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This document constitutes the official meeting record of the January 11, 2012, Portland Development Commission (PDC) Board of Commissioner's Meeting held at 222 NW Fifth Ave., Portland, OR 97209. The full video recording of this meeting can be found at: <http://www.youtube.com/watch?v=HoL8c4eNgnw&feature=related>

I. CALL TO ORDER AND ROLL CALL

Chair Scott Andrews called the meeting to order at approximately 3:05 p.m. He stated PDC Executive Director, Mr. Patrick Quinton, was absent and Mr. Keith Witcosky would be attending in his absence. He also stated Commissioner Dickson would be attending the meeting but would be late.

Ms. Tracey Gemma, acting as recording secretary for the Board, called the Commission roll:

Chair Scott Andrews	PRESENT
Commissioner Aneshka Dickson	ABSENT
Commissioner John Mohlis	PRESENT
Commissioner Steven Straus	PRESENT
Commissioner Charles Wilhoite	PRESENT

II. COMMISSIONER REPORTS

Chair Scott Andrews

- Melvin Mark hosted lunch for approximately 35 business leaders where Ms. Jennifer Nolfi and members of PDC's Business and Industry team spoke about the cluster strategy and it was well received.
- Attended PDC All Employee breakfast and it was a well attended and fun event.

III. EXECUTIVE DIRECTOR REPORT

Mr. Keith Witcosky reported on the following items:

- Hires and promotion update – Ms. Amy Aragon was promoted to Payroll Accounting Analyst; Ms. Ember Breckenridge promoted to Real Estate Associate Coordinator; and Ms. Laura Alsenas hired as new Business Finance Officer.
- On December 21, the PDC Leadership Team hosted an All Employee breakfast; he recognized Ms. Tracey Gemma, Ms. Julie Cody, and Ms. Michelle Shelton for coordinating the event.
- A milestone in our business and finance systems had been accomplished with the launching of Portfol, a fully operational new system and he recognized the Core Team and other staff for their efforts.
- The annual meeting of the Oregon Film and Video group took place December 12 and it was a good opportunity to discuss economic impacts of this industry. Governor Kitzhaber was in attendance.

IV. MEETING MINUTES

Chair Andrews called for a motion to approve the December 14, 2011, Meeting Minutes. Commissioner Wilhoite moved and Commissioner Mohlis seconded the motion.

J. Scott Andrews
Commission Chair

Aneshka Dickson
Commissioner

John C. Mohlis
Commissioner

Steven Straus
Commissioner

Charles A. Wilhoite
Commissioner

Sam Adams
Mayor

Patrick Quinton
Executive Director

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AYES: Andrews, Mohlis, Straus, Wilhoite
NAYS: None

V. PUBLIC TESTIMONY

Those providing public testimony during this time:

No public testimony was presented.

VI. CONSENT AGENDA - DESIGNATE PDC BUDGET OFFICER

Board Discussion and/or requested follow-up relative to this item:

- Chair Andrews said Mr. Tony Barnes is being designated as PDC's Budget Officer and applauded his efforts. He said Mr. Barnes does a very effective job dealing with PDC's very complex budget process.

Chair Andrews called for motion to approve Resolution 6912 and Commissioner Straus moved and Commissioner Wilhoite seconded the motion.

AYES: Andrews, Mohlis, Straus, Wilhoite
NAYS: None

VI. ADOPTING BUDGET AMENDMENT NO. 2 FOR THE FISCAL YEAR BEGINNING JULY 1, 2011, AND ENDING JUNE 30, 2012; AND MAKING APPROPRIATIONS

APPROVING THE INTERGOVERNMENTAL AGREEMENT BETWEEN PDC AND THE CITY OF PORTLAND FOR THE VETERANS MEMORIAL COLISEUM RENOVATION IN THE OREGON CONVENTION CENTER URBAN RENEWAL AREA

Portland Development Commission staff and others presenting this item:

Mr. Peter Englander, Central City Manager

Mr. Kevin Brake, Senior Project/Program Coordinator

Mr. Tony Barnes, Budget Officer

The first action authorized Budget Amendment No. 2, adding a net \$8.2 million in budget appropriations in the Oregon Convention Center Urban Renewal Area (OCCURA), bringing total budget authority for the Veterans Memorial Coliseum (VMC) renovation project to \$23 million.

The second action authorized an Intergovernmental Agreement between the City of Portland and PDC to provide up to \$23,000,000 in tax increment financing (TIF) from the OCCURA for the VMC renovation project, \$5,900,000 of which will be reimbursed to PDC through the Historic Tax Credit or project funding structure described in the VMC Redevelopment Agreement (RDA) and/or Project Funding Agreement such that PDC's total investment in the VMC renovation project does not exceed \$17.1 million. If the RDA is not approved and closed, up to \$2.5 million in TIF may be invested to replace the ice floor, in which case such amount will be repaid by the City pursuant to the terms of a separate agreement.

