NEW ISSUE—BOOK ENTRY ONLY **RATING: See "RATING"**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series Twenty-Five Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, except that no opinion is expressed as to the status of interest on any Series Twenty-Five B Bond for any period that such Series Twenty-Five B Bond is held by a "substantial user" of the facilities financed or refinanced by the Series Twenty-Five B Bonds or by a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986. Bond Counsel observes that interest on the Series Twenty-Five B Bonds is a specific preference item for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, interest on the Series Twenty-Five A Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel also is of the opinion based upon existing laws of the State of Oregon interest on the Series Twenty-Five Bonds is exempt from personal income taxation by the State of Oregon. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series Twenty-Five Bonds. See "TAX MATTERS."

PORT OF PORTLAND

THE PORT OF PORTLAND (OREGON)

$21,825,000	$186,430,000
Portland International Airport Revenue Bonds Series Twenty-Five A (Non-AMT)	**Portland International Airport Revenue Bonds Series Twenty-Five B (AMT)**

Dated: Date of initial delivery **Due:** July 1, as shown on inside cover

The Port of Portland (the "Port") is issuing its Portland International Airport Revenue Bonds, Series Twenty-Five A and Series Twenty-Five B (the "Series Twenty-Five Bonds") to pay, or to reimburse the Port for the payment of, costs of the design, construction, renovation, acquisition, equipping and installation of capital improvements (the "Series Twenty-Five Projects") at the Portland International Airport (the "Airport"), to repay certain Commercial Paper Notes issued to finance a portion of the Series Twenty-Five Projects, to pay a portion of the interest to accrue on the Series Twenty-Five Bonds during construction of the Series Twenty-Five Projects, to make a deposit to the SLB Reserve Account and to pay costs of issuing the Series Twenty-Five Bonds. U.S. Bank National Association, serves as the trustee, registrar and paying agent for the Series Twenty-Five Bonds. Capitalized terms used on this cover page and not otherwise defined will have the meanings set forth herein.

The Series Twenty-Five Bonds are issuable in denominations of $5,000 and integral multiples thereof within a single maturity. Interest on the Series Twenty-Five Bonds will be payable on each January 1 and July 1 commencing July 1, 2019, at the rates set forth on the inside cover pages of this Official Statement.

The Series Twenty-Five Bonds are subject to optional and mandatory redemption prior to their stated maturities as described herein.

When issued, the Series Twenty-Five Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as initial securities depository for the Series Twenty-Five Bonds. Purchases of beneficial interests in the Series Twenty-Five Bonds will be made only in book-entry form. Purchasers will not receive certificates representing their interests in the Series Twenty-Five Bonds, except as described herein. So long as DTC or its nominee is the registered owner of the Series Twenty-Five Bonds, payments of principal of and interest on the Series Twenty-Five Bonds will be made directly to DTC or to such nominee. Disbursements of such payments to DTC's Direct Participants are the responsibility of DTC, and disbursements of such payments to the Beneficial Owners are the responsibility of the Direct Participants and the Indirect Participants, all as described herein.

The Series Twenty-Five Bonds are payable solely from Net Revenues of the Airport that are available for deposit in the General Account and from money held in certain funds and accounts established pursuant to the Airport Revenue Bond Ordinances, all as described herein. The Series Twenty-Five Bonds shall not, in any manner, or to any extent, be a general obligation of the Port, nor a charge upon any other revenues or property of the Port not specifically pledged thereto by the Airport Revenue Bond Ordinances. The Series Twenty-Five Bonds are not secured by any tax revenues or taxing power of the Port or the State of Oregon or its agencies, instrumentalities or political subdivisions.

The Series Twenty-Five Bonds are offered when, as and if issued, subject to receipt of the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Port, and to certain other conditions. Certain legal matters will be passed upon for the Port by its General Counsel and for the Underwriters by their counsel, Kutak Rock LLP. Certain legal matters will be passed upon by Orrick, Herrington & Sutcliffe LLP as disclosure counsel to the Port. It is expected that delivery of the Series Twenty-Five Bonds will be made through the facilities of DTC on or about April 24, 2019.

J.P. Morgan **Morgan Stanley**

April 3, 2019

$21,825,000
THE PORT OF PORTLAND
(OREGON)
Portland International Airport Revenue Bonds
Series Twenty-Five A (Non-AMT)

$21,825,000 5.000% Term Bonds due July 1, 2049 priced to yield 2.900%* CUSIP No. 735240N25†

---

* Priced to July 1, 2029, the first optional redemption date.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Port, the Underwriters or their agents or counsel assume responsibility for the accuracy of such numbers.

$186,430,000
THE PORT OF PORTLAND
(OREGON)
Portland International Airport Revenue Bonds
Series Twenty-Five B (AMT)

Due (July 1)	Principal Amount	Interest Rate	Yield	CUSIP No. † (735240)
2020	$ 530,000	5.000%	1.690%	N33
2021	560,000	5.000	1.750	N41
2022	2,325,000	5.000	1.800	N58
2023	3,745,000	5.000	1.880	N66
2024	3,935,000	5.000	1.960	N74
2025	4,130,000	5.000	2.060	N82
2026	4,335,000	5.000	2.130	N90
2027	4,550,000	5.000	2.200	P23
2028	4,780,000	5.000	2.290	P31
2029	5,020,000	5.000	2.400	P49
2030	5,270,000	5.000	2.510*	P56
2031	5,535,000	5.000	2.580*	P64
2032	5,815,000	5.000	2.640*	P72
2033	6,105,000	5.000	2.690*	P80
2034	6,410,000	5.000	2.730*	P98
2035	6,730,000	5.000	2.770*	Q22
2036	7,065,000	5.000	2.830*	Q30
2037	7,420,000	5.000	2.900*	Q48
2038	7,795,000	5.000	2.940*	Q55
2039	8,180,000	5.000	2.980*	Q63

$47,455,000 5.000% Term Bonds due July 1, 2044 priced to yield 3.070%* CUSIP No. † 735240Q71
$38,740,000 5.000% Term Bonds due July 1, 2049 priced to yield 3.120%* CUSIP No. † 735240Q89

* Priced to July 1, 2029, the first optional redemption date.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Port, the Underwriters or their agents or counsel assume responsibility for the accuracy of such numbers.

THE PORT OF PORTLAND
7200 NE Airport Way
Post Office Box 3529
Portland, Oregon 97208

Board of Commissioners

Alice M. Cuprill-Comas	President
Thomas E. Chamberlain	Vice President
Linda M. Pearce	Treasurer
Robert L. Levy	Secretary
Michael C. Alexander	Commissioner
Patricia A. McDonald	Commissioner
Sean O'Hollaren	Commissioner
Isao (Tom) Tsuruta	Commissioner
Gary A. Young	Commissioner

Port Management

Curtis Robinhold	Executive Director
Vince Granato	Chief Operating Officer
Daniel Blaufus	General Counsel and Interim Chief Financial Officer*
Keith Leavitt	Chief Commercial Officer
Kristen Leonard	Chief Public Affairs Officer
Bobbi Stedman	Chief Administration and Equity Officer
Stan Watters	Chief Project Delivery and Safety Officer

ADVISORS AND CONSULTANTS

Orrick, Herrington & Sutcliffe LLP
Bond Counsel & Disclosure Counsel

PFM Financial Advisors LLC
Municipal Advisor

Landrum & Brown, Incorporated
In association with AVK Consulting, Inc. and Partners for Economic Solutions
Airport Consultant

Moss Adams LLP
Independent Accountants

U.S. Bank National Association
Trustee, Registrar and Paying Agent

* The Port is actively searching for a new Chief Financial Officer and it expects to make a public announcement of its selection once the process is complete. The Port will update the final Official Statement with information about such an appointment if it occurs between the date of the Preliminary Official Statement and the date of the Official Statement; however, if the appointment occurs after the date of the Official Statement such information will be publicly available on the Port's web site and the Port does not expect to update the Official Statement.

No dealer, broker, salesperson or other person has been authorized by the Port or the Underwriters to give any information or to make any representations with respect to the Port, the Airport or the Series Twenty-Five Bonds other than the information and representations contained in this Official Statement and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any offer, solicitation or sale of the Series Twenty-Five Bonds, by any person in any jurisdiction in which such offer, solicitation or sale is not authorized or in which the person making such offer, solicitation or sale is not qualified to do so or to any person to whom it is unlawful to make such offer, solicitation or sale.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information set forth in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Certain statements contained in this Official Statement, including the appendices, are not historical facts but are forecasts and "forward-looking statements." No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, the words "estimate," "forecast," "project," "anticipate," "expect," "intend," "believe" and similar expressions are intended to identify forward-looking statements. The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements. All estimates, projections, forecasts, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement. The Port specifically disclaims any obligation to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of this Official Statement, except to the extent expressly required by the Port's continuing disclosure certificate described herein.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Port since the date of this Official Statement.

In connection with the offering of the Series Twenty-Five Bonds, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Series Twenty-Five Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the Series Twenty-Five Bonds to certain dealers (including dealers depositing Series Twenty-Five Bonds into investment trusts) and others at prices lower than the initial offering prices corresponding to the yields set forth on the inside cover, and such initial offering prices may be changed, from time to time, by the Underwriters.

Inactive textual references to the Port's and the Airport's website or to other websites are not hyperlinks, and information and representations contained on such websites are not included in or incorporated into this Official Statement.

[This page intentionally left blank.]

TABLE OF CONTENTS

OFFICIAL STATEMENT

THE PORT OF PORTLAND (OREGON)

$21,825,000	$186,430,000
Portland International Airport Revenue Bonds	**Portland International Airport Revenue Bonds**
Series Twenty-Five A	**Series Twenty-Five B**
(Non-AMT)	**(AMT)**

INTRODUCTION

General

This Official Statement, including the cover page, inside cover pages, table of contents and appendices, is being provided by The Port of Portland (the "Port") to furnish information in connection with the issuance by the Port of its Portland International Airport Revenue Bonds, Series Twenty-Five A (the "Series Twenty-Five A Bonds") and its Portland International Airport Revenue Bonds, Series Twenty-Five B ("Series Twenty-Five B Bonds," and together with the Series Twenty-Five A Bonds, the "Series Twenty-Five Bonds"). The Series Twenty-Five Bonds are being issued to pay, or to reimburse the Port for the payment of, costs of the design, construction, renovation, acquisition, equipping and installation of capital improvements (the "Series Twenty-Five Projects") at the Portland International Airport (as more fully defined in the Airport Revenue Bond Ordinances, the "Airport"), to repay certain Commercial Paper Notes (as defined herein) issued to finance a portion of the Series Twenty-Five Projects, to pay a portion of the interest to accrue on the Series Twenty-Five Bonds during construction of the Series Twenty-Five Projects, to make a deposit to the SLB Reserve Account (as defined herein) and to pay costs of issuing the Series Twenty-Five Bonds. See "PLAN OF FINANCE."

Unless otherwise defined in this Official Statement, capitalized terms have the meanings set forth in the Airport Revenue Bond Ordinances described below. The definitions of certain terms used in the Airport Revenue Bond Ordinances and in this Official Statement are included in Appendix C.

The Port, a port district of the State of Oregon (the "State"), owns and operates the Airport and two general aviation airports. In addition to its aviation operations, the Port owns, operates, develops and/or maintains public maritime terminals, the dredge *Oregon* and other navigation equipment that it uses as a contractor to the U.S. Army Corps of Engineers to maintain the navigation channel on the lower Columbia and Willamette Rivers, and six business and industrial parks.

In connection with the Port's planned issuance of the Series Twenty-Five Bonds, the Port engaged Landrum & Brown, Incorporated ("Landrum & Brown"), in association with AVK Consulting, Inc. and Partners for Economic Solutions (together, the "Airport Consultant"), to provide forecasts of aviation activity and of revenues and expenses for Fiscal Years ending June 30, 2019 through 2024 and to review the Port's planned capital improvement program (the "CIP") for the Airport for Fiscal Years ending June 30, 2019 through 2024 and the Port's budget forecast for the Fiscal Year ending June 30, 2019. The report of the Airport Consultant, dated March 20, 2019 (the "Report of the Airport Consultant" or the "Report"), is included in this Official Statement as Appendix A. The Report is part of this Official Statement and should be read in its entirety. See "REPORT OF THE AIRPORT CONSULTANT" below and the Report of the Airport Consultant in Appendix A. The Report of the Airport Consultant will not be revised to reflect the final terms of the Series Twenty-Five Bonds.

The Airport

The Airport provides the greater Portland metropolitan area and the surrounding region of northwest Oregon and southwest Washington with scheduled passenger, cargo and charter air services and also serves as a general aviation facility. The Airport is primarily an origin and destination ("O&D") airport and provides the only commercial air service in a seven-county air service area that includes five counties in Oregon and two counties in southwest Washington.

The Series Twenty-Five Bonds and SLBs

The Series Twenty-Five Bonds are being issued pursuant to the provisions of Sections 778.145 through 778.175 and Chapter 287A of the Oregon Revised Statutes, as amended; Port Ordinance No. 155, enacted by the Board of Commissioners of the Port (the "Board") on November 10, 1971, as amended, restated and supplemented ("Ordinance No. 155"); Port Ordinance No. 323, enacted by the Board on October 9, 1985, as amended, restated and supplemented ("Ordinance No. 323"); and Port Ordinance No. 467-B, enacted by the Board on February 13, 2019 and effective on March 15, 2019 (the "Series Twenty-Five Ordinance"). The terms and administrative provisions of the Series Twenty-Five Bonds are to be described in a Certificate of the Executive Director to be dated the date the Series Twenty-Five Bonds are issued (the "Series Twenty-Five Bond Certificate").

Ordinance No. 155 and Ordinance No. 323 and the Series Twenty-Five Ordinance are referred to collectively in this Official Statement as the "Airport Revenue Bond Ordinances." In the Airport Revenue Bond Ordinances, the Port has reserved the right to make a number of additional special amendments as described below. See "—Security and Sources of Payment—Special Amendments."

The Series Twenty-Five Bonds are being issued as "SLBs" under the Airport Revenue Bond Ordinances and are secured by a prior pledge of the Revenues of the Airport available for deposit in the General Account, after payment of Costs of Operation and Maintenance ("Net Revenues"), and of money in the SLB Fund (including the SLB Reserve Account) and the SLB Construction Account, on a parity with the pledge that secures payment of the Port's outstanding SLBs. See "SECURITY AND SOURCES OF PAYMENT FOR THE SLBS—Pledge of Net Revenues." As of March 1, 2019, $615,770,000 aggregate principal amount of the Port's SLBs were outstanding, of which, $64,640,000 of Series Eighteen SLBs bear interest at variable interest rates.

In the Airport Revenue Bond Ordinances, the term "SLBs" refers to "Subordinate Lien Bonds," but the Port no longer has any outstanding obligations secured by a pledge of Net Revenues prior to the pledge that secures the payment of SLBs and has covenanted in the Airport Revenue Bond Ordinances that it will not issue any obligations payable from Net Revenues that have a claim prior to the claims of the SLBs and scheduled payments under Qualified Swaps ("Scheduled Swap Obligations"). As a result, "SLBs" are now effectively senior lien bonds and include the outstanding SLBs, Scheduled Swap Obligations, outstanding Parity Reimbursement Agreements, the Series Twenty-Five Bonds, any Additional SLBs, including any additional Scheduled Swap Obligations and any new Parity Reimbursement Agreements that may be issued or entered into in accordance with the Airport Revenue Bond Ordinances. To avoid confusion, this Official Statement uses the term "SLB" in place of the term "Subordinate Lien Bonds" which is used in the Airport Revenue Bond Ordinances.

U.S. Bank National Association, Portland, Oregon (the "Trustee"), serves as the trustee, registrar and paying agent for the SLBs, including the Series Twenty-Five Bonds.

Security and Sources of Payment

Net Revenues. SLBs, including the Series Twenty-Five Bonds, are payable solely from Net Revenues and from money in the SLB Fund (which includes the SLB Principal and Interest Account and the SLB Reserve Account) and from money in the SLB Construction Account, as defined and provided in the Airport Revenue Bond Ordinances. See "SECURITY AND SOURCES OF PAYMENT FOR THE SLBs—Pledge of Net Revenues" and "—Funds Under the Airport Revenue Bond Ordinances." The Airport Revenue Bond Ordinances provide that the SLBs, including the Series Twenty-Five Bonds, shall not, in any manner, or to any extent, be a general obligation of the Port, nor a charge upon any other revenues or property of the Port not specifically pledged thereto by the Airport Revenue Bond Ordinances. The Series Twenty-Five Bonds are not secured by any tax revenues or taxing power of the Port or the State or its agencies, instrumentalities or political subdivisions.

Rate Covenant. Under the Airport Revenue Bond Ordinances, the Port has covenanted to impose rates, rentals, fees and other charges in connection with the Airport that produce Net Revenues in each Fiscal Year (the year ending June 30) at least equal to 130% of the SLB Debt Service Requirement for such Fiscal Year for all SLBs then Outstanding. See "SECURITY AND SOURCES OF PAYMENT FOR THE SLBs—Pledge of Net Revenues" and "—Rate Covenant."

Additional SLBs and Parity Reimbursement Agreements. The Airport Revenue Bond Ordinances permit the Port to issue additional bonds and other obligations, including Scheduled Swap Obligations (collectively, "Additional SLBs"), and to enter into certain reimbursement agreements ("Parity Reimbursement Agreements") that are secured by a pledge of Net Revenues and amounts in the SLB Fund and the SLB Construction Account that is on a parity with the pledge securing the Outstanding SLBs and the Series Twenty-Five Bonds. Additional SLBs may be issued to pay costs related to the Airport and costs of acquisition and construction of General Aviation Airports and to refund SLBs. The Airport Revenue Bond Ordinances impose restrictions on issuing Additional SLBs and entering into Parity Reimbursement Agreements. See "SECURITY AND SOURCES OF PAYMENT FOR THE SLBs—Additional SLBs," "—Parity Reimbursement Agreements" and "OTHER AIRPORT OBLIGATIONS—Interest Rate Swaps."

Special Amendments. In the Series Twenty-Five Ordinance and in the Airport Revenue Bond Ordinances that authorized the outstanding SLBs, the Port reserved the right to make certain amendments to the Airport Revenue Bond Ordinances. The Series Twenty-Five Ordinance provides that by purchasing the Series Twenty-Five Bonds, the Owners thereof will be deemed to have consented to all of the amendments reserved in the Series Twenty-Five Ordinance and in the other Airport Revenue Bond Ordinances. See "SECURITY AND SOURCES OF PAYMENT FOR THE SLBs—Special Amendments."

Continuing Disclosure

The Port has covenanted for the benefit of the holders of the Series Twenty-Five Bonds to provide certain financial information and operating data and to give notices of certain events to assist the Underwriters in complying with the provisions of paragraph (b)(5) of Securities and Exchange Commission Rule 15c2-12. See "CONTINUING DISCLOSURE" below and the form of the Port's Continuing Disclosure Certificate in Appendix F.

Additional Information

Brief descriptions of the Series Twenty-Five Bonds, the Airport Revenue Bond Ordinances and certain other documents are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to such documents and agreements and to any other documents, statutes, reports or other instruments described herein are qualified in their entirety by reference to each such document, agreement, statute, report or other instrument. Section headings, table headings and captions are included for convenience only and should not be construed as modifying the text of this Official Statement. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Port since the date hereof.

This Official Statement is not to be construed as a contract between the Port or the Board and the purchasers or Owners of any of the Series Twenty-Five Bonds.

PLAN OF FINANCE

The Series Twenty-Five Bonds are being issued to pay, or to reimburse the Port for the payment of, costs of the design, construction, renovation, acquisition, equipping and installation of the Series Twenty-Five Projects described below, to repay certain Commercial Paper Notes issued to finance a portion of the Series Twenty-Five Projects, to pay a portion of the interest to accrue on the Series Twenty-Five Bonds during construction of the Series Twenty-Five Projects, to make a deposit to the SLB Reserve Account and to pay costs of issuing the Series Twenty-Five Bonds.

The Series Twenty-Five Projects, which are part of the CIP, include, among other things, the following projects located in the Terminal (defined herein), on the airfield and in the ground transportation areas at the Airport:

- Terminal: various development, efficiency and infrastructure improvements, including (1) completing 100% design of phases I and II of the Port's program to expand the Terminal to the west, relocate security checkpoints, expand post-security concessions, refurbish the ticket lobby, upgrade the Terminal's systems and perform seismic upgrades to the Terminal building (the "Terminal Core Redevelopment"); (2) modernization of terminal restrooms; (3) terminal energy efficiency and infrastructure improvements; and (4) baggage claim conveyor replacement and certain baggage-handling system programs. See Exhibit 3-2 of the Report of the Airport Consultant in Appendix A.

- Airfield: (1) replacement of certain terminal apron lighting systems; (2) upgrading and replacing certain lighting systems on the taxiway and Runway 10L-28R (North Runway); (3) rehabilitation and realignment of Taxiway K; (4) upgrading the deicing control system; and (5) rehabilitation of vaults and equipment related to the deicing collection system. See Exhibit 3-4 of the Report of the Airport Consultant in Appendix A.

- Ground Transportation: the public parking portion (the "Public Parking Addition") of a new six-level parking and rental car facility (the "PACR"). The Public Parking Addition is to be financed in part with proceeds of the Series Twenty-Five Bonds and is a Series Twenty-Five Project. The PACR will also include a consolidated rental car facility and related improvements that will include 724,000 square-feet of space for rental car ready/return and parking operations and a 30,000 square-foot rental car customer service space (the "ConRAC"), which is to be financed with the proceeds of the Port's 2019 CFC Bonds (defined below). The ConRAC is not a Series Twenty-Five Project, but is a part of the CIP. See Exhibit 3-3 of the Report of the Airport Consultant in Appendix A.

See "PORTLAND INTERNATIONAL AIRPORT—Airport Capital Improvement Program—Series Twenty-Five Projects" and see Chapter 3 of the Report of the Airport Consultant in Appendix A.

The Port expects to apply proceeds to be received from the sale of the Series Twenty-Five Bonds as summarized in Table 1.

TABLE 1
ESTIMATED APPLICATION OF SERIES TWENTY-FIVE BOND PROCEEDS

Sources	**Series Twenty-Five A**	**Series Twenty-Five B**	**Total**
Principal Amount of Series Twenty-Five Bonds	$21,825,000	$186,430,000	$208,255,000
Original Issue Premium	4,016,237	33,331,936	37,348,173
Total Sources	$25,841,237	$219,761,936	$245,603,173
Uses			
Deposit to the SLB Construction Account	$24,799,471	$213,221,207	$238,020,679
Repayment of interest on Commercial Paper Notes	--	326,223	326,223
Deposit to SLB Capitalized Interest Account (1)	440,236	1,081,098	1,521,334
Deposit to SLB Reserve Account (2)	523,997	4,476,003	5,000,000
Costs of Issuance (3)	77,532	657,404	734,936
Total Uses *	$25,841,237	$219,761,936	$245,603,173

(1) Represents a portion of the interest to accrue on the Series Twenty-Five Bonds through January 1, 2021. The capitalized interest account is a separate subaccount within the SLB Construction Account. See "SECURITY AND SOURCES OF PAYMENT FOR THE SLBs—Funds Under the Airport Revenue Bond Ordinances—SLB Construction Account."
(2) See "SECURITY AND SOURCES OF PAYMENT FOR THE SLBs—Funds Under the Airport Revenue Bond Ordinances—SLB Reserve Account."
(3) Includes legal, municipal advisory, consulting, accounting, trustee and rating agency fees, printing, underwriters' discount and other costs of issuing the Series Twenty-Five Bonds.
* Amounts may not add due to rounding.
Source: The Municipal Advisor.

The Port also expects to pay a portion of the costs of the Series Twenty-Five Projects with proceeds of federal grants and available Port funds. Depending upon timing and availability of funds, the Port may substitute other capital improvement projects for projects scheduled to be financed with proceeds of the Series Twenty-Five Bonds. See "PORTLAND INTERNATIONAL AIRPORT—Airport Master Plan" and "—Airport Capital Improvement Program" below and Chapters 3 and 4 in Appendix A.

The Port expects to issue its Portland International Airport Customer Facility Charge Revenue Bonds, Series 2019 (the "2019 CFC Bonds") to finance the costs of the ConRAC, which are expected to be issued concurrently with the Series Twenty-Five Bonds. The sale, issuance and delivery of the Series Twenty-Five Bonds is not dependent upon the sale, issuance and delivery of the 2019 CFC Bonds. As described herein, the ConRAC excludes the Public Parking Addition, which is expected to be financed with a portion of the proceeds of the Series Twenty-Five Bonds. See "OTHER AIRPORT OBLIGATIONS—CFC BONDS" and "PORTLAND INTERNATIONAL AIRPORT—Existing Airport Facilities—Parking."

The Series Twenty-Five Projects and the ConRAC are a part of the CIP. The CIP includes future elements of the Port's Terminal Core Redevelopment, improvements to existing Airport facilities and the extension of Concourse E to balance the flow of passengers between the north and south side of the Terminal ("Terminal Balancing"), additional airfield, air cargo facility and Terminal improvements, Airport access road improvements and other projects. As described below and in Appendix A, the Port expects to finance costs of future phases of these CIP projects with a combination of available Port funds and proceeds of federal grants, passenger facility charges ("PFCs"), CFCs (defined below), additional bonds and Commercial Paper Notes. See "PORTLAND INTERNATIONAL AIRPORT—Airport Master Plan" and "—Airport Capital Improvement Program" below and Chapters 3 and 4 in Appendix A.

THE SERIES TWENTY-FIVE BONDS

General

The Series Twenty-Five Bonds will be dated the date they are issued and, subject to prior redemption, will mature on July 1 in the years and principal amounts and bear interest at the rates set forth on the inside cover of this Official Statement. Interest on the Series Twenty-Five Bonds will be payable on each January 1 and July 1 (or the next business day if January 1 or July 1 is not a business day), commencing July 1, 2019, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Airport Revenue Bond Ordinances provide that if the date for making any payment is not a business day, such payment may be made on the next succeeding business day and that no interest shall accrue on the payment so deferred.

The Series Twenty-Five Bonds will be issuable only as fully-registered bonds, without coupons, in denominations of $5,000 or any integral multiple thereof within a single Series and maturity. The Series Twenty-Five Bonds initially will be registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as initial securities depository for the Series Twenty-Five Bonds. So long as the Series Twenty-Five Bonds are in book-entry form, purchasers of Series Twenty-Five Bonds will not receive certificates representing their interest in the Series Twenty-Five Bonds purchased. See "DTC AND ITS BOOK-ENTRY ONLY SYSTEM" in Appendix E.

Neither the Port nor the Trustee has any responsibility or obligation to DTC Participants or to the persons for whom they act as nominee with respect to the Series Twenty-Five Bonds regarding (1) the accuracy of any records maintained by DTC or any nominee or DTC Participants with respect to any ownership interest in the Series Twenty-Five Bonds; (2) the delivery to any participant or correspondent or to any other person of any notice with respect to the Series Twenty-Five Bonds, including any notice of redemption; (3) the selection by DTC of the beneficial interests in Series Twenty-Five Bonds to be redeemed prior to maturity; or (4) the payment to any nominee, participant, correspondent or any other person other than the registered owner, of any amount with respect to principal of, premium, if any, or interest on the Series Twenty-Five Bonds.

Payment of Series Twenty-Five Bonds

So long as the Series Twenty-Five Bonds are in book-entry only form, payment of the principal of the Series Twenty-Five Bonds will be made by wire transfer to DTC or its successor on the applicable maturity date or date fixed for redemption. Payment of interest on the Series Twenty-Five Bonds will be made by wire transfer to DTC or its successor on the interest payment date or on the next business day if the interest payment date is not a business day.

The Airport Revenue Bond Ordinances and the Series Twenty-Five Bond Certificate provide that if the Series Twenty-Five Bonds of a Series cease to be in book-entry form, then payment of principal of the Series Twenty-Five Bonds of such Series will be made by check or draft issued upon the presentation and surrender of the Series Twenty-Five Bonds at the principal office of the Trustee and that payment of interest on the Series Twenty-Five Bonds of a Series will be made by check or draft mailed (or at the request of the registered owner of $1.0 million or more in aggregate principal amount of Series Twenty-Five Bonds of such Series, by wire transfer to a U.S. bank) to the registered owner shown in the registration books of the Trustee at the close of business on the 15th day of the month preceding each interest payment date.

So long as the Series Twenty-Five Bonds are in book-entry only form, all notices and payments required to be made or given to Owners of Series Twenty-Five Bonds by the Trustee or the Port will be made and given only to DTC or its successor and not to participants or beneficial owners. Neither the Port nor the Trustee has any responsibility for notices and payments that are to be made or given by DTC or its successor to participants and beneficial owners. See "DTC AND ITS BOOK-ENTRY ONLY SYSTEM" in Appendix E.

Redemption of Series Twenty-Five Bonds

Optional Redemption. The Series Twenty-Five Bonds that are stated to mature on or before July 1, 2029, are not subject to optional redemption prior to their stated maturity. The Series Twenty-Five Bonds that are stated to mature on or after July 1, 2030, are subject to redemption prior to their stated maturities at the option of the Port, in whole or in part, on any date on or after January 1, 2029, at a redemption price equal to 100% of the principal amount of the Series Twenty-Five Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption.

Mandatory Redemption of Series Twenty-Five Term Bonds. The Series Twenty-Five A Bonds are term bonds (the "Series Twenty-Five A Term Bonds") and are subject to mandatory sinking fund redemption prior to their stated maturity at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium, on July 1 in the years and principal amounts set forth below:

Series Twenty-Five A Term Bonds

Mandatory Redemption Date (July 1)	Mandatory Redemption Amount
2045	$3,950,000
2046	4,145,000
2047	4,355,000
2048	4,575,000
2049*	4,800,000

* final maturity

The Series Twenty-Five B Bonds stated to mature on July 1, 2044 are term bonds (the "2044 Series Twenty-Five B Term Bonds") and are subject to mandatory sinking fund redemption prior to their stated maturity at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium, on July 1 in the years and principal amounts set forth below:

2044 Series Twenty-Five B Term Bonds

Mandatory Redemption Date (July 1)	Mandatory Redemption Amount
2040	$8,590,000
2041	9,010,000
2042	9,470,000
2043	9,945,000
2044*	10,440,000

* final maturity

The Series Twenty-Five B Bonds stated to mature on July 1, 2049 are term bonds (the "2049 Series Twenty-Five B Term Bonds," and together with the 2044 Series Twenty-Five B Term Bonds, the "Series Twenty-Five B Term Bonds") and are subject to mandatory sinking fund redemption prior to their stated maturity at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium, on July 1 in the years and principal amounts set forth below:

2049 Series Twenty-Five B Term Bonds

Mandatory Redemption Date (July 1)	**Mandatory Redemption Amount**
2045	$7,010,000
2046	7,365,000
2047	7,730,000
2048	8,110,000
2049*	8,525,000

* final maturity

If requested to do so by the Port, not less than 60 days in advance of a date fixed for mandatory sinking fund redemption of the Series Twenty-Five A Term Bonds or the Series Twenty-Five B Term Bonds, the Trustee is to reduce the principal amount of such Series Twenty-Five Term Bonds to be redeemed on the date fixed for mandatory sinking fund redemption by the amount of such Series Twenty-Five Term Bonds previously redeemed at the option of the Port as described above under "—Optional Redemption," or delivered to the Trustee for cancellation, and which have not previously formed the basis for such a reduction.

Selection of Series Twenty-Five Bonds for Optional Redemption. The Series Twenty-Five Bond Certificate provides that if fewer than all the Outstanding Series Twenty-Five Bonds of a Series are to be redeemed at the option of the Port, the Trustee, upon written instruction from the Port, shall select the Series Twenty-Five Bonds of a Series to be redeemed from the maturities selected by the Port and by lot within each such maturity; provided, that the portion of any Series Twenty-Five Bond to be redeemed in part is to be in the principal amount of $5,000 or any integral multiple thereof. The Series Twenty-Five Bond Certificate provides that so long as Series Twenty-Five Bonds of a Series are registered to DTC or its nominee, selection of a portion of Series Twenty-Five Bonds to be redeemed within a maturity shall be made by DTC in accordance with its operational arrangements then in effect. See "DTC AND ITS BOOK-ENTRY-ONLY SYSTEM" in Appendix E.

Notice of Redemption. The Series Twenty-Five Bond Certificate provides that so long as the Series Twenty-Five Bonds are in book-entry only form, notice of redemption is to be given in accordance with DTC's operational arrangements, not less than 20 days prior to the date fixed for redemption unless DTC consents to a shorter period. If the Series Twenty-Five Bonds of a Series cease to be in book-entry only form, then notice of redemption is to be given by registered mail to all Owners of such Series Twenty-Five Bonds to be redeemed, not less than 20 days prior to the date fixed for redemption. The Series Twenty-Five Bond Certificate provides that failure to give any required notice of redemption as to any particular Series Twenty-Five Bond or any defect therein will not affect the validity of the notice for redemption of any Series Twenty-Five Bonds in respect of which no such failure or defect has occurred. The Series Twenty-Five Bond Certificate also provides that any notice mailed as provided therein will be effective when sent and will be conclusively presumed to have been given whether or not actually received by any Owner.

Conditional Notice of Optional Redemption. Redemption notices in connection with optional redemption of any Series Twenty-Five Bond may provide that unless money sufficient to pay the principal of and premium, if any, and interest on such Series Twenty-Five Bond has been received by the Trustee prior to the giving of such notice of redemption, such notice may state that such redemption shall be conditional upon the receipt of such money by the Trustee on or prior to the date fixed for redemption. The Series Twenty-Five Bond Certificate provides that if such money is not received, such optional redemption notice shall be of no force and effect, such Series Twenty-Five Bond shall not be redeemed, the redemption price shall not be due and payable and that the Trustee will give notice, in the same manner in which the notice of redemption was given, that such money was not so received and that such Series Twenty-Five Bond will not be redeemed.

Effect of Redemption. As provided in the Series Twenty-Five Bond Certificate, interest on Series Twenty-Five Bonds that have been called for optional redemption will cease to accrue on the date fixed for redemption so long as amounts sufficient to redeem those Series Twenty-Five Bonds have been received by the Trustee on or before the date fixed for redemption. The Series Twenty-Five Bond Certificate also provides that Series Twenty-Five Term Bonds called for mandatory sinking fund redemption shall become due and payable on the date fixed for redemption.

SECURITY AND SOURCES OF PAYMENT FOR THE SLBs

Pledge of Net Revenues

The Series Twenty-Five Bonds are payable solely from the Net Revenues that are available for deposit in the General Account and from money in the SLB Fund and SLB Construction Account. Pursuant to the Airport Revenue Bond Ordinances, the Port has pledged to the payment of all Outstanding SLBs (including the Series Twenty-Five Bonds) and to the payment of all Scheduled Swap Obligations: (1) all Revenues after payment of Costs of Operation and Maintenance, (2) all money on deposit, from time to time, in the SLB Construction Account and (3) all money on deposit, from time to time, in the SLB Fund.

"Revenues" includes all amounts derived by the Port from its ownership or operation and management of the Airport, including, among other things, all amounts derived from rates, rentals, fees and charges imposed by the Port for the use and services of the Airport, but "Revenues" does not include (1) income from investments credited to the Airport Construction Fund or proceeds from the sale of bonds or grants or gifts, the use of which is limited by the grantor or donor to the construction of capital improvements; (2) passenger facility charges or similar charges that are imposed under the authority of federal law and are limited by federal law to expenditure on specific projects or activities and/or on debt service and financing costs related to specific projects or activities; or (3) customer facility charges (or any portion thereof) imposed by the Port for use of Airport rental car facilities and charged to customers who rent vehicles from rental car companies operating at or from the Airport ("CFCs") that may be levied by the Port and collected by rental car companies from their customers; and in any event does not include tax revenues or tax-derived revenues. See "PORTLAND INTERNATIONAL AIRPORT—Airport Capital Improvement Program—Customer Facility Charges" below and the definition of "Revenues" in Appendix C.

The term "Revenues" includes only revenues of the Airport and does not include any amounts received or to be received by the Port in connection with its other operations, including its maritime and industrial facilities and General Aviation Airports. See the definition of "Revenues" in Appendix C.

"Net Revenues" means for any past period the aggregate of the Revenues actually paid into the Airport Fund during such past period, and for any future period the aggregate of the Revenues estimated to be paid into the Airport Fund during such future period, minus for any such past period the aggregate of the

Costs of Operation and Maintenance of the Airport actually paid or accrued during such past period, or minus for any such future period the aggregate of the Costs of Operation and Maintenance of the Airport estimated to be paid or accrued during such future period, as the case may be. See the definitions of "Costs of Operation and Maintenance," "Revenues" and "Net Revenues" in Appendix C.

Limited Obligations

The Airport Revenue Bond Ordinances provide that the SLBs, including the Series Twenty-Five Bonds, shall not, in any manner, or to any extent, be a general obligation of the Port, nor a charge upon any other revenues or property of the Port not specifically pledged thereto by the Airport Revenue Bond Ordinances. The Series Twenty-Five Bonds are not secured by any tax revenues or taxing power of the Port or the State or its agencies, instrumentalities or political subdivisions.

Funds Under the Airport Revenue Bond Ordinances

Ordinance No. 155 and Ordinance No. 323 established certain funds and accounts and the priority for the flow of Revenues and certain other amounts to such funds and accounts, as described below and illustrated by the Flow of Funds Chart below.

Airport Fund. All Revenues of the Airport are required to be deposited into the Airport Fund, which is held and administered by the Port. Revenues credited to the Airport Fund must first be used and applied by the Port to the payment of the Costs of Operation and Maintenance of the Airport.

General Account; Flow of Funds. On the first business day of each month, after paying the Costs of Operation and Maintenance, the Port is required to credit the balance of the Revenues in the Airport Fund to a separate account in the Airport Fund held by the Port (the "General Account"). The Port is required to credit Net Revenues in the General Account to the following Funds and Accounts in the following order of priority:

FIRST: to the Trustee for deposit to the SLB Principal and Interest Account, until all required deposits to that account have been made;

SECOND: to the Trustee for deposit to the SLB Reserve Account, until all required deposits to that account have been made;

THIRD: to the Port for deposit in the Junior Lien Obligation Fund (the "JLO Fund") described below, until all required deposits to that fund have been made; and

FOURTH: to the Port for deposit in the Third Lien Obligation Fund (the "TLO Fund") described below, until all required deposits to that fund have been made.

Amounts remaining in the General Account, if any, after the credits described in FIRST through FOURTH above have been made, constitute Remaining Contingent Fee Payments ("Remaining Contingent Fee Payments"); provided, that in no case will Remaining Contingent Fee Payments exceed the amount of contingent fee payments ("Contingent Fee Payments") received by the Port from each of the Rental Car Concessionaires under the related Rental Car Concession Lease (each as defined below). On or before the first day of each month, the Port is required to set aside and pay into the Remaining Contingent Fee Payments Fund (the "Remaining Contingent Fee Payments Fund") established pursuant to Port Ordinance No. 466-B, enacted by the Board on February 13, 2019 (the "Series 2019 CFC Ordinance") any Remaining Contingent Fee Payments, and is required to immediately thereafter transfer all amounts in the Remaining

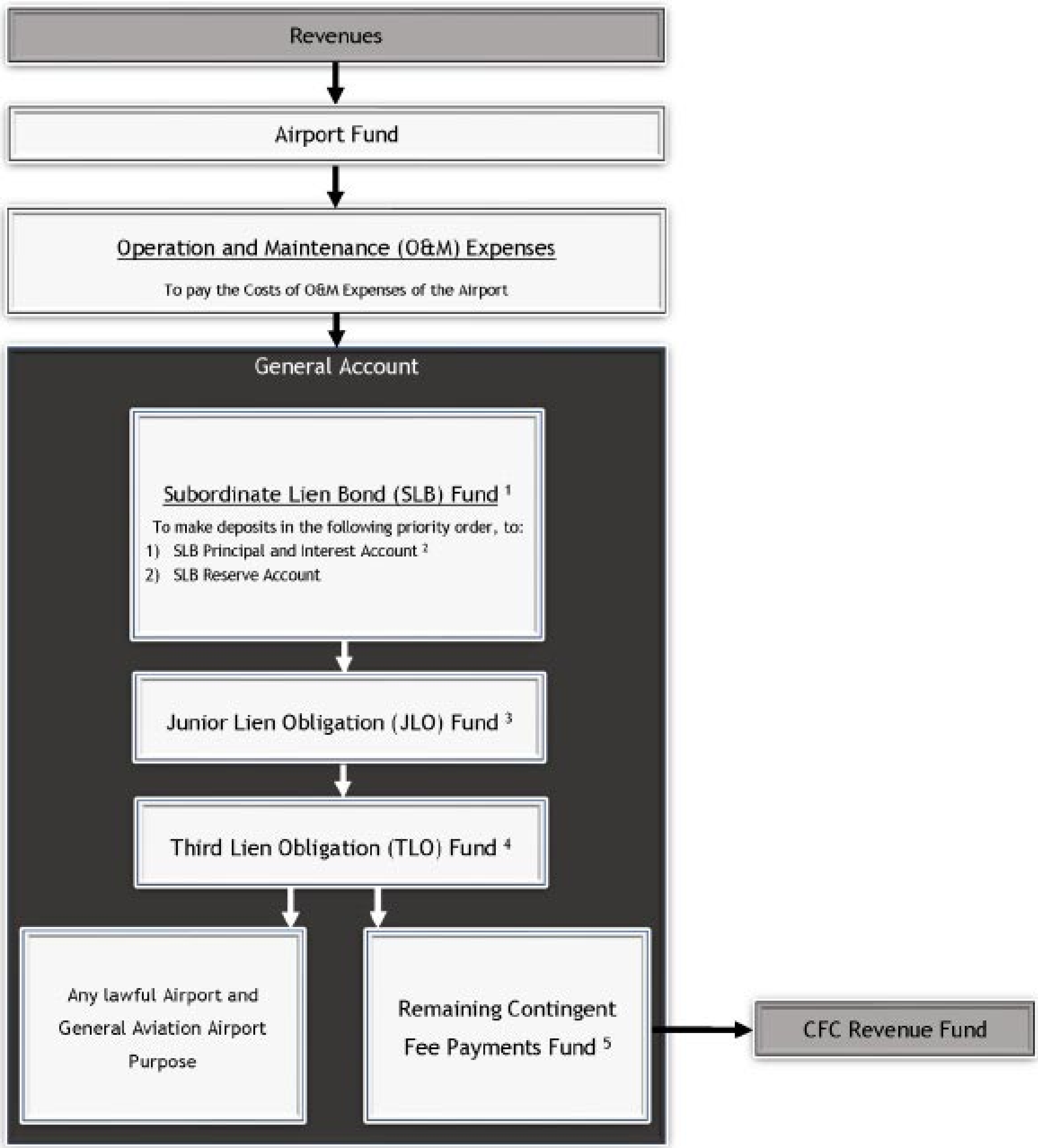
Contingent Fee Payments Fund to the CFC Revenue Fund (as defined below) for application in accordance with the CFC Bond Ordinances.

Amounts remaining in the General Account after the credits described in FIRST through FOURTH above have been made, and after the Remaining Contingent Fee Payments have been transferred to the Remaining Contingent Fee Payments Fund, may be used and applied by the Port for any other lawful use or purpose pertaining to the Airport or the aviation or air transport interests of the Port, including without limitation the General Aviation Airports, and for any other lawful use or purpose necessary to carry out the Airport Revenue Bond Ordinances, including making payments or credits to pay Costs of Operation and Maintenance of the Airport and making payments or credits to other funds or accounts. Pursuant to the Series 2019 CFC Ordinance, the Port has pledged any Remaining Contingent Fee Payments to the payment of the 2019 CFC Bonds.

Both General Aviation Airports are designated reliever airports for the Airport, and from time to time amounts remaining in the General Account are used to pay a portion of the capital and/or operating costs of the General Aviation Airports. In addition, the Port has reserved the right to amend the Airport Revenue Bond Ordinances in the future to permit the Port to apply Net Revenues remaining in the General Account to any lawful Port purpose. See "—Special Amendments," "OTHER AIRPORT OBLIGATIONS—Special Obligation Bonds," "—Remaining Contingent Fee Payments" and "PORTLAND INTERNATIONAL AIRPORT—Other Airport Matters—Regulation."

[Remainder of page intentionally left blank.]

FLOW OF FUNDS CHART



(1) The SLB Fund is held by the Trustee.

(2) The Airport Revenue Bond Ordinances provide that in the event of a shortfall in the combined SLB Principal and Interest Account, the Trustee first would apply available amounts to pay, on a pro rata basis, interest on SLBs and any amounts due in respect of Scheduled Swap Obligations.

(3) The Port currently has no outstanding stand-alone bonds that are Junior Lien Obligations, but certain obligations under outstanding Parity Reimbursement Agreements and Other Swap Obligations (including termination payments and collateralization) under the Series Eighteen Swaps are payable from the JLO Fund.

(4) The Board enacted Ordinance No. 463-CP on November 8, 2017, authorizing the issuance of up to $300 million of its Third Lien Commercial Paper Notes, which constitute TLOs. In addition, Other TLO Swap Obligations (including termination payments) under the PFC Bond Swaps are payable from the TLO Fund.

(5) Only amounts remaining in the General Account after giving effect to the disbursements to the SLB Fund, the JLO Fund, and the TLO Fund constitute Remaining Contingent Fee Payments. The Remaining Contingent Fee Payments are deposited into the Remaining Contingent Fee Payments Fund, as further described below. However, in no case will Remaining Contingent Fee Payments exceed the amount of Contingent Fee Payments received by the Port during the applicable period.

Source: Derived from Airport Revenue Bond Ordinances and the CFC Bond Ordinances.

SLB Construction Account. Pursuant to the Airport Revenue Bond Ordinances, the Port created the SLB Construction Account to hold certain proceeds of SLBs, including a portion of the proceeds of the Series Twenty-Five Bonds. The SLB Construction Account is held by the Port. Money credited to the SLB Construction Account may be applied solely (1) to pay the Costs of Construction (as such term is defined in the Airport Revenue Bond Ordinances) of additions, expansions and improvements at the Airport (including capitalized interest), (2) to pay the costs of the acquisition and construction of General Aviation Airports or (3) to the payment of SLBs (including Scheduled Swap Obligations). The Port is required to transfer money from the SLB Construction Account to the Trustee for deposit in the SLB Principal and Interest Account in accordance with the schedule contained in each Capitalized Interest Certificate. Other withdrawals of money credited to the SLB Construction Account may be made only in accordance with applicable law and upon a written requisition for such payment signed by an officer or employee of the Port.

SLB Fund. The SLB Fund, which is held by the Trustee, consists of the SLB Principal and Interest Account and the SLB Reserve Account. See "SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT REVENUE BOND ORDINANCES—The SLB Fund" in Appendix C.

SLB Principal and Interest Account. The Port is required to set aside funds and pay such funds into the SLB Fund, from the first moneys available in the General Account, to the extent necessary to provide for the punctual payment of (1) the principal and interest and premium, if any, on the SLBs as and when the same become due, whether at maturity or by redemption or declaration as provided in the SLB Ordinance or otherwise; and (2) any Scheduled Swap Obligations as and when the same become due. The Airport Revenue Bond Ordinances provide that moneys in the SLB Fund shall be used solely for the payment of principal, interest and premium, if any, due on the SLBs and Scheduled Swap Obligations and provide that in the event of a shortfall in the SLB Principal and Interest Account, the Trustee is to apply available amounts first to pay, on a *pro rata* basis, interest on the SLBs and any amounts due in respect of Scheduled Swap Obligations.

In the case of SLBs, such as the Series Twenty-Five Bonds, and any Qualified Swap for which interest or Scheduled Swap Obligations are due semi-annually or less frequently, the Port is required on the first business day of each month to transfer amounts in the General Account to the Trustee for deposit in the SLB Principal and Interest Account installments so that, together with other funds available or scheduled to be available therein, there will be sufficient money available to make such interest payments when due. In the case of SLBs and any Qualified Swap for which interest or Scheduled Swap Obligations are due more frequently than semi-annually, the Port is required to transfer amounts in the General Account to the Trustee for deposit in the SLB Principal and Interest Account so that, together with other funds available or scheduled to be available therein, there will be sufficient money available to make such payments when due. Payments received by the Port under an agreement to enter into a Qualified Swap and any regularly scheduled payment that is received by the Port (or the Trustee on behalf of the Port) from a Qualified Swap Provider under a Qualified Swap that exceeds the amount paid by the Port, are required be deposited in the SLB Principal and Interest Account. See "OTHER AIRPORT OBLIGATIONS" below.

The Port also is required, on the first business day of each month (commencing with the month that is 12 months prior to the first principal payment date of any SLB maturing serially or prior to the date on which SLBs are subject to mandatory redemption), to pay to the Trustee, from moneys in the General Account for deposit in the SLB Principal and Interest Account, an amount such that, if the same amount were so credited to the SLB Principal and Interest Account in each succeeding month thereafter, prior to the next date upon which principal, if any, on the SLBs becomes due, the aggregate of the amounts on deposit in the SLB Principal and Interest Account will equal the amount of principal due on such SLBs on such principal payment date and/or mandatory redemption date.

SLB Reserve Account. The Airport Revenue Bond Ordinances require the Port to maintain in the SLB Reserve Account an amount equal to the maximum SLB Debt Service Requirement for all SLBs outstanding in any future Fiscal Year (as further defined below, the "SLB Reserve Fund Requirement"), except that (1) the SLB Reserve Fund Requirement in respect of the SLBs of any series may be funded initially in equal monthly installments over four years and (2) as described in the following paragraph, debt service reserve insurance may be substituted for any portion of the SLB Reserve Fund Requirement. The Airport Revenue Bond Ordinances provide that in the event that the balance in the SLB Reserve Account is reduced below the SLB Reserve Fund Requirement, on the first business day of any month the Port will pay to the Trustee from Revenues in the General Account an amount equal to 20% of that month's other deposits to the SLB Fund until the amount on deposit in the SLB Reserve Account is equal to the SLB Reserve Fund Requirement. The Port has reserved the right to amend the definition of "SLB Reserve Fund Requirement." See "—Special Amendments."

The Airport Revenue Bond Ordinances permit the Port to substitute debt service reserve insurance for any portion of the SLB Reserve Fund Requirement, provided that the insurance is issued by a company rated, when the debt service reserve insurance is purchased by the Port, in the highest category by S&P Global Ratings ("S&P"), Moody's Investors Service, Inc. ("Moody's"), A.M. Best Company or any comparable service. As shown in Table 2, below, as of the date the Series Twenty-Five Bonds are issued, the SLB Reserve Fund Requirement will be satisfied by a combination of cash, securities and existing surety bonds issued by the providers, in the amounts and expiring on the dates, listed in Table 2; and a portion of the proceeds received from the sale of the Series Twenty-Five Bonds. The Airport Revenue Bond Ordinances do not require the Port to replace sureties issued by companies that later are no longer rated in the highest rating category. Including the deposit from proceeds of the Series Twenty-Five Bonds, 61% of the SLB Reserve Fund Requirement is funded from cash and securities.

TABLE 2
SLB RESERVE ACCOUNT
(as of April 24, 2019)

Provider	Expiration Date	Amount
Financial Guaranty Insurance Company	July 1, 2023	$9,670,775
Financial Guaranty Insurance Company [1]	July 1, 2025	1,180,750
Financial Guaranty Insurance Company [1]	July 1, 2026	13,423,219
Financial Guaranty Insurance Company [1]	July 1, 2028	10,770,756
Financial Guaranty Insurance Company [1]	July 1, 2028	3,490,190
Total Surety Bonds		**$38,535,690**
Existing Cash and Securities [2]		38,558,607
Reserve Deposit from Series Twenty-Five Bond Proceeds		5,000,000
Total Cash and Securities		**$43,558,607**
Total Cash, Securities and Surety Bonds [3]		**$82,094,297**
SLB Reserve Fund Requirement		**$71,105,624**

[1] Reinsured by and then novated to National Public Finance Guarantee Corporation, a wholly-owned subsidiary of MBIA Inc.
[2] Market value as of February 28, 2019.
[3] To the extent total amounts available in the SLB Reserve Account exceed the SLB Reserve Fund Requirement, the Airport Revenue Bond Ordinances permit the Airport to withdraw such amounts that exceed the SLB Reserve Fund Requirement.
Source: The Port.

Junior Lien Obligation Fund. The JLO Fund is held by the Trustee. The Port is required to set aside and pay into the JLO Fund from the first money available in the General Account after required payments to the SLB Fund (1) an amount sufficient, with other amounts available in the JLO Fund, to pay any bonds or other obligations that are secured by a lien on and pledge of Net Revenues that is subordinate to the lien and pledge that secures SLBs and Scheduled Swap Obligations ("Junior Lien Obligations"), including Other Swap Obligations, when due; and (2) any amounts the Port subsequently agrees to deposit into the JLO Fund for the benefit of Junior Lien Obligations. See "OTHER AIRPORT OBLIGATIONS—Junior Lien Obligations" and "—Interest Rate Swaps" below and "SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT REVENUE BOND ORDINANCES—The JLO Fund" in Appendix C.

Third Lien Obligation Fund. The TLO Fund is held by the Port. The Port is required to set aside and pay into the TLO Fund from the first money available in the General Account after required payments to the SLB Fund and the JLO Fund (1) an amount sufficient, with other amounts available in the TLO Fund, to pay any Other TLO Swap Obligations when due; and (2) any amounts the Port subsequently agrees to deposit into the TLO Fund for the benefit of Third Lien Obligations. See "OTHER AIRPORT OBLIGATIONS—Third Lien Obligations" and "—Interest Rate Swaps" below and "SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT REVENUE BOND ORDINANCES—The TLO Fund" in Appendix C.

Remaining Contingent Fee Payments Fund. The Remaining Contingent Fee Payments Fund is held by the Port. On or before the first day of each month, the Port is required to set aside and pay into the Remaining Contingent Fee Payments Fund the Remaining Contingent Fee Payments, if any, and is required to immediately thereafter transfer all amounts in the Remaining Contingent Fee Payments Fund to the CFC Revenue Fund established under the CFC Bond Ordinances (the "CFC Revenue Fund"). The Remaining Contingent Fee Payments will be used by the Port to pay debt service on the 2019 CFC Bonds or to meet the requirements of the rate covenant under the CFC Bond Ordinances. See "OTHER AIRPORT OBLIGATIONS—Remaining Contingent Fee Payments" below and "SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT REVENUE BOND ORDINANCES—Flow of Funds."

Authorized Aviation-Related Purposes. The Airport Revenue Bond Ordinances permit any Revenues remaining in the General Account after the transfers described above are made to be used by the Port for any lawful use or purpose pertaining to the Airport or to the aviation or air transport interests of the Port, including the General Aviation Airports.

Rate Covenant

In the Airport Revenue Bond Ordinances, the Port has covenanted to impose and prescribe a schedule of rates, rentals, fees and other charges for the use and services of the facilities and commodities furnished by the Airport, to revise the same from time to time whenever necessary and to collect the income, receipts and other money derived therefrom, so that (1) Revenues will be sufficient to discharge all claims, obligations and indebtedness payable from or secured by the Revenues, (2) the Net Revenues in each Fiscal Year will be at least equal to 130% of the SLB Debt Service Requirement for such Fiscal Year for all SLBs then Outstanding and (3) the Net Revenues, together with other amounts that are available to pay Other Swap Obligations, are sufficient to pay all Other Swap Obligations and any Junior Lien Obligations when due.

The Port also covenanted in the Airport Revenue Bond Ordinances to impose and prescribe such schedule of rates, rentals, fees, and other charges for the use and services of the facilities and commodities furnished by the Airport and to revise the same from time to time, whenever necessary and to collect the income, receipts and other moneys derived therefrom, so that the Net Revenues in each Fiscal Year will be at least equal to the sum of: (i) the amounts described above plus (ii) 100% of the Excess Principal coming due in such Fiscal Year. As defined in the Airport Revenue Bond Ordinances, "Excess Principal" means the principal amount of any Outstanding SLBs which, in accordance with any reimbursement agreement, or other agreement pursuant to which any Credit Facility is given in connection with such SLBs, is due and payable by the Port in a particular Fiscal Year (whether by virtue of scheduled maturity, mandatory redemption or any similar method), but only to the extent the principal amount of such SLBs, which is so due and payable in such Fiscal Year, exceeds the principal amount which in the absence of the provisions of such reimbursement agreement, or other agreement referred to above, would otherwise be due and payable in such Fiscal Year (whether by scheduled maturity or mandatory redemption). The Port has reserved the right, however, to delete provisions relating to "Excess Principal" and to amend the definition of "SLB Debt Service Requirement." See "—Special Amendments."

In determining the Port's compliance with the required coverage tests, non-cash, unrealized gains, losses, expenses and/or revenues, including the fair value of Qualified Swaps, Qualified TLO Swaps, other swap agreements or other derivative products are to be disregarded. See "PORTLAND INTERNATIONAL AIRPORT—Historical Financial Information" below and the definitions of "Revenues" and "SLB Debt Service Requirement" in Appendix C.

Additional SLBs

The Port has covenanted in the Airport Revenue Bond Ordinances not to issue any obligations payable from the Revenues or money in the General Account that have a claim prior to the claim of the SLBs. The Airport Revenue Bond Ordinances permit the Port to issue Additional SLBs to pay costs of construction of additions, expansions and improvements at the Airport and to pay costs of the acquisition and construction of General Aviation Airports. The Airport Revenue Bond Ordinances provide, however, that except in the case of certain refunding SLBs the Port may issue Additional SLBs only if, among other requirements, there is provided to the Trustee:

(1) a certificate of an Assistant Secretary of the Port to the effect that, for either the Port's most recent complete Fiscal Year or for any consecutive 12 out of the most recent 18 months, Net Revenues were equal to at least 130% of the SLB Debt Service Requirement on all then Outstanding SLBs for such period; and

(2) either:

(a) a written report of an Airport Consultant setting forth projections which indicate (i) the estimated Net Revenues for each of three consecutive Fiscal Years beginning in the earlier of (A) the first Fiscal Year following the estimated date of completion and initial use of all revenue-producing facilities to be financed with such series of SLBs, based upon a certified written estimated completion date by the consulting engineer for such facility or facilities, or (B) the first Fiscal Year in which the Port will have scheduled payments of interest on or principal of the series of SLBs to be issued for the payment of which provision has not been made as indicated in the report of such Airport Consultant from proceeds of such series of SLBs, investment income thereon or from other appropriated sources (other than Net Revenues) and (ii) that the estimated Net Revenues for each Fiscal Year are equal to at least 130% of the SLB Debt Service Requirements on all SLBs scheduled to occur during that Fiscal Year after taking into consideration the additional SLB Debt Service Requirements for the series of SLBs to be issued; or

(b) a certificate of an Assistant Secretary of the Port to the effect that, for either the Port's most recent complete Fiscal Year or for any consecutive 12 out of the most recent 18 months, Net Revenues were equal to at least 130% of the maximum SLB Debt Service Requirement on all Outstanding SLBs on any future Fiscal Year and the series of SLBs proposed to be issued.

The Port's compliance with the test for the issuance of Additional SLBs under the Airport Revenue Bond Ordinances with respect to the Series Twenty-Five Bonds will be evidenced by the certificate of the Port described in 2(b) above.

The Airport Revenue Bond Ordinances provide that in determining the Port's compliance with the required coverage tests, non-cash, unrealized gains, losses, expenses and/or revenues, including the fair value of Qualified Swaps, Qualified TLO Swaps, other swap agreements or other derivative products are to be disregarded.

The Airport Revenue Bond Ordinances provide that if the series of Additional SLBs is being issued for the purpose of refunding previously issued SLBs, the certifications described above are not required unless the aggregate debt service payable on the refunding SLBs exceeds the aggregate debt service payable on the SLBs which are being refunded, but that if the Additional SLBs are being issued to refund Short Term/Demand Obligations, the certifications described in paragraph (1) above are required.

The Port also may issue Completion Bonds (as defined in the Airport Revenue Bond Ordinances) and certain refunding bonds without demonstrating compliance with debt service coverage tests. The Port also expects that through Fiscal Year 2024 the Port will fund a portion of the costs of its CIP with $866.97 million in additional bond proceeds (excluding the 2019 CFC Bonds), all or a portion of which will come from the issuance of Additional SLBs. See "PORTLAND INTERNATIONAL AIRPORT—Airport Capital Improvement Program" below and "SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT REVENUE BOND ORDINANCES—Additional SLBs" in Appendix C.

Parity Reimbursement Agreements

The Port may enter into a Parity Reimbursement Agreement, which constitutes an SLB, only if: (1) the agreement requires the Port to repay amounts paid by the provider under the related Liquidity Facility or Credit Facility in substantially equal annual amounts over a period of no less than five years; and (2) the obligations of the Port under the agreement are not subject to acceleration unless all SLBs are accelerated or subject to tender. The limitation described in clause (1) of the preceding sentence does not apply to the Port's obligation to pay the provider of the Liquidity Facility or Credit Facility for (a) amounts advanced by the provider to pay scheduled interest or principal payments on SLBs under a "direct-pay" Liquidity Facility or Credit Facility and that are required to be repaid by the Port within five business days; (b) interest required to be paid by the Port on amounts drawn under the Liquidity Facility or Credit Facility; or (c) fees and expenses of the provider of the Liquidity Facility or Credit Facility. Fees and expenses due under a Parity Reimbursement Agreement are to be treated as Costs of Operation and Maintenance of the Airport. Other amounts that may become payable under reimbursement agreements but that do not qualify as "Parity Reimbursement Agreement" obligations or (in the case of fees and expenses) as Costs of Operation and Maintenance may be Junior Lien Obligations or Third Lien Obligations. See "OTHER AIRPORT OBLIGATIONS—Parity Reimbursement Agreements", "—Junior Lien Obligations" and "Third Lien Obligations" and "SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT REVENUE BOND ORDINANCES—Parity Reimbursement Agreements" in Appendix C.

Special Amendments

The Port has reserved the right in the Airport Revenue Bond Ordinances, without additional consent of the Owners of the Series Twenty-Five Bonds, to make the following changes to the Airport Revenue Bond Ordinances; provided that such amendments are then permitted by law and that any required consents from credit and liquidity facility providers, swap providers and surety bond providers are obtained. The Airport Revenue Bond Ordinances provide that by purchasing the Series Twenty-Five Bonds, the Owners of the Series Twenty-Five Bonds are deemed to have consented to all of the amendments described below and in Appendix C.

(a) To amend the definition of "Airport" to add any facilities operated by the Port whether or not such facilities are related to aviation. Effecting this amendment would require, among other things, changes in federal laws and regulations regarding the use of airport revenues.

(b) To provide that the Airport Fund (other than the SLB Fund) may be invested in any securities that are legal investments for the Port under the laws of the State.

(c) To provide that the SLB Fund may be invested only in Investment Securities, and to define Investment Securities to include those securities that are then typically permitted for the investment of debt service and the reserve funds of revenue bonds that have credit ratings similar to the credit ratings then in effect for the SLBs.

(d) To permit the Port's obligations under derivative products (including interest rate swaps, collars, hedges, caps and similar transactions) to be treated as SLBs and to make other changes which are desirable in order to permit use of derivative products in connection with SLBs.

(e) To permit obligations that are subordinate to the SLBs to be issued for any lawful Port purpose.

(f) To provide that balloon obligations will be treated as if they were refinanced with long-term obligations for purposes of calculating the SLB Debt Service Requirement and making certain deposits to the SLB Fund.

(g) To provide that any "put" or other right of Owners to require the purchase of SLBs shall not be treated as a maturity or mandatory redemption and may be ignored when calculating the SLB Debt Service Requirement and the amounts to be deposited to the SLB Fund, but only if bond insurance, a line or letter of credit, a standby bond purchase agreement or other liquidity or credit enhancement is in effect which is expected to pay for the purchase of the SLBs when the Owners exercise that right, if the SLBs are not remarketed or refunded.

(h) To provide that certain amounts in the SLB Serial Bond Principal Account and SLB Term Bond Principal Account (now part of the combined SLB Principal and Interest Account) may be used for redemption or purchase for cancellation of SLBs.

(i) To reduce the SLB Reserve Fund Requirement to an amount equal to the maximum amount of proceeds of tax-exempt bonds which the Code permits to be deposited in a reserve account without yield restriction, and to specify either that separate reserve accounts will be held for each series of SLBs, or that a single reserve account will secure all series of SLBs.

(j) To modify the requirements for funding the Rebate Account or to eliminate the Rebate Account.

(k) To combine Ordinance No. 155 and Ordinance No. 323, to delete outdated provisions, to delete provisions that interfere with the business operations of the Port but that do not provide substantial security for owners of SLBs, to clarify and simplify the remaining provisions, to substitute modern, more flexible provisions, and to restate those amended ordinances as a single ordinance.

(l) To amend the definition of "SLB Debt Service Requirement" so that for purposes of calculating compliance with the Port's rate covenants, the amount of principal and/or interest on SLBs and/or the amount of Scheduled Swap Obligations paid or to be paid from moneys not then included in the definition of "Revenues" or "Net Revenues" shall be disregarded and not included in any calculation of "SLB Debt Service Requirement."

(m) To amend Ordinance No. 323 to provide that for purposes of determining compliance with the provisions of Ordinance No. 323 relating to Additional SLBs, the amount of passenger facility charges, customer facility charges, state and federal grants or other payments and/or other moneys that are not then included in the definition of "Revenues" or "Net Revenues" but that are committed irrevocably to the payment of debt service on SLBs and to the payment of Scheduled Swap Obligations or that are held by the Trustee for the sole purpose of paying debt service on SLBs and paying Scheduled Swap Obligations may be disregarded and not included in the calculation of SLB Debt Service Requirement for the period in which such amounts are irrevocably committed or are held by the Trustee.

(n) To permit all or a portion of the Remaining Balance to be taken into account as "Revenues" when determining compliance by the Port with its rate covenants. For this purpose, "Remaining Balance" means for any Fiscal Year the amount of unencumbered funds on deposit or anticipated to be on deposit on the first day of such Fiscal Year in the General Account (after all deposits and payments required to be made into the SLB Fund, the JLO Fund and the TLO Fund under Ordinance No. 323 have been made as of the last day of the immediately preceding Fiscal Year). The Port could, but would not be required to, limit the amount of Remaining Balance that is included for this purpose.

(o) To permit the application of proceeds received from the sale of SLBs or of Junior Lien Obligations to make termination payments incurred in connection with terminating swap agreements or other derivative products.

By purchasing the Series Twenty-Five Bonds, the Owners of the Series Twenty-Five Bonds are deemed to have consented to all of the amendments described in the preceding paragraphs, and the Port may subsequently make any of those amendments without the consent of the Owners of the Series Twenty-Five Bonds. The Port cannot predict when or whether all of the remaining special amendments will become effective. See "SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT REVENUE BOND ORDINANCES—Amendments of the Airport Revenue Bond Ordinances" in Appendix C.

OUTSTANDING SLB SERIES AND DEBT SERVICE

Outstanding SLB Series

The table below identifies the SLBs issued and currently outstanding as of March 1, 2019, including the principal amount outstanding of each series.

TABLE 3
PORT OF PORTLAND
OUTSTANDING SLBS
(as of March 1, 2019)

Series	Dated Date	Final Maturity	Principal Amount
Series Eighteen A (Refunding)	June 11, 2008	July 1, 2026	$32,320,000
Series Eighteen B (Refunding)	June 11, 2008	July 1, 2026	32,320,000
Series Twenty A	November 2, 2010	July 1, 2040	15,280,000
Series Twenty B	November 2, 2010	July 1, 2040	18,320,000
Series Twenty C	November 2, 2010	July 1, 2028	60,890,000
Series Twenty-One C	August 10, 2011	July 1, 2023	27,685,000
Series Twenty-Two	September 25, 2014	July 1, 2044	90,050,000
Series Twenty-Three (Refunding)	March 31, 2015	July 1, 2038	106,375,000
Series Twenty-Four A	January 25, 2017	July 1, 2047	21,965,000
Series Twenty-Four B	January 25, 2017	July 1, 2047	210,565,000
	Total SLBs Outstanding		**$615,770,000**

Source: The Port.

In addition to $615,770,000 aggregate principal amount of SLBs outstanding as of March 1, 2019, the Port has issued or incurred Airport Parity Reimbursement Agreements, Junior Lien Obligations, Third Lien Obligations, PFC Bonds, interest rate swaps, one outstanding series of Special Obligation Bonds, and expects to issue the 2019 CFC Bonds.

Scheduled Debt Service Requirements

The scheduled annual debt service requirements for the SLBs, rounded to the nearest dollar, are set forth in Table 4.

TABLE 4
SLB DEBT SERVICE SCHEDULE

		Series Twenty-Five Bonds Debt Service [(4)]					
Fiscal Year Ending June 30[(1)]	**Total Outstanding SLB Debt Service [(2)(3)(4)]**	**Series Twenty-Five A Principal**	**Series Twenty-Five A Interest [(4)]**	**Series Twenty-Five B Principal**	**Series Twenty-Five B Interest [(4)]**	**Total Series Twenty-Five Debt Service [(4)]**	**Total SLB Debt Service [(2)(4)]**
2019	$ 48,388,815	-	$ 29,502	-	$ 1,437,742	$ 1,467,244	$ 49,856,059
2020	53,709,430	-	824,606	$ 530,000	8,648,064	10,002,670	63,712,101
2021	59,719,916	-	1,091,250	560,000	9,184,430	10,835,680	70,555,596
2022	55,461,940	-	1,091,250	2,325,000	9,267,000	12,683,250	68,145,190
2023	55,462,300	-	1,091,250	3,745,000	9,150,750	13,987,000	69,449,300
2024	49,085,489	-	1,091,250	3,935,000	8,963,500	13,989,750	63,075,239
2025	49,073,042	-	1,091,250	4,130,000	8,766,750	13,988,000	63,061,042
2026	47,913,471	-	1,091,250	4,335,000	8,560,250	13,986,500	61,899,971
2027	40,797,250	-	1,091,250	4,550,000	8,343,500	13,984,750	54,782,000
2028	40,798,100	-	1,091,250	4,780,000	8,116,000	13,987,250	54,785,350
2029	32,436,100	-	1,091,250	5,020,000	7,877,000	13,988,250	46,424,350
2030	32,442,050	-	1,091,250	5,270,000	7,626,000	13,987,250	46,429,300
2031	32,434,950	-	1,091,250	5,535,000	7,362,500	13,988,750	46,423,700
2032	32,435,225	-	1,091,250	5,815,000	7,085,750	13,992,000	46,427,225
2033	32,433,700	-	1,091,250	6,105,000	6,795,000	13,991,250	46,424,950
2034	32,423,375	-	1,091,250	6,410,000	6,489,750	13,991,000	46,414,375
2035	32,437,500	-	1,091,250	6,730,000	6,169,250	13,990,500	46,428,000
2036	32,432,613	-	1,091,250	7,065,000	5,832,750	13,989,000	46,421,613
2037	32,437,250	-	1,091,250	7,420,000	5,479,500	13,990,750	46,428,000
2038	32,428,450	-	1,091,250	7,795,000	5,108,500	13,994,750	46,423,200
2039	23,894,213	-	1,091,250	8,180,000	4,718,750	13,990,000	37,884,213
2040	23,898,038	-	1,091,250	8,590,000	4,309,750	13,991,000	37,889,038
2041	21,816,500	-	1,091,250	9,010,000	3,880,250	13,981,500	35,798,000
2042	21,821,250	-	1,091,250	9,470,000	3,429,750	13,991,000	35,812,250
2043	21,820,250	-	1,091,250	9,945,000	2,956,250	13,992,500	35,812,750
2044	21,821,750	-	1,091,250	10,440,000	2,459,000	13,990,250	35,812,000
2045	15,558,500	$ 3,950,000	1,091,250	7,010,000	1,937,000	13,988,250	29,546,750
2046	15,556,500	4,145,000	893,750	7,365,000	1,586,500	13,990,250	29,546,750
2047	15,561,000	4,355,000	686,500	7,730,000	1,218,250	13,989,750	29,550,750
2048	-	4,575,000	468,750	8,110,000	831,750	13,985,500	13,985,500
2049	-	4,800,000	240,000	8,525,000	426,250	13,991,250	13,991,250
Total	**$1,006,498,965**	**$21,825,000**	**$30,424,358**	**$186,430,000**	**$174,017,486**	**$412,696,844**	**$1,419,195,812**

[(1)] Payments due on July 1 are shown as being made in the prior Fiscal Year.
[(2)] Approximately $57.2 million aggregate principal amount of the Series Eighteen Bonds is assumed to bear interest at 4.94% per annum and $6.7 million is assumed to bear interest at 5.13% per annum (in each case, the fixed rates payable by the Port under the Series Eighteen Swaps corresponding to such notional amounts), and the remaining unhedged portion of $740,000 is assumed to bear interest at 6.00% per annum. See "Other Airport Obligations—Interest Rate Swaps."
[(3)] Excludes the Series Twenty-Five Bonds.
[(4)] Net of capitalized interest.
Source: Port records.

OTHER AIRPORT OBLIGATIONS

Parity Reimbursement Agreements

In June 2008, the Port issued $138,890,000 aggregate principal amount of its variable-rate Portland International Airport Refunding Revenue Bonds, Series Eighteen, which as of March 1, 2019 were outstanding in the aggregate principal amount of $64,640,000 (the "Series Eighteen Bonds"). The Series Eighteen Bonds were issued in two subseries, and payment of the principal of and interest on the Series Eighteen Bonds of each subseries and payment of the purchase price of Series Eighteen Bonds of each subseries that are tendered for purchase and not remarketed are secured by an irrevocable, direct-pay letters of credit (each, a "Series Eighteen Letter of Credit"). On August 31, 2016, the Industrial and Commercial Bank of China Limited, New York Branch (the "Bank") issued two letters of credit in substitution for the two expiring letters of credit.

In connection with the issuance of the current Series Eighteen Letters of Credit, the Port and the Bank entered into two Reimbursement Agreements, each dated as of August 1, 2016 (the "Series Eighteen Reimbursement Agreements"). The Series Eighteen Reimbursement Agreements provide that the Port's obligations to reimburse the Bank for drawings under the Series Eighteen Letters of Credit to pay scheduled principal and interest are payable from the Net Revenues deposited with the SLB Fund on a parity with the Series Eighteen Bonds and are SLBs for purposes of the Airport Revenue Bond Ordinances. Other payments required to be made under the Series Eighteen Reimbursement Agreements constitute Junior Lien Obligations. Unless extended, each Series Eighteen Letter of Credit expires on August 30, 2021, subject to prior termination under certain conditions. See "—Interest Rate Swaps" and "CERTAIN INVESTMENT CONSIDERATIONS—Credit Risk of Financial Institutions Providing Credit Enhancement and Other Financial Products Relating to Airport Bonds."

Junior Lien Obligations

The Port may issue Junior Lien Obligations, including other Swap Obligations, and pledge the amounts in the JLO Fund to pay Junior Lien Obligations and fund reserves for Junior Lien Obligations. Junior Lien Obligations may be issued for any lawful Airport purpose, including to pay Other Swap Obligations, to post collateral under any Qualified Swap and to pay termination payments in connection with Qualified Swaps, Qualified TLO Swaps or other derivative products. As of the date of this Official Statement, the Port has no outstanding stand-alone bonds that are Junior Lien Obligations, but certain obligations under outstanding Parity Reimbursement Agreements (including the Series Eighteen Reimbursement Agreements) and Other Swap Obligations (including termination payments and collateralization) under the Series Eighteen Swaps described below are payable from the JLO Fund. Some of the Port's existing Junior Lien Obligations have payment dates that are monthly or that are not scheduled. The Port may choose to issue Junior Lien Obligations in lieu of or in addition to SLBs to finance costs of capital projects. See "PORTLAND INTERNATIONAL AIRPORT—Airport Capital Improvement Program" and "—Sources of Funds for CIP Projects" below and Chapter 3 of the Report of the Airport Consultant in Appendix A.

The following amounts payable under each Series Eighteen Reimbursement Agreement constitute Junior Lien Obligations rather than SLBs: (1) amounts due upon acceleration of the obligations under the Series Eighteen Reimbursement Agreement upon the occurrence of an event of default under that Series Eighteen Reimbursement Agreement and (2) amounts due upon a liquidity drawing under the applicable Series Eighteen Letter of Credit if, at the time that liquidity drawing is made (a) the representations and warranties made by the Port under that Series Eighteen Reimbursement Agreement are not true and correct in all material respects, except, in each case, to the extent that those representations and warranties specifically refer to an earlier date, in which case, they are not true and correct as of that earlier date or

(b) an event has occurred and is continuing, or would result from the payment of that liquidity drawing, that constitutes a default or an event of default under that Series Eighteen Reimbursement Agreement. Events of default under each Series Eighteen Reimbursement Agreement include, among other events, a downgrade by Moody's (if Moody's assigns a rating) below "A" (or its equivalent) or by S&P or Fitch Ratings, Inc. ("Fitch"), if Fitch assigns a rating, below "A-" (or its equivalent) of the long-term rating assigned to the SLBs or a withdrawal (other than as a result of debt maturity, redemption, non-application or defeasance) or suspension (other than as a result of debt maturity, redemption or defeasance) of such rating. See "—Interest Rate Swaps—Series Eighteen Swaps" and "CERTAIN INVESTMENT CONSIDERATIONS."

Other Swap Obligations under the Series Eighteen Swaps, including fees and any termination payments, charges and indemnifications, constitute Junior Lien Obligations and are payable from the JLO Fund. See "—Interest Rate Swaps—Series Eighteen Swaps" below.

Third Lien Obligations

Third Lien Obligations are bonds or other obligations that have a lien on the Net Revenues that is subordinate to the lien of the SLBs and Junior Lien Obligations and are payable from the TLO Fund. The following obligations of the Port are Third Lien Obligations payable from the TLO Fund: (1) the Commercial Paper Notes (as defined below); (2) amounts owed to Barclays Bank PLC ("Barclays Bank") under the Commercial Paper Reimbursement Agreement (defined herein); and (3) termination payments under the PFC Bond Swaps. The Port may choose to issue Third Lien Obligations in lieu of or in addition to SLBs to finance costs of capital projects.

The Board enacted Ordinance No. 463-CP on November 8, 2017, authorizing the issuance of up to $300 million of its Third Lien Commercial Paper Notes (the "Commercial Paper Notes"). The Port issued its first tranche of Commercial Paper Notes on December 22, 2017. In connection with the issuance of the Commercial Paper Notes, the Port obtained an irrevocable direct-pay letter of credit in the initial stated amount of $315,000,000 (the "Commercial Paper Letter of Credit") from Barclays Bank to support payment of the Commercial Payment Notes. The Commercial Paper Letter of Credit expires on December 20, 2021, unless extended or terminated sooner in accordance with its terms.

In connection with the Commercial Paper Letter of Credit, the Port entered into a Reimbursement Agreement, dated as of December 1, 2017 (the "Commercial Paper Reimbursement Agreement"), with Barclays Bank, which obligates the Port to repay Barclays Bank for drawings under the Commercial Paper Letter of Credit. Such repayments also constitute Third Lien Obligations.

The Port has issued Commercial Paper Notes for various authorized purposes, including to finance a portion of the costs of the Series Twenty-Five Projects. The Port will repay approximately $22 million of the outstanding Commercial Paper Notes with the proceeds of the Series Twenty-Five B Bonds. The Port expects to continue to issue Commercial Paper Notes from time to time in the future.

Other TLO SWAP Obligations are payments (other than regularly scheduled payments) that may be owed by the Port to the insurer or counterparty under the Port's outstanding PFC Bond Swaps and are Third Lien Obligations.

See "—Interest Rate Swaps—PFC Bond Swaps" and "SECURITY AND SOURCES OF PAYMENT FOR THE SLBS—Funds under the Airport Bond Ordinances—TLO Fund."

Special Obligation Bonds

Pursuant to Ordinance No. 155, the Port may issue Special Obligation Bonds for the purpose of acquiring, renovating or constructing Special Facilities and the site thereof for lease to third parties pursuant to Net Rent Leases. As of March 1, 2019, the only Special Obligation Bonds outstanding for the Airport are $17,300,000 of bonds issued in 1997 under separate financing documents to finance costs of an operations, training and aircraft maintenance facility for Horizon Air Industries ("Horizon"), referred to in this Official Statement as the "Horizon Special Obligation Bonds." The Horizon Special Obligation Bonds are payable only from payments made by Horizon under a facilities lease and from moneys drawn under the direct-pay letter of credit held by the trustee for the bonds and do not constitute a debt, liability or general obligation of the Port, the State or any political subdivision thereof. None of the Port, the State or any political subdivision thereof is obligated to levy any taxes or to expend any funds for the payment of the Horizon Special Obligation Bonds. Although the Port is permitted under the Airport Revenue Bond Ordinances to pay and/or to pledge to the payment of Special Obligation Bonds from Net Revenues remaining in the General Account after all other deposits are made, the Port has no current plans to issue additional Special Obligation Bonds or to agree to make payments in connection with any Special Obligation Bonds, including the Horizon Special Obligation Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SLBs—Funds Under the Revenue Bond Ordinances" above and the definitions of "Net Rent Lease" and "Special Obligation Bonds" in Appendix C.

PFC Bonds

As of March 1, 2019, the Port had outstanding $65,590,000 aggregate principal amount of its Portland International Airport Passenger Facility Charge Revenue Bonds, Series 2011A (the "Series 2011A PFC Bonds") and $54,405,000 aggregate principal amount of its Portland International Airport Passenger Facility Charge Revenue Refunding Bonds, Series 2012A (the "Series 2012A PFC Bonds"). The Series 2011A PFC Bonds and the Series 2012A PFC Bonds are referred to collectively in this Official Statement as the "Outstanding PFC Bonds." The Outstanding PFC Bonds are payable solely from and secured solely by PFC Revenue and related income and are not payable from or secured by Net Revenues.

The Series 2012A PFC Bonds are variable-rate bonds that were purchased by a single buyer and provide for a purchase period ending on June 1, 2020, at the end of which the Port will be required to purchase the outstanding Series 2012A PFC Bonds or to redeem the Series 2012A PFC Bonds over a three-year period with an interest rate based upon the greater of the prime rate plus 1.0%, the federal funds rate plus 2.0% or 7.0%. The Port is required to pay LIBOR-based variable rates of interest on the Series 2012A PFC Bonds through June 1, 2020. The Series 2012A PFC Bonds are stated to mature on July 1, 2024. See "—Interest Rate Swaps—PFC Bond Swaps" and "CERTAIN INVESTMENT CONSIDERATIONS—Changes in Financial Markets and Financial Condition of Parties Dealing with the Port—PFC Bonds and PFC Bond Swaps."

Interest Rate Swaps

Authority. The Port is authorized under State law to enter into interest rate swaps, and pursuant to the Airport Revenue Bond Ordinances, to pay Scheduled Swap Obligations out of the SLB Fund and to take Scheduled Swap Obligations into consideration for purposes of determining compliance with the Port's rate covenant and satisfying the requirements for issuing Additional SLBs. See the definition of "SLB Debt Service Requirement" in Appendix C. The Airport Revenue Bond Ordinances provide that Other Swap Obligations (including termination payments) are payable out of the JLO Fund and that Other TLO Swap Obligations (including termination payments) are payable out of the TLO Fund.

Swap Policy. The Board adopted a policy on Interest Rate Exchange Agreements (the "2004 Swap Policy") in 2004 and amended the 2004 Swap Policy in August 2013. Under the amended policy (the "Swap Policy"), the Port may use interest rate exchange agreements to manage payment, interest rate spread or similar exposure undertaken in connection with existing or anticipated obligations made in the exercise of the borrowing powers of the Port. Permitted interest rate exchange agreements are written contracts that provide for an exchange of payments based upon fixed and/or variable interest rates for payments based on levels of or changes in interest rates, or provisions to hedge payment, rate, spread or an interest rate swap floor, cap, collar or an option to enter into such a contract. Under the Swap Policy, the Executive Director or the Chief Financial Officer, in consultation with the Port's General Counsel, is required to ensure that the risks inherent in each agreement are evaluated, presented to the Board and understood before entering into the agreement and that strategies are formulated to minimize the risks, including counterparty risk, rollover risk, basis risk, tax event risk, amortization risk and termination risk.

Under the Swap Policy, the Port may enter into interest rate exchange agreements only with counterparties that have demonstrated experience in such financial instruments and are (1) rated in one of the top three rating categories without graduation by at least two nationally recognized rating agencies or (2) will collateralize the agreement in accordance with all statutory requirements. The statutory collateralization requirements included in the Swap Policy are listed as follows: cash or obligations rated in one of the top three rating categories, without graduation, by at least two nationally recognized rating agencies are deposited with the Port or the State Treasurer, on behalf of the Port, or an agent of the Port; the collateral has a market value to fully collateralize the agreement as determined at the discretion of the Port; and the collateral is marked to market no less frequently than monthly.

Series Eighteen Swaps. On May 28, 2004, the Port entered into interest rate swaps with Goldman Sachs Mitsui Marine Derivative Products, L.P., an affiliate of Goldman Sachs & Co. LLC, and JPMorgan Chase Bank, N.A., an affiliate of J.P. Morgan Securities LLC, one of the Underwriters of the Series Twenty-Five Bonds (together, the "Series Eighteen Swaps") in connection with the expected refunding of certain SLBs. Goldman Sachs & Co. LLC and J.P. Morgan Securities LLC (as the successor in interest to Bear Stearns Capital Markets Inc.) are Remarketing Agents of the Series Eighteen Bonds. Those SLBs were refunded on June 11, 2008 with proceeds received from the sale of the Series Eighteen Bonds. The Series Eighteen Swaps require the Port to pay amounts based on fixed rates of interest averaging approximately 5% per annum on a notional amount (as of March 1, 2019) of $63,900,000 and to receive amounts based on variable rates of interest (68% of the one-month London Interbank Offered Rate or "LIBOR"). At the time the Series Eighteen Swaps were entered into, the fixed rates on the Series Eighteen Swaps were off-market and required the counterparties to make cash payments to the Port totaling $9,293,538. As of February 28, 2019, the Series Eighteen Swaps had an estimated negative fair value of approximately $7.1 million. The Series Eighteen Swaps are coterminous with the maturity of the Series Eighteen Bonds (July 1, 2025 and July 1, 2026), and their aggregate notional amounts decline each year in accordance with the scheduled mandatory redemption of the hedged portion of the Series Eighteen Bonds. The Port uses the variable interest rate payments the Port receives under the Series Eighteen Swaps to make the variable interest rate payments on the hedged portion of the Series Eighteen Bonds. See "PORTLAND INTERNATIONAL AIRPORT—Scheduled Debt Service Requirements." The Port or a counterparty may terminate a Series Eighteen Swap if the other party fails to perform an obligation under the Series Eighteen Swap or if the Port's or the counterparty's rating drops below BBB-/Baa3. The Port would be required to post collateral if its rating drops below A. Scheduled Swap Obligations under the Series Eighteen Swaps are payable from the SLB Fund, and the Port's payments of Scheduled Swap Obligations under the Series Eighteen Swaps are insured by XL Capital Assurance. Other Swap Obligations under the Series Eighteen Swaps (including termination payments and obligations to post collateral) are payable from the JLO Fund. See "CERTAIN INVESTMENT CONSIDERATIONS—Changes in Financial Markets and Financial Condition of Parties Dealing with the Port—Series Eighteen Swaps and PFC Bond Swaps."

PFC Bond Swaps. On February 6, 2007, the Port entered into interest rate swaps with Merrill Lynch Capital Services, Inc. and JPMorgan Chase Bank, N.A., an affiliate of J.P. Morgan Securities LLC (one of the Underwriters of the Series Twenty-Five Bonds), as the successor in interest to Bear Stearns Financial Products Inc. (together, the "PFC Bond Swaps") in connection with the expected refunding of the Port's Portland International Airport Passenger Facility Charge Revenue Bonds, Series 1999A (the "Series 1999A PFC Bonds"), which the Port refunded through the issuance of its Portland International Airport Passenger Facility Charge Revenue Refunding Bonds, Series 2009A (the "Series 2009A PFC Bonds") on June 24, 2009. The PFC Bond Swaps require the Port to pay amounts based on fixed rates of interest (4.975% and 4.955% per annum) on a total notional amount of $54,405,000 (as of March 1, 2019) and to receive amounts based on variable rates of interest (68% of one-month LIBOR). The PFC Bond Swaps required the Port's counterparties to make cash payments to the Port totaling $5,453,000. As of February 28, 2019, the PFC Bond Swaps had an estimated, combined negative fair value of approximately $5.2 million. Because the Series 2009A PFC Bonds hedged by the PFC Bond Swaps were refunded by the Series 2012A PFC Bonds, the PFC Bond Swaps are accounted for in the Port's financial records as investment derivatives. See Note 6 in Appendix B. The PFC Bond Swaps are coterminous with the maturity of the Series 2012A PFC Bonds, and their aggregate notional amounts decline each year approximately in accordance with the scheduled mandatory redemption of the Series 2009A PFC Bonds.

Scheduled payments under the PFC Bond Swaps are payable only from PFC Revenue and not from Net Revenues. Termination payments under the PFC Bond Swaps constitute Other TLO Swap Obligations, however, and are Third Lien Obligations payable from the TLO Fund, subject to the future ability and election of the Port to make such termination payments from the Subordinate Lien Obligations Account established under the Master PFC Ordinance established for the payment of PFC obligations. See "—Third Lien Obligations" and Note 6 in Appendix B.

Under certain conditions, each counterparty to the PFC Bond Swaps (including the Port) is required to post collateral equivalent to the termination value of the applicable PFC Bond Swap. Such collateral may be realized upon by the other counterparty following certain events of default or a termination under the applicable PFC Bond Swap. The PFC Bond Swaps have and can be expected to continue to have a negative fair value, because the Port received cash payments in connection with entering into the PFC Bond Swaps. As of March 1, 2019, the Port has posted approximately $2.19 million in collateral with one counterparty pursuant to the terms of the PFC Bond Swap that requires the Port to post collateral in the event a negative fair value exists. That PFC Bond Swap would also require the Port to post collateral if its rating drops below BBB. The other PFC Bond Swap would require the Port to post collateral if the negative fair value exceeds $15 million or if the Port's rating drops below "A-". See Note 6 in Appendix B and "CERTAIN INVESTMENT CONSIDERATIONS—Changes in Financial Markets and Financial Condition of Parties Dealing with the Port—Series Eighteen Swaps and PFC Bond Swaps" below.

CFC Bonds

The Port expects to issue its 2019 CFC Bonds concurrently with the issuance of the Series Twenty-Five Bonds to finance the costs of the ConRAC. The 2019 CFC Bonds will be issued pursuant to Ordinance No. 461-B, enacted by the Board on February 13, 2019, and the Series 2019 CFC Ordinance (collectively, the "CFC Bond Ordinances"). The 2019 CFC Bonds will be payable and secured by a lien and pledge of the CFCs to be collected by the rental car companies operating at the Airport and the Remaining Contingent Fee Payments, if any, as set forth in the CFC Bond Ordinances. The 2019 CFC Bonds are not secured by or payable from Net Revenues. See "PORTLAND INTERNATIONAL AIRPORT—Existing Airport Facilities—Parking."

Remaining Contingent Fee Payments

The Contingent Fee Payments are Revenues under the Airport Revenue Bond Ordinances. Amounts remaining in the General Account after paying Costs of Operation and Maintenance and giving effect to the disbursements to the SLB Fund, the JLO Fund, and the TLO Fund constitute Remaining Contingent Fee Payments. Remaining Contingent Fee Payments have been pledged pursuant to the Series 2019 CFC Ordinance to secure the payment of the principal, and premium, if any, of, and interest on the 2019 CFC Bonds and the performance and observance by the Port of all the covenants in the CFC Bond Ordinances, including the rate covenant thereunder. Only Remaining Contingent Fee Payments, and no Revenues, are required to be transferred into the Remaining Contingent Fee Payments Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE SLBS—Funds under the Airport Bond Ordinances."

THE PORT OF PORTLAND

General

The Port was established by an act of the Oregon Legislative Assembly in 1891 and is headquartered in Multnomah County, Oregon. The Port is charged with operating aviation, maritime, commercial and industrial facilities within Multnomah County (including the City of Portland, the "City"), Washington County and Clackamas County. Pursuant to this authority, the Port owns and operates three airports: the Airport (PDX), which provides a seven-county region with scheduled passenger, cargo and charter air services and also is a general aviation facility; and the Troutdale (TTD) and Hillsboro (HIO) general aviation airports (together, the "General Aviation Airports"), which provide facilities for other air services, including recreational and private business uses. In addition to its aviation operations, the Port owns marine terminals, business and industrial parks and other properties. The Port also owns and operates the dredge *Oregon*, as a contractor to the U.S. Army Corps of Engineers, to help maintain the navigation channel on the lower Columbia and Willamette rivers. The Port leases portions of its marine and industrial properties, including facilities for the handling of automobiles, grain and other cargo, to commercial tenants. The Port's headquarters are located at the Airport, and the Port has representation in Seoul, South Korea; Tokyo, Japan; Taipei, Taiwan; and Hong Kong, Shanghai and Tianjin, China.

The Airport is operated by the Port as an independent enterprise, separate from the General Aviation Airports and from the Port's marine and other enterprises. The portion of the Port's general administrative expense that is attributable to the Airport is charged to the Airport as a Cost of Operation and Maintenance. The Airport Fund, into which all of the Port's operating revenues from the Airport are deposited, is held by the Port as a separate enterprise fund. Revenues from the Airport are accounted for separately from revenues from the Port's other activities, including the Port's General Aviation Airports, although after all required deposits are made in connection with the SLBs and any Junior Lien Obligations and Third Lien Obligations and any transfers of Remaining Contingent Fee Payments to the CFC Revenue Fund, remaining Net Revenues may be applied to pay certain costs of the Port's other aviation interests, including costs at the General Aviation Airports that are not paid through general aviation revenues or federal grants. The Port has reserved the right (to the extent then permitted by law) to amend the Airport Revenue Bond Ordinances to add to the definition of "Airport" any facilities operated by the Port, whether or not such facilities are related to aviation, and thus to consolidate the revenues and expenses of the Airport with those of the Port's other operations. As of the date of this Official Statement, the use by the Port of aviation-related revenues for non-aviation purposes is not permitted under federal law. See "SECURITY AND SOURCES OF PAYMENT FOR THE SLBs—Funds Under the Airport Revenue Bond Ordinances," "—Pledge of Net Revenues" and "—Special Amendments" and "PORTLAND INTERNATIONAL AIRPORT—Airport Regulation."

Board of Commissioners

The Port is governed by a nine-member Board that establishes and controls policy for the Port. The Commissioners serve without compensation but are reimbursed for certain expenses. The Commissioners are appointed by the Governor of the State, and their appointments are confirmed by the State Senate. Commissioners serve for four-year terms (and may serve an additional four-year term if reappointed for a second term) or until their successors have been appointed, confirmed and qualified.

The Board is headed by a President who is appointed by the Governor. The President designates the other officers of the Board, including the Vice President, Treasurer and Secretary. The current Board members and their terms of office are listed in the table below.

TABLE 5
THE PORT OF PORTLAND
BOARD OF COMMISSIONERS

Name and Office	Principal Occupation	Expiration of Term of Appointment
Alice M. Cuprill-Comas President	Executive Vice President and General Counsel Oregon Health and Science University	September 2019
Thomas E. Chamberlain Vice President	President Oregon AFL-CIO	May 2019
Linda M. Pearce Treasurer	EVP and Chief Financial Officer Tillamook County Creamery Association	September 2020
Robert L. Levy Secretary	Owner, L&L Farms, LLC; Member, Windy River Holdings	April 2021
Michael C. Alexander Commissioner	Interim Vice President for Global Diversity and Inclusion Portland State University Formerly, President & CEO The Urban League of Portland	May 2020
Patricia A. McDonald Commissioner	Vice President, Human Resources Group Intel Corporation	February 2020
Sean O'Hollaren Commissioner	Senior Vice President, Government and Public Affairs NIKE, Inc.	May 2022
Isao (Tom) Tsuruta Commissioner	Retired, formerly, Professor and Executive in Residence Marylhurst University	December 2020
Gary A. Young Commissioner	Business Manager/Financial Secretary International Brotherhood of Electrical Workers Local 48	September 2019

Port Management

General. The Port employs an Executive Director and other officers, agents, employees and advisors. The Executive Director and his staff implement the policies established by the Board. In addition to the Executive Director, the senior management team of the Port is comprised of the Chief Operating Officer, the Chief Financial Officer, the General Counsel, the Chief Commercial Officer, the Chief Project Delivery and Safety Officer, the Chief Administration and Equity Officer and Chief Public Affairs Officer.

The Port is actively searching for a new Chief Financial Officer and it expects to make a public announcement of its selection once the process is complete. The Port will update the final Official Statement with information about such an appointment if it occurs between the date of the Preliminary Official Statement and the date of the Official Statement; however, if the appointment occurs after the date of the Official Statement such information will be publicly available on the Port's web site and the Port does not expect to update the Official Statement.

The following individuals are directly responsible for the executive administration of the Airport, its finances or its legal affairs:

Curtis Robinhold, **Executive Director**, joined the Port in 2014 as Deputy Executive Director, and assumed his current role in July 2017. Prior to joining the Port, Mr. Robinhold served as Chief of Staff to Governor Kitzhaber and before that served as Chief Executive Officer at EnergyRM, an energy efficiency finance company. Prior to that, Mr. Robinhold was Managing Director of BP Alternate Energy's global gas-fired power business in Europe and Asia.

Vince Granato, **Chief Operating Officer**, joined the Port in 1987 and was appointed to his current position in February 2012. From 2009 to 2012, he was Chief Financial Officer and Director of Financial & Administrative Services. From 2005 to 2009, Mr. Granato was General Manager, Financial Services, and from 2000 until 2005, he served as Senior Manager, Aviation Finance.

Daniel Blaufus, **General Counsel and Interim Chief Financial Officer**, joined the Port in 2014. Before joining the Port, Mr. Blaufus served as Senior Vice President and General Counsel at Borden Dairy Company in Dallas, Texas and before that served in various legal capacities at NIKE Inc.

Keith Leavitt, **Chief Commercial Officer**, joined the Port in 1999 and was appointed to his current position in November 2014. From 2008 to 2014, he was the General Manager of Business Development and Properties. Mr. Leavitt has also served in a variety of other capacities at the Port, including Development Project Manager and State Governmental Affairs Manager. Prior to joining the Port, Mr. Leavitt served as Port Division Manager and Economic Development Representative for the Oregon Economic Development Department.

Kristen Leonard, Chief Public Affairs Officer, joined the Port in July 2014. Before joining the Port, Ms. Leonard owned and operated C&E Systems, a Portland-based company specializing in government relations, financial services and software development.

Bobbi Stedman, Chief Administration and Equity Officer, joined the Port in 2013. Previously, Ms. Stedman was Senior Vice President, People and Culture, for Vestas Windsystems and before that was Director of Human Resources at Philips Medical Systems WA.

Stan Watters, Chief Project Delivery and Safety Officer, joined the Port in 2008. Before joining the Port, Mr. Watters was a senior vice president for Pacificorp and president of Portland-based utility Pacific Power.

Aviation Business Line

Airport operations, terminal leasing and concessions development and operations are managed by the Port's Operations Department, which is headed by the Chief Operating Officer. Commercial development and management of general aviation properties at the Airport and at the General Aviation Airports and air service development are managed by the Commercial Department.

At the Airport, the Director of Environmental Operations, PDX Terminal Properties, PDXNext Directing Sponsor, Airports Operations, Planning and Development, and Aviation Public Safety and Security report to the Chief Operating Officer. The Director of Environmental Operations is responsible for integrating environmental considerations into Port planning and operational decisions and for environmental compliance. The Director of PDX Terminal Properties is responsible for the Port's contractual relationships with the various airlines, concessionaires, rental car operators and other tenants providing services at the Terminal. The PDXNext Directing Sponsor is responsible for the oversight of several major projects, including some of the Series Twenty-Five Projects, the ConRAC, and other larger CIP projects at the Airport. The Director of Airports Operations is responsible for the daily operations and maintenance of the Airport, including airside and landside operations for the Airport and for the General Aviation Airports. This position also is responsible for customer service issues both inside and outside the Terminal, including working with tenants and the general public who use the facility. The Director of Planning and Development is responsible for the planning, development, management and implementation of projects and long-term facilities planning. The Director of Aviation Public Safety and Security is responsible for airport police, fire, security and emergency management communications.

The Directors of Commercial Properties and Air Service Development report to the Chief Commercial Officer. The Director of Commercial Properties is responsible for the commercial development and management of the general aviation, cargo, airline maintenance and commercial Airport properties. The Director of Air Service Development is responsible for the Port's commercial air service development and implementation.

The Director of Environmental Policy reports to the Chief Public Affairs Officer. The Director of Environmental Policy is responsible for developing environmental strategy and policies and serving as the Port's liaison for externally-driven programs such as the Columbia River levee recertification. The Director of Environmental Operations is responsible for integrating these environmental policies into Port planning and operational decisions and for environmental compliance.

PORTLAND INTERNATIONAL AIRPORT

General

The Port has owned and operated the Airport since 1940. The Airport is located approximately 12 miles northeast of the Portland city center. The Airport is the only commercial air service facility within the Air Service Area described below and is relatively isolated from competing commercial air service facilities. Seattle-Tacoma International Airport, which is the closest airport with comparable facilities, is approximately 160 miles (driving distance) away from downtown Portland. The only other commercial service airports in the State are much smaller than the Airport in terms of air service provided.

The Airport principally serves O&D passengers, which are estimated by the Federal Aviation Administration (the "FAA") to have accounted for approximately 84.6% of total Airport passengers in the Fiscal Year ended June 30, 2018, with the remaining 15.4% of Airport passengers having connected between flights. Of the approximately 9.7 million enplaned passengers served by the Airport in Fiscal Year 2018, 9.3 million enplaned passengers (95.9% of enplaned passenger traffic) were domestic passengers and approximately 0.4 million were international passengers (4.1% of enplaned passenger traffic).

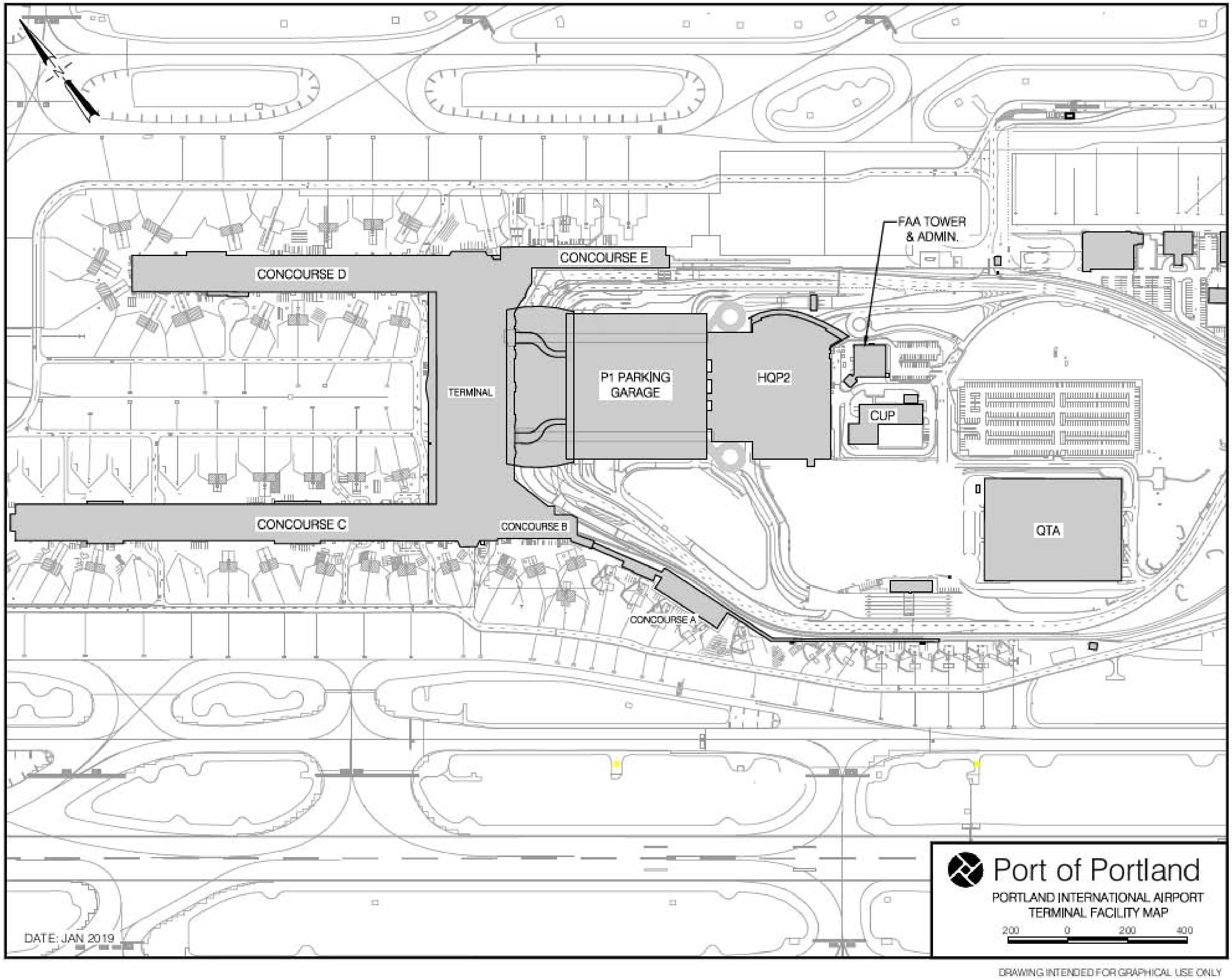
According to calendar year 2017 data provided by the FAA, the Airport was the 30th busiest airport in the United States in terms of enplaned passengers and has been classified a large-hub airport (enplaning more than 1.0% of the national total of enplaned passengers) by the FAA since 2014. According to data provided by the FAA, in calendar year 2017, the Airport served 9,435,473 enplaned passengers, approximately 4.0% more than the 9,071,154 enplaned passengers the Airport served in calendar year 2016.

According to data compiled by Airports Council International – North America ("ACI-NA"), in calendar year 2017 the Airport was the 24th busiest airport in the United States in terms of metric tons of cargo (freight and mail) landed, with 236,822 metric tons of cargo landed in calendar year 2017, an increase of approximately 8% compared to calendar year 2016.

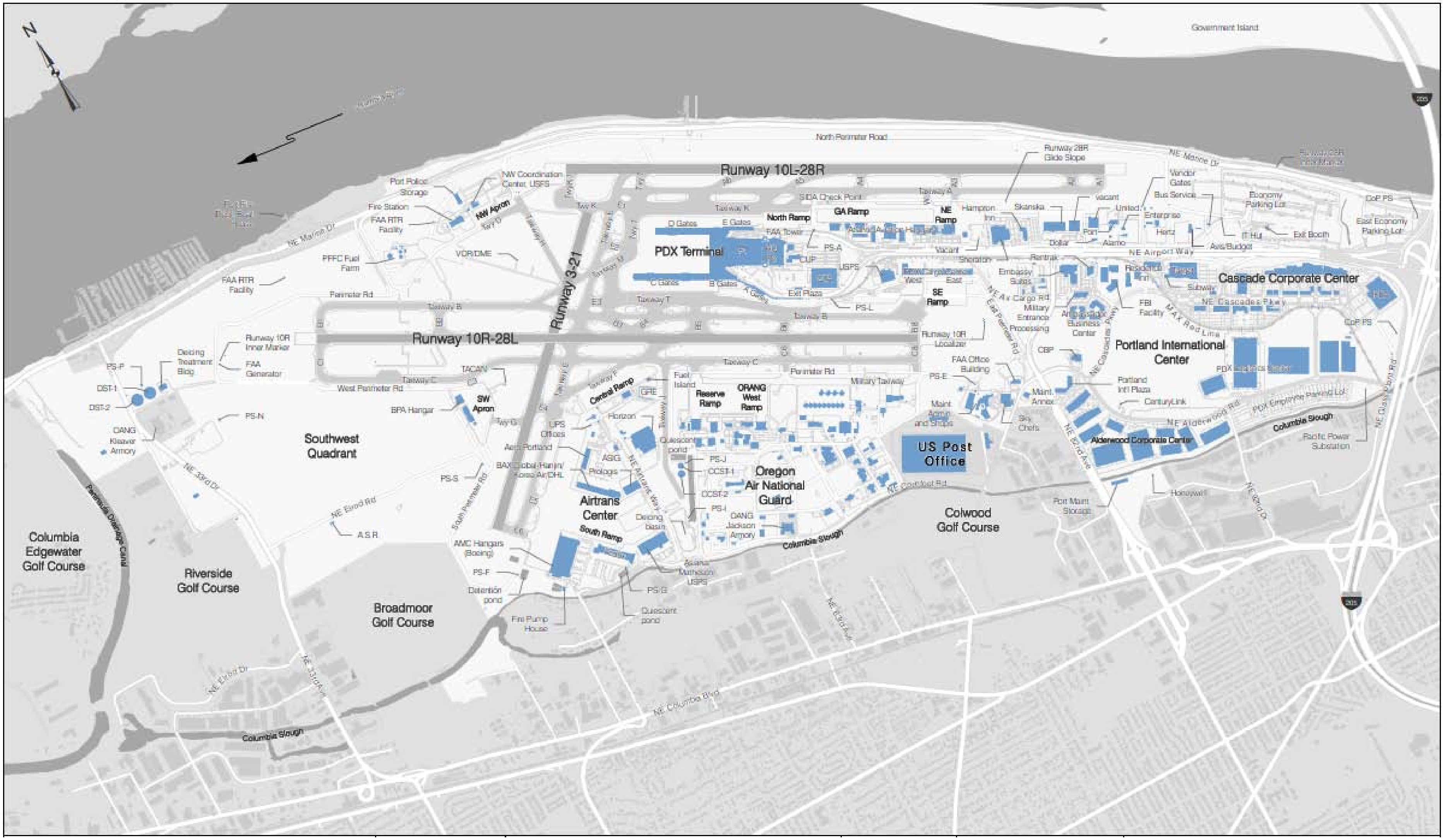
Existing Airport Facilities

General. The Airport occupies approximately 3,200 acres of land on the southern edge of the Columbia River. The existing airfield consists of two parallel east/west runways (a south runway and a north runway) and one northeast/southwest crosswind runway, all 150 feet-wide, two constructed of asphalt concrete, one of Portland cement concrete, and all fully lighted. The south runway (Runway 10R-28L, which is 11,000 feet long and was reconstructed in 2011) and the north runway (Runway 10L-28R, which in 2010 was reconstructed and extended to 9,825 feet long) are fully instrumented. Runway 3-21, the northeast/southwest crosswind runway, is 6,000 feet long and is instrumented with localizer/distance measuring equipment to Runway 21 only. The following two maps illustrate the current layout and locations of the Port's existing Airport facilities.

[Remainder of page intentionally left blank.]



Source: The Port.



Source: The Port.

Passenger Terminal Complex. The passenger terminal complex (the "Terminal") includes a main terminal building with five attached concourses (Concourses A, B, C, D and E) and a federal inspection station (the "FIS") for international arrivals. The current aircraft parking configuration consists of 46 loading bridge-equipped positions and up to 28 ground-loading positions. Six loading bridge-equipped gates provide accessibility to the FIS for international arrivals but are also used for domestic flight activity when required. Each loading bridge-equipped gate is served by a hold-room to accommodate airline passengers. Hold-rooms for ground loading positions are located in Concourse A (12 parking positions), Concourse B (five parking positions), and Concourse E (11 parking positions). The Port expects to demolish Concourse A, remodel Concourse B and extend Concourse E as a part of its CIP.

The primary public areas in the Terminal are divided into a departure level and an arrival level. An elevated roadway provides vehicle access to the departure level, which provides direct access to the five concourses. Ticket counters and concession areas, including a food court, cafes, pubs, full service restaurants, a spa that offers foot and therapeutic massage treatments, a barbershop, newsstands and retail shops, are located on the departure level. The arrival level is accessible by vehicles via ground-level roadways and contains baggage claim facilities, coffee concessions and a TriMet MAX Light Rail station located near the baggage claim area at the southern end of the Terminal.

As described herein, the Series Twenty-Five Projects include capital improvements to the Terminal. See "PLAN OF FINANCE," "—Airport Capital Improvement Program" below and Chapter 3 of the Report of the Airport Consultant in Appendix A.

Parking. Currently, Port-owned parking facilities provide a total of approximately 17,000 public and employee parking spaces and consist of a seven-story, short-term public parking garage, located adjacent to the Terminal (the "Short-Term Parking Garage"); a seven-story long-term parking garage (the "Long-Term Parking Garage"); an economy surface parking lot; and two employee surface parking lots. The Short-Term Parking Garage has approximately 3,300 public parking spaces. The first two floors of the Short-Term Parking Garage are currently utilized by rental car companies. The Long-Term Parking Garage has approximately 3,030 public parking spaces and is located adjacent to the Short-Term Parking Garage. The first floor of the Long-Term Parking Garage is also currently reserved for rental car companies. Tunnels and moving sidewalks connect the Short-Term Parking Garage and the Long-Term Parking Garage to the Terminal. The parking lots and garages include an automated parking payment and revenue control system, and the public floors of the Short-Term Parking Garage and Long-Term Parking Garage include automated parking guidance systems that include a sensor over each covered parking space and signage providing information about available parking spaces.

In addition to parking in the two garages described above, approximately 7,800 surface parking spaces are available in the economy surface parking lot, which is located near Interstate 205 off NE Airport Way. Free parking shuttles operate between the economy lot and the Terminal. Another surface parking lot, with approximately 2,400 spaces, is provided for parking by Port, Airport airline, concessionaire and tenant employees. A 450-space surface parking lot was placed in service in December 2016 for parking by Port employees.

To help reduce vehicle traffic congestion in the Terminal area, there are two cell phone waiting areas, including a 30-space cell phone lot at the Travel Center (as defined herein), each approximately three minutes from the Terminal where motorists meeting arriving passengers can wait for free until passengers call to indicate they are ready to be picked up along the Terminal curbside.

Due to the relatively recent rapid growth in passenger traffic and the related increase in demand for parking at the Airport, Airport parking facilities have been approaching capacity. Approximately two to three days per week, the Long-Term Parking Garage is either full or near capacity. On those days, Airport customers who may prefer to use the Long-Term Parking Garage instead use the Short-Term Parking Garage (pushing the Short-Term Parking Garage closer to capacity), the economy surface parking lot or off-Airport parking lots.

The PACR will be located adjacent to the Long-Term Parking Garage. The Public Parking Addition will be located on levels four through six of the PACR and the ConRAC will be located on levels one through three. The Public Parking Addition and the ConRAC will be connected by a ramp between the third and fourth levels of the PACR to provide flexibility for changes in future use.

Upon completion of the PACR, the Public Parking Addition will add approximately 2,450 parking spaces and the rental car companies will relocate their operations currently located in the Short-Term Parking Garage and the Long-Term Parking Garage to the ConRAC. Once the rental car companies have vacated the Short-Term Parking Garage, the first floor will be repurposed into a ground transportation center to accommodate TNC operations, taxis and executive cars. Additionally, this floor will house the Airport's motorcycle parking, which is currently located under the departure roadway ramp. The second floor of the Short-Term Garage will be available for public parking, creating an additional 300 spaces. Once the rental car companies have vacated the Long-Term Garage, the Port's fleet parking will move from its current location in the Port employee surface lot to the first floor. This area will also be designated for Port employees who park in the Long-Term Garage, removing them from the space available for public parking customers.

Once the PACR is completed, there will be approximately 19,780 Port-owned parking spaces available at the Airport, of which approximately 16,880 will be available for public parking.

For further discussion of parking facilities at the Airport see "—Airport Capital Improvement Program" below and Chapter 3 in Appendix A.

Ground Transportation. A TriMet MAX Light Rail station located at the southern end of the Terminal connects the Airport to the City, Gresham, Clackamas, Beaverton, Milwaukie and Hillsboro, Oregon. Ground transportation to and from the Airport also is provided by private passenger vehicles, taxis, private bus and shuttle services, limousine services and transportation network companies ("TNCs") such as Uber Technologies Inc. ("Uber"), Lyft, Inc. ("Lyft"), and Tickengo, Inc. d/b/a/ Wingz ("Wingz"). Eight rental car brands provide service at the Airport: five currently provide on-Airport service counters and vehicles and three currently provide on-Airport service kiosks and have passenger pick-up and drop-off service to facilities located off-Airport. After the completion of the ConRAC (estimated to be November 2021), the Port expects all rental car companies currently providing service at the Airport to operate from the ConRAC. See "—Other Business and Operating Agreements" below and Chapter 3 in Appendix A.

