

**MINUTES
REGULAR COMMISSION MEETING
THE PORT OF PORTLAND
November 11, 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 Judi Johansen, President, presiding; Ken Allen; Peter Bragdon; Steve Corey; Diana Daggett; Mary Olson; Paul Rosenbaum and Bill Thorndike. Also present were Steve Schreiber, aviation director; participating staff members; and members of the public.

LEAVE OF ABSENCE

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

COMMISSION PRESIDENT COMMENTS

Commissioner Johansen noted that today is Veteran's Day and recognized those who have served or are currently serving in the armed services. She said she is humbled and grateful for their service.

Commissioner Johansen noted with sadness that this is Commissioner Thorndike's last Port Commission meeting. She said Commissioner Thorndike serves on many boards and commissions and gives much of his time to the State and the region. Commissioner Johansen said there is a legacy of projects the Commission has undertaken during Commissioner Thorndike's tenure. She said during his two terms on the Commission, he has been a tremendous asset to the Port, not only representing the State, but also bringing us the southern Oregon perspective. Commissioner Johansen said Commissioner Thorndike has spent countless hours talking to chambers of commerce and community organizations about what the Port does. She thanked Commissioner Thorndike for his tremendous service; he has been a great contributor and will be greatly missed.

Commissioner Thorndike said it has been a distinct pleasure to serve on the Commission. He said he loves the Port's tag line, "Possibility in every direction," and during his tenure he has appreciated how aggressively the Port has strived to remain vital in economic development. He said ports represent a unique way of helping communities grow. Commissioner Thorndike said it has been a privilege and he looks forward to continuing to represent the Port's best interests in southern Oregon.

MINUTES

Commissioner Johansen called for a motion to approve the minutes of the Regular Commission Meeting of October 14, 2009. Commissioner Olson moved to approve the minutes. Commissioner Allen seconded the motion, which was put to a voice vote. Commissioners Allen, Bragdon, Corey, Daggett, Johansen, Olson, Rosenbaum and Thorndike voted in favor of the motion.

EXECUTIVE DIRECTOR'S REPORT

Steve Schreiber said Bill Wyatt is traveling in Asia where he will be joining the Executive Directors from the ports of Los Angeles, Long Beach, Oakland, Tacoma and Seattle for a joint presentation with the BNSF and UP railroads, focused on marketing the West Coast ports.

Mr. Schreiber said since it is Veteran's Day, he would like to take a moment to recognize the eight Port employees currently serving in the military as guard or reserve members, as well as those who have previously served in any one of the five military branches and the many parents of military personnel we have on our staff.

Mr. Schreiber said this past month Commissioner Corey joined Sam Ruda and Jeff Krug for meetings and a potash mine tour with Saskatoon, Canada based Canpotex. Mr. Schreiber noted while volumes are down for export shipments this calendar year, Canpotex is forecasting some recovery in 2010. Mr. Schreiber thanked Commissioner Corey for accompanying Port staff and for taking time out of his busy schedule to visit one of the Port's long-term lease customers. Commissioner Corey said it was a very informative trip. He said he enjoyed seeing one of our major customers and learning about their operations.

Mr. Schreiber said the two-decade-long effort to deepen the 103-mile Columbia River navigation channel to 43 feet is nearing completion. Blasting and removal of basalt near St. Helens, Oregon, and dredging a one-mile section near Longview, Washington have begun and will complete the project. He said the Columbia River will remain open for business throughout this construction. Mr. Schreiber said test blasting began on November 1, 2009, and production blasting and rock removal will begin November 16, 2009, and continue twice a day until all of the basalt in the area has been successfully fractured for removal. He said after many years in the making, the channel deepening project will be completed by December 2010.

Mr. Schreiber noted temporary closures are planned for the navigation lock at Lower Monumental Dam on the Snake River December 4-9 so the U.S. Army Corps of Engineers can prepare for necessary rehabilitation work. He said additional partial closures are planned for January 2-31. Mr. Schreiber said all locks on the Columbia-Snake River system will close for regularly scheduled maintenance from March 6-27, 2010, and a more extensive closure is planned for major repairs and rehabilitation work starting in December 2010 and lasting approximately 14 to 16 weeks.

Mr. Schreiber said he is pleased to announce that the north runway at PDX reopened on October 30. He said the north runway has been closed since May for the first phase of the extension project which included a complete rehabilitation of the existing runway this season. Mr. Schreiber said that during the 2010 construction season we will complete the extension work which in turn will allow us to close the south runway in 2011 for a complete rehabilitation.

Mr. Schreiber recognized Commissioner Thorndike's service from the staff perspective. He said it has been a pleasure for all the Port staff to work with him. Mr. Schreiber said Commissioner Thorndike spent countless hours on Port projects and provided great advice and counsel; he has encouraged us when we needed encouragement and provided great leadership.

