



AGENDA  
Regular Commission Meeting  
Port of Portland Headquarters  
7200 N.E. Airport Way, 8<sup>th</sup> Floor  
May 8, 2013  
9:30 a.m.

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**Minutes**

Approval of Minutes: Regular Commission Meeting – April 10, 2013

**Executive Director**

Approval of Executive Director's Report – April 2013

**General Discussion**

Key Influencers Survey

*ADAM DAVIS,  
DHM RESEARCH*

Port of Portland Administrative Compensation Program for  
Fiscal Year 2013-2014

*JAMES TRUJILLO*

**Consent Item**

1. SALE OF REMNANT PARCEL

*TERESA CARR*

Requests approval to sell a remnant parcel of land and  
improvements located on NW Front Avenue in Portland.

**Action Items**

2. PORT OF PORTLAND FISCAL YEAR 2013-2014 BUDGET  
APPROVAL

*SUZANNE KENNY*

Requests that the Commission, acting as the Port of Portland's  
Budget Committee, approve the Port's Fiscal Year 2013-2014  
Budget and authorize its submittal to the Tax Supervising and  
Conservation Commission.

3. FINANCING FOR DREDGE OREGON REPOWERING PROJECT

*TATIANA STAROSTINA*

Requests approval to enter into various agreements with Banc of  
America Leasing & Capital, LLC, to finance the design, equipment  
procurement, shipyard installation and administrative costs for the  
Dredge *Oregon* Repower Project.

4. APPOINTMENT OF INVESTMENT BANKERS/UNDERWRITERS *TATIANA STAROSTINA*  
Requests approval to appoint two investment banking firms to serve as lead underwriters to the Port of Portland.
5. SERVICE CONTRACTS – TEMPORARY PERSONNEL FOR CONSTRUCTION INSPECTION AND PROJECT SUPPORT AS REQUIRED *TOM PETERSON*  
Requests approval of three service contracts with CH2M HILL, Inc., Hatch Mott MacDonald, LLC, and URS Corporation for temporary staffing as needed for construction support services.
6. PUBLIC IMPROVEMENT CONTRACT – NW RED ECONOMY LOT RECONSTRUCTION – PORTLAND INTERNATIONAL AIRPORT *CHRIS EDWARDS*  
Requests approval to award a public improvement contract to Kodiak Pacific Construction, to perform the NW Red Economy Lot Reconstruction project at Portland International Airport.
7. PUBLIC IMPROVEMENT CONTRACT – SOUTHWEST APRON REHABILITATION – PORTLAND INTERNATIONAL AIRPORT *JIM MCGINNIS*  
Requests approval to award a public improvement contract to K&E Excavating, Inc., to perform the Southwest Apron Rehabilitation project at Portland International Airport.
8. JANITORIAL SERVICES CONTRACT – PORTLAND INTERNATIONAL AIRPORT AND PORT OF PORTLAND HEADQUARTERS BUILDING *CRAIG JOHNSEN  
KENDALL AUSTIN*  
Requests approval to award a new janitorial services contract to Portland Habilitation Center, Inc., for services at Portland International Airport, related Port of Portland (Port) facilities, and the Port Headquarters building

**SALE OF REMNANT PARCEL**

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May 8, 2013

Presented by: Teresa Carr  
Business Development Manager**EXECUTIVE SUMMARY**

This agenda item requests approval to sell a remnant parcel of land and improvements (Property) located on NW Front Avenue in Portland, on the west bank of the Willamette River to Albers Mill Holding, LLC. The Property consists of approximately 9,803 square feet (0.225 acres) of land with paving and a pier of approximately 4,250 square feet. The Property is used in conjunction with the management and operation of the adjacent Albers Mill Building. This Property has no strategic value to the Port and was offered for sale to meet customer needs.

**BACKGROUND**

The Port of Portland (Port) received the property from the City of Portland via Bargain and Sale Deed dated April 21, 1980.

Albers Mill Building Partnership entered into a lease with the Port in 1991 and leased the Property since that time. The Property has been used for parking and storage.

**SALE TERMS**

The Property is constrained by its location on the Willamette River and under the Broadway Bridge, and the condition and age of the existing pier. Based on property constraints, the parties agreed to a sales price of \$75,000. The Property is sold as-is.

No brokerage commission is payable as part of this sales transaction.

**EXECUTIVE DIRECTOR'S RECOMMENDATION**

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to sell 0.225 acres of property and improvements located along the west bank of the Willamette River to Albers Mill Holding, LLC, 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.

**PORT OF PORTLAND FISCAL YEAR 2013-2014 BUDGET APPROVAL**

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May 8, 2013

Presented by: Suzanne Kenny  
Senior Manager  
Business and Financial Operations**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) 2013-2014 Budget (Budget) and authorize its submittal to the Tax Supervising and Conservation Commission (TSCC) for its public hearing on June 12, 2013. 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 real market value located within Multnomah County than in any other county. After review by the TSCC, we will request Commission approval to adopt the Budget at a special meeting on June 21, 2013. 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) 294.456.

**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 10, 2013. Subsequent to the first hearing, adjustments have been made to the Budget. Exhibits A and B outline and explain those changes. Exhibit A presents the changes to the Port's total budget, while Exhibit B presents the changes on a fund level. Changes to the appropriation categories within each fund between the April 10 hearing on the Budget and this meeting are shown on Exhibit C.