Cargo and Airline Maintenance Facilities. Air cargo and airline maintenance facilities are located in two main areas at the Airport: the PDX Cargo Center and the AirTrans Center. The PDX Cargo Center consists of two buildings totaling approximately 130,000 square feet. The Port leases these buildings to various passenger airlines, for their belly cargo and ground support equipment ("GSE") maintenance operations. Other GSE operators and freight forwarders also lease space in these buildings. The United States Postal Service ground leases an existing facility to the west of the PDX Cargo Center. In the AirTrans Center, third-party developers, including Aero Portland, LLC, Prologis, L.P., and PDACC1, lease land upon which they have constructed cargo facilities. Distribution Inc. dba FTL and Majestic Terminal Services both ground lease property adjacent to the cargo facilities for truck, trailer, and employee parking. Subtenants of these cargo facilities include Federal Express, DHL Worldwide Express, Summit NW, Hanjin Transportation Co., Ghelany Logistics, the United States Postal Service, Matheson Flight Extenders, and Majestic Terminal Services, Inc. The AirTrans Center is also home to United Parcel Service's northwest regional hub.

Maintenance facilities include Boeing Corporation's paint operation hangars, Triangle Aviation RD and LLC/Ameriflight, LLC facilities and Horizon Air's 150,000 square-foot regional headquarters and maintenance facility. United Airlines ground leases a Port-owned former National Guard hangar adjacent to the AirTrans Center to the west which it plans to rehabilitate for maintenance of United Airlines' aircraft.

Military, Corporate and General Aviation Facilities. The United States, for the benefit of the Oregon Air National Guard (the "ORANG"), leases approximately 213 acres of land on the south side of the Airport, adjacent to the AirTrans Center. The ground lease with ORANG terminates in 2063, although portions of the total premises are subject to scheduled early terminations in 2030. Additionally, a third 75-acre parcel within the premises is subject to early termination at the Port's sole option if the parcel is needed for a third runway. The lease also is subject to early termination at any time at the option of the United States, with 180 days' prior notice to the Port. As with most U.S. military leases at joint-use airports, the United States is required to pay only nominal rent but is required to pay certain costs, including costs related to environmental and other regulatory requirements.

Corporate and general aviation facilities at the Airport are located on the north side of the Airport and include paved aircraft parking areas, aircraft hangars and fixed base operator facilities. In addition to its own facilities, Atlantic Aviation manages certain Port-owned hangars, as well as the general aviation ramp, pursuant to hangar and ramp management agreements. The Port receives rent under these agreements as well as ground rent from other corporate aircraft hangars.

Other general aviation services are provided by the Port at the General Aviation Airports, both of which are located within 35 highway miles of the Airport. The FAA has designated both of the General Aviation Airports as "reliever airports." Reliever airports are intended to reduce congestion at larger commercial service airports primarily by providing an option to accommodate general aviation traffic. The General Aviation Airports are not currently part of the Airport, and their revenues and expenses of operation are accounted for separately from those of the Airport. The Port subsidizes the General Aviation Airports from Net Revenues available after required payments are made from the TLO Fund and any Remaining Contingent Fee Payments are transferred to the CFC Revenue Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE SLBs—Funds under the Airport Revenue Bond Ordinances" above and "Flow of Funds" in Appendix C.

Commercial Facilities. On the eastern side of the Airport, adjacent to Interstate 205 and NE Airport Way, is the Port-owned Cascade Station/Portland International Center (the "CS/PIC") plan district. The CS/PIC development framework was negotiated as part of a development and financing package to extend the regional light rail system through the CS/PIC to the Terminal. The plan district has two distinct areas, Subdistricts A and B.

Cascade Station is the portion known as Subdistrict A. The Cascade Station project was master-planned and developed by an experienced retail developer. Of the 120 acres in Cascade Station approximately 97 have been developed by private developers and tenants into a mixed-use commercial area that includes hotels, large and small retailers, and office developments, including the regional office for the Federal Bureau of Investigation. The remaining 23 acres are leased to the Portland Development Commission (the "PDC") and are being marketed for additional office space development.

Subdistrict B, known as the Portland International Center (the "PIC"), is south of Cascade Station, and east of NE 82nd Avenue and consists of approximately 327 acres. Developed areas in the PIC include 139 acres for a hotel, warehouse/distribution/office buildings, manufacturing facilities, industrial development and a United States Customs headquarters building. Another 21 acres were developed into Airport employee parking. Future developable areas in the PIC include approximately 94 acres, which are reserved specifically for aviation use. Another 73 acres of land near Interstate 205 is designated as permanently open space.

Other development within CS/PIC (except for roads, which are owned by the City) were constructed and are operated by private parties on Airport land that is leased from the Port under prepaid leases typically with terms of up to 50 years.

Other commercial facilities located at the Airport include two hotels on the north side of the Airport (the Sheraton Airport Hotel and Hampton Inn), which are located on land leased from the Port. The Travel Center near the PDX Cargo Center includes a gas station, a convenience store, a coffee shop and a quick-serve restaurant. See "—Other Business and Operating Agreements—PDX Travel Center."

Airport Master Plan

Master Planning Process. Future project and facility needs at the Airport are evaluated as a part of the Port's master planning process. The Port's traditional approach to master planning begins with an inventory of existing conditions and an aviation demand forecast. The inventory and forecast serve as the basis for assessing the ability of the Airport to meet projected demand. Facility requirements triggered by various activity levels are evaluated, defined in the airport master plan report and then depicted on an Airport Layout Plan, a set of drawings that graphically represent the long-term development plan for the Airport. The final step of this process includes phasing the projects necessary to meet requirements at various activity levels tied loosely to a timeline, which are then incorporated into the CIP. The CIP is always subject to change, and projects are evaluated and adjusted (timing and/or scope and budget) consistent with variations in demand and project approach.

Airport Master Plan. The Port updated its master plan for the Airport in 2011 (the "2011 Master Plan"). Among the principal findings of the 2011 Master Plan were that (1) a third parallel runway will not be required during the planning period (through 2035) and (2) the existing Terminal area has good capacity for passenger growth in almost all key elements. The 2011 Master Plan, however, emphasized that the adaptive reuse of the existing terminal to keep pace with the evolving needs of the industry and with new technologies is critical. Concurrently, the City developed a land use plan for the Airport that includes the airport plan district as part of the City's development code. This zoning designation for the Airport enables the Port to implement the 2011 Master Plan and to have by right all facilities necessary for the operation of the Airport.

In an effort to keep the Airport Master Plan current, the Port conducts follow-on studies to monitor passenger and cargo activity, evaluate the impact of emerging industry trends, and refine project definitions. The follow-on studies enable the Port to adjust expectations accordingly and adapt plans to reflect current issues and trends.

Seismic Resilience Planning

In addition to the Port's master planning process and Airport Master Plan, the Port has established a seismic resiliency program to assess and improve response and recovery plans to reduce the Port's vulnerability to and shorten its recovery time following a major earthquake. Creating, updating and enhancing seismic resiliency program elements, including both infrastructure and operational response measures, augment the Airport Master Plan facility performance goals.

Oregon and Washington are located in the Cascadia subduction zone and are at risk of a magnitude 9.0 earthquake with an average recurrent period of once every 500 years. The authors of studies published in 2012 reported that such an earthquake could occur more frequently than once every 500 years and that there is a 37% chance of a magnitude 8.0 to 9.0 earthquake striking somewhere along the Cascadia subduction zone in the next 50 years. The Airport is the only major airport in Oregon and southwest Washington and would be critical for efforts to restore water, fuel, power and other critical infrastructure and services.

The Port's seismic resiliency program is guided by the Oregon Resilience Plan (the "ORP"), adopted by the State in 2013. The ORP provides guidance on priority facilities for response and recovery. The Port's seismic resiliency program is being designed to include additional risk assessment, training, and the development, funding, design and implementation of a 50-year capital investment program to enable the Port to resume operations and services quickly and to assist with regional recovery following a major seismic event. Understanding the severity of the impact that an earthquake may have on Port infrastructure will inform investment decisions as the Port maintains and expands its passenger and freight serving infrastructure.

Airport Capital Improvement Program

The Series Twenty-Five Projects and the ConRAC are a part of the CIP. In addition to the ConRAC and the Series Twenty-Five Projects, the CIP includes future elements of the Port's Terminal Core Redevelopment Phase I, Terminal Balancing, additional airfield, air cargo facility and Terminal improvements, Airport access road improvements and other projects. As described below and in Appendix A, the Port expects to finance costs of these other projects with a combination of available Port funds and proceeds of federal grants, PFCs, CFCs, additional bonds and Commercial Paper Notes. See Sections 3.3 and 3.4 of the Report of the Airport Consultant in Appendix A for further discussion.

Series Twenty-Five Projects. See "PLAN OF FINANCE" above for a summary of the projects in the Terminal, on the airfield and in the ground transportation areas that the Port expects to finance with proceeds of the Series Twenty-Five Bonds and other sources. For further discussion, also see Section 3.3 of the Report of the Airport Consultant in Appendix A.

ConRAC. See "PLAN OF FINANCE" for a description of the ConRAC that the Port will finance with proceeds of the 2019 CFC Bonds. The estimated cost of the ConRAC is approximately $156.6 million.

Other Capital Improvement Projects. In addition to the Series Twenty-Five Projects and the ConRAC, the CIP includes projects in the Airline Cost Center and the Port Cost Center (the "Other Capital Improvement Projects"). Other Capital Improvement Projects in the Airline Cost Center include the construction of Phase I of the Terminal Core Redevelopment project; rebalancing passenger and aircraft traffic among the terminals and related projects; and rehabilitation of certain taxiways. One goal of these Other Capital Improvement Projects is to accommodate expected passenger growth up to 27 million passengers annually which is expected to occur in 2035.

Other Capital Improvement Projects in the Port Cost Center include the development and rehabilitation of additional cargo facilities; rehabilitation, reconstruction and major maintenance of Airport access roads; and design of a new interchange at Airport Way/82nd Avenue.

The Port currently expects the cost of these Other Capital Improvement Projects (excluding financing costs) to total approximately $1.75 billion (of which approximately $1.67 billion is scheduled to be incurred through Fiscal Year 2024) and that construction will extend beyond 2024. See Section 3.4 of the Report of the Airport Consultant in Appendix A and "—Other Business and Operating Agreements" and "—Passenger and Cargo Airline Agreements—Signatory Airline MII Process for Capital Improvement Projects and Agreement Amendments" below.

Asset Management Program. The Port maintains an asset management program that tracks the condition of existing Port assets and recommends projects to renew those assets as needed. These projects include some of the Series Twenty-Five Projects and others that may be added to the CIP in the future and encompass the range of Airport assets from pavement to buildings to utilities. Projects that are driven by regulatory compliance range from environmental compliance to FAA requirements to new building codes.

Majority in Interest Approval. As described below and in the Report of the Airport Consultant in Appendix A, the Port and the Signatory Airlines have agreed to a Majority-in-Interest ("MII") disapproval process related to Airport capital improvement projects other than projects funded in a manner that does not directly impact the airline rate base or that otherwise are exempted under the Signatory Airline Agreements described below. None of the Series Twenty-Five Projects were disapproved by the Signatory Airlines. As provided in the Signatory Airline Agreement, any time an approved project exceeds 110% of the initial cost estimate provided by the Port to the Signatory Airlines as a part of the MII disapproval process, the Port will submit the project for MII review a second time to obtain approval for the project in light of the new construction cost estimate.

See "—Other Business and Operating Agreements" and "—Passenger and Cargo Airline Agreements—Signatory Airline MII Process for Capital Improvement Projects and Agreement Amendments" below and Chapter 3 in Appendix A.

Sources of Funds for CIP Projects

The Port expects to finance the costs of: (1) the Series Twenty-Five Projects (approximately $294.6 million, net of financing costs) with a combination of PFCs, federal grants and proceeds of the Series Twenty-Five Bonds, (2) the ConRAC with proceeds of the 2019 CFC Bonds and (3) the Other Capital Improvement Projects with a combination of federal grants, CFCs, PFCs, available Net Revenues and proceeds of additional bonds and/or bonds payable solely or primarily from CFCs or PFCs. See the table below and Chapters 3 and 4 and Exhibit A in Appendix A.

TABLE 6*
CAPITAL IMPROVEMENT PROGRAM
FISCAL YEARS 2019-2024
(000s)

Capital Projects	Estimated Project Costs	Federal Grants	PFCs (1)	CFCs (1)	Existing Bond Proceeds	Series Twenty-Five Proceeds (2)	2019 CFC Bond Proceeds	Future Bond Proceeds (4)	Port Funds
Series Twenty-Five Projects	$ 294,641	$11,018	$ 0	$ 0	$ 0	$243,106	$ 0	$ 0	$ 40,518
ConRAC	156,621	0	0	0	0	0	156,621	0	0
Other CIP Projects (3)	1,668,812	77,976	235,000	3,833	110,012	0	0	866,971	375,020
Total Projects	$2,120,074	$88,994	$235,000	$3,833	$110,012	$243,106	$156,621	$866,971	$415,538

* Includes estimated project costs for the period of Fiscal Years 2019-2024, and certain expenditures prior to Fiscal Year 2019 to be funded with bond proceeds. Amounts may not add due to rounding.
(1) On a pay as you go basis.
(2) Represents project costs to be funded with Series Twenty-Five Bond proceeds.
(3) Only costs of the rental car-related projects are to be paid with CFCs.
(4) Future bond proceeds include SLBs.
Source: Port airport management records, February 2019, and Exhibit A of the Report of the Airport Consultant in Appendix A.

Grants. The Port receives federal entitlement and discretionary grants for Airport-related capital projects under the Airport Improvement Program (the "AIP"). Entitlement grants are based upon (1) levels of funding authorized and appropriated by Congress for the program and (2) the number of passengers and amount of cargo at the Airport and are reduced by 75% because the Port collects a $4.50 PFC. The Airport's AIP entitlement grant award totaled $4,186,858 in the federal fiscal year ending September 30, 2018. In addition, the two General Aviation Airports are appropriated a total of $300,000 in AIP non-primary entitlement funds each year. In the federal fiscal year ending September 30, 2018, the Port's non-primary entitlement award totaled $694,340, which included projected carryover entitlement. The Port also receives AIP discretionary grants for specific projects pursuant to grant applications for such funding. FAA discretionary grant awards are a function of the amounts authorized and appropriated by Congress and the FAA's prioritization of competing projects. The Port intends to apply for approximately $85.8 million of federal grants during federal fiscal years 2019 through 2024 to pay costs of the Series Twenty-Five Projects (approximately $11 million of which is expected to be used for the Taxiway K rehabilitation and realignment project) and the Other Capital Improvement Projects (approximately $74.8 million). Other CIP Projects as shown in Table 6 above and Exhibit A of Appendix A reflect estimated costs of AIP funded projects during federal fiscal years 2019 through 2024, some of which were applied for and received prior to federal fiscal year 2019.

Generally, all grant funds are payable only on a reimbursement basis after the grant agreement is executed and after eligible expenditures are made. AIP grants received by the Port for capital projects are not included as Revenues under the Airport Revenue Bond Ordinances and do not secure the payment of the SLBs. The Port is subject to periodic compliance reviews and audits by the FAA to verify the Port's compliance with applicable federal laws, FAA grant assurances and FAA policies concerning the use of airport revenue. See "—Airport Regulation" and "CERTAIN INVESTMENT CONSIDERATIONS—Regulation" and "—Federal Funding Considerations" below and Chapter 4 in Appendix A. In addition, as required by federal regulations, the Port has an independent single audit conducted on an annual basis.

Passenger Facility Charges. PFCs are charges authorized by the federal Aviation Safety and Capacity Act of 1990, as amended (the "PFC Act") and regulations promulgated thereunder by the FAA to finance approved, eligible airport-related projects. An airport must obtain the FAA's approval before imposing PFCs and before using the proceeds of PFCs and investment income thereon (together, "PFC Revenue"). PFC Revenue is used to pay the costs of certain FAA-approved, PFC-eligible projects, either by using PFC Revenue to pay for approved project costs on a pay-as-you-go basis or by pledging and assigning PFC Revenue to pay debt service associated with PFC Revenue bonds issued to fund costs of approved PFC projects when authorized by the FAA or by using available PFCs to pay debt service on other bonds.

The Port is currently authorized by the FAA, pursuant to 13 PFC application approvals, to impose and use approximately $1.2 billion of PFC Revenue (at a PFC of $4.50) for various projects, of which approximately $657 million has been collected and approximately $531 million has been spent on approved PFC Projects as of September 2018. PFC Revenue is pledged to, and is required to be used first to pay, debt service on the Port's Outstanding PFC Bonds and scheduled payments on PFC Bond Swaps. The Port currently expects that during Port Fiscal Years 2019 through 2024, the Port will use, on a pay-as-you-go basis, approximately $235 million of PFC Revenue to pay costs of CIP projects. See "—Airport Regulation" below and Section 4.4 in Appendix A.

PFC Revenue is not part of "Revenues" under the Airport Revenue Bond Ordinances and does not secure the payment of the SLBs.

Customer Facility Charges. Beginning January 15, 2014, rental car companies operating from the Airport are required to collect CFCs from their Airport customers and to remit to the Port on a monthly basis the required amount of CFCs. CFC collections received by the Port are required to be applied only to pay costs of rental car-related projects and programs. The CFCs are not part of "Revenues" under the Airport Revenue Bond Ordinances and are not pledged to the payment of SLBs.

Port Ordinance No. 448, enacted by the Board on December 11, 2013 (the "CFC Levy Ordinance"), authorizes the Port to levy a CFC and require the rental car companies operating from the Airport to collect CFCs from their Airport customers solely to finance rental car facilities and related projects and program costs. The CFC Levy Ordinance also authorizes the Port to pledge CFCs to the repayment of bonds issued to finance rental car facilities. The Port sought and received a validation judgment from the Multnomah County Circuit Court dated September 1, 2017 (the "Validation Judgment") that confirmed, among other things, that the levy, pledge and use of CFCs to finance the ConRAC and related facilities did not violate certain provisions of the Oregon Constitution, and were within the authority of the Port. The Validation Judgment permanently enjoins all persons from instituting any action or proceeding challenging the validity of the bonds issued under the CFC Bond Ordinances or the CFC Levy Ordinance. The Port expects to pledge CFCs to the repayment of the 2019 CFC Bonds, a portion of the proceeds of which will be used to finance the design and construction of the ConRAC. See "—Other Business and Operating Agreements—Rental Car Agreements" and "CERTAIN INVESTMENT CONSIDERATIONS."

In March 2018, the Port opened the new quick-turn-around facility (the "QTA Facility"), for use by the rental car companies for the fueling, washing and processing of returned rental cars. The construction of the QTA Facility was funded on a pay-as-you-go basis from CFCs.

Air Service Area

The Airport is primarily an O&D airport, and during Fiscal Year 2018 approximately 84.6% of the Airport's passengers traveled to or from the Airport's general service area and did not simply connect through the Airport to other destinations. The Airport's general service area (the "Air Service Area") consists of Clackamas, Columbia, Multnomah, Washington and Yamhill Counties in the State and Clark and Skamania Counties in the State of Washington. According to information compiled by the Airport Consultant, from 2007 to 2017, the population of the Air Service Area increased by 15.0%, a compound annual growth rate of 1.4%, compared with 1.1% for the State and 0.8% for the United States. During the same period, the population in Oregon increased by 11.1% and the U.S. population increased by 8.2%. In 2017, Multnomah County (where the City and the Airport are located) was the most populous county in the State, accounting for approximately 19.5% of the population of the State and approximately 32.7% of the population of the Air Service Area. In 2017, the Oregon counties in the Air Service Area accounted for approximately 2,458,424 people or 59.4% of the population of the State, and in 2017 the Portland-Vancouver-Hillsboro Metropolitan Statistical Area (the "MSA") was the 25th most populous MSA in the United States.

As described in Appendix A, real disposable personal income and employment are among the most significant economic variables that drive air passenger and air freight demand nationally and in the Air Service Area. Estimated per capita personal income for the Air Service Area (in 2017 dollars), for example ($52,692 in 2017, compared with $47,053 for the State and $51,073 for the United States), increased at a compound annual growth rate of 1.2% between 2007 and 2017, compared with 1.2% for the State and 1.0% for the United States. In 2017, approximately 31.6% of households in the Air Service Area were estimated to have household incomes of $100,000 or more, compared with 25.3% in the State and 26.2% in the United States.

From 2007 to 2017, the compound annual growth rate of the Air Service Area civilian labor force was 1.4%, compared with 0.9% for the State and 0.5% for the United States. In December 2018, the unemployment rate in the Air Service Area was 3.8%, compared with 4.1% in the State and 3.7% in the United States (each not seasonally adjusted). For more detailed discussion of unemployment rates and other economic data for the Air Service Area, see Chapters 1 and 2 of the Report of the Airport Consultant and the map of the Air Service Area (Exhibit 1-2) in Appendix A.

Airlines Serving the Airport

As shown in the table below, during Fiscal Year 2018, 16 domestic-passenger airlines and six foreign-flag passenger airlines provided scheduled passenger service at the Airport; and 11 airlines provided all-cargo service. In August 2017, PenAir, a domestic regional passenger airline providing scheduled passenger service at the Airport, filed for Chapter 11 bankruptcy protection and ceased all operations at the Airport in December of 2017. See "—Historical Traffic and Activity" below and Chapter 2 in Appendix A.

TABLE 7
AIRLINES SERVING THE AIRPORT
(Fiscal Year 2018)

Scheduled passenger service	All-cargo service
United States-flag airlines	ABX Air [7]
Alaska Airlines [1]	Air Transport International [8]
American Airlines	Airpac Airlines
Boutique Air [2]	Ameriflight
Compass Airlines (d/b/a American Eagle and Delta Connection)	Atlas Air [9]
Delta Air Lines	Cathay Pacific Airways
Frontier Airlines	Empire Airlines
Hawaiian Airlines	FedEx Corporation
Horizon Air (d/b/a Alaska Airlines) [1][3]	MartinAire Aviation
JetBlue	United Parcel Service
PenAir [4]	Western Air Express
SkyWest Airlines (d/b/a Alaska Airlines, Delta Connection and United Express)	
Southwest Airlines	
Spirit Airlines	
Sun Country Airlines	
United Airlines	
Virgin America [1]	
Foreign-flag airlines	
Aeroméxico [5]	
Air Canada	
Condor	
Icelandair	
Jazz Aviation [6]	
Volaris	

(1) In December 2016, Alaska Air Group, Inc. ("Alaska Air Group") acquired Virgin America Inc. Virgin America is expected to continue to operate under an individual operating certificate until the end of 2019.
(2) Boutique Air operates scheduled commercial service to Eastern Oregon Regional Airport from the fixed-base operator at the Airport. Therefore, all enplaned passengers, aircraft operations, and landed weight are included as general aviation.
(3) d/b/a as Alaska Airlines pursuant to a capacity purchase agreement with Alaska Airlines. Alaska Airlines and Horizon Air Industries are separately certificated airlines owned by Alaska Air Group.
(4) PenAir filed for Chapter 11 bankruptcy protection in August 2017 and ceased all operations at the Airport in December 2017.
(5) In January 2019, Aeroméxico suspended service in multiple markets including service to Mexico City from the Airport.
(6) Jazz Aviation LP operates in the United States and Canada under the brand name Air Canada Express.
(7) Operates cargo flights for DHL Aviation.
(8) Discontinued scheduled routes in October 2017 and operated charter service until April 2018. Currently has no scheduled operations at the Airport.
(9) Operates cargo flights for Cathay Cargo and some charter service.
Source: Port records and airline websites.

Historical Traffic and Activity

The Airport serves primarily O&D passengers. The FAA estimates that O&D passengers accounted for approximately 84.6% of total Airport passengers in Fiscal Year 2018, with the remaining 15.4% of Airport passengers connecting between flights. The following table summarizes the Airport's top 25 O&D destinations in Fiscal Year 2018. See also Sections 1.1.2 and 2.1.2 and Tables 2-6 and 2-7 in Appendix A.

TABLE 8
PORTLAND TOP 25 O&D AIRPORTS
FISCAL YEAR 2018

Destination	Distance (miles)	Percent of Total Passengers	Average Daily Scheduled Departures	Number of Airlines Serving Market
Los Angeles Area, CA [(1)]	834	12.6%	29	7
San Francisco Bay Area, CA [(2)]	550	10.9	34	4
Las Vegas, NV	762	4.3	8	5
Phoenix, AZ	1,009	4.0	9	5
Hawaii [(3)]	2,603	3.9	5	4
Denver, CO	992	3.6	10	3
New York City Area, NY [(4)]	2,454	3.3	6	4
San Diego, CA	933	3.3	5	2
Chicago, IL [(5)]	1,739	3.0	9	6
Sacramento, CA	479	2.3	8	2
Washington, DC/Baltimore, MD Area [(6)]	2,350	2.2	2	3
Dallas/Fort Worth, TX [(7)]	1,616	2.0	7	3
Salt Lake City, UT	630	1.9	8	2
Orlando, FL	2,534	1.8	1	2
Seattle, WA	129	1.7	30	2
Minneapolis/St. Paul, MN	1,426	1.7	5	3
Boston, MA	2,537	1.5	2	2
Atlanta, GA	2,172	1.3	4	2
Boise, ID	344	1.3	7	1
Austin, TX	1,715	1.2	1	3
Spokane, WA	278	1.1	8	1
Houston, TX [(8)]	1,825	1.0	3	2
Anchorage, AK	1,542	0.9	3	3
Detroit, MI	1,953	0.9	2	3
Philadelphia, PA	2,865	0.7	0[(9)]	2
Top 25	--	72.3	205	--
All Other	--	27.7	47	--
Total	--	**100.0%**	**252**	--

(1) Includes Los Angeles International (LAX), Ontario International (ONT), John Wayne-Orange County (SNA), Long Beach (LGB) and Bob Hope (BUR) Airports.
(2) Includes Oakland International (OAK), San Jose International (SJC) and San Francisco International (SFO) Airports.
(3) Includes Honolulu International (HNL), Kahului/Maui (OGG), Kona International (KOA) and Lihue/Kauai (LIH) Airports.
(4) Includes John F. Kennedy International (JFK) and Newark Liberty International (EWR) Airports.
(5) Includes Chicago O'Hare International (ORD) and Chicago Midway International (MDW) Airports.
(6) Includes Ronald Reagan Washington National (DCA), Washington Dulles International (IAD) and Baltimore Marshall (BWI) Airports.
(7) Includes Dallas/Fort Worth International Airport (DFW) and Dallas-Love Field (DAL).
(8) Includes George Bush Intercontinental (IAH) and William P. Hobby (HOU) Airports.
(9) American Airlines and Alaska Airlines provided seasonal service during the summer months of June through August. In total, there were 160 scheduled departures in Fiscal Year 2018, which equates to less than a daily operation.
Source: Table 2-7 of the Report of the Airport Consultant in Appendix A.

The numbers of enplaned passengers (passengers boarding flights) at the Airport during Fiscal Years ended June 30, 2008 through June 30, 2018 and during the six months ended December 31, 2017 and December 31, 2018 are set forth in the following table. In calendar year 2018, approximately 95.9% of passengers enplaned on domestic flights at the Airport, and the remaining 4.1% enplaned on international flights.

As noted in the Report of the Airport Consultant in Appendix A, AIP entitlement grants and PFC Revenues are based upon enplanements. See Section 2.2.1 and Table 2-8 in Appendix A.

TABLE 9
HISTORICAL ENPLANED PASSENGERS
FISCAL YEARS 2008–2018 AND
THE SIX MONTHS ENDED DECEMBER 31, 2017 AND 2018

Fiscal Year Ended June 30	Total Enplaned Passengers	Percent Increase (Decrease)
2008	7,449,917	4.3%
2009	6,654,126	(10.7)
2010	6,477,286	(2.7)
2011	6,750,420	4.2
2012	6,946,300	2.9
2013	7,335,638	5.6
2014	7,762,027	5.8
2015	8,058,757	3.8
2016	8,792,286	9.1
2017	9,422,565	7.2
2018	9,733,011	3.3

Compound annual growth rate	
FY 2008-2018	2.7%
FY 2010-2018	5.2%

6 Months Ended December 31	Total Enplaned Passengers	Percent Increase (Decrease)
2017	5,075,282	--
2018	5,283,137	4.1%

Source: For annual enplanements, the Report of the Airport Consultant in Appendix A; for monthly enplanements, Port records, from reports by the airlines.

Enplaned passengers by airline at the Airport for Fiscal Year 2018 are listed in the following table.

TABLE 10
ENPLANED PASSENGERS BY AIRLINE

Airline	Fiscal Year 2018 Enplaned Passengers	Fiscal Year 2018 Share
Alaska Air Group [(1)]		
Alaska Airlines [(2)]	2,890,917	29.7%
Horizon Air	1,194,422	12.3
Virgin America	114,335	1.2
Southwest	1,715,412	17.6
Delta Air Lines [(2)(3)(4)]	1,300,422	13.4
United Airlines [(2)(4)]	1,056,809	10.9
American Airlines [(3)(4)]	683,936	7.0
jetBlue Airways	181,106	1.9
Frontier Airlines	130,141	1.3
Hawaiian Airlines	116,453	1.2
Spirit Airlines	110,255	1.1
Air Canada [(5)]	107,360	1.1
Other	131,443	1.4
Total	**9,733,011**	**100.0%**

(1) Alaska Airlines and Horizon Air Industries are separately certificated airlines owned by Alaska Air Group, Inc. In December 2016, Alaska Air Group acquired Virgin America Inc.
(2) Includes enplaned passengers on flights operated by SkyWest Airlines Inc., as an affiliate for Alaska Airlines, Delta Air Lines and United Airlines.
(3) Includes enplaned passengers on flights operated by Compass Airlines, as an affiliate for Delta Air Lines and American Airlines.
(4) Republic Airlines passengers are included with mainline partner.
(5) Pursuant to a capacity purchase agreement with Air Canada, Jazz Aviation LP operates in the United States and Canada under the brand name "Air Canada Express."
Source: Table 2-2 of the Report of the Airport Consultant in Appendix A.

Recent Changes in Service at the Airport

Since the Port's most recent Official Statement, dated January 11, 2017, the following changes, among others, in air service have occurred at the Airport:

In 2017, Alaska Airlines began year-round nonstop service between the Airport and Albuquerque International Sunport, Dallas Love Field, Detroit Metropolitan Airport, JFK International Airport and Orlando International Airport and began seasonal nonstop service between the Airport and Baltimore International Airport, General Mitchell International Airport (Milwaukee, Wisconsin) and Philadelphia International Airport. In 2018, Alaska Airlines began year-round nonstop service between the Airport and Bozeman Yellowstone International Airport. In March 2019, Alaska Airlines began daily nonstop service between the Airport and Paine Field Airport in Everett, Washington. Alaska Airlines and Virgin America Inc. merged effective December 2016. The merged airline received a single operating certificate from the FAA in January 2018 and moved to a single reservations system on April 25, 2018 and will operate under the Alaska Airlines Brand. The Virgin America brand is expected to be fully retired by the end of calendar year 2019.

In 2018 Southwest Airlines discontinued its nonstop service between the Airport and San Francisco International Airport, but has increased flights to Oakland International Airport and San Jose International Airport. Delta Air Lines added daily nonstop summer seasonal service between the Airport and London Heathrow Airport. Delta has also announced that it has applied to the U.S. Department of Transportation for approval of its proposed daily nonstop service between the Airport and Tokyo-Haneda airport (Tokyo's downtown airport). If approved, Delta's new service is expected to begin in 2020. In 2018 Hawaiian

Airlines launched a new nonstop route between the Airport and Kahului Airport (Maui). In 2018 Sun Country Airlines added nonstop routes between the Airport and McCarran International Airport (Las Vegas), Palm Springs International Airport, Daniel K. Inouye International Airport (Honolulu), Phoenix Sky Harbor International Airport and San Francisco International Airport and in 2019 Sun Country Airlines announced new seasonal nonstop routes, including to Nashville International Airport in May 2019, to St. Louis Lambert International Airport and San Antonio International Airport in June 2019.

In 2019 WestJet Airlines announced nonstop daily seasonal service between the Airport and Calgary International Airport for the summer of 2019.

On March 13, 2019, the FAA ordered the temporary grounding of the Boeing 737 MAX aircraft ("737 MAX Grounding") operated by U.S. airlines or in U.S. territory. As of March 26, 2019, the Port has been notified by two airlines, Southwest Airlines and Air Canada, of cancellations or alterations of flights scheduled or to be scheduled at the Airport due to the 737 MAX Grounding. According to Southwest Airlines' schedule information as of March 2019, the aircraft was operated on less than 6% of Southwest Airlines' total average monthly scheduled flights at the Airport. According to information provided by Air Canada, because of the 737 MAX Grounding, Air Canada expects to delay the launch of its summer seasonal service between the Airport and Toronto. Based on information available to the Port from all airlines operating at the Airport, the 737 MAX aircraft represents less than 1% of total average monthly scheduled flights of all airlines at the Airport. The Port cannot predict the timing or effect of the 737 MAX Grounding on the airlines operating at the Airport, including disruptions to airlines not operating the 737 MAX aircraft at the Airport but that operate the 737 MAX aircraft in their fleet, or the likelihood of further service disruptions and alterations in flight schedules at the Airport as airlines adjust operations due to the 737 MAX Grounding. The Port does not expect the 737 MAX Grounding to have a material adverse effect on the finances or operations of the Airport.

PenAir filed for Chapter 11 bankruptcy protection in August 2017 and ended all service at the Airport in December 2017.

The primary factors airlines consider in making route capacity and airport decisions are described in Chapter 2 of Appendix A.

Air Cargo Tonnage

Total cargo tonnage at the Airport since Fiscal Year 2008 and during the six months ended December 31, 2017 and December 31, 2018 is summarized in the following table. The movement of air cargo is an important part of the services provided at the Airport. At the Airport, it is possible for cargo service to influence numbers of enplaned passengers because, on some routes flown by the passenger airlines, revenue from carrying cargo in the belly compartment of passenger aircraft contributes to total airline profits and can improve the viability of otherwise financially marginal routes.

TABLE 11
HISTORICAL TOTAL CARGO TONNAGE
FISCAL YEARS 2008–2018 AND
THE SIX MONTHS ENDED DECEMBER 31, 2017 AND 2018

Fiscal Year Ended June 30	Volume [(1)] (short tons)	Percent Increase (Decrease)
2008	265,300	(7.2)%
2009	211,613	(20.2)
2010	199,905	(5.5)
2011	212,894	6.5
2012	218,727	2.7
2013	218,170	(0.2)
2014	222,822	2.1
2015	232,385	4.3
2016	238,915	1.7
2017	247,574	3.6
2018	267,365	8.0

	Compound annual growth rate	
FY 2008-2018		0.1%
FY 2010-2018		3.7%

6 Months Ended December 31	Volume [(1)] (tons)	Percent Increase (Decrease)
2017	139,630	--
2018	144,388	3.4%

[(1)] Includes mail; total short tons in and out.
Source: Port records, from reports by the airlines.

Landed Weight

Aircraft landed weight at the Airport (expressed in 1,000-pound units), which is used to calculate landing fees, is recorded according to the aircraft's certificated maximum gross landed weight, as determined by the FAA. Historical landed weight at the Airport is summarized in the following table. Although changes in landed weight do have an effect on the Port's landing fee rates, under the Signatory Airline Agreements and Non-Signatory Ordinances described below, increased landed weight does not result in higher landing fee revenue to the Port; rather, it reduces the landing fee rate for the airlines. See "—Airport Cost Centers—Residual Rate Setting Methodology for the Airline Cost Center" and "—Passenger and Cargo Airline Agreements" below and the descriptions of aircraft landed weights, operations and other measurements of capacity in Section 2.2 in Appendix A.

TABLE 12
HISTORICAL LANDED WEIGHT
FISCAL YEARS 2008–2018 AND
THE SIX MONTHS ENDED DECEMBER 31, 2017 AND 2018
(1,000-pound units)

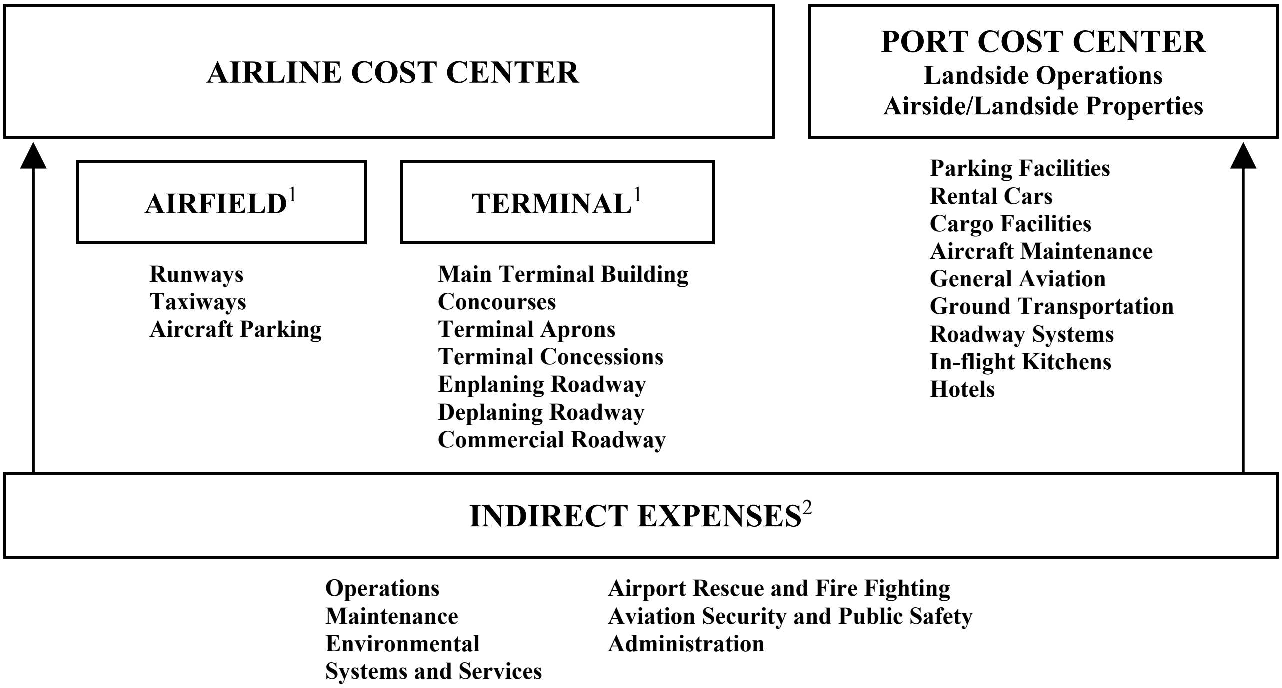
Fiscal Year Ended June 30	Passenger Airlines	All-Cargo Airlines	Total	Increase (Decrease)
2008	9,350,834	1,362,171	10,713,005	2.4%
2009	8,523,064	1,217,425	9,740,489	(9.1)
2010	7,892,566	1,042,172	8,934,738	(8.3)
2011	8,015,905	1,117,532	9,133,437	2.2
2012	7,956,842	1,143,111	9,099,953	(0.4)
2013	8,123,435	1,140,494	9,263,929	1.8
2014	8,699,074	1,126,771	9,825,845	6.1
2015	8,644,185	1,139,176	9,783,361	(0.4)
2016	9,482,191	1,215,683	10,697,874	9.3
2017	10,122,815	1,342,179	11,464,994	7.2
2018	10,662,824	1,599,687	12,262,511	7.0
	Compound annual growth rate			
2008-2018	1.3%	1.6%	1.4%	
2010-2018	3.8	5.5	4.0	

6 Months Ended December 31	Total Landed Weight (1,000-pound units)	Percent Increase (Decrease)
2017	6,279,919	
2018	6,644,725	5.8%

Source: Port records.

Airport Cost Centers

The Port has used a cost-center structure for the Airport since Fiscal Year 1992. Of the Port's 13 cost centers, six are direct, revenue-producing cost centers and seven are indirect cost centers allocated to the direct cost centers. The Airfield and Terminal direct cost centers, plus their allocated portions of expenses from the indirect cost centers, comprise the Airline Cost Center. Costs of Operation and Maintenance (including allocated expenses from the indirect costs centers), allocated debt service and debt service coverage, Terminal concession revenues and revenues from passenger and cargo carriers are included in the Airline Cost Center. The Port Cost Center includes the Ground Transportation (non-Terminal public access roadways, automobile parking facilities and rental car facilities), Non-Aviation (leased commercial and industrial properties such as the PIC and other hotel, warehousing and office facilities), Other Aviation and Air Cargo direct cost centers, plus their allocated portions of the expenses included in the indirect cost centers. Indirect cost centers include salaries, benefits, materials, equipment and supplies, of the Airport's operations, maintenance, environmental, systems and services, rescue and firefighting, security and public safety and administration staff and facilities, in each to the extent not attributable to a direct cost center. Some of the activities and facilities included in the cost centers are illustrated in the following chart.



(1) Airfield and Terminal are Residual Cost Centers.
(2) Indirect Expenses are allocated to the Airline Cost Center and the Port Cost Center per the airline agreement.
Source: The Port.

As described below, rate-setting at the Airport is "residual" in connection with the Airline Cost Center (the airlines have primary responsibility and risk for costs and the benefit from non-airline revenues). The Port has the responsibility and risk for the Port Cost Center revenues and costs, although the Port also shares some Port Cost Center Revenues with the airlines. See "—Passenger and Cargo Airline Agreements—Residual Rate-Setting Methodology for the Airline Cost Center", "—Revenue Sharing", "—Signatory Airline MII Process for Disapproval of Capital Improvement Projects and for Approval of Agreement Amendments" and "—Capital Improvements" below and Section 4.3 in Appendix A.

Passenger and Cargo Airline Agreements

General. The Port is a party to two types of agreements with passenger airlines and all-cargo carriers, the Amended and Restated Signatory Passenger Airline Lease and Operating Agreements entered into as of July 1, 2015 and the Affiliate Passenger Carrier Operating Agreements (together, the "Signatory Passenger Airline Agreements") and the Amended and Restated Signatory Cargo Carrier Operating Agreements (the "Signatory Cargo Airline Agreements" and together with the Signatory Passenger Airline Agreements, the "Signatory Airline Agreements"). The Signatory Airline Agreements establish, among other things, procedures for setting and adjusting rentals, rates, fees and charges to be collected for the use of Airport facilities. The Signatory Airline Agreements have a ten-year term scheduled to expire on June 30, 2025, unless terminated earlier by the Port because of an airline's uncured event of default, or in the event any State, federal or local government or agency takes possession of, or a substantial portion of, the Airport by condemnation or conveyance in lieu of condemnation or unless terminated by the Port or by the applicable airline if a court by a final decision prevents performance by the Port of any of its material obligations under the Agreement.

Airlines that have executed the Signatory Passenger Airline Agreements and their operating affiliates (together, the "Signatory Passenger Airlines") accounted for more than 99% of enplaned passengers at the Airport in Fiscal Year 2018. All but two of the all-cargo carriers that currently operate at the Airport have signed the Signatory Cargo Airline Agreements (the "Signatory Cargo Carriers," and together with the Signatory Passenger Airlines, the "Signatory Airlines").

The Signatory Passenger Airline Agreements executed in 2015 amended and restated passenger airline agreements entered into in 2010 to extend the term to June 30, 2025, to permit leased premises reductions in July 2015 and July 2020 and to extend Revenue Sharing.

The Signatory Passenger Airline Agreements govern airline use of certain Airport facilities, including ramp, terminal, baggage claim, ticket counters and gate areas and certain cargo and other facilities and permit the Signatory Passenger Airlines to lease Exclusive Space, Preferential Space and Shared Space. Exclusive space includes ticket counter space, office space, operations space, airline club lounges, baggage makeup space and baggage service area space ("Exclusive Space"); and preferential space is Airport space, including aircraft loading bridges and/or other aircraft support equipment, leased to the Signatory Passenger Airline and to which the Signatory Passenger Airline has a higher and continuous priority of use over all other air carriers and concessionaires ("Preferential Space"). Shared space includes some baggage make-up areas, corridors and ticket offices, leased areas of the Terminal shared by more than one air carrier, but excluding Baggage Claim Areas. Common Use Space includes Port-controlled ticket counters, ticket offices, equipment, kiosks and gates the Port has not leased but has reserved for the flexible and temporary use of any Air Carrier serving the Airport ("Shared Space").

Passenger airlines and cargo carriers operating at the Airport that are not Signatory Airlines or affiliates of Signatory Airlines (the "Non-Signatory Airlines") are subject to rates and charges established pursuant to Port Ordinance No. 433-R and Amended and Restated Ordinance No. 389-R (together, the "Non-Signatory Ordinances"). Rates and charges under the Non-Signatory Ordinances do not benefit from the revenue sharing described below and Non-Signatory Airlines pay a 25% premium over the rates and charges established in the Signatory Airline Agreements.

The Signatory Airlines have no right to terminate their Signatory Airline Agreements before their term ends in 2025 (except in the case of governmental action as described above), but each Signatory Passenger Airline does have a right as of July 1, 2020, with six months' notice, to reduce its Exclusive Space, Preferential Space and/or Shared Space in the Terminal by up to 25% of the aggregate square footage of its leased space.

Residual Rate-Setting Methodology for the Airline Cost Center. The Signatory Airline Agreements also provide that the Agreement is residual to the extent that the Signatory Airlines are obligated in connection with the Airline Cost Center to (a) discharge all claims, obligations and indebtedness payable from the Revenues allocated to the Airline Cost Center; and (b) produce Net Revenues in each Fiscal Year sufficient to comply with the minimum rate covenant in the Airport Revenue Bond Ordinances and to comply with the earnings test required under the Airport Revenue Bond Ordinances for the issuance of any additional bonds applicable to the Airfield Cost Center and Terminal Cost Center.

The Signatory Airline Agreements also provide that all Terminal Rents, Landing Fees, other rents, charges, fees, fines, costs, reimbursements, penalties, taxes, late charges, liquidated damages and interest of all types (in the Signatory Airline Agreements, collectively referred to as "Rent") are subject to adjustment to remain in compliance with the Airport Revenue Bond Ordinances. In addition, following the end of each Fiscal Year, Rents are to be reviewed and recalculated using audited financial information and adjusted if necessary, and any underpayments are to be payable by the Airlines within 30 days after an invoice is received and any overpayment refunded to the Airlines by the Port within 30 days after its determination. See Section 4.3.3 in Appendix A.

Landing Fees. Landing fees are calculated by multiplying the then-current Landing Fees rate by the Revenue Landed Weight. The Landing Fees rate is calculated by allocating the Airfield Net Requirement (the annual sum of all expenses and fees, including Debt Service Coverage, allocated to the Airfield, minus all Offsetting Revenues, including all Revenues other than the Landing Fees of Signatory Airlines) between Signatory Airlines and Non-Signatory Airlines, based upon landed weight, with the Non-Signatory landed weight being increased by 25%. As described below, the allocated Signatory Net Requirement is then reduced by Revenue Sharing allocated to the Airfield. The Signatory Landing Fee rate is the reduced allocated Net Requirement divided by Signatory landed weight, and the Non-Signatory Landing Fee rate is the allocated Non-Signatory Net Requirement divided by Non-Signatory landed weight.

Terminal Rents. The Terminal includes the passenger Terminal building and concourse areas; the access roadways and associated sidewalks immediately adjacent to the Terminal; the public area (including the concourse corridors and connectors, the concession areas, ticket lobby and non-rentable areas); the Aircraft Apron; and the security screening areas. The Signatory Airline Agreements provide that when calculating Rents allocable to the access roadways that are part of the Terminal Cost Center, the Terminal Cost Center pays 100% of the capital costs of the roadways, the Port Cost Center pays 100% of the O&M Expenses and the Port Cost Center receives 100% of the concession revenues related to the access roadways.

Terminal Rents for Terminal Space are determined by allocating the Terminal Net Requirement to different categories of Signatory Space, Baggage Claim Areas, Common Use Ticket Offices and Non-Signatory Space. Except in the case of Terminal access roadways, the Terminal Net Requirement includes the sum of total annual Direct and Indirect O&M Expenses and Direct and Indirect Debt Service and Debt Service Coverage allocated to the Terminal Cost Center (collectively, the "Terminal Requirement"), less direct and indirect Non-Airline Revenues allocated to the Terminal Cost Center, interest income allocated to the Terminal from the Airport Fund, and loading bridge fees, baggage conveyor system fees, International Arrivals Facility ("IAF") fees, Common Use Space and other fees, aircraft apron fees, other fees and other Terminal Rents. The Terminal Net Requirement allocated to Signatory Space is then reduced by 50% of Revenue Sharing allocated to the Terminal as described below.

Revenue Sharing. The Signatory Airline Agreements include a formula for sharing Port Cost Center Revenues, subject to certain conditions, with the Signatory Airlines during the term of the Signatory Airline Agreements. The Port agreed in the Signatory Airline Agreements to share with the Signatory Passenger Airlines and the Signatory Cargo Carriers $60 million of Port Cost Center Revenue, in annual installments of $6 million per Fiscal Year, subject to any adjustments, offsets or reductions, including reductions if actual O&M Expenses are less than the targets set forth in the 2015 Signatory Airline Agreements. Under the Signatory Airline Agreements, Revenue Sharing is allocated between the Terminal and the Airfield in proportion to the net requirements of those cost centers before revenue sharing, and in the Terminal is allocated 50% to offset Terminal rental rates and 50% to offset baggage claim area rates. The Signatory Airline Agreements provide for revenue sharing to be discontinued if the Port Cost Center Coverage Ratio remains above 2.35% and provides for additional revenue sharing if the SLB debt service coverage ratio (Net Revenue divided by debt service on SLBs) exceeds 1.75, of up to 50% of Net Revenues above any Airport coverage ratio of less than 2.00. The Signatory Airline Agreements also permit reduced Revenue sharing if the Port reduces actual Operation and Maintenance Costs (O&M Expenses in the Signatory Airline Agreements) below its Operation and Maintenance Cost targets. See Chapter 4 in Appendix A.

Fee Waivers. As described in Appendix A, the Signatory Airline Agreements permit the Port to offer fee waivers and marketing and other incentives for up to one year to any air carrier that provides new scheduled, non-stop passenger or cargo service from the Airport to an unserved domestic or international market specified by the Port in the United States, Europe, Asia, Mexico or Canada. Any extension of the fee waiver program for more than one year, if approved by the FAA, also would be subject to the MII disapproval process applicable to capital improvement projects.

Signatory Airline MII Process for Disapproval of Capital Improvement Projects and for Approval of Agreement Amendments. In the Signatory Airline Agreements, the Port and the Signatory Airlines agreed to a process in which a MII of more than 75% of eligible Signatory Airlines that account for more than 75% of total Airline Rents and more than 75% of Signatory Airline Landing Fees may disapprove Airport capital improvement projects in an Airline Supported Area and additional fee waivers and, as described below, also agreed that an MII of more than 66% is required to approve certain amendments to the Signatory Airline Agreements.

Capital Improvements. The Signatory Airline Agreements provide that if the capital improvement impacts only the Terminal Cost Center, the MII will be more than 75% in number of Signatory Passenger Airlines and more than 75% of the total of Terminal Rents paid for Signatory Airline Space and that if the capital improvement impacts only the Airfield Cost Center, the MII will be based upon more than 75% of the number of Signatory Airlines and more than 75% of the total Signatory Landing Fees.

Some projects are not subject to the MII disapproval process, including capital projects funded with Debt Service Coverage or in another manner that does not directly impact the Airline rate base; public safety projects required by federal, State or local law; costs to repair casualty damage for which insurance proceeds are not available or are insufficient; projects required to bring the Port into compliance with lawful federal or State law or that are required under the terms of federal or State grants or litigation settlements; improvements of an emergency nature or to cleanup property following a hazardous substance release; and facilities for a new or expanding carrier.

In general, other than the projects described above, any capital improvement with a total cost in excess of $1 million and funded in a manner that will directly impact the airline rate base is subject to the MII disapproval process. In the event of an MII disapproval, the Port has the option under the Signatory Airline Agreements to convene a meeting with the Airline Affairs Committee to address questions, ask that the disapproval be withdrawn or request that another disapproval vote be taken. If an MII of impacted Signatory Airlines agrees in writing to withdraw the disapproval, the Port may proceed with the capital improvement. The Signatory Airline Agreements also provide that the Port may not commence construction on any capital improvement project that received Signatory Airline approval under the MII process if the estimate later exceeds 110% of the initial, approved estimate. Instead, the Port is required to submit the project for MII review a second time to obtain approval for the project in light of the new construction cost estimate. See Section 4.3.3 in Appendix A.

The Signatory Airline Agreements provide that in the event a capital improvement is not approved, the Port may make capital expenditures in the Terminal Cost Center or the Airfield Cost Center for which all costs to construct or operate the capital improvements are paid from funds legally available to the Port, including coverage, PFC dollars, grant funds and Port Cost Center or Non-Airport Revenues. The Port also may request another vote.

The Signatory Airline Agreements also require the Port to allocate 100% of the Debt Service Coverage generated by the Airlines to fund capital improvements in the Airline Supported Areas or to fund the Airlines' allocated portions of capital improvements in the Indirect Cost Centers. See Chapter 4 in Appendix A.

Agreement Amendments. The Signatory Airline Agreements require a 66% MII process to approve amendments to the Signatory Airline Agreements if the amendment will have a materially adverse impact on any of the Signatory Airlines (other than Signatory Airlines that at the time the ballot is mailed to the Signatory Airlines have no scheduled service at the Airport). The Signatory Airline Agreements provide that if the amendment affects only the Terminal Cost Center, the MII will be based on approval by more than 66% of the Signatory Passenger Airlines whose combined Terminal Rents for Signatory Airline Space and Common Use Gates used in connection with the IAF total more than 66% of the total such Rents. If the amendment impacts only the Airfield Cost Center, the MII approval is to be by more than 66% of Signatory Passenger and Signatory Cargo Airlines or by those Signatory Airlines whose combined landed weights account for more than 66% of total Signatory Landed Weight over the preceding 12-month period. The Signatory Airline Agreements provide that if the amendment could impact both the Terminal Cost Center and the Airfield Cost Center, the MII would be based on approval by more than 66% of the number of Signatory Passenger and Cargo Airlines or approval by those Signatory Airlines whose combined Terminal Rents and Signatory Handling Fees total more than 66% of the combined Signatory Terminal Rents and Signatory Landing Fees.

Other Business and Operating Agreements

Terminal Concession Agreements. The Port has concession lease agreements with other entities that operate, provide services or occupy space in the Airport Terminal, including food-court restaurants, quick-serve restaurants, casual dining bars and cafes, full-service restaurants, holistic spa, full service barber shop, ATMs, newsstands, retail shops, passenger services, such as Mail Safe and Smarte Carte, and display advertising. Parties to concession lease agreements pay concession rent of between 10% and 14% (between 8% and 18% in the case of agreements entered into before 2014) of monthly gross receipts with a minimum annual guarantee (a "MAG") equal to 80% of the prior year's rent. The Port has agreed in each of the concession lease agreements that the MAG may be reduced temporarily because of construction impacts or because of a drop of 15% or more in enplanements at the Airport or at the applicable concourse. Due to construction in the Terminal, the Port has temporarily waived payment of the MAG for all pre-security Terminal concessionaires. The Port charges the concessionaires for employee parking ($35/month for each employee for surface parking and $80/month for garage parking) and as described below also charges for utility costs.

The Port completed the final phase of three phases of the Port's new concession program in December 2018, including the redevelopment of several additional food and beverage and retail locations. During this redevelopment effort, the Port has implemented metering of the concession spaces for utility usage and has begun recovering utility costs in each of the new concession lease agreements. Concession revenues are taken into account in calculating terminal rents under the Signatory Airline Agreements. See Section 4.3 in Appendix A.

Terminal Service Agreements. In addition to Terminal concession agreements and leases, the Port has a number of month-to-month operating agreements with companies that provide ground-handling, fueling, cabin-cleanup and similar services on behalf of the Signatory Airlines.

Rental Car Agreements. In November 2018, the Port completed a negotiated process to award rental car concession lease and operating agreements (the "Rental Car Concession Leases") to five separate companies, including Avis Budget Group, Inc., Dollar Thrifty Automotive Group, Enterprise Holdings, Inc., Hertz Global Holdings, and Sixt Group (collectively, the "Rental Car Concessionaires") that represent 12 separate rental car brands for space in the ConRAC. The effective date of each Rental Car Concession Lease is November 14, 2018 (the "Effective Date") and the Rental Car Concession Lease is binding on the Port and each Rental Car Concessionaire as of the Effective Date. The term of each Rental Car Concession Lease is to begin upon the opening of the ConRAC, which is currently expected to occur in November 2021. This commencement date is 180 days following the date when the Rental Car Concessionaires are granted access to the ConRAC. The term of each Rental Car Concession Lease is for 20 years, with an optional ten-year extension of the term of each Rental Car Concession Lease at the Port's sole discretion.

The Rental Car Concession Leases also allow the Port, at its option, to rebid or renegotiate each Rental Car Concession Lease on the tenth anniversary of the opening of the ConRAC. The current lease agreements for the rental car companies operating at the Airport were amended to extend the term of the agreements to terminate simultaneously with the commencement of the term of the new Rental Car Concession Leases.

Each Rental Car Concession Lease requires the related Rental Car Concessionaire to pay concession fees equal to the greater of (a) the sum of 10% of the Rental Car Concessionaire's annual gross receipts from any non-carsharing brand and 11% of the Rental Car Concessionaire's annual gross receipts from any carsharing brand; or (b) the minimum annual guarantee fee of 90% of the previous year's commission fee. Each Rental Car Concessionaire also pays a premises rent under its Rental Car Concession Lease based on the square-footage of the ConRAC, QTA Facility and related improvements that the Rental Car Concessionaire leases from the Port for administrative, vehicle maintenance and storage facilities. The Rental Car Concession Leases also require each Rental Car Concessionaire to pay its share of Contingent Fee Payments if the Port determines that there is a current or upcoming deficiency of CFCs required to pay the debt service on the 2019 CFC Bonds or if the Port is not in compliance with the rate covenant under the CFC Bond Ordinances.

The rental car companies will move their operations to the new ConRAC once it is completed, which is expected to have approximately 2,070 spaces for rental cars. Until then, the rental car companies will operate from their current locations. Currently, eight rental car companies provide service at the Airport: five provide on-Airport service counters and vehicles (Avis, National Car Rental, Dollar, Enterprise Rent-A-Car and Hertz) and three provide on-Airport service from kiosks in the short-term garage and have passenger pick-up and drop-off service to facilities located off-Airport (Alamo Rent A Car, Budget and Thrifty). Once the ConRAC is operational, it is expected that four additional brands (Payless, Sixt Rent A Car, Enterprise CarShare and ZipCar will also be located at the ConRAC. The Port collects concession fees for the right to operate a rental car concession at the Airport, pursuant to concession lease and operating agreements entered into by the Port and the rental car companies. All of the rental car companies are required to collect CFCs from their customers on behalf of the Port, to hold CFC moneys in trust and to remit CFCs to the Port (whether actually collected or not) on a monthly basis.

Alamo, Budget and Thrifty (referred to in the agreements as "Limited Service Concessionaires") have kiosk concession and lease agreements that expire upon opening of the ConRAC, and currently pay concession fees equal to the greater of 10% of gross receipts (referred to as "Percentage Rent") or the minimum annual guarantee specified in the agreements. The five companies that provide vehicles in the garages as well as at the quick turnaround facility owned by the companies are parties to rental car concession lease and operating agreements that provide for concession fees equal to the greater of 10% of gross receipts or a minimum annual guarantee of 85% of the previous year's concession fee payment. On-Airport companies also lease administrative and vehicle maintenance and storage facilities pursuant to separate, per-square-foot facilities leases.

Parking. The Port contracts with SP Plus Corporation, a parking management company, to operate the Port's on-Airport automobile parking facilities (other than the facilities used by rental car companies), including the automatic payment and revenue systems and valet and automobile detailing services; the shuttle bus system, including round-the-clock shuttle bus services; and the two-level, eight-lane commercial roadways, pursuant to a Landside Management Agreement that unless earlier terminated by the Port, is scheduled to expire on June 30, 2020, which may be extended for two years to June 30, 2022. Under the Landside Management Agreement, the Port reimburses the operator monthly for direct costs and also pays a fixed, annual fee, subject to adjustment if reimbursable costs vary above or below the operating budget by 25% or more. See Section 4.3.4 in Appendix A.

Taxi, Shuttle and TNCs. The Port issues permits and charges permit fees and access fees for use of the Airport roadways by commercial transportation vehicles to transport Airport customers. Taxi and shuttle operators pay $2.50/trip, for pickup only. TNCs, such as Uber, Lyft and Wingz, commenced operations at the Airport under ground transportation permits authorized in May 2015. Since then, TNC activity has grown from representing 6% of Airport pick-ups to more than 60%. Effective June 11, 2018, the Port collects from the TNCs per-trip fees of $3.00 for each pick-up and each drop-off and collected more than $3.8 million in per-trip fees paid by the TNCs in Fiscal Year 2018.

PDX Travel Center. The Port partnered with a local developer, MAJ Development ("MAJ"), to design, build and operate a travel center (the "Travel Center") one mile east of the Terminal. MAJ is leasing 3.44 acres from the Port to build and is now operating a six-island fuel station and a 7-Eleven convenience store, Dutch Bros. Coffee and drive-thru, Taco Bell restaurant and drive-thru with space available to lease to another restaurant. One of the designated cell phone waiting areas is now located at the Travel Center. The waiting area consists of 30 parking stalls, which are able to view reader boards displaying current flight information.

Airport Workplace Initiative. Although most of the approximately 10,000 people who work at the Airport are employed by the airlines, Airport tenants, concessionaires and other companies, and not by the Port, Port leadership has adopted a workplace initiative designed, among other things, to enhance working conditions and opportunities at the Airport, including programs to enhance career development opportunities, to provide clear safety, training and equipment standards, to standardize operating contracts, selection criteria and other procurement and permitting processes and to monitor and enhance best practice requirements for third-party contracts and service providers.

Historical Operating Results

The financial data for Fiscal Years ended June 30, 2015 through 2018 set forth in Table 13 and under the heading "Management's Discussion of Results" is derived from the Airport's financial records, which comprise the Airport segment presented in the Port's audited financial statements.

The financial data is presented to inform investors of the Airport's historical financial performance that is applicable to the SLBs, including the Series Twenty-Five Bonds. The presentation of Net Revenues in Table 13 is not in accordance with generally accepted accounting principles ("GAAP"), but is made to calculate Net Revenues as required by certain covenants in the Airport Revenue Bond Ordinances. The presentation of non-GAAP Net Revenues is not a measure of operating performance or liquidity defined by GAAP and may not be comparable to similarly titled measures presented by other issuers. Items following the Net Revenues subtotal in Table 13 comprise the amounts required to reconcile from Net Revenues as defined by Section 2(r) of Ordinance 155 to GAAP net income per the Airport's audited financial statements.

The financial data set forth in Table 13 should be read in conjunction with "Management's Discussion of Results" immediately following Table 13 and for the Fiscal Year ended June 30, 2018, in conjunction with the Port's audited financial statements and related notes included in Appendix B of this Official Statement. For financial reporting purposes, the Port is considered to be an enterprise similar to a commercial entity. Accordingly, the financial statements included in Appendix B are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses when incurred. The accounting and reporting policies of the Port and the Airport conform to GAAP as applicable to proprietary funds of local governments.

TABLE 13
HISTORICAL FINANCIAL PERFORMANCE
FY 2015–2018
($000s)

	Fiscal Year Ended June 30,			
OPERATING STATEMENT DATA:	**2018**	**2017**	**2016**	**2015**
Operating revenues:				
Airline revenues	$104,680	$100,243	$97,835	$90,373
Terminal concessions	19,138	17,092	15,393	13,901
Parking (1)	66,144	65,434	63,323	58,801
Rental cars	20,336	20,623	18,682	18,600
Other	31,966	28,833	37,173	24,267
Total operating revenues	242,264	232,224	232,406	205,942
Interest income - revenue fund and revenue bond fund	585	489	1,680	849
Total Revenues	242,849	232,714	234,086	206,791
Costs of Operation and Maintenance, excluding depreciation				
Salaries, wages and fringe benefits	48,713	46,389	44,691	43,488
Contract, professional and consulting services	34,260	29,736	29,551	28,397
Materials and supplies	6,006	6,704	5,066	4,364
Utilities	11,567	11,082	10,014	9,107
Equipment rents, repair and fuel	1,435	1,079	1,048	1,542
Insurance	1,842	2,160	2,205	2,075
Rent	0	0	0	0
Travel and management expense	3,703	3,310	1,352	1,325
Allocation of general and administration expense of the Port	18,662	20,856	21,962	20,366
Other	4,019	4,479	14,337	4,328
Total Costs of Operation and Maintenance	130,207	125,796	130,226	114,992
Net Revenues, as defined by Section 2(r) of Ordinance No. 155	$112,642	$106,918	$103,860	$91,799
Depreciation	92,410	85,232	80,817	79,687
Other income (expense):				
Interest income – excluding revenue fund and revenue bond fund	4,272	4,390	552	1,428
Interest expense – net	(18,864)	(21,133)	(22,745)	(24,321)
Passenger facility charges	38,141	37,684	34,890	32,182
Customer facility charges (2)	15,551	16,147	15,357	14,241
Other, Net	(3,792)	(10,233)	(3,365)	(6,122)
Total other income (expense)	35,308	26,855	24,689	17,409
Reconciling items: (3)				
Airport allocation of pension bond debt service	3,689	3,536	3,387	4,244
Pension asset amortization	0	0	0	6
GASB 68/75 Adjustment (4)	(6,016)	(8,206)	(18,743)	11,555
Net income	$53,213	$43,871	$32,376	$45,325
BALANCE SHEET DATA:				
Airport net position	$947,788	$886,924	$833,594	$780,504

(1) The Port increased long-term rates by $3.00/day in June 2018.
(2) The CFC program began on January 15, 2014. Beginning in Fiscal Year 2015, CFCs are excluded from “Revenues” under the Airport Revenue Bond Ordinances.
(3) Items treated differently under GAAP than under the Airport Revenue Bond Ordinances.
(4) The Port’s financial data for the Fiscal Years ended June 30, 2018 includes the required implementation of Governmental Accounting Standards Board (“GASB”) Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” (“GASB 75”), which established standards for recognizing, measuring and presenting information about postemployment benefits other than pensions. The historical operating results presented in Table 13 for periods prior to June 30, 2018 are not retroactively restated for the implementation of GASB 75, and accordingly are not comparable to all prior years presented. For the purposes of Net Revenues, the expense impacts of GASB 68 (Pensions) and GASB 75 (OPEB) are not included in the calculation of Net Revenues.
Source: Extracted by the Port from its audited financial statements.

Management’s Discussion of Results

Revenues. Total operating revenues increased 4.3% from $232.2 million in Fiscal Year 2017 to $242.3 million in Fiscal Year 2018, due primarily to increases in airline, terminal concession, and other revenues. Airline revenues increased approximately 4.4% from Fiscal Year 2017 to Fiscal Year 2018, primarily due to the Airline share of increased Costs of Operation and Maintenance resulting from increased salaries, wages and fringe benefits for direct Airport employees, as well as increased contract, professional, and consulting services, offset in part by decreased corporate overhead expense. Revenue from terminal concessions increased approximately 12.0% from Fiscal Year 2017 to Fiscal Year 2018 as a result of higher sales due to increased passenger volumes as well as new concessions leases. Other revenues increased 10.9% from Fiscal Year 2017 to Fiscal Year 2018 primarily because of higher non-airline rent revenues as well as increased revenues from TNCs. In Fiscal Years 2015 through 2017, total operating revenues increased 12.8%, from $205.9 million to $232.2 million. Airline revenues increased $9.9 million, or 10.9%, primarily due to higher Costs of Operation and Maintenance resulting from growth. During the same period, terminal concessions, parking and rental car revenues increased 22.9%, 11.3%, and 10.9%, respectively, as a result of record passenger volumes. Other revenues increased 18.8% from $24.3 million in Fiscal Year 2015 to $28.8 million in Fiscal Year 2017 primarily due to increased revenues from TNCs.

Expenses. Total Costs of Operation and Maintenance increased 3.5% from $125.8 million in Fiscal Year 2017 to $130.2 million in Fiscal Year 2018, largely driven by increased salaries, wages, and fringe benefits for direct Airport employees as well as increased outside contract, professional, and consulting services, offset in part by decreased corporate overhead expense. In Fiscal Years 2015 through 2017, total Costs of Operation and Maintenance increased 9.4% from $115.0 million to $125.8 million, primarily attributable to salary, wage, and fringe benefits; operating materials and supplies expense; City off-site storm water fees; and air service development marketing costs.

Net Revenues. Net Revenues increased from $106.9 million in Fiscal Year 2017 to $112.6 million in Fiscal Year 2018, primarily due to higher airline, terminal concessions, and TNC revenues. In Fiscal Years 2015 through 2017, Net Revenues increased from $91.8 million to $106.9 million, as a result of increased parking, rental car, and TNC revenues, along with increased Costs of Operation and Maintenance. Net Revenues exceeded 130% of the Debt Service Requirement in each Fiscal Year. See Table 14 below and the audited financial statements of the Port for the Fiscal Year ended June 30, 2018 in Appendix B.

Airport Net Position. Airport net position increased by $60.9 million in Fiscal Year 2018, reflecting net income, capital grants from the federal government, and transfers to general aviation. Airport net position increased from $780.5 million at the end of Fiscal Year 2015 to $886.9 million at the end of Fiscal Year 2017, primarily as a result of net income and capital grants from the federal government.

Historical Debt Service Coverage

A summary of the debt service coverage for Fiscal Years 2015 through 2018 is set forth in Table 14. See Chapter 4 and Exhibit I in Appendix A.

TABLE 14
HISTORICAL DEBT SERVICE COVERAGE
FY 2015–2018

Fiscal Year Ended June 30	Net Revenue[(1)] (000s)	SLB Debt Service Requirement (000s)	Coverage Ratio
2015	$ 91,764	$45,514	2.02
2016	103,731	49,998	2.07
2017	106,665	49,598	2.15
2018	111,951	52,827	2.12

(1) Excludes Revenue Bond Fund interest income.
Source: The Port.

Investment of Funds

The Port has adopted an investment policy (the "Investment Policy") that governs investment of funds including those that relate to the Airport. The Investment Policy may be changed as requested by the Board. Among other items, the Investment Policy establishes limits on maturity, investment types and diversification and generally establishes the parameters of investment practices so that the Port's investments are consistent with Oregon Revised Statutes and the Port's primary investment objective of preservation of capital.

The Port's current Investment Policy, which is reviewed annually by the Board and was readopted by the Board on October 10, 2018, permits investments in U.S. Treasury bills and notes, U.S. agency obligations, municipal debt obligations, corporate indebtedness, certain time certificates of deposit and bankers acceptances and certain repurchase agreements that have terms of 30 days or less. Port funds also may be invested in the Oregon Short Term Fund, Local Government Investment Pool as allowed by State statute. Among other restrictions, the maximum maturity of any investment is five years, at least 55% of the par value of all of the Port's investments must mature within two years and 75% within three years. Port staff is required to provide the Board with portfolio reports quarterly. See Note 3 in Appendix B.

Pension and Other Post-Retirement Benefit Plans

The Port is a participating employer in the State-wide Oregon Public Employees' Retirement System ("PERS"). Information about PERS and about other post-retirement benefits is included in Appendix D and in Notes 8 and 9 and under "Required Supplementary Information" in Appendix B. As described in Appendix D, employer contribution rates for the various PERS pension programs are based upon actuarial valuation reports for PERS as of December 31 of odd-numbered years. For Fiscal Year 2018, the Port contributed approximately $8.1 million to fund its PERS obligations of which approximately $3.9 million was applicable to the Airport, and for Fiscal Year 2017 the Port contributed approximately $5.5 million of which approximately $2.5 million was applicable to the Airport. Employer contribution rates for the period July 1, 2019 through June 30, 2021 (the "2019-2021 Biennium") were adopted on September 28, 2018, based upon the System valuation report for PERS as of December 31, 2017 (the "2017 System Valuation"). As noted in Appendix D, employer contribution rates for the 2017-2019 Biennium increased after actuarial assumption and method changes and following the *Moro v. State of Oregon* decision by the Oregon Supreme Court in April 2015 ("the "Moro Decision") that reversed certain reductions that the Oregon Legislative Assembly had made in 2013 to reduce future cost-of-living adjustment ("COLA") increases. See "Appendix D—Pension and Other Post Retirement Benefit Programs--Changes to PERS." The Port expects that employer contribution rates will continue to increase. See "Appendix D—Pension and Other Post Retirement Benefit Programs—Pensions – Contribution Rates."

During Fiscal Year 2018, the Port contributed approximately $371,575, of which approximately $213,750 was paid by the Airport, to fund the Port's other post-employment benefit obligations. See Appendix D and Note 9 and "Required Supplementary Information" in Appendix B.

In addition to contributions to PERS, the Port pays the debt service on limited tax pension obligation bonds issued in 2002 and 2005 in an original principal amount of approximately $74.1 million, of which approximately $36.8 million was applicable to the Airport. Debt service principal payments allocable to the Airport in Fiscal Year 2018 totaled approximately $914,079. See Notes 6 and 8 in Appendix B.

Other Airport Matters

Labor Relations. During Fiscal Year 2018, the Port employed approximately 772 full-time-equivalent employees ("FTEs") in a variety of work categories and for Fiscal Year 2019 has budgeted for a total of 818.3 FTEs. An FTE represents 2,080 hours of work annually. Of the total number of FTEs budgeted at the Port, approximately 398 are employed at the Airport. Approximately 256.5 FTEs are budgeted for Fiscal Year 2019 in the Port-wide Engineering, Administrative and Project and Technical Services Divisions. At the Airport, five unions collectively represent approximately 312.2 of the Port's Airport employees through four collective bargaining agreements. The collective bargaining agreement with one of the unions representing Airport employees expired on June 30, 2018, although the terms and conditions continue under State law until a successor agreement is reached. Negotiations are currently in progress. The three collective bargaining agreements with the other four unions representing Airport employees expire during the period from June 30, 2020 through June 30, 2022. At the Airport, there have been no strikes or other labor-related disruptions directed against the Port.

Risk Management Programs. The Port has implemented a comprehensive, professionally-administered risk management program. As a part of its risk management program, the Port has adopted a business continuity policy and a cybersecurity policy, among other policies targeting key risk management issues. The risk management program includes cybersecurity insurance to cover losses related to cybersecurity breaches. The Port's comprehensive risk management program uses a combination of self-insurance (up to $1.0 million) and commercial insurance to provide protection from losses involving property, casualty and liability, personnel and financial/net income. Property is insured up to a policy limit of $1.0 billion per occurrence, including flood coverage up to $150 million per occurrence and currently includes earthquake coverage up to $200 million per occurrence. In future years, earthquake coverage may not be obtainable at commercially reasonable prices or at all. Airport liability insurance, including in the event of terrorism at the Airport, currently is maintained at $400 million per occurrence and $150 million war liability and Terrorism Risk Insurance Act.

Exposure to loss is reduced both contractually and by State law. Substantially all of the Port's Airport agreements contain an indemnification clause, requiring contractors, lessees and any other entity that has an agreement with the Port for services or is permitted to use Port facilities to hold the Port harmless for any claims and damages arising out of the activities, services or operations of such entity. The indemnification agreement is secured by various insurance requirements.

The State limits tort claim liability by statute. Under the Oregon Tort Claims Act (the "OTCA"), the State's common law sovereign immunity from suit is waived and claims may be brought against a public body in Oregon, including the Port. In 2007, the Oregon Supreme Court upheld a challenge to the constitutionality of portions of the OTCA, which ultimately led the 2009 Legislative Assembly to increase the liability limits for public bodies and to impose an annual cost-of-living increase on the limits.

Effective July 1, 2018, the liability of a local public body and its officers, employees and agents acting within the scope of their employment or duties to any single claimant for covered personal injury or death claims (and not property claims) arising out of a single accident or occurrence during Fiscal Year 2019 may not exceed $727,200. The liability limits for multiple claimants for covered personal injury or death claims (and not property claims) arising from a single accident or occurrence has increased to $1,454,300 for causes of action arising on or after July 1, 2018 and before July 1, 2019. For causes of action arising on or after July 1, 2018, the liability limits for both a single claimant and for multiple claimants are to be adjusted based on a determination by a State Court Administrator of the percentage increase or decrease in the cost of living for the previous calendar year as provided by statutory formula. The adjustment may not exceed 3% for any year.

Effective July 1, 2018, the liability of a public body and its officers, employees and agents acting within the scope of their employment or duties for covered claims for damage and destruction of property occurring before July 1, 2019 is limited as follows: (a) $119,300, adjusted as described below, to any single claimant, and (b) $596,400, adjusted as described below, for multiple claimants. These liability limits are subject to annual adjustment based on a determination by a State Court Administrator of the percentage increase or decrease in the cost of living for the previous calendar year as provided by statutory formula. The adjustment may not exceed 3% for any year.

Under the OTCA, the Port indemnifies its employees for liability that they incur due to negligence within the scope of their work. Accordingly, the Port may be subject to claims up to the levels described above when required to indemnify its employees. At this time, the Port believes that its current airport liability insurance is sufficient to cover the Port adequately from any additional exposure resulting from the increased limits.

City of Portland Stormwater Fees. Until July 1, 2013, the Port, as a property owner within the Multnomah County Drainage District (the "Drainage District"), paid stormwater management fees annually via the Multnomah County property tax bills for its Airport properties. For Fiscal Year 2013, the Port paid approximately $1.2 million in stormwater management fees with approximately $1.0 million covering the on-site management services provided by the Drainage District and approximately $0.2 million covering off-site management services provided by the City. The off-site fee component has historically been discounted to a rate well below that paid by landowners outside the Drainage District. Beginning in July 2013, undiscounted fees being charged to the Port and to other Drainage District property owners began to be phased in over a four-year period to reach the same level as out-of-Drainage District fees. The four-year ramp up period ended in Fiscal Year 2017. Fiscal Year 2019 budgeted stormwater expenses are estimated to be $3.8 million. The stormwater fees are recoverable by the Port through airline rates and charges (the Airline Cost Center portion amounts to approximately $0.40 per enplaned passenger) and for the Port Cost Center through net revenues from sources such as parking and rental cars. The airlines serving the Airport contend that two components of the City's stormwater assessment amount to unlawful diversion of airport revenue: offsite fees (which are intended to provide for costs of general city-wide infrastructure) and a Superfund fee (intended to support the City's role in the Willamette Harbor Superfund site investigation and remediation). An airline lawsuit against the City, alleging violation of federal airport revenue diversion legislation, was dismissed with prejudice in May 2016. The airlines also initiated a parallel administrative proceeding before the FAA, against the Port itself, contending that the Port cannot use airport revenue to pay the contested City stormwater fees or pass those costs on to the airlines. The Port contends that the fees are legitimate operating costs which may be paid with airport revenue and charged to the airlines in the same manner as other utility charges. The FAA ruled in the Port's favor, and the airlines have appealed the matter to the U.S. Court of Appeals for the District of Columbia Circuit. The Port is currently unable to estimate the dollar amount or range of potential loss. Uncertainty arises in part because, should the court rule in the airlines' favor, the court might fashion a remedy in a number of different ways, including a remand to the FAA for further analysis without any monetary judgment. The airlines' share of the stormwater fee is approximately $2.6 million annually. The FAA is the respondent in that proceeding, and the Port has intervened. Litigation proceedings are underway with a decision expected in 2019.

Airport Regulation

The Port operates the Airport pursuant to an Airport Operating Certificate issued annually by the FAA following an on-site review. In addition to this Operating Certificate, the Airport is required to obtain approval, and/or to comply with, other regulatory requirements, including airport sponsor assurances made as a condition to receiving AIP funds. All long-term planning is subject to the FAA's approval, outside audits of the Airport's financial statements are subject to periodic audits by the FAA, the Port's use of Revenues generated at the Airport and any revenues generated from sales of aviation fuel and the Port's use of PFC Revenue and grant proceeds are subject to FAA regulation, review and audit. An airport's violation of any of the applicable statutes and regulations or of any assurances the Airport provides as a condition of receiving federal grants can result in, among other things, an obligation to return grant funds and/or a loss of grant eligibility and eligibility to impose a PFC and to use PFC Revenue.

The Office of the Inspector General (the "OIG") of the U.S. Department of Transportation concluded an audit in December 2018 of the FAA's oversight of the Port's use of PFC Revenue for the 19-month period ended July 31, 2016. The report did not indicate any violations of applicable statutes or regulations by the Port.

Rates and Charges and Revenue Use Regulation. The Federal Aviation Administration Authorization Act of 1994, as amended (the "FAA Act"), and FAA regulations require that an airport maintain a rate structure that is as "self-sustaining" as possible and limit the use of all revenue generated by an airport receiving federal financial assistance to purposes related to the airport. The FAA Act and the Airport and Airway Improvement Act of 1982 (the "AAIA") and regulations provide that for all airports, with certain exceptions, the use of airport revenue (and taxes on aviation fuel) for purposes other than the capital or operating costs of the airport, the local airport system or other local facilities owned or operated by the airport owner or operator and directly and substantially related to the air transportation of passengers or property is unlawful revenue diversion and provide for monetary penalties and other remedies in the event of violations. The Airport is not a "grandfathered" airport to which the exceptions in the AAIA and the FAA Act apply.

The FAA Act, other federal statutes and FAA regulations also require that airline rates and charges set by airports receiving federal assistance be "reasonable," and the FAA Act authorizes the Secretary of Transportation to review rates and charges complaints brought by air carriers. During the pendency of a complaint, an airport is required to provide a surety bond or letter of credit or other form of security to ensure that the disputed portion of the fee is reimbursed to air carriers should the rates and charges be found to be unreasonable. The Secretary's order is subject to judicial review. Existing or new federal guidelines or standards promulgated by a court in connection with a dispute could limit the amounts and allocation of costs payable by airlines serving the Airport. The FAA Act excludes certain fees from the airport fee-challenge process, including a fee imposed pursuant to a written agreement with air carriers using the airport facilities. To date, no rate complaints have been filed against the Airport. It is the understanding of Port management that so long as the 2015 Signatory Airline Agreements are in effect, the fee-challenge provisions of the FAA Act under most circumstances will not affect the airline rates, fees and charges set by the Port. Airlines other than Signatory Airlines operating at the Airport are subject to the rates and charges established in Port Ordinance No. 433-R, which reflect a premium added to the rates and charges established in the Signatory Airline Agreements.

Federal and State Noise Regulation. State statutes and State Department of Environmental Quality ("DEQ") administrative regulations require all airports in the State to institute noise abatement programs in circumstances in which the Environmental Quality Commission has reasonable cause to believe that an abatement program is necessary to protect the health, safety or welfare of the public. The Port instituted a noise abatement program, which has been in effect for approximately 30 years. A Citizen Noise Advisory Committee made up of resident representatives from communities impacted by Airport operations acts in an advisory capacity recommending certain changes in aircraft and airport operations to comply with State law and administrative regulations as well as with federal aviation regulations. The Airport noise program was originally established under Federal Aviation Regulation Part 150 and has been updated four times with the latest update completed and approved by the FAA in July 2010. The program has proven effective at minimizing non-compatible land uses around the Airport and in establishing operating procedures that minimize the impacts of aircraft noise on the surrounding communities.

The United States Congress enacted the Airport Noise and Capacity Act of 1990 ("ANCA") to balance local needs for airport noise abatement with the needs of the national air transportation system. ANCA established criteria and standards that are intended to ensure an airport operator does not impose local restrictions that negatively affect the national air transportation system. Port management believes that the Port is in material compliance with ANCA, and there is no pending litigation known to the Port challenging noise levels of airborne aircraft.

In addition to complaints from the community concerning airborne aircraft, the Port has received complaints from neighbors of the Airport concerning engine run-ups conducted on the ground. Following a citizen complaint, FAA personnel in the Seattle regional office, which oversees Airport noise issues, took the position that engine run-up noise is not protected by ANCA and may be subject to local or State regulations governing noise levels for industrial uses. State laws enforced by the DEQ require the Airport to develop a comprehensive program to abate engine noise associated with ground maintenance activities (not associated with flight operations) at the Airport. A facility called a Ground Run-up Enclosure was constructed at the Airport and has been in operation since 2001. Based on feedback from the community, the Port believes it has adequately addressed the issue of aircraft engine testing. The Port also is studying and developing policies that will govern the use of unmanned aircraft (drones) on or in proximity to the Airport, the General Aviation Airports and the Port's marine terminals and industrial properties, and is working with other local governments and community groups to address noise, privacy and safety concerns.

The Airport is also regulated by the federal Environmental Protection Agency (the "EPA") and by the DEQ in connection with various environmental matters, including handling of airline fuels and lubricants, disposing of stormwater and construction wastewater runoff and overseeing noise abatement programs.

Airport Environmental Matters

In the course of its normal business operations, the Port faces a variety of ongoing environmental matters. The following is a list of current matters under investigation or being remediated at the Airport that may, based on current information, require a payment from Revenues in excess of $500,000. GASB Statement No. 49 – "Accounting and Financial Reporting for Pollution Remediation Obligations" ("GASB 49"), which became effective for the Fiscal Year ended June 30, 2009, identifies the circumstances under which the Port is required to report a liability related to pollution remediation. Under GASB 49, liabilities and expenses are estimated using an "expected cash flows" measurement technique. GASB 49 also requires the Port to disclose information about its pollution obligations associated with cleanup efforts in the notes to its financial statements. See Notes 1 and 11 in Appendix B.

Columbia Slough. All non-deicing-related drainage from the Airport ultimately flows and has historically flowed to the Columbia Slough, which borders the Airport on the south. Investigations performed by the DEQ and others have identified contaminants in Columbia Slough sediments. The DEQ has identified Airport sites along the Columbia Slough that may have contributed to sediment contamination. The Port expects to be asked by the DEQ at some future time to investigate portions of the Columbia Slough adjacent to the Airport property or to participate in long-term monitoring. It is unknown what the likely costs would be to respond to if the DEQ asserted that Port activities impacted the Columbia Slough or to perform an investigation of any such impacts.

McBride Slough. Stormwater from the Terminal and surrounding areas within a stormwater basin known as Basin 7 has historically drained to the McBride Slough, which is located at the southeast corner of the Airport. The McBride Slough ultimately drains to the Columbia Slough via a culvert. Contaminants carried in the stormwater have, over time, been deposited in McBride Slough sediments. Effective July 3, 2012, the Port entered into a consent order with the DEQ to conduct a remedial investigation, feasibility study and source control evaluation associated with McBride Slough. Historical impacts of stormwater from Basin 7 are believed to be the predominant source of contaminants to McBride Slough. The Port and the DEQ negotiated a consent judgment that commits the Port to perform sediment cleanup. The cleanup is currently underway and is scheduled to be completed in the fall of 2019. The anticipated cost to perform the investigation and cleanup is currently estimated to be up to approximately $7 million. The Port has incurred approximately $3 million of costs as of March 1, 2019, without taking into account reimbursements or recoveries from third parties. The Consent Judgment also requires the Port to supplement and monitor source control measures to control future stormwater contamination, which the Port estimates to cost an additional $2.3 million and will be incurred between 2019 and 2023.

Natural Resources Mitigation. Planned maintenance, development and redevelopment activities at the Airport occasionally impact protected natural resource features such as wetlands, upland grasslands and other sensitive ecosystems. Environmental and land use regulations sometimes require mitigating these impacts by avoiding, minimizing or reducing the impacts, or by replacing the impacted resources and ecosystem functions in another location. The Port concluded a multi-year effort called "Airport Futures" that resulted in an update to the Airport master plan and land use zoning. See "Airport Master Plan." This process resulted in more flexibility for the Airport to manage and develop its land in exchange for enhancing and mitigating natural resource features. The obligations of the Airport are documented in a 25-year agreement dated March 2011 adopted by the Port and the City. Those obligations include zoning and mitigation of upland grasslands and watershed enhancement measures. The total estimated costs to the Airport over the 25-year period range from $2.6 million to $5.1 million. The Port successfully obtained an Incidental Take Permit ("ITP") from the U.S. Fish and Wildlife Service in June 2017 that limits potential liabilities associated with the presence of the streaked horned lark, a bird listed as "threatened" under the Endangered Species Act. The ITP protects the Port from certain potential liabilities associated with the incidental "take" of these birds on airport and industrial properties, resulting from Port activities. The mitigation associated with the ITP will cost the Port approximately $1 million over the 30-year permit term of the ITP.

Columbia Corridor Flood Control and Levee System Re-Accreditation by the Federal Emergency Management Agency (FEMA). The four contiguous flood control/drainage districts along the south shore of the Columbia River in Multnomah County, Oregon manage the operations and maintenance of the critical infrastructure (levees, drainage conveyances, pumps) that allows for the land behind the levees to be designated outside the 1%-chance annual flood hazard area so that property owners may benefit from the FEMA-administered National Flood Insurance Program ("NFIP"). The Port owns significant assets in these districts. To maintain standing in the NFIP, the system must be certified by engineers as meeting post-Katrina design and operations and maintenance standards administered by the U.S. Army Corps of Engineers under its Rehabilitation and Inspection Program, and then must be accredited by FEMA. To accomplish this, the system first must be evaluated by engineers, any deficiencies remediated, the system certified by engineers, then an application for accreditation made to and approved by FEMA. The most western two of the four districts have lost their certification (not accreditation). To date, comprehensive engineering evaluations of the levees in all four districts, along with studies and inventories considering environmental functions of the system and the regional economic benefits generated behind the levees, have been completed. This work identified approximately seven areas where structural updates are needed on the levees. In July 2018, the U.S. Army Corps of Engineers announced that they would conduct a flood damage reduction feasibility study of the Portland Metropolitan levee system. The designation came through the U.S. Army Corps of Engineers' storm supplemental with funding for a $3 million feasibility study over the next three years. The outcome of the study will identify recommendations based on optimizing national economic development benefits balanced with other important considerations such as natural and cultural resources, socioeconomics, and life safety. The feasibility study builds on the work completed to date and will help identify solutions to address the areas vulnerable to flood damage, as well as paths to implement those solutions. The results of the study will also be used to determine future federal investments in the system. While the system continues to be maintained and operated to the highest standards by the Multnomah County Drainage District, the study will identify what changes may be required to meet the higher reliability requirements necessary to meet the post-Katrina design, operations and maintenance standards. The Port, along with Multnomah County, the City of Portland, and other local, state, and federal jurisdictions, as well as other stakeholders, are working to define a more broad-based governance and revenue generating structure to pay for these currently undefined re-accreditation costs and operating and maintenance expenses. The Port owns approximately 40% of the land behind these levees. If re-accreditation costs were allocated on a per acre basis, the Port would expect to pay approximately 20-25% of the total costs. However, the fact that the entire region, not just local landowners behind the levees, benefits from this flood control system is the impetus for the proposed governance and revenue generating structure described above.

Port-wide Stormwater Master Plan. The Port has completed a stormwater master plan for all Port facilities except the General Aviation Airports. The objective of the master plan is to ensure that the stormwater infrastructure serving Port properties, including the Airport, has the capacity to meet future needs, has the structural integrity and useful life to meet those needs, and meets water quality requirements. One of the outputs of the plan will be a stormwater capital improvement program that will identify various capital projects to meet master plan objectives over the next 20 years. Most of those improvements will be integrated into already programmed capital projects. There will be some stand-alone stormwater features built under separate projects. The total cost of these stormwater improvements has not yet been estimated, but the costs of many of them are already estimated at a planning level and are being integrated into existing capital projects.

Fire Training Areas. On September 22, 2016, the DEQ requested that the Port investigate suspected contaminant releases associated with the use by the Port, the ORANG and local municipal fire departments of historic and current fire training areas on the Airport's property. Perfluorinated compounds used in aviation firefighting foam, such as perfluorooctanoic acid and perfluorooctanesulfonic acid, are an emerging area of state and federal regulatory interest, as discussed in the EPA's February 14, 2019 Per- and Polyfluoroalkyl Substances Action Plan. There remains, however, significant scientific uncertainty about their health effects, their regulatory status is uncertain and there are no established federal or State cleanup standards. The Port has completed a series of investigations centered around the historic fire training area which have identified contamination in soil and groundwater. Data indicated that the contamination is not impacting the Columbia South Shore Well Field. Contaminants in groundwater, however, are entering the stormwater system and migrating to the Columbia Slough. The Port plans to install a series of monitoring wells and collect groundwater quality and elevation data in 2019. The absence of State and federal regulations for surface water make it difficult to determine what additional action may be required by DEQ, though the Port anticipates being required in the future to perform remedial action to reduce the migration of perfluorinated compounds to stormwater.

Other Matters. Other less significant environmental matters exist at the Airport, and such conditions are expected to develop periodically or be discovered in the ordinary course of ongoing Airport and related operations. Taken individually, it is the opinion of Port management and Port environmental staff that none of these matters will have a material adverse effect on the financial condition of the Airport.

In November 2014, after a port-wide audit conducted by independent third-party auditors, the Port (including all aviation facilities and operations) received certification that the Port's Environmental Management System conforms with the internationally recognized ISO 14001 Environmental Management System standard. One of the purposes of implementing this management system at the Port is to proactively identify environmental risks to the Port and to integrate those risks into Port decision-making, thereby identifying, avoiding and managing environmental liabilities. The Port recertified its compliance with the

ISO 14001 standards in October 2017, including independent, third-party verification of conformance to the recently upgraded ISO 14001 standards.

Non-Airport Environmental Matters

The following environmental matters affect the Port but are not expected to result in liabilities that are payable from Airport revenues. Federal law prohibits the Port from diverting airport revenue to non-airport purposes, including to the resolution of the potential environmental liabilities described below. Although none of these matters may affect the Airport directly, they may impact the Port's General Fund enterprises, many of which pay rent to the Airport and/or share expenses with the Airport.

The Port has been notified by federal and state environmental agencies of its potential liability for contamination at, from and to the Portland Harbor, both in-water and upland, in connection with the Portland Harbor Superfund Site (the "Site") listed on the National Priorities List. The current area under investigation includes in-water sediments from approximately River Mile ("RM") 1.9 to RM 11.8. In addition, the DEQ is overseeing uplands investigations and cleanups adjacent to the river sediments Site. The Port and multiple other potentially responsible parties (the "PRPs") performed a Remedial Investigation and Feasibility Study of the Site under an EPA Settlement and Administrative Order on Consent. The EPA released its Proposed Plan for cleanup at the Site on June 8, 2016. The EPA received approximately 5,300 comments (including from the Port) in response to its Proposed Plan and issued a final Record of Decision ("ROD") for the Site on January 6, 2017. The ROD contains the EPA's final remedy selection and the EPA's estimate of remedy cost (approximately $1.05 billion) but does not assign cleanup responsibility or divide liability among the more than 100 individual PRPs involved at the Site. The Port also is implementing a Settlement and Administrative Order on Consent for a Removal Action at Marine Terminal 4. In June 2018, the Port and the EPA amended the order to include 30% remedial design work to implement EPA's ROD for the Terminal 4 removal action. See Note 11 in Appendix B.

Natural resource trustees representing tribal, federal and state governments also have notified the Port and others of their potential liability for natural resources damages associated with the Site. The tribal, federal and state natural resource trustees have invited multiple Site PRPs, including the Port, to participate in funding certain future natural resource damages studies. The Port and certain other PRPs agreed to fund the first and second phases of certain natural resource damages assessment activities in respect of the Site. The Port and certain other PRPs also are funding a portion of the second phase of natural resource damage assessment activities. In July 2012, the natural resource trustees released a draft Restoration Plan and Programmatic Environmental Impact Statement for the Site- as part of the assessment activities. In 2013, the Port entered confidential settlement negotiations with the Trustee Council and reached a settlement in principle in September 2018. On February 7, 2017, the Confederated Tribes and Bands of the Yakama Nation served the Port with a Summons and Complaint seeking unreimbursed response costs of approximately $283,000 and an unspecified amount of natural resource damages. The Port and other defendants filed a motion to dismiss, which the court took under advisement on April 13, 2018.

Upland contamination at current and former Port facilities adjacent to the Site is concurrently being investigated, and source control is being performed under the DEQ's oversight. The DEQ submitted an updated Portland Harbor Upland Source Control Summary Report to the EPA in March 2016, which includes the updated status of cleanup work at 171 sites in connection with the EPA's Proposed Plan. The Port expects the DEQ's investigations will continue through Fiscal Year 2019, with some source control, such as riverbank stabilization, to be completed in coordination with the in-water cleanup.

Two of these Portland Harbor cleanup sites – Cascade General Portland Ship Repair Yard and Willamette Cove – are also covered by settlement agreements with current property owners that require the Port to complete investigation of the uplands and adjacent sediments to the extent required by law and their respective settlement agreements. At the Cascade General Portland Ship Repair Yard, investigation and cleanup is being performed by the Port under a voluntary cleanup program ("VCP") agreement pursuant to the 2000 purchase and sale agreement. At Willamette Cove, upland investigation and cleanup is being performed by the Port under a VCP agreement with the DEQ and a 2000 interim settlement with another public agency, METRO. Partial insurance recovery has been received.

The Port is pursuing other PRPs' contribution to and participation in the investigation, cleanup and natural resources damages assessment and restoration of Portland Harbor, primarily thorough alternative dispute resolution processes. See Note 11 in Appendix B.

No Litigation Relating to the Series Twenty-Five Bonds

As of the date of this Official Statement, management of the Port has not been notified and is not aware of any litigation, filed or threatened, challenging the authority of the Port to issue the Series Twenty-Five Bonds or seeking to enjoin the issuance of the Series Twenty-Five Bonds.

Other Litigation

In addition to the litigation, potential litigation and environmental matters described in this Official Statement, the Port is a named defendant in various legal actions and claims that arise during the normal course of business. Some of these are covered by insurance and some are in amounts the Port does not consider to be material to the Airport. An unfavorable outcome in these matters, taken individually or in the aggregate, in the opinion of Port management will not have a material adverse effect on the operations or financial position of the Airport. In addition, occasionally the Port is a named defendant in legal actions the Port believes to be frivolous.

REPORT OF THE AIRPORT CONSULTANT

The Report of the Airport Consultant is included in this Official Statement as Appendix A. The Report is part of this Official Statement, and potential purchasers of the Series Twenty-Five Bonds should read the Report, in its entirety.

The Report of the Airport Consultant provides an overview of the economic base of the Air Service Area and of the primary economic and demographic variables (including population, personal income, gross regional and domestic product, employment, consumer prices and other economic conditions and events) nationally and in the Air Service Area that drive demand for passenger and cargo air transportation services and a forecast of such variables for Fiscal Years 2019 through 2024, the "forecast period." The Report describes air service at the Airport currently, identifies the primary factors that affect demand for air travel, including factors (such as costs and availability of jet fuel, other industry consolidation costs and national and Airport aviation security and capacity) that influence passenger and cargo airline profitability and decisions, and summarizes the Airport Consultant's forecast, and the assumptions behind the forecast, of air traffic, including passenger enplanements, aircraft operations and landed weights, at the Airport for the forecast period.

The Report also includes the Airport Consultant's review of existing Airport facilities and a review of the Port's capital improvement program, strategic plan and 2019 forecast budget and existing Port agreements and obligations. The Airport Consultant's conclusion is that based upon the Airport Consultant's approach and assumptions described in the Report, the Net Revenues in each year during the 2019-2024 forecast period will be sufficient to satisfy the Port's rate covenant in the Airport Revenue Bond Ordinances and at the same time to maintain reasonable levels of passenger airline cost per enplaned passenger.

Table 15 summarizes the Airport Consultant's forecast of Revenues, Costs of Operation and Maintenance, Debt Service Requirements and debt service coverage ratios for the forecast period of Fiscal Year 2019-2024 and includes assumptions about capital costs, debt structures and sources of funding. See Chapters 3 and 4 of the Report in Appendix A.

The Airport Consultant notes that although it believes that its approach and assumptions are reasonable and provide an appropriate basis for the financial forecasts set forth in the Report, any forecast is subject to uncertainties and some assumptions used as basis of the forecasts will not be realized, unanticipated events and circumstances may occur, there are likely to be differences between the financial forecast and actual financial results and those variations could be material. The Report of the Airport Consultant should be read in its entirety for an understanding of the forecasts and the underlying assumptions contained therein. The Airport Consultant has no responsibility to update the Report of the Airport Consultant because of events and transactions occurring after the date of the Report.

[Remainder of page intentionally left blank.]

TABLE 15
ACTUAL, BUDGETED AND FORECAST NET CASH FLOW AND DEBT SERVICE COVERAGE
FISCAL YEARS 2018-2024
(000)

	Actual	Budget	Forecast				
	FY 2018 [1]	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Total Revenues:							
Landing fee revenue	$38,961	$38,988	$41,188	$43,614	$46,806	$52,334	$58,765
Signatory airline terminal rental revenue	53,326	51,537	60,762	82,200	88,585	91,938	137,509
Other terminal cost center airline revenues	12,446	11,777	14,622	18,389	20,041	21,307	27,109
Non-airline revenues	137,584	145,121	150,476	154,553	161,163	165,609	170,213
Operational Credit Program	(52)	(278)	0	0	0	0	0
Interest income	585	3,047	3,047	3,047	3,047	3,047	3,047
Total revenues [2]	242,849	250,193	270,095	301,804	319,643	334,235	396,644
Less:							
O&M expenses	130,208	136,742	145,432	152,709	162,289	169,924	180,349
Net revenues [2]	112,641	113,451	124,662	149,095	157,354	164,312	216,296
Less:							
Total SLB debt service requirement [3]	$52,827	$50,411	$61,529	$80,654	$84,221	$89,415	$126,059
Net surplus/(deficit) [2]	$59,814	$63,039	$63,134	$68,441	$73,133	$74,896	$90,237
SLB Debt Service Coverage:							
Net revenues	$112,641	$113,451	$124,662	$149,095	$157,354	$164,312	$216,296
Total SLB debt service requirement [3]	52,827	50,411	61,529	80,654	84,221	89,415	126,059
SLB debt service coverage ratio	2.13x	2.25x	2.03x	1.85x	1.87x	1.84x	1.72x
SLB debt service coverage ratio-requirement	1.30x	1.30x	1.30x	1.30x	1.30x	1.30x	1.30x

[1] Amounts shown for Fiscal Year 2018 vary slightly from the Port's audited financials due to certain accounting adjustments. Net Revenue amount for Fiscal Year 2018 intentionally varies slightly from the amount of Net Revenue shown in Table 13 due to the inclusion of Revenue Bond Fund interest income and an operational credit program.
[2] Totals do not always match because of rounding.
[3] Future SLB Debt Service forecast includes costs associated with the first phase of the Terminal Core Redevelopment project being placed in service in Fiscal Year 2024. This project is currently in design and the Port is evaluating funding options, which could include PFC Revenues and other sources. At this time, for financial feasibility purposes, this project is assumed to be funded with SLBs and debt service is assumed to be paid solely from Revenues.
Source: Exhibit I Report of the Airport Consultant in Appendix A.

This Official Statement, including the Report of the Airport Consultant, contains prospective financial information and other forward-looking statements. The prospective financial information in the Report of the Airport Consultant was not prepared with a view toward compliance with the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. The Port and its management reviewed the prospective financial information and believe that the prospective financial information was prepared on a reasonable basis; however, this prospective information is subjective and should not be relied on as necessarily indicative of future results. Summaries of the prospective financial information from the Report included in the forepart of this Official Statement were prepared by Port management. Moss Adams LLP, independent accountants, which audited the Port's financial statements included in this Official Statement as Appendix B, has neither examined nor compiled this prospective financial information or the summary and, accordingly, Moss Adams LLP does not express an opinion or offer any other form of assurance with respect thereto. The Moss Adams LLP report included in Appendix B of this Official Statement relates to the Port's historical financial information. It does not extend to the prospective financial information and should not be read to do so.

CERTAIN INVESTMENT CONSIDERATIONS

Investment in the Series Twenty-Five Bonds involves risks, some of which are described below, in Appendix A or elsewhere in this Official Statement. Prospective investors are advised to consider the following factors, among others, and other information in this Official Statement, including all of the Appendices, in evaluating whether to purchase Series Twenty-Five Bonds. The factors discussed below are not meant to be a comprehensive or exhaustive list of all of the risks that should be considered, and the order in which these investment risks are presented does not necessarily reflect their relative importance. Any one or more of the risks and other considerations discussed below, among others, could lead to a decrease in the market value and/or in the marketability or liquidity of the Series Twenty-Five Bonds, and no assurance can be given that other risk factors and investment considerations will not become material in the future.

Limited Obligations

SLBs, including the Series Twenty-Five Bonds, are payable solely from Revenues available for deposit to the Port's General Account after payment of Costs of Operation and Maintenance, from moneys held by the Trustee in the SLB Fund and from moneys held by the Port in the SLB Construction Account. No other moneys or property of the Port is pledged to pay debt service on the SLBs, including the Series Twenty-Five Bonds. SLBs are not a general obligation of the Port and are not secured by a pledge of and are not payable from any other revenues, including any tax revenues, of the Port or by the taxing power of the Port or the State or its agencies, instrumentalities or political subdivisions.

Uncertainties of Forecasts and Assumptions

The Report of the Airport Consultant contains certain assumptions and forecasts. Demonstration of compliance with certain of the covenants contained in the Airport Revenue Bond Ordinances, including certificates required as a condition to issuing additional SLBs, also may be based upon assumptions and forecasts. Management of the Airport reviewed the Report of the Airport Consultant, including the Port's and the Airport Consultant's forecasts of air traffic activity at the Airport and the Airport Consultant's forecast of Port revenue and expenditures and the assumptions upon which such forecasts were based, and determined that the forecasts and assumptions contained in the Report of the Airport Consultant are reasonable. Actual results are likely to differ, however, perhaps materially, from the forecasts described in the Report of the Airport Consultant. In the past, changes in general economic conditions have had significant adverse effects on the finances and operations of the Airport and its revenues. It may be difficult to predict the occurrence of future negative economic changes or the potential effect of such events or changes on the finances and operations of the Airport and its revenues until the extent and duration of such events or changes are known.

The assumptions, forecasts and projections contained in the Report of the Airport Consultant and that may be contained in certificates required under the Airport Revenue Bond Ordinances, including the Airport Consultant's certificate required as a condition of issuing the Series Twenty-Five Bonds are not necessarily indicative of future performance at the Airport, and neither the Port nor the Airport Consultant can be responsible if actual results differ from those forecast. In addition, certain assumptions with respect to future business and financing decisions of the Port, the airlines, rental car companies or any of the other parties are subject to change. No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular set of facts or circumstances, and prospective purchasers of the Series Twenty-Five Bonds are cautioned not to place undue reliance upon the forecasts in the Report of the Airport Consultant or upon any other forecasts or projections or requirements for forecasts or projections. If actual results are less favorable than the results forecast or projected or if the assumptions used in preparing such forecasts or projections prove to be incorrect, the Port's ability to make timely payment of the principal of and interest on all of its obligations, including the Series Twenty-Five Bonds, may be materially and adversely impaired.

One of the principal assumptions on which the Airport Consultant relies in making its forecast is that passenger traffic will increase as a function of growth in the economy of the region served by the Airport and continued airline competition. Other assumptions, such as forecasted revenues and expenses, generally follow from assumed passenger traffic. Whether the forecasted passenger traffic materializes depends on a number of factors outside of the Port's control, such as economic growth of the United States, the Pacific Northwest and the Air Service Area, the financial condition of the airlines operating at the Airport, general costs of air travel, capacity of the national air traffic control system, operational decisions made by airlines, and other similar assumptions. In addition, the Airport Consultant makes assumptions about contract terms, passenger spending habits, growth of expenses including labor costs, interest rates and other matters as described in their Report. The Report of the Airport Consultant also assumes that the projects in the CIP will be completed as scheduled and at the costs projected. Some of these projects in the CIP may be necessary for the Airport to achieve the results projected in the Report of the Airport Consultant. The Report should be read in its entirety for an understanding of the forecasts and the underlying assumptions. As noted in the Report of the Airport Consultant, any financial forecast is subject to uncertainties.

Demand for Air Travel

The ability of the Port to generate Revenues sufficient to pay Costs of Operation and Maintenance, debt service on the SLBs (including the Series Twenty-Five Bonds) and other obligations depends upon demand for Airport facilities and services. The principal determinants of passenger demand at the Airport include the population and economy of the Air Service Area; national and international economic conditions; political conditions, including wars; other hostilities and acts of terrorism; airfares and competition from surrounding airports; airline service and route networks; the capacity of the national air transportation system and the Airport; accidents involving commercial passenger aircraft; and the occurrence of pandemics and other natural and man-made disasters. Airfare and airline service are, in turn, affected by the financial condition of the airlines and regulatory requirements imposed on airlines, among other factors. The Signatory Airlines assume most of the responsibility for costs, including debt service and debt service coverage, in connection with the Airfield and the Terminal and thus assume most of the risk of lower passenger and cargo traffic in connection with the Airline Cost Center, but lower passenger traffic would also mean lower parking and rental car concession revenues, which the Port depends upon to pay costs and debt service related to the Port Cost Center, for which the airlines have no responsibility. No assurance can be given that traffic at the Airport, despite a demonstrated level of airline service and operations and despite the Airport's being primarily an O&D airport, will continue to increase or that current traffic levels will continue. The continued presence of the airlines serving the Airport and the level of aviation activity and enplaned passenger and cargo traffic at the Airport depend upon a number of factors, most of which are not within the Port's control.

The Airport Consultant's forecasts do not assume a continuation of the Airport's rapid enplaned passenger traffic growth over the last eight Fiscal Years (compound annual growth of approximately 5.2% for the 2010-2018 Fiscal Year-period), but they do assume some growth based in part upon the economic outlook in the Air Service Area generally. No assurance can be given, however, that even such lower growth will materialize.

Factors not directly related to the health of the Air Service Area, including airline competition and demand in other markets, the financial strength and stability of airlines serving the Airport, including individual airline decisions regarding levels of service at the Airport, are among the determinants of future airline traffic and may affect total enplanements.

Financial Condition of the Airlines

Although underlying economic conditions of the Air Service Area likely will continue to be the most important factor driving passenger demand at the Airport, the ability of the Airport to generate Revenues from operations depends at least in part upon the financial health of the airline industry generally. The economic condition of the airline industry is volatile, and in recent years the industry has undergone significant changes, including mergers, acquisitions, major restructuring, bankruptcies and closures. Airlines operating at the Airport have filed for bankruptcy protection in the past and may do so in the future. See "—Effect of Airline Bankruptcies." Even absent an airline bankruptcy filing, the Port may encounter significant expenses, delays, and potentially nonpayment of amounts owed if it is required to pursue legal action to enforce agreements with the airlines.

The industry is cyclical and subject to intense competition and variable demand and is highly sensitive to a variety of factors, including (i) the cost and availability of labor, fuel, efficient aircraft and insurance, (ii) general economic conditions, (iii) international trade, (iv) currency values, (v) competitive considerations, including the effects of airline ticket pricing, (vi) traffic and airport capacity constraints, (vii) governmental regulation, including security regulations and taxes and fees imposed upon airlines and passengers, (viii) increases in maintenance and environmental requirements and costs, (ix) passenger demand for air travel, (x) disruptions caused by airline accidents, natural disasters, criminal incidents and acts of war or terrorism, (xi) strikes and other union activities and (xii) political risk, including regulatory issues and federal funding and/or staffing shortfalls resulting from actions, or inaction, of Congress.

The price of fuel is one of the most significant factors impacting the passenger and cargo airline industry, and for most airlines fuel expense represents a very large percentage of airline total operating expense. Historically, aviation fuel prices have been particularly sensitive to worldwide political instability. Continued or new hostilities in the Middle East or other petroleum producing regions or affecting key shipping lanes could dramatically impact the price and availability of aviation fuel. Economic expansion in emerging markets also contributes to higher aviation fuel prices. Natural disasters affecting refineries may also result in higher aviation fuel prices. Although some airlines hedge fluctuations in fuel prices through the purchase of futures contracts and although fuel prices have declined significantly in the past several years, the substantial increase in fuel prices until late 2014 had a significant impact on profitability and airline aircraft and route decisions at the Airport. Future fuel price increases or sustained higher prices and volatility in supply have affected and likely will continue to affect the financial condition of airlines, their capacity and route decisions and the level of service the airlines provide at the Airport.

Effect of Airline Industry Concentration; Effect of Airline Consolidation

Alaska Air Group, which is comprised of Alaska Airlines, Horizon Air and Virgin America, was responsible for 43.1% of the Airport's total enplanements and 36.7% of the Airport's total revenue landed weight in Fiscal Year 2018. Although the Airport is largely an O&D airport and is much less dependent on hubbing activity than many other airports, the Airport serves as a local hubbing airport for the Alaska Air Group. Hubbing represents 26.9% of Alaska Air Group's traffic at the Airport. If Alaska Air Group were to reduce or cease connecting service at the Airport, such flights would not necessarily be replaced by other airlines. It is possible that if Alaska Air Group or another airline ceased or significantly cut back operations at the Airport, other airlines may not increase their operations at the Airport to fill that gap. The top four airlines at the Airport (Alaska Air Group, Southwest Airlines, Delta Air Lines and United Airlines) accounted for 85% of the total enplaned passengers in Fiscal Year 2018.

The component airlines of Alaska Air Group merged effective December 2016. See "PORTLAND INTERNATIONAL AIRPORT—Recent Changes in Service at the Airport." Alaska Airlines handled 29.7% of total enplaned passengers, Horizon Air handled 12.3% of total enplaned passengers and Virgin America handled 1.2% of total enplaned passengers at the Airport in Fiscal Year 2018. In addition, since 2010, United Airlines and Continental Airlines; Southwest Airlines and AirTran Holdings, Inc.; and American Airlines and US Airways all have merged. Further airline consolidation remains possible.

While prior mergers have had, and the Port expects that the Alaska Air Group/Virgin America merger will have, little effect on the combined airlines' market share at the Airport, future mergers or alliances among airlines operating at the Airport may result in fewer flights or decreases in gate utilization by one or more airlines. Such decreases could result in reduced Revenues, reduced PFC collections, and increased costs for the other airlines serving the Airport.

Pilot Shortage

Beginning in June of 2017, a shortage of pilots for Horizon Air's Bombardier Q400 aircraft resulted in impacts to Horizon Air's schedule. In the month of June 2017, the airline had to cancel more than 300 flights systemwide because it did not have enough pilots. Horizon Air had to curtail its flight schedule for the following fall. The lost routes were ultimately operated by the mainline carrier Alaska Airlines or SkyWest. In an effort to address this, Horizon Air has increased compensation and decreased the amount of time required for its pilots to advance their careers and has increased its hiring.

Pilot shortage is an industry-wide issue, and especially so for smaller regional airlines. There are several causes for the pilot shortage that affect all airlines. Congress changed duty time rules in 2010 to mitigate pilot fatigue, which required airlines to increase pilot staff. Beginning in 2013, first officers flying for commercial airlines were required to have at least 1,500 hours of flight time, instead of the 250 hours previously required. Other factors include an aging pilot workforce and fewer new pilots coming out of the military. Further, as passenger demand increases, the major air carriers are anticipated to need additional pilots, and are generally able to hire pilots away from regional airlines. As a result, small regional airlines have a particularly difficult time hiring qualified new pilots, despite increased incentives. The shortage of pilots available to regional airlines may result in reduced service to some smaller U.S. markets.

Limitations on Enforceability

The rights of the owners of the Series Twenty-Five Bonds and the enforceability of the Port's obligation to make payments on the Series Twenty-Five Bonds may be subject to bankruptcy, insolvency, arrangement, fraudulent conveyances or transfer, reorganization, moratorium and other laws affecting creditors' rights under currently existing law or laws enacted in the future, and under certain circumstances also may be subject to the exercise of judicial discretion and to limitations on legal remedies against public entities in the State. The opinion of Bond Counsel as to the enforceability of the Port's obligations to make payment on the Series Twenty-Five Bonds will be qualified as to bankruptcy and such other limitations. See "LEGAL MATTERS."

If the Port fails to comply with its covenants under the Airport Revenue Bond Ordinances, including its covenants to pay principal of or interest on the Series Twenty-Five Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the Owners of the Series Twenty-Five Bonds. The ability of the Port to comply with its covenants under the Airport Bond Ordinances and to generate Revenues sufficient to pay principal of and interest on the Series Twenty-Five Bonds may be adversely affected by actions and events outside of the control of the Port, or may be adversely affected by actions taken (or not taken) by voters or payers of fees and charges, among others. The ability of the Port to increase its rates, fees and charges and to reduce its expenses will be limited by, among other things, existing contracts and federal law.

Effect of Airline Bankruptcies

Airlines operating at the Airport have filed for bankruptcy protection in the past and may do so in the future. A bankruptcy of a Signatory Airline (or of any other tenant or concessionaire at the Airport) can result in significant delays, significant additional expense and/or significant reductions in payments, or even in non-payments, to the Port and consequently in a reduction in the amount of Net Revenues.

Although with an O&D airport (like the Airport) that has residual ratemaking for most of the costs of the airfield and the terminal, expectations would be that the amounts other airlines would be required to pay would be sufficient to make up any shortfalls attributable to an airline in bankruptcy. However, the other airlines likely would not be required to make up for unpaid post-bankruptcy usage and rental of terminal and concourse space and ramps, and no assurances can be given that the other airlines would be able to pay such additional amounts when needed, particularly if the bankruptcy occurred during a period in which many of the Signatory Airlines were struggling.

