



AGENDA
Regular Commission Meeting
Port of Portland Headquarters
7200 N.E. Airport Way, 8th Floor
May 11, 2011
9:30 a.m.

Minutes

Approval of Minutes: Special Commission Meeting – March 9, 2011
Approval of Minutes: Regular Commission Meeting – April 13, 2011

Executive Director

Approval of Executive Director's Report – April 2011

Award Presentation

American Council of Engineering Companies 2011 Engineering Excellence Awards

General Discussion

Triennial Exercise

MARK CROSBY

Action Items

1. FISCAL YEAR 2011-2012 BUDGET APPROVAL *SUZANNE KENNY*
Requests approval of the Port of Portland's Fiscal Year 2011-2012 Budget and authorization of its submittal to the Tax Supervising and Conservation Commission.
2. 2011-2012 ADMINISTRATIVE COMPENSATION PROGRAM *NIKI JORDAN*
Requests approval to fund the Fiscal Year 2011-2012 Administrative Compensation Program.
3. RESOLUTION TO AUTHORIZE THE REPLACEMENT OF THE IRREVOCABLE LETTER OF CREDIT CURRENTLY SUPPORTING THE PORTLAND INTERNATIONAL AIRPORT REFUNDING REVENUE BONDS SERIES EIGHTEEN *SUGIE JOSEPH*
Requests approval of a resolution to authorize the replacement of the Letter of Credit currently supporting the Portland International Airport Refunding Revenue Bonds Series Eighteen.

4. RETAIL CONCESSION LEASES – PORTLAND INTERNATIONAL AIRPORT *REBECCA SONNIKSEN*
Requests approval to enter into two new concessions leases at Portland International Airport.
5. CONSTRUCTION CONTRACT – AIR TRANS CENTER PAVEMENT REHABILITATION – PORTLAND INTERNATIONAL AIRPORT *MATT HOFFMAN
JIM MCGINNIS*
Requests approval to award a construction contract for rehabilitation of pavement at Portland International Airport.
6. FIRST READING AND PUBLIC HEARING – ORDINANCE NO. 440-R TO RELOCATE HARBOR LINES – TRIMET LIGHT RAIL BRIDGE *ERIC BURNETTE*
Requests a first reading and public hearing on proposed Port of Portland Ordinance No. 440-R regarding the adjustment of harbor lines in the Willamette River in connection with TriMet's Portland-Milwaukie Light Rail Project.

PORT OF PORTLAND FISCAL YEAR 2011-2012 BUDGET APPROVAL

May 11, 2011

Presented by: Suzanne Kenny
Senior Manager, Finance**EXECUTIVE SUMMARY**

This agenda item requests that the Commission, acting as the Port of Portland's (Port) Budget Committee, approve the Port's Fiscal Year (FY) 2011-2012 Budget (Budget) and authorize its submittal to the Tax Supervising and Conservation Commission (TSCC) for its public hearing on June 8, 2011. The TSCC is an independent, impartial panel of citizen volunteers established to monitor the financial affairs of local governments. The TSCC, required in counties with a population over 500,000, has jurisdiction over all local governments that are required to follow local budget law and that have more than half of their real market value within Multnomah County. After review by the TSCC, we will request Commission approval to adopt the Budget at a special meeting on June 24, 2011. At that time, the Commission may take into consideration any suggestions of the TSCC or make other modifications to the Budget subject to the limitations of Oregon Revised Statutes (ORS) 294.435.

BACKGROUND

The Budget provides the Port's best estimate of the resources and requirements needed to achieve the Port's mission in a context of community and environmental responsibility. The Budget provides a funding plan for actions that have been approved by the Commission and, for planning purposes, anticipated actions or initiatives that may require further Commission review and approval prior to the implementation of such initiatives.

In order to conform to the ORS governing the local budget process, the Port began the process for the Budget at a public hearing on April 13, 2011. Subsequent to the first hearing, adjustments have been made to the Budget. Exhibits A and B outline the changes to each fund and the explanations for those changes. Changes to the appropriation categories within each fund between the April 13 hearing on the Budget and this meeting are shown on Exhibit C.

Overview – Resources

Budgeted resources for FY 2011-2012 total \$1.1 billion. Anticipated resources include:

- Beginning working capital balance of \$366.9 million is composed mainly of the General Fund (\$155.1 million), the Airport Construction Fund (\$114.8 million), the Airport Revenue Fund (\$30.0 million), Airport Revenue Bond Fund (\$35.9 million), and the Bond Construction Fund (\$11.8 million).
- Projected operating revenues of \$232.9 million.
- Property taxes of \$9.3 million.

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- Grants, Interest and Other Income of \$87.9 million is comprised primarily of \$4.2 million of interest income, \$56.5 million in Federal and State Grants (including Connect Oregon funding and Federal Aviation Administration), as well as \$27.2 million in Passenger Facility Charges.
- A Passenger Facility Charge Bond Issue in the amount of \$143.0 million is budgeted to fund capital projects budgeted in the Airport Construction Fund (\$130.0 million) and a debt service reserve in the Passenger Facility Charge Bond Fund (\$13.0 million).
- Transfers between funds of \$301.9 million make up the balance of the resources. Technically required to be budgeted for under Oregon Budget Law, transfers track dollars moving between funds and are shown as both resources and requirements in the Budget document.

Overview – Requirements

Operating expenditures of \$158.7 million reflect costs of personal services and all materials and services. These expenditures do not include depreciation or the cost of property sold since those expenses are not recognized under Oregon Budget Law.

The Port's capital budget, as shown in the document, is \$155.2 million. In conformance with Oregon Budget Law, that amount does not include \$14.2 million of internal labor (which the Port does include as a capitalized cost for accounting purposes). Of the total budgeted capital expenditure, \$104.2 million is budgeted for Portland International Airport (PDX) in the Airport Construction Fund and includes:

- \$30.7 million for completion of the South Runway Rehabilitation Construction Project.
- \$6.5 million for pavement rehabilitation – Air Trans Center/South Cargo facilities.
- \$6.2 million for Taxiway E South and Exits Rehabilitation.
- \$5.9 million for Taxiway F South Rehabilitation.
- \$5.7 million for the completion of the three-year project to construct an in-line baggage screening system. This system will bring the explosive detection equipment currently in the ticket lobby in-line with the baggage conveyor system located behind the ticket counters.

