

**MINUTES
REGULAR COMMISSION MEETING
THE PORT OF PORTLAND
July 11, 2007**

In response to due notice, the regular meeting of the Commissioners of the Port of Portland was held at 9:00 a.m. in the Commission Boardroom of the Port's administrative offices at 121 N.W. Everett Street.

QUORUM

Commissioners present were Judi Johansen, President, presiding, Ken Allen, Steve Corey, Bruce Holte, Mary Olson, Paul Rosenbaum, Bill Thorndike and Grant Zadow. Also present were Bill Wyatt, Executive Director, participating staff members, and representatives of the public.

Commissioner Johansen welcomed Commissioner Paul Rosenbaum to his first Commission meeting. She also recognized Kathy Sanders, a recently elected Port of Astoria Commissioner.

LEAVES OF ABSENCE

Commissioner Johansen called for a motion to grant a leave of absence to Commissioner Yoshida, as he was out of town. Commissioner Corey moved to grant the leave of absence. Commissioner Allen seconded the motion, which was put to a voice vote; Commissioners Allen, Corey, Holte, Johansen, Olson, Rosenbaum, Thorndike and Zadow voted in favor of the motion.

MINUTES

Commissioner Johansen called for a motion to approve the minutes of the Regular Commission Meeting of June 13, 2007 and the minutes of the Special Commission Meeting of June 26, 2007. Commissioner Olson moved to approve the minutes. Commissioner Holte seconded the motion, which was put to a voice vote; Commissioners Allen, Corey, Holte, Johansen, Olson, Rosenbaum, Thorndike and Zadow voted in favor of the motion.

EXECUTIVE DIRECTOR'S REPORT

Bill Wyatt welcomed Commissioner Johansen in her new role as President of the Port Commission and said he, along with the staff, are looking forward to working with her in her new role. Mr. Wyatt also welcomed Commissioner Rosenbaum.

Mr. Wyatt said we received official notification from Zim Integrated Services that they would be suspending service to Portland. He noted that we have had similar comings and goings of container carriers since the 1970s. He said the list of carriers that have come and not surprising because that is the way this business works. Mr. Wyatt said Zim's decision was a result of their difficulty in penetrating the US market successfully. They are a relatively small player and there has been a lot of industry consolidation.

While Mr. Wyatt is disappointed to see Zim leave, it is understandable because they have been losing a tremendous amount of money in their North American business. Mr. Wyatt said Zim's departure would have a modest impact on our budget. He said he is not proposing we take any

fiscal actions to adjust to this loss because the combination of capacity that the other carriers may put into the market and the opportunity to recruit new carriers tell him that we will be in good shape.

Mr. Wyatt noted the grand opening of IKEA at the end of the month. He said the event is expected to draw large crowds and Port staff is preparing for that to ensure the traffic congestion does not impede on our airport or its neighbors.

Mr. Wyatt extended his congratulations to Kathy Sanders for her recent appointment to the Port of Astoria Commission and thanked her for attending our Commission meeting.

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

GENERAL DISCUSSION

Port of Portland's Compensation Philosophy

Gail Woodworth, HR Director, said the intent of the Port's compensation policy is to provide a market-competitive pay program, which attracts, retains, and motivates the skilled employees needed for business success. Ms. Woodworth said the pay program consists of three components—base pay, incentive pay, and recognition awards—all of which combine to equal total cash compensation. Ms. Woodworth discussed employer and market trends, the Port's performance management model, salary structure, as well as base pay and incentive pay.

Ms. Woodworth provided a brief overview of the Port's Award for Excellence program for grades 71 – 79. Steve Schreiber, CFO, provided an overview of the Results Share Program for grades 80 – 82 and the three performance metrics. He also reviewed the 2006/07 results for the General Fund, the Airline Cost Center and the Port Cost Center.

Ms. Woodworth said based on the financial metrics Mr. Schreiber discussed, grades 80-82 are likely to receive a 10 percent payout. She said based on the exceptional financial performance, grades 71 – 79 ought to share in the Port's success and is suggesting the Commission consider a one time Performance Share Program for grades 71 – 79. Those employees who receive an Exceptional, Outstanding or Fully Successful rating would receive a two percent bonus, which would be over and above the Award for Excellence program.

Ms. Woodworth briefly discussed the Port's Employee Recognition Programs, which offer an opportunity for employee to employee and manager to employee recognition, as well as executive director recognition.

Commissioner Johansen commended Ms. Woodworth for the work she has done. She said that during her tenure at the Port, she has seen a vast improvement in performance management and in bringing the total benefits package and compensation in line with the market.