The automatic stay provisions of the Bankruptcy Code could prevent (unless approval of the bankruptcy court was obtained) any action to collect any amount owing by the airline to the Port, any action to remove the airline from possession of any premises or other space, any action to terminate any agreement with the airline, or any action to enforce any obligation of the airline to the Port. With the authorization of the bankruptcy court, the airline may be able to repudiate some or all of its agreements with the Port and stop performing its obligations (including payment obligations) under such agreements. Such a repudiation could also excuse the other parties to such agreements from performing any of their obligations. The airline may be able, without the consent and over the objection of the Port, the Trustee, and the holders of the Series Twenty-Five Bonds, to alter the terms, including the payment terms, of its agreements with the Port, as long as the bankruptcy court determines that the alterations are fair and equitable. In addition, with the authorization of the bankruptcy court, the airline may be able to assign its rights and obligations under any of its agreements with the Port to another entity, despite any contractual provisions prohibiting such an assignment. The Trustee and the holders of the Series Twenty-Five Bonds may be required to return to the airline as preferential transfers any money that was used to make payments on the Series Twenty-Five Bonds and that was received by the Port or the Trustee from the airline during the 90 days immediately preceding the filing of the bankruptcy petition. Claims by the Port under any lease, or any agreement that is determined to be a lease, with the airline may be subject to limitations.

The airline is likely to be in possession of PFCs at the time it goes into bankruptcy. While there are provisions in the law requiring airlines to treat PFCs as trust funds, the application of these provisions in a bankruptcy case is not clear. The airline may not be required to turn over to the Port or the Trustee any

PFCs in its possession at the time it goes into bankruptcy. Even while the airline is in bankruptcy, it may not be required to turn over PFCs that are collected prior to the time that the Port or the Trustee demands the turnover of the PFCs. Even after a demand is made, it is possible that the airline would not be required to turn over subsequently-collected PFCs.

There may be delays in payments on the Series Twenty-Five Bonds while the court considers any of these issues.

There may be other possible effects of a bankruptcy of an airline that could result in delays or reductions in payments on, or other losses with respect to, the Series Twenty-Five Bonds.

In connection with airlines in bankruptcy outside of the United States, the Port cannot predict what types of orders or relief could be issued by foreign tribunals or the extent of delays in connection with such proceedings or the extent to which such orders would be enforceable in the United States.

Regardless of any specific adverse determinations and delays in an airline bankruptcy proceeding, the fact of an airline bankruptcy proceeding, particularly a bankruptcy of a Signatory Airline, could have a material adverse effect on the liquidity and value of the Series Twenty-Five Bonds and could cause a material reduction in Revenues.

Effect of Other Tenant or Concessionaire Bankruptcies

A bankruptcy of a non-airline tenant or concessionaire would raise challenges similar to those described above in connection with airline bankruptcies. Many of the major rental car companies operating at the Airport filed for bankruptcy protection in recent years, and it is possible that rental car companies or other tenants or concessionaires will file for bankruptcy protection in the future.

Effect of a Port Bankruptcy

Under existing federal and State law, the Port is not authorized to file a bankruptcy petition under Chapter 9 of the Bankruptcy Code. If federal or State law changes and if the Port becomes a debtor in a bankruptcy case, there may be delays or reductions in payments on the Series Twenty-Five Bonds or other losses with respect to the Series Twenty-Five Bonds.

Aviation Security Concerns

Concerns about the safety of airline travel and the effectiveness and inconvenience of security precautions influence passenger travel behavior and air travel demand. Intensified security precautions instituted by government agencies, airlines and airport operators have vastly increased costs, some of which have been or will be passed on to travelers and airlines. Despite the increased security measures, additional acts of terrorism resulting in disruption to the North American air traffic system, increased passenger and flight delays, damage to the Airport, reductions in Airport passenger traffic, decreased airline profitability and/or reductions in Revenues, remain possible. Terrorist attacks or any other events that undermine confidence in the safety of air travel likely would have an immediate and material effect on air travel demand. See "PORTLAND INTERNATIONAL AIRPORT—Other Airport Matters—Risk Management Programs."

Worldwide Health Concerns

Travel restrictions, as well as other public health measures, may be imposed to limit the spread of communicable diseases which may arise. In fall 2009, the World Health Organization and the U.S.

Department of Health and Human Services (through the Secretary of the Department of Homeland Security) declared public health emergencies as the result of outbreaks of a serious strain of H1N1 influenza or "flu." In spring 2003, there was an outbreak of a serious strain of bird flu in Asia and Canada called "Severe Acute Respiratory Syndrome" or SARS. The U.S. Centers for Disease Control and Prevention issued travel alerts in 2016 warning pregnant women to avoid travel to areas where outbreaks of the Zika virus, which has been linked to birth defects, were occurring.

Future outbreaks or pandemics may lead to a decrease in air traffic, at least for a temporary period, which in turn could cause a decrease in passenger activity at the Airport and a corresponding decline in Revenues. The Port has plans and procedures in place that are intended to mitigate the potential impacts on the Airport of any such future pandemic. The Port is unable to predict how serious the effect of any future pandemic may become, what effect it may have on air travel to and from the Airport, and whether any such effects will be material.

Credit Risk of Financial Institutions Providing Credit Enhancement and Other Financial Products Relating to Airport Bonds

The Port has obtained a number of credit enhancement agreements from a variety of financial institutions relating to the SLB Reserve Account, its variable rate bonds and its Commercial Paper Notes, including letters of credit from commercial banks and surety bonds issued by surety providers. Additionally, in connection with its Series Eighteen Bonds and Outstanding PFC Bonds, the Port has entered into interest rate swap agreements with various financial institutions.

SLB Reserve Account Surety Bonds. The Port has satisfied a portion of the SLB Reserve Fund Requirement with surety bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SLBS—Funds Under the Airport Revenue Bond Ordinances—SLB Reserve Account." During and following the U.S. recession in 2007-2009 several rating agencies downgraded the claims-paying ability and financial strength ratings of most of the nation's monoline bond insurance companies, and rating agencies could announce downgrades of these entities in the future. Such adverse rating developments with respect to the surety providers could have an adverse effect on the Port, including significant increases in its debt service costs. If the provider of those surety bonds becomes insolvent as earlier providers did, the Port may not be able to draw on their surety bonds in the event Net Revenues are insufficient to pay SLBs, including the Series Twenty-Five Bonds.

Series Eighteen Bonds, PFC Bond Swaps and Commercial Paper Notes. The Port pays amounts calculated at fixed interest rates and receives amounts calculated at variable interest rates under the Series Eighteen Swaps and the PFC Bond Swaps. The Port generally expects that the variable rates it receives under the Series Eighteen Swaps and the PFC Bond Swaps will be roughly equal to the variable rates payable on the Series Eighteen Bonds and the Outstanding PFC Bonds, respectively. Disruptions in the bond or swap markets, however, or a deterioration in the rating or financial strength of the banks whose letters of credit secure payments on the related bonds may cause the variable rates the Port receives to be lower than the variable rates the Port pays, increasing debt service costs to the Port above the level the Port currently anticipates. In addition, the Series Eighteen Swaps and the PFC Bond Swaps have and are expected to continue to have a negative fair value, in part because the Port received cash payments in connection with entering into the Series Eighteen Swaps and the PFC Bond Swaps. As a result, the Port likely will be required to pay substantial amounts if the Series Eighteen Swaps or the PFC Bond Swaps are terminated prior to their respective scheduled termination dates. The Series Eighteen Swaps and the PFC Bond Swaps may be terminated for a variety of reasons including events that are beyond the Port's control, such as adverse changes in the credit quality of the Port's counterparties or of the Port, or because the Port chooses to or is required to refinance or change the interest rate mode of the Series Eighteen Bonds. Payments required under these agreements in the event of any termination could be substantial and could have an adverse effect on the liquidity position of the Port. See "OTHER AIRPORT OBLIGATIONS—Interest Rate Swaps" and Note 6 in Appendix B.

Implementation of Series Twenty-Five Projects and CIP Projects

Although the Port uses a variety of strategies to mitigate risk associated with the implementation of its capital projects, the Port's ability to complete the Series Twenty-Five Projects and other CIP Projects on schedule and on budget is subject to a number of uncertainties. These uncertainties include (but are not limited to) economic conditions; events such as the September 11, 2001 terrorist attacks; new or ongoing military hostilities; adverse weather conditions, earthquakes or other casualty events; the inability to obtain, or delays in obtaining, regulatory or permitting approvals or grant funding; the inability to comply with the conditions of regulatory or permitting approvals or grant funding; unanticipated engineering, environmental or geological problems; litigation; labor, bidding or contracting requirements; strikes; cost overruns; shortages or increased costs of materials or labor; financial difficulties of, or defaults by, contractors; budget estimate, design or engineering errors; changes to the scope off the project; unanticipated levels of inflation; or delays caused by the airline review process (see "PORTLAND INTERNATIONAL AIRPORT—Passenger and Cargo Airline Agreements–*Capital Projects*").

Further, a bankruptcy filing by an airline or a rental car company that collects PFCs, CFCs or other transportation and facility fees, may also result in a reduction in the total amount collected by the Port for its CIP projects or a delay in collecting such amount. Furthermore, PFCs may not be available in the amounts and at the times currently forecasted if additional FAA approvals are not obtained or if there are fewer enplaned passengers than projected. In addition, certain projects are assumed to be funded in part with federal and state grants, but the Port cannot guarantee that such funds will be available or will be received in a timely manner. In most cases, grants are received only after the Port has paid the costs of a project and are subject to audit.

In the event one or more of these funding sources is not available to the Port in the amount or on the schedule contemplated by the Port, the implementation of certain CIP projects may be delayed. Any schedule delays or cost increases could result in the need to issue Additional SLBs, Junior Lien Obligations or Third Lien Obligations, and may result in increased costs that cannot be recovered from the airlines. Market conditions could adversely affect the ability of the Port to issue such additional obligations or to obtain funding from other sources, and the availability of Commercial Paper Note proceeds could also be reduced or eliminated if the letters of credit supporting such Commercial Paper Notes are terminated or expire and are not replaced.

The Airport is a capital-intensive facility. It is possible that the Port will undertake capital projects that are not included in the CIP during the period covered by the Report of the Airport Consultant and probable that it will do so following that period. The Port updates its CIP periodically. If additional capital projects are undertaken, the Port may issue additional bonds or additional Commercial Paper Notes to finance such projects. Depending on the timing of such projects, it may also be necessary to add appropriate personnel or other resources to manage such projects, resulting in increased expenses for the Port.

Additional Indebtedness

Excluding the projects being financed with proceeds of the Series Twenty-Five Bonds and the 2019 CFC Bonds, the CIP includes an aggregate of $1.825 billion of spending on projects during the forecast period from Fiscal Year 2019 to Fiscal Year 2024. The Report of the Airport Consultant reflects the projected issuance of approximately $866.97 million of additional bond proceeds. The Port expects that it will experience an aggregate increase in debt service costs when it issues additional bonds, which will increase landing fees and terminal rents at the Airport, thereby increasing the costs of the airlines serving the Airport, possibly making the Airport less competitive. On the other hand, if the Port does not make improvements, its facilities may be less attractive to passengers and airlines. The Port continues to evaluate capital projects based on risk, passenger demand, asset condition, and the Port's financial position. For further discussion of planned capital projects, see "PORTLAND INTERNATIONAL AIRPORT—Airport Capital Improvement Program." The timing and amounts of additional bonds may change depending on passenger and cargo demand, the availability of other funding sources, the timing of capital expenditures and market conditions. The Port also may undertake additional capital projects during the period covered by the CIP that are not presently included in the CIP.

The Port expects to fund its CIP project costs with a combination of PFCs, available Net Revenues, proceeds from the sale of the Series Twenty-Five Bonds and the 2019 CFC Bonds, federal grants, CFCs, investment income and proceeds of Additional SLBs, Junior Lien Obligations and/or Third Lien Obligations.

Technological Innovations in Ground Transportation

One significant category of non-airline revenues collected by the Port is from ground transportation activity, including fees collected for use of on-Airport parking garages; trip fees paid by taxi, limousine and TNCs (such as Uber, Lyft and Wingz); and rental car transactions by Airport passengers. Although passenger levels are increasing, the relative market share of ground transportation revenue sources is shifting. As one example, the popularity of TNCs has as a result of factors including, among other things, increased availability, technological innovations in ground transportation, convenience of requesting a ride through a mobile application, the ability to pay for service without providing cash or other payment to the hired driver, and competitive pricing. In Fiscal Year 2018, TNCs recorded approximately 1.86 million Airport pick-ups/drop-offs resulting in $3.8 million in trip fee revenue for the Port, compared to approximately 1.27 million Airport pickups/drop-offs and $2.5 million in trip fee revenue in Fiscal Year 2017.

New technologies (such as autonomous vehicles and connected vehicles) and innovative business strategies in established markets such as commercial ground transportation and car rental may continue to occur and may result in further changes in Airport passengers' choice of ground transportation mode. While the Port makes every effort to anticipate demand shifts, there may be times when the Port's expectations differ from actual outcomes. In such event, revenue from one or more ground transportation modes may be lower than expected. The Port cannot predict with certainty what impact these innovations in ground transportation will have over time on revenues from parking, other ground transportation services or rental cars. The Port also cannot predict with certainty whether or to what extent it will collect non-airline revenues in connection with such new technologies or innovative business strategies.

Seismic and other Force Majeure Events

The Airport's and the Port's ability to generate revenues also are at risk from various events of force majeure, such as extreme weather events and other natural occurrences such as earthquakes or eruptions of volcanos, or fires and explosions, spills of hazardous substances, strikes and lockouts, sabotage, terrorist attacks, wars, blockades or riots. See "—Aviation Security Concerns" above and "—Climate Change and Environmental Matters."

The Airport is located in a seismically active region. Oregon and Washington are located in the Cascadia subduction zone and at risk of a magnitude 9.0 Cascadia subduction zone earthquake or an earthquake with an average recurrent period of once every 500 years. The authors of a study from 2012 have reported that such an earthquake could occur more frequently than once every 500 years and that there is a 37% chance of a magnitude 8.0 to 9.0 earthquake striking somewhere along the Cascadia subduction zone in the next 50 years. The Airport is the only major airport in Oregon and southwest Washington and would be critical for efforts to restore water, fuel, power and other critical infrastructure and services.

The Port has made and continues to make upgrades to the seismic stability of some of its facilities. See "PORTLAND INTERNATIONAL AIRPORT—Seismic Resiliency Planning." Nevertheless, the Airport could sustain extensive damage to its facilities in a major earthquake or volcanic eruption. Damage could include pavement displacement (which could, in the worst case, necessitate the closing of one or more runways for extended periods of time), distortions of pavement grades, breaks in utilities, loss of water supply, damage to drainage and sewage lines, displacement or collapse of buildings, and rupture of gas and fuel lines.

While the Port has attempted to address the risk of loss through the purchase of insurance, certain of these events may not be covered. See "—Aviation Security Concerns" above and "—Environmental Matters and Climate Change" below. Further, even for events that are covered by insurance, the Port cannot guarantee that coverage will be sufficient or that insurers will pay claims in a timely manner. From time to time, the Port may change the types of and limits and deductibles on the insurance coverage that it carries.

A major earthquake anywhere in the Pacific Northwest may cause significant temporary and possibly long-term harm to the economy of one or more cities in the Pacific Northwest or the entire region, which could in turn have a negative effect on passenger traffic and on Revenues, and such effect could be material.

Environmental Matters and Climate Change

General. The Port is required to comply with numerous federal, state and local laws and regulations designed to protect the environment, health and safety, and to inform the public of important environmental issues and potential impacts of Port activities. The Port is also directly or indirectly affected by certain laws, regulations and State orders, including, without limitation, air quality regulations and storm water regulations. See "PORTLAND INTERNATIONAL AIRPORT—Airport Environmental Matters."

The standards for required environmental impact review and for compliance under several state and federal laws and regulations are becoming more rigorous and complex. Permits issued to the Port under such laws and regulations may be frequently amended, often resulting in more stringent and more costly requirements and uncertainty about the scope of the Port's future obligations and associated costs.

These types of changes may result in increased compliance costs that, in turn, significantly delay or affect the Port's efforts to maintain and repair existing infrastructure or to construct additional revenue-generating infrastructure. Additionally, the costs to mitigate environmental impacts, such as impacts to jurisdictional wetlands, obtain regulatory approvals, and manage potential legal or procedural challenges for such projects may result in substantial increases to total project costs and delays in completing the projects. Air quality regulations that directly or indirectly impact the Port may result in the Port's having to, or desiring to, expend funds to assist the Port's business partners in complying with various regulations.

Costs associated with these compliance and related activities may consume an increasingly significant portion of the Port's capital and operating budgets, and the Port may have unanticipated capital or operating expenditures. In addition, for projects with forecasted costs, the Port cannot provide assurances that the actual cost of the required measures will not exceed the forecasted amount. The Port also cannot provide assurances that the cost of compliance and related activities required of the Port and/or its business partners will not negatively affect Port operations and, therefore, Port revenues and/or expenses.

Additional environmental laws and regulations may be enacted and adopted in the future that could apply to the Port or its business partners, which could result in an adverse impact on projected revenues or expenses. The Port is not able to predict with certainty what those laws and regulations may be or the impacts to the Port or its business partners of compliance with such laws and regulations.

Also, certain individuals, organizations and/or regulatory agencies may seek other legal remedies to compel the Port to take further actions to mitigate perceived or identified environmental impacts and/or health hazards or to seek damages in connection with the potential environmental impacts of the Port's Airport, and Commercial Real Estate activities. The Port has undertaken a number of initiatives over the years to address potential concerns. Nonetheless, there is a risk that, despite the Port's adopted environmental plans, mitigation programs, and policies, legal action challenging the Port could ensue. Such legal action could be costly to defend, could result in substantial damage awards against the Port, and could curtail certain Port developments or operations.

Climate Change. Projections of the impacts of global climate change on the Port and its tenants, and on the Port's operations are complex and depend on many factors that are outside the Port's control. The various scientific studies that forecast the amount and timing of the adverse impacts of global climate change are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the Port is unable to forecast when adverse impacts of climate change (e.g., the occurrence and frequency of 100-year storm events) will occur. In particular, the Port cannot predict the timing or precise magnitude of adverse economic effects, including, without limitation, material adverse impacts on the business operations or financial condition of the Port and the local economy during the term of the bonds. While the impacts of climate change may be mitigated by the Port's past and future investment in adaptation strategies, the Port can give no assurance about the net effects of those strategies and whether the Port will be required to take additional adaptive mitigation measures.

Beyond the direct adverse material impact of global climate change itself, present, pending and possible regulations aimed at curbing the effects of climate change may directly or indirectly materially impact the operations or financial condition of the Port. Of particular importance are regulations pertaining to greenhouse gas ("GHG") emissions. According to the United States Environmental Protection Agency ("EPA"), aircraft account for 12% of all U.S. transportation GHG emissions and 3% of total U.S. GHG emissions. While in 2016 the EPA finalized an endangerment finding that GHG emissions from "U.S. covered aircraft" cause or contribute to air pollution, triggering the Clean Air Act Section 231's requirement to regulate, aircraft GHG emission standards are not yet proposed and there has been no public EPA action in this area since December 2016. Regulations may be implemented in the future. In March 2017, the International Civil Aviation Organization ("ICAO"), a specialized agency within the United Nations, adopted GHG carbon neutral growth targets applicable to (i) new aircraft type designs as of 2020 and (ii) new deliveries of current in-production aircraft models from 2023. The global standard includes a cutoff date of 2028 for production of non-compliant aircraft. The ICAO also passed in October 2016 a market-based mechanism to curb emissions, the Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA"). CORSIA is designed to achieve carbon-neutral growth for international (but not domestic) civil aviation from 2020 onwards, via pilot, volunteer and mandatory phases. As of January 31, 2018, 73 nations representing 87.7% of international aviation activity, including the United States, have indicated that they will participating in the pilot and volunteer phases of CORSIA.

The Port is unable to predict what additional laws and regulations with respect to GHG emissions or other environmental issues (including but not limited to air, water, hazardous substances and waste regulations) will be adopted, or what effects such laws and regulations will have on the Port, airlines operating at the Airport, other Port tenants, or the local economy. The effects, however, could be material.

Cyber and Data Security

The Port, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations, and faces multiple cybersecurity threats including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, "Systems Technology"). As a recipient and provider of personal, private, or sensitive information, the Port may be the target of cybersecurity incidents that could result in adverse consequences to the Port's Systems Technology, requiring a response action to mitigate the consequences.

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the Port's Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the Port invests in multiple forms of cybersecurity and operational safeguards. In 2016, the Port adopted a cyber security policy ("Cyber Policy") to support, maintain, and secure critical infrastructure and data systems. The objectives of the Cyber Policy include the protection of critical infrastructure and information, manage risk, improve cyber security event detection and remediation, and facilitate cyber awareness across all Port departments. The Port has established a cybersecurity team to work across all Port departments to implement the Cyber Policy. The Port's Cyber Policy will be reviewed periodically.

While Port cybersecurity and operational safeguards are periodically tested, no assurances can be given by the Port that such measures will ensure against other cybersecurity threats and attacks. Cybersecurity breaches could damage the Port's Systems Technology and cause material disruption to the Port's finances or operations. The costs of remedying any such damage or protecting against future attacks could be substantial. Further, cybersecurity breaches could expose the Port to material litigation and other legal risks, which could cause the Port to incur material costs related to such legal claims or proceedings.

The airlines serving the Airport and other Port tenants also face cybersecurity threats that could affect their operations and finances.

Regulation

The Port is subject to various laws, rules and regulations adopted by local, State and federal governments and their agencies. The Airport is highly regulated by federal agencies, including the FAA, the TSA, Customs and Border Protection and the Department of Health.

Operations and capital improvement at the Airport and the ability of the Port to generate Net Revenues sufficient to pay debt service on SLBs, including the Series Twenty-Five Bonds, and other obligations are subject to a number of federal, State and local government restrictions and regulations that can limit activities and development and increase costs at or to the Airport. Existing federal, State and City environmental regulations cover a wide variety of areas attributed to the Airport and result in significant costs to the Port and to the airlines and other users of Airport facilities, and additional environmental regulations are being developed, some of which would add or expand limitations on aircraft operations, including but not limited to emissions and noise at and around the Airport.

FAA regulations govern a wide variety of activities at the Airport, including permitted uses of revenue and land at the Airport. Failure to comply with such regulations, even if unintentional, can result in loss of grant and/or PFC eligibility. In the State, State laws may be enacted by citizen initiative as well as by the Oregon Legislative Assembly, and such laws could limit, prohibit or increase the cost of activities at the Airport.

Potential Limitation of Tax Exemption of Interest on the Series Twenty-Five Bonds

From time to time, the President of the United States, the United States Congress and/or state legislatures have proposed and could propose in the future, legislation that, if enacted, could cause interest on the Series Twenty-Five Bonds to be subject, directly or indirectly, to federal income taxation or could cause interest on the Series Twenty-Five Bonds to be subject to or exempted from State income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Clarifications of the Internal Revenue Code of 1986, as amended (the "Code"), or court decisions may also cause interest on the Series Twenty-Five Bonds to be subject, directly or indirectly, to federal income taxation or may cause interest on the Series Twenty-Five Bonds to be subject to or exempted from state income taxation. The introduction or enactment of any such legislative proposals or any clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series Twenty-Five Bonds. Prospective purchasers of the Series Twenty-Five Bonds should consult their own tax advisors regarding any such pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion. See "TAX MATTERS."

Federal Funding Considerations

The Port depends on federal funding for the Airport in connection with grants and PFC authorizations, as well as for the funding that provides for TSA, FIS, air traffic control and other FAA staffing and facilities. Federal funding must be appropriated by Congress for these services. From time to time, there may be a gap in appropriation authority due to Congressional or Presidential inaction. When this occurs, federal agencies must discontinue all nonessential, discretionary functions until new funding legislation is enacted and signed into law, while essential services and mandatory spending programs continue to function. Air traffic controllers, TSA screeners and Customs and Border Patrol agents providing services at U.S. airports are considered essential federal employees that are required to work without pay during any gaps in appropriation authority. It is possible that a future gap in federal appropriation authority could result in significant operational or financial effects on the Port.

Federal funding also is impacted by sequestration under the Budget Control Act of 2011. Except to the extent changed by Congress from time to time, sequestration is a multi-year process and could continue to affect FAA, TSA and Customs and Border Control budgets and staffing, which results in staffing shortages and furloughs and traffic delays at the Airport and nationwide. Some of the TSA funding shortages are being addressed by increasing the amount (and removing the cap) on the security fees on tickets, but such fees have been controversial, and no assurance can be given that such fees will be sufficient or that the increased ticket costs will not result in lower passenger enplanements.

The FAA currently operates under the FAA Reauthorization Act of 2018, which authorizes its operations and programs and provides funding through September 30, 2023. If the FAA authorization were to expire without a long-term reauthorization or short-term extension, during such period FAA programs would be unauthorized, including FAA programs providing funding for the Airport.

The FAA may reduce discretionary grants in the future. The reduction in discretionary grants awarded to the Airport increases by a corresponding amount the capital expenditures that the Port needs to fund from other sources, including operating revenues, PFCs and Bond proceeds. Project costs are subject to audit by the funding agencies to ensure that the costs are allowable under the grant agreements. If any project costs are disallowed, amounts recorded as grants receivable will be reduced or refunded to the respective funding agencies.

The FAA currently disburses grant funds to the Airport through the AIP, however there are several proposals that would reduce or eliminate funding for the AIP. Additional proposals to reduce or eliminate

AIP funding may be made in the future. Further, AIP grants to airports are subject to passage of annual congressional appropriation bills and funding may be reduced or eliminated in any year.

It is difficult for the Port to predict the occurrence of the events or changes to the programs described in this "—Federal Funding Considerations" or the potential effect of such events or changes on the finances and operations of the Port and its revenues until the extent and duration of such events or changes are known.

CONTINUING DISCLOSURE

The Port will undertake in a Continuing Disclosure Certificate for the benefit of registered and beneficial Owners of each the Series Twenty-Five Bonds to provide to the Municipal Securities Rulemaking Board (the "MSRB"), on an annual basis not later than nine (9) months after the end of each Fiscal Year of the Port (which shall be April 1 of each year, so long as the Port's Fiscal Year ends on June 30), commencing with the Fiscal Year ending June 30, 2019, certain specified financial information and operating data. In addition, the Port will undertake for the benefit of registered and beneficial Owners of the Series Twenty-Five Bonds, to provide to the MSRB in a timely manner notices of certain material events. This undertaking is to assist the Underwriters in complying with Rule 15c2-12 of the Securities and Exchange Commission. The proposed form of Continuing Disclosure Certificate is contained in Appendix F.

In previous years, the Port filed notices of enumerated events except that the Port did not file a notice of every rating change in respect of its credit and liquidity providers (letter of credit banks and bond insurers).

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series Twenty-Five Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Internal Revenue Code"), except that no opinion is expressed as to the status of interest on any Series Twenty-Five B Bond for any period that such Series Twenty-Five B Bond is held by a "substantial user" of the facilities financed or refinanced by the Series Twenty-Five B Bonds or by a "related person" within the meaning of Section 147(a) of the Internal Revenue Code. Bond Counsel observes, however, that interest on the Series Twenty-Five B Bonds is a specific preference item for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, interest on the Series Twenty-Five A Bonds is not a specific preference item for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, interest on the Series Twenty-Five Bonds is exempt from personal income taxation by the State. The proposed form of opinion of Bond Counsel is set forth in Appendix G.

To the extent the issue price of any maturity of a Series of the Series Twenty-Five Bonds is less than the amount to be paid at maturity of such Series Twenty-Five Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series Twenty-Five Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series Twenty-Five Bonds which is excluded from gross income for federal income tax purposes and State of Oregon personal income tax purposes. For this purpose, the issue price of a particular maturity of a Series of the Series Twenty-Five Bonds is the first price at which a substantial amount of such maturity of the Series Twenty-Five Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of a Series of the Series Twenty-Five Bonds accrues daily over the term to maturity of such Series Twenty-Five Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series Twenty-Five Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series Twenty-Five Bonds. Beneficial Owners of the Series Twenty-Five Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series Twenty-Five Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Series Twenty-Five Bonds is sold to the public.

Series Twenty-Five Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Internal Revenue Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series Twenty-Five Bonds. The Port has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series Twenty-Five Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series Twenty-Five Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series Twenty-Five Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series Twenty-Five Bonds may adversely affect the value of, or the tax status of interest on, the Series Twenty-Five Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series Twenty-Five Bonds is excluded from gross income for federal income tax purposes and is exempt from State of Oregon personal income tax, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series Twenty-Five Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Internal Revenue Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Internal Revenue Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series Twenty-Five Bonds. Prospective purchasers of the Series Twenty-Five Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series Twenty-Five Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Port or about the effect of future changes in the Internal Revenue Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Port has covenanted, however, to comply with the requirements of the Internal Revenue Code.

Bond Counsel's engagement with respect to the Series Twenty-Five Bonds ends with the issuance of the Series Twenty-Five Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Port or the Beneficial Owners regarding the tax-exempt status of interest on the Series Twenty-Five Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Port and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Port legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series Twenty-Five Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series Twenty-Five Bonds, and may cause the Port or the Beneficial Owners to incur significant expense.

APPROVAL OF LEGAL MATTERS

Issuance of the Series Twenty-Five Bonds is subject to receipt of the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Port. The proposed form of the opinion of Bond Counsel with respect to the Series Twenty-Five Bonds is included in this Official Statement as Appendix G. Bond Counsel takes no responsibility for the accuracy, completeness or fairness of this Official Statement. From time to time Orrick, Herrington & Sutcliffe LLP serves as counsel to the Underwriters on matters that do not relate to the Port or to the Series Twenty-Five Bonds.

Certain legal matters will be passed upon for the Port by Daniel Blaufus, Esq., General Counsel to the Port. Certain legal matters will be passed upon by Orrick, Herrington & Sutcliffe LLP as Disclosure Counsel to the Port and for the Underwriters by their counsel, Kutak Rock LLP. Neither the Port's General Counsel nor Underwriters' Counsel is rendering an opinion as to the validity or tax status of the Series Twenty-Five Bonds. Any opinion of Underwriters' Counsel will be rendered solely to the Underwriters, and any opinion of Underwriters' Counsel, Port Counsel or Disclosure Counsel will be limited in scope and cannot be relied upon by investors.

THE TRUSTEE

U.S. Bank National Association, having an office in Portland, Oregon, serves as trustee, registrar and paying agent for the SLBs, including the Series Twenty-Five Bonds. The corporate trust office of the Trustee is currently located at 555 S.W. Oak Street, Portland, Oregon 97204. U.S. Bank National Association is successor trustee to The Bank of New York Mellon Trust Company, N.A., the Corporate Trust Business of Wells Fargo Bank National Association and First Interstate Bank of Oregon.

The Trustee has undertaken only those duties and obligations that are expressly set forth in the Airport Revenue Bond Ordinances and the Series Twenty-Five Bond Certificate. The Trustee has not independently passed upon the validity of the Series Twenty-Five Bonds, the security of payment therefor, the value or condition of any assets pledged to the payment thereof, the adequacy of the provisions for such payment, the status for federal or State income tax purposes of the interest on the Series Twenty-Five Bonds or the investment quality of the Series Twenty-Five Bonds. Except for the contents of this section, the Trustee has not reviewed or participated in the preparation of this Official Statement and has assumed no responsibility for the nature, content, accuracy or completeness of the information included in this Official Statement.

INDEPENDENT ACCOUNTANTS

The financial statements for the Port, including information for the Airport, for the year ended June 30, 2018, included as Appendix B, have been audited by Moss Adams LLP, independent accountants, as stated in their report appearing therein.

MUNICIPAL ADVISOR

PFM Financial Advisors LLC is acting as municipal advisor (the "Municipal Advisor") to the Port with respect to the Series Twenty-Five Bonds. The Municipal Advisor has assisted the Port in the preparation of this Official Statement and in other matters relating to the planning, structuring, execution and delivery of the Series Twenty-Five Bonds. The Municipal Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Port, and make no guaranty, warranty or other representation relating to the accuracy or completeness of this Official Statement or any of the information contained herein.

Compensation to be received by the Municipal Advisor from the Port for services provided in connection with the planning, structuring, execution and delivery of the Series Twenty-Five Bonds is contingent upon the sale and delivery of the Series Twenty-Five Bonds.

RATING

S&P has assigned its rating of "AA-" (stable outlook) to the Series Twenty-Five Bonds. Such rating reflects only the views of S&P, and any desired explanation of the significance of such rating should be obtained from S&P at the following address: 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. A securities rating is not a recommendation to buy, sell, or hold securities and there is no assurance that such rating will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agency furnishing the same if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal may have an adverse effect on the market price or the availability of a secondary market for the Series Twenty-Five Bonds.

UNDERWRITING

The Series Twenty-Five A Bonds are to be purchased by J.P. Morgan Securities LLC acting on its own behalf and as representative of Morgan Stanley & Co. LLC (collectively, the "Underwriters"), at a price of $25,811,888.02 (representing the aggregate principal amount of the Series Twenty-Five A Bonds, plus original issue premium of $4,016,236.50, less an underwriters' discount of $29,348.48). The Series Twenty-Five B Bonds are to be purchased by the Underwriters, at a price of $219,512,543.10 (representing the aggregate principal amount of the Series Twenty-Five B Bonds, plus original issue premium of $33,331,936.00, less an underwriters' discount of $249,392.90). The Bond Purchase Agreement between the Port and the Underwriters provides that the Underwriters will purchase all of the Series Twenty-Five Bonds of each Series if any Series Twenty-Five Bonds are purchased and that the purchase of the Series Twenty-Five Bonds is subject to the conditions set forth in the Bond Purchase Agreement.

The Underwriters may offer and sell the Series Twenty-Five Bonds to certain dealers or unit investment trusts and money market or other funds and others at lower prices than the initial offering prices corresponding to the yields set forth on the inside cover, and such initial offering prices may be changed from time to time by the Underwriters without notice.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the Port, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Port.

J.P. Morgan Securities LLC ("JPMS"), one of the underwriters of the Series Twenty-Five Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of CS&Co. and LPL will purchase Series Twenty-Five Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series Twenty-Five Bonds that such firm sells.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC., an underwriter of the Series Twenty-Five Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series Twenty-Five Bonds.

RELATED PARTIES

Orrick, Herrington & Sutcliffe LLP, Bond Counsel and Disclosure Counsel to the Port, also represents the Underwriters on other matters.

An affiliate of J.P. Morgan Securities LLC, one of the Underwriters, is a counterparty to certain of the Port's Series Eighteen and PFC Bond Swaps.

MISCELLANEOUS

The descriptions herein and in the appendices of the Airport Revenue Bond Ordinances, the Series Twenty-Five Bond Certificate, the Signatory Airline Agreements and other documents are brief summaries of certain provisions thereof. Such summaries do not purport to be complete, and reference is made to such documents and contracts, copies of which are on file with the Port, for full and complete statements of their provisions. Section headings, table headings and captions are included for convenience only and should not be construed as modifying the text of this Official Statement.

All estimates and other statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

This Official Statement should not be construed as a contract or agreement between the Port or the Board and the purchasers or holders of any of the Series Twenty-Five Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Port.

THE PORT OF PORTLAND

By: /s/ Daniel Blaufus
Interim Chief Financial Officer

[This page intentionally left blank.]

APPENDIX A

REPORT OF THE AIRPORT CONSULTANT

[This page intentionally left blank.]

`

PORT OF PORTLAND

Possibility. In every direction.

Appendix A:
Report of the Airport Consultant

Portland International Airport Revenue Bonds, Series Twenty-Five

March 20, 2019

PREPARED FOR

The Port of Portland

PREPARED BY

Landrum & Brown, Incorporated

[THIS PAGE INTENTIONALLY LEFT BLANK]

4445 Lake Forest Drive
Suite 700
Cincinnati, OH 45242
USA
T +1 513 530 5333
F +1 513 530 1278
landrum-brown.com

March 20, 2019

Mr. Curtis Robinhold
Executive Director
Port of Portland
7200 NE Airport Way
Portland, OR 97218

Re: Report of the Airport Consultant, The Port of Portland (Oregon), Portland International Airport Revenue Bonds, Series Twenty-Five

Dear Mr. Robinhold:

Landrum & Brown, Incorporated (L&B), in association with AVK Consulting, Inc. and Partners for Economic Solutions, is pleased to submit this Report of the Airport Consultant (Report) for the proposed issuance of The Port of Portland's, Portland International Airport Revenue Bonds, Series Twenty-Five A and Series Twenty-Five B Bonds (herein referred to as the Series Twenty-Five Bonds). This independent Report has been prepared for The Port of Portland (Port) in support of its issuance of the Series Twenty-Five Bonds pursuant to various provisions in Port Ordinance Nos. 155, 323, 455-B (amending 155 and 323), and 467-B (herein referred to as the Bond Ordinances), and is intended to be included in the Official Statement for the Series Twenty-Five Bonds as Appendix A, Report of the Airport Consultant. All capitalized terms in this Report are used as defined in the Official Statement or Bond Ordinances, except as otherwise defined herein.

The Portland International Airport (Airport) is owned and operated by the Port. The Port was created by the Oregon Legislature in 1891 to dredge a shipping channel from Portland, Oregon, to the Pacific Ocean. Today, the Port is charged with promoting aviation, maritime, and industrial interests. In addition to the Airport, the Port owns several maritime terminals, two general aviation airports (Hillsboro and Troutdale Airports), and business parks. The Port also owns and operates the dredge *Oregon*, as a contractor to the U.S. Army Corps of Engineers, to help maintain the navigation channel on the lower Columbia and Willamette Rivers. The Port is governed by a nine-member Board of Commissioners that establishes and controls policies for the Port. Board members are appointed by the Governor of Oregon and confirmed by the Oregon State Senate.

The Series Twenty-Five Bonds

The Series Twenty-Five Bonds are being issued pursuant to the provisions of the Bond Ordinances. The Port is planning to issue the Series Twenty-Five Bonds to (1) fund a portion of the Port's capital improvement program (CIP) defined herein as the "Series Twenty-Five Projects," (2) fund capitalized interest, (3) fund a deposit to the debt service reserve account, (4) repay certain Commercial Paper Notes issued to finance a portion of the costs of the Series Twenty-Five Projects, and (5) pay associated costs of issuance. The Series Twenty-Five Bonds are being issued as "SLBs" under the Bond Ordinances, and are payable solely from the Net Revenues of the Airport on a parity with the pledge of Net Revenues securing payment of the Port's outstanding SLBs. In the Bond Ordinances, the term "SLBs" refers to "Subordinate Lien Bonds," but the Port no longer has any outstanding obligations secured by a pledge of Net Revenues that is prior to the pledge securing the SLBs, and the Port has covenanted in the Bond Ordinances that it will not issue any obligations payable from the Revenues or money in the General Account that have a claim prior to the claim of the SLBs and scheduled payments under Qualified

Swaps (Scheduled Swap Obligations). As a result, effectively “SLBs” are senior lien bonds and include the outstanding SLBs, Scheduled Swap Obligations, outstanding Parity Reimbursement Agreements, the Series Twenty-Five Bonds, any additional SLBs, including any additional Scheduled Swap Obligations and any Parity Reimbursement Agreements that may be issued or entered into in accordance with the Bond Ordinances.
To avoid confusion, this Report uses the term “SLBs” in place of Subordinate Lien Bonds referred to in the Bond Ordinances.

Bond Ordinances

In the Bond Ordinances, the Port has covenanted to impose and prescribe a schedule of rates, rentals, fees, and other charges for the use and services of the facilities and commodities furnished by the Airport, to revise the same from time to time whenever necessary and to collect the income, receipts, and other money derived therefrom so that (1) Revenues will be sufficient to discharge all claims, obligations, and indebtedness payable from or secured by Revenues, (2) the Net Revenues in each fiscal year (FY)[1] will be at least equal to 130% of the SLB Debt Service Requirement for such FY for all SLBs then outstanding, and (3) the Net Revenues, together with other amounts that are available to pay Other Swap Obligations, are sufficient to pay all Other Swap Obligations and any Junior Lien Obligations when due.

The Port also covenanted to impose and prescribe such schedule of rates, rentals, fees, and other charges for the use and services of the facilities and commodities furnished by the Airport and to revise the same from time to time, whenever necessary and to collect the income, receipts and other moneys derived therefrom, so that the Net Revenues in each FY will be at least equal to the sum of: (i) the amounts described above plus (ii) 100% of the Excess Principal coming due in such Fiscal Year. As defined in the Bond Ordinances, “Excess Principal” means the principal amount of any Outstanding SLBs which, in accordance with any reimbursement agreement, or other agreement pursuant to which any Credit Facility is given in connection with such SLBs, is due and payable by the Port in a particular FY (whether by virtue of scheduled maturity, mandatory redemption or any similar method), but only to the extent the principal amount of such SLBs, which is so due and payable in such FY, exceeds the principal amount which in the absence of the provisions of such reimbursement agreement, or other agreement referred to above, would otherwise be due and payable in such FY (whether by scheduled maturity or mandatory redemption). The Port has reserved the right, however, to delete provisions relating to “Excess Principal” and to amend the definition of “SLB Debt Service Requirement.”

Further, and pursuant to the Bond Ordinances, the Port is authorized to issue additional SLBs, subject to meeting certain conditions. The Port has covenanted not to issue any Airport Revenue Bonds or incur any obligations other than Costs of Operation and Maintenance (O&M) Expenses with a lien on Revenues superior to the lien associated with the SLBs.

To issue additional SLBs (such as the Port’s proposed Series Twenty-Five Bonds), the Port must provide certain documents to the Trustee pursuant to the Bond Ordinances including either:

(a) An Airport Consultant’s written report setting forth projections which indicate:

   (i) the estimated Net Revenues for each of three consecutive FYs beginning in the earlier of (A) the first FY following the estimated date of completion and initial use of all revenue-producing facilities to be financed with such series of SLBs, based upon a certified written estimated completion date by the consulting engineer for such facility or facilities, or (B) the first FY in which the Port will have scheduled payments of interest on or principal of the series of SLBs to be issued for payment of which provision has not been made as indicated in the report of such Airport Consultant from

[1] The Port’s fiscal year is the 12-month period ended June 30.

proceeds of such series of SLBs, investment income thereon or from other appropriated sources (other than Net Revenues); and,

(ii) that the estimated Net Revenues for each FY are equal to at least 130% of the SLB Debt Service Requirements on all SLBs schedule to occur during that FY after taking into consideration the additional SLB Debt Service Requirements for the series of Bonds to be issued; or

(b) An Assistant Secretary of the Port's certificate stating that, for either the Port's most recent complete FY or for any consecutive 12 out of the most recent 18 months, Net Revenues were equal to at least 130% of the maximum SLB Debt Service Requirement on all Outstanding SLBs in any future FY and the series of SLBs proposed to be issued.

For the issuance of the Series Twenty-Five Bonds, the Port is planning to provide a certificate of historical Net Revenues as outlined in (b) above.

Airline Agreements

The Port is a party to two types of airline agreements, (1) Signatory Passenger Airline Lease and Operating Agreements entered into as of July 1, 2015, and Affiliate Passenger Carrier Operating Agreements (together, the "Signatory Passenger Airline Agreements") and (2) Cargo Carrier Operating Agreements (the "Signatory Cargo Airline Agreements" and together with the Signatory Passenger Airline Agreements, the "Signatory Airline Agreements"). The Signatory Airline Agreements establish, among other things, procedures for setting and adjusting rentals, rates, fees, and charges to be collected for the use of Airport facilities. The Signatory Airline Agreements have a 10-year term and are in effect through June 30, 2025. Airlines that have executed the Signatory Airline Agreements and their operating affiliates accounted for more than 99% of enplaned passengers at the Airport in FY 2018, and all but two of the all-cargo carriers that currently operate at the Airport have signed the Signatory Cargo Airline Agreements.

The Signatory Passenger Airline Agreements govern airline use of certain Airport facilities, including ramp, terminal, baggage claim, ticket counters, and gate areas and certain cargo and other facilities and permit the Signatory Airlines to lease Exclusive Space, Preferential Space, and Shared Space. Exclusive space includes ticket counter space, office space, operations space, airline club lounges, baggage makeup space, and baggage service area space. Preferential Space is Airport space, including aircraft loading bridges and/or other aircraft support equipment, leased to the Signatory Airline and to which the Signatory Airline has a higher and continuous priority of use over all other air carriers and concessionaires. Shared Space includes some baggage makeup areas, corridors, and ticket offices. Common Use Space includes Port-controlled ticket counters, ticket offices, equipment, kiosks, and unleased gates.

Passenger airlines and cargo carriers operating at the Airport that are not Signatory Airlines or affiliates of Signatory Airlines (the "Non-Signatory Airlines") are subject to rates and charges established pursuant to Port Ordinance No. 433-R and Amended and Restated Ordinance No. 389-R (together, the "Non-Signatory Ordinances"). Non-Signatory Airlines do not benefit from revenue sharing and pay a 25% premium over the rates and charges established in the Signatory Airline Agreements.

Report of the Airport Consultant

In our preparation of this independent Report, we evaluated the ability of the Airport to generate Revenues sufficient to meet the funding requirements and obligations established by the Bond Ordinances during the forecast period of FY 2019 through FY 2024. The following provides an overview of the primary findings and conclusions contained in the Report.

Role of the Airport and Economic Base for Air Traffic

The Airport has been classified by the Federal Aviation Administration (FAA) as a large hub facility since 2014 based upon its share of nationwide enplaned passengers.[2] Based on data from the FAA for calendar year (CY) 2017, approximately 9.4 million enplaned passengers boarded aircraft at the Airport ranking it 30th in the U.S.[3] This was an increase of approximately 4.0% as compared to CY 2016. The Airport has a diverse, stable base of air carriers. All of the primary U.S. network airlines along with several low-cost carriers (LCCs) operate at the Airport. Alaska Air Group is the parent company to Alaska Airlines (Alaska), Virgin America, and Horizon Air (Horizon). When combining enplaned passenger market share for Alaska, Virgin America, and Horizon, the three carriers comprised approximately 43.1% of enplaned passengers at the Airport for FY 2018.

The Airport is the primary commercial air service facility serving the Portland metropolitan area and the surrounding region, and is essentially isolated from other airport competition. The geographical region that serves as an airport's primary air service catchment area is referred to as its "air service area." For the purposes of this Report, the Airport's Air Service Area is defined as the Portland-Vancouver-Hillsboro, OR-WA Metropolitan Statistical Area (MSA), and includes the five Counties of Clackamas, Columbia, Multnomah, Washington, and Yamhill Counties in the State of Oregon; and the two Counties of Clark and Skamania in the State of Washington. The Portland-Vancouver-Hillsboro MSA is the 25th most populated MSA in the U.S., with approximately 2.5 million people. The Air Service Area is relatively isolated from competing airport facilities and, hence, the Airport has limited competition for air service.

The Airport is primarily an origin-destination (O&D) airport. In FY 2018, approximately 85% of the Airport's enplaned passengers were O&D passengers, and the remaining 15% were connecting passengers. The vast majority of connecting passengers were carried on Alaska and Horizon.

The Air Service Area's economic strength is evaluated in Chapter 1 of this Report. Growth expectations for population, employment, and household income are forecast to have relatively stronger growth rates in the Air Service Area as compared to the overall U.S., indicating the ongoing capacity of the Air Service Area to generate demand for air travel services during the forecast period.

Air Service and Air Traffic Analysis

Between FY 2008 and FY 2018, enplaned passengers at the Airport increased from approximately 7.4 million to approximately 9.7 million, an overall compound annual growth rate (CAGR) of 2.7% for this period. Enplaned passengers at the Airport increased during nine of those 11 years. The Airport did experience decreases in FYs 2009 and 2010 as the U.S. was in a period of economic recession. Since FY 2013, however, the Airport has experienced relatively rapid growth in enplaned passengers, with a CAGR of 5.8% for FY 2013 through FY 2018. The Airport has seen record levels of enplaned passengers in recent FYs, with FY 2018 setting a new FY record of approximately 9.7 million enplaned passengers.

Air service at the Airport for its primary passenger airlines appears more profitable based on key airline revenue performance measures (as demonstrated in Chapter 2 of the Report) than it was during the last enplaned passenger peak experienced in the 2007-2008 period. Therefore, passenger air service at the Airport appears to be better positioned, currently, than it was prior to the last economic recession.

[2] The FAA classifies Large Hub airports as those serving at least 1.0 percent of annual U.S. passenger boardings.
[3] FAA hub classification is currently based on CY 2015 enplaned passengers.

The Port prepared the aviation activity forecasts included in this Report for the period of FY 2019 through FY 2024, and L&B reviewed these forecasts to serve as the basis for its financial feasibility analyses. In general, the underlying economic conditions of the Air Service Area are expected to be the primary driver for passenger demand at the Airport, especially as it relates to O&D traffic. In addition, several other assumptions are also incorporated into the long-term forecast including the following:

- The Airport will continue its role of primarily serving O&D passengers and being a hub for Alaska Air Group.
- The other primary airlines currently serving the Airport (i.e., Southwest, Delta, and United) will continue to provide air service to support local demand primarily through larger aircraft and to longer-haul markets.
- Trans-oceanic non-stop international service will remain throughout the forecast period. Additional international service will be provided as demand dictates, including seasonal service to leisure markets in Mexico.
- LCC service will continue to operate at the Airport to serve the demand for such services.
- Long-term nationwide growth in air travel is expected to occur over the forecast period.
- Economic disturbances are likely to occur over the forecast period; however, the Airport's current air service appears more profitable and, hence, more stable than it was during the last peak experienced in the 2007-2008 period. Year-over-year variations likely to occur from these disturbances are, therefore, expected to be shorter in duration than experienced prior to the recessionary period.

The table below presents historical enplaned passengers for FYs 2014 through 2018, and forecast enplaned passenger levels for the Airport for the period of FY 2019 through FY 2024.

Fiscal Year	Enplaned Passengers (in thousands)	Percent Change
	Actual	
2014	7,762	5.8%
2015	8,059	3.8%
2016	8,792	9.1%
2017	9,423	7.2%
2018	9,733	3.3%
	Forecast	
2019	9,966	2.4%
2020	10,196	2.3%
2021	10,430	2.3%
2022	10,670	2.3%
2023	10,915	2.3%
2024	11,166	2.3%
	Compound Annual Growth Rates	
2014-18	5.8%	
2018-24	2.3%	

Source: Port of Portland, Airport management records, November 2018.
Compiled by L&B, December 2018

It is important to note that many of the factors that may affect air travel demand are not necessarily quantifiable. As a result, all forecasts of aviation activity are subject to various uncertainties. Therefore, this forecast, as with any forecast, should be viewed as a general indication of future activity as opposed to a precise prediction. Actual future traffic may vary from these forecasts and such variances could be material.

Capital Improvement Program

For purposes of this Report, the Airport's current CIP is organized into the following two categories:

- **The Series Twenty-Five Projects.** These include capital projects to be funded, in part, with Series Twenty-Five Bond proceeds. The capital and operating costs associated with the Series Twenty-Five Projects have been included in the financial analysis and are further described in Chapter 4.
- **Other Capital Projects.** These are the other Airport capital projects that are currently anticipated by the Port to be undertaken over the forecast period or from FY 2019 through FY 2024, and are referred to in this Report as the Other Capital Projects. A major project included with the Other Capital Projects is the Terminal Core Redevelopment described in Chapter 3 of this Report. The estimated capital funding and operating costs (if any) and estimated revenue impacts (if any), associated with the Other Capital Projects also have been included in the financial analysis.

The Series Twenty-Five Projects include various terminal development and efficiency improvements, infrastructure improvements, airfield improvements, and ground transportation improvements as described in Chapter 3 of this Report. The Series Twenty-Five Projects are estimated to cost approximately $294.6 million (including design, engineering, construction, escalation for inflation, and contingency amounts). More information on the Series Twenty-Five Projects is included in Section 3.3 of the Report. Sources of funding for the Series Twenty-Five Projects are presented in Exhibit A at the end of this Report. Project costs associated with the Series Twenty-Five Projects are allocated to the Terminal Cost Center, Airfield Cost Center (the Airline Cost Center), or the Port Cost Center. For additional information on the Airport's cost center structure, please refer to Section 4.3.1 of the Report.

Other Capital Projects currently anticipated by the Port to be undertaken and/or completed during the forecast period are also shown in Exhibit A and are described in Section 3.4 of this Report. Preliminary cost estimates for the Other Capital Projects total approximately $1.83 billion. Major projects included in the Other Capital Projects consist of future construction of Phase 1 of the Terminal Core Redevelopment project, the Consolidated Rental Car Facility that is planned to be funded with the Port's Series 2019 CFC Revenue Bonds, various airfield improvements, roadway rehabilitations, and air cargo development. It should be noted that certain capital projects included in Other Capital Projects could potentially be deferred or not otherwise undertaken by the Port during the forecast period (depending on circumstances such as aviation demand levels, availability of project funding, etc.).

Financial Analysis

L&B evaluated the ability of the Airport to generate Revenues sufficient to meet the funding requirements and obligations established by the Bond Ordinances during the forecast period of FY 2019 through FY 2024. Per our analyses, and as required pursuant to the Rate Covenant, (1) Net Revenues are forecast to be sufficient to discharge all claims, obligations, and indebtedness payable from or secured by Revenues, and (2) Net Revenues in each Fiscal Year are forecast to be at least equal to 130% of the SLB Debt Service Requirement for each FY for all outstanding and forecast SLBs.

The Port is able to meet its requirements and obligations established by the Bond Ordinances and maintain competitive levels of airline cost per enplaned passenger (CPE) throughout the forecast period as compared to other large hub airports in the western U.S. The table below presents debt service coverage ratios and airline CPE throughout the forecast period. It should be noted that the Port is currently evaluating the funding plan for the Terminal Core Redevelopment project that is in design. Portions of this project are likely to be eligible to be funded with Passenger Facility Charges (PFCs). More information on the Port's funding plan for its CIP is presented in Chapter 4 of this Report.

Fiscal Year	Debt Service Coverage Ratio	Airline CPE
2019	2.25	$9.29
2020	2.03	$10.31
2021	1.85	$12.63
2022	1.87	$13.28
2023	1.84	$13.76
2024	1.72	$18.53

Source: Port of Portland, Airport management records, February 2019.
Compiled by L&B, February 2019

In preparing our findings and conclusions, L&B has relied upon the accuracy and completeness of financial and other data provided to it by the referenced sources, without independent verification.

The techniques and methodologies used in preparing this Report are consistent with industry practices for similar studies in connection with airport revenue bond sales. Although L&B believes that the approach and assumptions used are reasonable and provide an appropriate basis for the financial forecasts, any forecast is subject to uncertainties. Inevitably, some assumptions used to derive the forecast contained herein will not be realized, and unforeseeable events may occur. The actual financial results achieved will vary from those forecast, and such variations could be material. We have no responsibility to update this Report for events and/or circumstances occurring after the date of this Report.

L&B is not registered with the U.S. Securities & Exchange Commission as a municipal advisor, is not acting as a municipal advisor, and does not assume any fiduciary duties or provide advisory services as described in Section 15B of the Securities Exchange Act of 1934 or otherwise. L&B does not make recommendations or advice regarding any action to be taken by our clients with respect to any prospective, new, or existing municipal financial products or issuance of municipal securities including with respect to the structure, timing, terms, or other similar matters concerning municipal financial products or the issuance of municipal securities.

L&B, in association with AVK Consulting, Inc. and Partners for Economic Solutions, appreciates this opportunity to serve as the Port's Airport Consultant for this proposed financing.

Sincerely,

Landrum & Brown, Incorporated

Landrum & Brown, Incorporated

Contents Page

List of Tables Page

List of Exhibits

[THIS PAGE INTENTIONALLY LEFT BLANK]

1 Role of the Airport and Economic Base for Air Traffic

This chapter introduces the Portland International Airport (Airport) and summarizes the role the Airport serves in accommodating air traffic for the nation and the region as well as an important hub for the Alaska Air Group. This chapter also describes the Portland, Oregon, region's economic base and its ability to continue to support demand for air transportation.

1.1 Role of the Airport

The Airport is owned and operated by The Port of Portland (the Port). The Oregon Legislature created the Port in 1891 to dredge a shipping channel from Portland, Oregon, to the Pacific Ocean. Today, the Port is charged with promoting aviation, maritime, and industrial interests within the Portland region. In addition to the Airport, the Port owns two general aviation airports (Hillsboro Airport and Troutdale Airport), four marine terminals in Oregon's largest port, and six business and industrial parks. The Port also owns and operates the dredge *Oregon* to help maintain the shipping channel on the lower Columbia and Willamette Rivers as a contractor to the U.S. Army Corps of Engineers. As further described in **Section 4.3.2**, Airport Revenue Bonds are not a general obligation of the Port, or a charge upon any other revenues or property of the Port not specifically pledged thereto by the Bond Ordinances (defined herein in **Section 4.3.2** of this Report).

1.1.1 National Role

The Airport is one of the busiest commercial passenger airports in the United States (U.S.). It is one of 30 airports that enplane at least one percent of nationwide enplaned passengers and is consequently designated as a Large Hub airport by the Federal Aviation Administration (FAA). In calendar year (CY) 2017, the Airport was ranked 30th in the U.S. with 9.4 million enplaned passengers who boarded aircraft at the Airport, which equates to a 4.0% increase as compared to CY 2016.[4] **Table 1-1** provides the rankings of U.S. Large Hub airports in terms of total enplaned passengers per the FAA.

The Airport has a diverse, stable base of air carriers. The primary network airlines along with several low-cost carriers (LCCs) operate at the Airport. When combining the passenger market share for all of the airlines under the Alaska Air Group, the carriers accounted for approximately 43.1% of enplaned passengers at the Airport during fiscal year (FY) 2018.[5] Alaska Air Group is the parent company to both Alaska Airlines and Horizon Air. Alaska Air Group completed the acquisition of Virgin America in December 2016. In March 2017, Alaska Air Group announced that Virgin America would merge with Alaska Airlines and the combined airline would operate under the Alaska Airlines brand. The Virgin America brand is expected to be fully retired by the end of CY 2019. **Exhibit 1-1** presents the Airport's enplaned passenger market share for all airlines for FY 2018. Additional details on the Airport's air service and air traffic composition is contained in Chapter 2 of this Report.

In addition to the passenger operations at the Airport, there is a significant amount of air cargo processed at the Airport. According to the Airports Council International–North America (ACI-NA), 236,822 metric tons of air cargo, including both freight and mail, were loaded and unloaded at the Airport in CY 2017. Based on this data from ACI-NA, the Airport ranked as the 24th busiest cargo airport in the U.S. for this period. ACI-NA data indicated that the Airport had 228,949 aircraft operations[6] in CY 2017 (including all-cargo carrier operations), which ranked the

4 Based on information provided in the FAA's Air Carrier Activity Information System (ACAIS).
5 The Port's fiscal year is the 12-month period ending June 30.
6 An aircraft operation includes the landing, takeoff, or touch-and-go procedure by an aircraft on the runway at an airport.

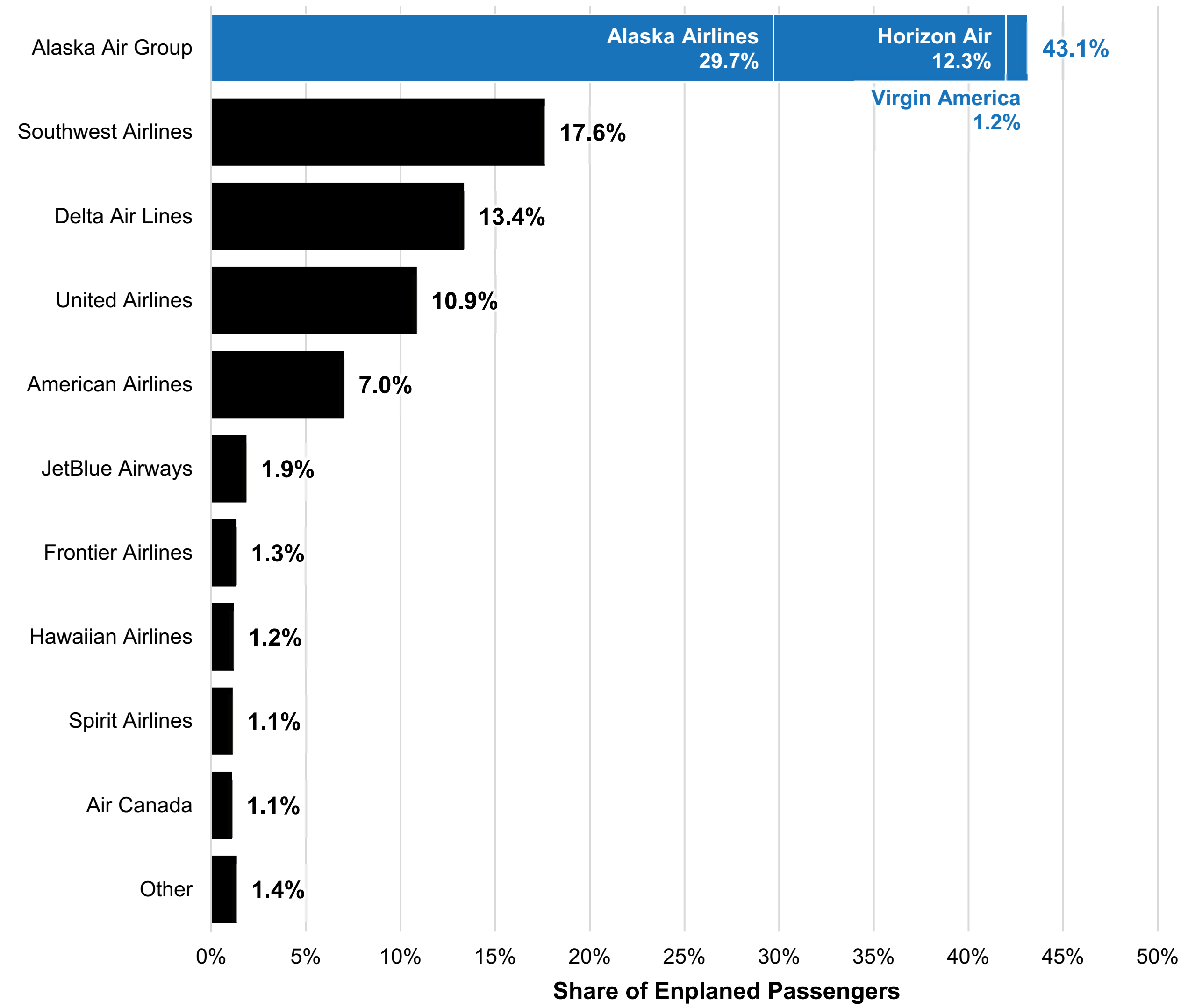
Airport as the 37th busiest airport in the U.S. **Table 1-2** provides the ACI-NA's ranking for cargo and aircraft operations for CY 2017.

TABLE 1-1 U.S. Airport Enplaned Passenger Rankings (Large Hub Airports) – CY 2017

Rank	Code	Airport	Enplaned Passengers
1	ATL	Hartsfield - Jackson Atlanta International	50,251,964
2	LAX	Los Angeles International	41,232,432
3	ORD	Chicago O'Hare International	38,593,028
4	DFW	Dallas-Fort Worth International	31,816,933
5	DEN	Denver International	29,809,097
6	JFK	John F Kennedy International	29,533,154
7	SFO	San Francisco International	26,900,048
8	LAS	McCarran International	23,364,393
9	SEA	Seattle-Tacoma International	22,639,124
10	CLT	Charlotte/Douglas International	22,011,251
11	EWR	Newark Liberty International	21,571,198
12	MCO	Orlando International	21,565,448
13	PHX	Phoenix Sky Harbor International	21,185,458
14	MIA	Miami International	20,709,225
15	IAH	George Bush Intercontinental/Houston	19,603,731
16	BOS	General Edward Lawrence Logan International	18,759,742
17	MSP	Minneapolis-St Paul International/Wold-Chamberlain	18,409,704
18	DTW	Detroit Metropolitan Wayne County	17,036,092
19	FLL	Fort Lauderdale/Hollywood International	15,817,043
20	LGA	LaGuardia	14,614,802
21	PHL	Philadelphia International	14,271,243
22	BWI	Baltimore/Washington International Thurgood Marshall	12,976,554
23	SLC	Salt Lake City International	11,615,954
24	DCA	Ronald Reagan Washington National	11,506,310
25	SAN	San Diego International	11,139,933
26	IAD	Washington Dulles International	11,024,306
27	MDW	Chicago Midway International	10,912,074
28	HNL	Daniel K Inouye International	9,743,989
29	TPA	Tampa International	9,548,580
30	**PDX**	**Portland International**	**9,435,473**

Source: Federal Aviation Administration, Air Carrier Activity Information System (ACIAS), accessed October 2018.

EXHIBIT 1-1 Enplaned Passengers Market Share at the Airport – FY 2018



Notes: Regional affiliates, as applicable, have been included with their appropriate mainline partner.
Amounts may not add due to rounding.
Source: Port of Portland, Aviation Statistics – Monthly Traffic Report June 2018.

TABLE 1-2 U.S. Airport Cargo and Aircraft Operations Rankings (Top 37) – CY 2017

Rank	Code	City	Cargo Metric Tons
1	MEM	Memphis TN	4,336,752
2	ANC	Anchorage AK	2,713,230
3	SDF	Louisville KY	2,602,695
4	LAX	Los Angeles CA	2,158,324
5	MIA	Miami FL	2,071,722
6	ORD	Chicago IL	1,721,807
7	JFK	New York NY	1,350,599
8	IND	Indianapolis IN	1,038,620
9	CVG	Cincinnati OH	944,995
10	DFW	Dallas/Fort Worth TX	809,929
11	EWR	Newark NJ	800,000
12	ATL	Atlanta GA	685,338
13	ONT	Ontario CA	593,947
14	OAK	Oakland CA	567,354
15	SFO	San Francisco CA	561,805
16	HNL	Honolulu HI	517,361
17	IAH	Houston TX	450,842
18	SEA	Seattle WA	425,856
19	PHL	Philadelphia PA	419,785
20	PHX	Phoenix AZ	339,822
21	BOS	Boston MA	321,397
22	IAD	Washington DC	299,455
23	DEN	Denver CO	265,240
24	**PDX**	**Portland OR**	**236,822**
25	MSP	Minneapolis MN	229,440
26	MCO	Orlando FL	220,025
27	DTW	Detroit MI	216,183
28	RFD	Rockford IL	195,606
29	CLT	Charlotte NC	191,613
30	SLC	Salt Lake City UT	190,158
31	SAN	San Diego CA	171,937
32	BWI	Baltimore MD	167,845
33	AFW	Fort Worth TX	150,139
34	TPA	Tampa FL	149,605
35	LCK	Columbus OH	116,083
36	BDL	Hartford CT	114,903
37	SAT	San Antonio TX	113,692

Rank	Code	City	Aircraft Operations
1	ATL	Atlanta GA	879,560
2	ORD	Chicago IL	867,049
3	LAX	Los Angeles CA	700,362
4	DFW	Dallas/Fort Worth TX	654,344
5	DEN	Denver CO	574,966
6	CLT	Charlotte NC	553,817
7	LAS	Las Vegas NV	542,994
8	SFO	San Francisco CA	460,343
9	IAH	Houston TX	450,383
10	JFK	New York NY	446,459
11	EWR	Newark NJ	443,249
12	PHX	Phoenix AZ	430,968
13	MSP	Minneapolis MN	416,213
14	SEA	Seattle WA	416,124
15	MIA	Miami FL	413,287
16	BOS	Boston MA	401,371
17	DTW	Detroit MI	395,357
18	LGA	New York NY	379,911
19	DVT	Phoenix AZ	378,777
20	PHL	Philadelphia PA	369,928
21	GFK	Grand Forks ND	331,881
22	MCO	Orlando FL	330,866
23	SLC	Salt Lake City UT	327,292
24	LGB	Long Beach CA	321,797
25	FLL	Fort Lauderdale FL	312,763
26	HNL	Honolulu HI	311,903
27	DAB	Daytona Beach FL	307,976
28	SFB	Sanford FL	307,064
29	SNA	Santa Ana CA	293,649
30	DCA	Washington DC	293,097
31	AZA	Phoenix AZ	290,452
32	ANC	Anchorage AK	276,407
33	IAD	Washington DC	264,587
34	BWI	Baltimore MD	261,707
35	MDW	Chicago IL	251,341
36	OAK	Oakland CA	236,491
37	**PDX**	**Portland OR**	**228,949**

Source: Airports Council International-North America, 2017 North American Airport Traffic Summary, accessed October 2018.

1.1.2 Regional Role

In FY 2018, the Airport had approximately 8.2 million enplaned origin and destination (O&D) passengers, making the Airport the 25th largest O&D market in the U.S. O&D traffic accounted for 84.6% of the total enplaned passengers in FY 2018 and the remaining 15.4% of passengers connected through the Airport on their way to their final destination. The Alaska Air Group handles the vast majority of the connecting passengers at the Airport.

The Airport is the primary commercial air service facility servicing the Portland-Vancouver-Hillsboro, OR-WA Metropolitan Statistical Area (Portland MSA) and its surrounding region. For the purposes of this Report, the Airport's Air Service Area is defined as the Portland MSA. The Air Service Area is comprised of five counties in Oregon (Clackamas, Columbia, Multnomah, Washington, and Yamhill) and two counties in Washington (Clark and Skamania). Although not included as part of the Portland MSA, the counties of Marion, Oregon, and Cowlitz, Washington, have population areas relatively near the Airport and contribute to air traffic as well. In many cases, an air service area can extend beyond the primary MSA depending on the location of other population centers and availability of other commercial service airports. This is the case as competition from other commercial service airports is lacking, especially to the south and east of the Airport. Given these considerations and its relatively high number of destinations served compared to other commercial service airports in the State, the Airport is generally considered the primary commercial service airport in Oregon. However, it is generally the economic strength of the Air Service Area that provides the principal demand for supporting O&D air travel.

The Airport is essentially isolated from other competing airports in the region. The Seattle-Tacoma International Airport (SEA) is the closest comparable airport, about 160 driving miles from the Airport. However, the ability to drive to SEA from Portland within a predictable time frame is highly variable since the section of Interstate 5[7] near SEA has some of the most severe congestion and traffic delays[8] in the Seattle region. This congestion and the resultant erratic drive times contribute to preventing SEA from serving as a viable alternative for air passengers traveling from the Portland metro area.[9]

Exhibit 1-2 illustrates the Air Service Area and other commercial service airports within 200 miles from the Airport. As shown, other commercial airports in the region are smaller facilities and are more than 100 driving-miles from the Airport. There are no other comparable facilities to the Airport within the State of Oregon in terms of air service.

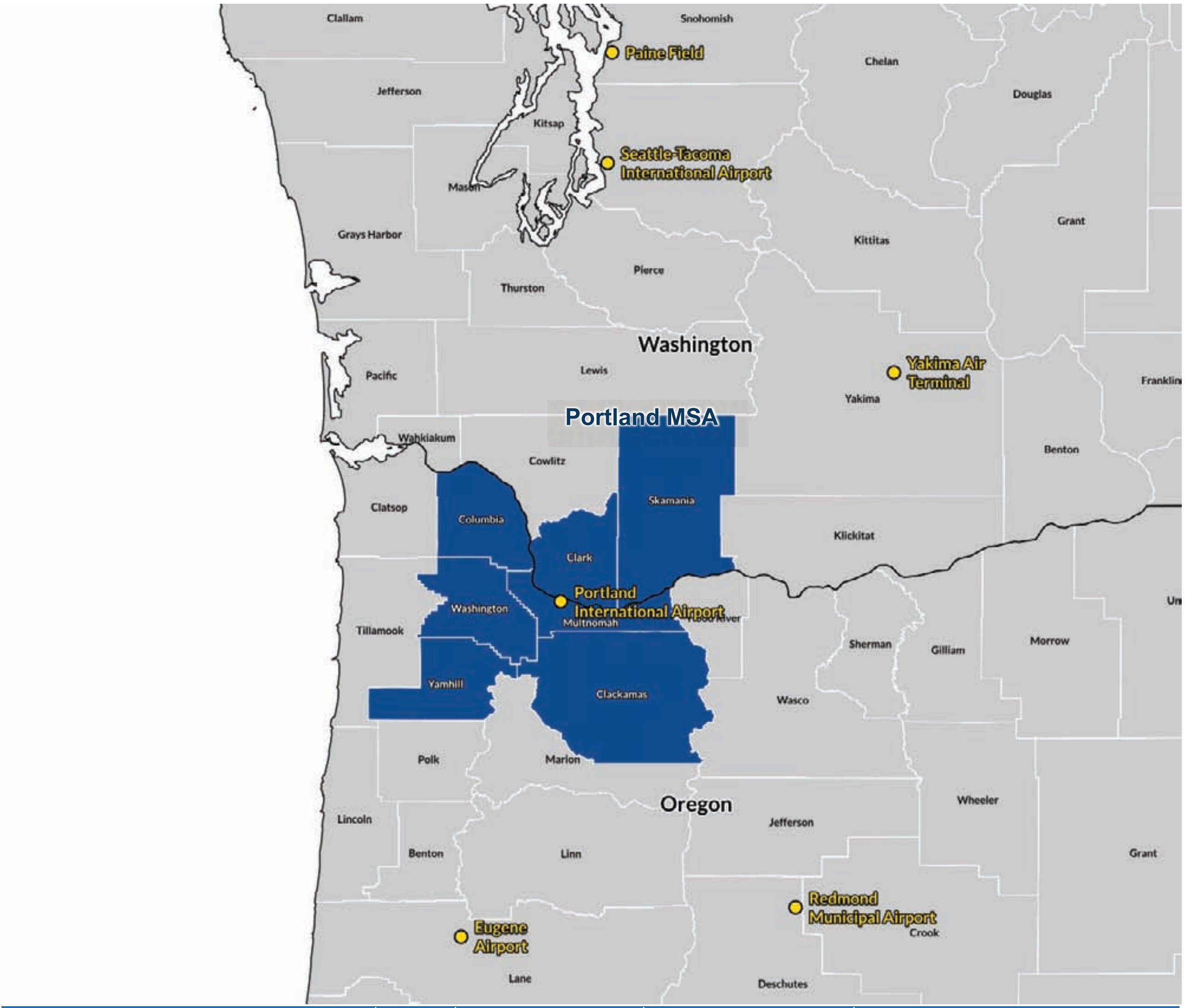
---

7 Interstate 5 (I-5) is a key commuter and freight transportation corridor in the Seattle metro region.

8 Traffic delay on Interstate 5 is measured as vehicle hours of delay per day, increasing from 16,823 hours per day in 2015 to 19,442 hours per day in 2017, a rise of 15.6%; 2018 Corridor Capacity Report, Washington State Department of Transportation, November 2018, http://wsdot.wa.gov/publications/full text/graynotebook/corridor-capacity-report-18.pdf, accessed December 2018.

9 2018 Corridor Capacity Report, Washington State Department of Transportation, November 2018, http://wsdot.wa.gov/publications/full text/graynotebook/corridor-capacity-report-18.pdf, accessed December 2018.

EXHIBIT 1-2 Air Service Area



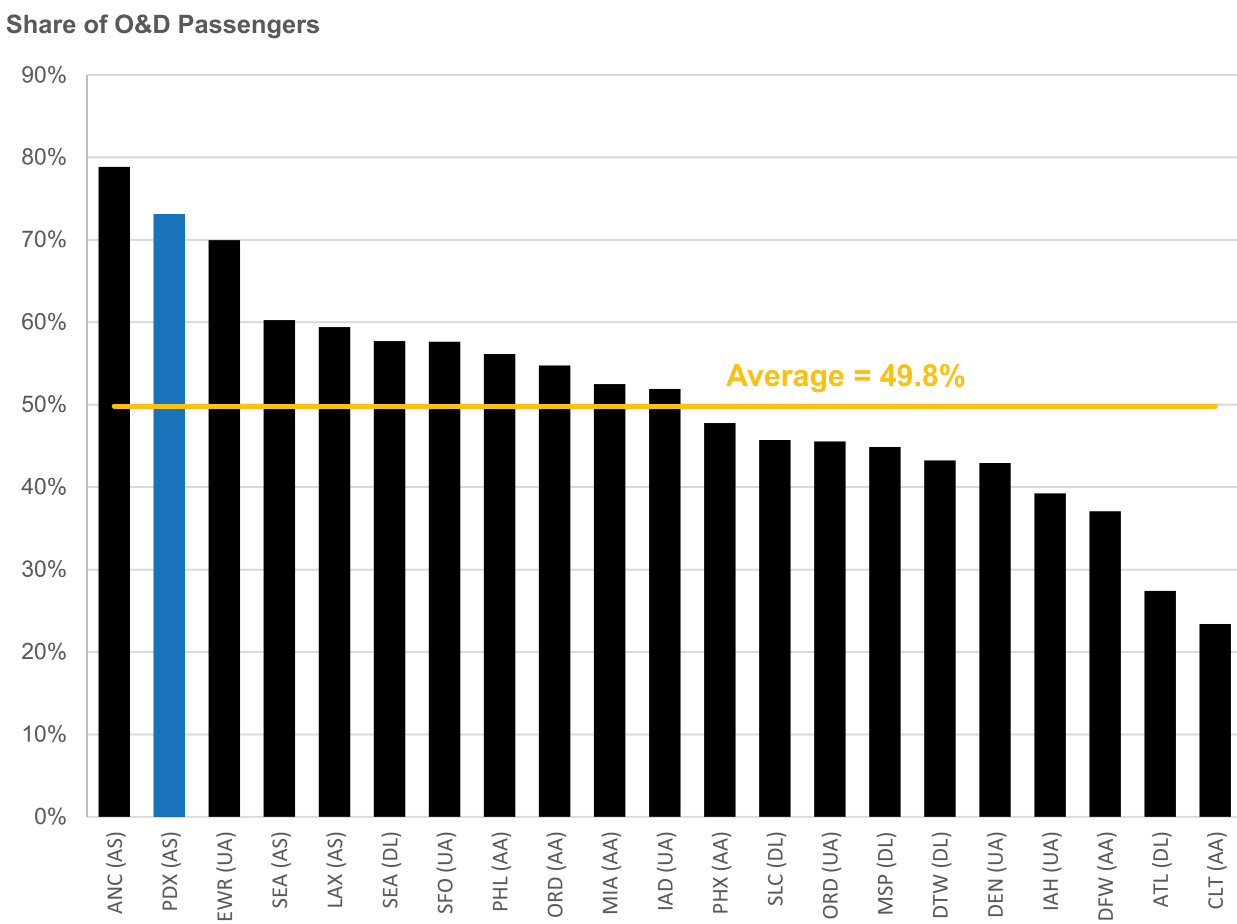
Airport	Code	Airport Category	Distance from PDX	CY 2017 Enplaned Passengers
Portland International Airport	PDX	Large	-	9,435,473
Seattle-Tacoma International Airport	SEA	Large	160 miles	22,639,124
Eugene Airport	EUG	Small	129 miles	529,149
Redmond Municipal Airport	RDM	Non	144 miles	364,921
Yakima Air Terminal	YKM	Non	181 miles	71,547
Paine Field	PAE	Non	195 miles	n/a

Note: Scheduled commercial service at Paine Field, including service to the Airport, began in March 2019.
Source: Federal Aviation Administration, Air Carrier Activity Information System (ACIAS), accessed October 2018.

1.1.3 Role as a Hub for Alaska Air Group

Alaska Airlines, including Virgin America and Horizon Air, are the Airport's largest carriers in terms of passenger market share. The Airport serves as a hub for the Alaska Air Group. The Alaska Air Group operates at the Airport somewhat differently than most other traditional airline hubs. Based on data presented in **Exhibit 1-3** below, on average, an airline's O&D passengers accounted for 49.8% of its passengers at certain hubs for the three major U.S. hubbing airlines (Delta Air Lines, American Airlines, United Airlines) and Alaska Air Group as compared to 73.1% for Alaska Air Group at the Airport. Exhibit 1-3 provides a graphical depiction of the percent of O&D passengers for each hubbing airline at their respective hub airports.

EXHIBIT 1-3 Share of O&D Traffic at Certain U.S. Airline Hubs (FY 2017)



Source: Diio, US DOT Reports DB1A and T100. Accessed October 2018.

1.2 Economic Base for Air Traffic

Air travel demand is largely correlated with the demographic and economic characteristics of the surrounding region. The economic strength of the Air Service Area has a major impact on the aviation activity at the Airport since most of the Airport's passenger demand is O&D activity. The next sections review current economic trends and conditions of the Airport's Air Service Area, and present data indicative of the Air Service Area's capability to generate a growing demand for air transportation throughout the next several years.

1.2.1 Socio-Economic Trends

Data for population, age distribution, educational attainment, income, and gross regional product for the Air Service Area are discussed below and are presented in **Tables 1-3** through **1-14**. Parallel data for Oregon and the U.S. are also shown to provide a basis of comparison of trends in the Air Service Area. Where available, annual data are provided for the 2007-2017 period and represent a 10-year historical trend. In addition, data estimates for 2024 are provided to be consistent with air traffic and financial forecasts presented later in this Report.

1.2.1.1 Population Trends

Population is a significant source of demand for air travel. Table 1-3 includes 2007 and 2017 population data for the Air Service Area, Oregon, and the U.S. Forecasts for 2024 are also included. Between 2007 and 2017, the population in the Air Service Area increased by 15.0% from 2,137,828 to 2,458,424. During the same period, Oregon's population increased by 11.1% and the U.S. population increased by 8.2%. The Air Service Area added approximately 320,000 to its population between 2007 and 2017 (or approximately 32,000 per year).
This represents a compound annual growth rate (CAGR) of 1.4%—higher than that of both Oregon (1.1%) and the U.S. (0.8%).

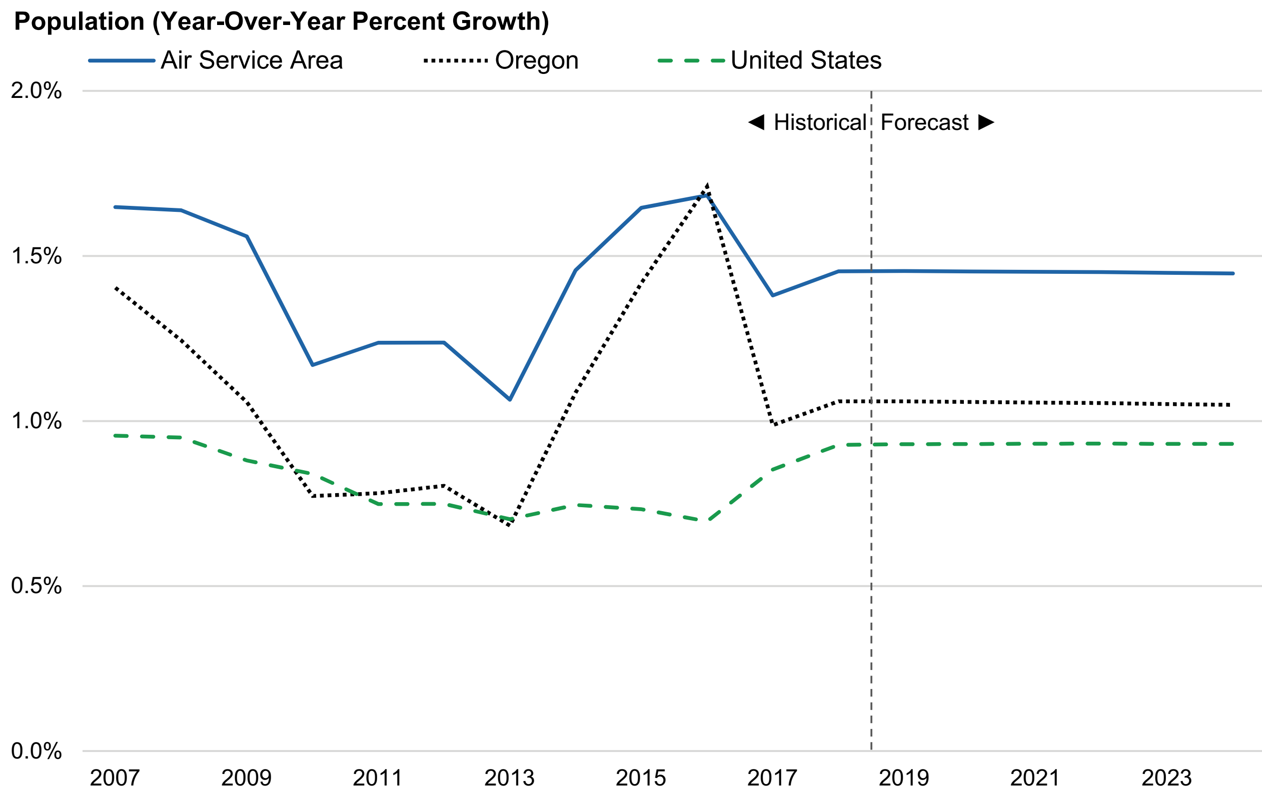
TABLE 1-3 Population Trends (2007-2024)

Region	Population			CAGR[1]	
	Historical		Forecast	2007-2017	2017-2024
	2007	2017	2024		
United States	301,231,167	325,888,129	347,711,883	0.8%	0.9%
Oregon	3,722,417	4,133,885	4,449,160	1.1%	1.1%
Air Service Area	**2,137,828**	**2,458,424**	**2,719,344**	**1.4%**	**1.5%**
Multnomah County, OR	*697,799*	*804,313*	*839,906*	*1.4%*	*0.6%*
Washington County, OR	*508,842*	*594,048*	*681,736*	*1.6%*	*2.0%*
Clark County, WA	*408,820*	*477,912*	*563,660*	*1.6%*	*2.4%*
Clackamas County, OR	*366,808*	*412,940*	*450,383*	*1.2%*	*1.2%*
Yamhill County, OR	*95,875*	*106,274*	*115,785*	*1.0%*	*1.2%*
Columbia County, OR	*48,898*	*51,333*	*55,542*	*0.5%*	*1.1%*
Skamania County, WA	*10,786*	*11,604*	*12,332*	*0.7%*	*0.9%*

Note: [1] Compound annual growth rate.
Source: Woods & Poole Economics, Inc., 2018 Complete Economic and Demographic Data Source, April 2018
Compiled by Partners for Economic Solutions, February 2019.

The Air Service Area's expected population increase between 2017 and 2024 reflects a CAGR of 1.5% and is higher than the estimated CAGR for both Oregon and the U.S. during the same period (1.1% and 0.9%, respectively). The increase in new residents in the Air Service Area (approximately 261,000 between 2017 and 2024) is expected to generate additional demand for air service at the Airport. **Exhibit 1-4** graphically depicts the historical and forecast trends for population in the Air Service Area, Oregon, and the U.S. A significant portion of the growth in Oregon and the Air Service Area from 2013 through 2016 was the result in-migration of people. Although not part of the Portland MSA, Cowlitz County in Washington (pop. 105,899) and Marion County in Oregon (pop. 339,115) are also sources of demand for air travel service at the Airport.[10]

EXHIBIT 1-4 Historical and Forecast Population Growth Rate (2007-2024)



Source: Woods & Poole Economics, Inc., 2018 Complete Economic and Demographic Data Source, April 2018.

[10] Woods & Poole Economics, Inc., *2018 Complete Economic and Demographic Data Source*, April 2018. Woods & Poole Economics Inc. is a data vendor located in Washington, D.C. that specializes in long-term economic and demographic projections for the U.S., 50 states, 3,113 counties, and the District of Columbia. Its database contains approximately 900 variables for every county in the United States including population, age, race, ethnicity, income, and employment by industry. Its demographic projections are revised annually to reflect both new computational techniques and new data sources.

1.2.1.2 Age Distribution

Table 1-4 includes 2017 age data for the Air Service Area, Oregon, and the U.S. The median age in the Air Service Area is 38.1 years, compared to 39.4 years in Oregon and 38.0 years in the U.S. overall. Demand for air travel varies by age group. According to Consumer Expenditure Survey data from the U.S. Bureau of Labor Statistics, persons between the ages of 35 and 54 account for 44% of expenditures on airline fares.[11]

Table 1-4 shows that in 2017, residents in the Air Service Area aged 35 to 54 made up 27.8% of the population, compared with 25.5% of the population in both Oregon and the U.S. This is the age group that generates the most expenditure on airline fares and it is represented in the Air Service Area in a higher proportion than in Oregon and the U.S.

TABLE 1-4 Age Distribution (2017)

Age Range	Air Service Area	Oregon	United States
Total Population	**2,458,424**	**4,133,885**	**325,888,129**
19 and under	24.1%	23.5%	25.3%
20 to 24 years	5.9%	6.4%	6.8%
25 to 34 years	15.1%	14.0%	13.9%
35 to 44 years	**14.5%**	**13.1%**	**12.5%**
45 to 54 years	**13.3%**	**12.4%**	**13.0%**
55 to 64 years	12.5%	13.2%	12.9%
65 and above	14.6%	17.4%	15.6%
Total	100.0%	100.0%	100.0%
Median Age	**38.1 years**	**39.4 years**	**38.0 years**

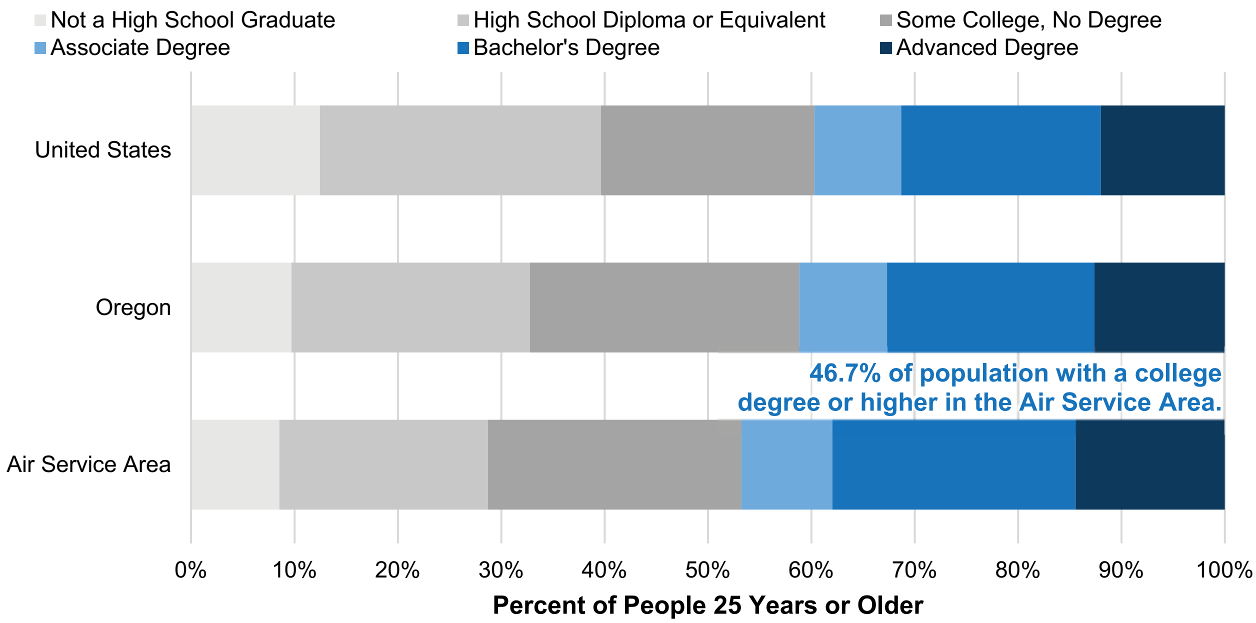
Note: Amounts may not add because of rounding.
Source: Woods & Poole Economics, Inc., 2018 Complete Economic and Demographic Data Source, April 2018
Compiled by Partners for Economic Solutions, November 2018.

[11] *Who's Buying for Travel*, 12th Edition, 2018, New Strategist Publications. Data in *Who's Buying for Travel* are based on the U.S. Bureau of Labor Statistics' Consumer Expenditure Survey, a nationwide survey of household spending.

1.2.1.3 Educational Attainment

Exhibit 1-5 graphically depicts the 2017 educational attainment status for the population over the age of 25 for the Air Service Area, Oregon, and the U.S. The Air Service Area is home to a substantial number of adults with post-secondary education. Approximately 804,000 people, or more than 46.7% of the Air Service Area's population over the age of 25, have a post-secondary degree (associate, bachelor's, graduate, or professional). This percentage is higher than that of both Oregon and the U.S. where, respectively, 41.2% and 39.7% of the population over the age of 25 have a post-secondary degree.

EXHIBIT 1-5 Educational Attainment (2017)



Sources: Woods & Poole Economics, Inc., 2018 Complete Economic and Demographic Data Source, April 2018; Esri Market Profiles for Air Service Area, Oregon, and U.S., June 2018,[12].
Compiled by Partners for Economic Solutions, November 2018.

[12] Esri is a leading demographic data vendor that provides current-year estimates and five-year projections of more than 2,000 data variables including population, education, and income. Esri's clients include the United States Army Corps of Engineers, the National Oceanic and Atmosphere Administration (NOAA), the U.S. Department of Homeland Security, and other public agencies at the national, state, and local level.

According to the Oregon Office of Economic Analysis, a majority of migrants to the state hold degrees in STEM+ fields, i.e., science, technology, engineering, and math, plus business, and health. Since college graduates earn higher average wages, have a higher labor force participation rate, and experience less unemployment than other workers, the ability to attract and retain educated migrants has helped Oregon's economic growth.[13]

Consumer Expenditure Survey data from the U.S. Bureau of Labor Statistics show that persons with a college degree generate a high percentage of expenditures on air travel. Data indicate that 74% of airline fares are purchased by college graduates, while 18% of airline fares are purchased by consumers who have had some college or have earned an associate degree. Approximately 8% of airline fares are purchased by consumers who never attended college.[14]

In addition to having a highly-educated population, the Air Service Area is also home to 30 colleges, universities, and technical institutions such as Portland State University, Oregon State University (Portland metro area campus), Oregon Health & Science University, University of Portland, Lewis & Clark College, Washington State University (Vancouver campus), and Reed College. Educational institutions in the Air Service Area have a total enrollment of approximately 174,000 students and generate demand for air travel through academic conferences, visiting professorships, study abroad programs, and individual student and faculty travel.[15]

1.2.1.4 Household Income

Income within the Air Service Area is another key driver for demand for air travel. **Table 1-5** includes estimated 2017 and forecast 2024 median household income data for the Air Service Area, Oregon, and the U.S. Table 1-5 shows that in 2017, the Air Service Area's estimated median household income of $66,511 was approximately 17% higher than Oregon's ($56,671) and that of the U.S. ($56,684). This trend is expected to continue through 2024 as the Air Service Area is expected to reach a median household income level of $78,520, compared to $65,872 in Oregon and $67,369 in the U.S.

According to the State of Oregon's Office of Economic Analysis (OEA), in 2017, Portland's household income growth rate ranked in the Top 5 among the 100 largest metros in the U.S. and was 18% higher than the average large metro area in the U.S.[16]

13 STEM+ Trends in Oregon: Migration and Educational Attainment by Degree Type among Young Oregonians, Oregon Office of Economic Analysis, January 2016, https://oregoneconomicanalysis.files.wordpress.com/2016/01/oregon-stem-report.pdf; Who Moves to Oregon?, Oregon Office of Economic Analysis, https://oregoneconomicanalysis.com/2016/01/11/who-moves-to-oregon-graph-of-the-week, January 2016; Destination Oregon, Oregon Office of Economic Analysis, https://oregoneconomicanalysis.com/2014/10/16/destination-oregon; Oregon and STEM+, https://oregoneconomicanalysis.files.wordpress.com/2016/01/oregon-stem-slides.pdf, accessed December 2018.

14 *Who's Buying for Travel*, 12th Edition, 2018, New Strategist Publications.

15 Enrollment data from institution web sites of 30 colleges, universities, and technical institutions in the Air Service Area, November 2018.

16 Oregon Economic and Revenue Forecast December 2018, Office of Economic Analysis, Department of Administrative Services, https://www.oregon.gov/das/OEA/Documents/oeaforecast1218.pdf, accessed December 2018.

TABLE 1-5 Median Household Income and Income Distribution (2017-2024) [1, 2]

Income Range	Air Service Area	Oregon	United States
2017 Household Income			
Less than $24,999	15.7%	19.9%	21.1%
$25,000 - $49,999	20.6%	23.3%	22.5%
$50,000 - $74,999	18.2%	18.7%	17.8%
$75,000 - $99,999	13.9%	12.8%	12.4%
$100,000 - $199,999	24.0%	19.9%	19.8%
$200,000 or more	7.6%	5.4%	6.4%
Total	**100.0%**	**100.0%**	**100.0%**
2017 Median Household Income	**$66,511**	**$56,671**	**$56,684**
2024 Household Income			
Less than $24,999	12.5%	15.9%	17.0%
$25,000 - $49,999	18.2%	21.1%	19.8%
$50,000 - $74,999	17.2%	18.0%	17.2%
$75,000 - $99,999	14.0%	13.7%	13.2%
$100,000 - $199,999	28.7%	24.6%	24.3%
$200,000 or more	9.4%	6.7%	8.5%
Total	**100.0%**	**100.0%**	**100.0%**
2024 Median Household Income	**$78,520**	**$65,872**	**$67,369**

Notes: [1] Amounts are shown in current dollars, i.e., 2017 data are shown in 2017 dollars and 2024 data are shown in 2024 dollars.
[2] Calculations of estimated 2017 and forecast 2024 households and income distributions are based on figures published for 2018 and 2023 by Esri.

Sources: Esri Market Profiles for Portland MSA, Oregon and U.S., June 2018.
Compiled by Partners for Economic Solutions, February 2019.

Data in **Table 1-6** show that between 2017 and 2024, the number of households with income greater than $100,000 in the Air Service Area is expected to increase by approximately 111,000. The percentage of higher income households (defined as those earning $100,000 or more annually) within the Air Service Area is another key indicator of potential demand for air travel services. In 2017, approximately 298,000 Air Service Area households were estimated to have an income of $100,000 or more. This is equal to approximately 32% of all Air Service Area households. According to Consumer Expenditure Survey data from the U.S. Bureau of Labor Statistics, 55% of airline fare expenditures are made by households with annual income of $100,000 or more.[17]

TABLE 1-6 Households with Income of $100,000 And Above (2017-2024) [1,2]

Range	Air Service Area	Oregon	United States
Total Households			
2017 estimate	942,992	1,622,337	123,138,325
2024 forecast	1,033,706	1,755,473	130,091,202
CAGR 2017-2024[3]	1.3%	1.1%	0.8%
Households with Income of $100,000 and Above[2]			
2017 estimate	297,986	410,451	32,262,241
2024 forecast	408,855	573,355	44,630,965
CAGR 2017-2024	4.6%	4.9%	4.7%
% of Households with Income of $100,000 and Above[2]			
2017 estimate	31.6%	25.3%	26.2%
2024 forecast	39.1%	32.2%	33.8%

Notes: [1] In current dollars.
[2] Calculations of estimated 2017 and forecast 2024 households and income distributions are based on figures published for 2018 and 2023 by Esri.
[3] CAGR = Compound annual growth rate.
Source: Esri Market Profiles for Portland MSA, Oregon and U.S., June 2018.
Compiled by Partners for Economic Solutions, February 2018.

[17] *Who's Buying for Travel*, 12th Edition, 2018, New Strategist Publications.

1.2.1.5 Per Capita Personal Income

Personal income is a key indicator of a region's demand for air travel and includes the sum of wages and salaries, other labor income, proprietors' income, rental income of persons, dividend income, personal interest income, and transfer payments less personal contributions for government social insurance. Per capita personal income (PCPI) is a measure of the relative affluence of a region's residents and, consequently, of their ability to afford air travel.

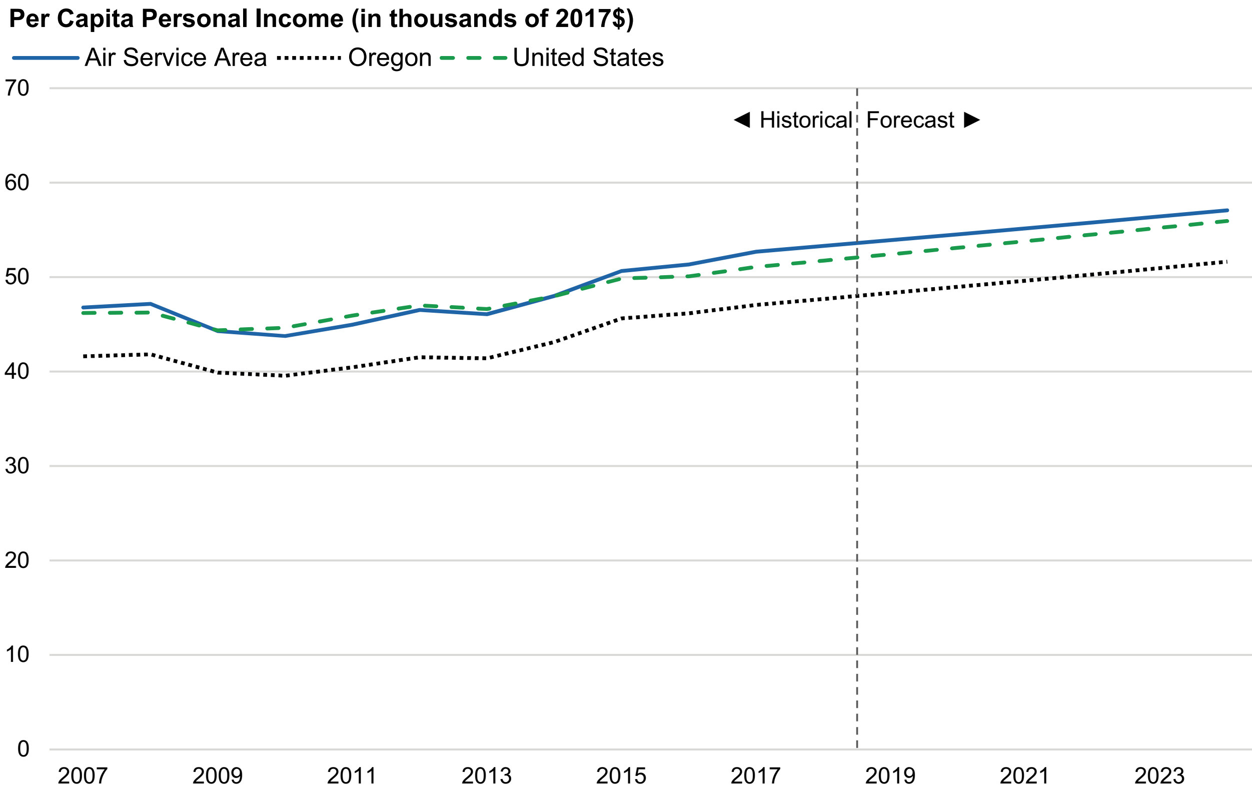
Table 1-7 includes annual per capita income data from 2007 through 2017 for the Air Service Area, Oregon, and the U.S. From 2007 through 2017, per capita personal income in the Air Service Area was higher than that of Oregon by an average of approximately 11%. Between 2007 through 2017, per capita personal income in the Air Service Area was above that of the U.S. by an average of 0.4%. Per capita personal income in the Air Service Area increased at a CAGR of 1.2% between 2007 and 2017, equal to the CAGR for Oregon and above the CAGR of 1.0% for the U.S. during the same period. **Exhibit 1-6** graphically depicts the historical and forecast trends for PCPI for the Air Service Area, Oregon, and the U.S.

TABLE 1-7 Per Capita Personal Income Trends and Forecasts (2007-2024)

Year	Air Service Area	Oregon	U.S.
History			
2007	$46,773	$41,602	$46,201
2008	$47,159	$41,824	$46,252
2009	$44,276	$39,892	$44,361
2010	$43,759	$39,556	$44,638
2011	$44,955	$40,447	$45,930
2012	$46,515	$41,518	$47,010
2013	$46,070	$41,405	$46,615
2014	$48,004	$43,125	$47,986
2015	$50,646	$45,622	$49,857
2016	$51,341	$46,165	$50,077
2017	$52,692	$47,053	$51,073
Forecast			
2024	$57,070	$51,631	$55,936
Compound Annual Growth Rate			
2007-2017	1.2%	1.2%	1.0%
2017-2024	1.1%	1.3%	1.3%

Source: Woods & Poole Economics, Inc., 2018 Complete Economic and Demographic Data Source, April 2018. Compiled by Partners for Economic Solutions, December 2018.

EXHIBIT 1-6 Historical and Forecast Per Capita Personal Income



Sources: Woods & Poole Economics, Inc., 2018 Complete Economic and Demographic Data Source, April 2018; Esri Market Profiles for Air Service Area, Oregon, and U.S., June 2018.
Compiled by Partners for Economic Solutions, February 2019.

1.2.1.6 Per Capita Gross Regional Product / Gross Domestic Product

Per capita gross domestic product (GDP) (national level) and per capita gross regional product (GRP) (state- and county-level) are measures of the value of all final goods and services produced within a geographic area, divided by the total population. These per capita measures are general indicators of the economic health of a geographic area and, consequently, of the area's potential demand for air transportation services.

Table 1-8 includes annual per capita GRP and GDP data from 2007 through 2017 for the Air Service Area, Oregon, and the U.S. The Air Service Area's per capita GRP increased from $64,485 in 2007 to $70,572 in 2017. Table 1-8 also shows that per capita GRP for the Air Service Area increased at a CAGR of 0.9% between 2007 and 2017, equal to that of Oregon and higher than the CAGR for the U.S. during the same period (0.7%).

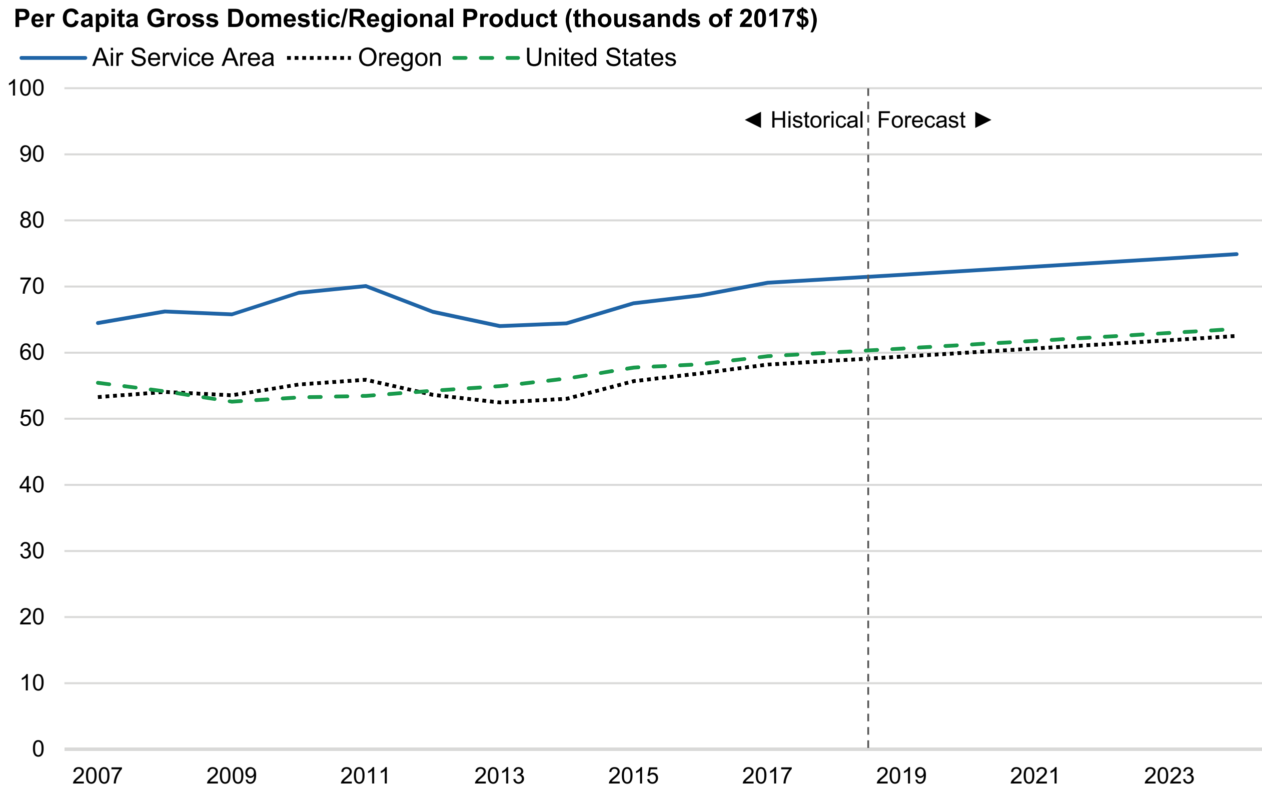
Forecasts for 2024 in Table 1-8 show per capita GRP in the Air Service Area increasing from $70,572 in 2017 to $74,895 in 2024. This increase represents a CAGR of 0.9% for the Air Service Area and is slightly lower than the CAGR for Oregon and the U.S. between 2017 and 2024. **Exhibit 1-7** graphically depicts the historical and forecast trends for per capita GRP for the Air Service Area and Oregon as well as the per capita GDP for the U.S.

TABLE 1-8 Per Capita Gross Regional and Gross Domestic Product Trends (2007-2024)

Year	Air Service Area	Oregon	U.S.
History			
2007	$64,485	$53,279	$55,429
2008	$66,225	$54,051	$54,153
2009	$65,786	$53,547	$52,589
2010	$69,049	$55,188	$53,237
2011	$70,072	$55,911	$53,471
2012	$66,191	$53,630	$54,234
2013	$64,020	$52,466	$54,924
2014	$64,440	$53,032	$56,089
2015	$67,481	$55,693	$57,743
2016	$68,676	$56,859	$58,255
2017	$70,572	$58,192	$59,475
Forecast			
2024	$74,895	$62,525	$63,592
Compound Annual Growth Rate			
2007-2017	0.9%	0.9%	0.7%
2017-2024	0.9%	1.0%	1.0%

Source: Woods & Poole Economics, Inc., 2018 Complete Economic and Demographic Data Source, April 2018. Compiled by Partners for Economic Solutions, December 2018.

EXHIBIT 1-7 Historical and Forecast Per Capita Gross Domestic/Regional Product

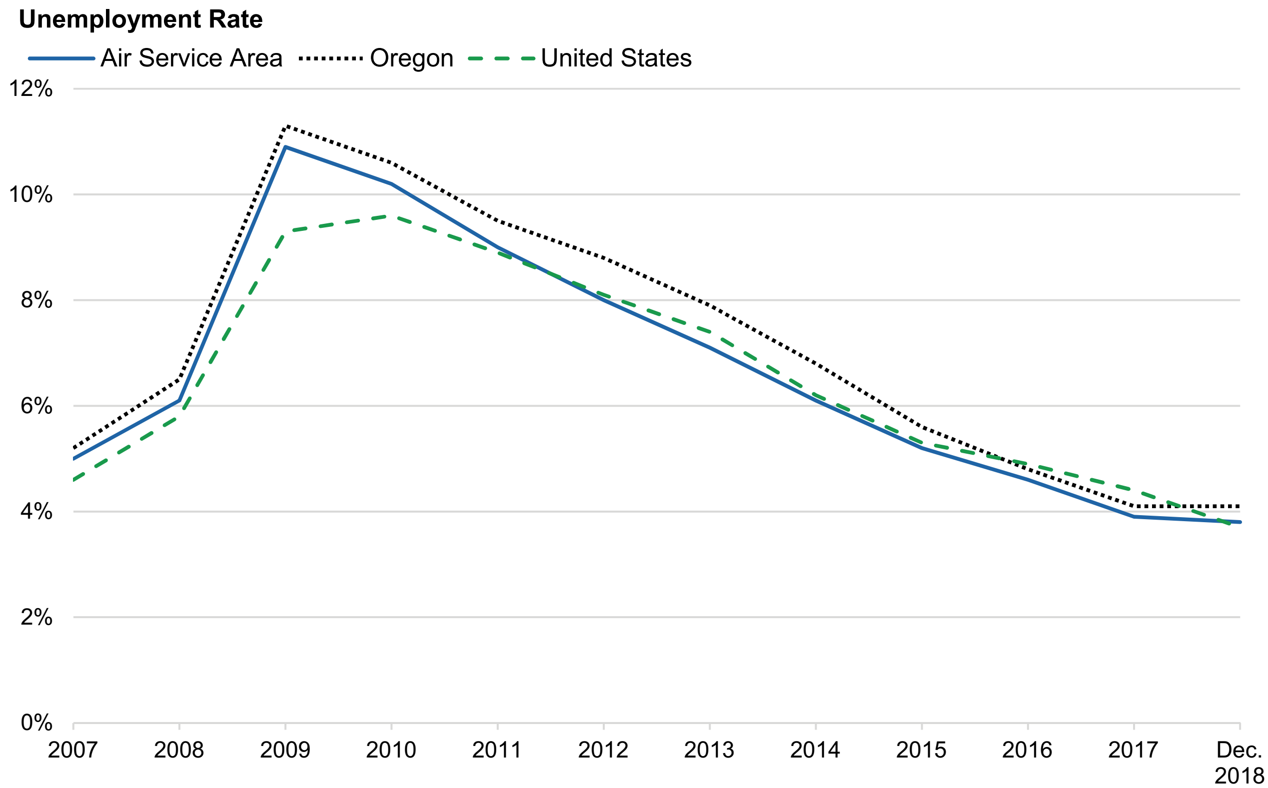


Sources: Woods & Poole Economics, Inc., 2018 Complete Economic and Demographic Data Source, April 2018; Esri Market Profiles for Air Service Area, Oregon, and U.S., June 2018.
Compiled by Partners for Economic Solutions, February 2019.

1.2.2 Labor Market Trends

Civilian labor force data, unemployment rates, and employment by industry data for the Air Service Area are discussed below and are presented in **Table 1-9** and **Table 1-10**. Parallel data for Oregon and the U.S. are also shown to provide a basis of comparison for trends in the Air Service Area.

TABLE 1-9 Civilian Labor Force and Unemployment Rate (2007- December 2018)

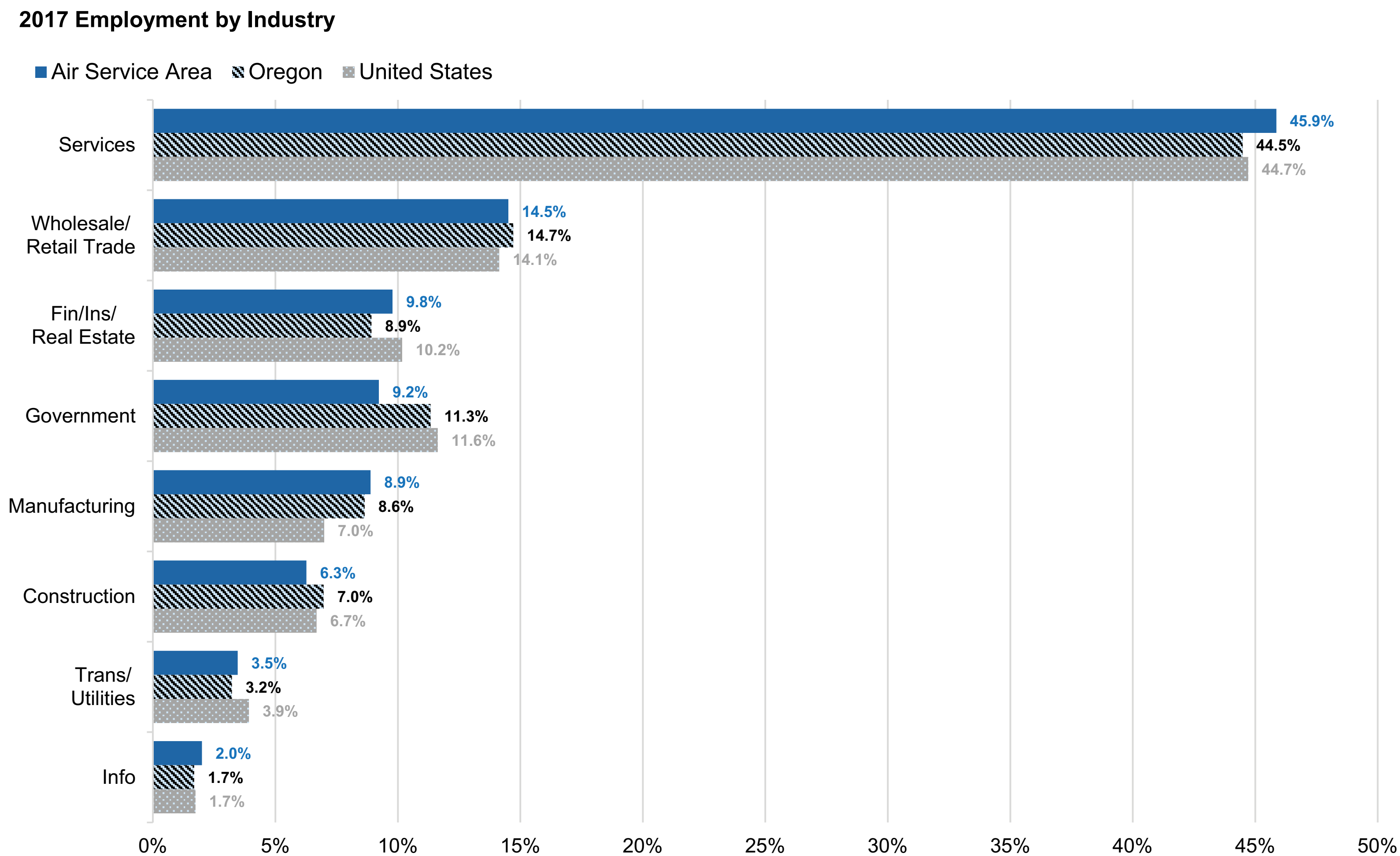


Year	Civilian Labor Force			Unemployment Rate		
	Air Service Area	Oregon	United States	Air Service Area	Oregon	United States
2007	1,144,909	1,921,766	153,124,000	5.0%	5.2%	4.6%
2008	1,170,355	1,955,121	154,287,000	6.1%	6.5%	5.8%
2009	1,184,164	1,976,638	154,142,000	10.9%	11.3%	9.3%
2010	1,207,837	1,984,039	153,889,000	10.2%	10.6%	9.6%
2011	1,214,757	1,993,889	153,617,000	9.0%	9.5%	8.9%
2012	1,198,820	1,953,439	154,975,000	8.0%	8.8%	8.1%
2013	1,180,637	1,910,702	155,389,000	7.1%	7.9%	7.4%
2014	1,199,004	1,935,884	155,922,000	6.1%	6.8%	6.2%
2015	1,229,327	1,978,226	157,130,000	5.2%	5.6%	5.3%
2016	1,273,512	2,049,480	159,187,000	4.6%	4.8%	4.9%
2017	1,310,510	2,104,078	160,320,000	3.9%	4.1%	4.4%
Dec. 2018[1]	1,329,963	2,106,593	162,510,000	3.8%	4.1%	3.7%
Compound Annual Growth Rate						
2007-2017	1.4%	0.9%	0.5%	n.a.	n.a.	n.a.