**OVERVIEW – RESOURCES**

Budgeted resources for FY 2013-2014 total \$850.9 million. Anticipated resources include:

- Beginning working capital balance of \$296.0 million is composed of the General Fund (\$148.1 million), the Airport Revenue Fund (\$35.0 million), the Passenger Facility Charge Fund (\$32.4 million), the Airport Construction Fund (\$33.9 million), Airport Revenue Bond Fund (\$21.0 million), the Passenger Facility Charge Bond Fund (\$15.5 million), and the Bond Construction Fund (\$10.0 million).

## PORT OF PORTLAND FISCAL YEAR 2013-2014 BUDGET APPROVAL

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- Projected operating revenues of \$264.1 million.
- Property taxes of \$9.7 million.
- Grants, Interest and Other Income of \$53.5 million is comprised primarily of \$1.7 million of interest income, \$22.3 million in Federal and State Grants (including Connect Oregon and Federal Aviation Administration funding), as well as \$28.9 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 \$176.9 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 \$176.2 million reflect costs of personnel services and all materials and services. These expenditures do not include depreciation or the cost of property sold since those expenditures are non-cash, and are therefore not recognized under Oregon Budget Law.

The Port's capital budget as shown in the document is \$123.3 million. In conformance with Oregon Budget Law, that amount does not include \$11.5 million of internal labor (which the Port does include as a capitalized cost for accounting purposes). Of the total budgeted capital expenditure, \$73.7 million is budgeted for Portland International Airport (PDX) in the Airport Construction Fund and includes:

- \$21.1 million for Taxiway C East rehabilitation
- \$11.5 million for pavement rehabilitation – Air Trans Center/South Cargo Facilities – Phase 3
- \$ 4.5 million for the access control system replacement
- \$ 3.2 million for Taxiway T southwest rehabilitation
- \$ 2.3 million for Economy Parking Lot - NW corner pavement reconstruction

There is \$49.6 million of capital expenditures budgeted in the Bond Construction Fund (which includes all divisions other than PDX) and includes:

- \$10.0 million for acquisition of industrial land
- \$6.4 million for constructing Runway 12L-30R at Hillsboro Airport

## PORT OF PORTLAND FISCAL YEAR 2013-2014 BUDGET APPROVAL

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- \$7.5 million for Runway 2-20 relocation and Taxiway B extension at Hillsboro Airport
- \$4.0 million to re-power the Dredge *Oregon* – Phase 2
- \$2.9 million for Phase II improvements at Troutdale Reynolds Industrial Park
- \$2.7 million to reconstruct Runway 7-25 at Troutdale Airport

Other Budget requirements include:

- Debt Service payments of \$74.2 million – \$49.6 million for PDX Revenue Bonds, \$14.3 million for Passenger Facility Charge Bonds, and \$10.2 million for General Fund obligations.
- The \$3.9 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 \$255.4 million represent amounts that are expected to be unspent in FY 2013-2014 and, therefore, would become the beginning balance in the following fiscal year. Of the total, \$87.0 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 if needed.
- The Unappropriated Balance of \$40.9 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 \$176.9 million make up the balance of the requirements.

### **FISCAL YEAR 2013-2014**

#### **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 \$960,452 decrease in the Port’s FY 2013-2014 Budget from the \$851.8 million in the April proposal to the \$850.9 million in the budget document submitted for approval:

- Estimated Operating Revenues decreased by \$709,364 primarily due to lower airline revenues as a result of lower operating costs, reducing the airline terminal rent and landing fees required to cover those costs.
- Estimated Operating Expenditures decreased by \$248,925, due to revised estimates for salaries and wages, the Port headquarters building rent, Navigation expensed fixed assets, and the City of Portland off-site storm water fee.

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- Capitalized labor increased \$361,600 as a result of refined internal engineering labor forecasts required to support capital projects.
- Other expenditures decreased by \$560,000 due to the elimination of the letter of credit fees associated with the Passenger Facility Charge variable rate Series 2009A bonds that were refinanced in August 2012. These bonds were replaced by Series 2012A, directly purchased by Wells Fargo, that have a credit premium included in the calculation of the interest rate, instead of the letter of credit covering the credit risk.
- Transfers between funds decreased by \$251,088, primarily the result of revised operating expenditure forecasts.
- Finally, the net impact of the changes outlined above result in a \$461,162 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 2013-2014 as presented to the Port of Portland Commission is approved; and

BE IT FURTHER RESOLVED, That the maximum tax levy for the Bond Construction Fund of the Port of Portland be set at a rate of \$0.0701 per thousand dollars 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 2013-14

