

MINUTES
REGULAR COMMISSION MEETING
THE PORT OF PORTLAND
April 10, 2013

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 Jim Carter, President, presiding; Peter Bragdon; Tom Chamberlain; Steve Corey; Diana Daggett; Linda Pearce; Paul Rosenbaum and Tom Tsuruta. Also present were Bill Wyatt, Executive Director, participating staff members and members of the public.

Commissioner Carter noted that this would be Commissioner Corey's last meeting. He said the Governor has appointed Commissioner Corey's replacement, Bob Levy.

LEAVE OF ABSENCE

Commissioner Carter called for a motion to grant a leave of absence to Commissioner Holte who was out of town. Commissioner Daggett moved to grant the leave of absence. Commissioner Bragdon seconded the motion, which was put to a voice vote. Commissioners Bragdon, Carter, Chamberlain, Corey, Daggett, Pearce, Rosenbaum and Tsuruta voted in favor of the motion.

MINUTES

Commissioner Carter called for a motion to approve the minutes of the Special Commission Meeting held February 12, 2013. Commissioner Tsuruta moved to approve the minutes. Commissioner Bragdon seconded the motion, which was put to a voice vote. Commissioners Bragdon, Carter, Chamberlain, Corey, Daggett, Pearce, Rosenbaum and Tsuruta voted in favor of the motion. Commissioner Carter also called for a motion to approve the minutes of the Regular Commission Meeting of March 13, 2013. Commissioner Daggett moved to approve the minutes. Commissioner Bragdon seconded the motion, which was put to a voice vote. Commissioners Bragdon, Carter, Chamberlain, Corey, Daggett, Pearce, Rosenbaum and Tsuruta voted in favor of the motion.

EXECUTIVE DIRECTOR'S REPORT

Bill Wyatt said that his formal Executive Director's report is included in the agenda materials that are sent out prior to the Commission meeting and recaps the prior month's activities.

Mr. Wyatt thanked Commissioner Corey and said he appreciates his level of engagement with our stakeholders over the past ten years. He said Commissioner Corey's advice and counsel will be missed.

Mr. Wyatt noted Judge Simon has issued his order dismissing the International Longshore and Warehouse Union (ILWU) lawsuit against each of the Commissioners and himself with prejudice, which means there is nowhere for the ILWU to go on that particular claim. Mr. Wyatt said the opinion was well written; it is a legal opinion on one hand, but it's also Judge Simon's own analysis of what is happening.

Mr. Wyatt said that we had a great Gateway to the Globe event and it was well attended. He said our keynote speaker, Lorrie Vogel, General Manager of Sustainable Product Research and Discovery Team at Nike, did an outstanding job and gave a great presentation on Nike's approach to manufacturing in the 21st century, sustainability and where they are headed. He said that her presentation was thoughtful and thought-provoking.

Mr. Wyatt said construction on the South Runway starts this month to repair the damage done after a military jet's tire failed, causing its landing gear to scrape the runway. He said flights will increase over some airport neighborhoods during the south runway closure, because many aircraft that would normally use the south runway will temporarily use the north or crosswind runways. Mr. Wyatt said another impact of the closure will be that Asiana Air Cargo will be diverting and trucking cargo to Seattle. He said they need the full 11,000 feet to land and take off, which they cannot do on the North Runway.

Mr. Wyatt said the Troutdale tower closure has been delayed until June 15. He said the tower closure is the one impact of the sequestration that will be the greatest impact at the Port because it will cause the tower at PDX to give leeway to arriving and departing aircraft at Troutdale, meaning it will affect capacity at PDX. Mr. Wyatt said should the Troutdale tower close, we are contemplating litigation, at the very least, to slow this down so that the Federal Aviation Administration can give due consideration to the potential safety impacts at PDX.

Mr. Wyatt said American Airlines is adding new service to Chicago. He said they will operate the service with new Boeing 737-800 aircraft, which represents 300-plus daily seats and will provide tremendous connectivity to American's network. Mr. Wyatt said additionally, they will be increasing their Dallas-Fort Worth frequencies for the summer representing an additional 150 plus seats during our peak travel season.