Note: [1] December 2018 data are not seasonally adjusted. In December 2018, the seasonally adjusted unemployment rate was 4.1% in Oregon and 3.9% in the U.S. Seasonally adjusted civilian labor force data are not available for the Air Service Area.

Source: Bureau of Labor Statistics, U.S. Department of Labor, February 2019.
Compiled by Partners for Economic Solutions, February 2019.

TABLE 1-10 Employment by Industry Trends (2007-2024)



Industry	Air Service Area			Oregon			United States		
	2007	2017	2024	2007	2017	2024	2007	2017	2024
Persons									
Total	1,344,326	1,549,859	1,756,973	2,242,621	2,463,621	2,754,234	175,179,699	194,376,596	215,593,840
Share of Persons									
Services	42.1%	45.9%	47.2%	40.7%	44.5%	45.8%	41.6%	44.7%	45.8%
Wholesale/ Retail Trade	15.2%	14.5%	14.4%	15.2%	14.7%	14.7%	14.6%	14.1%	14.1%
Government[1]	10.2%	9.2%	8.8%	12.4%	11.3%	10.9%	12.7%	11.6%	11.3%
Fin/Ins/Real Estate	9.7%	9.8%	10.2%	8.6%	8.9%	9.1%	9.5%	10.2%	10.4%
Construction[2]	9.9%	8.9%	8.0%	9.7%	8.6%	7.9%	8.3%	7.0%	6.3%
Manufacturing	7.2%	6.3%	6.4%	8.2%	7.0%	7.1%	7.6%	6.7%	6.7%
Transportation/Utilities	3.6%	3.5%	3.2%	3.3%	3.2%	3.0%	3.7%	3.9%	3.7%
Information	2.2%	2.0%	1.8%	1.9%	1.7%	1.5%	2.0%	1.7%	1.6%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Notes: Non-agricultural employment only.
[1] Excludes military.
[2] Includes mining and forestry employment.

Source: Woods & Poole Economics, Inc., 2018 Complete Economic and Demographic Data Source, April 2018
Compiled by Partners for Economic Solutions, February 2019.

1.2.2.1 2007 – 2017 Labor Force and Unemployment Trends

Table 1-9 includes annual civilian labor force and unemployment data from 2007 through 2017 for the Air Service Area, Oregon, and the U.S. Between 2007 and 2017, the Air Service Area's labor force grew at a CAGR of 1.4%—above the labor force CAGR for both Oregon (0.9%), and the U.S. (0.5%). In absolute terms, the labor force in the Air Service Area increased by a total of approximately 173,000 workers between 2007 and 2017.

The annual unemployment rate in the Air Service Area exceeded that of the U.S. from 2007 through 2011 by an average of 0.6 percentage points. From 2012 through 2017, the Air Service Area's annual unemployment rate was below the U.S. rate. The annual unemployment rate in the Air Service Area was lower than Oregon's rate from 2007 through 2017. Table 1-9 shows that in December 2018, the unemployment rate in the Air Service Area was 3.8% (non-seasonally adjusted). The Air Service Area's December 2018 unemployment rate was higher than the non-seasonally adjusted rate in the U.S. (3.7%) and lower than the rate in Oregon (4.1%).[18]

1.2.2.2 Employment by Industry

Data in Table 1-10 shows the number of jobs by major industry divisions in the Air Service Area, Oregon, and the U.S. in 2007 and 2017. Non-agricultural employment in the Air Service Area increased from approximately 1,344,000 workers in 2007 to approximately 1,550,000 in 2017. This increase represents a 1.4% CAGR during this period and is higher than the CAGR for non-agricultural employment in both Oregon (0.9%) and the U.S. (1.0%).

In 2017, employment by industry in the Air Service Area had a higher percentage of jobs in manufacturing, wholesale/retail trade, information, and services compared to the U.S. In all other sectors (construction, transportation/utilities, finance/insurance/real estate, and government), the Air Service Area had a lower proportion of employment compared to the U.S.

Data in Table 1-10 indicates that the Air Service Area has a diversified employment base that is expected to provide the region with a foundation for stable growth.

1.2.3 Regional Economic Profile

This section discusses the Air Service Area's business climate, business attraction and retention initiatives, and major employers.

1.2.3.1 Business Climate

The business climate in the Air Service Area is supported by a skilled workforce, nationally recognized K-12 public schools, and a community college system with specialized workforce training. The Air Service Area also has a favorable tax structure with no taxes levied on sales or inventory (in Oregon), no corporate or personal income tax (in Washington), and tax incentive programs in both states to encourage investment.[19] Cost data indicate that typical operating expenses in the Air Service Area range from 7% to 25% lower compared to other states in the western U.S., depending on the expense category (e.g., insurance, utilities, salaries).[20]

Quality-of-life issues are also an important factor in site selection decisions by U.S. corporate executives, because young, educated, and skilled workers frequently seek a desirable place in which to live as well as to

---

[18] In November 2018, the seasonally adjusted unemployment rate was 3.9% in Oregon and 3.7% in the U.S.

[19] Relocate, Columbia River Economic Development Council, http://www.credc.org/relocate; Oregon's Tax Structure, Business Oregon, https://www.oregon4biz.com/Oregon-Business/Climate/Tax-Structure; Oregon's Incentives, Business Oregon, https://www.oregon4 biz.com/Oregon-Business/Tax-Incentives; accessed November 2018.

[20] State Data Comparison Tool; Business Oregon, http://www.oregon4biz.com/Economic-Analysis/Comparisons/#, accessed November 2018.

work.[21] With light rail, street cars, and convenient transportation options, along with a temperate climate, urban amenities, and easy access to outdoor recreation, the Air Service Area's quality of life is an important factor in recruiting both businesses and workers.[22]

Business attraction and retention initiatives by Air Service Area economic development agencies include location services, property feasibility study assistance, Enterprise Zone property tax exemptions, start-up assistance, and other programs. Combined efforts by local and state economic development agencies, coordinated under the auspices of Business Oregon, the Columbia River Economic Development Council, and Greater Portland Inc., have resulted in numerous successful efforts to attract and retain employers in the Air Service Area. Since 2016, prominent firms that have moved to or expanded in the Air Service Area include Genentech (South San Francisco), Coinbase (San Francisco), designaffairs (Germany), Element Six (United Kingdom), ReconCraft (Massachusetts), Mercari (Japan), Home Depot QuoteCenter (Atlanta), GTMA (Los Angeles), RealWear (Vancouver), Kyocera (Japan), and AbSci (Vancouver).[23]

Intel recently announced plans to expand its manufacturing and R&D capacity in the Air Service Area to develop the next generation of semiconductor chips. Final details have not been released but a review of planning documents indicates that Intel will build a high-volume semi-conductor manufacturing facility that is likely to focus on research projects and new product innovations. The plant is expected to employ 1,750 new workers and will increase Intel's Oregon workforce by approximately 9%. Intel has a history of developing new classes of microprocessors in Oregon and applying the resultant manufacturing advancements throughout its U.S. and international facilities. According to the Oregon Office of Economic Analysis (OEA), technology manufacturing in the state is dominated by managerial and engineering personnel with an average annual salary of $126,000. OEA predicts that the Air Service Area economy will benefit from Intel's expansion through job growth and high wages, as well as from an innovation and R&D perspective.[24]

1.2.3.2 Major Employers

Fortune magazine publishes a yearly list of the top 1,000 publicly traded companies in the U.S., ranked by annual revenue. **Table 1-11** shows that five "Fortune 1000" corporations are headquartered in Oregon. Led by Nike (ranked 89th), these five companies have combined revenue of approximately $51 billion annually.

[21] 32nd Annual Corporate Survey, Area Development, Q1 2018, http://www.areadevelopment.com/Corporate-Consultants-Survey-Results/Q1-2018/32nd-annual-corporate-survey-14th-annual-consultants-survey.shtml, accessed November 2018.
[22] Choice Location, Greater Portland Inc., https://www.greaterportlandinc.com/talent/choice-location.html, accessed November 2018.
[23] News, Greater Portland Ind., https://www.greaterportlandinc.com/news-events/news.html; Newsroom, Columbia River Economic Development Council, http://www.credc.org/newsroom; News & Media, Business Oregon, https://www.oregon4biz.com/News-&-Media; accessed November 2018.
[24] "Intel factory expansion could boost Oregon's economy," *The Oregonian*, December 17, 2018; "Intel expansion may result in nearly 1,750 new jobs in Hillsboro," *Portland Business Journal*, February 7, 2019.

TABLE 1-11 Oregon Fortune 1000 Company Headquarters (2018)[1]

Company	Fortune 1000 Rank	2017 Revenue ($ billions)	Industry	Location
Nike	89	$34.5	Athletic Apparel and Equipment	Beaverton
Lithia Motors	294	$10.1	Automotive Franchises	Medford
Columbia Sportswear	836	$2.5	Athletic Apparel and Equipment	Portland
The Greenbrier Companies	915	$2.2	Transportation Equipment	Lake Oswego
Portland General Electric	953	$2.0	Utility	Portland

Note: [1] Based on 2017 revenue.
Source: Fortune.com, November 2018.
Compiled by: Partners for Economic Solutions, November 2018

The top 25 employers in the Air Service Area are shown in **Table 1-12**. These firms represent industries such as semiconductors (Intel), retail (Fred Meyer), athletic apparel and equipment (Nike), financial services (Wells Fargo, U.S. Bank), transportation equipment (Daimler Trucks), and industrial equipment (Precision Castparts). Other top employers include health care (Providence Health & Services, Kaiser Permanente), education (Oregon Health & Science University, Portland Public Schools, Portland State University), government (U.S. Department of Veterans Affairs, Multnomah County, City of Portland), and public transportation (TriMet). In addition to contributing to the region's diverse economic base, many of the Air Service Area's top employers are an important source of demand for air passenger and freight service.

TABLE 1-12 Top 25 Air Service Area Employers

Company	Industry	Location	Local Employees
Intel	Semiconductors	Hillsboro	18,600
Providence Health & Services	Health Care	Portland	16,139
Oregon Health & Science University	Education	Portland	14,963
Kaiser Permanente Northwest	Health Care	Portland	11,898
Fred Meyer	Retail	Portland	10,813
Legacy Health System	Health Care	Portland	8,700
Nike	Athletic Apparel and Equipment	Beaverton	8,500
Portland Public Schools	Education	Portland	6,135
Multnomah County	Government	Portland	5,995
City of Portland	Government	Portland	5,481
Beaverton School District	Education	Beaverton	4,637
Wells Fargo	Financial Services	Portland	4,527
PeaceHealth	Health Care	Vancouver	4,446
Portland Community College	Education	Portland	3,906
U.S. Bank	Financial Services	Portland	3,757
U.S. Postal Service	Government	Portland	3,533
Portland State University	Education	Portland	3,418
U.S. Department of Veterans Affairs	Government	Portland	3,378
Vancouver School District	Education	Vancouver	3,300
Evergreen Public Schools	Education	Vancouver	3,292
Daimler Trucks North America	Transportation Equipment	Portland	3,000
New Seasons Market	Retail	Portland	3,000
Bonneville Power Administration	Utilities	Vancouver	2,946
TriMet	Public Transportation	Portland	2,645
Hillsboro School District	Education	Hillsboro	2,640

Sources: 2018 Book of Lists, Largest Employers in the Portland Metro Area, Portland Business Journal, https://www.bizjournals.com/Portland/ecommerce/product/bookoflists; “Clark County’s 5 Largest Employers,” Vancouver Business Journal, May 23, 2018, https://www.vbjusa.com/news/news-briefs/from-the-list-clark-countys-5-largest-employers/2017; Clark County Washington Principal Employers, Clark County Auditor, 2017 Comprehensive Annual Financial Report, https://www.clark.wa.gov/auditor/financial-reports, accessed November 2018. Compiled by Partners for Economic Solutions, December 2018.

1.2.3.3 Tourism Industry

Approximately 11 million people traveled to the Air Service Area in 2017, representing a 6.2% increase over the visitor level in 2015. In addition, over the past five years, approximately 55% of O&D passengers at the Airport were visitors. Visitors generated approximately $5.6 billion in direct spending in the Air Service Area and $295 million in state and local tax revenue in 2017.[25]

With a temperate climate, proximity to natural scenery, cosmopolitan urban zones, and a dynamic arts community, the Air Service Area offers visitors a variety of attractions. These include live music venues, distilleries and micro-breweries, one-of-a-kind restaurants, distinctive shopping districts, frequent festivals, and easy access to the Willamette Valley wine country. With over 200 wineries, the Willamette Valley was recognized as the 2016 Wine Region of the Year by the *Wine Enthusiast* Wine Star Awards. Its temperate climate makes it a year-round destination. In addition to internationally acclaimed wineries, the Willamette Valley offers historic communities, farmer's markets, restaurants, breweries, rivers, hot springs, scenic waterfalls, forests, covered bridges, bed-and-breakfast inns, boutique hotels, and farm stays.[26]

Tourists and business travelers may also explore outdoor attractions accessible from the Air Service Area such as Columbia River Gorge National Scenic Area, Gifford Pinchot National Forest, Mount Hood National Forest, Willamette National Forest, Pacific Crest Trail, Tillamook State Forest, Clatsop State Forest, Fort Vancouver National Historic Site, Willamette River, Clackamas River, Hood River, Multnomah Falls, Willamette Falls, Columbia Gorge Discovery Center, Historic Columbia River Highway, Mount Hood National Scenic Byway, Historic Oregon City, Oregon Trail Interpretive Center, Tualatin River National Wildlife Refuge, Oaks Bottom Wildlife Refuge, Portland Audubon Society Nature Sanctuary, and Hoyt Arboretum. Outdoor recreation activities in the Air Service Area include golf, cycling, skiing, hiking, birdwatching, whitewater rafting, kayaking, and rock climbing.[27]

In addition, Oregon's coast provides visitors with quaint villages, beach towns, and natural beauty. Its 363-mile public coastline is the site of numerous dunes and sandy beaches as well as scenic cliffs and forests. Highlights include Lewis and Clark National Historical Park and Cannon Beach, visited by the Lewis and Clark expedition in 1805-06. The Oregon Dunes National Recreation Area offers the largest expanse of coastal sand dunes in North America.[28]

The Oregon Convention Center (OCC) is a LEED® Platinum building[29] and one of the largest convention centers in the Pacific Northwest. OCC provides delegates with 52 meeting rooms, two grand ballrooms, 255,000 square feet of contiguous exhibition space, and 30,000 square feet of multi-use outdoor space.[30] The facility is currently undergoing a $27 million renovation to upgrade its interior, reconstruct an exterior plaza, and install new landscaping. In 2017, OCC generated $626 million in local spending.[31]

---

25 2013 Portland Oregon Economic Impacts of Travel; 2014 Portland Metro Travel Impacts; 2017 Portland Region Travel Impacts; 2000-2016 Washington State County Travel Impacts and Visitor Volume; 2000-2017 Washington State County Travel Impacts and Visitor Volume; Dean Runyan Associates

26 The Willamette Valley Visitors Association, www.oregonwinecountry.org/about-us; The Willamette Valley Visitors Association, www.oregonwinecountry.org/visit-our-valley, accessed December 2018.

27 Portland Visitors Guide, www.travelportland.com/wp-content/uploads/2014/03/Portland-Visitors-Guide-English.pdf; National Park Service, www.nps.gov/state/or/index.htm; Pacific Northwest Region 6, U.S. Forest Service, www.fs.usda.gov/main/r6/home, accessed December 2018.

28 Oregon Dunes National Recreation Area, www.fs.usda.gov/Internet/FSE_DOCUMENTS/fseprd595822.pdf, accessed December 2018.

29 LEED, or Leadership in Energy and Environmental Design, is the most widely used green building rating system in the world; U.S Green Building Council, https://new.usgbc.org/leed, accessed November 2018.

30 Oregon Convention Center, https://www.oregoncc.org/about, accessed November 2018.

31 Oregon Convention Center renovation to increase national competitiveness, further driving regional economy, May 16, 2018, https://www.oregoncc.org/news/2018/05/16/oregon-convention-center-renovation-increase-national-competitiveness-further, accessed November 2018.

Travel Portland, the Air Service Area's primary tourism organization, works with OCC staff to provide exhibitor services for conventions, conferences, and events. With a full-time staff of 160 professionals, the OCC is able to provide top quality service to groups ranging in size from 10 to 10,000.[32] Promotion efforts by Travel Portland and the OCC highlight the Air Service Area's affordability, especially with respect to food and lodging, compared with alternative convention destinations such as San Jose, Seattle, San Diego, Long Beach, and Denver. Other features that make the Air Service Area a delegate-friendly venue are tax-free shopping and light rail access from the Airport to the downtown hotel core.[33]

The 600-room Hyatt Regency headquarters hotel is currently under construction adjacent to the OCC. The $230 million facility has already attracted an additional 26 conventions to OCC after the hotel opens in 2020.[34] The OCC typically hosts 70 conventions per year and the new 600-room Hyatt hotel will help Portland draw larger conventions. In addition, the Hyatt is anticipated to generate $10.3 million in annual state and local tax revenue and create 950 new hospitality jobs.[35]

Sightseeing destinations in the Air Service Area include the Portland Art Museum, Oregon Museum of Science and Industry, Clark County Historical Museum, Oregon Zoo, Fort Vancouver National Historic Site, Portland Japanese Garden, Lan Su Chinese Garden, and the International Rose Test Garden. The Air Service Area's performing arts offerings include the Oregon Ballet Theatre, Vancouver Symphony Orchestra, Portland Opera, Artists Repertory Theatre and Portland Center Stage.

Professional sports teams based in the Air Service Area include the National Basketball Association's Portland Trail Blazers, Major League Soccer's Portland Timbers, and the National Women's Soccer League's Portland Thorns FC. In addition, the Hillsboro Hops is a Minor League Baseball team and the Portland Winterhawks is a major junior ice hockey team in the Western Hockey League.

Numerous travel magazines and web sites such as CNBC.com, CNNTravel.com, *Condé Nast Traveler*, RoughGuides.com, *Travel + Leisure*, and TripAdvisor.com have named Portland a top destination. Portland has also been recognized as a top location for its restaurants, wine and beer, outdoor recreation, cycling, sustainability, and vibrant arts community by LonelyPlanet.com, BusinessInsider.com; *Forbes, Traveller Australia*, *International Traveller* (UK), *Men's Fitness*; *Monocle, Outside, AFAR*, *Sunset*; *The Christian Science Monitor*; *The Guardian* (UK), *The Telegraph* (UK), *Smart Meetings*, *The New York Times*, *The Washington Post,* and VirtualTourist.com.[36] In addition, Travel Portland, the Air Service Area's primary convention and tourism organization, has been an 18-time winner of the Pinnacle Award from *Successful Meetings* magazine in recognition of its meeting planning services. It is also a 16-time recipient of *Meetings & Conventions* magazine's Gold Service Award.[37]

For six consecutive years, from 2013 through 2018, air travelers named Portland International Airport the best airport in the U.S.[38] Amenities cited by respondents to *Travel + Leisure* magazine's annual reader survey included the Airport's easy access to downtown Portland via light rail service, free Wi-Fi, and outstanding food and beverage selections. The survey also cited the Airport's "user friendly" features such as efficient security

32 Oregon Convention Center, https://www.oregoncc.org/about, accessed November 2018.
33 Planning Events in Portland, Top 5 Reasons to Meet in Portland, https://meetings.travelportland.com/top-five-reasons, accessed November 2018.
34 Hyatt Regency Portland and the Oregon Convention Center Exceeding Booking Expectations, https://www.oregonmetro.gov/public-projects/oregon-convention-center-hotel/hotel-progress, accessed November 2018.
35 Future Hyatt Regency Portland at the Oregon Convention Center, https://www.oregoncc.org/about/future-hyatt-hotel, accessed November 2018.
36 Portland in the News, Travel Portland, https://www.travelportland.com/media/archive, accessed November 2018.
37 About Our Services, Travel Portland for Meetings, https://meetings.travelportland.com/about-our-services, accessed November 2018.
38 PDX Named Best Domestic Airport by Travel + Leisure, https://www.portofportland.com/Newsroom/PDX-Named-Best-Domestic-Airport-by-Travel-and-Leisure, accessed November 2018.

checkpoints, art exhibits, and tax-free shopping.[39] In addition in 2016, the Airport ranked highest in satisfaction among large airports for the second consecutive year by J.D. Power. The Airport remained among the top three large airports in the U.S. for customer satisfaction in J.D. Power's 2018 survey.[40] Recent awards won by Portland International Airport and the Port of Portland are shown in **Table 1-13**.

The Air Service Area's wide array of cultural choices and entertainment options are an important factor supporting repeat visitation. The ability to see attractions or undertake activities that were missed on a previous visit significantly influences a visitor's intent to return to a travel destination.[41]

TABLE 1-13 Portland International Airport and Port of Portland Awards (2011-2018)

Year	Award	Organization
2018	Highest Customer Satisfaction Among Large Airports (3rd Place)	J.D. Power 2018 North American Airport Satisfaction Study
2018	America's Best Airport (6th consecutive year)	*Travel + Leisure Magazine*
2017	America's Best Airport (5th consecutive year)	*Travel + Leisure Magazine*
2017	Airport Concession Program Award of Excellence	Airports Council - North America
2017	Best "Green" Concessions Concept or Practice (3rd Place)	Airports Council - North America
2017	STAR Award for Citizen Involvement	Land Conservation and Development Commission
2016	Highest Customer Satisfaction Among Large Airports (1st Place)	J.D. Power 2016 North American Airport Satisfaction Study
2016	America's Best Airport (4th consecutive year)	*Travel + Leisure Magazine*
2016	Airport of the Year	Air Line Pilots Association
2016	Best Large U.S. Airport (2nd consecutive year)	TripAdvisor Traveler's Choice Awards
2016	Best U.S. Airport Shopping	TripAdvisor Traveler's Choice Awards
2016	Best U.S. Airport Dining	TripAdvisor Traveler's Choice Awards
2016	Perfect Inspection Marks	Federal Aviation Administration
2016	Gold Environmental Achievement (Carpet Replacement Project)	Starnet Design Awards
2016	Silver Environmental Achievement (Carpet Replacement Project)	Starnet People's Choice
2016	3rd Place Oregon Public Works Project of the Year (Carpet Replacement Project)	*Portland Daily Journal of Commerce*
2016	Recycler of the Year "Carpet" Diem Award	Association of Oregon Recyclers
2016	Sustainability at Work "Gold" status	City of Portland

39 "The Top 10 Domestic Airports," *Travel + Leisure*, July 10, 2018, https://www.travelandleisure.com/worlds-best/airports-domestic, accessed November 2018.

40 J.D. Power 2018 North America Airport Satisfaction Study, https://www.jdpower.com/business/ratings/study/North-America-Airport-Satisfaction-Study/4973ENG/Large-Airports/3859, accessed November 2018.

41 Jeffrey M. Caneen, "Cultural Determinants of Tourist Intention to Return," published in *Consumer Psychology of Tourism, Hospitality and Leisure*, CABI Publishing, 2004.

Year	Award	Organization
2016	9th in Top 30 Local Government Partners	U.S. Environmental Protection Agency Top Partner Rankings
2016	73rd in Top 100 National Partners	U.S. Environmental Protection Agency Top Partner Rankings
2016	Member of 100 Percent Green Power Users	U.S. Environmental Protection Agency
2016	Industrial Development of the Year (Capstone's PDX Logistics Center)	Commercial Association of Brokers, Society of Industrial and Office Realtors, NAIOP
2016	Oregon's Healthiest Employers (ranked 9th among employers with 500-1499 employees)	*Portland Business Journal*
2015	Highest Customer Satisfaction Among Large Airports	J.D. Power 2015 North American Airport Satisfaction Study
2015	Carbon Accreditation certification (4th in North America to be certified)	Airports Carbon Accreditation Program
2015	Climate Registered™ (voluntary greenhouse gas reporting)	The Climate Registry
2015	Sustainability at Work “Gold” status	City of Portland
2015	ISO 14001 Environmental Management Systems certification	International Organization for Standardization
2015	Partner Award in Innovation (seismic risk and vulnerability analysis)	Oregon Emergency Management Association
2015	Quest for Quality Award (West Coast ports)	Logistics Management Magazine
2015	America's Best Airport	*Travel + Leisure Magazine*
2015	Best Large U.S. Airport	TripAdvisor Traveler's Choice Awards
2014	America's Best Airport	*Travel + Leisure Magazine*
2013	America's Best Airport	*Travel + Leisure Magazine*
2013	#2 Best Airports for Traveling with Kids	*Huffington Post*
2013	#7 World's Best Airports for Shopping Fanatics	*Huffington Post*

Sources: Port of Portland, https://www.portofportland.com/Newsroom; Portland in the News, Travel Portland, https://www.travelportland.com/media/archive; publication web sites, accessed November 2018. Compiled by Partners for Economic Solutions, December 2018

1.2.4 Economic Outlook

U.S. GDP growth during the forecast period is expected to be supported by low unemployment, low inflation, solid growth in consumer spending,[42] moderate gains in real disposable personal income,[43] and household net worth.[44] However, uncertainty regarding international trade tensions, slowing global demand for U.S. goods, rising input costs, and political uncertainty or financial instability in foreign economies would likely have a negative impact on U.S. economic activity.[45]

The most recently published survey of business economists from the National Association for Business Economics (NABE) indicates consensus for annual real GDP growth of 2.7% in 2019. The NABE survey estimates that the average annual U.S. unemployment rate will be 3.6% in 2019.[46] Similarly, the Oregon Economic Forum recently noted continued growth in the State's economy resulting from contributions from expanding employment, low initial unemployment claims, and positive consumer sentiment.[47]

Data in **Table 1-14** show 2017 and forecast 2024 economic variables for the Air Service Area and for the U.S. including population, employment, personal income, and gross regional and domestic product. Growth expectations for these variables are generally higher in the Air Service Area than in the U.S. While the growth rates for per capita income and per capita GRP in the Air Service Area are lower than the U.S. rates, the dollar amounts of the Air Service Area's per capita income and per capital GRP are forecast to remain above those of the U.S. between 2017 and 2024. Notably, population, employment, total personal income, and gross regional product are expected to have relatively stronger growth rates in the Air Service Area, thus indicating the ongoing capacity of the Air Service Area to continue to generate demand for air travel services during the forecast period.

42 Board of Governors of the Federal Reserve System, Federal Open Market Committee, Minutes of the Federal Open Market Committee November 7-8, 2018, https://www.federalreserve.gov/monetarypolicy/fomcminutes20181108.htm, accessed December 2018.

43 Bureau of Economic Analysis, News Release, Personal Income and Outlays October 2018, https://www.bea.gov/system/files/2018-11/pi1018.pdf, accessed December 2018.

44 Bureau of Economic Analysis, Table S.3.a Households and Nonprofit Institutions Serving Households, Revised October 2012, https://apps.bea.gov/itable/itable.cfm?reqid=14&step=1, accessed December 2018.

45 Board of Governors of the Federal Reserve System, Federal Open Market Committee, Minutes of the Federal Open Market Committee November 7-8, 2018, https://www.federalreserve.gov/monetarypolicy/fomcminutes20181108.htm, accessed December 2018.

46 National Association for Business Economics, *NABE Outlook*, October 2018.

47 State of Oregon Economic Indicators October 2018, Oregon Economic Forum, University of Oregon, https://cpb-us-e1.wpmucdn.com/blogs.uoregon.edu/dist/0/7944/files/2018/12/newindexOct18-23ra1dt.pdf, accessed December 2018.

TABLE 1-14 Passenger Demand Forecast Variables (2017-2024)

Variable[1]	2017	2024	CAGR[2] 2017-2024
Population			
Air Service Area	2,458,424	2,719,344	1.5%
United States	325,888,129	347,711,883	0.9%
Employment			
Air Service Area	1,549,859	1,756,973	1.8%
United States	194,376,596	215,593,840	1.5%
Total Personal Income ($ billion)			
Air Service Area	$129.5	$155.2	2.6%
United States	$16,644.2	$19,449.5	2.3%
Per Capita Personal Income			
Air Service Area	$52,692	$57,070	1.1%
United States	$51,073	$55,936	1.3%
Gross Domestic/Regional Product ($ billion)			
Air Service Area	$173.5	$203.7	2.3%
United States	$19,382.3	$22,111.6	1.9%
Per Capita Gross Domestic/Regional Product			
Air Service Area	$70,572	$74,895	0.9%
United States	$59,475	$63,592	1.0%

Notes: [1] All dollar amounts are in 2017 dollars.
[2] CAGR = Compound annual growth rate.

Source: Woods & Poole Economics, Inc., 2018 Complete Economic and Demographic Data Source, April 2018
Compiled by Partners for Economic Solutions, February 2019.

2 Air Service and Traffic Analysis

This chapter describes and evaluates the current state of air service at the Airport, analyzes historical trends in air traffic, identifies key factors that generally affect demand for air travel, and provides the forecast of air traffic activity.

2.1 Air Service at the Airport

The following sections will evaluate current air service capacity and operating performance for the primary passenger airlines serving the Airport. Airline performance will be evaluated from an economic perspective, by evaluating carrier revenue, yield, and load factor results in total from the Airport and, in some cases, at the route level to generally ascertain current airline profitability. The Airport's overall O&D market will also be assessed at the market level, comparing performance with prior years.

2.1.1 Airlines Operating at the Airport

The Airport has historically experienced diverse air service from the primary U.S. airlines. In FY 2018, the Airport had scheduled passenger service provided by 16 domestic airlines and six foreign-flag airlines. Additionally, cargo service at the Airport was provided by 11 all-cargo airlines. **Table 2-1** provides a list of the scheduled passenger and all-cargo airlines that served the Airport in FY 2018.

In order to illustrate specific trends in changes to the passenger market share, **Table 2-2** provides the enplaned passengers by airline with the associated market share from FY 2014 through FY 2018. Factoring in airline mergers, 12 of the top airlines currently serving the Airport have been operating at the Airport for at least the past five years. The top four airlines at the Airport (Alaska Air Group, Southwest Airlines, Delta Air Lines, and United Airlines) accounted for 85.0% of the total enplaned passengers. It should be noted that due to a pilot shortage for Horizon Air affecting operations, the Alaska Air Group has shifted some capacity to SkyWest Airlines. The change is at least partially the reason for the recent decline in Horizon Air's market share coinciding with a growth in Alaska Airlines' market share.

Table 2-3 compares key airline revenue metrics for each of the major airlines specific to their performance at the Airport for CY 2007 versus CY 2017. This comparison period was chosen because CY 2017 is the latest full year for which data is available and CY 2007 is the last full calendar year representative of the prior peak before the U.S. economic recession. In summary, key revenue metrics have improved dramatically since CY 2007 for the major airlines serving the Airport. All of the major airlines that operate at the Airport have had significant increases in stage length adjusted[48] (SLA) revenue per available seat mile (RASM) and Southwest Airlines exceeded the increase in the national average during the period. In general, air service at the Airport is performing better than it was during the last peak prior to the recession in 2007, given increases RASM, load factor, and yield as presented in Table 2-3. Additional discussion of these airlines and their respective operations at the Airport including their revenue performance is contained in the following sections.

---

[48] Stage length adjustments are a common practice used to normalize comparisons of passenger yields and revenue per available seat mile. Stage length adjustments for 1,000 miles are made using the formula:
SLA Value = Value * ((observed length of haul/1000)^0.5).

TABLE 2-1 Airlines Serving the Airport – FY 2018

Mainline Air Carriers (11)	Regional/Commuter Airlines (5)	Foreign Flag Airlines (6)	All-Cargo Airlines (11)
Alaska Airlines	Compass Airlines[2]	Aeroméxico[7]	ABX[9]
American Airlines	Horizon Air[3]	Air Canada	Air Transport International[10]
Delta Air Lines	PenAir[4]	Condor	Airpac
Frontier Airlines	SkyWest Airlines[5]	Icelandair	Ameriflight
Hawaiian Airlines	Boutique Air[6]	Jazz Air, LP[8]	Atlas Air[11]
JetBlue Airways		Volaris	Cathay Pacific Airways
Southwest Airlines			Empire
Spirit Airlines Inc.			FedEx
Sun Country Airlines			MartinAire Aviation
United Airlines			United Parcel Service
Virgin America[1]			Western Air Express

Notes:
[1] Acquired by Alaska Airlines in December 2016. Virgin America is expected to continue to operate under an individual operating certificate until the end of 2019.
[2] Affiliate of Delta Air Lines (doing business as Delta Connection) and American Airlines (doing business as American Eagle).
[3] Doing business as Alaska Airlines. Alaska Airlines and Horizon Air are separately certified airlines owned by Alaska Air Group, Inc.
[4] PenAir filed for Chapter 11 bankruptcy protection in August 2017 and subsequently ended all service at the Airport.
[5] Doing business as Alaska Airlines, Delta Connection, and United Express.
[6] Boutique Air operates scheduled commercial service to Eastern Oregon Regional Airport from the fixed-base operator at the Airport. Therefore, all enplaned passengers, aircraft operations, and landed weight are included as general aviation.
[7] In October 2018, Aeroméxico announced it would suspend service in multiple markets including service to Mexico City from the Airport effective January 2019.
[8] Jazz Aviation LP operates in the U.S. and Canada under the brand name Air Canada Express.
[9] Operates cargo flights for DHL Aviation.
[10] Discontinued scheduled routes in October 2017 and operated some charter service up to April 2018. Currently has no scheduled operations at the Airport.
[11] Operates cargo flights for Cathay Cargo and some charter service.

Sources: Port of Portland, Aviation Statistics – Monthly Traffic Report June 2018; Diio Mi, Schedule – Dynamic Table.

TABLE 2-2 Historical Airport Enplaned Passenger Market Share

Airline	Enplaned Passengers					Market Share				
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Alaska Air Group	**3,234,478**	**3,490,098**	**3,787,949**	**4,022,719**	**4,199,674**	**41.9%**	**43.3%**	**43.1%**	**42.7%**	**43.1%**
Alaska Airlines[1]	*1,752,199*	*1,967,453*	*2,275,432*	*2,522,301*	*2,890,917*	*22.7%*	*24.4%*	*25.9%*	*26.8%*	*29.7%*
Horizon Air	*1,392,274*	*1,483,242*	*1,453,863*	*1,384,696*	*1,194,422*	*18.1%*	*18.4%*	*16.5%*	*14.7%*	*12.3%*
Virgin America[2]	*90,005*	*39,403*	*58,654*	*115,722*	*114,335*	*1.2%*	*0.5%*	*0.7%*	*1.2%*	*1.2%*
Southwest Airlines	1,285,341	1,364,490	1,536,290	1,703,206	1,715,412	16.7%	16.9%	17.5%	18.1%	17.6%
Delta Air Lines[1, 3, 5]	929,585	1,099,310	1,241,676	1,267,963	1,300,422	12.1%	13.6%	14.1%	13.5%	13.4%
United Airlines[1, 5]	1,069,165	895,834	904,219	954,983	1,056,809	13.9%	11.1%	10.3%	10.1%	10.9%
American Airlines[3,5]	581,064	569,480	609,592	654,326	683,936	7.5%	7.1%	6.9%	6.9%	7.0%
JetBlue Airways	181,324	178,419	195,366	193,621	181,106	1.7%	2.2%	2.2%	2.1%	1.9%
Frontier Airlines	199,652	148,953	150,840	150,780	130,141	2.6%	1.8%	1.7%	1.6%	1.3%
Hawaiian Airlines	96,944	99,512	101,488	102,543	116,453	1.3%	1.2%	1.2%	1.1%	1.2%
Spirit Airlines	112,159	115,244	123,323	142,665	110,255	1.5%	1.4%	1.4%	1.5%	1.1%
Air Canada[4]	60,246	66,875	77,985	104,244	107,360	0.8%	0.8%	0.9%	1.1%	1.1%
Other	12,069	30,542	63,558	125,515	131,443	0.2%	0.4%	0.7%	1.3%	1.4%
Total	**7,762,027**	**8,058,757**	**8,792,286**	**9,422,565**	**9,733,011**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Notes: [1] SkyWest Airlines passengers are included with the appropriate mainline partner (e.g., Alaska Airlines, Delta Air Lines, United Airlines).
[2] Acquired by Alaska Airlines in December 2016. Expected to continue to operate under individual operating certificate until the end of 2019.
[3] Compass Airlines passengers are included with appropriate mainline partner (e.g., Delta Air Lines, American Airlines).
[4] Includes enplaned passengers for Jazz Aviation doing business as Air Canada Express.
[5] Republic Airlines passengers are including with appropriate mainline partner (e.g. Delta Air Lines, American Airlines, and United Airlines)

Source: Port of Portland, Aviation Statistics – Monthly Traffic Report July 2013-June 2018.

TABLE 2-3 Key Airline Revenue Metrics at the Airport – CY 2007 VS CY 2017

Airline	SLA-RASM			Load Factor			SLA-Yield			Stage Length (miles)			Percent Connecting Traffic		
	CY 2007	CY 2017	% Change	CY 2007	CY 2017	Points Change	CY 2007	CY 2017	% Change	CY 2007	CY 2017	Miles Change	CY 2007	CY 2017	Points Change
Alaska Air Group[1]	9.2¢	10.7¢	16.3%	74.3%	84.3%	10.1	12.4¢	12.9¢	4.0%	467	686	219	32.5%	27.9%	-4.5
Southwest Airlines	7.1¢	9.2¢	29.6%	71.1%	84.8%	13.7	10.3¢	11.0¢	6.8%	645	883	238	5.1%	0.7%	-4.4
Delta Air Lines[2]	11.4¢	13.2¢	15.8%	87.6%	86.3%	-1.3	13.1¢	15.4¢	17.6%	1,619	1,275	-344	11.1%	9.7%	-1.5
United Airlines[3]	9.7¢	11.6¢	19.6%	85.6%	88.8%	3.2	11.7¢	13.1¢	12.0%	782	1,215	433	12.7%	4.6%	-8.1
National Average	**10.1¢**	**12.2¢**	**20.8%**	**80.2%**	**83.5%**	**3.3**	**12.8¢**	**14.7¢**	**14.8%**	**820**	**844**	**24**	**33.5%**	**32.3%**	**-1.3**

Notes: Data includes regional affiliates, as applicable, and do not include airline ancillary fees such as changes for checked bags, etc.
SLA-RASM = Stage Length Adjusted Revenue Per Available Seat Mile
SLA-Yield = Stage Length Adjusted Yield
SLA Value = Value * ((observed length of haul/1,000)^0.5)
[1] Includes Virgin America
[2] Includes Northwest Airlines
[3] Includes Continental Airlines

Sources: Diio, US DOT Reports DB1A and T100. Accessed October 2018

Key airline revenue metrics described in this section include SLA-RASM, load factor, and SLA-yield. RASM is the unit used by airlines, as expressed in cents, to measure revenue received for each available seat mile (ASM). ASMs are measured by airlines for determining capacity and an ASM unit is one seat flying one mile. For example, a 100-seat aircraft operating on a route of 1,000 miles would equate to 100,000 ASMs. For the purpose of this analysis, RASM only measures passenger revenue and does not include other operating revenue received by airlines such as baggage fees. Load factors measure how an airline is performing on a specific route or an aggregate in terms of filling available capacity. Load factors are calculated by dividing revenue passenger miles (RPMs) divided by ASMs. RPMs are the general airline metric for traffic. For example, a revenue passenger flying one mile equates to one RPM. The last measure is airline yield or revenue per passenger mile. While RASM measures revenue on an ASM basis, yield measures it on an RPM basis. In other words, yield measures revenue for each unit sold whereas RASM measures revenue for each unit available to be sold. Yield is the industry measurement for price, while the load factor is a volume-related measurement. RASM factors in both and is considered the key revenue metric.

An important note regarding RASM and yield is that these measures tend to decrease as stage length increases. In theory, the higher the RASM or yield, the more profitable airlines should be. However, this assumes that costs per ASM (CASM) remain constant. Therefore, if an airline increases its overall stage length, it could be expected that RASM and yield would decrease, as would its CASM. In order to account for this, RASM and yields have been adjusted based on the airline's average stage length. For the purposes of this Report, all SLA values are expressed in a base of 1,000 miles.

2.1.1.1 Alaska Air Group

The Airport serves as a hub for the Alaska Air Group. In CY 2017, the Alaska Air Group operated at a system-wide operating profit margin of 15.9%, second to only Southwest Airlines among major network airlines.[49] Alaska Airlines, including Virgin America, generally serves the longer-haul, larger markets from the Airport, whereas Horizon Air typically serves smaller markets or provides service to more short-haul markets with higher frequency, such as Seattle.

In FY 2018, Alaska Air Group had a combined market share of 43.1% of the Airport's total enplaned passengers. The Airport is Alaska Air Group's second largest market in terms of seats, second only to SEA. Based upon published flight schedules for the peak month of July 2018, Alaska Air Group operated nonstop to 53 airports with 143 daily departures from the Airport.[50] In comparison, the other airlines at the Airport operated nonstop to 56 airports (a majority of which are served by Alaska Air Group) with 150 daily departures in July 2018.

Given Alaska Air Group's level of service, its recent growth at the Airport, and relative importance to overall passenger traffic at the Airport, an assessment of Alaska Air Group's performance on each route was conducted. **Table 2-4** compares Alaska Air Group's capacity at the Airport by market for the month of July 2018 versus the month of July 2010. This period was selected as a comparison because during the time between these points the Airport experienced significant levels of growth as spurred in large part by the growth of Alaska Air Group at the Airport. July also serves as the peak month for passengers at the Airport. The top market served by Alaska Air Group from the Airport is SEA, which is the airline's largest hub operation and of major strategic importance. By July 2018, Alaska Air Group added 662 monthly departures to the markets it served in July 2010. This added frequency resulted in a 46.4% increase in departing seats at the Airport. Additionally, Alaska Air Group added service to 34 new markets to its July 2018 schedule as compared to July 2010, but did remove service to Denver from the Airport. Overall, Alaska Air Group added 1,624 departures accounting for 227,352 additional departing

49 2018 SEC 10-K filing for Alaska Air Group, United, Delta, American and Southwest.
50 Based on data from Diio, accessed October 2018.

seats to its July 2018 schedule as compared to July 2010. It should be noted that a number of the markets added include longer-haul routes (i.e. markets on the east coast and Hawaii on larger aircraft). As a result, monthly ASMs increased by 140.5% from July 2010 to July 2018 despite departing seats only increasing 88.0%. In summary, since July 2010, Alaska Air Group has increased its presence and diversified its route network at the Airport.

Although seating capacity and the number of nonstop markets has increased over the past eight years, relative route profitability is a key factor to assess when evaluating an airline's performance at an airport. Unit revenue, or RASM, was analyzed for each of the Airport's nonstop routes served by Alaska Air Group given its overall importance to the Airport. In conjunction with this, load factor and yield performance at the Airport were also assessed. **Exhibit 2-1** plots Alaska Air Group's RASMs against the miles from origin to destination (stage length) for all of the airline's routes less than 1,500 miles for CY 2017. The trend line provides an estimate for the estimated RASM for any route based on the route's stage length. As shown on the chart, RASM decreased as the stage length increased. This trend is the typical curve experienced in the industry with RASM. Therefore, it is important to consider stage length when assessing RASM or yield.

In general, the majority of the Airport's nonstop routes operated by Alaska Air Group are within range of the system average RASM. As noted earlier, Alaska Air Group has grown traffic significantly at the Airport in recent years. Of the 51 nonstop markets served by Alaska Air Group in CY 2017, 41 operated load factors in excess of 80.0% including all but two markets longer than 1,500 miles away from the Airport. Alaska Air Group's average load factor has increased by 10.1 percentage points at the Airport since CY 2007. During this time, Alaska Air Group's yields, and to a lesser degree RASM, have declined at the Airport. However, this is due in large part to the significant increase in nonstop flight distance or stage length experienced by the airline from the Airport. Alaska Airlines has significantly increased their average length of flight (stage length) at the Airport from 466 miles in CY 2007 to 687 in CY 2017. This has resulted in SLA-RASM and SLA-yields to increase by 16.3% and 4.0% respectively during this period. In summary, Alaska Air Group has been able to increase capacity at the Airport while also increasing its SLA-RASM and SLA-yields. Therefore, it is expected that Alaska Air Group is achieving profitability for its nonstop flights at the Airport.

Alaska Air Group has 70 narrow-body aircraft[51] and 20 regional aircraft[52] on order.[53] The airline has indicated that most of the new aircraft will be used to replace older aircraft in its fleet while the remaining orders will be used to accomplish growth. Much of the airline's recent growth has been the result of operating larger aircraft on longer flights. For example, the addition of the Boeing 737-900 aircraft has been an important part of this growth. Additionally, it is expected that Horizon Air and SkyWest Airlines will use the regional aircraft to operate from the Airport to mid-sized cities.

In terms of scheduled departing seats, the Airport is the second largest in the Alaska Air Group system and generally considered of strategic importance – second to only SEA on both accounts. Specifically, the top five airports in Alaska Air Group's network in terms of departing seats for CY 2018 (in descending order) are SEA (14.1 million), the Airport (5.2 million), Los Angeles (3.5 million), San Francisco (3.3 million), and Anchorage (2.3 million).[54] Taking into consideration its future fleet plans along with its performance at the Airport, it appears likely that Alaska Air Group would continue its operation of the Airport as a hub into the foreseeable future and continue to increase its presence in concert with local demand for air service.

[51] Includes 32 Boeing 737 Max 9s and six Boeing 737-900ER as well as 30 Airbus A320neo and 2 Airbus 321neo which were part of the Virgin America merger.
[52] Includes 20 Embraer 175 to be operated by Horizon Air and SkyWest Airlines.
[53] Information gathered from airline's website, Boeing's Orders & Deliveries, and Airbus' Orders and Deliveries, accessed November 2018.
[54] Scheduling data accessed through Diio Mi, Schedule – Dynamic Table, accessed March 2019.

TABLE 2-4 Alaska Air Group Capacity by Market – July 2010 Vs July 2018

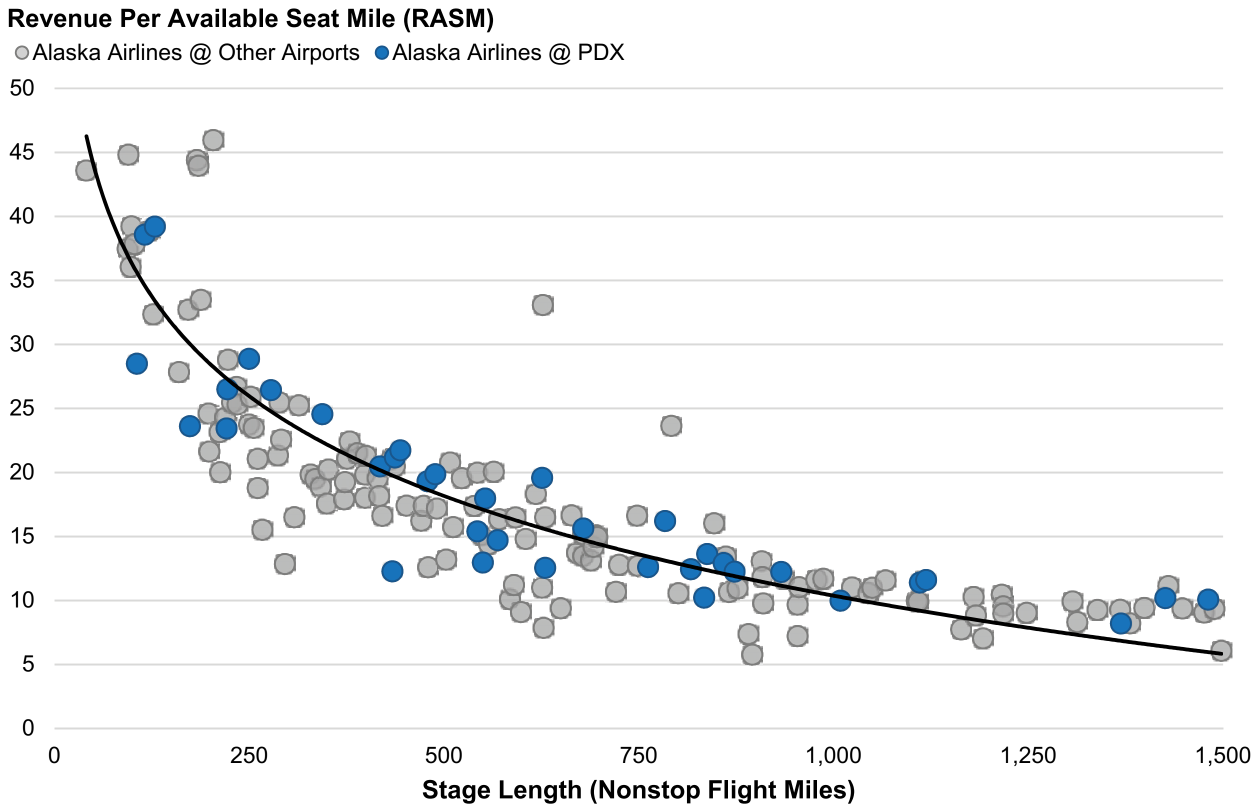
Markets		Code	Stage Length	July 2010			July 2018			Change in Capacity
				Departures	Seats	Avg. Seats	Departures	Seats	Avg. Seats	
Historical Markets	Seattle	SEA	129	617	46,196	75	757	68,771	91	48.9%
	Los Angeles	LAX	834	150	21,435	143	242	37,308	154	74.1%
	San Francisco	SFO	550	175	12,250	70	226	35,605	158	190.7%
	Spokane	GEG	278	144	10,944	76	278	21,128	76	93.1%
	San Diego	SAN	933	93	13,578	146	124	20,951	169	54.3%
	San Jose	SJC	569	146	13,694	94	147	20,873	142	52.4%
	Anchorage	ANC	1,542	92	13,657	148	114	18,128	159	32.7%
	Orange County	SNA	859	118	14,632	124	115	17,165	149	17.3%
	Boise	BOI	344	118	8,596	73	216	16,416	76	91.0%
	Las Vegas	LAS	762	93	12,555	135	89	14,082	158	12.2%
	Medford	MFR	222	92	6,992	76	181	13,756	76	96.7%
	Redmond/Bend	RDM	116	87	6,612	76	150	11,400	76	72.4%
	Boston	BOS	2,537	31	4,867	157	62	10,846	175	122.8%
	Sacramento	SMF	479	145	10,150	70	121	9,196	76	-9.4%
	Burbank	BUR	817	107	7,490	70	89	9,162	103	22.3%
	Kahului	OGG	2,562	31	4,867	157	49	7,791	159	60.1%
	Eugene	EUG	106	87	6,612	76	93	7,068	76	6.9%
	Oakland	OAK	543	118	8,260	70	89	6,764	76	-18.1%
	Chicago	ORD	1,739	31	3,844	124	31	5,480	177	42.6%

Markets		Code	Stage Length	July 2010			July 2018			Change in Capacity
				Departures	Seats	Avg. Seats	Departures	Seats	Avg. Seats	
	Phoenix	PHX	1,009	62	7,721	125	31	4,881	157	-36.8%
	Bellingham	BLI	221	25	1,750	70	62	4,712	76	169.3%
	Santa Rosa	STS	489	31	2,356	76	62	4,712	76	100.0%
	Vancouver	YVR	250	62	4,712	76	62	4,712	76	0.0%
	Ontario	ONT	838	107	7,490	70	61	4,636	76	-38.1%
	Fresno	FAT	626	31	2,170	70	35	2,660	76	22.6%
	Denver	DEN	992	31	4,834	156				-100.0%
New Markets	Salt Lake City	SLC	630				92	10,059	109	
	Reno	RNO	444				93	7,068	76	
	Honolulu	HNL	2,603				40	6,379	159	
	Baltimore	BWI	2,358				31	5,480	177	
	Orlando	MCO	2,534				31	5,081	164	
	New York	JFK	2,454				31	5,043	163	
	Newark	EWR	2,433				31	5,005	161	
	Detroit	DTW	1,953				31	4,986	161	
	Philadelphia	PHL	2,406				31	4,986	161	
	Washington	DCA	2,350				31	4,929	159	
	Dallas/Fort Worth	DFW	1,616				31	4,912	158	
	Austin	AUS	1,715				31	4,738	153	
	Bozeman	BZN	553				62	4,712	76	
	Atlanta	ATL	2,172				26	4,172	160	

Markets	Code	Stage Length	July 2010			July 2018			Change in Capacity
			Departures	Seats	Avg. Seats	Departures	Seats	Avg. Seats	
Kona	KOA	2,611				17	2,703	159	
Albuquerque	ABQ	1,111				31	2,356	76	
Billings	BIL	679				31	2,356	76	
Dallas	DAL	1,626				31	2,356	76	
Kalispell-Glacier	FCA	437				31	2,356	76	
Kansas City	MCI	1,481				31	2,356	76	
Milwaukee	MKE	1,718				31	2,356	76	
Missoula	MSO	418				31	2,356	76	
Minneapolis/St. Paul	MSP	1,426				31	2,356	76	
Omaha	OMA	1,369				31	2,356	76	
Pasco	PSC	174				31	2,356	76	
Santa Barbara	SBA	784				31	2,356	76	
Palm Springs	PSP	873				4	636	159	
Hailey-Sun Valley	SUN	434				8	608	76	
Grand Total			**2,824**	**258,264**	**91**	**4,448**	**485,616**	**109**	**88.0%**

Sources: Diio Mi, Schedule – Dynamic Table.

EXHIBIT 2-1 Alaska Air Group RASM and Stage Length Comparison – CY 2017



Source: Diio, US DOT Reports DB1A and T100.

2.1.1.2 Southwest Airlines

In CY 2017, Southwest Airlines operated at a system-wide operating profit margin of 16.6%.[55] Southwest Airlines is the second largest passenger airline at the Airport in terms of enplaned passengers. In FY 2014, Southwest Airlines accounted for 16.7% of the enplaned passengers at the Airport. Since then, the airline added seven new markets (Burbank, Dallas, Los Angeles, Ontario, San Francisco, Orange County, and St. Louis) while cutting service to two under-performing markets (Reno and Salt Lake City). These changes allowed Southwest Airlines' presence at the Airport to grow significantly during this time. In FY 2017, Southwest Airlines had 1.7 million enplaned passengers, accounting for 18.1% of the total passenger traffic at the Airport. However, in FY 2018, Southwest Airlines only had a modest increase of 0.7% in enplaned passengers, which resulted in the airline's market share declining to 17.6%. This was the result of reduced service to some markets including the cancellation of service to the recently added destination of Orange County because of flight capacity restrictions at the destination.

In July 2018, Southwest Airlines operated nonstop service to 19 markets from the Airport, accounting for 46 daily departures. Southwest Airlines has increased its departing seat capacity by 31.6% since FY 2014 despite growth in total departures increasing only 26.4%. The increase in seating capacity corresponded to an increase in total enplaned passengers of 33.5%. The slightly higher rate of growth for enplaned passengers indicates an increase in average load factors at the Airport. Southwest Airlines accomplished this primarily by eliminating lower performing, shorter-haul routes and adding longer nonstop flights from the Airport.

Southwest Airlines route changes have resulted in significant improvements in its SLA-RASM and expected profitability at the Airport. In terms of SLA-RASM, Southwest Airlines has significantly increased their average length of flight (stage length) at the Airport from 644 miles in CY 2007 to 882 in CY 2017. Southwest Airlines has improved performance, in terms of SLA-RASM, by 29.6% from CY 2007 to 2017, the highest among the major airlines at the Airport. Load factors have also improved significantly since CY 2007, increasing by 13.7 percentage points during this period to a level of 84.8% for CY 2017. SLA-yields have increased by 6.8%.

Southwest Airline's recent actions at the Airport are generally consistent with those throughout its system (i.e., constant evaluation of underperforming routes, adding longer-haul service, and adding service to markets where Southwest Airlines has relative strength). In general, the net effect has been relatively smaller changes in seat capacity combined with stronger traffic growth. This typically results in an improvement to load factors, better revenue production, and more stable/profitable air service overall.

Southwest Airlines has 744 aircraft in its fleet mostly comprised of 143-seat Boeing 737-700 and 175-seat Boeing 737-800. Currently, Southwest Airlines has orders for 30 150-seat Boeing 737 Max 7 and 226 175-seat Boeing 737 Max 8.[56] The orders are anticipated to be used to replace the airline's current aging Boeing 737 fleet and to provide for moderate growth.

In summary, Southwest Airlines has restructured its capacity at the Airport in recent years by eliminating under-performing, shorter haul routes and adding longer-haul flights in markets with higher demand. This has generally resulted in improved revenue performance for Southwest Airlines at the Airport. It is expected that Southwest Airlines will continue to grow its air service from the Airport in line with planned system-wide capacity growth, primarily by continuing to add larger aircraft to longer nonstop markets as demand warrants.

[55] 2018 SEC 10-K filing for Alaska Air Group, United, Delta, American and Southwest.
[56] Information gathered from airline's website, Boeing's Orders & Deliveries, and Airbus' Orders and Deliveries, accessed November 2018.

2.1.1.3 Delta Air Lines

In CY 2017, Delta Air Lines operated at a system-wide operating profit margin of 14.8%.[57] In FY 2014, Delta Air Lines, including its regional affiliates Compass and SkyWest Airlines, had 929,585 enplaned passengers at the Airport accounting for 12.1% of the total enplaned passengers at the Airport. In FY 2018, Delta Air Lines had 1.3 million enplaned passengers at the Airport equating to 13.4% of the total enplaned passengers at the Airport. This 8.8% CAGR in enplaned passengers during this span is the highest among all the large carriers at the Airport. A majority of this recent growth is attributed to the addition of nonstop service to SEA, but is supplemented by increased service to Los Angeles, new service to London, and seasonal service to Honolulu and Las Vegas. SEA and Los Angeles are key international gateway markets for Delta Air Lines and have grown considerably in recent years.

Load factor for Delta Air Lines declined from CY 2007 to CY 2017. However, the airline's average load factor for CY 2017 (86.3%) is still one of the highest at the Airport, as compared to other airlines, and is significantly higher than the Airport average. Meanwhile, Delta Air Lines was able to improve SLA-RASM and SLA-yields at the Airport since CY 2007. During this period, SLA-RASM increased 15.8% and yields increased 17.6%. When evaluating SLA-yield and SLA-RASM for domestic markets, Delta Air Lines, in general, is achieving strong performance. In particular, longer-haul routes to the midwestern and eastern U.S. (Minneapolis-St. Paul, Detroit, Atlanta, and New York) appear to be performing in line with the airline's average in terms of SLA-RASM at the Airport while maintaining load factors in excess of 85.0%. Although load factors are below average for shorter-haul destinations (Los Angeles, Salt Lake City, and Seattle), SLA-RASMs for these markets are all above average.

Delta Air Lines operates daily overseas service from the Airport to Tokyo and Amsterdam as well as seasonal service to London. **Table 2-5** presents key revenue metrics for the airline's overseas operations from the continental U.S. to Tokyo, Amsterdam, and London. Service to Tokyo from the Airport appears to be exhibiting performance slightly behind other airports in terms of SLA-RASM and load factors, but the SLA-yield is generally in line with flights to Tokyo from SEA and Detroit. Load factor, SLA-yields, and SLA-RASM for Delta Air Lines' flights to Amsterdam and London from the Airport are all below average when compared to other airports in the continental U.S. Amsterdam is a relatively small O&D market and is operated primarily as a connecting hub by both Delta Air Lines and KLM Royal Dutch Airlines. Additionally, service to London is relatively new as it began in May 2017, and the revenue metrics may be slightly lower until the market is able to mature. Delta Air Lines has announced that its London service will increase from four times a week to seven starting in the summer of 2019. On comparable routes such as SEA and Salt Lake City, flights from the Airport outperform in terms of SLA-RASM to Amsterdam and London. In addition, Delta announced in February 2019 that the Airport was one of several markets for which it has applied to the U.S. Department of Transportation for non-stop service to Tokyo-Haneda. If approved, the new service is expected to begin in 2020.[58]

Delta Air Lines' current mainline fleet includes 882 narrow-body and wide-body aircraft. The airline has orders for seventy-five 109-seat Airbus A220-100 aircraft, 158 Airbus A321, 26 Boeing 737-900ER, 25 Airbus A330-900neo, and 14 Airbus A350-900.[59] A number of these new aircraft are to replace older aircraft such as the McDonnell Douglas MD-88, McDonnell Douglas MD-90, Boeing 757-200, and Boeing 767-300 aircraft. The remaining aircraft will expand the airline's offerings.

57 2018 SEC 10-K filing for Alaska Air Group, United, Delta, American and Southwest.

58 "Portland to Tokyo every day? Delta seeking nonstop service in 2020," *The Oregonian*, February 21, 2019, https://www.oregonlive.com/commuting/2019/02/portland-to-tokyo-every-day-delta-seeking-nonstop-service-in-2020.html, accessed February 2019.

59 Information gathered from airline's website, Boeing's Orders & Deliveries, and Airbus' Orders and Deliveries, accessed November 2018.

Given Delta Air Lines' relatively strong performance at the Airport, it could be expected that Delta will continue to grow at the Airport in concert with its overall system. It is also expected that the airline will replace existing aircraft used on longer-haul routes with larger aircraft as the new aircraft become available.

TABLE 2-5 Delta Air Lines International Benchmarks – CY 2017

Destination	Origin	Nonstop Miles	Seats/ Departure	Load Factor (%)	SLA-Yield	SLA-RASM
Amsterdam	DTW	3,940	265.8	83.8	26.3¢	22.0¢
	ATL	4,401	292.5	91.3	23.1¢	21.1¢
	BOS	3,457	292.3	84.1	24.7¢	20.8¢
	JFK	3,644	247.1	89.4	22.4¢	20.0¢
	PDX	**5,004**	**280.4**	**81.2**	**24.6¢**	**20.0¢**
	SLC	4,990	229.9	88.2	22.2¢	19.6¢
	EWR	3,657	224.7	88.2	22.1¢	19.5¢
	MSP	4,166	292.5	86.5	22.3¢	19.3¢
	SEA	4,886	271.2	85.4	22.3¢	19.0¢
London	MSP	4,015	210.0	84.4	30.0¢	25.3¢
	BOS	3,265	208.7	74.9	31.8¢	23.9¢
	DTW	3,766	209.9	78.0	30.4¢	23.7¢
	JFK	3,452	210.5	74.8	30.2¢	22.6¢
	ATL	4,211	212.0	80.1	27.2¢	21.8¢
	PDX	**4,914**	**208.6**	**74.3**	**24.5¢**	**18.2¢**
	SEA	4,801	210.2	65.7	27.0¢	17.7¢
	SLC	4,867	209.9	75.1	22.1¢	16.6¢
	PHL	3,546	165.4	56.6	22.1¢	12.5¢
Tokyo	SEA	4,769	212.4	91.3	26.9¢	24.6¢
	DTW	6,397	363.0	88.1	27.2¢	23.9¢
	ATL	6,850	291.2	93.0	25.7¢	23.9¢
	PDX	**4,822**	**210.2**	**85.9**	**26.6¢**	**22.9¢**

Notes: SLA-RASM = Stage Length Adjusted Revenue Per Available Seat Mile
SLA-Yield = Stage Length Adjusted Yield
SLA Value = Value * ((observed length of haul/1,000)^0.5)
Sources: Diio, US DOT Reports DB1A and T100, accessed October 2018.

2.1.1.4 United Airlines

In CY 2017, United Airlines operated at a system-wide operating profit margin of 9.3%.[60] United Airlines, including its regional affiliate SkyWest Airlines, was once one of the Airport's largest airlines. However, the airline steadily lost market share through FY 2016. In FY 2012, United Airlines accounted for 16.2% of the Airport's enplaned passengers. By FY 2016 the airline's share dropped to 10.3%. However, the airline has maintained its market share since then. In FY 2018, United Airlines made up 10.9% of the Airport's passenger traffic.

In FY 2014 and FY 2015, United Airlines eliminated a number of West Coast routes that operated with smaller aircraft at high frequencies. The airline used the 30-seat Embraer 120 Brasilia for the following routes: Eugene, Los Angeles, Klamath Falls, Redmond, and SEA. When the airline retired the aircraft, it also decided to discontinue these routes. The airline also ended service to Cleveland during this time. With the exception of Newark, the airline reduced the frequency of aircraft operations for remaining routes, namely flights to its hubs. However, the loss of aircraft operations was partially offset by the airline using larger aircraft. While aircraft operations declined 47.2% from FY 2014 to FY 2018, total seating capacity only decreased 7.0%. In FY 2018, United Airlines was the smallest of the major airlines at the Airport in terms of scheduled service. The airline had 7,468 scheduled departures to six destinations with a total seating capacity of 1.2 million seats.

The changes United Airlines has made in recent years have positively impacted its revenue performance at the Airport. United Airlines has increased all of its key revenue metrics since CY 2007: SLA-RASM by 19.6%, SLA-yield by 12.0%, and average load factor by 3.2 points.

United Airlines has 760 aircraft in its fleet. For domestic flights, the airline uses a mix of variants of the Airbus A319, Airbus A320, and Boeing 737. The airline has 263 aircraft on order including 188 narrow-body aircraft (100 Boeing 737 Max 10, 54 Boeing 737 Max 9, and 34 Airbus 319) and 75 wide-body aircraft.[61] It is likely that United Airlines will only use narrow-body aircraft at the Airport as orders are delivered. However, this strategy may shift as United continues to build West Coast hubs.

In summary, it appears likely that United Airlines' capacity reductions have slowed and even possibly reversed. United Airlines has eliminated several non-strategic routes, and its operations at the Airport to its hubs appear to be performing well. United Airlines is expected to continue growth over the next two years and it is possible that the airline will expand its offerings at the Airport. It is expected that United Airlines will maintain capacity to its hub airports. The airline may potentially increase this capacity if it is warranted by demand from the Air Service Area.

2.1.2 O&D Markets

In FY 2018, 84.6% of the Airport's enplaned passengers consisted of O&D passengers. **Table 2-6** provides information regarding the Airport's top O&D markets, including the number of daily O&D enplaned passengers for FY 2018. The table also presents daily departures, daily departing nonstop seats, airports served, and the airlines offering nonstop service for each market. The airlines at the Airport serve all of the Airport's top 25 O&D markets with nonstop service. Nashville, the 30th largest O&D market for the Airport, with a daily average of 120 enplaned passengers, is the largest O&D market currently without nonstop service; however, Sun Country Airlines announced it will be starting seasonal nonstop service to Nashville on a less-than-daily basis starting in May 2019. It should also be noted that given the strong passenger demand in the Airport's top 25 markets, 23 of these markets have more than one airline providing nonstop service from the Airport. In many cases three or more

60 2018 SEC 10-K filing for Alaska Air Group, United, Delta, American and Southwest.
61 Information gathered from airline's website, Boeing's Orders & Deliveries, and Airbus' Orders and Deliveries, accessed November 2018.

airlines provide nonstop service on these primary O&D markets, which is generally indicative of strong passenger demand on these routes as multiple airlines are competing for service.

The Airport's top O&D markets reflect travel demand from the region, and consequently, where airline capacity is allocated. The Airport, as with most markets on the west coast, has a large share of demand to cities in the western U.S. There is also demand for the Airport to most major cities in the eastern half of the U.S. The Airport's geographical location in the Pacific Northwest combined with the east coast demand has resulted in an average domestic passenger trip length of 1,294 miles compared to the national average of 1,131 in FY 2018.

Table 2-7 presents the change in the Airport's top O&D markets for FY 2018 compared to FY 2008. This analysis helps illustrate how the Airport's air travel demand has changed since pre-recessionary levels. To an extent, capacity from the Airport has shifted away from the western U.S. to more central and eastern parts of the country. In a majority of the markets, the average airfare has increased, indicating that airline yields have improved at the Airport. However, the change in passengers, fares, and revenues can be a result of airline competition on these routes. For example, if capacity has increased in a market, fares could decrease and revenues may not increase proportionally with passenger volume. On the other hand, if an airline increases its market share in a particular market, it may gain control of pricing and be able to increase both airfares and revenues. As shown for the Airport in total, daily O&D passengers have increased by 32.3%, average airfare increased by 24.7%, and revenues to the airlines increased by 65.0%.

TABLE 2-6 Top 25 O&D Markets – FY 2018

Region	Daily O&D Passengers	Daily Departures	Daily Departing Seats	Airports Served	Airlines
Los Angeles Basin	2,848	29	3,796	LAX, SNA, BUR, ONT, LGB	AS, DL, VX, AA, WN, NK, B6
San Francisco Bay Area	2,451	34	4,991	SFO, SJC, OAK	AS, VX, WN, SY, UA
Las Vegas	980	8	1,303	LAS	AS, DL, WN, NK, SY
Phoenix	895	9	1,400	PHX	AS, AA, F9, WN, SY
Hawaii	888	5	975	HNL, OGG, KOA, LIH	AS, DL, HA, SY
Denver	816	10	1,604	DEN	F9, WN, UA
New York / Newark	741	6	997	JFK, EWR	AS, DL, B6, UA
San Diego	734	5	857	SAN	AS, WN
Chicago	656	9	1,542	ORD, MDW	AS, VX, AA, NK, UA, WN
Sacramento	521	8	945	SMF	AS, WN

Region	Daily O&D Passengers	Daily Departures	Daily Departing Seats	Airports Served	Airlines
Washington / Baltimore	499	2	371	DCA, BWI, IAD	AS, WN, UA
Dallas / Ft. Worth	462	7	1,094	DFW, DAL	AS, AA, WN
Salt Lake City	439	8	1,164	SLC	AS, DL
Central Florida	403	1	172	MCO	AS, SY
Seattle	391	30	2,451	SEA	AS, DL
Minneapolis / St. Paul	379	5	849	MSP	AS, DL, SY
Boston	333	2	296	BOS	AS, B6
Atlanta	292	4	680	ATL	AS, DL
Boise	284	7	485	BOI	AS
Austin	260	1	186	AUS	AS, F9, WN
Spokane	237	8	557	GEG	AS
Houston	229	3	425	IAH, HOU	UA, WN
Anchorage	202	3	454	ANC	AS, B6, SY
Detroit	201	2	323	DTW	AS, DL, NK
Philadelphia	162	0†	73	PHL	AS, AA
Top 25 Total	**16,303**	**205**	**27,989**		
Others	6,256	47	4,184		
Total	**22,559**	**252**	**32,173**		

Notes: AS = Alaska Airlines (includes Horizon Air)
DL = Delta Air Lines
VX = Virgin America
AA = American Airlines
WN = Southwest Airlines
NK = Spirit Airlines
B6 = JetBlue
SY = Sun Country Airlines
F9 = Frontier Airlines
UA = United Airlines
HA = Hawaiian Airlines
† American Airlines and Alaska Airlines provided seasonal service during the summer months of June through August. In total, there were 160 scheduled departures in FY 2018, which equates to less than a daily operation.

Source: Diio; US DOT Reports DB1A, accessed October 2018.

TABLE 2-7 Change at Top 25 O&D Markets – FY 2008 VS FY 2018

Region	Percent Change Daily O&D Passengers	Percent Change Revenue	Percent Change Airfare
Los Angeles Basin	71.9%	44.1%	-16.2%
San Francisco Bay Area	53.8%	43.0%	-7.0%
Las Vegas	34.1%	19.2%	-11.1%
Phoenix	24.0%	37.1%	10.6%
Hawaii	36.1%	58.0%	16.2%
Denver	56.3%	38.4%	-11.5%
New York / Newark	46.9%	52.6%	3.9%
San Diego	54.9%	41.1%	-8.9%
Chicago	45.1%	30.5%	-10.0%
Sacramento	-20.7%	14.7%	44.6%
Washington / Baltimore	30.0%	43.3%	10.2%
Dallas / Ft. Worth	63.5%	47.6%	-9.8%
Salt Lake City	22.9%	29.8%	5.6%
Central Florida	31.0%	58.0%	20.7%
Seattle	-5.5%	31.5%	39.1%
Minneapolis / St. Paul	85.2%	38.3%	-25.4%
Boston	66.0%	81.0%	9.1%
Atlanta	51.6%	49.8%	-1.2%
Boise	-29.2%	19.7%	69.1%
Austin[1]	142.2%	106.4%	-14.8%
Spokane	-35.5%	6.1%	64.4%
Houston	22.3%	35.3%	10.7%
Anchorage	64.2%	36.5%	-16.9%
Detroit	31.6%	30.9%	-0.5%
Philadelphia	10.1%	29.3%	17.5%
Top 25 Total	**38.3%**	**41.8%**	**2.6%**
Others	19.0%	109.8%	76.3%
Total	**32.3%**	**65.0%**	**24.7%**

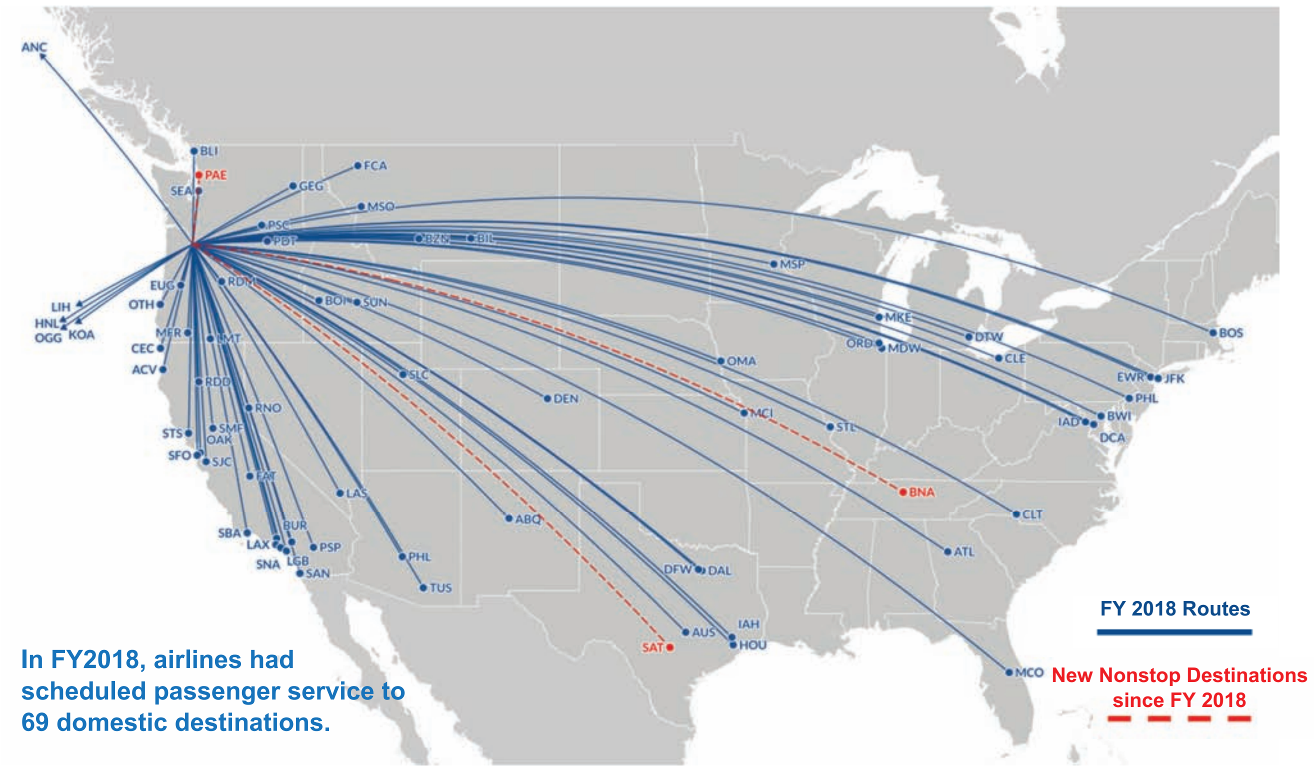
Note: [1] Added new nonstop service which significantly increased O&D passengers and revenue while lowering average airfare to that destination.

Source: Diio; US DOT Reports DB1A, accessed October 2018.

2.1.3 Current Nonstop Service

In FY 2018, there was scheduled service to 69 domestic and 12 international destinations from the Airport.[62] The Airport's largest airline, the Alaska Air Group, provides scheduled nonstop service to 55 domestic and three international destinations in FY 2018. Sun Country Airlines has announced three new seasonal nonstop routes to begin service by the end of FY 2019.[63] **Exhibit 2-2** provides a map of the scheduled nonstop domestic destinations served in FY 2018. **Exhibit 2-3** provides a map of the scheduled nonstop international destinations served in FY 2018.

EXHIBIT 2-2 Map of Domestic Nonstop Destinations



Note: Boutique Air operates scheduled commercial service to Eastern Oregon Regional Airport (PDT) from the fixed-base operator at the Airport.

Source: Diio Mi, Schedule – Dynamic Table, accessed October 2018.

---

62 These destinations include year-round and seasonal service.

63 Nonstop service to Nashville International Airport is scheduled to begin in May 2019, and nonstop service to St. Louis Lambert International Airport and San Antonio International Airport is scheduled to begin in June 2019.

EXHIBIT 2-3 Map of International Nonstop Destinations

Note: In October 2018, Aeroméxico announced it would suspend service in multiple markets including service to Mexico City from the Airport.

Source: Diio Mi, Schedule – Dynamic Table, accessed October 2018.

2.2 Air Traffic Activity and Trends

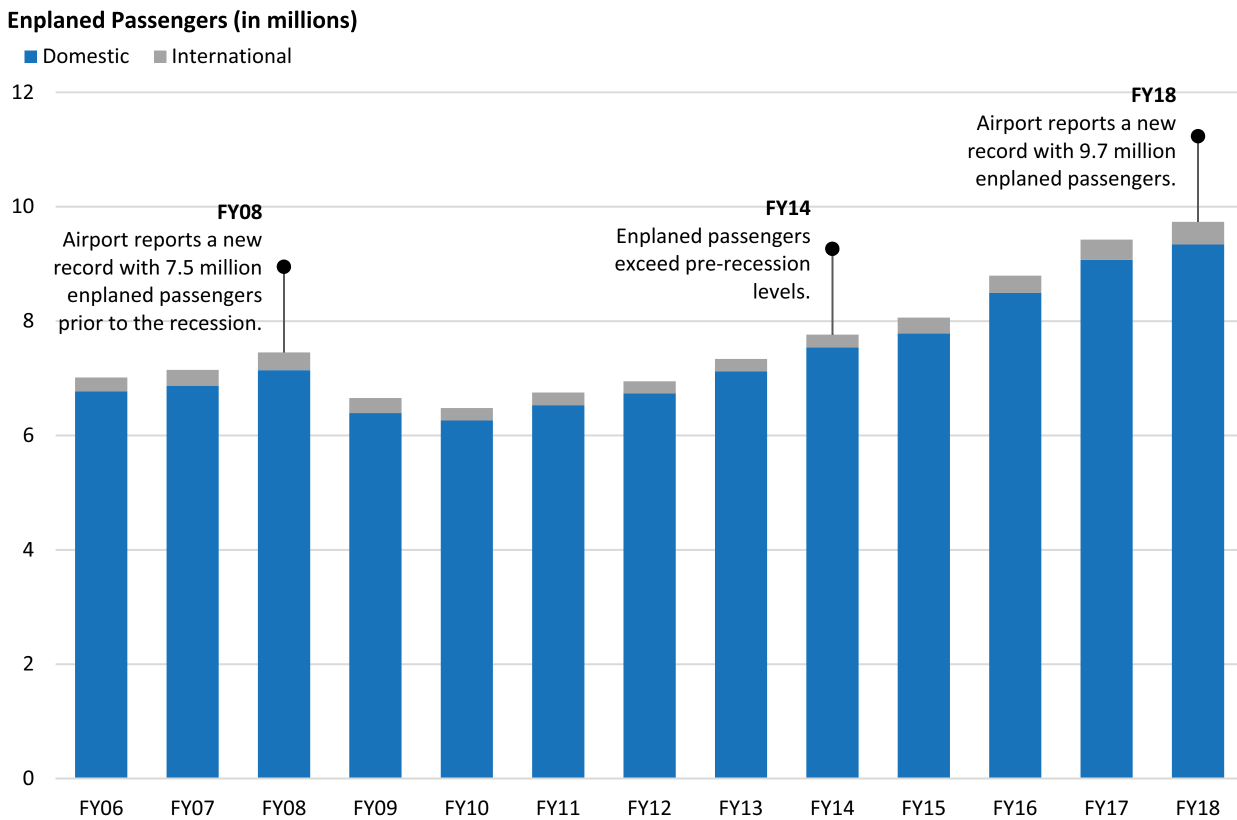
This section analyzes historical trends in air traffic activity at the Airport including enplaned passengers, aircraft operations, and landed weight. It also discusses the primary factors affecting these trends.

2.2.1 Enplaned Passengers

Passenger activity at an airport drives numerous revenues and financial measures including such items as non-airline revenues (e.g., parking, rental cars, terminal concessions, etc.), passenger facility charge (PFC) revenues, and FAA Airport Improvement Program (AIP) entitlement grant distributions. Enplaned passengers are also the denominator for airline costs per enplaned passenger (CPE). The relationship of the enplaned passenger to the financial analysis is discussed in more detail in Chapter 4 of this report.

Enplaned passenger traffic at the Airport has experienced a consistent upward trend since FY 2010 as demonstrated in **Exhibit 2-4**. **Table 2-8** presents total enplaned passengers by domestic and international segments. Total enplaned passengers at the Airport have increased from approximately 7.4 million in FY 2008 to approximately 9.7 million in FY 2018, representing a CAGR of 2.7%. It should be noted that the rate of growth has increased in recent years. From FY 2013 through FY 2018, enplaned passengers increased at a CAGR of 5.8%. The Airport only experienced a decline in passenger activity for two years during this entire 11-year span. More details regarding the historical passenger trends and the key factors behind the changes are discussed below.

EXHIBIT 2-4 Historical Enplaned Passengers



Source: Port of Portland, Aviation Statistics – Monthly Traffic Report July 2005-June 2018.

TABLE 2-8 Historical Enplaned Passengers

Fiscal Year	Domestic	International	Total	Year-Over-Year Growth Rate
2008	7,138,993	310,924	7,449,917	4.3%
2009	6,391,569	262,557	6,654,126	-10.7%
2010	6,261,594	215,692	6,477,286	-2.7%
2011	6,529,105	221,315	6,750,420	4.2%
2012	6,732,262	214,038	6,946,300	2.9%
2013	7,122,688	212,950	7,335,638	5.6%
2014	7,535,257	226,770	7,762,027	5.8%
2015	7,779,753	279,004	8,058,757	3.8%
2016	8,489,185	303,101	8,792,286	9.1%
2017	9,069,224	353,341	9,422,565	7.2%
2018	9,337,800	395,211	9,733,011	3.3%
Compound Annual Growth Rate				
2008-10	-6.3%	-16.7%	-6.8%	
2010-18	5.1%	7.9%	5.2%	
2008-18	2.7%	2.4%	2.7%	

Source: Port of Portland, Aviation Statistics – Monthly Traffic Report July 2007-June 2018.

2.2.1.1 FY 2008 - FY 2010

Enplaned passengers at the Airport declined from approximately 7.4 million in FY 2008 to 6.5 million in FY 2010, representing a CAGR of -6.8%. The U.S. airline industry and the Airport were affected by an increase in oil prices compounded by the national economic recession and global financial crisis. Over this period, there was a net loss of one million annualized enplaned passengers which coincided with a reduction of 15.0% in departing aircraft seating capacity.

In an effort to remain profitable during this span, Alaska Air Group carriers cut service to under-performing routes that were typically shorter-haul and more affected by higher oil prices. While this was successful in keeping the airline profitable, Alaska Air Group still had many under-performing routes at the Airport. Most of the routes with the largest capacity declines were operating at load factors of less than 70%. Consequently, when oil prices spiked and recessionary impacts were experienced, underperforming markets were eliminated, resulting in major capacity declines. As a result, the airline eliminated service to 11 markets and started new service to six markets.

In addition to Alaska Air Group, most other airlines also reduced service from the Airport during this period. Some specifics regarding these changes are provided below:

- The Delta/Northwest and United/Continental mergers were in process during this time contributing to these airlines' consolidating operations.
- United Airlines reduced seat capacity at the Airport by 10.4% during this period, with most of the decreases on underperforming routes to California with load factors under 75%.
- Mexicana and Lufthansa routes were not performing well, and the airlines eliminated service from the Airport. Load factors for Mexicana flights were around 60%.

2.2.1.2 FY 2010 – FY 2018

Enplaned passengers increased 3.3 million - at a CAGR of 5.2% - between FY 2010 and FY 2018. A majority of that growth occurred in the domestic sector, which accounts for 95.5% of the increase in enplaned passengers. International enplaned passengers have been increasing at a faster rate, a CAGR of 7.9% versus 5.1% for domestic. Much of the growth in total enplaned passengers can be attributed to the Alaska Air Group carriers. Alaska Air Group enplaned passengers were up 87.9% when comparing FY 2018 to FY 2010. Alaska Air Group accomplished this growth by adding new service to 29 markets, acquiring Virgin America, and increasing the average seating configuration for aircraft serving the Airport.

All major carriers increased capacity at the Airport since 2010, with the exception of United Airlines, which reduced capacity while consolidating its operations with Continental Airlines. **Table 2-9** provides the change in seating capacity at the Airport since FY 2010. As shown, capacity increased 41.2% by 3.4 million departing seats. Alaska Air Group makes up 63.3% of the total growth in capacity.

TABLE 2-9 Airline Capacity Change – FY 2010 VS FY 2018

Airline	Departing Seats		Percent Change
	FY 2010	FY 2018	
Alaska Air Group	2,949,019	5,125,452	73.8%
Southwest Airlines	1,775,095	2,151,354	21.2%
Delta Air Lines[1]	968,704	1,566,502	61.7%
United Airlines[2]	1,440,074	1,191,055	-17.3%
American Airlines[3]	542,300	785,721	44.9%
Other Airlines	667,125	960,640	44.0%
Total	**8,342,317**	**11,780,724**	**41.2%**

Notes: [1] Includes former Northwest Airlines
[2] Includes former Continental Airlines
[3] Includes former US Airways
Source: Diio Mi, Schedule – Dynamic Table.

From FY 2010 to FY 2018, enplaned passengers for Southwest Airlines increased by 38.3% despite seat capacity increasing only 21.2%. This indicates an increase in the airline's load factors. This was accomplished primarily through restructuring its flight schedule from the Airport, eliminating certain shorter length flights, and adding longer flights to markets where Southwest Airlines has a stronger market presence.

Delta Air Lines had limited growth from FY 2010 to FY 2013 in terms of enplaned passengers. However, in FY 2014, enplaned passengers increased by more than 15%. This growth was primarily driven by the addition of service to Los Angeles where the airline added 11 daily nonstop departures. In FY 2016, Delta Air Lines had another year of significant growth with an increase of 21.1% in enplaned passengers, which coincided with a significant increase in capacity to Salt Lake City, one of the airline's largest hubs allowing for better connectivity for passengers from Portland.

The remainder of the Airport's growth during the past eight years was primarily a result of the introduction of low-cost carriers (LCCs). In FY 2010, Frontier Airlines and JetBlue Airways began service at the Airport. In FY 2010, those airlines accounted for approximately 557,000 total passengers (arriving and departing) accounting for 4.3% of the total passengers at the Airport. Since then, Spirit Airlines and Sun Country Airlines have begun scheduled service at the Airport. In FY 2018, there were approximately 907,000 total LCC passengers at the Airport, accounting for 4.7% of the total passengers at the Airport.[64]

2.2.1.3 Summary

Total enplaned passengers at the Airport have increased from approximately 7.4 million in FY 2008 to a record-setting 9.7 million in FY 2018, representing a CAGR of 2.7%. The Airport was impacted significantly due to the economic recession. The number of enplaned passengers at the Airport declined by 10.7% in FY 2009 and by 2.7% in FY 2010. The Airport has since recovered, and post-recession enplaned passengers have increased at a CAGR of 5.2% with a record number of enplaned passengers each year since FY 2014. In FY 2018, enplaned passengers increased 3.3% over the prior FY.

The top four airlines represent approximately 85.0% of the total enplaned passengers at the Airport. As demonstrated above, these airlines have improved significantly in key performance statistics including SLA-RASMs, load factors, and SLA-yields. Air service at the Airport for the primary passenger airlines appears to be more stable and more profitable in FY 2018 than it was during its pre-recession peak. In summary, passenger air service at the Airport appears to be better positioned than it was prior to the last economic recession.

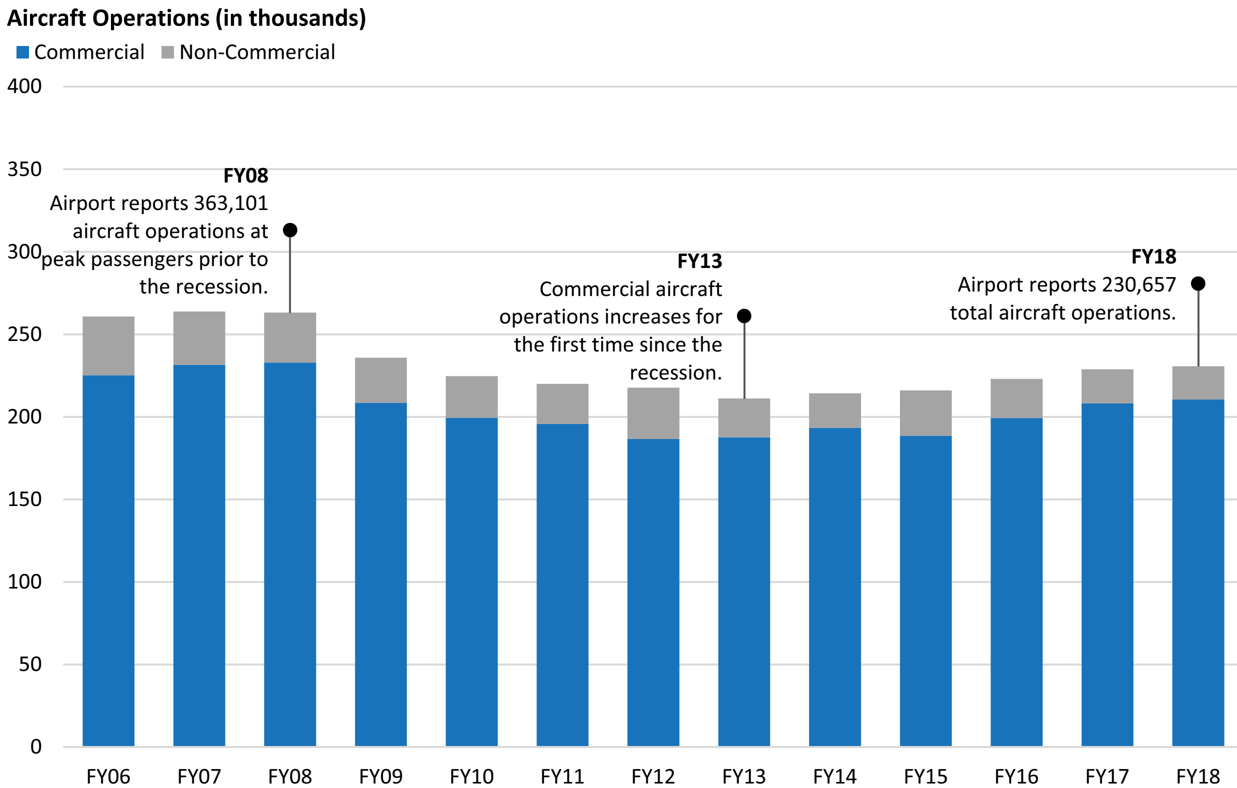
2.2.2 Aircraft Operations

Although aircraft operations have minimal impact on revenue performance, aircraft operations do impact decisions regarding airport capital programs. Airline decisions on aircraft type and the number of operations to accommodate passenger demand ultimately determine overall aircraft landed weight. Airlines are constantly evaluating how to best serve the passenger demand with their available aircraft fleet. In markets that exhibit strong business travel, an airline may choose to serve that particular market by offering more daily frequency. In other words, it may choose to operate smaller aircraft on the route several times per day to offer customers more choice and redundancy. In other cases, an airline may choose to offer larger aircraft and less frequency. Airlines also make decisions to change aircraft capacity on particular routes in reaction to load factors and profitability. Aircraft fleet mix and operations are important considerations for airport operators when planning for the appropriately sized airport facilities and to ensure the airport has sufficient capacity to accommodate operations in the future.

[64] Virgin America is considered a LCC but is accounted for in the Alaska Air Group as it was acquired in December 2016.

Aircraft operations at the Airport have remained relatively flat since the economic recession as demonstrated in **Exhibit 2-5**. **Table 2-10** provides the aircraft operations by type since FY 2008.

EXHIBIT 2-5 Historical Aircraft Operations



Note: Commercial operations refers to commercial passenger and all-cargo aircraft operations. Commercial aircraft operations were calculated by subtracting general aviation and military aircraft operations from total aircraft operations included in the Port's aviation statistics.
Non-commercial operations refer to general aviation and military aircraft operations. Boutique Air operates scheduled commercial service to Eastern Oregon Regional Airport from the fixed-base operator at the Airport. Therefore, all of Boutique Air's enplaned passengers, aircraft operations, and landed weight are included in general aviation.

Source: Port of Portland, Aviation Statistics – Monthly Traffic Report July 2005-June 2018.

TABLE 2-10 Historical Aircraft Operations

Fiscal Year	Commercial Operations	General Aviation	Military	Total	Year-Over-Year Growth
2008	232,883	26,892	3,326	263,101	-0.3%
2009	208,571	23,021	4,181	235,773	-10.4%
2010	199,478	20,759	4,421	224,658	-4.7%
2011	195,716	20,727	3,554	219,997	-2.1%
2012	186,617	27,305	3,773	217,695	-1.0%
2013	187,574	18,853	4,673	211,100	-3.0%
2014	193,368	16,904	4,007	214,279	1.5%
2015	188,533	22,908	4,525	215,966	0.8%
2016	199,285	20,539	3,155	222,979	3.2%
2017	208,089	16,928	3,829	228,846	2.6%
2018	210,440	16,535	3,682	230,657	0.8%
Compound Annual Growth Rate					
2008-10	-7.4%	-12.1%	15.3%	-7.6%	
2010-18	0.7%	-2.8%	-2.3%	0.3%	
2008-18	-1.0%	-4.7%	1.0%	-1.3%	

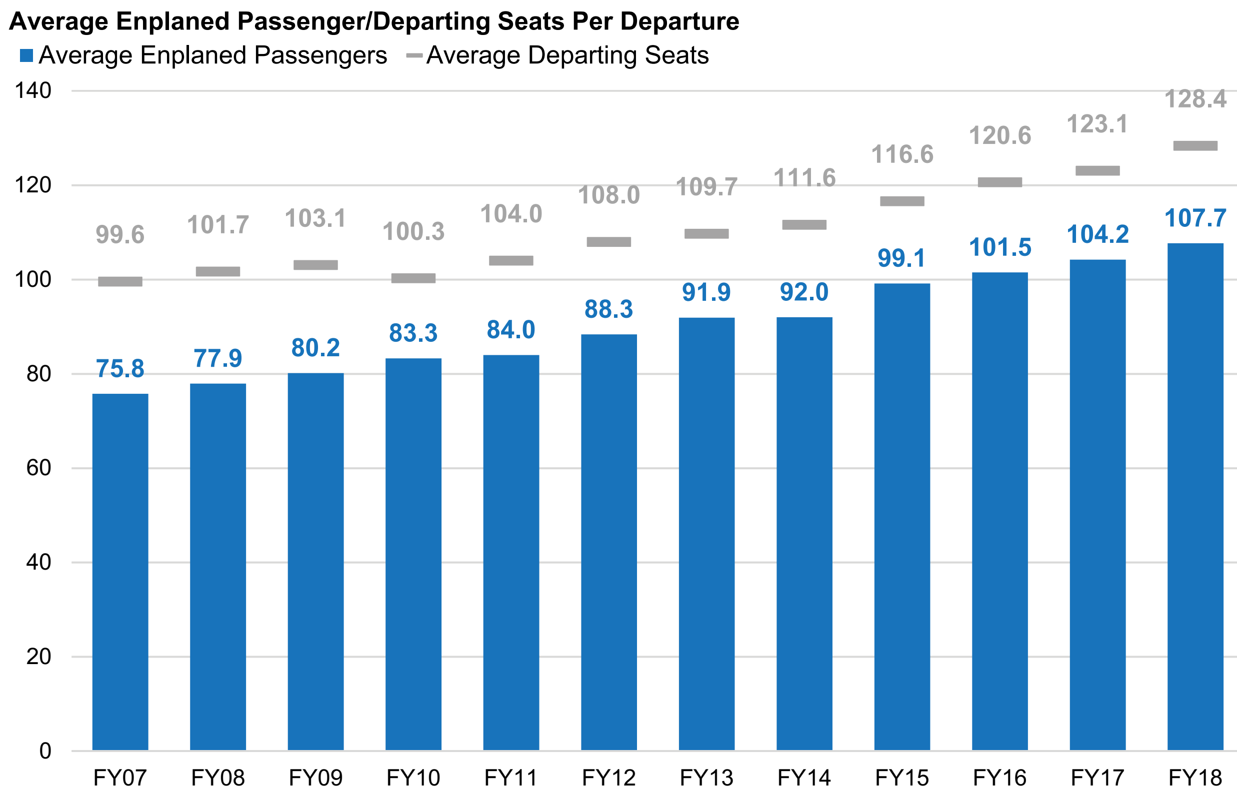
Note: Commercial operations refers to commercial passenger and all-cargo aircraft operations. Commercial aircraft operations were calculated by subtracting general aviation and military aircraft operations from total aircraft operations included in the Port's aviation statistics.
Non-commercial operations refer to general aviation and military aircraft operations. Boutique Air operates scheduled commercial service to Eastern Oregon Regional Airport from the fixed-base operator at the Airport. Therefore, all Boutique Air enplaned passengers, aircraft operations, and landed weight are included in general aviation.

Source: Port of Portland, Aviation Statistics – Monthly Traffic Report July 2007-June 2018.

Commercial operations at the Airport refers to commercial passenger and all-cargo aircraft operations. The U.S. economic recession forced airlines to re-examine their operations in an effort to remain financially sound. As a result, many of the airlines have implemented cost-saving measures. The airlines have eliminated many poor performing routes with low load factors. Additionally, the airlines have opted to use larger aircraft where feasible. Small regional jets (aircraft with 50 or fewer seats) have been retired at an accelerated rate. According to the U.S. Department of Transportation Air Carrier Statistics database (T-100), the average number of seats on departing aircraft at the Airport increased from an average of 99.6 seats in FY 2007 to 128.4 seats in FY 2018. This significant change in the aircraft fleet operating at the Airport, combined with higher load factors, has increased the average number of enplaned passengers from approximately 75.8 per departure in FY 2007 to 107.7 in FY 2018. **Exhibit 2-6** graphically depicts the growth in enplaned passengers and aircraft seats per departure during this period. This increase in passengers per operation has allowed airlines to operate fewer flights in order to handle a comparable number of passengers. As a result, although the Airport has experienced strong passenger growth since the economic recession, the number of passenger aircraft operations has remained relatively flat.

According to the Airport's records, all-cargo aircraft operations decreased from 32,172 in FY 2008 to 21,030 in FY 2018, representing a CAGR of -4.2%. A majority of the decline in operations occurred during the economic recession. However, the number of all-cargo aircraft operations has failed to recover since the end of the recession.

EXHIBIT 2-6 Passengers Per Operation



Sources: Port of Portland, Aviation Statistics – Monthly Traffic Report July 2006-June 2018. Diio Mi, Schedule – Dynamic Table. U.S. Bureau of Transportation Statistics, U.S. Air Carrier Traffic Statistics.

Non-commercial operations at the Airport refers to general aviation (GA) and military aircraft operations. From FY 2008 to FY 2018, GA aircraft operations have declined at a CAGR of 4.7%. The Port also operates two GA airports: Hillsboro Airport and Troutdale Airport. Both of these facilities are designated as reliever airports to the Airport pursuant to the FAA's National Plan of Integrated Airport Systems (NPIAS). Reliever airports are specially designated GA airports intended to reduce congestion at larger commercial service airports primarily by providing options for accommodating GA traffic. From FY 2008 to FY 2018, military aircraft operations increased at a CAGR of 1.0%. The Oregon Air National Guard (ORANG) leases approximately 213 acres of property at the Airport and is home to the 142nd Fighter Wing, which safeguards the airspace and coastal waters from northern California to the Canadian border with F-15 Eagles on 24-hour alert. Much of the military traffic at the Airport is associated with ORANG operations.

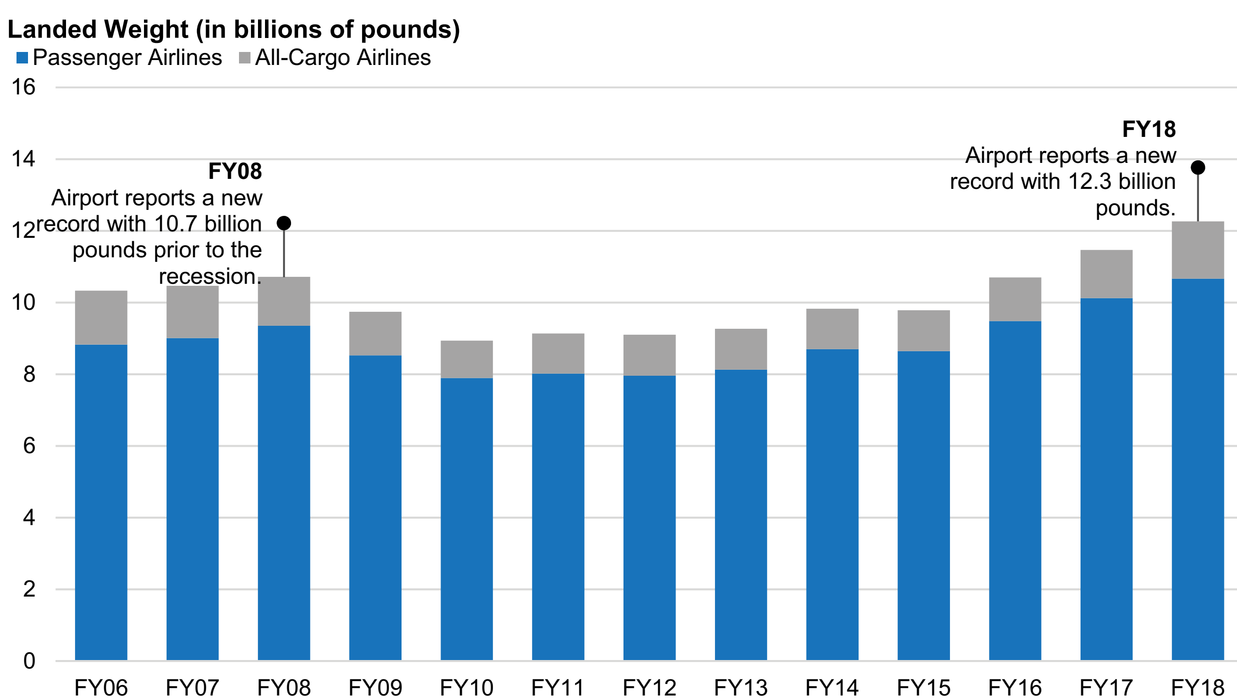
Given current industry trends, it would be expected that aircraft operational activity will continue to lag enplaned passenger growth as airlines, generally, continue to serve passenger demand through increases in load factors and larger aircraft.

2.2.3 Landed Weight

Aircraft landed weight (expressed in 1,000-pound units) is the sum of the maximum gross landed weight as certified by the FAA for passenger and all-cargo aircraft landing at the Airport. Per operating agreements with the airlines that operate at the Airport, aircraft landed weight is the denominator in the calculation of landing fees used to recover the net cost of the Airfield Cost Center. Therefore, landed weight is an important metric for the Port.

Total landed weight increased steadily from 10.3 billion pounds in FY 2006 to 10.7 billion pounds in FY 2008, representing a CAGR of 1.9%. This growth is attributable to the growth in passenger traffic, as landed weight by passenger airlines increased at an average rate of 2.9% compared to a decrease by all-cargo airlines at an average rate of 4.7%. During the decline in both passenger and all-cargo traffic at the Airport resulting from the U.S. recession, landed weight decreased by a CAGR of 8.7%. However, landed weight at the Airport has increased from 8.9 billion in FY 2010 to 12.3 billion in FY 2018, representing a CAGR of 4.0%. Notably, both the passenger airline and all-cargo airline landed weight contributed to this growth, increasing at a CAGR of 3.8% and 5.5%, respectively. As with aircraft operational activity, it would be expected that landed weight will continue to grow moderately as airlines continue to add larger aircraft. A significant portion of the all-cargo landed weight growth can be attributed to an increase in e-commerce traffic at the Airport, particularly due to the airlines operating on behalf of Amazon Prime. **Exhibit 2-7** graphically depict the historical landed weight at the Airport. **Table 2-11** provides the landed weight by category since FY 2008.

EXHIBIT 2-7 Historical Landed Weight



Source: Port of Portland, Aviation Statistics – Monthly Traffic Report July 2005-June 2018.

TABLE 2-11 Historical Landed Weight (in Thousand Pound Units)

Fiscal Year	Passenger Airlines	All-Cargo Airlines	Total	Year-Over-Year Growth
2008	9,350,834	1,362,171	10,713,005	2.4%
2009	8,523,064	1,217,425	9,740,489	-9.1%
2010	7,892,566	1,042,172	8,934,738	-8.3%
2011	8,015,905	1,117,532	9,133,437	2.2%
2012	7,956,842	1,143,111	9,099,953	-0.4%
2013	8,123,435	1,140,494	9,263,929	1.8%
2014	8,699,074	1,126,771	9,825,845	6.1%
2015	8,644,185	1,139,176	9,783,361	-0.4%
2016	9,482,191	1,215,683	10,697,874	9.3%
2017	10,122,815	1,342,179	11,464,994	7.2%
2018	10,662,824	1,599,687	12,262,511	7.0%
Compound Annual Growth Rates				
2008-12	-4.0%	-4.3%	-4.0%	
2012-18	5.0%	5.8%	5.1%	
2008-18	1.3%	1.6%	1.4%	

Source: Port of Portland, Aviation Statistics – Monthly Traffic Report July 2007-June 2018.

2.3 Key Factors Affecting Air Traffic Demand

The forecasts of future air traffic activity at the Airport were prepared partly on the basis of quantitative factors using regression models with socio-economic indicators such as population, employment, and personal income as the independent variables. The following section addresses certain qualitative factors that may impact air traffic activity, both nationwide and at the Airport.

2.3.1 Economic Conditions and Events

Historically, the U.S. economy, as measured by GDP has grown at a relatively steady rate, averaging 3.1 percent per annum between CY 1960 and CY 2017. The rate of growth has been remarkably stable reflecting both the size and maturity of the U.S. economy. Individual years have fluctuated around the long-term trend for a variety of reasons including macroeconomic factors, fuel shocks, war, and terrorist attacks.

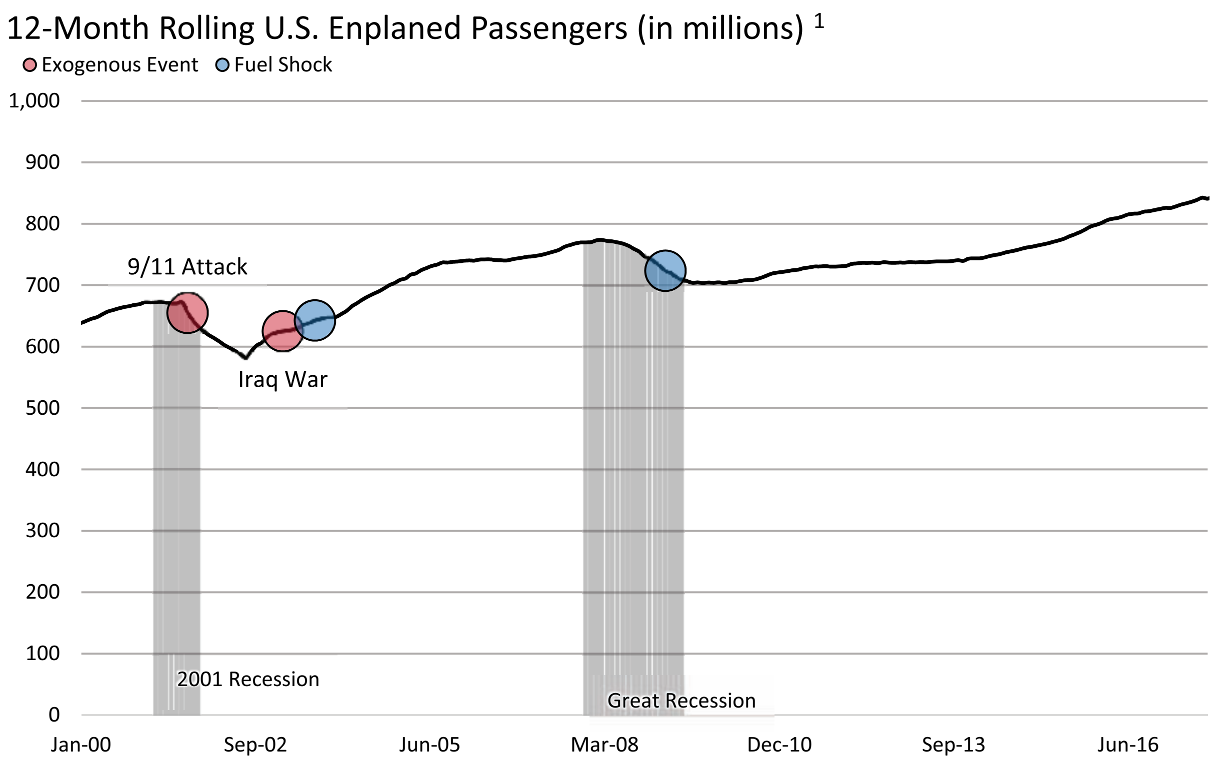
There have been two official economic recessions in the U.S. thus far in the 21st century. The first occurred between March and November of 2001 and was compounded by the September 11, 2001, terrorist attacks. The negative impact of these events on the airline industry is well documented. The recession itself was short-lived by historical standards and the economy returned to positive growth rates quickly, fueled by a gradual but prolonged reduction in interest rates.

The second recession, often referred to as the "Great Recession," occurred between December 2007 and June 2009.[65] This was the worst financial crisis to affect the U.S. since the 'Great Depression' and it was the longest recession since airline industry deregulation[66] in 1978. The nation's unemployment rate rose from 5.0% in December 2007 to a high of 10.0% in October 2009.[67]

Exhibit 2-8 shows the strong correlation between enplaned passenger traffic in the U.S. and the nation's economy. During economic contractions, there is a notable decline in passenger volumes and during the subsequent economic expansions, there is significant growth in passenger volumes. Additionally, it is clear that exogenous shocks such as terrorist attacks have a short but significant impact on passenger volumes.

The most recent forecast from the Congressional Budget Office estimates that real U.S. GDP is forecast to increase by 3.1% in CY 2018 and 2.4% in CY 2019. The Congressional Budget Office forecast estimates that from CY 2019 through CY 2022, growth in the GDP will slow to 1.6% before increasing to an average of 1.7% between CY 2023 and CY 2028. Should the U.S. economy deviate greatly from these estimates, aviation activity could vary from the forecasts presented herein.

EXHIBIT 2-8 U.S. Aviation System Shocks and Recoveries



Note: [1] Excludes non-revenue enplaned passengers.
Source: U.S. Bureau of Transportation Statistics, U.S. Air Carrier Traffic Statistics.

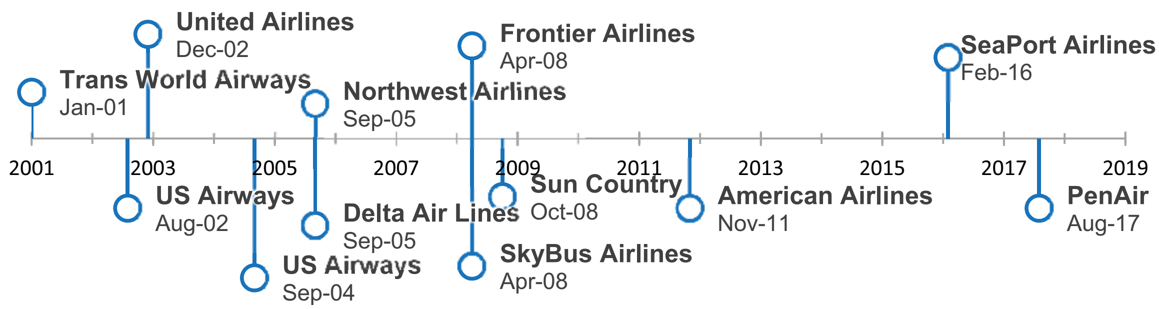
65 National Bureau of Economic Research, U.S. Business Cycle Expansions and Contractions, September 20, 2010.
66 Deregulation refers to the Airline Deregulations Act of 1978, which reduced government control over the commercial aviation industry.
67 National Bureau of Economic Research, U.S. Business Cycle Expansions and Contractions, September 20, 2010.

2.3.2 The U.S. Airline Industry

2.3.2.1 Airline Bankruptcies

Over the past several years, the U.S. airline industry has undergone a significant transformation. Although it has been profitable in recent years, the U.S. airline industry cumulatively experienced losses of approximately $62 billion from 2000 through 2009 on domestic operations.[68] Many airlines filed for Chapter 11 bankruptcy protection and some ceased operations altogether. **Table 2-12** presents the airlines that have operated at the Airport and have declared bankruptcy this century. During this period, airlines suffered from excess capacity, which drove down yields. Yields adjusted for inflation had dropped by approximately 70%. With oil prices spiking to near $150 per barrel in 2008, industry changes were critical. As a result, all of the major network airlines restructured their route networks and reached agreements with lenders, employees, vendors, and creditors to decrease their cost structure.

TABLE 2-12 Airline Bankruptcy Timeline



Airline	Status
Trans World Airways	Filed Chapter 11 in January 2001 as part of the acquisition by American.
US Airways	Filed Chapter 11 in August 2002 and again in September 2004; emerged in September 2005 in conjunction with the acquisition by America West. Acquired by American Airlines in 2013.
United Airlines	Filed Chapter 11 in December 2002; emerged in February 2006.
Northwest Airlines	Filed Chapter 11 in September 2005; emerged in May 2007. Acquired by Delta in 2008.
Delta Air Lines	Filed Chapter 11 in September 2005; emerged in April 2007. Wholly owned subsidiary Comair Airlines taken in bankruptcy with Delta Airlines.
Frontier Airlines	Filed Chapter 11 in April 2008; emerged in October 2009.
American Airlines	Filed Chapter 11 in November 2011. Wholly owned subsidiary American Eagle Airlines took into bankruptcy with American Airlines. Emerged in December 2013.
SeaPort Airlines	Filed Chapter 11 In February 2016. Went out of business when Chapter 11 was converted to Chapter 7 liquidation in September 2016.
PenAir	Filed Chapter 11 in August 2017. Ceased all operations at the Airport.

