

MINUTES
REGULAR COMMISSION MEETING
THE PORT OF PORTLAND
May 13, 2009

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

QUORUM

Commissioners present were Mary Olson, Vice President, presiding; Peter Bragdon; Bruce Holte; Paul Rosenbaum and Bill Thorndike. Also present were Steve Schreiber, aviation director; participating staff members; and members of the public.

LEAVE OF ABSENCE

Commissioner Olson called for a motion to grant a leave of absence to Commissioners Allen, Corey, Daggett and Johansen, as they were out of town. Commissioner Holte moved to grant the leave of absence. Commissioner Rosenbaum seconded the motion, which was put to a voice vote. Commissioners Bragdon, Holte, Olson, Rosenbaum and Thorndike voted in favor of the motion.

MINUTES

Commissioner Olson called for a motion to approve the minutes of the Regular Commission Meeting of April 2009. Commissioner Thorndike moved to approve the minutes. Commissioner Holte seconded the motion, which was put to a voice vote. Commissioners Bragdon, Holte, Olson, Rosenbaum and Thorndike voted in favor of the motion.

EXECUTIVE DIRECTOR'S REPORT

Steve Schreiber was filling in for Bill Wyatt, who was on a vacation. Mr. Schreiber said that as everyone is aware, the global, national and local economies continue to struggle, but there are some signs that indicate improvement. He noted Moody's Chief Economist, Mark Zandi, declared this week that the stock markets have bottomed out and we are in the early days of a bull market. However, Mr. Schreiber said it is much too early to celebrate and to start banking on optimistic growth scenarios.

Mr. Schreiber said the sobering reality is that the Consumer Confidence Index remained unchanged in March but continues to be near the lowest point since the index was created in 1967. He said we have seen oil prices edging upwards again, though still well below last year's record levels. Unemployment in Oregon remains at record high levels. He said the rate is 8.5 percent nationally and over 12 percent in Oregon.

Mr. Schreiber said passenger traffic at PDX was down 13 percent in March on a capacity reduction of 10 percent compared to the prior year. He said the decline in passengers directly impacts our food, beverage, retail, rental car and parking revenues. Cargo volumes at PDX are also down significantly.

Mr. Schreiber said, overall, our revenue expectations for the current fiscal year and the next fiscal year will be down. We have taken action internally to reduce our expenses by approximately \$7.5 million and deferred over \$75 million in capital costs. Mr. Schreiber said

these changes should allow us to preserve our financial health, while continuing our focus on the strategic goals that are key to our long-term success, such as retaining international air and container service, developing industrial properties, working towards clean-up of the Lower Willamette and completing the Channel Deepening Project. He noted that we have been notified that \$26.6 million in stimulus funding has been awarded to complete the project.

Mr. Schreiber said that these challenging times have compressed our budget schedule this year. Given our near-term focus on reducing costs, refining our proposed budget has taken longer than normal this year and, as a result, we are coming to the Commission today with both the public hearing and approval to submit the budget to the Tax Supervising and Conservation Commission. He said, typically, we do this over two months, and we appreciate the Commission's flexibility in allowing us to combine the presentations this year.

Mr. Schreiber said if the challenging economy was not enough, we are also dealing with the world-wide flu pandemic this month. He said we worked quickly to develop internal and external responses to the swine flu pandemic. Externally, we worked with TSA and the Multnomah County Health Department, while at the same time monitoring the national health organization for updates and information. Our medical response personnel also assisted with several incidents of ill passengers—none of whom were determined to have swine flu.

Mr. Schreiber said we have reached a major milestone in our continuing work on West Hayden Island (WHI). He said after several months of negotiation, the Port would soon enter into the formal Intergovernmental Agreement (IGA) with the City of Portland to bring forward a proposal to annex, zone and create a planning district for WHI. The IGA will be considered by City Council at their May 28 meeting. The IGA addresses the work program for the effort and provides for funding a senior planner at the City as well as consultants to complete studies for the concept plan for the island. A group of stakeholders have already begun meeting and will work over the course of the next 16 to 18 months to advise the City on how marine industrial, habitat and recreational uses might be reconciled on WHI, and, if it is determined that a mix of uses is possible on WHI, to recommend a preferred concept plan.

