



AGENDA
Regular Commission Meeting
Port of Portland Headquarters
7200 N.E. Airport Way, 8th Floor
October 12, 2016
9:30 a.m.

Minutes

Approval of Minutes: Regular Commission Meeting – September 14, 2016

Executive Director

Approval of Executive Director's Report – September 2016

Consent Items

1. COMMISSION POLICY NO. 6.1.2 – INVESTMENTS *TRACY WESTERFIELD*
Requests adoption of Port of Portland Commission Policy No. 6.1.2, *Investments*.
2. APPROVAL OF ADJUSTMENTS TO THE APPROPRIATION *SUZANNE KENNY*
LEVELS FOR FISCAL YEAR 2016-17
Requests approval of adjustments to the appropriation levels for the Port of Portland's Fiscal Year 2016-17 Budget.

Action Items

3. GROUND LEASE – MAC VENTURE LLC – PORTLAND *MATTHEW HOFFMAN*
INTERNATIONAL AIRPORT
Requests approval to enter into a ground lease with MAC Venture LLC (dba Mecham Air Center) for approximately 5.3 acres of real property for the construction and operation of large business aircraft hangars at Portland International Airport.
4. PERSONAL SERVICES CONTRACT AMENDMENT – TERMINAL *DAN GILKISON*
BALANCING CONCOURSE E EXTENSION – PORTLAND
INTERNATIONAL AIRPORT
Requests approval to amend an existing personal services contract with Hennebery Eddy Architects, for design services as part of the revision to the Terminal Balancing Concourse E Extension Project at Portland International Airport.

5. DISCUSSION OF FISCAL YEAR 2015-16 EXECUTIVE DIRECTOR PERFORMANCE AND ADOPTION OF FISCAL YEAR 2016-2017 EXECUTIVE DIRECTOR PERFORMANCE CRITERIA *JIM CARTER*

Requests review and establishment of the Fiscal Year 2016-2017 Executive Director Performance Criteria.

COMMISSION POLICY NO. 6.1.2 – INVESTMENTS

October 12, 2016

Presented by: Tracy Westerfield
Cash & Investment Program
Manager**REQUESTED COMMISSION ACTION**

This agenda item requests adoption of Port of Portland (Port) Commission Policy No. 6.1.2, *Investments*, a copy of which is attached. There are no changes to the Policy since its last adoption in October 2015.

BACKGROUND

The Commission Investments Policy provides the primary framework for the internal management of the Port's investment portfolio. On August 31, 2016, the par value of the investment portfolio was approximately \$494.9 million. The budget for interest income for the 2016/2017 fiscal year is \$5.2 million.

Under ORS 294.135, for the Port to invest funds in securities with maturities longer than 18 months, the investments must be made in accordance with a written investment policy that has been reviewed by the Oregon Short Term Fund Board (Board) and adopted annually by the Port Commission. The Board previously reviewed this version of the Policy, and no changes have been made to it since it was last adopted by the Commission in 2015.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That Port of Portland Commission Policy No. 6.1.2, *Investments*, dated October 12, 2016, is hereby adopted; and

BE IT FURTHER RESOLVED, That a copy of Commission Policy No. 6.1.2, *Investments*, shall be attached to the minutes of this meeting.

PORT OF PORTLAND COMMISSION POLICY

INVESTMENTS Policy No. 6.1.2

Adopted Commission Meeting of October 12, 2016

The Port of Portland's investment program shall be operated in conformance with Oregon Revised Statutes and applicable Federal Law. Specifically, this investment policy is written in conformance with ORS 294.035; 294.040; 294.052; 294.135; 294.145; and 294.810. All funds within the scope of this policy are subject to regulations established by the State of Oregon. Any revisions or extensions of these sections of the ORS shall be assumed to be part of this Investment Policy immediately upon being enacted.

Objectives

The primary objective of the Port of Portland investment program is preservation of capital. Consistent with that objective and the cash flow needs of the Port the investment portfolio shall be managed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into consideration the safety and liquidity needs of the portfolio. Although return consists of both principal return and income return, this policy discourages active trading and turnover of investments. Investments should generally be held to maturity.

Authority to manage investments within the scope of this policy and operate the investment program in accordance with established written procedures and internal controls is granted to Assistant Treasurers and the Cash and Investment Program Manager. No person may engage in an investment transaction except as provided under the terms of this policy.

Investment Types

The Port may invest its funds in securities or investments subject to ORS 294.035, 294.040, and 294.810, with the following restrictions:

Time certificates of deposit with any issuer will not exceed 30 percent of the net capital of such issuer, based on their most currently published financial report and shall be held in qualified Oregon depositories in accordance with ORS Chapter 295.

Banker's acceptances guaranteed by a qualified financial institution shall not exceed 30 percent of the net capital of such institution, based on their most currently published financial report.

No more than 5 percent of municipal bond funds shall be placed with any single issuing authority other than the State of Oregon or one of its agencies. However to the extent that any reserve or construction funds exist and are also subject to yield restrictions by U.S. Treasury regulations or code, such funds may be invested in municipal bonds and no more than 20 percent of such funds shall be placed with any single issuing authority other than the State of Oregon or one of its agencies.

Repurchase agreements shall not exceed a term of 30 days. Collateral provided to the Port under a repurchase agreement shall be deposited with the Port's custodian bank(s), marked to the market daily and maintained at a minimum level in conformance with ORS 294.035 (3)(j).