CONSENT AGENDA

No presentation was made of the following agenda item, which was brought before the Commission as part of the Consent Agenda. Commissioner Johansen read the title of the agenda item and called for a motion to approve the item.

Agenda Item No. 1

APPROVAL FOR CITY OF OREGON CITY URBAN RENEWAL DISTRICT AMENDMENT

BE IT RESOLVED, That the Port of Portland Commission consents to the City of Oregon City's increase of the debt limits within the City of Oregon City's Downtown Urban Renewal District, located within Port of Portland district boundaries

Following the reading of the title of the Consent Agenda by Commissioner Johansen, Commissioner Olson moved that the Executive Director's recommendations be approved and Commissioner Holte seconded the motion. The motion was put to a voice vote; Commissioners Allen, Corey, Holte, Johansen, Olson, Rosenbaum, Thorndike and Zadow voted in favor of the motion.

ACTION ITEMSAgenda Item No. 2

2006-2007 PERFORMANCE SHARE – ADDITIONAL INCENTIVE COMPENSATION FOR ADMINISTRATIVE EMPLOYEES

This agenda item requests Commission approval to fund additional Performance Share incentive compensation for Port of Portland administrative employees in grades 71-79.

Niki Jordan presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That approval is given to fund the Port of Portland's 2006-2007 Performance Share additional incentive compensation, 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.

Mr. Wyatt said this was an exceptional year at the Port and we did not anticipate the level of performance we experienced. As staff began contemplating the payout for the Results Share Program, it did not seem right not to share some of that reward with everyone in the organization.

Commissioner Allen said he would vote for the item, but noted that when you set up an incentive program such as this, there are plenty of problems in the details. He said we can expect the bargaining groups to see the two percent extra and at some point decide that they are also entitled to extra compensation.

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

Agenda Item No. 3

CONSTRUCTION AND TESTING SERVICES CONTRACTS AND AMENDMENT OF PERSONAL SERVICES CONTRACT – PORT OF PORTLAND HEADQUARTERS AND PARKING STRUCTURE – PORTLAND INTERNATIONAL AIRPORT

This agenda items requested approval to undertake three contract actions related to the Port of Portland headquarters building and second parking garage (HQ/P2) at Portland International Airport (PDX):

- Amendment of the existing contract with Zimmer Gunsul Frasca for the final design and for construction support services;
- Agreement with Hoffman Construction Company on the negotiated contract price for the first phase of construction of HQ/P2; and
- Award of a construction testing services contract to Carlson Testing.

Commissioner Thorndike asked at what periods we are most subject to change orders. Tom Peterson said it would initially be due to unforeseen conditions found once we begin in-ground work. He said the concrete work is fairly straight forward, so the potential risks might be the weather and material shortages, but these are things that are factored in during negotiations. He said it is hard to predict, but he thinks the highest potential for change orders could be adding scope to the project.

Commissioner Olson said because the airport has been evolving over a number of years, we are always running up against the unknown of what we are going to find and where we are going to find it in terms of utilities. She asked, if when we get done, are we going to know where everything is so that in the future we won't need large contingencies for the unknowns? Mr. Peterson said he can't speak for the Baggage Screening Improvements project, but as the work is done and these items are identified, it is documented and a master set of documents is maintained to track our utilities. He said we have done a fair amount of site investigation work to identify where some of the utilities are and most of the items are known and identified.

Commissioner Johansen said she would like to see the legal structure around the project and have answers to questions such as: where does the liability lie in the warranties; what is the risk that we take on versus ZFG versus Hoffman; and who is going to be overseeing this project on daily basis from the Port. She said in the end, what we will all be judged by aside from the beauty of the building will be if it came in on budget, on time and if it works. She would like to better understand where the risk lies in the contract with Hoffman and what the project management structure is from the Port's perspective.

Mr. Peterson said Dan Brame is the program manager and is responsible for pulling everything together. There is also an engineering project manager, currently Tom Peterson, who has the oversight of the design and construction contract. Supporting the project manager will be in-house staff who will be looking out for our mechanical and electrical systems and civil and structural engineers, along with a host of other stakeholders, to make sure we are doing things without disrupting the operation.

The project manager is also responsible for managing the ZGF contract. Mr. Peterson said we also have a construction contract manager within the construction group assigned to the project and many inspectors. He said the team will be set up in the same trailer at PDX, so there will be daily interaction and monitoring.