Mr. Schreiber said looking at our marine lines of business, in general, cargo activities reflect the overall economic downturn, although we see a few signs of at least some stabilization. He said ports, railroads and carriers are still reporting sharp declines in volumes and virtually all container carriers reported red ink for their first quarter 2009 results. Mr. Schreiber said for the marine division, the downturn is hitting all lines of business as previously reported and incorporated into the budget for Fiscal Year 2009/10. Mr. Schreiber said we are seeing some strength in container volumes, mostly on the export side.

Mr. Schreiber noted a report that U.S. April auto sales, when annualized, represented the worst showing in 30 years. The drop in auto sales has been deep. In fact, more autos were sold in China last month than in the U.S. He said this is a historical first and perhaps another indicator of changing global dynamics. Mr. Schreiber said despite the drop in U.S. sales, we see signs for optimism with our customers. Honda is launching its new hybrid, the Insight, and Hyundai volume, though down, is showing strength in their sales figures for North America. Toyota is responding to the sales downturn with a very strong push to scale down production and inventory build-up. He noted the number of autos on the terminal is down, which means that product is at least moving, albeit at lower levels.

Mr. Schreiber said for those who are traveling on Interstate 84 or have a window seat on an approach to PDX, you can see the new frame erected for what will be the FedEx Ground Pacific Northwest Regional Distribution Center. He said construction is slightly ahead of schedule and we are very pleased to be bringing the IGA with the City of Troutdale to Commission today.

Mr. Schreiber said we were notified that Standard and Poor's affirmed our Passenger Facility Charge Bond rating as an A credit and our Subordinate Lien Bond rating at AA-. He recognized the great work by the Port's financial team in a very tough economic environment.

Mr. Schreiber said the North Runway construction is underway and to date there have been very few complaints and no delays. To ensure the public was informed about the project, 80,000 postcards and 460 letters were sent to notify residents around the airport of the runway construction schedule and possible impacts.

Mr. Schreiber said we received news from Alaska Airlines that they have moved up the launch date of their Portland to Maui service from August to July 3. This new service will join our existing nonstop service to Maui on Hawaiian Airlines and nonstop Honolulu service on Hawaiian and Northwest Airlines. On June 15, Air Canada will also begin new nonstop service to Calgary.

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

GENERAL DISCUSSION

Oregon Safety and Health Achievement Recognition Program (SHARP) Certificate Award

Cory Streisinger, director of the Oregon Department of Consumer and Business Services, said receiving SHARP certification is a considerable achievement. She said workplace safety ensures valued employees go home at the end of the day and it helps the Port's bottom line because a workplace injury is disruptive, costly and effects productivity. Michael Wood, Administrator for Oregon OSHA, announced the Marine and Industrial Development division's status as a SHARP-certified worksite and presented Sam Ruda with SHARP certificates.

CONSENT AGENDA

No presentation was made of the following agenda items, which was brought before the Commission as part of the Consent Agenda. Commissioner Olson read the title of the agenda item and called for a motion to approve the items.

Agenda Item No. 1

REVISION OF COMMISSION POLICY CONCERNING APPOINTMENT AND DUTIES OF ASSISTANT TREASURERS; DESIGNATION OF ASSISTANT TREASURERS

BE IT RESOLVED, That approval is given to the revised Commission Policy on Appointment and Duties of Assistant Treasurers dated May 13, 2009; and

BE IT FURTHER RESOLVED, That effective May 13, 2009, Bill Wyatt, Vincent Granato, Robert A. Burket, Sugie Joseph, Suzanne Kenny and Andrea C. Marzette are designated Assistant Treasurers of the Port of Portland Commission and shall perform such functions and duties as the Commission shall authorize from time to time; and

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BE IT FURTHER RESOLVED, That a copy of the Commission Policy on Appointment and Duties of Assistant Treasurers, as revised, shall be attached to the minutes of this meeting.

Agenda Item No. 2

APPOINTMENT OF ASSISTANT SECRETARY

BE IT RESOLVED, That effective May 13, 2009, Bill Wyatt, Vincent Granato, Pamela Thompson, Carla Kelley, and Elise Stark are appointed Assistant Secretaries of the Port of Portland Commission and shall perform such functions and duties as the Commission shall authorize from time to time; and

BE IT FURTHER RESOLVED, That all previous Assistant Secretary designations be rescinded.

