

**MINUTES
REGULAR COMMISSION MEETING
THE PORT OF PORTLAND
November 9, 2011**

In response to due notice, the regular meeting of the Commissioners of the Port of Portland was held at 9:30 a.m. in the Chinook conference room of the Port's administrative offices located at 7200 NE Airport Way.

QUORUM

Commissioners present were Steve Corey, Vice President, presiding; Ken Allen; Jim Carter; Tom Chamberlain; Diana Daggett; Bruce Holte and Paul Rosenbaum. Also present were Bill Wyatt, Executive Director; participating staff members; and members of the public.

LEAVE OF ABSENCE

Commissioner Corey called for a motion to grant leaves of absence to Commissioners Bragdon and Johansen, who were out of town. Commissioner Rosenbaum moved to grant the leaves of absence. Commissioner Allen seconded the motion, which was put to a voice vote. Commissioners Allen, Carter, Chamberlain, Corey, Daggett, Holte and Rosenbaum voted in favor of the motion.

MINUTES

Commissioner Corey called for a motion to approve the minutes of the Regular Commission Meeting of October 12, 2011. Commissioner Holte moved to approve the minutes. Commissioner Allen seconded the motion, which was put to a voice vote. Commissioners Allen, Carter, Chamberlain, Corey, Daggett, Holte and Rosenbaum voted in favor of the motion.

EXECUTIVE DIRECTOR'S REPORT

Mr. Wyatt noted today marks the final Port Commission meeting for Steve Schreiber, the Port's Aviation Director, who will be retiring at the end of the month. He said he would have more to say about Steve at the end of his remarks.

Mr. Wyatt said it has been an eventful month since the last Commission meeting. For the sake of full disclosure as the Port's executive director, he deemed it appropriate to disclose his health condition. Mr. Wyatt said he was diagnosed with premature heartbeat, a rare genetic heart defect for which there is no cure but there is prevention in the form of an implantable cardiac defibrillator, which he now has. He said his prognosis is very good and he does not expect any significant changes in his lifestyle. Mr. Wyatt said he feels great and does not anticipate any challenges or problems.

Mr. Wyatt said that we continue to see solid passenger growth at PDX; he said September was a good month with almost a three-percent increase in passenger activity. Mr. Wyatt said it is a little difficult to forecast because there are so many dark clouds in the economy that are beyond our control, but in general, most of our business lines continue to be strong.

Mr. Wyatt said we are at the tail end of a large period of capital expansion at the airport. He said the South Runway project was a remarkable success; we were in and out in one season and completely reconstructed an 11,000-foot runway. He said this is a fitting finish to what has been a great period of expansion at the airport.

Mr. Wyatt reported that within a few hours, an Alaska Airlines Seattle-Portland commercial flight would be one of two maiden flights powered by biofuel. He said they will operate select flights over the next few weeks using a 20-percent blend of sustainable biofuels made from cooking oil. Mr. Wyatt said that although this is encouraging, we have a lot of work ahead of us to scale this fuel so that it can be price competitive.

Mr. Wyatt said Spirit Airlines began twice-daily service to Las Vegas in September and the flights have been performing well.

Mr. Wyatt said cargo tonnage continues to grow, up 0.8 percent this September over September of last year. He said concession revenue was down 6.6 percent in September, due to accounting adjustments, and is up 5.6 percent fiscal year-to-date. He noted parking revenues were up 6.1 percent.

Mr. Wyatt said the Transportation Security Administration is now installing new Advanced Imaging Technology security screening equipment at the checkpoints. He said the units are designed to safely screen passengers and they are newer models than the previous, more revealing machines that received so much criticism elsewhere in the country.

Mr. Wyatt said we have had a couple of gate issues at Terminal 6. He said the gate was closed for a day and a half, but thanks to our own IT staff, which assisted our tenant, ICTSI, with the system recovery effort, the system has been restored and is stable.

Mr. Wyatt said there have been recent reports of refrigerated container (reefer) units experiencing compressor failures. All of the reported failures, which have been linked to three fatalities worldwide, appear to have occurred in Asia or South America while repairs were being made to refrigeration components. Mr. Wyatt said examination of the failed components points to the cause of the failures as being contaminated gas in the reefer cooling units. He said all of the failed units appear to have had service performed by maintenance vendors in Cat Lai, Vietnam.