Resources	BUDGET PROPOSAL SUBMITTED ON APRIL 10, 2013	REVISIONS	BUDGET SUBMITTED FOR APPROVAL ON MAY 8, 2013	EXPLANATION
Beginning Balance	\$ 296,046,124	\$ -	\$ 296,046,124	
Operating Revenue	264,779,119	(709,364)	264,069,755	Decrease in airline revenue due to residual airline agreement driven by lower expenses.
Grants/Interest Income/Other	53,524,276	-	53,524,276	
Taxes	9,744,994	-	9,744,994	
Bond And Other Debt Proceeds	50,600,000	-	50,600,000	
<b>Subtotal - Resources</b>	<b>\$ 674,694,513</b>	<b>\$ (709,364)</b>	<b>\$ 673,985,149</b>	
Transfer From Other Funds	177,133,730	(251,088)	176,882,642	Transfers between funds decreased as a result of revised operating revenue and expenditure forecasts.
<b>Total Resources</b>	<b>\$ 851,828,243</b>	<b>\$ (960,452)</b>	<b>\$ 850,867,791</b>	
<b>Requirements</b>				
<b>Operating Expenditures</b>				
Marine & Industrial Development	\$ 31,295,717	\$ (117,122)	\$ 31,178,595	Adjustments to rent associated with the HQ Building.
General Aviation	2,146,913	(13,375)	2,133,538	Adjustments to rent associated with the HQ Building.
Development Services & Info Tech	22,468,643	(215,234)	22,253,409	Adjustments to salaries and wages and HQ Building rent.
Navigation	9,583,251	125,104	9,708,355	Refinements to estimate for expensed fixed assets, per contract with the U.S. Army Corp of Engineers.
Corporate Administration	25,355,908	54,893	25,410,801	Refinements to salaries and wages, and adjustments to rent associated with the HQ Building.
Commercial Aviation	85,621,756	(83,191)	85,538,565	Decrease to the estimate of City of Portland storm water fee off set by reduced rent credits for the HQ Building.
<b>Subtotal - Operating Expenditures</b>	<b>\$ 176,472,188</b>	<b>\$ (248,925)</b>	<b>\$ 176,223,262</b>	
<b>Capital Expenditures</b>				
Marine & Industrial Development	\$ 24,107,029	\$ -	\$ 24,107,029	
General Aviation	17,802,465	-	17,802,465	
Navigation	7,668,764	-	7,668,764	
Corporate Administration	3,034,500	-	3,034,500	
Commercial Aviation	82,178,887	-	82,178,887	
Capitalized Labor	(11,152,945)	(361,600)	(11,514,545)	Revised estimates for staff time charged to capital projects.
<b>Subtotal - Capital Expenditures</b>	<b>\$ 123,638,700</b>	<b>\$ (361,600)</b>	<b>\$ 123,277,100</b>	
Transfer To Other Funds	\$ 177,133,730	\$ (251,088)	\$ 176,882,642	Transfers between funds decreased as a result of revised operating revenue and expenditure forecasts.
Other Environmental	3,905,346	-	3,905,346	Adjustments to rent associated with the HQ Building.
Other	605,000	(560,000)	45,000	Revised estimates for bond fee and other charges.
Debt Service Payments	74,186,066	-	74,186,066	
Contingency	254,971,602	461,162	255,432,764	Net impact of changes outlined above.
Unappropriated Balance	40,915,612	-	40,915,612	
<b>Total Requirements</b>	<b>\$ 851,828,243</b>	<b>\$ (960,452)</b>	<b>\$ 850,867,791</b>	



## EXPLANATION OF FUND CHANGES - FISCAL YEAR 2013-14

<b>FUNDS</b>	<b>BUDGET PROPOSAL SUBMITTED ON APRIL 10, 2013</b>	<b>REVISIONS</b>	<b>BUDGET SUBMITTED FOR APPROVAL ON MAY 8, 2013</b>	<b>EXPLANATION</b>
<b>General Fund</b>	\$ 258,747,201	\$ 22,546	\$ 258,769,747	Increase to General Fund as a result of revisions to forecasts for service reimbursements, operating revenues and expenditures.
<b>Airport Revenue Fund</b>	229,133,368	(736,014)	228,397,354	Decrease to airline revenue largely due to residual airline agreement driven by lower expenses.
<b>Bond Construction Fund</b>	62,622,758	-	62,622,758	
<b>Airport Construction Fund</b>	135,100,124	(246,984)	134,853,140	Decrease in transfer from Airport Revenue Fund due to a decrease in operating revenue net of operating expense.
<b>PFC Fund</b>	61,348,240	-	61,348,240	
<b>PFC Bond Fund</b>	29,805,414	-	29,805,414	
<b>Airport Revenue Bond Fund</b>	75,071,139	-	75,071,139	
<b>Total</b>	<b>\$ 851,828,243</b>	<b>\$ (960,452)</b>	<b>\$ 850,867,791</b>	