Agenda Item No. 3

PERSONAL SERVICES CONTRACT AMENDMENTS – CONSTRUCTION INSPECTION AND CONSTRUCTION PROJECT SUPPORT SERVICES

BE IT RESOLVED, That approval is given to amend an existing personal services contract with URS Corporation for additional construction support services, in accordance with the terms presented to the Commission; and

BE IT FURTHER RESOLVED, That approval is given to amend an existing personal services contract with CMTS for additional construction support services, in accordance with the terms presented to the Commission; and

BE IT FURTHER RESOLVED, That approval is given to amend an existing personal services contract with Hatch Mott MacDonald for additional construction support services, in accordance 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.

Agenda Item No. 4

ON-CALL CONTRACT – FENDER PILE REPAIRS AND MARINE MAINTENANCE SERVICES

BE IT RESOLVED, That approval is given to enter into a contract with Bergerson Construction, Inc., for on-call contractor services for fender pile repair and marine maintenance work; 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.

Following the reading of the titles of the Consent Agenda by Commissioner Olson, Commissioner Holte moved that the Executive Director's recommendations be approved and Commissioner Thorndike seconded the motion. The motion was put to a voice vote. Commissioners Bragdon, Holte, Olson, Rosenbaum and Thorndike voted in favor of the motion.

GENERAL DISCUSSION

Fiscal Year 2009-10 Economic Outlook and Proposed Budget

Scott Drumm, Research Program Manager, presented an overview of the global economic trends and the local economy and the economic trends influencing the Port's business lines and key customers.

Mr. Drumm said trade was very strong in the first three quarters of 2008, but declined precipitously in the fourth quarter, all of which has ties to the economic slow down. He said the world economy actually slowed faster in 2008 than most people thought it would, and the fourth quarter was really the story as the bottom fell out of the world economy. Mr. Drumm said as bad as the U.S. economy may be here, it is expected to outperform the European Union.

Mr. Drumm said despite the pain, there are some signs we may be hitting the bottom. He said it may sound counter intuitive, but oil prices are beginning to climb a little, as are the bond rates. He said we are seeing sustained upward movement on Wall Street. Mr. Drumm discussed the Commission retreat in December. Some of the prerequisites Mr. Drumm discussed for climbing out of the current recession are beginning to occur.

Mr. Drumm said Oregon has been hit by the housing slump and the decline in business investment in technology. He said the local economy has not been immune to the downturn. He said while Oregon has seen its unemployment jump from 5.5 percent to 12.1 percent in just 12 months, the Metro area's rate has more than doubled in that same time period to 11.8 percent. Mr. Drumm said the unemployment rate might be a bit misleading in terms of how quickly it is diverging from national norms. He said both Portland and Oregon are still adding people to the labor force, unlike many other areas. He said some of this is in-migration, but some could also be related to retirees re-entering the work force or single-income families seeking to become dual income.

Mr. Drumm said there are six key issues to keep on the radar screen over the next year that could have both positive or negative effects on Port volumes: fuel prices; the value of the dollar and our partners' ability to buy Oregon products; the speed of recovery; the ability of the state and region to sustain labor force growth; the cost of capital project components (steel, asphalt, etc.); and timing of the recovery for the Port, its customers and public sector partners.

Suzanne Kenny, Senior Finance Manager, provided an overview of the proposed budget for Fiscal Year 2009-10. She discussed the challenges we faced with developing the budget: the global economic decline, the loss of K-Line container service, the significant decline in PDX passenger traffic, maintaining competitive airline rates and charges and management of operating expenses as well as the capital program.

Ms. Kenny said to address these budget challenges, the Port focused on short-term (12-18 months) strategies to weather the storm. Those strategies are to maintain and build upon our financial stability, maintain strategic services (i.e., international flights), preserve critical baseline

activities and maximize synergies through organizational redesign and consolidation. She said while it is important to focus on the short-term strategies to get through the turbulent times, we do not want to lose sight of our long-term objectives of increasing customer value, improving operational efficiency and enhancing regional stewardship.

Ms. Kenny discussed the short-term financial goals for the General Fund, the Airline Cost Centers, as well as the Port Cost Center. Ms. Kenny also reviewed a list of projects that have been deferred. She also discussed the cost reduction program, which included a reduction in force, a salary reduction for the executive director and directors and a furlough program for administrative employees.

PUBLIC HEARING

Proposed Budget for Fiscal Year 2009-10

Commissioner Olson opened a public hearing for the purpose of taking testimony on the Proposed Budget for Fiscal Year 2009-10.

Hearing no comments, Commissioner Olson closed the public hearing.

