

PORTLAND INTERNATIONAL AIRPORT UPDATE

TO: PDX Community Advisory Committee

FROM: Vince Granato, Chief Operating Officer

DATE: June 22, 2016

BUSINESS UPDATE

125th Anniversary

Runway Run

There is still room available! On October 13, 2015, Portland International Airport celebrated 75 years of service to Oregon and Southwest Washington residents. As part of the Celebration of the Port's 125 years and the airport's 75th, we are providing a unique opportunity to celebrate. On Saturday, Sept. 24, you'll be able to run (or walk!) on the Portland International Airport's north runway during our PDX Runway Run.

The Port is partnering with Hood to Coast Race Series to host the Runway Run. The 6K challenge, from one end of the north runway to the other and back, is limited to 2,500 participants age 12 and older. Cost ranges from \$30-45, depending on when you register.

All proceeds from the race event will be donated to The Boys and Girls Club of the Portland Metropolitan area whose mission is to enable all young people to reach their full potential as productive, caring, responsible citizens.

For details about race costs and security information, visit the registration page.
<http://htcraceseries.com/event/pdx-runway-run-2016/>

Airport Activity

For the first four months of Calendar Year 2016, PDX passengers grew at a rate of 9.8% which equates to almost 468,000 more travelers. Through April, PDX added nine new flights including new destinations like Omaha, Cleveland, Redding and Eureka, CA; we have eight additional new flights starting June through August.

According to US Department of Transportation, in March 2016, PDX ranked number two in on-time departures with 87.4% of departures on-time, behind Salt Lake City at 87.6%.

As a point of comparison, PDX is in the top twenty North American airports for passenger growth rate for the first quarter of 2016. Dallas Love Field is growing at 22%,

with Memphis in second at 16%. The growth rate for North American airports through March 2016 is 5.8%; PDX is surpassing that with a growth rate of almost 10%.

PDX expects to serve nearly 5.3 million passengers from June through August, which would beat last summer's all-time travel record by nearly 7 percent. During the busiest travel days—June 13, 15, 16 and Aug. 8 and 15—the airport will serve more than 60,000 passengers daily.

The airport expects an average of 3,000 more daily travelers over last summer's travel season and air carriers are offering 31 more flights than were available in the market last summer.

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Additional Air Service Development Updates

Since the start of 2016, PDX has seen the addition of nonstop flights to seven new destinations.

Cleveland — Flights three-times weekly on Frontier Airlines

Crescent City — Daily flights on PenAir

Omaha – Daily flights on Alaska Airlines

Redding and Arcata/Eureka – Daily flights on PenAir

St. Louis — Daily flights on Alaska and Southwest Airlines

Toronto – Daily flights on Air Canada

As well, there are more seats on more flights to existing destinations from PDX this summer as airlines have expanded service to the following cities: Minneapolis (Alaska and Sun Country Airlines); Kansas City, Mo. (Alaska); N.Bend/Coos Bay, Ore. (PenAir); Los Angeles (Spirit Airlines and American Airlines); Anchorage, Alaska (Delta Air Lines); Phoenix (Frontier); and Atlanta (Alaska).

Travel to Europe generally doubles from PDX during the summer months. In response, international carriers have added more frequencies. This summer, Icelandair resumed flying on May 11 with four weekly flights (up from two weekly flights last summer) and will expand their flying through the summer and into winter serving PDX until January 2017. Condor Airlines resumes service June 10, flying to PDX four-times weekly through late October.

Finally, Delta Air Lines recently announced nonstop service to London's Heathrow airport beginning May 26, 2017.

Airport Security

With more flights and more travelers the airport will be a busy place and the Port continues to work closely with local Transportation Security Administration staff to continue to provide travelers with the best experience possible. The Port of Portland has hired 16 contract security officers for 8 hours each day for the time period spanning June 12 through Labor Day. The TSA will assign these resources to help with line management, freeing up TSA officers for additional screening duty.

