

**MINUTES
REGULAR COMMISSION MEETING
THE PORT OF PORTLAND
May 12, 2010**

In response to due notice, the regular meeting of the Commissioners of the Port of Portland was held at 9:30 a.m. in the Chinook Room of the Port's administrative offices at 7200 N.E. Airport Way.

QUORUM

Commissioners present were Judi Johansen, President, presiding; Ken Allen; Peter Bragdon; Jim Carter; Steve Corey; Diana Daggett; Bruce Holte; Mary Olson and Paul Rosenbaum. Also present were Bill Wyatt, Executive Director; participating staff members; and members of the public.

Commissioner Johansen welcomed everyone to the Port's first meeting in the new building and thanked everyone who was involved with the vision of bringing everyone together in this wonderful facility.

Commissioner Johansen noted that the agenda lineup had been revised and the 2010-2011 Administrative Compensation Program would be presented before the FY2010-2011 Budget Approval.

LEAVE OF ABSENCE

Commissioner Johansen called for a motion to grant a leave of absence for the April 14, 2010, Commission meeting to Commissioner Allen, who, at the time, was home ill. Commissioner Olson moved to grant the leave of absence. Commissioner Holte seconded the motion, which was put to a voice vote. Commissioners Bragdon, Carter, Corey, Daggett, Holte, Johansen and Olson voted in favor of the motion. Commissioner Rosenbaum was not present for the vote.

MINUTES

Commissioner Johansen called for a motion to approve the minutes of the Regular Commission Meeting of April 14, 2010. Commissioner Olson moved to approve the minutes. Commissioner Holte seconded the motion, which was put to a voice vote. Commissioners Allen, Bragdon, Carter, Corey, Daggett, Holte, Johansen and Olson voted in favor of the motion. Commissioner Rosenbaum was not present for the vote.

EXECUTIVE DIRECTOR'S REPORT

Bill Wyatt briefly discussed the genesis of the Port's new headquarters. He said almost six years ago today, K-Line notified the Port that they planned to suspend the Portland service. Shortly thereafter Hyundai Merchant Marine announced they would be suspending their service as well. Mr. Wyatt said within the course of about 40 days, two thirds of our container franchise departed and within 60 days of that moment, we had essentially eliminated 30 percent of the administrative positions and reduced the budget by an amount equivalent to that which we lost.

Mr. Wyatt said it was an extraordinary and very stressful time and highlighted one of the enormous challenges that is being addressed today: we have a container franchise where we accept 100 percent of the risk and are attempting to compete in a very global business. He said while we have done an admirable job, it is hard to compete in an environment where our principal competition is, in fact, global. Mr. Wyatt noted that we are the only publicly-operated container Port on the west coast. He said it was the aforementioned period of enormous trauma that led to some serious introspection in the organization about how to gain efficiency by putting everyone in the organization in one place. Mr. Wyatt said we began to test the idea of a headquarters building on top of a new parking garage to get a sense of whether it would actually work, and now we have arrived at this moment. This is our first Commission meeting in our new building and the first agenda item is a long-term lease of our container terminal, Terminal 6, with International Container Terminal Services, Inc. (ICTSI). Both of these events emanated from the same traumatic moment in our history.

Mr. Wyatt said we now have this building that does many wonderful things, but most importantly, there were no tax dollars involved with the construction of the building. Mr. Wyatt said we expect the consolidated headquarters to reduce our annual operating expenses by \$3 million a year. The new building introduces many environmental features, which are important to us here in Portland. Mr. Wyatt said it has already been quite evident that the pace of activity and decision making within the organization has improved dramatically as a result of the nature of the space. Mr. Wyatt said we are here today to act on this long-term lease, which he would characterize as a risk-sharing agreement with ICTSI where. For the first time, we gain a degree of stability in our 50-year effort to engage global trade through the advent of containerization.

Mr. Wyatt said it is ironic that these events have arrived at the same place at the same time and it is appropriate because that same moment in our history six years ago brings us to this time and is a great juxtaposition of events..

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

ACTION ITEMS

Commissioner Holte, as Secretary-Treasurer of the International Longshore and Warehouse Union (ILWU) Local 8, said he has an interest in any action affecting the Port's terminals and therefore declared a potential but not actual conflict. He said he would participate in the discussion and the vote.

Agenda Item No. 1

TERMINAL 6 LEASE

This agenda item requested the approval of a 25-year lease of the Terminal 6 (T6) container and breakbulk facility to ICTSI Oregon, Inc. (Lessee), a wholly-owned subsidiary of International Container Terminal Services, Inc. Under this agreement, responsibility for the operation of the container and breakbulk facility at T6 will transfer from the Port of Portland to the Lessee.

Keith Leavitt presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That approval is given to enter into a lease of the Terminal 6 container and breakbulk facility with International Container Terminals Oregon, Inc., consistent with the terms presented to the Port of Portland Commission; and

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

Commissioner Johansen asked if the Port has ISO 14000 certification at T6. Mr. Leavitt said our EMS process substantially complies with ISO, but we do not have the certification. Commissioner Johansen said having ISO certification would be a significant improvement in terms of environmental tracking, and asked when the transition plan would be developed. Mr. Leavitt said there is a preliminary plan that will happen prior to closing and the details will be filled in between closing and commencement.

