



AGENDA
Regular Commission Meeting
Port of Portland Headquarters
7200 N.E. Airport Way, 8th Floor
October 9, 2013
9:30 a.m.

Minutes

Approval of Minutes: Regular Commission Meeting – September 11, 2013

Executive Director

Approval of Executive Director's Report – September 2013

Award Presentation

Safety and Health Achievement Recognition Program Certification
– Aviation

*WILLIAM KLOSTER,
OREGON OSHA*

Consent Items

1. COMMISSION INVESTMENTS POLICY 6.1.2
Requests approval to renew Commission Investments Policy 6.1.2. *TRACY WESTERFIELD*
2. AMENDMENT TO LEASE OF YARD AREA – DAIMLER TRUCKS
NORTH AMERICA LLC – SWAN ISLAND INDUSTRIAL PARK
Requests approval to amend a Lease of Yard Area with Daimler Trucks North America LLC to extend the term and provide additional term extension options for eight acres of gravel parking area located on N. Channel Avenue in the Swan Island Industrial Park. *LORALI REYNOLDS*
3. CHANGE IN DESIGNATION OF REGISTERED AGENT
Requests approval to designate Ian Whitlock as the Port of Portland's registered agent. *IAN WHITLOCK*

Action Items

4. LEASE AMENDMENT AND SALE AGREEMENT – DAIMLER
TRUCKS NORTH AMERICA LLC – SWAN ISLAND INDUSTRIAL
DISTRICT
Requests approval to amend Daimler Trucks North America LLC's current lease and associated agreements and enter into a sale agreement with options to purchase land in support of Daimler's development of a new corporate headquarters facility to be built in the Swan Island Industrial District. *KEITH LEAVITT*

5. INTERGOVERNMENTAL AGREEMENT – FAIRVIEW CREEK MITIGATION BANK – CITY OF GRESHAM *MARK WITSOE*

Requests approval to enter into an Intergovernmental Agreement with the City of Gresham to purchase wetland mitigation credits when they become available through the Fairview Creek Mitigation Bank.

6. AIRCRAFT RESCUE AND FIRE FIGHTING FIRE TRUCK PROCUREMENT – PORTLAND INTERNATIONAL AIRPORT *GREG SPARKS*

Requests approval to award a procurement contract to Oshkosh Corporation for a new Aircraft Rescue and Fire Fighting fire truck at Portland International Airport.

7. PERSONAL SERVICES CONTRACT AMENDMENT AND EXEMPTION FROM COMPETITIVE BIDDING FOR PUBLIC IMPROVEMENT CONTRACT – REPLACE ACCESS CONTROL SYSTEM PROJECT – PORTLAND INTERNATIONAL AIRPORT *GEORGE SEAMAN*

Requests authorization to amend an existing personal services contract with Aviation Security Consulting Inc. for the design of the Replace Access Control System project at Portland International Airport. This agenda item also requests an exemption from competitive bidding to procure the project's public improvement contract using a competitive request for proposals process.

COMMISSION INVESTMENTS POLICY 6.1.2

October 9, 2013

Presented by: Tracy Westerfield
Cash & Investment
Program Manager**REQUESTED COMMISSION ACTION**

This agenda item requests approval to renew Commission Investments Policy 6.1.2.

Pursuant to ORS 294.035, for the Port of Portland (Port) to invest funds in securities with maturities longer than 18 months, the investments must be made in accordance with a written investment policy, adopted annually by the Port Commission. If material changes are made, the policy must be reviewed by the Oregon Short Term Fund Board (OSTFB).

We are not requesting any material changes to the policy at this time. The only change to the policy was to update the maximum amount allowed (under ORS 294.810) to be invested in the Oregon Short Term Fund.

We are currently working with the Oregon State Treasury and OSTFB on updating the Port's investment policy to more closely align with the Treasury's current investment policy template and recommended best practices. Due to the iterative nature of the process and the timing of the OSTFB meetings, we will be bringing these changes to you at a later date.

BACKGROUND

The Commission Investments Policy provides the primary framework for the internal management of the Port's investment portfolio.

On August 31, 2013, the par value of the investment portfolio was approximately \$314.3 million. The budget for interest income for the 2013/2014 fiscal year is \$2.3 million.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That Port of Portland Commission Investments Policy 6.1.2 dated October 9, 2013, is hereby approved; and

BE IT FURTHER RESOLVED, That a copy of Commission Investments Policy 6.1.2 shall be attached to the minutes of this meeting.

PORT OF PORTLAND COMMISSION POLICY

INVESTMENTS POLICY NO. 6.1.2

Readopted Commission Meeting of October 9, 2013

Objectives

The primary objective of the Port of Portland investment program is preservation of capital. Consistent with that objective, the cash flow needs of the Port and the "Prudent Investor Rule," available funds will be managed and traded to achieve the maximum possible yield. In order to achieve these objectives, and as a safeguard against adverse changes in cash flows, priority will be given to liquid investments, i.e., investments in U.S. Treasury Bills and Notes and U.S. agencies.

Diversification

The portfolio will be diversified so that the par value for each of the security classes shown shall not exceed the maximum position indicated as a percentage of the portfolio:

U.S. Treasury Bills and Notes	100% maximum
U.S. Agencies (but no single Agency position shall exceed 30% of the portfolio)	100% maximum
Corporate Indebtedness (subject to ORS 294.035)	35% maximum
Time Certificates of Deposit (TCD)	30% maximum
Banker's Acceptances (with qualified financial institutions in the State of Oregon as subject to ORS 294.035)	30% maximum
Repurchase Agreements Under 30 days	50% maximum
Oregon Short Term Fund (as subject to ORS 294.810)	As allowed under Oregon Statutes*

* The maximum allowable investment in the Oregon Short Term Fund (LGIP) is adjusted semiannually based on CPI. The current maximum investment is \$45,405,443.