The TSA continues to encourage enrollment in Pre-check and operated the TSA Pre ✓® expedited screening program enrollment center on site at PDX from April 11 - April 22, 2016.

It is critical that PDX travelers arrive at least two hours before their flights. This is an estimate of the combined time it takes to park, ride a shuttle bus to the terminal, check a bag, and go through security. It's especially true for flights departing before 8 a.m., or between 10:30 a.m. and 1:30 p.m. Travelers on international flights, or with children, or with disabilities should add 30 minutes.

Airport Concessions/Properties

Concessions Redevelopment Phase 2

Work is underway on the second phase of PDXNext concessions redevelopment and construction is visible in multiple areas of the terminal including the north and south ends of the ticket lobby. New food and beverage concessions currently under construction include:

- Peet's Coffee & Tea
- Portland Roasting
- Starbucks
- Stumptown Coffee

Hollywood Theatre

Plans are being finalized for the new Hollywood Theatre annex near Gate C5. The theater is slated to seat 18, with standing room for another 10 to 20 people and a space for live performances. The goal is to be open later in 2016.

CONSTRUCTION UPDATE

Security Upgrades, Expansion (PDXNext)

The Access PDX project is on schedule and is in the construction phase. Behind the scenes infrastructure work is ongoing in the terminal with concourses A and B complete and C scheduled for the end of June and the closure and rebuilding of airfield vehicle gates is underway with the first three gates complete. Construction of the new concourse exits is underway and visible at both the north and south ends of the ticket lobby. The current schedule is planned on having the new exit ways operational before the Thanksgiving Holiday.

The new restrooms on Concourse D are complete and the post security restrooms near the north security checkpoint are closed.

Colwood Stormwater Pipe and Outfalls

In order to construct the portion of the new stormwater pipe underneath Cornfoot Road, the plan provides for a **45-day closure of Cornfoot Road to motorized traffic**, with detours around the work area. The current schedule is for summer 2016. The Port is aware this poses a significant traffic impact and will be working on an appropriate traffic management plan and notification. As the Port is still awaiting the permit from the City of Portland for this work, the Port has not been able yet to set the specific dates of the road closure, but as soon as the permit will be issued, the Port can determine the dates for the road closure and will communicate that information to the community.

Rental Car Quick-Turn-Around (QTA)

Presented to the PDX CAC as a public notice item in April 2015, the QTA construction now continues to make steady progress. Two “enabling projects” are underway to clear and prep the QTA construction site. Visible work includes the relocation of the employee parking lot just east of the long-term parking garage and the taxi hold lot near NE 82nd Avenue and NE Air Cargo Way. The actual QTA construction will begin immediately after that and is expected to be done in 2018.

PDX Travel Center

Presented to the PDX CAC as a public notice item in January 2015, the Port of Portland Commission approved a lease with MAJ Development Corporation to construct a gas station and travel center at PDX, combined with a new cell phone waiting area. The lease is for 20 years with options for a total potential lease term of 40 years.

Located at the northwest corner of Northeast 82nd Avenue and Northeast Air Cargo Road, about a mile from the PDX terminal, the 3.44 acre, 18 fuel pump complex will include a convenience store, national coffee retailer, a full-service pizza restaurant, and another quick-service restaurant to be named. MAJ will invest over \$4 million with \$100,000 in sustainability measures to minimize energy and water consumption. The gas station will also offer electric vehicle charging and an environmentally friendly car wash.

Construction on the project is expected to begin early spring of 2017 and is slated to be completed by the summer of 2017.

PLANNING UPDATE

PDXNext

At the June 25, 2014 PDX CAC meeting, the Port presented the PDXNext program, a program of strategic investments intended to position the PDX terminal to meet the needs of the future and enhance the overall terminal experience for passengers and tenants. To date, the Port presented information on the Terminal Balancing Project, PDX Access Project, Phases I and II of the concessions redevelopment program and the Rental Car Quick-Turn-Around facility. We intend to continue to provide information related to major program elements as they evolve, including terminal balancing and the terminal core refurbishment.