Those providing testimony on this item:

No individuals provided public testimony on this item.

Board Discussion and/or requested follow-up relative to this item:

- Chair Andrews said he spent a lot of time on this project and knows how complex this project has been and thanked staff, particularly Mr. Kevin Brake and Peter Englander for their work. He said as of late afternoon, details with the city were still being worked out and he was pleased with how the agreement turned out.
- Commissioner Wilhoite asked if community benefits were woven into the agreements and process and Mr. Brake answered yes.
- Commissioner Straus asked who will own the equipment and Mr. Brake responded saying Corix Utilities will be purchasing from the Rose Garden and said the arena would pay for utilities and be the power purchaser. Commissioner Straus asked if a rate structure had been developed and Mr. Brake said it is in the process of being completed and the next step will be to bring it before the Board and ask for approval.
- Commissioner Straus asked why there was a \$10 million cap with the Winterhawks and Mr. Englander said it was because there is currently no formal commitment and Winterhawks want to ensure the appropriate fan experience will be created prior to committing.
- Chair Andrews acknowledged Mr. Chris Oxley and Ms. Karen Whitman for attending the meeting and said they have been to a lot of meetings and he appreciated their time investment.
- Commissioner Wilhoite asked if there was exposure to PDC relative to soft costs and if the timeline was critical. Mr. Brake responded yes, the timeline is tight as work needs to be completed in the February-March timeframe because of the Winterhawk's schedule.
- Commissioner Mohlis thanked Chair Andrews for all his time on the VMC effort and said it is important to get the building done, as it will be a catalyst for growth in that area.

Chair Andrews called for motion to approve Resolution 6915 and Commissioner Mohlis moved and Commissioner Wilhoite seconded the motion.

AYES: Andrews, Mohlis, Straus, Wilhoite
 NAYS: None

Chair Andrews called for motion to approve Resolution 6914 and Commissioner Wilhoite moved and Commissioner Mohlis seconded the motion

AYES: Andrews, Mohlis, Straus, Wilhoite
 NAYS: None

Commissioner Dickson joined the meeting and apologized for arriving late due to another commitment.

VII. ADOPT REVISIONS TO THE PDC 2010-2014 STRATEGIC PLAN

*Portland Development Commission staff presenting this item:
 Ms. Anne Price, Business Operations Division Manager*

Those providing testimony on this item:
 No individuals provided public testimony on this item.

This action allowed PDC's Revised 2010-2014 Strategic Plan to be adopted. With the adoption of major program strategies, the agency's previous strategic plan needed to be revised to be in alignment with program implementation priorities.

This action also adopted a revision to PDC Goals to highlight social equity and to acknowledge sustainability has become engrained in PDC's everyday actions. The five PDC Goals are:

- Strong Economic Growth and Competitiveness;
- Social Equity;
- Healthy Neighborhoods;
- A Vibrant Central City; and
- Effective Stewardship over our Resources and Operations, and Employee Investment.

Within each of the goals articulated in the plan are the desired outcomes PDC is working towards and the key actions PDC will take to achieve those outcomes and goals.

This action also delegates authority to the Executive Director to revise and modify the key actions, as deemed necessary to achieve the five goals set forth in the Strategic Plan. Each year the Executive Director provides the Board with an annual performance report that discusses PDC's work accomplished within each of the five goal areas and informs the Board of any revisions or modifications made to the key actions. This action replaces the Strategic Plan adopted by the Board January 27, 2010, through Resolution No. 6767.

Board Discussion and/or requested follow-up relative to this item:

- Chair Andrews thanked Ms. Price for her work with this effort and said this makes it so PDC does not have to come to the Board for every change, as the Executive Director will have authority to change key actions but goals and outcomes will still need to go before the Board.
- Commissioner Dickson said it makes complete sense and thought it was a good process and appreciated the retreat and good discussion that took place relative to the Strategic Plan. Commissioners Wilhoite and Mohlis echoed these remarks.

Chair Andrews called for motion to approve Resolution 6913 and Commissioner Wilhoite moved and Commissioner Mohlis seconded the motion.

AYES: Andrews, Dickson, Mohlis, Straus, Wilhoite

NAYS: None

VIII. AUTHORIZE AN ADDITIONAL GRANT TO OREGON ENTREPRENEURS NETWORK IN THE AMOUNT OF \$200,000 TO SUPPORT THE PORTLAND SEED FUND

Portland Development Commission staff presenting this item:

Mr. Chris Harder, Business and Industry Manager

Mr. Jared Wiener, Senior Project/Program Coordinator

Those providing testimony on this item:

Ms. Angela Jackson, Portland Seed Fund

Mr. Jim Huston, Portland Seed Fund

This action authorized an additional \$200,000 grant to Oregon Entrepreneurs Network (OEN) to support further capitalization of the Portland Seed Fund. The PDC provided a previous grant of \$500,000 to OEN to assist in the initial capitalization of the Portland Seed Fund (Fund).