Investments in Banker's Acceptances, TCDs and other Corporate Indebtedness of any single company or qualified financial institution shall not, in the aggregate, exceed 5 percent of the portfolio.

Investment Maturity

Since the Port's operating cash needs are generated through operating revenues rather than tax receipts, the Port has more flexibility in structuring maturities than is typical for a municipal district dependent primarily on tax resources. Investments will be timed to meet projected cash requirements unless a shorter maturity is desirable. Funds may be invested to a maximum maturity of five years from the date of settlement.

The portfolio will be structured to meet the following minimums:

- Two years and under, 55 percent of par value
- Three years and under, 75 percent of par value
- Five years and under, 100 percent of par value

In all cases, the "Prudent Investor Rule" shall apply to maturity decisions. The only exceptions to the maximum maturity shown shall be cases where the Port is using the security as collateral on an operating agreement or in instances where the Port is purchasing its own bonds in the marketplace to lower outstanding debt.

Investment Types

The Port may invest its funds in securities or investments subject to ORS 294.035 and related statutes, with the following restrictions:

Time certificates of deposit with any issuer will not exceed 30 percent of the net capital of such issuer, based on their most currently published financial report.

Banker's acceptances guaranteed by a qualified financial institution shall not exceed 30 percent of the net capital of such institution, based on their most currently published financial report.

Municipal bonds, other than those issued by the Port of Portland, will not be purchased except under the following circumstances:

- To the extent that any reserve or construction funds exist and are also subject to yield restrictions by U.S. Treasury regulations or code, such funds may be invested in municipal bonds subject to the provisions of ORS 294.035 and 294.040.
- No more than 20 percent of such funds shall be placed with any single issuing authority other than the State of Oregon or one of its agencies.

Repurchase agreements shall not exceed a term of 30 days. Collateral provided to the Port under a repurchase agreement shall be deposited with the Port's custodian bank(s), marked to the market daily and maintained at a minimum level in conformance with ORS 294.035 (11).

Repurchase agreements may be entered into with authorized dealers or institutions when a master repurchase agreement or specific written contract governs the transaction. In no case will the total of such agreements with any firm exceed 10 percent of their equity (based on their most recently published financial report).

Authorized Dealers and Financial Institutions

The Port may purchase or sell securities subject to the provisions of this policy through any of the following:

- Banks, savings and loans, and mutual savings banks authorized to do business in Oregon (not simply loan production offices).
- Primary security dealers as designated by the Federal Reserve Bank of New York and Oregon secondary dealers.
- Primary agency selling group members as designated by the U.S. agency involved.

Safekeeping

The Port shall require delivery of all securities purchased (by means of physical possession or book-entry to the account of the Port) to its custodian bank(s). As noted under repurchase agreements above, securities acquired through repurchase agreements with the Port's custodian bank(s) may be held by the custodian bank(s). In all cases, payment shall be made only upon delivery.

Reporting Requirements

Quarterly, staff will provide the Commission with portfolio reports showing: investment transactions; trading gains and losses; investments owned; market value; yield; maturity distribution, or any such other report as the Commission may request. The Commission will have review authority over the investment program.

Renewal

This policy shall be reviewed annually by the Commission.

**AMENDMENT TO LEASE OF YARD AREA – DAIMLER TRUCKS NORTH AMERICA LLC –
SWAN ISLAND INDUSTRIAL PARK**

October 9, 2013

Presented by: Loralie Reynolds
Business Development
Property Manager**REQUESTED COMMISSION ACTION**

This agenda item requests approval to amend a Lease of Yard Area with Daimler Trucks North America LLC (DTNA) to extend the term and provide additional term extension options for eight acres of gravel parking area located on N. Channel Avenue in the Swan Island Industrial Park.

BACKGROUND

DTNA is currently leasing 27.5 acres from the Port of Portland (Port) for its Portland headquarters office buildings under a Ground Lease and is leasing associated parking areas in the Swan Island Industrial Park pursuant to a Lease of Yard Area (Yard Lease). Under this Yard Lease, DTNA has leased eight acres of gravel parking area from the Port since May 2004 to park and maneuver trucks and trailers used in DTNA's truck business. The expiration date under the Yard Lease was June 30, 2013, and the Yard Lease is currently in holdover.

The proposed amendment would extend the initial term of the Yard Lease for an additional three years through June 30, 2016, and would provide for two additional two-year extension options, allowing for possible extension of the Yard Lease term through June 30, 2020.

REVENUE

The monthly rent for the first year of the Yard Lease's extended term will be \$21,815.43. Rent will be adjusted annually on July 1 by the Consumer Price Index for All Urban Consumers throughout the initial term and the extension option terms.

ENVIRONMENTAL

A Port remedial action project for arsenic contamination will be conducted over the next year at this site as part of a Voluntary Agreement for upland source control between the Port and the Oregon Department of Environmental Quality. In order to support this effort, the Yard Lease will provide for a Port work window with a 30-day notice to DTNA and provide for abated rent, or substitute available, equivalently sized premises, for any portion of the Yard Lease that is not usable during performance of the work.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

AMENDMENT TO LEASE OF YARD AREA – DAIMLER TRUCKS NORTH AMERICA LLC –
SWAN ISLAND INDUSTRIAL PARK

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BE IT RESOLVED, That approval is given to amend the Lease of Yard Area with Daimler Trucks North America LLC for eight acres of gravel parking area located in Swan Island Industrial Park, 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.

CHANGE IN DESIGNATION OF REGISTERED AGENT

October 9, 2013

Presented by: Ian Whitlock
Acting General Counsel**REQUESTED COMMISSION ACTION**

This agenda item requests approval to designate Ian Whitlock as the Port of Portland's (Port) registered agent.