Terminal Balancing (PDXNext)

As previously reported, this project is intended to alleviate the current imbalance of passengers being served on the south side of the PDX terminal, enhance operating efficiencies and improve customer service by extending Concourse E approximately 210 feet. The imbalance has led to operational inefficiencies for the airlines and Port operations and has impacted customer service.

The Port paused this project in May 2016 to consider changes that have occurred since the design began and to make sure the project will continue to meet its intended goals including balance and flexibility. The Port has made considerable progress redesigning the project to reflect a broad range of changes that affect gates, baggage handling, ticketing and other core requirements. A revised concept will be presented to the airlines this month.

Children's Play Area

Planning and design are complete for a new children's play area that will open this fall. The new area will be located on Concourse D and promises fun and engaging activities for children with a little extra time in the airport terminal.

Lactation Rooms Open

PDX opened two new lactation rooms. Located just past the security checkpoints on both the A/B/C and D/E concourses, these dedicated spaces offer privacy for individuals traveling who wish to express milk.

The lactation rooms are designed for use by women traveling without an infant; however, mothers traveling with infants seeking a quiet and private place to nurse their babies may use these rooms as well.

Each room is equipped with ample counter space, electrical outlets, a sink and a task chair. In addition, the rooms are decorated with soothing colors, lighting and artwork. Both rooms are ADA compliant/accessible.

Terminal Core Redevelopment (PDXNext)

The Terminal Core Redevelopment program is a modernization of the heart of PDX, necessary to ensure sufficient capacity for future passenger demand, upgrade seismic resiliency, and replace aging systems and infrastructure. Preliminary planning is underway for this effort. The terminal core includes the existing ticket lobby, Oregon Market, security checkpoints, north and south lobbies, and baggage claim area.

The Port will continue to work with the airlines as we proceed with concept development which will include evaluating options for the Terminal Core program and how the work could be phased. Seismic resilience is one of the major issues associated with the terminal core area.

SUSTAINABILITY UPDATE

The U.S. Environmental Protection Agency just released updates to its Top Partner Rankings, highlighting organizations that choose electricity from clean, renewable sources. The Port scored:

- Ninth in Top 30 Local Government
- 73rd in National Top 100
- Listed in 100 percent Green Power Users

Social Equity

The Port continues to move forward with all the CAC Social Equity Opportunities Ad Hoc committee recommendations, which also reflect the larger PDX CAC recommendations. Kimberly Mitchell-Philips is presenting today on the Port's Minority, Women and Emerging Small Business programs in response to the Ad Hoc committee's request for annual progress reports.

The Port has hired Steve Nakana as our new social equity manager. The social equity manager position is responsible for creating an equity definition and strategy, working with local organizations on this strategy and ultimately creating metrics and a reporting mechanism. Steve is in the process of meeting with members of the equity community, and has met a number of stakeholders, including former PDX CAC Social Equity Ad Hoc committee members.

Since this topic was first discussed by the CAC, the Port has reported out at every meeting regarding our progress on social equity. That progress has included a new social equity initiative in the Port's five year strategic plan intended to define the Port's organization-wide strategy on social equity. The strategy coordinates the Port's work on small business development, diversity, recruiting, community relations and outreach and the PDX Workplace Initiative. The progress on this initiative has been, and will continue to be, shared with all stakeholders.

PDX Workplace Initiative - Review

The PDX Workplace Initiative was adopted in April, and it addressed three core areas including; Job Pathways, Worker Benefits, and Employer-Employee Relationships.

As we presented at the June PDX CAC meeting, job pathways were improved with the roll out of the Jobs @ PDX website, which has been well received by tenants and employees. From employers, we've heard that the quality of the applicants has been high. As we move forward with new Airline Service Provider and concessionaire agreements, the hiring requirements for each will be incorporated into our process.