ACTION ITEMS

Agenda Item No. 5

PORT OF PORTLAND FISCAL YEAR 2009-10 BUDGET APPROVAL

This agenda item requested that the Commission, acting as the Port of Portland's (Port) Budget Committee, approve the Port's Fiscal Year (FY) 2009-10 Budget (Budget) and authorize its submittal to the Tax Supervising and Conservation Commission (TSCC) for its public hearing on June 10, 2009. 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 which have more than half of their real market value within Multnomah County. All budgets must be certified by the TSCC prior to adoption by the local governing body. After review by the TSCC, we will request Commission approval to adopt the Budget at a special meeting on June 24, 2009. 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 ORS 294.435.

Vince Granato presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That the Port of Portland's Budget document for Fiscal Year 2009-10 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.

Commissioner Thorndike moved that the Executive Director's recommendations be approved. Commissioner Holte seconded the motion, which was put to a voice vote. Commissioners Bragdon, Holte, Olson, Rosenbaum and Thorndike voted in favor of the motion.

Agenda Item No. 6

APPROVAL TO ENACT ORDINANCE NO. 430-B TO REFUND PASSENGER FACILITY CHARGE REVENUE BONDS SERIES 1999A

This agenda item requested approval of Ordinance No. 430-B to authorize the sale of up to \$58.5 million par value of Portland International Airport Passenger Facility Charge Refunding Revenue Bonds (2009 Bonds), to refund all of the outstanding Passenger Facility Charge Revenue Bonds Series 1999A and to pay issuance costs for the 2009 Bonds.

Vince Granato read the Ordinance by title only.

Vince Granato presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That approval is given to enact Ordinance No. 430-B to refund the Series 1999A Passenger Facility Charge Revenue Bonds; and

BE IT FURTHER RESOLVED, That proposed Ordinance No. 430-B be read by title only; and

BE IT FURTHER RESOLVED, That proposed Ordinance No. 430-B, in form presented to Commission, be enacted by a roll call vote; and

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

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

Agenda Item No. 7

CONTRACT – HEALTH AND SAFETY SERVICES – PORT-WIDE

This agenda item requested approval to award a contract to AMEC Earth and Environmental to provide health and safety services and consultation to the Port to assist in providing a safe and healthy workplace and ensuring regulatory compliance. This is a continuation of previous contracts which provide industrial hygiene expertise that is not available in the Operating Areas and supplements the work of existing Safety staff.

Steve Eversmeyer presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That approval is given to award a contract for health and safety services and consultation to AMEC Earth and Environmental, in accordance with its proposal; and

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

Commissioner Bragdon moved that the Executive Director's recommendations be approved. Commissioner Holte seconded the motion, which was put to a voice vote. Commissioners Bragdon, Holte, Olson, Rosenbaum and Thorndike voted in favor of the motion.

Agenda Item No. 8

CONSTRUCTION CONTRACT – TAXIWAY C EXTENSION – HILLSBORO AIRPORT

This agenda item requested approval to award a contract to Rutan Construction, Inc., for the construction of the Taxiway C Extension at Hillsboro Airport.

Jim McGinnis presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That approval is given to award a construction contract to Rutan Construction, Inc., for the construction of the Taxiway C Extension at Hillsboro Airport, including Alternative A, 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.

Commissioner Rosenbaum moved that the Executive Director's recommendations be approved. Commissioner Holte seconded the motion, which was put to a voice vote. Commissioners Bragdon, Holte, Olson, Rosenbaum and Thorndike voted in favor of the motion.

Agenda Item No. 9

CONSTRUCTION CONTRACT AND PERSONAL SERVICES CONTRACT AMENDMENT – DEICING SYSTEM ENHANCEMENTS – PORTLAND INTERNATIONAL AIRPORT

This agenda item requested approval of the two contract actions related to the deicing system enhancement project at Portland International Airport:

- Award of a Construction Manager/General Contractor (CM/GC) construction contract to JE Dunn Construction (JE Dunn); and
- Amendment of the existing Camp Dresser & McKee, Inc. (CDM), consultant design contract for additions to the final design and construction support services.

George Seaman presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That approval is given to award a Construction Management/General Contractor contract to JE Dunn Construction for the Deicing Enhancements Project at Portland International Airport, consistent with the terms presented to the Commission; and

BE IT FURTHER RESOLVED, That approval is given to amend the existing contract with Camp Dresser & McKee, Inc., for construction support services for the Deicing Enhancements Project at Portland International Airport, 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.