BACKGROUND

Chapter 198 of the Oregon Revised Statutes (ORS) requires special districts, including ports, to designate a registered office and a registered agent to accept service of process, notice or demand required or permitted by law to be served upon the district. Changes to registered agent designations must be made by filing in the office of the Oregon Secretary of State and with the county clerk in each county where located. Currently, the Port's registered agent is its former General Counsel, Krista Koehl. Ian Whitlock has been appointed as its Acting General Counsel and it is appropriate to change the designation of the Port's registered agent. Pursuant to ORS 198.340(2)(e), this change requires Commission action. The Port's registered office is current and will remain the same.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That Ian Whitlock, Acting General Counsel, is designated as the Port of Portland's registered agent for purposes of accepting service of any process, notice or demand required or permitted by law to be served upon the district, effective as of October 9, 2013;

BE IT FURTHER RESOLVED, That all previous registered agent designations be rescinded; 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.

**LEASE AMENDMENT AND SALE AGREEMENT – DAIMLER TRUCKS NORTH AMERICA LLC
– SWAN ISLAND INDUSTRIAL DISTRICT**

October 9, 2013

Presented by:

Keith Leavitt
General Manager, Business
Development & Properties**REQUESTED COMMISSION ACTION**

This agenda item requests approval to amend Daimler Trucks North America LLC's (Daimler) current lease and associated agreements with the Port of Portland (Port) and enter into a sale agreement with options to purchase Port owned land in support of Daimler's development of a new corporate headquarters facility to be built in the Swan Island Industrial District.

BACKGROUND

Daimler and its predecessor company, Freightliner LLC, is a long-time Port customer and business partner. The Port has sold and leased property to Daimler in support of its office and manufacturing operations on Swan Island since the 1960s.

Daimler's management desires to develop a headquarters building in Portland (HQ). Currently, Daimler rents office space in several different locations in Portland. The company also has significant office assets, land holdings and manufacturing facilities in South and North Carolina where they have, at times, considered moving their HQ.

This project, facilitated by the lease amendment and sale, would solidify Daimler's presence in Portland through the consolidation of their Portland area office staff at the new Swan Island HQ facility on land currently leased from the Port. Daimler employs approximately 2,000 people in the Portland area, and expansion plans would add 350 high-wage jobs averaging \$80,000 per year. The retention and expansion of Daimler's long-term corporate headquarters in Portland represents a major and long sought-after economic development win for the Port, City and State of Oregon.

The project scope includes Daimler's demolition of the current "Ports O' Call" area and construction of a new HQ facility, including an above ground parking structure. The new HQ building would be financed and owned by a third party (Buyer) and leased back to Daimler. The current HQ construction estimate is \$150 million for a nine-level, 265,000 square foot building and a four-level parking structure.

The deal terms strike a balance between facilitating this important economic development opportunity, while assuring the Port receives appropriate value from the sale of its real estate assets. The current lease has a term that runs through 2046. As such, the land sale pricing basis accounted for in this transaction is based, in part, on the lost value to the Port of future lease revenue.

LEASE AMENDMENT AND SALE AGREEMENT – DAIMLER TRUCKS NORTH AMERICA LLC
– SWAN ISLAND INDUSTRIAL DISTRICT

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Key Business Terms

- Partitioning of leasehold: The current leasehold of 27.5 acres will be sub-divided into three parcels, and Daimler or its Buyer will have future purchase options for the remaining parcels. The option parcels are called Corp 8 (new HQ building), Corp 1 (current HQ building) and Corp 9 (office, daycare facility).
- Purchase Options: Under the first option, Daimler will purchase Corp 8 (approximately 10.4 acres) for \$6.75 million. This option will expire three years after execution of the Sale Agreement. Under the second and third options, Daimler would have rights to purchase Corps 1 and 9 for \$7.7 million and \$3.55 million, respectively. Those options remain in place for 15 years. If an option is exercised after year 10, then the pricing for Corp 1 will be \$8 million and Corp 9 will be \$3.7 million. If the option for any particular parcel is not purchased, then the current lease terms with the Port will continue as-is with respect to that parcel(s).
- North Parcel Purchase: In addition, Daimler will purchase 3.625 acres of Port property (North Parcel), not currently leased, to construct a parking lot to support the new HQ building. Currently, there is a Port-owned building on this property that is unoccupied and will be demolished at Daimler's expense. Daimler will purchase the site for approximately \$868,000 within three years following execution of the Sale Agreement.
- Port Incentive: In partnership with the State of Oregon and the Portland Development Commission, the Port agrees to provide a \$1.7-million project incentive as part of an overall public incentive package of approximately \$10 million. Port incentives are directly tied to Daimler delivering construction and occupancy of the headquarters project within a five-year period and maintaining a long-term corporate office commitment in Portland. The agreement allows for certain "clawbacks" for the Port should the building not be constructed and/or Daimler reduces its corporate employment by 1,150 during the first 20 years after closing of the Corp 8 parcel.
- State Grant: In support of Daimler's job retention within the State of Oregon, Business Oregon has offered a \$1 million grant to fund publicly owned improvements associated with the project. Under the Special Public Works Fund program, State funds must flow through a public entity and the Port has agreed to be a conduit for such funding. These funds are most likely to be applied to the greenway trail realignment, which is required as part of the HQ project.
- Termination Rights: Under the current lease, Daimler had the right to terminate the lease for a specified fee during a one-year period between October 2012 and 2013. As an inducement to proceed with this project, the Port has agreed to extend that termination period through November 1, 2014, or at the point of commencement of construction on the HQ project, whichever is earlier. In the unlikely circumstance that Daimler wishes to terminate, it will be obligated to pay a termination fee proportionate to the remaining leasehold area and the fee established in the existing lease.

- Environmental Indemnities: The parties have taken several steps to identify and avoid future environmental liabilities. The Port has shared in the cost of a significant due diligence process, including a multi-phased environmental site assessment and cleanout of storm sewer systems. An environmental baseline has been established. The site currently has no major environmental concerns related to the upland area, or as it may relate to potential pathways from this upland area to the Willamette River.

Daimler and Buyer are required to take commercially reasonable steps to acquire the property using legal defenses that shield them from liability to governmental agencies for future cleanup costs.

