



AGENDA
Regular Commission Meeting
Port of Portland Headquarters
7200 N.E. Airport Way, 8th Floor
September 9, 2015
9:30 a.m.

Minutes

Approval of Minutes: Regular Commission Meeting – August 12, 2015

Executive Director

Approval of Executive Director's Report – August 2015

General Discussion

Greater Portland, Inc. (GPI) – GP2020 Strategic Plan and
Greater Portland Global Initiative

*JANET LABAR, CEO
GPI INC.*

PDX Workplace Initiative

*CURT BELOW
PRESIDENT & COO, FM3
BOBBI STEDMAN
AND VINCE GRANATO*

Discussion of Fiscal Year 2014-2015 Executive Director
Performance

JIM CARTER

Consent Items

1. APPOINTMENT AND DESIGNATION OF ASSISTANT
TREASURERS

BOB BURKET

Requests an update to the individuals designated as Assistant
Treasurers under Commission Policy 6.2.01.

2. PORT OF PORTLAND FIRE DEPARTMENT CIVIL SERVICE
COMMISSION REAPPOINTMENT – PORTLAND
INTERNATIONAL AIRPORT

CRAIG FUNK

Requests the reappointment of Robert Phillips to a four-year term
as a Port of Portland Fire Department Civil Service Commissioner.

3. FOREIGN TRADE SUBZONE OPERATING AGREEMENT
EXECUTION AND ACTIVATION CONCURRENCE – LAM
RESEARCH CORPORATION – PORTLAND FOREIGN TRADE
SUBZONE NO. 45H

ISAAC BARROW

Requests authorization for the Port of Portland enter into a Foreign
Trade Subzone Operating Agreement with Lam Research
Corporation and grant its written concurrence with respect to the
activation of FTZ No. 45H.

4. FOREIGN TRADE ZONE OPERATING AGREEMENT
EXECUTION AND ACTIVATION CONCURRENCE – TRADE
ZONE OPERATIONS, INC. – PORTLAND FOREIGN TRADE
ZONE NO. 45

ISAAC BARROW

Requests authorization for the Port of Portland to enter into a Foreign Trade Zone (FTZ) Operating Agreement with Trade Zone Operations, Inc., and grant its written concurrence with respect to the activation of FTZ No. 45.

Action Items

5. AMENDMENT TO PUBLIC IMPROVEMENT CONTRACT FOR
ENERGY EFFICIENCY UPGRADES – PERFORMANCE
SERVICES

FRANKO MARTINEC

Requests approval to amend an existing public improvement contract with Johnson Controls, Inc., for energy efficiency upgrades – performance services, to fund planned energy conservation measures at Port of Portland facilities.

6. PUBLIC IMPROVEMENT CONTRACT – EMERGENCY
GENERATOR CONTROL SYSTEM UPGRADE – PORTLAND
INTERNATIONAL AIRPORT

TOM PETERSON

Requests approval to award a public improvement contract to Quality Plus Services to furnish and install a complete replacement of the Emergency Generator Control System in the Central Utility Plant at Portland International Airport.

7. EXEMPTION FROM COMPETITIVE BIDDING FOR A CLASS OF
PUBLIC IMPROVEMENT CONTRACTS USING THE JOB ORDER
CONTRACTING PROJECT DELIVERY METHOD – PORT OF
PORTLAND FACILITIES

TOM PETERSON

Requests approval of an exemption from competitive bidding requirements for a class of public improvement contracts, enabling the Port of Portland to use a competitive request for proposals process to award up to three job order contracts with three contractors for various small-scale construction work at Port of Portland facilities.

APPOINTMENT AND DESIGNATION OF ASSISTANT TREASURERS

September 9, 2015

Presented by: Robert Burket
Controller**REQUESTED COMMISSION ACTION**

This agenda item requests an update to the individuals designated as Assistant Treasurers under Commission Policy 6.2.01 (Policy). Since the last update in March 2014, the incumbent Financial Planning and Analysis Manager, which is a position appointed as an Assistant Treasurer, has resigned and has been replaced by Lisa K. Fedeli. Per the Policy, the Commission shall appoint Assistant Treasurers by resolution.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That effective September 9, 2015, Bill Wyatt, Cynthia A. Nichol, Robert A. Burket, Lisa K. Fedeli, Suzanne M. Kenny and Cheryl Arpan are designated Assistant Treasurers of the Port of Portland Commission and shall perform such functions and duties as the Commission shall authorize from time to time; and

BE IT FURTHER RESOLVED, That all previous Assistant Treasurer designations be rescinded.

**PORT OF PORTLAND FIRE DEPARTMENT CIVIL SERVICE COMMISSION REAPPOINTMENT
– PORTLAND INTERNATIONAL AIRPORT**

September 9, 2015

Presented by: Craig Funk
Fire Chief**REQUESTED COMMISSION ACTION**

This agenda item requests the reappointment of Robert Phillips to a four-year term as a Port of Portland (Port) Fire Department Civil Service Commissioner.

BACKGROUND

The Port maintains a civil service system for the Fire Department, in accordance with the requirements of Oregon law. It is administered by a three-member board of Civil Service Commissioners, who serve without pay. The three Commissioners' responsibilities include administering the civil service system in matters relating to recruitment, testing, and selection of fire fighters, and hearing matters of discipline or appeals brought before them.

Mr. Phillips' term as Civil Service Commissioner expired on March 11, 2015. At the request of the Port, he has agreed to serve another term. His last position prior to retiring was as the Affirmative Action/Equal Employment Opportunity Officer for Multnomah County. His areas of expertise include employment law, diversity, and employee recognition programs.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to reappoint Robert Phillips to a four-year term as Port of Portland Fire Department Civil Service Commissioner, in accordance with Port of Portland Ordinance 425; 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.