Mr. Wyatt said this is an enormous and complex project. Typically, when we undertake a capital project of any size, there is a parallel organization within the business line overseeing the project. Mr. Wyatt said that for this project we took a different approach, largely because of the headquarters component. Steve Schreiber, CFO and former Aviation director, is the lead on the project and he understands that world extremely well. He and Mr. Peterson have also worked together for many years on a wide variety of projects. Mr. Wyatt said this is a different structure, but one he is very comfortable with because of project leadership.

Mr. Peterson said with respect to the warranties, Hoffman has overall responsibility. Typically, there are multiple warranties embedded within all of the subcontracts so the majority of the warranty work will be related to that subcontracted work. However, in this case, if Hoffman performs the concrete work, then they responsible for the warranty of that work as well. The risk with the warranty work is that it cannot exceed the cap.

Commissioner Johansen said she would benefit from a separate briefing to fully understand the contractual allocation of the risks.

Commissioner Thorndike said that in the big picture, either the contractor or the architect's responsibility can be in dispute. He asked if we have the capacity within our staff to review both sets of contracts with the architect and our contractor to make sure there is alignment relative to definitions or do we have to utilize outside consultants? Mr. Peterson said we use a combination of both. The Port has a fair amount of experience and a decent sized staff, so we can dedicate the people. He also said he has spent quite a bit of time the past several months going through these very issues on the ZGF contract making sure we are clear on the scope, terms and conditions and coordinating the bid packages, and likewise on the Hoffman contract. Mr. Peterson said we do bring in consultants for specialized services. We brought in a third party estimator to validate the estimate and we brought in a scheduler to evaluate the schedule and to look for potential flaws in the contractor's logic.

Commissioner Johansen said she has every confidence in the staff; they have a very good track record and she has no reason to question their capability. She said it is very important for the Commission to be conversant in where the major risk and responsibilities lie, so a Commission liaison in the early stages would be a useful way to better understand this.

Tom Peterson presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That approval is given to award an early-start construction contract to Hoffman Construction Company for the headquarters and parking structure project at Portland International Airport in accordance with the terms presented to the Commission; and

BE IT FURTHER RESOLVED, That approval is given to amend the existing contract with Zimmer Gunsel Frasca Partnership to add final design and construction support services for the headquarters and parking structure project at Portland International Airport in accordance with the terms presented to the Commission; and

BE IT FURTHER RESOLVED, That approval is given to award at testing services contract to Carlson Testing in accordance 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 Holte moved that the Executive Director's recommendations be approved. Commissioner Allen seconded the motion, which was put to a voice vote; Commissioners Allen, Corey, Holte, Johansen, Olson, Rosenbaum, Thorndike and Zadow voted in favor of the motion.

Agenda Item No. 4

AIRPORT FUTURES AGREEMENTS – PORTLAND INTERNATIONAL AIRPORT

Gil Kelley, Director of Planning for the City of Portland, said the partnership between the City and the Port is very valuable. He said we are about to embark on improving a long term planning approval process for the Port, over the current conditional use process which is pretty rigid and inflexible. Mr. Kelley said the City is very interested in assisting with the creation of a world-class airport, while taking care of the community and environmental concerns along the way.

This agenda item requested approval of two actions associated with the Portland International Airport (PDX) Master Plan and the land use process. The first action is a personal services contract with Jacobs Consultancy to update the 2000 PDX Master Plan. The second action is an amendment to an existing Intergovernmental Agreement with the City of Portland to participate in the master plan update and to create a new land use designation for PDX.

Chris Corich presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That the Port of Portland enter into a contract with Jacobs Consultancy to provide professional aviation planning services, consistent with terms presented to the Commission; and

BE IT FURTHER RESOLVED, That the Port of Portland enter into a contract with Jacobs Consultancy to provide professional aviation planning services for the supplemental/contingency scope of work, consistent with terms presented to the Commission; and

BE IT FURTHER RESOLVED, That the Port of Portland amend the Intergovernmental Agreement signed in 2004 with the City of Portland for reimbursement of expenses associated with the development of a permanent land use designation for Portland International Airport, consistent with 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 Olson moved that the Executive Director's recommendations be approved. Commissioner Thorndike seconded the motion, which was put to a voice vote; Commissioners Corey, Holte, Johansen, Olson, Rosenbaum, Thorndike and Zadow voted in favor of the motion. Commissioner Allen was not present for the vote.

Agenda Item No. 5

CONTRACT – ENVIRONMENTAL ASSESSMENT FOR THE PROPOSED EXTENSION OF THE NORTH RUNWAY – PORTLAND INTERNATIONAL AIRPORT

This agenda item requested approval to award a contract to Reynolds, Smith and Hills, Inc., to conduct an Environmental Assessment for the proposed extension of the north runway at Portland International Airport.

