



February 22, 2017

Senator Lee Beyer, Chair
Senate Committee on Business & Transportation
Oregon State Capitol
900 Court Street NE
Salem, OR 97301

Re: **Senate Bill 128**

Dear Chair Beyer and Committee Members:

The Port of Portland (Port) appreciates the opportunity to express our concerns about SB 128, a bill proposing the creation of new airport authorities for Hillsboro (HIO) and Troutdale (TTD). The Port is serious about transparency and local community involvement. Our Commission and staff takes great pride in our work with the Hillsboro and Troutdale communities and have robust engagement with these communities on airport planning and operations.

Senate Bill 128 would take the unusual approach of creating two new, independent governing bodies within the existing Port framework. We don't believe this change would improve transparency or responsiveness to local concerns, and are very concerned about the negative impact this change would have on HIO and TTD.

Both the Hillsboro and Troutdale airports play a critical role within the larger scheme of regional and national aviation. Each of these general aviation airports are heavily regulated by the Federal Aviation Administration (FAA). This regulation is based in part on the fact that federal funds are used to construct the airport's basic facilities. As a result, the FAA would likely have to approve the transfer of authority from the existing Port Commission to the new Airport Authorities, and they would be unlikely to give that approval without proof that the new arrangement would be as good or better for aviation.

The FAA considers HIO and TTD as "reliever" airports, in that they accommodate general aviation traffic that would otherwise have to fit in at the Portland International Airport (PDX). As described below, HIO and TTD are not financially independent, and they rely on revenues from PDX for support. Creating a separate management structure would not change these economic facts, and would instead complicate the financial picture.

There is another important aspect of federal regulation to consider here. The new Airport Authorities proposed in this bill would be subject to the same legal limitations and conditions that currently apply to the Port. As such, these new authorities would not be able to:

- Control where aircraft fly (controlled exclusively by the FAA)
- Address airport noise through a curfew on operations (that requires FAA approval – unlikely)
- Unilaterally ban flight-training businesses
- Ban the use of certain leaded fuels if there are no substitutes approved and available

The Port has three primary concerns about this legislation related to community engagement, financial impact, and governance structure.

Community Engagement

The Port understands and recognizes that operations from all of our facilities have community impacts, and our staff works hard to mitigate these where possible. We don't believe that this bill would advance transparency or community engagement.

Attached to this letter is a summary of our existing community engagement and noise mitigation programs. I'll note that the Troutdale Master Plan concluded last year, and at the outset, the Port was unsure how the airport would look moving into the future. Of particular interest was the runway length, which had both significant analysis and robust discussions with the Planning Advisory Committee (PAC). Port staff discussed a number of alternatives with the PAC, and the key difference in these alternatives was runway length.

After the Port's robust engagement with the PAC, they endorsed a runway length (4,500 ft.) that is longer than what the demand forecast shows is necessary (3,600 ft.). At the conclusion of the process, we were comfortable that this approach allowed us additional flexibility to meet community or market needs. This is just one example of how the Port engaged community stakeholders and those stakeholders had a direct impact on airport growth over the next few decades.

In Hillsboro, we just completed a very productive decade of public involvement with our Hillsboro Airport Roundtable (HARE) committee. The HARE committee was formed as a direct result and recommendation of the 2005 Hillsboro Airport Master Plan, which was also guided by a public Planning Advisory Committee. In the decade since the formation of HARE, the airport advisory committee assisted the Port with engagement and action within the Hillsboro community.

With the goal of reducing aircraft noise exposure for the surrounding communities, HARE and Port staff developed a "Fly Friendly" program to educate pilots and flight students about aircraft operations. These voluntary actions are taken by pilots at the Hillsboro Airport. The Fly Friendly program has been a very successful tool in managing aircraft noise.

The HARE committee also worked with Port staff to study the local market for unleaded aviation fuel due to concerns about the use of leaded fuel at the airport by piston engine aircraft. As a result, the Port has invested our own funds into the rehabilitation of fuel storage and dispensing tank in anticipation of the new unleaded avgas that should be approved by the FAA by the end of 2018.

The HARE's involvement in the community engagement efforts surrounding the opening of the new parallel runway at Hillsboro Airport in April 2015 are an instrumental example of how the partnership worked to reach those impacted by a significant project. The outreach plan included mailing postcards to those within certain zip codes surrounding the airport, as well as many other outreach tools. As a result of this community outreach by the Port and HARE, there were no increases in aircraft noise related concerns in the weeks and months after the new runway became operational. The postcards also provided the opportunity for Port staff to provide information about the project to those with questions prior to the runway beginning operations.

Finally, this month a Hillsboro Master Plan Update process launches to help guide the airport over the next 20 years. As with the Troutdale Master Plan, all meetings are open to the community and involvement will be supplemented through special workshops, open houses and online open houses. The advisory committee represents diverse airport interests and will explore economic development, sustainability, and equity in the planning process. This focus on equity involves former airport advisory committee members, community organizations, local government, and airport businesses.

