

MINUTES
REGULAR COMMISSION MEETING
THE PORT OF PORTLAND
September 8, 2010

In response to due notice, the regular meeting of the Commissioners of the Port of Portland was held at 9:30 a.m. in the Chinook conference room of the Port's administrative offices located at 7200 NE Airport Way.

QUORUM

Commissioners present were Judi Johansen, President, presiding; Peter Bragdon; Jim Carter; Steve Corey; Diana Daggett; Bruce Holte and Paul Rosenbaum. Also present were Bill Wyatt, Executive Director; participating staff members; and members of the public.

LEAVE OF ABSENCE

Commissioner Johansen called for a motion to grant a leave of absence to Commissioners Allen and Olson, as they were out of town. Commissioner Rosenbaum moved to grant the leave of absence. Commissioner Daggett seconded the motion, which was put to a voice vote. Commissioners Bragdon, Carter, Daggett, Holte, Johansen and Rosenbaum voted in favor of the motion. Commissioner Corey was not present for the vote.

MINUTES

Commissioner Johansen called for a motion to approve the minutes of the Regular Commission Meeting of August 11, 2010. Commissioner Bragdon moved to approve the minutes. Commissioner Corey seconded the motion, which was put to a voice vote. Commissioners Bragdon, Carter, Corey, Daggett, Holte, Johansen and Rosenbaum voted in favor of the motion.

EXECUTIVE DIRECTOR'S REPORT

Bill Wyatt noted the Executive Directors' formal report is contained in the Commission packet and will become an official part of the record. Mr. Wyatt said we had a slow start to the construction season due to the weather, but we have seen some real progress this summer. He said the North Runway Extension (NREX) project will wrap up in October. He noted it has been long and challenging but very important work for us because as soon as the NREX project is complete, we can begin the rehabilitation of the South Runway. Mr. Wyatt said this key piece of infrastructure is what allows us to continue successfully operating wide-body aircraft, the type used for international flights and cargo.

Mr. Wyatt said the Oregon Transportation Commission has approved the Connect Oregon III grants. He said the Port did very well and received about 20 percent of the overall resources dedicated to Port projects. Mr. Wyatt said the number one project on the list is the grant to repower the Dredge Oregon. He said this is one of the most important pieces of infrastructure in our state because it maintains the Columbia River navigation channel. Mr. Wyatt said the Dredge Oregon also is the number one carbon-emitting source owned by the Port, so repowering it will make a dramatic impact on our own carbon footprint while allowing us to continue to provide service to the U.S. Army Corps of Engineers years into the future. Mr. Wyatt said we were very pleased with our Connect Oregon awards and it is satisfying to see so many people support the Port for these regional transportation infrastructure projects.

Mr. Wyatt said passenger traffic at the airport remains essentially flat. He said we have seen a slight increase in seat capacity, which is important if we are going to experience any other capacity increases, because the planes are full. Mr. Wyatt said the only way we will see a significant increase in passenger activity is if we see an improvement in the economy and more seats in the market.

Mr. Wyatt said both the Tokyo and Amsterdam routes are doing exceptionally well. He said he, along with Steve Schreiber, David Zielke and Rick Aizawa, met with Delta in Atlanta to discuss the range of their business in Portland, but in particular the Tokyo and Amsterdam routes. He said they are very pleased with the business. There is a strong showing on both routes and we have been able to establish an excellent relationship with Delta.

Commissioner Johansen asked about the passenger composition of the Tokyo and Amsterdam flights. Mr. Wyatt said the big companies, such as Intel, Nike and Columbia Sportswear, who have an international footprint, provide the backbone of support for those services. He said there is a long list of companies going to various points within and beyond Tokyo and Amsterdam. Mr. Wyatt said there are also passengers who are going to Asia and Europe for leisure travel, but the composition of travel has changed a bit due to the recession, and for the most part, the bulk of the travel is for business.