Source: Airlines for America, U.S. Airline Bankruptcies.

68 U.S. Department of Transportation, Air Carrier Statistics (Form 41), accessed from Airlines for America, Annual Financial Results: U.S. Passenger Airlines.

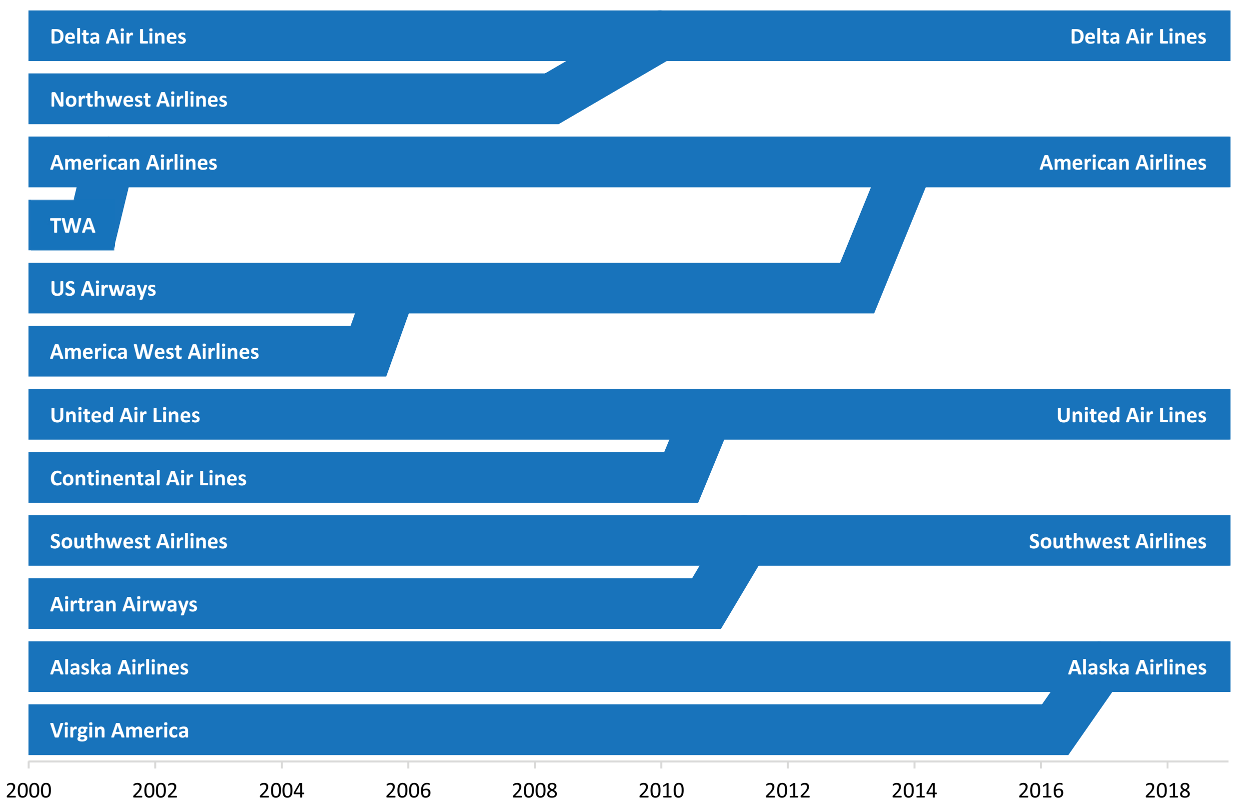
2.3.2.2 Airline Profitability

Since 2008, the U.S. airline industry has decreased capacity, particularly in short-haul markets with smaller, short-range aircraft types. The result has been a significant improvement in yields, unit revenues (RASMs), and subsequently profitability. In recent years, the U.S. airline industry has been at its most stable, profitable point in history. According to the Bureau of Transportation Statistics, the 23 U.S. scheduled passenger airlines reported a pre-tax net operating profit of $21.4 billion in 2017, which marks the ninth consecutive year of pre-tax operating profits. The scheduled passenger airlines reported an operating profit margin of 12.2% in 2017, slightly down from 15.0% in 2016.[69] Profitability can also be attributed to airlines unbundling services and increasing the use of ancillary fees such as charges for checked baggage.

2.3.2.3 Airline Mergers

Industry consolidation has taken place as a result of competitive pressures and economic conditions.
Many airlines have merged or been acquired since the turn of the 21st century. **Exhibit 2-9** provides a graphical representation of the major U.S. airline mergers during this period.

EXHIBIT 2-9 Major U.S. Airline Mergers of the 21st Century



Source: Airlines for America, U.S. Airline Mergers and Acquisitions.

[69] Bureau of Transportation Statistics, 2017 Annual and 4th Quarter U.S. Airline Financial Data.

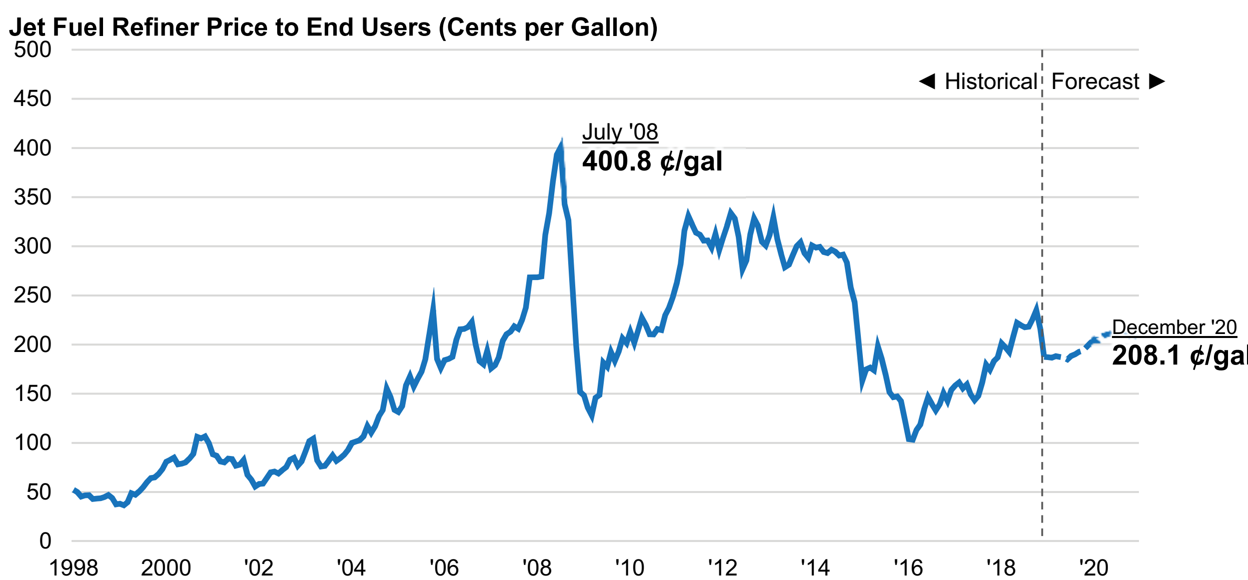
These mergers have resulted in significant economic control of passenger ridership. For CY 2018, the four largest U.S. airlines (American Airlines, Southwest Airlines, Delta Air Lines, and United Airlines) account for 80.3% of the domestic seating capacity.[70] The potential impacts associated with consolidation include limited industry seats capacity growth and continued increase in yields (fares).

2.3.3 Aviation Fuel

The price of oil and the associated cost of jet fuel is the largest single cost affecting the airline industry. In CY 2000, jet fuel to end users averaged $0.89 per gallon. The average cost of jet fuel climbed steadily through CY 2007. However, in CY 2008, crude oil prices and, consequently, jet fuel surged in price as a result of strong global demand, a weak U.S. dollar, commodity speculation, political unrest, and a reluctance to materially increase supply. In July 2008, jet fuel reached an average price of $4.01, nearly double the price the year prior. Reduced demand in CY 2009 stemming from the global financial crisis and subsequent economic downturn resulted in a sharp decline in price. However, as the economic climate improved and political unrest continued in the Middle East, oil prices increased in the subsequent three years. The increase in the price of jet fuel put upwards pressure on airline operating costs. As a result, airlines were faced with cutting capacity or increasing fares, and sometimes both. The average price of jet fuel dropped significantly in CY 2015 and CY 2016, reaching a low of $1.03 per gallon in February 2016. Since then, jet fuel prices have steadily climbed.

The U.S. Energy Information Administration (EIA) provides forecasts of jet fuel refiner price to end users in a report entitled Short-Term Energy Outlook. In the February 2019 release, the EIA projects that jet fuel prices will reach $2.08 per gallon by December 2020. **Exhibit 2-10** presents the historical price for jet fuel refiner price to end users and the EIA's forecast of that price.

EXHIBIT 2-10 Jet Fuel Prices



Source: U.S. Energy Information Administration, Short-Term Energy Outlook (February 2019).

70 Scheduling data accessed through Diio Mi, Schedule – Dynamic Table, accessed October 2018.

Although fuel cost is of major importance to the airline industry, future prices and availability are uncertain and fluctuate based on numerous factors. These can include supply-and-demand expectations, geopolitical events, fuel inventory levels, monetary policies, and economic growth estimates. Historically, certain airlines have also employed fuel hedging as a practice to provide some protection against future fuel price increases. While fuel hedging has generally not been used by airlines in recent years, it remains as a potential option to mitigate fuel cost risk. Experts generally agree that longer-term prices are expected to remain high relative to historical levels as demand for energy on a global basis continues to increase.

It is expected that aviation fuel costs will continue to impact the airline industry in the future. If aviation fuel costs increase significantly over current levels, air traffic activity could be negatively affected as airlines attempt to pass costs on to consumers through higher airfares and fees in order to remain profitable. At this time, alternative fuels are not yet commercially cost effective.

2.3.4 Aviation Security

Since the September 11, 2001, terrorist attacks, government agencies, airlines, and airport operators have upgraded security measures to guard against threats and to maintain the public's confidence in the safety of air travel. Security measures have included cargo and baggage screening requirements, deployment of explosive detection devices, strengthening of aircraft cockpit doors, the increased presence of armed air marshals, awareness programs for personnel at airports, and new programs for flight crews. Aviation security is under the control of the federal government through the Transportation Security Administration (TSA).

The threat of terrorism poses risks to the continued growth of the aviation industry. Although terrorist events targeting aviation interests would likely have negative and immediate impacts on the demand for air travel, the industry and demand have historically recovered from such events. There have been recent terrorist attacks at airports internationally including at the Brussels Airport in March 2016, the Istanbul Atatürk Airport in June 2016, and most recently the Orly International Airport in March 2017. So long as government agencies continue to seek processes and procedures to mitigate potential risks and to maintain confidence in the safety of aircraft, without requiring unreasonable levels of costs or inconvenience to the passengers, economic influences are expected to be the primary driver for aviation demand as opposed to security and safety.

2.3.5 National Air Traffic Capacity

The U.S. aviation system has a major impact on the national economy because it provides a means of transporting people and cargo over long distances in a relatively short period. As demand for air travel increases, the national aviation system must maintain sufficient capacity to allow for travel without unacceptable delays or congestion. It is generally assumed that the required infrastructure improvements needed to maintain capacity will keep pace with demand. Although not likely over the forecast period evaluated herein, the inability of the national aviation system to keep pace with demand could create congestion and delays on a national level that could adversely affect the passenger experience and impact future demand.

2.3.6 Alaska Air Group's Integration of Virgin America

Alaska Airlines' purchase of Virgin America Airlines has impacted the airline's operations and subsequently worked to limit seat capacity growth within the combined airline's network. The announcement took place in December 2016, and called for Virgin America to operate its own fleet until April 2018. The integration of Virgin America into the Alaska Airlines fleet is now mostly complete. The last of the Virgin America aircraft will be repainted to Alaska's livery over the next several months.

Prior to the acquisition, Alaska's operational performance, as measured by on-time performance (within 15 minutes of scheduled) was regularly among the best in the industry. For example, in 2016 Alaska's on-time performance was 87%, ranking number one among large carriers for the seventh consecutive year. After the acquisition, operational performance for both Alaska and Virgin deteriorated. For the first half of 2017, Alaska's on-time performance dropped to 81%, down from 88% the prior year. Virgin's on-time performance dropped 12% year over year, to only 64%. Both were in the bottom half of the industry. The integration challenges partially resulted in sharp drops in Alaska's profitability and resulted in Alaska slowing its capacity growth.

During the past 6 months, the Alaska operation has improved dramatically as the integration process nears completion, and on-time performance and profitability have generally returned to historical (pre-acquisition) levels. Given these recent trends, it appears that Alaska Air Group has recovered from these integration issues and future issues are assumed to be minimal. Also, integration issues experienced by Alaska Air Group and Virgin America for its overall network did not appear to have much of an impact on passenger growth for Alaska Air Group at the Airport as enplaned passengers for these carriers increased in FY 2018 by approximately 4.4% over the prior FY.

2.3.7 Pilot Shortage

Beginning in June of 2017, a shortage of pilots for Horizon Air's Bombardier Q400 aircraft resulted in impacts to the airline's schedule. In the month of June alone, the airline had to cancel more than 300 flights system-wide because it did not have enough pilots. The airline had to curtail its flight schedule for the following fall. The lost routes were ultimately operated by the mainline carrier Alaska Airlines or a Horizon competitor, SkyWest. In order to combat the issue, the airline has increased compensation and lessened the time for pilots to advance their careers. It appears that Horizon has been able to increase hiring and plans to hire 349 pilots in 2018.[71]

This pilot shortage is an industry-wide issue. In March 2018, Great Lake Airlines, another regional carrier, ended service because it couldn't hire enough pilots for its flights. There are several reasons for the pilot shortage. Congress changed duty time rules in 2010 to mitigate pilot fatigue which required airlines to increase pilot staff. Another rule, instituted in the U.S. in 2013, required first officers flying for commercial airlines to have at least 1,500 hours of flight time, instead of the 250 hours previously required. This has decreased the pool of qualified pilots. Other factors include an aging pilot workforce and fewer new pilots coming out of the military. Even with the increased incentives, this makes it harder for small regional airlines to hire qualified new pilots. Additionally, as passenger demand increases, the major carriers also need additional pilots and are generally able to hire them away from the regional carriers, resulting in a shortage for the smaller regional carriers. This could reduce service to some smaller U.S. markets.

2.3.8 The Rise in E-Commerce Cargo

The air cargo industry is in the midst of a fundamental shift. Historically, air cargo has been used as a supply chain for time-sensitive or high-value product. Manufacturing has been a significant driver for air cargo as well as companies that provide the demand for air cargo. These companies have relocated a number of their manufacturing facilities to other parts of the world which has led to a shift to other modes of transportation such as cargo ships. Additionally, rising fuel costs, resulting in higher shipping costs, combined with the global recession led companies to reevaluate the necessity of shipping products by air. As such, companies began to rely on an increased use of trucks and ships to deliver their product. The result is that traditional air cargo has been stagnant at many airports across the United States.

71 *Oregon Business*, Horizon Air Closes the Gap in Pilot Hiring, July 9, 2018.

The increased use of e-commerce has resulted in further changes in the air cargo industry. The U.S. Census Bureau projects that 9.8% of retail sales will be e-commerce in the third quarter of 2018 compared to 9.0% in 2017.[72] Most of the current forecasts for e-commerce indicate double-digit growth in the market over the next five years. In e-commerce, vendors are required to ship orders to their costumers fast, such as two-day shipping, which may require the use of air cargo despite the increased cost. Therefore, the growth in e-commerce, non-traditional air cargo, is expected to have a significant impact on air cargo throughput in the U.S. For financial feasibility purposes and to remain somewhat conservative, the selected forecast for landed weight at the Airport contained herein and as presented below does not include significant increases in landed weight expected to result from e-commerce other than that already incurred in prior fiscal years.

2.4 Port of Portland's Aviation Activity Forecast

The Port develops its own forecast of air traffic demand in order to estimate budgetary needs for the future. The forecasts include an enplaned passenger forecast and a landed weight forecast. The current forecast projects that enplaned passengers will increase from approximately 10.0 million in FY 2019 to approximately 11.2 million in FY 2024, representing a CAGR of 2.3%. It was assumed that landed weight will increase at an annual rate of 0.5% through the forecast period. The Port's forecast of aviation activity through FY 2024 is presented in **Table 2-13**. As a point of comparison the FAA's Terminal Area Forecast (TAF) for the Airport forecasts enplaned passengers to increase at a CAGR of 2.6% over the period of federal fiscal year (FFY) 2018 through FFY 2024, with approximately 11.6 million total enplaned passengers in FFY 2024 .[73] The FAA's TAF is generally used for facility planning purposes as opposed to financial planning; therefore, it is not uncommon for it to forecast higher levels of passengers as compared to forecasts used for financial purposes.

[72] U.S. Census Bureau, Quietly Retail E-Commerce Sales 3rd Quarter 2018, released November 19, 2018
[73] Federal Aviation Administration, Terminal Area Forecast, accessed December 2018. The federal fiscal year is the 12-month period ending September 30th.

TABLE 2-13 Port of Portland Aviation Activity Forecast

Fiscal Year	Enplaned Passengers (in thousands)	Landed Weight (in million-pound units)
2018 (actual)	9,733	12,263
2019	9,966	12,635
2020	10,196	12,698
2021	10,430	12,762
2022	10,670	12,825
2023	10,915	12,890
2024	11,166	12,954
Compound Annual Growth Rates		
2018-19	2.4%	3.0%
2019-24	2.3%	0.5%

Source: Port of Portland, Airport management records, November 2018.

The next section of this Report presents Landrum & Brown, Inc.'s (L&B's) aviation activity forecast analysis to confirm the use of the Port's aviation activity forecast for the purposes of financial feasibility.

2.5 Air Traffic Activity Forecasts

This section presents L&B's forecast analysis for air traffic as well as a discussion of the methodology used to develop these forecasts. The forecast analysis reflects historical airline activity trends, the economic base for air travel demand, and other factors that may affect the demand for air travel over the forecast period.

The forecast analysis presented herein is based on a number of assumptions. Most notably, it assumes that the underlying economic conditions of the Air Service Area are expected to be the primary driver for passenger demand at the Airport, especially as it relates to O&D traffic. Economic disturbances are likely to occur over the forecast period. However, the Airport's current air service appears to be more profitable and, hence, more stable than it was during the last peak experienced prior to the Great Recession. Therefore, year-over-year variations are expected to be milder and shorter in duration than experienced during prior recessionary periods. Additional key assumptions are listed below:

- The Airport will continue primarily serving O&D passengers as well as being a hub for Alaska Air Group.
- The other major carriers currently serving the Airport (i.e., Southwest, Delta, and United) will continue to provide air service to support local demand primarily through larger aircraft and to longer-haul markets.
- Trans-oceanic international service will remain throughout the forecast period. Additional international service will be provided as demand dictates, including seasonal service to leisure markets in Mexico.
- LCC service will continue to operate at the Airport and demand for such services will continue to increase.
- Long-term nationwide growth in air travel will occur over the forecast period.

It is also important to note that many of the factors affecting air travel demand are not necessarily quantifiable. As a result, all forecasts are subject to uncertainty. Therefore, this forecast, as with any forecast, should be viewed as a general indication of future aviation activity as opposed to a precise prediction. Actual future traffic may vary from this forecast, and such variances could be material.

2.5.1 Enplaned Passenger Forecasts

2.5.1.1 Short-Term Forecast

The short-term forecast is an estimate of the activity levels at the Airport for the current FY 2019. The forecasting process began with a review of the Port's budgeted activity levels. According to the Port's FY 2019 budget, the Airport is forecast to have approximately 10.0 million enplaned passengers and 12.6 billion pounds of landed weight.

An independent estimate for FY 2019 was developed based on year-to-date statistics and available schedule data for commercial passenger operations to verify the Port's current budget for FY 2019 for use in the analysis. All recent or expected airline service announcements were reviewed to ensure that the flights were reflected in the current scheduled data.

Airport statistics are available through December 2018. For the first six months of the FY, domestic enplanements are up 3.6% when compared to the same period for the year prior. This increase corresponds to an increase in scheduled domestic departing seats of 3.8%. For the first six months of the FY, international enplanements are up 16.3% when compared to the same period for the year prior. This increase corresponds to an increase in scheduled international departing seats of 13.5%. In total, year-to-date enplaned passengers are 4.1% higher than the year prior, which is almost identical to the increase in available seating which increased 4.2%.

Currently, airline schedules indicate a 2.6% increase in scheduled domestic aircraft departures coinciding with a 3.1% increase in available departing seats for full FY 2019. Currently, the airline schedules indicate a 7.5% increase in scheduled international aircraft departures coinciding with a 10.1% increase in available departing seats for entire FY 2019. Details regarding the major changes anticipated for FY 2019 are provided below:

- Alaska Air Group, including Virgin America, is expected to increase departures by 2.8% and available seats by 2.5% in FY 2019. This growth includes significant increases in frequency to Dallas Love Field (DAL), Sacramento International Airport (SMF), and John Wayne Airport (SNA) among several others.
- Sun Country Airlines only had one seasonal destination for a majority of FY 2018. The airline is scheduled to increase departures by 261.3% and departing seats by 301.1% in FY 2019. This growth is occurring as the airline adds new offerings at the Airport. Sun Country is scheduled to add eight new markets by year's end, including Nashville in May 2019 and San Antonio and St. Louis in June 2019.
- Delta Air Lines is scheduled to increase available departing seats by 5.6% as a result of increased frequency to its hubs combined with an increase in the average size of the aircraft used for these operations.
- Internationally, all of the airlines providing service are expected to increase their departing seats in FY 2019 with the exception of Condor. In October 2018, Aeroméxico announced it would begin suspending service in multiple markets including service to Mexico City from the Airport. Delta Air Lines has announced that it will increase its seasonal service to London from four weekly flights to seven. Alaska Airlines is scheduled to begin service to two new markets in Mexico.

Year-to-date enplaned passenger growth has slightly lagged behind the increase in scheduled departing seats. This is a common occurrence at airports rapidly adding seat capacity and frequency as it takes time for the markets to mature. Therefore, this trend is anticipated to continue through the remainder of the fiscal year. Based on our analysis, the Port's current budget for FY 2019 enplaned passengers of approximately 10.0 million and landed weight of approximately 12.6 billion-pound units appears reasonable for financial feasibility purposes.

2.5.1.2 Long-Term Forecast

A number of standard industry forecasting techniques were considered in order to forecast enplaned passengers such as econometric regression modeling, trend analysis, market share, and time series. It was determined that economic regression models, conducted separately for domestic and international, were the most appropriate to forecast enplaned passengers at the Airport. Econometric regression modeling quantifies the relationship between enplaned passengers and key socio-economic variables. This methodology recognizes that the key independent variables will change over time and assumes that their fundamental relationships to the dependent variables will remain.

The first step in developing the appropriate models was to test the independent, or explanatory, variables against the dependent variables, domestic and international enplaned passengers. In order for an econometric model to be considered appropriate, the following has to be true:

- Adequate test statistics (i.e. high coefficient of determination (R2) values and low p-value statistics), which indicate that the independent variables are good predictors of passengers at the Airport.
- The analysis does not result in theoretical contradictions (e.g., the model indicates that GDP growth is negatively correlated with traffic growth).
- The results are not overly aggressive or conservative or are incompatible with historical averages.

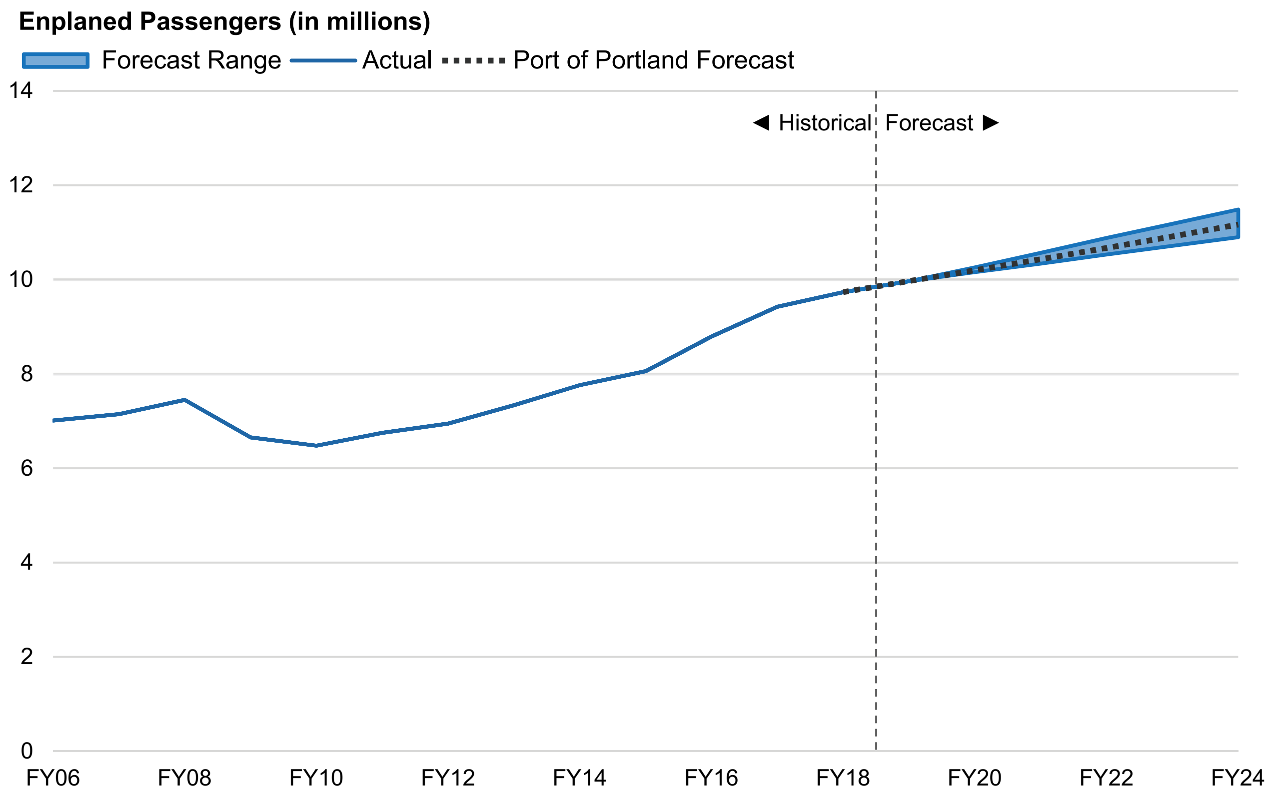
Through the testing of multiple sets of independent variables, two univariate linear models were selected to forecast enplaned passengers at the Airport. For domestic enplaned passengers, a univariate model using the Air Service Area's per capita personal income was selected. For international enplaned passengers, a univariate model using the Air Service Area's GRP was selected. These models exhibit strong regression statistics when compared to models with other combinations of independent variables. In addition to the selected forecast, three linear univariate models were deemed as appropriate for domestic passengers and five were deemed as appropriate for international passengers. Various combinations of these models provided a range of forecasts for enplaned passengers.

2.5.1.3 Forecast Summary

The short-term forecast of enplaned passengers indicates a growth of 2.4% in FY 2019, which is slightly lower than the Port's budgeted growth. Domestic enplaned passengers are forecast to increase by 2.1% in FY 2019 and the international enplaned passengers by 9.6%.

Various sets of models deemed appropriate were combined to find a range of enplaned passengers. Based on models, domestic enplaned passengers are forecast to increase between 1.8% and 2.8% per annum and international enplaned passengers are forecast to increase between 2.6% and 5.6% per annum from FY 2019 to FY 2024. The various combinations of enplaned passenger forecasts for domestic and international passengers provide a range of enplaned passengers of between 10.9 million and 11.5 million in FY 2024. This range equates to growth rates between 1.8% per annum and 2.9% per annum. For comparison, the Port's forecast for enplaned passengers assumes a CAGR of 2.3%. **Exhibit 2-11** compares the range of enplaned passengers forecasts with the Port's current forecast. Given that the Port's forecast for the Airport falls within the forecast range, it appears reasonable to use for financial feasibility purposes.

EXHIBIT 2-11 Enplaned Passenger Forecast

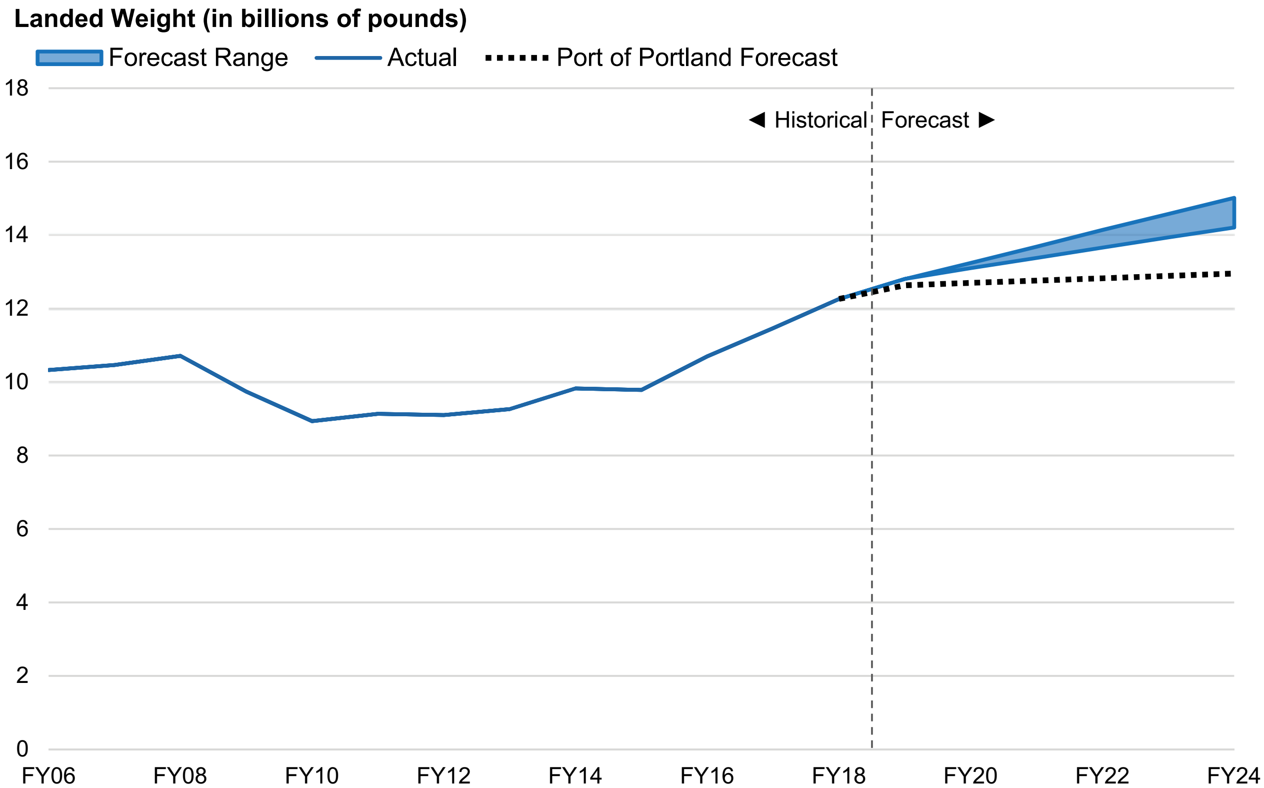


Sources: Port of Portland, Aviation Statistics – Monthly Traffic Report July 2005-June 2018; Landrum & Brown Analysis.

2.5.2 Landed Weight Forecasts

The landed weight forecasts assume that the current industry shift towards larger aircraft will continue to occur. In addition, the forecasts assume further decreases in smaller regional jets as they are retired, especially 50-seat aircraft. Although passenger operations increase at a rate slower than enplaned passengers, the aircraft used per operation will be heavier. Therefore, passenger landed weight growth is forecast to be similar to the enplaned passenger growth. The average landed weight per all-cargo operation has been increasing significantly over the past few years as larger aircraft are being filled at higher loads. Therefore, combined with an anticipated growth in air cargo, the all-cargo landed weight is forecast to increase at a significant rate. **Exhibit 2-12** graphically depicts the range of landed weight forecasts and the Port's current forecast for comparison. While the Port's landed weight forecast is much more conservative than that of the forecast range, it will be used as part of the financial feasibility analysis for this Report.

EXHIBIT 2-12 Landed Weight Forecast



Sources: Port of Portland, Aviation Statistics – Monthly Traffic Report July 2005-June 2018; Landrum & Brown Analysis.

3 Airport Facilities and Capital Program

This chapter provides an overview of existing Airport facilities and describes the Series Twenty-Five Projects and other planned capital improvements at the Airport, referred to as “Other Capital Projects” for the purposes of this Report.

3.1 Existing Airport Facilities

The Airport comprises approximately 3,200 acres of land on the southern edge of the Columbia River in Multnomah County. It is located approximately 12 miles northeast of downtown Portland. The Airport is the only commercial air passenger and cargo service facility in northwest Oregon and southwest Washington. Access to the Airport is primarily provided from Interstate 205 via Airport Way. Existing Airport facilities are described in sections below and are graphically illustrated on **Exhibit 3-1**.

3.1.1 Recent Major Capital Improvements

Over the last 10 years, through FY 2018, the Port undertook and completed several major capital projects, including the rehabilitation of Runway 10R-28L, the extension and rehabilitation of Runway 10L-28R, the enhancement of the deicing system, the installation of an in-line baggage handling system, and construction of a long-term parking garage and the Port headquarters building. Below is a summary of the major capital projects.

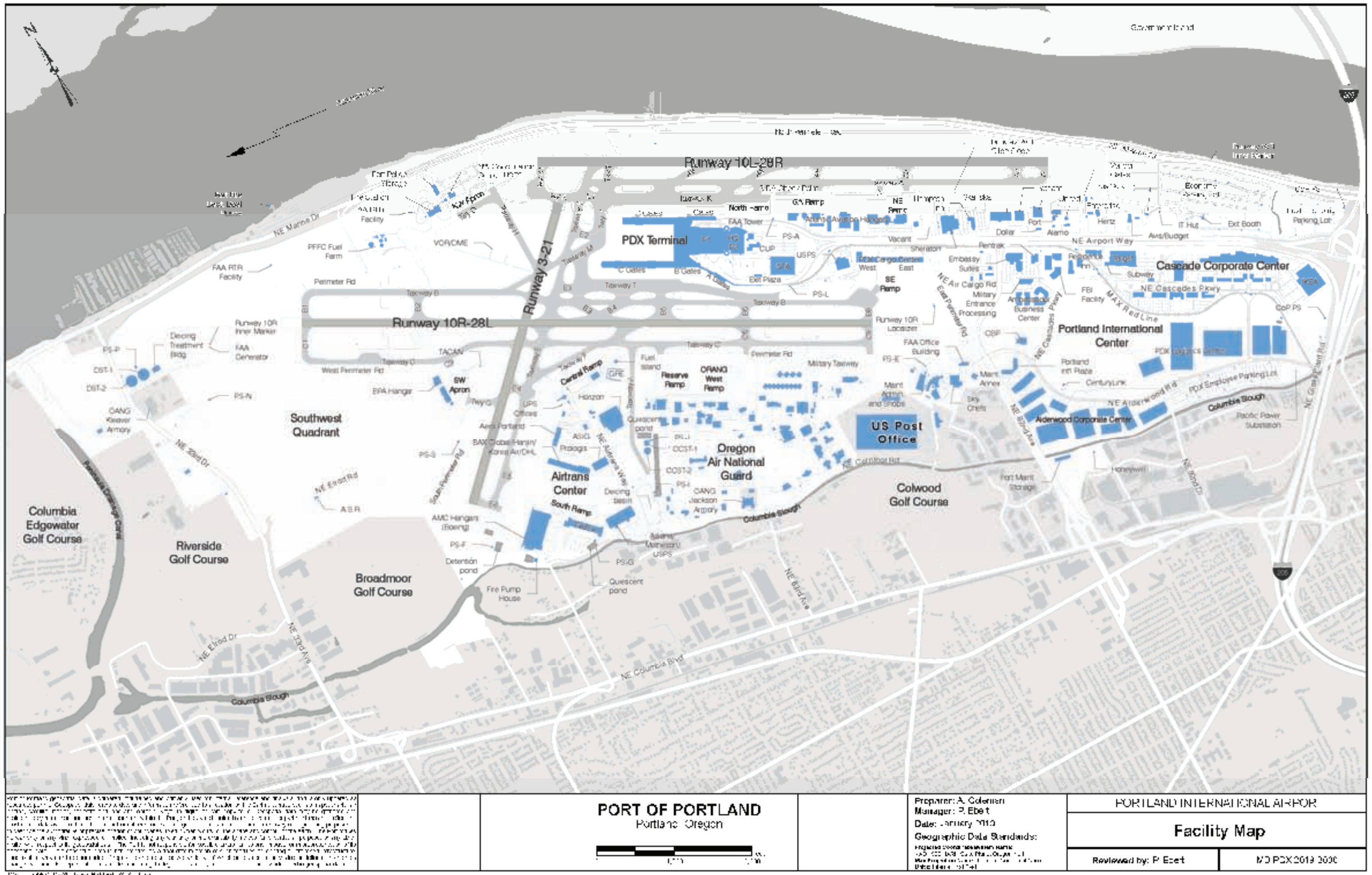
Runway Rehabilitation Program. The two main runways at the Airport were rehabilitated as part of a three-year runway rehabilitation project. The North Runway Extension Project (Runway 10L-28R) was the first part of this multi-year runway rehabilitation program. The two-year project prepared the runway for the ability to handle larger aircraft that typically would depart on the south runway (Runway 10R-28L). The additional 1,825 feet on the north runway was needed in 2011 during the final year of the Runway Rehabilitation Program when the south runway was closed for about six months during a complete rehabilitation. The Airport's south runway was reopened in October 2011.

The $114 million program was financed with FAA grants, state grants, PFCs on a pay-as-you-go basis, as well as proceeds of the Series Nineteen and Series Twenty Airport Revenue Bonds and Series 2011A Passenger Facility Charge Revenue Bonds.

Deicing System Enhancements. The $71 million of enhancements to the Airport deicing system were completed in April 2012. The Port designed the enhanced system in partnership with the airlines at the Airport and regulatory agencies to better protect water quality in the Columbia Slough. The project is part of an agreement with the State of Oregon Department of Environmental Quality (DEQ) to ensure the Port meets environmental regulations for deicing operations while maintaining safe airport operations. The project was financed with a combination of available funds, FAA grants, and proceeds of the Series 2011A Passenger Facility Charge Revenue Bonds and Series Nineteen Airport Revenue Bonds.

In-Line Baggage Handling System. One of the most complex projects in the Airport’s history, the inline baggage handling system streamlined the baggage screening process, restored the ticket lobby space by allowing removal of the old explosive detection system screening equipment, simplified the check-in process for Airport passengers, and reduced bag handling and TSA labor costs. The project cost was approximately $140 million, and was funded with TSA grants, PFCs, and proceeds of the Series Twenty Airport Revenue Bonds.

EXHIBIT 3-1 Airport Layout



Source: The Port of Portland

Long-Term Parking Garage and New Headquarters Building. In May 2010, a majority of Port employees were consolidated into a new Port headquarters building at the Airport. The building was constructed on top of a 3,030-space long-term parking garage. Both the office space and parking garage were designed to be models of sustainable design and construction. This project was awarded Leadership in Energy and Environmental Design (LEED) Platinum Certification and has received numerous local, national, and international awards for its environmental features. The building features energy efficient lighting, materials from renewable or recyclable sources, and water efficient fixtures. It also relies on innovations like ground-source heating and cooling, produced through a closed-loop system reaching 300 feet below the surface, and a Living Machine® system, which recycles wastewater onsite for reuse in the building's toilets and cooling towers. The overall building cost $241 million—$156 million for the parking garage, pedestrian tunnels, and related utilities, and $85 million for the offices. The new garage was funded with Revenues from the Port Cost Center, which includes parking, rental car, air cargo, and other revenues collected at the Airport. The office building was funded with a combination of available working capital in the Port Cost Center and proceeds of the Series Nineteen Airport Revenue Bonds supported by Port Cost Center Revenues.

3.1.2 Airfield Facilities

The existing airfield consists of two parallel air carrier runways, Runway 10R-28L and Runway 10L-28R, and a crosswind carrier runway, Runway 3-21. Runway 10R-28L is 11,000 feet in length and Runway 10L-28R is 9,825 feet in length. Both runways are 150 feet wide and are equipped with high intensity runway lighting systems, centerline lighting, and touchdown zone lights. Precision instrument landing systems were installed on both ends of each runway for approaches during instrument flight rules conditions. The crosswind runway, Runway 3-21, is 6,000 feet in length and has a width of 150 feet and is lighted and marked as a non-precision runway. Existing runways have adequate capacity to meet forecast operations beyond 2035.[74]

3.1.3 Terminal Facilities

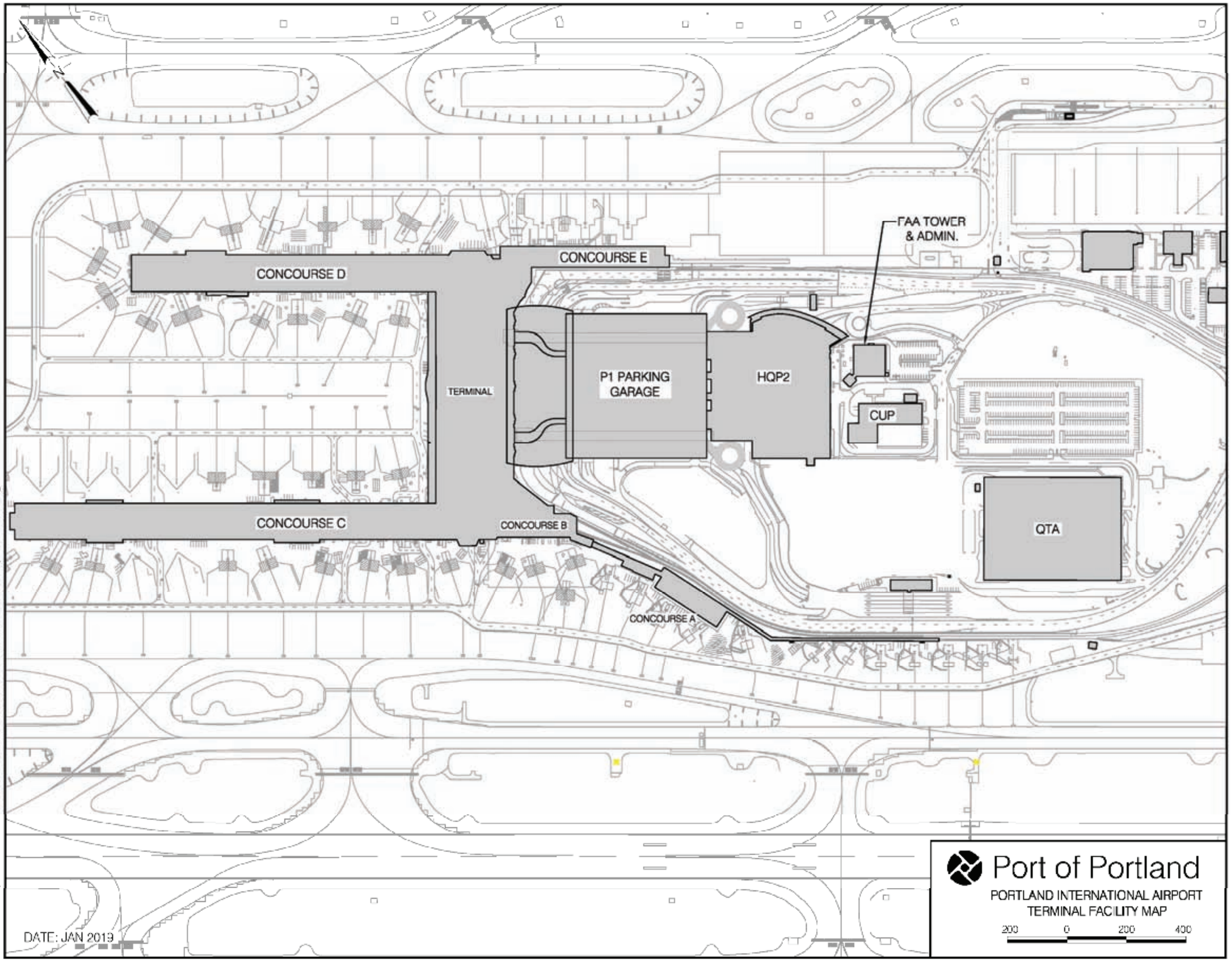
The passenger terminal complex consists of a main terminal building with five attached concourses (Concourses A, B, C, D, and E) and a federal inspection station (FIS) for international arrivals. The current aircraft parking configuration consists of 46 loading bridge-equipped positions and up to 28 ground loading positions. Six loading bridge-equipped gates provide accessibility to the FIS but are also used for domestic flight activity when required. Each loading bridge-equipped gate is served by a holdroom to accommodate airline passengers. Holdrooms for ground loading positions are located in Concourse A (12 parking positions), Concourse B (five parking positions), and Concourse E (11 parking positions). A concourse corridor connector beyond security includes moving walkways between the north and south concourses to facilitate passenger movement between the concourses and to reduce transit time for international and domestic passengers with connecting flights. **Exhibit 3-2** presents a graphical layout of the passenger terminal complex.

In 2016, the Signatory Airlines approved the Terminal Balancing project, which includes the construction of approximately 142,015 square feet of concourse, including six contact aircraft gates, circulation (with additional capability of accommodating two ground loading parking positions), public restrooms, concessions, and support spaces. The Terminal Balancing project is currently in construction and expected to be complete in early 2021. In 2018, the Signatory Airlines approved the expansion of the terminal core area (Phase I of the Terminal Core Redevelopment project); which will extend the existing terminal footprint approximately 180 feet to the west and would include relocation of the security checkpoints and construction of a new roof structure spanning the entire terminal building east to west. This project also provides a significant seismic upgrade to the terminal building. These projects are described later in Sections 3.3 and 3.4 of this Report.

---

74 Master Plan Update, Portland International Airport, April 2011.

EXHIBIT 3-2 Terminal Facility Map



Source: The Port of Portland

The primary public areas in the main terminal building are divided into a departure level and an arrival level. An elevated roadway provides vehicle access to the departure level, which provides direct access to the five concourses. Ticket counters and concessions areas, including a food court, cafes, pubs, full service restaurants, a holistic spa (offering foot treatments, chair massage and full-body therapeutic massage), barber, newsstands, and retail shops, are located on the departure level. The arrival level is accessible by vehicles via ground-level roadways and contains baggage claim facilities and coffee concessions. In 2011, the Port completed a new in-line baggage screening system that provides for the screening of all checked bags in an area beyond public space.

A TriMet MAX Light Rail station is located near the baggage claim area on the arrival level at the Southern end of the main terminal building. TriMet's MAX Light Rail system connects the Airport to the City of Portland (the City), Gresham, Clackamas, Beaverton, Milwaukie, and Hillsboro.

In its 2011 Master Plan that assessed the Airport's facility needs, the Port's findings indicated that the existing terminal area has sufficient capacity for passenger growth in almost all key elements. The 2011 Master Plan, however, emphasized that the adaptive reuse of the existing terminal to keep pace with the evolving needs of the industry and with the new technologies will be critical. As part of its capital improvement program (CIP), the Port is addressing the 2011 Master Plan and the Terminal Area Master Plan's findings. The Terminal Balancing project, currently underway, will address the current passenger and baggage volume imbalance on the south and north sides of the terminal complex. The Port is also moving forward with the redevelopment of its terminal core to meet demand in the future. Recent rapid growth in passenger traffic has further increased the need to address terminal facility improvements. The Terminal Core Redevelopment is described in more detail in Sections 3.3 and 3.4 below.

3.1.4 Public Parking Facilities

Port-owned public parking facilities consist of (1) a seven-story short-term public parking garage, (2) a seven-story long-term parking garage, and (3) an economy surface parking lot. The short-term parking garage has nearly 3,300 public parking spaces and is located adjacent to the passenger terminal. The first two floors of the short-term garage are used by rental car companies. The long-term parking garage has approximately 3,030 public parking spaces and is located adjacent to the short-term parking garage. The first floor of the long-term garage is reserved for rental car companies. Tunnels and moving sidewalks connect the short- and long-term parking garages to the passenger terminal. Approximately 7,800 surface parking spaces are available in the economy lot which is located near Interstate 205 off Airport Way. Free parking shuttles operate regularly between the economy lot and the main passenger terminal. Off-Airport parking competition includes Thrifty Parking, located over three miles from the terminal, which has approximately 150 parking spaces; Park Shuttle and Fly, located three miles from the terminal, which has approximately 675 parking spaces; and Airpark, located one mile from the terminal, which has approximately 525 parking spaces. In addition, there are also hotels offering park, sleep, and fly services where passengers can leave vehicles overnight while using the Airport.

Because of the relatively recent rapid growth in passenger traffic and, subsequently, the increase in demand for parking, Airport public parking facilities have been approaching capacity. Approximately two to three days per week, the long-term parking garage is either full or near capacity. On those days, it appears that Airport customers who would prefer to use the long-term parking garage are required to use the short-term parking garage, pushing the short-term parking garage closer to capacity. As described later in Sections 3.3 and 3.4 of this Report, the Port is expanding its public parking through the implementation of the Parking Additions and Consolidated Rental Car Facility (PACR) project, in which the public parking portion of the project is part of the Series Twenty-Five Projects.

To help reduce vehicle traffic congestion in the terminal area, a 30-space cell phone waiting lot is available (located on N.E. Air Cargo Road off of N.E. 82nd Avenue, approximately three minutes away from the passenger terminal) where motorists meeting arriving passengers can wait for free until passengers call to indicate they are ready to be picked up along the terminal curbside.

3.1.5 Rental Car Facilities

Eight rental car brands operate at the Airport. Five provide on-Airport service counters and vehicles (Avis, Dollar, Enterprise, Hertz, and National), and three provide on-Airport service kiosks and have passenger pick-up and drop-off facilities located off-Airport (Alamo, Budget, and Thrifty). On-Airport rental car spaces are located on the first two floors of the short-term parking garage and the first floor of the long-term parking garage.

In December 2013, the Port Commission approved a customer facility charge (CFC) to be paid by rental car customers beginning January 15, 2014. The $6 per day fee (for up to four days) applies to all rental car customers renting cars from rental car companies operating from the Airport; proceeds were used initially to fund costs of a new quick-turnaround facility, which was opened in March 2018, where returned rental cars can be readied for future rentals. As described above, the Port is currently implementing the PACR project. Upon its expected completion in November 2021, all rental car companies currently operating at the Airport will be located at the Consolidated Rental Car Facility. The Port intends to fund all of the rental car portion of the PACR project with its planned Series 2019 CFC Revenue Bonds. This project is further described in Sections 3.3 and 3.4 of this Report. The Port amended the Bond Ordinances in 2014 to exclude CFC revenues from “Revenues” under the Bond Ordinances.

3.1.6 Cargo and Airline Maintenance Facilities

Air cargo facilities are located in two main areas on the Airport: the PDX Cargo Center and the AirTrans Center. The PDX Cargo Center consists of two buildings totaling approximately 130,000 square feet. The Port leases these buildings to various passenger airlines for their belly cargo and ground support equipment maintenance operations. Other ground support equipment operators and freight forwarders also lease space in these buildings. The United States Postal Service leases an existing facility to the west of the PDX Cargo Center.

In the AirTrans Center, third party developers, including Aero Portland, LLC Prologis, L.P., PDACC1, lease land upon which they have constructed cargo facilities. Subtenants of these cargo facilities include Federal Express, DHL Worldwide Express, Summit NW, Hanjin Transportation Co., Ghelany Logistics, the United States Postal Service, Matheson Flight Extenders, and Majestic Terminal Services Inc. In addition, the AirTrans Center includes Boeing Corporation’s paint operation hangars, United Parcel Service’s northwest regional hub, Triangle Aviation RD and LLC/Ameriflight, LLC facilities and Horizon Air’s 150,000 square foot regional headquarters and maintenance facility. United Airlines leases a Port-owned former National Guard hangar adjacent to the AirTrans Center to the west, which is expected to be converted into a maintenance facility for United Airlines’ aircraft.

3.1.7 Port Headquarters

In May 2010, the Port’s new headquarters were opened, consolidating more than 450 Port staff previously located in separate offices downtown and at the Airport passenger terminal. The Port’s offices consist of 205,000 square feet of space situated on three floors built atop the seven-story long-term parking garage at the Airport.

3.1.8 Ancillary Facilities

Ancillary facilities support the aviation-related activities at the Airport. The facilities identified as ancillary are categorized as military, general aviation, FAA, Port-owned support facilities, flight kitchens, and commercial facilities.

- **Military.** Pursuant to a ground lease, the United States, for the benefit of the ORANG, leases an approximately 213-acre, 60-building campus on the south side of the Airport, adjacent to the AirTrans Center. In 2013, the lease was extended for an additional 50 years to 2063, although portions of the total premises are subject to an early termination of in 2030. An additional provision allows for the termination of 75 acres from ORANG's leasehold at the Port's sole option if the parcel is needed for a third runway. The lease is also subject to early termination at any time at the option of the United States, with 180 days' prior notice to the Port. Under its lease at the Airport, ORANG is required to pay nominal rent and to pay certain costs, including costs related to environmental and other regulatory requirements.
- **General Aviation.** Corporate and general aviation facilities are located on approximately 25 acres along the north side of the Airport. This area includes paved aircraft parking areas, aircraft hangars, and fixed base operator facilities. The Port owns a majority of the aircraft hangars and receives rent from the aircraft hangar tenants. The Port receives rent under these agreements as well as ground lease rent from corporate aircraft maintenance hangars. In early 2017, Atlantic Aviation completed construction on a new 72,000 square foot general aviation facility, which includes two 30,000 square foot hangars with office and shop space, a 90,000-gallon fuel farm, and a 5,000-square foot ground support building. In 2017, Mecham Aviation Center completed construction on a new 111,000 square foot facility, which includes approximately 96,000 square feet of general aviation hangar space, 90,000 square feet of ramp, and approximately 15,000 square feet of office/support facilities east of the new Atlantic Aviation facility.
- **FAA.** The FAA occupies the Airport Traffic Control Tower and handles all flight arrivals and departures as well as ground movement. The Airport Traffic Control Tower is located adjacent to the long-term parking garage.
- **Port-Owned Support Facilities.** The Port provides aircraft rescue and fire fighting and maintenance support facilities at the Airport.
- **Flight Kitchen.** Sky Chefs operates a 39,469 square foot flight kitchen facility located on the southeast side of the Airport that serves the passenger airlines.
- **Commercial Facilities.** On the eastern side of the Airport, adjacent to Interstate 205 and NE Airport Way, is the Port-owned Cascade Station/Portland International Center (CS/PIC) plan district. The plan district has two distinct areas, Subdistricts A and B. Cascade Station is the portion known as Subdistrict A. Of the 120 acres in Cascade Station, approximately 97 have been developed by private developers and tenants into a mixed-use commercial area, which includes hotels, large and small retailers, and office developments, including the regional offices of the Federal Bureau of Investigation. The remaining 23 acres are leased to the Portland Development Commission (PDC) and are being marketed for additional office space development.

  Subdistrict B, known as the Portland International Center (PIC), is south of Cascade Station, and east of NE 82nd Avenue and consists of approximately 327 acres. Developed areas in the PIC include 139 acres for an Embassy Suites hotel, warehouse/distribution/office buildings, manufacturing facilities, industrial development, and a United States Customs headquarters building. Another 21 acres were developed into Airport employee parking. Future developable areas in the PIC include approximately 94 acres which are reserved specifically for aviation use. Another 73 acres of land near Interstate 205 is designated as permanent open space.

  The CS/PIC development framework was negotiated as part of a development and financing package to extend the regional light-rail system through the CS/PIC to the Terminal. Development of Cascade Station began in 2001, with a significant amount of construction beginning in 2005. The Cascade Station development agreement is with a master developer and has a 99-year term. Other development within CS/PIC (except for roads, which are owned by the City) were constructed and are operated by private parties on Airport land that is leased from the Port under prepaid leases with terms typically of up to 50 years.

Other commercial facilities located at the Airport include two hotels on the north side of the Airport, including the Sheraton Airport Hotel and Hampton Inn on land leased from the Port. A new travel center near the PDX Cargo Center opened in 2018, which includes a gas station, a convenience store, a quick-serve restaurant, and a coffee shop.

3.2 Airport Planning and Capital Improvement Program

As described in Chapter 2 of this Report, the Airport has been experiencing relatively rapid passenger growth. For example, enplaned passengers have increased at a CAGR of approximately 5.2% for the period of FY 2010 to FY 2018. This growth in passenger traffic has had an impact on existing Airport facilities and their ability to effectively accommodate demand, especially within the terminal and public parking facilities as described above. To address this, the Port updated its Master Plan for the Airport in 2011 and continues to plan for its future facility needs.

Among the principal findings of the 2011 Master Plan were that (1) a third parallel runway will not be required during the planning period (through 2035) and (2) the existing terminal area has sufficient capacity for passenger growth in almost all key elements. As described above, however, it also emphasized that the adaptive reuse of the existing terminal to keep pace with the evolving needs of the industry and with new technologies will be critical. Concurrently, the City developed a land-use plan for the Airport that includes the Airport plan district as part of the City's development code. This zoning designation for the Airport enables the Port to implement the master plan and to have all facilities necessary for the operation of the Airport. In July 2014, the Port completed a Phase 1 Terminal area master plan for future development and expansion of the existing terminal space. In an effort to keep the 2011 Master Plan current, the Port conducts follow-on studies to monitor passenger and cargo activity, evaluate the impact of emerging industry trends, and refine project definitions. The follow-on studies enable the Port to adjust expectations accordingly and adapt plans to reflect current issues and trends.

In addition to the Port's master planning process and Airport Master Plan, the Port has established a seismic resiliency program to assess and improve response-and-recovery plans to reduce the Port's vulnerability to, and shorten its recovery time, following a major earthquake. Creating, updating, and enhancing seismic resiliency program elements, including both infrastructure and operational response measures, augment the Airport Master Plan facility performance goals.

Oregon and Washington are among the states located in the Cascadia subduction zone and are at risk of a magnitude 9.0 Cascadia subduction zone earthquake or an earthquake with an average recurrent period of once every 500 years. The authors of recent studies have reported that such an earthquake could occur more frequently than once every 500 years and that there is a 37% chance of a magnitude 8.0 to 9.0 earthquake striking somewhere along the Cascadia subduction zone in the next 50 years. The Airport is the only major airport in Oregon and southwest Washington and would be critical for efforts to restore water, fuel, power, and other critical infrastructure and services. The Port's seismic resiliency program is being designed to include additional risk assessment, training, and the development, funding, design and implementation of a 50-year capital investment program to enable the Port to resume operations and services quickly and to assist with regional recovery following a seismic event.

The Airport's recent growth in passengers combined with the 2011 Master Plan findings have been critical in shaping its CIP. As assets come up for renewal in the CIP, the Port will look for strategic opportunities to improve its seismic resiliency. For purposes of this Report, the Airport's current CIP is organized into the following two categories (each of which is discussed in the sections that follow in this chapter of the Report):

- **The Series Twenty-Five Projects.** These include capital projects to be funded, in part, with Series Twenty-Five Bond proceeds. The capital and operating costs associated with the Series Twenty-Five Projects have been included in the financial analysis and are further described in Chapter 4.
- **Other Capital Projects.** These are the other Airport capital projects that are currently anticipated by the Port to be undertaken over the forecast period or from FY 2019 through FY 2024. The estimated capital funding, operating costs, and estimated revenue impacts associated with the Other Capital Projects have also been included in the financial analysis.

3.3 The Series Twenty-Five Projects

The Series Twenty-Five Projects include various terminal rehabilitation, infrastructure, systems, and security improvements, as described in detail in the following sections. **Exhibit A** presents estimated project costs for the Series Twenty-Five Projects. **Exhibits 3-3** and **3-4** show the location of the Series Twenty-Five Projects to be undertaken in the Terminal complex area and the Airfield, respectively.

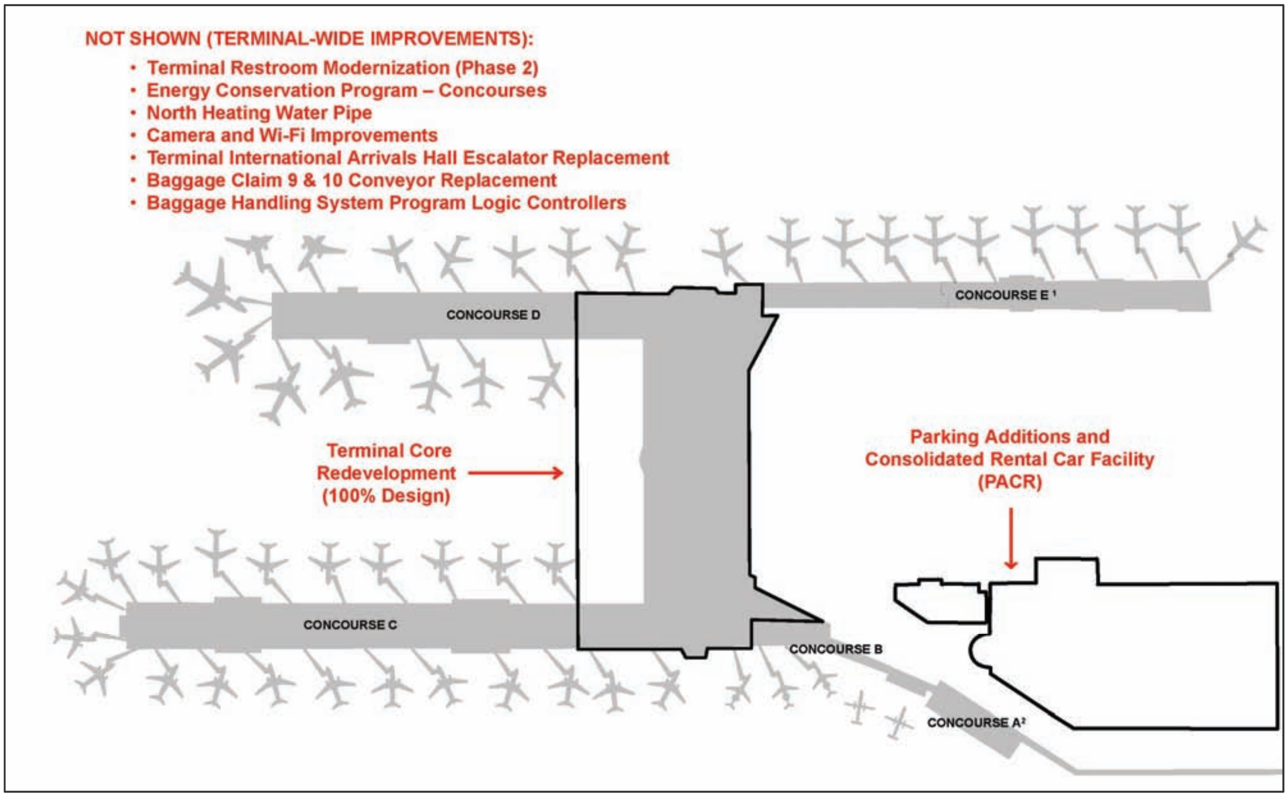
The Series Twenty-Five Projects are estimated to cost approximately $294.6 million (including design, engineering, construction, escalation for inflation, and contingency amounts, but excluding financing costs). Of the $294.6 million in project costs, approximately $169.1 million are allocable to the Airline Cost Center (described in Section 4.3.1 of this Report) and approximately $125.6 million are allocable to the Port Cost Center. None of the Series Twenty-Five Projects that were subject to the Majority-In-Interest (MII) process described in Section 4.3.3, Airline Disapproval of Capital Improvement Projects, were disapproved by the Signatory Airlines. For information regarding cost centers, please refer to Section 4.3.1 of this Report.

3.3.1 Terminal Development

The Port is currently undertaking certain terminal development projects at the Airport consistent with findings per its planning process. As shown in Exhibit A, the estimated cost of terminal development is approximately $97.7 million.

- **Terminal Core Redevelopment (100% Design).** The Terminal Core Redevelopment is a multi-phased project that will provide for the relocation of security checkpoints, an expansion of the post-security concession nodes, the refurbishment of the ticket lobby, upgrades to the terminal's systems, and a significant seismic upgrade to the terminal building. The Series Twenty-Five Bonds are expected to fund 100% design on the Phases I and II of the redevelopment. The design of Phases I and II and the construction of Phase I have been through the MII process with the Signatory Airlines. The cost of Phase I construction is described below under Other Capital Projects. The future phases of the Terminal Core Redevelopment project will need further MII process consideration by the Signatory Airlines. The estimated cost to complete the design of Phases I and II is $93.0 million. The design is expected to be complete in March 2021.
- **Terminal Restroom Modernization (Phase 2).** As part of the Port's ongoing restroom renovation program, Phase 2 will address public restroom refurbishment at the enplaning level of Concourses C and E, and on the deplaning level of Concourse D at the International Arrivals Hall. This project also includes a terminal-wide restroom-user feedback system. The general scope for the restroom refurbishments will include demolition to substructure, plumbing adjustments to allow for improved accessibility, relocation of janitor closet access doors, and reconstruction including gypsum board, tile, terrazzo flooring, pan ceiling, and new lighting and plumbing fixtures. This project is estimated to be complete by August 2019. The estimated total cost for this project is approximately $4.7 million.

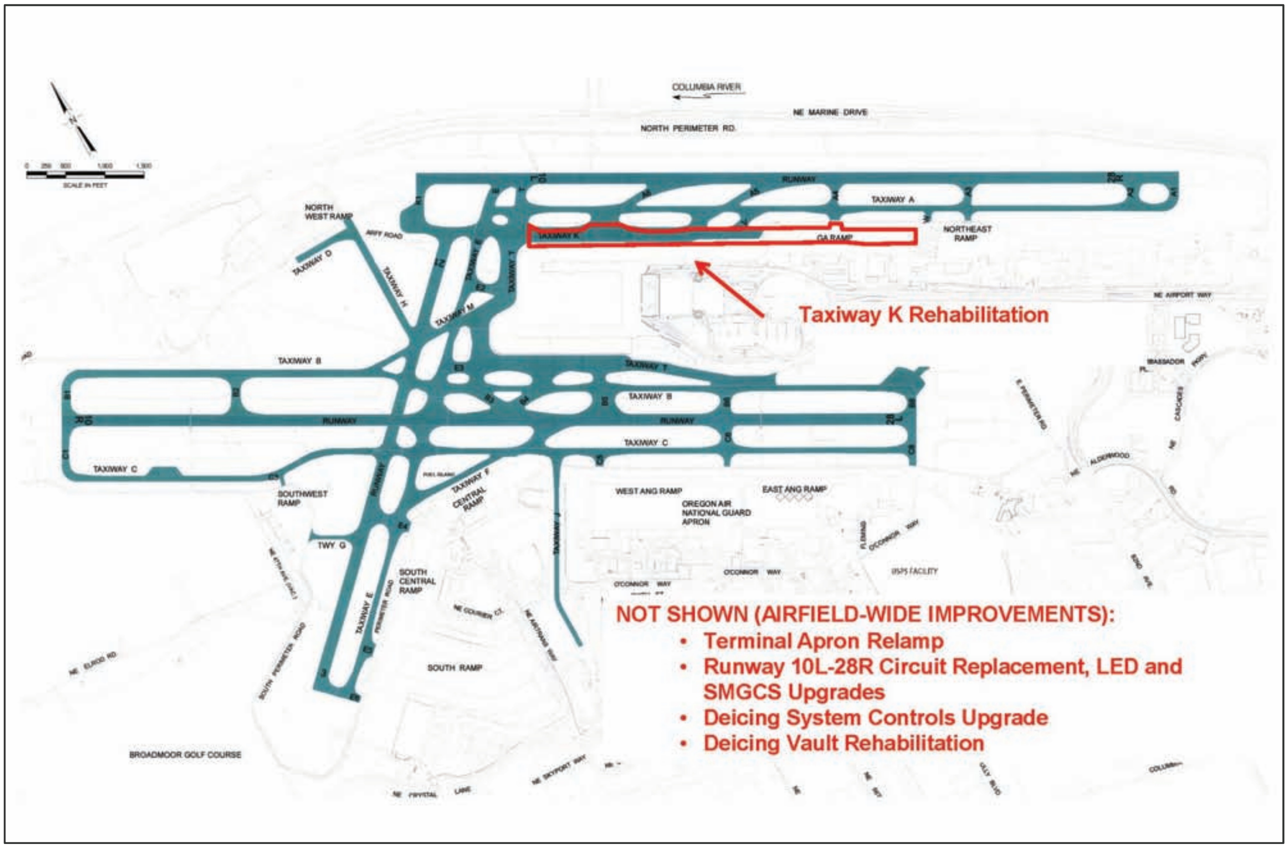
EXHIBIT 3-3 Series Twenty-Five Projects – Airport Terminal Complex Improvements



[1] Concourse E, as illustrated, includes six new aircraft gates that are currently under construction and are scheduled to be placed in service during the summer of 2020.
[2] Concourse A is scheduled for demolition in spring of 2020.

Source: The Port of Portland

EXHIBIT 3-4 Series Twenty-Five Projects – Airfield Improvements



Source: The Port of Portland

3.3.2 Terminal Efficiency and Infrastructure Improvements

The Port also intends to preserve and maintain existing terminal facilities through terminal efficiency and infrastructure improvements. As shown in Exhibit A, the estimated cost of terminal efficiency and infrastructure projects is approximately $35.4 million.

- **Energy Conservation Program - Concourses.** This project will provide for the implementation of the following energy-saving projects:
  - Recalibration and optimization of the HVAC systems within Concourses C, D, and E
  - Installation of high-speed roll-up doors at Concourse C and the terminal departures level
  - Installation at sub-metering on pre-conditioned air units and ground power units
  - Addition of occupancy sensors throughout the holdroom lighting on Concourse C, D, and E.
  - Retrofitting of the lighting at the Terminal Loop roadway
  - Retrofitting of the lighting at the terminal commercial roadway
  - Retrofitting of the lighting within the terminal canopy
  - Replace T8 florescent lighting with LED tubes in Concourse C, D, and E, and pedestrian tunnels.

  This project is estimated to be completed by November 2020 at an estimated cost of approximately $6.4 million.
- **North Heating Water Pipe.** This project will upgrade the existing north heating hot water system from the head end to the heating equipment in the terminal and concourses. The proposed scope of this project would include the following:
  - Replacement of the existing heating water piping grooved couplings with welded piping wherever practical
  - Installation of temporary piping so the system will remain operational during construction
  - Removal of dielectric unions that are prone to leakage
  - Upgrading of local controls at terminal units and air handlers that would replace circuit setters and control valves with the current Port standard
  - Assurance that all new pipe installed in the fire-rated chases with limited access will be welded.
  - Installation of isolation valves at each riser and branch to allow for maintenance of the system.

  The estimated total cost for this project is approximately $6.3 million. Scheduled completion for the project is estimated to be October 2019.
- **Camera and Wi-Fi Improvements.** This project will replace existing terminal closed-circuit televisions (CCTV) with new-technology cameras. The project provides for the replacement cameras, infrastructure, expansion of CCTV capabilities to holdrooms, and new data storage to support the new cameras. This project will also expand public and Port operational Wi-Fi coverage to areas not currently served or currently served insufficiently, including the International Arrivals Hall, pedestrian tunnels, network rooms, maintenance storage rooms, Port operational and support workspaces, and at the existing rental car company counter areas. This project is estimated to be completed in July 2019 at an estimated cost of approximately $13.4 million.

- **Terminal International Arrivals Hall Escalator Replacement.** This project would replace the existing escalators in the International Arrivals Hall (IAH) with new transit-grade equipment, which will meet the increased passenger demands on the facility and provide compliance with current regulation. New technology will enable these escalators to be tied into the Port's environmental control and monitoring system. This will allow the Port to monitor the energy use of the new units. The new escalators will be transit grade with on-demand start/stop. CCTV cameras will be installed at the top and bottom of each escalator. The project will require the removal and rebuilding of one interior wall to get north escalator components in place, lengthening of lower-level pits, and ceiling modifications to meet clearance requirements. This project is estimated to be completed in June 2020 at an estimated cost of $5.9 million.
- **Baggage Claim 9 and 10 Conveyor Replacement.** This project provides for the replacement of Bag Claim 9 and 10 conveyors, including the framework, with minor modifications to motor control panels (MCPs) and programmable logic controllers (PLCs). MCP units will be reused since they are in good condition and upgraded already by Port Maintenance. New conveyor control inputs/outputs will be installed with the new conveyor and integrated into the existing MCP and PLC. This project was substantially completed in January 2019 at an estimated cost of $1.7 million.
- **Baggage Handling System Program Logic Controllers.** This project will replace twelve redundant pair L63 processors on Allen-Bradley ControlLogix Program Logic Controllers (PLCs), create new Split Contingency Mode and Single Point Bag Removal via software modifications, and install light curtains on eight Explosive Detection System machines to improve baggage handling and imaging. This project was substantially completed in February 2019 at an estimated cost of approximately $1.8 million.

3.3.3 Airfield Improvements

The airfield improvements represent several projects designed to rehabilitate and enhance the runway and taxiway system and the deicing operation at the Airport. The estimated cost of the airfield improvements projects is approximately $36.0 million.

- **Terminal Apron Relamp.** This project would replace the approximately 480 existing pole-mounted and wallpack sodium light fixtures at the terminal apron area with LED technology or similar type lighting. This lighting would be controllable with high/low dimming levels. The estimated cost of this project is $2.5 million. The replacement is estimated to be completed by December 2019.
- **Runway 10L-28R Circuit Replacement, LED, and Surface Movement Guidance and Control System Upgrades.** This project includes the following upgrades and replacements:
    - Upgrading of the remaining incandescent taxiway and stop/hold bar lights with LED fixtures
    - Replacement of the existing circuits and upgrading the incandescent lights to LED on Runway 10L-28R (North Runway)
    - Replacement of the surface movement guidance & control system lighting system (controllable and non-controllable stop bars) at all runway intersections
    - Replacement of Runway 10L-28R edge and centerline conductors
    - Installation of new circuits between the Central Utility Plant and runway
    - Replacement of existing incandescent lighting fixtures to LED fixtures for elevated taxiway edge lighting, taxiway center lights, in-pavement runway guard lights, in-pavement stop bar lights, and elevated runway guard lights

  This project was substantially completed in November 2018 at an approximate cost of $3.6 million.

- **Taxiway K Rehabilitation and Realignment.** This project rehabilitates and reconstructs sections of Taxiway K. The Taxiway K pavement from Taxiway T to west of exit A5 will be rehabilitated with asphalt mill and three-foot inlays, whereas from exit A5 to west of exit W will be a full-depth asphalt reconstruction to accommodate a shift in centerline location and to build new shoulders. The ramp located in front of the Concourse E extension connected to Taxiway K will be reconstructed with Portland Cement Concrete pavement. Electrical work includes relocation of centerline lights, edge lights, and airfield signs. Storm drainage pipe will be replaced to meet the current Stormwater Master Plan. The north midfield checkpoint defining the boundary between the secured and non-secured airfield will be relocated. Other project work includes utility adjustments, infield grading, and pavement markings. This project is estimated to be completed in October 2020 at an estimated cost of approximately $25.1 million, of which $11.0 million is estimated to be funded with AIP grants.
- **Deicing Systems Controls Upgrade.** This project replaces L65 processors on redundant Allen-Bradley ControlLogix PLCs with L75 processors, consolidates legacy PLC-5 located in Port Maintenance with upgraded ControlLogix PLC in the Deicing Treatment Plant, and converts ControlNet network to hybrid Ethernet DLR. This project is scheduled to be substantially completed in August 2019 at an estimated cost of $1.7 million.
- **Deicing Vault Rehabilitation.** This project provides for the rehabilitation of vaults and equipment at various pump stations constructed as part of the original deicing collection system project completed in 2003. This project will include the rehabilitation and reinforcement of concrete vault structures, crack repair, rehabilitation of main pumps and mechanical equipment, replacement of pump pedestals, installation of Variable Frequency Drives (VFDs) with related PLC-coding and electrical wiring, rehabilitation of an outfall gate, pipe replacement (as needed), and some other minor safety and operational improvements. This project is scheduled to be substantially completed in October 2020 at an estimated cost of $3.1 million.

3.3.4 Ground Transportation Improvements

The ground transportation improvements represent projects designed to improve the public parking and ground transportation operations at the Airport. The estimated cost of the ground transportation improvements projects is approximately $125.6 million.

- **Parking Additions and Consolidated Rental Car Facility.** PACR includes a new 6-level garage on the site of the former Port employee parking lot (surface lot). Levels 1-3 of the new garage are to be dedicated to rental cars, with a new exterior customer service lobby located on the first floor of the Rental Car Center (see Section 3.4 Other Capital Projects) and 724,000 square feet provided for ready cars/return cars providing approximately 2,070 parking spaces. Levels 4-6 are to be dedicated to public parking and provide 2,450 spaces. This plan will require relocating the existing parking exit ramps and parking exit plaza. The new garage is tiered on Levels 5 and 6 to preserve the line of sight from the Airport traffic control tower to the airfield. The public parking portion of this project (Public Parking Addition) and the rental car facility portion (Consolidated Rental Car Facility) will be connected by a ramp between the third and fourth levels of PACR to provide flexibility for changes in future use. The Public Parking Addition to be funded with the Series Twenty-Five Bonds and Port Funds has a total estimated project cost of approximately $125.6 million. The Consolidated Rental Car Facility has an estimated total project cost of approximately $156.6 million and is scheduled to be funded separately with the Series 2019 CFC Revenue Bonds. PACR is planned to be substantially complete by November 2021.

3.4 Other Capital Projects

Other Capital Projects are projects that are currently anticipated by the Port to be undertaken and/or completed during the forecast period from FY 2019 to FY 2024. Certain projects within the Other Capital Projects may not be completed by FY 2024 and may involve additional costs outside the forecast period; however, only project costs for these during the period of FY 2019 to FY 2024 are included in the cost estimates for the Other Capital Projects. Project costs for the Other Capital Projects are shown in Exhibit A. Preliminary cost estimates for the Other Capital Projects total approximately $1.83 billion.

The largest project included within the Other Capital Projects is the remaining portions of Phase I of the Terminal Core Redevelopment. The Signatory Airlines have not disapproved Phase I of the Terminal Core Redevelopment project, which has an estimated project cost of $950 million. While Phase II design has not been disapproved by the Signatory Airlines, Phase II construction still requires further MII consideration by the Signatory Airlines before the Port may proceed past what is currently approved. Since Phase II construction of the project still requires MII consideration, only Phase I construction of the Terminal Redevelopment project is included as part of the Other Capital Projects and in the financial analysis herein. It should be noted that certain capital projects included in Other Capital Projects potentially could be deferred or not otherwise undertaken by the Port during the forecast period (depending on circumstances such as aviation demand levels, availability of project funding, etc.). Additional description of the major elements of the Other Capital Projects follows.

3.4.1 Major Elements of Other Capital Projects

The Other Capital Projects to be undertaken in the Airline Cost Center total approximately $1.35 billion, and major elements include the following:

- **Terminal Core Redevelopment.** Consistent with facility needs defined in the Port's planning process, this project includes a major redevelopment of the Airport's terminal and is expected to provide sufficient ticketing, security screening, baggage handling, and concessions support to accommodate projected passenger growth through 2035 (approximately 27 million annual passengers). In addition to the cost included in the Series Twenty-Five Projects for the 100% design of Phases I and II, this project will also include the following:
  - Construction of a new roof over the existing terminal and the planned western expansion of the main terminal
  - Construction of a western expansion of the main terminal into the alley between Concourses C and D
  - Rehabilitation of the existing terminal core

  The redevelopment of the terminal will include major seismic upgrades and renewal of mechanical, electrical, and other systems. This project is estimated to cost approximately $950 million in total, which includes $17.0 million for design previously funded with the Series Twenty-Four Bonds, $93.0 million for the remaining design of Phases I and II (a Series Twenty-Five Project), $686.4 million for the western expansion of the main terminal, $90.4 million for the Terminal Core – Concourse B project, and $63.2 million for the Terminal Core – Rental Car Center – Floors 2-4.

  - **Terminal Core – Western Expansion**. This includes the construction of a western expansion of the main terminal into the alley between Concourses C and D. This portion of the Terminal Core Redevelopment project is estimated to cost approximately $686.4 million and be completed by FY 2024.

- **Terminal Core – Concourse B.** This includes the demolition of Concourse A and associated ramp work for use as future Remain Over Night (RON) parking and the remodeling of Concourse B to include the addition of a contact gate and the replacement of ground load gates. This project is estimated to be completed in February 2021 at an estimated cost of $90.4 million.
- **Terminal Core – Rental Car Center – Floors 2-4.** This project includes construction of additional floors on the PACR customer service building to house the Airport communications center, Port Police, TSA administrative services, and Port security badging office. This is estimated to cost approximately $63.2 million and is estimated to be completed by November 2021.

- **Terminal Balancing.** In 2016, the Signatory Airlines approved a revised terminal balancing project that would relocate Southwest Airlines from the south to the north side of the terminal, thereby balancing passenger processing and aircraft operations. This $219.3 million project includes the design and construction of approximately 142,015 square feet of concourse, including six contact aircraft gates, circulation (with additional capability of accommodating two ground-loading parking positions), public restrooms, concessions, and support spaces. Remaining project costs will be funded with PFCs on a pay-as-you-go basis and existing bond proceeds. This project is estimated to be completed by June 2020.
- **Taxiways T (Phases 1 and 2), K (West), A, B, and J Rehabilitations; Runway Rehabilitation; and North Ramp RON Parking (Phase 1).** These projects total approximately $125.4 million and include surface and structural pavement rehabilitations and pavement shoulder widening to meet airport design standards.

The Other Capital Projects to be undertaken in the Port Cost Center total approximately $478.7 million, and major elements include the following:

- **Parking Additions and Consolidated Rental Car Facility.** In total, this $282.2 million project includes two primary components: the Public Parking Addition and the Consolidated Rental Car (ConRAC) Facility. Overall, this project includes the construction of a new six-floor facility, consisting of a 724,000 square feet of rental car ready/return and parking structure, 30,000 square feet of rental car customer service lobby, and 2,450 new long-term parking spaces. Additional details on the two components of this project are as follows:
  - **Public Parking Addition**. This is included within the Series Twenty-Five Projects to address public parking capacity. It is estimated at a cost of $125.6 million and is expected to be funded with the Series Twenty-Five Bonds and Port Funds.
  - **ConRAC**. This component of PACR is included as an Other Capital Project and is estimated to cost $156.6 million. The ConRAC Facility is planned to be funded with the Series 2019 CFC Revenue Bonds as described in Chapter 4 of this Report.
- **Airport Access Roads Rehabilitation and Maintenance.** Approximately $66.6 million for projects for the rehabilitation, reconstruction, and major maintenance of Airport access roads.

3.4.2 Financial Impact for Other Capital Projects

Sources of funding for the Other Capital Projects are described in Chapter 4 of this Report and presented on Exhibit A. The estimated financial impacts of the Other Capital Projects are incorporated in this Report. However, it should be noted that for certain projects that are forecast to be funded with bond proceeds after FY 2022, the associated debt service may not impact financial results within the forecast period of this Report due to an assumption of two years of capitalized interest.

It is possible that during the forecast period, the Port may consider other potential future Airport improvements not planned at this time. However, the Port will only undertake construction on any other potential future projects when demand warrants, necessary environmental reviews have been completed, necessary approvals have been obtained, and associated project costs can be supported by a reasonable level of Airport user fees or other discrete funding sources such as state/federal grants, PFCs, Port funds, CFCs, and/or third-party funds.

4 Financial Framework and Analysis

This chapter discusses the financial framework for the Airport, including an overview of the governing body, management structure of the Port, financial structure including Airport cost centers, certain obligations of the Bond Ordinances, and certain provisions contained in the Airline Agreements (defined herein) and in other key agreements at the Airport. Additionally, the Port's CIP for the Airport including funding sources, the planned Series Twenty-Five Bonds sources and uses, debt service forecasts, Operation and Maintenance (O&M) Expenses, Revenues forecasts, debt service coverage, and other key financial analyses are described in this Chapter.

Exhibits contained at the end of this Chapter present actual results for FY 2018, the Port's budget for FY 2019, and forecasts for FY 2020 through FY 2024. For the purposes of this Report, the forecast period is FY 2019 through FY 2024.

4.1 Airport Governing Body

The Airport is owned and operated by the Port, which provides the Air Service Area with commercial airline passenger service, air cargo services, and general aviation services. The Port is governed by a nine-member Board of Commissioners that establishes and controls policies for the Port. Board members are appointed by the Governor of Oregon and are confirmed by the Oregon State Senate. Board members serve four-year terms and can be reappointed. The Board is headed by a President who is appointed by the Governor. The President designates the other officers of the Board.

The Airport is operated by the Port as an independent enterprise, separate from the General Aviation Airports and from the Port's other enterprises, although the General Aviation Airports serve as reliever airports for the Airport from an operational perspective and are subsidized from Revenue remaining after all other obligations are provided.

4.2 Management Structure

The Port employs an Executive Director and other officers, agents, employees and advisors. The Executive Director and his staff implement the policies established by the Board. In addition to the Executive Director, the senior management team of the Port is comprised of the Chief Operating Officer, the Chief Commercial Officer, the Chief Financial Officer, the General Counsel, the Chief Project Delivery and Safety Officer, Chief Administration and Equity Officer, and Chief Public Affairs Officer.

Several departments at the Port are responsible for the planning, development, and operation of capital projects and facilities at the Airport. The PDXNext Directing Sponsor is responsible for the oversight of PDXNext projects, including some of the Series Twenty-Five Projects. The Director of PDX Terminal Properties is responsible for the Port's contractual relationships with the various airlines, concessionaires, rental car operators and other tenants providing services at the Terminal. The Director of Planning and Development is responsible for the planning, development, management and implementation of projects and long-term facilities planning. Airport operations, planning and development, terminal leasing, and concessions development and operations are managed by the Port's Operations Department, which is headed by the Chief Operating Officer.

4.3 Financial Structure

The Port's airport system includes the Airport and the Port's two general aviation airports: Hillsboro Airport and Troutdale Airport (collectively, the General Aviation Airports). For accounting purposes, the Airport is operated as an independent enterprise by the Port and is separate from other Port enterprises. As described in Section 4.3.2 below, fund amounts deposited into the Airport Revenue Fund are not commingled with any other funds of the Port and are used and applied only in the manner as specified in the Bond Ordinances. A discussion of the application of Airport Revenues is below.

The Port funds operations at the Airport with revenues generated from Airport rentals, fees, and charges. Capital improvements at the Airport are funded by the Port with: (1) revenues generated from Airport rentals, fees, and charges; (2) airport revenue bond proceeds; (3) federal, state, and other grants-in-aid; (4) PFC revenues, (5) PFC bond proceeds, (6) CFC revenues, and (7) CFC bond proceeds. There is no commingling of funds with the Port General Fund. The Port accounts for all of its marine terminals, business and industrial parks, and other properties, the dredge *Oregon*, and Hillsboro and Troutdale general aviation airports in the General Fund.

From an operational perspective, the General Aviation Airports serve as reliever airports for the Airport. Under Port Ordinance No. 323, one of the Port's revenue bond ordinances described in more detail below, Revenues from the Airport can be used to fund projects at the General Aviation Airports. Any shortfalls associated with the operation of the General Aviation Airports can be funded with remaining amounts in the Airport's General Account, after paying O&M Expenses, funding required amounts in the SLB Fund, the Junior Lien Obligation Fund, the Third Lien Obligation Fund, and making any Remaining Contingent Fee Payments (as described below in Section 4.3.2.1).

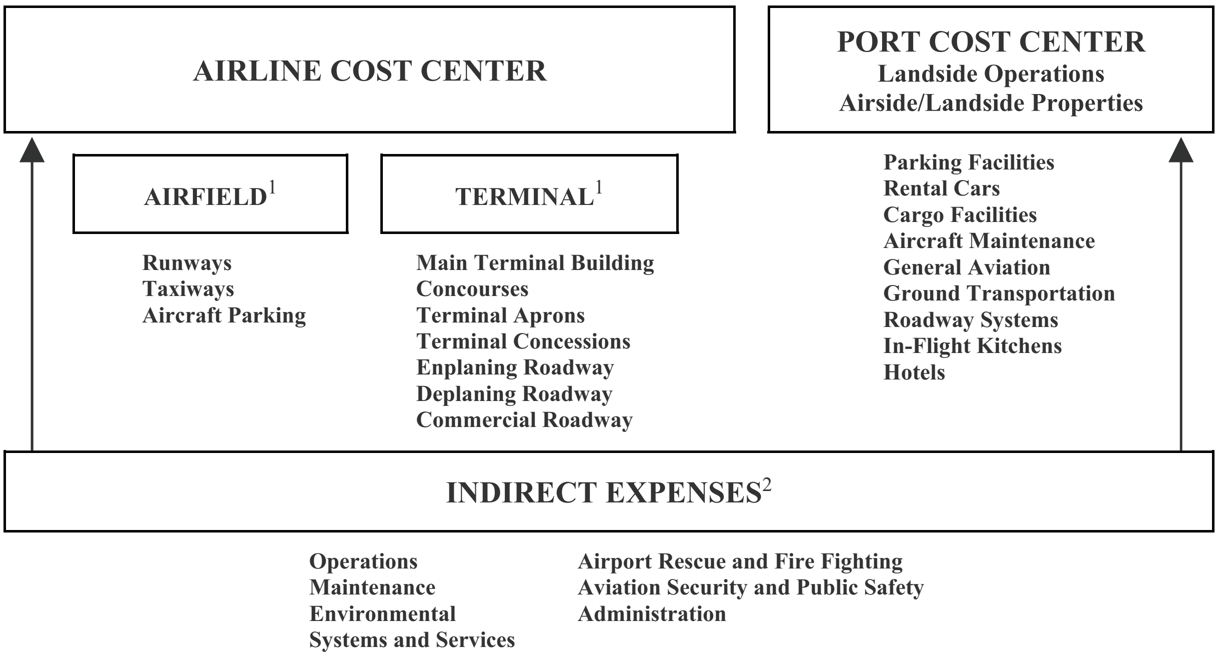
4.3.1 Accounting Structure

The Port has used a cost-center structure for the Airport since FY 1992. Of the Port's 13 cost centers, six are direct, revenue-producing cost centers and seven are indirect cost centers that are allocated to the direct cost centers. The Airfield and Terminal direct cost centers, plus their allocated portions of the indirect cost centers, comprise the Airline Cost Center. The Ground Transportation, Non-Aviation, Other Aviation and Air Cargo direct cost centers, plus their allocated portions of the indirect cost centers, comprise the Port Cost Center. As described below, rate-setting at the Airport is residual in connection with the Airline Cost Center (the airlines have primary responsibility and risk and benefit from Non-Airline Revenues). The Port has the responsibility and risk for the Port Cost Center revenues and costs, although the Port also shares some Port Cost Center revenues with the airlines.

The Airline Cost Center includes O&M expenses, debt service, debt service coverage, terminal concession revenues, and Revenues from both passenger and all-cargo airlines. The Series Twenty-Five Bonds are payable from the Airport Net Revenues, inclusive of both the Airline Cost Center and the Port Cost Center. With the exception of the public parking portion of the PACR project, costs of the Series Twenty-Five Projects funded with Series Twenty-Five Bonds proceeds are anticipated to be allocated to the Airline Cost Center.

The Port's cost center structure for the Airport is presented in **Exhibit 4-1** and is further described below.

EXHIBIT 4-1 Airport Cost Center Structure



[1] Airfield and Terminal are Residual Cost Centers.
[2] Indirect Expenses are allocated to the Airline Cost Center and the Port Cost Center per the airline agreement.

Source: The Port of Portland

4.3.1.1 Direct Cost Centers

Airline Cost Center

- **Airfield Cost Center.** The cost center to which Revenues and expenses associated with the areas and facilities provided for the landing, takeoff, and taxiing of aircraft, including approach and turning zones, avigation or other easements, runways, taxiways, runway and taxiway lighting systems, and other appurtenances in connection therewith (e.g., lighting, navigational aids, etc.). Aircraft apron areas for the loading and unloading of passengers and cargo from aircraft, servicing aircraft, and maneuvering of aircraft to and from active taxiways are not included as part of the Airfield Cost Center.
- **Terminal Cost Center.** The cost center to which Revenues and expenses associated with (a) the passenger terminal building and concourse areas; (b) the enplaning, deplaning, and commercial roadways immediately adjacent to the terminal; (c) public areas within the terminal; (d) the aircraft parking and maneuvering areas adjacent to the terminal; and (e) the areas of the terminal used for the screening of passengers and baggage.

Port Cost Center

- **Ground Transportation.** The cost center to which Revenues and expenses associated with areas and facilities accommodating ground transportation, including Airport public access roadways (other than those that are part of the Terminal), automobile parking facilities, and rental car operations.
- **Air Cargo.** The cost center to which Revenues and expenses associated with areas and facilities leased or provided for air cargo activities.
- **Other Aviation.** The cost center to which Revenues and expenses associated with areas and facilities provided for aviation activities that are not allocated to the Airfield, Terminal, or Air Cargo cost centers (e.g. general aviation).
- **Non-Aviation.** The cost center to which Revenues and expenses associated with areas and facilities provided for commercial and industrial property ground leases at the Airport. These include, but are not limited to, the Portland International Center, hotels, warehousing, and commercial office buildings.

4.3.1.2 Indirect Cost Centers

- **Operations.** Expenses associated with salaries, benefits, and supplies of the Airport's operations staff and not attributable to any direct cost center.
- **Maintenance.** Expenses not attributable to any other direct cost centers, consisting of the salaries, benefits, and supplies associated with the maintenance staff, as well as the expenses of contracted maintenance services. Also included are the expenses of the Airport's maintenance facility located on the south side of the Airport.
- **Environmental.** Expenses associated with salaries, benefits, and supplies for the Aviation Environmental Department. Also, included are expenses associated with environmental activities and facilities.
- **Systems and Services.** Expenses associated with the Central Utility Plant, which provides electrical power, heating, air conditioning, and steam for the Terminal and Airfield. Also included are sewer and water expenses for the Airport that are not attributable to any direct cost centers.
- **Airport Rescue and Fire Fighting (ARFF).** Expenses associated with salaries, benefits, and supplies of the ARFF department. Also, included is the cost of maintaining the ARFF facility and equipment, as required pursuant to FAA regulations.
- **Aviation Security and Public Safety.** Expenses associated with salaries, benefits, and supplies of the Airport police department as required pursuant to FAA regulations. The maintenance expenses of this department are also included in this cost center. Passenger security screening costs are paid directly by the airlines.
- **Administration.** The total costs of the Port departments responsible for Airport planning, properties, marketing, communications, and administrative staff. Also included are costs for a portion of Airport insurance and the Airport's share of services received from corporate overhead departments.

4.3.2 Bond Ordinances

Port Ordinance No. 155, enacted by the Board on November 10, 1971, as amended, restated, and supplemented (Ordinance No. 155); and Port Ordinance No. 323, enacted by the Board on October 9, 1985, as amended, restated, and supplemented (Ordinance No. 323), which were further amended by Port Ordinance No. 455-B, effective November 11, 2014, authorize the issuance of airport revenue bonds at the Airport to pay the costs of acquiring and constructing Airport improvements, among other items. The Series Twenty-Five Bonds are being issued pursuant to various provisions in Ordinance No. 155, Ordinance No. 323, Ordinance No. 455-B, and Ordinance No. 467-B (the Series Twenty-Five Bonds Ordinance) enacted by the Port on February 13, 2019, and effective on March 15, 2019. Ordinance No. 155, Ordinance No. 323, Ordinance No. 455-B, and the Series Twenty-Five Bonds Ordinance are, collectively, referred to in this Report as the Bond Ordinances.

The Series Twenty-Five Bonds are being issued as SLBs under the Bond Ordinances and are payable solely from the Net Revenues of the Airport on parity with the pledge of Net Revenues securing payment of the Port's outstanding SLBs. As of March 1, 2019, the Port had approximately $615.8 million in outstanding aggregate principal amount of SLBs. The Bond Ordinances define SLBs as "Subordinate Lien Bonds," but the Port no longer has obligations outstanding secured by a pledge of Net Revenues that is prior to the pledge securing the SLBs, and the Port has covenanted in the Bond Ordinances not to issue any obligations payable from the Revenues or money in the General Account that have a claim prior to the claim of the SLBs. As a result, "SLBs are effectively senior lien bonds and include the outstanding SLBs, Scheduled Swap Obligations, outstanding Parity Reimbursement Agreements, the Series Twenty-Five Bonds, any additional SLBs, including any additional Scheduled Swap Obligations and any Parity Reimbursement Agreements that may be issued or entered into in accordance with the Bond Ordinances. This Report uses the term "SLB" in place of "Subordinate Lien Bonds" to avoid confusion.

Pursuant to the Bond Ordinances, the Port has pledged to the payment of outstanding SLBs, including the Series Twenty-Five Bonds, all Revenues of the Airport after payment, or provision for the payment, of the Costs of O&M Expenses of the Airport. Revenues include all amounts derived by the Port from its ownership or operation and management of the Airport, including, among other things, all amounts derived from rates, rentals, fees, and charges imposed by the Port for the use of services of the Airport. Revenues do not include (1) income from investments credited to the Airport Construction Fund or proceeds from the sale of bonds or grants or gifts, the use of which is limited by the grantor or donor to the construction of capital improvements; (2) passenger facility charges or similar charges that are imposed under the authority of federal law and are limited by federal law to expenditure on specific projects or activities and/or on debt service and financing costs related to specific projects or activities; (3) customer facility charges that may be levied by the Port and collected by the rental car companies from their customers; or (4) tax revenues or tax-derived revenues.

Net Revenues means for any past period, the aggregate of the Revenues actually paid into the Airport Fund during such past period, and for any future period, the aggregate of the Revenues estimated to be paid into the Airport Fund during such future period, minus the aggregate of the actual or estimated Costs of O&M Expenses of the Airport during such past or future period.

In the Series Twenty-Five Bond Ordinance and in the Bond Ordinances that authorized the outstanding SLBs, the Port reserved the right to make certain amendments to the Bond Ordinances. The Port enacted four of these special amendments effective November 11, 2014. The Series Twenty-Five Bond Ordinance provides that by purchasing the Series Twenty-Five Bonds, the Owners thereof will be deemed to have consented to all of the amendments reserved in the Series Twenty-Five Bond Ordinance and in the other Bond Ordinances. Certain special amendments are described later in this Chapter.

4.3.2.1 Flow of Funds

Section 13 of Port Ordinance No. 155 and Section 7 of Port Ordinance No. 323, as amended by Port Ordinance No. 455-B, established certain funds and accounts and the priority for the flow of Revenues and certain other amounts to such funds and accounts, as described below. **Exhibit 4-2** illustrates the flow of funds for the Airport.

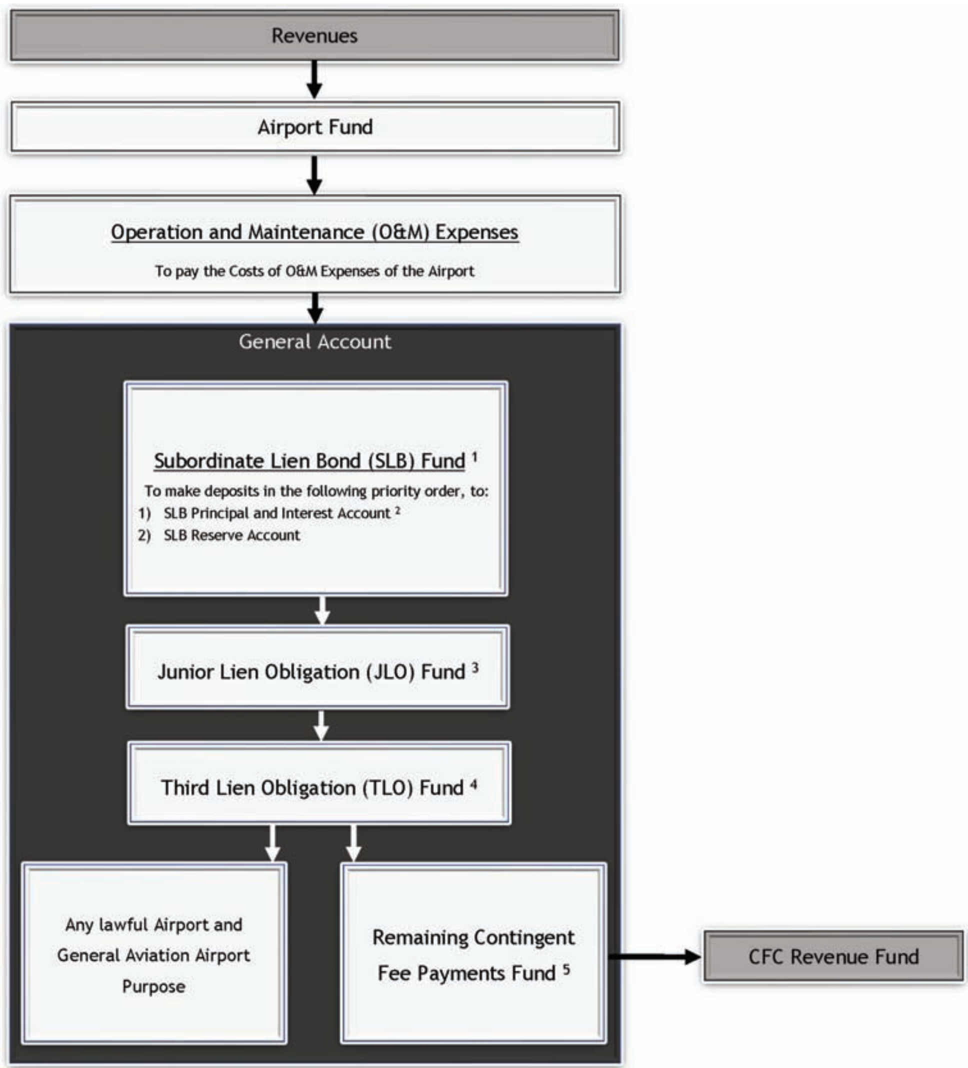
- **Airport Fund.** All Revenues of the Airport are required to be deposited into the Airport Fund, which is administered by the Port. Revenues credited to the Airport Fund must first be used and applied by the Port to the payment of the Costs of O&M Expenses of the Airport.
- **General Account.** On the first business day of each month, after paying the Costs of O&M Expenses, the Port is required to credit the balance of Revenues in the Airport Fund to a separate account in the Airport Fund held by the Port (the General Account). The Port is required to credit Net Revenues in the General Account to the following Funds, as defined in the Bond Ordinances, in the following order of priority:
    - First: to the Trustee for deposit to the SLB Principal and Interest Account, until all required deposits to that account have been made;
    - Second: to the Trustee for deposit to the SLB Reserve Account, until all required deposits to that account have been made;
    - Third: to the Port for deposit in the Junior Lien Obligation (JLO) Fund, until all required deposits to that fund have been made; and
    - Fourth: to the Port for deposit in the Third Lien Obligation (TLO) Fund, until all required deposits to that fund have been made.

In addition to the SLBs, the Port is authorized under the Bond Ordinances to issue subordinate obligations, including JLOs and TLOs. At this time, the Port currently has no outstanding stand-alone bonds that are JLOs, but certain obligations under outstanding Parity Reimbursement Agreements and Other Swap Obligations (including termination payments and collateralization) under the Series Eighteen Swaps are payable from the JLO Fund. The Port's Board enacted Ordinance No. 463-CP on November 8, 2017, authorizing the issuance of up to $300 million of its Third Lien Commercial Paper Notes, which constitute TLOs. The Port currently has two series of Commercial Paper Notes outstanding (Series B and Series C) totaling approximately $43.9 million as of March 1, 2019. The Port is planning to repay all outstanding amounts of Commercial Paper Notes with proceeds of the Series Twenty-Five Bonds and its planned Series 2019 CFC Revenue Bonds. In addition, Other TLO Swap Obligations (including termination payments) under the PFC Bond Swaps are payable from the TLO Fund.

The Remaining Contingent Fee Payments Fund is held by the Port. On or before the first day of each month, the Port is required to set aside and pay into the Remaining Contingent Fee Payments Fund the Remaining Contingent Fee Payments, if any, and is required to immediately thereafter transfer all amounts in the Remaining Contingent Fee Payments Fund to the CFC Revenue Fund established under the CFC Bond Ordinance to pay debt service on the Series 2019 CFC Revenue Bonds for application in accordance with the CFC Bond Ordinance. Amounts remaining in the General Account, if any, after the credits described above in "First" through "Fourth" above have been made, constitute Remaining Contingent Fee Payments; provided, that in no case will Remaining Contingent Fee Payments exceed the amount of Contingent Fee Payments received by the Port from each of the Rental Car Concessionaires under the related rental car concession agreement. Contingent Fee Payments are Revenues under the Bond Ordinances.

The Bond Ordinances permit any Revenues remaining in the General Account after the transfers described above, and after the Remaining Contingent Fee Payments have been transferred to the Remaining Contingent Fee Payments Fund to be used by the Port for any lawful aviation-related use or purpose pertaining to the Airport or to aviation or air transport interests of the Port, including general aviation facilities, as needed.

EXHIBIT 4-2 Flow of Funds



Notes:
1. The SLB Fund is held by the Trustee.
2. The Airport Revenue Bond Ordinances provide that in the event of a shortfall in the combined SLB Principal and Interest Account, the Trustee first would apply available amounts to pay, on a pro rata basis, interest on SLBs and any amounts due in respect to Scheduled Swap Obligations.
3. The Port currently has no outstanding stand-alone bonds that are Junior Lien Obligations, but certain obligations under outstanding Parity Reimbursement Agreements and Other Swap Obligations (including termination payments and collateralization) under the Series Eighteen Swaps are payable from the JLO Fund.
4. The Port's Board enacted Ordinance No. 463-CP on November 8, 2017, authorizing the issuance of up to $300 million of its Third Lien Commercial Paper Notes, which constitute TLOs. In addition, Other TLO Swap Obligations (including termination payments) under the PFC Bond Swaps are payable from the TLO Fund.
5. Only amounts remaining in the General Account after giving effect to the disbursements to the SLB Fund, the JLO Fund, and the TLO Fund constitute Remaining Contingent Fee Payments. The Remaining Contingent Fee Payments are deposited into the Remaining Contingent Fee Payments Fund. However, in no case will Remaining Contingent Fee Payments exceed the amount of Contingent Fee Payments received by the Port during the applicable period.

Source: Derived from the Bond Ordinances.

4.3.2.2 Special Amendments

The Port has reserved the right in the Bond Ordinances to make the following changes to the Bond Ordinances without additional consent of the Owners of the Series Twenty-Five Bonds, provided that such amendments are then permitted by law and that any required consents from credit and liquidity facility providers, swap providers and surety bond providers are obtained. The Bond Ordinances provide that by purchasing the Series Twenty-Five Bonds, the Owners of the Series Twenty-Five Bonds are deemed to have consented to all of the amendments described below and also described in Appendix C of the Official Statement.

a) To amend the definition of "Airport" to add any facilities operated by the Port whether or not such facilities are related to aviation. Effecting this amendment would require, among other things, changes in federal laws and regulations regarding the use of airport revenues.

b) To provide that the Airport Fund (other than the SLB Fund) may be invested in any securities that are legal investments for the Port under the laws of the State.

c) To provide that the SLB Fund may be invested only in Investment Securities, and to define Investment Securities to include those securities that are then typically permitted for the investment of debt service and the reserve funds of revenue bonds that have credit ratings similar to the credit ratings then in effect for the SLBs.

d) To permit the Port's obligations under derivative products (including interest rate swaps, collars, hedges, caps and similar transactions) to be treated as SLBs and to make other changes which are desirable in order to permit use of derivative products in connection with SLBs.

e) To permit obligations that are subordinate to the SLBs to be issued for any lawful Port purpose.

f) To provide that balloon obligations will be treated as if they were refinanced with long-term obligations for purposes of calculating the SLB Debt Service Requirement and making certain deposits to the SLB Fund.

g) To provide that any "put" or other right of Owners to require the purchase of SLBs shall not be treated as a maturity or mandatory redemption and may be ignored when calculating the SLB Debt Service Requirement and the amounts to be deposited to the SLB Fund, but only if bond insurance, a line or letter of credit, a standby bond purchase agreement or other liquidity or credit enhancement is in effect which is expected to pay for the purchase of the SLBs when the Owners exercise that right, if the SLBs are not remarketed or refunded.

h) To provide that certain amounts in the SLB Serial Bond Principal Account and SLB Term Bond Principal Account (now part of the combined SLB Principal and Interest Account) may be used for redemption or purchase for cancellation of SLBs.

i) To reduce the SLB Reserve Fund Requirement to an amount equal to the maximum amount of proceeds of tax-exempt bonds which the Code permits to be deposited in a reserve account without yield restriction, and to specify either that separate reserve accounts will be held for each series of SLBs, or that a single reserve account will secure all series of SLBs.

j) To modify the requirements for funding the Rebate Account or to eliminate the Rebate Account.

k) To combine Ordinance No. 155 and Ordinance No. 323, to delete outdated provisions, to delete provisions that interfere with the business operations of the Port but that do not provide substantial security for owners of SLBs, to clarify and simplify the remaining provisions, to substitute modern, more flexible provisions, and to restate those amended ordinances as a single ordinance.

l) To amend the definition of "SLB Debt Service Requirement" so that for purposes of calculating compliance with the Port's rate covenants, the amount of principal and/or interest on SLBs and/or the amount of Scheduled Swap Obligations paid or to be paid from moneys not then included in the definition of "Revenues" or "Net Revenues" shall be disregarded and not included in any calculation of "SLB Debt Service Requirement."

m) To amend Ordinance No. 323 to provide that for purposes of determining compliance with the provisions of Ordinance No. 323 relating to Additional SLBs, the amount of passenger facility charges, customer facility charges, state and federal grants, or other payments and/or other moneys that are not then included in the definition of "Revenues" or "Net Revenues" but that are committed irrevocably to the payment of debt service on SLBs and to the payment of Scheduled Swap Obligations or that are held by the Trustee for the sole purpose of paying debt service on SLBs and paying Scheduled Swap Obligations may be disregarded and not included in the calculation of SLB Debt Service Requirement for the period in which such amounts are irrevocably committed or are held by the Trustee.

n) To permit all or a portion of the Remaining Balance to be taken into account as "Revenues" when determining compliance by the Port with its rate covenants. For this purpose, "Remaining Balance" means for any fiscal year the amount of unencumbered funds on deposit or anticipated to be on deposit on the first day of such fiscal year in the General Account (after all deposits and payments required to be made into the SLB Fund, the JLO Fund and the TLO Fund under Ordinance No. 323 have been made as of the last day of the immediately preceding fiscal year). The Port could, but would not be required to, limit the amount of Remaining Balance that is included for this purpose.

o) To permit the application of proceeds received from the sale of SLBs or of Junior Lien Obligations to make termination payments incurred in connection with terminating swap agreements or other derivative products.

4.3.2.3 Rate Covenant

In the Bond Ordinances, the Port has covenanted to impose and prescribe a schedule of rates, rentals, fees, and other charges for the use and services of the facilities and commodities furnished by the Airport, to revise the same from time to time whenever necessary, and to collect the income, receipts, and other money derived therefrom so that (1) Revenues will be sufficient to discharge all claims, obligations, and indebtedness payable from or secured by Revenues, (2) the Net Revenues in each FY will be at least equal to 130% of the SLB Debt Service Requirement for such FY for all SLBs then outstanding, and (3) the Net Revenues, together with other amounts that are available to pay Other Swap Obligations, are sufficient to pay all Other Swap Obligations and any Junior Lien Obligations when due.

The Port also covenanted to impose and prescribe such schedule of rates, rentals, fees, and other charges for the use and services of the facilities and commodities furnished by the Airport and to revise the same from time to time, whenever necessary and to collect the income, receipts, and other moneys derived therefrom, so that the Net Revenues in each Fiscal Year will be at least equal to the sum of: (i) the amounts described above plus (ii) 100% of the Excess Principal coming due in such Fiscal Year. As defined in the Bond Ordinances, "Excess Principal" means the principal amount of any Outstanding SLBs which, in accordance with any reimbursement agreement, or other agreement pursuant to which any Credit Facility is given in connection with such SLBs, is due and payable by the Port in a particular FY (whether by virtue of scheduled maturity, mandatory redemption, or any similar method), but only to the extent the principal amount of such SLBs, which is so due and payable in such FY, exceeds the principal amount which in the absence of the provisions of such reimbursement agreement, or other agreement referred to above, would otherwise be due and payable in such FY (whether by scheduled maturity or mandatory redemption). The Port has reserved the right, however, to delete provisions relating to "Excess Principal" and to amend the definition of "SLB Debt Service Requirement." For the purposes of determining the Port's compliance with the rate covenants set forth in the Bond Ordinances, non-cash, unrealized gains, losses, expenses and/or revenues, including the fair value of Qualified Swaps, Qualified TLO Swaps, other swap agreements or other derivative products, shall be disregarded.

4.3.2.4 Additional SLBs

Pursuant to the Bond Ordinances, the Port is authorized to issue additional SLBs, subject to meeting certain conditions. As stated previously, the Port has covenanted not to issue any Airport Revenue Bonds or incur any obligations other than O&M expenses with a lien on Revenues superior to the lien associated with the SLBs.

To issue such SLBs (such as the Port's proposed Series Twenty-Five Bonds), the Port must provide certain documents to the Trustee pursuant to the Bond Ordinances including either:

a) An Airport Consultant's written report setting forth projections which indicate:

    (i) the estimated Net Revenues for each of three consecutive Fiscal Years beginning in the earlier of (A) the first Fiscal Year following the estimated date of completion and initial use of all revenue-producing facilities to be financed with such series of SLBs, based upon a certified written estimated completion date by the consulting engineer for such facility or facilities, or (B) the first Fiscal Year in which the Port will have scheduled payments of interest on or principal of the series of SLBs to be issued for payment of which provision has not been made as indicated in the report of such Airport Consultant from proceeds of such series of SLBs, investment income thereon or from other appropriated sources (other than Net Revenues); and,

    (ii) that the estimated Net Revenues for each Fiscal Year are equal to at least 130% of the SLB Debt Service Requirements on all SLBs schedule to occur during that Fiscal Year after taking into consideration the additional SLB Debt Service Requirements for the series of Bonds to be issued; or

b) An Assistant Secretary of the Port's certificate stating that, for either the Port's most recent complete FY or for any consecutive 12 out of the most recent 18 months, Net Revenues were equal to at least 130% of the maximum SLB Debt Service Requirement on all Outstanding SLBs in any future FY and the series of SLBs proposed to be issued.

4.3.3 Airline Agreements

The Port is a party to two types of airline agreements, the Amended and Restated Signatory Passenger Airline Lease and Operating Agreements entered into as of July 1, 2015, and Affiliate Passenger Carrier Operating Agreements (together, the Signatory Passenger Airline Agreements) and the Amended and Restated Signatory Cargo Carrier Operating Agreements (the Signatory Cargo Airline Agreements and together with the Signatory Passenger Airline Agreements, the Signatory Airline Agreements). The Signatory Airline Agreements establish, among other things, procedures for setting and adjusting rentals, rates, fees, and charges to be collected for the use of Airport facilities. The Signatory Airline Agreements have a 10-year term and are in effect through June 30, 2025, unless terminated earlier by the Port because of an airline's uncured event of default, or in the event any State, federal or local government or agency takes possession of, or a substantial portion of, the Airport by condemnation or conveyance in lieu of condemnation or may be terminated by the Port or by the applicable airline if a court by a final decision prevents performance by the Port of any of its material obligations under the Agreement. Airlines that have executed the Signatory Airline Agreements and their operating affiliates (together, the Signatory Airlines) accounted for more than 99% of enplaned passengers at the Airport in FY 2018, and all but two of the all-cargo carriers that operated at the Airport in FY 2018 have signed the Signatory Cargo Airline Agreements.

The Signatory Airline Agreements govern airline use of certain Airport facilities, including ramp, terminal, baggage claim, ticket counters and gate areas, and certain cargo and other facilities, and permit the Signatory Airlines to lease Exclusive Space, Preferential Space and Shared Space. Exclusive Space includes ticket counter space, office space, operations space, airline club lounges, baggage makeup space and baggage service area space; and Preferential Space is Airport space, including aircraft loading bridges and/or other aircraft support equipment leased to the Signatory Passenger Airline and to which the Signatory Passenger Airline has a higher and continuous priority of use over all other air carriers and concessionaires. Shared Space includes some baggage make-up areas, corridors and ticket offices; and Common Use Space includes Port-controlled ticket counter, ticket office, equipment, kiosks, and gates the Port has not leased.