Financial Impact

It is essential to understand that the general aviation airports, HIO and TTD, are not financially self-sustaining and do not receive property taxes. PDX, HIO, and TTD airports are run as a system of airports both operationally and financially. The Port Commission is responsible for prioritizing the limited financial resources of the aviation system.

Troutdale doesn't generate enough money to cover all of its annual operating expenses, nor does it generate enough cash flow for capital investments. Any shortfall in operating income or capital funding not covered by grants is covered from revenues generated from parking and ground transportation at PDX. Over the last 10 years, Troutdale had negative cash flow of \$10 million, which PDX covered. The expected shortfall to be covered within the next five years is approximately \$5 million. This includes runway rehabilitation, taxiway work, and other day-to-day operating expenses.

Hillsboro generally generates enough cash flow to cover its annual operating expenses, but not capital investments. Over the last 10 years, Hillsboro had negative cash flow of \$24.7 million that was covered by PDX. The expected financial shortfall to be covered by revenues generated at PDX is \$27.1 million over the next five years. This includes runway and taxiway work, the Master Plan study, and other day-to-day operating expenses.

In total, this equates to over \$66.8 million for the two airports, with both past and future obligations.

The creation of two new airport authorities would threaten the existing inter-airport support network. The FAA and the Port's bond ordinance currently allow the Port to use revenue generated from parking and ground transportation to subsidize both HIO and TTD because of their status as reliever airports. This arrangement is subject to FAA approval and scrutiny. If the Port Commission were to lose managerial control, the FAA could modify its position and disallow the subsidy. The independent airport authorities would then have to look elsewhere for revenue to cover operating and capital expenses, which can be significant.

Section 10 of the bill states that an Airport Authority may issue revenue bonds; however, as the two general aviation airports are not self-sufficient, it seems highly unlikely that could happen.

Section 11 states that the Airport Authorities can use the Port's power to issue general obligation (GO) but this too seems problematic. An Authority could go out to the tri-county voters to request a bond levy. This method of funding would require a high level of effort and must be approved by voters. The other option available would be to issue bonds. Due to state statute, the maximum limit for these bonds would be \$3 million per year. Because there is no additional revenue being generated by the Authorities, and without sufficient revenues from airport operations, the repayment obligation would come from the Port's General Fund. Existing limitations on the General Fund, including future Superfund liabilities, make this untenable.

For context, the Port's General Fund is all non-aviation activity, including the minimal tax revenue collected. Funding for the aviation portion of our business comes exclusively from aviation-related activities. No Port-collected tax dollars are used to operate, maintain, or improve our airports.

Governance Structure

The Port of Portland has a nine-member Commission appointed by the Governor and confirmed by the Senate. The Commission sets Port policy and represents broad, statewide interests. At least two commissioners must each live in one of the three counties in the Port district (Multnomah, Washington, and Clackamas counties). The remaining members may live in any part of the state, and the Commission has benefited from representation from southern, eastern, central, and coastal Oregon. As we have a state-mandated mission, this geographic diversity seems appropriate. Commissioners are unpaid volunteers. There has been strong representation from Washington County on the Port Commission for many years. The current Washington County representative is Pat McDonald, the vice president of human resources and director of the Intel Talent Organization at Intel.

By creating a nine member, elected authority for each airport, the legislature would be inserting another layer of government that doesn't have direct oversight from the Port Commission. This legislation would essentially "tie the hands" of the Port Commission. This is particularly important because the Port Commission manages a portfolio that includes not only the three airports (PDX, HIO, and TTD), but extensive maritime and commercial facilities. The Commission must balance budgets and allocate resources across this portfolio. Their ability to do this job effectively would be hamstrung by the creation of two new "authorities" with no involvement in, or responsibility for, overall Port governance.

The Port prides itself on nimbleness and efficiency. With this bill's proposed additional layer of government, we foresee a disruption of this successful business model.

Our final concern with the proposed independent airport authority has to do with the Port of Portland's other, non-aviation roles. The Port has a large portfolio of business operations and interests, all intended to serve the Port's regional economic objectives. As we understand the bill, the Port Commission would be obligated to "certify" and fund the Authorities' budgets, even where those budgets are not supported by revenues. This would mean that the Port Commission would have to

divert revenue from other operating areas, to the detriment of Port-wide fiscal policy and economic strategy.

Thank you for your consideration of these comments. Please don't hesitate to contact me with any additional questions or concerns.

Sincerely,

A handwritten signature in black ink that reads "Vince Granato". The signature is written in a cursive, flowing style.

Vince Granato
Chief Operating Officer
Port of Portland

Attachments:

HIO TTD Historical Projected Finance
Community Outreach Summary