Mr. Wyatt said the Justice Department has approved the merger between Continental and United. He said it is unclear how long it will take to merge the brands, but most likely it will be a year or so. Mr. Wyatt said United signed the new airline agreement, but Continental did not, which means Continental will most likely move to United's space. Mr. Wyatt said consolidation is going to continue to be part of the industry, and what this means in the ticket lobby is that we will have some empty space and we will have to start thinking about what to do with it.

Commissioner Carter said the effort made to keep Delta and others here was very significant and to the Port's credit. He said that having traveled around the country and knowing those airlines are pulling out of other locations, it is important that we retain that service.

Bill Wyatt said it is a dicey time right now but his hat is off to the many private companies who have stepped up and become part of the team to make commitments to the carriers to use them, because it has paid off.

Commissioner Johansen said that is her sense of it and we sometimes take for granted the impact that these big companies have on our community. She said keeping us connected globally is so valuable and it does make a difference to our region to have the two international nonstop flights.

Mr. Wyatt said Aviation Maintenance has achieved SHARP certification. SHARP is the Safety and Health Achievement Recognition Program run by Oregon Occupational Safety and Health Agency (OSHA), which recognizes employers who operate an exemplary safety and health management system. He said acceptance into SHARP by OSHA is an achievement of status that singles us out among other businesses as a model for worksite safety and health.

Mr. Wyatt said Airports Council International – North America has notified us that we will receive this year's Education and Community Outreach Award for the Airport Futures program. He said he is sorry Commissioner Olson is not here to get the news directly because this is an extraordinary achievement. He said when we began his effort, it was incredibly contentious and the prospects for a successful outcome were by no means assured. He said this is an enormous achievement and praised the staff for excellent work.

Mr. Wyatt said the new inline baggage screening system is nearing a major milestone when half of the system goes live in October. He said we anticipate implementation of the new Advanced Imaging Technology (whole body scanners) at PDX this fall.

Mr. Wyatt said we are preparing for the Series 20 Bond issue and will be meeting with Standard & Poor's next week. He said we are cautiously optimistic about retaining the AA- rating on our Airport Revenue Bonds. Mr. Wyatt noted we currently have one of the highest ratings for airport revenue bonds in North America.

Commissioner Johansen called for a motion to approve the Executive Director's Report. Commissioner Daggett moved to approve the Executive Director's Report. Commissioner Holte seconded the motion, which was put to a voice vote. Commissioners Bragdon, Carter, Corey, Daggett, Holte, Johansen and Rosenbaum voted in favor of the motion.

GENERAL DISCUSSION

2009-2010 Environmental Performance

Dorothy Sperry, Environmental Affairs Manager, reviewed the Port's performance for the 2009-2010 environmental objectives: water resources, natural resources, energy management, air quality and waste minimization. Ms. Sperry briefly discussed the targets for each objective. She said the Port completed six of the thirteen environmental targets and partially completed seven, and noted we exceeded five of our targets.

Commissioner Daggett said she was impressed with the breadth of the report and all of the various elements of environment responsibility that are incorporated into how the Port conducts business. Commissioner Carter said he, too, was impressed with the Port's environmental program. He said it demonstrated the variety of different activities that the Port is involved in as a business and creates an opportunity for learning from both the corporate and public sector.

ACTION ITEM

Agenda Item No. 1

OFFICE LEASE – GENERAL SERVICES ADMINISTRATION – PORTLAND INTERNATIONAL AIRPORT

This agenda item requested approval to enter into a new lease with the General Services Administration for lease of office space to support the Transportation Security Administration operations in the State of Oregon and at Portland International Airport.

Ken Anderton presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That approval is given to enter into a new lease with the General Services Administration, on behalf of the Transportation Security Administration, for lease of office space in the terminal building at Portland International Airport, on the terms and conditions described herein; 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.

Commissioner Holte moved that the Executive Director's recommendations be approved. Commissioner Carter seconded the motion, which was put to a voice vote. Commissioners Bragdon, Carter, Corey, Daggett, Holte, Johansen and Rosenbaum voted in favor of the motion.