Mr. Wyatt said Portland will host more than 200 airport executives at the 2013 Airports Council International-North America Economic and Human Capital Conference April 22 through 24. He said the Port will sponsor the Monday evening reception and provide a tour of the HQ and PDX concessions program.

Mr. Wyatt said the Washington Senate Transportation Committee released their proposed budget and it contains more than \$80 million for the Columbia River Crossing project. He said they still need to do some work to get to the \$450 million needed, but this is headed in the right direction and a lot of people are focused on how to make this project successful.

Mr. Wyatt noted the news reports about the ongoing challenges on the waterfront in Portland. He said there are many things going on and the Port is most directly affected by the ongoing slowdown at Terminal 6. He said you can point fingers at who is at fault, but ICTSI is trying to recover those costs by reducing their own expenses which are primarily labor, and by increasing revenue.

Mr. Wyatt said the carriers calling Terminal 6 are not uniquely in a subset of the global carrier industry that is losing billions of dollars, so the pressure they feel to resist any increase in cost is tremendous. He said Japanese and Chinese carriers reported substantial losses last year in their liner divisions, so they are not excited about the prospect of higher terminal costs in Portland. He said the other force out there is that all carriers are looking at ways of reducing their incremental costs, and one way is to introduce larger vessels. Mr. Wyatt said that will cause a cascading effect to larger vessels in other trade lanes. He said there are limits on the Columbia River, both in terms of depth and air draft in Longview and at our own terminals with the cranes.

Mr. Wyatt said the struggles we are encountering in the container industry clearly started with the labor challenges, but there are other forces at work and we are doing everything we can to try to mitigate those and to continue what has been a great run in Portland.

Mr. Wyatt said on the grain front, Columbia Grain continues to operate efficiently. He said they implemented their last best offer and appear to be operating successfully without any incidents. He said in Vancouver, United Grain is operating the terminal themselves without ILWU labor. He said there have been some conflicts between ILWU and the river pilots. Mr. Wyatt said the river pilots are obligated to cross the picket lines, which has created some conflict. Mr. Wyatt said this is all in anticipation of the renegotiation of the master West Coast ILWU contract in 2014, so this won't be his last report on this topic.

Commissioner Carter said the Gateway to the Globe was a great event. He said a lot of hard work went in to prepare for the event, and it is a great opportunity for us to communicate to the public what it is we do and how we go about doing it.

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

PORT OF PORTLAND COMPASS AWARD

Commissioner Carter said he is honored to present the 2012 nomination for the annual Port of Portland Compass Award. He said the Port initiated the Compass Award program in 2006 to recognize the contributions of community individuals and entities that have demonstrated exceptional support for the Port of Portland.

Commissioner Carter said Compass Award recipients serve as civic and/or corporate role models through their outstanding contributions to the Port and the communities we serve. Recipients can be recognized for overall support of the Port or any of its business units (aviation, marine, etc.). He said past recipients have included Randy Miller, an outspoken economic development advocate, Toyota Motor Sales, Inc., U.S.A., Inc., Nike executive and International Air Service Committee co-chair Ted Cullen, Bill Furman, President and CEO of Greenbrier Companies and statesman and business leader, Gerry Frank.

Commissioner Carter said this year we have nominated Alaska Air Group and then read the attached resolution.

Commissioner Carter called for a motion to adopt the Resolution of Commendation and Appreciation to Alaska Air Group for service to the Port of Portland and the Portland regional economy. Commissioner Carter moved to adopt the Resolution. Commissioner Bragdon seconded the motion, which was put to a voice vote. Commissioners Bragdon, Carter, Chamberlain, Corey, Daggett, Pearce, Rosenbaum and Tsuruta voted in favor of the motion.

Commissioner Carter asked Carol Sim, Environmental Director for Alaska Air Group, to step forward to accept the award.

