REVISED

PORT OF PORTLAND

AGENDA
Regular Commission Meeting
Port of Portland Headquarters
7200 N.E. Airport Way, 8th Floor
February 12, 2014
9:30 a.m.

Minutes

Approval of Minutes: Regular Commission Meeting – January 8, 2014

Executive Director

Approval of Executive Director's Report – January 2014

General Discussion

Federal Legislative Update — *RICK FINN*

Consent Item

1. LEASE AMENDMENT – PACIFICORP – PORTLAND INTERNATIONAL CENTER — *LORALI REYNOLDS*

   Requests approval to amend a lease with PacifiCorp for 2.3 acres of land located in Portland International Center.

Action Items

2. 2014 PORT OF PORTLAND TRANSPORTATION IMPROVEMENT PLAN — *SUSIE LAHSENE*

   Requests approval of the Port of Portland's Transportation Improvement Plan.

3. PROPERTY SALE – BNSF RAILWAYS COMPANY AND BN LEASING CORPORATION – RIVERGATE INDUSTRIAL DISTRICT — *JOE MOLLUSKY*

   Requests approval to sell approximately 5.40 acres of property located in the Rivergate Industrial District to BNSF Railway Company and BN Leasing Corporation.

4. WEIGHTED VOLUME CONTAINER CARRIER INCENTIVE PROGRAM – TERMINAL 6 — *SEBASTIAN DEGENS*

   Requests approval to enter into a one-year Weighted Volume Container Carrier Incentive Program to support container carrier services at Terminal 6.

5. APPROVAL OF ADJUSTMENT TO BUDGET APPROPRIATION LEVELS FOR FISCAL YEAR 2013-14 — *SUZANNE KENNY*

Requests approval to adjust the Port of Portland's Fiscal Year 2013-14 budget appropriations within the General Fund to reflect the amount of the Weighted Volume Container Carrier Incentive Program for Terminal 6.

PORT OF PORTLAND

Agenda Item No. 1

LEASE AMENDMENT – PACIFICORP – PORTLAND INTERNATIONAL CENTER

February 12, 2014 | Presented by: Lorali Reynolds
Business Development
Property Manager

REQUESTED COMMISSION ACTION

This agenda item requests approval to amend a lease with PacifiCorp to extend the term and modify additional term extension options and rent adjustments for 2.3 acres of land located on NE Alderwood Road in Portland International Center.

BACKGROUND

PacifiCorp has leased the land on NE Alderwood Road since June 1995 for an electrical power substation that serves the area. The current lease expires June 30, 2014.

This request extends the lease for an additional 10-year term through June 30, 2024, and converts the remaining three, 5-year options to extend into two, 10-year options through June 30, 2044.

REVENUE

Rent for the first year of the lease amendment will be $50,000. Rent will be adjusted annually on July 1, by Consumer Price Index – All Urban Consumers, not to exceed three percent per year throughout the initial term and the extension option terms.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

> BE IT RESOLVED, That approval is given to amend a lease with PacifiCorp to extend the term and modify additional term extension options and rent adjustments for 2.3 acres of land located on NE Alderwood Road in Portland International Center, consistent with the terms presented to the Commission; and
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> 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.

PORT OF PORTLAND

Agenda Item No. 2

2014 PORT OF PORTLAND TRANSPORTATION IMPROVEMENT PLAN

February 12, 2014

Presented by: Susie Lahsene
Manager, Transportation and Land Use Policy

REQUESTED COMMISSION ACTION

This agenda item requests approval of the Port of Portland's (Port) Transportation Improvement Plan (PTIP). As a port district reliant on elements of the transportation system developed and managed by others, the Port must carefully plan, consider funding initiatives and support projects that will enhance market access for Port customers and businesses in this region and state, consistent with the Port's mission. The Port Commission considers the PTIP annually as the basis for charting the Port's transportation improvement needs and funding requirements.

BACKGROUND

As a result of increased competition for fewer federal and state transportation dollars, increasing congestion, need for global market access and the impact of inflation and fuel efficiency on the purchasing power of local and state gas taxes, the demand for transportation improvements now far exceeds existing funding sources. In order to address business and passenger transportation market access and freight bottlenecks, needed improvements must be included in regional, state and federal transportation planning documents and funding strategies. Since transportation funds are not adequate to meet the region's capital and maintenance needs, the Port must focus on our customers' most critical transportation access needs. We must also look to other governments and the private sector to contribute funding for Port transportation maintenance and major capital investments.

