PORT OF PORTLAND

AGENDA
Regular Commission Meeting
Port of Portland Headquarters
7200 N.E. Airport Way, 8th Floor
October 8, 2014
9:30 a.m.

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**Minutes**

Approval of Minutes: Regular Commission Meeting – September 10, 2014

**Executive Director**

Approval of Executive Director's Report – September 2014

**General Discussion**

Port of Portland's Five-Year Strategic Plan — *SCOTT DRUMM*

**Consent Item**

1. COMMISSION INVESTMENTS POLICY 6.1.2 — *TRACY WESTERFIELD*

   Requests approval to renew Commission Investments Policy 6.1.2.

**Action Items**

2. RESTATED GROUND LEASE – PORTLAND BULK TERMINALS, L.L.C. – TERMINAL 5 — *LORALI REYNOLDS, TATIANA STAROSTINA*

   Requests approval to enter into an Amended and Restated Ground Lease, Facility Transfer Agreement and related agreements with Portland Bulk Terminals, L.L.C.

3. GROUND LEASE – LYONS PROPERTIES, LLC – HILLSBORO AIRPORT — *MATTHEW HOFFMAN*

   Requests approval of a ground lease with Lyons Properties, LLC, for certain premises located at Hillsboro Airport.

4. PROCUREMENT CONTRACT – PARKING REVENUE CONTROL SYSTEM EQUIPMENT – PORTLAND INTERNATIONAL AIRPORT — *GREG SPARKS*

   Requests approval to award a contract for the acquisition of new parking revenue control system equipment related to the Revenue Control System Upgrade project at Portland International Airport.

5. DISCUSSION OF FISCAL YEAR 2013-2014 EXECUTIVE DIRECTOR PERFORMANCE AND ADOPTION OF FISCAL YEAR 2014-2015 EXECUTIVE DIRECTOR PERFORMANCE CRITERIA — *JIM CARTER*

   Requests adoption of the Executive Director Performance Criteria to be used for Fiscal Year 2014-2015.

PORT OF PORTLAND

Agenda Item No. 1

COMMISSION INVESTMENTS POLICY 6.1.2

October 8, 2014

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 294.135, 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), the entity that advises the Oregon Investment Council and the Oregon State Treasury Investment staff in the management of the Oregon Short Term Fund. The Oregon Short Term Fund Board further assists local governments in the development of investment policies.

Since the last Investment policy renewal Port staff have worked with the OSTFB on updating the Port's investment policy to more closely align with the OSTFB's current investment policy guidelines and recommended best practices.

In addition to wording and formatting changes, the requested changes to the policy include; allowing investments in municipal bonds (in accordance with ORS 294.035), making explicit the authority to manage investments and an update of the maximum amount allowed (under ORS 294.810) to be invested in the Oregon Short Term Fund.

## BACKGROUND

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

On August 31, 2014, the par value of the investment portfolio was approximately $351.9 million. The budget for interest income for the 2014/2015 fiscal year is $2,450,000.

## EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

> BE IT RESOLVED, That the Port of Portland Commission Investments Policy 6.1.2 dated October 8, 2014, is hereby approved; and
>
> BE IT FURTHER RESOLVED, That a copy of the 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 8, 2014

The Port of Portland's investment program shall be operated in conformance with Oregon Revised Statues and applicable Federal Law. Specifically, this investment policy is written in conformance with ORS 294.035; 294.040; 294.052; 294.135; 294.145; and 294.810. All funds within the scope of this policy are subject to regulations established by the State of Oregon. Any revisions or extensions of these sections of the ORS shall be assumed to be part of this Investment Policy immediately upon being enacted.

### Objectives

The primary objective of the Port of Portland investment program is preservation of capital. Consistent with that objective and the cash flow needs of the Port the investment portfolio shall be managed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into consideration the safety and liquidity needs of the portfolio. Although return consists of both principal return and income return, this policy discourages active trading and turnover of investments. Investments should generally be held to maturity.

Authority to manage investments within the scope of this policy and operate the investment program in accordance with established written procedures and internal controls is granted to Assistant Treasurers and the Cash and Investment Program Manager. No person may engage in an investment transaction except as provided under the terms of this policy.