As we roll out new contracts and operating agreements, tenants will be required to submit employer – employee relationship plans addressing how the employer maintains positive working relationships with their employees. The plan can include any agreement an employer has with employees and may address things such as compensation plans, benefits, incentive programs, education and training, and advancement opportunities.

The majority of our concessionaires who were awarded contracts in the 2016 RFP pay above the minimum wage. The single largest issue facing our tenants right now is competing for employees in a good economy with low unemployment.

The Port has made progress on worker benefits by convening a volunteer PDX Benefit Advisory Focus Group. The focus group was made up of representatives from a broad array of employers, employees and labor. In order to ensure we heard from the right people, and had open, honest dialogue about PDX, we hired an independent research firm, FM3, to conduct the focus group discussions. These focus groups were conducted June 24-29, 2015. While the focus groups were conducted as part of the information gathering process, the Port continues to regularly communicate with all of the stakeholders on workplace issues, including employers, employees, labor, and congressional staff.

Some general observations from the employer and employee focus groups include;

- A strong majority of employees love working at PDX. They have sense of pride in the work they do, enjoy working with customers and helping people make their travel experience the best it can be. People love the fast -paced environment and meeting passengers. They also expressed a sense that there is job security within the airport and that hours and jobs are readily available.
- Getting to and from the airport was overwhelmingly the largest single challenge to working at PDX. Whether employees take the Max, or drive their own car to and from work, there are challenges.

- Health and wellness were also mentioned. This included access to healthcare benefits and information about healthcare, and general wellness such as flu shots. In our labor focus group we heard concerns about street pricing, length of contracts in relation to job security, and safety in the workplace.

Job Fair

The Port hosted a Job Fair on May 16th, which included any PDX operator interested in participating. More than 100 jobs were available at the event that focused on new and existing shops and restaurants, but also included other employers like the Transportation Security Administration, PHC Northwest, rental car operators, and service providers. Over 300 potential applicants attended the Job Fair and over 600 interviews were held. The Job Fair was publicized via signage throughout PDX as well as extensive Social Media messaging.

TriMet Monthly Pass Program

The TriMet Monthly Pass Program for PDX employees has been launched. The Port is offering PDX concessionaires and airline service providers a 25% discount on monthly passes for their employees. PDX employees are still challenged by TriMet's operating hours and the Port will continue to work with TriMet and others to improve service in the future.

PDX Air Quality Program

The Port works to promote clean air for all who live in the airsheds affected by Port activities, including PDX. As has been previously reported, the Port operates under an Environmental Management System, and Air Quality is one of the key program areas within that system. As a result of our Environmental Management System, the Port sets objectives and targets to ensure environmental performance is fully integrated into the Port's work.

The Port utilizes emissions inventories and air quality aspect/impact analyses to establish priorities in setting Port objectives and targets and developing emission strategies:

- The Port of Portland Commission set an ambitious goal in 2009 to reduce Port direct and indirect greenhouse gas emissions by 15 percent below 1990 baseline levels by 2020.
- Another goal involved reducing diesel particulate matter from Port-controlled operations by 25 percent from 2000 baseline levels by 2015.
- Both of these goals have been met and surpassed through the purchase of renewable power, the use of alternative fuels, cleaner engines, and operational efficiencies.
- The Port of Portland set a new diesel reduction goal to reduce diesel particulate matter by 75 percent from Port controlled operations from 2000 baseline levels by 2020.