Passenger airlines and cargo carriers operating at the Airport that are not Signatory Airlines or affiliates of Signatory Airlines (the Non-Signatory Airlines) are subject to rates and charges established pursuant to Port Ordinance No. 433-R and Amended and Restated Ordinance No. 389-R (together, the Non-Signatory Ordinances), which do not benefit from the revenue sharing described below and reflect a 25% premium over the rates and charges established in the Signatory Airline Agreements.

The Signatory Airlines have no right to terminate their Signatory Airline Agreements, but each does have a right as of July 1, 2020, with six months' notice, to reduce its Exclusive Space, Preferential Space, and/or Shared Space in the Terminal (as defined in the Signatory Airline Agreements) by up to 25%, so long as the Signatory Airline continues to lease at least 100 square feet of Exclusive Space for the entire term of the Signatory Airline Agreement.

The key provisions of the Signatory Airline Agreements are summarized in the following sections and are used as the basis for forecasting airline revenues for this Report.

4.3.3.1 Residual Rate-Setting Methodology in the Airline Cost Center

As described earlier in this chapter, the Airport has been segregated into two primary cost centers for the purposes of setting airline rates and charges: the Airline Cost Center and the Port Cost Center. The Airline Cost Center includes the Airfield and Terminal Cost Centers, each of which is a direct cost center, plus their allocated portions of indirect cost centers. The Port Cost Center includes four direct cost centers, including Ground Transportation, Air Cargo, Other Aviation, and Non-Aviation, plus their allocated portions of indirect cost centers.

A residual rate-setting methodology is applied to the Airline Cost Center. Airline rentals, fees, and charges are reviewed at least annually and adjusted as necessary to produce an amount such that Net Revenues equal the sum of (1) the O&M Requirement for the FY; (2) an amount equal to 130% of the annual deposit to the Interest, Principal, and Sinking Fund accounts of the SLB Fund for the FY allowed in connection with SLBs allocated to the Airline Cost Center; and (3) any required deposits to the Reserve Account. The Port typically adjusts landing fees and terminal rental rates so that any change is effective July 1 each FY, using budgeted O&M Expenses and Revenues for the coming FY. In addition, the Port may adjust rental rates to maintain compliance with the Bond Ordinances, as amended from time to time, with respect to the Airfield and Terminal Cost Centers. After the end of each FY, the Port will calculate a final adjustment of landing fees and terminal rental rates after the annual audit of Port records. In the cases where Signatory Airlines have overpaid landing fees and/or terminal rentals, the Port will refund such overpayment to the applicable Signatory Airlines within 30 days of the Port's determination. In the cases where Signatory Airlines have underpaid landing fees and/or terminal rentals, the Port will issue an invoice to the applicable Signatory Airlines for payment within 30 days. In summary, the Port settles terminal rental and landing fees for each FY and does not roll such variances into future FYs.

4.3.3.2 Port Cost Center

The Port Cost Center is not subject to the residual rate-setting methodology. Revenues generated in the Port Cost Center can be used by the Port to meet various obligations or be used for other authorized aviation-related purposes. The Port bears the responsibility and risk for the Port Cost Center, although it also shares with the airlines some of the revenues from the Port Cost Center.

4.3.3.3 Facilities Control

The Signatory Airline Agreements allow airlines to lease Exclusive, Preferential, and Shared Space. The airlines are obligated to lease this space through the term of the Airline Agreements except for the 2020 option as described below. Terminal space leased to airlines as Exclusive Space includes ticket counter space, office space, operations space, airline club lounges, baggage makeup space, and baggage service area space. Holdrooms and gate areas are leased on a preferential basis. The Signatory Airline Agreements allow more than one airline to lease and share space that would otherwise be Exclusive or Preferential Space. In addition to long-term leased space, the Port makes available common-use areas that may be rented in hourly increments (e.g. ticket counters and gates), or on a monthly basis.

During the term of the Signatory Airline Agreements, Signatory Airlines have the right to reduce their Exclusive Space, Preferential Space, or Shared Space by an amount not to exceed 25% of the aggregate square footage of its leased premises by providing the Port with written notice of its intent to do so not later than January 1, 2020. The Port, in its sole discretion, may elect to reject such space changes that result in uneconomic remnants of space. All approved reductions shall become effective as of July 1, 2020. Effective with the term of the new Airline Agreements, each passenger Signatory Airline must lease a minimum of 100 square feet of Exclusive Space as a “Minimum Space Commitment” for the term of the Airline Agreements.

4.3.3.4 Revenue Sharing

The Signatory Airline Agreements include a formula for sharing Port Cost Center Revenues, subject to certain conditions, with the Signatory Airlines during the term of the Airline Agreements. Pursuant to the 10-year Signatory Airline Agreements, the Port has agreed to share $60 million of Port Cost Center Revenue, in annual installments of $6 million per FY, subject to any adjustments, offsets or reductions, including reductions if actual O&M Expenses are less than the targets set forth in the Signatory Airline Agreements and as described below. Revenue Sharing amounts for a given FY, if any, are allocated as a credit towards Signatory Airline Net Requirements (as described later in this Report) in the Airfield and Terminal Cost Centers in proportion to the Net Requirements in those Cost Centers prior to Revenue Sharing. With respect to the terminal, revenue sharing is allocated 50% to offset terminal rental rates, and 50% to offset baggage claim area rates.

The Airline Agreements allow for additional Revenue Sharing if the Airport SLB debt service coverage ratio (all cost centers) exceeds 1.75 times, after applicable transfers described below. To the extent that the Airport coverage ratio exceeds 1.75 times, the Port shall transfer incremental Net Revenues as additional Revenue Sharing per the schedule included in **Table 4-1**.

For example, if the Airport’s coverage ratio (prior to Revenue Sharing) were to be 1.93 times, Net Revenues available for additional Revenue Sharing would be those Net Revenues amounts in excess of the amounts required to achieve an Airport coverage ratio of 1.70 times. For additional information regarding this calculation for Revenue Sharing please refer to **Exhibit G** for actual FY 2018, budgeted FY 2019, and forecasts for FY 2020 through FY 2024 of additional Revenue Sharing amounts.

Revenue sharing is not guaranteed and may be reduced or eliminated as described below.

TABLE 4-1 Additional Revenue Sharing Schedule

Net Revenues Above This Airport Coverage Ratio	Net Revenues Up To and Including This Airport Coverage Ratio	Percentage of This Increment Paid As Additional Revenue Sharing
1.700	1.800	50%
1.800	1.900	25%
1.900	2.000	15%
2.000		0%

To the extent that the Port Cost Center debt service coverage ratio falls below 2.35 times, the revenue sharing amount is reduced to a level that would maintain the debt service coverage ratio in the Port Cost Center at the 2.35 requirement, and the amount not paid by the Port would be eligible to be paid in the next FY.

If the Port is able to achieve actual O&M Expenses that are less than the prior FY O&M Expenses, revenue sharing is reduced according to a sliding scale summarized below in **Table 4-2**.

TABLE 4-2 Revenue Sharing Reductions Schedule

O&M Expenses Below this Percentage of Target	O&M Expenses Down to and including this Percentage of Target	Revenue Sharing Reduced by this Percentage of the Increment
100%	98%	10%
98%	96%	15%
96%	94%	20%
94%	92%	25%
92%		30%

4.3.3.5 Airline Disapproval of Capital Improvement Projects

The Signatory Airlines agreed in the Signatory Airline Agreements to a MII disapproval process related to Airport capital improvement. Except as restricted by the Signatory Airline Agreements, the Port is able to incur indebtedness and make expenditures for capital improvements at the Airport and all costs associated with capital improvements in the Airline Cost Center, including finance charges, can be included in the calculations of airline rates.

Other than certain capital improvements identified in the Signatory Airline Agreements (and summarized below), any capital improvement with a total cost in excess of $1.0 million and funded in a manner that will directly impact the airline rate base is subject to the MII disapproval process. In general, Signatory Airlines can vote to disapprove a capital improvement with MII disapproval. MII disapproval is generally defined in the Signatory Airline Agreements as more than 75% of Signatory Airlines in number that also account for more than 75% of the Signatory Airline Terminal Rents paid in the Terminal Cost Center and more than 75% of the Signatory Airline Landing Fees paid in the Airfield Cost Center.

In the event of MII disapproval, the Port has the option to convene a meeting with the Airport and Airline Affairs Committee (AAAC) and address questions, ask that the disapproval be withdrawn, or request that another approval vote be taken. If an MII of impacted Signatory Airlines agree in writing to withdrawal of the disapproval, the Port may proceed with the capital improvement. Any capital improvement disapproved by a second vote cannot be submitted for an additional vote within 90 calendar days from the date of the second vote or any other subsequent vote. In addition, the Port may not commence construction on any capital improvement project that received Airline approval under the MII process if, at a later date, the established project cost exceeds 110% of the initial estimate. Instead, the Port is required to submit the project for MII consideration a second time to obtain approval for the project in light of the new construction cost estimate.

The Port may implement, at any time, certain types of capital improvements that are not subject to the MII process. These include the following:

- Projects required by a federal or State agency for public safety
- Projects not covered by insurance that repair casualty damage to Airport property which must be replaced to satisfy Port obligations or to maintain required Revenues
- Projects necessary to ensure compliance with lawful orders or requirements of other authorities with jurisdiction over Airport operations or that are required under the terms of federal or State grants
- Projects required to settle lawsuits, satisfy judgments, or comply with orders against the Port
- Projects which, if not completed, would substantially impair the current operation of the Airport or the airlines
- Projects required for the restoration or clean-up of Airport property due to any hazardous substance release
- Projects required to make additional terminal space or related facilities available for the expansion of an air carrier or a new entrant airline operation
- Projects requested by a Signatory Airline that are subject to a reimbursement agreement between such Signatory Airline and the Port

The Series Twenty-Five Projects were not disapproved by the Signatory Airlines.

4.3.3.6 Debt Service Coverage in the Airline Cost Center

Under the Signatory Airline Agreements for the calculation of landing fees and terminal rents, the Airfield and Terminal Net Requirements include 30% of the sum of direct and indirect debt service attributable to Airport revenue bonds issued to acquire capital improvements at the Airport as debt service coverage. The inclusion of debt service coverage in the Net Requirements for the Airfield and Terminal Cost Centers is in addition to allocated O&M Expenses, allocated overhead, allocated debt service, and other items, and is intended as a means of satisfying the Port's Rate Covenant obligation pursuant to the Bond Ordinances.

The Signatory Airline Agreements require the Port to allocate 100% of the debt service coverage generated by the airlines to fund capital improvements in the Airline Cost Center or to fund the airlines' allocated portions of capital improvements in the indirect cost centers. The Port may use debt service coverage to fund capital improvements at the Port's sole discretion. The Signatory Airlines have no disapproval rights for capital improvements funded in a manner that does not directly impact the airline rate base, such as with debt service coverage.

4.3.4 Other Agreements

The Port has agreements with other entities that operate, provide services, or occupy space at the Airport, including food court restaurants, cafes, pubs, full service restaurants, holistic spa, barber, newsstands, retail shops, and display advertising, among other specialties. In addition, several Airport tenants have executed lease agreements with the Port governing their occupancy and use of space on Airport property. The Port has recently redeveloped its concession program through a comprehensive program. The program addressed the need to enhance the Airport's concessions program with offerings and environments that better reflect the values, tastes and lifestyles of current Airport customers and the Pacific Northwest. The Port completed the final phase of three phases of the Port's new concession program in 2018 including the redevelopment of several additional food and beverage and retail locations. During this redevelopment effort, the Port has implemented metering of the concession spaces for utility usage and has begun recovering utility costs in each of the new concession lease agreements.

In addition to Terminal concession agreements and leases, the Port has a number of month-to-month operating agreements with companies that provide ground-handling, fueling, cabin-cleanup, and similar services on behalf of the Signatory Airlines.

The Port has a comprehensive Landside Management Agreement with SP Plus Corporation. This contract is for the operation of the Port's landside facilities including its parking system, shuttle bus system, and commercial roadway system. The Port pays the operator a fixed management fee in return for its management of these landside facilities. This practice is somewhat different than other airports, especially as it relates to parking, where the Port receives all revenues. It is common for airport operators of other airports to operate parking as a concession where the airport operator receives a percent of gross revenues. Additional details on this contract are contained below.

In November 2018, the Port signed new concession lease and operating agreements with five rental car companies (Avis Budget Car Rental, LLC; EAN Holdings, LLC; The Hertz Corporation; Sixt Rent a Car, LLC; and Todd Investment Company) to operate up to 10 rental car brands (Alamo Rent A Car, Avis, Budget, Dollar, Enterprise Rent-A-Car, Hertz, National Car Rental, Payless, Sixt rent a car, and Thrifty Car Rental) at the Airport. The rental car companies will move their operations to a new ConRAC Facility currently planned for opening in late CY 2021. Until then, the rental car companies will operate from their current locations.

Currently, eight rental car brands operate at the Airport: five provide on-Airport service counters and vehicles (Avis, Dollar, Enterprise, Hertz, and National), and three provide on-Airport service kiosks and have passenger pick-up and drop-off facilities located off-Airport (Alamo, Budget, and Thrifty). The Port collects concession fees for the right to operate a rental car concession at the Airport, pursuant to a concession lease and operating agreement. All of the rental car companies are required to collect CFCs on behalf of the Port, to hold CFC moneys in trust and to remit CFCs (whether actually collected or not) on a monthly basis. Additional details on the rental car concession agreement are contained below.

The Transportation Network Companies (TNCs) Uber, Lyft, and Wingz commenced operations at the Airport under a ground transportation permit on May 8, 2015. Since the TNCs have started operations at the Airport, activity has grown from representing just 6% of the Airport pick-ups to over 60%. Effective June 11, 2018, the Port collects per-trip fees of $3.00 for each pick-up and each drop-off, which was increased from $2.00. The Port collected over $3.8 million in TNC per trip fees in FY 2018. The Airport also continues to be served by taxis and shuttles, which pay a $3.50 per trip fee for pick-ups only, which was also increased on June 11, 2018, from $2.50.

Airport non-airline agreements have various terms and conditions. In general, the business terms of the agreements are based on industry standards and practices. Additional summaries of key non-airline agreement terms are provided below.

- **Terminal Food and Beverage Agreements:**
  - Concession fees range between 10% and 14% of gross revenues (between 8% and 18% in the case of agreements entered into before 2014)
  - Minimum annual guarantee (MAG) equal to 80% of prior year concession fees
  - Total MAG amounts for FY 2018 were approximately $4.5 million
  - Agreement expiration dates vary with some through as late as May 31, 2027
  - Street pricing or requirements to offer merchandise and services at comparable quality to that offered outside the Airport and in the metropolitan area
  - The Port charges the concessionaires for employee parking ($35/month for each employee for surface parking and $80/month for garage parking) and utility costs in new contracts
- **Terminal Retail Agreements:**
  - Concession fees range between 10% and 14% of gross revenues (between 8% and 18% in the case of agreements entered into before 2014)
  - MAG equal to 80% of prior year concession fees
  - Total MAG amounts for FY 2018 were approximately $4.7 million
  - Agreement expiration dates vary with some through as late as December 31, 2024
  - Street pricing or requirements to offer merchandise and services at comparable quality to that offered outside the Airport and in the metropolitan area
  - The Port charges the concessionaires for employee parking ($35/month for each employee for surface parking and $80/month for garage parking) and utility costs in new contracts
- **Landside Management Agreement:**
  - Includes automobile parking facilities, shuttle bus operations, and commercial roadway
  - Term of agreement is through June 30, 2018, with provisions for two two-year extension options for the Port
  - The Port executed the first two-year extension option through June 30, 2020
  - Port pays the operator a fixed management fee
  - Limited off-airport parking competition by three operators, and Port collects 10% concession fee from off-airport parking operators
- **Rental Car Concession Agreement:**
  - Concession fees equal to 10% of gross revenues
  - MAG equal to greater of 85% of either prior year concession fees or initial year concession fees
  - Total MAG amounts for FY 2018 were approximately $17.7 million
  - The Port and the five on-Airport companies recently completed negotiation on the terms of an amendment that extends the term of the concession agreements that allowed for the relocation of the on-Airport rental car company concessionaires to the new Port-owned quick-turn-around facility, and demolition by the rental car companies of the existing, company-owned quick-turn-around facility. The concession agreement term continues until the day that the new ConRAC Facility is ready for operation, which is currently assumed to be late CY 2021. The term of the

new agreement extends 20 years from the date the rental cars assume operation in the new ConRAC Facility with the provision for an additional 10-year extension option at the Port's discretion.

- The Port has the right to rebid or renegotiate the new concession and lease agreement at year 10 of the lease.
- For use of the ConRAC Facility, each rental car company shall pay a concession fee, which is the greater of (a) 10% of annual gross receipts or 11% of gross receipts for any car sharing brand, or (b) the MAG as described below.
- In the new concession and lease agreement, the MAG is equal to 90% of either prior year concession fees or initial year concession fees.
- Each rental car company using the ConRAC Facility shall also be liable for its share of Contingent Fee Payments, as required, if the Port is not in compliance with the rate covenant in the Master CFC Revenue Bond Ordinance.
- For use of the ConRAC Facility, each rental car shall pay premises rent per square foot based on its proportionate share of the property.

4.4 CIP Plan of Finance

Historically, the Port has funded capital development at the Airport from several types of sources. These have generally included grants-in aid, PFC revenues on a pay-as-you-go basis, proceeds of bonds supported by PFC revenues, CFC revenues on a pay-as-you-go basis, Airport funds including coverage, commercial paper, and bond proceeds backed by Airport Revenues. Exhibit A presents the total project costs along with estimated funding sources for the Series Twenty-Five Projects and Other Capital Projects discussed previously in Chapter 3. These estimates are based on current available information regarding the estimated cost and timing of the Series Twenty-Five Projects and Other Capital Projects, and the estimated receipt of federal, state, and other grants and other funds. As presented in Exhibit A, the Series Twenty-Five Projects are estimated to cost approximately $294.6 million and the Other Capital Projects are estimated to cost approximately $1.83 billion. Additional detail regarding the estimated funding sources for the Series Twenty-Five Projects and Other Capital Projects is presented in this section.

4.4.1 Federal, State and Other Grants

The Port receives federal grants for Airport capital development under the FAA AIP that are used to fund eligible transportation infrastructure. The Port received FAA AIP entitlement grants of approximately $4.2 million in Federal Fiscal Year (FFY) 2018 based on (1) levels of funding authorized and appropriated by Congress for the program, (2) the number of passengers and amount of cargo at the Airport, and (3) a 75% reduction in entitlement grants associated with the Port's $4.50 PFC level. The two General Aviation Airports are appropriated a total of $300,000 in FAA AIP non-primary entitlement funds per year. In the FFY ending September 30, 2018, the Port's non-primary entitlement award totaled $694,340, which included projected carryover entitlement. The Port also receives FAA AIP discretionary grants for specific projects pursuant to grant applications for such funding (approximately $9.1 million in the FFY ending September 30, 2018), and FAA AIP discretionary grant awards, which are a function of the amounts authorized and appropriated by Congress and the FAA's prioritization of competing projects.

Exhibit A presents forecast funding based on the Port's FY, and it expects to be able fund a portion of its capital development with FAA AIP grants. Based on bids received, approximately $11.0 million of AIP grants are planned to fund the Taxiway K Rehabilitation and Realignment project, which is part of the Series Twenty-Five Projects.

The expected grant funding for the Other Capital Projects of approximately $78.0 million through FY 2024 is based on the recently submitted Airport Capital Improvement Plan to the FAA.

4.4.2 Passenger Facility Charge Revenues

PFC revenues are used to pay for certain FAA-approved, PFC-eligible projects, either by using certain PFC revenues to pay for approved project costs on a pay-as-you-go basis or by pledging and assigning certain PFC revenues to pay debt service associated with bonds used to fund approved projects. After payment of debt service on outstanding PFC Bonds secured solely by PFC revenues, the Port may use available PFC revenues to fund approved projects. As of June 30, 2018, the Port had outstanding approximately $67.3 million aggregate principal amount of its Series 2011A PFC Bonds, approximately $57.2 million aggregate principal amount of Series 2012A PFC Bonds and approximately $3.3 million aggregate principal amount of Series 2012B PFC Bonds.

The Port received its first approval from the FAA to impose a PFC in April 1992 and began collecting a $3.00 PFC per eligible enplaned passenger on July 1, 1992. The Port subsequently received FAA approval to increase its PFC level to $4.50 per eligible enplaned passenger and began collecting at the $4.50 level on October 1, 2001. Pursuant to FAA regulations, the current $4.50 PFC level collected by the Port results in a 75% reduction in AIP passenger entitlement grants. As of December 31, 2018, the Port is authorized by the FAA to impose and use approximately $1.2 billion of PFC revenues (at the $4.50 level) for various projects. Based on Final Agency Decisions, the FAA estimates the charge-expiration date to be July 1, 2036. As of December 2018, the Port had collected approximately $667 million of its total approved collection authority and had spent approximately $535 million on approved projects.

As presented in Exhibit A, the Port does not plan to use any PFCs on a pay-as-you go basis to fund the Series Twenty-Five Projects. However, it does plan to use $235 million of PFC revenues on a pay-as-you-go basis to fund the Other Capital Projects. This includes $150 million to fund the Terminal Core Redevelopment project and $85 million to fund the ongoing Terminal Balancing project.

4.4.3 Port Funds

The Port has historically used internal funds from the operation of the Airport to fund certain projects in the CIP. Per the Bond Ordinances, any Revenues remaining in the General Account after all obligations have been satisfied can be used by the Port for any lawful aviation-related use or purpose pertaining to the Airport or to aviation or air transport interests of the Port, including general aviation facilities. Also, as described above, the Airline Agreements require the Port to allocate 100% of the debt service coverage generated by the airlines to fund capital improvements in the Airline Cost Center or to fund the airlines' allocated portions of capital improvements in the indirect cost centers. The Port may use debt service coverage to fund capital improvements at its sole discretion. The Port is planning to use Port funds as available to fund approximately $375.0 million of the Other Capital Projects and $40.5 million for the Series Twenty-Five projects, which includes $40.0 million to fund a portion of the Public Parking Addition.

4.4.4 Series Twenty-Five Bonds & Future Bonds

The remaining portions of the Series Twenty-Five Projects and Other Capital Projects are planned to be funded with proceeds from the Series Twenty-Five Bonds and other future bond proceeds. Specifically, the Port plans to issue the Series Twenty-Five Bonds to pay the remaining costs of acquiring and constructing the Series Twenty-Five Projects. As presented in Exhibit A, approximately $243.1 million of Series Twenty-Five Bond proceeds are planned to fund costs of the Series Twenty-Five Projects. Currently, the Port is planning to issue Additional Bonds and its Series 2019 CFC Revenue Bonds throughout the forecast period to fund Other Capital Projects based on future timing and cash flow needs.

As described previously, Phases I and II of the Terminal Core Redevelopment project are currently in design. The Signatory Airlines have not disapproved Phase I of the Terminal Core Redevelopment project and Phase II design, which, in total, is estimated at a project cost of $950 million. Phase II construction still requires further MII consideration by the Signatory Airlines before the Port may proceed past what is currently approved. Since Phase II construction of the project requires further MII consideration, only construction of Phase I of the Terminal Redevelopment project is included as part of the Other Capital Projects and in the financial analysis herein. A summary of the Terminal Core Redevelopment project along with the ConRAC Facility, which are assumed to be funded with future bond proceeds, are provided below.

- **Terminal Core Redevelopment.** In total, the currently estimated project cost for Phase I of this project is approximately $950 million, including the $150 million planned to be funded with PFCs on a pay-as-you go basis, $17 million project cost for 10% design that was previously funded with the Series Twenty-Four Bonds, and $93.0 million that is planned to be funded through the issuance of the Series Twenty-Five Bonds for the remaining portions of design. The following portions of the Terminal Core Redevelopment project are anticipated to be funded with future SLBs:
  - Western Expansion – approximately $536.4 million
  - Concourse B - approximately $90.4 million
  - Rental Car Center – Floors 2-4 - approximately $61.9 million
- **PACR.** Currently, this project is estimated to cost approximately $282.2 million of which the following is planned to be funded with bond proceeds:
  - **ConRAC Facility** - Approximately $156.6 million of the rental car portion of the PACR project is planned to be funded with the Series 2019 CFC Revenue Bonds.
  - **Public Parking Addition** – The public parking portion of the PACR project is estimated to cost approximately $125.6 million with approximately $85.6 million is expected to be funded with the Series Twenty-Five Bonds. The remaining $40.0 million is planned to be funded with Port Funds.

In total, the above projects along with other projects are also included as part of the Other Capital Projects and are planned to be funded with future bond proceeds.

4.4.5 Customer Facility Charges

In December 2013, the Board approved Ordinance No. 448 authorizing the establishment of a CFC on rental car transactions at the Airport. The CFCs collected pursuant to Ordinance No. 448 are available solely to fund rental car-related projects and programs, including by pledging CFCs to the repayment of bonds used to finance rental car facilities. The Port has received a judicial validation from the Multnomah County Circuit Court with respect to the constitutionality of the CFC Ordinance (the “Validation”) and for the pledging of CFCs to the repayment of bonds. The Port plans to pledge CFCs to the repayment of its planned Series 2019 CFC Revenue Bonds to fund the ConRAC Facility. CFCs are excluded from the definition of Revenues in Port Ordinance No. 155.

The Port began the collection of CFCs on January 15, 2014, at a rate of $6.00 per rental car transaction day for a maximum of four days per each rental car transaction. The Port recently completed construction of its new quick-turnaround facility for the servicing and fueling of rental cars at the Airport to meet the growing demand for such facilities. This project was funded solely from CFCs on a pay-as-you-go basis and was opened in 2018.
As described earlier, the other major rental car project is the ConRAC Facility with an estimated project cost of approximately $156.6 million. The ConRAC Facility will be funded with the Series 2019 CFC Revenue Bonds as described above.

4.5 Debt Service

The Port plans to issue the Series Twenty-Five Bonds to (1) fund a portion of the costs of the Series Twenty-Five Projects, (2) fund capitalized interest, (3) fund a deposit to the debt service reserve account, (4) repay certain Commercial Paper Notes issued to finance a portion of the costs of the Series Twenty-Five Projects, and (5) pay the costs of issuance of the Series Twenty-Five Bonds. **Table 4-3** below presents the estimated sources and uses of funds for the proposed Series Twenty-Five Bonds, which were prepared by the Port's financial advisor, PFM Financial Advisors LLC (PFM).

TABLE 4-3 Series Twenty-Five Bonds Sources and Uses (dollars in thousands)[1]

Sources	Series Twenty-Five A Bonds (Non-AMT)	Series Twenty-Five B Bonds (AMT)	Total Series Twenty-Five Bonds
Par Amount of Bonds	$24,915	$212,945	$237,860
Premium	2,372	20,923	23,295
Total Sources	**$27,287**	**$233,868**	**$261,155**
Uses:			
Projects Fund	$24,993	$218,113	$243,106
Refund Commercial Paper	0	500	500
Capitalized Interest Fund	644	1,182	1,826
Deposit to Debt Service Reserve Account	1,511	12,912	14,422
Costs of Issuance	139	1,162	1,301
Total Uses	**$27,287**	**$233,568**	**$261,155**

Note: Amounts may not add due to rounding.
Source: PFM Financial Advisors LLC, February 2019.
Compiled by Landrum & Brown, Inc.

Exhibit B presents annual Debt Service Requirements for actual FY 2018, and for the forecast period or FY 2019 through FY 2024. As presented, annual Debt Service Requirements estimates for the Series Twenty-Five Bonds, net of capitalized interest, are approximately $6.8 million in FY 2020 and increase to approximately $16.1 million in FY 2024, and are forecast to remain at that level thereafter. Debt Service Requirements estimates for the Series Twenty-Five Bonds were provided by PFM and include the following assumptions:

- True interest cost (TIC) of approximately 4.25%
- The first principal payment is assumed to occur on July 1, 2020
- Final maturity is July 1, 2049
- A portion of the bond proceeds will refund a portion of the Port's Commercial Paper Notes
- A portion of the bond proceeds will fund capitalized interest during construction
- A portion of the bond proceeds will fund a debt service reserve account deposit

In addition to the Series Twenty-Five Bonds, the Port is planning to issue Additional Bonds to fund portions of its Other Capital Projects. As presented in Exhibit B, future SLB Debt Service is planned to increase to approximately $60.6 million by FY 2024. The primary increase in debt service for FY 2024 is associated with the Terminal Core Redevelopment Phase I project that includes the western expansion of the terminal, which is planned to be operational in FY 2024. Total debt service requirements increase from approximately $50.4 million in FY 2019 to approximately $126.1 million in FY 2024.

4.6 O&M Expenses

Exhibit C presents annual historical and forecast O&M Expenses of the Port for the Airport for the period of FY 2014 through FY 2024. Total O&M Expenses increased from approximately $111.9 million in FY 2014 to approximately $130.2 million in FY 2018, a CAGR of approximately 3.9%. The primary categories of O&M Expenses that contributed to this increase included personnel services (i.e., personnel and benefits costs of the Port), materials and supplies, utilities, and insurance, which increased at CAGRs of approximately 3.8%, 5.8%, 10.0%, and 4.7%, respectively. Key items contributing to these increases included higher health insurance costs and City of Portland Stormwater Fees, which are further described below. An additional item contributing to increases in O&M Expenses are costs associated with the McBride Slough. Stormwater from the Terminal and surrounding areas within a stormwater basin known as Basin 7 has historically drained to the McBride Slough, which is located at the southeast corner of the Airport. The McBride Slough ultimately drains to the Columbia Slough via a culvert. Contaminants carried in the stormwater have, over time, been deposited in McBride Slough sediments. Effective July 3, 2012, the Port entered into a consent order with DEQ to conduct a remedial investigation, feasibility study and source control evaluation associated with McBride Slough. The Port has accrued approximately $7 million of expenses associated with the investigation and sediment cleanup of the McBride Slough. The Port's remaining accrued liability as of June 30, 2018 is estimated to be approximately $5.0 million.

Key O&M Expense categories and assumptions in forecasting future growth are summarized below. These categories account for more than 90% of the Airport's total O&M Expenses for budgeted FY 2019.

- **Personnel Services.** This expense category includes salaries, wages, and benefits associated with Port staff at the Airport. It is the largest single category of O&M Expenses at the Airport as it represents approximately 38.0% of total O&M Expenses at the Airport for budgeted FY 2019. As presented above, these expenses increased at a CAGR of approximately 3.8% for the period FY 2014 through FY 2018 and are budgeted to increase by approximately 6.7% in FY 2019 to approximately $52.0 million primarily because of the addition of over 20 full-time equivalent (FTE) employees to the budget. Future Personnel Services expenses are forecast to increase at a CAGR of approximately 5.8% through FY 2024.
- **Contract, Professional, and Consulting Services.** This expense category includes costs associated with the Port's outsourcing for contract maintenance, janitorial, professional services, and consulting services at the Airport. It is the second largest category of O&M Expenses at the Airport as it represents approximately 26.9% of total O&M Expenses at the Airport for budgeted FY 2019. This category of expenses increased at a CAGR of approximately 2.3% for the period FY 2014 through FY 2018 and is budgeted to increase by approximately 7.4% in FY 2019 to approximately $36.8 million. Contributing to this are increased parking management fees due to a combination of wage increases for drivers and added drivers, and increases related to costs associated with janitorial and customer service contract personnel to accommodate passenger growth. Future contract, professional, and consulting services O&M Expenses are forecast to increase at a CAGR of approximately 6.4% through FY 2024.
- **Corporate Support.** The Port allocates a portion of its corporate overhead expenses to the Airport. This category of O&M Expenses at the Airport represents approximately 17.0% of total O&M Expenses at

the Airport for budgeted FY 2019. This category of expenses decreased at a CAGR of approximately -0.2% for the period FY 2014 through FY 2018 and is budgeted to increase by approximately 9.1% in FY 2019 to approximately $23.3 million. Corporate overhead expenses have also been impacted by the health care and PERS rate increases. Additionally, as the FTE employees for the Airport increase, the Airport's share of overhead expenses increases. Future corporate support O&M Expenses are forecast to increase at a CAGR of approximately 4.2% through FY 2024.

- **Utilities.** Utilities expenses at the Airport comprise approximately 8.5% of total O&M Expenses at the Airport for budgeted FY 2019. This category of expenses increased at a CAGR of approximately 10.0% for the period FY 2014 through FY 2018 and is budgeted to increase by approximately 0.9% in FY 2019 to approximately $11.2 million. Contributing to the recent increases in O&M Expenses for utilities are charges related to City of Portland off-site stormwater management fees. Until July 1, 2013, the Port, as a property owner within the Multnomah County Drainage District (the "Drainage District"), paid stormwater management fees annually via the Multnomah County property tax bills for its Airport properties. For FY 2013, the Port paid approximately $1.2 million in stormwater management fees with approximately $1.0 million covering the on-site management services provided by the Drainage District and approximately $0.2 million covering off-site management services provided by the City. The off-site fee component has historically been discounted to a rate well below that paid by landowners outside the Drainage District. Beginning in July 2013 (FY 2014), undiscounted fees being charged to the Port and to other Drainage District property owners began to be phased in over a four-year period to reach the same level as out-of-Drainage District fees. The four-year ramp-up period ended in FY 2017. Budgeted stormwater expenses for FY 2019 are estimated to be approximately $3.8 million. The stormwater fees are recoverable by the Port through airline rates and charges (Airline Cost Center portion amounts are approximately $0.40 per enplaned passenger) and for the Port Cost Center through net revenues from sources such as parking and rental cars. The airlines serving the Airport have challenged the City's offsite fees (in a federal lawsuit against the City and an administrative proceeding before the FAA), arguing that the Airport and the airlines do not receive any direct benefit for the stormwater service fees they are charged and asserting that paying the fees is a violation of the FAA's Airport Revenue Use Policy. The airlines' federal lawsuit against the City was dismissed with prejudice. A parallel administrative proceeding before the FAA against the Port itself, has been briefed and is pending decision by the FAA. The airlines are paying the fee under protest to the City. Additionally, the ORANG, which is co-located at the Airport, has not been paying the City's offsite stormwater charges they are being billed, arguing that they don't have authority to do so under specific language in the Clean Water Act that addresses Department of Defense facilities and service fees. ORANG is engaged in litigation with the City. The ORANG's litigation does not affect Airport finances, because the ORANG is solely responsible for City charges. Neither the airlines' administrative challenge nor the ORANG challenge is resolved at this time. These charges have been included in the O&M Expense forecast. Future utilities O&M Expenses are forecast to increase at a CAGR of approximately 6.1% through FY 2024.

Overall, the Port's forecast of O&M Expenses is based on historical trend reviews, the anticipated impacts of inflation, forecast activity levels, and impacts associated with the CIP. Exhibit C presents the O&M Expenses by category and cost center through 2024. Total O&M Expenses are forecast to increase at a CAGR of approximately 5.7% over the forecast period from FY 2019 to FY 2024.

4.6.1 Allocation of O&M Expenses to Cost Centers

For financial planning purposes and to implement the Airline Agreements' rate-setting methodologies, the Airport is divided into 13 cost centers as described earlier in this chapter. Six of the cost centers are revenue-generating direct cost centers and the remaining seven cost centers are indirect cost centers. The Port's approach to allocating O&M Expenses to cost centers allows the Airport to be financially organized using the residual rate-setting methodologies for the Airfield and Terminal Cost Centers, which comprise the Airline Cost Center, and for which the airlines assume the economic risk.

Other essential indirect functions allocated to direct cost centers include Administration, Operations, Maintenance, Systems and Services, Aviation Security and Public Safety, and Environmental. These expenses are allocated to direct cost centers as defined in the Airline Agreements. Indirect expenses are allocated to direct cost centers for the purposes of calculating landing fees and terminal rentals.

4.6.2 O&M Expense Rebate Program

The Airline Agreements allow the Port to reduce Revenue Sharing through controlling O&M Expense increases. Per Section 23 of the Airline Agreements, if the Port is able to spend less for O&M Expenses than it did for the prior FY, the Signatory Airlines have agreed to reduce Revenue Sharing pursuant to an agreed upon schedule presented earlier. For feasibility purposes, no reductions in O&M Expenses have been forecast by the Port. Therefore, no reductions to the annual Revenue Sharing amounts are incorporated in the Port's current forecasts.

4.7 Non-Airline Revenues

Table 4-4 below presents historical Non-Airline Revenues for the Airport for the period FY 2014 to FY 2018. As shown, the four primary categories of Non-Airline Revenues historically accounting for more than 86% of the Airport's total Non-Airline Revenues are presented along with growth rates during this period. Total Non-Airline Revenues increased from approximately $108.3 million in FY 2014 to approximately $137.6 million in FY 2018, for a CAGR of approximately 6.2% over this period. The three largest Non-Airline Revenue items at the Airport experienced relatively high levels of growth, as all had CAGRs of 5.5% or more for the period of FY 2014 through 2018. Additionally, Non-Airline Revenues grew faster than enplaned passenger numbers for this period; these revenues grew from approximately $13.96 per enplaned passenger in FY 2014 to approximately $14.14 per enplaned passenger in FY 2018. Total Non-Airline Revenues increased in both FYs 2016 and 2017, but decreased on a per enplaned passenger basis to approximately $14.08 and $14.01, respectively. Partially contributing to this decrease on a per passenger level was the strong demand for parking causing the parking garages to be at or near capacity frequently, rental car revenues operating within MAG levels in their contracts, and the ongoing redevelopment of the terminal concession program. As described in Chapter 3, the Port's CIP includes a parking garage addition to address future capacity issues. Despite this recent decline in per passenger revenues, the Port's Non-Airline Revenues have exhibited strong growth in recent years, and Total Non-Airline Revenues per enplaned passenger have regained growth in FY 2018 to $14.14.

Exhibit D presents Non-Airline Revenues at the Airport for actual FY 2018, budgeted FY 2019, and forecasts for FY 2020 through FY 2024. Total Non-Airline Revenues are budgeted at approximately $145.1 million in FY 2019 and are forecast to increase to approximately $170.2 million in FY 2024. This increase in Non-Airline Revenues between FY 2019 and FY 2024 represents a CAGR of approximately 3.2%. In general, the Port's forecast of Non-Airline Revenues is based on historical trend reviews, forecast activity levels, and impacts associated with the CIP. Non-Airline Revenues are further described in the following sections.

TABLE 4-4 Historical Airport Non-Airline Revenues (dollars in thousands)

Fiscal Year	2014	2015	2016	2017	2018	2014-18 CAGR
Parking Revenue	$53,426	$58,801	$63,322	$65,434	$66,144	5.5%
Rental Car/Ground Trans. Concessions	20,830	21,204	22,480	25,597	26,396	6.1%
Terminal Concessions	12,893	13,996	15,428	17,150	19,202	10.5%
Air Cargo Rent Revenue	6,068	6,367	6,203	6,317	7,290	4.7%
Other	15,117	15,199	16,356	17,483	18,553	5.3%
Total Non-Airline Revenues	**$108,334**	**$115,567**	**$123,789**	**$131,981**	**$137,584**	**6.2%**
Enplaned Passengers (000s)	7,762	8,059	8,792	9,423	9,733	5.8%
Non-Airline Revenues per Enplaned Passenger	$13.96	$14.34	$14.08	$14.01	$14.14	
Percent of Total Revenue	54%	56%	54%	57%	56%	

Source: Port of Portland airport management records, November 2018.
Compiled by Landrum & Brown, Inc.

4.7.1 Ground Transportation

Ground transportation revenues represent the largest component of Non-Airline Revenues at the Airport, accounting for approximately 72.0% of total Non-Airline Revenues budgeted for FY 2019. Automobile parking revenues, rental car concession fees, and rental car space rentals in the parking garage are primary sources of ground transportation revenue.

4.7.1.1 Parking Revenues

As presented in Table 4-4, parking revenues increased at a CAGR of approximately 5.5% from FY 2014 to FY 2018, from approximately $53.4 million to $66.1 million. The Port implemented daily parking rate increases in June 2018 for three of its four parking products at the Airport. This includes a $5 per day increase for Gold Key Valet parking, a $3 per day increase in long term garage parking, and a $2 per day increase in the Economy Lot. The daily rate for short-term parking in the garage remained the same in June 2018; however, a $3 per day increase was implemented in April 2014. **Table 4-5** below presents public parking rates at the Airport since 2004. As shown in the table, the Port continuously monitors public parking rates and implements rate changes periodically. Additionally, the Port offers a variety of parking options to address the differing needs of its customer base. The Port has been able to realize significant revenue gains resulting from these increases and the differing products as demand has continued to increase. In addition, its off-airport parking competitors are somewhat limited.

Table 4-5 Public Parking Rates at the Airport (daily maximum rates)

Parking Facility	2004	2006	October 2007	May 2009	October 2012	April 2014	June 2018
Gold Key Valet	-	-	$30	$30	$30	$30	$35
Short Term Garage (3,300 spaces)	$18	$24	$24	$24	$24	$27	$27
Long Term Garage (3,030 spaces)	$14	$14	$14	$16	$18	$21	$24
Economy Lot (7,800 spaces)	$8	$8	$8	$10	$10	$10	$12

Source: Port of Portland airport management records, November 2018.
Compiled by Landrum & Brown, Inc.

The Port has a management contract for its parking operation and receives gross revenues as opposed to net revenues from a concession agreement. Future parking revenues are forecast to generally increase with future enplaned passenger levels and future rate increases, along with additional capacity associated with the Public Parking Addition. Forecast parking revenues increase at a CAGR of approximately 2.9% for the period of FY 2019 through FY 2024.

4.7.1.2 Rental Car and Ground Transportation Concessions

Rental car and ground transportation concessions increased at a CAGR of approximately 6.1% during FY 2014 through FY 2018; increasing in the aggregate by approximately $5.6 million per year. Recent increases in rental car revenues are due in part to MAG provisions in their contracts, which were recently extended through as described above. Rental car and ground transportation revenues are forecast to increase at a CAGR of approximately 3.1% for the period of FY 2019 through FY 2024.

As presented in Exhibit D, Ground Transportation revenues overall are budgeted to increase by approximately 6.9% in FY 2019 to $104.5 million primarily related to rate increases that went into effect in June 2018. Over the period FY 2019 through FY 2024, total ground transportation revenues including parking are forecast to experience a CAGR of approximately 3.0%.

4.7.2 Terminal

As shown in Table 4-4, Terminal Concessions increased at a CAGR of approximately 10.5% from FY 2014 to FY 2018 from approximately $12.9 million to $19.2 million. Terminal concessions are the primary source of Terminal Non-Airline Revenues and are credited 100% to the airlines in the residual calculation of Terminal Rates.
Total Terminal Non-Airline Revenues totaled approximately $22.4 million in FY 2018. Budgeted Terminal Non-Airline Revenues for FY 2019 are expected to increase by approximately 2.5% to a total of approximately $22.9 million. Over the forecast period, Non-Airline Revenues in the Terminal are forecast to experience a CAGR of approximately 5.0%, primarily reflective of forecast enplanement growth, anticipated inflationary impacts, and additional concessions space planned to be implemented as part of the Port's capital program during the forecast period.

4.7.3 Air Cargo

Air cargo revenues, primarily attributable to the rental of air cargo facilities at the Airport, totaled approximately $8.0 million in FY 2018. Air cargo revenues are forecast to increase at a CAGR of approximately 2.9% between FY 2019 and FY 2024.

4.7.4 Other Aviation

Revenues in the Other Aviation Cost Center are forecast to generally increase with inflation. At approximately $4.6 million budgeted in FY 2019, these revenues are forecast to increase at a CAGR of approximately 2.6% through FY 2024.

4.7.5 Airfield

Airfield Non-Airline Revenues, comprised of landing fees from corporate and general aviation aircraft and rent revenues from the FAA air traffic control tower, totaled approximately $1.3 million in FY 2018. Airfield revenues are budgeted at approximately $1.2 million in FY 2019 and are forecast to increase at a CAGR of approximately 1.6% through FY 2024.

4.7.6 Non-Aviation

Non-Airline Revenues in the Non-Aviation Cost Center were approximately $2.8 in FY 2018. Non-Aviation revenues are forecast to increase at a CAGR of approximately 1.5% through FY 2024.

4.7.7 Indirect Cost Centers

The Airport also collects Non-Airline Revenues from activities in its indirect cost centers. Revenues from these cost centers include security badge fees, natural gas tenant usage fees, and film permit fees, and totaled approximately $951,000 in FY 2018. For the purposes of these financial forecasts, revenue from indirect cost centers is forecast to remain flat at the budgeted FY 2019 amount of approximately $1.1 million per year over the forecast period.

4.8 Airline Revenues

Airline revenues at the Airport include landing fees, terminal rentals, International Arrivals Facility (IAF) fees, common use equipment and space fees, and aircraft parking fees. The rate-setting formulas for landing fees and terminal rentals are consistent with the residual rate-setting methodologies set forth in the Signatory Airline Agreements and described earlier in this Chapter. **Exhibits E** and **F** further illustrate the rate-setting methodologies for the landing fee and terminal rentals, respectively. In addition, forecast Revenue Sharing consistent with the Airline Agreements is presented in **Exhibit G**.

The business terms of the Signatory Airline Agreements are used as the basis for forecasting airline revenues for the purposes of this Report.

4.8.1 Landing Fees

Exhibit E presents the calculation of landing fees for actual FY 2018, budgeted FY 2019, and forecasts for FY 2020 through FY 2024. Per the residual rate-setting methodology, the Port fully recovers direct and allocated indirect costs for airline use of the Airfield Cost Center. The Signatory Airline Airfield Net Requirement is reduced by estimated Revenue Sharing amounts in the current FY.

As presented in Exhibit E, the Signatory Airline landing fee rate per 1,000-pound unit of landed weight is budgeted at $3.08 for FY 2019, and is forecast to increase to $4.53 in FY 2024. Also, as shown in Exhibit E, the Non-Signatory Airline landing fee rate is budgeted at $4.31 for FY 2019 and is forecast to increase to $5.84 by FY 2024.

Landing fee revenues, net of airline revenue sharing, are forecast to increase from approximately $39.0 million as budgeted in FY 2019 to approximately $58.8 million in FY 2024, with stormwater fees contributing to this increase.

4.8.2 Terminal Rentals

Exhibit F presents the calculation of terminal rates and revenues for actual FY 2018, budgeted FY 2019, and forecasts for FY 2020 through FY 2024. Per the residual rate-setting methodology, the Port recovers direct and allocated indirect costs for airline use of the Terminal Cost Center and credits 100% of Terminal Concession revenues and other Offsetting Revenues against the Terminal Requirement to calculate the Terminal Net Requirement. The Terminal Net Requirement is reduced by estimated Revenue Sharing amounts in the current FY.[75] The Port recovers the Terminal Net Requirement through exclusive, preferential, and shared-use space rentals at rates per square foot set forth in the Airline Agreements that are specific to each type of space (e.g. maintenance space, holdroom space, ticket counter space, etc.).

As presented in Exhibit F, the Signatory Airline average terminal rental rate is budgeted at $163.58 for FY 2019 and is forecast to increase to $436.45 in FY 2024. This is a significant increase and reflects the costs associated with terminal capital projects over the forecast period.

Terminal rental revenues, net of airline revenue sharing, are forecast to increase from approximately $51.5 million budgeted for FY 2019 to approximately $137.5 million in FY 2024. This represents a CAGR of approximately 21.7%.

4.8.3 Other Airline Revenues

In addition to landing fees and terminal rental, the Port receives other airline revenues for the use of facilities and equipment including common use equipment, common use space, and aircraft parking fees. These other airline revenues are forecast to increase throughout the forecast period in concert with the overall terminal rental revenue. These revenues are budgeted at approximately $11.8 million in FY 2019 and are forecast to increase to approximately $27.1 million in FY 2024.

[75] Per the Airline Agreements, Revenue Sharing in the Terminal Cost Center is allocated 50 percent to offset terminal rental rates and 50 percent to offset baggage claim rates.

4.8.4 Airline Cost Per Enplaned Passenger

The key performance indicator for airline costs at an airport is the average airline cost per enplaned passenger (CPE). **Exhibit H** presents the forecast CPE for the airlines at the Airport, which equals passenger airline landing fee revenues, airline terminal rental revenues, and airline common use fees divided by total enplaned passengers. Airline CPE was $9.82 in FY 2018 and is budgeted at $9.29 for FY 2019. Over the forecast period, airline CPE is expected to increase in current dollars to a peak in FY 2024 of $18.53. Airline CPE in FY 2019 dollars (assuming an annual inflation rate of 3.0%) is forecast to increase to a peak in FY 2024 of $15.98. Although airline CPE increases throughout the forecast period, it remains within reasonable levels of affordability for the airlines, especially, as compared to other large and medium hub airports within the western U.S.

4.9 Net Cash Flow and Debt Service Coverage

Exhibit I presents net cash flow and SLB debt service coverage ratios for the Airport throughout the forecast period. As presented, the Airport is expected to experience a net surplus after the payment of O&M Expenses and Debt Service Requirements in each year of the forecast period. The net surplus is budgeted in FY 2019 at approximately $63.0 million and is forecast to increase to approximately $90.2 million by FY 2024. SLB debt service coverage ratios are forecast to exceed requirements and range between 1.72 and 2.25 throughout the forecast period.

As required pursuant to the Rate Covenant, (1) Net revenues are forecast to be sufficient to discharge all claims, obligations, and indebtedness payable from or secured by Revenues, and (2) Net Revenues in each Fiscal Year are forecast to be at least equal to 130% of the SLB Debt Service Requirement for each FY for all outstanding and forecast SLBs.

Exhibit A

SERIES TWENTY-FIVE PROJECTS AND OTHER CAPITAL PROJECTS - PLAN OF FINANCE (dollars in thousands) [1] **PORT OF PORTLAND**

	Cost Center		Estimated Project Cost	Grants	Port Funds	PFC PAYG	CFC PAYG	Existing Bond Proceeds	Series Twenty-Five Bond Proceeds	Series 2019 CFC Bond Proceeds	Future Bond Proceeds
Series Twenty-Five Projects:											
Terminal Development:											
Terminal Core Redevelopment (Remaining Design)[2]	Terminal		$93,000	$0	$0	$0	$0	$0	$93,000	$0	$0
Terminal Restroom Modernization (Phase 2)	Terminal		4,695	0	0	0	0	0	4,695	0	0
Subtotal Terminal Development		[A]	$97,695	$0	$0	$0	$0	$0	$97,695	$0	$0
Terminal Efficiency and Infrastructure Improvements:											
Energy Conservation Program - Concourses	Terminal		$6,395	$0	$268	$0	$0	$0	$6,127	$0	$0
North Heating Water Pipe	Terminal		6,250	0	0	0	0	0	6,250	0	0
Camera and WiFi Improvements	Terminal		13,360	0	250	0	0	0	13,110	0	0
Terminal International Arrivals Hall Escalator Replace	Terminal		5,880	0	0	0	0	0	5,880	0	0
Baggage Claim 9 & 10 Conveyor Replacement	Terminal		1,700	0	0	0	0	0	1,700	0	0
Baggage Handling System Program Logic Controllers	Terminal		1,772	0	0	0	0	0	1,772	0	0
Subtotal Terminal Efficiency and Infrastructure Improvements		[B]	$35,357	$0	$518	$0	$0	$0	$34,839	$0	$0
Airfield Improvements:											
Terminal Apron Relamp	Airfield		$2,480	$0	$0	$0	$0	$0	$2,480	$0	$0
Runway 10L-28R Circuit Replacement, LED and SMGCS Upgrade	Airfield		3,631	0	0	0	0	0	3,631	0	0
Taxiway K Rehabilitation and Realignment	Airfield		25,097	11,018	0	0	0	0	14,079	0	0
Deicing System Controls Upgrade	Airfield		1,703	0	0	0	0	0	1,703	0	0
Deicing Vault Rehabilitation	Airfield		3,100	0	0	0	0	0	3,100	0	0
Subtotal Airfield Improvements		[C]	$36,011	$11,018	$0	$0	$0	$0	$24,993	$0	$0
Ground Transportation Improvements:											
Parking Additions and Consolidated Rental Car Facility (Public Parking Addition)	Port		$125,579	$0	$40,000	$0	$0	$0	$85,579	$0	$0
Subtotal Ground Transportation Improvements		[D]	$125,579	$0	$40,000	$0	$0	$0	$85,579	$0	$0
Total Series Twenty-Five Projects		**[E=A+B+C+D]**	**$294,641**	**$11,018**	**$40,518**	**$0**	**$0**	**$0**	**$243,106**	**$0**	**$0**
Total Other Capital Projects:											
Term Core Redevelopment [2]											
Western Expansion	Terminal		$703,371	$0	$0	$150,000	$0	$17,000	$0	$0	$536,371
Concourse B	Terminal		90,425	0	0	0	0	0	0	0	90,425
Rental Car Center - Floors 2-4	Port		63,204	0	1,264	0	0	0	0	0	61,940
Parking Additions and Consolidated Rental Car Facility (ConRAC)	Port		156,621	0	0	0	0	0	0	156,621	0
Other Airline Cost Center [3]			552,984	29,095	167,642	85,000	0	93,012	0	0	178,234
Other Port Cost Center [3]			258,828	48,881	206,114	0	3,833	0	0	0	0
		[F]	**$1,825,433**	**$77,976**	**$375,020**	**$235,000**	**$3,833**	**$110,012**	**$0**	**$156,621**	**$866,971**
Total Series Twenty-Five Projects and Other Capital Projects		**[G=E+F]**	**$2,120,074**	**$88,994**	**$415,538**	**$235,000**	**$3,833**	**$110,012**	**$243,106**	**$156,621**	**$866,971**

Note: Amounts may not add due to rounding.

[1] Includes project costs for the period of FY 2019 through FY 2024, and certain expenditures prior to FY 2019 to be funded with bond proceeds.

[2] Combined cost equals the $950 million approved by the Airlines, including expenditures prior to FY 2019 and after FY 2024.

[3] For certain project costs assumed to be funded with future bond proceeds after FY 2022, associated debt service may not be included within the forecast period of this Report given an assumption of a capitalized interest period of two years.

Source: Port of Portland airport management records, February 2019

Compiled by Landrum & Brown, Inc.

Exhibit B

SLB DEBT SERVICE REQUIREMENTS (dollars in thousands) **PORT OF PORTLAND**

(Fiscal Years Ending June 30)

		Actual	Budget			Forecast		
		FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Existing SLB Debt Service Requirements:								
Series 18A and 18B		$12,770	$13,806	$13,581	$13,311	$8,946	$8,777	$8,589
Series 20A		2,420	1,272	1,272	1,271	1,268	1,274	1,269
Series 20B		1,284	1,283	1,286	1,280	1,287	1,282	1,286
Series 20C		9,518	7,890	7,887	7,883	7,881	7,891	7,882
Series 21B		8,621	0	0	0	0	0	0
Series 21C		1,321	6,361	6,319	6,366	6,341	6,346	0
Series 22		4,485	6,265	6,264	6,261	6,264	6,262	6,265
Series 23		8,537	8,534	8,538	8,534	8,532	8,536	8,540
Series 24		3,873	4,162	9,535	15,561	15,558	15,559	15,559
Existing Debt Service Requirements	[A]	$52,827	$49,572	$54,681	$60,468	$56,076	$55,926	$49,390
Future SLB Debt Service Requirements:								
Series Twenty-Five Bonds		$0	$839	$6,847	$8,940	$14,467	$14,460	$16,087
Future SLB Debt Service [1]		0	0	0	11,246	13,678	19,029	60,582
Future Debt Service Requirements	[B]	$0	$839	$6,847	$20,186	$28,145	$33,489	$76,670
Total Debt Service Requirements	[D=A+B+	$52,827	$50,411	$61,529	$80,654	$84,221	$89,415	$126,059
Debt Service Requirements - Cost Center Allocation:								
Airfield		$9,403	$8,886	$9,599	$9,883	$10,840	$14,038	$15,062
Terminal		30,625	28,303	35,413	54,367	58,871	60,923	94,992
Ground Transportation		6,576	7,251	10,542	10,433	8,547	8,484	10,034
Air Cargo / Airside		210	29	29	29	26	26	25
Other Aviation		63	8	7	7	6	6	6
Non-Aviation		5,950	5,935	5,938	5,936	5,931	5,937	5,941
Total Debt Service Requirements	[D]	$52,827	$50,411	$61,529	$80,654	$84,221	$89,415	$126,059

Note: Amounts may not add due to rounding.

[1] Future SLB Debt Service includes remaining costs associated with the first phase of the Terminal Core Redevelopment project along with other planned capital project

Source: Port of Portland airport management records (existing and future); PFM Financial Advisors LLC (Series Twenty-Five Bonds)
Compiled by Landrum & Brown, Inc.

Exhibit C

OPERATION AND MAINTENANCE EXPENSES (dollars in thousands) **PORT OF PORTLAND**

(Fiscal Years Ending June 30)

		Actual	Actual	Actual	Actual	Actual	Budget	Forecast				
		FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
By Category:												
Personnel Services		$42,002	$43,482	$44,691	$46,389	$48,714	$51,958	$55,963	$58,304	$62,299	$64,684	$69,024
Contract, Professional & Consulting Services		31,234	28,397	29,551	29,736	34,260	36,795	38,845	41,530	44,103	46,794	50,160
Materials & Supplies		4,792	4,364	5,066	6,704	6,006	5,555	5,701	5,939	6,186	6,445	6,713
Utilities		7,909	9,107	10,014	11,082	11,567	11,674	12,370	13,113	13,906	14,753	15,657
Equipment, Fuel, & Lube		1,404	1,542	1,048	1,079	1,435	1,784	1,855	1,929	2,006	2,086	2,170
Insurance		1,533	2,075	2,205	2,160	1,842	2,290	2,381	2,477	2,576	2,679	2,786
Rent		(3,724)	(3,796)	(3,339)	(3,524)	(3,792)	(3,936)	(4,093)	(4,257)	(4,427)	(4,604)	(4,788)
Pers, Travel & Other Mgmt Exp		1,065	1,325	1,352	3,310	3,703	3,095	3,219	3,348	3,482	3,621	3,766
Other		4,220	5,738	4,715	5,661	5,151	4,271	4,627	4,980	5,397	5,801	6,283
Corporate Support (Overhead Expense)		21,481	22,758	24,141	23,198	21,324	23,255	24,563	25,345	26,760	27,664	28,577
Total Operation and Maintenance Expenses	[A]	$111,916	$114,992	$119,443	$125,796	$130,208	$136,742	$145,432	$152,709	$162,289	$169,924	$180,349
Operation and Maintenance Expenses - Cost Center Allocation:												
Airline Cost Center												
Airfield		$30,277	$28,077	$28,940	$33,182	$32,819	$33,482	$34,943	$36,615	$38,777	$40,398	$42,594
Terminal		45,847	48,975	52,089	52,095	55,448	56,413	61,488	64,577	68,437	71,437	75,970
Airline Cost Center	[B]	$76,124	$77,052	$81,029	$85,277	$88,267	$89,895	$96,431	$101,192	$107,214	$111,835	$118,564
Port Cost Center	[C]	$35,792	$37,940	$38,414	$40,519	$41,941	$46,847	$49,002	$51,517	$55,075	$58,088	$61,784
Total Operation and Maintenance Expenses	[D=B+C]	$111,916	$114,992	$119,443	$125,796	$130,208	$136,742	$145,432	$152,709	$162,289	$169,924	$180,349

Note: Amounts may not add due to rounding.

Source: Port of Portland airport management records, February 2019

Compiled by Landrum & Brown, Inc.

Exhibit D

NON-AIRLINE REVENUES (dollars in thousands) **PORT OF PORTLAND**

(Fiscal Years Ending June 30)

	Actual	Budget	Forecast				
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Airfield:							
Non-Airline Operating Revenues	$1,185	$1,180	$1,199	$1,217	$1,237	$1,256	$1,276
Rent Revenue	24	24	25	26	26	27	28
Other Revenue	48	0	0	0	0	0	0
Total Airfield Non-Airline Revenues	$1,258	$1,204	$1,223	$1,243	$1,263	$1,283	$1,304
Terminal:							
Terminal Concessions	$19,202	$19,825	$20,814	$21,854	$22,945	$24,091	$25,294
Rent Revenue	3,034	3,087	3,242	3,404	3,574	3,753	3,940
Service Revenue	18	0	0	0	0	0	0
Other Revenue	109	12	12	12	12	13	13
Total Terminal Non-Airline Revenues	$22,363	$22,923	$24,068	$25,270	$26,531	$27,856	$29,247
Ground Transportation:							
Rental Car/Ground Transportation Concessions	$26,396	$28,013	$30,026	$30,639	$31,285	$31,963	$32,675
Parking Revenue	66,144	70,555	72,178	73,838	77,933	79,726	81,560
Rent Revenue	4,646	5,106	5,260	5,417	5,580	5,747	5,920
Service Revenue	197	0	0	0	0	0	0
Other Revenue	367	807	831	856	882	908	935
Total Ground Transportation Non-Airline Revenues	$97,750	$104,481	$108,294	$110,751	$115,680	$118,344	$121,089
Air Cargo:							
Operations Revenue	$361	$421	$421	$421	$421	$421	$421
Non-Airline Operating Revenue	239	174	179	184	190	195	201
Rent Revenue	7,290	7,250	7,467	7,691	7,922	8,159	8,404
Service Revenue	2	3	3	3	3	3	3
Other Revenue	89	82	84	87	89	92	95
Total Air Cargo Non-Airline Revenues	$7,982	$7,929	$8,154	$8,386	$8,625	$8,871	$9,124
Other Aviation:							
Operations Revenue	$4	$0	$0	$0	$0	$0	$0
Non-Airline Operating Revenue	2,229	2,453	2,508	2,565	2,623	2,683	2,744
Rent Revenue	2,114	2,033	2,094	2,157	2,222	2,289	2,357
Service Revenue	1	0	0	0	0	0	0
Other Revenue	138	156	160	165	170	175	180
Total Other Aviation Non-Airline Revenues	$4,485	$4,642	$4,763	$4,887	$5,015	$5,146	$5,281
Non-Aviation:							
Non-Airline Operating Revenue	$1,312	$1,371	$1,398	$1,426	$1,454	$1,484	$1,513
Rent Revenue	1,369	1,377	1,377	1,389	1,389	1,415	1,440
Service Revenue	20	20	22	24	26	29	31
Other Revenue	93	86	87	89	91	93	95
Total Non-Aviation Non-Airline Revenues	$2,794	$2,853	$2,884	$2,928	$2,961	$3,019	$3,079

Exhibit D

NON-AIRLINE REVENUES (dollars in thousands) **PORT OF PORTLAND**

(Fiscal Years Ending June 30)

	Actual	Budget	Forecast				
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenue from Indirect Cost Centers:							
Operations	$0	$0	$0	$0	$0	$0	$0
Maintenance	2	0	0	0	0	0	0
Systems & Services	507	730	730	730	730	730	730
Aviation Rescue & Fire Fighting	1	0	0	0	0	0	0
Police	442	359	359	359	359	359	359
Administration	0	0	0	0	0	0	0
Total Revenue from Indirect Cost Centers	$951	$1,089	$1,089	$1,089	$1,089	$1,089	$1,089
Total Non-Airline Revenues	$137,584	$145,121	$150,476	$154,553	$161,163	$165,609	$170,213
Allocation to Direct Cost Centers:							
Airline Cost Center							
Airfield	$169	$192	$170	$133	$140	$171	$130
Terminal	552	611	627	734	761	742	820
Airline Cost Center	$721	$803	$797	$867	$901	$913	$951
Port Cost Center	$230	$286	$292	$221	$188	$176	$138
Total Revenue from Indirect Cost Centers	$951	$1,089	$1,089	$1,089	$1,089	$1,089	$1,089
Non-Airline Revenue - Cost Center Allocation:							
Airline Cost Center							
Airfield	$1,427	$1,396	$1,393	$1,376	$1,403	$1,454	$1,434
Terminal	22,914	23,535	24,695	26,003	27,292	28,598	30,067
Airline Cost Center	$24,342	$24,931	$26,088	$27,380	$28,695	$30,052	$31,502
Port Cost Center	$113,243	$120,191	$124,388	$127,173	$132,468	$135,557	$138,712
Total Non-Airline Revenues	$137,584	$145,121	$150,476	$154,553	$161,163	$165,609	$170,213

Note: Amounts may not add due to rounding.

Source: Port of Portland airport management records, February 2019

Compiled by Landrum & Brown, Inc.

Exhibit E

LANDING FEE RATES AND REVENUES (dollars in thousands, except for rates) **PORT OF PORTLAND**

(Fiscal Years Ending June 30)

		Actual	Budget	Forecast				
		FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Airfield Requirement:								
O&M Expenses		$32,819	$33,482	$34,943	$36,615	$38,777	$40,398	$42,594
Debt Service		9,403	8,886	9,599	9,883	10,840	14,038	15,062
Debt Service Coverage (30%)		2,821	2,666	2,880	2,965	3,252	4,211	4,519
Airfield Requirement	[A]	$45,043	$45,034	$47,421	$49,463	$52,869	$58,648	$62,174
Offsetting Revenues:								
Non-Airline Revenue		$1,427	$1,396	$1,393	$1,376	$1,403	$1,454	$1,434
Operational Credit Program (Debit)		(9)	(67)	0	0	0	0	0
Interest Income		124	179	179	179	179	179	179
Total Offsetting Revenues	[B]	1,542	1,508	1,572	1,555	1,582	1,633	1,613
Airfield Net Requirement	[C=A-B]	$43,501	$43,526	$45,850	$47,908	$51,287	$57,015	$60,562
Landed Weight (million-pound units):								
Signatory Passenger Airline	[D]	10,538	10,575	10,628	10,681	10,734	10,788	10,842
Signatory Cargo Airline	[E]	1,610	1,874	1,883	1,893	1,902	1,912	1,921
Non-Signatory Passenger Airline	[F]	125	149	150	151	151	152	153
Non-Signatory Cargo Airline	[G]	4	0	0	0	0	0	0
Total Landed Weight (million-pound units)	[H=D+E+F+G]	12,277	12,598	12,661	12,724	12,788	12,852	12,916
Non-Signatory Landed Weight Premium (25%)	[I=(F+G)*25%]	32	37	37	38	38	38	38
Landed Weight Divisor for Net Requirement Allocation	[J=H+I]	12,309	12,635	12,698	12,762	12,825	12,890	12,954
Signatory Airline Share of Net Requirement	[K]	98.69%	98.53%	98.53%	98.53%	98.53%	98.53%	98.53%
Non-Signatory Airline Share of Net Requirement	[L]	1.31%	1.47%	1.47%	1.47%	1.47%	1.47%	1.47%
Signatory Airline Airfield Net Requirement:								
Signatory Airline Airfield Net Requirement	[M=C*K]	$42,933	$42,884	$45,174	$47,201	$50,531	$56,174	$59,669
Less: Revenue Sharing	[N]	(4,540)	(4,538)	(4,661)	(4,293)	(4,481)	(4,681)	(1,796)
Plus: Other Adjustments	[O]	0	0	0	0	0	0	0
Reduced Signatory Airline Airfield Net Requirement	[P=M+N+O]	$38,392	$38,346	$40,512	$42,908	$46,050	$51,493	$57,873
Signatory Airline Landed Weight	[Q=D+E]	12,148	12,449	12,511	12,574	12,636	12,700	12,763
Less: Risk Mitigation	[R]	126	7	0	0	0	0	0
Signatory Airline Landing Fee Rate (per 1,000-lbs)	[S=P/(Q-R)]	$3.19	$3.08	$3.24	$3.41	$3.64	$4.05	$4.53
Non-Signatory Airline Airfield Net Requirement:								
Non-Signatory Airline Airfield Net Requirement	[T=C*L]	$568	$642	$676	$706	$756	$841	$893
Non-Signatory Airline Landed Weight	[U=F+G]	129	149	150	151	151	152	153
Non-Signatory Airline Landing Fee Rate (per 1,000-lbs)	[V=T/U]	$4.42	$4.31	$4.51	$4.69	$5.00	$5.53	$5.84
Landing Fee Revenue:								
Signatory Passenger Airline	[W=(D-R)*S]	$33,251	$32,571	$34,414	$36,450	$39,119	$43,742	$49,162
Signatory Cargo Airline	[X=E*S]	5,142	5,775	6,098	6,459	6,932	7,751	8,711
Non-Signatory Passenger Airline	[Y=F*V]	551	642	676	706	756	841	893
Non-Signatory Cargo Airline	[Z=G*V]	18	0	0	0	0	0	0
Total Landing Fee Revenue		$38,961	$38,988	$41,188	$43,614	$46,806	$52,334	$58,765

Note: Amounts may not add due to rounding.

Source: Port of Portland airport management records, February 2019

Compiled by Landrum & Brown, Inc.

Exhibit F

TERMINAL RENTAL RATE AND REVENUES (dollars in thousands, except for rates) **PORT OF PORTLAND**

(Fiscal Years Ending June 30)

		Actual	Budget	Forecast				
		FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Terminal Requirement:								
O&M Expenses		$55,448	$56,413	$61,488	$64,577	$68,437	$71,437	$75,970
Debt Service		30,625	28,303	35,413	54,367	58,871	60,923	94,992
Debt Service Coverage (30%)		9,188	8,491	10,624	16,310	17,661	18,277	28,498
Terminal Requirement	[A]	$95,261	$93,207	$107,525	$135,254	$144,969	$150,638	$199,460
Offsetting Revenues:								
Other Terminal Cost Center Airline Revenues		$ 12,446	$11,777	$14,622	$18,389	$20,041	$21,307	$27,109
Non-Airline Revenue		22,914	23,535	24,695	26,003	27,292	28,598	30,067
Operational Credit Program (Debit)		(43)	(211)	0	0	0	0	0
Interest Income		404	570	570	570	570	570	570
Total Offsetting Revenues	[B]	$35,721	$35,670	$39,887	$44,963	$47,904	$50,476	$57,747
Terminal Net Requirement	[C=A-B]	$59,540	$57,536	$67,638	$90,291	$97,065	$100,162	$141,713
Less: Revenue Sharing	[D]	(6,214)	(5,999)	(6,876)	(8,091)	(8,480)	(8,224)	(4,204)
Plus: Other Adjustments	[E]	0	0	0	0	0	0	0
Reduced Airline Terminal Net Requirement	[F=C+D+E]	$53,326	$51,537	$60,762	$82,200	$88,585	$91,938	$137,509
Total Airline Rented Terminal Space (s.f.)	[G]	312,888	315,063	315,063	315,063	315,063	315,063	315,063
Average Terminal Rental Rate (per s.f.)	[H=F/G]	$170.43	$163.58	$192.86	$260.90	$281.16	$291.81	$436.45
Terminal Rental Revenue	[I=G*H]	$53,326	$51,537	$60,762	$82,200	$88,585	$91,938	$137,509

Note: Amounts may not add due to rounding.

Source: Port of Portland airport management records, February 2019

Compiled by Landrum & Brown, Inc.

Exhibit G

REVENUE SHARING CALCULATION (dollars in thousands) **PORT OF PORTLAND**

(Fiscal Years Ending June 30)

		Actual	Budget			Forecast		
		FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Airfield Net Requirement		$43,501	$43,526	$45,850	$47,908	$51,287	$57,015	$60,562
Terminal Net Requirement		59,540	57,536	67,638	90,291	97,065	100,162	141,713
Other Terminal Cost Center Airline Revenues		12,446	11,777	14,622	18,389	20,041	21,307	27,109
Non-Airline Revenues		137,584	145,121	150,476	154,553	161,163	165,609	170,213
Interest Income		585	3,047	3,047	3,047	3,047	3,047	3,047
Total Revenues (prior to Revenue Sharing)	[A]	$253,656	$261,008	$281,632	$314,189	$332,603	$347,141	$402,644
Less: O&M Expenses	[B]	(130,208)	(136,742)	(145,432)	(152,709)	(162,289)	(169,924)	(180,349)
Net Revenues (prior to Revenue Sharing)	[C=A+B]	$123,448	$124,266	$136,200	$161,480	$170,315	$177,217	$222,296
Less:								
Fixed Revenue Sharing	[D]	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000
Shortfall in Fixed Revenue Sharing from prior years	[E]	0	0	0	0	0	0	0
Adjusted Port Cost Center Net Revenue	[F=C-D-E]	$117,448	$118,266	$130,200	$155,480	$164,315	$171,217	$216,296
Total SLB Debt Service Requirement	[G]	$52,827	$50,411	$61,529	$80,654	$84,221	$89,415	$126,059
Debt Service Coverage Ratio (prior to Revenue Sharing)	[H=G/F]	2.22	2.35	2.12	1.93	1.95	1.91	1.72
Baseline Coverage Ratio	[I]	1.70	1.70	1.70	1.70	1.70	1.70	1.70
Net Revenues at 1.70 Coverage Ratio	[J=G*I]	$89,806	$85,700	$104,599	$137,112	$143,176	$152,006	$214,300
Net Revenues available for Additional Revenue Sharing[1]	[K=F-J]	$27,642	$32,566	$25,601	$18,368	$21,139	$19,211	$0
Net Revenues available for Additional Revenue Sharing:								
Net Revenues between 1.70 and 1.80 Coverage Ratio	[L]	$5,283	$5,041	$6,153	$8,065	$8,422	$8,942	$0
Net Revenues between 1.80 and 1.90 Coverage Ratio	[M]	5,283	5,041	6,153	8,065	8,422	8,942	0
Net Revenues between 1.90 and 2.00 Coverage Ratio	[N]	5,283	5,041	6,153	2,238	4,295	1,328	0
Net Revenues over 2.00 Coverage Ratio	[O]	11,794	17,443	7,143	0	0	0	0
Net Revenues available for Additional Revenue Sharing	[K]	$27,642	$32,566	$25,601	$18,368	$21,139	$19,211	$0
% of Increment Paid as Additional Revenue Sharing:								
Net Revenues between 1.70 and 1.80 Coverage Ratio	[P]	50%	50%	50%	50%	50%	50%	50%
Net Revenues between 1.80 and 1.90 Coverage Ratio	[Q]	25%	25%	25%	25%	25%	25%	25%
Net Revenues between 1.90 and 2.00 Coverage Ratio	[R]	15%	15%	15%	15%	15%	15%	15%
Net Revenues over 2.00 Coverage Ratio	[S]	0%	0%	0%	0%	0%	0%	0%
Additional Revenue Sharing:								
Net Revenues between 1.70 and 1.80 Coverage Ratio	[T=L*P]	$2,641	$2,521	$3,076	$4,033	$4,211	$4,471	$0
Net Revenues between 1.80 and 1.90 Coverage Ratio	[U=M*Q]	1,321	1,260	1,538	2,016	2,106	2,235	0
Net Revenues between 1.90 and 2.00 Coverage Ratio	[V=N*R]	792	756	923	336	644	199	0
Net Revenues over 2.00 Coverage Ratio	[W=O*S]	0	0	0	0	0	0	0
Additional Revenue Sharing	[X=T+U+V+W]	$4,754	$4,537	$5,538	$6,385	$6,961	$6,905	$0
O&M Expense Rebate:								
Prior Year O&M Expenses (Airline Cost Center)		$85,277	$88,267	$89,895	$96,431	$101,192	$107,214	$111,835
Current Year O&M Expenses (Airline Cost Center)		$88,267	$89,895	$96,431	$101,192	$107,214	$111,835	$118,564
Reduction in O&M Expenses	[Y]	$0	$0	$0	$0	$0	$0	$0

Exhibit G

REVENUE SHARING CALCULATION (dollars in thousands) **PORT OF PORTLAND**

(Fiscal Years Ending June 30)

		Actual	Budget	Forecast				
		FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Current Year O&M Expenses as a % of Prior Year:								
Baseline		100%	100%	100%	100%	100%	100%	100%
Decrease 1		98%	98%	98%	98%	98%	98%	98%
Decrease 2		96%	96%	96%	96%	96%	96%	96%
Decrease 3		94%	94%	94%	94%	94%	94%	94%
Decrease 4		92%	92%	92%	92%	92%	92%	92%
Decrease 5		0%	0%	0%	0%	0%	0%	0%
Revenue Sharing % Reduction:								
Baseline	[Z]	0%	0%	0%	0%	0%	0%	0%
Decrease 1	[AA]	10%	10%	10%	10%	10%	10%	10%
Decrease 2	[BB]	15%	15%	15%	15%	15%	15%	15%
Decrease 3	[CC]	20%	20%	20%	20%	20%	20%	20%
Decrease 4	[DD]	25%	25%	25%	25%	25%	25%	25%
Decrease 5	[EE]	30%	30%	30%	30%	30%	30%	30%
Reduction in O&M Expenses:								
Baseline	[FF]	$0	$0	$0	$0	$0	$0	$0
Decrease 1	[GG]	0	0	0	0	0	0	0
Decrease 2	[HH]	0	0	0	0	0	0	0
Decrease 3	[II]	0	0	0	0	0	0	0
Decrease 4	[JJ]	0	0	0	0	0	0	0
Decrease 5	[KK]	0	0	0	0	0	0	0
Reduction in Revenue Sharing:								
Baseline	[LL=Y*FF]	$0	$0	$0	$0	$0	$0	$0
Decrease 1	[MM=Y*GG]	0	0	0	0	0	0	0
Decrease 2	[NN=Y*HH]	0	0	0	0	0	0	0
Decrease 3	[OO=Y*II]	0	0	0	0	0	0	0
Decrease 4	[PP=Y*JJ]	0	0	0	0	0	0	0
Decrease 5	[QQ=Y*KK]	0	0	0	0	0	0	0
Reduction in Revenue Sharing	[RR]	$0	$0	$0	$0	$0	$0	$0
Fixed Revenue Sharing	[D]	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000
Total Amount for Revenue Sharing	[SS=X+RR+D]	$10,754	$10,537	$11,538	$12,385	$12,961	$12,905	$6,000
Airfield Requirement Share of Airline Cost Center	[TT]	42%	43%	40%	35%	35%	36%	30%
Terminal Requirement Share of Airline Cost Center	[UU]	58%	57%	60%	65%	65%	64%	70%
Airfield Revenue Sharing	[VV=SS*TT]	$4,540	$4,538	$4,661	$4,293	$4,481	$4,681	$1,796
Terminal Revenue Sharing	[WW=SS*UU]	$6,214	$5,999	$6,876	$8,091	$8,480	$8,224	$4,204
Total Amount for Revenue Sharing	[SS]	$10,754	$10,537	$11,538	$12,385	$12,961	$12,905	$6,000

Note: Amounts may not add due to rounding.

[1] Per the Signatory Airline Agreements, the Port shares additional Net Revenues with the Signatory Airlines when the Airport coverage ratio exceeds 1.750.

Source: Port of Portland airport management records, February 2019

Compiled by Landrum & Brown, Inc.

Exhibit H

AIRLINE COST PER ENPLANED PASSENGER (dollars in thousands, except for rates) **PORT OF PORTLAND**

(Fiscal Years Ending June 30)

		Actual	Budget	Forecast				
		FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Airline Revenue:								
Passenger Airline Landing Fee Revenue		$33,802	$33,213	$35,090	$37,156	$39,875	$44,583	$50,054
Airline Terminal Rental Revenue		53,326	51,537	60,762	82,200	88,585	91,938	137,509
Common Use Fees		8,463	7,856	9,235	12,328	13,253	13,676	19,349
Total Airline Revenue	[A]	$95,590	$92,606	$105,087	$131,684	$141,713	$150,197	$206,913
Total Enplaned Passengers (000s)	[B]	9,733	9,966	10,196	10,430	10,670	10,915	11,166
Airline Cost per Enplaned Passenger [1]	[C=A/B]	$9.82	$9.29	$10.31	$12.63	$13.28	$13.76	$18.53
Airline Cost per Enplaned Passenger (FY19$)			$9.29	$10.01	$11.90	$12.15	$12.23	$15.98

Note: Amounts may not add due to rounding.

[1] Forecast airline cost per enplaned passenger (CPE) includes debt service costs associated with the first phase of the Terminal Core Redevelopment project being placed in service in FY 2024.

Source: Port of Portland airport management records, February 2019

Compiled by Landrum & Brown, Inc.

Exhibit I

NET CASH FLOW AND SLB DEBT SERVICE COVERAGE (dollars in thousands) **PORT OF PORTLAND**

(Fiscal Years Ending June 30)

		Actual	Budget	Forecast				
		FY 2018 [1]	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Total Revenues:								
Landing Fee Revenue		$38,961	$38,988	$41,188	$43,614	$46,806	$52,334	$58,765
Signatory Airline Terminal Rental Revenue		53,326	51,537	60,762	82,200	88,585	91,938	137,509
Other Terminal Cost Center Airline Revenues		12,446	11,777	14,622	18,389	20,041	21,307	27,109
Non-Airline Revenues		137,584	145,121	150,476	154,553	161,163	165,609	170,213
Operational Credit Program		(52)	(278)	0	0	0	0	0
Interest Income		585	3,047	3,047	3,047	3,047	3,047	3,047
Total Revenues	[A]	$242,849	$250,193	$270,095	$301,804	$319,643	$334,235	$396,644
Less:								
O&M Expenses	[B]	$130,208	$136,742	$145,432	$152,709	$162,289	$169,924	$180,349
Net Revenues	[C=A+B]	$112,641	$113,451	$124,662	$149,095	$157,354	$164,312	$216,296
Less:								
Total Debt Service Requirement [2]	[D]	$52,827	$50,411	$61,529	$80,654	$84,221	$89,415	$126,059
Net Surplus/(Deficit)	[E=C-D]	$59,814	$63,039	$63,134	$68,441	$73,133	$74,896	$90,237
SLB Debt Service Coverage:								
Net Revenues	[C]	$112,641	$113,451	$124,662	$149,095	$157,354	$164,312	$216,296
Total Debt Service Requirement [2]	[D]	$52,827	$50,411	$61,529	$80,654	$84,221	$89,415	$126,059
SLB Debt Service Coverage Ratio	[F=C/D]	2.13	2.25	2.03	1.85	1.87	1.84	1.72
SLB Debt Service Coverage Ratio - Requirement		1.30	1.30	1.30	1.30	1.30	1.30	1.30

Note: Amounts may not add due to rounding.

[1] Net Revenue amount for FY 2018 intentionally varies slightly from Table 14 of the Official Statement due to the inclusion of Revenue Bond Fund interest income and an operational credit program.

[2] Future SLB Debt Service forecast includes costs associated with the first phase of the Terminal Core Redevelopment project being placed in service in FY 2024.

Source: Port of Portland airport management records, February 2019
Compiled by Landrum & Brown, Inc.

APPENDIX B

AUDITED FINANCIAL STATEMENTS

[This page intentionally left blank.]

THE PORT OF PORTLAND

(A Municipal Corporation)

REPORT ON AUDITED FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

(Containing Audit Comments and Disclosures Required by State Regulations)

FOR THE YEAR ENDED JUNE 30, 2018

with comparative totals for the year ended June 30, 2017

THE PORT OF PORTLAND

(a municipal corporation)

THE PORT OF PORTLAND

COMMISSIONERS AS OF JUNE 30, 2018

Name	Term Expires
Alice Cuprill-Comas, President 3181 SW Sam Jackson Park Road Portland, Oregon 97239	September 30, 2019
Tom Chamberlain, Vice President 2110 State Street Salem, Oregon 97303	May 9, 2019
Robert L. Levy, Secretary 822 S Hwy 395, No. 423 Hermiston, Oregon 97838	April 30, 2021
Linda M. Pearce, Treasurer 4185 Highway 101 North Tillamook, Oregon 97141	September 30, 2020
Michael C. Alexander 7200 NE Airport Way Portland, Oregon 97218	May 31, 2020
Pat McDonald 3100 NE Shute Road Hillsboro, Oregon 97229	February 16, 2020
Sean O'Hollaren One Bowerman Drive Beaverton, OR 97005	May 22, 2022
Tom Tsuruta P.O. Box 261 Marylhurst, Oregon 97036	December 12, 2020
Gary Young 15937 NE Airport Way Portland, Oregon 97230	September 30, 2019

Curtis Robinhold, Executive Director

REGISTERED AGENT AND OFFICE
Daniel Blaufus
7200 NE Airport Way
Portland, Oregon 97218

Telephone: 503-415-6000

THE PORT OF PORTLAND
TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITORS

Report of Independent Auditors

The Board of Commissioners
Port of Portland

Report on the Financial Statements

We have audited the accompanying balance sheets and the related statements of revenues, expenses, and changes in net position and cash flows of the Airport and Marine & Other activities as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Port of Portland's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Airport and Marine & Other activities of the Port of Portland as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Port of Portland's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 24, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of changes in total OPEB liability and related ratios, schedule of proportionate share of PERS net pension liability (asset), and schedule of contributions to PERS be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Port of Portland's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 22, 2018, on our consideration of the Port's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

James C. Lanzarotta

James Lanzarotta, Partner
for Moss Adams LLP
Portland, Oregon
October 22, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

(UNAUDITED)

The Port of Portland
Management's Discussion and Analysis

This discussion and analysis of the Port of Portland's (Port) financial performance provides an overview of the Port's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the Port's financial statements, which follow this section.

Overview of the Financial Statements:
These financial statements consist of four parts – management's discussion and analysis (this section), the basic financial statements (including notes), required supplementary information, and supplementary information. The report is guided by accounting and reporting principles established by the Governmental Accounting Standards Board (GASB), and also by the Oregon Secretary of State (OSS). The basic financial statements are prepared on the accrual basis, similar to a private business, whereby revenues are recognized when earned and expenses are recognized when incurred, regardless of when cash is received or paid. The basic financial statements consist of a balance sheet, which includes the Port's assets, including deferred outflows, liabilities, including deferred inflows, and net position at year end; statement of revenues, expenses, and changes in net position, which includes all revenues, expenses, and grants expended for construction for the year; and statement of cash flows, which presents the sources and uses of cash for the year. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. Following the financial statements is a section of supplementary information, nearly all of which is required by the GASB, the OSS, or bond ordinances. The Port's two activities are Airport (Portland International Airport) and Marine & Other (marine terminals, industrial development, environmental, navigation, general aviation, engineering, and administration). These activities are described in Notes 1 and 2 to the financial statements. Of special significance to readers of the financial statements is that, with certain limited exceptions, Airport monies are restricted by bond ordinances and Federal Aviation Administration regulations for use at the Airport only. Airport net revenues (essentially operating revenues less operating expenses other than depreciation) are largely determined by bond ordinances and contracts with airlines, as more fully explained in Note 6 to the financial statements.

During fiscal 2018, the Port applied new reporting standards for postemployment benefits other than pension (OPEB) as required by GASB Statement No. 75 (GASB 75). GASB 75 had an impact on the Port's balance sheet and the statement of revenues, expenses, and changes in net position. Accounting changes were applied retroactively to conform with the provisions of GASB 75, and fiscal 2017 has been restated. Further discussion of the impacts of the implementation of GASB 75 can be found in Notes 1 and 9 to the financial statements.

Financial Results:
The Port's total net position increased $51.1 million from the 2017 amount, or 4.0 percent. Unrestricted net position – the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants or legal requirements – increased slightly by $0.6 million, or 0.5 percent during that same time. In comparison, last year total net position increased by $95.3 million, or 8.0 percent. The analysis in Table 1 (below) focuses on the net position of the Airport and of the Port's Marine & Other activities separately.

Table 1
Net Position
($ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2018	2017	2018	2017	2018	2017	2017-2018
Current and other assets	$ 617.8	$ 649.3	$ 301.3	$ 293.6	$ 889.8 *	$ 912.7	(2.5)%
Capital assets	1,348.2	1,264.3	325.0	336.3	1,673.2	1,600.6	4.5%
Deferred outflows	42.6	58.9	17.1	29.6	59.7	88.5	(32.5)%
Total assets	2,008.6	1,972.5	643.4	659.5	2,622.7 *	2,601.8	0.8%
Long-term debt outstanding	862.4	873.7	86.7	93.3	949.1	967.0	(1.9)%
Other liabilities	196.2	213.2	161.7	161.1	328.6 *	344.1	(4.5)%
Deferred inflows	2.2	0.7	2.6	0.9	4.8	1.6	200.0%
Total liabilities	1,060.8	1,087.6	251.0	255.3	1,282.5 *	1,312.7	(2.3)%
Net position:							
Net investment in capital assets	598.1	578.7	303.9	312.7	902.0	891.4	1.2%
Restricted	310.9	271.0	2.7	2.7	313.6	273.7	14.6%
Unrestricted	38.8	35.2	85.8	88.8	124.6	124.0	0.5%
Total net position	$ 947.8	$ 884.9	$ 392.4	$ 404.2	$ 1,340.2	$ 1,289.1	4.0%

* Receivables and payables between activities are eliminated in the Total Port column.

Total net position of the Airport increased by $62.9 million, or 7.1 percent, as a result of net income and capital grants. Net investment in capital assets increased $19.4 million, or 3.4 percent, as a result of increases in capital additions and construction spending. Restricted net position increased by $39.9 million, or 14.7 percent, primarily due to net income restricted for debt service and construction. Unrestricted net position increased by $3.6 million, or 10.2 percent, primarily as a result of net operating income.

Total net position of Marine & Other decreased from the 2017 balance by $11.8 million, or 2.9 percent, primarily the result of a net loss for the year, offset in part by capital grants. Net investment in capital assets decreased $8.8 million, or 2.8 percent, primarily as a result of normal capital asset depreciation. Unrestricted net position decreased by $3.0 million or 3.4 percent, again primarily due to a net loss for the year.

Several factors caused changes in net position (Table 2, below) to decrease $44.4 million from 2017.

Airport changes in net position increased $9.5 million when compared to the prior year due mainly to increased operating revenues in 2018. Marine & Other changes in net position decreased $53.9 million primarily due to lower operating revenues, higher operating expenses, and lower capital contributions versus the prior year, partially offset by increased nonoperating revenues.

Table 2
Changes in Net Position
($ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2018	2017	2018	2017	2018	2017	2017-2018
Revenues:							
Operating revenues							
Charges for services	$ 242.0	$ 232.1	$ 50.8	$ 72.0	$ 292.8	$ 304.1	(3.7)%
Land sales			7.8	37.4	7.8	37.4	(79.1)%
Other			1.2	0.2	1.2	0.2	500.0%
Nonoperating revenues							
Property tax revenue			12.1	11.6	12.1	11.6	4.3%
Interest revenue	4.8	4.9	3.4	2.9	8.2	7.8	5.1%
PFC revenue	38.1	37.7			38.1	37.7	1.1%
CFC revenue	15.6	16.1			15.6	16.1	(3.1)%
Other nonoperating revenue			9.9	3.3	9.9	3.3	200.0%
Total revenues	300.5	290.8	85.2	127.4	385.7	418.2	(7.8)%
Expenses:							
Operating expenses	224.7	215.5	93.9	89.1	318.6	304.6	4.6%
Nonoperating expenses	22.6	31.4	5.3	5.6	27.9	37.0	(24.6)%
Total expenses	247.3	246.9	99.2	94.7	346.5	341.6	1.4%
Income (loss) before contributions and transfers	53.2	43.9	(14.0)	32.7	39.2	76.6	(48.8)%
Capital contributions	10.3	9.9	1.6	9.0	11.9	18.9	(37.0)%
Transfers (out) in	(0.6)	(0.4)	0.6	0.4			
Increase (decrease) in net position	$ 62.9	$ 53.4	$ (11.8)	$ 42.1	$ 51.1	$ 95.5	(46.5)%

Total revenues for the Port decreased by approximately $32.5 million from the prior year. Total expenses increased approximately $4.9 million during the same timeframe.

At the Airport, operating revenues increased by $9.9 million, or 4.3 percent, when compared to the prior year; this was primarily due to increases in airline and concessions revenues. The increase of about $9.2 million in operating expenses was primarily attributable to higher depreciation and outside services expense versus the prior year; this was partially offset by decreased central services costs. Nonoperating expenses decreased $8.8 million, or 28.0 percent, as a result of higher capitalized interest in 2018 (which offsets/ reduces interest expense), and costs related to asset demolition recorded in 2017, offset partially by higher revenue bond interest expense in 2018.

For Marine & Other, charges for services operating revenues decreased $21.2 million from the prior year, primarily the result of $23.0 million in revenue recorded from a terminated lease at the marine container terminal in 2017, offset partially by higher intermodal rail shuttle revenues at Terminal 6 in 2018. Land sales revenue decreased $29.6 million from the prior year as a result of reduced industrial property sales. During 2018, operating expenses increased $4.8 million due to the impacts of higher environmental accrual expenses, longshore labor expense, and central services costs; these increases were offset in large part by lower cost of land sold expense.

Budgetary Highlights:
The Port's budget for fiscal 2018 was adopted by the Port Commission and certified by the Multnomah County Tax Supervising and Conservation Commission (TSCC) in June 2017. Budget appropriations at the Airport were adjusted during the year to reflect establishment of a commercial paper program and to pay related fees, to remove two budgeted Airport bond issues as a result of the new commercial paper program, for increased expenditures for snow and ice removal activity at the Airport during the winter, and for costs associated with the write-off of noncapitalized design costs in the terminal. Appropriations in the budget for Marine & Other resources were adjusted to reflect increased revenues associated with new service at Terminal 6, proceeds from settlement of an environmental insurance recovery claim, and to

account for reimbursement revenue from the US Army Corps of Engineers for equipment financings. Marine & Other appropriations for expenditures were increased for higher costs associated with the new service at Terminal 6, to allow for payment of a contingent fee associated with an environmental insurance recovery claim, for unforeseen General Aviation repair and project cancellation costs at Hillsboro, and to provide for non-cash budgetary impacts of accounting accruals for environmental liabilities, including natural resources restoration. While legally a local government subject to governmental budgeting requirements, the Port operates much like a business, with expenditure levels driven by business needs, and utilizes the accrual basis of accounting. Revisions to reflect expenditure patterns are, therefore, common for an entity like the Port. As explained in Note 1 to the financial statements, Oregon budget laws differ, in certain situations, from accounting principles generally accepted in the United States of America.

On a budgetary basis, Airport capital expenditures were $143.6 million, 57.8 percent below the $340.3 million budget, as the latest capital expansion program at the Airport got underway more slowly than budgeted. Capital grants during the year were $10.3 million, 30.8 percent below the budget of $14.9 million as a result of incurring fewer grant eligible costs than anticipated. Both operating revenues and operating expenditures tracked tightly against the budget. Airport operating revenues of $241.9 million were 0.5 percent above the $240.7 million budget. Operating expenditures of $108.2 million were 0.5 percent above the $107.6 million budgeted amount. Other significant budgetary resource variances included issuances under the Airport's new commercial paper program, which were lower than anticipated as a result of lower capital expenditures.

Fiscal 2018 budgetary capital expenditures for Marine & Other were $13.3 million, 69.8 percent below the budget of $44.1 million, largely due to timing delays and project deferrals. Capital grants for the year were $1.6 million, less than the budget of $4.4 million, due to incurring fewer grant eligible costs. Budgetary operating revenues for industrial development were $13.9 million, or 52.0 percent, below the budget of $26.7 million due to delays in the timing of industrial property sales. Budgetary operating expenditures were $5.3 million below budget for administration, primarily due to lower than anticipated outside service costs resulting from delays in timing of projects and initiatives, as well as cost controls undertaken as part of an organizational financial sustainability initiative. Other environmental budgetary operating expenditures were $7.4 million under budget, largely as a result of delays in the timing of costs associated with environmental liabilities in the Portland Harbor superfund site.

Capital Assets:
At the end of fiscal 2018, the Port had over $1.6 billion invested in a broad range of capital assets. This amount represents an increase (essentially additions offset by depreciation expense) of $76.8 million versus last year, as outlined in Table 3 (below).

Table 3
Capital Assets
($ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2018	2017	2018	2017	2018	2017	2017-2018
Land	$ 68.0	$ 68.0	$ 83.4	$ 83.4	$ 151.4	$ 151.4	
Construction in progress	174.2	125.8	23.9	25.7	198.1	151.5	
Total capital assets not being depreciated	242.2	193.8	107.3	109.1	349.5	302.9	15.4%
Land improvements	853.8	790.1	288.6	281.2	1,142.4	1,071.3	
Buildings and equipment	1,455.9	1,404.1	249.7	260.2	1,705.6	1,664.3	
Total capital assets being depreciated	2,309.7	2,194.2	538.3	541.4	2,848.0	2,735.6	4.1%
Less: accumulated depreciation	(1,203.8)	(1,123.7)	(377.9)	(375.8)	(1,581.7)	(1,499.5)	5.5%
Total capital assets being depreciated, net	1,105.9	1,070.5	160.4	165.6	1,266.3	1,236.1	2.4%
Total capital assets, net	$ 1,348.1	$ 1,264.3	$ 267.7	$ 274.7	$ 1,615.8	$ 1,539.0	5.0%

This year's major capital asset spending included:

Airport:
- Terminal improvements - $59.9 million
- Rental car facility construction - $24.0 million
- Public parking and consolidated rental car facility - $22.0 million
- Taxiway and runway rehabilitation and improvements - $21.2 million

Marine & Other:
- Terminal 4 berth rehabilitation and improvements - $2.8 million
- Industrial property improvements - $2.4 million
- Crane and crane improvements - $1.3 million
- Terminal 6 auto staging facility - $1.0 million

Please see Note 5 to the financial statements for more detailed information of capital asset activity.

The Port's 2019 capital budget estimates spending another $259 million on capital projects at the Airport and nearly $27 million in Marine & Other. Spending at the Airport is primarily slated for terminal improvements; a new public parking and consolidated rental car facility; pavement rehabilitation projects; and aircraft loading bridge replacements. These projects are budgeted to be funded by Airport operating revenues, federal grants, debt proceeds, PFC revenues, and CFC revenues. Capital spending for Marine & Other is budgeted principally for dry docking the dredge Oregon, infrastructure improvements at marine terminal and Rivergate facilities, industrial land improvements, and general aviation airport runway reconstruction. Funding for these projects is budgeted from operating revenues, property taxes, and federal, state, and other grants.

Debt Administration:
At the end of 2018, the Port had over $888 million in bonds, commercial paper, contracts and loans payable outstanding. This is a decrease from the prior year, as seen in Table 4 (below).

Table 4
Outstanding Long-Term Debt
($ millions)

	Airport		Marine & Other		Total Port		Total Percentage Change
	2018	2017	2018	2017	2018	2017	2017-2018
Pension bonds			$ 62.0	$ 65.4	$ 62.0	$ 65.4	(5.2)%
Revenue bonds	$ 645.2	$ 672.9			645.2	672.9	(4.1)%
PFC revenue bonds	127.8	135.3			127.8	135.3	(5.5)%
Contracts and loans payable			24.7	27.9	24.7	27.9	(11.6)%
	$ 773.0	$ 808.2	$ 86.7	$ 93.3	$ 859.7	$ 901.5	(4.6)%

The outstanding amount of Airport long-term debt decreased due to scheduled bond payments, offset partially by issuances under a new Airport commercial paper program. As of the end of fiscal 2018, the Airport revenue bonds were rated AA- by Standard & Poor's, which is among the highest underlying ratings for airport revenue bonds rated by that rating agency. The balance of PFC revenue bonds also decreased as a result of regularly scheduled bond payments.

In Marine & Other, the amount of outstanding long-term debt decreased as a result of scheduled payments made on pension bonds, contracts and loans payable.

Please see Note 6 to the financial statements for more detailed information of long-term debt activity.

Economic Factors and Next Year's Budgets and Rates:
As part of the Port's strategic planning and business planning process, regional, national, and global economic trends and forecasts are reviewed and assumptions regarding passenger, cargo, and population growth are coupled with these trends and forecasts to produce the annual budget. As our region continues to grow, most business lines are projected to show growth in fiscal 2019. Fiscal 2019 airline passenger volumes are forecast to increase 2.7 percent over the fiscal 2018 budget to a new historic high of 19.9 million passengers. At the Port's Marine & Other facilities and business parks, we see strong growth for our auto business, strong demand for our industrial properties, new business activity at Terminal 6, and our mineral bulk (soda ash and potash) tenants have made significant investments to position them to take advantage of trade growth resulting from economic growth in the region.

In the Port's 2019 adopted budget, total Port operating revenue is budgeted to increase about 9.0 percent over 2018 results to approximately $329.1 million largely as a result of revenues associated with increased land sales, throughput revenue at Terminal 6, and parking revenues. Total operating expenses (excluding depreciation and the non-cash impacts of GASB 68 on pension expense) are budgeted to increase by about 5.8 percent to approximately $205.0 million, reflecting higher costs related to increased land sales, longshore labor costs at Terminal 6, and increased salary and benefits costs, offset in part by lower environmental expense accruals in 2019.

Operating revenues for the Airport are budgeted to increase 2.2 percent to $247.4 million in the fiscal 2019 budget due primarily to parking and transportation network company revenues resulting from increased passenger volumes in 2019. Airport operating expenses (excluding depreciation and GASB 68 non-cash pension expense) are budgeted to increase about 5.8 percent to $132.9 million as a result of increased salary and benefits costs, outside services costs, and internal central services costs.

In Marine & Other, operating revenues are budgeted to increase by 36.6 percent to $81.7 million, primarily due to higher revenues for industrial land sales, Navigation division dredging, and throughput at Terminal 6 budgeted in fiscal 2019. Operating expenses (excluding depreciation and GASB 68 non-cash pension expense) are budgeted to increase by 5.7 percent to $72.1 million due to higher costs of property sold resulting from more budgeted land sales, longshore labor costs associated with increased activity at Terminal 6, higher salary and benefits costs, and higher insurance costs, offset in part by lower accrued environmental expenses in 2019. Property taxes are budgeted to comprise less than 1.0 percent of Port resources on a legal budget basis.

Contacting the Port's Financial Management:
This financial report is designed to provide users with a general overview of the Port's finances. If you have questions about this report or need additional financial information, contact the Port of Portland's Controller's Office, PO Box 3529, Portland, OR 97208.

BASIC FINANCIAL STATEMENTS

THE PORT OF PORTLAND
BALANCE SHEET
as of June 30, 2018
with comparative totals as of June 30, 2017

	2018 Airport	2018 Marine & Other	2018 Total	2017 Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 38,080	$ 47,462,291	$ 47,500,371	$ 36,391,524
Equity in pooled investments	110,152,416	206,857,337	317,009,753	313,769,341
Restricted cash and equity in pooled investments	73,839,620		73,839,620	76,145,788
Receivables, net of allowance for doubtful accounts of $485,000 in 2018 and $212,000 in 2017 for Airport and $180,000 in 2018 and $349,000 in 2017 for Marine & Other	16,583,620	11,828,525	28,412,145	25,276,599
Prepaid insurance and other assets	4,321,219	2,499,127	6,820,346	6,659,050
Total current assets	204,934,955	268,647,280	473,582,235	458,242,302
Noncurrent assets:				
Restricted assets:				
Cash and equity in pooled investments	399,835,985	2,728,553	402,564,538	436,256,370
Receivables	10,578,731		10,578,731	13,568,343
Total restricted assets	410,414,716	2,728,553	413,143,269	449,824,713
Land held for sale		57,280,912	57,280,912	61,661,577
Depreciable properties, net of accumulated depreciation	1,105,863,635	160,412,841	1,266,276,476	1,236,047,263
Nondepreciable properties	242,284,909	107,255,070	349,539,979	302,882,728
Unamortized bond issue costs	788,424	145,015	933,439	1,148,113
Due from Airport		29,310,530	*	*
Other noncurrent assets	1,686,228	517,454	2,203,682	3,330,149
Total noncurrent assets	1,761,037,912	357,650,375	2,089,377,757	2,054,894,543
Deferred outflows of resources:				
Deferred charges on refunding bonds	22,571,834		22,571,834	25,220,991
Deferred charges on pensions and OPEB	14,146,018	17,091,584	31,237,602	54,059,388
Cumulative decrease in fair value of hedging derivative	5,864,000		5,864,000	9,202,000
Total deferred outflows of resources	42,581,852	17,091,584	59,673,436	88,482,379
Total assets	$ 2,008,554,719	$ 643,389,239	$ 2,622,633,428	$ 2,601,619,224
LIABILITIES				
Current liabilities (payable from current assets):				
Current portion of long-term debt	$ 28,500,000	$ 4,446,288	$ 32,946,288	$ 4,231,403
Accounts payable and other accrued liabilities	22,142,502	27,151,818	49,294,320	33,008,137
Accrued wages, vacation and sick leave pay	5,554,245	5,266,566	10,820,811	13,369,377
Workers' compensation and other accrued liabilities	3,124,104	4,524,424	7,648,528	7,382,970
Total current liabilities (payable from current assets)	59,320,851	41,389,096	100,709,947	57,991,887
Restricted liabilities (payable from restricted assets)				
Current portion of long-term debt and other	38,370,768		38,370,768	36,290,686
Accrued interest payable	16,476,516		16,476,516	16,360,939
Accounts payable	16,563,717		16,563,717	21,648,700
Contract retainage payable	2,428,619		2,428,619	1,845,463
Total restricted current liabilities (payable from restricted assets)	73,839,620		73,839,620	76,145,788
Total current liabilities	133,160,471	41,389,096	174,549,567	134,137,675
Noncurrent liabilities:				
Long-term environmental and other accruals	12,698,087	47,605,532	60,303,619	75,243,133
Long-term debt	795,499,965	82,232,012	877,731,977	926,475,795
Unearned revenue and other	45,345,708	26,673,422	72,019,130	71,854,027
Net pension and OPEB liability	42,547,957	50,508,217	93,056,174	103,193,124
Due to Marine & Other	29,310,530		*	*
Total noncurrent liabilities	925,402,247	207,019,183	1,103,110,900	1,176,766,079
Deferred inflows of resources:				
Deferred pension inflows	2,203,826	2,606,781	4,810,607	1,617,435
Total deferred inflows of resources	2,203,826	2,606,781	4,810,607	1,617,435
Total liabilities	1,060,766,544	251,015,060	1,282,471,074	1,312,521,189
NET POSITION				
Net investment in capital assets	598,048,797	303,902,259	901,951,056	891,369,870
Restricted for capital and debt service	310,911,048	2,728,553	313,639,601	273,712,581
Unrestricted	38,828,330	85,743,367	124,571,697	124,015,584
Total net position	947,788,175	392,374,179	1,340,162,354	1,289,098,035
Total liabilities and net position	$ 2,008,554,719	$ 643,389,239	$ 2,622,633,428	$ 2,601,619,224

* Receivables and payables between activities are eliminated in the Total columns.

The accompanying notes are an integral part of these financial statements.

THE PORT OF PORTLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
for the year ended June 30, 2018
with comparative totals for the year ended June 30, 2017

	2018			2017
	Airport	Marine & Other	Total	Total
Operating revenues:				
Charges for services	$ 241,977,057	$ 50,761,895	$ 292,738,952	$ 304,075,436
Land sales		7,830,309	7,830,309	37,429,282
Other	10,119	1,204,411	1,214,530	163,699
Total operating revenues	241,987,176	59,796,615	301,783,791	341,668,417
Operating expenses:				
Salaries, wages and fringe benefits	53,006,225	43,974,574	96,980,799	96,330,712
Longshore labor and fringe benefits		4,106,598	4,106,598	779,744
Contract, professional and consulting services	34,259,947	22,634,772	56,894,719	35,583,353
Materials and supplies	6,005,588	1,688,128	7,693,716	9,110,754
Utilities	11,566,831	3,570,010	15,136,841	13,348,615
Equipment rents, repair and fuel	1,434,655	2,020,989	3,455,644	2,721,649
Insurance	1,841,819	955,815	2,797,634	3,826,226
Rent		2,634,380	2,634,380	2,308,778
Travel and management expense	3,702,878	1,214,229	4,917,107	4,553,943
Intra-Port charges and expense allocations	20,385,321		20,385,321	23,360,636
Cost of land sold		6,885,637	6,885,637	24,197,983
Other	1,574,701	1,230,059	2,804,760	3,575,769
Less expenses for capital projects	(1,520,900)	(17,164,151)	(18,685,051)	(18,625,097)
Total operating expenses, excluding depreciation	132,257,065	73,751,040	206,008,105	201,073,065
Operating income before depreciation	109,730,111	(13,954,425)	95,775,686	140,595,352
Depreciation expense	92,410,076	20,183,339	112,593,415	103,547,969
Total operating expenses, including depreciation	224,667,141	93,934,379	318,601,520	304,621,034
Operating income (loss)	17,320,035	(34,137,764)	(16,817,729)	37,047,383
Nonoperating revenues (expenses):				
Property tax revenue		12,055,459	12,055,459	11,585,839
Passenger facility charge revenue	38,140,595		38,140,595	37,683,868
Customer facility charge revenue	15,551,097		15,551,097	16,147,364
Interest expense, net of capitalized construction period interest of $17,301,142 in 2018 and $10,530,085 in 2017 for Airport	(18,863,735)	(5,322,583)	(24,186,318)	(26,725,498)
Interest revenue	4,856,547	3,367,831	8,224,378	7,828,225
Other (expense) income, including loss on disposal of properties	(3,791,903)	9,934,565	6,142,662	(6,973,785)
Nonoperating revenues	35,892,601	20,035,272	55,927,873	39,546,013
Income (loss) before contributions and transfers	53,212,636	(14,102,492)	39,110,144	76,593,396
Capital contributions and reversions	10,338,147	1,616,028	11,954,175	18,858,752
Transfers (out) in	(609,043)	609,043		
Change in net position	62,941,740	(11,877,421)	51,064,319	95,452,148
Total net position - beginning of year	884,846,435	404,251,600	1,289,098,035	1,193,645,887
Total net position - end of year	$ 947,788,175	$ 392,374,179	$ 1,340,162,354	$ 1,289,098,035

The accompanying notes are an integral part of these financial statements.

THE PORT OF PORTLAND
STATEMENT OF CASH FLOWS
for the year ended June 30, 2018
with comparative totals for the year ended June 30, 2017

	2018			2017
	Airport	Marine & Other	Total	Total
Cash flows from operating activities:				
Cash received from customers	$ 240,091,576	$ 57,871,435	$ 297,963,011	$ 337,718,549
Cash payments to employees	(50,040,250)	(40,792,881)	(90,833,131)	(105,963,131)
Cash payments to suppliers and vendors	(56,250,304)	(31,744,970)	(87,995,274)	(68,511,594)
Cash payments (to) from other funds	(22,560,955)	22,560,955		
Net cash provided by operating activities	111,240,067	7,894,539	119,134,606	163,243,824
Cash flows from noncapital financing activities:				
Property taxes		12,071,897	12,071,897	11,547,907
Net cash provided by noncapital financing activities		12,071,897	12,071,897	11,547,907
Cash flows from capital and related financing activities:				
Capital expenditures	(162,669,385)	(16,158,336)	(178,827,721)	(149,194,419)
Sale of properties	(29,019)	103,261	74,242	181,311
Net proceeds from issuance of debt	28,500,000		28,500,000	264,284,067
Interest paid	(38,896,321)	(6,942,090)	(45,838,411)	(36,351,395)
Proceeds from passenger facility charges	37,900,189		37,900,189	36,183,847
Proceeds from customer facility charges	16,116,008		16,116,008	15,542,977
Principal payments and redemptions on long-term debt	(35,110,000)	(4,974,103)	(40,084,103)	(39,634,927)
Contributions from governmental agencies	13,003,885	4,900,715	17,904,600	15,499,671
Cash transfers (to) from other Port divisions, net	(609,043)	609,043		
Other, primarily nonoperating expense	(3,754,463)	9,903,167	6,148,704	(6,521,111)
Net cash (used in) provided by capital and related financing activities	(145,548,149)	(12,558,343)	(158,106,492)	99,990,021
Cash flows from investing activities:				
Interest received	2,306,300	2,944,948	5,251,248	3,571,486
Investment activity:				
Purchases	(197,127,201)	(87,023,141)	(284,150,342)	(561,502,879)
Proceeds from sales or maturities	229,118,783	87,789,147	316,907,930	270,236,985
Net cash provided by (used in) investing activities	34,297,882	3,710,954	38,008,836	(287,694,408)
Net (decrease) increase in cash and cash equivalents	(10,200)	11,119,047	11,108,847	(12,912,656)
Cash and cash equivalents - beginning of year	48,280	36,343,244	36,391,524	49,304,180
Cash and cash equivalents - end of year	$ 38,080	$ 47,462,291	$ 47,500,371	$ 36,391,524
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ 17,320,035	$ (34,137,764)	$ (16,817,729)	$ 37,047,383
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	92,410,076	20,183,339	112,593,415	103,547,969
Cost of land sales		6,885,637	6,885,637	24,197,983
Non cash pension and OPEB expense	3,492,470	5,203,764	8,696,234	11,576,744
Amortization of unearned revenue	(866,155)	(2,119,754)	(2,985,909)	(7,434,491)
Non cash revenue for fixed assets received				(7,401,100)
Change in assets and liabilities:				
Receivables and other current assets	(3,749,050)	(1,346,763)	(5,095,813)	(771,071)
Land held for sale				(12,594,849)
Accounts payable and accruals	3,237,589	11,256,782	14,494,371	4,729,824
Long-term environmental and other accruals	(3,411,415)	676,169	(2,735,246)	(1,058,845)
Additions to unearned revenue	2,806,517	1,293,129	4,099,646	11,404,277
Net cash provided by operating activities	$ 111,240,067	$ 7,894,539	$ 119,134,606	$ 163,243,824
Noncash investing, capital, and related financing activities:				
Interest payable in future years		$ 576,035	$ 576,035	$ 717,495

The accompanying notes are an integral part of these financial statements.

1. Description of the Port and Summary of Significant Accounting Policies:

The Port

The Port of Portland (the Port) is a special municipal district created by the Oregon State Legislature. It is governed by a nine-member Board of Commissioners who are appointed by the Governor of the State; Commissioners serve four year terms without compensation. The Port facilitates aviation and marine trade within the Port District (Multnomah, Clackamas, and Washington Counties), and its influence spreads over a multi-state region. The Port owns and operates Portland International Airport (the Airport), which provides the metropolitan area with commercial airline passenger service, air cargo services, and general aviation service. The Port also owns two general aviation airports, four marine terminals, a dredge, six industrial and business parks, and develops land principally to support, enhance, and expand its core transportation operations. Principal funding sources are charges to users, revenue bonds, grants, interest earnings, passenger facility charges, customer facility charges, and, to a lesser extent, property tax levies. Its activities are carried out by a staff of approximately 772 full-time equivalent persons.

Basis of Accounting

The accounting and reporting policies of the Port conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to proprietary funds of local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Accordingly, the Port utilizes the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

Intra-Port Charges and Expense Allocations

Labor and associated costs for services performed by one functional area of the Port to another area, most commonly by administrative departments, are charged in the accounting records as an expense to the receiver of services and as a credit to expense to the provider of services. The amount charged includes labor, fringe benefits, and an allocated portion of other costs, including materials and supplies, utilities, contract services, insurance, rent and depreciation. All other administrative department costs not charged in this manner are allocated as overhead based on a formula involving full time equivalent positions, legal services rendered, and operating expenses.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Operating Revenues and Expenses

Revenues and expenses that are earned or incurred during the course of normal business operations are classified as operating. Revenues and expenses that are earned or incurred outside of the course of normal operations, including interest income and expense, property tax revenue, customer facility charges, and passenger facility charges, are classified as nonoperating.

Restricted Assets and Related Liabilities

Assets and related liabilities restricted to specific purposes by state statute, bond indenture or otherwise are segregated on the balance sheet. These assets and liabilities are primarily restricted for construction and debt service purposes. When both restricted and unrestricted resources are available for use, it is the Port's policy to generally consider restricted assets to be used first over unrestricted assets.

1. Description of the Port and Summary of Significant Accounting Policies, continued:

Land Held for Sale

Land held for sale includes costs of land acquisition and development on property held for eventual sale. Land held for sale is stated at the lower of average cost or net realizable value. Costs that are capitalized consist of acquisition and development costs incurred to bring the land to salable condition, including interest. At closing, sales and related cost of land are recorded as operating revenues and expenses.

Properties and Depreciation

Properties, other than lease improvements acquired upon termination of operating leases, are stated at cost less accumulated depreciation, including capitalized interest. Interest income earned on investments from tax-exempt debt is offset against capitalized interest expense. Properties with an individual purchase cost exceeding $5,000 with a useful life exceeding one year are capitalized, and depreciable properties are depreciated over their estimated useful lives on a straight-line basis. The useful lives generally range from 5 to 40 years for land improvements; 5 to 40 years for buildings, building components, and terminals; and 2 to 15 years for equipment. Normal maintenance and repairs are charged to operating expense as incurred; expenditures for major additions, improvements, infrastructure, and replacements are capitalized. The cost of assets retired or otherwise disposed of and related accumulated depreciation are eliminated from the accounts in the year of disposal with the resulting gain or loss credited or charged to nonoperating revenue or expense.

Amortization of Bond Issue Costs

Bond issue costs related to prepaid insurance costs are amortized over the life of the related debt and reported as a noncurrent asset on the balance sheet. The difference between the reacquisition price and the net carrying amount of old debt arising from defeasance and refunding transactions is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is reported as a deferred outflow of resources on the balance sheet. Amortization is included in interest expense. All other bond issuance costs are expensed as incurred.

