

CAPITAL BUDGET AND CAPITAL NEEDS ASSESSMENT

CAPITAL PLANNING PROCESS

The capital planning process begins with the identification of the Port's 5-Year Capital Needs Assessment (CNA). The 5-Year CNA is updated on an annual basis and presented to the Board. The 5-Year CNA is not a committed capital improvement program of the Port. Instead, it identifies the anticipated capital needs of the Port over the next five years and serves as a planning tool. The 5-Year CNA is developed taking into account available funding sources (e.g., grants and PFCs), overall Port finances, and Port staffing resources.

For FY 2014, budget authorization is requested from the Board for (a) those projects for which there is already a contractual obligation, (b) a limited amount of pre-development work to scope potential projects, and (c) miscellaneous facilities replacement projects. "Contractual obligations" are generally defined as expenditures for which, for example, there is an active contract in place or a lease agreement that requires the Port to take certain actions. Project expenditures included in these three categories comprise the FY 2014 Capital Budget. Project expenditures not included in these three categories comprise the FY 2014 Pipeline. Authorization to proceed with Pipeline capital projects is sought from the Board on a project-by-project basis during the course of the fiscal year. Such authorization may be granted based on an evaluation of need, financial analysis, cost estimates, alignment with Port goals and strategies, and available funding sources and staffing resources. The FY 2014 Capital Budget and Pipeline together comprise the FY 2014 CNA. Together, the FY 2014 CNA, and an additional four years (FY 2015-2018) of projected expenditures, comprise the 5-Year CNA.

The Port's Aviation, Maritime, and CRE Divisions manage the majority of capital projects. The diagram on page 121 illustrates the capital expenditure approval process. From time to time, the capital expenditure approval process may be updated or adjusted to improve the planning and delivery of capital improvements and reflect best practices.

5-YEAR CAPITAL NEEDS ASSESSMENT

The 5-Year CNA is approximately \$658.6 million. The 5-Year CNA does not include significant capacity expansion projects and thus will generally not generate significant new revenues. It is primarily focused on regulatory compliance, life and safety, and revenue maintenance. Criteria for inclusion in the 5-Year CNA are generally limited to:

- Regulatory and Life Safety Requirements
- Revenue Maintenance
- Contractual Landlord Obligations
- Available Funding and Staffing Resources

Further, projects included in the 5-Year CNA must meet the requirements of the Port's Capitalization Policy, Administrative Policy (AP) 506. AP 506 generally defines capital expenditures as those expenditures that:

- Result in Port-owned assets
- Are at least \$5,000
- Create an asset having an economic useful life of three or more years
- Create an asset intended to provide productive benefit to the Port during its useful life

The Port allocates indirect overhead costs to capital projects. The Port routinely conducts an indirect cost allocation analysis and as of March 2013, is applying an administrative overhead rate of 198.66% on labor costs for engineering staff and 146.17% for facilities and other staff; and an administrative overhead rate of 0.63% on non-labor costs.

The projected annual cost of the 5-Year CNA includes estimated costs for numerous individual projects. The cost estimates for these projects are subject to various sources of uncertainty; as such, these estimates are subject to change. In addition, projects may be added to or removed from the 5-Year CNA as the needs of the Port evolve, and as projects are completed. No assurances can be made that cash and/or financing will be available to complete projects included in the 5-Year CNA. Failure to complete such projects may adversely impact projected Port revenues.

Aviation Division Projects

The 5-Year CNA includes approximately \$505.1 million of projects in the Aviation Division and is divided into seven programmatic areas: Airfield, Terminal, Leased Area, Ground Access and Parking, Security, Utilities, and Other.

Airfield

Approximately \$162.4 million is included in the 5-Year CNA for airfield projects. Projects in this category include runway safety area improvements, perimeter dike improvements, critical pavement rehabilitation, airport pavement management system update, and projects triggered by the opening of the new air traffic control tower (airfield lighting, ramp control, and demolition of North Field Air Traffic Control Tower (ATCT)). Approximately \$44.6 million of the expenditures in this category are included in the FY 2014 CNA.