GENERAL DISCUSSION**Citizen Noise Advisor Committee Annual Report**

Maryhelen Kincaid, Chair of the PDX Citizen Noise Advisory Committee (CNAC) provided an overview of CNAC, including their mission and role, as well as their membership. She said CNAC's tag line is "Advocates for the Community and Advisors to the Port." Ms. Kincaid said the quote "Coming together is the beginning; Keeping together is progress; Working together is success" best explains what CNAC does and how they do it.

Ms. Kincaid briefly discussed the group's accomplishments for 2012. She said it was a "quiet" year for noise; there weren't any big events and that was primarily because they have been able to build relationships in the community and work with the Port on issues. Ms. Kincaid said they participated in over 100 neighborhood meetings and community events in both Oregon and Washington.

Ms. Kincaid discussed CNAC's plans for 2013, which include expanding collaboration with Port staff to enhance outreach and education efforts; encouraging collaboration between the Port and the community in addressing community noise impacts; identifying and employing strategies to better serve the public and continuing the support of the PDX Community Advisory Committee to ensure noise impacts are not considered a key component to sustainability.

Commissioner Carter thanked Ms. Kincaid and said he is always astounded by how effective she is at communicating and the communications she has developed. Commissioner Rosenbaum said he has been impressed with Ms. Kincaid's work and how effective she and the committee are.

Mr. Wyatt said there are some realities in the operation of an airport, which is that airplanes make noise. He said while we can't do a lot about that, there are things that can be done on the margins. Mr. Wyatt said the real value CNAC adds is in recognizing where they can be effective, being effective at that and communicating it. He said we owe a great debt of gratitude to Ms. Kincaid and her colleagues on CNAC.

GENERAL DISCUSSION AND PUBLIC HEARING**Fiscal Year 2013-2014 Proposed Budget and Economic Overview**

Cindy Nichol, Chief Financial Officer, provided a brief overview of the economic trends that drive the Port's budget. She said what the Commission will see through her presentation is that the economy is improving, although unevenly and slowly. Ms. Nichol said the aviation outlook is positive, and comprises 2/3 of our business. She said the general fund is more challenged, and makes up the remaining 1/3 of our business.

Ms. Nichol said we view FY13-14 as a "Year of Discovery" in which we need to see what happens with some of the major drivers of our revenues and costs, which are: Public Employees Retirement System costs, health care costs, ICTSI/Terminal 6 financial performance, land sales, and the Lower Willamette Superfund Site.

Ms. Nichol said as context for developing the budget, we assess the current and relevant economic trends and consult with outside authorities. She said we also take into account our Strategic Plan and the resources needed to execute the plan. Ms. Nichol said the theme of the US economic outlook is that we are recovering more slowly than we would like. She said there were some positive developments; we avoided the fiscal cliff and the housing and vehicle

markets are improving. Ms. Nichol noted the downside risk on the government sector side is the sequestration, and we are also facing the Federal debt ceiling battle. She said we have concerns about the impacts on our exports that may result from the stagnation we are seeing in Europe and the geo-political challenge we are seeing in South Korea.

Ms. Nichol said in Oregon we are seeing a slow and steady recovery. She said Portland is doing better than the rest of the State. Ms. Nichol said the experts believe we are poised for stronger growth if we can get through the next three months. She said positive indicators for the Oregon economy include: positive balance sheets for businesses, housing prices and stock markets are moving in the right direction, and delinquency on consumer debt is near record lows.

Ms. Nichol said international trade is a key driver of the Oregon economy as well as the health of the businesses of our tenants and users. She said we are almost back up to the pre-recession levels. She said we have stronger growth in exports overall, but there are some ups and downs. She noted we have mixed results with imports.

Ms. Nichol reviewed the industry trends for marine and aviation. She said marine volumes don't directly drive our revenues, and volumes for non-container cargo have never really driven our revenues directly. She said as she mentioned earlier, volumes do affect the health of our tenants. Ms. Nichol said we are seeing good signs for autos and soda ash, and we are looking for improvements with corn and soybeans.

