APRIL 11, 2012	REVISIONS	BUDGET SUBMITTED FOR APPROVAL ON MAY 9, 2012	EXPLANATION
Beginning Balance	\$ 285,575,146	\$ -	\$ 285,575,146	
Operating Revenue	248,668,968	(26,390)	248,642,578	The Airport Revenue Fund decreased as a result of lower operating costs.
Grants/Interest Income/Other	71,726,708	-	71,726,708	
Taxes	9,536,804	-	9,536,804	
Bond And Other Debt Proceeds	50,600,000	-	50,600,000	
Subtotal - Resources	\$ 666,107,626	\$ (26,390)	\$ 666,081,236	
Transfer From Other Funds	172,228,830	213,269	172,442,099	Transfers between funds increased as a result of revised operating revenue and expenditure forecasts.
Total Resources	\$ 838,336,456	\$ 186,879	\$ 838,523,335	
Requirements				
Operating Expenditures				
Marine & Industrial Development	\$ 27,421,347	\$ (650,000)	\$ 26,771,347	Revised estimates for marine terminal berth maintenance program costs.
General Aviation	2,005,039	-	2,005,039	
Development Services & Info Tech	20,450,364	-	20,450,364	
Navigation	9,782,277	-	9,782,277	
Corporate Administration	23,976,482	15,000	23,991,482	Revised estimates for personnel services and outside service costs.
Commercial Aviation	84,778,112	(241,000)	84,537,112	Revised estimates for outside service costs related to storm water master plan.
Subtotal - Operating Expenditures	\$ 168,413,622	\$ (876,000)	\$ 167,537,621	
Capital Expenditures				
Marine & Industrial Development	\$ 15,690,398	\$ -	\$ 15,690,398	
General Aviation	5,218,144	-	5,218,144	
Navigation	9,168,927	-	9,168,927	
Corporate Administration	5,250,000	-	5,250,000	
Commercial Aviation	107,053,767	-	107,053,767	
Capitalized Labor	(15,077,504)	(1,525)	(15,079,029)	Revised estimates for staff time charged to capital projects.
Subtotal - Capital Expenditures	\$ 127,303,732	\$ (1,525)	\$ 127,302,207	
Transfer To Other Funds	\$ 172,228,830	\$ 213,269	\$ 172,442,099	Transfers between funds increased as a result of revised operating expenditure forecasts.
Other Environmental	5,064,969	-	5,064,969	
Other	610,000	-	610,000	
Debt Service Payments	80,720,576	-	80,720,576	
Contingency	242,967,848	851,135	243,818,983	Net impact of changes outlined above.
Unappropriated Balance	41,026,880	-	41,026,880	
Total Requirements	\$ 838,336,456	\$ 186,879	\$ 838,523,335	

EXPLANATION OF FUND CHANGES - FISCAL YEAR 2012-13

FUNDS	BUDGET PROPOSAL SUBMITTED ON APRIL 11, 2012	REVISIONS	BUDGET SUBMITTED FOR APPROVAL ON MAY 9, 2012	EXPLANATION
General Fund	\$ 276,505,669	\$ 35,029	\$ 276,540,698	1) Operating expenditures decreased \$635 thousand due to revised marine terminal berth maintenance program costs which results in a corresponding increase in contingency. 2) Service Reimbursement increase from Airport Revenue Fund of \$35 thousand to cover refined corporate services allocation.
Airport Revenue Fund	225,209,539	(27,823)	225,181,716	1) Operating revenue decreased approximately \$26 thousand as a result of lower operating costs. 2) Operating expenditures decreased by \$241 thousand due to revised estimates outside contract and consulting services. 3) Service Reimbursement increase to General Fund of \$35 thousand to cover refined corporate services allocation. 4) Increase in cash transfer to the Airport Construction Fund. Additional cash available for capital construction due to lower operating expenses.
Bond Construction Fund	45,327,469	-	45,327,469	
Airport Construction Fund	123,461,622	179,673	123,641,295	Change due to increased transfers from Airport Revenue Fund as a result of revised operating revenues and expenditures.
PFC Fund	55,910,170	-	55,910,170	
PFC Bond Fund	31,926,742	-	31,926,742	
Airport Revenue Bond Fund	79,995,245	-	79,995,245	
Total	<u>\$ 838,336,456</u>	<u>\$ 186,879</u>	<u>\$ 838,523,335</u>	