FOREIGN TRADE SUBZONE OPERATING AGREEMENT EXECUTION AND ACTIVATION
CONCURRENCE – LAM RESEARCH CORPORATION – PORTLAND FOREIGN TRADE
SUBZONE NO. 45H

September 9, 2015

Presented by: Isaac Barrow
Real Estate Manager

REQUESTED COMMISSION ACTION

This agenda item requests authorization for the Port of Portland (Port) to: 1) enter into a Foreign Trade Subzone Operating Agreement with Lam Research Corporation (Lam Research) under which the Port grants Lam Research the authority to manage and operate its subzone (FTZ No. 45H); and 2) grant its written concurrence with respect to the activation of FTZ No. 45H for Lam Research.

BACKGROUND

FTZs were created by federal law in 1934. Their purpose is to stimulate international commerce, improve the competitiveness of United States-based businesses, and create jobs in the United States. An FTZ is a secure area at or near a U.S. Customs and Border Protection (CBP) port of entry, such as the Port. Once officially activated, these FTZ areas, including subzones, are considered to be outside of Customs territory, allowing FTZ Operators and their users to admit imported goods into the FTZ without formal Customs entry and payment of customs duties. Customs duties are to be paid when the imported goods are removed from the FTZ and entered into the Customs territory of the United States. Special duty treatment is potentially available to imported goods that are processed in FTZs and then either entered into the Customs territory of the United States or re-exported.

FTZ Operators may conduct a variety of activities in a zone, including assembling, packaging, destroying, storing, cleaning, exhibiting, re-packing, distributing, sorting, grading, testing, labeling, repairing, combining with foreign or domestic content, or processing. FTZs fall under the authority of the United States Foreign-Trade Zones Board (composed of representatives from the U.S. Departments of Commerce and Treasury), which has its operational staff in the International Trade Administration's Import Administration.

FTZ NO. 45

The Port is Grantee of FTZ No. 45, which was established in 1978. The Port has provided access to this program for over 30 years and has had multiple businesses participate in the program.

In July of 2013, the FTZ Board approved the reorganization of FTZ No. 45 under the Alternative Site Framework, greatly simplifying the process to establish FTZ sites including subzone sites and expanding the service area of FTZ No. 45 to include all of Multnomah, Clackamas and

FOREIGN TRADE SUBZONE OPERATING AGREEMENT EXECUTION AND ACTIVATION
CONCURRENCE – LAM RESEARCH CORPORATION – PORTLAND FOREIGN TRADE
SUBZONE NO. 45H

September 9, 2015

Page 2

Washington Counties. In addition, and as shown in the map below, the Port's industrial parks have been designated FTZ sites, and organizations within the Port's properties require only an activation process.



LAM RESEARCH CORPORATION

Lam Research manufactures equipment which stamps and configures microchip wafers used in the manufacture of computer and cell phone processors. Over 80 percent of the equipment manufactured at their Tualatin, Oregon plant is exported overseas. Lam Research also has a manufacturing site in the San Francisco, California area and operates that site under a previously established FTZ subzone. The establishment of a subzone at the Tualatin site is vital to Lam Research's plans to retain and expand employment at the site.

The Port has negotiated an Operating Agreement with Lam Research under which Lam Research assumes full responsibility for providing operational management services at the subzone site. The agreement, which is for a five-year term, requires Lam Research to pay the Port activation and annual fees in accordance with the Port's established FTZ fee schedule. Lam Research must also pay all other fees associated with subzone operation, including CBP expenses. Lam Research must also indemnify the Port against all liability associated with its operations at the site.

In order to complete the subzone activation process, the Port must indicate its written concurrence with respect to the activation process to CBP. The resolution being made under this agenda item ensures that the Port representative signing the concurrence instrument is authorized to grant such concurrence on the Port's behalf.

FOREIGN TRADE SUBZONE OPERATING AGREEMENT EXECUTION AND ACTIVATION
CONCURRENCE – LAM RESEARCH CORPORATION – PORTLAND FOREIGN TRADE
SUBZONE NO. 45H

September 9, 2015

Page 3

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That the Port of Portland is authorized to enter into a Foreign Trade Subzone Operating Agreement with Lam Research Corporation for its management and operation of Foreign Trade Zone No. 45H; and

BE IT FURTHER RESOLVED, That the Port of Portland is authorized to grant the Port's written concurrence to U.S. Customs and Border Protection with respect to the activation of Foreign Trade Subzone No. 45H for Lam Research Corporation; 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.

FOREIGN TRADE ZONE OPERATING AGREEMENT EXECUTION AND ACTIVATION
CONCURRENCE – TRADE ZONE OPERATIONS, INC. – PORTLAND FOREIGN TRADE
ZONE NO. 45

September 9, 2015

Presented by: Isaac Barrow
Real Estate Manager

REQUESTED COMMISSION ACTION

This agenda item requests authorization for the Port of Portland (Port) to: 1) enter into a Foreign Trade Zone (FTZ) Operating Agreement with Trade Zone Operations, Inc. (TZO) under which the Port grants TZO the authority to manage and operate at FTZ No. 45; and 2) grant its written concurrence with respect to the activation of FTZ No. 45 for TZO.

BACKGROUND

FTZs were created by federal law in 1934. Their purpose is to stimulate international commerce, improve the competitiveness of United States-based businesses, and create jobs in the United States. An FTZ is a secure area at or near a U.S. Customs and Border Protection (CBP) port of entry, such as the Port. Once officially activated, these areas are considered to be outside the Customs territory, allowing FTZ Operators and their users to admit imported goods into the FTZ without formal Customs entry and payment of customs duties. Customs duties are to be paid when the imported goods are removed from the FTZ and entered into the Customs territory of the United States. Special duty treatment is potentially available to imported goods that are processed in FTZs and then either entered into the Customs territory of the United States or re-exported.