## SCHEDULE OF APPROPRIATIONS - FISCAL YEAR 2013-14

	BUDGET PROPOSAL SUBMITTED ON APRIL 10, 2013	REVISIONS	BUDGET SUBMITTED FOR APPROVAL ON MAY 8, 2013
<b>GENERAL FUND</b>			
Beginning Balance	\$ 148,147,409	\$ -	\$ 148,147,409
Operating Revenue	72,827,399	66,784	72,894,183
Interest on Investments/Other Federal/State Grants	1,291,050	-	1,291,050
Service Reimbursements	33,372,635	(44,238)	33,328,397
Transfers from Other Funds	3,108,708	-	3,108,708
<b>Total Resources</b>	<b>\$ 258,747,201</b>	<b>\$ 22,546</b>	<b>\$ 258,769,747</b>
Corporate Administration	\$ 25,355,908	\$ 54,894	\$ 25,410,802
Marine & Industrial Development	31,295,717	(117,122)	31,178,595
Development Services and Information Technology	11,102,356	(26,835)	11,075,521
Navigation	9,583,251	125,104	9,708,355
Engineering	11,366,287	(188,399)	11,177,888
General Aviation	2,146,913	(13,375)	2,133,538
<b>Total Departments</b>	<b>\$ 90,850,432</b>	<b>\$ (165,733)</b>	<b>\$ 90,684,698</b>
Service Reimbursements	\$ 269,590	\$ 43,128	\$ 312,718
Long-Term Debt Payments	10,225,125	-	10,225,125
Other Environmental	3,905,346	-	3,905,346
System Development Charges/Other	-	30,000	30,000
Cash Transfers to Other Funds	21,104,529	(2,994)	21,101,535
Contingency	132,392,178	118,146	132,510,324
<b>Total Requirements</b>	<b>\$ 167,896,769</b>	<b>\$ 188,280</b>	<b>\$ 168,085,048</b>
<b>AIRPORT REVENUE FUND</b>			
Beginning Balance	\$ 35,000,000	\$ -	\$ 35,000,000
Operating Revenue	191,951,720	(776,148)	191,175,572
Interest on Investments	474,175	-	474,175
Other	-	-	-
Service Reimbursements	1,415,932	43,128	1,459,060
Transfers from Other Funds	291,541	(2,994)	288,547
<b>Total Resources</b>	<b>\$ 229,133,368</b>	<b>\$ (736,014)</b>	<b>\$ 228,397,354</b>
Operating Expenditures	\$ 85,621,756	\$ (83,191)	\$ 85,538,565
Sys Dev Chgs/Line Of Credit/Other	5,000	-	5,000
Service Reimbursements	23,366,032	(405,839)	22,960,193
Cash Transfers to Other Funds	83,640,580	(246,984)	83,393,596
Contingency	36,500,000	-	36,500,000
<b>Total Requirements</b>	<b>\$ 229,133,368</b>	<b>\$ (736,014)</b>	<b>\$ 228,397,354</b>
<b>BOND CONSTRUCTION FUND</b>			
Beginning Balance	\$ 10,000,000	\$ -	\$ 10,000,000
Interest Income/ Other	94,725	-	94,725
Federal/State Grants/Other	16,191,866	-	16,191,866
Bonds and Other Debt Proceeds	-	-	-
Property Tax	9,744,994	-	9,744,994
Transfers from Other Funds	26,591,173	-	26,591,173
<b>Total Resources</b>	<b>\$ 62,622,758</b>	<b>\$ -</b>	<b>\$ 62,622,758</b>
Capital Outlay	\$ 49,377,902	\$ 188,399	\$ 49,566,301
Service Reimbursements	3,234,856	(188,399)	3,046,457
Transfers to General Fund	-	-	-
Transfers to Airport Revenue Fund	10,000	-	10,000
Contingency	10,000,000	-	10,000,000
<b>Total Requirements</b>	<b>\$ 62,622,758</b>	<b>\$ -</b>	<b>\$ 62,622,758</b>

SCHEDULE OF APPROPRIATIONS - FISCAL YEAR 2013-14

	BUDGET PROPOSAL SUBMITTED ON APRIL 10, 2013	REVISIONS	BUDGET SUBMITTED FOR APPROVAL ON MAY 8, 2013
<b>AIRPORT CONSTRUCTION FUND</b>			
Beginning Balance	\$ 33,966,426	\$ -	\$ 33,966,426
Interest Income/ Other	337,725	-	337,725
Federal / State Grants	6,153,671	-	6,153,671
Other Revenue	-	-	-
Bond and Other Debt Proceeds	46,200,000	-	46,200,000
Transfers from Other Funds	48,442,301	(246,984)	48,195,317
<b>Total Resources</b>	<b>\$ 135,100,123</b>	<b>\$ (246,984)</b>	<b>\$ 134,853,140</b>
Capital Outlay	\$ 74,260,798	\$ (550,000)	\$ 73,710,798
Service Reimbursements	7,918,088	550,000	8,468,088
Cash Transfers to Other Funds	2,200,000	-	2,200,000
Contingency	50,721,237	(246,984)	50,474,253
<b>Total Requirements</b>	<b>\$ 135,100,123</b>	<b>\$ (246,984)</b>	<b>\$ 134,853,140</b>
<b>PASSENGER FACILITY CHARGE (PFC) FUND</b>			
Beginning Balance	\$ 32,416,676	\$ -	\$ 32,416,676
Passenger Facility Charge	28,882,964	-	28,882,964
Bond and Other Debt Proceeds	-	-	-
Interest and Other	48,600	-	48,600
<b>Total Resources</b>	<b>\$ 61,348,240</b>	<b>\$ -</b>	<b>\$ 61,348,240</b>
Letter of Credit/Other	\$ 600,000	\$ (590,000)	\$ 10,000
Cash Transfers to Other Funds	35,390,054	-	35,390,054
Contingency	25,358,187	590,000	25,948,187
<b>Total Requirements</b>	<b>\$ 61,348,240</b>	<b>\$ -</b>	<b>\$ 61,348,240</b>
<b>PASSENGER FACILITY CHARGE (PFC) BOND FUND</b>			
Beginning Balance	\$ 15,476,035	\$ -	\$ 15,476,035
Interest Income	28,575	-	28,575
Cash Transfers from Other Funds	14,300,804	-	14,300,804
<b>Total Resources</b>	<b>\$ 29,805,414</b>	<b>\$ -</b>	<b>\$ 29,805,414</b>
Debt Service	\$ 14,329,379	\$ -	\$ 14,329,379
Unappropriated Ending Balance	15,476,035	-	15,476,035
<b>Total Requirements</b>	<b>\$ 29,805,414</b>	<b>\$ -</b>	<b>\$ 29,805,414</b>
<b>AIRPORT REVENUE BOND FUND</b>			
Beginning Balance	\$ 21,039,577	\$ -	\$ 21,039,577
Bond and Other Debt Proceeds	4,400,000	-	4,400,000
Interest Income	20,925	-	20,925
Transfers from Other Funds	49,610,637	-	49,610,637
<b>Total Resources</b>	<b>\$ 75,071,139</b>	<b>\$ -</b>	<b>\$ 75,071,139</b>
Debt Service	\$ 49,631,562	\$ -	\$ 49,631,562
Unappropriated Ending Balance	25,439,577	-	25,439,577
<b>Total Requirements</b>	<b>\$ 75,071,139</b>	<b>\$ -</b>	<b>\$ 75,071,139</b>
<b>TOTAL ALL FUNDS</b>	<b>\$ 851,828,243</b>	<b>\$ (960,452)</b>	<b>\$ 850,867,791</b>