### Investment Types

The Port may invest its funds in securities or investments subject to ORS 294.035, 294.040, and 294.810, 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 and shall be held in qualified Oregon depositories in accordance with ORS Chapter 295.

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.

No more than 5 percent of municipal bond funds shall be placed with any single issuing authority other than the State of Oregon or one of its agencies. However 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 and 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 (3)(j).

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).

## 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 Obligations | 100% maximum |
| U.S. Agency Obligations (GSE) (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 |
| Bankers Acceptances (subject to ORS 294.035(D)) | 30% maximum |
| Repurchase Agreements Under 30 days | 50% maximum |
| Municipal Debt Obligations (subject to ORS 294.035) (No single issuer shall exceed 5% of the portfolio) | 15% maximum |
| Oregon Short Term Fund (as subject to ORS 294.810) | As allowed under Oregon Statutes* |

*Current maximum investment is $46,364,262.

Investments in Bankers Acceptances, TCD's and other Corporate Indebtedness of any single company or qualified financial institution shall not, in the aggregate, exceed 5 percent of the portfolio. Where appropriate exposures will be limited by security type; maturity; issuance; issuer, and security type. Investments must have a rating from at least one of the following nationally recognized statistical ratings organizations: Moody's Investors Service; Standard & Poor's; or Fitch Ratings Service, ratings should be investment level ratings and not issuer level ratings (see ORS 294.035).

If the portfolio falls outside of compliance with adopted investment policy guidelines or is being managed inconsistently with this policy, designated staff shall bring the portfolio back into compliance in a prudent manner as soon as feasible. Due to fluctuations in the portfolio balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time subsequent to the original purchase date. Securities need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained.

## 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 minimum maturities:

- 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 Person Standard" shall apply to investment 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.

### 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.

Financial institutions utilized as depositories must be qualified Oregon Depositories pursuant to ORS Chapter 295.

### Safekeeping

All trades of marketable securities will be executed (cleared and settled) by delivery vs. payment (DVP). All securities will be evidenced by safekeeping receipts in the name of the Port of Portland. 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: portfolio diversification, yield and benchmarking comparisons, maturity distribution, and investment allocation, or any other report or information as the Commission may request. The Commission has review authority over the investment program.

### Renewal

This policy shall be reviewed annually by the Commission.

PORT OF PORTLAND

Agenda Item No. 2

RESTATED GROUND LEASE – PORTLAND BULK TERMINALS, L.L.C. – TERMINAL 5

October 8, 2014

Presented by: Lorali Reynolds
Business Development
Property Manager

Tatiana Starostina
Senior Manager
Financial Analysis and Projects

## REQUESTED COMMISSION ACTION

This agenda item requests approval to enter into an Amended and Restated Ground Lease (Restated Ground Lease), Facility Transfer Agreement and related agreements with Portland Bulk Terminals, L.L.C. (PBT), to amend and restate PBT's current Ground Lease for approximately 100 acres of property (Property) located at Terminal 5, to provide for extension of the term of the current Ground Lease, to provide for PBT's construction of certain improvements to PBT's existing bulk potash export facility, to allow early redemption of revenue bonds used to finance and refinance PBT's existing bulk facility, and to sell the bond-funded assets and a rail spur to PBT.

## BACKGROUND

PBT, a wholly owned subsidiary of Canpotex Limited (Canpotex), currently operates a potash export facility on the Property (Facility) pursuant to a Ground Lease executed in 1996. Export markets include China, India, Indonesia, Malaysia, Brazil and other growing Asian and South American markets. PBT handles potash at the Facility under a long-term services agreement with Canpotex, a Canadian consortium of potash mining companies.

Potash is mined in Saskatchewan and is currently being shipped via the Canada Pacific Railway and Union Pacific Railroad over 1300 miles on 130-railcar trains (~6500’). Several grades of both red and white potash, which are used in various fertilizer applications, flow through the Facility and must currently be kept separate with storage and conveyor systems that are cleaned between the handling of the different grades of products. Canpotex desires to construct certain improvements in Portland to provide more separate red and white potash storage and handling systems and thereby increase efficiencies at the Facility.

