

**MINUTES
REGULAR COMMISSION MEETING
THE PORT OF PORTLAND
November 14, 2007**

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 Troutdale City Hall, 104 S.E. Kibling Street; Troutdale, Oregon.

QUORUM

Commissioners present were Judi Johansen, President, presiding; Ken Allen, Steve Corey; Diana Daggett; Bruce Holte; Mary Olson, Paul Rosenbaum and Bill Thorndike. Also present were Bill Wyatt, Executive Director; participating staff members; and representatives of the public.

LEAVE OF ABSENCE

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

MINUTES

Commissioner Johansen called for a motion to approve the minutes of the Regular Commission Meeting of October 10, 2007. Commissioner Olson moved to approve the minutes. Commissioner Holte seconded the motion, which was put to a voice vote. Commissioners Allen, Corey, Daggett, Holte, Johansen, Olson, Rosenbaum and Thorndike voted in favor of the motion.

EXECUTIVE DIRECTOR'S REPORT

Mr. Wyatt acknowledged Troutdale Mayor Paul Thalhofer and thanked him for his hospitality. He said looking at the City of Troutdale map helps put into perspective the size of the footprint the Port now represents within Troutdale and he looks forward to a very long, warm and successful relationship.

Mr. Wyatt said that he and Commissioner Holte's travel to Asia last month to meet with ocean carriers was very successful. Mr. Wyatt said the reception they received by all of the carriers was extremely warm. He said the carriers were all pleased and impressed to see the Port and a representative of the long shore union working together. Mr. Wyatt also briefly discussed his and Commissioner Holte's trip to Saskatoon to meet with Canpotex.

Mr. Wyatt said the Port's financial performance for the first quarter was very strong, despite the loss of the Zim service. He noted we continue to be the fastest growing port on the West Coast and, at the moment, we are the only growing container port on the West Coast because volumes have been relatively flat in the Puget Sound and southern California.

Mr. Wyatt said construction is underway on the second parking garage. He said the Airport Way relocation project was completed last month and the widening project is scheduled to begin in January.

Mr. Wyatt said since being recognized by Conde Nast as the best airport in the United States, the TSA has also begun the process of acknowledging what they consider to be the best airport from the perspective they bring in terms of their relationships with the local officials and the smooth operations at PDX. Mr. Wyatt said TSA has recognized PDX as the best airport in the United States. Mr. Wyatt said this would not have happened without TSA's Federal Security Director Mike Irwin, who has been a great partner and advocate.

Mr. Wyatt said the City of Portland has taken title to a segment of Ross Island that adjoins approximately two acres owned by the Port. He said he assured the City that the Port's intention is to see that parcel managed in the same manner they intend to manage their parcel.

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

Mr. Wyatt asked Mayor Thalhoffer to make a few remarks. Mayor Thalhoffer welcomed the Port to Troutdale City Hall. He said he is happy to be working cooperatively with the Port and he is looking forward to having FedEx in Troutdale because it will create wealth for all of East County. Mayor Thalhoffer said the city would need help from the Port to obtain additional infrastructure to address the increased traffic that will be generated. Mayor Thalhoffer thanked Joe Mollusky and Jim Laubenthal for their help in putting together the FedEx proposal to present to the City Council.

GENERAL DISCUSSION

Fiscal Year 2007 Financial Results and Report of Independent Auditors

Steve Schreiber presented a high-level overview of the Port's FY2007 financial results, focusing on the Port's two major financial components: the General Fund and PDX. Mr. Schreiber said total revenue in the general fund was \$76 million. He noted the decline in revenue in FY2005-2006 because of the loss of steamship service, and the strong recovery in FY2007. Mr. Schreiber said we continue to see growth in container volumes this year, even with the loss of the Zim service. Mr. Schreiber said on the expense side, we were about \$6 million over budget. He said there is a strong correlation between container volumes and direct operating expenses, primarily labor expenses.

Mr. Schreiber reviewed the Port's nonoperating revenues from property taxes, insurance recoveries related to the Lower Willamette cleanup, interest earnings on investments and interest expense on long-term debt. Mr. Schreiber said a large insurance settlement and larger than expected interest earnings accounts for the large difference between budgeted and actuals this year.

Mr. Schreiber noted the operating revenues at PDX finished the year at \$167 million. He said this reflects an increase of over \$3 million in parking revenues and nearly \$1 million in concessions revenues from the prior year. Mr. Schreiber said the operating expense for the year was \$83 million. He said this is an increase of about \$5 million over the prior year, largely

attributable to increased custodial and pavement maintenance expenses. Mr. Schreiber said overall, it has been a strong year for the General Fund and PDX and we are well positioned to fund our future capital needs.

External Audit

Steve Schreiber introduced the Port's auditors from PricewaterhouseCoopers (PWC): Nancy Shelmon, Engagement Partner; and Ann Rustrum, Senior Associate.

Ms. Shelmon discussed the auditors' perspectives on fraud risk and she reviewed the audit required communications and the role and responsibilities of the auditor in accordance with Generally Accepted Auditing Standards. She reported a clean audit, with no significant findings as a result of the audit. Ms. Shelmon said when preparing the financial statements, the Port's management makes judgments and accounting estimates regarding amounts. The largest estimate recorded by the Port relates to the environmental liabilities. PWC has an environmental liability specialist who works with the team to review the liability, so the ultimate outcome of that liability could vary from what is on the financials.