There are \$65.2 million of capital expenditures budgeted in the Bond Construction Fund (which includes all divisions other than PDX) and includes:

- \$36.0 million potential industrial land acquisitions.
- \$6.0 million for the multi-year project constructing the third runway at Hillsboro Airport.
- \$5.6 million to repower the Dredge Oregon.

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- \$1.0 million to begin Phase 2 improvements – Troutdale Reynolds Industrial Park.
- \$0.8 million for completion of the South Rivergate Rail Expansion – Phase 1.
- \$0.7 million for completion of Terminal 6 Wharf Modernization.

Other Budget requirements include:

- Debt Service payments of \$97.4 million – \$49.1 million for PDX Revenue Bonds, \$39.5 million for Passenger Facility Charge Bonds and \$8.8 million for General Fund obligations.
- The \$4.2 million budgeted for “Other Environmental” consists of environmental costs that are not directly related to the Port’s current business operations such as the Lower Willamette River Cleanup Project.
- Contingency balances of \$264.2 million represent amounts that are expected to be unspent in FY 2011-2012 and, therefore, would become the beginning balance in the following fiscal year. Of the total, \$131.5 million is for Aviation uses. By leaving these amounts in the Contingency category, however, they are available for appropriation by the Commission during the coming fiscal year as needed.
- The Unappropriated Balance of \$59.6 million is a category under Oregon Budget Law that is the only available category to budget the Debt Service Reserve in the Airport Revenue Bond Fund and the Passenger Facility Charge Bond Fund. These amounts cannot be appropriated by the Commission in the coming fiscal year. Oregon Budget Law does not permit the use of the Contingency category in association with Debt Service Funds.
- Transfers of \$298.8 million make up the balance of the requirements.

Fiscal Year 2011-2012

Changes from April to May Budget Documents

The attached exhibits detail changes to each Fund from the April Budget Proposal to the Budget document submitted for approval today. The changes in the following areas account for the \$5.1 million decrease in the Port’s FY 2011-2012 Budget from the \$1.144 billion in the April proposal to the \$1.139 billion in the budget document submitted for approval:

- Estimated Operating Revenues decreased by approximately \$2.0 million. The General Fund decreased by \$54,000 as a result of a decrease in Marine volume forecasts for autos. The Airport Revenue Fund decreased \$2.0 million as a result of lower airline operating costs, reducing the rent and landing fees required to cover those costs.
- Estimated Operating Expenditures increased by \$279,861, primarily due to revised estimates for personal services, accrued labor and outside service costs.

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- Other Environmental decreased by approximately \$2.3 million due to revised Lower Willamette environmental program costs.
- Transfers between funds decreased by approximately \$3.0 million primarily the result of revised operating revenue and expenditure forecasts.
- Finally, the net impact of the changes outlined above result in a \$524,000 decrease in ending (contingency) fund balances.

Other minor changes are shown on the exhibits.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That the Port of Portland's Budget document for Fiscal Year 2011-2012 as presented to the Port of Portland Commission is approved; and

BE IT RESOLVED, That the maximum tax levy for the General Fund of the Port of Portland be set at a rate of \$0.0701 per thousand of assessed value, such rate subject to the local government limitation; and

BE IT FURTHER RESOLVED, That the Budget Officer is directed to submit the Budget document to the Tax Supervising and Conservation Commission for a public hearing and for orders, recommendations or objections as provided by law.

EXPLANATION OF CHANGES – FISCAL YEAR 2011-12

| Resources | BUDGET PROPOSAL SUBMITTED ON APRIL 13, 2011 | REVISIONS | BUDGET SUBMITTED FOR APPROVAL ON MAY 11, 2011 | EXPLANATION |
|--|--|-----------------------|--|--|
| Beginning Balance | \$ 366,978,762 | \$ - | \$ 366,978,762 | |
| Operating Revenue | 234,949,026 | (2,033,214) | 232,915,812 | The General Fund decreased by \$54 thousand as a result of a decrease in Marine volume forecasts for autos. The Airport Revenue Fund decreased approximately \$2.0 million as a result of lower airline operating costs. |
| Grants/Interest Income/Other | 87,919,098 | - | 87,919,098 | |
| Taxes | 9,311,375 | - | 9,311,375 | |
| Bond And Other Debt Proceeds | 143,000,000 | - | 143,000,000 | |
| Subtotal - Resources | \$ 842,158,261 | \$ (2,033,214) | \$ 840,125,047 | |
| Transfer From Other Funds | 301,891,304 | (3,037,141) | 298,854,163 | Transfers between funds decreased as a result of revised operating revenue and expenditure forecasts. |
| Total Resources | \$ 1,144,049,565 | \$ (5,070,355) | \$ 1,138,979,210 | |
| Requirements | | | | |
| Operating Expenditures | | | | |
| Marine & Industrial Development | \$ 27,998,138 | \$ (792,863) | \$ 27,205,276 | Operating Expenditures decreased due to revised T-4 environmental program costs. |
| General Aviation | 2,028,969 | (571) | 2,028,398 | Revised estimates for materials and services, personal services, accrued labor. |
| Development Services & Info Tech | 19,725,224 | (13,343) | 19,711,881 | Revised estimates for materials and services, personal services, accrued labor. |
| Navigation | 9,299,673 | 61,484 | 9,361,157 | Revised estimates for personal services and accrued labor. |
| Corporate Administration | 22,856,323 | 364,795 | 23,221,118 | Revised estimates for personal services, accrued labor and environmental program costs. |
| Commercial Aviation | 76,498,886 | 660,358 | 77,159,244 | Revised estimates for personal services, accrued labor and outside service costs. |
| Subtotal - Operating Expenditures | \$ 158,407,212 | \$ 279,861 | \$ 158,687,073 | |
| Capital Expenditures | | | | |
| Marine & Industrial Development | \$ 43,014,183 | \$ - | \$ 43,014,183 | |
| General Aviation | 9,578,643 | - | 9,578,643 | |
| Navigation | 7,859,543 | - | 7,859,543 | |
| Corporate Administration | 4,740,000 | - | 4,740,000 | |
| Commercial Aviation | 104,234,981 | - | 104,234,981 | |
| Capitalized Labor | (14,560,092) | 380,113 | (14,179,979) | Revised estimates for staff time charged to capital projects. |
| Subtotal - Capital Expenditures | \$ 154,867,258 | \$ 380,113 | \$ 155,247,371 | |
| Transfer To Other Funds | \$ 301,891,304 | \$ (3,037,141) | \$ 298,854,163 | Transfers between funds decreased as a result of revised operating revenue and expenditure forecasts. |
| Other Environmental | 6,387,286 | (2,169,593) | 4,217,693 | Revised Lower Willamette environmental program costs. |
| Other | 100,705,000 | - | 100,705,000 | |
| Debt Service Payments | 97,388,724 | - | 97,388,724 | |
| Contingency | 264,764,316 | (523,596) | 264,240,721 | Net impact of changes outlined above. |
| Unappropriated Balance | 59,638,465 | - | 59,638,465 | |
| Total Requirements | \$ 1,144,049,565 | \$ (5,070,355) | \$ 1,138,979,210 | |