Agenda Item No. 2

PUBLIC HEARING AND ENACTMENT OF ORDINANCE NO. 435-B TO ISSUE PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS, SERIES TWENTY

This agenda item requested approval of Ordinance No. 435-B to authorize the sale of Portland International Airport Revenue Bonds, Series Twenty. Up to \$130 million aggregate principal amount of bonds may be issued to fund capital projects in the Airline Cost Center. Additionally, Ordinance No. 435-B authorizes the issuance of bonds to fund the Senior Lien Bonds Reserve Account, capitalize interest, pay costs of issuance, and to refund the outstanding Series 12A, 12B and 12C revenue bonds. Ordinance No. 435-B also contains approval to defease the Series 1999B Passenger Facility Charge (PFC) Revenue bonds with available PFC funds.

Sugie Joseph presented the Executive Director's recommendations as follows:

1. That Ordinance No. 435-B, in the form presented to the Port of Portland Commission, be read by title only; and
2. That a public hearing be held prior to adopting Ordinance No. 435-B in accordance with Section 147(f) of the Internal Revenue Code of 1986, as amended; and
3. That the proposed Ordinance No. 435-B, in the form presented to the Port of Portland Commission, be enacted by a roll call vote.

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 HEARING

Commissioner Johansen opened a public hearing for purposes of taking testimony on the proposed Port of Portland Ordinance No. 435-B.

Hearing no testimony, Commissioner Johansen asked Ms. Joseph to read Ordinance No. 435-B by title only. Commissioner Johansen closed the public hearing.¹

A roll call vote was taken and all Commissioners present (Commissioners Bragdon, Carter, Corey, Daggett, Holte, Johansen and Rosenbaum) voted in favor of enacting Ordinance No. 435-B.

Agenda Item No. 3

FISCAL YEAR 2009-2010 EXECUTIVE DIRECTOR PERFORMANCE REVIEW AND FISCAL YEAR 2010-2011 EXECUTIVE DIRECTOR PERFORMANCE CRITERIA

Commissioner Johansen said she is pleased to present today the annual review of the Port's Executive Director, Bill Wyatt. She said the Port is a 750-employee, 24/7 operation with more than \$1.6 billion in transportation infrastructure and real estate assets and \$240 million in annual

¹Commissioner Johansen "assumed a motion" for this action, as permitted without a second and with no objection. See Roberts Rules of Order Interpretation 2007-1 on Roberts Website.

revenues. She noted that 97 percent of our revenues are generated by business transactions. Commissioner Johansen said as such, the Executive Director position is one of the most critical

leadership positions in our state, both as a provider of essential infrastructure and as an economic engine in its own right. She said the Commissioners take their responsibility of reviewing the Executive Director's performance very seriously.

Commissioner Johansen noted the Port is a special district of the state, collecting about three percent of our revenues from property taxes. She said it is our responsibility to the public to ensure that the Port is operated at the highest levels of productivity, professionalism and profitability and that the Executive Director of the organization is compensated appropriately for the leadership that he provides.

Commissioner Johansen reviewed the goals that were established last year for Mr. Wyatt in 10 key areas:

- Leadership and Governance
- One Port
- Marine
- Industrial Land Acquisition and Development
- Aviation
- Environmental
- Security
- Workforce Practices
- Information Technology and
- Financial Viability

Commissioner Johansen reviewed Mr. Wyatt's performance in these key areas acknowledging the tremendous effort the organization has made to innovate and to stay financially viable during one of the worst recessions in our history.

Commissioner Johansen said Mr. Wyatt excelled in the area of Leadership and Governance. He continued to lead the Port in the aftermath of difficult cost-cutting and cost-avoidance measures that, in the end, have proven to be not only prudent, but to have been extremely successful in saving jobs while positioning the Port for recovery. She said these measures included a 15-month furlough program, which resulted in a 10-percent cut in his own pay, a 6-percent cut in directors' compensation and a 4.6-percent reduction in administrative employee compensation. She said Mr. Wyatt also made other cuts in materials and personal services budgets (including bargaining units) and all of this saved about 40 full-time positions.