Fletcher Hunt presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That approval is given to award a contract to Reynolds, Smith and Hills, Inc., to prepare an environmental assessment on a proposal to extend the north runway at Portland International Airport; 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 Zadow seconded the motion, which was put to a voice vote; Commissioners Corey, Holte, Johansen, Olson, Rosenbaum, Thorndike and Zadow voted in favor of the motion. Commissioner Allen was not present for the vote.

Agenda Item No. 6

CONSTRUCTION CONTRACT – NETWORK ROOM INSTALLATION – PORTLAND INTERNATIONAL AIRPORT

This agenda item requested approval to award a contract for the construction of ten new information technology network rooms at Portland International Airport.

George Seaman presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That approval is given to award a contract for the construction of ten network rooms and associated copper and fiber backbone at Portland International Airport to Western Construction Services, 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 Corey moved that the Executive Director's recommendations be approved. Commissioner Zadow seconded the motion, which was put to a voice vote; Commissioners Corey, Holte, Johansen, Olson, Rosenbaum, Thorndike and Zadow voted in favor of the motion. Commissioner Allen was not present for the vote.

Agenda Item No. 7

CONTRACT AMENDMENT – FIRE ALARM SYSTEM VOICE EVACUATION UPGRADE – PORTLAND INTERNATIONAL AIRPORT

This agenda item requested approval of an amendment to the Siemens Building Technologies, Inc. fire alarm system technical support services contract for the installation of the Fire Alarm System Voice Evacuation Upgrade project at Portland International Airport.

Stan Snyder presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That approval is given to amend the existing contract with Siemens Building Technologies, Inc., to upgrade the Portland International Airport Terminal fire alarm system, consistent with 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 Olson moved that the Executive Director's recommendations be approved. Commissioner Corey seconded the motion, which was put to a voice vote; Commissioners Corey, Holte, Johansen, Olson, Rosenbaum, Thorndike and Zadow voted in favor of the motion. Commissioner Allen was not present for the vote.

Agenda Item No. 8

CONSTRUCTION CONTRACT AMENDMENT – AIRFIELD PAVEMENT FOG SEALING – PORTLAND INTERNATIONAL AIRPORT

This agenda item requested approval to execute an amendment to an existing construction contract for fog seal application at Portland International Airport.

Dennis Bertek presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That approval is given to amend an existing contract with Kodiak Benge Construction for airfield pavement fog sealing for Taxiway T and the terminal apron at Portland International Airport, consistent with 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 Holte moved that the Executive Director's recommendations be approved. Commissioner Olson seconded the motion, which was put to a voice vote; Commissioners Corey, Holte, Johansen, Olson, Rosenbaum, Thorndike and Zadow voted in favor of the motion. Commissioner Allen was not present for the vote.

Agenda Item No. 9

CONSTRUCTION CONTRACT – PERIMETER ROAD AND TERMINAL PARKING REHABILITATION – HILLSBORO AIRPORT

This agenda item requested approval to award a construction contract for rehabilitation of segments of the perimeter road and terminal parking lot at Hillsboro Airport.

Dennis Bertek presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That a construction contract for rehabilitation of segments of the perimeter road and terminal parking lot at Hillsboro Airport be awarded to Brix Paving Company, 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 Thorndike moved that the Executive Director's recommendations be approved. Commissioner Allen seconded the motion, which was put to a voice vote; Commissioners Corey, Holte, Johansen, Olson, Rosenbaum, Thorndike and Zadow voted in favor of the motion. Commissioner Allen was not present for the vote.

Agenda Item No. 10

CONSTRUCTION CONTRACT – CRANE 6381 ELECTRICAL IMPROVEMENT – TERMINAL 6

This agenda item requested approval to award a construction contract for the Terminal 6 Crane 6381 Electrical Improvements Project. This contract will provide the electrical power feed required for Crane 6381.

Franko Martinec presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That approval is given to award a contract for the Terminal 6 Crane 6381 Electrical Improvements Project to Empire Electric Company, 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 Holte moved that the Executive Director's recommendations be approved. Commissioner Zadow seconded the motion, which was put to a voice vote; Commissioners Corey, Holte, Johansen, Olson, Rosenbaum, Thorndike and Zadow voted in favor of the motion. Commissioner Allen was not present for the vote.

The meeting adjourned at 11:43 a.m.

President

Assistant Secretary

Date Signed

A complete audio recording of these proceedings is available at the Port of Portland administrative offices, 121 N.W. Everett Street, Portland, Oregon 97209.

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