



AGENDA
Regular Commission Meeting
Port of Portland Headquarters
7200 N.E. Airport Way, 8th Floor
September 11, 2013
9:30 a.m.

Minutes

Approval of Minutes: Regular Commission Meeting – August 14, 2013

Executive Director

Approval of Executive Director's Report – August 2013

Award Presentation

Safety and Health Achievement Recognition Program Certification
– Marine Operations

*MARK HURLIMAN,
OREGON OSHA*

Action Items

1. GROUND LEASE – APPROXIMATELY THREE ACRES – HILLSBORO AIRPORT
Requests approval to enter into a ground lease with Ochoco Administrative Services, LLC, for approximately three acres at Hillsboro Airport. *SCOTT KILGO*
2. SHIPYARD SERVICES CONTRACT – DREDGE OREGON DRY DOCK 2013 PROJECT – NAVIGATION
Requests approval to award a shipyard services contract to Vigor Marine, LLC, for the Dredge *Oregon* Dry Dock 2013 Project. *WALT HAYNES*
3. LEASE REFINANCING FOR THE RAMP BARGE
Requests approval to enter into various agreements with Banc of America Leasing & Capital, LLC, to refinance the Port of Portland's heavy-duty equipment ramp barge lease. *ROB SCHULTZ*
4. DISCUSSION OF FISCAL YEAR 2012-2013 EXECUTIVE DIRECTOR PERFORMANCE AND ADOPTION OF FISCAL YEAR 2013-2014 EXECUTIVE DIRECTOR PERFORMANCE GOALS
Requests that the Commission review and establish the Fiscal Year 2013-2014 Executive Director Performance Goals. *JIM CARTER*

GROUND LEASE – APPROXIMATELY THREE ACRES – HILLSBORO AIRPORT

September 11, 2013

Presented by: Scott Kilgo
Airside Leasing Manager**REQUESTED COMMISSION ACTION**

This agenda item requests approval to enter into a ground lease with Ochoco Administrative Services LLC, (Lessee) for approximately three acres at Hillsboro Airport (HIO) for development of an aircraft hangar and associated improvements.

BACKGROUND

To facilitate the development of corporate hangars at HIO, the Port of Portland (Port) previously invested in basic roadway and utility improvements. In 2002, Nike constructed the first hangar that utilized these improvements. The proposed lease site is located adjacent to the Nike hangar in the NE Corporate Center. The Lessee intends to construct a hangar that is similar in size and appearance to the Nike hangar.

This proposed hangar development would be the second to benefit from the Port's infrastructure improvements. A development charge, intended to reimburse the Port for a portion of this investment, is included as a charge to the Lessee, similar to one included in the Nike lease.

BUSINESS TERMS

Premises: Approximately 133,317 square feet
Term: 30-year term with 15 years in options
Development Charge: \$177,143 lump-sum payment
Taxiway Extension: Port and Tenant to share costs of construction
Rent: \$53,327 initial year
Rent Adjustment: Typical Fair Market Value Process

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 Ochoco Administrative Services LLC, at Hillsboro Airport for development of a corporate hangar, 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.

SHIPYARD SERVICES CONTRACT – DREDGE OREGON DRY DOCK 2013 PROJECT – NAVIGATION

September 11, 2013

Presented by: Walt Haynes
Engineering Project Manager**REQUESTED COMMISSION ACTION**

This agenda item requests approval to award a shipyard services contract to Vigor Marine, LLC, (Vigor) for the Dredge *Oregon* Dry Dock 2013 project for a contract value of \$3,356,880.

BACKGROUND

Under a contract with the U.S. Army Corps of Engineers (ACOE), the Port of Portland (Port) operates the Dredge *Oregon* to maintain the 43-foot shipping channel on the Columbia River. The ACOE reimburses the Port for costs associated with dredging and dredge plant maintenance.

The Dredge *Oregon* Dry Dock 2013 project is being performed as part of a recurring, five-year preventive maintenance and repair schedule. Dry docking is necessary to inspect and repair the hull and machinery that is underwater and impossible to service while in operation and afloat. The Port selected Vigor on a sole-source basis because Vigor is the only shipyard in the Portland vicinity with dry docks capable of lifting the Dredge *Oregon*, and because the Dredge *Oregon* is already scheduled to go on dry dock at Vigor at the same time for work related to the Dredge *Oregon* Repower project.