Commissioner Johansen said in the area of One Port, the Commission asked Mr. Wyatt to focus on building a stronger, more cohesive leadership team that would increase collaboration among the Port's business units and to deliver anticipated results on one of our biggest projects, HQP2. She said Mr. Wyatt continued to work with his team on reinvigorating the Port's strategic plan. New areas of discussion and concentration included the Port's defensible position, refinement of the strategic areas of focus and added clarity around the strategic priorities. Commissioner Johansen said the new building is perhaps the most remarkable success. Not only was the project delivered on time and on budget, it is a showcase for true sustainability, and financially has already reduced operating costs.

Commissioner Johansen said on the Marine side of the business, it has been a challenging year, but one of great successes. She said the Terminal 6 (T-6) initiative, one of the largest transactions in the history of the Port, was successfully completed in the form of a long-term

lease with the fourth-largest independent container terminal operator in the world, ICTSI. The company plans to double volumes at T-6 in the next five years – positioning our region to be a leader in the President’s goal to double U.S. exports. Commissioner Johansen said the channel deepening wraps up in just few months and we have a new steamship service to Japan with Westwood.

Commissioner Johansen said one area that needs added attention is policy development related to our working harbor. She said the Port was less than successful this year in mitigating the effects of the new River Plan. As we move into other policy challenges such as the annexation of West Hayden Island, we will need to work even harder to communicate the importance of our maritime industries to the local, regional, state and national economy.

Commissioner Johansen said on the Industrial Lands side of things, the FedEx Ground facility is up and running in Troutdale Reynolds Industrial Park (TRIP) and will ultimately provide 1,000 jobs and \$1.3 million in taxes, including \$383,000 annually to the City of Troutdale alone. Commissioner Johansen noted that the infrastructure, recreational trails and environmental improvements at TRIP are largely complete, marketing of other parcels is proceeding and new state funding was secured for the I-84 interchange improvements.

Commissioner Johansen said on the Aviation side of the business, we saw the addition of one new international destination and two domestic destinations. She said it was also an exceptional year for bringing in high-quality concessionaires to PDX and Mr. Wyatt successfully completed a challenging new airline agreement. Commissioner Johansen said following the innovative carrier retention agreement with Delta, service to Tokyo has been extended and creative marketing programs have helped strengthen the Amsterdam flight. Commissioner Johansen said the Airport Futures project is now nearing completion and, though there have been a few stumbling blocks, the process has been highly regarded internally and externally with our stakeholders and resulted in a unanimous endorsement from committee members.

Commissioner Johansen said moving forward, Mr. Wyatt will need to closely monitor the continuing effect of the economic downturn on aviation operations and revenues as well as his staff’s performance on key capital projects. She said parking revenues are down \$1 million from budget, we lost Lufthansa and Air China Cargo and the North Runway Extension Project required a budget revision and is slightly behind schedule.

Commissioner Johansen said our Environmental Programs continue to demonstrate a real commitment to sustainable business practices. This year, Mr. Wyatt’s team achieved the majority of the objectives and targets in the Environmental Management System plan and joined several key initiatives including the Governor’s Columbia River Clean Diesel Project, the Climate Registry, and a consortium of airports and businesses working together to promote aviation bio-fuel development.

Commissioner Johansen said security is always a priority here at the Port, and this year Mr. Wyatt’s team worked to improve many processes and procedures in both aviation and marine security and our relationship with TSA continues to be solid and productive.

Commissioner Johansen said in the area of workforce practices, a number of key initiatives moved forward including succession planning, an expanded diversity program, new learning and development courses and an extensive Request for Proposal process for health and insurance programs that helped reduce costs. Commissioner Johansen said the Port continues

to move forward on its Safety and Health Achievement Recognition Program certification. She said continued emphasis needs to be placed on workforce safety, however. After a less-than-satisfactory safety report on several projects, a new process for reviewing incidents with top management was created. She said this focus on safety must continue and improve.

Commissioner Johansen said that in the area of information technology, which can represent significant investment, Mr. Wyatt's team cost-effectively implemented a number of important upgrades.