Repurchase agreements may be entered into with authorized dealers or institutions when a master repurchase agreement or specific written contract governs the transaction. In no case will the total of such agreements with any firm exceed 10 percent of their equity (based on their most recently published financial report).

Diversification

The portfolio will be diversified so that the par value for each of the security classes shown shall not exceed the maximum position indicated as a percentage of the portfolio:

U.S. Treasury Obligations	100% maximum
U.S. Agency Obligations (GSE) (but no single Agency position shall exceed 30% of the portfolio)	100% maximum
Corporate Indebtedness (subject to ORS 294.035)	35% maximum
Time Certificates of Deposit (TCD)	30% maximum
Bankers Acceptances (subject to ORS 294.035(D))	30% maximum
Repurchase Agreements Under 30 days	50% maximum
Municipal Debt Obligations (subject to ORS 294.035) (No single issuer shall exceed 5% of the portfolio)	15% maximum
Oregon Short Term Fund (subject to ORS 294.810)	As allowed under Oregon Statutes

Investments in Bankers Acceptances, TCDs and other Corporate Indebtedness of any single company or qualified financial institution shall not, in the aggregate, exceed 5 percent of the portfolio. Where appropriate exposures will be limited by security type; maturity; issuance; issuer, and security type. Investments must have a rating from at least one of the following nationally recognized statistical ratings organizations: Moody's Investors Service; Standard & Poor's; or Fitch Ratings Service, ratings should be investment level ratings and not issuer level ratings (see ORS 294.035).

If the portfolio falls outside of compliance with adopted investment policy guidelines or is being managed inconsistently with this policy, designated staff shall bring the portfolio back into compliance in a prudent manner as soon as feasible. Due to fluctuations in the portfolio balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time subsequent to the original purchase date. Securities need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained.

Investment Maturity

Since the Port's operating cash needs are generated through operating revenues rather than tax receipts, the Port has more flexibility in structuring maturities than is typical for a municipal district dependent primarily on tax resources. Investments will be timed to meet projected cash requirements unless a shorter maturity is desirable. Funds may be invested to a maximum maturity of five years from the date of settlement.

The portfolio will be structured to meet the following minimum maturities:

- Two years and under, 55 percent of par value
- Three years and under, 75 percent of par value
- Five years and under, 100 percent of par value

In all cases, the "Prudent Person Standard" shall apply to investment decisions. The only exceptions to the maximum maturity shown shall be cases where the Port is using the security as collateral on an operating agreement or in instances where the Port is purchasing its own bonds in the marketplace to lower outstanding debt.

Authorized Dealers and Financial Institutions

The Port may purchase or sell securities subject to the provisions of this policy through any of the following:

- Banks, savings and loans, and mutual savings banks authorized to do business in Oregon (not simply loan production offices).
- Primary security dealers as designated by the Federal Reserve Bank of New York and Oregon secondary dealers.
- Primary agency selling group members as designated by the U.S. agency involved.

Financial institutions utilized as depositories must be qualified Oregon Depositories pursuant to ORS Chapter 295.

Safekeeping

All trades of marketable securities will be executed (cleared and settled) by delivery vs. payment (DVP). All securities will be evidenced by safekeeping receipts in the name of the Port of Portland. Securities acquired through repurchase agreements with the Port's custodian bank(s) may be held by the custodian bank(s). In all cases, payment shall be made only upon delivery.

Reporting Requirements

Quarterly, staff will provide the Commission with portfolio reports showing: portfolio diversification, yield and benchmarking comparisons, maturity distribution, and investment allocation, or any other report or information as the Commission may request. The Commission has review authority over the investment program.

Renewal

This policy shall be reviewed annually by the Commission.

APPROVAL OF ADJUSTMENTS TO THE APPROPRIATION LEVELS FOR FISCAL YEAR 2016-17

October 12, 2016

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

This agenda item requests approval of adjustments to the appropriation levels for the Port of Portland's (Port) Fiscal Year 2016-17 Budget. The adjustments provide for a \$500,000 recruitment incentive payment to Cathay Pacific (Cathay) in support of Cathay's twice-weekly direct air cargo service from Portland International Airport (PDX) to Hong Kong, beginning November 3, 2016.

BACKGROUND

In October 2013, Asiana Airlines (Asiana) ceased air cargo service to PDX as a result of their global corporate aircraft re-positioning. Following Asiana's departure, the Port has been actively pursuing replacement service in order to meet the region's air cargo shipping needs. Oregon is one of the most trade dependent states in the nation. Nonstop transoceanic air freight service between PDX and Asia is critical to the state and regional economy to ensure that local shippers have direct access to international markets for cargo such as high tech, manufacturing, apparel/footwear, and agricultural products. In support of this effort, the State of Oregon, through its Business Development Department, has contributed to the recruitment program to help restore air cargo service to PDX. As part of this program, the state will provide a \$250,000 grant award to the Port from the Governor's Strategic Reserve Fund to enhance the recruitment incentive to Cathay.

The total recruitment incentive package of \$750,000 will help defray initial start-up costs and help fund on-going operating expenses. The incentive will be disbursed in two payments, with \$500,000 paid following commencement of service in November 2016, composed of \$250,000 from the state Strategic Reserve Fund and \$250,000 from the Port's General Fund. Consistent with other Port support of strategic air service, the remaining \$250,000 of the service incentive will be budgeted and paid from the Port's General Fund in Fiscal Year 2017-18, following completion of the first year of service.

In accordance with Oregon local budget law, budget appropriations can be adjusted to cover situations that were unforeseen at the time the budget was adopted. In order to provide for adequate appropriations to allow for the payment of the recruitment incentive, the Fiscal Year 2016-17 General Fund category of Systems Development Charges/Other needs to be increased by \$500,000.