Since March 14, 1996, PBT has leased the Property from the Port of Portland (Port) pursuant to the current Ground Lease, which has been amended numerous times to provide Facility development and expansion. To finance and refinance costs of acquiring, constructing, installing and equipping certain capital improvements on the Property (Bond Financed Improvements), the Port issued its Special Obligation Revenue Bonds, Series 1996 (Portland Bulk Terminals, L.L.C. Project) (no longer outstanding), its Special Obligation Revenue Bonds, Series 1999 (Portland Bulk Terminals, L.L.C. Project) (no longer outstanding) and its Special Obligation Revenue and Refunding Bonds, Series 2006 (Portland Bulk Terminals, L.L.C. Project) (Series 2006 Bonds).

The Series 2006 Bonds were issued under Ordinance 419-B, enacted on March 8, 2006, as supplemented by the Supplemental Action Certificate of the Executive Director's designee, dated June 15, 2006, authorizing the issuance of non-recourse special revenue bonds to finance Facility expansion and refinance the prior outstanding revenue bonds associated with the Facility.

The Series 2006 Bonds are currently outstanding in the aggregate principal amount of $71,000,000. Pursuant to a facilities lease dated June 15, 2006 (2006 Facilities Lease), all right, title and interest in the Bond Financed Improvements is vested in the Port, and the Port leases the Bond Financed Improvements to PBT in exchange for certain lease payments by PBT that PBT pays directly to the Bond Trustee with respect to the Series 2006 Bonds.

The 2006 Facilities Lease will be terminated and the Ground Lease will be amended and restated to allow for the early redemption of the Series 2006 Bonds and satisfaction in full of all obligations associated with the Series 2006 Bonds by PBT (Redemption).

PBT intends to expand the Facility with new improvements, including a new ship loader, new conveyance equipment and possibly a second storage building (New Improvements). The New Improvements will provide greater separation of the red and white potash storage and handling systems and thereby increase terminal cargo handling rates and the annual throughput capacity at the Facility.

The Restated Ground Lease will incorporate many of the existing terms and conditions contained in the current Ground Lease, including updated provisions related to rent and insurance. Key changes in the Restated Ground Lease will be:

- Extend the lease term by 27 years (from the current expiration date of March 1, 2036, to June 30, 2063), subject to early termination options as described below.
- Provide for three additional options for Lessee's early termination of the Lease, at July 1, 2045, July 1, 2051, and July 1, 2057, subject to two years advance notice and full compliance with restoration and termination obligations.
- Allow for the purchase of the improvements listed below per the Facility Transfer Agreement.
- Revise the rent provisions under the Restated Ground Lease to provide additional consideration to the Port.
- Transition dock maintenance responsibilities to PBT from the Port in 2036.
- Provide for potential construction by PBT of one or more additional docks adjacent to the Facility.

A more detailed explanation of those provisions is provided in the following sections.

**FACILITY TRANSFER AGREEMENT**

Concurrent with the execution of the Restated Ground Lease, the parties will execute a Facility Transfer Agreement pursuant to which the Port will sell to PBT all of the Bond Financed Improvements and the Port-owned Third Loop Track.

At closing of the transactions (Closing), PBT will pay approximately $2,450,000 to the Port for the Third Loop Track. The price was established based on a third party appraisal. PBT will also pay to the Port a restructuring fee of approximately $8,878,183, based on the present value of the assets that would have been payable by PBT if it chose to purchase the Bond Financed Improvements at the expiration of the existing Ground Lease in 2036. The Port has agreed to dedicate an amount equal to the restructuring fee to the Port's capital maintenance responsibilities for Berth 503 and other infrastructure improvements benefitting Terminal 5.

**RENT TERMS: EXECUTION – 2036**

Since 1996, rent consideration to the Port has come in the form of wharfage – a volume-based rent by which the Port is paid per metric ton of volume that crosses the dock (Wharfage Basic Rent). The lease also provides for a minimum annual guarantee (MAG) that provides the Port with a rent floor guarantee should volumes stay at low levels. The MAG is an important consideration for the Port under a volume-based rent structure.