Accrued Vacation and Sick Leave Pay

Vacation and sick leave pay are accrued as earned for most employees, based on length of past service, up to a maximum number of hours per employee. Vacation and sick leave liabilities are reduced when leave is taken, and unused portions are paid off upon termination to the extent allowed for in Port policy.

Unearned Revenue

Unearned revenue typically represents prepaid lease financing related to real property development projects and transactions and is generally amortized over the life of the related lease. Lease terms generally range from 5 to 55 years. Unearned revenue is reported as a noncurrent liability on the balance sheet.

Accounting for Contributions from Federal Government and Other

Capital grants and other contributions from governmental agencies are recorded as net position when earned. Operating grants are recorded as revenue when earned. Lease improvements acquired upon termination of leases are included in properties and credited to net position at estimated fair value at date of acquisition.

Property Taxes

Property taxes are used for capital and debt service purposes. Property taxes are recorded as nonoperating revenue in the year levied. Property taxes are levied and attached as an enforceable lien on property as of July 1. Taxes are payable in three installments on November 15, February 15, and May 15.

Cash and Cash Equivalents

Highly liquid investments (excluding restricted investments) with a maturity of three months or less when purchased are considered cash equivalents.

1. Description of the Port and Summary of Significant Accounting Policies, continued:

Environmental Remediation Liabilities

The Port records future pollution remediation costs that meet measurement criteria outlined in GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." Those criteria require accrual of pollution remediation obligation amounts when a) one of certain obligating events occurs, and b) the amount can be reasonably estimated. Obligating events include imminent endangerment to public health or welfare or the environment; violation of a pollution prevention-related permit or license; evidence that the Port will be named as a responsible party, or potentially responsible party, for sharing costs; evidence that the Port will be named in a lawsuit to compel participation in remediation; and the Port commencing or legally obligating itself to commence pollution remediation. Costs for pollution remediation obligations are expensed unless expenditures meet specific criteria which allow them to be capitalized. Capitalization criteria include preparation of an asset for sale; preparation of property for use when the property was acquired with known or suspected pollution that was expected to be remediated; performing pollution remediation that restores a pollution-caused decline in service utility that was recognized as an asset impairment; and acquisition of property, plant and equipment that have a future alternative use.

Passenger Facility Charges

Passenger facility charges (PFCs) are imposed on enplaned passengers at the Airport. PFC revenue is recorded as nonoperating revenue and is required to be used to fund Federal Aviation Administration approved expenditures for capital projects or debt repayments eligible under federal legislation permitting the imposition of PFCs.

Customer Facility Charges

Customer facility charges (CFCs) are imposed on rental car transactions at the Airport. CFC revenue is recorded as nonoperating revenue and is required by Port ordinance to be used to fund rental car-related projects, programs and related expenses.

Cash and Investments

The Port pools the majority of its cash and investments and uses a controlled disbursement system in order to maximize earnings on available funds. Investments are stated at fair value based upon evaluated quotes from independent pricing vendors. Oregon Revised Statutes, Chapter 294 or Port ordinances, if more restrictive, authorize the Port to invest in obligations of the U.S. Treasury and U.S. Government agencies and instrumentalities, bankers' acceptances guaranteed by an Oregon financial institution, repurchase agreements, and certain corporate indebtedness. In addition, the Marine & Other activity is authorized to invest in a State of Oregon local government investment pool and various interest bearing municipal bonds.

Budgets

The Port budgets all funds in accordance with the requirements of State of Oregon (State) law. The Port Commission authorizes appropriations for each fund, setting the level by which expenditures cannot legally exceed appropriations. Total expenditures by department in the General Fund, operating expenditures in the Airport Revenue Fund, and capital outlay and debt service in the other funds are the levels of control for each fund. The detail budget document, however, is required to contain more specific, detailed information for the above mentioned expenditure categories. Appropriations lapse at the end of each fiscal year.

With the approval of the Port Commission, unexpected additional resources may be appropriated through the use of a supplemental budget. The original and supplemental budgets require budget hearings before the public, publications in newspapers, and approval by the Commission for submittal to the Multnomah County Tax Supervising and Conservation Commission (TSCC). The TSCC conducts a review and certification of the original and certain supplemental budgets to comply with State law. After TSCC certification, such budgets are presented to the Port Commission for adoption. Original and supplemental budgets may be modified during the fiscal year by the use of appropriations transfers between the legal categories. Such transfers require approval by the Port Commission. The Port adopted one supplemental budget for the year ended June 30, 2018 and no supplemental budgets for the year ended June 30, 2017.

1. Description of the Port and Summary of Significant Accounting Policies, continued:

The Port budgets all funds on an accrual basis. For budgetary reporting purposes, State law requires that charges for services provided and certain expense allocations, from one fund to another fund, be reported as transfers to other funds, rather than as operating or capital expenditures.

Transfers Between Activities

The Port's policy is to fund certain general aviation (Marine & Other activity) requirements from the Airport activity. Amounts funded in this manner are reported as transfers on the statement of revenues, expenses, and changes in net assets.

Internal Receivables and Payables

Intra-Port receivables and payables between activities are eliminated in the total column of the balance sheet.

Prior Year Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a complete presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Port's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Reclassifications

Certain 2017 amounts have been reclassified to conform to current year classification. These reclassifications have no effect on previously reported net income, net position, or cash flows.

New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," (GASB 75) effective for the Port's fiscal year beginning July 1, 2017. The statement establishes standards for governmental employer recognition, measurement, and presentation of information about postemployment benefits other than pensions (OPEB), and also establishes requirements for reporting information about financial support provided by certain nonemployer entities for OPEB that is provided to the employees of other entities. Accounting changes adopted to conform to the provisions of GASB 75 have been applied retroactively, and fiscal 2017 has been restated. The impacts of the restatement are summarized in the following table (in thousands):

Balance Sheet	As previously reported	As restated
Noncurrent assets:		
Other noncurrent assets	$ 3,495	$ 3,330
Deferred outflows of resources:		
Deferred charges on pensions and OPEB	53,688	54,059
Noncurrent liabilities:		
Long-term environmental and other accruals	70,169	75,243
Net position:		
Unrestricted	128,883	124,016
Statement of Revenues, Expenses, and Changes in Net Position		
Operating expenses:		
Salaries, wages, and fringe benefits	116,510	116,355
Change in net position:		
Total net position - beginning of year (July 1, 2016)	1,198,668	1,193,646

1. Description of the Port and Summary of Significant Accounting Policies, continued:

In March 2016, the GASB issued Statement No. 81, "Irrevocable Split-Interest Agreements," effective for the Port's fiscal year beginning July 1, 2017. The statement establishes accounting and financial reporting standards for irrevocable split-interest agreements created through trusts in which a donor irrevocably transfers resources to an intermediary who administers these resources for the unconditional benefit of a government and at least one other beneficiary. The adoption of this statement did not have a material effect on the Port's financial statements.

In November 2016, the GASB issued Statement No. 83, "Certain Asset Retirement Obligations," effective for the Port's fiscal year beginning July 1, 2018. This statement establishes standards of accounting and financial reporting for certain asset retirement obligations. The statement establishes criteria for determining the timing and pattern of recognition for a liability and a corresponding deferred outflow of resources for asset retirement obligations. The Port is currently evaluating the effects this statement will have on its financial statements.

In January 2017, the GASB issued Statement No. 84, "Fiduciary Activities," effective for the Port's fiscal year beginning July 1, 2019. The statement establishes standards of accounting and financial reporting for fiduciary activities. The Port is currently evaluating the effects this statement will have on its financial statements.

In March 2017, the GASB issued Statement No. 85, "Omnibus 2017," effective for the Port's fiscal year beginning July 1, 2018. The statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and pensions and other postemployment benefits. The Port is currently evaluating the effects this statement will have on its financial statements.

In May 2017, the GASB issued Statement No. 86, "Certain Debt Extinguishment Issues," effective for the Port's fiscal year beginning July 1, 2017. The statement establishes standards of accounting and financial reporting for in-substance defeasance transactions in which a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish debt. The statement also requires that any prepaid insurance associated with the debt be included in the net carrying amount of that debt and establishes additional disclosure requirements. The adoption of this statement did not have a material effect on the Port's financial statements.

In June 2017, the GASB issued Statement No. 87, "Leases," effective for the Port's fiscal year beginning July 1, 2020. The statement establishes standards of accounting and financial reporting for leases by lessees and lessors, and establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Port is currently evaluating the effects this statement will have on its financial statements.

In March 2018, the GASB issued Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements," effective for the Port's fiscal year beginning July 1, 2018. The statement defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement disclosure requirements related to debt obligations of governments. The Port is currently evaluating the effects this statement will have on its financial statements.

In June 2018, the GASB issued Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period," effective for the Port's fiscal year beginning July 1, 2020. The statement establishes accounting requirements for interest cost incurred before the end of a construction period. The Port is currently evaluating the effects this statement will have on its financial statements.

2. Identifiable Activity Information:

The Airport is an identifiable activity in and of itself, providing commercial airline passenger service, air cargo services, and general aviation services. The activities comprising Marine & Other are the Port's marine terminals, which load, unload, and transfer commodities to and from trucks, railcars, barges, and ships; industrial development, which is responsible for real estate development and related services; environmental, which includes costs and recoveries associated with environmental cleanup not directly attributable to specific Port facilities, or which pertain to facilities for which operations have been discontinued; navigation, which performs maintenance dredging for the Columbia River channel and maintains a river level reporting system; general aviation, which provides general aviation relief services; engineering,

2. Identifiable Activity Information, continued:

which provides drafting, environmental planning, permit coordination, and engineering support for the Port; and administrative departments (admin), which provide support and services to the Port's operating departments.

Balance sheet information for Marine & Other is not available at the identifiable activity level. Identifiable activity information available for Marine & Other for the year ended June 30, 2018 was as follows (in thousands):

	Marine Terminals	Industrial Development	Environmental	Navigation	General Aviation	Engineering & Admin	Total
Operating revenues	$ 26,051	$ 13,257		$ 15,700	$ 4,626	$ 163	$ 59,797
Operating expenses	31,932	13,317	$ 12,052	13,212	4,741	(1,502)	73,752
Depreciation expense	11,084	793		2,690	3,951	1,665	20,183
Operating (loss) income	$ (16,965)	$ (853)	$ (12,052)	$ (202)	$ (4,066)	$	$ (34,138)
Capital contributions	$ 323	$ 1,594			$ (301)		$ 1,616
Properties activity:							
Additions	$ 6,315	$ 2,912		$ 3,308	$ 1,408	$ 1,746	$ 15,689
Deletions	(9,590)			(6,371)	(30)	(2,446)	(18,437)

3. Cash and Investments:

Following are the Port's balance sheet classifications for cash and investments:

Balance sheet classification:	2018			2017
	Airport	Marine & Other	Total	Total
Unrestricted cash and cash equivalents	$ 38,080	$ 47,462,291	$ 47,500,371	$ 36,391,524
Unrestricted equity in pooled investments	110,152,416	206,857,337	317,009,753	313,769,341
Restricted cash and equity in pooled investments	473,675,605	2,728,553	476,404,158	512,402,158
	$ 583,866,101	$ 257,048,181	$ 840,914,282	$ 862,563,023

At June 30, 2018, the Port had the following cash and investments and maturities for the Airport:

	Investment Maturities (in years)				
	Less than 1	1 - 2	2 - 3	3 - 5	Value
U.S. Treasuries	$ 31,453,385	$ 13,535,674	$ 5,526,994	$ 11,761,548	$ 62,277,601
U.S. Agencies	113,441,196	91,701,827	66,021,259	34,298,762	305,463,044
Municipal debt	4,662,251	2,617,746	1,383,041	1,416,302	10,079,340
Corporate indebtedness	48,304,154	21,860,803	15,691,647	11,083,102	96,939,706
	$ 197,860,986	$ 129,716,050	$ 88,622,941	$ 58,559,714	474,759,691
Cash and cash equivalents					38,080
Restricted deposits held in trust accounts					109,068,330
					$ 583,866,101

3. Cash and Investments, continued:

Following are the cash and investments and maturities for Marine & Other at June 30, 2018:

	Investment Maturities (in years)				
	Less than 1	1 - 2	2 - 3	3 - 5	Value
U.S. Treasuries	$ 3,458,000	$ 2,173,306	$ 3,237,806	$ 6,890,112	$ 15,759,224
U.S. Agencies	38,960,319	45,064,201	38,676,356	20,092,788	142,793,664
Municipal debt	2,731,224	1,533,519	810,208	829,693	5,904,644
Corporate indebtedness	16,636,839	12,806,423	9,192,429	6,492,667	45,128,358
	$ 61,786,382	$ 61,577,449	$ 51,916,799	$ 34,305,260	209,585,890
State of Oregon local government investment pool					40,413,046
Cash and deposits with financial institutions					7,049,245
					$ 257,048,181

Deposits with financial institutions include bank demand deposits. The total bank balance as shown on the bank statements was $14,447,167. Of these deposits, $250,000 was covered by federal depository insurance and $14,197,167 was covered by collateral pledged by the Port's qualified depositories. In accordance with ORS 295, the collateral pledged is held by the agent of the qualified depositories; is designated as subject to the Pledge Agreement between the agent, the qualified depositories, and the Oregon Office of the State Treasurer (OST); and is held for the benefit of the OST on behalf of the Port.

Fair value is defined in accounting standards as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair values hierarchy is based upon the activity level in the market for the security type and the inputs used to determine fair market value, as follows:

Level 1 – Unadjusted quoted prices in active markets for identical instruments.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

Not leveled – Cash and cash equivalents and the Oregon Short-Term Fund investment pool are not measured at fair value and, thus, are not subject to the fair value disclosure requirements.

The Port's investments are valued using evaluated quotes from independent pricing vendors. The third-party vendors use a variety of methods when pricing these securities that incorporate relevant observable market data to arrive at an estimate of what a buyer in the marketplace would pay for a security under current market conditions. All of the Port's investments at June 30, 2018 are considered level 2.

To address interest rate risk and limit its exposure to fair value losses arising from rising interest rates, the Port's investment policy places restrictions on the maturities of the Port's investment portfolio. Investment maturities are limited as follows:

Maturity	Minimum Investment
Two years and under	55% of par value
Three years and under	75% of par value
Five years and under	100% of par value

3. Cash and Investments, continued:

Oregon Revised Statutes (ORS) limit investments in corporate indebtedness to those rated P-1 or Aa or better by Moody's Investors Service or A-1 or AA or better by Standard and Poor's Corporation or equivalent rating by any nationally recognized statistical rating organization. Port investment policy on credit risk follows ORS requirements. At June 30, 2018, all corporate indebtedness in the Port's investment portfolio met or exceeded these ratings requirements.

Oregon Revised Statutes (ORS) limit investments in municipal debt to those lawfully issued debt obligations of the agencies and instrumentalities of the State of Oregon and its political subdivisions that have a long-term rating of A or an equivalent rating or better or are rated on the settlement date in the highest category for short-term municipal debt by a nationally recognized statistical rating organization. In addition, lawfully issued debt obligations of the agencies and instrumentalities of the States of California, Idaho and Washington and political subdivisions of those states are authorized if the obligations have a long-term rating of AA or an equivalent rating or better or are rated on the settlement date in the highest category for short-term municipal debt by a nationally recognized statistical rating organization. Port investment policy on credit risk follows ORS requirements. At June 30, 2018, all municipal debt in the Port's investment portfolio met or exceeded these ratings requirements.

A portion of the Port's investments are invested in an external investment pool, the Oregon Short-Term Fund (Fund). Numerous local governments in Oregon, as well as State agencies, participate in the Fund. The fair value of the Port's position in the pool is the same as the value of the pool shares. The Fund is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by Oregon Revised Statutes and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council. Investments in the Fund are further governed by portfolio guidelines issued by the Fund Board. While the Fund itself is not rated, the Fund's policies provide that the composite minimum weighted average credit quality rating for the Fund's holdings are the equivalent of AA for Standard and Poor's.

As required by federal law, the Port held investments (classified as restricted assets) with a par value of $2,550,000 at June 30, 2018 and 2017, as collateral for certain accrued liabilities for workers' compensation (Note 10). Federal law requires these investments to be in only certain prescribed negotiable securities.

Certain investment earnings are paid to the Airport from the Port General Fund pooled investments when earned. At June 30, 2018 and 2017, approximately $353,468,000 and $310,354,000, respectively, of the Airport's investments represent a share of the Port's total investments.

4. Receivables:

Port operations are concentrated within the aviation industry for the Airport and the industrial property market and marine shipping industry for Marine & Other. Principal customers in these industries are national airlines, tenants of large Port industrial properties, and international steamship lines/agents. Each of these principal customers is affected by changes in industry market and other economic conditions. The Port evaluates the financial capacity of prospective and current customers to determine their ability to pay amounts due on a timely basis. Various forms of collateral, including irrevocable standby letters of credit and pledges from other related industry customers under a joint agreement, are obtained from certain customers, mainly for the Airport, where these pledges encompass substantially all trade receivables. Accounts receivable are monitored on an ongoing basis, and allowances for doubtful accounts are established and maintained. Total trade receivables for the aviation industry were approximately $24,400,000 at June 30, 2018 and $21,100,000 at June 30, 2017. Total trade receivables for the marine shipping industry were approximately $2,500,000 at June 30, 2018 and $1,600,000 at June 30, 2017. Total grants receivable for the Airport were approximately $3,100,000 at June 30, 2018 and $5,700,000 at June 30, 2017. Total grant receivables for marine and other were approximately $1,400,000 at June 30, 2018 and $4,800,000 at June 30, 2017. Other significant receivables include interest on investments and a dredging contract.

5. Properties:

Properties activity for the year ended June 30, 2018 was as follows:

Airport:	Beginning Balances	Additions	Disposals & Transfers	Completed Projects	Ending Balances
Capital Assets being depreciated:					
Land improvements	$ 790,120,748		$ (1,730,438)	$ 65,500,796	$ 853,891,106
Buildings and equipment	1,404,127,690		(10,471,946)	62,194,721	1,455,850,465
Total capital assets being depreciated	2,194,248,438		(12,202,384)	127,695,517	2,309,741,571
Less accumulated depreciation:					
Land improvements	420,345,852	$ 33,766,381	(1,730,438)		452,381,795
Buildings and equipment	703,408,458	58,643,695	(10,556,012)		751,496,141
Total accumulated depreciation	1,123,754,310	92,410,076	(12,286,450)		1,203,877,936
Total capital assets being depreciated, net	1,070,494,128	(92,410,076)	84,066	127,695,517	1,105,863,635
Capital assets not being depreciated:					
Land	68,042,167				68,042,167
Construction in progress	125,744,977	176,176,305	16,977	(127,695,517)	174,242,742
Total capital assets not being depreciated	193,787,144	176,176,305	16,977	(127,695,517)	242,284,909
Airport capital assets, net	$ 1,264,281,272	$ 83,766,229	$ 101,043	$	$ 1,348,148,544
Marine & Other:					
Capital Assets being depreciated:					
Land improvements	$ 281,220,418		$ (984,449)	$ 8,304,139	$ 288,540,108
Buildings and equipment	260,159,588		(17,147,295)	6,720,819	249,733,112
Total capital assets being depreciated	541,380,006		(18,131,744)	15,024,958	538,273,220
Less accumulated depreciation:					
Land improvements	186,494,785	$ 10,195,747	(984,450)		195,706,082
Buildings and equipment	189,332,086	9,987,592	(17,165,381)		182,154,297
Total accumulated depreciation	375,826,871	20,183,339	(18,149,831)		377,860,379
Total capital assets being depreciated, net	165,553,135	(20,183,339)	18,087	15,024,958	160,412,841
Capital assets not being depreciated:					
Land	83,417,483				83,417,483
Construction in progress	25,678,100	13,361,862	(177,417)	(15,024,958)	23,837,587
Total capital assets not being depreciated	109,095,583	13,361,862	(177,417)	(15,024,958)	107,255,070
Marine & Other capital assets, net	$ 274,648,718	$ (6,821,477)	$ (159,330)	$	$ 267,667,911

The ordinances authorizing the issuance of Airport revenue and PFC revenue bonds do not convey title to or mortgage the Airport or any part thereof; however, the Port covenants not to encumber or dispose of Airport properties other than as specifically permitted in the ordinances and in certain grant agreements. In Marine & Other, the Port has granted a lender a first lien on two watercraft used by its navigation activity as security for related loans.

The Port leases to others certain land, buildings, and equipment at various locations for terms ranging from 2 to 92 years. All leases are accounted for as operating leases. Costs of properties leased at June 30, 2018 included above are:

	Airport	Marine & Other	Total Port
Land and improvements	$ 4,446,566	$ 31,420,645	$ 35,867,211
Building & equipment	695,052,835	41,798,523	736,851,358
	699,499,401	73,219,168	772,718,569
Accumulated depreciation	(439,705,653)	(33,393,283)	(473,098,936)
	$ 259,793,748	$ 39,825,885	$ 299,619,633

5. Properties, continued:

Minimum future rentals receivable on noncancelable operating leases for the five succeeding fiscal years and thereafter are:

	Airport	Marine & Other	Total Port
2019	$ 49,728,000	$ 16,694,000	$ 66,422,000
2020	46,653,000	13,703,000	60,356,000
2021	24,700,000	13,363,000	38,063,000
2022	19,015,000	10,677,000	29,692,000
2023	13,720,000	9,447,000	23,167,000
Thereafter	69,404,000	135,132,000	204,536,000
Total	$ 223,220,000	$ 199,016,000	$ 422,236,000

Contingent rental revenues are included in operating revenues, primarily for Airport terminal area space, and were as follows in 2018 and 2017:

	Airport	Marine & Other	Total Port
2018	$ 75,500,000	$ 4,200,000	$ 79,700,000
2017	$ 72,400,000	$ 4,600,000	$ 77,000,000

6. Long-Term Debt:

At June 30, 2018, long-term debt consisted of the following:

	Pension	Airport Revenue	Passenger Facility Charge Revenue	Commercial Paper
Limited Tax Pension bonds:				
2002 Series (issued in fiscal 2002, original issue $54,952,959):				
7.36% to 7.41%, due serially through fiscal 2020	$ 1,734,398			
6.85%, due serially from fiscal 2020 through fiscal 2028	37,320,000			
6.6%, due fiscal 2025	6,205,000			
2005 Series (issued in fiscal 2006, original issue $20,230,000):				
4.859%, due fiscal 2020	2,085,000			
5.004%, due fiscal 2028	12,995,000			
Portland International Airport revenue bonds:				
Series Eighteen (issued in fiscal 2008, original issue $138,890,000 variable interest rate):				
currently 1.60%, due fiscal 2027		$ 36,830,000		
currently 1.58%, due fiscal 2027		36,835,000		
Series Twenty (issued in fiscal 2011, original issue $157,050,000):				
5.0%, due serially through fiscal 2029		67,055,000		
3.0% to 5.0%, due serially through fiscal 2031		19,230,000		
4.25%, due fiscal 2041		16,640,000		
Series Twenty-One A and B (issued in fiscal 2011, original issue $56,770,000):				
5.0%, due serially through fiscal 2019		8,210,000		
Series Twenty-One C (issued in fiscal 2012, original issue $27,685,000):				
4.375% to 5.0%, due serially through fiscal 2024		27,685,000		
Series Twenty-Two (issued in fiscal 2015, original issue $90,050,000):				
4.0% to 5.0%, due serially through fiscal 2035		41,695,000		
5.0%, due fiscal 2040		21,245,000		
5.0%, due fiscal 2045		27,110,000		
Series Twenty-Three (issued in fiscal 2015, original issue $109,440,000):				
5.0%, due serially through fiscal 2036		86,190,000		
5.0%, due fiscal 2039		23,250,000		
Series Twenty-Four (issued in fiscal 2017, original issue $233,240,000):				
5.0%, due serially through fiscal 2038		113,110,000		
5.0%, due fiscal 2043		52,770,000		
5.0%, due fiscal 2048		67,360,000		
Passenger Facility Charge revenue bonds:				
Series 2011A (issued in fiscal 2012, original issue $75,670,000):				
3.0% to 5.5%, due serially through fiscal 2032			$ 67,300,000	
Series 2012A (issued in fiscal 2013, original issue $57,725,000 variable interest rate):				
currently 2.56%, due fiscal 2025			57,195,000	
Series 2012B (issued in fiscal 2013, original issue $25,070,000):				
5.0%, due serially through fiscal 2019			3,330,000	
Portland International Airport commercial paper:				
Series B (issued in fiscal 2018)				$ 14,800,000
1.60%, due fiscal 2019				
Series C (issued in fiscal 2018)				13,700,000
2.20%, due fiscal 2019				
Totals, including $1,886,618, $29,445,000, $7,830,000, and $28,500,000 respectively, due within one year	$ 60,339,398	$ 645,215,000	$ 127,825,000	$ 28,500,000

6. Long-Term Debt, continued:

	Contracts and Loans Payable at June 30, 2018
City of Portland, local improvement district installment payment contract (issued in fiscal 2003, original amount $10,189,218), 5.32%, payable in monthly installments ranging from $53,476 due on July 1, 2018 to $55,887 due on April 1, 2023, including $660,507 due within one year	$ 3,461,397
State of Oregon Department of Transportation, Multimodal Transportation Funds loan (issued in fiscal 2009, original amount available $2,000,000), 0.0%, payable in annual installments of $200,000 due March 31, 2019 through March 31, 2021, including $200,000 due within one year	600,000
State of Oregon Department of Transportation, Multimodal Transportation Funds loan (issued in fiscal 2011, original amount available $7,427,000), 0.0%, payable in annual installments of $742,700 due July 1, 2019 through July 1, 2022	2,970,800
State of Oregon Business Development Department Special Public Works Fund loan (issued in fiscal 2009, original amount available $8,700,000), 3.00% to 4.00%, payable in annual installments ranging from $379,332 due December 1, 2018 to $573,262 due December 1, 2030, including $379,332 due within one year	6,036,263
Banc of America Leasing & Capital, LLC, (issued in fiscal 2013, original amount $15,100,000), 4.5%, payable in monthly installments ranging from $73,947 due August 1, 2018 to $115,011 due June 1, 2028, including $905,901 due within one year	11,065,255
Banc of America Leasing & Capital, LLC, (issued in fiscal 2014, original amount $2,303,000), 2.84%, payable in monthly installments ranging from $34,047 due August 1, 2018 to $35,193, due October 1, 2019, including $413,930 due within one year	519,260
Total, including $2,559,670 due within one year	$ 24,652,975

Future debt service requirements on bonds, contracts and loans payable for the five succeeding fiscal years and in five year increments thereafter are:

	Revenue Bonds		Airport Passenger Facility Charge Revenue Bonds		Commercial Paper		Marine & Other	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 29,445,000	$ 28,817,241	$ 7,830,000	$ 4,978,006	$ 28,500,000	$ 59,458	$ 4,446,288	$ 6,813,773
2020	26,265,000	27,763,845	8,105,000	4,778,332			5,276,106	6,741,857
2021	30,670,000	26,780,175	8,505,000	4,570,411			7,991,484	4,284,447
2022	32,175,000	25,596,400	8,930,000	4,352,084			8,574,443	3,870,282
2023	29,470,000	24,371,562	9,370,000	4,122,940			9,200,364	3,408,530
2024-2028	133,380,000	104,620,888	45,250,000	15,716,030			47,845,094	8,769,854
2029-2033	89,660,000	79,486,850	39,835,000	4,421,201			1,658,594	132,233
2034-2038	88,795,000	56,710,562						
2039-2043	106,350,000	31,693,600						
2044-2048	79,005,000	11,021,875						
	$ 645,215,000	$ 416,862,998	$ 127,825,000	$ 42,939,004	$ 28,500,000	$ 59,458	$ 84,992,373	$ 34,020,976

6. Long-Term Debt, continued:

Changes in long-term debt on the balance sheet for the year ended June 30, 2018 were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Airport:				
Long-term debt outstanding	$ 808,150,000		$ (35,110,000)	$ 773,040,000
less: current portion of long-term debt	(35,110,000)	$ (37,275,000)	35,110,000	(37,275,000)
Unamortized bond issue premium	64,372,448		(4,637,483)	59,734,965
Long-term debt	$ 837,412,448	$ (37,275,000)	$ (4,637,483)	$ 795,499,965
Marine & Other:				
Long-term debt outstanding	$ 89,966,476		$ (4,974,103)	$ 84,992,373
less: current portion of long-term debt	(4,231,403)	$ (4,446,288)	4,231,403	(4,446,288)
Long-term bond interest payable	3,328,274	576,035	(2,218,382)	1,685,927
Long-term portion outstanding	$ 89,063,347	$ (3,870,253)	$ (2,961,082)	$ 82,232,012

In addition, at June 30, 2018 and 2017, the Port has recorded $15,785,140 and $17,303,181 respectively, within the Airport activity, for the difference between the reacquisition price and the net carrying amount of refunded bonds, which is recorded as a deferred outflow of resources on the balance sheet.

CONTRACTS, LOANS AND PENSION BONDS

Contracts and loans in Marine & Other are payable from revenues of the Port, including existing property tax levies.

Limited Tax Pension Bonds were issued to fund the Port's estimated unfunded actuarial accrued liability as of April 1, 2002 (Note 8). These bonds are backed by a pledge of the full faith and credit of the Port's Marine & Other activity, and debt service is payable from Marine & Other revenues, including existing property tax levies. Additional property taxes may not be levied for debt service on these bonds. Bonds maturing on June 1, 2025 are redeemable at the option of the Port on or after June 1, 2007 at par, in whole or in part, by lot, on any date up to June 1, 2025. Bonds maturing on June 1, 2028 are subject to mandatory redemption, at par, prior to maturity, in part, by lot, beginning June 1, 2020, and on each June 1 thereafter. Interest for certain of the 2002 Limited Tax Pension Bonds is payable only at maturity.

Limited Tax Pension Bonds were also issued to fund the Port's estimated unfunded actuarial accrued liability as of October 1, 2005 (Note 8). These bonds are backed by a pledge of the full faith and credit of the Port's Marine & Other activity, and debt service is payable from Marine & Other revenues, including existing property tax levies. Additional property taxes may not be levied for debt service on these bonds. These bonds are subject to optional redemption by the Port, in whole or in part, on any date, at a price equal to the greater of par or a discounted value, as defined. Bonds maturing on June 1, 2020 are subject to mandatory redemption, at par, prior to maturity, in part, beginning June 1, 2015, and on each June 1 thereafter. Bonds maturing on June 1, 2028 are subject to like mandatory redemption, beginning June 1, 2021, and on each June 1 thereafter.

PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS

Port Ordinance No. 155, enacted November 10, 1971, and Ordinance No. 323, enacted October 9, 1985, both subsequently amended (Ordinances), authorize the issuance of Portland International Airport Revenue Bonds (Airport revenue bonds) to pay the costs of acquiring and constructing Airport and other Port improvements. Port Ordinance No. 323 further restricts sales of Airport revenue bonds except for the purpose of paying the costs of construction of additions, expansion, and improvements at the Airport and the costs of acquisition and construction of general aviation airports. Both Ordinances also allow for the issuance of refunding bonds. The revenue bonds are not in any manner or to any extent a general obligation, a lien on tax revenues of the Port, or a charge upon any revenues or property of the Port not specifically pledged thereto. The proceeds of all such revenue bonds issued to date have been deposited in funds (accounts) designated for, and have been used for, Airport purposes only.

6. Long-Term Debt, continued:

These Ordinances require that Airport revenues and costs of operation and maintenance be accounted for in an Airport revenue fund. Any excess of revenues over costs other than depreciation is to be credited in the following order for uses specified in Ordinance No. 155:

- General account for payment to an Airport revenue bond fund to provide for the punctual payment of bond interest and principal.

- General account for all other permitted uses.

Proceeds from sales of bonds not expended for allowable acquisitions or construction shall be used for repayment of bonds.

These Ordinances established debt service reserve accounts in an Airport revenue bond fund to accumulate the maximum debt service requirements, as defined in the Ordinances, for any future fiscal year for all outstanding bonds. Debt service reserve insurance may be substituted for any portion of the bond reserve requirement. For all outstanding Airport revenue bonds, the bond reserve requirement has been met.

Section 16(ii) of Ordinance No. 155 and Section 5f of Ordinance No. 323 further stipulate that defined net revenues in each fiscal year must equal at least 130 percent of defined debt service requirements. The Airport has complied with this provision of the Ordinances for the years ended June 30, 2018 and 2017.

On July 1, 2015, ten year contracts with major airline customers became effective in which the airlines have provided financial guarantees sufficient to meet the net revenues requirement for airline supported activities, primarily airfield and terminal operations. Net revenues of other activities, primarily parking, air cargo, and a portion of rental car operations are neither guaranteed nor limited to specified levels by these contracts. The contracts also contain an annual revenue sharing provision through June 30, 2025 in which fees to signatory airlines are discounted $6,000,000 annually. The annual discount is subject to certain 1) reductions, contingent on the Port managing operating expenses to a defined target level, and 2) increases, contingent on Airport coverage ratio thresholds. The discount amount was increased by $4,754,434 for fiscal 2018 and by $4,463,809 for fiscal 2017.

Series Twenty-Four bonds maturing on or before July 1, 2027 are not subject to optional redemption prior to maturity. Series Twenty-Four bonds maturing on or after July 1, 2028 are redeemable at the option of the Port on or after July 1, 2027 at 100 percent of the principal amount plus accrued interest.

Series Twenty-Three bonds maturing on or before July 1, 2025 are not subject to optional redemption prior to maturity. Series Twenty-Three bonds maturing on or after July 1, 2026 are redeemable at the option of the Port on or after July 1, 2025 at 100 percent of the principal amount plus accrued interest.

Series Twenty-Two bonds maturing on or before July 1, 2024 are not subject to optional redemption prior to maturity. Series Twenty-Two bonds maturing on or after July 1, 2025 are redeemable at the option of the Port on or after July 1, 2024 at 100 percent of the principal amount plus accrued interest.

Series Twenty-One C bonds maturing on or before July 1, 2021 are not subject to optional redemption prior to maturity. Series Twenty-One C bonds maturing on or after July 1, 2022 are redeemable at the option of the Port on or after July 1, 2021 at 100 percent of the principal amount plus accrued interest.

Series Twenty-One B bonds are not subject to redemption prior to maturity.

Series Twenty bonds maturing on or before July 1, 2020 are not subject to redemption prior to maturity. Series Twenty bonds maturing on or after July 1, 2021 are redeemable at the option of the Port, at par, in part, by lot, on or after July 1, 2020.

6. Long-Term Debt, continued:

Series Nineteen bonds maturing on or before July 1, 2018 are not subject to redemption prior to maturity. Series Nineteen bonds maturing on or after July 1, 2019 were advance refunded and defeased during fiscal 2015 by placing proceeds from the Series Twenty-Three bonds in an irrevocable trust with an escrow agent. As a result, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At June 30, 2018, $112,795,000 of the Series Nineteen defeased debt was still outstanding.

Series Eighteen variable rate demand bonds bear an interest rate that is generally reset weekly by remarketing agents, and cannot exceed 12.0 percent. Payments of principal and interest on the Series Eighteen bonds and the purchase price of Series Eighteen bonds that are subject to optional or mandatory purchase and not remarketed will be payable by draws on an irrevocable direct pay letter of credit. Series Eighteen bonds are redeemable at the option of the Port, at par, prior to maturity, in whole or in part, by lot, on any business day. In the event that Series Eighteen bonds are not remarketed and the irrevocable direct pay letter of credit is drawn upon, the draw will constitute a liquidity advance by the letter of credit bank. The Port must repay the liquidity advance over a term of three years at a variable rate of interest that increases over time, reaching a maximum rate of the greater of the federal funds rate plus 2.5 percent, or the bank's prime rate plus 2.0 percent.

All Airport revenue bonds principal and interest are payable solely from revenues derived from the operation and related services of the Airport.

PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS

Port Ordinance No. 395-B, enacted June 10, 1999, authorized the issuance of Portland International Airport Passenger Facility Charge Revenue Bonds (PFC revenue bonds) to pay the costs of construction of certain Federal Aviation Administration approved PFC projects. The PFC revenue bonds are backed by a pledge and assignment of PFC revenues. The PFC revenue bonds are not in any manner or to any extent a general obligation, a lien on tax revenues of the Port, or a charge upon any other revenues or property of the Port not specifically pledged thereto. The proceeds of all PFC revenue bonds issued to date have been deposited in funds (accounts) designated for, and have been used for, prescribed purposes only.

Ordinance No. 395-B established a debt service reserve account in an amount equal to the maximum annual debt service. The reserve account was fully funded from PFC bond proceeds. Ordinance No. 395-B requires that PFC revenues be accounted for in a PFC fund and used for, in order of priority, payments into a PFC bond fund to provide for payment of PFC bond interest and principal, payments into the reserve account, any required payments into an obligations account, any required payments into an obligations reserve account, and then to a PFC capital account. The capital account may be used to pay costs of construction, additions, improvements, repairs to, or extensions of approved PFC projects or be used for any other lawful Port purpose to the extent permitted by PFC regulations. Until so applied, amounts in the capital account are pledged to payment of and subject to a lien and charge in favor of registered owners of the PFC revenue bonds.

In connection with the PFC revenue bonds, the Port has also covenanted to comply with PFC laws and regulations, noise regulations, and to manage the PFC program so that remaining PFC authority (as defined in Ordinance No. 395-B) less contractual commitments, shall exceed 105 percent of defined unpaid debt service.

The Series 2012A variable rate bonds were issued in the form of index bonds bearing an interest rate that is generally reset weekly based on an applicable spread of 63.5 basis points plus 70 percent of 1 month LIBOR, and cannot exceed 12.0 percent. The Series 2012A bonds have a maturity date of July 1, 2024 and are subject to mandatory sinking account payments prior to maturity. The Series 2012A bonds were directly purchased by a single buyer for an initial purchase period ending June 1, 2020. Series 2012A bonds are redeemable at the option of the Port, at par, prior to maturity, in whole or in part. At the end of the initial purchase period, the Port may repurchase the outstanding bonds at par, or redeem the bonds in installments over a three year period with an interest rate based on the greater of the prime rate plus 1.0 percent, the federal funds rate plus 2.0 percent, or 7.0 percent.

Series 2012B bonds are not subject to redemption prior to their stated maturities.

6. Long-Term Debt, continued:

Series 2011A bonds maturing on or before July 1, 2021 are not subject to optional redemption prior to maturity. Series 2011A bonds maturing on or after July 1, 2022 are redeemable at the option of the Port on or after July 1, 2021 at 100 percent of the principal amount plus accrued interest.

PFC revenue bonds principal and interest are payable solely from PFC revenues.

PORTLAND INTERNATIONAL AIRPORT COMMERCIAL PAPER

Port Ordinance No. 463-CP, enacted November 8, 2017, authorized the issuance of Portland International Airport Third Lien Commercial Paper Notes (commercial paper) of up to $300 million aggregate principal amount outstanding at any one time to pay, refinance, or reimburse the Port for the payment of costs of constructing, renovating, acquiring, equipping and installing improvements at the Airport, to pay costs of issuing commercial paper, and for any other lawful purposes of the Port. Commercial paper is issued pursuant to Section 6B of Port Ordinance 323 and is payable solely from the defined net revenues of the Airport that are available in the Third Lien Obligation Fund.

In fiscal 2018, the Port issued Series B and Series C commercial paper to fund the costs of constructing improvements at the Airport and to pay interest on maturing commercial paper. Commercial paper outstanding totaled $28,500,000 at June 30, 2018. Commercial paper is included in current portion of long-term debt on the balance sheet.

DERIVATIVE INSTRUMENTS

At June 30, 2018, the Airport had the following hedging derivative instruments outstanding:

Item	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Fair Value
A	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$ 3,737,500	7/1/2005	7/1/2025	Pay 5.1292%, receive 68% 1 month LIBOR	$ (275,000)
B	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$ 3,737,500	7/1/2005	7/1/2025	Pay 5.1339%, receive 68% 1 month LIBOR	$ (275,000)
C	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$32,595,000	7/1/2006	7/1/2026	Pay 4.9356%, receive 68% 1 month LIBOR	$ (2,567,000)
D	Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2008 Series 18 bonds	$32,595,000	7/1/2006	7/1/2026	Pay 4.9403%, receive 68% 1 month LIBOR	$ (2,567,000)

At the inception of each interest rate swap agreement, the fixed rate on each of the swaps was off-market such that the Airport received an up-front payment; for derivative instruments A, B, C, and D, collectively, the Airport received three equal up-front payments totaling $9,293,538. As such, each swap is comprised of a derivative instrument, an at-market swap, and a companion borrowing instrument represented by the upfront payment. The fair value of the derivatives was negative $5,864,000 at June 30, 2018 and is recorded on the Airport's balance sheet as a noncurrent liability; the unamortized balance of the borrowing is recorded on the Airport's balance sheet as a restricted current liability of $496,838 and a noncurrent liability of $1,439,704 at June 30, 2018. Hedge accounting is applied to the derivatives, and accordingly, the cumulative change in fair value of the derivatives (at-market interest rate swaps) were recorded as deferred outflows of $5,864,000, which is a decrease of $3,338,000 from the June 30, 2017 amount.

The fair values of the at-market interest rate swaps are estimated using the zero-coupon method. The method calculated the future net settlement payments required by the swaps, assuming that the current forward rates implied by the yield curves correctly anticipate future spot interest rates. These payments are discounted using the spot rates implied by the current yield curves for the hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

6. <u>Long-Term Debt</u>, continued:

Credit risk. The Airport has two separate counterparties for these interest rate swaps. To minimize its exposure to loss related to credit risk, it is the Port's policy to enter into interest rate swaps with counterparties which have demonstrated experience in these types of financial instruments and either 1) rated in one of the top three rating categories by at least two nationally recognized rating agencies, or 2) will collateralize in accordance with all statutory requirements. The June 30, 2018 credit rating for each of the counterparties is as follows:

Derivative Instrument	Counterparty Credit Rating
Derivative A and C	A+ / Aa3
Derivative B and D	AA- / Aa2

Interest rate swaps with positive fair values are exposed to credit risk; interest rate swaps with negative fair values are not exposed to credit risk. At June 30, 2018, none of the Airport's interest rate swaps were exposed to credit risk.

Interest rate risk. The Airport is exposed to interest rate risk on its pay-fixed, receive 68% of 1 month LIBOR interest rate swaps. As 1 month LIBOR decreases, the Airport's net payment on the swaps increases; this is offset substantially by decreases in the Airport's interest payments on the bonds.

Basis risk. The variable rate debt hedged by the Airport's interest rate swaps A, B, C, and D are variable rate demand obligation (VRDO) bonds that are remarketed weekly. The Airport is exposed to basis risk on its pay-fixed interest rate swap derivative instruments that are hedging the VRDO bonds, because the variable rate payments received by the Airport on these derivative instruments are based on a rate or index other than the interest rates the Airport pays on the VRDO bonds. At June 30, the weighted-average interest rate on the Airport's VRDO bonds is 1.590 percent, while 68 percent of 1 month LIBOR is approximately 1.360 percent.

Termination risk. The Airport or its counterparty may terminate an interest rate swap if the other party fails to perform under the terms of the contract. In addition, the swap may be terminated if the Airport or a swap counterparty's rating drops below BBB- / Baa3. At termination, the Airport may owe a termination payment if there is a realized loss based on the fair value of the terminated interest rate swap.

Derivative instruments A, B, C and D require the Airport to post collateral in the event that its Standard & Poors credit rating drops below A-. The collateral posted is to be in the form of cash or U.S. Treasury securities in the amount of the negative fair value of the interest rate swap. The Airport's credit rating is AA- at June 30, 2018; therefore, no collateral has been posted for these derivative instruments.

At June 30, 2018, the Airport had the following investment derivative instruments outstanding:

Item	Type	Notional Amount	Effective Date	Maturity Date	Terms	Fair Value
E	Pay-fixed interest rate swap	$ 34,317,000	7/1/2009	7/1/2024	Pay 4.975%, receive 68% 1 month LIBOR	$ (2,187,000)
F	Pay-fixed interest rate swap	$ 22,878,000	7/1/2009	7/1/2024	Pay 4.955%, receive 68% 1 month LIBOR	$ (1,431,000)

At the inception of each interest rate swap agreement, the fixed rate on each of the swaps was off-market such that the Airport received an up-front payment; for derivative instruments E and F, the Airport received an up-front payment totaling $5,453,000. As such, each swap is comprised of a derivative instrument, an at-market swap, and a companion borrowing instrument represented by the upfront payment. The fair value of the derivatives was negative $3,618,000 at June 30, 2018 and is recorded on the Airport's balance sheet as a noncurrent liability; the unamortized balance of the borrowing is recorded on the Airport's balance sheet as a restricted current liability of $598,930 and a noncurrent liability of $1,478,316 at June 30, 2018. In fiscal 2013, the 2009A PFC variable rate bonds hedged by derivative instruments E

6. Long-Term Debt, continued:

and F were refunded; therefore, for accounting and financial reporting purposes, these derivatives are considered investment derivative instruments. Accordingly, the decrease in fair value of the swaps of $2,548,000 during fiscal 2018 was recorded in interest revenue on the statement of revenues, expenses, and changes in net position.

The fair values of the at-market interest rate swaps are estimated using the zero-coupon method. The method calculated the future net settlement payments required by the swaps, assuming that the current forward rates implied by the yield curves correctly anticipate future spot interest rates. These payments are discounted using the spot rates implied by the current yield curves for the hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Credit risk. The Airport has two separate counterparties for these interest rate swaps. To minimize its exposure to loss related to credit risk, it is the Port's policy to enter into interest rate swaps with counterparties which have demonstrated experience in these types of financial instruments and either 1) rated in one of the top three rating categories by at least two nationally recognized rating agencies, or 2) will collateralize in accordance with all statutory requirements. The June 30, 2018 credit rating for each of the counterparties is as follows:

Derivative Instrument	Counterparty Credit Rating
Derivative E	A+ / Aa3
Derivative F	A- / A3

Interest rate swaps with positive fair values are exposed to credit risk; interest rate swaps with negative fair values are not exposed to credit risk. At June 30, 2018, none of the Airport's interest rate swaps were exposed to credit risk.

Basis risk. The variable rate debt hedged by the Airport's interest rate swaps E and F are index rate bonds with rates that are reset weekly. The Airport is exposed to basis risk on its pay-fixed interest rate swap derivative instruments that are hedged to the index rate bonds, because the variable rate payments received by the Airport on these derivative instruments are based on a rate other than the interest rate the Airport pays on the index rate bonds. At June 30, the weighted–average interest rate on the Airport's index rate bonds is approximately 2.560 percent, while 68 percent of 1 month LIBOR is approximately 1.395 percent.

Derivative instrument E requires the Airport to post collateral in the event that its Standard & Poors credit rating drops below A- or if the negative fair value of that derivative instrument exceeds $15 million. The Airport's credit rating is AA- at June 30, 2018, and the negative fair value of derivative instrument E does not exceed $15 million; therefore, no collateral has been posted for this derivative instrument. Derivative instrument F requires the Airport to post collateral in the event that its Standard & Poors credit rating drops below BBB- or if there is a negative fair value of that derivative instrument. Derivative instrument F has a negative fair value at June 30, 2018; therefore, the Airport has posted $2,440,000 in collateral with the counterparty (included in restricted cash and equity in pooled investments on the Airport's balance sheet).

As rates vary, variable rate bond interest payments and net swap payments will vary. Although not a prediction by the Port of future interest cost of the variable rate bonds or of the impact of interest rate swaps, following are debt service requirements of the Airport's hedged variable rate debt and related net swap payments, using rates as of June 30, 2018:

	Variable Rate Airport Revenue Bonds			
	Principal	Interest	Interest Rate Swaps, net	Total
2019	$ 9,025,000	$ 1,171,273	$ 2,133,629	$ 12,329,902
2020	9,410,000	1,027,776	1,794,036	12,231,812
2021	9,865,000	878,157	1,436,731	12,179,888
2022	10,310,000	721,303	1,136,753	12,168,056
2023	6,590,000	557,374	896,780	8,044,154
2024-2028	28,465,000	1,131,522	1,286,258	30,882,780
	$ 73,665,000	$ 5,487,405	$ 8,684,187	$ 87,836,592

6. Long-Term Debt, continued:

	Variable Rate Passenger Facility Charge Bonds			
	Principal	Interest	Interest Rate Swaps, net	Total
2019	$ 2,790,000	$ 1,464,181	$ 1,801,507	$ 6,055,688
2020	7,955,000	1,392,757	1,509,904	10,857,661
2021	8,370,000	1,189,111	1,203,119	10,762,230
2022	8,805,000	974,840	880,346	10,660,186
2023	9,265,000	749,434	540,693	10,555,127
2024-2028	20,010,000	774,906	366,535	21,151,441
	$ 57,195,000	$ 6,545,229	$ 6,302,104	$ 70,042,333

7. Industrial Revenue Bonds:

The Port facilitates the issuance of industrial revenue bonds by others to finance construction of industrial facilities within the Port district which it leases or sells on installment contracts to the industrial users. Such facilities and the related receipts from lease rentals and contract payments are pledged for payment of the bonds. The bonds are not a liability or contingent liability of the Port or a lien on any of its properties or revenues other than the industrial facilities for which they were issued. Accordingly, the bond liability and related receivables are not reflected in the Port's financial statements.

Industrial revenue bonds for Airport industrial facilities were outstanding in the amount of $17,300,000 at both June 30, 2018 and 2017.

8. Pension Plans and Deferred Compensation Plan:

Most employees, after six months of employment, are participants in the State of Oregon Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan (Plan), administered by PERS, to which employees and employers both contribute. Benefits generally vest after five years of service. Retirement is allowed at age 58 with unreduced benefits, but retirement is generally available after age 55 with reduced benefits. Retirement benefits are generally based on salary and length of service or retiree account balance, are calculated using a formula, and are payable in a lump sum or monthly using several payment options. Monthly benefits are adjusted annually through cost-of-living adjustments (COLA). A prospective cap on the COLA which took effect in fiscal 2015 and beyond varies based upon the amount of the annual benefit. PERS also provides death and disability benefits. These benefit provisions and other requirements are established by state statutes.

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of PERS, and additions to/deductions from PERS' fiduciary net position, have been determined on the same basis as they are reported by PERS. PERS uses accrual basis accounting for all funds, recognizing revenues when earned, contributions when due, benefits in the month they are earned, and withdrawals in the month they are due and payable. PERS issues a publicly available financial report, which may be obtained at www.oregon.gov/pers or by writing to PERS, PO Box 23700, Tigard, Oregon 97281.

The rate of employee contributions (6 percent of annual covered salary) is established by state statute, and the rate of employer contributions to PERS is set periodically by PERS based on actuarial valuations. The Port's contribution rates were 15.57 percent and 13.40 percent of annual covered payroll for fiscal years 2018 and 2017, respectively. The Port also pays the required employee contribution. The Port, by electing to join the State and Local Government Rate Pool, effective January 1, 2002, is part of the cost-sharing multiple-employer segment of the pension plan. Limited tax pension bonds were issued to fund the Port's estimated unfunded actuarial accrued liability of $54,068,039 as of April 1, 2002, and $20,012,029 as of October 1, 2005. The proceeds from these bond issues are held by PERS in side accounts specific to the Port, and are factors in the calculation of the Port's employer contribution rates and the Port's proportionate share of the

8. <u>Pension Plans and Deferred Compensation Plan</u>, continued:

collective Net Pension Liability (NPL) or Net Pension Asset (NPA). Of these bond issue amounts, $25,550,920 and $11,244,225 were applicable to the Airport, and were recorded on the Airport balance sheet as liabilities (due to Marine & Other). The Airport liability is reduced proportionately as the Marine & Other activity makes principal payments on the pension bonds. Principal payments on the pension bonds were made in the amounts of $1,768,815 and $1,652,546 in fiscal 2018 and 2017, respectively, of which $914,079 and $850,201 were applicable to the Airport.

The 2003 Oregon legislature adopted a number of amendments to the benefit structure of PERS, later modified by the Oregon Supreme Court. In addition to adopting amendments to the benefit structure of PERS, the 2003 legislature passed HB 2020, which established a successor pension plan to PERS, the Oregon Public Service Retirement Plan (OPSRP). All public employees hired on or after August 29, 2003, unless membership was previously established in PERS, become participants in OPSRP, generally after six months of employment. OPSRP is a hybrid pension plan with two components, the Pension Program (a defined benefit program) and the Individual Account Program (IAP) (a defined contribution program), and is administered by PERS, the agency. The Pension Program is funded by employer contributions. For general service members, normal retirement age is 65 or age 58 with 30 years of service, and for police and fire members, normal retirement age is 60 or age 53 with 25 years of service. Retirement benefits under the Pension Program are calculated using a formula based on final average salary, as defined, and years of service. The IAP is funded by a 6 percent employee contribution (which may be paid by the employer for the employee). The Port pays the employee contribution. Employee contributions are placed in an employee account, accounts are adjusted for earnings or losses, and are paid at retirement, either as a lump sum or in installments. Effective January 1, 2004, required 6 percent employee contributions for PERS members are paid to the member's IAP account rather than the member's PERS account, as required by the 2003 legislation. The Port's employer contribution rate to OPSRP, set periodically by PERS based on actuarial valuations, was 8.02 percent of annual covered payroll for general service members and 12.79 percent for police and fire members for fiscal 2018, and 7.33 percent of annual covered payroll for general service members and 11.44 percent for police and fire members for fiscal 2017; the Port also pays the required employee contributions of 6 percent of annual covered salary.

The Port's fiscal 2018 and 2017 contributions recognized by PERS were $8,143,225 and $5,549,206. Actuarial determinations are not made solely as to Airport employees. PERS contributions of $3,854,851 and $2,545,409 were applicable to the Airport for fiscal years 2018 and 2017, respectively, based upon payroll expense.

GASB Statement No. 68 (GASB 68) establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense. For defined benefit pensions, GASB 68 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. GASB 68 requires the liability of employers to employees for defined benefit plans (NPL or NPA) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (Total Pension Liability (TPL) or Total Pension Asset (TPA)), less the amount of the pension plan's fiduciary net position. Employers participating in cost-sharing plans recognize their proportionate share of the collective pension amounts for all benefits provided through the plan based on an allocation methodology.

The Port recognizes its proportion of the PERS NPL or NPA, Deferred Outflows of Resources, Deferred Inflows of Resources, and pension expense. The TPL at June 30, 2018 was determined based on an actuarial valuation as of December 31, 2015 and rolled forward to the measurement date of June 30, 2017; the TPL at June 30, 2017 was determined based on an actuarial valuation as of December 31, 2014 and rolled forward to the measurement date of June 30, 2016. The basis for the Port's proportion is actuarially determined by comparing the employer's projected long-term contribution effort to the Plan with the total projected long-term contribution effort of all employers.

For the year ended June 30, 2018, the Port's proportionate share of the collective NPL of PERS is $86,772,304, or 0.64370965 percent of the total, and the Port recognized pension expense of $17,866,439 as its proportionate share of PERS pension expense. For the year ended June 30, 2017, the Port's proportionate share of the collective NPL of PERS is $103,193,124, or 0.687390 percent of the total, and the Port recognized pension expense of $18,513,130 as its proportionate share of PERS pension expense. Actuarial determinations are not made solely as to Airport employees. For the year ended June 30, 2018, $39,036,170 of the NPL, and $8,233,507 of pension expense, was applicable to the Airport. For the year ended June 30, 2017, $46,540,609 of the NPL, and $8,281,256 of pension expense, was applicable to the Airport.

8. <u>Pension Plans and Deferred Compensation Plan</u>, continued:

Actuarial assumptions used in the 2015 valuation rolled forward to the measurement date of June 30, 2017, and in the 2014 valuation rolled forward to the measurement date of June 30, 2016, were as follows:

- Investment Rate of Return: 7.50 percent per annum
- Projected Salary Increases: 3.50 percent overall payroll growth
- Inflation Rate: 2.50 percent per annum

Mortality assumptions for healthy retirees and beneficiaries are based on RP-2000 sex-distinct, generational per Scale BB. Active members' mortality rates are a percentage of healthy retiree rates that vary by group. Disabled retirees mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 sex-distinct, generational per Scale BB, disabled mortality table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study, which reviewed experience for the four-year period ended on December 31, 2014.

GASB 68 generally requires that a blended discount rate be used to measure the TPL (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's fiduciary net position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the fiduciary net position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is PERS' independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the fiduciary net position is always projected to be sufficient to cover benefit payments and administrative expenses.

The discount rate used to measure the TPL of PERS was 7.50 percent for the measurement dates of June 30, 2017 and 2016. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, PERS' fiduciary net position was projected to be available to make all projected future benefit payments of current PERS members. Therefore, the long-term expected rate of return on PERS investments was applied to all periods of projected benefit payments to determine the TPL.

For fiscal 2018, the Port's $86,772,304 proportionate share of the NPL was calculated using the discount rate of 7.50 percent as of the measurement date of June 30, 2017. If a discount rate 1 percentage point lower (6.50%) were used in the calculation, it would result in a NPL for the Port of $147,875,850. If a discount rate 1 percentage point higher (8.50%)

8. Pension Plans and Deferred Compensation Plan, continued:

were used in the calculation, it would result in a NPL for the Port of $35,678,425. For fiscal 2017, the Port's $103,193,124 proportionate share of the NPL was calculated using the discount rate of 7.50 percent as of the measurement date of June 30, 2016. If a discount rate 1 percentage point lower (6.50%) were used in the calculation, it would result in a NPL for the Port of $166,622,488. If a discount rate 1 percentage point higher (8.50%) were used in the calculation, it would result in a NPL for the Port of $50,177,274.

To develop an analytical basis for the selection of the long-term expected rate of return assumption used in the calculation of the TPL at June 30, 2018 and 2017, the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors in July 2015. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset class	2017 Target allocation*	2017 Compound annual (geometric) return
Core fixed income	8.00%	4.00%
Short-term bonds	8.00%	3.61%
Bank/leveraged loans	3.00%	5.42%
High yield bonds	1.00%	6.20%
Large/mid cap U.S. equities	15.75%	6.70%
Small cap U.S. equities	1.31%	6.99%
Micro cap U.S. equities	1.31%	7.01%
Developed foreign equities	13.13%	6.73%
Emerging market foreign equities	4.12%	7.25%
Non-U.S. small cap equities	1.88%	7.22%
Private equity	17.50%	7.97%
Real estate (property)	10.00%	5.84%
Real estate (REITs)	2.50%	6.69%
Hedge fund of funds - diversified	2.50%	4.64%
Hedge fund - event driven	0.63%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
Assumed inflation - mean	n/a	2.50%

* Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of December 3, 2014. The revised allocation was adopted at the June 3, 2015 OIC meeting.

Deferred items are calculated at the PERS level and allocated to the Port based upon its proportionate share. For the measurement dates of June 30, 2017 and 2016, there were deferred outflows and inflows of resources related to the following sources:

8. Pension Plans and Deferred Compensation Plan, continued:

	Deferred outflow of resources		Deferred inflow of resources	
Measurement date of June 30,	2017	2016	2017	2016
Differences between expected and actual experience	$ 4,196,345	$ 3,414,080		
Changes of assumptions	15,817,043	22,008,614		
Net difference between projected and actual earnings on plan investments	893,958	20,386,632		
Changes in proportionate share	2,468,300	3,216,269	3,036,866	111,129
Differences between contributions and Port's proportionate share of system contributions			2,454,453	2,393,294
Total deferred outflow (inflow) of resources	$ 23,375,646	$ 49,025,595	$ 5,491,319	$ 2,504,423

Port employer contributions for PERS made after the measurement date are reported as deferred outflows on the balance sheet at June 30, 2018 and 2017 in the amount of $8,143,225 and $5,549,206, respectively; these contributions are recognized as a reduction in the Port's NPL in the ensuing year. $3,854,851 and $2,545,409 of the deferred outflows were applicable to the Airport at June 30, 2018 and 2017, respectively.

Cumulative deferred inflows and outflows related to PERS will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Deferred Outflow/ (Inflow) of Resources - Airport	Deferred Outflow/ (Inflow) of Resources - Marine & Other	Deferred Outflow/ (Inflow) of Resources - Total
2019	$ 1,440,854	$ 1,838,626	$ 3,279,480
2020	4,566,006	5,826,526	10,392,532
2021	3,115,122	3,975,101	7,090,223
2022	(1,206,946)	(1,540,143)	(2,747,089)
2023	(57,476)	(73,343)	(130,819)
Total	$ 7,857,560	$ 10,026,767	$ 17,884,327

Subsequent to the measurement date, the PERS Board adopted a new long-term rate of return assumption of 7.2%. This change will be reflected in the next year's actuarial valuations. The effect of this decision is expected to be significant to the plan liabilities.

The Port offers all its employees a deferred compensation plan created in accordance with IRC Section 457. The plan permits eligible employees to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of an employee trust, held for the exclusive benefit of participants and their beneficiaries, and are not subject to the claims of the Port's general creditors. The Port has little administrative involvement with the plan and does not perform the investing function. Therefore, the plan assets are not included on the balance sheet.

9. Postemployment Healthcare Benefits:

The Port administers a single-employer defined-benefit healthcare plan which provides certain qualifying employees retiring under PERS or OPSRP with Port-paid healthcare coverage for the qualifying retiree until age 65. This program is being phased out and is closed to any employees that did not meet age and length-of-service eligibility requirements by December 31, 2011. The Port does not issue a publicly available report on the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75, and contributions to the plan are made on a pay-as-you-go basis.

Under Oregon State law, employees retiring under PERS or OPSRP may make a one-time election at retirement to continue their health insurance coverage through the Port until eligible for Medicare (usually age 65). Coverage may be elected for the retiring employee, their spouse, and for qualifying dependents. Premiums are paid by the retiree at the Port's pooled rate, which is the same rate paid for active employees. Retirees, on average, are expected to have higher health care costs than active employees, primarily due to the older average age of retirees. Since the same premium applies to both groups, the premiums paid for active employees by the Port are subsidizing the premiums for retirees. As a result, there is an 'implicit subsidy' paid by the Port; the implicit subsidy associated with retiree health care costs paid during the last year is also considered to be a contribution from the Port.

At June 30, 2017, the following employees were covered by the benefits terms of the plan:

Inactive employees currently receiving benefit payments	54
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	723
	777

For the year ended June 30, 2018, the Port's total other postemployment benefit (OPEB) liability of $6,283,870 was determined based upon a July 1, 2017 actuarial valuation, measured as of June 30, 2017, rolled forward to a reporting date of June 30, 2018. The Port recognized OPEB expense of $337,178 in fiscal 2018, with $190,112 of OPEB expense applicable to the Airport. For the year ended June 30, 2017, the Port's total other postemployment benefit (OPEB) liability of $6,318,267 was determined based upon a July 1, 2017 actuarial valuation, measured as of June 30, 2017. The Port recognized OPEB expense of $331,248 in fiscal 2017, with $186,852 of OPEB expense applicable to the Airport. The OPEB liability in the July 1, 2017 actuarial valuation measured as of June 30, 2017 was determined using the following actuarial assumptions:

- A discount rate of 3.13 percent based on the S&P Municipal Bond 20-Year High Grade Index as of June 30, 2017
- A healthcare cost trend rate of 7.5 percent graded uniformly to 5.0 percent over a 10-year period
- Mortality rates were based on the RP-2014 Mortality Table adjusted to 2006 with generational mortality improvement under Projection Scale MP-2016

Changes in the total OPEB liability during fiscal 2018 are shown in the following table:

Balance at 6/30/2017	$ 6,318,267
Service cost	146,462
Interest	190,716
Benefit payments	(371,575)
Net change	(34,397)
Balance at 6/30/2018	$ 6,283,870

The following table presents the total OPEB liability of the Port, as well as what the Port's total OPEB liability would have been if it were calculated using a health care trend rate assumption that is 1-percentage-point lower or 1-percentage-point higher than the current health care trend rate assumption:

9. Postemployment Healthcare Benefits, continued:

	1% Decrease decreasing to 4%)	Healthcare Cost Trend Rate decreasing to 5%)	1% increase decreasing to 6%)
Total OPEB liability, 6/30/2018	$ 5,713,925	$ 6,283,870	$ 6,952,692
Total OPEB liability, 6/30/2017	$ 5,792,516	$ 6,318,267	$ 6,934,597

The following table presents the total OPEB liability of the Port, as well as what the Port's total OPEB liability would have been if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (2.13%)	Discount Rate (3.13%)	1% increase (4.13%)
Total OPEB liability, 6/30/2018	$ 6,819,834	$ 6,283,870	$ 5,800,690
Total OPEB liability, 6/30/2017	$ 6,871,933	$ 6,318,267	$ 5,821,323

Port benefits payments made after the measurement date are reported as deferred outflows on the balance sheet at June 30, 2018 and 2017 in the amount of $399,443 and $371,575, respectively. These payments are recognized as a reduction in the Port's total OPEB liability in the ensuing year. $229,781 and $213,750 of the deferred outflows were applicable to the Airport at June 30, 2018 and 2017, respectively.

10. Risk Management:

The Port has a comprehensive risk management program which primarily utilizes commercial insurance, with certain self-insurance, to provide protection from losses involving property, liability, injuries to personnel and errors and omissions, with various deductibles and self-insured retentions.

The Airport is a full participant in the Port's risk management program. The Airport's expenses related to this program are recorded when incurred, with cash being paid to the Port's General Fund for ease of administration.

The Port self-insures for certain workers' compensation losses for amounts up to $1,000,000 per accident. For amounts in excess of self-insured limits, insurance in the amount of the statutory limit per loss (unlimited) is maintained. Claim expenses and liabilities are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

Liabilities include an estimate for claims that have been incurred but not reported. Claims liabilities are based on the estimated ultimate cost of settling the claims, using past experience adjusted for current trends through a case-by-case review of all claims. Effective May 8, 1993, certain workers' compensation losses incurred after such date are the responsibility of an independent marine terminal management company.

Changes in the reported liability for workers' compensation resulted from the following:

	Fiscal Year Ended June 30, 2018	2017
Beginning liability	$ 1,309,654	$ 1,217,014
Current year claims and changes in estimates	205,678	470,983
Claim payments	(434,566)	(378,343)
Ending liability	$ 1,080,766	$ 1,309,654

Approximately $711,332 and $998,420 of the liability was applicable to the Airport at June 30, 2018 and 2017, respectively.

11. Commitments and Contingencies:

At June 30, 2018, land acquisition and construction contract commitments aggregated approximately $288,700,000 for the Airport, $17,700,000 for Marine & Other, and $306,400,000 in total.

The Port, in the regular course of business, is named as a defendant in lawsuits. Although litigation is inherently uncertain, management of the Port does not believe that the ultimate resolution of these lawsuits and other contingencies which, for the most part, are normal to the Port's business, will have any material effect upon its financial statements.

The Port is subject to federal, state, and local environmental laws and regulations. Pursuant to these laws and regulations, the Port has identified a number of contaminated sites on Port properties that will require remedial investigation and action. Some properties owned or operated by the Port may have unacceptable levels of contaminants in soil, sediments, or groundwater. In some cases, the Port has been designated by Federal or State government as a potentially responsible party (PRP) for the investigation and cleanup of properties owned by the Port or where the Port may have contributed to site contamination.

In December 2000, the Environmental Protection Agency (EPA) listed the Portland Harbor, including uplands portions, on the National Priorities List of Superfund sites pursuant to the Comprehensive Environmental Response Compensation and Liability Act. The EPA and the Oregon Department of Environmental Quality (DEQ) have identified the Port and other PRPs as potentially liable for cleanup of the site. The Port and other PRPs have signed an Administrative Order on Consent (AOC) to perform remedial investigation and evaluation activities for the site. Uplands activities are being conducted under the supervision of the DEQ. The Port has accrued approximately $560,000 for its estimated remaining share of the costs of these Portland Harbor investigative activities at June 30, 2018. In January 2017, the EPA released a Record of Decision (ROD) for the Portland Harbor. Cleanup costs for the Portland Harbor remain uncertain under the ROD and are not yet estimable under GAAP, and the Port’s ultimate share of cleanup costs is not known. Within the Portland Harbor, there are certain Port-owned, or formerly owned facilities that require remedial investigation and/or cleanup. The Port entered into a separate AOC with the EPA governing early action cleanup activities on one of these sites. The Port has accrued approximately $24,900,000 in estimated costs for this cleanup at June 30, 2018. At another site, the Port has accrued approximately $22,100,000 in estimated remaining costs at June 30, 2018. Both these sites are accounted for within the Marine & Other activity.

Operating expense and the corresponding liability measured at current value using the expected cash flow method have been recognized for certain pollution remediation obligations that may not have been previously required to be recognized. Certain other environmental contingencies may have limited measurable transactions and events at initial recognition, but estimates will increase over time as more components become reasonably estimable. Liabilities will also be remeasured when new information indicates increases or decreases in estimated outlays.

Changes in estimated long-term environmental liabilities were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Airport:				
Environmental liabilities	$ 4,779,000		$ 226,000	$ 5,005,000
less: current portion	(1,724,000)	$ (1,897,809)	444,309	(3,177,500)
Long-term liability	$ 3,055,000	$ (1,897,809)	$ 670,309	$ 1,827,500
Marine & Other:				
Environmental liabilities	$ 52,109,787	$ 17,882,226	$ (5,807,027)	$ 64,184,986
less: current portion	(4,502,974)	(14,415,107)	2,101,998	(16,816,083)
Long-term liability	$ 47,606,813	$ 3,467,119	$ (3,705,029)	$ 47,368,903

11. Commitments and Contingencies, continued:

The Port leases from others, under operating leases, warehouse and office space, office equipment, and submerged lands. These leases expire at varying times through fiscal 2023. Total rental expense (all minimum rentals) for operating leases approximated $196,000 and $199,000 for Marine & Other in 2018 and 2017, respectively, and $206,000 and $212,000 for the Airport in 2018 and 2017, respectively. Future minimum rental payments on noncancelable operating leases for the five succeeding fiscal years and five year increments thereafter are:

	Airport	Marine & Other	Total Port
2019	$ 204,647	$ 84,281	$ 288,928
2020	203,786	28,379	232,165
2021	11,541	5,303	16,844
2022	8,510	5,303	13,813
2023		442	442
Total	$ 428,484	$ 123,708	$ 552,192

12. Tax Abatements:

The Port is subject to property tax abatements granted by counties within the Port District pursuant to State statute. Tax abatements granted within the Port District reduce the amount of property taxes collected under the Port's property tax levy in each county. Port property tax revenues were reduced by approximately $178,000 under agreements entered into by Multnomah County, $279,000 under agreements entered into by Clackamas County, and $1,034,000 under agreements entered into by Washington County.

13. Budget Overexpenditure:

In the Airport Revenue Fund, the Port overexpended one budget appropriation item for operating expenditures. The overexpenditure of $564,256 was caused by revision of an estimated accrued environmental liability after final appropriations were made for the fiscal year, and does not represent a cash overexpenditure.

REQUIRED SUPPLEMENTARY INFORMATION

(UNAUDITED)

THE PORT OF PORTLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

	2018	2017
Total OPEB liability - beginning	$ 6,318,267	$ 6,332,670
Service cost	146,462	139,488
Interest	190,716	191,760
Benefit payments	(371,575)	(345,651)
Net change	(34,397)	(14,403)
Total OPEB liability - ending	$ 6,283,870	$ 6,318,267
Covered-employee payroll	$ 62,444,085	$ 62,444,085
Total OPEB liability as a percentage of covered-employee payroll	10.1%	10.1%

Notes to Schedule:
No assets are accumulated in a trust that meets the criteria of paragraph 4 of Statement 75.

THE PORT OF PORTLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF PERS NET PENSION LIABILITY (ASSET)

Measurement date as-of June 30,	**2017**	**2016**	**2015**	**2014**	**2013**
Port share of Net Pension Liability (Asset) - percentage	0.643710%	0.687390%	0.627646%	0.636022%	0.636022%
Port share of Net Pension Liability (Asset) - amount [A]	$ 86,772,304	$ 103,193,124	$ 36,036,033	$ (14,416,804)	$ 32,457,134
Port covered-employee payroll [B]	$ 70,942,000	$ 66,585,000	$ 66,637,000	$ 61,267,000	$ 60,855,267
Port share of Net Pension Liability (Asset) as a percentage of Port covered-employee payroll [A/B]	122.3%	155.0%	54.1%	(23.5)%	53.3%
PERS fiduciary net position as a percentage of TPL	83.1%	80.5%	91.9%	103.6%	92.0%

THE PORT OF PORTLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO PERS ($000)

Fiscal Year:	2018	2017	2016 [1]	2015	2014	2013	2012	2011	2010	2009
Actuarially Determined Contribution	$ 8,143	$ 5,549	$ 5,549	$ 5,332	$ 4,831	$ 5,030	$ 4,966	$ 1,902	$ 1,764	$ 3,614
Contribution in relation to Actuarially Determined Contribution	8,143	5,549	5,549	5,332	4,831	5,030	4,966	1,902	1,764	3,614
Contribution Deficiency (Excess)	$	$	$	$	$	$	$	$	$	$
Covered Employee Payroll	$ 71,239	$ 70,942	$ 66,585	$ 66,637	$ 61,267	$ 60,855	$ 60,447	$ 56,138	$ 54,943	$ 55,905
Contribution as a percentage of Covered Employee Payroll	11.4%	7.8%	8.3%	8.0%	7.9%	8.3%	8.2%	3.4%	3.2%	6.5%

[1] Effective in Port fiscal year 2016, the actuarial methodology utilized by PERS for determining employer contributions changed from projected unit credit to entry age normal.

SUPPLEMENTARY INFORMATION

(UNAUDITED)

THE PORT OF PORTLAND
ORGANIZATION AND INTERNAL FUND DIVISIONS

The Port of Portland is a municipal corporation created in its present form by the 1971 merger of The Port of Portland and the Commission of Public Docks. A nine-member commission establishes and maintains Port policy for a staff under the guidance of an executive director.

The original Port of Portland was created in 1891 by the Oregon Legislative Assembly with the objective of dredging and maintaining a channel between Portland and the Pacific Ocean. As its operations and responsibilities increased, the Port acquired its aviation and land development interests.

The City of Portland in 1910 created the Commission of Public Docks to promote and develop maritime commerce through Portland Harbor and, in 1970, the voters approved a merger of these two organizations. In 1973, the Port district was expanded to include all of Multnomah, Clackamas, and Washington Counties.

For financial reporting and operating purposes, management considers the activities of the Port to be that of a unitary enterprise operation. For budgetary and bond ordinance requirement purposes only, the primary divisions of the accounts of the Port consist of the following funds (accounts):

General Fund

Used to finance the general operations of the Port and, subject to restrictions of the local budget law, its assets may be transferred to another fund for any authorized purpose. Principal revenue sources are marine facilities operations, land sales, and leases.

Bond Construction Fund

This fund finances the acquisition, construction, expansion, and improvement of new and existing structures and facilities. Resources are from transfers from the General Fund, grants, interest on investments, and a property tax levy for Port improvements.

Airport Revenue Fund

This fund is to be held and administered by the Port as long as any Portland International Airport Revenue Bonds are outstanding. The monies deposited in this fund are not commingled with any other monies of the Port and are used and applied only in the manner as specified by Section 13, Ordinance No. 155 and Section 6, Ordinance No. 323. Airport operations are accounted for in this fund. Principal revenue sources are flight fees, rentals, parking, and concession income.

Airport Revenue Bond Fund

This fund is administered by a trustee appointed under Section 11, Ordinance No. 323. The monies in this fund are used solely for the payment of principal and interest due on Portland International Airport Revenue Bonds. Principal resources are revenue bond proceeds, interest, and transfers from the Airport Revenue Fund and the Airport Construction Fund.

Airport Construction Fund

The monies credited to this fund are used and applied solely to the payment of costs of additions, expansions, and improvements to the Airport in accordance with Section 12, Ordinance No. 155 and Section 8, Ordinance No. 323. Principal resources are interest, grants, and revenue bond proceeds.

PFC Fund

This fund is used to account for PFC revenue. Amounts credited to this fund are used to provide for debt service on Portland International Airport Passenger Facility Charge Revenue Bonds and to construct certain assets in accordance with Section 2, Ordinance No. 395-B. Principal resources are PFC revenue, bond proceeds, and interest.

PFC Bond Fund

This fund, created in accordance with Section 8, Ordinance No. 395-B, is administered by a trustee, for the payment of principal and interest on Portland International Airport Passenger Facility Charge Revenue Bonds. Principal resources are transfers from the PFC Fund, bond proceeds, and interest.

CFC Fund

This fund is used to account for CFC revenues. The monies credited to this fund are used and applied solely to the payment of costs of projects related to rental car facilities, related Port-approved enabling projects, and program costs at the Airport in accordance with Section 4, Ordinance No. 448. The principal resources for this fund are a customer facility charge imposed on rental car customers who rent automobiles from Airport facilities and interest.

CFC Bond Fund

This fund, created in anticipation of future issuance of Portland International Airport Customer Facility Charge Revenue Bonds (CFC revenue bonds), will be administered by a trustee for the payment of principal and interest on CFC revenue bonds. Principal resources are anticipated to be transfers from the CFC Fund, bond proceeds, and interest.

THE PORT OF PORTLAND

RECONCILIATION OF BUDGETARY REVENUES AND EXPENDITURES TO INCOME BEFORE CONTRIBUTIONS AND TRANSFERS

for the year ended June 30, 2018

	Budgetary Basis *		Excess
	Revenues	Expenditures	Revenues (Expenditures)
Port Funds:			
General Fund	$ 70,590,020	$ 116,889,845	$ (46,299,825)
Bond Construction Fund	14,161,092	13,346,733	814,359
Airport Revenue Fund	271,476,537	136,802,406	134,674,131
Airport Revenue Bond Fund	690,580	61,264,797	(60,574,217)
Airport Construction Fund	11,626,926	143,587,262	(131,960,336)
PFC Fund	38,252,374	29,651	38,222,723
PFC Bond Fund	226,584	14,814,257	(14,587,673)
CFC Fund	15,671,427		15,671,427
Totals - budgetary reporting basis	$ 422,695,540	$ 486,734,951	(64,039,411)
Add (deduct) adjustments to budgetary reporting basis which are necessary to reflect results of operations on financial reporting basis in accordance with generally accepted accounting principles:			
Capital outlay expenditures			156,800,812
Internal costs on capital projects			18,316,108
Interest expense capitalized			17,301,142
Depreciation and amortization expense			(112,593,415)
Expenses that will be expended in future years			2,270,210
Contributions from governmental agencies			(11,954,175)
Bond and contract payable principal expenditures			47,101,475
Change in unearned revenues and certain noncurrent receivables			3,036,373
Difference between income and proceeds from sales of land			(6,885,637)
Noncash pension and OPEB expense			(9,559,741)
Amortization of bond issuance costs and deferred charges on refunding bonds			(2,863,831)
Other			2,180,234
Income before contributions and transfers per Statement of Revenues, Expenses, and Changes in Net Assets			$ 39,110,144

* The Port budgets all funds on the accrual basis of accounting.

THE PORT OF PORTLAND

RECONCILIATION OF AIRPORT BUDGETARY REVENUES AND EXPENDITURES TO INCOME BEFORE CONTRIBUTIONS AND TRANSFERS

for the year ended June 30, 2018

	Budgetary Basis *		Excess Revenues
	Revenues	Expenditures	(Expenditures)
Airport Funds:			
Airport Revenue Fund	$ 271,476,537	$ 136,802,406	$ 134,674,131
Airport Revenue Bond Fund	690,580	61,264,797	(60,574,217)
Airport Construction Fund	11,626,926	143,587,262	(131,960,336)
PFC Fund	38,252,374	29,651	38,222,723
PFC Bond Fund	226,584	14,814,257	(14,587,673)
CFC Fund	15,671,427		15,671,427
Totals - budgetary reporting basis	$ 337,944,428	$ 356,498,373	(18,553,945)
Add (deduct) adjustments to budgetary reporting basis which are necessary to reflect results of operations on financial reporting basis in accordance with generally accepted accounting principles:			
Capital outlay expenditures			143,454,079
Internal costs on capital projects			1,520,900
Interest expense capitalized			17,301,142
Depreciation and amortization expense			(92,410,076)
Expenses that will be expended in future years			2,032,300
Contributions from governmental agencies			(10,338,147)
Bond principal expenditures			41,912,483
Change in unearned revenues and certain noncurrent receivables			2,194,640
Noncash pension and OPEB expense			(4,292,562)
Amortization of bond issuance costs and deferred charges on refunding bonds			(2,840,991)
Intra-Port services received, provided, and overhead			(24,177,325)
Allocation of pension debt service			(3,688,846)
Other			1,098,984
Income before contributions and transfers per Statement of Revenues, Expenses, and Changes in Net Assets			$ 53,212,636

* The Airport budgets all funds on the accrual basis of accounting.

THE PORT OF PORTLAND

SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
GENERAL FUND
(BUDGETARY BASIS)
for the year ended June 30, 2018

	Resources				Over
	Original	Transfers In (Out)	Budget	Actual	(Under) Budget
REVENUES:					
Operating revenues:					
Administration	$ 160,000		$ 160,000	$ 162,521	$ 2,521
Marine	20,973,106	$ 4,300,000	25,273,106	25,878,628	605,522
Industrial Development	26,714,735		26,714,735	12,809,815	(13,904,920)
Navigation	14,336,130		14,336,130	15,492,974	1,156,844
General Aviation	4,334,478		4,334,478	4,583,381	248,903
	66,518,449	4,300,000	70,818,449	58,927,319	(11,891,130)
Interest	2,922,700	500,000	3,422,700	3,306,633	(116,067)
Fixed asset sales and other		8,500,000	8,500,000	8,356,068	(143,932)
Total revenues	69,441,149	13,300,000	82,741,149	70,590,020	(12,151,129)
TRANSFERS FROM OTHER FUNDS:					
Bond Construction Fund	3,532,182		3,532,182	2,855,477	(676,705)
Airport Construction Fund	12,685,554		12,685,554	13,939,733	1,254,179
Airport Revenue Fund	29,642,884		29,642,884	29,099,438	(543,446)
Total transfers	45,860,620		45,860,620	45,894,648	34,028
Total revenues and transfers	115,301,769	13,300,000	128,601,769	116,484,668	(12,117,101)
BEGINNING WORKING CAPITAL	156,457,245		156,457,245	213,362,890	56,905,645
Total resources	$ 271,759,014	$ 13,300,000	$ 285,059,014	$ 329,847,558	$ 44,788,544

THE PORT OF PORTLAND

SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS

GENERAL FUND

(BUDGETARY BASIS), Continued

for the year ended June 30, 2018

	Appropriations				(Over)
		Transfers			Under
	Original	In (Out)	Revised	Actual	Budget
EXPENDITURES:					
Administration	$ 53,818,390		$ 53,818,390	$ 48,544,286	$ 5,274,104
Marine	19,794,072	$ 6,100,000	25,894,072	25,556,817	337,255
Industrial Development	5,099,705		5,099,705	4,245,731	853,974
Navigation	11,095,474		11,095,474	10,531,426	564,048
General Aviation	3,358,955	500,000	3,858,955	3,654,574	204,381
Long-term debt payments	12,411,555		12,411,555	12,131,082	280,473
System development charges/other	250,000	2,000,000	2,250,000	1,931,522	318,478
Other environmental	3,204,812	14,500,000	17,704,812	10,294,407	7,410,405
Contingencies	133,140,614	(9,800,000)	123,340,614		123,340,614
Total expenditures	242,173,577	13,300,000	255,473,577	116,889,845	138,583,732
TRANSFERS TO OTHER FUNDS:					
Bond Construction Fund	29,201,305		29,201,305		29,201,305
Airport Revenue Fund	384,132		384,132	204,080	180,052
Total transfers	29,585,437		29,585,437	204,080	29,381,357
Total expenditures and transfers	$ 271,759,014	$ 13,300,000	$ 285,059,014	117,093,925	$ 167,965,089
ENDING WORKING CAPITAL				$ 212,753,633	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
BOND CONSTRUCTION FUND
(BUDGETARY BASIS)
for the year ended June 30, 2018

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest and other	$ 244,000	$ 468,439	$ 224,439
Grants	4,363,312	1,616,028	(2,747,284)
	4,607,312	2,084,467	(2,522,845)
Tax and tax items:			
Current property tax levy - net	11,919,999	12,055,459	135,460
Interest on taxes		21,166	21,166
	11,919,999	12,076,625	156,626
Total revenues	16,527,311	14,161,092	(2,366,219)
TRANSFERS FROM OTHER FUNDS:			
General Fund	29,201,305		(29,201,305)
Airport Revenue Fund	1,974,906	498,934	(1,475,972)
Total transfers	31,176,211	498,934	(30,677,277)
BEGINNING WORKING CAPITAL	10,000,000	16,069,307	6,069,307
Total resources	$ 57,703,522	30,729,333	$ (26,974,189)

	Appropriations	Actual	(Over) Under Budget
EXPENDITURES:			
Capital outlay	$ 44,116,255	13,346,733	$ 30,769,522
Contingencies	10,000,000		10,000,000
Total expenditures	54,116,255	13,346,733	40,769,522
TRANSFERS TO OTHER FUNDS:			
General Fund	3,532,182	2,855,477	676,705
Airport Revenue Fund	55,085	22,572	32,513
Total transfers	3,587,267	2,878,049	709,218
Total expenditures and transfers	$ 57,703,522	16,224,782	$ 41,478,740
ENDING WORKING CAPITAL		$ 14,504,551	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
AIRPORT REVENUE FUND
(BUDGETARY BASIS)
for the year ended June 30, 2018

	Resources Original	Resources Transfers In (Out)	Resources Revised	Actual	Over (Under) Budget
REVENUES:					
Operating revenue - Portland International Airport	$ 240,729,359		$ 240,729,359	$ 241,933,884	$ 1,204,525
Interest and other	2,268,700		2,268,700	1,042,653	(1,226,047)
Commercial paper proceeds		$ 200,000,000	200,000,000	28,500,000	(171,500,000)
Total revenues	242,998,059	200,000,000	442,998,059	271,476,537	(171,521,522)
TRANSFERS FROM OTHER FUNDS:					
General Fund	384,132		384,132	204,080	(180,052)
Bond Construction Fund	55,085		55,085	22,572	(32,513)
Airport Construction Fund	2,081,643		2,081,643	3,105,443	1,023,800
CFC Fund	200,000		200,000	169,611	(30,389)
Total transfers	2,720,860		2,720,860	3,501,706	780,846
Total revenues and transfers	245,718,919	200,000,000	445,718,919	274,978,243	(170,740,676)
BEGINNING WORKING CAPITAL	94,740,916		94,740,916	94,672,430	(68,486)
Total resources	$ 340,459,835	$ 200,000,000	$ 540,459,835	369,650,673	$ (170,809,162)

	Appropriations Original	Appropriations Transfers In (Out)	Appropriations Revised	Actual	(Over) Under Budget
EXPENDITURES:					
Operating expenditures	$ 105,105,896	$ 2,500,000	$ 107,605,896	108,170,152	$ (564,256)
Commercial paper debt service payments		100,950,000	100,950,000	28,629,693	72,320,307
Other	605,000		605,000	2,561	602,439
Contingencies	104,460,000	(1,500,000)	102,960,000		102,960,000
Total expenditures	210,170,896	101,950,000	312,120,896	136,802,406	175,318,490
TRANSFERS TO OTHER FUNDS:					
General Fund	29,642,884		29,642,884	29,099,438	543,446
Bond Construction Fund	1,974,906		1,974,906	498,934	1,475,972
Airport Construction Fund	41,011,815	60,050,000	101,061,815	63,551,523	37,510,292
Airport Revenue Bond Fund	57,659,334		57,659,334	54,308,411	3,350,923
CFC Fund		38,000,000	38,000,000	13,615,477	24,384,523
Total transfers	130,288,939	98,050,000	228,338,939	161,073,783	67,265,156
Total expenditures and transfers	$ 340,459,835	$ 200,000,000	$ 540,459,835	297,876,189	$ 242,583,646
ENDING WORKING CAPITAL				$ 71,774,484	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
AIRPORT REVENUE BOND FUND
(BUDGETARY BASIS)
for the year ended June 30, 2018

	Resources				Over
	Original	Transfers In (Out)	Revised	Actual	(Under) Budget
REVENUES:					
Interest and other	$ 121,760		$ 121,760	$ 690,580	$ 568,820
Bond sale proceeds	9,000,000	$ (9,000,000)			
Total revenues	9,121,760	(9,000,000)	121,760	690,580	568,820
TRANSFERS FROM OTHER FUNDS:					
Airport Revenue Fund	57,659,334		57,659,334	54,308,411	(3,350,923)
Airport Construction Fund	8,500,000	(4,500,000)	4,000,000	6,891,937	2,891,937
Total transfers	66,159,334	(4,500,000)	61,659,334	61,200,348	(458,986)
Total revenues and transfers	75,281,094	(13,500,000)	61,781,094	61,890,928	109,834
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE	36,994,752		36,994,752	37,073,586	78,834
Total resources	$ 112,275,846	$ (13,500,000)	$ 98,775,846	98,964,514	$ 188,668

	Appropriations				(Over)
	Original	Transfers In (Out)	Revised	Actual	Under Budget
EXPENDITURES:					
Long-term debt payments	$ 66,281,094	$ (4,500,000)	$ 61,781,094	61,264,797	$ 516,297
Total expenditures	66,281,094	(4,500,000)	61,781,094	61,264,797	$ 516,297
UNAPPROPRIATED BALANCE	45,994,752	(9,000,000)	36,994,752		
	$ 112,275,846	$ (13,500,000)	$ 98,775,846		
ENDING RESTRICTED NET ASSETS AVAILABLE FOR FUTURE DEBT SERVICE				$ 37,699,717	

THE PORT OF PORTLAND

SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS

AIRPORT CONSTRUCTION FUND

(BUDGETARY BASIS)

for the year ended June 30, 2018

	Resources Original	Resources Transfers In (Out)	Resources Revised	Actual	Over (Under) Budget
REVENUES:					
Grants	$ 14,945,759		$ 14,945,759	$ 10,338,147	$ (4,607,612)
Interest and other	1,601,800	$ (1,000,000)	601,800	1,288,779	686,979
Bond sale proceeds	120,000,000	(120,000,000)			
Total revenues	136,547,559	(121,000,000)	15,547,559	11,626,926	(3,920,633)
TRANSFERS FROM OTHER FUNDS:					
Airport Revenue Fund	41,011,815	60,050,000	101,061,815	63,551,523	(37,510,292)
CFC Fund	80,000,000	(14,000,000)	66,000,000	35,594,911	(30,405,089)
PFC Fund	38,000,000		38,000,000	29,274	(37,970,726)
Total transfers	159,011,815	46,050,000	205,061,815	99,175,708	(105,886,107)
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION	270,174,532		270,174,532	265,664,078	(4,510,454)
Total resources	$ 565,733,906	$ (74,950,000)	$ 490,783,906	376,466,712	$ (114,317,194)

	Appropriations Original	Appropriations Transfers In (Out)	Appropriations Revised	Actual	(Over) Under Budget
EXPENDITURES:					
Capital outlay	$ 340,341,864		$ 340,341,864	143,587,262	$ 196,754,602
Bond issue costs/other	1,000,000		1,000,000		1,000,000
Contingencies	201,124,845	$ (70,450,000)	130,674,845		130,674,845
Total expenditures	542,466,709	(70,450,000)	472,016,709	143,587,262	328,429,447
TRANSFERS TO OTHER FUNDS:					
General Fund	12,685,554		12,685,554	13,939,733	(1,254,179)
Airport Revenue Fund	2,081,643		2,081,643	3,105,443	(1,023,800)
Airport Revenue Bond Fund	8,500,000	(4,500,000)	4,000,000	6,891,937	(2,891,937)
Total transfers	23,267,197	(4,500,000)	18,767,197	23,937,113	(5,169,916)
Total expenditures and transfers	$ 565,733,906	$ (74,950,000)	$ 490,783,906	167,524,375	$ 323,259,531
ENDING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION				$ 208,942,337	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
PFC FUND
(BUDGETARY BASIS)
for the year ended June 30, 2018

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest and other	$ 1,172,700	$ 111,779	$ (1,060,921)
Passenger facility charges	37,567,107	38,140,595	573,488
Total revenues	38,739,807	38,252,374	(487,433)
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION	85,077,809	98,241,915	13,164,106
Total resources	$ 123,817,616	136,494,289	$ 12,676,673

	Budget	Actual	(Over) Under Budget
EXPENDITURES:			
Other	$ 50,750	29,651	$ 21,099
Contingencies	70,962,041		70,962,041
Total expenditures	71,012,791	29,651	70,983,140
TRANSFERS TO OTHER FUNDS:			
PFC Bond Fund	14,804,825	14,733,582	71,243
Airport Construction Fund	38,000,000	29,274	37,970,726
Total transfers	52,804,825	14,762,856	38,041,969
Total expenditures and transfers	$ 123,817,616	14,792,507	$ 109,025,109
ENDING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION		$ 121,701,782	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
PFC BOND FUND
(BUDGETARY BASIS)
for the year ended June 30, 2018

	Budget	Actual	Over (Under) Budget
REVENUES:			
Interest and other	$ 65,000	$ 226,584	$ 161,584
Total revenues	65,000	226,584	161,584
TRANSFERS FROM OTHER FUNDS:			
PFC Fund	14,804,825	14,733,582	(71,243)
BEGINNING RESTRICTED NET ASSETS			
AVAILABLE FOR FUTURE DEBT SERVICE	14,399,016	14,450,178	51,162
Total resources	$ 29,268,841	29,410,344	$ 141,503

	Budget	Actual	(Over) Under Budget
EXPENDITURES:			
Long-term debt payments	$ 14,869,825	14,814,257	$ 55,568
Total expenditures	14,869,825	14,814,257	$ 55,568
UNAPPROPRIATED BALANCE	14,399,016		
	$ 29,268,841		
ENDING RESTRICTED NET ASSETS			
AVAILABLE FOR FUTURE DEBT SERVICE		$ 14,596,087	

THE PORT OF PORTLAND
CFC FUND
(BUDGETARY BASIS)
for the year ended June 30, 2018

	Resources Original	Resources Transfers In (Out)	Resources Revised	Actual	Over (Under) Budget
REVENUES:					
Interest and other	$ 18,500		$ 18,500	$ 120,330	$ 101,830
Bond sale and other debt proceeds	160,000,000	$ (160,000,000)			
Customer facility charges	16,239,214		16,239,214	15,551,097	(688,117)
Total revenues	176,257,714	(160,000,000)	16,257,714	15,671,427	(586,287)
TRANSFERS FROM OTHER FUNDS:					
Airport Revenue Fund		38,000,000	38,000,000	13,615,477	(24,384,523)
Total transfers		38,000,000	38,000,000	13,615,477	(24,384,523)
Total revenues and transfers	176,257,714	(122,000,000)	54,257,714	29,286,904	(24,970,810)
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION	17,730,166		17,730,166	11,801,768	(5,928,398)
Total resources	$ 193,987,880	$ (122,000,000)	$ 71,987,880	41,088,672	$ (30,899,208)

	Appropriations Original	Appropriations Transfers In (Out)	Appropriations Revised	Actual	(Over) Under Budget
EXPENDITURES:					
Bank fees and other	$ 1,000,000	$ (900,000)	$ 100,000		$ 100,000
Contingencies	106,787,880	(101,100,000)	5,687,880		5,687,880
Total expenditures	107,787,880	(102,000,000)	5,787,880		5,787,880
TRANSFERS TO OTHER FUNDS:					
Airport Revenue Fund	200,000		200,000	169,611	30,389
Airport Construction Fund	80,000,000	(14,000,000)	66,000,000	35,594,911	30,405,089
CFC Bond Fund	6,000,000	(6,000,000)			
Total transfers	86,200,000	(20,000,000)	66,200,000	35,764,522	30,435,478
UNAPPROPRIATED BALANCE					
Total expenditures and transfers	$ 193,987,880	$ (122,000,000)	$ 71,987,880	35,764,522	$ 36,223,358
ENDING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION				$ 5,324,150	

THE PORT OF PORTLAND
SCHEDULE OF RESOURCES, EXPENDITURES AND TRANSFERS
CFC BOND FUND
(BUDGETARY BASIS)
for the year ended June 30, 2018

	Resources Original	Resources Transfers In (Out)	Resources Revised	Actual	Over (Under) Budget
REVENUES:					
Bond sale and other debt proceeds	$ 12,000,000	$ (12,000,000)	$	$	$
Total revenues	12,000,000	(12,000,000)			
TRANSFERS FROM OTHER FUNDS:					
CFC Fund	6,000,000	(6,000,000)			
Total transfers	6,000,000	(6,000,000)			
Total revenues and transfers	18,000,000	(18,000,000)			
BEGINNING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION					
Total resources	$ 18,000,000	$ (18,000,000)	$		$

	Appropriations Original	Appropriations Transfers In (Out)	Appropriations Revised	Actual	(Over) Under Budget
EXPENDITURES:					
Long-term debt payments	$ 6,000,000	$ (6,000,000)	$		$
Total expenditures	6,000,000	(6,000,000)			
UNAPPROPRIATED BALANCE	12,000,000	(12,000,000)			
Total expenditures and transfers	$ 18,000,000	$ (18,000,000)	$		$
ENDING RESTRICTED NET ASSETS AVAILABLE FOR APPROPRIATION				$	

THE PORT OF PORTLAND
COMBINING BALANCE SHEET – ALL FUNDS
June 30, 2018

ASSETS	Combined All Funds	Marine & Other: Total Marine & Other	Marine & Other: General Fund	Marine & Other: Bond Construction Fund	Airport: Total Airport	Airport: Revenue Fund	Airport: Revenue Bond Fund	Airport: Construction Fund	Airport: PFC Fund	Airport: PFC Bond Fund	Airport: CFC Fund
Current assets:											
Cash and cash equivalents	$ 47,500,371	$ 47,462,291	$ 47,416,844	$ 45,447	$ 38,080	$ 38,080					
Equity in pooled investments	317,009,753	206,857,337	193,408,180	13,449,157	110,152,416	110,152,416					
Restricted cash and equity in pooled investments	73,839,620				73,839,620		$ 44,307,894	$ 18,991,086	$ 600,180	$ 9,940,460	
Receivables, net of allowance for doubtful accounts	28,412,145	11,828,525	9,529,345	2,299,180	16,583,620	16,583,620					
Prepaid insurance and other assets	6,820,346	2,499,127	2,499,127		4,321,219	4,321,219					
Total current assets	473,582,235	268,647,280	252,853,496	15,793,784	204,934,955	131,095,335	44,307,894	18,991,086	600,180	9,940,460	
Noncurrent assets:											
Restricted assets:											
Cash and equity in pooled investments	402,564,538	2,728,553	2,728,553		399,835,985	22,150,643	37,699,717	206,015,135	115,400,933	14,596,087	$ 3,973,470
Receivables	10,578,731				10,578,731			2,927,202	6,300,849		1,350,680
Total restricted assets	413,143,269	2,728,553	2,728,553		410,414,716	22,150,643	37,699,717	208,942,337	121,701,782	14,596,087	5,324,150
Land held for sale	57,280,912	57,280,912	23,025,200	34,255,712							
Depreciable properties, net of accumulated depreciation	1,266,276,476	160,412,841	160,412,841		1,105,863,635	1,105,863,635					
Nondepreciable properties	349,539,979	107,255,070	83,447,833	23,807,237	242,284,909	68,042,167		174,242,742			
Unamortized bond issue costs	933,439	145,015	145,015		788,424	674,116			114,308		
Due from other funds		29,310,530 *	29,310,530 *								
Other noncurrent assets	2,203,682	517,454	517,454		1,686,228	1,686,228					
Total noncurrent assets	2,089,377,757	357,650,375	299,587,426	58,062,949	1,761,037,912	1,198,416,789	37,699,717	383,185,079	121,816,090	14,596,087	5,324,150
Deferred outflows of resources:											
Deferred charges on refunding bonds	22,571,834				22,571,834	15,261,969			7,309,865		
Deferred charges on pensions and OPEB	31,237,602	17,091,584	17,091,584		14,146,018	14,146,018					
Cumulative decrease in fair value of hedging derivative	5,864,000				5,864,000		5,864,000				
Total deferred outflows of resources	59,673,436	17,091,584	17,091,584		42,581,852	29,407,987	5,864,000		7,309,865		
Total assets	$ 2,622,633,428	$ 643,389,239	$ 569,532,506	$ 73,856,733	$ 2,008,554,719	$ 1,358,920,111	$ 87,871,611	$ 402,176,165	$ 129,726,135	$ 24,536,547	$ 5,324,150
LIABILITIES											
Current liabilities (payable from current assets):											
Current portion of long-term debt	$ 32,946,288	$ 4,446,288	$ 4,446,288		$ 28,500,000	$ 28,500,000					
Accounts payable	49,294,320	27,151,818	25,862,585	$ 1,289,233	22,142,502	22,142,502					
Accrued wages, vacation and sick leave pay	10,820,811	5,266,566	5,266,566		5,554,245	5,554,245					
Workers' compensation and other accrued liabilities	7,648,528	4,524,424	4,524,424		3,124,104	3,124,104					
Total current liabilities (payable from current assets)	100,709,947	41,389,096	40,099,863	1,289,233	59,320,851	59,320,851					
Restricted liabilities (payable from restricted assets):											
Current portion of long-term debt and other	38,370,768				38,370,768		$ 29,941,838		$ 598,930	$ 7,830,000	
Accrued interest payable	16,476,516				16,476,516		14,366,056			2,110,460	
Accounts payable	16,563,717				16,563,717			$ 16,562,467	1,250		
Contract retainage payable	2,428,619				2,428,619			2,428,619			
Total restricted current liabilities (payable from restricted assets)	73,839,620				73,839,620		44,307,894	18,991,086	600,180	9,940,460	
Total current liabilities	174,549,567	41,389,096	40,099,863	1,289,233	133,160,471	59,320,851	44,307,894	18,991,086	600,180	9,940,460	
Noncurrent liabilities:											
Long-term environmental and other accruals	60,303,619	47,605,532	47,605,532		12,698,087	3,216,087	5,864,000		3,618,000		
Long-term debt	877,731,977	82,232,012	82,232,012		795,499,965	671,907,681			123,592,284		
Unearned revenue and other	72,019,130	26,673,422	26,673,422		45,345,708	42,427,688	1,439,704		1,478,316		
Net pension and OPEB liability	93,056,174	50,508,217	50,508,217		42,547,957	42,547,957					
Due to other funds					29,310,530 *	29,310,530 *					
Total noncurrent liabilities	1,103,110,900	207,019,183	207,019,183		925,402,247	789,409,943	7,303,704		128,688,600		
Deferred inflows of resources:											
Deferred pension inflows	4,810,607	2,606,781	2,606,781		2,203,826	2,203,826					
Total deferred inflows of resources	4,810,607	2,606,781	2,606,781		2,203,826	2,203,826					
Total liabilities	1,282,471,074	251,015,060	249,725,827	1,289,233	1,060,766,544	850,934,620	51,611,598	18,991,086	129,288,780	9,940,460	
NET POSITION											
Net investment in capital assets	901,951,056	303,902,259	245,839,310	58,062,949	598,048,797	468,838,820	(29,445,000)	286,271,088	(119,786,111)	(7,830,000)	
Restricted for capital and debt service	313,639,601	2,728,553	2,728,553		310,911,048	318,341	65,705,013	96,913,991	120,223,466	22,426,087	$ 5,324,150
Unrestricted	124,571,697	85,743,367	71,238,816	14,504,551	38,828,330	38,828,330					
Total net position	1,340,162,354	392,374,179	319,806,679	72,567,500	947,788,175	507,985,491	36,260,013	383,185,079	437,355	14,596,087	5,324,150
Total liabilities and net position	$ 2,622,633,428	$ 643,389,239	$ 569,532,506	$ 73,856,733	$ 2,008,554,719	$ 1,358,920,111	$ 87,871,611	$ 402,176,165	$ 129,726,135	$ 24,536,547	$ 5,324,150

* Amount eliminated in the Combined All Funds column.

THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT
SCHEDULE OF NET REVENUES
for the year ended June 30, 2018

Operating revenues:	
Airline revenues	$ 104,680,072
Concessions and other rentals	135,184,377
Other	2,399,976
	242,264,425
Interest income - revenue fund and revenue bond fund	584,820
	242,849,245
Costs of operation and maintenance, excluding depreciation:	
Salaries, wages and fringe benefits	48,713,662
Contract, professional and consulting services	34,259,947
Materials and supplies	6,005,588
Utilities	11,566,831
Equipment rents, repair and fuel	1,434,655
Insurance	1,841,819
Travel and management expense	3,702,878
Allocation of general and administration expense of the Port of Portland	18,662,051
Other	4,019,896
	130,207,327
Net revenues, as defined by Section 2(r) of Ordinance No. 155 *	$ 112,641,918

* Presented in accordance with provisions of Ordinance Nos. 155 and 323 (ordinances authorizing issuance of Airport revenue bonds), which are different from generally accepted accounting principles.

THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT
SCHEDULE OF COMPLIANCE WITH ORDINANCE NOS. 155 AND 323
DEBT SERVICE COVERAGE REQUIREMENTS
for the year ended June 30, 2018

Section 16(ii) of Ordinance No. 155 and Section 5f of Ordinance No. 323 authorizing the issuance of Portland International Airport revenue bonds require that net revenues, as defined by Ordinance No. 155, in each fiscal year must equal at least 130 percent of the prior lien bond (PLB) and subordinate lien bond (SLB) debt service requirements, as defined, for such fiscal year on all outstanding Portland International Airport revenue bonds. The Airport paid off the last of the PLBs in 1993, and has covenanted not to issue any further PLBs.

The Airport has complied with this provision computed in accordance with ordinance definitions as follows:

Net revenues, per accompanying schedule of net revenues		$ 112,641,918
SLB debt service requirement:		
Interest and principal amount	$ 52,827,050	
	x 130%	
Total net revenues required		68,675,165
Excess of net revenues over 130% of SLB debt service requirement		$ 43,966,753

Section 5f of Ordinance No. 323 also requires that in a fiscal year when there is excess principal due, as defined in Section 5f of Ordinance No. 323, the net revenues in excess of 130% of the SLB debt service requirement equal 100% of such excess principal amount.

Excess of net revenues over 130% of SLB debt service requirement		$ 43,966,753
Excess principal amount	$	
	x 100%	
Total additional net revenues required		
Excess of net revenues over 130% of SLB debt service requirement and 100% of excess principal requirement		$ 43,966,753

In addition, Section 5f of Ordinance No. 323 requires that the net nevenues, together with other amounts that are available to pay other swap obligations, as defined in Ordinance No. 323, are sufficient to pay all other swap obligations and junior lien obligations (Other Obligations) when due.

Excess of net revenues over 130% of SLB debt service requirement and 100% of excess principal requirement		$ 43,966,753
Other amounts available to pay other swap obligations		
Total available to pay Other Obligations		43,966,753
Other swap obligations	$	
Junior lien obligations		
Total Other Obligations		
Excess amount over 130% of SLB debt service requirement, 100% of excess principal requirement, and Other Obligations		$ 43,966,753

THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT
SCHEDULE OF REVENUE BOND CONSTRUCTION ACCOUNT ACTIVITY
for the year ended June 30, 2018

	Bond Proceeds Portion	Capitalized Interest Portion
Construction account, June 30, 2017	$ 164,958,783	$ 22,835,297
Excess issuance cost proceeds	17,697	
Interest income	1,668,259	224,510
	166,644,739	23,059,807
Construction expenditures	69,177,148	
Transfers to revenue bond fund		8,499,052
Construction account, June 30, 2018	$ 97,467,591	$ 14,560,755

NOTE: This schedule is provided in compliance with Section 8d. of Ordinance No. 323.

THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT
SCHEDULE OF GENERAL ACCOUNT AMOUNT AVAILABLE FOR
PAYMENT TO AIRPORT REVENUE BOND FUND AND RATIO TO
REVENUE BOND DEBT SERVICE REQUIREMENT
for the year ended June 30, 2018

Net revenues, per accompanying schedule of net revenues	$ 112,641,918	
Less revenue bond fund interest income	(690,580)	
Applied to General Account, available to be applied to debt service of bonds	$ 111,951,338	(1)
Bond debt service requirement, per accompanying schedule of compliance with Ordinance Nos. 155 and 323	$ 52,827,050	(2)
Ratio (1)/(2)	2.12	
Required ratio	1.30	

NOTE: This schedule is provided in compliance with Section 5f of Ordinance No. 323.

THE PORT OF PORTLAND
PORTLAND INTERNATIONAL AIRPORT
SCHEDULE OF PASSENGER FACILITY CHARGE ACTIVITY
for the year ended June 30, 2018

	First Lien Bond Account	First Lien Reserve Account	Capital Account
Balances at June 30, 2017	$ 139,477	$ 14,310,701	$ 98,241,915
PFC revenues:			
PFC bond account	14,733,582		
Capital account			23,407,013
Interest earnings		226,584	88,035
Transfer from reserve account to bond account	226,584	(226,584)	
Bond payments to trustee	(14,814,257)		
Costs of approved PFC projects			(29,274)
Other, net			(5,907)
Balances at June 30, 2018	$ 285,386	$ 14,310,701	$ 121,701,782

NOTE: This schedule is provided in compliance with Section 9(d) of Ordinance No. 395-B.

THE PORT OF PORTLAND

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES

for the year ended June 30, 2018

Fiscal Year	Property Taxes Receivable June 30, 2017	Current Levy as Extended by Assessors	Deduct Cash Collections	Deduct Discounts Allowed	Cancellations and Adjustments	Property Taxes Receivable June 30, 2018	Interest Collected
2017-18		$ 12,524,063	$ (11,928,726)	$ (333,003)	$ (77,156)	$ 185,178	$ (20,671)
2016-17	$ 217,252		(81,919)		(28,204)	107,129	8,618
2015-16	122,205		(26,679)		(19,145)	76,381	3,954
2014-15	92,222		(21,506)		(4,524)	66,192	5,117
2013-14	65,006		(10,416)		(2,426)	52,164	2,899
2012-13 and prior	172,068		(2,651)		(4,146)	165,271	810
	$ 668,753	$ 12,524,063	$ (12,071,897)	$ (333,003)	$ (135,601)	$ 652,315	$ 727

Reconciliation to income from property taxes:

Current levy	$ 12,524,063
Deduct discounts allowed	(333,003)
Cancellations and adjustments	(135,601)
	$ 12,055,459

THE PORT OF PORTLAND

SCHEDULE OF BOND AND OTHER LONG-TERM DEBT PRINCIPAL TRANSACTIONS – BY SERIES

FOR THE YEAR ENDED JUNE 30, 2018

			2017-2018 Transactions			Outstanding June 30, 2018	
	Maturity Date	Outstanding at June 30, 2017	Issued	Matured	Redeemed	Total	Due Within One Year
LIMITED TAX PENSION BONDS:							
Series 2002A, 2.00% to 7.41%	06/01/20	$ 2,628,213		$ 893,815	$ 893,815	$ 1,734,398	$ 901,618
Series 2002B, 6.60% to 6.85%	06/01/28	43,525,000				43,525,000	
Series 2005, 4.00% to 5.50%	06/01/28	15,955,000		875,000	875,000	15,080,000	985,000
Total Limited Tax Pension Bonds		62,108,213		1,768,815	1,768,815	60,339,398	1,886,618
PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS:							
Series 18A, 1.60% *	07/01/26	41,265,000		4,435,000	4,435,000	36,830,000	4,510,000
Series 18B, 1.58% *	07/01/26	41,265,000		4,430,000	4,430,000	36,835,000	4,515,000
Series 19, 4.00% to 5.50%	07/01/38	2,945,000		2,945,000	2,945,000		
Series 20A, 3.00% to 5.00%	07/01/40	18,685,000		1,660,000	1,660,000	17,025,000	1,745,000
Series 20B, 2.00% to 4.50%	07/01/40	19,350,000		505,000	505,000	18,845,000	525,000
Series 20C, 4.00% to 5.00%	07/01/28	72,915,000		5,860,000	5,860,000	67,055,000	6,165,000
Series 21B, 2.00% to 5.00%	07/01/18	16,040,000		7,830,000	7,830,000	8,210,000	8,210,000
Series 21C, 4.375% to 5.00%	07/01/23	27,685,000				27,685,000	
Series 22, 4.00% to 5.00%	07/01/44	90,050,000				90,050,000	
Series 23, 5.00%	07/01/38	109,440,000				109,440,000	3,065,000
Series 24A, 5.00%	07/01/47	21,965,000				21,965,000	
Series 24B, 5.00%	07/01/47	211,275,000				211,275,000	710,000
Total Portland Int'l Airport Revenue Bonds		672,880,000		27,665,000	27,665,000	645,215,000	29,445,000
PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:							
Series 2011A, 2.50% to 5.50%	07/01/31	68,950,000		1,650,000	1,650,000	67,300,000	1,710,000
Series 2012A, 2.56% *	07/01/24	57,315,000		120,000	120,000	57,195,000	2,790,000
Series 2012B, 5.00% to 5.75%	07/01/18	9,005,000		5,675,000	5,675,000	3,330,000	3,330,000
Total Portland Int'l Airport Passenger Facility Charge Revenue Bonds		135,270,000		7,445,000	7,445,000	127,825,000	7,830,000
Total Port Bonds		$ 870,258,213		$ 36,878,815	$ 36,878,815	$ 833,379,398	$ 39,161,618
CONTRACTS & LOANS PAYABLE:							
City of Portland LID, Series 2003, 5.32%	04/01/23	$ 4,087,757		$ 626,360	$ 626,360	$ 3,461,397	$ 660,507
Oregon Department of Transportation, MMTF-0001, 0%	03/31/21	800,000		200,000	200,000	600,000	200,000
Oregon Department of Transportation, MMTF-0003, 0%	07/01/22	3,713,500		742,700	742,700	2,970,800	
Oregon Business Development Dept., B08005, 2.00% to 4.00%	12/01/30	6,404,026		367,763	367,763	6,036,263	379,332
Banc of America Leasing & Capital, LLC, 2.84%	10/01/19	921,613		402,353	402,353	519,260	413,930
Banc of America Leasing & Capital, LLC, 4.5%	06/01/28	11,931,367		866,112	866,112	11,065,255	905,901
Total Contracts & Loans Payable		$ 27,858,263		$ 3,205,288	$ 3,205,288	$ 24,652,975	$ 2,559,670
TOTAL PORT LONG-TERM DEBT		$ 898,116,476		$ 40,084,103	$ 40,084,103	$ 858,032,373	$ 41,721,288

Note: Interest rates relate to original issue. Certain coupons are no longer outstanding.
* Interest rate at June 30, 2018. Rate is variable, depending on weekly resets.

THE PORT OF PORTLAND

SCHEDULE OF BOND AND OTHER LONG-TERM DEBT INTEREST TRANSACTIONS – BY SERIES
FOR THE YEAR ENDED JUNE 30, 2018

	Outstanding at June 30, 2017	2017 - 18 Transactions: Issued	2017 - 18 Transactions: Interest Matured and Paid	2017 - 18 Transactions: Interest Fluctuations and Redemptions	Outstanding at June 30, 2018	Maturing Within One Year
LIMITED TAX PENSION BONDS:						
Series 2002A, 2.00% to 7.41%	$ 6,471,788		$ 1,961,185		$ 4,510,603	$ 2,218,383
Series 2002B, 6.60% to 6.85%	23,084,728		2,965,950		20,118,778	2,965,950
Series 2005, 4.00% to 5.50%	5,311,344		794,096		4,517,248	751,580
Total Limited Tax Pension Bonds	34,867,860		5,721,231		29,146,629	5,935,913
PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS:						
Series 18A, 1.60% *	1,656,432		436,749	$ (1,541,037)	2,760,720	589,280
Series 18B, 1.58% *	1,639,466		436,874	(1,524,093)	2,726,685	581,993
Series 19, 4.00% to 5.50%	73,625		73,625			
Series 20A, 3.125% to 5.00%	8,024,054		716,131		7,307,923	631,006
Series 20B, 2.00% to 4.50%	11,048,326		768,650		10,279,676	748,050
Series 20C, 4.00% to 5.00%	23,140,125		3,499,250		19,640,875	3,198,625
Series 21B, 2.00% to 5.00%	811,500		606,250		205,250	205,250
Series 21C, 4.375% to 5.00%	6,030,031		1,320,962		4,709,069	1,320,962
Series 22, 4.00% to 5.00%	79,511,500		4,484,700		75,026,800	4,484,700
Series 23, 5.00%	72,553,000		5,472,000		67,081,000	5,395,375
Series 24A, 5.00%	31,333,658		475,908		30,857,750	1,098,250
Series 24B, 5.00%	200,844,875		4,577,625		196,267,250	10,563,750
Total Portland Int'l Airport Revenue Bonds	436,666,592		22,868,724	(3,065,130)	416,862,998	28,817,241
PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:						
Series 2011, 2.50% to 5.50%	39,816,850		3,506,325		36,310,525	3,430,575
Series 2012A, 2.56% *	3,813,775		559,503	(3,290,957)	6,545,229	1,464,181
Series 2012B, 5.00% to 5.75%	391,625		308,375		83,250	83,250
Total Portland Int'l Airport Passenger Facility Charge Revenue Bonds	44,022,250		4,374,203	(3,290,957)	42,939,004	4,978,006
Total Port Bonds	$ 515,556,702		$ 32,964,158	$ (6,356,087)	$ 488,948,631	$ 39,731,160
CONTRACTS & LOANS PAYABLE:						
City of Portland LID, Series 2003, 5.32%	$ 664,446		$ 202,342		$ 462,104	$ 168,195
Oregon Business Development Dept., B08005, 2.00% to 4.00%	1,960,078		230,069		1,730,009	220,875
Banc of America Leasing & Capital, LLC, 2.84%	30,848		20,963		9,885	9,386
Banc of America Leasing & Capital, LLC, 4.5%	3,191,542		519,193		2,672,349	479,404
Total Contracts & Loans Payable	$ 5,846,914		$ 972,567		$ 4,874,347	$ 877,860
TOTAL PORT LONG-TERM DEBT	$ 521,403,616		$ 33,936,725	$ (6,356,087)	$ 493,822,978	$ 40,609,020

Note: Interest rates relate to original issue. Certain coupons are no longer outstanding.
* Interest rate at June 30, 2018. Rate is variable, depending on weekly resets.