EXPLANATION OF FUND CHANGES – FISCAL YEAR 2011-12

| FUNDS | BUDGET PROPOSAL SUBMITTED ON APRIL 13, 2011 | REVISIONS | BUDGET SUBMITTED FOR APPROVAL ON MAY 11, 2011 | EXPLANATION |
|----------------------------------|---|------------------------------|--|---|
| General Fund | \$ 259,609,352 | \$ (615,620) | \$ 258,993,732 | <p>1) Operating revenue decreased by \$54 thousand as a result of a decrease in Marine volume forecasts for autos.</p> <p>2) Operating expenditures decreased \$2.6 million due to revised Lower Willamette and T-4 environmental program costs and adjustments to the estimates for materials and services, personal services, accrued labor.</p> <p>3) Transfers from the Airport Revenue Fund, Bond Construction Fund and the Airport Construction fund decreased by \$561 thousand due to lower requirements, due in part to adjustments to capitalized labor, and allocated support.</p> |
| Airport Revenue Fund | 317,461,696 | (1,987,847) | 315,473,849 | <p>1) Operating revenue decreased approximately \$2.0 million as a result of lower airline operating costs.</p> <p>2) Operating expenditures increased by \$660 thousand due to revised estimates for personal services, accrued labor and outside service costs.</p> <p>3) Transfers to the General Fund decreased by \$181 thousand due to lower requirements. Transfers to Airport Construction Fund decreased by \$2.5 million as a result of revised operating revenues and expenditures.</p> |
| Bond Construction Fund | 75,192,369 | - | 75,192,369 | |
| Airport Construction Fund | 177,771,813 | (2,466,887) | 175,304,925 | Change due to reduced transfers from Airport Revenue Fund as a result of revised operating revenues and expenditures. |
| PFC Fund | 165,791,146 | - | 165,791,146 | |
| PFC Bond Fund | 63,302,130 | - | 63,302,130 | |
| Airport Revenue Bond Fund | 84,921,059 | - | 84,921,059 | |
| Total | <u>\$1,144,049,565</u> | <u>\$ (5,070,355)</u> | <u>\$ 1,138,979,210</u> | |

SCHEDULE OF APPROPRIATIONS – FISCAL YEAR 2011-12

| | BUDGET PROPOSAL SUBMITTED ON APRIL 13, 2011 | REVISIONS | BUDGET SUBMITTED FOR APPROVAL ON MAY 11, 2011 |
|---|--|-----------------------|--|
| GENERAL FUND | | | |
| Beginning Balance | \$ 155,184,862 | - | \$ 155,184,862 |
| Operating Revenue | 55,464,097 | (54,189) | 55,409,908 |
| Interest on Investments/Other | 1,419,500 | - | 1,419,500 |
| Federal/State Grants | - | - | - |
| Service Reimbursements | 35,381,183 | (561,431) | 34,819,752 |
| Transfers from Other Funds | 2,848,335 | - | 2,848,335 |
| Property Tax (within permanent rate limit) | 9,311,375 | - | 9,311,375 |
| Total Resources | \$ 259,609,352 | \$ (615,620) | \$ 258,993,732 |
| Corporate Administration | \$ 22,856,323 | \$ 364,795 | \$ 23,221,118 |
| Marine & Industrial Development | 27,998,138 | (792,863) | 27,205,276 |
| Development Services and Information Technology | 9,575,765 | 10,494 | 9,586,259 |
| Navigation | 9,299,673 | 61,484 | 9,361,157 |
| Engineering | 10,149,459 | (23,837) | 10,125,622 |
| General Aviation | 2,028,969 | (571) | 2,028,398 |
| Total Departments | 81,908,326 | (380,497) | 81,527,829 |
| Service Reimbursements | 168,580 | - | 168,580 |
| Long-Term Debt Payments | 8,804,000 | - | 8,804,000 |
| Other Environmental | 6,387,286 | (2,169,593) | 4,217,693 |
| System Development Charges/Other | 5,000 | - | 5,000 |
| Cash Transfers to Other Funds | 41,489,667 | (8,822) | 41,480,845 |
| Contingency | 120,846,493 | 1,943,292 | 122,789,785 |
| Total Requirements | \$ 259,609,352 | \$ (615,620) | \$ 258,993,732 |
| AIRPORT REVENUE FUND | | | |
| Beginning Balance | \$ 30,000,000 | \$ - | \$ 30,000,000 |
| Operating revenue | 179,484,929 | (1,979,025) | 177,505,904 |
| Interest on Investments | 523,300 | - | 523,300 |
| Service Reimbursements | 1,541,330 | - | 1,541,330 |
| Transfers from Other Funds | 105,912,138 | (8,822) | 105,903,315 |
| Total Resources | \$ 317,461,696 | \$ (1,987,847) | \$ 315,473,849 |
| Operating Expenditures | \$ 76,498,886 | \$ 660,358 | \$ 77,159,244 |
| Sys Dev Chgs/Line Of Credit/Other | 100,000,000 | - | 100,000,000 |
| Service Reimbursements | 22,193,841 | (181,318) | 22,012,523 |
| Cash Transfers to Other Funds | 83,768,969 | (2,466,887) | 81,302,082 |
| Contingency | 35,000,000 | - | 35,000,000 |
| Total Requirements | \$ 317,461,696 | \$ (1,987,847) | \$ 315,473,849 |
| BOND CONSTRUCTION FUND | | | |
| Beginning Balance | \$ 11,853,758 | \$ - | \$ 11,853,758 |
| Interest Income/ Other | 106,800 | - | 106,800 |
| Federal/State Grants/Other | 27,654,282 | - | 27,654,282 |
| Bonds and Other Debt Proceeds | - | - | - |
| Transfers from Other Funds | 35,577,529 | - | 35,577,529 |
| Total Resources | \$ 75,192,369 | \$ - | \$ 75,192,369 |
| Capital Outlay | \$ 59,588,911 | \$ 340,057 | \$ 59,928,968 |
| Service Reimbursements | 5,603,458 | (340,057) | 5,263,401 |
| Transfers to General Fund | - | - | - |
| Transfers to Airport Revenue Fund | - | - | - |
| Contingency | 10,000,000 | - | 10,000,000 |
| Total Requirements | \$ 75,192,369 | \$ - | \$ 75,192,369 |

