

**MINUTES  
REGULAR COMMISSION MEETING  
THE PORT OF PORTLAND  
November 12, 2008**

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 Judi Johansen, President, presiding; Ken Allen; Peter Bragdon; Bruce Holte; Paul Rosenbaum and Bill Thorndike (via telephone connection). Also present were Steve Schreiber, Chief Financial Officer; participating staff members; and representatives of the public.

**LEAVE OF ABSENCE**

Commissioner Johansen called for a motion to grant a leave of absence to Commissioners Corey, Daggett and Olson, 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, Johansen, Rosenbaum and Thorndike voted in favor of the motion. Commissioner Allen was not present for the vote.

**MINUTES**

Commissioner Johansen called for a motion to approve the minutes of the Regular Commission Meeting of October 9, 2008. Commissioner Bragdon moved to approve the minutes. Commissioner Holte seconded the motion, which was put to a voice vote. Commissioners Bragdon, Holte, Johansen, Rosenbaum and Thorndike voted in favor of the motion. Commissioner Allen was not present for the vote.

**EXECUTIVE DIRECTOR'S REPORT**

Steve Schreiber was sitting in for Bill Wyatt, who was traveling in Asia. Mr. Schreiber briefly discussed Mr. Wyatt's busy travel itinerary. He said Mr. Wyatt's schedule is grueling, but these trips make a huge difference in the Port and Oregon's ability to attract and retain businesses and customers.

Mr. Schreiber said our second annual Gateway to the Globe event was a success. He said we continue to hear positive comments from our guests about our speakers and the efficient format of the program. We had about 400 people attend and are already considering ideas for next year.

Mr. Schreiber noted the FedEx groundbreaking ceremony held at the Troutdale Reynolds Industrial Park on October 29. He said the regional distribution facility will be under construction soon and signals the first round of development by FedEx Ground that will eventually go up to about a \$100 million total investment.

Mr. Schreiber said the Hillsboro Airport Open House held on October 25 was an unprecedented success. Attendance swelled from 300 last year to 596 this year. He said the goal of the event is “to host a family-friendly event that introduces people to Hillsboro Airport and its important role in the community.”

Mr. Schreiber said on a more somber note, with reduced airline schedules and a slowing economy, we have started to see a softening of traffic at PDX. He said our volumes in September dropped about five percent from the prior year. He said year-to-date we are down about two percent on passenger counts and we expect this trend will continue likely into the fall and winter months. Mr. Schreiber said we have already made some reductions to our capital and operating budgets in reaction to this and we are keeping a wary eye on the trends going forward. He said we have contingency plans to take further actions if we continue to see traffic drop off over the next couple of months.

Mr. Schreiber said we are seeing similar trends on the marine side of the business. He said our container volumes are down about 16 percent and we are seeing a softening in the export market, which had been our strong point and is down about 8 percent this year. Mr. Schreiber noted our import volumes are down as well. He said the automotive business is struggling as sales figures for the auto manufacturers have fallen precipitously this last quarter. He said we do not expect this to correct itself anytime in the near term and we have seen the impact here in Portland with our auto volumes down about 14 percent year-to-date.

Mr. Schreiber said our bulk commodities are a shining spot for us right now. He said our bulk volumes are up about 23 percent year-to-date. Grain volumes are down just slightly, but that is because we are coming off of a record year last year. Mr. Schreiber said from a budget standpoint, our revenues are down about 2.5 percent this year and our operating expenses are down about 8 percent.

Mr. Schreiber said there is good news on the financial front as we will close our airport bond deal this week. He said we sold \$130 million in bonds to finance some of the key projects at PDX. Mr. Schreiber said we have seen a lot of other organizations struggling to get out and sell bonds in this market. He thanked the finance team for pulling the deal off in a very turbulent market at very attractive rates. Mr. Schreiber said we decided to go with Standard and Poors this go around, rather than using two ratings. He also said that Standard and Poors reaffirmed our AA- rating for PDX, which is among the highest ratings given to any airport in the world.

Mr. Schreiber briefly discussed the management changes triggered by Mary Maxwell's retirement in March of 2009. Mr. Schreiber said he will once again be taking over as Aviation Director and Vince Granato will be taking his position as the Chief Financial Officer and Director of Administrative Services. Mr. Schreiber welcomed Stan Watters, who also joined the team as the Director of Development Services and Information Technology.

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

## **AWARD PRESENTATION**

Commissioner Johansen said she is honored to recognize this year's Compass Award recipient, Ted Cullen. She said the Commission will be taking formal action to adopt the Compass Award Proclamation, which was presented to Ted Cullen at the Gateway to the Globe event.

Following the reading of the Compass Award Proclamation by Commissioner Johansen, she called for a motion to adopt the Resolution of Commendation and Appreciation to Ted Cullen for service to the Port of Portland and the regional economy. Commissioner Bragdon moved to adopt the Resolution. Commissioner Holte seconded the motion, which was put to a voice vote. Commissioners Allen, Bragdon, Holte, Johansen, Rosenbaum and Thorndike voted in favor of the motion.

### **ACTION ITEM**

Commissioner Johansen declared a conflict of interest with Agenda Item No. 2 and recused herself from the discussion and vote. She turned the gavel over to Commissioner Holte.

#### Agenda Item No. 2

#### PERSONAL SERVICES CONTRACT AMENDMENT – ANCHOR ENVIRONMENTAL

This agenda item requested approval to amend the Anchor Environmental (Anchor) contract No. 165 to increase the total compensation by \$3,000,000. The Anchor contract is a personal services contract for design and consulting services for the Terminal 4 Sediment Removal Action Project.