With respect to contractual indemnity, the Port agrees to address any unknown and unforeseen historical contamination for which the Port itself has liability: the Port agrees to indemnify Daimler and its Buyer from any past hazardous substance release related to or arising out of the acts or omissions of the Port and the Port's prior occupants of the property. Carved out of the Port's indemnity is responsibility for any hazardous substance release related to or arising out of Daimler or its Buyer's acts or omissions. The Port's indemnity obligation expires six years after completion of the project.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to enter into the lease amendment and auxiliary agreements described herein with Daimler Trucks North America LLC to support its development plans on Swan Island Industrial District, 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.

INTERGOVERNMENTAL AGREEMENT – FAIRVIEW CREEK MITIGATION BANK – CITY OF GRESHAM

October 9, 2013

Presented by: Mark Witsoe
Aviation Business Development
Manager**REQUESTED COMMISSION ACTION**

This agenda item requests approval to enter into an Intergovernmental Agreement with the City of Gresham (City) to purchase wetland mitigation credits when they become available through the Fairview Creek Mitigation Bank, sponsored by the City.

BACKGROUND

The Port of Portland (Port) has been seeking to generate advanced wetland mitigation for aviation and non-aviation development and explore the opportunity to create a wetland mitigation bank for future Port development needs. Airport projects must be mitigated offsite to deter wildlife hazards to aircraft. Opportunities to develop advanced wetland mitigation are scarce, costly and require a long-term Port commitment to manage the site after the credits are created. The Port and the City initiated discussions about common development goals. The City proposed the use of their property – a former quarry – as a target mitigation bank site.

The City will perform a mitigation project and sponsor the wetland mitigation bank on the property known as the Fairview Creek site (Project). The Project is expected to create up to 40 mitigation credits that will be usable throughout the identified service area. In exchange for the City's construction of the Project, the Port will agree to purchase up to 30 of the 40 credits generated by the Project at a fixed beneficial price. The City will retain the remaining mitigation credits for itself or sell to developers in the service area.

BUSINESS TERMS

The City will sponsor the mitigation bank, build the Project and maintain the new natural area according to regulatory requirements. The Port agrees to purchase up to 30 wetland mitigation credits created by the Project, at a purchase price of \$175,000 per mitigation credit with a total purchase price not to exceed \$5,250,000. This advantageous pricing is a fair representation of the Project construction costs and slightly below market comparables. The purchase of mitigation credits will be phased in accordance with Project milestones, which are anticipated to be completed over a seven-year period according to the following schedule. This schedule is preliminary at this time and will be updated with a final version upon approval by applicable State and Federal review agencies.

PRELIMINARY CREDIT RELEASE AND PORT PURCHASE SCHEDULE

Project Stage	Est. Timeline	Credit Release	City Share	Port Share	Port Payment
MBI Approval	Summer 2014	15%	1.0	5.0	*\$875,000
As-built Approval	Summer 2016	15%	1.0	5.0	\$875,000
Year 1 Report	Winter 2018	15%	1.5	4.5	\$787,500
Year 2 Report	Winter 2019	15%	1.5	4.5	\$787,500
Year 3 Report and Final Management Plan	Winter 2020	15%	2.0	4.0	\$700,000
Year 4 Report	Winter 2021	15%	2.0	4.0	\$700,000
Year 5 Report	Winter 2022	10%	1.0	3.0	\$525,000
TOTAL		100%	10	30	\$5,250,000

*The Port payment for this pre-construction credit release is not due to the City at the time of release, but rather within 60 days following the award by the City of the construction contract, anticipated to be summer 2015.

The investment will be expensed as the credits are used as mitigation for aviation, marine or industrial development. The Port may buy extra credits or sell excess credits through the mitigation bank at market prices.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to enter into an Intergovernmental Agreement with the City of Gresham to purchase wetland mitigation credits from the Fairview Creek Mitigation Bank, 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.

AIRCRAFT RESCUE AND FIRE FIGHTING FIRE TRUCK PROCUREMENT – PORTLAND INTERNATIONAL AIRPORT

October 9, 2013

Presented by: Greg Sparks
Engineering Project Manager**REQUESTED COMMISSION ACTION**

This agenda item requests approval to award a procurement contract to Oshkosh Corporation for a new Aircraft Rescue and Fire Fighting (ARFF) fire truck at Portland International Airport (PDX) for a contract value of \$987,701.

BACKGROUND

The PDX ARFF vehicle fleet consists of seven fire trucks. Federal Aviation Administration (FAA) Advisory Circular 150/5220-10E advises that ARFF vehicles “provide an invaluable service to the commercial and private airline industry and the passengers and cargo they transport. The airline industry is reliant on prompt and effective fire and rescue services during aircraft emergencies. These services include fire containment and suppression, passenger and crew rescue, airframe and cargo preservation, and maintenance of the site to aid in after-incident investigations. The vehicles that airport fire departments employ serve as the medium to deliver fire fighters, specialized tools and equipment and firefighting agents to the scene of an aircraft incident. They must be designed to perform specific functions, constructed for longevity and ease of maintenance and tailored to the airport’s needs.”

An ongoing fire truck replacement program has been in place to systematically replace fire trucks with high mileage and hours of operation and increasing material wear and maintenance needs – all of which contribute to higher maintenance and operating costs. The program replaces fire trucks on a 12-year cycle that ensures the firefighting vehicle fleet will continue to provide the highest level of fire and rescue service and will have the latest technology equipment for responding to fire and rescue events. The replacement program distributes the fleet procurement costs over a 12-year period. This procurement contract will replace fire truck T-86, which was procured in 2001.