SCHEDULE OF APPROPRIATIONS – FISCAL YEAR 2011-12

| | BUDGET PROPOSAL SUBMITTED ON APRIL 13, 2011 | REVISIONS | BUDGET SUBMITTED FOR APPROVAL ON MAY 11, 2011 |
|--|--|-----------------------|--|
| AIRPORT CONSTRUCTION FUND | | | |
| Beginning Balance | \$ 114,833,156 | \$ - | \$ 114,833,156 |
| Interest Income/ Other | 1,740,400 | - | 1,740,400 |
| Federal / State Grants | 28,830,191 | - | 28,830,191 |
| Bond and Other Debt Proceeds | - | - | - |
| Transfers from Other Funds | 32,368,065 | (2,466,887) | 29,901,178 |
| Total Resources | \$ 177,771,813 | \$ (2,466,887) | \$ 175,304,925 |
| Capital Outlay | \$ 95,278,347 | \$ 40,057 | \$ 95,318,404 |
| Service Reimbursements | 8,956,634 | (40,057) | 8,916,577 |
| Cash Transfers to Other Funds | 400,000 | - | 400,000 |
| Contingency | 73,136,832 | (2,466,887) | 70,669,944 |
| Total Requirements | \$ 177,771,813 | \$ (2,466,887) | \$ 175,304,925 |
| PASSENGER FACILITY CHARGE (PFC) FUND | | | |
| Beginning Balance | \$ 8,468,521 | \$ - | \$ 8,468,521 |
| Passenger Facility Charge | 27,184,500 | - | 27,184,500 |
| Bond and Other Debt Proceeds | 130,000,000 | - | 130,000,000 |
| Interest and Other | 138,125 | - | 138,125 |
| Total Resources | \$ 165,791,146 | \$ - | \$ 165,791,146 |
| Letter of Credit/Other | \$ 700,000 | \$ - | \$ 700,000 |
| Cash Transfers to Other Funds | 139,310,155 | - | 139,310,155 |
| Contingency | 25,780,992 | - | 25,780,992 |
| Total Requirements | \$ 165,791,146 | \$ - | \$ 165,791,146 |
| PASSENGER FACILITY CHARGE (PFC) BOND FUND | | | |
| Beginning Balance | \$ 10,770,975 | \$ - | \$ 10,770,975 |
| Interest Income | 13,221,000 | - | 13,221,000 |
| Cash Transfers from Other Funds | 39,310,155 | - | 39,310,155 |
| Total Resources | \$ 63,302,130 | \$ - | \$ 63,302,130 |
| Debt Service | \$ 39,531,155 | \$ - | \$ 39,531,155 |
| Unappropriated Ending Balance | 23,770,975 | - | 23,770,975 |
| Total Requirements | \$ 63,302,130 | \$ - | \$ 63,302,130 |
| AIRPORT REVENUE BOND FUND | | | |
| Beginning Balance | \$ 35,867,490 | \$ - | \$ 35,867,490 |
| Bond and Other Debt Proceeds | - | - | - |
| Interest Income | 101,000 | - | 101,000 |
| Transfers from Other Funds | 48,952,569 | - | 48,952,569 |
| Total Resources | \$ 84,921,059 | \$ - | \$ 84,921,059 |
| Debt Service | \$ 49,053,569 | \$ - | \$ 49,053,569 |
| Unappropriated Ending Balance | 35,867,490 | - | 35,867,490 |
| Total Requirements | \$ 84,921,059 | \$ - | \$ 84,921,059 |
| TOTAL ALL FUNDS | \$ 1,144,049,565 | \$ (5,070,355) | \$ 1,138,979,210 |

2011-2012 ADMINISTRATIVE COMPENSATION PROGRAM

May 11, 2011

Presented by: Niki L. Jordan
Manager
Compensation and Benefits**EXECUTIVE SUMMARY**

This agenda item requests Commission approval to fund the merit pool and additional compensation for promotions, equity and special adjustments for the Port of Portland's (Port) Fiscal Year 2011-2012 Administrative Compensation Program.

BACKGROUND

The Port's Administrative Compensation Program covers approximately 460 employees. In overall terms, the achievement of market rates (100 percent), plus or minus five percent, measures the competitiveness of this plan. On an individual basis, the Administrative Compensation Plan provides pay-for-performance, in which salary levels reflect demonstrated performance over time.

The following expenditures for the Fiscal Year 2011-2012 compensation cycle reflect the total recommended annual expenditure for the Administrative Compensation Plan for administrative employees.