FTZ Operators may conduct a variety of activities in a zone, including assembling, packaging, destroying, storing, cleaning, exhibiting, re-packing, distributing, sorting, grading, testing, labeling, repairing, combining with foreign or domestic content, or processing. FTZs fall under the authority of the United States Foreign-Trade Zones Board (composed of representatives from the U.S. Departments of Commerce and Treasury) which has its operational staff in the International Trade Administration's Import Administration.

FTZ NO. 45

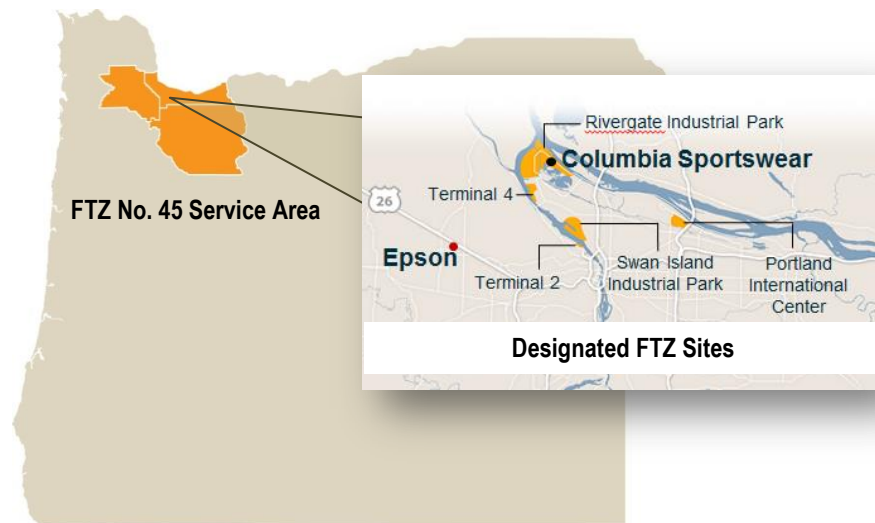
The Port is Grantee of FTZ No. 45, which was established in 1978. The Port has provided access to this program for over 30 years and has had multiple businesses participate in the program. Currently there are two active General Purpose Zone Operators and one active Subzone Operator.

In July of 2013, the FTZ Board approved the transition of FTZ No. 45 under the Alternative Site Framework, greatly simplifying the process to establish FTZ sites and expanding the service area of FTZ No. 45 to include all of Multnomah, Clackamas and Washington Counties. The Rivergate Industrial District, including Terminal 6, is a designated FTZ site, and companies within the site require only an activation process.

FOREIGN TRADE ZONE OPERATING AGREEMENT EXECUTION AND ACTIVATION
CONCURRENCE – TRADE ZONE OPERATIONS, INC. – PORTLAND FOREIGN TRADE
ZONE NO. 45

September 9, 2015

Page 2



TRADE ZONE OPERATIONS, INC.

TZO specializes in the management of FTZ sites activated for the import, storage and handling of automobiles. TZO has recently come to agreement with Hyundai Motor America (Hyundai) for the proposed activation and operation of an FTZ site for Hyundai's import activities at Terminal 6. TZO would also be positioned, through the proposed activation, to expand their FTZ activities to other auto import activity within the Rivergate Industrial District. In addition to providing a direct benefit to the Port's existing auto customers, the establishment of an active auto handling FTZ operation will also provide a marketing incentive for attracting additional auto import and export business to the Port and its tenants.

The Port has negotiated an Operating Agreement with TZO under which TZO assumes full responsibility for providing operational management services at the FTZ site. The agreement, which is for a five-year term, requires TZO to pay the Port activation and annual fees in accordance with the Port's established FTZ fee schedule. TZO must also pay all other fees associated with its FTZ operation, including CBP expenses. TZO must also indemnify the Port against all liability associated with its operations at the site.

In order to complete the activation process, the Port must indicate its written concurrence with respect to the activation process to CBP. The resolution being made under this agenda item ensures that the Port representative signing the concurrence instrument is authorized to grant such concurrence on the Port's behalf.

FOREIGN TRADE ZONE OPERATING AGREEMENT EXECUTION AND ACTIVATION
CONCURRENCE – TRADE ZONE OPERATIONS, INC. – PORTLAND FOREIGN TRADE
ZONE NO. 45

September 9, 2015

Page 3

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That the Port of Portland is authorized to enter into an Foreign Trade Zone Operating Agreement with Trade Zone Operations, Inc., for its management and operation of sites within Foreign Trade Zone No. 45; and

BE IT FURTHER RESOLVED, That the Port of Portland is authorized to grant the Port's written concurrence to U.S. Customs and Border Protection with respect to the activation of Foreign Trade Zone No. 45 for Trade Zone Operations, Inc.; 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.

AMENDMENT TO PUBLIC IMPROVEMENT CONTRACT FOR ENERGY EFFICIENCY UPGRADES – PERFORMANCE SERVICES

September 9, 2015

Presented by: Franko Martinec
Engineering Facilities Services
Manager**REQUESTED COMMISSION ACTION**

This agenda item requests approval to amend an existing public improvement contract with Johnson Controls, Inc. (Johnson Controls), for energy savings energy efficiency upgrades – performance services, to increase the contract amount by \$2,221,890 to fund planned energy conservation measures at Port of Portland (Port) facilities.

BACKGROUND

In January 2014, the Port advertised a competitive Request for Proposals (RFP) to select an energy service company (ESCO) to provide certain services, described below, under an energy savings performance contract (ESPC). Under the Oregon Public Contracting Code, an ESPC is a contract for the “identification, evaluation, recommendation, design and construction of energy conservation measures, including a design-build contract, that guarantee energy savings or performance.” Under an ESPC, which is statutorily exempt from competitive bidding, an ESCO typically guarantees that the improvements will generate a specific level of energy cost savings over the term of the contract. The Port pursued an ESPC in order to facilitate efforts to reduce Port-wide energy consumption and greenhouse gas emissions.