The FAA Advisory Circular cited above lists relevant factors when considering the replacement of ARFF vehicles. The Advisory Circular is based on the minimum ARFF vehicle requirements established by Title 14 Code of Federal Regulations Part 139. Relevant factors for the replacement of ARFF vehicles are:

- Reliability and serviceability
- Availability of replacement parts
- Annual operating and repair costs
- The vehicle’s normal service life

AIRCRAFT RESCUE AND FIRE FIGHTING FIRE TRUCK PROCUREMENT – PORTLAND INTERNATIONAL AIRPORT

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- Introduction of new and different aircraft to the airport that changes the airport index
- Relative overall age of the airport firefighting vehicle fleet to allow for programmed replacement over a span of years

PROCUREMENT PROCESS

The Port of Portland (Port) will participate in a cooperative purchasing program through the Houston-Galveston Area Council (HGAC), a Texas-based regional government, to procure the fire truck. Using a competitive process, HGAC has contracted with various vendors that allow cooperative purchasing by public agencies that are members of HGAC. HGAC holds an ARFF fire truck procurement contract with Oshkosh Corporation. The Port is a member of HGAC and has the authority to participate in the cooperative purchasing program under ORS 279A.220.

In July 2013, Oshkosh Corporation provided the Port with a price quote for a fire truck that meets the Port's specifications and is within the Port's project budget. The Port will contract directly with Oshkosh Corporation by issuing a purchase order under the HGAC contract.

Fire Truck T-86, Class A Structural Fire Fighting Apparatus



SCOPE

- Fabricate, test, and deliver one 3,000-gallon fire truck according to Port specifications
- Provide training on fire truck operating systems for fire department responders

SCHEDULE

Design	July, 2012–June, 2013
Request Price	July 2013
Commission Action	October 2013
Build	November, 2013–October, 2014

PRICE

Oshkosh Corporation Quote	\$987,701
Engineer’s Estimate	\$770,000

PROJECT RISKS

Risks: Fabrication schedule delay

Mitigation Strategy:

- Develop contingency plan for awarding contract and scheduling work
- Existing fire truck can continue to operate with closer attention to maintenance to keep it operational longer

BUDGET

Oshkosh Corporation	\$987,701
Port Staff/Contracted Services	\$197,619
Contingency	<u>\$14,680</u>
Total Project	\$1,200,000

The contingency representing 1.2 percent of the project budget is considered reasonable given the nature of the procurement, the risk profile for the project, and the clearly defined scope of the procurement.

The project contract will be funded by the Airport Shared Projects Construction Fund.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to award a contract for the Aircraft Rescue and Fire Fighting Fire Truck Procurement project at Portland International Airport to Oshkosh Corporation, in accordance with its price quote; 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.

PERSONAL SERVICES CONTRACT AMENDMENT AND EXEMPTION FROM COMPETITIVE BIDDING FOR PUBLIC IMPROVEMENT CONTRACT – REPLACE ACCESS CONTROL SYSTEM PROJECT – PORTLAND INTERNATIONAL AIRPORT

October 9, 2013

Presented by: George Seaman
Engineering Project Manager

REQUESTED COMMISSION ACTION

This agenda item requests authorization to amend an existing personal services contract with Aviation Security Consulting Inc. for the design of the Replace Access Control System project at Portland International Airport (PDX). This agenda item also requests an exemption from competitive bidding, enabling the Port of Portland (Port) to procure the project's public improvement contract using a competitive request for proposals (RFP) process.

BACKGROUND

Transportation Security Administration (TSA) regulations require PDX to have security badging and access control systems that control access to the restricted areas of the airport. The current access control system at PDX is more than 20 years old, consists of hardware and software that have exceeded their useful lives, and needs to be replaced with current technology and best practice processes to continue to meet TSA requirements.

The PDX access control security system restricts access to the secure areas of the airfield by a series of interwoven system operations that include: identification management systems; badging operations; terminal building and airfield perimeter gate access control system hardware and software; closed-circuit television (CCTV) cameras; and midfield security checkpoint guard facilities.

This project will upgrade all components of the PDX access control security system to incorporate the significant advances that have occurred in security system technology over recent years. The identification management and badging systems will incorporate a biometric identification and credentialing component to manage employee identities. These system upgrades will require updated computer-based training module development and the re-badging of more than 9,000 badge-holders at PDX.

The access control hardware and software will be upgraded at more than 350 doors at the terminal and support buildings at PDX. These upgraded door systems will include biometric identification at the boundaries between the public and restricted areas. Upgrades to the 24 perimeter gates will include replacement of the access control system, rebuilt gate hardware, implementation of fiber optic communications and improvements in lighting and CCTV coverage. Midfield checkpoint upgrades will improve access control, increase lighting, add CCTV cameras, improve traffic barriers and inspection facilities and improve the work environment for security staff.

PERSONAL SERVICES CONTRACT AMENDMENT AND EXEMPTION FROM COMPETITIVE BIDDING FOR PUBLIC IMPROVEMENT CONTRACT – REPLACE ACCESS CONTROL SYSTEM PROJECT – PORTLAND INTERNATIONAL AIRPORT