Under the Restated Ground Lease, for the period through 2036, the parties have agreed to keep the wharfage rent structure, with some adjustments to rates and the MAG, as summarized below.

| | | |
|---|---|---|
| Tier I: | Up to 1,535,000 MT per year | $0.65 per MT |
| Tier II: | 1,535,001-4,500,000 MT per year | $0.53 per MT |
| Tier III: | 4,500,001 MT or greater per year | $0.25 per MT |

The MAG is staggered to adjust when the New Improvements are fully functional. The current MAG under the Ground Lease is two million MT per year, which equates to $1,244,200 today. On the earlier of the second anniversary of substantial completion of the New Improvements or January 1, 2018, the MAG will be increased to three million MT per year. On the earlier of the seventh anniversary of the July 1 immediately following the substantial completion of the New Improvements or January 1, 2023, the MAG will be further increased to four million MT per year.

Wharfage Basic Rent will be adjusted annually for any increase in the Consumer Price Index for All Urban Consumers (CPI-U), subject to caps established in the current Ground Lease.

**RENT TERMS: 2036 – 2063**

Commencing July 1, 2036, the parties agreed to a rent structure derived from Basic Land Rent and a single wharfage rate (third tier as adjusted above). This new rent structure is consistent with other long-term leases in which the Port is the landlord and the tenant has significant ownership and maintenance responsibilities. The new land rent at that time will be based on a third party appraisal of fair market value and a 10 percent rental rate, in an amount not to exceed two times the total amount of Wharfage Basic Rent from the prior year. New Wharfage Basic Rent will continue at the third tier rate that was in place the prior year.

Both Basic Land Rent and Wharfage Basic Rent are subject to annual adjustment for increases in CPI-U, subject to the caps under the current Ground Lease. Basic Land Rent is subject further to five-year adjustments for any increase in fair market value, as established by appraisal. Given that there is guaranteed land rent under the new structure, the MAG will no longer exist.

## DOCK MAINTENANCE

The Port will retain maintenance responsibility for the existing dock at Berth 503 through June 30, 2036, at which time this responsibility will transition to PBT. However, the Port will retain responsibility for dredging of the berth area adjacent to Berth 503 and a potential future dock constructed in connection with the Facility for the entire term of the Lease. All other maintenance of the Property will remain the responsibility of PBT. It is important to note that the Restated Ground Lease does not change the Port's right to establish a dockage tariff (vessel charge for use of docks), which is used to help offset maintenance dredging costs.

The Restated Ground Lease provides that PBT may build a second dock adjacent to the leasehold, subject to future mutual agreement of the parties. The Restated Ground Lease further provides that PBT may construct a replacement dock as an alternative to the continued use of the existing dock at Berth 503, subject to mutual agreement on an extension of the lease term and other commercial terms as reasonably agreed by the parties, and further subject to dispute resolution as provided in the Lease if the parties fail to reasonably agree on the terms.

## OTHER PROVISIONS

Payment and performance of PBT's obligations under the Restated Ground Lease, and PBT's surviving indemnity obligations under the terminated 2006 Facilities Lease and certain other terminated or restated agreements, will continue to be guaranteed by Canpotex, pursuant to an Amended and Restated Guarantee, which is also supported by Shareholder Acknowledgments from each of the member shareholders of the Canpotex consortium.

All of the transaction documents will be executed simultaneously with an effective date that allows for the full Redemption of the Series 2006 Bonds and payment of all transaction costs at Closing that allows for the prior notification to bondholders necessary for the Redemption. Following approval of transaction documents, the Port and PBT will submit a joint voluntary application to the Committee on Foreign Investment in the U.S. Conclusion of that process will be a contingency of Closing. Subject to that contingency, Closing is tentatively scheduled for October 15, 2014.

**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 Amended and Restated Ground Lease with Portland Bulk Terminals, L.L.C., for approximately 100 acres of real property located at Terminal 5, consistent with the terms presented to the Commission; and
>
> BE IT FURTHER RESOLVED, That approval is given to enter into a Facility Transfer Agreement to sell the Bond Financed Improvements and the Third Loop Track to Portland Bulk Terminals, L.L.C., consistent with the terms presented to the Commission; and
>
> BE IT FURTHER RESOLVED, That approval is given for the Port of Portland to take all steps necessary or convenient to facilitate the Redemption of the Series 2006 Bonds with moneys provided by or on behalf of Portland Bulk Terminals, L.L.C.; 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.