Personal Services Contract (Technical Energy Audit; Project Development Plans)

As a result of the RFP, Johnson Controls was selected as the Port’s ESCO for this project. In June 2014, under delegated contracting authority, the Port awarded Johnson Controls a personal services contract to perform a technical energy audit and develop project development plans identifying energy efficiency saving opportunities at Port facilities. This work established a list of project opportunities, which Port staff worked from in establishing a guaranteed maximum price (GMP) for Johnson Controls to perform the identified improvements under the following public improvement contract.

Public Improvement Contract (ESPC -- Design/Build Project Construction Services)

Early Work. After the technical audit and project development plans were completed, in March 2015 the Port awarded Johnson Controls an ESPC, authorizing only a limited scope of design and construction work. This first stage of the ESPC was awarded under delegated contracting authority in order to address urgent heating, ventilation, and air conditioning (HVAC) equipment needs at the Port’s Terminal 2 administration building. This work, referred to as “early work,” also converted the building’s interior lighting to energy-efficient lighting.

AMENDMENT TO PUBLIC IMPROVEMENT CONTRACT FOR ENERGY EFFICIENCY
UPGRADES – PERFORMANCE SERVICES

September 9, 2015

Page 2

Primary Project Work. This amendment will allow the Port to authorize work on the various energy savings performance projects which were planned for completion under the project's primary design and construction phase. This amendment requires Commission approval because its amount exceeds the Executive Director's delegated contracting authority.

As described in more detail below, the primary project improvements include interior and exterior lighting conversion (to LED or other energy efficient fixtures) and lighting control improvements for selected areas at the Port's Navigation base, marine Terminals 2 and 4, Hillsboro airport (HIO), Portland International Airport (PDX) economy and employee parking lots, and PDX roadways.

Under the ESPC, the ESCO guarantees that the predicted energy savings will be achieved over a period of five years, as documented by measurement and verification (M&V) at project completion. Should the M&V analysis conclude that the energy savings did not meet predictions, Johnson Controls must pay the Port the difference between the predicted savings and the savings actually achieved during the five-year period.

WORK SCOPE; INTENDED BENEFITS – PRIMARY PROJECT WORK

- Navigation dredge base – LED lighting conversion and control improvements, weld shop and pier area
- Marine Terminal 2 – LED lighting conversion, warehouses 204 and 205; exterior area lighting, warehouse 206
- Marine Terminal 4 – exterior parking lighting, Administration Building
- Marine Terminal 6 – exterior lighting, berths 601 and 607 auto dock
- PDX Employee Parking and Economy Parking Lots – LED lighting conversion and wireless controls.
- Airport Way, North Frontage Road, Air Trans Way, Air Cargo Way, old 82nd Ave. South Cargo complex vehicle parking and aircraft ramp area – LED lighting conversion
- PDX Aircraft Rescue and Firefighting facility and PDX Maintenance and Maintenance Annex facilities, parking lots and general exterior areas – LED lighting conversion and wireless controls
- HIO – energy efficiency lighting conversion and controls, Terminal building; interior and exterior lighting, Maintenance/Operations buildings

AMENDMENT TO PUBLIC IMPROVEMENT CONTRACT FOR ENERGY EFFICIENCY UPGRADES – PERFORMANCE SERVICES

September 9, 2015

Page 3

Cumulatively, the work is intended to have the following benefits:

- Annual energy consumption reduction of 1,383,000 kilowatt-hours of electricity use, and 4,300 therms of natural gas use
- 1,020 metric ton reduction in Port-wide associated carbon-dioxide energy consumption emissions
- Reduction of the Port's energy bills of approximately \$130,000 per year
- Longer lamp life in LED fixtures, which is expected to reduce future regular maintenance and re-lamping costs by an additional \$42,000 per year

PDX Economy and Employee Parking Lots and Roadway Lighting



Marine Terminal Berth 607 – Auto Dock Lighting Area



Air Trans Way Roadway Lighting



AMENDMENT TO PUBLIC IMPROVEMENT CONTRACT FOR ENERGY EFFICIENCY
UPGRADES – PERFORMANCE SERVICES

September 9, 2015

Page 5

SCHEDULE

Preliminary Planning	November 2012 – December 2013
ESPC Services RFP, Evaluation and Selection	January 2014 – June 2014
Technical Audit and Project Plan Development (Personal Services Contract)	July 2014 – August 2015
Terminal 2 Administration Building – “Early Work” (Public Improvement Contract)	March 2015
Commission Action: Approve Amendment – Primary Project Work (Public Improvement Contract)	September 2015
Design	October 2015 – December 2015
Construction	February 2016 – September 2016
Measurement and Verification, Energy Warranty Confirmation, Project Closeout	November 2016 – March 2017

PROJECT RISKS

Risk: Stakeholder concerns about whiter lamp color in LED fixtures impacting human circadian rhythms.

Mitigation Strategies:

- Utilize “dark sky” pole-mounted fixtures to minimize light pollution.
- Utilize 4,000 Kelvin degrees lamps for consistency with City of Portland lamps.
- Install mock-up fixtures at select locations during design and evaluate before permanent installation.
- Communicate project goals, directions and plans to affected stakeholders, including:
 - Present the planned changes at a PDX public advisory group meeting.
 - Issue public announcements prior to installation, explaining environmental advantages from the changes.

Risk: Construction cost greater than anticipated.

Mitigation Strategies:

- Manage contract cost to the negotiated GMP. Ensure subcontracts and materials are competitively bid.
- Develop construction schedule and approach in project design.