Transportation continues to be both a strategic advantage for this region and a potential vulnerability. We are a small market and good access to markets beyond our region is critical for the businesses that locate here. It is also crucial that businesses that rely on products from others in this region receive the products in a timely manner. That means making strategic investments in all parts of the transportation system to diminish choke points, excessive congestion and poor connections.

The President's Export agenda and our local metropolitan export strategy, the Port's own industrial lands initiative, our strategic initiative to retain and grow service and portions of our federal and state strategy link back to the Port's transportation plan. This transportation plan serves as our blueprint to ensure that the Port is strategic about assessing needs relative to our customers' interests. It is our way of ensuring that our customers have good access to markets and that the region remains attractive for business expansion and job growth.

For these reasons and others, it is prudent for us to review the Port's transportation needs with the Commission annually. In addition, federal and state regulations require that all transportation funding requests include public review of project lists and funding strategies.

Regulations further require inclusion of projects in regional transportation plans in order to be considered for air quality assessment and funding. To meet state and federal public process requirements established in 1991, the Commission must formally authorize submission of the PTIP to Metro and the Oregon Department of Transportation when there are changes to projects or funding priorities. Project funding priorities are reconsidered annually when PTIP projects and costs are updated. This year's PTIP contains changes to the project list, project costs and funding priorities.

The PTIP is a compilation of 106 road, rail, transit, marine, environmental, aviation and waterway improvements that address Port facility, property access and freight mobility needs. Some of the projects in the PTIP are primarily the Port's responsibility; others are critical for Port customers' market access on systems owned and operated by others. The projects on systems owned and operated by other governments or private rail carriers are primarily the responsibility of those entities but, due to competing priorities and capital constraints, they require some amount of Port focus and/or financial participation to create the impetus for the responsible entity to pursue the project.

Port staff has identified 44 projects that may require some Port resources and/or outside grant funding as well as commitments from the various responsible agencies to move the projects forward. These projects represent the most pressing bottlenecks and capital needs for Port customers. The need for Port funding and the precise amount for each project will be determined at the time commitments must be made and will be subject to funding availability, a specific project business case justification and Commission approval for any amounts in excess of delegated authority.

The projects identified in the PTIP were developed with full opportunity for public review and input. In December 2013, the PTIP was placed on the Port's website and notices of the PTIP's availability were emailed to stakeholders, community organizations and area businesses. A series of presentations were made to business organizations, customers and community interests. A public hearing was held as part of the PTIP discussion at the January 2014 Commission meeting. Port staff intends to work with Metro, state and local transportation planners to include the PTIP projects in the local Transportation System Plans, the Regional Transportation Plan and funding programs at various levels of government.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

> BE IT RESOLVED, That approval is given to submit the Port of Portland's Transportation Improvement Plan to Metro and the Oregon Department of Transportation for inclusion in the Regional Transportation Plan to be eligible for future state, regional and federal funding; and
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> BE IT FURTHER RESOLVED, That approval is given to seek federal, state and regional transportation funds for the list of Port Priority Projects identified in the draft Port Transportation Improvement Plan.

PORT OF PORTLAND

Agenda Item No. 3

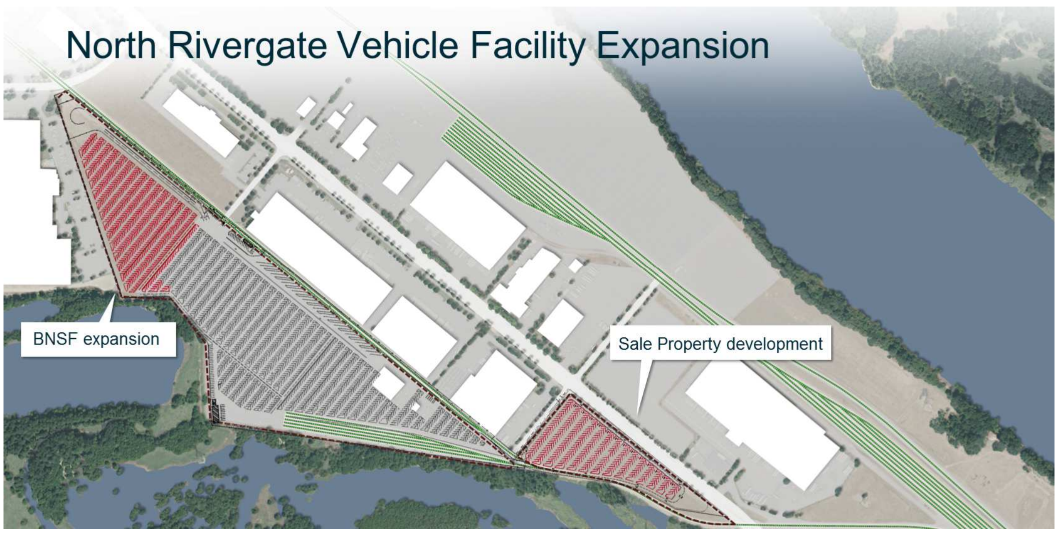
PROPERTY SALE – 5.40 ACRES TO BNSF RAILWAYS COMPANY AND BN LEASING CORPORATION – RIVERGATE INDUSTRIAL DISTRICT