**FINANCING FOR DREDGE OREGON REPOWERING PROJECT**

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May 8, 2013

Presented by: Tatiana Starostina  
Senior Manager, Financial  
Analysis & Projects**EXECUTIVE SUMMARY**

This agenda item requests approval to enter into various agreements with Banc of America Leasing & Capital, LLC (B of A Leasing Capital) to finance the Port of Portland's (Port) design, equipment procurement, shipyard installation and administrative costs for the Dredge *Oregon* Repower Project.

**BACKGROUND**

The Port's dredging activities dates back to its original public mission when it was created by the State of Oregon in 1891 to support navigation for commerce on the Columbia and Willamette river system. That state-delegated mission continues today with the Port's support to the U.S. Army Corps of Engineers (ACOE) maintenance dredging operations in two ways: (1) as local sponsor to ACOE; and (2) by providing cost-effective dredging services to the ACOE under a reimbursable contract.

The Port purchased the Dredge *Oregon* in 1965. Its electrical generation, switchgear and distribution, pump motor, pump, cutter motor and control systems are the original systems and have been in service for 48 years. All systems have exceeded their useful life. The Port embarked on a project in 2009 to repower the Dredge *Oregon* by replacing the old engines and equipment.

**PROJECT DESIGN, EQUIPMENT PROCUREMENT AND SCHEDULE**

In July 2010, the Commission approved a contract for the design of the repower equipment and installation. In November 2011, the Port engaged another consultant to design the electrical and control system equipment for the project.

In October 2011, the Commission approved two contracts, one for the procurement of the Electrical Generation System and Cutterhead Gearbox and another for the procurement of the Dredge *Oregon* Pumping System including the main engine, gearbox and pump.

In October 2012, the Commission approved the shipyard services contract with Vigor Marine, LLC, for equipment installation.

**TRADITIONAL PROJECT FUNDING**

The Port conducts its dredging operations under an existing, reimbursable contract with the ACOE. Typically under that contract, when acquiring a new capital asset, the Port would fund 100 percent of the equipment cost "up front," with the ACOE reimbursing the expense over time

## FINANCING FOR DREDGE OREGON REPOWERING PROJECT

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through a straight-line depreciation method less a 10-percent asset salvage value. Included in that method of reimbursement is a small cost-of-money rate to account for the cost of capital. As the repowering assets are considered 20-year assets, under this mechanism the Port would recover its initial capital outlay over the 20-year period following purchase. Given the Port's large asset maintenance capital needs and General Fund constraints, the Port analyzed available options to determine whether reimbursement for this significant expense could be attained over a shorter period of time than would normally be available. After consideration, the ACOE indicated its willingness to reimburse the Port for financing costs if the Port pursued external financing options to fund the repower project.

### **FINANCING DOCUMENTATION**

To determine the best available financing option, the Port issued a Request for Proposals in September 2012 soliciting funding proposals for the project. The Port received proposals in December from five lenders, some with multiple proposed financing options. Port staff evaluated all proposals based on criteria such as length of term, interest rate, qualifications and collateral requirements. Upon evaluation, the Port determined that the financing package proposed by B of A Leasing Capital best serves the Port's interests, and is the least-cost option for the Port. B of A Leasing Capital is a subsidiary of Bank of America.

The financing documentation proposed by B of A Leasing Capital includes a 15-year loan term at a fixed interest rate of 4.25 percent. The total amount financed will be up to \$15,100,000, which will fund design, equipment procurement, shipyard installation and Port administrative costs. B of A Leasing Capital will secure this loan using the Dredge *Oregon* as collateral. In addition, in the event of default on the loan, and if there is a deficiency when the lender liquidates the dredge, the Port will be liable for the difference up to \$3,000,000 in years one through five of the lease. For years six through ten, the Port will be liable up to \$2,000,000 and for years eleven through fifteen, the Port will be liable up to \$1,000,000. The monthly payment under the loan will be \$113,594 for 180 months, with payments totaling \$20,446,927. Although the Port expects the loan to be repaid from ACOE reimbursements as described in this agenda item, in the event ACOE reimbursements or other sources of repayment are not available, the Port may be obligated to use the general fund to make loan repayments.

