



AGENDA
Regular Commission Meeting
Port of Portland Headquarters
7200 N.E. Airport Way, 8th Floor
May 10, 2017
9:30 a.m.

Minutes

Approval of Minutes: Regular Commission Meeting – April 12, 2017

Executive Director

Approval of Executive Director's Report – April 2017

General Discussion

Portland International Airport Community Advisory Committee
Annual Report

*JEFF OWEN
JENIFER PARDY*

Consent Item

1. HILLSBORO ENTERPRISE ZONE RE-DESIGNATION
Requests consent to a re-designation of the Hillsboro Enterprise Zone.

EMERALD BOGUE

Action Items

2. APPROVAL OF ADVISORY GROUP RECOMMENDATION OF FINALISTS TO THE COMMISSION FOR THE ROLE OF EXECUTIVE DIRECTOR

JIM CARTER

This agenda item requests approval of the recommendation of the Advisory Group to the Port of Portland Commission regarding finalists for the role of Executive Director.

3. PORT OF PORTLAND FISCAL YEAR 2017-2018 BUDGET APPROVAL

SUZANNE KENNY

Requests that the Commission, acting as the Port of Portland's (Port) Budget Committee, approve the Port's Fiscal Year 2017-2018 Budget and authorize its submittal to the Multnomah County Tax Supervising and Conservation Commission for its public hearing on June 22, 2017.

4. PERSONAL SERVICES CONTRACT – ANNUAL AUDIT SERVICES *ROBERT BURKET*

Requests approval to enter into a five-year personal services contract with Moss Adams LLP to conduct a required independent audit of the Port of Portland's financial records.
5. EQUIPMENT PROCUREMENT CONTRACT – STEEL DREDGE DISCHARGE PIPE – NAVIGATION *TANYA STARR*

Requests approval to award an equipment procurement contract to Thompson Metal Fab for the fabrication and delivery of steel dredge discharge pipe for the Port of Portland Navigation Division.
6. PUBLIC IMPROVEMENT CONTRACT – BASIN 7 STORMWATER TREATMENT FACILITY – PORTLAND INTERNATIONAL AIRPORT *CHRISTINE EDWARDS*

Requests approval to award a public improvement contract to Goodfellow Bros., Inc., for the Basin 7 Stormwater Treatment Facility project at Portland International Airport.
7. EXEMPTION FROM COMPETITIVE BIDDING FOR PUBLIC IMPROVEMENT CONTRACT – SHORT-TERM PARKING GARAGE AUTOMATIC PARKING GUIDANCE SYSTEM REPLACEMENT – PORTLAND INTERNATIONAL AIRPORT *ALAN DAKESSIAN*

Requests an exemption from competitive bidding, enabling the Port of Portland to use a competitive, qualifications-based request for proposals process to procure the public improvement contract for design and construction of the short-term garage Automatic Parking Guidance System replacement at Portland International Airport.

Following the Regular Commission meeting, the Commissioners will break for lunch and then re-convene at 11:30 a.m. for an Executive Session, held pursuant to ORS 192.660(1)(a), to consider the employment of the Port's Executive Director. Note: This meeting is not open to the general public. A media information session (media only) will be held from 11:00-11:30 a.m. in the Chinook Conference Room.

HILLSBORO ENTERPRISE ZONE RE-DESIGNATION

May 10, 2017

Presented by: Emerald Bogue
Regional Affairs Manager**REQUESTED COMMISSION ACTION**

This agenda item requests consent to a re-designation of the Hillsboro Enterprise Zone, located within Port of Portland (Port) boundaries, to provide an incentive to encourage existing or new companies to invest and create jobs within the zone.

BACKGROUND

The Enterprise Zone program was enacted by the Oregon Legislature in 1985. In the 2005 legislative session, the statute for the Enterprise Zone program, ORS 285C.065, was changed to require the governing bodies of port districts to consent by resolution to Enterprise Zone applications by a city or county within the boundaries of the port. This change was requested to ensure coordination of economic development activities within port districts. Since then, the Port Commission routinely receives requests from jurisdictions as they move forward with Enterprise Zone re-designations and/or boundary changes.

The Enterprise Zone program allows a 100 percent property tax abatement for up to five years on new qualified capital assets of eligible businesses within the enterprise zone boundary. Land, existing structures and existing machinery and equipment are not eligible for the abatement. State program requirements include: increasing employment by 10 percent, or one job, whichever is greater; maintaining minimum employment levels during the abatement period; and entering into a "First Source Hiring Agreement" with Worksource Oregon, an agreement by the employer to use the Oregon Employment Department through Worksystems, Inc., as its first source from which to hire qualified candidates before hiring from other sources.

The Hillsboro Enterprise Zone was originally established in 2006, and the boundary was expanded in 2008 and 2010. The program continues to assist local companies with expansion opportunities, as well as to diversify Hillsboro's economy by recruiting new companies to the area.

Hillsboro Enterprise Zone program results include:

- 43 applications authorized
- 33 companies currently in the program
- ~\$2.1 billion in new investment
- ~3,400 jobs retained
- ~1,800 jobs created
- ~ \$294 million in assessed value returned to the tax rolls (2012-2016)

HILLSBORO ENTERPRISE ZONE RE-DESIGNATION

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Because Hillsboro is considered an urban Enterprise Zone (inside a Metropolitan Statistical Area with over 400,000 residents), the Oregon Enterprise Zone Act allows Hillsboro to impose additional program requirements in addition to state requirements. Additional local conditions include: 1) application fee; 2) minimum investment levels; 3) in tax abatement years 1-3, average wage paid must be a minimum of \$14.75 per hour (the 2022 Oregon minimum wage) through 2021, and as of January 1, 2022, the average wage paid must be a minimum of 102 percent of Oregon minimum wage; 4) in tax abatement years 4-5, average wage paid must be 125 percent of Oregon minimum wage; 5) employee benefits that meet the national average of non-mandated benefits for private industry; 6) company workforce training programs; 7) local procurement plan; and 8) community service fee up to 50 percent of the annual abated tax.

FINANCIAL IMPACT

Under the current levy, the Port will forgo approximately \$0.0701 per \$1000 of *future* assessed value until the end of the exemption period of each participating company (i.e., three-to-five years). The impact on Port property tax revenue is expected to be minimal. For example, foregone tax revenue to the Port is approximately \$8,763 over a five-year period on a \$25 million investment. Upon completion of the exemption period, the property will be fully taxed. The Hillsboro City Council adopted a resolution for the Hillsboro Enterprise Zone re-designation at its April 18, 2017 Council meeting. Hillsboro has requested that the Port provide a resolution consenting to this re-designation.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That the Port of Portland Commission consents to a request by the City of Hillsboro to the re-designation of the Hillsboro Enterprise Zone, located within the Port of Portland district boundaries; 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.

APPROVAL OF ADVISORY GROUP RECOMMENDATION OF FINALISTS TO THE COMMISSION FOR THE ROLE OF EXECUTIVE DIRECTOR

May 10, 2017

Presented by: Jim Carter
Port Commission President**REQUESTED COMMISSION ACTION**

This agenda item requests approval of the recommendation of the Advisory Group to the Port of Portland (Port) Commission (described in the procedures, standards, criteria and policy directives for hiring the Port of Portland's Executive Director approved by the Commission in January 2017 [the "Hiring Plan"]) regarding finalists for the role of Executive Director.

BACKGROUND

The Hiring Plan provided that the Advisory Group would interview candidates and provide a list of recommended finalists for the role of Port Executive Director. The Advisory Group announced its recommendation to the Commission on April 10, 2017, which was followed by a two-week period for public comment. The Commission has considered the comments made during the public comment period. As provided in the Hiring Plan, the Commission will determine the finalists, interview them, and work toward identifying its selected candidate.