AMENDMENT TO PUBLIC IMPROVEMENT CONTRACT FOR ENERGY EFFICIENCY
UPGRADES – PERFORMANCE SERVICES

September 9, 2015

Page 6

Risk: Work results in less energy savings than predicted.

Mitigation Strategies:

- Incentivize and monitor contractor success by including M&V provisions in the ESPC.
- Enforce contract provisions guaranteeing the predicted energy savings, as discussed above.

BUDGET

Terminal 2 Administration Building – “Early Work” (Public Improvement Contract)	\$ 204,305
Amendment – Primary Project Work (Public Improvement Contract)	\$2,221,890
New Public Improvement Contract Total	\$2,426,195
Port Staff/ Contracted Services	\$ 410,000
Technical Audit and Project Plan Development (Personal Services Contract)	\$ 230,531
Contingency	<u>\$ 330,474</u>
Total Project	\$3,397,200

The Port expects these energy efficiency upgrades to qualify for incentives offered by the Energy Trust of Oregon, which would be paid to the Port upon project completion. The anticipated amount of the incentive payment is \$300,125.

Project funding sources are from a combination of the PDX Port Cost Center, PDX Shared Cost Center and the General Fund.

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 public improvement contract with Johnson Controls, Inc. for energy efficiency upgrades, performance services, consistent with the terms presented to 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.

PUBLIC IMPROVEMENT CONTRACT – EMERGENCY GENERATOR CONTROL SYSTEM UPGRADE – PORTLAND INTERNATIONAL AIRPORT

September 9, 2015

Presented by: Tom Peterson
Chief Engineer**REQUESTED COMMISSION ACTION**

This agenda item requests approval to award a public improvement contract to Quality Plus Services to furnish and install a complete replacement of the Emergency Generator Control System in the Central Utility Plant (CUP) at Portland International Airport (PDX).

BACKGROUND

A critical component of the operational infrastructure at PDX is the emergency power system, located inside the CUP. This system provides fire/life safety protection to the terminal, concourses, parking garages and Port of Portland (Port) headquarters buildings. Additionally, it provides service to the airfield lighting system as the primary source of power during airfield category II/III (CAT II/III) conditions as mandated by the Federal Aviation Administration (FAA) for low-visibility aircraft operations.

The CUP emergency power system is an integrated system of four power generators that operates automatically in response to conditions related to incoming power from the electric utility and based on commands initiated from the FAA control tower during CAT II/III low visibility conditions. The programmable logic controller (PLC) and related controls for the emergency generator system were developed and installed in 1994.

The company that manufactured the PLC system no longer supports or produces components for this system, and it is increasingly difficult to obtain replacement parts when there is a component failure. If the PLC system fails and is unrepairable the emergency power system would not function automatically, which would require a manned fire watch throughout the facility in order to operate PDX. It would also prevent the PDX airfield from operating under CAT II/III conditions.

Under this contract the PLC system will be replaced with a new PLC system. This upgrade will result in a safer configuration for the control equipment and long-term reliability for the emergency power system that is critical to the operation of PDX.

SCOPE

- Replacement of the PDX emergency generator control system equipment including hardware, wiring, software, central computer(s) and operational logic controller.
- Development of system logic in the language of the new equipment manufacturer to match the system logic of the original manufacturer.

- Furnishing control system cabinetry and wiring to house the new system.
- Providing redundant main computer capabilities within the system.

Generator Main Control Panel and 5kv Switchgear Lineup



SCHEDULE

Design	June 2013 – July 2015
Commission Approval	September 9, 2015
Construction	October 2015 – October 2016

PROJECT BID RESULTS

The Port procured this public works contract utilizing a competitive sealed-bidding solicitation under ORS chapter 279C. The solicitation was advertised on August 3, 2015 and bids were received on August 25, 2015. Quality Plus Services submitted the lowest responsive bid. The bid results are as follows:

Quality Plus Services	\$582,986
EC Company	\$715,715
Baldwin General Contracting, Inc.	\$1,164,363
Engineer's Estimate	\$710,000

PROJECT RISKS

Risk: Exposure of the PDX power system to loss of emergency power capability during transition from the old control system to the new control system

Mitigation Strategies:

- Develop detailed work plans to ensure back-up capabilities within the system during critical periods of exposure.
- Coordinate work phases to limit the duration of critical exposure periods to the shortest possible time.

BUDGET

Contract	\$ 582,986
Design Consultant	\$ 375,000
Port Staff/Contracted Services	\$ 471,000
Contingency	<u>\$ 185,014</u>
Total Project Budget	\$1,614,000

The contingency, representing 12 percent of the project budget, is considered reasonable given the risk profile for the project and complexity of the work.

The project cost is funded by the Airline 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 public improvement contract for the Emergency Generator Control System Upgrade project at Portland International Airport to Quality Plus Services, in accordance with its bid; 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.

EXEMPTION FROM COMPETITIVE BIDDING FOR A CLASS OF PUBLIC IMPROVEMENT CONTRACTS USING THE JOB ORDER CONTRACTING PROJECT DELIVERY METHOD – PORT OF PORTLAND FACILITIES

September 9, 2015

Presented by: Tom Peterson
Chief Engineer

REQUESTED COMMISSION ACTION

This agenda item requests approval of an exemption from competitive bidding requirements for a class of public improvement contracts, enabling the Port of Portland (Port) to use a competitive request for proposals (RFP) process to award up to three job order contracts (JOC) with three contractors (one JOC each) for various small-scale construction work at Port facilities.

BACKGROUND

The Port awards numerous public improvement contracts each year to accomplish a wide array of construction projects, ranging from small to large building improvements, system modifications, equipment installations, pavement-related civil projects, and various other capital improvements.