PORT OF PORTLAND

Agenda Item No. 3

GROUND LEASE – LYONS PROPERTIES, LLC – HILLSBORO AIRPORT

October 8, 2014

Presented by: Matthew Hoffman
Senior Manager
Business Dev. & Properties

**REQUESTED COMMISSION ACTION**

This agenda item requests approval of a ground lease (Lease) with Lyons Properties, LLC, a sister company to Hillsboro Aviation, Inc. (HAI), for certain premises located at Hillsboro Airport (HIO).

**BACKGROUND**

HAI was founded in 1980 and began as a one-helicopter flight school in Hillsboro, Oregon. After leading the organization for seven years as its general manager, Max Lyons purchased HAI in 1996 and became its president and CEO. Today, HAI employs more than 250 people and is composed of three core business groups with 16 revenue centers. The company's fleet includes more than 90 aircraft that fly in excess of 68,000 flight hours annually. HAI has established its position as a U.S. leader in helicopter sales and one of the largest combined helicopter and airplane flight training schools in the U.S. with thousands of graduates from over 75 countries. HAI leases space and operates at both Hillsboro and Troutdale Airports.

HAI's key services and activities include:

- Fixed-Base Operator (FBO) fueling, aircraft parts and pilot supplies
- Accredited Professional Pilot Programs; Portland Community College degree partner
- FAA-certified repair station; aircraft/avionics sales and service
- Factory-authorized service center for Bell Helicopter, Cessna Aircraft Company and Robinson Helicopter Company
- Bell Helicopter's only U.S. independent representative
- Robinson Helicopter Company and Cessna Aircraft Company aircraft dealer
- Executive charter, film work, search/rescue, aerial crane, firefighting

HAI currently occupies certain premises at HIO under two ground leases (collectively "Current Lease(s)"). The Hillsboro location serves as the primary base of operations and corporate headquarters. Existing facilities include two hangars, airplane and helicopter ramps, and a number of modular classrooms used to accommodate the large number of students attending HAI's flight school. The initial term of the Current Leases expired May 31, 2006, but HAI exercised its first of two options to extend, bringing the term to May 31, 2016. HAI intends to exercise its second option to extend the Current Lease term to May 31, 2026.

HAI's current level of business activity exceeds the capacity of its existing facilities and leaves no room for growth. Accordingly, following a six-month period in which HAI will confirm the feasibility of an expansion project, Lyons Properties, LLC, would ground lease and construct a hangar facility on the north side of HIO, at a location consistent with the 2005 HIO Master Plan. Upon completion of the new hangar, HAI would relocate to the new hangar certain activities including, among others, FBO services, executive charter, aircraft maintenance and aircraft sales.

The proposed new hangar would be located on the north side of the airport, adjacent to the newly constructed third runway. This area of the airport is currently in "green field" condition that requires a number of improvements to bring it up to a leasable condition. The proposed transaction includes plans for the Port to construct road improvements, utility extensions, signage and supporting infrastructure, at a cost not to exceed $2.3 million. These site preparation improvements will support the HAI development and future aviation development on neighboring parcels.

## KEY BUSINESS TERMS

| | |
|---|---|
| Lease Term | 35 years |
| Use | FBO, aircraft charter, maintenance, aircraft and parts sales, etc. |
| Premises | Approximately 4.5 to 5.5 acres of land.* |
| Ground Rent | $0.40 per square foot, per year (current HIO fair market rental rate) |
| Rental Adjustments | Rental rate will increase every 3 years, based on Fair Market Value. |
| Initial Annual Rent | Approximately $78,000 to $96,000 |
| Net Lease | HAI is responsible for taxes, insurance and maintenance costs. |
| Guaranty | Lease obligations will be guaranteed by Max and Carol Lyons. |
| Port Improvements | Site preparation improvements, including an access road, utility extensions, signage and associated supporting infrastructure. |
| Tenant Improvements | HAI will construct an aircraft hangar (approximately 40,000 square feet), aircraft ramp, office, motor vehicle parking and other improvements. |

*To be determined post construction, pursuant to survey.

## EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

> BE IT RESOLVED, That approval is given to enter into a ground lease with Lyons Properties, LLC, for certain premises located at Hillsboro Airport, consistent with the terms presented to the Commission; and

BE IT FURTHER RESOLVED, That the Executive Director or his designee is authorized to execute documents necessary to effect this transaction on behalf of the Port of Portland Commission in a form approved by counsel.

PORT OF PORTLAND

Agenda Item No. 4

PROCUREMENT CONTRACT – PARKING REVENUE CONTROL SYSTEM EQUIPMENT – PORTLAND INTERNATIONAL AIRPORT

October 8, 2014

Presented by: Greg Sparks
Project Development Manager

## REQUESTED COMMISSION ACTION

This agenda item requests approval to award a contract to Scheidt & Bachmann USA, Inc. (S&B), for the acquisition of new parking revenue control system equipment related to the Parking Revenue Control System Upgrade project at Portland International Airport (PDX).

## BACKGROUND

The parking revenue control system controls entry and exit to the three public parking lots, two parking garages and two employee lots at PDX. The system dispenses and verifies tickets; calculates, tracks and collects fees; and provides financial and occupancy reporting for parking management.

The Port of Portland (Port) plans to replace the existing revenue control system equipment for two important reasons:

- The equipment is aging and becoming more difficult to maintain. Original installation of the entry and exit devices and associated management software was in 2001-2002. Quick Pay "pay-on-foot" functionality was installed in 2005 and Gold Key valet was added in 2007. Keeping this equipment running efficiently is an important part of maintaining a vital revenue stream for PDX. In fiscal year 2013, public parking generated $46.6 million.
- The existing equipment is also becoming dated in that it lacks recent technical developments that offer new payment features designed to enhance the parking experience for customers and provide more reporting options for operators.

## SCOPE

The scope of the proposed contract is limited to the acquisition of equipment to replace virtually all of the Port's current parking revenue control system equipment, and includes factory testing. The scope of this contract does not include installation of the equipment, the related system management software upgrade, or system testing, each of which will be addressed under separate contracts with S&B that are expected to be within the Executive Director's delegated contracting authority.

The new equipment will improve customer service and resolve the maintenance and technological issues described above, providing:

- Better maintenance access.

- Americans with Disabilities Act compliance for all pay-on-foot devices.
- Additional intuitive interfaces.
- Bar code scanners for parking coupons, ticketless entry and exit.
- Ability to upgrade the system in the future to utilize “chip and PIN” credit card technology to enhance transaction security.

Existing Pay-on-Foot Machine

New Pay-on-Foot Machine

The specific equipment to be acquired is as follows:

- 8 cash pay-on-foot machines
- 9 credit pay-on-foot machines
- 16 ticket dispensers
- 13 exit verifiers
- 45 automated gates

The negotiated amount of the contract is $1,185,938.40.

**PROPOSED SCHEDULE**

| | |
|---|---|
| Negotiate Equipment Procurement Proposal | September – October 2014 |
| **Commission Action – Equipment Procurement Contract** | **October 8, 2014** |
| Equipment Fabrication and Delivery | November 2014 – June 2015 |
| Negotiate and Award Equipment Installation, Software Upgrade and System Commissioning Contracts | January – February 2015 |
| Equipment Installation | June – September 2015 |
| System Commissioning | September – October 2015 |

**VENDOR SELECTION**

S&B is the Port's current provider of the parking revenue control system, having provided the current system in its entirety. Provided that mutually acceptable terms and conditions can be reached, the Port intends to award all system upgrade contracts described in this agenda item to S&B, including this procurement contract. The Port selected S&B without competition by invoking a standing exemption from competitive bidding that was previously established in the Port's Contract Review Board (CRB) Rules. The exemption (CRB Rule 8.8) was established primarily to allow the Port to recognize cost savings via efficient management of information technology infrastructure. It allows the Port to award contracts for hardware or software maintenance services or upgrades to the Port's current provider in order to utilize the provider's pre-existing knowledge about the Port's system. The Port administratively approved the exemption based on S&B's unique ability to directly "swap-out" existing equipment with minimal modifications and provide a system that allows "plug-and-play" compatibility with existing revenue control system software.