COMMISSION PRESIDENT'S RECOMMENDATION

The Commission President recommends that the following resolution be adopted:

BE IT RESOLVED, That the Port of Portland Commission hereby approves the following finalists for the role of Executive Director as recommended by the Advisory Group described in the Hiring Plan: Jonathan Daniels, Stephanie Dawson and Curtis Robinhold.

PORT OF PORTLAND FISCAL YEAR 2017-2018 BUDGET APPROVAL

May 10, 2017

Presented by: Suzanne Kenny
Director
Budget and Financial Operations**REQUESTED COMMISSION ACTION**

This agenda item requests that the Commission, acting as the Port of Portland's (Port) Budget Committee, approve the Port's Fiscal Year (FY) 2017-2018 Budget (Budget) and authorize its submittal to the Multnomah County Tax Supervising and Conservation Commission (TSCC) for its public hearing on June 14, 2017.

BACKGROUND

Tax supervising and conservation commissions are independent, impartial panels of citizen volunteers established to monitor the financial affairs of local governments in counties with a population over 500,000. The TSCC has jurisdiction over all local governments that are required to follow local budget law and that have more real market value located within Multnomah County than in any other county. After review by the TSCC, we will request that the Commission adopt the Budget at a special meeting to be held prior to June 30, 2017. 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) 294.456.

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 12, 2017. Exhibit A provides the FY 2017-2018 Budget appropriation categories within each fund.

OVERVIEW – RESOURCES

Budgeted resources for FY 2017-2018 total \$1.7 billion. Anticipated resources include:

- Beginning working capital balance of \$685.6 million is composed of the General Fund (\$156.5 million), the Airport Revenue Fund (\$94.7 million), the Bond Construction Fund (\$10.0 million), the Airport Construction Fund (\$270.2 million), the Airport Revenue Bond Fund (\$37.0 million), the Passenger Facility Charge Fund (\$85.1 million), the Passenger Facility Charge Bond Fund (\$14.4 million), and the Customer Facility Charge Fund (\$17.7 million).

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- Projected operating revenues of \$302.7 million.
- Grants, Interest and Other Income of \$81.5 million is composed primarily of \$7.2 million of interest income, \$19.3 million in Federal and State Grants (including Oregon Department of Transportation *ConnectOregon* and Federal Aviation Administration funding), as well as \$38.7 million in Passenger Facility Charges and \$16.3 million in Customer Facility Charges.
- Property taxes of \$11.9 million.
- Bond proceeds in the amount of \$301 million are budgeted to include the following: an Airport Revenue Bond issue in the amount of \$120 million is budgeted in the Airport Construction Fund to fund capital projects and \$9 million is budgeted in the Airport Revenue Bond Fund for debt service reserves; a Customer Facility Charge Bond issue is budgeted in the amount of \$160 million to fund the consolidated rental car portion of the capital project to construct the joint use facility increasing public parking and providing for a consolidated rental car facility at Portland International Airport (PDX); the Customer Facility Charge Bond Fund includes \$12 million budgeted for debt service reserves.
- Transfers between funds of \$326.3 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

Budgeted requirements for FY 2017-2018 total \$1.7 billion and include the following:

Operating expenditures of \$197.6 million reflect costs of personnel services and all materials and services. These expenditures do not include depreciation or the cost of property sold since those expenditures are non-cash, and are, therefore, not recognized under Oregon Budget Law.

The Port's capital budget as shown in the document is \$384.5 million. In conformance with Oregon Budget Law, that amount does not include \$18.3 million of internal labor (which the Port does include as a capitalized cost for accounting purposes). Of the total budgeted capital expenditures, \$340.4 million is budgeted for Portland International Airport (PDX) in the Airport Construction Fund and includes:

- \$72.8 million for the terminal balancing program
- \$40.4 million for the rental car quick turn-around wash/prep facility expansion
- \$35.0 million for additional public parking and rental car facilities
- \$24.1 million for the terminal core redevelopment
- \$19.4 million to replace passenger loading bridges
- \$17.4 million for the rehabilitation of Taxiway B

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- \$10.5 million for the rehabilitation of Taxiway K
- \$10.3 million to replace Concourse D heating, ventilation and air conditioning

There are \$44.1 million of capital expenditures budgeted in the Bond Construction Fund (which includes all divisions other than PDX) and includes:

- \$10.7 million for Phase II improvements at Troutdale Reynolds Industrial Park
- \$6.2 million for construction of the Rivergate Industrial District overcrossing
- \$3.6 million for rehabilitation of Berths 410, 411 and 503
- \$2.9 million for infrastructure construction at Gresham Vista Business Park
- \$1.5 million for dredge deck crane replacement

Some capital projects span multiple years and may have expenditures in prior or future years. The project budgets included in FY 2017-2018 are the anticipated capital expenditures for FY 2017-2018 only.

Other Budget requirements include:

- Debt Service payments of \$99.6 million: \$66.3 million for PDX Revenue Bonds, \$14.9 million for Passenger Facility Charge Bonds, \$6.0 million for Customer Facility Charge Bonds, and \$12.4 million for General Fund obligations.
- The \$3.2 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.
- The \$2.3 million budgeted in the Other category is primarily for bond issuance costs associated with the bond issues included in the budget (Airport Revenue Bonds and the Customer Facility Charge Bonds).
- Contingency balances of \$623.1 million represent amounts that are expected to be unspent in FY 2017-2018 and, therefore, would become the beginning balance in the following fiscal year. Of the total, \$484.2 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 if needed.
- The Unappropriated Balance of \$72.4 million is a category under Oregon Local Budget Law that is the only available category to budget the Debt Service Reserve in the Airport Revenue Bond Fund, the Passenger Facility Charge Bond Fund, and the Customer 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 \$326.3 million make up the balance of the requirements.

FISCAL YEAR 2017-2018

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 \$862,237 decrease in the Port's FY 2017-2018 Budget from \$1,709,895,264 in the April proposal to \$1,709,032,937 in the budget document submitted for approval:

- Operating revenues decreased by \$258,730 to reflect revised airline reimbursement revenues as a result of lower airline share of operating and maintenance expenses.
- Grants decreased by \$700,000 to reflect revised timing in which grant receipts are expected.
- Operating expenditures increased by \$872,137, primarily due to the revised operating and maintenance expenses associated with the new rental car quick turn-around wash/prep facility, timing of new air service marketing support and revised administrative costs in support of the PDXNext capital program.
- Capital expenditures decreased \$581,782 due to revised forecast of capitalized labor in support of the PDXNext capital program.
- Transfers between funds increased by \$96,403 as a result of overall changes of transfer requirements between funds.
- Finally, the net impact of the changes outlined above result in a \$1,249,086 decrease in Contingency.

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 2017-2018 as presented to the Port of Portland Commission is approved; and

BE IT FURTHER RESOLVED, That the maximum tax levy for the Bond Construction Fund of the Port of Portland be set at a rate of \$0.0701 per thousand dollars 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 2017-18