Oregon law requires that, unless an agency's Contract Review Board (CRB) approves an exemption from competitive bidding, the agency must procure its public improvement contracts using a competitive, sealed-bidding process in which the sole criterion for award is price. Under this process, contracts are awarded to the lowest qualified bidder after a lengthy, formal solicitation process. The solicitation process for the public improvement contract is typically not commenced until project design is complete, further extending the time required for project delivery. Competitive solicitations generally require a considerable amount of time to conduct (weeks or months), and require many steps to complete.

Some projects, however, require quick commencement of construction in order to meet operational or other business needs. For those projects, the time necessary to conduct a separate competitive procurement for each such project conflicts with schedule demands.

At times, the Port must quickly engage construction contractors for specific work in order to meet critical business objectives. The Port seeks an approved, competitive, alternative method to quickly engage construction contractors for certain, specified types of work. Allowing the Port some flexibility in adjusting its contracting procedures to the specific circumstances of each procurement would help the Port meet business objectives in a manner that best suits the specific circumstances.

JOC Project Delivery Method

The Port is evaluating the use of the JOC project delivery method for relatively small-scale public improvement projects. The JOC method, developed by the U.S. Department of Defense, allows owners to quickly engage contractors on certain types of projects. The Port has not

EXEMPTION FROM COMPETITIVE BIDDING FOR A CLASS OF PUBLIC IMPROVEMENT CONTRACTS USING THE JOB ORDER CONTRACTING PROJECT DELIVERY METHOD – PORT OF PORTLAND FACILITIES

September 9, 2015

Page 2

previously used the JOC delivery method. As discussed below, the Port intends to administer this program as a “pilot project.”

A JOC is awarded on a competitive basis, but no specific project is identified at that time. Instead, the JOC identifies multiple types of projects the Port may require, using stated defining characteristics. The varied nature of the potential work would require a general contractor that possesses a wide range of skills and experience. Once a JOC is in place, the Port would engage the contractor(s) as needed on qualifying projects, using separate “job orders” for each project. Having a JOC in place prior to the project need arising should create efficiency and allow for timely completion.

A JOC uses a detailed, pre-priced “catalog” of construction tasks as the basis for the contract’s performance terms. The Port and a JOC consultant jointly develop the required tasks and unit pricing in the catalog before the JOC is solicited. The task and pricing catalog is made a part of the JOC solicitation. When proposing, contractors submit a unique “multiplier” to be applied to the catalog pricing. In evaluating proposals, pricing – as modified by the proposed multipliers – is a primary award criterion. When the JOC is awarded, pricing for the identified tasks is fixed at the amounts proposed.

Agencies that have used the JOC method generally report positive results, with projects delivered efficiently and timely and with some reduction in administrative costs due to having a contract in place and to shorter delivery times for the work.

The JOC delivery method can also increase small business subcontractor participation levels on projects. When a JOC contains a small business subcontractor participation goal, JOC contractors are motivated to meet the goal on each job order to increase their chances of being awarded additional job orders.

At this time, the Port proposes to use the JOC delivery method to deliver only certain types of projects. The specific defining characteristics of those projects, and more information about the JOC method of project delivery, is set forth in the “Findings in Support of an Exemption from Competitive Bidding – Job Order Contracts Pilot Project (Port Properties and Facilities)” attached as Exhibit A (Findings). Members of the CRB are encouraged to read the Findings in detail. The Findings were developed collaboratively among Port Engineering, Procurement, and Legal staff. Public input was also sought, at a publicly advertised hearing.

Initiating JOC Projects

After a JOC has been awarded, when the need arises to engage a contractor under a JOC, the Port will define a specific scope of work with sufficient information for the JOC contractor to determine the elements of the task and prepare a price for the work according to the project-specific construction task catalog. That price will form the basis of the associated job order(s). The Port must approve the pricing as consistent with the contract and aligned with the catalog. Upon such approval the Port will authorize the contractor to perform the work.

EXEMPTION FROM COMPETITIVE BIDDING FOR A CLASS OF PUBLIC IMPROVEMENT CONTRACTS USING THE JOB ORDER CONTRACTING PROJECT DELIVERY METHOD – PORT OF PORTLAND FACILITIES

September 9, 2015

Page 3

Work would be issued to the JOC contractor(s) by issuing individual job orders for each discrete project. Each contractor's JOC would be limited to a cumulative cost of \$3,000,000 over a three-year term. Funding for the projects that utilize the JOC will depend on the location of the work and the affected business line and funding source.

EXEMPTION FROM COMPETITIVE BIDDING

This request is in accordance with the Oregon Public Contracting Code which allows an agency's contract review board to approve the use of an alternative contacting method by granting an exemption from competitive bidding under ORS 279C.335(2). As described in more detail in the Findings, this request is made specifically under ORS 279C.335(2)(c), which authorizes CRBs to grant exemptions for "pilot projects."

As stated above, the exemption would enable the Port to conduct the JOC procurement using an RFP instead of a "low bid" process. The RFP would use a competitive process to select the contractor which is based in part on the proposers' qualifications. RFP evaluation criteria would include, for example: the proposer's experience with the work associated with the types of JOC projects indicated above, experience managing multiple job orders and subcontractors simultaneously, ability to respond on short notice to engage subcontractors and execute work, the multiplier applied to the catalog unit pricing, and strategies for engaging small businesses in job order work.

After public notice, the Port held a public hearing on August 31, 2015 to take comments on the draft Findings, as required under Oregon law. The final Findings are attached. The Port now seeks the Commission's approval of the Findings, acting in its capacity as the Port's CRB. In addition, the Port seeks an exemption from competitive bidding to allow the Port to procure the class of project public improvement contracts described in the Findings using a competitive RFP. Upon approval of this Exemption, the Port will proceed with the RFP solicitation process and anticipates requesting Commission approval to award the JOCs in January 2015.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT 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 – Job Order Contracts Pilot Project – Port Properties and Facilities," dated September 9, 2015; 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 class of public improvement contracts to be awarded for the Job Order Contracts Pilot Project, consistent with the terms presented to the Commission.