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

GENERAL DISCUSSION

External Audit Results

Vince Granato presented a high-level overview of the Port's FY2009 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 \$91 million. He noted we had \$17.7 million in land sales during FY2009, primarily the land sale to Federal Express. Mr. Granato said operating expenses before depreciation were significantly over budget. He said environmental expenses were approximately \$6 million greater than budget in FY2009 as well. Mr. Granato said it is worthwhile to note that neither of these items represent a cash expenditure, even though they are expenses under accrual accounting.

Mr. Granato said in FY2009, the Port implemented Governmental Accounting Standards Board Statement No. 49 (GASB 49). This pronouncement significantly changed the way governments book environmental accruals, changing both how and what we accrue. Mr. Granato said that as part of this implementation, the guidance directed us to restate prior year environmental expenses using the new methodology. As a result of the GASB 49 change, we recognized approximately \$12 million in additional environmental expense in the General Fund for FY2008. This represents expense for future environmental cleanups, and is not a cash expenditure.

Mr. Granato said passenger traffic at PDX for FY2009 was 13.3 million passengers, which is a decrease of 1.6 million from FY2008. He said the operating revenues at PDX decreased from \$178 million in FY2008 to \$170 million this past year; the budget for FY2009 was \$180 million. Mr. Granato said compared to budget, FY2009 parking revenue was nearly \$8 million below budget and airline revenues were over \$2 million below budget. Mr. Granato noted PDX operating expenses increased about \$5 million over the prior year level. This increase was largely attributable to higher environmental expenses associated with GASB 49, and an increased allocation of corporate support services. However, in spite of these increases, we still came in under the FY2009 budget of \$96 million.

Commissioner Rosenbaum asked if the Port has someone specific in charge of internal controls. Mr. Granato said the internal audit department is in charge of internal controls. These auditors do internal audit investigations across the organization.

External Audit

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

Ms. Shelmon said the audit was as clean as it could get and the Port received unqualified opinions in several areas, both on the financial statements and the government compliance. Ms. Shelmon said there were no material weaknesses or adjustments, which is quite remarkable, especially given the size and complexity of the organization.

Ms. Shelmon said although the purpose of an audit is not to detect fraud, there are procedures they perform to determine whether or not the likelihood of fraud or financial irregularities could exist. Ms. Shelmon said controls were good and they did not find any indication of fraud or financial irregularities of any kind.

Ms. Rustrum reviewed the audit-required communications. She said PWC issued unqualified opinions on the financial statements and the audit was performed under generally accepted auditing standards. Ms. Rustrum said PWC did not take exceptions to the Port's accounting policies during the year. Ms. Rustrum reported a clean audit.

ACTION ITEMS

Agenda Item No. 1

CONSTRUCTION CONTRACT AMENDMENTS – IN-LINE BAGGAGE SCREENING IMPROVEMENTS PROJECT – 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:

- Amendment of the existing Hoffman Construction Company Construction Management/General Contractor construction contract; and
- Amendment of the existing PGAL Architecture, LLC personal services contract.

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

BE IT RESOLVED, That approval is given to amend the existing construction contract with 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 Johansen said, to state the obvious, when the Commission is presented with a project that is delayed and over budget, they are not going to be happy about it, but they do understand that this is related to the technology that Transportation Security Administration (TSA) controls and changes TSA has made to the plan. She said for the record, the Commission completely understands why the project is delayed and running over budget. Commissioner Johansen said this is not the way the Port operates and acknowledged that staff is doing their best and for that, the Commission is grateful.

Commissioner Rosenbaum said he would like staff to be smart about this in terms of future equipment changes likely to occur during the next five years. He said it would be in our best interest to be ahead of the curve to understand the technology changes associated with the screening equipment.

Commissioner Allen suggested we publicize the project and its impacts when the new system is up and running. He said this is going to be more convenient to the traveling public, but they may not appreciate that it cost \$142 million.

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

Agenda Item No. 2

CONTRACT AMENDMENT – TIDEWORKS TECHNOLOGY – ANNUAL HARDWARE AND SOFTWARE MAINTENANCE SUPPORT – TERMINAL 6

This agenda item requested approval of a contract amendment for the annual maintenance support of the Terminal 6 computer system. The contract amendment will extend the term of the existing Hosting and Applications Services Agreement between the Port of Portland and Tideworks Technology for the annual maintenance of hardware and software and will reflect the total contract value, which includes various consulting task orders and other changes based on the licensing agreement.

Linda Dyson presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That approval is given to enter into a contract amendment with Tideworks Technology for Terminal 6 computer systems hardware and software maintenance support through 2010 and to update the contract total; 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 Thorndike moved that the Executive Director's recommendations be approved. Commissioner Corey seconded the motion, which was put to a roll call vote. Commissioners Allen, Bragdon, Corey, Daggett, Johansen, Olson, Rosenbaum and Thorndike voted in favor of the motion.

The meeting adjourned at 10:35 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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