| Resources | BUDGET PROPOSAL SUBMITTED ON APRIL 12, 2017 | REVISIONS | BUDGET SUBMITTED FOR APPROVAL ON MAY 10, 2017 | EXPLANATION |
|--|--|---------------------|--|---|
| Beginning Balance | \$ 685,574,436 | \$ - | \$ 685,574,436 | |
| Operating Revenue | 302,923,968 | (258,730) | 302,665,238 | Revised airline reimbursement revenues as a result of lower airline share of operating and maintenance expenses. |
| Grants/Interest Income/Other | 82,230,551 | (700,000) | 81,530,551 | Timing adjustment of estimated grants received in FY 2018. |
| Taxes | 11,919,999 | - | 11,919,999 | |
| Bond And Other Debt Proceeds | 301,000,000 | - | 301,000,000 | |
| Subtotal - Resources | \$ 1,383,648,954 | \$ (958,730) | \$ 1,382,690,224 | |
| Transfer From Other Funds | 326,246,310 | 96,403 | 326,342,713 | Net impact of transfer changes between funds. |
| Total Resources | \$ 1,709,895,264 | \$ (862,327) | \$ 1,709,032,937 | |
| Requirements | | | | |
| Operating Expenditures | | | | |
| Corporate Administration | \$ 53,449,933 | \$ 65,689 | \$ 53,515,622 | Revised budget estimates of training and community outreach programs. |
| Marine | 19,658,195 | 135,877 | 19,794,072 | Transfer of planning position from Industrial Development to Marine. |
| Industrial Development | 5,235,553 | (135,848) | 5,099,705 | Transfer of planning position to Marine from Industrial Development. |
| Navigation | 11,095,474 | - | 11,095,474 | |
| General Aviation | 3,358,955 | - | 3,358,955 | |
| Commercial Aviation | 103,939,476 | 806,419 | 104,745,895 | Revised administrative support for PDXNext capital program, revised operating and maintenance expenses associated with the new rental car quick turn-around facility, and timing adjustment of new air service marketing support. |
| Subtotal - Operating Expenditures | \$ 196,737,586 | \$ 872,137 | \$ 197,609,723 | |
| Capital Expenditures | | | | |
| Corporate Administration | \$ 2,775,126 | \$ - | \$ 2,775,126 | |
| Marine | 10,943,801 | - | 10,943,801 | |
| Industrial Development | 24,595,641 | - | 24,595,641 | |
| Navigation | 7,404,047 | - | 7,404,047 | |
| General Aviation | 1,974,906 | - | 1,974,906 | |
| Commercial Aviation | 355,109,061 | - | 355,109,061 | |
| Capitalized Labor | (17,729,578) | (581,782) | (18,311,360) | Additional capitalized labor in support of the PDXNext capital program. |
| Subtotal - Capital Expenditures | \$ 385,073,004 | \$ (581,782) | \$ 384,491,222 | |
| Transfer To Other Funds | \$ 326,246,310 | \$ 96,403 | \$ 326,342,713 | Net impact of transfer changes between funds. |
| Other Environmental | 3,204,812 | - | 3,204,812 | |
| Other | 2,305,750 | - | 2,305,750 | |
| Debt Service Payments | 99,562,473 | - | 99,562,473 | |
| Contingency | 624,371,560 | (1,249,086) | 623,122,474 | Reflects net impact of other changes to Contingency. |
| Unappropriated Balance | 72,393,768 | - | 72,393,768 | |
| Total Requirements | \$ 1,709,895,264 | \$ (862,327) | \$ 1,709,032,937 | |

EXPLANATION OF FUND CHANGES - FISCAL YEAR 2017-18

| FUNDS | BUDGET PROPOSAL SUBMITTED ON APRIL 12, 2017 | REVISIONS | BUDGET SUBMITTED FOR APPROVAL ON MAY 10, 2017 | EXPLANATION |
|----------------------------------|--|----------------------------|--|--|
| General Fund | \$ 267,188,473 | \$ 84,559 | \$ 267,273,032 | Revised budget estimates of training and community outreach programs. |
| Airport Revenue Fund | 339,820,945 | 321,040 | 340,141,985 | Net impact of revised operating and maintenance expenses associated with the new rental car quick turn-around facility, timing of new air service marketing support, and revised administrative costs in support of the PDXNext capital program. |
| Bond Construction Fund | 57,703,522 | - | 57,703,522 | |
| Airport Construction Fund | 567,832,141 | (1,267,926) | 566,564,215 | Timing adjustment of estimated grants received in FY 2018 and lower transfers from other funds. |
| Airport Revenue Bond Fund | 112,275,846 | - | 112,275,846 | |
| CFC Fund | 193,987,880 | - | 193,987,880 | |
| CFC Bond Fund | 18,000,000 | - | 18,000,000 | |
| PFC Fund | 123,817,616 | - | 123,817,616 | |
| PFC Bond Fund | 29,268,841 | - | 29,268,841 | |
| Total | <u>\$ 1,709,895,264</u> | <u>\$ (862,327)</u> | <u>\$ 1,709,032,937</u> | |

SCHEDULE OF APPROPRIATIONS - FISCAL YEAR 2017-18

| | BUDGET PROPOSAL SUBMITTED ON APRIL 12, 2017 | REVISIONS | BUDGET SUBMITTED FOR APPROVAL ON MAY 10, 2017 |
|------------------------------------|--|-------------------|--|
| GENERAL FUND | | | |
| Beginning Balance | \$ 156,457,245 | \$ - | \$ 156,457,245 |
| Operating Revenue | 62,263,042 | (9,314) | 62,253,728 |
| Interest on Investments/Other | 2,922,700 | - | 2,922,700 |
| Federal/State Grants | - | - | - |
| Service Reimbursements | 41,634,656 | 94,037 | 41,728,693 |
| Transfers from Other Funds | 3,910,830 | (164) | 3,910,666 |
| Total Resources | \$ 267,188,473 | \$ 84,559 | \$ 267,273,032 |
| Administration | \$ 53,449,933 | \$ 65,690 | \$ 53,515,623 |
| Marine | 19,658,195 | 135,877 | 19,794,072 |
| Industrial Development | 5,235,553 | (135,848) | 5,099,705 |
| Navigation | 11,095,474 | - | 11,095,474 |
| General Aviation | 3,358,955 | - | 3,358,955 |
| Total Departments | \$ 92,798,110 | \$ 65,719 | \$ 92,863,829 |
| Service Reimbursements | \$ 384,132 | \$ - | \$ 384,132 |
| Other Environmental | 3,204,812 | - | 3,204,812 |
| Debt Service Payments | 12,411,554 | - | 12,411,554 |
| System Development Charges / Other | 250,000 | - | 250,000 |
| Cash Transfers to Other Funds | 29,201,305 | - | 29,201,305 |
| Contingency | 128,938,560 | 18,840 | 128,957,400 |
| Total Requirements | \$ 267,188,473 | \$ 84,559 | \$ 267,273,032 |
| AIRPORT REVENUE FUND | | | |
| Beginning Balance | \$ 94,740,916 | \$ - | \$ 94,740,916 |
| Operating Revenue | 240,660,925 | (249,416) | 240,411,509 |
| Interest on Investments | 2,268,700 | - | 2,268,700 |
| Other | - | - | - |
| Service Reimbursements | 1,940,405 | 570,456 | 2,510,861 |
| Transfers from Other Funds | 210,000 | - | 210,000 |
| Total Resources | \$ 339,820,946 | \$ 321,040 | \$ 340,141,986 |
| Operating Expenditures | \$ 103,939,476 | \$ 806,420 | \$ 104,745,896 |
| Sys Dev Chgs/Line Of Credit/Other | 5,000 | - | 5,000 |
| Service Reimbursements | 25,461,350 | 82,711 | 25,544,061 |
| Cash Transfers to Other Funds | 105,955,120 | (568,091) | 105,387,029 |
| Contingency | 104,460,000 | - | 104,460,000 |
| Total Requirements | \$ 339,820,946 | \$ 321,040 | \$ 340,141,986 |
| BOND CONSTRUCTION FUND | | | |
| Beginning Balance | \$ 10,000,000 | \$ - | \$ 10,000,000 |
| Interest Income/ Other | 244,000 | - | 244,000 |
| Federal/State Grants/Other | 4,363,312 | - | 4,363,312 |
| Bonds and Other Debt Proceeds | - | - | - |
| Property Tax | 11,919,999 | - | 11,919,999 |
| Transfers from Other Funds | 31,176,212 | - | 31,176,212 |
| Total Resources | \$ 57,703,522 | \$ - | \$ 57,703,522 |
| Capital Outlay | \$ 44,125,955 | \$ (3,061) | \$ 44,122,894 |
| Service Reimbursements | 3,567,567 | 3,061 | 3,570,628 |
| Transfers to Other Funds | 10,000 | - | 10,000 |
| Contingency | 10,000,000 | - | 10,000,000 |
| Total Requirements | \$ 57,703,522 | \$ - | \$ 57,703,522 |