Job Order Contracts Pilot Project – Port Properties and Facilities

PROJECT NO. (NOT APPLICABLE)

FINDINGS IN SUPPORT OF AN EXEMPTION FROM COMPETITIVE BIDDING

SEPTEMBER 9, 2015

Background

The Port of Portland (Port) awards numerous public improvement contracts each year to accomplish a wide array of construction projects, ranging from small to large building improvements, system modifications, equipment installations, pavement-related civil projects, and various other capital improvements. The primary contracting methods available under the Public Contracting Code (Code) to deliver public improvements include competitive sealed bidding (low bid) and, when an exemption from competitive bidding is obtained, request for proposals (RFP).

Competitive solicitations generally require a considerable amount of time to conduct (weeks or months), and require many steps to solicit bids or proposals and execute construction contracts. Some projects, however, require quick commencement of construction in order to meet operational or other business needs. For those projects, the time necessary to conduct a separate competitive procurement for each such project conflicts with schedule demands.

At times the Port must quickly engage construction contractors for specific work in order to meet critical business objectives. One rarely-used manner of delivering projects quickly is to amend an existing public improvement contract to include the work. This method is not optimal, because it only works if the nature of the work lends itself to activities under the existing contract.

The Port seeks an approved, competitive, alternative method to quickly engage construction contractors for certain, specified types of work. Allowing the Port some flexibility in adjusting its contracting procedures to the specific circumstances of each procurement would help the Port meet business objectives in a manner that best suits the specific circumstances.

Alternative Contracting Methods for Public Improvement Projects

The Code embraces alternative contracting methods. The Code is intended 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.”¹

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.”²

¹ ORS 279A.015(6)

² Port Contracting Rule A.015

Under the Code, an agency's local contract review board (CRB) may direct the use of alternative contracting methods that "take account of market realities and modern practices and are consistent with the public policy of encouraging competition."³

An agency's CRB directs the agency to use an alternative contracting method by granting an exemption from competitive bidding.⁴ In granting an exemption the CRB must require and approve or disapprove written "findings" that support the award of the contract (or a class of contracts) without the competitive bidding requirement.⁵ "Findings" are an agency's justification for the conclusion that an exemption is called for, based on certain considerations set forth in the Code.⁶ The findings must show that the exemption of the contract (or a class of contracts) complies with the Code's minimum requirements to grant an exemption.⁷ These findings explain the Port's conclusion that an exemption is called for under the specific circumstances set forth below.

In making findings to support an exemption for a "class" of public improvement contracts (i.e. a series of contracts for one or multiple projects), an agency must identify the class' defining characteristics such as: project descriptions or locations, time periods, contract values, methods of procurement, or other factors that distinguish the limited and related class of public improvement contracts from the agency's overall construction program.⁸

Proposed Contracting Method

Job Order Contracts

The Port is evaluating the use of the "job order contract" (JOC) delivery method for relatively small-scale public improvement projects. The JOC method, developed by the U.S. Department of Defense, allows the Port to quickly engage contractors on certain types of projects. The Port has not previously used the JOC delivery method.

A JOC is awarded on a competitive basis, but no specific project is identified at the time of award. Instead, the JOC identifies multiple types of projects the Port may require, using stated defining characteristics. The varied nature of the potential work would require a general contractor that possesses a wide range of skills and experience. Once the contract is in place, the owner engages the contractor as needed on qualifying projects, using separate "job orders" for each project. Having the JOC in place prior to the project need arising should create efficiency and allow for timely completion.

A JOC uses a detailed, pre-priced construction task "catalog." The owner and a JOC consultant jointly develop the required construction tasks and unit pricing in the catalog before the JOC is solicited. The task and pricing catalog is made a part of the JOC solicitation. When bidding or proposing, contractors propose a unique "multiplier" to the catalog pricing. In evaluating bids or proposals, pricing – as modified by the proposed multipliers -- is a primary award criterion. When the JOC is awarded, pricing for the identified tasks is fixed at the amounts proposed.

Agencies that have used the JOC method generally report positive results, with projects delivered efficiently and timely and with some reduction in administrative costs.

³ ORS 279C.335(4)(a).

⁴ ORS 279C.335(2)

⁵ ORS 279C.335(4)(b)

⁶ ORS 279C.330(2)

⁷ ORS 279C.335(4)(b)

⁸ ORS 279C.335(3)

The JOC delivery method can also increase small business subcontractor participation levels on projects. When a JOC contains a small business subcontractor participation goal, JOC contractors are motivated to meet the goal on each job order to increase their chances of being awarded additional job orders.

JOC Program Class -- Defining Characteristics

In order to best utilize the benefits of the JOC method, the Port intends to award a “class” of JOCs (see class contract award discussion above). Under the JOC RFP, the Port would reserve the right to award up to three JOCs (one each to different contractors). At this time, the Port proposes to use the JOC delivery method to deliver only certain types of projects. This class of contracts would have the following, primary defining characteristics:

1. Relatively small-scale projects that have relatively short delivery time requirements.
2. Projects which lend themselves to on-call, discrete job order based work that can be performed using a pre-priced construction task catalog, including without limitation:
 - Building modifications, such as minor interior or exterior improvements;
 - Small building additions or building construction;
 - Paving construction, repairs, and maintenance; and
 - Electrical and HVAC system improvements.

Large or complex projects not consistent with the intended use of the JOC would be delivered by other available contracting methods.