THE PORT OF PORTLAND

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF BONDED AND OTHER LONG-TERM DEBT – BY SERIES

AS OF JUNE 30, 2018

		Date of Issue	Total Requirements	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 to 2027-28	2028-29 to 2032-33	2033-34 to 2037-38	2038-39 to 2042-43	2043-44 to 2047-48
LIMITED TAX PENSION BONDS:													
Series 2002A	-Principal	03/28/02	$ 1,734,398	$ 901,618	$ 832,780								
2.00% to 7.41%	-Interest		4,510,603	2,218,383	2,292,220								
Series 2002B	-Principal	03/28/02	43,525,000		265,000	$ 3,695,000	$ 4,240,000	$ 4,840,000	$ 30,485,000				
6.60% to 6.85%	-Interest		20,118,778	2,965,950	2,965,950	2,947,797	2,694,690	2,404,250	6,140,141				
Series 2005	-Principal	09/23/05	15,080,000	985,000	1,100,000	1,230,000	1,365,000	1,510,000	8,890,000				
4.00% to 5.50%	-Interest		4,517,248	751,580	703,719	650,270	588,721	520,416	1,302,542				
Total Limited Tax Pension Bonds	-Principal		$ 60,339,398	$ 1,886,618	$ 2,197,780	$ 4,925,000	$ 5,605,000	$ 6,350,000	$ 39,375,000				
Total Limited Tax Pension Bonds	-Interest		$ 29,146,629	$ 5,935,913	$ 5,961,889	$ 3,598,067	$ 3,283,411	$ 2,924,666	$ 7,442,683				
PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS:													
Series 18A	-Principal	06/11/08	$ 36,830,000	$ 4,510,000	$ 4,705,000	$ 4,935,000	$ 5,155,000	$ 3,295,000	$ 14,230,000				
1.60% **	-Interest		2,760,720	589,280	517,120	441,840	362,880	280,400	569,200				
Series 18B	-Principal	06/11/08	36,835,000	4,515,000	4,705,000	4,930,000	5,155,000	3,295,000	14,235,000				
1.58% **	-Interest		2,726,685	581,993	510,656	436,317	358,423	276,974	562,322				
Series 20A	-Principal	11/02/10	17,025,000	1,745,000	685,000	705,000	725,000	745,000	4,140,000	$ 2,980,000	$ 3,105,000	$ 2,195,000	
3.125% to 5.00%	-Interest		7,307,923	631,006	577,106	556,256	534,353	510,919	2,142,045	1,406,575	807,394	142,269	
Series 20B	-Principal	11/02/10	18,845,000	525,000	545,000	570,000	590,000	615,000	3,380,000	4,080,000	4,995,000	3,545,000	
2.00% to 4.50%	-Interest		10,279,676	748,050	726,650	702,925	680,881	661,669	2,974,477	2,252,900	1,301,668	230,456	
Series 20C	-Principal	11/02/10	67,055,000	6,165,000	4,845,000	5,085,000	5,335,000	5,600,000	32,515,000	7,510,000			
4.00% to 5.00%	-Interest		19,640,875	3,198,625	2,923,375	2,675,125	2,414,625	2,141,250	6,100,125	187,750			
Series 21B	-Principal	04/05/11	8,210,000	8,210,000									
2.00% to 5.00%	-Interest		205,250	205,250									
Series 21C	-Principal	08/10/11	27,685,000		5,040,000	5,250,000	5,560,000	5,785,000	6,050,000				
4.375% to 5.00%	-Interest		4,709,069	1,320,962	1,194,963	937,712	681,363	426,100	147,969				
Series 22	-Principal	09/25/14	90,050,000		1,780,000	1,850,000	1,940,000	2,040,000	11,835,000	15,105,000	19,265,000	24,590,000	$ 11,645,000
4.00% to 5.00%	-Interest		75,026,800	4,484,700	4,449,100	4,367,250	4,272,500	4,173,000	19,188,625	15,836,375	11,561,125	6,104,750	589,375
Series 23	-Principal	03/31/15	109,440,000	3,065,000	3,215,000	3,380,000	3,545,000	3,720,000	21,605,000	27,580,000	20,080,000	23,250,000	
5.00%	-Interest		67,081,000	5,395,375	5,238,375	5,073,500	4,900,375	4,718,750	20,532,875	14,414,500	6,604,125	203,125	
Series 24A	-Principal	01/25/17	21,965,000										21,965,000
5.00%	-Interest		30,857,750	1,098,250	1,098,250	1,098,250	1,098,250	1,098,250	5,491,250	5,491,250	5,491,250	5,491,250	3,401,500
Series 24B	-Principal	01/25/17	211,275,000	710,000	745,000	3,965,000	4,170,000	4,375,000	25,390,000	32,405,000	41,350,000	52,770,000	45,395,000
5.00%	-Interest		196,267,250	10,563,750	10,528,250	10,491,000	10,292,750	10,084,250	46,912,000	39,897,500	30,945,000	19,521,750	7,031,000
Total Portland Int'l Airport Revenue Bonds	-Principal		$ 645,215,000	$ 29,445,000	$ 26,265,000	$ 30,670,000	$ 32,175,000	$ 29,470,000	$ 133,380,000	$ 89,660,000	$ 88,795,000	$ 106,350,000	$ 79,005,000
Total Portland Int'l Airport Revenue Bonds	-Interest		$ 416,862,998	$ 28,817,241	$ 27,763,845	$ 26,780,175	$ 25,596,400	$ 24,371,562	$ 104,620,888	$ 79,486,850	$ 56,710,562	$ 31,693,600	$ 11,021,875
PORTLAND INTERNATIONAL AIRPORT PASSENGER FACILITY CHARGE REVENUE BONDS:													
Series 2011A	-Principal	11/10/11	$ 67,300,000	$ 1,710,000	$ 150,000	$ 135,000	$ 125,000	$ 105,000	$ 25,240,000	$ 39,835,000			
2.50% to 5.50%	-Interest		36,310,525	3,430,575	3,385,575	3,381,300	3,377,244	3,373,506	14,941,124	4,421,201			
Series 2012A	-Principal	08/15/12	57,195,000	2,790,000	7,955,000	8,370,000	8,805,000	9,265,000	20,010,000				
2.56%**	-Interest		6,545,229	1,464,181	1,392,757	1,189,111	974,840	749,434	774,906				
Series 2012B	-Principal	10/31/12	3,330,000	3,330,000									
5.00% to 5.75%	-Interest		83,250	83,250									
Total Portland Int'l Airport PFC Revenue Bonds	-Principal		$ 127,825,000	$ 7,830,000	$ 8,105,000	$ 8,505,000	$ 8,930,000	$ 9,370,000	$ 45,250,000	$ 39,835,000			
Total Portland Int'l Airport PFC Revenue Bonds	-Interest		$ 42,939,004	$ 4,978,006	$ 4,778,332	$ 4,570,411	$ 4,352,084	$ 4,122,940	$ 15,716,030	$ 4,421,201			
Total Port Bonds	-Principal		$ 833,379,398	$ 39,161,618	$ 36,567,780	$ 44,100,000	$ 46,710,000	$ 45,190,000	$ 218,005,000	$ 129,495,000	$ 88,795,000	$ 106,350,000	$ 79,005,000
Total Port Bonds	-Interest		$ 488,948,631	$ 39,731,160	$ 38,504,066	$ 34,948,653	$ 33,231,895	$ 31,419,168	$ 127,779,601	$ 83,908,051	$ 56,710,562	$ 31,693,600	$ 11,021,875

THE PORT OF PORTLAND

SCHEDULE OF FUTURE REQUIREMENTS FOR RETIREMENT OF BONDED AND OTHER LONG-TERM DEBT – BY SERIES

AS OF JUNE 30, 2018, Continued

		Date of Issue	Total Requirements	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 to 2027-28	2028-29 to 2032-33	2033-34 to 2037-38	2038-39 to 2042-43	2043-44 to 2047-48
CONTRACTS & LOANS PAYABLE:													
City of Portland LID	-Principal	04/01/03	$ 3,461,397	$ 660,507	$ 696,516	$ 734,487	$ 774,529	$ 595,358					
5.32%	-Interest		462,104	168,195	132,187	94,215	54,173	13,334					
Oregon Department of Transportation MMTF-0001	-Principal	05/10/09	600,000	200,000	200,000	200,000							
Oregon Department of Transportation MMTF-0003	-Principal	07/06/10	2,970,800		742,700	742,700	742,700	742,700					
Oregon Business Development Dept. B08005	-Principal	08/31/10	6,036,263	379,332	386,262	398,250	415,639	428,111	$ 2,370,075	$ 1,658,594			
2.00% to 4.00%	-Interest		1,730,009	220,875	209,495	197,907	183,968	169,421	616,110	132,233			
Banc of America Leasing & Capital, LLC	-Principal	11/01/13	519,260	413,930	105,330								
2.84%	-Interest		9,885	9,386	499								
Banc of America Leasing & Capital, LLC	-Principal	06/06/13	11,065,255	905,901	947,518	991,047	1,036,575	1,084,195	6,100,019				
4.5%	-Interest		2,672,349	479,404	437,787	394,258	348,730	301,109	711,061				
Total Contracts & Loans Payable	-Principal		$ 24,652,975	$ 2,559,670	$ 3,078,326	$ 3,066,484	$ 2,969,443	$ 2,850,364	$ 8,470,094	$ 1,658,594			
Total Contracts & Loans Payable	-Interest		$ 4,874,347	$ 877,860	$ 779,968	$ 686,380	$ 586,871	$ 483,864	$ 1,327,171	$ 132,233			
TOTAL PORT LONG-TERM DEBT	-Principal		$ 858,032,373	$ 41,721,288	$ 39,646,106	$ 47,166,484	$ 49,679,443	$ 48,040,364	$ 226,475,094	$ 131,153,594	$ 88,795,000	$ 106,350,000	$ 79,005,000
TOTAL PORT LONG-TERM DEBT	-Interest		$ 493,822,978	$ 40,609,020	$ 39,284,034	$ 35,635,033	$ 33,818,766	$ 31,903,032	$ 129,106,772	$ 84,040,284	$ 56,710,562	$ 31,693,600	$ 11,021,875

Note: Interest rates relate to original issue. Certain coupons are no longer outstanding.

** Interest rate at June 30, 2018. Rate is variable, depending on weekly resets.

		Date of Issue	Total Requirements	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 to 2027-28
INDUSTRIAL DEVELOPMENT REVENUE BONDS:									
Horizon Air Project:	-Principal	08/07/97	$ 17,300,000						$ 17,300,000
1997 Series, 1.633%*	-Interest		2,514,411	$ 281,990	$ 281,990	$ 281,990	$ 281,990	$ 281,990	1,104,461
TOTAL INDUSTRIAL REVENUE BONDS	-Principal		$ 17,300,000						
TOTAL INDUSTRIAL REVENUE BONDS	-Interest		$ 2,514,411	$ 281,990	$ 281,990	$ 281,990	$ 281,990	$ 281,990	$ 1,104,461

* Interest rate at June 30, 2018. Rate is variable, depending on prime.

Note: Interest rates relate to original issue. Certain coupons are no longer outstanding. This schedule is provided for information purposes only. Industrial development revenue bonds are not a liability or contingent liability of the Port.

AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS

MOSSADAMS

Report of Independent Auditors on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Oregon Municipal Auditing Standards*

The Board of Commissioners
Port of Portland

We have audited the basic financial statements of the Port of Portland (the Port), as of and for the year ended June 30, 2018, and have issued our report thereon dated October 22, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the Port's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-0000 to 162-10-0330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

OAR	Section	Instances of Non-Compliance Identified?
162-010-0000	Preface	None Noted
162-010-0010	Definitions	None Noted
162-010-0020	Introduction	None Noted
162-010-0030	General Requirements	None Noted
162-010-0050	Financial Statements	None Noted
162-010-0115	Required Supplementary Information (RSI)	None Noted
162-010-0120	Other Supplementary Information	None Noted
162-010-0130	Schedule of Revenues, Expenditures / Expenses, and Changes in Fund Balances, / Net Position, Budget and Actual (Each Fund)	None Noted
162-010-0140	Schedule of Accountability for Independently Elected Officials	Not applicable
162-010-0150	Schedule of Property Tax Transactions or Acreage Assessments	None Noted
162-010-0160	Schedule of Bonded or Long-Term Debt Transactions	None Noted
162-010-0170	Schedule of Future Requirements for Retirement of Bonded or Long-Term Debt	None Noted
162-010-0190	Other Financial or Statistical Information	None Noted
162-010-0200	Required Disclosures and Independent Auditors Comments	None Noted
162-010-0230	Accounting Records and Internal Control	None Noted
162-010-0240	Public Fund Deposits	None Noted
162-010-0250	Indebtedness	None Noted
162-010-0260	Budget	Yes
162-010-0270	Insurance and Fidelity Bonds	None Noted
162-010-0280	Programs Funded from Outside Sources	None Noted
162-010-0295	Highway Funds	Not applicable
162-010-0300	Investments	None Noted
162-010-0310	Public Contracts and Purchasing	None Noted
162-010-0315	State School Fund	Not applicable
162-010-0316	Public Charter Schools	Not applicable
162-010-0320	Other Comments and Disclosures	None Noted
162-010-0330	Extensions of Time to Deliver Audit Reports	Not applicable

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. The Port experienced a budgetary over-expenditure in one fund which is disclosed in the notes to the financial statements.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Port's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Commissioners, management, and the State of Oregon, and is not intended to be and should not be used by anyone other than those specified parties.

James C. Lanzarotta

James Lanzarotta, Partner
for Moss Adams LLP
Portland, Oregon
October 22, 2018

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT REVENUE BOND ORDINANCES

[This page intentionally left blank.]

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE AIRPORT REVENUE BOND ORDINANCES

This appendix summarizes certain provisions of the Airport Revenue Bond Ordinances as of the date the Series Twenty-Five Bonds are issued. The Official Statement, including this appendix, occasionally uses terms that differ from terms that are used in the Airport Revenue Bond Ordinances. For example, Ordinance No. 323 uses the term "Subordinate Lien Bonds" because the obligations secured by a pledge of the Revenues that is on a parity with the pledge securing the Series Twenty-Five Bonds had a subordinate claim on the Revenues when Ordinance No. 323 originally was enacted by the Port. All senior lien obligations have been retired, and the "Subordinate Lien Bonds" are now secured by a prior pledge of the Net Revenues, so the Official Statement, including this appendix, uses the term "SLB" in place of "Subordinate Lien Bond" to avoid confusion. See "SECURITY AND SOURCES OF PAYMENT FOR THE SLBs" in the front portion of this Official Statement.

Definitions

Unless the context clearly requires otherwise, capitalized terms used in this appendix have the meanings assigned such terms in this "Definitions" section, and capitalized terms used in this appendix that are not defined in this "Definitions" section have the meanings assigned such terms in the front portion of this Official Statement or the Airport Revenue Bond Ordinances.

"Additional SLBs" means obligations issued on parity with Outstanding SLBs and in compliance with the requirements of the SLB Ordinance. See "Additional SLBs."

"Airport" means the (1) the presently existing airport owned or operated by the Port known as the "Portland International Airport" and (2) the Portland International Airport as enlarged, expanded, changed and improved, pursuant to the Airport Capital Improvement Program, as amended from time to time. The term "Airport" does not include: (a) properties sold or transferred in compliance with the limitations of Ordinance No. 155; (b) except as otherwise provided in the Airport Revenue Bond Ordinances, properties subject to a Net Rent Lease; and (c) General Aviation Airports. The Port has reserved the right to amend the definition of "Airport." See "Amendments of the Airport Revenue Bond Ordinances—Special Amendments."

"Airport Consultant" means an independent firm or corporation not in the regular employ or under the control of the Port and who shall have a widely known and favorable reputation for special skill, knowledge, and experience in methods of the development, operation and management of airports of the approximate size and character as the properties constituting the Airport. The Airport Consultant shall be available to advise the Port upon request, and make such investigations, certifications and determinations as may be necessary or required from time to time under the provisions of Ordinance No. 155.

"Airport Fund" means the special fund of the Port created pursuant to Ordinance No. 155, designated "The Port of Portland Airport Revenue Fund."

"Commercial Airport" means any airport, a major portion of the revenues derived from which are realized (1) from the operations of certificated air carriers engaged in the public utility business of transporting passengers or freight, or both, by air, whether such operations be on a scheduled or non-scheduled basis, and (2) from the supplying by the owner or operator of such airport of goods and services to the customers, patrons and passengers of such carriers.

“Completion Bonds” means Additional SLBs issued to pay the cost of completing any project for which SLBs have been previously issued, and which are issued under the provisions of the SLB Ordinance.

“Contingent Fee Payments” means the contingent fee payments, if any, received by the Port from a rental car or car sharing entity that, at the time, is a signatory to a Rental Car Concession Lease and Operating Agreement, as further described in Ordinance No. 461-B.

“Costs of Operation and Maintenance” means the reasonable and necessary current expenses of the Port included as a Cost of Operation and Maintenance in the annual Airport budget for operating, maintaining and repairing the Airport, including among other expenses costs of general administration of the Port reasonably and properly allocable to the Airport; costs of collecting Revenues and from making any refunds therefrom lawfully due to others; engineering, audit, legal and other overhead expenses directly related to the administration, operation, maintenance and repair of the Airport; costs of salaries, wages and other compensation and benefits to employees, including self-insurance for the foregoing; costs of routine repairs. replacements, renewals and alterations occurring in the usual course of business; taxes, assessments and other governmental charges imposed on the Airport or on the operation thereof or income therefrom; costs of utility services, supplies, contractual and professional services; costs of insurance and fidelity bonds; costs of carrying out the provisions of the Airport Revenue Bond Ordinances; costs of lease payments due under capital leases for items customarily used in the operation or maintenance of airport facilities or equipment and all other costs and expenses or operating, maintaining and repairing the Airport arising in the routine and normal course of business. The term “Costs of Operation and Maintenance” does not include: (1) any allowance for depreciation or any amounts for capital replacements, renewals, repairs and maintenance not recurring annually (or at shorter intervals) or reserves therefor; (2) costs of extensions, enlargements, betterments and improvements or reserves therefor, other than cost of preliminary planning; (3) reserves for operation, maintenance and repairs occurring in the normal course of business; (4) payment (including redemption) of bonds or other evidences of indebtedness or interest and premium thereof or reserves therefor; and (5) any operation and maintenance expenses pertaining to Special Facilities or expenses incurred by any lessee under a Net Rent Lease. See “Amendments of the Airport Revenue Bond Ordinances—Special Amendments.”

“Credit Facility” means a letter of credit, a surety bond, a bond insurance policy or other credit facility that provides for the payment when due of principal of and interest on SLBs other than Parity Reimbursement Agreements.

“Fiscal Year” means the fiscal year for the Port as established from time to time by the Port; currently such period being from July 1 in any year to and including the following June 30.

“Fund” means a fund, account or other accounting category which the Port uses to account for funds relating to the Airport. A “Fund” does not need to appear in the Port’s budgets as a separate fund. The Port may commingle amounts in different Funds for investment purposes.

“General Account” means the special account held by the Port established under the Airport Fund.

“General Aviation Airport” means an airport known in the air transport industry as a “general aviation airport,” being an airport, the major portion of the revenues derived from which is not realized from the operations of aircraft operated by certificated air carriers (except possibly air taxi or air tour operations) and from the supplying of goods and services to the people utilizing such aircraft, but is realized from the activities of private, nonpublic aircraft, flying schools, the supplying of goods and services to the foregoing and similar operations not normally part of a public utility business (except possibly air tour or air taxi operations).

“Governmental Obligations” means any of the following which are non-callable and which at the time are legal investments for the moneys proposed to be invested therein: (1) direct general obligations of, or obligations the payment of the principal and interest of which are unconditionally guaranteed by, the United States of America; or (2) except in connection with defeasance of SLBs secured by a letter of credit or alternate Credit Facility, Public Housing Bonds, Temporary Notes, or Preliminary Loan Notes, fully secured by contracts with the United States.

“JLO Fund” means the Junior Lien Obligation Fund.

“Junior Lien Obligations” means bonds or other obligations that have a lien on the Net Revenues that is subordinate to the lien of the SLBs and Scheduled Swap Obligations and are payable from amounts deposited in the JLO Fund.

“Liquidity Facility” means a letter of credit, line or credit, standby purchase agreement, bond insurance, surety bond or other credit or liquidity facility that supports the payment of the purchase price of SLBs (other than Parity Reimbursement Agreements). A Credit Facility such as a direct-pay letter of credit may constitute a Liquidity Facility as well as a Credit Facility.

“Net Rent Lease” means a lease of a Special Facility under which the lessee agrees to pay to the Port the amounts required to pay the Special Obligation Bonds, to fund reserves and pay fees for the Special Obligation Bonds, and, unless ground rental is payable to the Port, to pay a share of the Port’s administrative costs, and to pay in addition all costs connected with the ownership, operation, maintenance, repair, renewals and rehabilitation of the leased property (including, without limitation, insurance, utilities, taxes or payments in lieu of taxes and assessments).

“Net Revenues” means for any past period the aggregate of the Revenues actually paid into the Airport Fund during such past period, and for any future period the aggregate of the Revenues estimated to be paid into the Airport Fund during such future period, minus for any such past period the aggregate of the Costs of Operation and Maintenance of the Airport actually paid or accrued during such past period, or minus for any such future period the aggregate of the Costs of Operation and Maintenance of the Airport estimated to be paid or accrued during such future period, as the case may be.

“Ordinance No. 155” means Port Ordinance No. 155, as amended, restated and supplemented. The SLB Ordinance requires the Port to comply with certain covenants in Ordinance No. 155 for the benefit of Owners.

“Ordinance No. 323” means Ordinance No. 323, as amended, restated and supplemented

“Ordinance No. 461-B” means Ordinance No. 461-B, enacted by the Board of Commissioners of the Port on February 13, 2019, establishing authorization for the issuance of the Port’s customer facility charge revenue bonds, as the same may be amended, restated and supplemented from time to time.

“Other Swap Obligations” means any payments owed by the Port to a Qualified Swap Provider which are not Scheduled Swap Obligations, including, without limitation, termination payments, fees, charges or indemnifications.

“Other TLO Swap Obligations” means any payments owed by the Port to a Qualified TLO Swap Provider (as defined in the SLB Ordinance) which are not Scheduled TLO Swap Obligations, including without limitation termination payments, fees, charges or indemnifications. See “Third Lien Obligations.”

"Owner" means the person listed in the SLB register on that date as the owner of an Outstanding SLB.

"Parity Reimbursement Agreement" means an agreement of the Port entered into in compliance with the SLB Ordinance to reimburse the provider of a Credit Facility and/or Liquidity Facility for amounts paid by the provider under a Credit Facility or Liquidity Facility.

"Project Certificate" means a certificate signed by an assistant Secretary of the Port and filed with the closing documents for a series of SLBs: (1) describing each project which is expected to be completed with the proceeds of that series of SLBs, and estimating the total cost of each project and the portion of that cost expected to be paid from proceeds of that series of SLBs; and (2) certifying that the foregoing cost estimates are reasonable.

"Qualified Swap" means: (a) any financial arrangement with respect to SLBs which; (i) is entered into by the Port with an entity that is a Qualified Swap Provider at the time such arrangement is entered into; (ii) is a cap, floor or collar, forward rate, future rate, swap (such swap may be based on an amount equal either to the principal amount of such SLBs as may be designated or a notional principal amount relating to all or a portion of the principal amount of such SLB), asset, index, price or market-linked transaction or agreement, other exchange or rate protection transaction agreement, other similar transaction (however designated), or any combination thereof, or any option with respect to any of the foregoing; and (iii) has been designated as a Qualified Swap with respect to such SLBs in a written determination of the Port filed with the SLB Trustee; and, (b) any letter of credit, line of credit, policy of insurance, surety bond, guarantee or similar instrument securing the obligations of the Port under any financial arrangement described in clause (a).

"Qualified Swap Provider" means an entity whose senior unsecured long term obligations, financial program rating, counterparty risk rating or claims paying ability, or whose payment obligations under a Qualified Swap are guaranteed by an entity whose senior unsecured long term obligations, financial program rating, counterparty risk rating or claims paying ability, are rated at the time of the execution of such Qualified Swap at least as high as the third highest Rating Category by at least two Rating Agencies then maintaining a rating for the Qualified Swap Provider or its guarantor, provided that each such Qualified Swap Provider executes an agreement with the Port to deposit collateral with the Port, or in trust for the Port, with a trustee acceptable to the Port, for the benefit of the Port, in the event such ratings are not maintained.

"Rating Agency" means each nationally recognized securities rating agency.

"Rating Category" means a generic rating category used by any Rating Agency, without regard to any "+" or "-" or other qualifier.

"Remaining Contingent Fee Payments" means amounts remaining in the General Account, if any, after giving effect to the disbursements from the General Account required pursuant to clauses FIRST through FOURTH (inclusive), as described below under the section "Flow of Funds;" provided, however, in no case will Remaining Contingent Fee Payments exceed the amount of Contingent Fee Payments received by the Port during the applicable period.

"Remaining Contingent Fee Payments Fund" means the fund created by that name pursuant to Ordinance No. 323.

"Revenues" means and includes all income, receipts and moneys derived by the Port from its ownership or operation and management of the Airport or the furnishing and supplying of the services, facilities and commodities thereof, including (i) all income, receipts and moneys derived from the rates, rentals, fees and charges fixed, imposed and collected by the Port for the use and services of the Airport or otherwise derived from or arising through the ownership, operation and management of the Airport by the Port or derived from the rental by the Port of all or part of the Airport or from the sale or rental by the Port of any commodities or goods in connection with the Airport; (ii) earnings on and the income from the investment of moneys held under the Airport Revenue Bond Ordinances to the extent such earnings or income are deposited in the Airport Fund, but not including any such earnings or income credited to the Airport Construction Fund; and (iii) to the extent provided in the Airport Revenue Bond Ordinances, income derived by the Port from a Net Rent Lease. The term "Revenues" does not include (1) moneys received as proceeds from the sale of SLBs or as grants or gifts, the use of which is limited by the grantor or donor to the construction of capital improvements, except to the extent that any such moneys shall be received as payments for the use of the Airport, (2) passenger facility charges or similar charges that are imposed under authority of federal law and are limited by federal law to expenditure on specific projects or activities and/or on debt service and financing costs related to specific projects or activities or (3) customer facility charges (or any portion thereof) that may be levied by the Port and collected by rental car companies from their customers; and in no event does the term "Revenues" include tax revenues or tax-derived revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE SLBs—Pledge of Revenues."

"Scheduled Swap Obligations" means, with respect to any Qualified Swap, the net regularly scheduled payments owed by the Port to the Qualified Swap Provider. The net regularly scheduled payments owed by the Port to the Qualified Swap Provider shall be calculated by subtracting the regularly scheduled payments owed to the Port by the Qualified Swap Provider from the regularly scheduled payments owed by the Port to the Qualified Swap Provider. The Term "Scheduled Swap Obligations" does not include any termination payments, fees, charges or indemnifications.

"Short Term/Demand Obligations" means each series of bonds, notes and other obligations issued as SLBs pursuant to the SLB Ordinance (a) the payment of principal of which is either (i) payable on demand by or at the option of the holder at a time sooner than a date on which such principal is deemed to be payable for purposes of computing SLB Debt Service Requirements, or (ii) scheduled to be payable within one year from the date of issuance of additional Short Term/Demand Obligations pursuant to a commercial paper or other similar financing program and (b) the purchase price, payment or refinancing of which is additionally supported by a Credit Facility and/or a Liquidity Facility.

"SLB Construction Account" means the Subordinate Lien Revenue Bond Construction Account in the Construction Fund created under the SLB Ordinance.

"SLB Debt Service Requirement" means, as of any date of calculation, an amount equal to the sum of the following for any period and with respect to all or any portion of the SLBs: (1) interest scheduled to accrue during such period on SLBs, except to the extent provision has been made for the payment of interest from SLB proceeds or earnings thereon according to a schedule contained in a Capitalized Interest Certificate; plus (2) that portion of the principal amount of such SLBs scheduled to be payable during such period (either at maturity or by reason of scheduled mandatory redemptions, but after taking into account all prior optional and mandatory SLB redemptions) which would accrue if such principal amount were deemed to accrue daily in equal amounts, during such period; less (3) earnings on the SLB Reserve Account for that period; and less, (4) any payments due to the Port under an agreement to enter into a Qualified Swap, if the payments are due before the Qualified Swap takes effect and the Port commits to use those payments to pay SLBs or Qualified Swaps.

Provided, however, that the following rules apply to the computation of SLB Debt Service Requirement for Short Term/Demand Obligations, for SLBs that bear interest a floating or variable rate, for Qualified Swaps and for Parity Reimbursement Agreements:

For any series of Short Term/Demand Obligations: future SLB Debt Service Requirements shall be computed on the assumption that the principal amount of such series of Short Term/Demand Obligations shall be refinanced in the first fiscal year for which interest on such Short Term/Demand Obligations has not been capitalized or otherwise funded or provided for, with a series of SLBs which shall be assumed to be amortized over a period not to exceed 30 years from the date of issue in such manner that the maximum Debt Service Requirement in any 12-month period shall not exceed 130% of the minimum Debt Service Requirement for any other 12-month period, and shall be assumed to bear interest at a fixed interest rate calculated as described in clause (b) of the following paragraph.

Except as otherwise specifically provided, Short Term/Demand Obligations and any series of SLBs which bear interest at a variable or adjustable rate shall be assumed to bear interest as follows: (a) for any series of SLBs then Outstanding, at the greater of: (1) the average interest rate derived from the variable or adjustable interest rate borne by, such series of SLBs during a 12- month period ending within 30 days prior to the date of computation; or (2) the actual interest rate derived from such variable or adjustable interest rate formula or computation, or actual interest rate derived from such variable or adjustable interest rate formula or computation, or actual interest rate payable on such series of SLBs, on the date of such calculation; (b) for any series of SLBs then proposed to be issued, at an interest rate estimated by the Port's underwriter to be the average rate of interest such series of SLBs will bear during the period, or periods, for which SLB Debt Service Requirements are being calculated, plus one percent (1%); (c) for the principal amount of any series of SLBs in connection with which the Port has entered into a Qualified Swap that provides that the Port is to pay to the Qualified Swap Provider an amount determined based upon a fixed rate of interest on the notional amount of such Qualified Swap corresponding to the principal amount of such SLBs, at the fixed rate of interest to be paid by the Port in accordance with such Qualified Swap; and, (d) for any series of SLBs in connection with which the Port has entered into a Qualified Swap, such as an interest rate cap, that provides that the Qualified Swap Provider is to pay to the Port an amount determined based upon the amount by which the rate at which such SLBs bear interest or a floating rate index exceeds a stated rate of interest on all or any portion of such SLBs, at the lesser of: (1) the rate calculated in accordance with clause (a) above; or (2) the rate of interest in excess of which the Qualified Swap Provider is to make payment to the Port in accordance with such Qualified Swap. In addition, solely for purposes of the rate covenant in the SLB Ordinance, SLBs that bear interest at a variable rate and that are not subject to a Qualified Swap, shall have an SLB Debt Service Requirement that is equal to the actual principal and interest that is required to be paid on those SLBs.

If the Port has entered into a Qualified Swap in connection with any SLBs which bear interest at a fixed rate, and the Qualified Swap provides that the Port is to pay to the Qualified Swap Provider an amount determined based on a variable rate of interest on the notional amount of such Qualified Swap, corresponding to the principal amount of such SLBs, then those SLBs shall be assumed to bear interest at a variable rate of interest that is equal to the rate the Port is required to pay under the Qualified Swap. In addition, the SLB Debt Service Requirements shall be calculated on the assumption that no SLBs Outstanding at the date of calculation will cease to be Outstanding, except by reason of the payment of scheduled principal maturities or scheduled mandatory redemptions of such SLBs, except as provided above for Short Term/Demand Obligations.

Only the principal and interest actually due under a Parity Reimbursement Agreement as a result of the purchase of SLBs by the provider of the Liquidity Facility that is secured by the Parity Reimbursement Agreement shall be included in SLB Debt Service Requirement; and the following shall not be included in the SLB Debt Service Requirement: repayments of amounts advanced by the provider to pay scheduled interest or principal payments on SLBs under a "direct-pay" Liquidity Facility or Credit Facility, and that are required to be repaid by the Port within five business days, and amounts the Port would have been required to pay on SLBs if those SLBs had not been purchased by the provider.

"SLB Fund" means The Port of Portland Subordinate Lien Airport Revenue Bond Fund.

"SLB Ordinance" means Ordinance No. 323, as amended, restated and supplemented.

"SLB Principal and Interest Account" means the SLB Principal and Interest Account in the SLB Fund.

"SLB Reserve Account" means the SLB Reserve Account in the SLB Fund.

"SLB Reserve Fund Requirement" means an amount equal to the maximum SLB Debt Service Requirement in any future fiscal year; provided that if the ordinance authorizing issuance of a series of SLBs so provides: the portion of the SLB Reserve Fund Requirement attributable to that series may be funded in equal monthly installments over a period of not more than four years, with the first installment due not more than 45 days after that series is issued; or, debt service reserve insurance from a company rated at the time the insurance is issued in the highest category by S&P or Moody's, or their successors, or any insurer who holds the highest policyholder rating accorded insurers by A. M. Best & Co. or any comparable service, may be substituted for any portion of the SLB Reserve Fund Requirement attributable to that series. The portion of the maximum SLB Debt Service Requirement that is calculated for Short Term/Demand Obligations and SLBs that bear interest at a variable rate shall be recalculated only when a series of Additional SLBs is issued. Changes in interest rates that occur at other times shall not affect the calculation of the SLB Reserve Fund Requirement.

"SLB Trustee" means the entity appointed to act as SLB Trustee under the SLB Ordinance.

"SLBs" means the Additional SLBs and Parity Reimbursement Agreements issued pursuant to the SLB Ordinance.

"Special Facilities" means facilities that are financed with Special Obligation Bonds and are subject to a Net Rent Lease.

"Special Obligation Bonds" means obligations that are issued to finance a Special Facility and that are payable from amounts due from the lessee under a Net Rent Lease and are not payable from Net Revenues. See "Special Facilities, Special Obligation Bonds and Net Rent Leases."

"Swap Obligations" means Scheduled Swap Obligations and Other Swap Obligations.

"Third Lien Obligations" means bonds or other obligations, including Other TLO Swap Obligations, that have a lien on the Net Revenues that is subordinate to the lien of the SLBs and Junior Lien Obligations and are payable from amounts deposited in the TLO Fund.

"TLO Fund" means the Third Lien Obligation Fund created under the SLB Ordinance and held and administered by the Port.

"Trustee" means the SLB Trustee.

Limitation on Purposes for with SLBs May Be Issued

The Port may issue Additional SLBs pursuant to the SLB Ordinance only to pay cost of additions, expansions and improvements at the Airport and General Aviation Airports and to refund Outstanding SLBs. SLBs shall have principal and interest payments due only on July 1 or January 1 of any year, unless the SLBs are Short Term Demand Obligations or Parity Reimbursement Agreements. See "Additional SLBs."

Parity Reimbursement Agreements

The Port may enter into a Parity Reimbursement Agreement only if: (1) the agreement requires the Port to repay amounts paid by the provider under the related Liquidity Facility or Credit Facility in substantially equal annual amounts over a period of no less than five years; and, (2) the obligations of the Port under the agreement are not subject to acceleration unless all SLBs are accelerated or subject to tender. The limitation in clause (1) of the preceding sentence does not apply to the Port's obligation to pay the provider of the Liquidity Facility or Credit Facility for: (a) amounts advanced by the provider to pay scheduled interest or principal payments on SLBs under a "direct-pay" Liquidity Facility or Credit Facility, and that are required to be repaid by the Port within five business days; (b) interest required to be paid by the Port on amounts drawn under the Liquidity Facility or Credit Facility; or (c) fees and expenses of the provider of the Liquidity Facility or Credit Facility. Fees and expenses due under a Parity Reimbursement Agreement shall be treated as Costs of Operation and Maintenance of the Airport.

SLBs are Special, Limited Obligations of the Port

Principal, interest and premium, if any, on the SLBs, and any Scheduled Swap Obligations, shall be payable solely from the Net Revenues that are available for deposit in the General Account, and from moneys in the SLB Fund and SLB Construction Account, as provided in the SLB Ordinance. The SLBs and any Swap Obligations shall not, in any manner, or to any extent, be a general obligation of the Port, nor a charge upon any other revenues or property of the Port not specifically pledged thereto by the SLB Ordinance.

General Covenants

In the SLB Ordinance, the Port covenants and agrees with the SLB Trustee, the owners of the SLBs, and Qualified Swap Providers, that so long as any SLBs are Outstanding or the Port is obligated to make payments under a Qualified Swap:

1. The Port shall pay, when due, all principal, interest, and premium, if any, on the SLBs and any Scheduled Swap Obligations, but solely from the Net Revenues, as provided in the Airport Revenue Bond Ordinances.

2. The Port shall pay, when due, any Other Swap Obligations, but solely from the Net Revenues that are available for deposit in the JLO Fund and shall pay any Other TLO Swap Obligations, but solely from the Net Revenues that are available for deposit in the TLO Fund.

3. The Port will, for the benefit of the owners of the SLBs and Qualified Swap Providers, keep certain covenants made by it in Ordinance No. 155.

4. The Port shall not issue any obligations payable from the Revenues or moneys in the General Account which have a claim prior to the claim of the SLBs and Scheduled Swap Obligations.

5. The Port shall not issue obligations having a claim to payment from the Revenues or moneys in the General Account which are equal to, or on a parity with, the claim of the SLBs, except for Qualified Swaps and Additional SLBs.

6. The Port shall impose and prescribe such schedule of rates, rentals, fees, and other charges for the use and services of the facilities and commodities furnished by the Airport, shall revise the same from time to time, whenever necessary, and shall collect the income, receipts, and other moneys derived therefrom, so that:

(a) The Revenues shall be sufficient to discharge all claims, obligations and indebtedness payable from or secured by the Revenues;

(b) The Net Revenues in each fiscal year shall be at least equal to 130% of the SLB Debt Service Requirement for such fiscal year on all SLBs then Outstanding; and

(c) The Net Revenues, together with other amounts that are available to pay Other Swap Obligations, are sufficient to pay all Other Swap Obligations and any Junior Lien Obligations when due.

For purposes of determining the Port's compliance with the rate covenants described above, non-cash, unrealized gains, losses, expenses and/or revenues, including fair value of Qualified Swaps, Qualified TLO Swaps, other swap agreements or other derivative products are to be disregarded.

7. Within 120 days after the close of each fiscal year, the Port shall file with the SLB Trustee and the Airport Consultant, a signed copy of the annual report of the Accountant for the preceding fiscal year showing, among other things, for such year (a) Revenues and Net Revenues; (b) the SLB Debt Service Requirement; and, (c) the aggregate amount of money which was deposited in the General Account and available for the payments into the SLB Fund due under the SLB Ordinance, and the ratio of such amount to the SLB Debt Service Requirement.

The SLB Ordinance provides that in the event that any such report so filed shows that the Revenues and Net Revenues for said preceding fiscal year did not equal at least the amounts covenanted to be produced by, and required for the purposes described in paragraph 6 above for said fiscal year, or that the Revenues were not sufficient to restore any deficiency in the amounts then required to be credited to the SLB Reserve Account, and to pay or discharge all other claims, charges and liens whatsoever against the Revenues when due and payable, then the Port shall promptly thereafter cause the Airport Consultant to file with the Port and the SLB Trustee, a certificate stating, if deemed necessary by the SLB Trustee, specific changes in operating procedures which may be made, or suggested revisions in the schedule of rates, rentals, fees, and charges, and recommendations respecting any increases thereto, any other changes, or any combination of the foregoing, which will, in the aggregate, in the SLB Trustee's opinion, result in Revenues and Net Revenues estimated as sufficient to make up any existing deficiency and to produce the amounts covenanted to be produced as described in the preceding paragraphs of this section. For purposes of determining the Port's compliance with such rate covenants, non-cash, unrealized gains, losses, expenses and/or revenues, including the fair value of Qualified Swaps, Qualified TLO Swaps, other swap agreements or other derivative products are to be disregarded. The Port is required to send a copy of each such certificate to the SLB Trustee, each Qualified Swap Provider and to any owner of SLBs filing with the Port a request for the same.

Thereafter, if the Port, in its sole discretion, deems any changes in its operating fees and charges, any other changes, or any combination of the foregoing, are necessary to produce the Revenues and Net Revenues required to make up any deficiency and produce the amounts covenanted to be produced by the preceding paragraphs of this section, it shall, as soon as possible, effect such changes in its operating procedures, or such revisions in such schedule of rates, rentals, fees, and charges, or effect such other charges, or take any combination of the foregoing actions, which, in its opinion and sole discretion, are necessary for such purposes. When determining compliance with the Port's covenants, non-cash, unrealized gains, losses, expenses and/or revenues, including the fair value of swaps or other derivative products, shall be disregarded.

8. The Port shall prepare an estimated budget for each fiscal year of Revenues and of Costs of Operation and Maintenance; costs of renewals, repairs and replacements; SLB Debt Service Requirements; and other expenditures for such fiscal year.

9. The Port covenants that it owns the Airport and will keep the Airport free from liens and encumbrances, except as permitted by the Airport Revenue Bond Ordinances, and that it will keep the Airport in good operating condition in conformity with standards customarily followed in the aviation industry for airports of like size and character.

10. The Port shall comply with the requirements of the federal government of grants-in-aid accepted by the Port and shall operate and maintain the Airport as a revenue-producing enterprise and shall manage the same in the most efficient manner consistent with sound economy and public advantage.

11. The Port shall maintain proper books and records for the Airport in accordance with generally accepted accounting principles applicable to enterprises such as the Port, and shall have the financial statements of the Airport audited by an independent certified public accountant.

12. The Port shall retain and appoint from time to time an Airport Consultant.

13. The Port shall not create or give, or cause to be created or given, or permit to be created or given, any mortgage, lien, pledge, charge or other encumbrance upon any real or personal property constituting the Airport or upon the Revenues and the money in the Airport Fund, other than the liens, pledges and charges specifically created in the Airport Revenue Bond Ordinances or specifically permitted thereby. The Port shall not sell, lease or dispose of all, or substantially all, of the properties constituting the Airport without simultaneously with such sale, lease or other disposition depositing with the SLB Trustee cash or governmental securities in an amount sufficient so that no SLBs are any longer deemed outstanding. The Port may, however, execute leases, licenses, easements and other agreements of or pertaining to properties constituting the Airport in connection with the operation of the Airport and in the normal and customary course of business thereof for aviation or non-aviation purposes, according to the schedule of rates, rentals, fees and charges of the Port or according to commercially reasonable terms in light of the business of the Airport as a whole. All amounts due the Port under such agreements and that will be recognized as Revenues shall be deposited in the Airport Revenue Fund when and to the extent required by the Airport Revenue Bond Ordinances. The Port may also enter into Net Rent Leases as described below under "Special Facilities, Special Obligation Bonds and Net Rent Leases."

In the event any Airport properties shall be taken by the exercise of the power of eminent domain, the amount of the award received by the Port as a result of such taking shall be held by the Port under the Airport Revenue Bond Ordinances and either used for the acquisition or construction of revenue-producing properties to constitute part of the Airport or be applied to the redemption or purchase of SLBs.

14. The Port will carry insurance with generally recognized responsible insurers with policies payable to the Port against risks, accidents or casualties at least to the extent that similar insurance is usually carried by airport operators operating properties similar to the Airport.

15. The Port shall not construct Commercial Airports or General Aviation Airports that compete with the Revenues except as permitted by Ordinance No. 155. Ordinance No. 155 generally permits the Port to construct and operate apart from Ordinance No. 155 a Commercial Airport or General

Aviation Airport that the Port certifies to the SLB Trustee is substantially non-competitive with the Airport. The following facilities and structures shall be considered substantially non-competitive with the Airport and shall not be considered "competing for Revenues otherwise available for payment of the SLBs":

(a) Facilities and structures which are not part of a Commercial Airport or a General Aviation Airport and which, at the time they are approved by the Port, are reasonably expected to be used for purposes which do not benefit directly and substantially from close proximity to aircraft, passengers or cargo while traveling through the Airport; and

(b) Facilities and structures which are not part of a Commercial Airport or a General Aviation Airport and which, at the time they are approved by the Port, are reasonably expected to benefit directly and substantially from close proximity to aircraft, passengers or cargo while traveling through the Airport, if the Board reasonably determines that the construction and operation of the facilities or structures will not have a material, adverse effect on the Revenues.

For purposes the preceding clause (b): (1) "material, adverse effect" means a reduction in the Revenues: (A) which would otherwise be projected for the Airport during any of the five full fiscal years following the projected completion of the proposed facility or structure; and, (B) which is directly attributable to the proposed facility or structure; and, (C) which is greater than or equal to five percent of the Net Revenues for the fiscal year immediately preceding a determination of the Board, or which would reduce the Net Revenues below the level required by the rate covenant shown in paragraph 6 above.

A determination of the Board shall be conclusively presumed to be reasonable if it is made in reliance upon a projection of the Airport Consultant that the construction and operation of the proposed facilities or structures will not have a material, adverse effect on the Revenues.

The SLB Fund

The Port has created the SLB Fund as a special trust fund to be held by the SLB Trustee. The Port shall set aside and pay into the SLB Fund from the first moneys available in the General Account, to the extent necessary to provide for the punctual payment of: (1) the principal and interest and premium, if any, on the SLBs as and when the same become due, whether at maturity or by redemption or declaration as provided in the SLB Ordinance or otherwise; and (2) any Scheduled Swap Obligations as and when the same become due. The moneys in the SLB Fund shall be used solely for the payment of principal, interest, and premium, if any, due on the SLBs and Scheduled Swap Obligations. As described below, the SLB Ordinance provides for the maintenance as separate accounts within the SLB Fund of, among other accounts, the SLB Principal and Interest Account and the SLB Reserve Account.

SLB Principal and Interest Account. The SLB Trustee shall maintain a separate account in the SLB Fund to be known as the "SLB Principal and Interest Account." So long as the Port remains obligated to make payments on SLBs or Qualified Swaps:

1. In the case of SLBs and any Qualified Swap for which interest or Scheduled Swap Obligations are due semi-annually, or less frequently, on the first business day of each month, the Port shall pay to the SLB Trustee from moneys in the General Account for deposit in the SLB Principal and Interest Account (a) an amount such that, if the same amount were so credited to this account in each succeeding month thereafter, prior to the next date upon which an installment of interest falls due on the SLBs, the aggregate of such amounts, plus other moneys previously deposited and available in the SLB Principal and Interest Account to pay interest on SLBs, or scheduled to be deposited therein pursuant to a Capitalized Interest Certificate, will equal the installment of interest falling due on the SLBs on such interest payment date; plus (b) an amount such that, if the same amount were so credited to this account in each succeeding

month thereafter, prior to the next date upon which a Scheduled Swap Obligation is due, the aggregate of such amounts, plus other moneys previously deposited and available in the SLB Principal and Interest Account and available to pay Scheduled Swap Obligations, will equal those Scheduled Swap Obligations on that payment date.

2. In the case of all SLBs and any Qualified Swap for which interest or Scheduled Swap Obligations are due more frequently than semi-annually: on the business day immediately preceding each interest payment date for such SLBs and each payment date for that Scheduled Swap Obligation, the Port shall pay to the SLB Trustee from moneys in the General Account for deposit in the SLB Principal and Interest Account: (a) an amount that, together with any other moneys previously deposited and available in the SLB Principal and Interest Account to pay interest on SLBs, will equal the installment of interest falling due on the next succeeding interest payment date for those SLBs; plus (b) an amount that, together with moneys previously deposited and available in the SLB Principal and Interest Account to pay Scheduled Swap Obligations, will equal the Scheduled Swap Obligations due on the next succeeding payment date for such Scheduled Swap Obligations.

3. Accrued interest received on the sale of SLBs, payments received by the Port under an agreement to enter into a Qualified Swap, as described in clause (4) of the definition of "SLB Debt Service Requirement," and any regularly scheduled payment that is received by the Port (or the SLB Trustee on behalf of the Port) from a Qualified Swap Provider under a Qualified Swap that exceeds the amount paid by the Port, shall promptly be deposited in the SLB Principal and Interest Account.

4. If, at any time, the amounts in the SLB Principal and Interest Account are not sufficient to pay all interest payments on SLBs and Scheduled Swap Obligations that are then due, the SLB Trustee shall apply amounts in the SLB Principal and Interest Account to pay, on a pro rata basis, interest on SLBs and any amounts due in respect of Scheduled Swap Obligations.

On the first business day of each month, so long as any SLBs are Outstanding, commencing with the month which is 12 months prior to the first principal payment of any SLB maturing serially or the date on which SLBs are subject to scheduled mandatory redemption, the Port shall pay to the SLB Trustee, from moneys in the General Account for deposit in the SLB Principal and Interest Account, an amount that, if the same amount were so credited to this account in each succeeding month thereafter, prior to the next date upon which principal, if any, on the SLBs maturing serially becomes due and payable or the next date upon which SLBs are subject to scheduled mandatory redemption (excluding any principal due as Excess Principal), the aggregate of the amounts on deposit in this account will equal the amount of principal on such SLBs on such principal payment date.

SLB Reserve Account. The SLB Trustee shall maintain a separate account in the SLB Fund, to be known as the "SLB Reserve Account." The Port shall pay to the SLB Trustee, from Revenues in the General Account or from SLB proceeds, for deposit in the SLB Reserve Account, moneys sufficient to fund the SLB Reserve Fund Requirement, in accordance with the schedule provided in each ordinance authorizing issuance of a series of SLBs.

Except as described below in this paragraph, moneys in the SLB Reserve Account shall be used only to pay principal of, interest, and any premium on, SLBs and Scheduled Swap Obligations, and only when moneys in the SLB Principal and Interest Account are insufficient for such purposes. In the event that the balance in the SLB Reserve Account is reduced below the SLB Reserve Fund Requirement, then on the first business day of each month, the Port shall pay to the SLB Trustee from Revenues in the General Account for deposit in the SLB Reserve Account, an amount equal to twenty percent (20%) of the amounts required to be paid to the SLB Trustee on that day, pursuant to the preceding three paragraphs of this Section, until there is on deposit in the SLB Reserve Account an amount equal to the SLB Reserve Fund

Requirement. If the amounts on deposit in the SLB Reserve Account exceed the SLB Reserve Fund Requirement, and there is no deficiency in any other account in the SLB Fund, the SLB Trustee shall, upon written request of the Port, disburse the excess to the Port for deposit in the General Account.

Investments. Moneys in the SLB Fund shall be invested and reinvested, to the extent reasonable and practicable by the SLB Trustee, and at the direction of the Port, in Investment Securities which are legal investments for the Port under the laws of the State. Such investments shall mature on, or prior to, the date on which moneys are required to be disbursed from the SLB Fund. All earnings on the SLB Fund that are not required to pay rebates on the SLB Fund that are due to the United States under Section 148 of the Internal Revenue Code of 1986, as amended, shall be credited to the SLB Reserve Account, unless and until there is on credit to said account, an amount equal to the SLB Reserve Fund Requirement on all SLBs then Outstanding, in which event such earnings shall be credited to the SLB Principal and Interest Account.

The JLO Fund

The Port has created the JLO Fund as a special trust fund to be held by the SLB Trustee. The Port is required to set aside and pay into the JLO Fund from the first money available in the General Account after required payments to the SLB Fund: (1) an amount sufficient, with other amounts available in the JLO Fund, to pay any Other Swap Obligations when due; and, (2) any amounts the Port subsequently agrees to deposit into the JLO Fund for the benefit of Junior Lien Obligations. The Port has pledged the Net Revenues that are available for deposit into the JLO Fund under the Airport Revenue Bond Ordinances to pay Other Swap Obligations. On or before the date on which any of the following payments are due, and so long as the Port is obligated to make payments under a Qualified Swap or has Junior Lien Obligations outstanding, the Port is required to deposit into the JLO Fund money sufficient to: (i) pay any Other Swap Obligations that are then due; and (ii) to collateralize any Qualified Swap in accordance with its terms. The Port may covenant to make additional deposits into the JLO Fund to pay Junior Lien Obligations and fund reserves for Junior Lien Obligations.

The TLO Fund

The Port has created the TLO Fund as a special trust fund to be held by the Port and within the TLO Fund a Qualified Swap Termination Payment Fund. The SLB Ordinance permits the Port to create other funds and accounts within the TLO Fund for the payment of Third Lien Obligations and permits the Port to transfer to a qualified trustee the TLO Fund or any of its accounts and funds. The Port is required to set aside and to pay into the TLO Fund from the first money available in the General Account after required payments to the SLB Fund and the JLO Fund: (1) except as otherwise required in the SLB Ordinance, an amount sufficient, with other amounts available in the TLO Fund, to pay any Other TLO Swap Obligations when due; and, (2) any amounts the Port subsequently agrees to deposit into the TLO Fund for the benefit of Third Lien Obligations. The Port has pledged the Net Revenues that are available for deposit into the TLO Fund under the Airport Revenue Bond Ordinances to pay Other TLO Swap Obligations. On or before the date on which any of the following payments are due, and so long as the Port is obligated to make payments under a Qualified TLO Swap (and has not determined to make all payments with respect to a Qualified TLO Swap from the Subordinate Lien Obligations Account established under Ordinance No. 395-B, as amended, for the payment of Subordinate Lien PFC Obligations) or has Third Lien Obligations outstanding, the Port is required to deposit into the TLO Fund money sufficient to: (i) pay any Other TLO Swap Obligations that are then due; and (ii) to collateralize any Qualified TLO Swap in accordance with its terms. The Port may covenant to make additional deposits into the TLO Fund to pay Third Lien Obligations and fund reserves for Third Lien Obligations.

Flow of Funds

The Port shall deposit all Revenues in the Airport Fund, and shall, on the first day of each month, credit all Airport Revenues that remain after paying Costs of Operation and Maintenance to the General Account, a separate special account within the Airport Fund. The Airport Fund and the General Account are held and administered by the Port. The SLB Ordinance provides, however, that in the event amounts in the General Account are insufficient to pay the amounts due thereunder on the date such amounts are to be paid, all moneys then in the General Account and all moneys subsequently available for deposit in the General Account be immediately transferred to the SLB Trustee for deposit to the SLB Fund and provides that no moneys from the General Account shall be disbursed for any other purpose until all payments then due under the SLB Ordinance have been made. If such an insufficiency occurs, the Port shall credit Net Revenues in the General Account to the following Funds in the following order of priority:

FIRST: to the Trustee for deposit to the SLB Principal and Interest Account, until all required deposits to that account have been made;

SECOND: to the Trustee for deposit to the SLB Reserve Account, until all required deposits to that account have been made;

THIRD: to the Port for deposit in the Junior Lien Obligation Fund (the "JLO Fund") described below, until all required deposits to that fund have been made; and

FOURTH: to the Port for deposit in the Third Lien Obligation Fund (the "TLO Fund") described below, until all required deposits to that fund have been made.

Amounts remaining in the General Account after these credits have been made may be used and applied by the Port for any other lawful use or purpose pertaining to the Airport or the aviation or air transport interests of the Port, including without limitation the General Aviation Airports, to pay or secure the payment of Special Obligation Bonds and for any other lawful use or purpose necessary to carry out the Airport Revenue Bond Ordinances, including making payments or credits to pay Costs of Operation and Maintenance of the Airport and making payments of credits to other funds or accounts.

On or before the first day of each month, the Port shall set aside and pay into the Remaining Contingent Fee Payment Fund the Remaining Contingent Fee Payments, if any, and shall immediately thereafter transfer all amounts in the Remaining Contingent Fee Payment Fund to the CFC Revenue Fund for application in accordance with Ordinance No. 461-B. For the avoidance of doubt, other than the Remaining Contingent Fee Payments, no other Revenues are required to be transferred into the Remaining Contingent Fee Payment Fund.

The SLB Construction Account

The Port has created the SLB Construction Account to hold certain proceeds of SLBs. The SLB Construction Account is held by the Port.

Pledge of Revenues

The Port pledges to the payment of all Outstanding SLBs, heretofore or hereafter issued, and to the payment of all Scheduled Swap Obligations, the following:

1. All Revenues,

2. All moneys on deposit, from time to time, in the SLB Construction Account; and

3. All moneys on deposit, from time to time, in the SLB Fund.

Additional Bonds

Additional SLBs. The Port may issue one or more series of Additional SLBs, provided that no Additional SLBs may be issued unless all of the following conditions are satisfied:

1. The SLB Trustee certifies that no default exists in the payment of principal of, or interest and premium on any SLBs;

2. The SLB Trustee certifies that, upon the issuance of such series of SLBs, the accounts in the SLB Fund for the SLBs will each contain the amounts required to be on deposit therein;

3. An Assistant Secretary of the Port certifies that, for either the Port's most recent complete fiscal year or for any consecutive 12 out of the most recent 18 months, Net Revenues were equal to at least 130% of the SLB Debt Service Requirement on all then Outstanding SLBs for such period;

4. Either:

(a) An Airport Consultant provides a written report setting forth projections which indicate:

(i) the estimated Net Revenues for each of three consecutive fiscal years beginning in the earlier of (A) the first fiscal year following the estimated date of completion and initial use of all revenue-producing facilities to be financed with such series of SLBs, based upon a certified written estimated completion date by the consulting engineer for such facility or facilities, or (B) the first fiscal year in which the Port will have scheduled payments of interest on or principal of the series of SLBs to be issued for the payment of which provision has not been made as indicated in the report of such Airport Consultant from proceeds of such series of SLBs, investment income thereon or from other appropriated sources (other than Net Revenues); and,

(ii) that the estimated Net Revenues for each fiscal year are equal to at least 130% of the SLB Debt Service Requirements on all SLBs scheduled to occur during that fiscal year after taking into consideration the additional SLB Debt Service Requirements for the series of SLBs to be issued; or

(b) An Assistant Secretary of the Port certifies that, for either the Port's most recent complete fiscal year or for any consecutive 12 out of the most recent 18 months, Net Revenues were equal to at least 130% of the maximum SLB Debt Service Requirement on all Outstanding SLBs on any future fiscal year and the series of SLBs proposed to be issued;

5. In the ordinance authorizing a series of SLBs to be issued, provision is made for the satisfaction of the SLB Reserve Fund Requirement;

6. If interest is to be capitalized, the Port provides a Capitalized Interest Certificate; and,

7. The Port provides a Project Certificate.

The Airport Revenue Bond Ordinances provide that when determining compliance with the conditions to the issuance of Additional SLBs, non-cash, unrealized gains, losses, expenses and/or revenues, including the fair value of Qualified Swaps, Qualified TLO Swaps, other swap agreements or other derivative products, shall be disregarded.

Completion Bonds. The Port reserves the right to issue one or more series of Completion Bonds. Prior to the issuance of any series of Completion Bonds the Port must provide, in addition to all of the requirements described above in paragraphs 1, 2 and 5 under "Additional SLBs," (1) a certificate from the engineer or architect engaged by the Port to design the project for which the Completion Bonds are to be issued, stating that such project has not been materially changed in scope since its Project Certificate was filed and setting forth the aggregate cost of the project which, in the opinion of such consulting engineer, has been or will be incurred; and (2) a certificate of an Assistant Secretary stating (a) that all amounts allocated to pay the costs of the project from the most recent series of SLBs issued in connection with the project for which the Completion Bonds are being issued were used or are still available to be used to pay costs of such project, (b) that the aggregate cost of that project (furnished in the consulting engineer's certificate described above) exceeds the sum of the costs of the project paid to such date plus the moneys available at such date within any construction fund established therefor or other like account applicable to the project plus any other moneys which an Assistant Secretary, in his discretion, has determined are available to pay such costs in any other funds, and (c) that, in the opinion of an Assistant Secretary, the issuance of the Completion Bonds is necessary to provide funds for the completion of the project.

Refunding Bonds. If SLBs are being issued for the purpose of refunding previously issued SLBs, the certifications described in paragraphs 3 and 4 under "Additional SLBs" above are not required unless the aggregate debt service payable on the refunding bonds exceeds the aggregate debt service payable on the bonds which are being refunded. However, if SLBs are issued to refund Short Term/Demand Obligations, the certifications described in paragraph 3 under "Additional SLBs" above are required.

Junior Lien Obligations and Third Lien Obligations. The Port also reserves the right to issue or incur, for any lawful Airport purpose, Junior Lien Obligations and Third Lien Obligations, which may be further secured by any other source of payment lawfully available for such purposes.

Qualified Swaps

The Board may authorize Qualified Swaps by resolution and without amending or supplementing the terms of the Airport Revenue Bond Ordinances. The Port may enter into agreements with Qualified Swap Providers regarding the interpretation and application of the Airport Revenue Bond Ordinances and those agreements shall be binding on the Port unless they are inconsistent with the express provisions of the Airport Revenue Bond Ordinances. The SLB Ordinance provides that so long as the obligations of the Port to any Qualified Swap Provider have not been discharged and satisfied, such Qualified Swap Provider shall be a third-party beneficiary of every provision of the SLB Ordinance and that such provision and covenant shall be enforceable by such Qualified Swap Provider as provided in the SLB Ordinance. The SLB Ordinance also provides that the adjustments to the "SLB Debt Service Requirement" that result from execution of a Qualified Swap shall be allocated to Airport cost centers in the same manner as debt service for the SLBs for which the Qualified Swap was executed or in accordance with the terms of any new or amended Airline Agreement as negotiated in the future.

SLB Ordinance to Constitute Contract

The SLB Ordinance provides that so long as any of the SLBs are Outstanding, each of the obligations, duties, limitations and restraints imposed upon the Port by the SLB Ordinance shall be deemed to be a covenant between the Port and every Owner and that the SLB Ordinance and the provisions of

Sections 778.005 to 778.260 of the Oregon Revised Statutes shall constitute a contract with every Owner and shall be enforceable by any Owner by mandamus or other appropriate action or proceeding as provided in the SLB Ordinance.

Special Facilities, Special Obligation Bonds and Net Rent Leases

The Airport Revenue Bond Ordinances provide that the Port may acquire, construct, remodel, renovate or rehabilitate a Special Facility such as a hangar, overhaul, maintenance or repair building or shop, or other aviation or airport or air navigation facility, including hotels, garages and other buildings and facilities incident or related to the Airport and lease such Special Facility under the following conditions:

1. No Special Facility will be constructed or acquired and leased for use or occupancy (a) if the Special Facility would provide services, facilities, commodities or supplies which then may be adequately made available through the Airport as then existing, and (b) if the use or occupancy of such Special Facility under the contract, lease or agreement therefor would result in a reduction of Revenues below the minimum amount of Revenues covenanted to be produced and maintained in accordance with Ordinance No. 155;

2. A Net Rent Lease shall be entered into between the Port, as lessor, and the user or occupier of such Special Facility, as lessee, pursuant to which the lessee shall agree to pay the Port in each year during the term thereof, (a) fixed rentals in periodic installments which will be sufficient to pay during such term as the same respectively matures the principal of and interest on all Special Obligation Bonds to be issued to pay the cost of construction or acquisition of the Special Facility, (b) such further rentals as shall be necessary or required to provide or maintain all reserves required for such Special Obligation Bonds and to pay all trustee's, fiscal agents' and paying agents' fees and expenses in connection therewith, and (c) unless a ground rental shall be provided for as described in paragraph 3 below, an additional rental payable in periodic installments and free and clear of all charges under said Net Rent Lease, in an amount equal to a properly allocable share of the administrative costs of the Port arising out of such Net Rent Lease and the issuance and servicing of such Special Obligation Bonds;

3. If the land on which the Special Facility is to be constructed constitutes a part of the Airport, the Net Rent Lease referred to in paragraph 2 above shall provide for payment to the Port of a ground rental for the ground upon which such Special Facility is or is to be located. Such ground rental shall when said Net Rent Lease is executed be in amounts not less than required according to the rates, rentals, fees, and charges of the Port then in effect, shall be free and clear of all charges under said Net Rent Lease and shall be in addition to the rentals described in paragraph 2 above; and shall constitute Revenues and be paid into the Airport Fund, to be used and applied as are other moneys deposited therein; and

4. If located on land included in the Airport, the Net Rent Lease shall provide that all rentals payable thereunder as described in paragraph 2 above which are not required to pay the Special Obligation Bonds issued for the Special Facility leased thereby, including reserves for such Special Obligation Bonds, or required to pay trustee's, fiscal agents' and paying agents' fees and expenses in connection therewith, or required to pay the aforesaid administrative costs of the Port, shall be paid to the Port for its own use and purposes. To the extent permitted by law, such excess amounts shall constitute Revenues and be paid into the Airport Fund, to be used and applied as are other moneys deposited therein.

The Airport Revenue Bond Ordinances provide that the Port may issue Special Obligation Bonds to finance Special Facilities and to refund Special Obligation Bonds. Special Obligation Bonds may not be issued, however, unless, among other requirements, a certificate of the Airport Consultant has been filed with the Port certifying that the construction or acquisition and leasing for use or occupation of such Special

Facility would not result in a reduction of Revenues below the minimum amount of Revenues the Port has covenanted to produce in Ordinance No. 155.

Special Obligation Bonds are to be payable solely from rentals payable by the lessee under the Net Rent Lease for the Special Facility being financed with the proceeds of such Special Obligation Bonds, provided that to the extent any Net Revenues remain after making all deposits and transfers described above under "Flow of Funds, the Port may apply such remaining Net Revenues toward the payment of such Special Obligations. See "Amendments of the Airport Revenue Bond Ordinances—Special Amendments."

The SLB Trustee

The SLB Trustee shall, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertake to perform such duties and only such duties as are specifically set forth in the SLB Ordinance and no implied covenants or obligations shall be read into the SLB Ordinance against the SLB Trustee.

Except in case an Event of default under the SLB Ordinance has occurred and has not been cured, the SLB Trustee agrees to perform such trusts as an ordinarily prudent trustee. The SLB Trustee is entitled to rely upon a certificate of the Port as to the existence or non-existence of any fact and as to the sufficiency or authenticity of any instrument or proceeding and shall not be liable for any action it takes or omits to take in good faith, except that the SLB Trustee may not be relieved from liability for its own negligent action or negligent failure to act or for its willful misconduct.

Before taking any action under the SLB Ordinance regarding an Event of Default, the SLB Trustee may require that it be furnished an indemnity satisfactory to it for the reimbursement of all expenses to which it may be put and to protect it against all liability except liability which results from the negligent action of SLB Trustee, its negligent failure to act or its willful misconduct. However, the SLB Trustee shall not be entitled to any such indemnity as a condition precedent to its drawing upon any Letter of Credit or Alternate Credit Facility given as security for the payment of any SLBs, but upon the occurrence of an Event of Default and an acceleration of the Outstanding SLBs, the SLB Trustee shall promptly draw upon such Letter of Credit or Alternate Credit Facility in accordance with its terms and use the amounts so drawn solely for the purpose of paying the SLBs secured by such Letter of Credit or Alternate Credit Facility.

Upon an Event of Default, but only upon an Event of Default and except as otherwise provided in the SLB Ordinance in connection with SLBs secured by certain Credit Facilities, the SLB Trustee shall have a first lien on the SLB Fund, with right of payment prior to payment of any SLB, for such fees, advances, counsel fees on trial or on appeal, costs and expenses incurred by it.

Provided a successor SLB Trustee is reasonably available, the SLB Trustee and any successor SLB Trustee may at any time resign from the trusts created by the SLB Ordinance by giving 30 days' written notice to the Port and by first class mail to each Owner; provided that no such resignation shall become effective until a successor SLB Trustee has been appointed and has agreed to act as such.

The SLB Trustee may be removed at any time by the Port, or by an instrument or concurrent instruments in writing delivered to the SLB Trustee and to the Port, signed by the owners of a majority in aggregate principal amount of SLBs then Outstanding; provided that no such removal shall become effective until a successor SLB Trustee has been appointed and has agreed to act as such.

In case the SLB Trustee shall resign or be removed, or be dissolved or shall be in course of dissolution or liquidation, or otherwise become incapable of acting under the SLB Ordinance, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the Port, or by the owners of a majority in aggregate principal amount of SLBs then Outstanding. No such appointment shall be effective without the written consent of the Port, which consent shall not be withheld unreasonably. Nevertheless in case of such vacancy the Port by resolution of its governing body may appoint a temporary SLB Trustee to fill such vacancy until a successor SLB Trustee shall be so appointed by the Owners; and any such temporary SLB Trustee so appointed by the Port shall immediately and without further act be superseded by the SLB Trustee so appointed by the Owners. In the event the SLB Trustee resigns or is removed and a successor is not appointed or has not agreed to act as such within 30 days from the date of such resignation or removal, the existing SLB Trustee may petition a court of competent jurisdiction for the appointment of a successor SLB Trustee.

Amendments of the Airport Revenue Bond Ordinances

Amendments Without Owner Consent. The Port may amend the Airport Revenue Bond Ordinances without the consent of Owners (a) to make any changes or modifications thereof or amendments or additions thereto or deletions therefrom which may be required to permit the Airport Revenue Bond Ordinances to be qualified under the Trust Indenture Act of 1939, as amended from time to time, and (b) if the provisions of such amendment shall not adversely affect the rights of the Owners, for any one or more of the following purposes:

1. To make any changes or corrections in the Airport Revenue Bond Ordinances as to which the Port shall have been advised by its counsel that the same are verbal corrections or changes or are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provision or omission or mistake or manifest error contained in the Airport Revenue Bond Ordinances, or to insert such provisions clarifying matters or questions arising under the Airport Revenue Bond Ordinances as are necessary or desirable;

2. To add additional covenants and agreements of the Port for the purpose of further securing the payment of the SLBs;

3. To surrender any right, power or privilege reserved to or conferred upon the Port by the terms of the Airport Revenue Bond Ordinances;

4. To confirm as further assurance any lien, pledge or charge, or the subjection to any lien, pledge or charge, created or to be created by the provision of any of the Airport Revenue Bond Ordinances;

5. To grant to or confer upon the holders of the SLBs any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon them, or to grant to or confer upon the SLB Trustee for the benefit of the holders of the SLBs any additional rights, duties, remedies, power or authority;

6. To prescribe further limitations and restrictions upon the issuance of the SLBs and the incurring of indebtedness by the Port payable from the Revenues; and

7. To modify in any other respect any of the provisions of the Airport Revenue Bond Ordinances; provided that such modifications shall have no adverse effect as to any SLB or SLBs which are then outstanding.

Special Amendments. The Port has reserved the right to amend the Airport Revenue Bond Ordinances without the consent of the Owners of SLBs to remove references to "Excess Principal" and (but only if the right to make such amendment is expressly reserved in the Supplemental Ordinance providing for the issuance of such SLBs) for, but not limited to, the following purposes.

(1) To amend the definition of "Airport" to add any facilities operated by the Port whether or not such facilities are related to aviation.

(2) To provide that the Airport Fund (other than the SLB Fund) may be invested in any securities that are legal investments for the Port under the laws of the State.

(3) To provide that the SLB Fund may be invested only in Investment Securities, and to define Investment Securities to include those securities that are then typically permitted for the investment of debt service and the reserve funds of revenue bonds that have credit ratings similar to the credit ratings then in effect for the SLBs.

(4) To permit the Port's obligations under derivative products (including interest rate swaps, collars, hedges, caps and similar transactions) to be treated as SLBs and to make other changes which are desirable in order to permit use of derivative products in connection with SLBs.

(5) To permit obligations that are subordinate to the SLBs to be issued for any lawful Port purpose.

(6) To provide that balloon obligations will be treated as if they were refinanced with long-term obligations for purposes of calculating the SLB Debt Service Requirement and making certain deposits to the SLB Fund.

(7) To provide that any "put" or other right of Owners to require the purchase of SLBs shall not be treated as a maturity or mandatory redemption and may be ignored when calculating the SLB Debt Service Requirement and the amounts to be deposited to the SLB Fund, but only if bond insurance, a line or letter of credit, a standby bond purchase agreement or other liquidity or credit enhancement is in effect which is expected to pay for the purchase of the SLBs when the Owners exercise that right, if the SLBs are not remarketed or refunded.

(8) To provide that certain amounts in the SLB Serial Bond Principal Account and the SLB Term Bond Principal Account (now part of the combined SLB Principal and Interest Account) may be used for redemption or purchase for cancellation of SLBs.

(9) To reduce the SLB Reserve Fund Requirement to an amount equal to the maximum amount of proceeds of tax-exempt bonds which the Code permits to be deposited in a reserve account without yield restriction, and to specify either that separate reserve accounts will be held for each series of SLBs, or that a single reserve account will secure all series of SLBs.

(10) To modify the requirements for funding the Rebate Account or to eliminate the Rebate Account.

(11) To combine Ordinance No. 155 and Ordinance No. 323, to delete outdated provisions, to delete provisions that interfere with the business operations of the Port but that do not provide substantial security for owners of SLBs, to clarify and simplify the remaining provisions, to substitute modern, more flexible provisions, and to restate those amended ordinances as a single ordinance.

(12) To amend the definition of "SLB Debt Service Requirement" so that for purposes of calculating compliance with the Port's rate covenants, the amount of principal and/or interest on SLBs and/or the amount of Scheduled Swap Obligations paid or to be paid from moneys not then included in the definition of "Revenues" or "Net Revenues" shall be disregarded and not included in any calculation of "SLB Debt Service Requirement."

(13) To amend Ordinance No. 323 to provide that for purposes of determining compliance with the provisions of Ordinance No. 323 relating to Additional SLBs, the amount of passenger facility charges, customer facility charges, state and federal grants or other payments and/or other moneys that are not then included in the definition of "Revenues" or "Net Revenues" but that are committed irrevocably to the payment of debt service on SLBs and to the payment of Scheduled Swap Obligations or that are held by the SLB Trustee for the sole purpose of paying debt service on SLBs and paying Scheduled Swap Obligations may be disregarded and not included in the calculation of SLB Debt Service Requirement for the period in which such amounts are irrevocably committed or are held by the SLB Trustee.

(14) To delete certain provisions of Ordinance No. 155 relating to the filing and recording of ordinances and the annual delivery of legal opinions relating thereto.

(15) To permit all or a portion of the Remaining Balance, as hereinafter defined, to be taken into account as "Revenues" when determining compliance by the Port with its rate covenants. For this purpose, "Remaining Balance" means for any fiscal year the amount of unencumbered funds on deposit or anticipated to be on deposit on the first day of such fiscal year in the General Account (after all deposits and payments required to be made into the SLB Fund or the JLO Fund under Ordinance No. 323 have been made as of the last day of the immediately preceding fiscal year).

(16) To permit the application of proceeds received from the sale of SLBs or of Junior Lien Obligations to make termination payments incurred in connection with terminating swap agreements or other derivative products.

Amendments with Owner Consent. The consent of the Owners of not less than sixty-six and two-thirds per centum (66 ⅔%) of the principal amount of the SLBs then outstanding is required for any amendment not described in the preceding two sections. However, the consent of each affected Owner is required for any amendment to: (1) change the fixed maturity date for the payment of the principal of any SLB or the dates for the payment of interest thereon or the terms of the redemption thereof, or reduce the principal amount of any SLB or the rate of interest thereon or any premium payable upon the redemption or payment thereof; or (2) reduce the aforesaid percentage of SLBs, the Owners of which are required to consent to any such amendment, or (3) give to any SLB or SLBs any preference over any other SLB or SLBs secured by the SLB Ordinance; or (4) authorize the creation of any pledge of the Revenues or any lien thereon prior or superior or equal to the pledge and lien created in the SLB Ordinance for the payment and security of the SLBs; or (5) deprive any Owner of the security afforded by the Airport Revenue Bond Ordinances.

Events of Default

Each of the following shall constitute an "Event of Default":

1. If payment of the principal and premium (if any) of any SLB, whether at maturity or by proceedings for redemption (whether by voluntary redemption or a mandatory redemption) or otherwise, shall not be made when the same shall become due and payable; or

2. If payment of any installment of interest on any SLB shall not be made when the same shall become due and payable; or

3. If the Port shall fail in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the SLBs or in the SLB Ordinance or in any ordinance supplemental thereto on the part of the Port to be performed, and such failure shall continue for 90 days after written notice specifying such failure and requiring the same to be remedied shall have been given to

the Port by the SLB Trustee or by the owners of not less than twenty percent (20%) in principal amount of the SLBs then Outstanding or any committee therefor; provided that if any such failure shall be such that it cannot be cured or corrected within such 90-day period, it shall not constitute an Event of Default under the SLB Ordinance if curative or corrective action is instituted within said period and diligently pursued until the failure of performance is cured or corrected; or

4 If any proceedings shall be instituted with the consent or acquiescence of the Port for the purpose of effecting a composition between the Port and its creditors and if the claim of such creditors is in any circumstance payable from any of the Revenues or any other moneys pledged and charged in the SLB Ordinance or in any ordinance supplemental thereto or for the purpose of adjusting the claims of such creditors, pursuant to any federal or State statute now or hereafter enacted; or

5. If an order or decree shall be entered (a) with the consent or acquiescence of the Port, appointing a receiver or receivers of the Airport or any of the buildings and facilities thereof, or (b) without the consent or acquiescence of the Port, appointing a receiver or receivers of the Airport or any of the buildings and facilities thereof, and such order or decree having been entered, shall not be vacated or discharged or stayed on appeal within 60 days after the entry thereof; or

6. If, under the provisions of any applicable bankruptcy laws or any other law for the relief or aid of debtors, (a) any court of competent jurisdiction shall assume custody or control of the Airport or any of the buildings and facilities thereof, and such custody or control shall not be terminated within 90 days from the date of assumption or such custody or control; or (b) any court of competent jurisdiction shall approve of any petition for the reorganization of the Airport or rearrangement or readjustment of the obligations of the Port under the SLB Ordinance.

Notice to Owners of Events of Default

The SLB Trustee is required to give to Owners notice of all Events of Default known to the SLB Trustee, within 30 days after the occurrence of an Event of Default unless such Event of Default has been cured, provided that except in the case of a payment default, the SLB Trustee shall be protected in withholding such notice if and so long as the SLB Trustee in good faith determines that the withholding of such notice is in the interest of the Owners.

Remedies Upon Occurrence of Event of Default

1. Upon the occurrence of an Event of Default under the SLB Ordinance, the SLB Trustee (a) for and on behalf of the Owners, shall have the same rights under the SLB Ordinance which are possessed by any Owner; (b) shall be authorized to proceed, in its own name and as trustee of an express trust; (c) may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of Outstanding SLBs shall, declare all Outstanding SLBs immediately due and payable; (d) may pursue any available remedy by action at law or suit in equity to enforce the payment of the principal of and interest on the SLBs; (e) may, and upon the written request of the Owners of twenty-five percent (25%) in aggregate principal amount of the SLBs then Outstanding shall, proceed to protect and enforce all rights of the Owners and the SLB Trustee under the SLB Ordinance; and (f) exercise other remedies provided in the Airport Revenue Bond Ordinances.

2. The owners of not less than a majority in principal amount of the SLBs at the time Outstanding shall be authorized and empowered (a) to direct the time, method, and place of conducting any proceeding for any remedy available to the SLB Trustee or to the holders of the SLBs, or exercising any trust or power conferred upon the SLB Trustee under the SLB Ordinance; or (b) on behalf of the owners of the SLBs then Outstanding, to consent to the waiver of any Event of Default or its consequences, and the

SLB Trustee shall waive any Event of Default and its consequences and rescind any declaration of maturity upon the written request of the owners of such majority.

3. Notwithstanding any other provision of the SLB Ordinance the right of any owner of any SLB to receive payment of the principal of and interest on such SLB, on or after the respective due dates expressed in such SLB, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such owner.

4. All moneys received by the SLB Trustee following an Event of Default under the SLB Ordinance pursuant to any right given or action taken under the provisions of the SLB Ordinance shall, after payment to the SLB Trustee of its reasonable fees and expenses with respect thereto, be applied to the payment of the principal of and interest on the Outstanding SLBs then due and unpaid, ratably according to the amounts due and payable on the Outstanding SLBs, without preference or priority of any kind.

Discharge of Liens and Pledges; SLBs No Longer Outstanding Under the SLB Ordinance

The obligations of the Port under the SLB Ordinance and the liens, pledges, charges, trusts, assignments, covenants and agreements of the Port therein made or provided for, shall be fully discharged and satisfied as to any SLB and such SLB shall no longer be deemed to be Outstanding thereunder:

1. When such SLB shall have been cancelled, or shall have been purchased by the SLB Trustee from moneys in the SLB Fund, or

2. As to any SLB not cancelled or so purchased, when payment of the principal of and the applicable redemption premium, if any, on such SLB, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption or prepayment or otherwise), either

(a) shall have been made or caused to be made in accordance with the terms thereof, or

(b) shall have been provided by irrevocably depositing with the SLB Trustee or Paying Agent for such SLB, in trust and irrevocably appropriated and set aside exclusively for such payment,

(i) moneys sufficient to make such payment or

(ii) Governmental Obligations maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the SLB Trustee and said Paying Agents pertaining to the SLB with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the SLB Trustee and said Paying Agents.

At such time as an SLB shall be deemed to be no longer Outstanding under the SLB Ordinance, as aforesaid, such SLB shall cease to draw interest from the due date thereof (whether such due date be by reason of maturity, or upon redemption or prepayment or by declaration as aforesaid, or otherwise) and, except for the purposes of any such payment from such moneys or Governmental Obligations shall no longer be secured by or entitled to the benefits of the SLB Ordinance, including all Supplemental SLB Ordinances.

If any SLBs shall not be presented for payment when the principal thereof shall become due, whether at maturity or at the date fixed for the redemption thereof, or otherwise, and if moneys or Governmental Obligations shall at such due date be held by the SLB Trustee, or a Paying Agent therefor, in trust for that purpose and sufficient and available to pay the amounts due upon presentment of such SLBs on such due date, then interest shall cease to accrue on such SLBs, all liability of the Port for such payment shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the SLB Trustee or such Paying Agent, to hold said moneys or Governmental Obligations, without liability to such Owner for interest thereon, in trust for the benefit of the holder of such SLB, who thereafter shall be restricted exclusively to said moneys or Governmental Obligations for any claim of whatever nature on his part on or with respect to said SLB, including any claim for the payment thereof.

Notwithstanding any provision of any other section of the SLB Ordinance which may be contrary to the provisions of this section, all moneys or Governmental Obligations set aside and held in trust pursuant to the provisions described in this section for the payment of SLBs (including interest and premium thereon, if any) shall be applied to and used solely for the payment of the particular SLB (including interest and premium thereon, if any) with respect to which such moneys and Governmental Obligations have been so set aside in trust.

Notwithstanding anything in the SLB Ordinance to the contrary, the obligations of the Port under the SLB Ordinance and the liens, pledges, charges, trusts, assignments, covenants and agreements of the Port therein made or provided for, shall not be discharged and satisfied until the Port has paid all amounts it is obligated to pay under any Qualified Swap.

No Personal Liability

No Commissioner of the Port and no officer, director or employee thereof shall be individually or personally liable for the payment of the principal of or interest or premium on the SLBs; but nothing contained in the SLB Ordinance shall relieve any such Commissioner, officer, director or employee from the performance of any duty provided or required by law, including the SLB Ordinance.

Limitation of Rights

With the exception of rights or benefits expressly conferred in the SLB Ordinance, nothing expressed or mentioned in or to be implied from the SLB Ordinance or the SLBs is intended or shall be construed to give to any person other than the Port, the SLB Trustee and the Owners of the SLBs, any legal or equitable right, remedy or claim under or in respect to the SLB Ordinance or any covenants, conditions and provisions therein contained; the SLB Ordinance and all of the covenants, conditions and provisions thereof being intended to be and being for the sole and exclusive benefit of the Port, the SLB Trustee and the Owners of the SLBs as therein provided.

APPENDIX D

PENSION AND OTHER POST-RETIREMENT BENEFIT PROGRAMS

Pension Plans – General. The Port is one of many employers in the statewide Oregon Public Employees' Retirement System, a multiple-employer, cost-sharing pension plan ("PERS" or the "System"). The Port participates in three retirement pension benefit programs and in a retirement healthcare benefit program (the Retirement Health Insurance Account program or "RHIA") sponsored by PERS. The three PERS pension programs are composed of two defined benefit programs and one program that has features similar to a defined contribution plan. In a defined benefit plan, the investment risk for the plan assets is borne by the employer. In a defined contribution plan, the investment risk for the plan assets is borne by the employee. A combination of employer contributions determined by the Public Employees Retirement Board (the "PERS Board") based upon the results of actuarial valuations, employee contributions and investment earnings fund the PERS pension programs. Employee contributions, which to date the Port has elected to pay, are determined by statute and currently are 6% of salaries.

Most Port employees, after six months of employment, are participants in PERS. Employees hired before January 1, 1996 are known as "Tier 1" participants. Retirement benefits applicable to Tier 1 participants are based primarily on a defined benefit model. Employees hired on or after January 1, 1996 and before August 29, 2003 are "Tier 2" participants. The Tier 2 program is a defined benefit program but with lower expected costs to employers than under the Tier 1 benefit program. Employees hired on or after August 29, 2003 are participants in a successor retirement program to the Tier 1 and Tier 2 retirement programs (the "T1/T2 Pension Programs"), known as the Oregon Public Service Retirement Plan (the "OPSRP").

PERS also offers an Individual Account Program (the "IAP") that has features similar to a defined contribution benefit. Effective January 1, 2004, active T1/T2 and OPSRP employees became members of the IAP, and the IAP Account receives all employee contributions after that date.

Pensions – Valuations and Funded Status. State statutes require an actuarial valuation of the System at least once every two years. PERS' current practice is to obtain actuarial valuations annually, although only valuations as of the end of each odd-numbered year are used to determine annual required employer contribution rates. Valuations are performed for the entire System and for each participating employer, including the Port, and are released approximately one year after the valuation date. Milliman, Inc. ("Milliman") is the current PERS actuary.

Milliman's most recent valuation of the System as a whole was the valuation as of December 31, 2017, presented to the PERS Board in August 2018 (the "2017 System Valuation"). Milliman's most recent valuation for the Port (the "2017 Port Valuation"), presented to and adopted by the PERS Board in October 2018, reflects the Port's share of PERS' assets and liabilities as of December 31, 2017, based upon the 2017 System Valuation. Both valuations were adjusted to take into account actuarial assumption and method changes including the decision by the PERS Board on July 28, 2017 to reduce the assumed earnings rate from 7.50% to 7.20%. See "—Changes to PERS" below. The 2017 System Valuation is the basis for the Port's employer contribution rates for the 2019-2021 Biennium. These employer contribution rates were adopted by the PERS Board, effective on July 1, 2019. See "—Pensions – Contribution Rates."

In connection with the T1/T2 Pension Programs, the Port is pooled with the State and with certain other local government and community college district public employers (the "State and Local Government Rate Pool" or "SLGRP"), and the Port's share of assets, liabilities and the unfunded actuarial liability (the "UAL") of the SLGRP is based upon the Port's proportionate share of the SLGRP payroll as of the valuation date. In connection with the OPSRP program, the assets and liabilities are pooled on a program-wide basis, and the Port's allocated share is based upon the Port's proportionate share of total System payroll as of the valuation date. An employer's UAL is the excess of the actuarially determined present value of the employer's benefit obligations to employees over the existing actuarially determined assets available to pay those benefits.

Table D-1 summarizes the adopted methods and assumptions used as the basis for the valuation for the System as a whole as of December 31, 2015 (the "2015 System Valuation"), released in 2016, and the valuation for the Port as of December 31, 2015 (the "2015 Port Valuation"), upon which employer contribution rates for July 1, 2017 through June 30, 2019 are based. Table D-1 also shows certain adopted methods and assumptions, including certain changes to the assumptions approved by the PERS Board in September 2016 and reflected in the advisory valuation for the System as of December 31, 2016 (the "2016 System Valuation") and the 2017 System Valuation and in the advisory valuation for the Port (the "2016 Port Valuation") and the 2017 Port Valuation. These changes, along with other changes to the actuarial methods and assumptions and those introduced to comply with the Moro Decision, increased employer contribution rates for the 2019-2021 Biennium. See "—Pensions – Contribution Rates" and "—Changes to PERS."

TABLE D-1
ACTUARIAL ASSUMPTIONS AND METHODS

Assumption/ Method	Previous (2015 Valuation)	Current (2016 and 2017 Valuations)
Actuarial Cost Method	Entry-Age Normal	Unchanged
T1/T2 Programs UAL Amortization Method	Level Percentage of Payroll over 20 years (fixed)	Unchanged
OPSRP UAL Amortization Method	Level Percentage of Payroll over 16 years (fixed)	Unchanged
Asset Valuation Method	Market Value [(1)]	Unchanged
Investment Rate of Return	7.50%	7.20%
Payroll Growth Rate	3.50%	Unchanged
Inflation Level	2.50%	Unchanged
Contribution Rate Stabilization Method	Employer contribution rate may increase or decrease by 3% of payroll or by 20% of the previous rate; whichever is greater, when an employer's funded status is between 80% and 120%. At a funded status of 60% or less, or 140% or more, the limitation doubles to 6% of payroll or 40% of the previous rate, whichever is greater. At a funded status between 60% and 70% or 130% and 140%, the limitation increases on a graded scale between 3%-6% of payroll or 20%-40% of the previous rate, whichever is greater (the "Rate Collar").	Unchanged

(1) Market value of assets reduced by value of assets in statutory reserves (contingency, capital preservation and rate guarantee reserves).

Table D-2 summarizes the actuarial value of assets and liabilities, UALs and funded ratios for the PERS pension plans Systemwide as of December 31, 2013 through 2017, and Table D-3 summarizes the Port's share of the System's UALs for the same years.

The Port's allocated shares include credits for amounts on deposit in the Port's UAL side account (the "UAL Side Account"). The UAL Side Account was funded with net proceeds of approximately $55 million aggregate principal amount of limited tax pension obligations issued by the Port in 2002 and approximately $20 million aggregate principal amount of limited tax pension obligations issued by the Port in 2005, of which approximately $25.6 million and approximately $11.2 million, respectively, are allocable to the Airport. Proceeds received from the sale of the pension obligations, plus investment earnings thereon, were applied to finance a portion of the Port's estimated share of the T1/T2 UAL (approximately $54 million as of April 1, 2002 and approximately $20 million as of October 1, 2005). Those deposits to the Port's UAL Side Account reduce the Port's contribution rates to the T1/T2 Pension programs. See Note 8 in Appendix B.

TABLE D-2
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SYSTEMWIDE PENSION HISTORICAL ACTUARIAL FUNDED RATIOS
(IN MILLIONS) [(1)]

Calendar Year Ending	Actuarial Value Of Assets [(2)]	Actuarial Value of Liability	Unfunded Actuarial Liability	Funded Ratio [(3)]
2013	60,014.1	62,593.6	2,579.5	95.9
2014 [(4)*]	61,395.2	73,458.9	12,063.7	83.6
2015	60,000.1	76,196.6	16,196.5	78.7
2016[*]	55,670.2	80,970.3	25,300.1	75.4
2017	61,764.9	84,056.1	22,291.2	80.1

[*] Advisory.
(1) Composed of Tier 1/Tier 2 and OPSRP pensions but excludes retiree healthcare subsidies of RHIA described below and RHIPA (a healthcare program applicable only to State employees).
(2) Includes proceeds of pension obligations issued by Oregon local governments and the State.
(3) Funded ratios are based on "mark to market" accounting procedures.
(4) The actuarial valuation of the System for calendar year 2014 reflects benefit changes from the Oregon Supreme Court's ruling in the Moro Decision, which overturned portions of Senate Bills 822 and 861. See "—Changes to PERS" below.
Source: Actuarial valuations of the System for calendar years 2013, 2014 (advisory), 2015, 2016 (advisory) and the 2017 System Valuation.

According to the 2017 System Valuation, the UAL of the System as of December 31, 2017 decreased by approximately $3.2 billion from the UAL of the System as of December 31, 2016. This decrease is due primarily to investment returns for the Oregon Public Employees Retirement Fund for calendar year 2017 of 15.4%, well above the 7.2% assumed earnings rate. However, the Oregon Investment Council has recently reported investment returns for calendar year 2018 of approximately 0.5%. In a presentation to the February 1, 2019 PERS Board, Milliman estimates that the reported 2018 investment returns will cause the System-wide UAL to increase by approximately $5 billion for a total System UAL of approximately $21.6 billion as of December 31, 2018 (approximately 75% funded ratio). The effect on the Port's portion of the UAL is currently unknown and will likely not be reported until the Port's actuarial valuation report is released in the fall of 2019.

TABLE D-3
PORT SHARE OF THE SYSTEM'S UNFUNDED ACTUARIAL ACCRUED LIABILITY

	2013 Port Valuation	2014 Port Valuation*	2015 Port Valuation	2016 Port Valuation	2017 Port Valuation
Net Port Pension UAAL	**$ 2,639,375**	**$ 69,497,550**	**$ 92,416,339**	**$119,966,263**	**$99,229,380**
Allocated pooled SLGRP T1/T2 UAL	46,140,920	109,397,539	126,777,001	149,819,025	130,671,012
Allocated pre-SLGRP pooled liability/(surplus) (1)	(11,756,912)	(12,124,567)	(10,881,560)	(10,513,509)	(9,564,007)
Transition liability/(surplus) (2)	(881,232)	(857,515)	(824,465)	(781,427)	(735,927)
Allocated pooled OPSRP UAL	4,302,838	7,745,410	9,410,619	11,964,140	10,321,988
Port UAL Side Account	35,166,239	34,663,317	32,065,256	30,521,966	31,463,686
Combined valuation payroll	60,855,267	67,750,962	66,195,540	69,493,422	68,497,652
Net Pension UAL as % of payroll	4%	103%	140%	173%	145%
Allocated Pooled RHIA UAL	$842,302	$538,524	$321,423	($9,462)	($784,859)

* Advisory valuation-rates are not set by these valuations.
(1) The Port allocated pre-SLGRP pooled liability or surplus represents the allocation to the Port of the surplus that remained when the local government rate pool (the "LGRP") was disbanded and the SLGRP was created. The Port shares this liability or surplus with other former participants in the LGRP, and it is allocated based on the Port's proportionate share of the former participants' payroll.
(2) The transition liability or surplus represents the liability or surplus that was created when the Port joined the SLGRP.
Source: Actuarial valuations of the Port for calendar years 2013 and 2014 (advisory), 2015, 2016 (advisory) and the 2017 Port Valuation.

The funded status of the PERS pension plans will change depending in part upon market performance of investments of the System assets. Table D-4 summarizes annual Retirement Fund investment returns (after administrative expenses) for the five calendar years ended December 31, 2017.

TABLE D-4
OREGON PUBLIC EMPLOYEES
RETIREMENT FUND INVESTMENT RETURNS (1)

Calendar Year Ending	Net Returns
2013	15.8
2014	7.3
2015	2.2
2016	6.9
2017	15.3

(1) After administrative expenses.
Source: Office of the Oregon State Treasurer. For descriptions of the methodologies applied by the Office of the Oregon State Treasurer to determine the market value of Oregon Public Employees Retirement Fund investments, see Notes 1.E and Note 2 in the State of Oregon Comprehensive Financial Report for the fiscal year ended June 30, 2017.

Pensions – Contribution Rates. Employer contribution rates are calculated by the actuary and approved by PERS Board as a percentage of actuarially determined, covered payroll, and are based upon the biennial actuarial valuations as of December 31 of odd-numbered years. The rates become effective 18 months later, at the start of the next odd-numbered fiscal year, resulting in an 18-month time lag. Employer contribution rates are subject to future adjustment as a result of subsequent actuarial valuations, changes in benefits and/or changes in methods resulting from legislative modifications or changes directed by the PERS Board. As described below, a number of changes implemented in 2017 resulted in a decrease of the funded ratio and an increase in employer contribution rates for the 2017-2019 Biennium. The increase in employer contribution rates was driven primarily by the Moro Decision, actual investment results and updates to valuation assumptions. See Table D-1. Employees are required to contribute 6% of their annual salary to the respective PERS programs; the Port has elected to make the employee contribution.

The Port's employer contribution rates expressed as percentages of actuarially determined payroll for PERS pension and PERS sponsored healthcare costs for the period from July 1, 2017 to June 30, 2019 (the "2017-2019 Biennium") (based upon the Port valuation for 2015) and for the 2019-2021 Biennium (based upon the 2017 Port Valuation) are set forth in Table D-5.

TABLE D-5
PORT CONTRIBUTION RATES

Payrolls	2017-2019	2019-2021
T1/T2	16.34%	20.10%
OPSRP General Service	8.79	12.87
OPSRP Police and Fire	13.56	17.50

Source: 2015 and 2017 Port Valuations.

Employer contribution rates consist of a normal cost rate, offset by any UAL Side Account and a rate to amortize the UAL of the System, and the Port is responsible for its allocable portion of these costs. Both normal cost rates and UAL rates, calculated in the 2017 System Valuation and 2017 Port Valuation and adopted by the PERS Board for the 2019-2021 Biennium, increased compared to those rates used to calculate the employer contribution rates in the 2015 System Valuation and 2015 Port Valuation for the 2017-2019 Biennium. This was primarily due to changes in projected plan benefits caused by the Moro Decision, along with the effect of a lower investment return assumption and increased assumption for the life expectancies of members.

Additional employer contribution rate increases are expected through the 2021-2023 biennium and the 2023-2025 biennium due to the increased UAL caused by the Moro Decision and actuarial assumption changes. The need to increase employer contribution rates over two additional biennia is due, in part, to the existence of the Rate Collar described in Table D-1. The Rate Collar limits the magnitude of the change by which the employer contribution rates can increase or decrease from biennium to biennium; by contrast the uncollared rate is the theoretical employer contribution rate required to reach 100% funded status over a specified amortization period if specified circumstances occur. See Table D-1 for a description of the Rate Collar adopted by the PERS Board in connection with the 2015 System Valuation and used to set the employer contribution rates for the 2017-2019 Biennium and the 2019-2021 Biennium.

The Rate Collar limited the increase in the System weighted-average employer contribution rate for the 2019-2021 Biennium to 4.09 % of payroll compared to the rate in effect for the 2017-2019 Biennium. Even with the 4.09% rate increase, the System-average uncollared employer contribution rate remains almost 4% of payroll above the 4.09% Rate-Collared increase. As a consequence, if actual experience is similar to the assumptions used in the 2017 System Valuation, additional System-average Rate-Collared increases similar in magnitude to the 4% increase will be required in the 2021-2023 and 2023-2025 biennia to allow the System's unfunded liability to be amortized over time by a combination of employer contributions and actual investment earnings.

Changes to PERS. In addition to the changes required by the Moro Decision, in 2017 the PERS Board made adjustments to the actuarial assumptions used in the 2017 System Valuation and 2017 Port Valuation (the "2017 Board Changes"). The 2017 Board Changes include, among other changes, reducing the assumed earnings rate of the investment fund from 7.50% to 7.20%.

Other Post-Employment Benefits. The Port administers a single-employer defined-benefit healthcare plan (the "OPEB Plan") that provides certain qualifying employees retiring under PERS or OPSRP with Port-paid healthcare coverage for the qualifying retiree until age 65. The OPEB Plan is being phased out and will not be offered to any employees who did not meet eligibility requirements by December 31, 2011. Contributions to the OPEB Plan are made on a pay-as-you-go basis.

Under State law, employees retiring under PERS or OPSRP may continue their health insurance coverage through the Port until eligible for Medicare (usually age 65). Coverage may be elected for the retiring employee, the employee's spouse and for qualifying dependents. Premiums are paid by the retiree at the Port's pooled rate, which is the same rate paid for active employees. Retirees, on average, are expected to have higher health costs than active employees, primarily due to the older average age of retirees. Since the same premium applies to both groups, the premiums paid for active employees by the Port are subsidizing the premiums for retirees. As a result, there is an "implicit subsidy" paid by the Port and under generally accepted accounting principles, the implicit subsidy associated with retiree health care costs paid during the last year is also considered to be a contribution from the Port. According to the most recent actuarial valuation, prepared for the Port by Findley Company as of July 1, 2017, and rolled forward to a reporting date of June 30, 2018, the total UAL of the OPEB Plan and the Port's implicit subsidy was approximately $6,284,000, of which approximately $3,512,000 is allocable to the Airport.

PERS retirees who receive benefits through the T1/T2 Pension Programs and are enrolled in certain PERS-administered health insurance programs also may receive a subsidy of approximately $60/month towards the payment of health insurance premiums under the PERS-sponsored Retirement Health Insurance Account Plan (the "RHIA program"). The assets and liabilities of the RHIA program are pooled on a program-wide basis and are not calculated on an employer basis. The RHIA program UAL is a component of the System UAL described above. The Port's allocated share of the RHIA program UAL is based on the Port's proportionate share of the RHIA program payroll. According to the 2017 Port Valuation, the Port's allocated share of the RHIA program UAL was ($9,462) as of December 31, 2016 and ($784,859) as of December 31, 2017. Actuarial determinations are not made solely as to the Airport. The employer contribution rate attributable to the RHIA program is incorporated into the Port's T1/T2 Pension Programs and OPSRP employer contribution rates described above. As of December 31, 2016, the RHIA program had a UAL of approximately $(1.3) million and as of December 31, 2017 a UAL of approximately $(115.7) million, representing a funded status of approximately 100.3% and 126.4%, respectively.

APPENDIX E

DTC AND ITS BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series Twenty-Five Bonds. The Series Twenty-Five Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series Twenty-Five Bond certificate will be issued for each maturity of the Series Twenty-Five Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series Twenty-Five Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series Twenty-Five Bonds on DTC's records. The ownership interest of each actual purchaser of each Series Twenty-Five Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series Twenty-Five Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series Twenty-Five Bonds, except in the event that use of the book-entry system for the Series Twenty-Five Bonds is discontinued.

To facilitate subsequent transfers, all Series Twenty-Five Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series Twenty-Five Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series Twenty-Five Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series

Twenty-Five Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series Twenty-Five Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series Twenty-Five Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series Twenty-Five Bond documents. For example, Beneficial Owners of Series Twenty-Five Bonds may wish to ascertain that the nominee holding the Series Twenty-Five Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series Twenty-Five Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series Twenty-Five Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Port as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series Twenty-Five Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Series Twenty-Five Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Port or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Port, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Port or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series Twenty-Five Bonds at any time by giving reasonable notice to the Port or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series Twenty-Five Bond certificates are required to be printed and delivered.

The Port may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series Twenty-Five Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Port believes to be reliable, but the Port takes no responsibility for the accuracy thereof.

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

[This page intentionally left blank.]

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "***Disclosure Certificate***") is executed and delivered by The Port of Portland (the "***Port***") in connection with the issuance of $21,825,000 aggregate principal amount of its Portland International Airport Revenue Bonds, Series Twenty-Five A and $186,430,000 aggregate principal amount of its Portland International Airport Revenue Bonds, Series Twenty-Five B (the "***Series Twenty-Five Bonds***"). The Series Twenty-Five Bonds are being issued pursuant to (a) the provisions of Sections 778.145 through 778.175 and Chapter 287A of the Oregon Revised Statutes, as amended, (b) Port Ordinance No. 155, enacted by the Board of Commissioners of the Port (the "***Board***") on November 10, 1971, as amended, restated and supplemented ("***Ordinance No. 155***"), (c) Port Ordinance No. 323, enacted by the Board on October 9, 1985, as amended, restated and supplemented ("***Ordinance No. 323***"), and (d) Port Ordinance No. 467-B, enacted by the Board on February 13, 2019, as supplemented by the Certificate of the Executive Director Establishing and Determining Certain Terms and Other Matters Relating to the Series Twenty-Five Bonds, dated the date hereof (the "***Series Twenty-Five Ordinance***," and collectively with Ordinance No. 155 and Ordinance No. 323, the "***Airport Revenue Bond Ordinances***"). The Port covenants and agrees as follows:

Section 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Port for the benefit of the Owners and Beneficial Owners of the Series Twenty-Five Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission (the "Commission") Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Airport Revenue Bond Ordinances, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Port pursuant to, and as described in, Sections 3 and 4 hereof.

"Beneficial Owner" shall mean any person that (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series Twenty-Five Bonds (including persons holding Series Twenty-Five Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series Twenty-Five Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the Port, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Port.

"Financial Obligation" shall mean, for purposes of the Listed Events set out in Section 5(a)(10) and Section (5)(b)(8) hereof, a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "Financial Obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"EMMA" shall mean the MSRB's Electronic Municipal Market Access system, currently located at http://emma.msrb.org, or such other electronic system designated by the MSRB.

"Fiscal Year" shall mean the one-year period ending on June 30 of each year or such other period of 12 months designated by the Port as its Fiscal Year.

"GASB" shall mean the Governmental Accounting Standards Board.

"Listed Events" shall mean any of the events listed in Section 5(a) or (b) hereof.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Commission, filings with the MSRB are to be made through EMMA.

"Official Statement" shall mean the final official statement of the Port relating to the Series Twenty-Five Bonds.

"Owner" shall mean a registered owner of the Series Twenty-Five Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Series Twenty-Five Bonds required to comply with the Rule in connection with offering of the Series Twenty-Five Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The Port shall, or shall cause the Dissemination Agent, if the Dissemination Agent is other than the Port, to, not later than nine (9) months after the end of each Fiscal Year (which shall be April 1 of each year, so long as the Port's Fiscal Year ends on June 30), commencing with the report for the Fiscal Year ending June 30, 2019, provide to the MSRB through EMMA, in an electronic format and accompanied by identifying information all as prescribed by the MSRB, an Annual Report relating to the immediately preceding Fiscal Year that is consistent with the requirements of Section 4 hereof, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 hereof; provided, that any audited financial statements may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Fiscal Year for the Port changes, the Port shall give notice of such change in the same manner as for a Listed Event under Section 5(e) hereof.

(b) If in any year, the Port does not provide the Annual Report to the MSRB by the time specified above, the Port shall instead file a notice to the MSRB through EMMA stating that the Annual Report has not been timely completed and, if known, stating the date by which the Port expects to file the Annual Report.

(c) If the Dissemination Agent is not the Port, the Dissemination Agent shall:

1. file a report with the Port certifying that the Annual Report has been filed pursuant to this Disclosure Certificate and listing the date(s) of the filing(s); and

2. take any other actions mutually agreed to between the Dissemination Agent and the Port.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the Port for the preceding Fiscal Year, prepared in accordance with the laws of the State of Oregon and in accordance with generally accepted accounting principles as promulgated from time to time by GASB. If the Port's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) hereof, the Annual Report shall contain unaudited financial statements and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statements of the Port, the Annual Report also shall contain for the preceding Fiscal Year the following historical financial information and operating data of the type set forth in the Official Statement under the heading "PORTLAND INTERNATIONAL AIRPORT" (with table numbers to the Official Statement provided for cross-reference purposes only):

(i) The airlines serving the Airport;

(ii) The number of origin and destination passengers at the Airport, but only to the extent the information is readily available to the Port;

(iii) The SLB Debt Service Schedule (of the type shown in Table 4);

(iv) The number of historic enplaned passengers (of the type shown in Table 9);

(v) The number of historic enplaned passengers by airline (of the type shown in Table 10);

(vi) The historical total cargo tonnage (of the type shown in Table 11);

(vii) The historical landed weight (of the type shown in Table 12);

(viii) The historical financial performance of the Port (of the type shown in Table 13);

(ix) Management's Discussion of Results;

(x) The historical debt service coverage (of the type shown in Table 14).

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Port or related public entities, that have been submitted to the MSRB through EMMA.

Section 5. Reporting of Significant Events.

(a) The Port shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series Twenty-Five Bonds not later than ten (10) business days after the occurrence of the event:

1. Principal and interest payment delinquencies;

2. Unscheduled draws on debt service reserves reflecting financial difficulties;

3. Unscheduled draws on credit enhancements reflecting financial difficulties;

4. Substitution of credit or liquidity providers, or their failure to perform;

5. Adverse tax opinions with respect to the tax status of the Series Twenty-Five Bonds or the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) with respect to the Series Twenty-Five Bonds;

6. Tender offers;

7. Defeasances;

8. Rating changes;

9. Bankruptcy, insolvency, receivership or similar event of the obligated person; or

10. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Port, any of which reflect financial difficulties.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The Port shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series Twenty-Five Bonds, ***if material***, not later than ten (10) business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5) above, adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Series Twenty-Five Bonds or other material events affecting the tax status of the Series Twenty-Five Bonds;

2. Modifications to rights of the Owners of the Series Twenty-Five Bonds;

3. Optional, unscheduled or contingent Series Twenty-Five Bond calls;

4. Release, substitution or sale of property securing repayment of the Series Twenty-Five Bonds;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive

agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

7. Appointment of a successor or additional trustee or the change of name of a trustee; or

8. Incurrence of a Financial Obligation of the Port, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Port, any of which affect security holders.

(c) The Port shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3(a) hereof, as provided in Section 3 hereof.

(d) Whenever the Port obtains knowledge of the occurrence of a Listed Event described in Section 5(b) hereof, the Port shall determine if such event would be material under applicable federal securities laws.

(e) If the Port learns of an occurrence of a Listed Event described in Section 5(a) hereof, or determines that knowledge of a Listed Event described in Section 5(b) hereof would be material under applicable federal securities laws, the Port shall within ten (10) business days of occurrence file a notice of such occurrence with the MSRB through EMMA in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Events described in Sections 5(a)(7) or 5(b)(3) hereof need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Series Twenty-Five Bonds pursuant to the Airport Revenue Bond Ordinances.

(f) The Port intends to comply with the Listed Events described in Section 5(a)(10) and Section 5(b)(8) hereof, and the definition of "Financial Obligation" in Section 1 hereof, with reference to the Rule, any other applicable federal securities laws and the guidance provided by the Commission in Release No. 34-83885, dated August 20, 2018 (the "2018 Release"), and any further amendments or written guidance provided by the Commission or its staff with respect to the amendments to the Rule effected by the 2018 Release.

Section 6. Termination of Obligation. The Port's obligations under this Disclosure Certificate shall terminate upon the maturity, legal defeasance, prior redemption or payment in full of all of the Series Twenty-Five Bonds. In addition, in the event that the Rule shall be amended, modified or repealed such that compliance by the Port with its obligations under this Disclosure Certificate no longer shall be required in any or all respects, then the Port's obligations hereunder shall terminate to a like extent. If such termination occurs prior to the final maturity of the Series Twenty-Five Bonds, the Port shall give notice of such termination in the same manner as for a Listed Event under Section 5(e) hereof.

Section 7. Dissemination Agent. The Port may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such dissemination agent, with or without appointing a successor dissemination agent. If at any time there is not any other designated dissemination agent, the Port shall be the dissemination agent. The initial dissemination agent shall be the Port.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Port may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule. The Port shall give notice of any amendment in the same manner as for a Listed Event under Section 5(e) hereof.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Port from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Port chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Port shall not thereby have any obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Port to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner of the Series Twenty-Five Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Port to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed a default under the Airport Revenue Bond Ordinances and the sole remedy under this Disclosure Certificate in the event of any failure of the Port to comply with this Disclosure Certificate shall be an action to compel performance. Under no circumstances shall any person or entity be entitled to recover monetary damages hereunder in the event of any failure of the Port to comply with this Disclosure Certificate.

No Owner or Beneficial Owner of the Series Twenty-Five Bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the Port satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the Port shall have refused to comply therewith within a reasonable time.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. Any Dissemination Agent appointed hereunder shall have only such duties as are specifically set forth in this Disclosure Certificate, and shall have such rights, immunities and liabilities as shall be set forth in the written agreement between the Port and such Dissemination Agent pursuant to which such Dissemination Agent agrees to perform the duties and obligations of Dissemination Agent under this Disclosure Certificate.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Port, the Dissemination Agent, if any, the Participating Underwriter and the Owners and Beneficial Owners from time to time of the Series Twenty-Five Bonds, and shall create no rights in any other person or entity. This Disclosure Certificate is not intended to create any monetary rights on behalf of any person based upon the Rule.

Section 13. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Port shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof, and the Beneficial Owners of the Series Twenty-Five Bonds shall retain all the benefits afforded to them hereunder. The Port hereby declares that it would have executed and delivered this Disclosure Certificate and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 14. Governing Law. This Disclosure Certificate shall be governed by and construed in accordance with the laws of the State of Oregon, provided that to the extent this Disclosure Certificate addresses matters of federal securities laws, including the Rule, this Disclosure Certificate shall be construed in accordance with such federal securities laws, and official interpretations thereof.

IN WITNESS WHEREOF, the Port has executed this Continuing Disclosure Certificate this 24th day of April 2019.

THE PORT OF PORTLAND

By: ____

Daniel Blaufus
Interim Chief Financial Officer

[This page intentionally left blank.]

APPENDIX G

PROPOSED FORM OF OPINION OF BOND COUNSEL

[This page intentionally left blank.]

April 24, 2019

The Port of Portland
Portland, Oregon

$208,255,000
The Port of Portland
Portland International Airport Revenue Bonds
Series Twenty-Five A (Non-AMT) and Series Twenty-Five B (AMT)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to The Port of Portland (the "Port") in connection with the issuance of $21,825,000 aggregate principal amount of The Port of Portland, Portland International Airport Revenue Bonds, Series Twenty-Five A (Non-AMT) (the "Series Twenty-Five A Bonds") and $186,430,000 aggregate principal amount of The Port of Portland, Portland International Airport Revenue Bonds, Series Twenty-Five B (AMT) (the "Series Twenty-Five B Bonds," and together with the Series Twenty-Five A Bonds, the "Bonds"), issued pursuant to the authority of Ordinance No. 467-B enacted on February 13, 2019, as supplemented by the Certificate of the Executive Director Establishing and Determining Certain Terms of and Other Matters Relating to the Series Twenty-Five Bonds dated April 24, 2019 (collectively, the "Bond Ordinance"). The Bonds are issued in accordance with the provisions of the Port's Ordinance No. 155 enacted on November 10, 1971, as amended, restated and supplemented, and Ordinance No. 323 enacted on October 9, 1985, as amended, restated and supplemented (collectively, the "Prior Ordinances"). The Bond Ordinance and the Prior Ordinances are collectively referred to herein as the "Ordinances." Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Ordinances.

In such connection, we have reviewed the Ordinances, the Tax Certificate dated the date hereof, executed and delivered by the Port (the "Tax Certificate"), the opinion of counsel to the Port, certificates of the Port, U.S. Bank National Association, as bond trustee (the "Trustee"), and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Port. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinion referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Ordinances and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Ordinances and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against port districts in the State of Oregon. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Ordinances or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Port.

2. The Bonds are payable from the Net Revenues of the Airport (as more particularly defined in the Ordinances, the "Net Revenues").

3. The Bond Ordinance has been duly and legally enacted by the Port and constitutes the valid and binding obligation of the Port. The Ordinances create a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Net Revenues, all money on deposit from time to time in the SLB Construction Account and all money on deposit from time to time in the SLB Fund, subject to the provisions of the Ordinances permitting the application thereof for the purposes and on the terms and conditions set forth therein.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the status of interest on any Series Twenty- Five B Bond for any period that such Series Twenty-Five B Bond is held by a "substantial user" of the facilities financed by the Series Twenty- Five B Bonds or by a "related person" within the meaning of Section 147(a) of the Code. Interest on the Series Twenty- Five A Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Interest on the Series Twenty- Five B Bonds is a specific preference item for purposes of the federal alternative minimum tax. Interest on the Bonds is exempt from State of Oregon personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

[This page intentionally left blank.]

PORT OF PORTLAND

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

Printed by: ImageMaster, LLC
www.imagemaster.com

THE PORT OF PORTLAND (OREGON) • PORTLAND INTERNATIONAL AIRPORT REVENUE BONDS SERIES TWENTY-FIVE A (NON-AMT) AND SERIES TWENTY-FIVE B (AMT)