SCHEDULE OF APPROPRIATIONS - FISCAL YEAR 2017-18

| | BUDGET PROPOSAL SUBMITTED ON APRIL 12, 2017 | REVISIONS | BUDGET SUBMITTED FOR APPROVAL ON MAY 10, 2017 |
|---|--|-----------------------|--|
| AIRPORT CONSTRUCTION FUND | | | |
| Beginning Balance | \$ 270,174,532 | \$ - | \$ 270,174,532 |
| Interest Income/ Other | 1,601,800 | - | 1,601,800 |
| Federal / State Grants | 15,645,759 | (700,000) | 14,945,759 |
| Bond and Other Debt Proceeds | 120,000,000 | - | 120,000,000 |
| Transfers from Other Funds | 160,410,050 | (567,926) | 159,842,124 |
| Total Resources | \$ 567,832,141 | \$ (1,267,926) | \$ 566,564,215 |
| Capital Outlay | \$ 340,947,050 | \$ (578,720) | \$ 340,368,330 |
| Bond Issue Costs/Other | 1,000,000 | - | 1,000,000 |
| Service Reimbursements | 14,162,011 | 578,720 | 14,740,731 |
| Cash Transfers to Other Funds | 8,500,000 | - | 8,500,000 |
| Contingency | 203,223,080 | (1,267,926) | 201,955,154 |
| Total Requirements | \$ 567,832,141 | \$ (1,267,926) | \$ 566,564,215 |
| AIRPORT REVENUE BOND FUND | | | |
| Beginning Balance | \$ 36,994,752 | \$ - | \$ 36,994,752 |
| Bond and Other Debt Proceeds | 9,000,000 | - | 9,000,000 |
| Interest Income | 121,760 | - | 121,760 |
| Transfers from Other Funds | 66,159,334 | - | 66,159,334 |
| Total Resources | \$ 112,275,846 | \$ - | \$ 112,275,846 |
| Debt Service Payments | \$ 66,281,094 | \$ - | \$ 66,281,094 |
| Unappropriated Ending Balance | 45,994,752 | - | 45,994,752 |
| Total Requirements | \$ 112,275,846 | \$ - | \$ 112,275,846 |
| CUSTOMER FACILITY CHARGE (CFC) FUND | | | |
| Beginning Balance | \$ 17,730,166 | \$ - | \$ 17,730,166 |
| Customer Facility Charge | 16,239,214 | - | 16,239,214 |
| Interest Income | 18,500 | - | 18,500 |
| Bond and Other Debt Proceeds | 160,000,000 | - | 160,000,000 |
| Total Resources | \$ 193,987,880 | \$ - | \$ 193,987,880 |
| Bank Fees / Other | \$ 1,000,000 | \$ - | \$ 1,000,000 |
| Cash Transfers to Other Funds | 86,200,000 | - | 86,200,000 |
| Contingency | 106,787,880 | - | 106,787,880 |
| Total Requirements | \$ 193,987,880 | \$ - | \$ 193,987,880 |
| CUSTOMER FACILITY CHARGE (CFC) BOND FUND | | | |
| Bond and Other Debt Proceeds | \$ 12,000,000 | \$ - | \$ 12,000,000 |
| Cash Transfers from Other Funds | 6,000,000 | - | 6,000,000 |
| Total Resources | \$ 18,000,000 | \$ - | \$ 18,000,000 |
| Debt Service Payments | \$ 6,000,000 | \$ - | \$ 6,000,000 |
| Unappropriated Ending Balance | 12,000,000 | - | 12,000,000 |
| Total Requirements | \$ 18,000,000 | \$ - | \$ 18,000,000 |
| PASSENGER FACILITY CHARGE (PFC) FUND | | | |
| Beginning Balance | \$ 85,077,809 | \$ - | \$ 85,077,809 |
| Passenger Facility Charge | 37,567,107 | - | 37,567,107 |
| Bond and Other Debt Proceeds | - | - | - |
| Interest and Other | 1,172,700 | - | 1,172,700 |
| Total Resources | \$ 123,817,616 | \$ - | \$ 123,817,616 |
| Letter of Credit/Other | \$ 50,750 | \$ - | \$ 50,750 |
| Cash Transfers to Other Funds | 52,804,825 | - | 52,804,825 |
| Contingency | 70,962,041 | - | 70,962,041 |
| Total Requirements | \$ 123,817,616 | \$ - | \$ 123,817,616 |

SCHEDULE OF APPROPRIATIONS - FISCAL YEAR 2017-18

| | <u>BUDGET PROPOSAL SUBMITTED ON APRIL 12, 2017</u> | <u>REVISIONS</u> | <u>BUDGET SUBMITTED FOR APPROVAL ON MAY 10, 2017</u> |
|--|--|---------------------|--|
| PASSENGER FACILITY CHARGE (PFC) BOND FUND | | | |
| Beginning Balance | \$ 14,399,016 | \$ - | \$ 14,399,016 |
| Interest Income | 65,000 | - | 65,000 |
| Cash Transfers from Other Funds | <u>14,804,825</u> | <u>-</u> | <u>14,804,825</u> |
| Total Resources | \$ 29,268,841 | \$ - | \$ 29,268,841 |
| Debt Service Payments | \$ 14,869,825 | \$ - | \$ 14,869,825 |
| Unappropriated Ending Balance | <u>14,399,016</u> | <u>-</u> | <u>14,399,016</u> |
| Total Requirements | \$ 29,268,841 | \$ - | \$ 29,268,841 |
| | | | |
| TOTAL ALL FUNDS | \$ 1,709,895,264 | \$ (862,327) | \$ 1,709,032,937 |

PERSONAL SERVICES CONTRACT – ANNUAL AUDIT SERVICES

May 10, 2017

Presented by: Robert Burket
Controller**REQUESTED COMMISSION ACTION**

This agenda item requests approval to enter into a five-year personal services contract with Moss Adams LLP (Moss Adams) to conduct a required independent audit of the Port of Portland's (Port) financial records for each Port Fiscal Year (FY) from 2017 through 2021.

BACKGROUND

Port Commission Policy 6.1.08 requires the Port to solicit, through a request for proposal (RFP) procedure, independent audit services at least every five years. The audit of the Port's FY 2016 marked the fifth and final year under the current contract with PricewaterhouseCoopers LLP.

Under an annual audit services contract, the Port's independent auditor provides an independent audit and opinion on the Port's financial statements, a "Single Audit" and report on federal grants, a Passenger Facility Charge program audit and report, required state and federal data forms, as well as all of the required communications with Port management and the Commission.

SELECTION

The required RFPs were distributed through the Port's competitive procurement process and proposals were received from six separate accounting firms. A Port evaluation team comprised of the Port's Internal Audit Director, Accounting Manager, and Controller reviewed the proposals against the RFP selection criteria, which included stability; quality control; independence and local team/national office interaction; demonstrated experience in performing audits for similar entities; qualifications and experience of personnel to be assigned to the audit; understanding of the scope and magnitude of services to be performed; approach taken for managing and performing the audit; cost; sustainability; and small business participation.

Proposed fees ranged from \$205,000 to \$440,000 for FY 2017, and \$211,000 to \$454,000 for FY 2018. The evaluation team interviewed three finalists. Moss Adams' proposal best met the RFP selection criteria, and staff recommends that Moss Adams be awarded the contract for annual audit services.

CONTRACT TERMS

The proposed contract is for a five-year term, which the Port may terminate at any time upon written notice. Moss Adams' fees are \$206,250 for FY 2017 and \$212,550 for FY 2018. These fees assume Moss Adams' utilization of 500 hours of Port internal audit department staff time

PERSONAL SERVICES CONTRACT – ANNUAL AUDIT SERVICES

May 10, 2017

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during the course of each year's audit to reduce the number of billable hours worked by Moss Adams staff. For FY 2019 through 2021, fees are subject to increase consistent with increases in the Consumer Price Index for All Urban Consumers published by the U.S. Department of Labor.