The City of Portland and PDC seek to further capitalize the Fund to invest in early stage businesses. The Fund makes investments of between \$25,000 and \$100,000 in start-ups at the earliest stage of development. The Fund provides funding in the most critical gap for growing companies, increasing the job creation prospects for start-up firms and the pipeline of viable companies for later stage investors.

This funding ensures at least four funding classes will take place. It will also ensure adequate funds will be available for additional follow-on funding for the most promising of the firms that complete a funding class.

The PDC has chosen a veteran venture capitalist and Portland business consultant to manage the Portland Seed Fund, an investment pool deploying \$500,000 of city money to help launch startups.

Ms. Angela Jackson, Portland Seed Fund, said despite Oregon's large base of engineering talent and its proximity to technology hotbeds in the Bay area and Seattle, the state has long lagged the nation as a whole in raising money for startups. She said they very much appreciate PDC's partnership and support and are pleased with the 90-day incubation program, saying it is progressing better than anticipated. She said they are very pleased with the mentors, sponsors, etc. She went on to provide a short summary of their successes relative to the 90-day incubation program.

Mr. Jim Huston, Portland Seed Fund, said they have proof the model is working. He said the demo day (really a private investment conference) was held during December at Ziba Design and 150 people attended, with people coming from the Seattle and Silicon Valley areas. He said they have been successful in terms of raising money for these companies but their growth has been accelerated because of the mentors that are working hand-in-hand with the companies. He went on to speak about the value of follow-on capital.

Board Discussion and/or requested follow-up relative to this item:

- Chair Andrews asked how many initial firms were able to access the \$2 million and Mr. Huston responded saying eight.
- Chair Andrews asked when they expect to have the next class and if they envision seeing the same numbers. Ms. Jackson said they are currently recruiting the next class now and have received quality applications and are making arrangements to start first interviews.
- Chair Andrews pointed out that both this contribution and the first contribution are General Fund money and not TIF monies and this tells you this program has twice been vetted by our city commissioners.
- Commissioner Straus asked if PDC will receive the same return on investment as the other investors. Mr. Huston said this is a grant through OEN; investors are treated equally to every other investor.

Chair Andrews called for motion to approve Resolution 6916 and Commissioner Straus moved and Commissioner Mohlis seconded the motion.

AYES: Andrews, Dickson, Mohlis, Straus, Wilhoite

NAYS: None

IX. UPDATE ON ATHLETIC AND OUTDOOR INDUSTRY CLUSTER

Portland Development Commission staff presenting this item:

Ms. Jennifer Nolfi, Business and Industry Division

Ms. Suchetta Bal, Project/Program Coordinator

Those providing testimony on this item:

Mr. Jim Clark, former CEO of Yakima

The athletic and outdoor (A&O) industry was identified as one of four target industry clusters in the City of Portland's five-year Economic Development Strategy (Strategy). In November 2010, PDC unveiled an industry defined action plan, an online directory of firms and an "infographic" poster that provided a visual representation of cluster business connections and industry evolution over time. The A&O action plan acts as the guiding framework to further Portland's competitiveness and recognition as the hub of the A&O industry, to enhance collaboration within the industry and to attract and retain A&O businesses, talent, and jobs. The action plan was a result of extensive conversations with industry leaders. Key components of the action plan include leadership/innovation, talent, entrepreneurship/community, and branding. Since November 2010, an advisory committee composed of representatives from Nike, Columbia Sportswear, Icebreaker, Yakima, and Horny Toad/Nau have taken the lead in driving implementation of the action plan.

Staff provided an update on recent action plan accomplishments such as sponsorship of the Outdoor Industry Association's Rendezvous event, the creation and unveiling of a film that promotes Portland's prominence as an A&O hub, and the December 6, 2011, A&O industry celebration.

Mr. Clark spoke about the peer-to-peer group sessions that have been held with eight early stage companies, saying a company typically fails at the early stage and these sessions help them be successful. These sessions help companies get the resources they need and connects them with the right tools to be successful. He said the next series is being planned.