CHANGES TO FISCAL YEAR 2016-17 APPROPRIATIONS

General Fund

Staff is requesting an increase of \$250,000 to the Resources and Requirements of the General Fund to ensure sufficient appropriations and prevent over-expenditure. This increase results in an increase to the Port's total budgeted Resources and Requirements of \$250,000.

The detailed Schedule of Appropriations and Explanation of Appropriation Changes are attached as Exhibits A and B to this agenda item.

The total Budget for Fiscal Year 2016-17 is \$1,114,604,223 after this adjustment. Total Appropriations are \$1,062,825,679 and are shown on Exhibit A. The difference of \$51,778,544, which is unchanged, is the total of debt service reserve amounts, which are classified under budget law as Unappropriated Ending Balance in the Airport Revenue Bond Fund, and amounts in the Passenger Facility Charge Bond Fund.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That in accordance with ORS 294.463, the Port of Portland Commission finds the need to adjust appropriations within the General Fund in the amounts shown on Exhibit A, and for the purposes shown on Exhibit B, incorporated by this reference, to provide for payment of a recruitment incentive supporting Cathay Pacific direct air cargo service to Hong Kong that was not anticipated at the time the Fiscal Year 2016-17 Budget was adopted; and

BE IT FURTHER RESOLVED, That copies of Exhibit A, Schedule of Appropriations Fiscal Year 2016-17; and Exhibit B, Explanation of Changes to Fund Appropriations Fiscal Year 2016-17, shall be included in the minutes of this meeting; and

BE IT FURTHER RESOLVED, That the Budget Officer is authorized to execute the necessary documents on behalf of the Port of Portland Commission in a form approved by counsel.

SCHEDULE OF APPROPRIATIONS - FISCAL YEAR 2016-17

	ADOPTED BUDGET June 28, 2016	CHANGES TO APPROPRIATIONS October 12, 2016	REVISED APPROPRIATIONS October 12, 2016
GENERAL FUND			
Beginning Balance	\$ 97,152,163		\$ 97,152,163
Operating Revenue	79,468,053		79,468,053
Interest on Investments/Other	2,829,327	\$ 250,000	3,079,327
Service Reimbursements	43,210,451		43,210,451
Transfers from Other Funds	3,643,802		3,643,802
Total Resources	\$ 226,303,796	\$ 250,000	\$ 226,553,796
Administration	\$ 55,136,262		\$ 55,136,262
Marine	19,138,085		19,138,085
Industrial Development	5,071,061		5,071,061
Navigation	11,687,029		11,687,029
General Aviation	2,851,836		2,851,836
Sub Total	93,884,273	-	93,884,273
Service Reimbursements	387,267		387,267
System Development Charges/Other	5,000	\$ 500,000	505,000
Long-Term Debt Payments	12,068,244		12,068,244
Other Environmental	9,237,783		9,237,783
Cash Transfers to Other Funds	13,147,316		13,147,316
Contingency	97,573,913	(250,000)	97,323,913
Total Requirements	\$ 226,303,796	\$ 250,000	\$ 226,553,796
AIRPORT REVENUE FUND			
Beginning Balance	\$ 88,098,918		\$ 88,098,918
Operating Revenue	228,230,930		228,230,930
Interest on Investments	938,177		938,177
Service Reimbursements	1,883,588		1,883,588
Transfers from Other Funds	160,000		160,000
Total Resources	\$ 319,311,615	\$ -	\$ 319,311,615
Operating Expenditures	\$ 98,087,414		\$ 98,087,414
System Development Charges / Other	5,000		5,000
Service Reimbursements	27,048,777		27,048,777
Cash Transfers to Other Funds	99,429,508		99,429,508
Contingency	94,740,916		94,740,916
Total Requirements	\$ 319,311,615	\$ -	\$ 319,311,615
BOND CONSTRUCTION FUND			
Beginning Balance	\$ 10,000,000		\$ 10,000,000
Interest Income/Other	207,553		207,553
Federal/State Grants/Other	5,945,913		5,945,913
Property Tax	11,430,000		11,430,000
Transfers from Other Funds	29,520,316		29,520,316
Total Resources	\$ 57,103,782	\$ -	\$ 57,103,782