Ms. Rustrum discussed the audit adjustments. She said there were two adjustments identified during the course of the audit that related to the proper recording of accounts payable for expenses related to the year ended June 30, 2007. She said due to the immaterial amounts, PWC agreed with management not to book them. Ms. Rustrum said there were no disagreements with management with respect to the accounting or financial reporting of any transactions. She said they had full cooperation with Port staff and free access to all the appropriate information necessary to conduct the audit.

Port of Portland Activities in East Metro Area

Jim Laubenthal, contracted Corporate Planning and Development Manager, provided an overview of the Port's activities and partnerships in the East Metro area. Mr. Laubenthal also provided a brief overview of the history of the Troutdale Airport, current operations, development and tree removal.

Bill Bach, manager of Corporate Properties, provided an overview of the Port's properties and facilities. He discussed the history of the Reynolds Aluminum Plant and the property acquisition. Mr. Bach discussed the importance of anchor tenants in industrial parks and said with the FedEx purchase, the Troutdale development would have that anchor tenant. Mr. Laubenthal provided an overview of the Troutdale Industrial Park development and the site constraints, the FedEx Ground facility and next steps.

CONSENT AGENDA

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

Agenda Item No. 1

AUTHORIZATION OF COMMISSIONER BRUCE HOLTE TO EXERCISE RIGHTS OF THE PORT OF PORTLAND AS A LANDOWNER IN MULTNOMAH COUNTY DRAINAGE DISTRICT NO. 1

BE IT RESOLVED, That Commissioner Bruce Holte is authorized to exercise, with respect to Multnomah County Drainage District No. 1 and the Port of Portland's land within the District, all of the rights and privileges of a landowner in the District, including, without limitation, the right to be a supervisor of the District.

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

ACTION ITEMS

Agenda Item No. 2

Port of Portland Strategic Plan

This agenda item requested approval of a new strategic plan for the Port of Portland (Port). The Port Commission approved the current strategic plan in August 2005. The plan being presented for approval has not been changed from the version that was presented to the Port Commission during its October 2007 meeting.

Tom Imeson presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That approval is given to adopt the strategic plan as presented to the Port of Portland Commission on October 10, 2007; and

BE IT FURTHER RESOLVED, That the strategic plan be used by the Port of Portland for business planning and budget processes; and

BE IT FURTHER RESOLVED, That the Executive Director or his designees provide periodic updates to the Port of Portland Commission on implementation of the strategic plan.

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

Agenda Item No. 3

FIRST READING AND PUBLIC HEARING – PORT ORDINANCE NO. 425-R – AMENDING AND RESTATING ORDINANCE NO. 275, AS AMENDED BY ORDINANCE NO. 300, THAT ESTABLISHED A CIVIL SERVICE SYSTEM FOR FIRE FIGHTERS AND CREATED A CIVIL SERVICE COMMISSION

This agenda item requested a first reading and public hearing on proposed Ordinance No. 425-R, the amendment and restatement of Ordinance No. 275, as amended by Ordinance No. 300, which pertains to the Civil Service System for the Port of Portland Fire Department.

Commissioner Allen asked if the Local 43 firefighters were involved with this. Ms. Hettervig said yes, several shop stewards were involved from the beginning. She said the shop steward responsibility changed during the process, but there was always a shop steward at the table when they were meeting to discuss the changes.

Commissioner Johansen read Ordinance No. 425-R by title only.

PUBLIC HEARING

Commissioner Johansen opened a public hearing for purposes of taking testimony on the proposed Port of Portland Ordinance No. 425-R.

Hearing no comments, Commissioner Johansen closed the public hearing and noted that no action was required at this time. She said Ordinance No. 425-R will be brought back before the Commission for a second reading and request for adoption at the December 12, 2007 meeting.

Agenda Item No. 4

CONSTRUCTION CONTRACT AND PERSONAL SERVICES CONTRACT AMENDMENT – IN-LINE BAGGAGE SCREENING IMPROVEMENTS – PORTLAND INTERNATIONAL AIRPORT

This agenda item requested approval of two contract actions related to the In-line Baggage Screening Improvements project at Portland International Airport:

- Award of a Construction Management/General Contractor construction contract to Hoffman Construction Company; and
- Amendment of the existing PGAL Architecture, LLC consultant design contract for construction support services.

Stan Snyder presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That approval is given to award a Construction Management/General Contractor contract to Hoffman Construction Company for the In-line Baggage Screening Improvements project, consistent with the terms presented to the Commission; and

BE IT FURTHER RESOLVED, That approval is given to amend the existing contract with PGAL Architecture, LLC, for construction support services for the In-line Baggage Screening Improvements project 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 Allen moved that the Executive Director's recommendations be approved to award a Construction Management/General Contractor contract to Hoffman Construction. Commissioner Olson seconded the motion, which was put to a voice vote; Commissioners Allen, Corey, Daggett, Holte, Johansen, Olson, Rosenbaum and Thorndike voted in favor of the motion.

Commissioner Holte moved that the Executive Director's recommendations be approved to amend the existing contract with PGAL Architecture, LLC. Commissioner Rosenbaum seconded the motion, which was put to a voice vote; Commissioners Allen, Corey, Daggett, Holte, Johansen, Olson, Rosenbaum and Thorndike voted in favor of the motion.

Agenda Item No. 5

CONCESSION LEASE – POWELL'S BOOKS – PORTLAND INTERNATIONAL AIRPORT

This agenda item requested approval to enter into a new concession lease with Powell's Books on Concourse D at Portland International Airport and terminate the existing lease six months prior to its natural expiration.

Rebecca Sonniksen presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That approval is given to enter into a new concession lease with Powell's Books at Portland International Airport, consistent with 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.

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

The meeting adjourned at 11:08 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.