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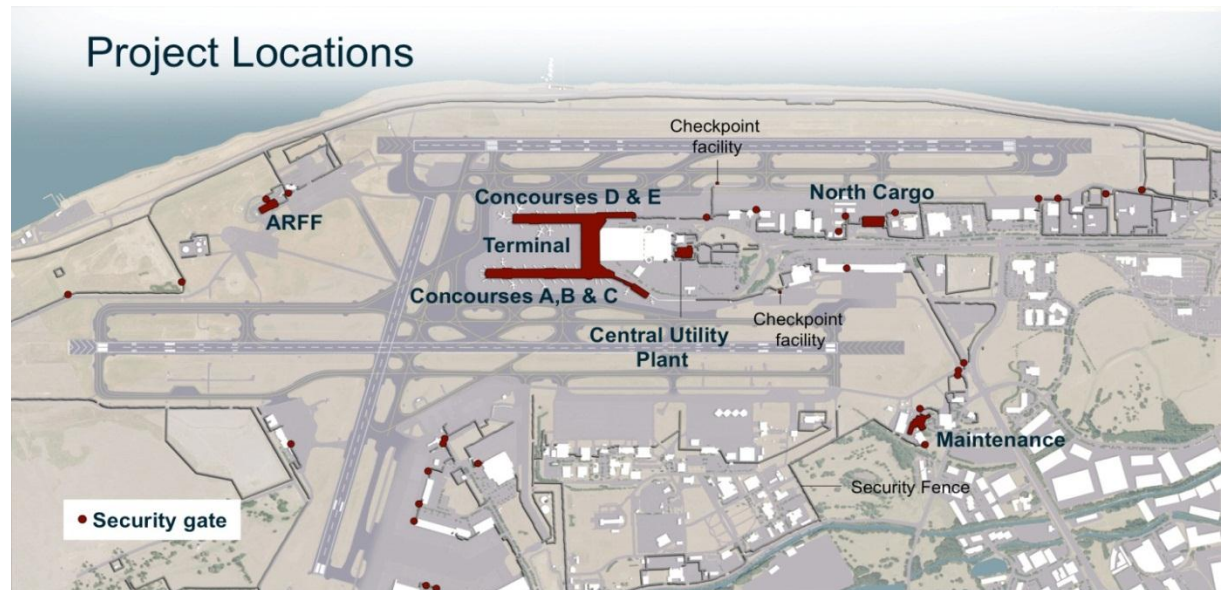
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Access Badge Reader



Midfield Checkpoint



Project Locations

PERSONAL SERVICES CONTRACT AMENDMENT

In December 2012, the Port Commission authorized the Port to award a personal services contract for conceptual design to Aviation Security Consulting Inc. (ASC). Under the conceptual design contract, ASC developed preliminary drawings depicting project scope, and developed the project schedule and budget. The Port's contract with ASC allows the Port, at its election, to amend the contract scope to call for ASC's development of the detailed project design documents. Based on ASC's strong performance during the conceptual design phase, the Port, after negotiation with ASC, now wishes to amend the contract to include ASC's additional services in completing the detailed design documents.

PERSONAL SERVICES CONTRACT AMENDMENT AND EXEMPTION FROM COMPETITIVE BIDDING FOR PUBLIC IMPROVEMENT CONTRACT – REPLACE ACCESS CONTROL SYSTEM PROJECT – PORTLAND INTERNATIONAL AIRPORT

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ASC augmented their conceptual design team in order to bring the skills and abilities needed to develop detailed design drawings and specifications. The expanded team will include Carlton Hart Associates (architecture), Corbin Engineering (mechanical/electrical engineering) and WH Pacific (civil engineering).

CONTRACT AMENDMENT

Original Contract Amount	\$517,109
Change Orders to Date	\$101,989
This Amendment	<u>\$1,477,173</u>
New Contract Amount	\$2,096,271

EXEMPTION FROM COMPETITIVE BIDDING

As discussed in more detail in the Findings in Support of an Exemption from Competitive Bidding (Findings) that are attached as Exhibit A, this project entails complex operational issues, phased construction activities, critical security constraints and detailed technological requirements. For primarily those reasons, the Port intends to use a competitive RFP procurement to select a Construction Manager/General Contractor (CM/GC) for this project. The Port successfully used CM/GC contracts on three major projects in recent years: the Port headquarters/long-term parking garage, inline baggage screening, and deicing enhancement. Port staff considered other contracting methods for this project – including design-build and traditional “low bid” procurement – but ultimately recommended the CM/GC structure given the complexity, phasing, size and specialized expertise required for this project.

The RFP would use a qualification-based selection process to select the contractor. RFP evaluation criteria would include, for example: the contractor’s experience with similar types of projects; construction management planning, scheduling and coordination capability; experience with highly visible public projects that require skilled communications; and proposed fees. As discussed in the Findings, this selection process is considered unlikely to encourage favoritism in the awarding of the contract or to substantially diminish competition for the contract. The RFP would also likely result in substantial cost savings for the Port.

After public notice, the Port held a public hearing on September 6, 2013, to take comments on the draft Findings, as required under Oregon law. The final Findings summarize the results of the hearing. The Port now seeks approval of the Findings from the Commission, acting in its capacity as the Port’s Contract Review Board. In addition, the Port seeks an exemption from competitive bidding to allow the Port to procure the project public improvement contract using an RFP.

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SCHEDULE

Conceptual Design	January, 2013–June, 2013
Commission Action (Design)	October 2013
Design Development	November, 2013–December, 2014
Commission Action (CM/GC Pre-Con)	February 2014
Commission Action (CM/GC – Phase 1)	July 2014
Commission Action (CM/GC – Phase 2)	December 2014
Construction	August, 2014–July, 2016

Commission approval will be requested for amendments as necessary to the CM/GC contract as the design progresses, construction activities are required, and the amount increases.

PROJECT RISKS

Risk: Security vulnerabilities during system transition

Mitigation Strategy:

- Develop detailed phasing and transition plan utilizing strong communications with TSA and stakeholders.
- Perform factory acceptance test of new access control system prior to installation and start up.
- Rigorous commissioning process to verify system operations and communications with badging system and communications center.

BUDGET

Public Improvement Contract	\$24,880,000
Identification Management System	\$1,540,000
Design Contract	\$3,180,000
Port Staff/Contracted Services	\$6,465,000
Contingency	<u>\$6,080,000</u>
Total Project	\$42,145,000

PERSONAL SERVICES CONTRACT AMENDMENT AND EXEMPTION FROM COMPETITIVE BIDDING FOR PUBLIC IMPROVEMENT CONTRACT – REPLACE ACCESS CONTROL SYSTEM PROJECT – PORTLAND INTERNATIONAL AIRPORT

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The contingency, representing 14.4 percent of the project budget, is considered reasonable given the early stage of the project, the nature of the work and the risk profile for the project.