- Merit increase pool of \$1,004,213 (3.0 percent of payroll).
- Miscellaneous pool of \$358,124 (1.0 percent of payroll) to be used for promotions, equity and special adjustments throughout the year.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to implement the Port of Portland's Fiscal Year 2011-2012 Administrative Compensation Program, 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.

RESOLUTION TO AUTHORIZE THE REPLACEMENT OF THE IRREVOCABLE LETTER OF CREDIT CURRENTLY SUPPORTING THE PORTLAND INTERNATIONAL AIRPORT REFUNDING REVENUE BONDS SERIES EIGHTEEN

May 11, 2011

Presented by: Sugie S. Joseph
Senior Manager
Financial Analysis & Projects

EXECUTIVE SUMMARY

This agenda item requests approval of a resolution to authorize the replacement of the Letter of Credit currently supporting the Portland International Airport Refunding Revenue Bonds Series Eighteen with new separate Letters of Credit from Wells Fargo Bank, National Association (Wells Fargo) and U.S. Bank National Association (US Bank).

BACKGROUND

The Port of Portland (Port) issued its variable rate Series Seventeen Bonds (Series Seventeen Bonds) in June 2006 in the amount of \$143,260,000 pursuant to Ordinance 420-B. The Series Seventeen Bonds were issued to create variable rate debt service that corresponded to the variable rate payments the Port received under the interest rate exchange agreements (Swaps) for the Series Ten and Series Eleven Bonds approved by the Commission in April 2004.

The Series Seventeen Bonds were “auction rate” securities; their interest rate was established through an auction process that did not give bond owners a right to tender their bonds. Due to changes in the financial market caused in large measure by the sub-prime credit issues, auction rate securities were no longer marketable and as a result, the Port chose to convert the Series Seventeen Bonds from auction rate securities to weekly-reset Variable Rate Demand Bonds (VRDB). VRDBs are variable rate bonds that are secured by a Letter of Credit; owners of VRDBs do have the right to tender their bonds, and the provider of the Letter of Credit is required to buy tendered bonds if other investors do not wish to purchase the bonds. In order to convert the Series Seventeen Bonds from auction rate securities to VRDBs, the Port refunded the Series Seventeen Bonds with the proceeds of newly issued VRDBs in 2008 (Series Eighteen Bonds). The Series Eighteen Bonds were secured by a Letter of Credit from Lloyds Bank for a three-year term.

The Letter of Credit with Lloyds Bank expires on July 8, 2011, requiring the Port to find a replacement Letter of Credit. The Port’s financial advisor, Seattle-Northwest Securities, issued a Request for Proposal (RFP) on the Port’s behalf in February 2011 to obtain proposals for a new Letter of Credit provider. After evaluating the proposals, the Port selected the combined proposal of Wells Fargo and US Bank to provide separate Letters of Credit for the applicable subseries of the Series Eighteen Bonds. The term on the new Letters of Credit will be three years (terminating on July 1, 2014), after which the Port will need to extend or replace this credit facility. The Letter of Credit fee will be 75 basis points a year for three years. The Letter of Credit fee is subject to escalation if the Senior Lien Revenue Bonds’ rating for the airport were

RESOLUTION TO AUTHORIZE THE REPLACEMENT OF THE IRREVOCABLE LETTER OF CREDIT CURRENTLY SUPPORTING THE PORTLAND INTERNATIONAL AIRPORT REFUNDING REVENUE BONDS SERIES EIGHTEEN

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downgraded. If the Letter of Credit is terminated within the first year, then the Port is required to pay all amounts owing to the banks and one year of facility fee. The default rate is the Bank rate plus three per cent. If either Wells Fargo or US Bank is required to buy the Port's bonds, the Port will be obligated to repay Wells Fargo or US Bank, as applicable, in equal installments over five years, with interest and fees. This is a typical repayment structure in the industry for Letter of Credit draws.

Participants in the Transaction

In addition to the Port, the following primary firms are involved in the transaction:

- Bank of America Merrill Lynch and J.P. Morgan are the remarketing agents;
- The Bank of New York Mellon Trust Company, N.A., is the Trustee;
- Orrick Herrington & Sutcliffe LLP is bond counsel to the Port;
- Standard & Poor's & Fitch are the rating agencies;
- Seattle-Northwest Securities Corporation is the financial advisor to the Port;
- PricewaterhouseCoopers is the auditor of the Port; and
- Wells Fargo & US Bank will be the Letter of Credit providers.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

WHEREAS, The Port of Portland has previously issued its Portland International Airport Refunding Revenue Bonds Series Eighteen (Multimodal Variable Rate) (2008 Bonds) in the aggregate principal amount of \$138,890,000, of which \$133,650,000 is outstanding as of June 30, 2010; and

WHEREAS, The Letter of Credit currently supporting the 2008 Bonds provided by Lloyds TSB Bank plc (Expiring Letter of Credit) is scheduled to expire July 8, 2011, and must be replaced or the Port of Portland, at considerable cost, must refund the 2008 Bonds; and

WHEREAS, The Port of Portland has received a joint proposal from Wells Fargo Bank, National Association and U.S. Bank National Association to provide two replacement Letters of Credit (Replacement Letters of Credit) with respect to the 2008 Bonds; therefore

BE IT RESOLVED, That approval is given to replace the Expiring Letter of Credit with Replacement Letters of Credit; and

RESOLUTION TO AUTHORIZE THE REPLACEMENT OF THE IRREVOCABLE LETTER OF CREDIT CURRENTLY SUPPORTING THE PORTLAND INTERNATIONAL AIRPORT REFUNDING REVENUE BONDS SERIES EIGHTEEN

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BE IT FURTHER RESOLVED, That the Executive Director, the Director of Financial & Administrative Services and Chief Financial Officer or their designee are each authorized to negotiate, execute and deliver reimbursement agreements, remarketing agreements, security agreements, promissory notes, and such other agreements, certificates or documents as may be required or convenient to replace the Expiring Letter of Credit with the Replacement Letters of Credit or to otherwise ensure that the 2008 Bonds are appropriately secured; and

BE IT FURTHER RESOLVED, That the Port of Portland is authorized to cause the preparation and delivery of one or more Reoffering Circulars or other reoffering disclosure documents with respect to the 2008 Bonds and the Executive Director, the Director of Financial & Administrative Services and Chief Financial Officer or their designee are each authorized to execute and deliver any required certificates or agreements in connection therewith.