SCHEDULE OF APPROPRIATIONS - FISCAL YEAR 2012-13

	BUDGET PROPOSAL SUBMITTED ON APRIL 11, 2012	REVISIONS	BUDGET SUBMITTED FOR APPROVAL ON MAY 9, 2012
GENERAL FUND			
Beginning Balance	\$ 149,594,021	\$ -	\$ 149,594,021
Operating Revenue	62,285,702	-	62,285,702
Interest on Investments/Other	16,606,640	-	16,606,640
Federal/State Grants	-	-	-
Service Reimbursements	35,634,168	35,029	35,669,197
Transfers from Other Funds	2,848,335	-	2,848,335
Property Tax (within permanent rate limit)	9,536,804	-	9,536,804
Total Resources	\$ 276,505,669	\$ 35,029	\$ 276,540,698
Corporate Administration	\$ 23,976,482	\$ 15,000	\$ 23,991,482
Marine & Industrial Development	27,421,347	(650,000)	26,771,347
Development Services and Information Technology	9,920,618	-	9,920,618
Navigation	9,782,277	-	9,782,277
Engineering	10,529,745	-	10,529,745
General Aviation	2,005,039	-	2,005,039
Total Departments	83,635,509	(635,000)	83,000,509
Service Reimbursements	\$ 96,889	\$ -	\$ 96,889
Long-Term Debt Payments	9,825,469	-	9,825,469
Other Environmental	5,064,969	-	5,064,969
System Development Charges/Other	5,000	-	5,000
Cash Transfers to Other Funds	26,009,395	(1,433)	26,007,962
Contingency	151,868,438	671,462	152,539,900
Total Requirements	\$ 276,505,669	\$ 35,029	\$ 276,540,698
AIRPORT REVENUE FUND			
Beginning Balance	\$ 35,000,000	\$ -	\$ 35,000,000
Operating revenue	186,383,266	(26,390)	186,356,876
Interest on Investments	532,840	-	532,840
Service Reimbursements	1,506,639	-	1,506,639
Transfers from Other Funds	1,786,794	(1,433)	1,785,361
Total Resources	\$ 225,209,539	\$ (27,823)	\$ 225,181,716
Operating Expenditures	\$ 84,778,112	\$ (241,000)	\$ 84,537,112
Sys Dev Chgs/Line Of Credit/Other	5,000	-	5,000
Service Reimbursements	21,966,414	33,504	21,999,918
Cash Transfers to Other Funds	83,460,013	179,673	83,639,686
Contingency	35,000,000	-	35,000,000
Total Requirements	\$ 225,209,539	\$ (27,823)	\$ 225,181,716
BOND CONSTRUCTION FUND			
Beginning Balance	\$ 10,000,000	\$ -	\$ 10,000,000
Interest Income/ Other	117,880	-	117,880
Federal/State Grants/Other	10,986,988	-	10,986,988
Bonds and Other Debt Proceeds	-	-	-
Transfers from Other Funds	24,222,601	-	24,222,601
Total Resources	\$ 45,327,469	\$ -	\$ 45,327,469
Capital Outlay	\$ 29,201,534	\$ (762)	\$ 29,200,771
Service Reimbursements	6,125,935	762	6,126,698
Transfers to General Fund	-	-	-
Transfers to Airport Revenue Fund	-	-	-
Contingency	10,000,000	-	10,000,000
Total Requirements	\$ 45,327,469	\$ -	\$ 45,327,469