The key financing documentation consists of the following agreements and instruments:

- Master Installment Purchase Agreement
- Acquisition Fund and Account Control Agreement
- Collateral Assignment of Shipyard Agreement
- Assignment of Vessel Insurance Policies
- Schedule of Property No. 1 (identifies the Dredge Oregon as the only asset being financed at this time)

## FINANCING FOR DREDGE OREGON REPOWERING PROJECT

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- First Preferred Marine Mortgage
- Maintenance Agreement

### **REIMBURSEMENT BY ACOE**

Although the ACOE has indicated its willingness to reimburse all of the Port's financing costs related to the repowering project, the ACOE will not begin reimbursing the Port until the assets being financed are placed into service. Following the completion of the first shipyard event in 2013, the Port will seek reimbursement from the ACOE for those assets that have been placed into service by that date, in an estimated amount of \$7,300,000. This will not cover the entire loan repayment amount, so the Port will make loan payments without full reimbursement from the ACOE until the project is complete in June 2014. Once the project is complete and all of the new equipment is in service, the ACOE will retroactively reimburse the Port for its previous loan payments and will continue reimbursing ongoing loan payments until the loan is fully repaid, subject to the ACOE's ability to continue appropriating sufficient funds. Port staff intends that in this manner, ultimately the Port's General Fund will be minimally impacted by the dredge repowering project.

### **EXECUTIVE DIRECTOR'S RECOMMENDATION**

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given for the Port of Portland to enter into various agreements described in this agenda item with Banc of America Leasing & Capital, LLC, for the aggregate amount up to \$15,100,000 to provide for the financing of the Dredge *Oregon* repowering project; and

BE IT FURTHER RESOLVED, That the Executive Director or his designee is authorized to execute and deliver the documents necessary to obtain the financing described above, in forms approved by counsel, including without limitation, a Master Installment Purchase Agreement, an Acquisition Fund and Account Control Agreement, a First Preferred Marine Mortgage, a Collateral Assignment of Shipyard Agreement, an Assignment of Vessel Insurance Policies and a Schedule of Property No. 1.

**APPOINTMENT OF INVESTMENT BANKERS/UNDERWRITERS**

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May 8, 2013

Presented by: Tatiana Starostina  
Senior Manager  
Financial Analysis & Projects**EXECUTIVE SUMMARY**

This agenda item requests approval to appoint two investment banking firms to serve as lead underwriters to the Port of Portland (Port). This appointment will give the Port access to experts in the financial industry as well as consistency in working with a financing team that is familiar with Port transactions and operations.

**BACKGROUND**

Municipal bond underwriting is one of the functions performed by investment banks. The primary role of the underwriters is to market the issuer's bonds to investors. In addition, they provide advice and analysis on financing strategies, bond structuring, sizing, timing and marketing, and assist with presentations to rating agencies and preparation of bond documents. To the extent allowed by law, the firms can provide general economic research as well as customer and industry segment information through their research services.

The Port's long-established practice is to select two firms for up to five years to perform underwriting services as requested. The use of two firms provides a level of competition in specific financial services which the Port may request. The five-year term of the general agreement has historically provided a combination of sufficient length to form a solid understanding of the Port's strategic and business needs and a long-term economic incentive to the investment banking firm to provide cost-effective service to the Port.

Consistent with the guidelines from the Government Finance Officers Association, the Port uses a Request for Proposal (RFP) process when selecting underwriters in order to promote fairness, objectivity and transparency. The RFP process allows the Port to compare respondents and helps select the most qualified firms based on the evaluation criteria outlined in the RFP. The Port develops the RFP in consultation with its financial advisors.

In March 2008, the Port Commission approved the appointment of Goldman Sachs, Inc. (Goldman Sachs), and Merrill Lynch, Inc. (Merrill Lynch), as lead underwriters to the Port for a five-year term. The current term of appointment expired on April 30, 2013. To ensure continuity of service, the Port initiated a selection process in advance of the expiration of the current appointment. The Port issued an RFP and received ten proposals from the following investment banks:

1. Bank of America Merrill Lynch
2. Citigroup Global Markets

## APPOINTMENT OF INVESTMENT BANKERS/UNDERWRITERS

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3. Goldman Sachs & Co.
4. Wells Fargo Bank NA Municipal Products
5. Morgan Stanley & Co.
6. RBC Capital Markets
7. JP Morgan Securities
8. KeyBanc Capital Markets
9. Seibert Brandford Shank & Co.
10. US Bancorp

The evaluation criteria used in the RFP process (listed in priority order) were:

- Qualifications and experience of the proposer
- Project approach
- Ability to implement creative solutions
- Breadth and depth of product mix
- Small business participation.

Using these evaluation criteria, the RFP panel short-listed six firms (Nos. 1 through 6 on the above list) for follow-up interviews. Based on the scoring of the written proposals and the underwriting teams' performance at the interviews, the RFP panel concluded that the two best-qualified firms are Bank of America Merrill Lynch and Goldman Sachs, Inc.

The term of the appointment will be for three years with two, one-year extension options. As before, the appointment may be cancelled by the Port upon 30 days written notice. Also as before, the Port retains the right to use other firms on any given transaction. Specific financial transactions will be individually authorized by the Commission. Pricing of all transactions with any investment banking firm is determined at the time of the transaction.