Once the JOC is in place, the Port would initiate work on a project-by-project basis according to the defined need for construction improvements. Work would be defined by engineering drawings that define the extent and intent of the project.

Procurement and Project Delivery

As stated above, to develop the required tasks and unit pricing in the “catalog” before a JOC solicitation, the Port would work with a JOC consultant. In September 2014, the Port entered into a Services and License Agreement with The Gordian Group (Gordian) for such purpose.

Gordian, a JOC consultant that has worked with many owners both public and private, will help the Port develop the construction task catalog based on their knowledge of work production items and project estimating for a wide range of work items.

As discussed above, the Port proposes to use a competitive RFP solicitation to select up to three construction contractors to perform public improvements under a class of JOCs. Prospective general contractors would be evaluated based on stated evaluation criteria in the RFP, including without limitation experience and pricing. Evaluation criteria such as the following will be included:

- Experience with the work associated with the types of JOC projects identified above.
- Experience managing multiple job or task orders and subcontractors simultaneously.
- Experience organizing the delivery of specific scopes of work that are defined on a project-by-project basis.
- Ability to respond on short notice to engage a subcontractor team.
- Pricing, based on each contractor’s proposed “multiplier” as described above.

- Strategies to maximize utilization of small business subcontractors.

After one or more JOCs have been awarded, when the need arises to engage a contractor under a JOC the Port will define a specific scope of work with sufficient information for the contractor to determine the elements of the task and prepare a price for the work according to the construction task catalog. That price will form the basis of the associated job order(s). The Port must approve the pricing as consistent with the contract and aligned with the construction task catalog. Upon such approval the Port will authorize the contractor to perform the work.

Work would be issued to the JOC contractor(s) by issuing individual job orders for each discrete project. Each contractor's JOC would be limited to a cumulative cost of \$3,000,000 over a three year term. The Port intends to develop procedures to ensure that work is distributed equitably among the class of JOC contractors.

Findings

Under the Code, the Port's CRB may exempt a public improvement contract (or class of public improvement contracts) from competitive bidding upon approval of certain findings submitted by Port staff that justify the exemption. For alternative contracting methods that an agency has not previously used, the two required findings are underlined below, with supporting information following each:

a. The exemption is unlikely to encourage favoritism in awarding the contracts or substantially diminish competition for the contracts.⁹

Using the Port's established, proven RFP contract award process should ensure that the exemption is unlikely to encourage favoritism or substantially diminish competition. The Port would award these contracts in the same manner it currently awards all competitively-procured contracts that were solicited under an RFP. Notice of the RFP will be advertised as required by law, and the Port will also provide notice via the Port's online vendor portal. The RFP itself will be made available to contractors through the online vendor portal, and any contractor who feels it is qualified to perform under a JOC will be free to submit a proposal. Proposals will be evaluated and selected in accordance with the stated criteria in the RFP.

In addition, the fact that this solicitation would result in JOCs specifically should not substantially diminish competition for the contracts. The Port anticipates that more than ten contractors would be eligible to propose. The Port will not require JOC-specific experience as a prerequisite to award. Instead, the evaluation criteria will be as stated above.

b. The project is a pilot project which the Port intends to use to determine whether using the Job Order Contract public improvement delivery method actually results in substantial cost savings to the Port.¹⁰

Under the Code, to support an exemption for a specific alternative contracting method that the agency has previously used, the agency must find that awarding a contract under the exemption "will likely result in substantial cost savings and other substantial benefits to the contracting agency."¹¹ However, for alternative contracting methods that an agency has not previously used, the agency may instead "pilot" the new delivery method to determine whether it actually results in substantial cost savings.¹² This JOC program is such a pilot project.

⁹ ORS 279C.335(2)(a)

¹⁰ ORS 279C.335(2)(c)

¹¹ ORS 279C.335(4)(b)

¹² ORS 279C.335(2)(c)

In the post-project completion evaluation required under ORS 279C.355, the Port will include an analysis and conclusion regarding actual cost savings, if any, realized using the JOC method. While the Port's conclusion cannot be predicted at this time, the Port anticipates that the JOC delivery method will likely result in cost savings and other benefits for various reasons, including without limitation:

- The JOC method should create efficiencies in cost and time. It should enable small-scale projects to be delivered with less stringent design document standards, and allow for some negotiation with the contractor on scope elements and construction time.
- The JOC method should help expedite the delivery of urgent projects. The ability to deliver urgent projects under JOCs should minimize the incidence of "change ordering" contracts, a practice which can increase construction costs. Delivering urgent projects under pre-priced, competitively-procured JOCs instead of via change orders to other contracts would also preserve the integrity of the Port's public contracting processes.
- Delivering small public improvement projects using the JOC method should reduce overhead costs, for both the Port and its JOC contractors.

Public Hearing

Under the Code, before the Port's CRB approves the Findings proposed above and before granting the exemption from competitive bidding, the Port must hold a public hearing to allow the Port to take comments on the draft findings for an exemption from the competitive bidding requirement.¹³ A notice of the availability of draft findings summarizing the requested exemption from competitive bidding was published in compliance with the Code's notice requirements, and a public hearing was held on August 31, 2015 to allow interested parties to appear and present comments on the proposed exemption. No public comments were received.

Summary

Port staff finds that the proposed contracting method (i) is unlikely to encourage favoritism in awarding the contract or substantially diminish competition for the contract, and (ii) is a pilot project which the Port intends to use to determine whether using the Job Order Contract project delivery method actually results in substantial cost savings to the Port. As a result, Port staff concludes that the proposed contracting method is consistent with the Code's stated policy of embracing alternative contracting methods when appropriate. Port staff recommends that the public improvement contracts to be awarded as described above be exempted from the Code's competitive bidding requirement.

¹³ ORS 279C.335(5)