SCHEDULE OF APPROPRIATIONS - FISCAL YEAR 2012-13

	BUDGET PROPOSAL SUBMITTED ON APRIL 11, 2012	REVISIONS	BUDGET SUBMITTED FOR APPROVAL ON MAY 9, 2012
AIRPORT CONSTRUCTION FUND			
Beginning Balance	\$ 26,004,555	\$ -	\$ 26,004,555
Interest Income/ Other	420,280	-	420,280
Federal / State Grants	15,440,000	-	15,440,000
Bond and Other Debt Proceeds	46,200,000	-	46,200,000
Transfers from Other Funds	<u>35,396,787</u>	<u>179,673</u>	<u>35,576,460</u>
Total Resources	<u>\$ 123,461,622</u>	<u>\$ 179,673</u>	<u>\$ 123,641,295</u>
Capital Outlay	\$ 98,102,198	\$ (762)	\$ 98,101,436
Service Reimbursements	8,951,569	762	8,952,331
Cash Transfers to Other Funds	2,200,000	-	2,200,000
Contingency	<u>14,207,855</u>	<u>179,673</u>	<u>14,387,528</u>
Total Requirements	<u>\$ 123,461,622</u>	<u>\$ 179,673</u>	<u>\$ 123,641,295</u>
PASSENGER FACILITY CHARGE (PFC) FUND			
Beginning Balance	\$ 28,349,690	\$ -	\$ 28,349,690
Passenger Facility Charge	27,500,000	-	27,500,000
Bond and Other Debt Proceeds	-	-	-
Interest and Other	<u>60,480</u>	<u>-</u>	<u>60,480</u>
Total Resources	<u>\$ 55,910,170</u>	<u>\$ -</u>	<u>\$ 55,910,170</u>
Letter of Credit/Other	\$ 600,000	\$ -	\$ 600,000
Cash Transfers to Other Funds	23,418,615	-	23,418,615
Contingency	<u>31,891,555</u>	<u>-</u>	<u>31,891,555</u>
Total Requirements	<u>\$ 55,910,170</u>	<u>\$ -</u>	<u>\$ 55,910,170</u>
PASSENGER FACILITY CHARGE (PFC) BOND FUND			
Beginning Balance	\$ 15,472,567	\$ -	\$ 15,472,567
Interest Income	35,560	-	35,560
Cash Transfers from Other Funds	<u>16,418,615</u>	<u>-</u>	<u>16,418,615</u>
Total Resources	<u>\$ 31,926,742</u>	<u>\$ -</u>	<u>\$ 31,926,742</u>
Debt Service	\$ 16,454,175	\$ -	\$ 16,454,175
Unappropriated Ending Balance	<u>15,472,567</u>	<u>-</u>	<u>15,472,567</u>
Total Requirements	<u>\$ 31,926,742</u>	<u>\$ -</u>	<u>\$ 31,926,742</u>
AIRPORT REVENUE BOND FUND			
Beginning Balance	\$ 21,154,313	\$ -	\$ 21,154,313
Bond and Other Debt Proceeds	4,400,000	-	4,400,000
Interest Income	26,040	-	26,040
Transfers from Other Funds	<u>54,414,892</u>	<u>-</u>	<u>54,414,892</u>
Total Resources	<u>\$ 79,995,245</u>	<u>\$ -</u>	<u>\$ 79,995,245</u>
Debt Service	\$ 54,440,932	-	\$ 54,440,932
Unappropriated Ending Balance	<u>25,554,313</u>	<u>-</u>	<u>25,554,313</u>
Total Requirements	<u>\$ 79,995,245</u>	<u>\$ -</u>	<u>\$ 79,995,245</u>
TOTAL ALL FUNDS	<u>\$ 838,336,456</u>	<u>\$ 186,879</u>	<u>\$ 838,523,335</u>

CONTRACT – APPOINTMENT OF INDEPENDENT AUDITOR

May 9, 2012

Presented by: Robert Burket
Controller**EXECUTIVE SUMMARY**

This item requests approval to enter into a five-year audit services contract with PricewaterhouseCoopers, LLP, to conduct a required independent audit of the Port of Portland's (Port) financial records for each Fiscal Year (FY) 2012 through 2016.

BACKGROUND

Port Commission policy 6.1.08 requires the Port to solicit independent audit services through a request for proposal (RFP) procedure at least every five years. Under an audit services contract, the Port's independent auditor will provide an independent audit and opinion on the financial statements of the Port, a "Single Audit" and report on federal grants, a Passenger Facility Charge program audit and report, required state and federal data forms, as well as all of the required communications with Port management and the Commission.