Ms. Nichol said on the aviation side, the outlook is positive. She said PDX has been defying the national trend; the forecast for nationwide traffic is projected to be flat, but we are projecting a 1.5 percent increase at PDX. She said for air cargo, the growth will be less robust as cost-conscious customers use cheaper modes like trucking.

Ms. Nichol said the experts are cautiously optimistic about the Portland Metro industrial real estate trends in the next 12-18 months. She said the market continues to stabilize and we are seeing a positive net absorption. She said another good trend is that rents are increasing, and we are seeing all-time low interest rates, which are also helpful. Ms. Nichol noted we are finding that land sales are taking longer to materialize than expected due to the slow recovery of the market.

Ms. Nichol briefly discussed the Portwide budget assumptions. She reviewed the total Port operating revenues and expenses, as well as the budget summary for both Aviation and Marine and also Industrial Development.

Ms. Nichol said the next step is to request approval at the May 8, 2013 Commission meeting to submit the budget to the Tax Supervising and Conservation Commission.

PUBLIC HEARING PROPOSED BUDGET FOR FISCAL YEAR 2013-14

Commissioner Carter opened a public hearing for the purpose of taking testimony on the Proposed Budget for Fiscal Year 2013-14.

Hearing no comments, Commissioner Carter closed the public hearing and noted that no action was required at this time. The Fiscal Year 2013-14 proposed budget will be brought before the Commission at the May 8, 2013, meeting for action.

ACTION ITEMS

Agenda Item No. 1

CONCESSION LEASE – THE HOLLAND, INC. – PORTLAND INTERNATIONAL AIRPORT

This agenda item requested approval to enter into a new concession lease with The Holland, Inc. (Burgerville), for a hamburger restaurant at Portland International Airport.

Shane Andreasen presented the Executive Director’s recommendations as follows:

BE IT RESOLVED, That approval is given to enter into a new concession lease with The Holland, Inc., for a restaurant at Portland International Airport, consistent with the terms presented to the Commission; and

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

Commissioner Carter called for a motion to approve the Executive Director’s recommendations. Commissioner Chamberlain moved that the Executive Director’s recommendations be approved. Commissioner Rosenbaum seconded the motion, which was put to a voice vote. Commissioners Bragdon, Carter, Chamberlain, Corey, Daggett, Pearce, Rosenbaum and Tsuruta voted in favor of the motion.

Jeff Harvey, President and CEO of Burgerville, said this is an uncommon opportunity for Burgerville. He said they have been around for 52 years and their commitment precedes them in terms of who they are and what they stand for. Mr. Harvey acknowledged the Port and the team behind the agreement; the experience they have had working with the Port team is unparalleled.

Mr. Harvey said Burgerville has been working hard behind the scenes the last three years to step up to something bigger, and they see this partnership with the Port as that opportunity. He said they realize the audience is significant and the impact, in partnership with the Port, can also be significant. He said they are ready for the challenge and look forward to it.

Agenda Item No. 2

PUBLIC IMPROVEMENT CONTRACT – NORTH TERMINAL HEATING WATER UPGRADE – PORTLAND INTERNATIONAL AIRPORT

This agenda item requested approval to award a public improvement contract to Stettler Supply & Construction, to upgrade the north terminal heating water system at Portland International Airport. George Seaman presented the Executive Director’s recommendations as follows:

BE IT RESOLVED, That approval is given to award a public improvement contract for the North Terminal Heating Water Upgrade Project at Portland International Airport to Stettler Supply & Construction, 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.

Commissioner Carter called for a motion to approve the Executive Director's recommendations. Commissioner Corey moved that the Executive Director's recommendations be approved. Commissioner Bragdon seconded the motion, which was put to a roll call vote. Commissioners Bragdon, Carter, Chamberlain, Corey, Daggett, Pearce, Rosenbaum and Tsuruta voted in favor of the motion.