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 personal services contract with Moss Adams LLP for annual audit services 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.

**EQUIPMENT PROCUREMENT CONTRACT – STEEL DREDGE DISCHARGE PIPE –
NAVIGATION**

May 10, 2017

Presented by: Tanya Starr
Senior Manager
Facilities Engineering**REQUESTED COMMISSION ACTION**

This agenda item requests approval to award an equipment procurement contract to Thompson Metal Fab for the fabrication and delivery of 2,640 lineal feet of 30-inch-diameter steel dredge discharge pipe for the Port of Portland (Port) Navigation Division, in the amount of \$885,200.

BACKGROUND

The Port is obligated under its Columbia River channel maintenance contract with the U.S. Army Corps of Engineers (USACE) to have 10,000 lineal feet of conventional discharge pipeline as “floating line,” of which 8,000 lineal feet must be readily deployable. In addition to conventional discharge pipeline, another 900 feet of submersible discharge pipeline must be in inventory, ready for immediate use.

This request is part of the Port’s ongoing program for replacement of equipment that has passed its useful economic life. Dredge pipe wall material wears thin over time due to the extremely abrasive nature of the sand and water slurry material being pumped. The pipeline is subjected to stresses caused by wind and wave action against its anchorage, pushing force from dredge tender vessels positioning the line, and towing to and from dredge pumping locations. It is essential for safe and efficient operations that the pipe has adequate structural integrity over its entire length to withstand the river and wave forces, along with the stresses from material transport. The existing pipe is becoming worn and at risk of developing leaks.

SCOPE

This procurement will provide 1,680 lineal feet of new steel pipe to be mounted onto pontoon floats, and bell-end fittings that will be installed on each pipe end. When complete, these new pipe/pontoon assemblies will be added into the Port’s floating pipeline inventory.

This procurement will also provide 960 lineal feet of new steel pipe manufactured with flanges on each end. The flanges allow for segments of steel pipe to be bolted to flexible rubber hoses to construct a submersible pipeline. The submersible pipeline is towed into position and then sunk to the river bottom, allowing un-restricted ship passage in the river channel during dredging operations. The submersible pipeline is then re-surfaced after use by injecting compressed air.



SCHEDULE

| | |
|---|---------------------|
| USACE Authorization | February 2017 |
| Design development | March 2017 |
| Commission Action (approve equipment procurement contract) | May 10, 2017 |
| Delivery | February 2018 |
| Dredge Crew Pipe Assembly | March – April 2018 |

PROJECT BID RESULTS

The Port procured this contract utilizing a competitive sealed bidding solicitation under ORS Chapter 279B. The solicitation was advertised on April 11, 2017 and bids were received on April 27, 2017. Thompson Metal Fab submitted the lowest responsive bid. The bid results were as follows:

| | |
|---------------------------------|-------------|
| Thompson Metal Fab | \$885,200 |
| Transco Industries, Inc. | \$1,036,052 |
| Greenberry Industrial, LLC | \$1,075,780 |
| WCT Marine & Construction, Inc. | \$1,129,996 |
| Western Fabrication Center, LLC | \$1,324,143 |
| Engineer's Estimate | \$920,000 |

PROJECT RISKS

Risk: Quality of steel plate does not conform to design specifications.

Mitigation Strategies:

- Require a submittal of mill certifications before steel plate is formed into pipe lengths.
- Require a submittal certifying that all steel has been normalized prior to welding.

Risk: Quality and strength of pipe fabrication welds does not conform to specifications.

Mitigation Strategies:

- Require a submittal of qualifications for welders that will perform the work, and have an independent testing laboratory verify the certification of required welds.
- Require a submittal of written procedures for all welding processes to be utilized.
- Require the contractor to provide the fabrication inspection and testing by a certified welding inspector. The Port may verify these inspections.

BUDGET

| | |
|---|-----------------|
| Contract | \$885,200 |
| Port staff, contracted services, crew labor | \$292,000 |
| Contingency | <u>\$72,800</u> |
| Project total | \$1,250,000 |

The contingency, representing approximately six percent of the project budget, is considered reasonable given the risk profile for the project.

This procurement will be funded by the General Fund and reimbursed pursuant to the Port's contract with the USACE.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to award an equipment procurement contract for the fabrication and delivery of steel dredge discharge pipe to Thompson Metal Fab, 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.

**PUBLIC IMPROVEMENT CONTRACT – BASIN 7 STORMWATER TREATMENT FACILITY –
PORTLAND INTERNATIONAL AIRPORT**

May 10, 2017

Presented by: Chris Edwards
Engineering Project Manager**REQUESTED COMMISSION ACTION**

This agenda item requests approval to award a public improvement contract to Goodfellow Bros., Inc., for the Basin 7 Stormwater Treatment Facility project at Portland International Airport (PDX), in the amount of \$2,080,880.

BACKGROUND

The Port of Portland's (Port) Municipal Separate Storm Sewer System (MS4) Discharge Permit requires certain treatment facilities to handle runoff from impervious surfaces such as airfield pavement. The PDX Stormwater Master Plan (SMP), adopted in June 2015, provides the Port a comprehensive plan to achieve compliance on the MS4 permit. Through the SMP, 10 regional stormwater treatment facilities were identified to treat stormwater runoff over the next 30 years.

PDX has a total of nine stormwater basins. The Basin 7 Stormwater Treatment Facility project will construct the first of the recommended regional facilities. Basin 7 was selected for stormwater treatment based on a prioritization of basin pollutant loads, environmental cleanup needs and spill control needs. As each project is developed, the total number of regional facilities could change based on the amount of treatment area included within the project.

In order to ensure compliance with the Port's MS4 permit, this project needed to provide 45 acres of stormwater treatment capacity. In developing the project, adequate space was identified at the planned site to allow for additional stormwater treatment vaults. To maximize effectiveness and account for future development, three vaults were sized to allow for treatment of an additional 78 acres, for a total of 123 acres of treatment. This increase in treatment capacity will defer construction of one of the other required regional facilities identified in the Stormwater Master Plan.

The Basin 7 regional stormwater facility will be located next to an existing small underground treatment facility. So that the two facilities are aligned for maintenance and safety purposes, this project will also modify the existing facility to improve access to its confined working space.



SCOPE

- Construct three stormwater treatment vaults with filter cartridges to treat 123 acres.
- Replace existing lift station pumps.
- Modify existing stormwater facility.
- Install stormwater pipes.
- Install gravel access.

SCHEDULE

| | |
|-----------------------------------|-----------------------------|
| Preliminary Design | August 2016 – November 2016 |
| Airline Airport Affairs Committee | January 2017 |
| Design | December 2016 – March 2017 |
| Commission approval | May 10, 2017 |
| Construction | July 2017 – October 2017 |

PROJECT BID RESULTS

The Port procured this public improvement contract utilizing a competitive sealed bidding solicitation under ORS Chapter 279C. The solicitation was advertised on March 29, 2017 and bids were received on April 18, 2017. Goodfellow Bros., Inc., submitted the lowest responsive bid.

The Port's small business participation goal for this contract is nine percent of the total amount bid.

The bids were as follows:

| | |
|-----------------------------|-------------|
| Goodfellow Bros., Inc. | \$2,080,880 |
| K&E Excavating, Inc. | \$2,105,760 |
| McClure and Sons, Inc. | \$2,147,577 |
| James W. Fowler Co. | \$2,182,288 |
| Moore Excavation, Inc. | \$2,286,150 |
| Kodiak Pacific Construction | \$2,460,460 |
| *TEK Construction, Inc. | \$1,800,000 |
| Engineer's Estimate | \$1,991,785 |

*Non-responsive due to incompleteness.