SCHEDULE OF APPROPRIATIONS - FISCAL YEAR 2016-17

	ADOPTED BUDGET June 28, 2016	CHANGES TO APPROPRIATIONS October 12, 2016	REVISED APPROPRIATIONS October 12, 2016
Capital Outlay	\$ 42,897,228		\$ 42,897,228
Service Reimbursements	4,196,554		4,196,554
Cash Transfers to Other Funds	10,000		10,000
Contingency	10,000,000		10,000,000
Total Requirements	\$ 57,103,782	\$ -	\$ 57,103,782
AIRPORT CONSTRUCTION FUND			
Beginning Balance	\$ 73,165,919		\$ 73,165,919
Interest Income/ Other	879,993		879,993
Federal / State Grants	13,468,126		13,468,126
Bond and Other Debt Proceeds	100,000,000		100,000,000
Transfers from Other Funds	66,589,560		66,589,560
Total Resources	\$ 254,103,598	\$ -	\$ 254,103,598
Capital Outlay	\$ 128,346,199		\$ 128,346,199
Bond Issue Costs/Other	1,500,000		1,500,000
Service Reimbursements	13,461,440		13,461,440
Cash Transfers to Other Funds	5,500,000		5,500,000
Contingency	105,295,959		105,295,959
Total Requirements	\$ 254,103,598	\$ -	\$ 254,103,598
AIRPORT REVENUE BOND FUND			
Beginning Balance	\$ 29,927,943		\$ 29,927,943
Bond and Other Debt Proceeds	7,500,000		7,500,000
Interest Income	45,849		45,849
Transfers from Other Funds	54,938,168		54,938,168
Total Resources	\$ 92,411,960	\$ -	\$ 92,411,960
Debt Service	\$ 55,084,017		\$ 55,084,017
Unappropriated Ending Balance	37,427,943		37,427,943
Total Requirements	\$ 92,511,960	\$ -	\$ 92,511,960
PASSENGER FACILITY CHARGE (PFC) FUND			
Beginning Balance	\$ 62,879,641		\$ 62,879,641
Passenger Facility Charge	34,354,746		34,354,746
Interest and Other	56,263		56,263
Total Resources	\$ 97,290,650	\$ -	\$ 97,290,650
Bond Fees	\$ 50,225		\$ 50,225
Cash Transfers to Other Funds	24,931,418		24,931,418
Contingency	72,309,007		72,309,007
Total Requirements	\$ 97,290,650	\$ -	\$ 97,290,650

SCHEDULE OF APPROPRIATIONS - FISCAL YEAR 2016-17

	ADOPTED BUDGET June 28, 2016	CHANGES TO APPROPRIATIONS October 12, 2016	REVISED APPROPRIATIONS October 12, 2016
PASSENGER FACILITY CHARGE (PFC) BOND FUND			
Beginning Balance	\$ 14,350,601		\$ 14,350,601
Interest Income	62,611		62,611
Cash Transfers from Other Funds	14,916,395		14,916,395
Total Resources	<u>\$ 29,329,607</u>	<u>\$ -</u>	<u>\$ 29,329,607</u>
Debt Service	\$ 14,979,006		\$ 14,979,006
Unappropriated Ending Balance	14,350,601		14,350,601
Total Requirements	<u>\$ 29,329,607</u>	<u>\$ -</u>	<u>\$ 29,329,607</u>
CUSTOMER FACILITY CHARGE (CFC) FUND			
Beginning Balance	\$ 21,859,953		\$ 21,859,953
Customer Facility Charge	16,404,262		16,404,262
Interest and Other	135,000		135,000
Total Resources	<u>\$ 38,399,215</u>	<u>\$ -</u>	<u>\$ 38,399,215</u>
Bank Fees/Other	\$ 115,000		\$ 115,000
Cash Transfers to Other Funds	26,850,000		26,850,000
Contingency	11,434,215		11,434,215
Total Requirements	<u>\$ 38,399,215</u>	<u>\$ -</u>	<u>\$ 38,399,215</u>
TOTAL - ALL FUNDS	<u>\$ 1,114,354,223</u>	<u>\$ 250,000</u>	<u>\$ 1,114,604,223</u>
Less Unappropriated Ending Balances:			
Airport Revenue Bond Fund	\$ 37,427,943		\$ 37,427,943
Passenger Facility Charge (PFC) Bond Fund	14,350,601		14,350,601
Subtotal Unappropriated Ending Balance	51,778,544	-	51,778,544
TOTAL APPROPRIATIONS	<u>\$ 1,062,575,679</u>	<u>\$ 250,000</u>	<u>\$ 1,062,825,679</u>

**PORT OF PORTLAND
EXPLANATION OF CHANGES TO APPROPRIATIONS - FISCAL YEAR 2016-17**

	<u>AMOUNT OF INCREASE/(DECREASE)</u>	<u>REASON FOR CHANGE</u>
GENERAL FUND		
Resources		
Interest on Investments/ Other	\$ 250,000	Grant from the State of Oregon Strategic Reserve Fund - State of Oregon share of recruitment incentive package supporting Cathay Pacific direct air cargo service to Asia.
Total Resources	\$ 250,000	
Total Requirements		
System Development	\$ 500,000	Recruitment incentive supporting Cathay Pacific direct air cargo service to Asia.
Charges/Other	\$ (250,000)	General Fund share of recruitment incentive package supporting Cathay Pacific direct air cargo service to Asia.
Contingency	\$ (250,000)	
Total Requirements	\$ (250,000)	