Board Discussion and/or requested follow-up relative to this item:

- *Chair Andrews asked if the same eight companies Mr. Clark mentioned will go through the next series or if a new group will be going through the new series. Ms. Bal said it will be a new group.*
- *Chair Andrews applauded Ms. Nolfi for leading this effort and working with this industry to move it forward.*
- *Commissioner Wilhoite said this has great momentum and appreciates small companies being linked with larger companies. He asked with respect to the dot chart shown as part of the presentation, if peer-to-peer meetings represent the dots or if they are new companies. Ms. Nolfi said most do but some are new. He then asked if PDC's strategy needs to be modified based on the input received during meetings and Ms. Nolfi said yes. Lastly he asked if there was a difference between the needs of large and small companies and Ms. Nolfi said yes, absolutely, the smaller companies are often facing branding and support issues.*
- *Commissioner Straus applauded their efforts and said this is spectacular success. He asked how many of the companies were "home grown" and how many moved into the area. Ms. Nolfi did not know the exact answer but explained the mix, saying with the peer-to-peer, most are "home grown" companies. He asked about PDC's recruitment efforts and Ms. Nolfi provided an a brief explanation, also mentioning PDC is in the process of hiring a staff person that will dedicate more time to this. Ms. Nolfi said the strongest leads still come from working with Human Resource talent firms. He then asked if there are partnerships with larger companies (i.e., Nike, Adida) and Ms. Nolfi said yes, they are a big part of the cluster strategy.*
- *Commissioner Dickson asked if the larger companies were also learning from the smaller companies and Ms. Nolfi said yes, definitely.*

Chair Andrews stated the meeting of the PDC was now adjourned. He said members of the PDC will now meet as the Commission's Audit Committee to consider the Commission's Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2011, and related matters.

X. ACCEPT AND APPROVE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2011

Portland Development Commission staff presenting this item:

Ms. Julie Cody, Chief Financial Officer

Ms. Faye Brown, Finance and Asset Management Division Manager

Ms. Catherine Kaminski, Accounting Supervisor

Those providing testimony on this item:

City of Portland Audit Services

Mr. Drummond Kahn, Director, Audit Services

Ms. Fiona Earle, Principal Management Auditor

Moss Adams

Mr. James Lanzarotta, Moss Adams

Ms. Nancy Young, Moss Adams

This action accepted and approved the completed Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2011. In addition, it accepted the Communication of Certain Audit Matters Management Letter from Moss Adams, LLP, and endorsed PDC management's responses thereto.

Mr. Drummond Kahn explained the role of the Audit Committee and thanked PDC's internal staff, PDC Audit Liaison members and Moss-Adams for their efforts. Mr. Kahn introduced Mr. James (Jim) Lanzarotta and Ms. Nancy Young and explained their role.

Mr. Lanzarotta commented briefly on upcoming Government Accounting Standards Board (GASB) agenda items which may impact PDC, including proposed changes to pension reporting and the inclusion of financial forecasting in future CAFR's. He also spoke about PDC's structure and the audit process, saying he would be presenting the findings and results of the audit (refer to Attachment A – Moss-Adams correspondence to PDC Audit Committee noting significant matters of interest and Attachment B – PDC management response to Moss-Adams correspondence). He said overall, the process went very well and PDC is commended for doing a good job as they were issued a clean opinion. He then introduced Ms. Young and she went through the CAFR report, asking the Audit Committee to pay attention to one internal control deficiency (referenced page 22 of the CAFR report).

Board Discussion and/or requested follow-up relative to this item:

- *Commissioner Wilhoite asked if the item had not been reclassified what the issue would have been. Mr. Lanzarotta said it is a new standard risk which would be \$30 million of ending fund balance with external restrictions that would have been reported incorrectly. He said the monies would have been identified in the wrong bucket. He said this gives an opportunity for the public to believe it was a lower level of constraint and that the error occurred because there was not a thorough understanding of how to report encumbrances. Commissioner Wilhoite asked if this was really a transparency and clarity issue and Mr. Lanzarotta responded yes.*
- *Chair Andrews said he did not see a line item showing committed and asked if that was because the information had already been corrected and Mr. Lanzarotta responded yes.*
- *Commissioner Wilhoite asked if Moss-Adams expects to have financial statements with that level of detail now and Mr. Lanzarotta said yes, as it is on a cash payment or cash receipt basis.*
- *Commissioner Mohlis was commenting on two projects in the works with GASB, saying he had already heard of the pension proposal but had not heard of the second one and asked where it*

came from. Mr. Lanzarotta said GASB added this one, as they believe sustainability is an important component which helps the reader better understand the data and provides a historical perspective.

- *Commissioner Wilhoite thanked Moss-Adams for their work and due diligence, saying the audit function is a necessity that creates public confidence in what PDC is doing and he appreciates the service of staff and all associated parties.*

Chair Andrews called for motion to approve Resolution 6917 and Commissioner Wilhoite moved and Commissioner Mohlis seconded the motion.

AYES: Andrews, Dickson, Mohlis, Straus, Wilhoite
NAYS: None

XI. ADJOURN

Chair Andrews adjourned the meeting of the Commission's Audit Committee and reconvened the PDC Board.

There being no further business, Chair Andrews adjourned the meeting.

Adopted by the Portland Development Commission February 22, 2012.



Recording Secretary