Agenda Item No. 3

PUBLIC IMPROVEMENT CONTRACT – NORTH APRON REHABILITATION PHASE 2 – PORTLAND INTERNATIONAL AIRPORT

This agenda item requested approval to award a public improvement contract to Kodiak Pacific Construction Co. for the rehabilitation of the North Apron and associated existing infrastructure at Portland International Airport.

Jim McGinnis presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That approval is given to award a public improvement contract to Kodiak Pacific Construction Co. for the North Apron Rehabilitation Phase 2 project at Portland International Airport, 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.

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

Agenda Item No. 4

PUBLIC IMPROVEMENT CONTRACT – REPLACE CARGO DISTRIBUTION CENTER WAREHOUSE ROOF – TERMINAL 6

This agenda item requested approval to award a public improvement contract to McDonald & Wetle, Inc., to re-roof the Cargo Distribution Center at Marine Terminal 6. The work includes a new 20-year roof membrane on the 200,000-square-foot warehouse, seismic upgrades and fall protection safeguards.

David Dittmer presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That approval is given to award a public improvement contract for the Replace Cargo Distribution Center Warehouse Roof Project at Terminal 6 to McDonald & Wetle, Inc., 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.

Commissioner Carter called for a motion to approve the Executive Director's recommendations. Commissioner Daggett moved that the Executive Director's recommendations be approved.

Commissioner Chamberlain seconded the motion, which was put to a voice vote. Commissioners Bragdon, Carter, Chamberlain, Corey, Daggett, Pearce, Rosenbaum and Tsuruta voted in favor of the motion.

Agenda Item No. 5

LEASE – RC DISPLAY VANS – SWAN ISLAND INDUSTRIAL PARK

This agenda item requested approval to enter into a new lease with RC Display Vans for 1.84 acres of improved property located at 5420 N. Lagoon Avenue in the Swan Island Industrial Park. Property improvements include a 12,000-square-foot building, with both office (3,500 square feet) and warehouse space (8,500 square feet) and a fenced yard and parking area.

Teresa Carr presented the Executive Director’s recommendations as follows:

BE IT RESOLVED, That approval is given to enter into a lease with RC Display Vans for 1.84 acres of improved property located at 5420 N. Lagoon Avenue in the Swan Island Industrial Park, 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..

Commissioner Carter called for a motion to approve the Executive Director’s recommendations. Commissioner Bragdon moved that the Executive Director’s recommendations be approved. Commissioner Chamberlain seconded the motion, which was put to a voice vote. Commissioners Bragdon, Carter, Chamberlain, Daggett, Pearce, Rosenbaum and Tsuruta voted in favor of the motion. Commissioner Corey was not present for the vote.

The meeting adjourned at 11:29 a.m.

President

Assistant Secretary

Date Signed

An 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.

Resolution of Commendation and Appreciation to

Alaska Air Group

**for its Contributions to the Port of Portland
and the Communities We Serve**

WHEREAS, Alaska Air Group has provided air service through Portland International Airport since 1979; and

WHEREAS, Alaska and Horizon Airlines carry more Portland International Airport travelers than any other airline serving the Port; and

WHEREAS, the company has shown true innovation and leadership in sustainable practices such as on-board recycling, fuel-efficient aircraft, performance-based navigation, efficient in-flight and ground operations, as well as more efficient and alternative energy use and waste minimization programs at all of its airline facilities; and

WHEREAS; Alaska Air Group has joined with the Port and other partners in pioneering research in aviation bio-fuels; and

WHEREAS; Alaska Air Group has helped the Port achieve its mission through its ever-expanding service routes and has shown tireless commitment to our region's sustainable growth and prosperity; and

WHEREAS, the Port of Portland annually names a recipient of The Compass Award to recognize individuals and organizations that assist the Port in navigating key issues and setting a clear course of action toward our mission, now therefore be it

RESOLVED, that the Port of Portland Commission recognizes and commends Alaska Air Group, for their partnership with the Commission and service to the people this Commission represents and name Alaska Air Group the 2012 recipient of the Compass Award and be it

FURTHER RESOLVED, that this resolution shall become effective immediately upon its adoption.

ADOPTED April 10, 2013