February 12, 2014

Presented by: Joe Mollusky
Real Estate Program Manager

REQUESTED COMMISSION ACTION

This agenda item requests approval to sell approximately 5.40 acres of property (Property) located on North Marine Drive in the Rivergate Industrial District, to BNSF Railway Company (BNSF Railway) and BN Leasing Corporation (collectively, BNSF).



BACKGROUND

The 5.40-acre Property is located adjacent to BNSF Railway's North Rivergate Vehicle Facility and rail easement area, Northwest Tire Factory and Bybee Lake. The Property includes a 50-foot-wide road area for access and utility easements located along the western boundary of the Property, consisting of approximately 0.48 acres within an access easement shared by BNSF Railway and Northwest Tire Factory. Due to the Property's size, shape and lack of marine access, the Port of Portland (Port) determined that the Property is not strategic to Port operations and it was offered for sale.

BNSF Railway is expanding the North Rivergate Vehicle Facility on BNSF Railway's 38.5-acre parcel located adjacent to the Property, in order to support its growing automobile business, and seeks to purchase the Property for additional capacity. BNSF plans to develop the Property as part of its auto facility expansion for administrative support, vehicle staging and parking. BNSF investment and growth plans for their auto business are aligned with the Port's business objectives to enhance the Portland region as a hub for auto logistics.

The sale price is $1,353,234 and is based on $5.75 per square foot for the Property, which is consistent with the fair market value for Rivergate industrial land.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

> BE IT RESOLVED, That approval is given to sell approximately 5.40 acres of real property, located in the Rivergate Industrial District, to BNSF Railways Company and BN Leasing Corporation, consistent with the terms presented to the Commission; and
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> 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.

PORT OF PORTLAND

Agenda Item No. 4

WEIGHTED VOLUME CONTAINER CARRIER INCENTIVE PROGRAM – TERMINAL 6

February 12, 2014

Presented by: Sebastian Degens
General Manager
Marine Business Development

REQUESTED COMMISSION ACTION

This agenda item requests approval to enter into a one-year Weighted Volume Container Carrier Incentive Program (Program) not to exceed $4 million. This Program is being proposed to support the continuation of container carrier services to the Port of Portland (Port), as well as create an attractive environment for growing container volume and services calling Terminal 6.

In order to help promote continuity of container service to the State of Oregon and the region, the Port is proposing a per-container incentive payment available to calling carriers that is weighted by the proportion of the through-put volume they carry, with a minimum set at $20 per container and a maximum set at $45 per container. The Port has established a not-to-exceed Program budget of $4 million. The Program is being developed in order to help sustain the mission-critical nature of the container franchise to shippers in Oregon and throughout the region. This is one component of a two-part initiative to increase the long-term viability of the container franchise in Portland. The second component involves the current initiative by the Governor’s office to bring parties together to address the labor jurisdictional issues as well as to seek remedies to ensure sustained productivity gains.

BACKGROUND

In June and July of 2012, reduced productivity at Terminal 6 caused some shipping companies to bypass Portland. Hanjin, the largest carrier calling Portland, omitted the Portland call for a five-to-six week period at great cost to local shippers, the CKYH carrier alliance and to ICTSI. The Hapag-Lloyd service also bypassed several calls.

In order to induce the carriers to both maintain and return to their regularly scheduled service calls, the Port adopted a short-term carrier support program in 2012. The Port paid out $175,000 to carriers under this short-term program. In addition, in order to provide some relief to ICTSI as a result of increased operational costs, the Port Commission in August of 2012 approved a cost-sharing program with ICTSI under which the Port agreed to share half of certain increased operating costs and lost revenues sustained by ICTSI. The 2012 ICTSI cost sharing program expired at the end of the calendar year. Over the term of this program, the Port paid out approximately $2.7 million to ICTSI. The funds for these two programs came from revenue that the Port received from ICTSI under the Terminal 6 long-term lease. ICTSI’s annual rent under the lease is currently $4.7 million (with annual Consumer Price Index increases).