The project cost will be shared between the Airline Cost Center and the Port Cost Center, in accordance with the PDX Airline Agreement.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to amend the existing personal services contract with Aviation Security Consulting Inc. for the design of the Replace Access Control System project at Portland International Airport, in accordance with its proposal; and

BE IT FURTHER RESOLVED, That the Port of Portland Commission, in its capacity as the Port of Portland Contract Review Board, approves the findings set forth in the attached Exhibit A, "Findings in Support of an Exemption from Competitive Bidding – Replace Access Control System, Portland International Airport," dated September 27, 2013; and

BE IT FURTHER RESOLVED, That the Port of Portland Commission, in its capacity as the Port of Portland Contract Review Board, specifically exempts from competitive bidding the public improvement contract for the Replace Access Control System 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.



**FINDINGS IN SUPPORT OF AN
EXEMPTION FROM COMPETITIVE BIDDING**

**Replace Access Control System
Portland International Airport (PDX)**

September 27, 2013

Project Background

Transportation Security Administration (TSA) regulations require PDX to have security badging and access control systems that control access to the restricted areas of the airport. The current access control system at PDX is more than 20 years old, consists of hardware and software that have exceeded their useful lives, and needs to be replaced with current technology and best practice processes to continue to meet TSA requirements. The access control system components were installed under a number of different projects during different time frames.

The PDX airport security system restricts access to the secure areas of the airfield by a series of interwoven system operations which include: identification management systems, badging operations, terminal building door and airfield perimeter gate access control system hardware and software, closed-circuit television (CCTV) cameras, and midfield security checkpoint guard facilities. The Port of Portland (Port) plans to upgrade all of these systems in one closely coordinated project.

Project Description

This project will upgrade all components of the PDX access control security system to incorporate the significant advances that have occurred in security system technology in recent years. The identification management and badging systems will incorporate a biometric identification and credentialing component to manage employee identities. These system upgrades will require updated computer-based training module development and re-badging more than 9,000 security badge-holders at PDX.

The project will upgrade access control hardware and software at more than 350 doors at the passenger terminal and support buildings at PDX. These upgraded door systems will include biometric identification at the boundaries between the public and restricted areas. Upgrades to the 24 perimeter gates will include replacement of the access control system, rebuilt gate hardware, and improvements in lighting and CCTV coverage.

The north and south midfield checkpoints control vehicular access to the secure areas around the terminal building at PDX. These checkpoints will be upgraded to improve access control, increase lighting, add CCTV cameras, add or improve traffic barriers and inspection facilities, and improve the work environment for security staff.

The Port has completed a conceptual design effort which defined the project scope, developed the project schedule, and updated the project budget. Final design is anticipated to begin during November 2013 with planned completion by December 2014. Construction will occur in phases. Preliminary construction activities will begin during the summer of 2014, highlighted by

the construction of a consolidated badging and training office area beginning in September 2014. The Port currently anticipates the remaining work activities to begin in early 2015, with a planned cutover to the new access control system starting in January, 2016. Project construction is anticipated to be complete by September, 2016.

Alternate Contracting Methods for Public Improvement Projects

Oregon's Public Contracting Code (Code) embraces alternate contracting methods for complex public improvement projects. A stated policy goal of the Code is to: "[p]rovide a public contracting structure that can take full advantage of evolving procurement methods as they emerge within various industries, while preserving competitive bidding as the standard for public improvement contracts unless otherwise exempted." ORS 279A.015(6). Similarly, the Port's Contracting Rules promulgated under the Code are intended to: "maximize the Port's flexibility in adjusting its contracting procedure to the specific circumstances of each procurement, and to ensure that the Port receives the maximum benefit from the public funds expended on public contracts." Port Contracting Rule A.015. Under the Code, when appropriate, an agency's local contract review board (CRB) may direct the use of alternate contracting methods that "take account of market realities and modern practices and are consistent with the public policy of encouraging competition." ORS 279C.335(4).

An agency's CRB directs the agency to use an alternate contracting method by granting an exemption from competitive bidding under ORS 279C.335(2). In granting the exemption the CRB must require and approve or disapprove written findings that support the award of the contract without the competitive bidding requirement. The findings must show that the exemption of the contract complies with the requirements set forth below under "Findings." Under ORS 279C.330 "findings" means the justification for an agency decision, including but not limited to the information set forth below under "Findings – Additional Information."

Proposed Contracting Method

Given this project's complex operational issues, phased construction activities, critical security constraints, and detailed technological requirements the Port proposes using a competitive Request for Proposals (RFP) procurement to select a Construction Manager/General Contractor (CM/GC). Under a preconstruction services contract resulting from the RFP, the CM/GC would participate on a project team led by the Port which also includes architect/engineers and other consultants. As part of that team the CM/GC would contribute to design development, constructability reviews, value engineering, scheduling, estimating, and similar construction management tasks. The subsequent public improvement would establish a guaranteed maximum price for all construction work. Under that contract the CM/GC would act as general contractor and provide associated expertise, hold all subcontracts, self-perform portions of the work as the Port may allow, coordinate and manage the building process, and continue to act as a member of the project team.

Findings

Under the Code, an agency's CRB may exempt a public improvement contract from competitive bidding upon approval of certain findings submitted by agency staff which justify the exemption. The two required findings are underlined below, with supporting information following each:

a. It is unlikely that the exemption will encourage favoritism in the awarding of the contract or substantially diminish competition for the contract. This exemption is unlikely to encourage favoritism because multiple contractors are expected to submit proposals, which will be evaluated by a team in order to mitigate the effect of any individual bias in reviewing proposals. Competition should not be substantially diminished because the RFP remains an

open, advertised, competitive selection process. Rather than being diminished, competition will be expanded to encompass qualifications as well as price.