RETAIL CONCESSION LEASES – PORTLAND INTERNATIONAL AIRPORT

May 11, 2011

Presented by: Rebecca Sonniksen
Market Development Project Mgr.**EXECUTIVE SUMMARY**

This agenda item requests approval to enter into two new concession leases operated by Project Horizon, Inc., for an InMotion Entertainment store and a SoundBalance store at Portland International Airport (PDX).

BACKGROUND

Approval of the two new leases will result in optimal use of concession space, significant tenant investments, introduction of new concepts, and incremental revenue to the Port.

InMotion Entertainment

InMotion Entertainment's first airport store was opened at PDX in 1999. Since that time this concept and brand has evolved into the nation's largest airport retailer of electronics and entertainment with 60 locations nationwide. At PDX, operating from a kiosk location on Concourse D, InMotion Entertainment provides passengers with electronic accessories, movies, music and rentals. The current lease expires December 31, 2011. InMotion Entertainment's new leased concession space would be built out on concourse D.

Key Business Terms

Term: Six years and one month commencing June 1, 2011, and terminating June 30, 2017.

Rent: The greater of the Minimum Annual Guarantee (MAG) or Percentage Rent. The percentage rent will be 12 percent of Gross Revenues.

MAG is estimated to be approximately \$68,000.

Tenant Investment: An initial minimum investment of \$250,000

Projected Opening: Late 2011

SoundBalance

SoundBalance is a new electronic concept operated by InMotion Entertainment, in partnership with AirportWireless, a certified Airport Concession Disadvantaged Business. While SoundBalance has entertainment products similar to InMotion, their emphasis is on business electronic products with an eye toward sustainable technology. SoundBalance will be located on the south side of the terminal on Concourse C.

RETAIL CONCESSION LEASES – PORTLAND INTERNATIONAL AIRPORT

May 11, 2011

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Key Business Terms

Term: Five years and one month commencing June 1, 2011, and terminating June 30, 2016.

Rent: The greater of the Minimum Annual Guarantee (MAG) or Percentage Rent. The percentage rent will be 14 percent of Gross Revenues.

MAG is estimated to be approximately \$90,000.

Tenant Investment: An initial minimum investment of \$300,000.

Projected Opening: Late 2011

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to enter into two new concession leases operated by Project Horizon, Inc., for an InMotion store and a SoundBalance store at Portland International Airport, based 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.

**CONSTRUCTION CONTRACT – AIR TRANS CENTER PAVEMENT REHABILITATION –
PORTLAND INTERNATIONAL AIRPORT**

May 11, 2011

Presented by: Matt Hoffman
Project Sponsor

Jim McGinnis
Project Manager

EXECUTIVE SUMMARY

This agenda item requests approval to award a construction contract to Kodiak Pacific Construction Company for rehabilitation of the Air Trans Center pavement adjacent to the Boeing hangar at Portland International Airport (PDX).

BACKGROUND

The area known as the Air Trans Center is located on the south side of PDX and is home to integrated and bulk air cargo operators such as Federal Express and United Parcel Service, as well as other airline maintenance and production aircraft painting facilities. Boeing leases approximately 815,000 square feet of land upon which it operates two 65,000-square-foot hangars where they paint aircraft. This facility generates approximately \$844,000 a year for the Port of Portland (Port).

Under the lease, the Port is responsible for maintenance, repair and replacement of the adjacent apron area that provides access to and from Boeing's aircraft hangars as well as other air cargo facilities. Based on visual and subsurface investigations, age and current condition, this pavement section warrants full rehabilitation. The proposed improvements will meet the Port's contractual obligations to Boeing as well as other tenant-owned air cargo facilities.

The proposed project will rehabilitate the 260-foot-wide, 800-foot-long apron adjacent to Boeing, including:

- Portland Cement concrete pavement
- Grading and drainage infrastructure
- Airfield guidance signage and markings
- Taxiway lighting
- Relocate taxi lane centerline and widen taxi lane shoulder to meet Federal Aviation Administration (FAA) airport design standards

The proposed project is being funded using Port Cost Center funds.

CONSTRUCTION CONTRACT – AIR TRANS CENTER PAVEMENT REHABILITATION –
PORTLAND INTERNATIONAL AIRPORT
May 11, 2011
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This project was put out for bid on April 7, 2011, and bids were received and publicly opened on April 21, 2011. A total of six bids were received. The bid results are shown in the table below.

| | |
|---------------------------------|----------------|
| Kodiak Pacific Construction Co. | \$2,879,879.00 |
| Kerr Contractors | \$2,967,571.00 |
| Nutter Corporation | \$3,033,935.22 |
| Westech Construction, Inc. | \$3,226,150.50 |
| Coffman Excavation | \$3,232,323.00 |
| Brown Contracting, Inc. | \$4,197,660.00 |
| Engineer's Estimate | \$3,369,662.50 |

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to award a construction contract to Kodiak Pacific Construction Company, for the rehabilitation of the Air Trans Center pavement adjacent to the Boeing hangar 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.

**FIRST READING AND PUBLIC HEARING – ORDINANCE NO. 440-R TO RELOCATE
HARBOR LINES – TRIMET LIGHT RAIL BRIDGE**

May 11, 2011

Presented by: Eric Burnette
Senior Waterways Planner**EXECUTIVE SUMMARY**

This agenda item requests a first reading and public hearing on proposed Port of Portland (Port) Ordinance No. 440-R regarding the adjustment of harbor lines in the Willamette River in connection with the TriMet Portland-Milwaukie Light Rail Project.