GROUND LEASE – MAC VENTURE LLC – PORTLAND INTERNATIONAL AIRPORT

October 12, 2016

Presented by: Matthew Hoffman
Sr. Manager
Aviation Commercial Properties

REQUESTED COMMISSION ACTION

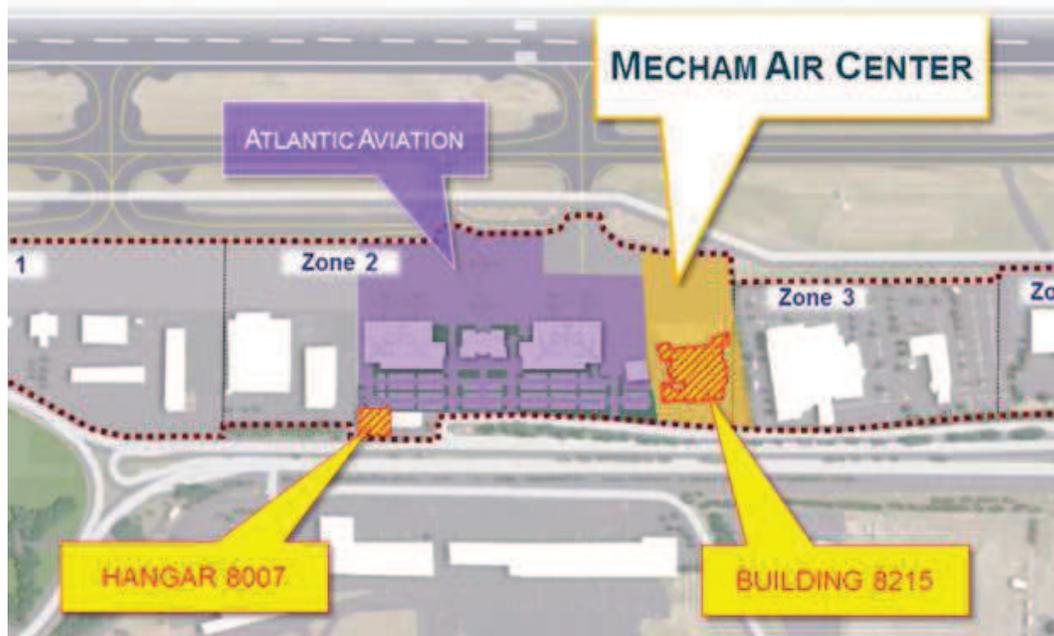
This agenda item requests approval to enter into a ground lease with MAC Venture LLC (dba Mecham Air Center) for approximately 5.3 acres of real property for the construction and operation of large business aircraft hangars at Portland International Airport (PDX).

BACKGROUND

PDX has a number of aeronautical activities that generally include commercial passenger and cargo airlines, military and General Aviation (GA). The largest subset of GA nationally, where aircraft owners and operators utilize GA aircraft for business purposes, is known as Business Aviation. Each year GA transports more than 166 million passengers, has \$219 billion in economic output and represents approximately 1.1 million jobs. Business Aviation users represent the majority of GA activity and include all types and sizes of businesses, from the sole proprietor to the large multinational corporation. Business Aviation is an integral/vital part of the global transportation system and air service at PDX.

In 2013, the Port evaluated PDX aeronautical-use properties to the north and along Airport Way resulting in the Northside Redevelopment Strategy. The strategy identifies locations suitable for long-term Business Aviation development and preserves undeveloped area to accommodate growth of passenger airlines. Currently, PDX has few options for large aircraft storage, with most available space already under lease. The proposed ground lease with Mecham Air Center will add approximately 90,000 square feet of GA hangar space at PDX.





BUSINESS TERMS

Term: 35 years, with one, 10-year option

Premises: Approximately 5.3 acres

Mecham Air Center Construction/Site Preparation Actions:

- 180-day due diligence period
- Demolish Building 8215 and 8005
- Construct approximately 90,000-square-foot hangar, approximately 90,000-square-foot ramp, and approximately 50,000-square-foot office/support space. The Port to reimburse Mecham Air Center \$2.25 million for demolition and site preparation to enable several Port construction projects to be completed according to schedule.

Rent Structure:

- Rent initiates within 24 months following start of construction.
- Ground rent: Approximately 140,000 square feet at PDX market rental rate, currently \$0.70 per square foot/per year, and adjusted approximately every three years.
- In lieu of ground rent for approximately 90,000-square-feet of ramp, Tenant will complete ramp construction (at a cost estimated at \$2 million). The Port will retain a reversionary interest in the newly constructed ramp upon termination of the Lease.

Allowed Use(s): Commercial hangar management and other activities subject to the PDX General Aviation Minimum Standards.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is granted to enter into a ground lease with MAC Venture LLC for approximately 5.3 acres of land for construction and operation of aircraft hangars at Portland International Airport, 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.

PERSONAL SERVICES CONTRACT AMENDMENT – TERMINAL BALANCING CONCOURSE E EXTENSION – PORTLAND INTERNATIONAL AIRPORT

October 12, 2016

Presented by: Dan Gilkison
Project Manager**REQUESTED COMMISSION ACTION**

This agenda item requests approval to amend an existing personal services contract with Hennebery Eddy Architects (HEA) in the amount of \$14,000,000, to facilitate additional design services for the revised, expanded version of the Terminal Balancing Concourse E Extension Project at Portland International Airport (PDX).

BACKGROUND

The Port of Portland (Port), working with the air carriers serving PDX, has expanded the scope of the PDX Terminal Balancing project to better serve the air carriers' long-term plans. The goals of the original version of the project (Version 1) remain intact: to balance terminal operations and provide for an improved customer experience at PDX.

The revised version of the project (Version 2) will extend Concourse E by 750 feet, add six new boarding gates, create additional airline and tenant operational and storage spaces on the deplaning level, update the baggage handling system, relocate Southwest Airlines to the new extension, and relocate airlines within the ticket lobby. The concourse extension will include new passenger hold rooms, concessions, seating areas, moving walkways and restrooms. The work includes a new utility tunnel and infrastructure to serve the extension, and apron and site upgrades such as aviation fuel lines and hydrants for the new gates.

Additional facility upgrades adjacent to or within the project limits, which were already being undertaken as part of Version 1 of the project (but with separate project funding), will remain in Version 2. These improvements include upgrades to an existing sewer lift station, maintenance and repair work on the roof of the existing Concourse E, upgrades to the existing power infrastructure that services the terminal and Concourse E, as well as analysis of potential upgrades to the existing passenger boarding bridges for Gates E1 through E5.