PROJECT SCOPE

Most project work is typical preventive maintenance and repairs, including:

- Bilge and tank cleaning
- Hull bottom plate renewal
- Sandblasting deteriorated hull bottom coatings and painting
- Sea chest cleaning and painting
- Intake and overboard valve inspection, cleaning and repairs
- Keel cooler repair
- Ladder A-frame structural steel repair, cleaning and painting
- Ladder inspection, cleaning and repairs
- Suction pipe rotation and repairs

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NAVIGATION

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- Relocation of suction piping valves
- Spud gantry frame repair, cleaning and painting
- Foredeck modifications
- Bulkhead installations
- Replacement of spud keeper wear plates
- Hull plate examination and testing

However, in this year's dry docking contract, Vigor will also perform certain hull modifications that are required as part of the Dredge *Oregon* Repower project.

Dredge *Oregon* on Dry Dock in 2012



SCHEDULE

Design	January 2013 – June, 2013
Advertisement	July 22, 2013 to August 21, 2013
Commission Approval	September 2013
Dry Docking	November 1, 2013 – December 13, 2013

PROJECT BID

Vigor's bid was as follows:

Vigor Marine, LLC	\$3,356,880
Engineer's Estimate	\$2,845,700

PROJECT RISKS

Risk: ACOE requiring that the Dredge *Oregon* continue channel maintenance dredging during the project performance period

Mitigation Strategy: Develop contingency plan to delay award of contract and work commencement

BUDGET

Vigor Marine, LLC Bid	\$3,356,880
Port Staff/Contracted Services	\$333,820
Contingency	<u>\$100,000</u>
Total Project	\$3,790,700

The contingency representing 1.5 percent of the project budget is considered reasonable given the potential of maintenance items and the risk profile for the project.

The project will be funded by the General Fund and, for that portion of the work that relates to the Dredge *Oregon* Repower project, a commercial loan. Project costs are reimbursable under the Port's contract with the ACOE, as discussed above.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to award a shipyard services contract for the Dredge *Oregon* Dry Dock 2013 project to Vigor Marine, LLC, 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.

REFINANCING OF THE RAMP BARGE LEASE

September 11, 2013

Presented by: Rob Schultz
Senior Financial Analyst

EXECUTIVE SUMMARY

This agenda item requests approval to enter into various agreements with Banc of America Leasing & Capital, LLC (B of A), to refinance the Port of Portland's (Port) heavy-duty equipment ramp barge lease.

BACKGROUND

The Port's Navigation department uses the ramp barge to transport heavy equipment to the job site as part of the Port's dredging activities under its channel maintenance contract with the U.S. Army Corps of Engineers (ACOE). In 2009, the Commission authorized the Port to enter into construction and financing agreements to build and fund, respectively, the current ramp barge. The 2009 financing agreement included a Governmental Lease-Purchase Agreement and related Escrow Agreement with Wells Fargo Brokerage Services, LLC (the Wells Fargo Lease), in the amount of \$3,217,739. The Wells Fargo Lease is for a 10-year term at a 6.65-percent interest rate. The ACOE reimburses the Port for its \$37,661 monthly payments under the Wells Fargo Lease. To date, the Port has made 48 payments on the Wells Fargo Lease. The outstanding principal amount is \$2,283,797.

Heavy-Duty Equipment Ramp Barge



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FINANCING DOCUMENTATION

Because interest rates have decreased since 2009, in July 2013, the Port engaged its outside financial advisory consultant to request competitive proposals from lenders interested in refinancing the remaining obligation under the Wells Fargo Lease at a lower interest rate. The Port received proposals in August from the following four lenders:

- Banc of America Leasing & Capital, LLC
- Holman Capital Corporation
- Umpqua Bank Equipment Lease & Finance
- U.S. Bancorp Government Leasing and Finance, Inc.

Port staff evaluated all proposals based on criteria including interest rate, qualifications, collateral requirements and ease of refinancing. Upon evaluation, the Port determined that the financing package proposed by B of A best serves the Port's interests and is the least-cost option for the Port. B of A is a subsidiary of Bank of America, NA.

The financing documentation proposed by B of A includes a six-year lease term at a fixed interest rate of 2.82 percent. The total amount financed will be up to \$2,329,297, to pay off the remaining amount of the current lease and cover refinancing costs. The monthly payment under the loan will be \$35,203 for 72 months, with payments totaling \$2,534,640.