Although Port management was hopeful that productivity at Terminal 6 would improve over the course of 2012, the result did not prove to be the case. As a consequence, when ICTSI sought to negotiate new terminal use agreements with carriers for 2013, ICTSI proposed rates to carriers that, in part, reflected the reduced productivity and resulting increased costs of operations. In response, carriers advised Port management that productivity remained low, that the new rates were not competitive in the market place and they were considering bypassing or reducing their calls at Terminal 6.

To ensure that carriers continued to call at Terminal 6 at historic levels, in early 2013, the Port Commission approved two new programs.

In January 2013, in an effort to incentivize carriers to continue calling while negotiating new rates with ICTSI, the Commission authorized a 12-month carrier incentive payment to each calling carrier of $10 per container moved (import or export, load or empty). The total 2013 Carrier Program expenditures were capped at $1 million.

In February 2013, the Port Commission approved a companion program designed to assist ICTSI in managing the incremental expenses associated with terminal operations. This program established a base monthly rent rebate to ICTSI that could be adjusted downward if productivity at the terminal improved or if the level of carrier service declined. To date, the Port has paid out $3.4 million to ICTSI under this program, which expired at the end of the 2013 calendar year.

The source of funds for the two programs came directly from revenue received from ICTSI under the Terminal 6 lease. In 2013, ICTSI paid $4.73 million in annual rent.

While the 2013 programs have been successful in maintaining the level of carrier calls, the productivity levels at the terminal have not returned to historic levels. Citing increased costs resulting from productivity problems at Terminal 6, Hanjin announced that it would cease calling sometime in early 2014. The Hanjin trans-Pacific calls currently account for about 78 percent of the container volume at the Port.

Following Hanjin's announcement, Governor Kitzhaber invited all the interested parties to meet with him to work on a resolution to the labor issues at Terminal 6. The parties have met with him in confidence and his work to mediate a resolution to the dispute has resulted in an agreement whereby the Port will temporarily assign the disputed work to the ILWU. If productivity improves to historic levels, and the improvement is sustained over time, the Port has the permission of the District Council of Trade Unions/International Brotherhood of Electrical Workers to remove the disputed work from Port control (and their jurisdiction) and to assign the work to ICTSI to control under the Terminal 6 Lease. As part of the work assignment agreement, the Port has assured the IBEW that none of the electricians affected by any work reassignment will lose any employment hours.

Given the substantial impacts to the Oregon economy and for shippers who utilize Terminal 6, a new one-year carrier incentive program has also been designed. The proposed program provides a base incentive of $20 per container to all calling carriers. In addition, an added volume incentive is provided – up to a maximum additional payment of $25 per container. The volume incentive feature of the program is intended to encourage all direct calling carriers to continue and grow their current services, while at the same time providing an incentive for other carriers to enter the market, especially for underserved and/or non-served markets.

The payments under this carrier program would be capped at $4 million during the program term, which expires at the end of 2014 or when the cap is reached, whichever is earlier. The program payments to carriers could be reduced or eliminated at the discretion of the Port in the event that productivity at the terminal materially improves.

Like the prior programs, the 2014 Container Carrier Program would be paid for entirely from revenues received from ICTSI under the Terminal 6 Lease.

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 Weighted Volume Container Carrier Incentive Program for payment of a per-container incentive paid directly to calling carriers at Terminal 6, 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.

PORT OF PORTLAND

Agenda Item No. 5

APPROVAL OF ADJUSTMENT TO BUDGET APPROPRIATION LEVELS FOR FISCAL YEAR 2013-14

February 12, 2014

Presented by: Suzanne Kenny
Senior Manager
Business and Financial Operations

REQUESTED COMMISSION ACTION

This agenda item requests approval to adjust the Port of Portland's Fiscal Year 2013-14 budget appropriations within the General Fund to reflect the amount of the Weighted Volume Container Carrier Incentive Program for Terminal 6, previously presented to the Commission for approval.

BACKGROUND

In order to avoid an over expenditure and to ensure compliance with Oregon local budget law, budget appropriations must be periodically reset to cover situations that were unforeseen at the time the budget was adopted.

This appropriation change reflects the maximum amount of $2 million that could be incurred under the new Container Carrier Incentive Program prior to the financial close of the fiscal year.