Mr. Wyatt said the U.S. Army Corps of Engineers will receive an additional round of funding, amounting to slightly over \$3 million, to be applied to the 2011 dredging season. He said this will keep the Port's Dredge OREGON on the river and working until about mid-December and will give the Corps' Dredge ESSAYONS an additional 18 days on the Columbia River. He said this is good news in that it should provide us a chance to address the cubic yardage deficit that has built up this year due to significant reductions in advance maintenance dredging.

Mr. Wyatt said a new facility for Subaru of America, Inc., including a 413,000-square-foot auto parts distribution facility, service training center and regional offices, is now open for business in Rivergate. He said Subaru's new building is the second project within a growing logistics center known as Rivergate Corporate Center III, a site ideally suited for marine cargo, rail and heavy distribution users. He said the goal for this property was to attract companies that could utilize Port services and generate additional marine container business, and Subaru has already begun importing containers through Terminal 6.

Mr. Wyatt said Steve Schreiber's retirement was a big surprise because he always imagined they would go out together "in a blaze of glory." He said Steve is his longest-tenured director and has been a Port employee for over 30 years. He has held a number of different jobs and played a number of different roles in the organization. Mr. Wyatt said Steve has led the organization through the completion of the South Terminal Expansion, the expansion of our international air service, the near destruction and reconstitution of commercial air service that occurred during the horrific effects of 9/11, as well as the remarkable changes that occurred in both Aviation security and business models of airports and airlines. Mr. Wyatt said personally he could always depend on Steve and he will miss him a great deal. He said the Port has been incredibly well-served by both Steve's personal qualities and the experience he was able to bring to his duties at the Port. Mr. Wyatt said the financial condition of the airport is as good as it has ever been, in large measure because of Steve's extraordinary stewardship.

Mr. Wyatt said that while transitions are always hard, this is about as good a time as we will ever have to make this kind of a transition. He said it is evidence of Steve's leadership that he was able to identify that moment for himself and for the Port. Mr. Wyatt said he is immensely grateful for Steve's partnership, leadership and friendship during his tenure. The entire community owes him a great debt of gratitude for the kind of leadership that has given us the best airport in the United States.

Mr. Schreiber responded that it has been a great privilege to work at the Port for 31 years. He said it has been a great career and he has had the opportunity to do many different things. Mr. Schreiber said collectively, we have done a lot of good things for the organization and the community. He thanked the present and past Commissions for their support and great leadership. He said he has been fortunate to have great managers and mentors during his career at the Port, none better than Mr. Wyatt. He said it has been an honor to work for Bill the last 10 years. Mr. Schreiber thanked the Director group; he said it is a good team and they work together well. Mr. Schreiber said that while he gets to take a lot of credit for the good things that happen, it is only because he has an excellent team that works for him and a broader team throughout the Port that make things happen and make him look good. He said the Port is in good hands and will continue to be successful in the future.

Commissioner Corey thanked Mr. Schreiber on behalf of the Commission and wished him the best of luck.

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

AWARD PRESENTATION

Steve Schreiber, Director of Aviation, said he is pleased to announce that the Aviation Maintenance group has received the OSHA Safety and Health Achievement Recognition Program (SHARP) certification award for the second consecutive year.

Mr. Schreiber recognized the following Port employees for their efforts to achieve the certification: Steve Nagy; Rob Gaynor; Jeff Morehead; Mike Wilcox; Ken Daly; Bill Allen; Bud Cave; Steve Lovelady; Andrea Marzette; Steve Eversmeyer; Ellen Ridgeway and Greg Bieber.

William (Buddy) Kloster of Oregon OSHA presented the Port with the SHARP awards.

GENERAL DISCUSSION

Fiscal Year 2011 Financial Performance

Vince Granato, Chief Financial Officer, presented a high-level overview of the Fiscal Year 2011 financial performance, focusing on two major components: the General Fund and PDX. He said typically the largest single driver for revenue for the General Fund is the number of containers moving across the docks at Terminal 6 (T-6), but since ICTSI took over in February of this year, that dynamic will be significantly reduced. Mr. Granato said we were under budget for FY2011; we had a budget of \$71 million with actuals of \$63 million. Mr. Granato said the primary reason for this was the timing of the lease of the T-6 operation with ICTSI. On the other hand, he said we also had some land sales that were budgeted in 2011 that did not occur.