PROJECT RISKS

Risk: Operational impacts

Mitigation strategy:

- There will be ongoing coordination with affected stakeholders.

Risk: Inclement weather may impact the schedule.

Mitigation strategies:

- Contingency plans will be developed when scheduling work.
- Work activities that are not weather-sensitive will be performed during adverse weather.

BUDGET

| | |
|---|--------------------|
| Public Improvement Contract | \$2,080,880 |
| Port staff and contracted services (in-house design) | \$625,000 |
| Contingency | <u>\$270,000</u> |
| Total project budget | \$2,975,880 |

The contingency represents 10 percent of the project budget and is considered reasonable given the risk profile for the project and the complexity of the work site.

The project will be funded by the Airline Cost Center.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to award a public improvement contract for the Basin 7 Stormwater Treatment Facility project at Portland International Airport to Goodfellow Bros., 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.

EXEMPTION FROM COMPETITIVE BIDDING FOR PUBLIC IMPROVEMENT CONTRACT –
SHORT-TERM PARKING GARAGE AUTOMATIC PARKING GUIDANCE SYSTEM
REPLACEMENT – PORTLAND INTERNATIONAL AIRPORT

May 10, 2017

Presented by: Alan Dakessian
Engineering Project Manager

REQUESTED COMMISSION ACTION

This agenda item requests an exemption from competitive bidding, enabling the Port of Portland (Port) to use a competitive, qualifications-based request for proposals (RFP) process to procure the public improvement contract for design and construction of the short-term garage Automatic Parking Guidance System (APGS) replacement at Portland International Airport (PDX).

BACKGROUND

The existing APGS was installed in the short-term parking garage (P1) at PDX in 2007. The system has been a success in terms of increasing customer satisfaction, saving fuel and time, and maximizing revenues. However, the system is now at the end of its useful life. The sensors and other system components are obsolete and the system can no longer be reliably maintained. This project will replace the system.

In addition to a like-for-like replacement using ultrasonic sensor technology, Port staff considered upgrading the system with the latest technology. After extensive product analysis and consultation with stakeholders, Port staff determined that a camera-based guidance system would provide additional value and should be considered. Camera-based systems use analytics to perform more functions than ultrasonic sensor-based systems. This added capability is expected to improve customer satisfaction, operational efficiency and flexibility. For example, a camera-based system can be used to assist a customer in finding exactly where they parked their vehicle. The technology would also replace the need for nightly license plate inventory, an extremely labor-intensive function.

Planned project elements include the following:

- Replace all existing APGS sensors on Levels 3 through 6 with ultrasonic or camera-based sensors, and install new sensors on Level 7.
- Replace all directional guidance signage, including the displays on the main sign at the P1 garage entry plaza.
- Install new kiosks and make a mobile device vehicle location application available (camera-based option only).
- Implement an automated license plate inventory system (camera-based option only).
- Provide all-new software for system operation and maintenance.

EXEMPTION FROM COMPETITIVE BIDDING FOR PUBLIC IMPROVEMENT CONTRACT –
SHORT-TERM PARKING GARAGE AUTOMATIC PARKING GUIDANCE SYSTEM
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Sample Camera Sensor*



Sample Mobile Device Application for Vehicle Location*

* For illustrative use only; multiple manufacturers offer similar systems.

EXEMPTION FROM COMPETITIVE BIDDING FOR PUBLIC IMPROVEMENT CONTRACT –
SHORT-TERM PARKING GARAGE AUTOMATIC PARKING GUIDANCE SYSTEM
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EXEMPTION FROM COMPETITIVE BIDDING

Under Oregon law, public agencies must deliver construction projects using the design-bid-build (DBB, or “low bid”) method unless an alternative contracting method is used. Under low-bid solicitations, contracts are awarded based on price alone.

Oregon law also allows a public agency’s contract review board to approve the use of an alternative contracting method by granting an exemption from competitive bidding. Using an alternative contracting method allows public agencies to consider factors in addition to price when selecting the contractor, such as experience, qualifications, safety and small business participation.

The Port has successfully used alternative contracting methods on numerous projects, including the Port Headquarters/Long-Term Parking Garage, the PDX Inline Baggage Screening project, and the Deicing Enhancement project. The Port is using an alternative method on the PDX Rental Car Quick Turn-Around Facility project and the PDX Parking Additions and Consolidated Rental Car Facility project.

Port staff considered all available contracting methods for this project, including traditional low bid, Construction Manager/General Contractor (CM/GC) and Design/Build (D/B). As discussed in more detail in the Findings in Support of an Exemption from Competitive Bidding (Findings) that are attached as Exhibit A, this project involves delivery of a very complex and sophisticated control system. The APGS integrates multiple levels of technology which must be tailored to the specific needs of Port operations. To effectively implement the system and support it over its useful life, the contractor must possess highly specialized staff and resources. For primarily these reasons, Port staff recommends the use of an alternative contracting method to deliver this project.

Specifically, the Port intends to conduct a competitive RFP procurement to select a contractor to deliver this project using a variant on the D/B delivery method referred to as “design-furnish-install.” Conducting an RFP will allow the Port to select the contractor based on various criteria, such as:

- The proposer’s qualifications and experience with similar projects, including delivery of both the design and installation.
- The proposer’s project management approach and safety plan to ensure timely and safe delivery.
- The proposer’s ability to provide technical support, both during the design and installation phase, and over the system’s life.
- APGS technical evaluation.
- Cost, based on a firm, fixed-price for design and installation of the entire system.
- The proposer’s small business participation plan.

EXEMPTION FROM COMPETITIVE BIDDING FOR PUBLIC IMPROVEMENT CONTRACT –
SHORT-TERM PARKING GARAGE AUTOMATIC PARKING GUIDANCE SYSTEM
REPLACEMENT – PORTLAND INTERNATIONAL AIRPORT

May 10, 2017

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As discussed in the Findings, this selection process is considered unlikely to encourage favoritism in the awarding of the contract or to substantially diminish competition for the contract. It would also likely result in substantial cost savings and other substantial benefits to the Port. Notice of the RFP would be advertised publicly and posted on the Port's online vendor contracting portal.

After public notice and as required under Oregon law, the Port held a public hearing on May 4, 2017 to take comments on the draft Findings. The final Findings, attached, summarize the results of the hearing. The Port now seeks the Commission's approval of the Findings, acting in its capacity as the Port's Contract Review Board. In addition, the Port seeks an exemption from competitive bidding to allow the Port to procure the project public improvement contract using an RFP.

PRELIMINARY SCHEDULE

| | |
|---|---------------------------|
| Commission Action (grant exemption from competitive bidding) | May 2017 |
| RFP and Contractor Selection Process | May – July 2017 |
| Commission Action (approve public improvement contract) | August 2017 |
| System Design | September – December 2017 |
| Construction | January – July 2018 |

PROJECT RISKS

Risk: Uncertainty whether the system will perform as expected given that it is relatively new technology.

Mitigation Strategy:

- The RFP procurement method allows the Port to evaluate each proposer's existing installations, interview their existing customers and install a small test system. These measures will help to identify and avoid likely problems before entering into the public improvement contract for design, equipment furnishing, and system installation.

Risk: It is possible that the Port may decide, at some point, to install a similar system in P2 (the long-term garage), and in the next PDX parking and car rental garage. There is a risk that firms might propose artificially low installation costs for this project in hopes of later leveraging "sole-source" contract award to perform that potential future work.

Mitigation Strategy:

- The RFP pricing submittal will include open-book pricing on system components with a commitment limiting cost escalation for several years.