The offsetting entry for this adjustment is a decrease in the General Fund Contingency of $2 million. The detailed Schedule of Appropriations and Explanation of Appropriation Changes are attached as Exhibits A and B to this agenda item.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

> BE IT RESOLVED, That in accordance with ORS 294.463, the Port of Portland Commission finds the need to adjust appropriations within the General Fund in the amounts shown on Exhibit A and for the purposes shown on Exhibit B, incorporated by this reference, to meet actual spending patterns unforeseen at the time of adoption of the Port of Portland's Fiscal Year 2013-14 Budget; and
>
> BE IT FURTHER RESOLVED, That copies of Exhibit A, Schedule of Appropriations Fiscal Year 2013-14; and Exhibit B, Explanation of Changes to Fund Appropriations Fiscal Year 2013-14, shall be included in the minutes of this meeting; and
>
> BE IT FURTHER RESOLVED, That the Budget Officer is authorized to execute the necessary documents on behalf of the Port of Portland Commission in a form approved by counsel.

Exhibit A

SCHEDULE OF APPROPRIATIONS FISCAL YEAR 2013-14

	ADOPTED BUDGET June 21, 2013	CHANGES TO APPROP. February 12, 2014	REVISED APPROP. February 12, 2014
GENERAL FUND			
Corporate Administration	$ 46,617,280		$ 46,617,280
Marine & Industrial Development	30,778,362	$ 2,000,000	32,778,362
Navigation	9,561,843		9,561,843
General Aviation	2,107,711		2,107,711
Sub Total	89,065,196	2,000,000	91,065,196
Service Reimbursements	312,718		312,718
Long-Term Debt Payments	10,225,125		10,225,125
Other Environmental	3,905,346		3,905,346
System Development Charges / Other	30,000		30,000
Cash Transfers to Other Funds	21,145,675		21,145,675
Contingency	133,200,183	(2,000,000)	131,200,183
Total Requirements	$ 257,884,243	$ -	$ 257,884,243
AIRPORT REVENUE FUND			
Operating Expenditures	$ 84,314,286		$ 84,314,286
System Development Charges / Other	5,000		5,000
Service Reimbursements	22,545,025		22,545,025
Cash Transfers to Other Funds	83,944,343		83,944,343
Contingency	36,500,000		36,500,000
Total Requirements	$ 227,308,654	$ -	$ 227,308,654
BOND CONSTRUCTION FUND			
Capital Outlay	$ 49,858,683		$ 49,858,683
Service Reimbursements	2,754,075		2,754,075
Cash Transfers to Other Funds	10,000		10,000
Contingency	10,000,000		10,000,000
Total Requirements	$ 62,622,758	$ -	$ 62,622,758
AIRPORT CONSTRUCTION FUND			
Capital Outlay	$ 73,710,798		$ 73,710,798
Service Reimbursements	8,468,088		8,468,088
Cash Transfers to Other Funds	2,200,000		2,200,000
Contingency	51,025,000		51,025,000
Total Requirements	$ 135,403,886	$ -	$ 135,403,886
PASSENGER FACILITY CHARGE FUND			
Letter of Credit / Other	$ 10,000		$ 10,000
Cash Transfers to Other Funds	35,390,054		35,390,054
Contingency	25,948,187		25,948,187
Total Requirements	$ 61,348,241	$ -	$ 61,348,241

Exhibit A

SCHEDULE OF APPROPRIATIONS FISCAL YEAR 2013-14 (Con't.)

	ADOPTED BUDGET June 21, 2013	CHANGES TO APPROP. February 12, 2014	REVISED APPROP. February 12, 2014
PASSENGER FACILITY CHARGE (PFC) BOND FUND			
Long-Term Debt Payments	$ 14,329,379		$ 14,329,379
Unappropriated Ending Balance	15,476,035		15,476,035
Total Requirements	$ 29,805,414	$ -	$ 29,805,414
AIRPORT REVENUE BOND FUND			
Long-Term Debt Payments	$ 49,631,562		$ 49,631,562
Unappropriated Ending Balance	25,439,577		25,439,577
Total Requirements	$ 75,071,139	$ -	$ 75,071,139
TOTAL ALL FUNDS	$ 849,444,335	$ -	$ 849,444,335
Less Unappropriated Ending Balances:			
Passenger Facility Charge (PFC) Bond Fund	$ 15,476,035		$ 15,476,035
Airport Revenue Bond Fund	25,439,577		25,439,577
Subtotal Unappropriated Ending Balance	40,915,612	-	40,915,612
TOTAL APPROPRIATIONS	$ 808,528,723	$ -	$ 808,528,723

Exhibit B

Explanation of Changes to Fund Appropriations Fiscal Year 2013-14

FUND	AMOUNT OF INCREASE/(DECREASE)		REASON FOR CHANGE
GENERAL FUND			
Marine & Industrial Development	$	2,000,000	Increase to cover expenses associated with the Weighted Volume Container Carrier Incentive Program for Terminal 6.
Subtotal Increases	$	2,000,000	
Contingency	$	(2,000,000)	Balancing entry.