Commissioner Holte asked if the lease references and recognizes the pertinent parts of the 1984 Collective Bargaining Agreement between the ILWU and the Port. Sam Ruda said it does. Commissioner Holte also asked if ICTSI plans to join the Pacific Maritime Association and Mr. Ruda said they do.

Marcelo Suarez, Senior Vice President of ICTSI Americas, said the Port of Portland is an important gateway to the global market. With some improvements, including the deepening of the Columbia River Channel and ICTSI efforts, they are looking forward to the opportunity to demonstrate what they can do to expand the Port and its business to stimulate the local trade. He said growing the Port means growing the local economy and that will mean more jobs.

Mr. Suarez provided a brief overview of ICTSI's background as well as the corporate profile of the company. He talked about the company's vision and business strategy, as well as their global customer base. Mr. Suarez discussed the attributes and benefits of T-6, which include: location, infrastructure, a lack of port congestion, reliability, intermodal connectivity, opportunity for economic growth and a highly-skilled workforce. In response to a question from Commissioner Johansen, Mr. Suarez committed that ICTSI would seek environmental and safety ISO certification for Terminal 6, as it has with its other terminals. Elvis Ganda, CEO of ICTSI Oregon, said he is excited to be part of the ICTSI organization and the new venture with the Port of Portland. Mr. Ganda provided a brief overview of his background. He said his vision for the company will be to engage the support of the Port as well as the men and women of the unions working at T6 to provide world class service to our existing customers and to attract new business to fully utilize the facility.

Jaime Lim, Asian Reporter, President of the Philippine American Chamber of Commerce (PACCO) wanted to thank the Port for doing the right things and wanted to personally welcome ICTSI to Portland.

Ronault Catalani, New Portlander Programs Coordinator for the City of Portland, expressed his support of the ICTSI T6 lease. He said this lease is extremely gratifying because for many years, PACCO has worked hard to get our city and state to think of trading partners down from the "A-league" and to consider what he called "second- and third-tier nations" as trading partners.

Don Wylie, Senior Vice President of Ports America, read into record the attached statement (Exhibit A) objecting to the ICTSI lease and asking the Commission to deny it.

Eric Aaserud, an attorney with Perkins Coie LLP representing Ports America, cited two Oregon Supreme Court cases and one out of Pennsylvania in support of Ports America's argument that the leasing process was not fair. He said the fairness principle applies under the law in government contract bidding even where the standard competitive bidding procedures may not apply when, for example, the contract involves a lease concession contract as opposed to a procurement contract. He said there are certainly exceptions under the law for consignment lease scenarios when the competitive bid process does not apply, but there is still an underlying floor of fairness that applies.

Mr. Aaserud further objected to the fact that after the Port suspended the T6 concession bid process in 2008, that process was not renewed. The Port proceeded to negotiate instead with a single company, ICTSI, and Ports America did not have another opportunity to compete for the real estate lease. Ports America takes the position that the current ICTSI lease is a nonconforming lease under the 2008 process.

Commissioner Johansen said she would not debate the points with Mr. Aaserud; she said we have consulted extensively with attorneys and feel confident with the path we have taken. She thanked Mr. Wiley and Mr. Aaserud for their testimony and said she knows they would not be here if this was not an important and significant issue to them. She said our relationship with Ports America is a good, longstanding relationship and it is important to us. Commissioner Johansen said Bill Wyatt and his staff will continue to work with Ports America to make sure the relationship continues to be a fruitful one.

Mr. Wyatt said we have had a great relationship with MTC, now Ports America, as our contracted stevedore at T6, and we need to continue that for the proper function of T6. He said he appreciates the disappointment expressed today. Mr. Wyatt said the existing relationship with Ports America is a good one financially, but we have chosen to take a different path; one that we feel we are fully entitled to take.

Leal Sundet, representing the ILWU at the international level, said he looks forward to working with ICTSI. He said the Port is at a disadvantage compared to other west coast ports because we do not have the economies of scale, which makes it difficult to compete, nor do we have the large tax base that other ports have. Mr. Sundet said that for the Port to survive, it is critical that we reach the discretionary cargo and he believes that can happen through ICTSI.

Jeff Smith, President of ILWU Local 8, said he and the 500 members of Local 8 that he represents have opened their arms to this business venture with ICTSI; he said his union is very excited about the potential business opportunities it brings.