BACKGROUND

On March 31, 2011, the Port received a request for harbor line adjustments from Dave Unsworth, Senior Manager, Project Development, Tri-County Metropolitan Transportation District of Oregon (TriMet). As part of the TriMet Portland-Milwaukie Light Rail Project, TriMet expects to start construction in July 2011 for a light rail bridge over the Willamette River at approximately River Mile 13.8, between the Marquam and Ross Island Bridges. The new bridge's two in-water piers would fall outside the existing harbor lines. TriMet's request to the Port seeks modification of the harbor lines so that both of the bridges' piers will fall completely inside the modified harbor lines.

The Port harbor lines on the Willamette River are recognized as the building limit for waterfront facilities. The harbor lines establish the maximum riverward extension for structures and fills. The Port has authority pursuant to its authorizing statute to change harbor lines as part of its authority over harbors, wharf lines, and navigation. Harbor lines are changed from time to time to accommodate harbor improvement when it does not have an adverse impact on navigation. The last harbor line relocation, Ordinance 315, was approved by the Board of Commissioners on October 10, 1984.

This change has been reviewed with navigation interests and adjacent property owners and there are no apparent unresolved concerns. Public notice of the proposed change has been posted in accordance with statutory requirements.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That Port of Portland Ordinance No. 440-R be given a first reading by title only; and

BE IT FURTHER RESOLVED, That a public hearing be held on Ordinance No. 440-R.

ORDINANCE NO. 440-R

OF

THE PORT OF PORTLAND

AN ORDINANCE AUTHORIZING THE PORT OF PORTLAND TO RELOCATE HARBOR LINES – TRIMET LIGHT RAIL BRIDGE PROJECT

WHEREAS, the Port of Portland ("Port") has legal authority to establish and change harbor lines on the waterways within the boundaries of the Port pursuant to Oregon Revised Statutes (ORS) 778.085; and

WHEREAS, Tri-County Metropolitan Transportation District of Oregon, a municipal corporation in the State of Oregon, has requested that the Board of Commissioners of The Port of Portland approve the relocation of harbor lines in the Willamette River in order to facilitate the construction of the TriMet Light Rail Bridge Project;

NOW THEREFORE, BE IT ENACTED BY THE PORT OF PORTLAND, AS FOLLOWS::

Section 1: The Harbor Line between existing Harbor Line Point 68 and existing Harbor Line Point 70 is hereby revised and changed as described below and as shown on attached **Exhibit A**:

Beginning at existing Harbor Line Point 68 described as having coordinates of Y=679,807.00 and X=1,443,338.00 based on the Oregon Coordinate System of 1927, north zone, in units of U.S. Survey Feet; and thence proceeding along the existing Harbor Line on a line bearing South 20°17'37" East, a distance of 2,453.70 feet to a new Harbor Line Point 68A having Oregon Coordinate System of 1927, north zone coordinates of Y=677,505.61 and X=1,444,189.02; and thence leaving said existing Harbor Line and proceeding North 69°43'25" East, a distance of 65.48 feet to a new Harbor Line Point 68B having Oregon Coordinate System of 1927, north zone coordinates of Y=677,528.30 and X=1,444,250.45; and thence proceeding North 84°06'27" East, a distance of 344.12 feet to a new Harbor Line Point 68C having Oregon Coordinate System of 1927, north zone coordinates of Y=677,563.63 and X=1,444,592.75; and thence proceeding South 06°03'17" East, a distance of 206.98 feet to a new Harbor Line Point 68D having Oregon Coordinate System of 1927, north zone coordinates of Y=677,357.80 and X=1,444,614.58; and thence proceeding South 69°43'10" West, a distance of 347.88 feet to a new Harbor Line Point 68E on the existing Harbor Line having Oregon Coordinate System of 1927, north zone coordinates of Y=677,237.22 and X=1,444,288.27; and thence proceeding South 20°17'37" East along the existing Harbor Line, a distance of 506.67 feet to existing Harbor Line Point 70 having Oregon Coordinate System of 1927, north zone coordinates of Y=676,762.00 and X=1,444,464.00;

AND the Harbor Line between existing Harbor Line Point 89 and existing Harbor Line Point 91 is hereby revised and changed as described below and as shown on attached **Exhibit A**:

Beginning at existing Harbor Line Point 89 described as having coordinates of Y=678,533.00 and X=1,444,935.00 based on the Oregon Coordinate System of 1927, north zone, in units of

U.S. Survey Feet; and thence proceeding along the existing Harbor Line on a line bearing South 25°43'17" East, a distance of 411.92 feet to a new Harbor Line Point 89A having Oregon Coordinate System of 1927, north zone coordinates of Y=678,161.89 and X=1,445,113.77; and thence leaving said existing Harbor Line and proceeding South 48°57'51" West, a distance of 321.64 feet to a new Harbor Line Point 89B having Oregon Coordinate System of 1927, north zone coordinates of Y=677,950.73 and X=1,444,871.16; and thence proceeding South 40°58'25" East, a distance of 244.29 feet to a new Harbor Line Point 89C having Oregon Coordinate System of 1927, north zone coordinates of Y=677,766.29 and X=1,445,031.35; and thence proceeding North 49°12'25" East, a distance of 254.71 feet to a new Harbor Line Point 89D on the existing Harbor Line having Oregon Coordinate System of 1927, north zone coordinates of Y=677,932.70 and X=1,445,224.18; and thence proceeding South 25°43'17" East along the existing Harbor Line, a distance of 1,490.37 feet to existing Harbor Line Point 91 having Oregon Coordinate System of 1927, north zone coordinates of Y=676,590.00 and X=1,445,871.00.

Section 2: In the event any phrase, clause, sentence, paragraph, or paragraphs of this Ordinance is declared invalid for any reason, the remainder of the sentence, paragraph, or paragraphs of this Ordinance shall not be thereby invalidated, but shall remain in full force and effect, all parts being hereby declared separable and independent of all others.

Section 3: A concise summary of this Ordinance, including the location within the Port where a complete copy of this Ordinance may be obtained without charge, shall be published within five (5) days after passage in a newspaper of general circulation within the boundaries of the Port

Section 4: This Ordinance will be effective July 8, 2011.

ADOPTED this 8th day of June, 2011, being the date of its second reading before the Board of Commissioners of the Port of Portland.