The audit of the Port's FY 2011 marked the fifth and final year under the current contract. The required RFPs were distributed through an advertising process and proposals were received from five separate accounting firms. Proposed fees ranged from \$131,640 to \$185,000 for FY 2012 and \$135,290 to \$191,000 for FY 2013.

The proposals were reviewed and two firms were selected to be interviewed by a team composed of the Port's General Counsel, Internal Audit Manager, Risk Manager, Accounting Manager, and Controller. The proposals were evaluated on criteria including stability, quality control, independence and local team/national office interaction; demonstrated experience in performing audits for similar entities; qualifications and experience of personnel to be assigned to the audit; understanding of the scope and magnitude of services to be performed; approach taken to performing the audit; cost; and small business participation.

PricewaterhouseCoopers, LLP, best met these criteria and staff recommends that they be appointed to perform these services. The proposed contract may be terminated by either party, upon 30 days written notice.

PricewaterhouseCoopers, LLP's, fees are \$185,000 for FY 2012 and \$191,000 for FY 2013. For the FY 2014 through 2016, rates will be increased by the Consumer Price Index for All Urban Consumers (CPI-U) published by the U.S. Department of Labor. These rates are reflective of the utilization of 500 hours of Port internal audit staff time during the course of each year's audit.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to enter into an audit services contract with PricewaterhouseCoopers, LLP, to perform an independent audit of the Port's financial records for Fiscal Years 2012 through 2016, consistent with the 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.

**CONSTRUCTION CONTRACT – CENTRAL UTILITY PLANT BOILER AND FUEL OIL
REPLACE AND UPGRADE – PORTLAND INTERNATIONAL AIRPORT**

May 9, 2012

Presented by: George Seaman
Engineering Project Manager**EXECUTIVE SUMMARY**

This agenda item requests approval to award a construction contract in the amount of \$1,294,264 to Anderson Environmental Contracting, LLC, to replace and upgrade the fuel oil storage tanks, condensate tank and miscellaneous components of the steam system in the Central Utility Plant (CUP) at Portland International Airport (PDX).

BACKGROUND

The project is intended to replace infrastructure that is part of the boiler and emergency generator systems, which are critical to the terminal, airfield and the Port of Portland's HQ building operations. The existing condensate holding tank, boiler blow-down tank No. 1 and two fuel oil storage tanks are original equipment included in the CUP construction in 1974. These components have been in service for 38 years, are past their useful service lives and are experiencing varying levels of corrosion.

The fuel oil storage tanks provide fuel oil to the backup electric generators and are backup fuel for the natural gas-fired boilers. Boiler heating demand is at the lowest during the summer and early fall. Therefore, to reduce risk to terminal operations, construction work is expected to commence in June 2012 and be complete by the end of October 2012.

This construction contract will replace the existing condensate holding tank with a new 2,200-gallon stainless steel vessel and replace the fuel oil storage tanks with two 30,000-gallon double-walled fiberglass/steel constructed tanks. Additional contract work activities include the removal of unused diesel fuel heat exchangers; replacement of leaking steam valves; and installation of new boiler system components including a filtration system for the condensate return, boiler blow-down heat recovery tank and boiler chemical feed systems.

This project was advertised on March 28, 2012, and bids were opened on April 18, 2012. A total of four bids were received. The bid results are shown in the table below.

Anderson Environmental Contracting, LLC	\$1,294,264
Harder Mechanical Contractors, Inc.	\$1,504,914
Todd Hess Building Company	\$1,690,000
Triad Mechanical, Inc.	\$1,750,515
Engineer's Estimate	\$1,450,000

CONSTRUCTION CONTRACT – CENTRAL UTILITY PLANT BOILER AND FUEL OIL
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The contract amount is within the project budget. The project is funded from the Airline Cost Center.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to award a construction contract for the Central Utility Plant Boiler and Fuel Oil Replace and Upgrade Project to Anderson Environmental Contracting, LLC, 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.