PERSONAL SERVICES CONTRACT AMENDMENT

To obtain design services for Version 2 of the project, the Port intends to amend the existing personal services contract with HEA. Port staff have determined that amending the HEA contract is consistent with the Port's Contract Review Board Rule No. 9.3, which allows for amendment without conducting a new, competitive procurement under certain circumstances. Applicable circumstances include that the additional work is logically related to the original work under the contract; prudent engineering practices dictate that the additional work ought to be performed in conjunction with the original work under the contract; the additional work is located at the same site as the original work under the contract; the contract objectively establishes the

PERSONAL SERVICES CONTRACT AMENDMENT – TERMINAL BALANCING CONCOURSE E
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price for the additional work, and the work added by the amendment can be performed by HEA at a cost below what the Port estimates it would cost if a contract for that work were awarded through a new, competitive procurement.

As background, a brief overview of the HEA contract follows:

The Port awarded the existing personal services contract to HEA in May 2014 after conducting a competitive procurement utilizing a request for proposals (RFP) to select the project designer. HEA was the highest-ranked proposer primarily due to its team's experience with similar airport projects. The contract was structured to be awarded in phases. Most recently, in January 2016, the Commission approved an amendment to fund construction administration services for the Version 1 project scope. An anticipated future amendment to fund the construction administration phase for Version 2 is shown in the table below.

Work performed under this amendment will be subject to all terms and conditions of the existing contract, including its negotiated rates/fees and the 10 percent small business subcontracting participation goal. The requested increase to the HEA contract is shown below.

	HEA Contract Value	Version 2 Design Contract Budget
Version 1 Contract (Initial Phase)	\$499,970	
Version 1 Design Amendments (Additional Phases)	\$12,115,400	
Additional Upgrades Design Amendments	\$1,050,000	
Version 1 Total Contract Amount	\$13,665,370	
Version 1 Contract Amount Capitalized/Carried Forward to Version 2		\$5,014,603
Version 2 Design Amendment	\$14,000,000	\$14,000,000
Total Contract Amount To Date	\$27,665,370	
Version 2 Construction Administration Amendment (Anticipated)		\$6,000,000
Overall Project Design Budget (Version 1 capitalized amount plus Version 2, including anticipated amendment)		\$25,014,603

PERSONAL SERVICES CONTRACT AMENDMENT – TERMINAL BALANCING CONCOURSE E
EXTENSION – PORTLAND INTERNATIONAL AIRPORT

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FUTURE CONSTRUCTION CONTRACT AMENDMENT

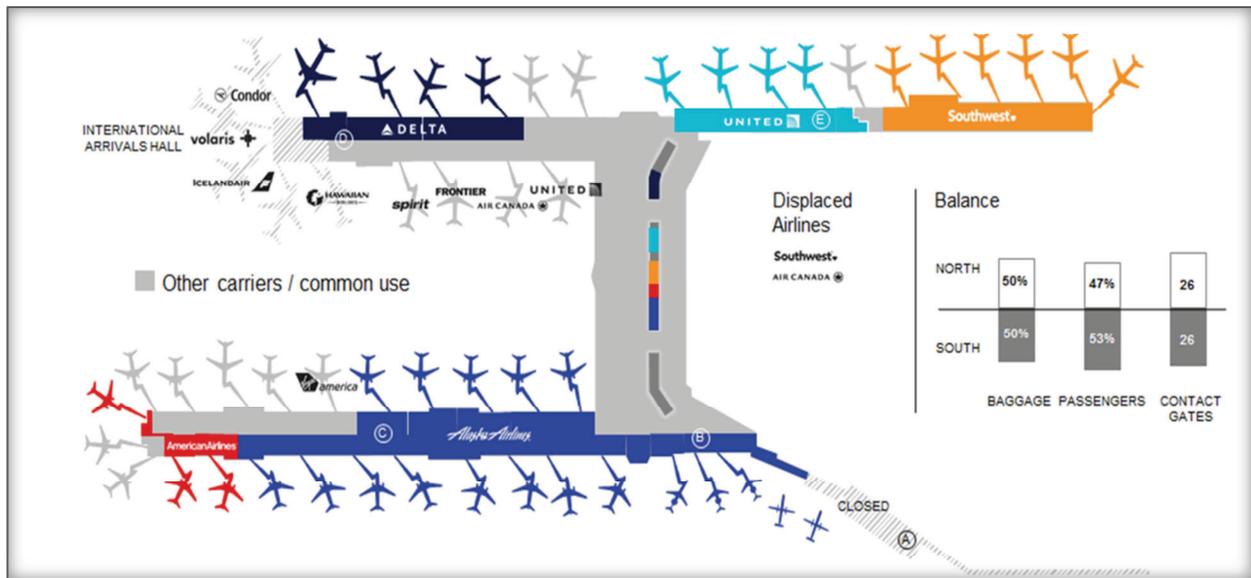
Once design is complete on Version 2 of the project, the Port intends to amend the existing project construction contract to reflect the final project scope. For the same reasons that the Port concluded that amending the HEA contract is the appropriate contracting strategy to design Version 2 of the project, the Port has determined that amending the existing public improvement contract with Skanska USA Building, Inc. (Skanska), is the appropriate contracting strategy to complete its construction.

The Port plans to seek Commission approval of the future construction contract amendment at the February 2018 Commission meeting. At that time, a thorough history of the construction contract will be provided, including the rationale for amending the Skanska contract to complete construction, rather than awarding that work through a new, competitive procurement. However, because project construction work is ongoing at this time, and as background, a brief overview of the construction contract follows.