THE PORT OF PORTLAND

By: _____
Judi Johansen, Commission President

By: _____
Pam Thompson, Assistant Secretary

APPROVED FOR LEGAL SUFFICIENCY
FOR THE PORT:

By: _____
Counsel for Port of Portland

APPROVED BY COMMISSION:

Date: _____

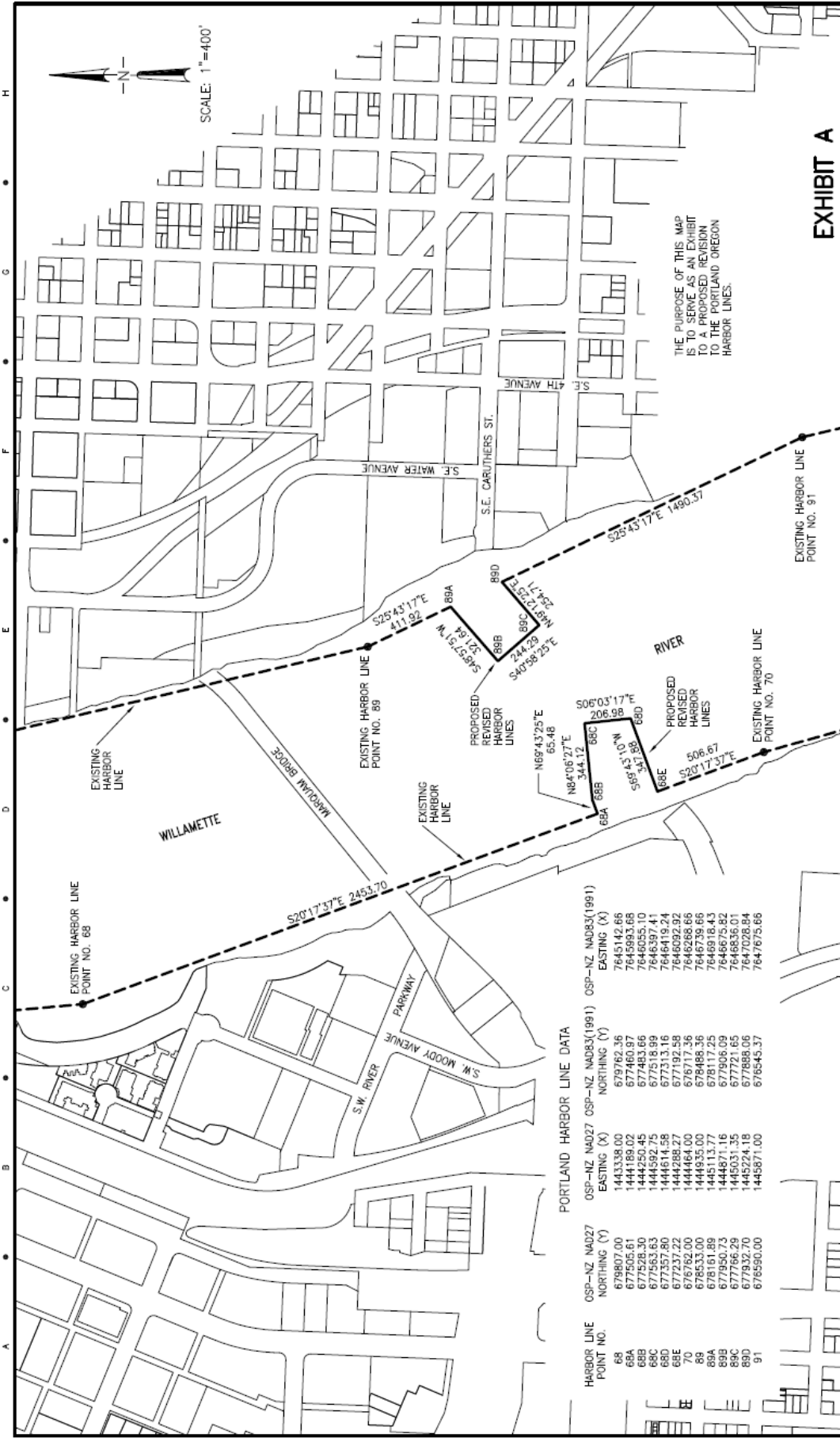


EXHIBIT A

| | |
|--|--|
| <p>PORTLAND - MILWAUKIE LRT PORTLAND HARBOR LINE REVISION</p> | |
| <p>TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON</p> | <p>CAPITAL PROJECTS AND DIVISION TRIMET 710 N.E. HOLLADAY STREET PORTLAND, OREGON 97232</p> |
| <p>DATE: _____</p> <p>BY: _____</p> <p>CHECKED: _____</p> <p>APPROVED: _____</p> | <p>DATE: MAY 4, 2011</p> <p>BY: J. CARLSON</p> <p>CHECKED: _____</p> <p>APPROVED: _____</p> |
| <p>SCALE: 1"=400'</p> <p>PH-1</p> <p>1 OF 1</p> | |

PORTLAND HARBOR LINE DATA

| HARBOR LINE POINT NO. | OSP-NZ NAD27 NORTHING (Y) | OSP-NZ NAD83(1991) NORTHING (Y) | OSP-NZ NAD83(1991) EASTING (X) |
|-----------------------|---------------------------|---------------------------------|--------------------------------|
| 68 | 679807.00 | 679762.36 | 7645142.66 |
| 68A | 677505.61 | 677460.87 | 7645893.68 |
| 68B | 677528.30 | 677483.66 | 7646055.10 |
| 68C | 677563.63 | 677518.99 | 7646397.41 |
| 68D | 677357.80 | 677313.16 | 7646419.24 |
| 68E | 677237.22 | 677192.58 | 7646092.82 |
| 69 | 676232.00 | 676188.38 | 7646378.66 |
| 69A | 676131.89 | 676117.25 | 76460918.43 |
| 69B | 677950.73 | 677906.09 | 7648675.82 |
| 69C | 677756.29 | 677721.65 | 7646836.01 |
| 69D | 677932.70 | 677888.06 | 7647028.84 |
| 69E | 676590.00 | 676545.37 | 7647675.66 |