### **EXECUTIVE DIRECTOR'S RECOMMENDATION**

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That the firms of Bank of America Merrill Lynch, and Goldman Sachs, Inc., are appointed as the two lead underwriters to the Port of Portland, consistent with the terms presented to the Commission; and

BE IT FURTHER RESOLVED, That compensation for underwriting services on particular debt issues will be established at the time of each financing; 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.



**SERVICE CONTRACTS – TEMPORARY PERSONNEL FOR CONSTRUCTION INSPECTION AND PROJECT SUPPORT AS REQUIRED**

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May 8, 2013

Presented by: Tom Peterson  
Chief Engineer**EXECUTIVE SUMMARY**

This agenda item requests approval of three service contracts with CH2M HILL, Inc., Hatch Mott MacDonald, LLC (HMM), and URS Corporation (URS) for temporary staffing as needed for construction support services. The contracts are for a period of three years from the date of the contracts and are designed to be administered on the basis of task orders, with no task order to exceed the amount of \$250,000.

**BACKGROUND**

Historically, the Port of Portland (Port) augments inspection and construction support staff through the use of temporary construction support services contracts. Given the fluctuating construction workload and the seasonal nature of civil construction projects, it is neither practical nor cost-effective to permanently employ sufficient personnel with the requisite skill sets to meet our needs on an ongoing basis. Appropriate levels of required construction support services are difficult to predict. Inspection coverage, in particular, is primarily driven by the contractor's work schedule, which often involves multiple shifts and is not known until bid opening. To ensure that the right staff and skills are available, the Port regularly selects qualified construction support staffing firms through a competitive proposal process every three to four years. This practice is consistent with the approach used by other Port departments (such as Information Technology and Environmental) to fill temporary staffing needs.

Typically, the Construction Services Department has focused on a small staff of construction contract managers and inspectors and has relied on a pool of two to three vendors for construction support services to augment staff. The last Request for Proposals (RFP), issued in 2010, decreased the pool to two in anticipation of a smaller capital construction project workload. Over the three-year period for the two current vendors, URS and HMM, the total compensation payable has averaged \$1M to \$1.5M per year. Those costs were distributed among all respective capital projects. Given the higher than expected utilization of the two current contracts, and the anticipated capital construction projects in the coming years, Port staff has determined a need for three contracts for this period.

Usage of each firm depends on the respective firm's ability to provide the required services on a project-by-project basis. As construction project support needs are identified, the firms will be requested to submit proposals for the specific project, identifying the proposed individuals and their qualifications and experience. Port staff will then interview proposed individuals to determine which individuals would be deployed as temporary personnel on our projects, the most desirable of the firms is selected on that basis, and task orders are then established for the specific projects and individuals.

SERVICE CONTRACTS – TEMPORARY PERSONNEL FOR CONSTRUCTION  
INSPECTION AND PROJECT SUPPORT AS REQUIRED  
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An RFP was issued in February 2013, resulting in the receipt of 10 proposals. Evaluation criteria published in the RFP were the following: 1) qualifications of proposer; 2) project team; and 3) small business participation. A team of Port staff evaluated the proposals and determined that C2MHILL, HMM, and URS were the most responsive to the RFP evaluation criteria.

The contracts do not guarantee any specific work or payment unless a need is identified and qualified temporary personnel are selected. Task orders will be issued for specific individuals with skill sets that meet defined objectives and project durations; no task order will exceed \$250,000. All task orders issued against these contracts that exceed \$50,000 will be reported to the Commission in the Executive Director's monthly report.

**EXECUTIVE DIRECTOR'S RECOMMENDATION**

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to award service contracts to CH2MHILL Inc., Hatch Mott MacDonald, LLC and URS Corporation for temporary personnel as required, 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.

**PUBLIC IMPROVEMENT CONTRACT – NW RED ECONOMY LOT RECONSTRUCTION –  
PORTLAND INTERNATIONAL AIRPORT**

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May 8, 2013

Presented by: Chris Edwards  
Engineering Project Manager**EXECUTIVE SUMMARY**

This agenda item requests approval to award a public improvement contract to Kodiak Pacific Construction, to perform the NW Red Economy Lot Reconstruction project at Portland International Airport (PDX).

**BACKGROUND**

The NW Red Economy Lot was originally constructed in the early 1990s. Much of the pavement along the bus loop has extensive longitudinal and transverse cracks. A majority of the remaining portion of the parking lot is in similar condition. Two large areas of the parking lot have dimpled asphalt in vehicle parking spots. The pavement has reached the end of its useful life and needs to be replaced. If the pavement condition deteriorates further, there is a risk that the pavement will break down and become a safety issue.

This project will reconstruct about 345,000 square feet of the parking lot, which encompasses all of the area west of the Red Lot entrance. The project area is bordered on the north by NE Marine Drive, on the west by a rental car parking area, and on the south by NE Frontage Road. The parking lot includes about 1,200 feet of roadway subjected to bus traffic. The remaining parking lot area is utilized by public vehicles, including passenger vehicles and occasionally larger vehicles, such as recreation vehicles (RVs).

Work elements include reconstruction of full depth pavement and the concrete bus exit pad, installation of electrical loops and conduit, and pavement markings.