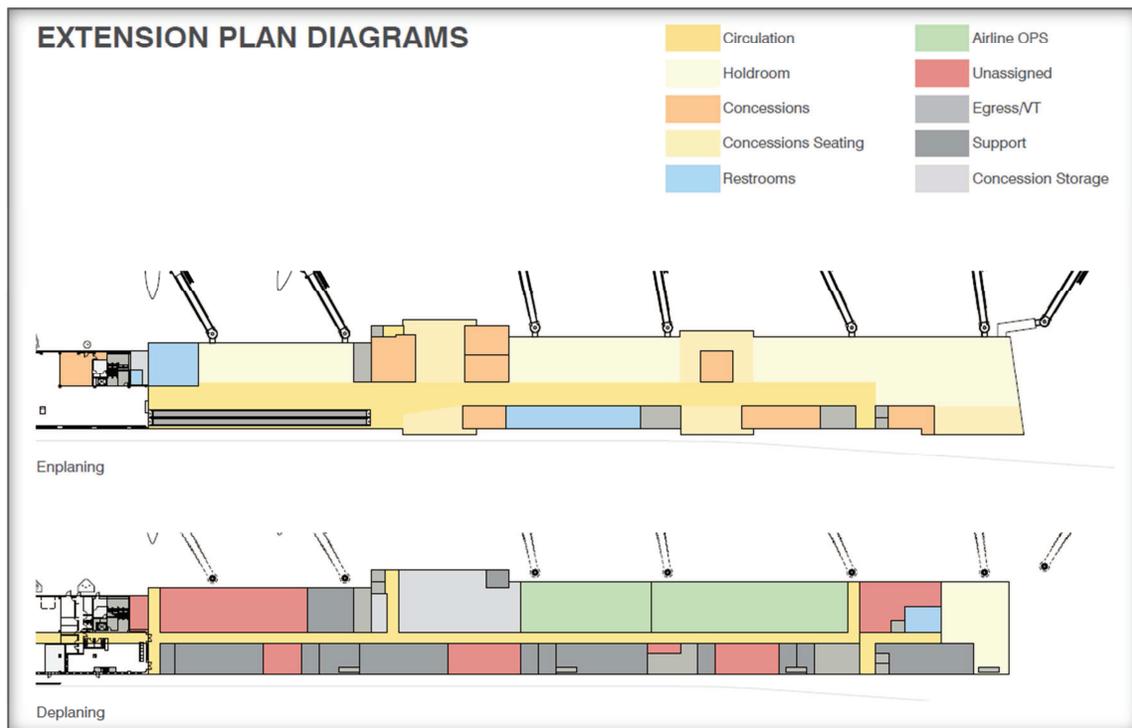
The Port Commission granted an exemption from competitive bidding in December 2014, and the Port subsequently selected Skanska as construction manager/general contractor (CM/GC) for the project, after conducting a competitive RFP selection process. In May 2015, the Port awarded a preconstruction services contract to Skanska, under which Skanska collaborated with the design team on determining the project scope, implemented small business participation plans, prepared construction cost estimates, provided value engineering analysis and constructability recommendations, developed phasing plans and schedules, analyzed manpower and materials availability, made recommendations on potential early bid packages, and negotiated a project-wide Workforce Partnership Agreement among the trade unions that represent workers on the project.

In November 2015, the Port Commission approved the Port's award of a CM/GC public improvement contract to Skanska for the initial phase of project construction. The initial negotiated contract price (NCP) for this phase was a not-to-exceed amount of \$25,000,000. Under the terms of the CM/GC contract, Skanska is reimbursed for construction based primarily on competitively-awarded subcontracts, plus a fixed fee of \$650,000, equaling 2.60 percent of the NCP. An incentive fee of 0.3 percent may also be awarded if Skanska meets established performance criteria. The contract requires Skanska to meet Port-established small business subcontracting utilization goals as follows: 20 percent for Disadvantaged, Minority or Women-owned Emerging Small Businesses, with sub-goals of 5 percent for African American-owned firms and 6 percent for Latino American-owned firms.

CONCEPTS – SITE PLAN



CONCEPT – NEW CONCOURSE E LAYOUT (INTERIOR)



PROJECT SCHEDULE

Version 2 Conceptual Design	April 2016 – June 2016
Commission Action (approve design contract amendment)	October 2016
Schematic and Design Development	June 2016 – March 2017
Final Design	March 2017 – December 2017
CM/GC NCP Estimate	October 2017 – January 2018
Commission Action (approve HEA contract amendment for construction administration phase and CM/GC contract amendment for revised NCP)	February 2018
Construction	June 2017 – June 2020
Miscellaneous Procurements	TBD

PROJECT DESIGN RISKS

Risk: Challenges to timely decision-making given project complexity

Mitigation Strategies:

- Develop a detailed communication plan and format with management and stakeholder groups, including airlines, tenants and other Port and airline stakeholders. Utilize program workbooks, as needed, similar to Version 1 to document decisions.
- Continue Decision Matrix (similar to Version 1) to document and track key decision points throughout design process.
- Establish and maintain regular communications with management and stakeholders. Track recommendations, dates, decisions, and impacts from delays in decisions, via Decision Matrix. Impacts could include scope, schedule, budget or operations.

Risk: Designs exceed approved budget

Mitigation Strategies:

- Engage CM/GC and subcontracting community throughout the design process to provide real-time feedback on design options from cost, schedule and constructability standpoints.
- Work with the core team and stakeholders to provide estimates at specific early milestones – concept, schematic design and design development periods – to inform decisions on scope and materials as design progresses.
- Review costs, as well as potential impacts to schedule, that could result if a significant value engineering process is required.