In May 2013, the Commission authorized the Port to enter into a Master Installment Purchase Agreement and various related agreements with B of A, to finance a portion of the Port's expenses for its Dredge *Oregon* Repower project. This refinancing will be documented using the same master agreement, which should enhance transaction efficiency. Negotiated terms specific to the ramp barge refinancing, including the collateral structure, are substantially similar to the Wells Fargo Lease terms. The key refinancing documents are as follows:

- Master Installment Purchase Agreement (existing)
- Schedule of Property No. 2 (identifies the ramp barge as the second asset financed under the Master Installment Purchase Agreement)
- Assignment of Vessel Insurance Policies
- Certificate of the Port as to No Liens
- UCC Financing Statement

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REIMBURSEMENT BY ACOE

The ACOE has been reimbursing the Port for lease payments made under the Wells Fargo Lease and has indicated its willingness to reimburse the Port's costs to refinance the Wells Fargo Lease. In the event ACOE reimbursements or other sources of repayment are not available, the Port would fund ramp barge financing payments from the General Fund.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given for the Port of Portland to enter into the financing documentation described in this agenda item with Banc of America Leasing & Capital, LLC, for the aggregate amount up to \$2,329,297 to refinance the existing ramp barge lease; and

BE IT FURTHER RESOLVED, That the Executive Director or his designee is authorized to execute and deliver the documents necessary to obtain the financing described above, in forms approved by counsel, including without limitation Schedule of Property No. 2 under the existing Master Installment Purchase Agreement, an Assignment of Vessel Insurance Policies, a Certificate of the Port as to No Liens, and a UCC Financing Statement.

DISCUSSION OF FISCAL YEAR 2012-2013 EXECUTIVE DIRECTOR PERFORMANCE AND
ADOPTION OF FISCAL YEAR 2013-2014 EXECUTIVE DIRECTOR PERFORMANCE GOALS

September 11, 2013

Presented by: Jim Carter
Commission President

Attached are the Commission approved Fiscal Year 2012-2013 Executive Director Performance Criteria and the proposed Fiscal Year 2013-2014 Executive Director Performance Goals.

It is recommended that the Commission review and establish the Fiscal Year 2013-2014 Executive Director Performance Goals.

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 Goals to be used for Fiscal Year 2013-2014.

**2012-2013
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

- Grow revenues and support Port's mission via existing and new services and other opportunities
- Maintain and grow service to target markets (air and marine)
- Increase utilization of existing terminal capacity (air and marine)

Be a Regional Leader in Industrial Land Acquisition and Development

- Establish stronger regional leadership around industrial land acquisition and development
- Optimize Port's existing land/assets (strategic value and/or financial return)
- Ensure use of industrial land for intended strategic purposes

Sustainable Financial Model

- Establish financial management policies that ensure a sustainable Port operating model (regardless of external variables)
- Manage all Port assets and investments to the highest reasonable rate of return
- Ensure that all Port activities and investments are strategically aligned and efficiently managed
- Analyze and implement process improvements that lead to both efficiency and organizational effectiveness

Port-wide Environmental Strategy

- Create an environmental strategy that optimizes environmental resources according to Portwide and business line priorities
- Implement environmental activities required to comply with legal and contractual requirements and to meet strategic priorities of the business lines

Regional Leadership in Transportation Infrastructure

- Advocate for regional transportation infrastructure that meets regional and customer needs for efficient/effective goods movement
- Develop a plan for transportation infrastructure development that supports the Port's ability to grow and fulfill its vision/strategy

Strengthen the Port's Culture as a Strategic Asset

- Provide a safe, healthy and diverse work environment for employees
- Strengthen a culture of agility, responsiveness, customer focus and continuous improvement
- Retain talent and intellectual property necessary to implement the Port's vision and strategy
- Improve operating effectiveness through a strong, unified Port working culture
- Ensure alignment of people systems and management to strategic priorities and plans

- DRAFT -

**2013-2014
PERFORMANCE GOALS
EXECUTIVE DIRECTOR**

The role of Executive Director is to balance the normal competing tensions between the following goals 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, TRIP, Gresham Vista, PIC, Swan Island, PIC
- 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