Nicole LaFranchise presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That approval is given to amend the Anchor Environmental personal services contract No. 165 for the Terminal 4 Sediment Removal Project; 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. Commissioner Rosenbaum seconded the motion, which was put to a voice vote. Commissioners Allen, Bragdon, Holte, Rosenbaum and Thorndike voted in favor of the motion.

### **GENERAL DISCUSSION**

#### Fiscal Year 2007-2008 External Audit Results

Vince Granato presented a high-level overview of the Port's FY2008 financial performance, focusing on the Port's two major financial components: the General Fund and PDX. Mr. Granato said total revenue in the general fund was \$84 million. He noted the decline in revenue was due to the delay in the closing of the FedEx land sale, which was completed in FY2009. Mr. Granato said operating expenses before depreciation were significantly below budget. He said the FedEx land sale had a budgeted cost of property sold expense of \$11 million and environmental expenses came in about \$7 million under budget as a result of delays in the timing of cleanup work at Terminal 4.

Mr. Granato said the operating revenues at PDX increased from \$167 million to \$178 million this past year; the budget for FY2008 was \$174 million. He said this reflects an increase of nearly \$5 million in Airline revenues, \$2 million in Rental Car revenues and \$1.5 million in Parking revenues. Mr. Granato said passenger traffic is the single biggest driver for Aviation, and

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FY2008 brought record levels with nearly 14.9 million total passengers. Mr. Granato said operating expenses for the year increased \$4 million over the prior year level. He said this was largely attributable to increased pavement maintenance expenses.

## External Audit

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

Ms. Shelmon summarized the results of the audit and noted all of the opinions were unqualified, which is the highest level of assurance the Commission can receive. Ms. Shelmon said PWC was not aware of any material modifications that would need to be made to the financial statements and no material weaknesses were noted in internal control over financial reporting. Ms. Shelmon reviewed the audit required communications and the role and responsibilities of the auditor. Ms. Shelmon said PWC did not have any audited or unaudited adjustments, which she said is amazing. Commissioner Johansen said this speaks very highly to the hygiene of the Port's books. Ms. Shelmon said off the top of her head she could not think of another one of her clients where she has no adjustments.

Ms. Rustrum summarized the results of the remaining communications, including any major risks and exposures facing the Port and how they are disclosed, disagreements with management and any fraud and illegal acts. Ms. Rustrum reported a clean audit.

## **ACTION ITEMS**

### Agenda Item No. 1

#### COLUMBIA RIVER CROSSING/MARINE DRIVE INTERCHANGE ALIGNMENT

This agenda item requested endorsement of a Marine Drive interchange design, an element of the Columbia River Crossing Project that will enhance freight mobility and improve access to the Rivergate Industrial District.

Commissioner Johansen suggested removing the word "unintentionally" in the second resolve.

The Commission recommended the change underlined below in the first resolve to express that their preferred design is the Marine Drive interchange design.

Kathryn Williams presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That the Port of Portland Commission endorses a Marine Drive interchange design that meets the existing and future access needs of the Rivergate Industrial district, including marine terminals, as well as access to the Portland International Airport, currently the Standard Design; and

BE IT FURTHER RESOLVED, That the Port of Portland Commission supports managing land uses in the area to ensure investments in the Columbia River Crossing Project are not ~~unintentionally~~ diminished; and

BE IT FURTHER RESOLVED, That direction is given to Port of Portland staff to advocate for the selection of a Marine Drive interchange design containing these elements to move forward into Final Environmental Impact Statement for the Columbia River Crossing Project.

Commissioner Rosenbaum moved that the Executive Director's recommendations be approved as amended. Commissioner Holte seconded the motion, which was put to a voice vote. Commissioners Allen, Bragdon, Holte, Johansen and Rosenbaum voted in favor of the motion. Commissioner Thorndike was not present for the vote.

### Agenda Item No. 3

#### APPROVAL TO OBTAIN LOANS IN THE AMOUNT OF \$11.7 MILLION FROM THE OREGON ECONOMIC & COMMUNITY DEVELOPMENT DEPARTMENT

This agenda item requested approval to authorize the Port of Portland (Port) to borrow \$11.7 million from the Oregon Economic & Community Development Department (OECDD) to finance the development of Phase I of the Troutdale Reynolds Industrial Park.

Sugie Joseph presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That the Port of Portland is authorized to borrow \$11.7 million in funds from the Oregon Economic & Community Development Department to finance Phase I of the Troutdale Reynolds Industrial Park infrastructure improvements; 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. Commissioner Bragdon seconded the motion, which was put to a voice vote. Commissioners Allen, Bragdon, Holte, Johansen and Rosenbaum voted in favor of the motion. Commissioner Thorndike was not present for the vote.

### Agenda Item No. 4

#### GROUND LEASE – CITY OF HILLSBORO – HILLSBORO AIRPORT

This agenda item requested approval to enter into a ground lease with the City of Hillsboro at the Hillsboro Airport.

Ken Anderton presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That approval is given to enter into a ground lease with the City of Hillsboro, consistent with the terms and conditions 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 Allen, Bragdon, Holte, Johansen and Rosenbaum voted in favor of the motion. Commissioner Thorndike was not present for the vote.

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The meeting adjourned at 10:28 a.m.

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President

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Assistant Secretary

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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.