Commissioner Bragdon moved that the Executive Director's recommendations be approved. Commissioner Holte seconded the motion, which was put to a voice vote. Commissioners Bragdon, Holte, Olson, Rosenbaum and Thorndike voted in favor of the motion.

Agenda Item No. 10

CONSTRUCTION CONTRACTS – RAMSEY RAIL IMPROVEMENTS – RIVERGATE INDUSTRIAL DISTRICT

This agenda item requested approval for several related construction contracts and associated requirements for the Ramsey Rail Improvements project in the Rivergate Industrial District (Rivergate). First, staff will request approval to award a construction contract to Tapani Underground, Inc., for work to be performed on property primarily owned by the Port of Portland (Port). Second, staff will request approval to award a construction contract to BNSF Railway Company (BNSF) for work to be performed on property primarily owned by BNSF. Lastly, staff will request waivers of the performance and payment bonding requirement for the construction contract with BNSF and for a third construction contract between the Port and Union Pacific Railroad Company (UP), which is for work to be performed on property jointly owned by BNSF and UP.

Robin McCaffrey presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That approval is given to award a construction contract to Tapani Underground, Inc., for the Port Work, as defined above, in accordance with its bid; and

BE IT FURTHER RESOLVED, That approval is given to award a construction contract to BNSF Railway Company for the BNSF Work, as defined above; and

BE IT FURTHER RESOLVED, That the Commission, acting in its capacity as the Port of Portland's Contract Review Board, specifically exempts the construction contract with BNSF Railway Company from the statutory requirement for performance and payment bonds; and

BE IT FURTHER RESOLVED, That the Commission, acting in its capacity as the Port of Portland's Contract Review Board, specifically exempts the construction contract with Union Pacific Railroad Company from the statutory requirement for performance and payment bonds; and

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

Commissioner Holte moved that the Executive Director's recommendations be approved. Commissioner Bragdon seconded the motion, which was put to a voice vote. Commissioners Bragdon, Holte, Olson, Rosenbaum and Thorndike voted in favor of the motion.

Commissioner Olson recessed the Port of Portland Board of Commissioners and called to order the Port of Portland Contract Review Board.

Commissioner Olson called for a motion and second for approval to exempt the construction contract with BNSF Railway Company from the statutory requirement for performance and payment bonds. Commissioner Bragdon moved to approve the exemption. Commissioner Rosenbaum seconded the motion, which was put to a voice vote. Commissioners Bragdon, Holte, Olson, Rosenbaum and Thorndike voted in favor of the motion.

Commissioner Olson called for a motion and second for approval to exempt the construction contract with Union Pacific Railroad Company from the statutory requirement for performance and payment bonds. Commissioner Rosenbaum moved to approve the exemption. Commissioner Bragdon seconded the motion, which was put to a voice vote. Commissioners Bragdon, Holte, Olson, Rosenbaum and Thorndike voted in favor of the motion.

Commissioner Olson adjourned the Port of Portland Contract Review Board and called to order the Port of Portland Board of Commissioners.

Agenda Item No. 11

INTERGOVERNMENTAL AGREEMENT WITH CITY OF TROUTDALE

This agenda item requested approval to enter into an Intergovernmental Agreement (IGA) with the City of Troutdale (City) associated with the City's acceptance of utilities and a street and approval of the final plat for Phase I development in the Troutdale Reynolds Industrial Park (TRIP). The Port of Portland (Port) acquired the property from Reynolds Metals Company after Reynolds completed much of the cleanup and the parties put in place certain protections in relation to residual onsite contamination. The IGA is intended to protect the City from liability for residual contamination in the vicinity of the utilities and street, and enable the Port to prevent itself and the City from becoming liable in respect of the residual contamination.

Jim Kight, City of Troutdale Mayor, said this is a great day for the Commission as well as the City and East Multnomah County. The TRIP project has gone forward because the Commission had the vision and was willing to step forward and take the risk. Mayor Kight said FedEx would provide, at the very minimum, 650 jobs and as many as 750 jobs the first year. He said had the Commission not made the decision to develop the property, it probably would have languished for many years.

Dianne Perry presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That approval is given to execute the proposed Intergovernmental Agreement with the City of Troutdale 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.

Commissioner Bragdon moved that the Executive Director's recommendations be approved.
Commissioner Rosenbaum seconded the motion, which was put to a voice vote.
Commissioners Bragdon, Holte, Olson, Rosenbaum and Thorndike voted in favor of the motion.

The meeting adjourned at 11:40 a.m.

President

Assistant Secretary

Date Signed

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

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