PERSONAL SERVICES CONTRACT AMENDMENT – TERMINAL BALANCING CONCOURSE E
EXTENSION – PORTLAND INTERNATIONAL AIRPORT

October 12, 2016

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Risk: Construction delay due to permitting delays

Mitigation Strategies:

- Engage permitting jurisdictions early to establish communication, information sharing regarding the project and upcoming milestones for permit submission and review time periods.
- Develop design strategies or methodologies to deliver review documents that will meet the requirements of the permitting jurisdictions and ensure timely review and response to meet the overall project schedule.

PROJECT BUDGET – OCTOBER 2016

CM/GC Public Improvement Contract	\$140,000,000
Procurements/Equipment	\$8,000,000
Consultant Design Services (See 'Version 2 Design Contract Budget' in table above)	\$25,014,603
Port Staff/Contracted Services	\$5,000,000
Contingency	\$36,985,397
Total Project*	<u>\$215,000,000</u>

*The total project budget amount does not reflect non-capitalized costs associated with Version 1, which were not carried over to the Version 2 project design budget. These costs were addressed through a Universal Amendment to the PDX Airline Agreement and not included in the new budget breakdown.

The contingency, representing approximately 17 percent of the project budget, is considered reasonable given the stage of the project, the nature of the work and the risk profile for the project.

The project cost will be funded by Passenger Facility Charges and the Airline Cost Center in accordance with the PDX Airline Agreement.

EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

BE IT RESOLVED, That approval is given to amend the personal services contract with Hennebery Eddy Architects for the design services portion of the Terminal Balancing Concourse E Extension project at Portland International Airport, consistent with the terms presented to the Commission;

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.

DISCUSSION OF FISCAL YEAR 2015-16 EXECUTIVE DIRECTOR PERFORMANCE AND
ADOPTION OF FISCAL YEAR 2016-2017 EXECUTIVE DIRECTOR PERFORMANCE CRITERIA

October 12, 2016

Presented by: Jim Carter
Commission President

REQUESTED COMMISSION ACTION

Attached are the Commission-approved Fiscal Year 2015-2016 Executive Director Performance Criteria and the proposed Fiscal Year 2016-2017 Executive Director Performance Criteria.

It is recommended that the Commission review and establish the Fiscal Year 2016-2017 Executive Director Performance Criteria.

COMMISSION PRESIDENT'S RECOMMENDATION

The Commission President recommends that the following resolution be adopted:

BE IT RESOLVED, That the Port of Portland Commission adopt the Executive Director Performance Criteria to be used for Fiscal Year 2016-2017.

**2015-2016
PERFORMANCE CRITERIA
EXECUTIVE DIRECTOR**

The role of Executive Director is to balance the normal competing tensions between the following criteria that arise while leading an organization in a very competitive environment.

Drive Regional Prosperity

- Advocate for costs and environmental/community benefits associated with the cleanup of the Lower Willamette River that assures appropriate stewardship of public financial resources and provides a cleanup consistent with national standards used by the U.S. Environmental Protection Agency.

Deliver an Outstanding Portland International Airport (PDX) Passenger Experience

- Secure terminal environment and first class traveler experience.
- Complete concept and design of PDX Terminal renovation, consistent with safety and capacity needs, and gain stakeholder support for the Project.
- Complete Workplace Initiative with reviewable outcomes.

Connect People and Businesses to Markets

- Emphasize curiosity and creativity for new Port business development.
- Continued focus on solution for Terminal 6 that provides predictable container service and a positive working relationship of all involved parties.
- Develop stakeholder engagement plan for business development.
- Continue to take advantage of strong local Gross Domestic Product growth in promoting the expansion of domestic and international air service.
- Public affairs focus on local and regional stakeholders to achieve support for fulfilling the Port's mission.
- Seek opportunities for improvement in the Port's relationship with the City of Portland.

Promote Excellence in Organizational Effectiveness

- Continue to identify and mentor talented Port employees as successors for current and future Port leadership.
- Seek increased opportunities for individual Commissioner participation in major initiatives undertaken by the Port.
- Blend our mission of economic development with our need for the Port's fiscal health (broader cost-benefit analysis when projects are considered, including stakeholder identification and perspective).

**2016-2017
PERFORMANCE CRITERIA
EXECUTIVE DIRECTOR**

Excel in Organizational Effectiveness

- Implement and support programs that promote employee diversity and health and workplace safety
- Successfully transition the Port to a performance coaching model that enables and encourages employees to maximize their potential
- Encourage, acknowledge and reward empowerment of others
- Engage individual Commissioners early in major business initiatives at the Port

Drive Regional Prosperity

- Continue to lead the effort to make Terminal 6 a contributing asset to the Port's mission
- Advocate for a plan to protect human health and provide environmental benefits in the cleanup of the Lower Willamette River that assures appropriate stewardship of public financial resources and is consistent with national standards used by the U.S. Environmental Protection Agency
- Continue the focus on financial sustainability by identifying ways improve the long-term financial health of the General Fund
- Maintain an excellent government affairs association with local, state and federal decision-makers

Connect People and Businesses to Markets

- Promote Oregon products globally and facilitate Oregon manufacturers' and producers' access to new markets
- Increase international air service for transportation of local products
- Continue outreach programs to assist manufacturers, growers and processors around Oregon and in the Columbia River system
- Emphasize curiosity and creativity for new business development
- Complete concept and design of PDX renovation