EXEMPTION FROM COMPETITIVE BIDDING FOR PUBLIC IMPROVEMENT CONTRACT –
SHORT-TERM PARKING GARAGE AUTOMATIC PARKING GUIDANCE SYSTEM
REPLACEMENT – PORTLAND INTERNATIONAL AIRPORT

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PRELIMINARY PROJECT BUDGET

| | |
|------------------------------------|--------------------|
| Design and Construction | \$1,740,000 |
| Port Staff and Contracted Services | \$600,000 |
| Contingency | \$260,000 |
| Total Project | \$2,600,000 |

The contingency, representing 10 percent of the project budget, is considered reasonable given the pre-design stage of the project, the nature of the work and the risk profile for the project. A more well-developed project budget will be presented when Commission approval is sought to award the public improvement contract for system design and installation.

The project cost will be funded through the Port Cost Center.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That the Port of Portland Commission, in its capacity as the Port of Portland Contract Review Board, approves the findings set forth in the attached Exhibit A, "Findings in Support of an Exemption from Competitive Bidding: PDX – P1 Automatic Parking Guidance System Replacement," dated May 10, 2017; and

BE IT FURTHER RESOLVED, That the Port of Portland Commission, in its capacity as the Port of Portland Contract Review Board, specifically exempts from competitive bidding the public improvement contract for the PDX – P1 Automatic Parking Guidance System Replacement project, consistent with the terms presented to the Commission.



FINDINGS IN SUPPORT OF AN EXEMPTION FROM COMPETITIVE BIDDING

PDX – P1 Automatic Parking Guidance System Replacement

PROJECT NO. 102258

DATE OF DRAFT FINDINGS: APRIL 14, 2017

DATE OF FINAL FINDINGS: MAY 10, 2017

Project Background

The existing automatic parking guidance system (APGS) was installed in the short-term parking garage (P1) at Portland International Airport (PDX) in 2007. There are approximately 2,700 sensors over the parking stalls on Levels 3 – 6. Levels 1 and 2 have no sensors as they are used by the rental car agencies. Level 7 has no sensors because it is uncovered. In addition to red and green lights to indicate the status of individual parking stalls, there are signs throughout each floor directing customers to areas with open stalls. The system has been a great success in terms of increasing customer satisfaction, reducing fuel and time wasted by driving around to find an open stall, and maximizing revenues by allowing the parking operations staff to have an accurate count of available stalls.

The problem with the system is that the sensors have a design flaw that allows condensation to enter the device, which is causing sensor failure. The sensors and other system components are now obsolete because the manufacturer, Scheidt & Bachmann, has discontinued their manufacture. Because of the high sensor failure rate, the system can no longer be maintained beyond the very short-term. This project will replace the system.

After extensively researching and analyzing the current products available, and after consulting with multiple stakeholders, Port Operations and Engineering staff decided that replacing the system with a camera-based guidance system would provide additional value to the Port. These cameras use analytics not only to detect the presence of a vehicle, but also to read its license plate number. This added capability enables many useful functions. For example, customers can use a kiosk or a mobile device application to find their vehicle because the system has noted where each license plate is located. The system can also automatically create the nightly license plate inventory that parking personnel currently manually perform with significant effort.

Project Description

The project elements include, but are not necessarily limited to:

- Replacement of all existing APGS sensors on Levels 3 through 6 with camera-based sensors, and installation of new sensors on Level 7.
- Replacement of all directional guidance signage, including the displays on the main sign at the P1 garage entry plaza.
- Installation of new kiosks and availability of a mobile device application to help customers locate their vehicle (camera-based option only).

- Implement an automated license plate inventory system (camera-based option only).
- Installation/use of all new software for system operation and maintenance.

As with most sophisticated control systems, the APGS integrates multiple levels of technology, such as:

- Field devices including highly sophisticated sensors and software used to detect vehicles and to recognize their license plate numbers, and digital display signs, gate controls and other equipment used to guide customers to available parking.
- Field data communication networks used to collect data from sensors and to display guidance messages on signs.
- The Port's local area network (LAN), which will link field data communication networks with the central server applications which run in the Port's server environment.
- Highly complex software applications which provide for system operation and maintenance including graphical user interfaces, guidance algorithms, license plate inventories, car location services, and parking management analytics and reports.

It can be very difficult to deliver a complex, technology-intensive project using a traditional low bid procurement to select the core technology system and contractor. Some of the challenges in using the traditional low bid approach include:

- It would be very difficult to prepare a biddable design (plans and specifications) that would work with all manufacturers' systems, as there are significant variations in system architectures and capabilities.
- A low bid approach does not allow for review of the contractor's experience, design and installation capabilities, technical resources, long-term support, or project management approach, all of which are critical to project success.
- Systems with complex software and thousands of features and user interactions are next to impossible to specify. It is critical to evaluate each proposed system to ensure that it will meet the Port's functional needs.

Alternative Contracting Methods; Exemptions from Competitive Bidding

Under Oregon's Public Contracting Code (Code), public agencies generally must procure public improvement contracts using competitive sealed bidding solicitations, awarding the contract to the lowest responsible bidder.¹ This project delivery method, referred to as "design-bid-build" (also "low bid"), is the default delivery method under Oregon law unless an alternative contracting method is used. Design-bid-build delivery entails separate design and construction phases, with the agency usually contracting directly with a design consulting firm months or years before awarding a public improvement contract to a construction firm to build the project. After design is 100% complete, the agency invites competitive, sealed bids on the public improvement contract, and awards the contract based on price alone. As discussed above, awarding this particular project contract using the low bid approach would be problematic. However, the Code also embraces alternative contracting methods for complex public improvement projects, enabling agencies to select contractors based on factors in addition to price.

¹ ORS 279C.335(1); ORS 279C.375(1)

A stated policy goal of the Code is to: “[p]rovide a public contracting structure that can take full advantage of evolving procurement methods as they emerge within various industries, while preserving competitive bidding as the standard for public improvement contracts unless otherwise exempted.”² Similarly, the Port’s Contracting Rules promulgated under the Code are intended to: “maximize the Port’s flexibility in adjusting its contracting procedure to the specific circumstances of each procurement, and to ensure that the Port receives the maximum benefit from the public funds expended on public contracts.”³

Under the Code, when appropriate, an agency’s local contract review board (CRB) may direct the use of alternative contracting methods that “take account of market realities and modern practices and are consistent with the public policy of encouraging competition.”⁴

An agency’s CRB directs the agency to use an alternative contracting method by granting an exemption from competitive bidding.⁵ In granting the exemption the CRB must require and approve or disapprove written “findings”⁶ that support the award of the contract without the competitive bidding requirement.⁷ The findings must show that the exemption of the contract complies with the requirements set forth below under “Findings.”⁸

Proposed Procurement Method

For the reasons discussed above and as further explained below, for this project Port staff propose to use an open, competitive request for proposals (RFP) procurement process to select the system and contractor, and award a public improvement contract. Notice of the RFP would be advertised publicly and posted on the Port’s online vendor contracting portal. The Port may also solicit proposals directly from firms the Port believes are qualified to perform the work.

An evaluation team administered by the Port’s Contracts and Procurement department will review and score proposals based on evaluation criteria set forth in the RFP. The RFP evaluation criteria will allow the Port to consider factors in addition to price when selecting the system and contractor, such as hardware and software functionality, compatibility with Port infrastructure, contractor experience and qualifications, safety, and small business participation.

Project Delivery Method

At this time, Port staff intend that the public improvement contract to be awarded under the RFP will facilitate a “design-furnish-install” project delivery method. This method will enable the contractor to deliver both system design and construction/installation services under one contract, making the contractor the Port’s single point of responsibility for project delivery. By integrating the design and the construction/installation work, the contractor can work with the Port during the design process to efficiently provide design, value engineering, constructability review, scheduling, estimating, and related services.