**PROJECT RISKS**

Equipment manufacturing and delivery delays could impact the project timeline.

Mitigation Strategy

Getting the equipment order in as soon as possible will help ensure the Port's place in the factory's manufacturing queue while allowing Port staff time to develop a comprehensive installation and commissioning plan. A delay in the equipment delivery will only result in a shift of the installation phase and not result in a revenue impact to the Port.

## BUDGET

| | |
|---|---|
| **Equipment Procurement Contract** | **$1,200,000** |
| Parking Management Software | $ 150,000 |
| Installation & Commissioning | $ 200,000 |
| Port Staff / Contracted Services | $ 360,000 |
| Contingency | $ 360,000 |
| **Total Project** | $2,270,000 |

Funding for the project is from the Port Cost Center.

## EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

> BE IT RESOLVED, That approval is given to award a procurement contract for the acquisition of equipment for the Parking Revenue Control System Upgrade project at Portland International Airport to Scheidt & Bachmann USA, Inc., 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.

PORT OF PORTLAND

Agenda Item No. 5

DISCUSSION OF FISCAL YEAR 2013-2014 EXECUTIVE DIRECTOR PERFORMANCE AND ADOPTION OF FISCAL YEAR 2014-2015 EXECUTIVE DIRECTOR PERFORMANCE CRITERIA

October 8, 2014 | Presented by: Jim Carter, Commission President

## REQUESTED COMMISSION ACTION

Attached are the Commission-approved Fiscal Year 2013-2014 Executive Director Performance Criteria and the proposed Fiscal Year 2014-2015 Executive Director Performance Criteria.

It is recommended that the Commission review and establish the Fiscal Year 2014-2015 Executive Director Performance Criteria.

## COMMISSION PRESIDENT'S RECOMMENDATION

The Commission President recommends that the following resolution be adopted:

> BE IT RESOLVED, That the Port of Portland Commission adopt the Executive Director Performance Criteria to be used for Fiscal Year 2014-2015.

**2013-2014**
**PERFORMANCE CRITERIA**
**EXECUTIVE DIRECTOR**

The role of Executive Director is to balance the normal competing tensions between the following criteria that arise while leading an organization in a very competitive environment.

**Leadership**

- Provide the vision and leadership that enables the Port to carry out its mission
- Ensure a triple-bottom-line approach in Port planning and decision-making

**Retain and Grow Key Services**

- Air passenger service levels, particularly trans-oceanic
- International air cargo freighter service levels
- Scope of Service for container line of business
- Expansion of marine tonnage through existing facilities
- Passenger focus and responsiveness

**Be a Regional Leader in Industrial Land Acquisition and Development**

- Job growth associated with Port owned and developed business/industrial parks: Rivergate, Troutdale Reynolds Industrial Park, Gresham Vista Business Park, Portland International Center, Swan Island
- Industrial land role of Port

**Sustainable Financial Model**

- Financial performance and adaptability
- Cost control to customers

**Port-wide Environmental Strategy**

- Environmental stewardship

**Regional Leadership in Transportation Infrastructure**

- Trade/gateway role of Port

**Strengthen the Port's Culture as a Strategic Asset**

- Wellness and safety
- Diversity

- DRAFT -

**2014-2015**
**PERFORMANCE CRITERIA**
**EXECUTIVE DIRECTOR**

The role of Executive Director is to balance the normal competing tensions between the following criteria that arise while leading an organization in a very competitive environment.

### Leadership

- Provide the vision and leadership that enables the Port to carry out its mission
- Ensure a triple-bottom line approach in Port planning and decision-making

### Retain and Grow Key Services

- Air passenger service levels, particularly trans-oceanic
- International air cargo freighter service levels
- Scope of Service for container line of business
- Expansion of marine tonnage through existing facilities
- Passenger focus and responsiveness

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