- The Port has established a goal to report its greenhouse gas emissions through the Airports Council International (ACI) Airport Carbon Accreditation Program with the ultimate goal of achieving carbon neutrality by 2035.
- The Port recently created a target to reduce aircraft-related GHG emissions at PDX by 25% from 2010 levels by 2035.
 - The Port will support industry clean fuel programs by working to ensure the fuel delivery infrastructure at PDX can accommodate the airlines' needs/desire for using sustainable biofuels in aircraft fueling at PDX.
 - The Port recently completed a Voluntary Airport Low Emissions (VALE) Program grant application in support of the installation of preconditioned air at 27 jet bridges to eliminate aircraft Auxiliary Power Unit emissions.
- The Port is supporting efforts to assist customers, tenants and other stakeholders in reducing emissions from marine and aviation related emission sources not under the Port's direct control, including partnering with the City of Portland, Multnomah County, Oregon DEQ, and Metro to explore developing clean diesel requirements for public contracting.

OTHER

Atlantic Aviation

Work is progressing well at Atlantic Aviation. The business aviation terminal is 40% complete with all exterior walls framed. Windows and dry wall work will be starting next week. Other site utilities work is under way with existing asphalt milling on-going.

The western hangar is approximately 40% complete. Exterior wall framing is on-going. The eastern hangar is also underway and approximately 20% complete.

Michael Alexander Joins Port of Portland Commission

Retired Urban League of Portland president and CEO, and seasoned healthcare-industry leader, Michael Alexander, was recently appointed by Oregon Governor Kate Brown to the Port of Portland Commission.

During Alexander's leadership of the Urban League of Portland from summer 2012 through spring 2015, he made great strides in restoring fiscal discipline to the organization's operations, reconnecting with key business and foundation partners, and re-engaging the organization's base of supporters. The mission of the non-profit, community-based organization is empowering African Americans and other Oregonians to achieve equality in education, employment, and economic security.

During Alexander's extensive healthcare-industry career, he served in executive roles at Regence BlueCross BlueShield of Oregon, Magellan Behavioral Health, and Aetna, including four years as vice president and executive director of the Aetna Foundation. Alexander served as founding chair of the Cambia (Regence BlueCross BlueShield) Foundation and currently serves on the boards of LifeWorks Northwest, the American Leadership Forum of Oregon (chair), the Northwest Health Foundation (secretary),

Black United Fund, and University of Oregon President's Diversity Advisory Community Council; community boards for BlueCross BlueShield of Oregon and Wells Fargo; and steering committees for Oregon Healthiest State, and Black Male Achievement. Alexander is a graduate of Lewis University and Bryn Mawr College Graduate School of Social Work and Social Research. He is a native of Brooklyn, New York, and relocated to Oregon in 2005.

Port FY 2016-17 Budget

On May 11, Port Commissioners provided preliminary approval of the FY 2017 budget, which allows for review by the Multnomah County Tax Supervising and Conservation Commission. The TSCC held a public hearing on the budget on June 8, and the Port Commission will consider final adoption of the budget at a special Port Commission meeting on June.

Total Port operating revenues and operating expenditures are budgeted at \$288 million and \$191 million respectively for FY 2017, compared to the FY 2016 adopted budget of \$295 million and \$190 million. The operating revenue decrease is due to lower marine maintenance reimbursement revenues and lower associated expenses. Industrial development land sales are budgeted to decrease \$14.1 million from \$24.6 million in FY 2016 to \$10.5 million in FY 2017. Some parcels budgeted in FY 2016 are now expected to close in FY 2017.

Ninety-six percent of Port revenues come from user-based fees for service including airline, rental car, parking and concessions revenue, as well as marine terminal leases and fees, land sales, and other long-term leases. Approximately \$11.4 million of the Port's budget comes from property taxes, or about 7 cents per thousand assessed value.

The FY 2017 PDX operating revenues, including airline, rental car, parking, and concessions revenues, are budgeted to increase approximately 4 percent or \$8.4 million from the FY 2016 adopted budget.

FY 2017 will see continued investments in maintaining existing assets and infrastructure with a capital budget of \$205.3 million. Major projects at PDX include terminal building improvements such as terminal balancing/efficiency improvements, access control replacement, expansion of the rental car quick turn-around washing and fueling facility, and continued rehabilitation of airfield taxiways.

Copies of the FY 2017 budget are available on the Port website.