For this project, using the proposed method will allow the Port to provide input on the system’s features and enhancements during initial design, helping the Port address

² ORS 279A.015(6)

³ Port Contracting Rule A.015

⁴ ORS 279C.335(4)(a)

⁵ ORS 279C.335(2)

⁶ “Findings” means the justification for a conclusion that an agency, in seeking an exemption from competitive bidding, reaches based on the considerations set forth in this document under the heading “Findings.” ORS 279C.330(2)

⁷ ORS 279C.335(4)(b)

⁸ ORS 279C.335(4)(b)

operational needs. And making the contractor part of the team from the outset will enable the contractor to address phasing, safety, and bid packages earlier, helping to manage project risks. In addition, the proposed method fosters efficient communication and reporting channels between the project team members, increasing efficiency

Anticipated Contract Features

As of the issuance of these Findings, anticipated features of the project contract include:

- Performance specifications for the new APGS.
- A firm, fixed price covering the following work scope:
 - Furnish and install a limited number of sensors for evaluation purposes.
 - Complete system design and preparation of construction documents.
 - Removal and disposition of the existing system.
 - Furnish and install the new APGS with all sensors, signage and software.
 - Program, configure, start up, and calibrate the system and all features.
 - Train Port Maintenance and Parking Operations staff on the system, and supply necessary tools and spare parts for system maintenance.

However, as provided under the Code, the final parameters of the contract will be those characteristics or specifics announced in the solicitation document.⁹

Findings

Under the Code, the Port's CRB may exempt a public improvement contract from competitive bidding upon approval of findings submitted by Port staff which justify the exemption. The two required findings are underlined below, with supporting information following each.

1. The exemption is unlikely to encourage favoritism in awarding the contract or substantially diminish competition for the contract.

This exemption is unlikely to encourage favoritism in awarding the contract because the Port's open, competitively-solicited RFP will allow all qualified contractors to submit proposals. Multiple contractors are expected to submit proposals, which will be evaluated by a team of at least five people in order to mitigate the effect of any individual bias in reviewing proposals.

The exemption is unlikely to substantially diminish competition; instead it is likely to stimulate competition. A low-bid procurement would not allow potential contractors to deviate from the construction documents, which could discourage potential providers from bidding. Given the limited number of APGS manufacturers, this would present a significant risk. But soliciting this contract using an RFP will allow proposers to submit alternative designs and technologies, as long as they fulfill the Port's performance requirements. This will encourage more competition from a limited pool. And the RFP remains an open, advertised, competitive selection process. To solicit proposals, the Port will advertise notice of the RFP in the Portland Business Tribune. The Port will also post the RFP on the Port's website, to reach providers that are already registered in the Port's online vendor contracting system. All interested firms will be invited to submit proposals.

⁹ ORS 279C.335(6)

2. Awarding the contract under the exemption will likely result in substantial cost savings and other substantial benefits to the agency.

The exemption will likely result in substantial cost savings by combining the system design and installation into one contract. This eliminates the need for the Port to prepare a complete set of construction documents (plans and specifications), which results in an estimated savings of \$150,000 (1,000 hours x \$150/hr). The contractor will provide the same level of design for their system whether the Port provides construction documents or not.

The exemption will substantially benefit the Port by significantly reducing the project risk. The project is inherently risky due to the highly complex technology involved. There are risks associated with using new and possibly un-proven technology, risks of integration with Port infrastructure, and risks of implementing new software and achieving adoption and utilization by staff. There are also risks associated with contractor performance in terms of their technical capabilities, resources, and long-term support. The RFP process will allow us to mitigate these risks by thoroughly evaluating these factors when reviewing proposals.

This exemption will provide other substantial benefits as documented below.

(a) Type, cost, and amount of the contract. The CRB is required to consider the type, cost, and amount of the contract in considering this finding.¹⁰

The contract will be a Negotiated Design and Construction Agreement, based on the Port's public improvement contract form. The estimated amount of the contract is \$1.74 million.

(b) Other factors. To the extent applicable, the CRB must also consider the following additional factors in considering this finding.¹¹ Where applicable, Port staff has provided supporting information below.

A. *How many persons are available to bid.*

It is believed that the following three manufacturers are interested and capable of submitting a proposal: INDECT, ParkAssist, and ParkEyes.

B. *The construction budget and the projected operating costs for the completed public improvement.*

The construction budget is approximately \$1.3 million (after deducting design costs from the estimated contract amount). The projected operating costs are estimated to be similar to, or slightly higher than the operating costs for the existing system.

C. *Public benefits that may result from granting the exemption.*

Included in Finding #2, above.

D. *Whether value engineering techniques may decrease the cost of the public improvement.*

In the traditional low-bid project delivery method, value engineering (VE) is typically offered by the contractor after they are awarded their contract. That approach can add costs, because the design firm will charge more to modify the design documents accordingly. With this proposed

¹⁰ ORS 279C.335(2)(b)

¹¹ ORS 279C.335(2)(b)

approach, the contractor and Port will discuss VE ideas during design so there will be no added design cost for modification.

E. *The cost and availability of specialized expertise that is necessary for the public improvement.*

Using an RFP should increase the availability of necessary specialized expertise. The RFP format allows providers to propose systems with varying features, instead of limiting them to bids on a specified system. This should encourage more providers to propose, improving availability.

F. *Any likely increases in public safety.*

The ability to evaluate proposer qualifications will allow the Port to review each proposer's safety records and plans for accomplishing the work safely.

G. *Whether granting the exemption may reduce risks to the Port or the public that are related to the public improvement.*

Risk reduction is discussed in Finding #2, above.

H. *Whether granting the exemption will affect the sources of funding for the public improvement.*

Granting the exemption will not affect the project's funding sources.

I. *Whether granting the exemption will better enable the Port to control the impact that market conditions may have on the cost of and time necessary to complete the public improvement.*

The likely cost savings, as described in Finding #2 above, is expected to have more impact than the benefit from time savings on this particular project.

J. *Whether granting the exemption will better enable the Port to address the size and technical complexity of the public improvement.*

Technical complexity is addressed in "Project Description" above.

K. *Whether the public improvement involves new construction or renovates or remodels an existing structure.*

This improvement replaces an existing system at the end of its useful life.

L. *Whether the public improvement will be occupied or unoccupied during construction.*

The P1 garage will be occupied during construction.

M. *Whether the public improvement will require a single phase of construction work or multiple phases of construction work to address specific project conditions.*

The project will utilize a phased approach to construction to avoid impacting public access to large portions of the garage. Careful planning and scheduling will be required by the successful contractor to develop and execute the phasing plan. The RFP enabled by this exemption will

allow the Port to evaluate the proposer's abilities to create and manage a phased project schedule.

N. *Whether the Port has, or has retained under contract, and will use Port personnel, consultants and legal counsel that have necessary expertise and substantial experience in alternative contracting methods to assist in developing the alternative contracting method that the Port will use to award the public improvement contract and to help negotiate, administer and enforce the terms of the public improvement contract.*

Port staff assigned to the project are very experienced with RFP solicitations, the design-furnish-install delivery method, and the negotiated design and construction contracting approach. Team members include staff from Contracts and Procurement, Engineering, and Legal departments. In addition, Port has engaged the services of a parking management consultant (through an RFP) to assist in developing the performance specifications.

Public Hearing

Under the Code, before the Port's CRB approves the Findings proposed above and before granting the exemption from competitive bidding, the Port must hold a public hearing to allow the Port to take comments on the draft findings for an exemption from the competitive bidding requirement.¹² Notice of a public hearing on May 4th, 2017 was timely published, to allow interested parties to appear and present comments on the proposed exemption. At the time of the notice, copies of these draft findings were available to the public upon request. The hearing was held on May 4 and no public comment was received.

Summary

Port staff find that the proposed exemption from competitive bidding (i) is unlikely to encourage favoritism in awarding the contract or substantially diminish competition for the contract, and (ii) will likely result in substantial cost savings and other substantial benefits to the Port. As a result, Port staff conclude that the proposed exemption from competitive bidding is consistent with the Code's stated policy of embracing alternative contracting methods when appropriate. Port staff recommends that the public improvement contract for this project be exempted from the Code's competitive bidding requirement.

¹² ORS 279C.335(5)