**CONTRACT AWARD**

The Port of Portland (Port) procured this public improvement contract utilizing a competitive sealed bidding solicitation under ORS Chapter 279C. The solicitation was advertised on March 29, 2013, and bids were received on April 23, 2013. Kodiak Pacific Construction submitted the lowest responsive bid. The bids were as follows:

Kodiak Pacific Construction	\$1,256,106.00
Eagle-Elsner, Inc.	\$1,261,497.00
Kerr Contractors Oregon, Inc.	\$1,290,128.00
Nutter Corporation	\$1,339,885.22

Granite Construction Company	\$1,392,392.00
K&E Excavating, Inc.	\$1,475,355.00
Goodfellow Bros., Inc.	\$1,484,318.00
Engineer's Estimate	\$1,282,735.00

The Port expects construction to be complete by August 30, 2013. The Port will fund this work from the Port 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 public improvement contract for the NW Red Economy Lot Reconstruction project to Kodiak Pacific 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.

**PUBLIC IMPROVEMENT CONTRACT – SOUTHWEST APRON REHABILITATION –  
PORTLAND INTERNATIONAL AIRPORT**

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May 8, 2013

Presented by: Jim McGinnis  
Engineering Project Manager**EXECUTIVE SUMMARY**

This agenda item requests approval to award a public improvement contract to K&E Excavating, Inc., to perform the Southwest Apron Rehabilitation project at Portland International Airport (PDX).

**BACKGROUND**

This project will reconstruct 70,000 square feet of aircraft parking ramp in front of the Bonneville Power Administration hangar. This ramp was originally constructed of asphalt concrete in the 1940s and was last rehabilitated in 1962.

The scope of the project includes asphalt pavement, grading and drainage, and airfield guidance signage and markings. The design was completed by Port of Portland (Port) engineering staff in February 2013.

**CONTRACT AWARD**

The Port procured this public improvement contract utilizing a competitive sealed bidding solicitation under ORS Chapter 279C. The solicitation was advertised in March 2013 and four bids were received on April 16, 2013. K&E Excavating, Inc. submitted the lowest responsive bid. The bids were as follows:

K&E Excavating, Inc.	\$687,743.00
Nutter Corporation	\$779,738.22
Kerr Contractors Oregon, Inc.	\$803,202.50
Kodiak Pacific Construction	\$844,844.00
Engineer's Estimate	\$844,090.50

Construction is scheduled to start July 1, 2013, and be completed by October 30, 2013. The Port will fund this work from the Port 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 public improvement contract for the Southwest Apron Rehabilitation project at Portland International Airport to K&E Excavating, Inc., consistent 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.

**JANITORIAL SERVICES CONTRACT – PORTLAND INTERNATIONAL AIRPORT AND PORT OF PORTLAND HEADQUARTERS BUILDING**

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May 8, 2013

Presented by: Craig Johnsen  
Purchasing Manager  
Contracts & Procurement

Kendall Austin  
Terminal Operations Manager  
Aviation

**EXECUTIVE SUMMARY**

This agenda item requests approval to award a new janitorial services contract to Portland Habilitation Center, Inc. (PHC) for services at Portland International Airport (PDX), related Port of Portland (Port) facilities, and the Port Headquarters building (HQ).

**BACKGROUND**

Oregon law requires the State of Oregon to maintain a list of nonprofit agencies that operate in the interest of individuals with disabilities, and that are qualified to provide certain services to public agencies. These nonprofit agencies are known as “qualified rehabilitation facilities” (QRFs). When a public agency intends to procure a service that a QRF provides, the agency must procure the service from a QRF, at pricing established by the State.

The Port has contracted with PHC, a QRF, for janitorial services at PDX since 1996. The current contract took effect in 2004 and expires on June 30, 2013. PHC remains the only QRF that can provide the services in accordance with the Port’s specifications. The Port and PHC have negotiated a new contract for services at PDX, related Port facilities and HQ.

In 2012, the Port engaged an independent consultant to assess janitorial costs and services at PDX relative to comparable airports. While janitorial costs at PDX were on average \$0.06 higher per passenger, the cost per square foot was \$0.65 below average. PDX janitorial staff also had a higher productivity rate in terms of square-feet cleaned per hour relative to other airports. The consultant concluded that PDX was receiving quality service at a fair price.

**SUMMARY OF CONTRACT TERMS**

Initial Term July 1, 2013 through June 30, 2014

Options to Extend Term The Port may extend the contract annually for up to seven additional years in the Port’s sole discretion; extension criteria will include the extent to which PHC can meet the Port’s specifications, continued need and funding availability.

Scope of Work

- Provide janitorial services including custodians, supervisors, managers, equipment and supplies at designated facilities
- Deice/Remove snow on sidewalks, sky bridges, and entrances
- Clean escalators and moving sidewalks
- Wash windows and provide high dusting
- Maintain a Port-approved quality assurance program
- Notify the Port of all defective conditions found

The contract also contains extensive cleaning standards and other performance measures; PHC must continually meet all such requirements.

Compensation

(FY 2013-2014 only) PDX: \$5,937,003 (\$494,750 per month)\*  
HQ: \$332,494 (\$27,708 per month)\*  
Total: \$6,269,497

\* Includes regular services, contingency funds for extra work and consumable supplies.

**EXECUTIVE DIRECTOR'S RECOMMENDATION**

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to award a janitorial services contract to Portland Habilitation Center, Inc., for services at Portland International Airport, related Port of Portland facilities and the Port of Portland Headquarters building, 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 extend the contract annually, for up to seven additional years, provided that the total amount awarded for an extension year does not exceed the Port of Portland's total expenditures under the contract during the immediately-preceding contract year by more than \$500,000; 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.