To solicit proposals, the Port will advertise notice of the RFP in the Daily Journal of Commerce. The Port will also post the RFP on the Port's website, to reach construction service providers that are already registered in the Port's online vendor bidding system. All interested firms will be invited to submit proposals.

b. Awarding the contract under the exemption will likely result in substantial cost savings to the agency. Selecting a contractor that has the necessary expertise and experience will likely result in substantial cost savings. Awarding the contract to a CM/GC will lower construction costs by enabling the Port to select a well-organized, experienced contractor, using RFP criteria tailored to the project's unique characteristics to evaluate proposer qualifications. In the Port's experience, contracts with organized, experienced contractors result in fewer change orders and in turn, reduced staff time to design, negotiate, and administer the changes. The CM/GC's participation in design review and value engineering, as described above and below, is also likely to result in cost savings. Historically, using highly skilled contractors has helped minimize problems associated with performing projects of this size and complexity in the midst of active terminal and airfield operating areas. The CM/GC will also competitively procure most of the subcontracted work; cost savings should result from the price competition.

Findings -- Additional Information

i. Operational, Budget and Financial Data. This project requires a high level of experience and competence in managing complex projects while limiting impacts to operational facilities. In order to keep the project on schedule and within budget, the work must be carefully planned and executed. To successfully establish a work plan, the Port and the selected contractor must develop the early and close working relationship that the competitive proposal process allows. As discussed above, the CM/GC will participate in design reviews, constructability analysis, cost estimating, and scheduling to help develop the most cost effective, unobtrusive construction plan. The approximate cost of the work to be performed under this contract is \$24.0 million.

ii. Public Benefit. The public benefit from using the competitive proposal process includes cost savings, a higher quality project, and a greater potential for safety and security with a reduced impact to airfield and terminal operations during construction. The public benefits when construction is performed by the best-qualified contractor available at a reasonable price. The RFP process creates the highest likelihood of selecting the most qualified contractor for this specialized project.

Public benefit is also expected from robust utilization of certified minority, women-owned, and emerging small businesses as project subcontractors. CM/GC projects generally provide more opportunities for small business participation than competitively bid projects, because the CM/GC has more time to bring subcontracting opportunities to the attention of the small business community to solicit interest. That greater outreach enhances small business participation. The Port will encourage a strong small business utilization program on this project.

iii. Value Engineering. The CM/GC approach allows the contractor to help the design team engage in value engineering prior to construction. Contractors selected under the traditional, competitive bidding process are not allowed that opportunity. Under an exemption from competitive bidding the CM/GC will be engaged during the design process and will assist with construction scheduling, phasing, cost estimating, security planning, and design constructability reviews.

iv. Specialized Expertise. An exemption would allow the Port to use the competitive proposal process to select a contractor that is qualified to perform this specialized work. Many facets of this project require a high level of technical knowledge and experience, including the implementation of a facility wide comprehensive security system upgrade with integration of a new access control system, fiber optic communications and security networks, CCTV cameras; and physical security information management systems. The Contractor must thoroughly understand security systems, communications networks, airfield operations, and phased construction techniques. This project will require the skills to procure, install, set up, and integrate electronic and communications systems, including: IT server networks; man-machine interface devices; access control; video surveillance; and security monitoring equipment. That mix of expertise cannot be adequately evaluated in a competitive bidding process.

A qualified contractor project manager with strong leadership skills is another component required for the contractor's successful completion of the work. The RFP process allows the Port to review the qualifications of each proposer's project manager and confirm his or her ability to carry out the proposer's contractual obligations.

v. Public Safety. The work will be performed in accordance with federal and state OSHA safety regulations. Access into the airfield operational and terminal restricted areas is controlled by Port security, and will not be allowed to the general public. Implementation of new access control devices at boundaries between public and secure areas will need to be strictly planned and controlled to prevent security violations at the airport. A qualifications-based selection process will allow the Port to consider the contractor's safety record as an RFP evaluation criterion.

vi. Market Conditions. Construction activity is picking up from the recession, with significant work occurring in high tech manufacturing and corporate campuses. Construction costs are beginning to rise and are anticipated to increase at 3 to 4 percent annually. Construction contractors are actively seeking work, but in some areas they are limiting their bids to select general contractors. Due to the project's size and public exposure the Port expects considerable competition among proposers. The number of local firms that can adequately meet this project's many challenges may be limited, but this project's size and exposure may generate more proposals from non-local contractors than usual. As discussed above, the majority of subcontracted work will be competitively bid.

vii. Technical Complexity. The integration of disparate security systems into a fully functioning, coordinated operation is very complex and requires a contractor with experience in this type of activity. If the replacement of the existing systems does not occur smoothly, the potential for major security and airport operational impacts is significant. To reduce the potential for startup problems and operational impacts, the Contractor must thoroughly understand how to integrate complex technological systems while phasing construction and startup activities. Similarly, the complexity of the electronic controls and communications portion of this project requires a contractor with a high level of technical knowledge and experience with control systems.

The ability to coordinate and manage this terminal and airfield project would be especially challenging to an inexperienced or narrowly focused team. As stated above, the RFP process allows the Port to consider the proposers' experience and expertise in this type of work, their sensitivity to airport operational issues, and the qualifications of their project manager and support team.

viii. Funding Sources. The project is being funded by the Port and the airlines serving PDX.

Public Hearing

Under the Code, before final adoption of the findings proposed above the Port must hold a public hearing to allow the Port to take comments on the draft findings. ORS 279C.335(5). Draft findings summarizing the requested exemption from competitive bidding and a notice of public hearing were published in accordance with Code requirements, and the Port held a public hearing on September 6, 2013 to allow interested parties to present comments on the draft findings. A representative of one security systems contractor attended the public hearing to obtain information about the project and CM/GC process generally; no comments were received on the content of the draft findings however.

Summary

Port staff find that the contracting method proposed in these findings is not likely to encourage favoritism or substantially diminish competition for the contract, will likely result in substantial savings over the life of the asset, and is consistent with the Code's stated policy of embracing alternate contracting methods when appropriate. Port staff recommends that the public improvement contract for the Replace Access Control System project be exempted from the Code's competitive bidding requirement.