Commissioner Corey said, given the opposition and the cases cited by Mr. Aaserud, he would like to ask Carla Kelley, Port General Counsel, if there was anything new the Commission should consider or whether she feels as he does that we are on very solid ground. Ms. Kelley responded that she could not address the cases cited by Mr. Aaserud but is very familiar with Oregon law, past practice with the Port, its lessees and tenants, as well as the concession process we went through in 2008. She said the concession process was very elaborately designed for a "sale-like" concession intended to last 50 years. The Port had a lot of legal advice in that process, which included fully effective reservation of rights, and we suspended that process. Ms. Kelley said we then, months later, engaged in bi-lateral real estate negotiations with ICTSI resulting in the current lease agreement. These negotiations were

completely separate from the 2008 process and were on completely different terms. Ms. Kelley said that what we ended up with was a traditional 25 year maritime lease. Ms. Kelley said this is how we have done business in the past, and that we have negotiated on a similar bi-lateral basis with Toyota, Honda, AWC and Portland Bulk Terminals. Ms. Kelley said she is comfortable from a legal standpoint; she said Oregon code is very clear that public contracting law does not apply to real property transactions, of which this is one.

Commissioner Johansen said she is extremely excited about this transaction; she said we have a lot of head room to grow T6 and the State of Oregon and the region will benefit significantly from this arrangement.

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

Agenda Item No. 2

2010-2011 ADMINISTRATIVE COMPENSATION PROGRAM

This agenda item requested Commission approval to fund the merit pool, merit lump sum pool, and additional compensation for promotions, equity and special adjustments for the Port of Portland's Fiscal Year 2010-2011 Administrative Compensation Program.

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

BE IT RESOLVED, That approval is given to implement the Port of Portland's Fiscal Year 2010-2011 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.

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

Agenda Item No. 3

PORT OF PORTLAND FISCAL YEAR 2010-2011 BUDGET APPROVAL

This agenda item requested that the Commission, acting as the Port of Portland's (Port) Budget Committee, approve the Port's Fiscal Year (FY) 2010-2011 Budget (Budget) and authorize its submittal to the Tax Supervising and Conservation Commission (TSCC) for its public hearing on

June 9, 2010. 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. All budgets must be certified by the TSCC prior to adoption by the local governing body. After review by the TSCC, we will request Commission approval to adopt the Budget at a special meeting on June 25, 2010. 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 ORS 294.435.

Suzanne Kenny presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That the Port of Portland's Budget document for Fiscal Year 2010-2011 as presented to the Port of Portland Commission is approved; and

BE IT FURTHER 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.

Ed White, Vice President of Corporate Real Estate for Alaska Airlines and Horizon Air, read into the record the attached statement (Exhibit B) presenting his views on financial matters at PDX.

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

Agenda Item No. 4

CONSTRUCTION CONTRACT – RUNWAY 12L/30R AND TAXIWAY D – HILLSBORO AIRPORT

This agenda item requested approval to award a construction contract to K&E Excavating, Inc., for the construction of Runway 12L/30R, Taxiway D, and associated infrastructure at Hillsboro Airport.

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

BE IT RESOLVED, That approval is given to award a construction contract to K&E Excavating, Inc., for the construction of Runway 12L/30R and Taxiway D at Hillsboro Airport, including Additive Alternative A, consistent with the terms presented to the Commission, and contingent upon execution of appropriate grants with the Federal Aviation Administration; and

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

Commissioner Corey moved that the Executive Director's recommendations be approved. Commissioner Allen seconded the motion, which was put to a voice vote. Commissioners Allen, Bragdon, Carter, Corey, Holte, Johansen, Olson and Rosenbaum voted in favor of the motion. Commissioner Daggett was not present for the vote.

Agenda Item No. 5

FIRST READING AND PUBLIC HEARING OF ORDINANCE NO. 433-R REGARDING CERTAIN RENTS, FEES AND OTHER CHARGES AND REGULATING THE USE OF FACILITIES AND SERVICES AT THE PORTLAND INTERNATIONAL AIRPORT

This agenda item requests approval to award a construction contract to K&E Excavating, Inc., for the construction of Runway 12L/30R, Taxiway D, and associated infrastructure at Hillsboro Airport.

Following presentation of the agenda item, Commissioner Johansen stated that unless there was an objection, Ordinance No. 433-R would be read by title only. There being no objection, Vince Granato read Ordinance No. 433-R by title.

Following reading of the title, Commissioner Johansen opened a public hearing on Ordinance No. 433-R and asked if any members of the public wished to be heard.

Ed White, Vice President of Corporate Real Estate of Alaska Airlines and Horizon Air, directly representing Alaska Airlines, Horizon Air, Delta Air Lines, United and Southwest, and indirectly representing all the signatory carriers at PDX as chair of the Airport Affairs Committee, read into the record the attached statement on airline lease negotiation matters and particularly the "rolling coverage" issue (Exhibit C).

Commissioner Johansen thanked Mr. White for his comments. She said for the record, they have engaged staff in numerous discussions of the issues reflected in his testimony, and that Mr. White was part of the discussion. She said, simply put, we do not agree. Commissioner Johansen said the Commission is very supportive of the terms of the agreement as well as staff's recommendation, especially with respect to rolling coverage.

Hearing no other comments, Commissioner Johansen closed the public hearing. She said no action was required and Ordinance 433-R would be back for approval at the June 9, 2010 Commission meeting.

The meeting adjourned at 12:34 p.m.

President

Assistant Secretary

Date Signed

A complete audio recording of these proceedings is available at the Port of Portland administrative offices, 7200 N.E. Airport Way, Portland, Oregon 97218.

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