Commissioner Johansen said financial viability is perhaps the most critical and challenging responsibility of the Port's Executive Director and will continue to be so in the coming year. She said under Bill's leadership, the Port has done exceptionally well in this area by maintaining a stand-alone, AA- rating, securing nearly \$40 million in federal and state monies for key projects such as channel deepening. She said all of this is not to say that there have not been financial challenges and underperformance of goals – only one of the three Port employee bonus financial targets were met mostly due to continuing recessionary impacts.

Commissioner Johansen said that, all in all, this has been an outstanding year for Mr. Wyatt and for the Port of Portland. She said in light of these accomplishments, she is recommending a rating of "Exceptional" and a 7 percent salary increase. She said this would bring Mr. Wyatt's base salary to \$320,893. Commissioner Johansen said she is also recommending a 9.74-percent bonus in the amount of \$29,210.

Commissioner Holte thanked Mr. Wyatt for his outstanding leadership. He said Mr. Wyatt is recognized by marine customers as a business partner and a friend. He said what Mr. Wyatt pulled off during the recession was nothing short of a miracle.

Commissioner Carter said leadership is the critical component to this job and Mr. Wyatt has done a very good job of that. He said during his time on the Commission, the managers' group has impressed him, and that is a direct result of good leadership. Commissioner Carter said we are in the unique position of being a quasi-public entity. Being a business that wears a state hat is a tough mix and we could do a better job explaining to the community what we do, what our job is, and all the great things that we do as the public's representative.

Mr. Wyatt thanked the Port Commission. He said it takes an entire organization to "raise" an executive director and the Port's many accomplishments are a direct reflection of the organization's hard work and sacrifices. Mr. Wyatt said none of the accomplishments deserve to have his name alone attached to them because it takes such an enormous effort to move the ball forward in an enterprise as large and vast and complex as ours. Mr. Wyatt said at the end of the day, it comes down to the people who make the difference and the people of the Port make a huge difference in this community. He said there is hardly a day that goes by when he does not wake up feeling incredibly fortunate and blessed to have the job that he does and work with the people that he does.

Mr. Wyatt said he appreciates the financial recognition; it is one of the ways to keep score regarding how well we are doing and the increase in salary is a reflection of the marketplace and the work that our own Human Resources department does in terms of evaluating comparable

positions in comparable markets. Mr. Wyatt said he also appreciates the bonus because he knows it is a reflection of the Commissions' assessment of him and his value to the organization, but he will decline the bonus this year. He said a bonus is something that people would see as a symbol of the organization's business looking up; however, we have a challenging year ahead of us, and he does not want anyone to think we are out of the woods yet.

Commissioner Johansen said the Commission feels Mr. Wyatt earned his bonus, but they respect his decision. She said it is important to note that the base salary increase of 7 percent will position Mr. Wyatt at around 84 to 85 percent of the median salary for his position. As Mr. Wyatt is still below the median, it is the Commissioners' preference in the future to move him toward 90 to 95 percent of the median as a base.

Following the presentation of Mr. Wyatt's performance review, Commissioner Johansen presented the formal agenda item to review and establish the Fiscal Year 2010-2011 Executive Director Performance Criteria.

Commissioner Johansen said the Commission Officers discussed the need for additional discussions relative to the weighting of the criteria.

Commissioner Johansen presented her recommendation as follows:

BE IT RESOLVED, That the Port of Portland Commission adopt the Executive Director Performance Criteria to be used for Fiscal Year 2010-2011.

Commissioner Holte moved that the Commission President's recommendations be approved. Commissioner Rosenbaum seconded the motion, which was put to a voice vote. Commissioners Bragdon, Carter, Corey, Daggett, Holte, Johansen and Rosenbaum voted in favor of the motion.

The meeting adjourned at 11:21 a.m.

President

Assistant Secretary

Date Signed

A complete audio recording of these proceedings and the full Commission agenda is available by contacting the Port of Portland administrative offices, 7200 N.E. Airport Way, Portland, Oregon 97218.