Mr. Granato said the bottom line is the General Fund had a \$6.9 million net loss in FY2011, which represents a decrease over our original budget of a \$15.8 million net loss. He said traditionally our General Fund net income has hovered around the breakeven level. He said the ongoing challenges with the Port's General Fund make it clear why programs like Connect Oregon and efforts like the T-6 lease are critical to help fund future capital needs.

Mr. Granato said that on the Aviation side, passenger traffic is the single largest business driver for revenue at PDX, and for FY2011, we had 13.5 million passengers, an increase of 0.6 million from FY2010. He said we were very close to budget on operating revenues at PDX; we were slightly under budget which is not a bad thing because we were under budget in what we charged the airlines. Mr. Granato said PDX operating expenses increased about \$6 million over the prior year. This increase was attributable to salaries being up \$3.5 million and we incurred a \$1 million expense to get the Delta Cargo hangars back.

External Audit

Vince Granato introduced the Port's auditors from PricewaterhouseCoopers (PWC): Mike MacBryde and Chris Edwards.

Mr. MacBryde said it was a very good audit this year. He said the overall theme of the audit this year was "more detail," and even though they asked more of the Port team and did more auditing, they continued to have positive results. He said the audit was clean and there were no material weaknesses. In addition, the control environment was very sound and there were no exceptions at all.

Mr. MacBryde said they spent a lot of time in the Port's IT environment and had very positive results, which is very good news from an audit perspective. He said there were no audit adjustments, either proposed and booked or proposed and unbooked.

Mr. MacBryde said his standards require that he design procedures to detect material fraud or irregularities. He discussed the audit procedures in place to ensure the areas that present the most financial risk are given the right level of attention. He said the control environment was good and they did not find any indication of fraud or irregularities.

Mr. MacBryde said an environmental liability is one of the bigger subjective areas, and the environmental specialists on his engagement team found everything was well documented and the control process around the Port's environmental exposure is excellent.

Mr. MacBryde reviewed the audit-required communications. He said PWC issued a clean opinion on the financial statements and the audit was performed under generally accepted auditing standards. Mr. MacBryde said PWC did not take exceptions to the Port's accounting policies during the year. Mr. Edwards also reported a clean audit.

Mr. MacBryde summarized the results of the audit. He said that there were no audit adjustments, no unbooked adjustments, no control deficiencies, no significant findings and no disagreements with management.

Commissioner Rosenbaum said he has been involved with public accounting firms for over 20 years and he has never heard a better report.

Commissioner Corey said he is pleased with the excellent report and the accounting staff. He said he is particularly pleased to know that the PWC team is closely analyzing the environmental liabilities.

Mr. Wyatt said that next year we will be getting closer to the moment when environmental accruals are going to show up in significant ways due to more progress on the Lower Willamette as we get closer to a Record of Decision. He said it is important to note because this will be reflected in our financial statements.

ACTION ITEM

Agenda Item No. 1

MASTER DEVELOPMENT AGREEMENT AMENDMENT – MEPT RIVERGATE III LLC – RIVERGATE INDUSTRIAL DISTRICT

This agenda item requested approval to amend the Master Development Agreement (MDA) signed by the Port and MEPT Rivergate III LLC (MEPT) in July 2007, for approximately 114.6 acres located on North Lombard Street (Property) in Rivergate Industrial District (Rivergate). The MDA currently expires on March 31, 2013.

Joe Mollusky presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That approval is given to amend the Master Development Agreement with MEPT Rivergate III LLC, 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 execute the necessary documents on behalf of the Port of Portland Commission in a form approved by counsel.

Commissioner Corey called for a motion to approve the Executive Director's recommendations. Commissioner Allen moved that the Executive Director's recommendations be approved. Commissioner Holte seconded the motion, which was put to a voice vote. Commissioners Allen, Carter, Chamberlain, Corey, Daggett, Holte and Rosenbaum voted in favor of the motion.

The meeting adjourned at 10:48 p.m.

President

Assistant Secretary

Date Signed

An audio recording of these proceedings and the full Commission agenda is available by contacting the Port of Portland administrative offices, 7200 N.E. Airport Way, Portland, Oregon 97218.