Runway Safety Area Improvement Project

The FAA requires that commercial airports regulated under Part 139 have standard Runway Safety Areas (RSAs) where practicable. The FAA has a high-priority, congressionally mandated program to enhance safety by upgrading the RSAs at commercial airports. The FAA provides some level of federal funding to support these upgrades. RSAs enhance the safety of airplanes which undershoot, overrun, or veer off the runway. RSAs are required at both ends and along the sides of runways to provide greater accessibility



for firefighting and rescue equipment during such incidents. Most of the RSAs at OAK do not meet current FAA airport design standards. A planning study completed in October 2005 identified ways to bring the RSAs into conformance with FAA criteria, and the Port, in consultation with the FAA and based on application of the RSA evaluation criteria, selected one improvement alternative for Runway 11/29 (South Field) and another for Runways 9L/27R and 9R/27L (North Field). Design and bidding for the South Field improvements was completed in FY 2013. South Field construction is scheduled to begin in May 2013. Approximately \$94.6 million has been included in the 5-Year CNA to complete design and construction of the RSA improvements. Although not all of the grant funding is in place, the 5-Year CNA assumes that this project will be funded 80% with Airport Improvement Program (AIP) grants.

Perimeter Dike Improvements

The perimeter dike separates OAK's South Field airfield from San Francisco Bay waters and protects the essential airfield and terminal facilities. The Port has completed a series of studies that assessed existing geotechnical conditions, vulnerability of the dike to storms, sea level rise and potential future seismic events, and identified improvements needed to address those vulnerabilities. In FY 2011, environmental review and design of the improvements were initiated, and then were put on hold while the Port team engaged in technical discussions with the two pipeline companies who own active and inactive fuel lines within the airport perimeter dike.



Port staff has recently selected a modified project approach which allows the active pipelines to remain in place (the inactive pipeline will still be required to be removed). Staff plans to reinstate design and environmental review in 2013, and to complete construction of the improvements in 2015. \$44.0 million is included in the 5-Year CNA to cover the balance of design and environmental work, mitigation of potential wetland wildlife impacts from the project, and construction of the recommended improvements. Fuel pipeline related work is assumed to be completed by pipeline owners and not included in the 5-Year CNA. \$6.7 million in two State Local Levee Assistance Program ("LLAP") grants has been received to pay for a portion of the project costs. The LLAP was created in 2006 when California voters approved Proposition 84, which provided funds for programs to evaluate and repair local levees and flood control facilities.

Airfield Pavement

In FY 2014, Port staff will continue implementing its pavement management program. This program ensures that the pavement at the Airport, one of the Port's largest assets, is managed in the most cost-effective manner to provide the longest pavement life, ensure aircraft safety through quality pavement that does not lead to foreign object debris damage, and maximize AIP grant funding. Pavement rehabilitation activities slated for FY 2014 will focus on projects that support the RSA improvement program described above, as well as an update of OAK's FAA-required Pavement



Management System. Approximately \$0.6 million is included in the 5-Year CNA for airfield pavement work.

Runway 11/29 Upgrades

Runway 11/29 is the airport's main commercial air carrier runway. The runway is fully instrumented to allow aircraft operations. With 10,000 feet in length, it provides landing and take-off distances that accommodate all types of commercial and air cargo aircraft. The runway pavement was last overlaid in 2001 with a 15-year design service life. The runway will be due for a new overlay in 2016. As described above, the RSA project will modify the runway, shift thresholds, and reconstruct portions of the electrical, navigational aid, and lighting systems. This work will also include a new pavement overlay of approximately 2,400 lineal feet (1,400' on the 29 end and 1,000' at 11 end), which will be complete by September 2014. Overlay of the remaining pavement for Runway 11/29 is scheduled to be completed in FY 2017 and will entail the central portion of the runway. \$19.8M is included in the 5-Year CNA for this pavement overlay project, 80% of which is expected to be funded using future AIP grants.

FAA Air Traffic Control Tower

The new ATCT, designed to reach a height of 236 feet above ground level (plus 20 feet of antennas and lightning masts), will enable the FAA to improve efficiency by eliminating duplicative activities that result from the maintenance of the two existing towers. The new tower construction has been completed and the commissioning and testing to facilitate operations in the new tower will be completed in June 2013. Although the ATCT project is FAA funded and constructed, the Port completed related improvements, including new fiberoptic communication facilities, relocation of the existing airfield lighting control panel and a new crash phone. Additionally, the Port is responsible for demolishing the old North Field Tower and relocating associated infrastructure within 6 months of the opening of the new tower. This work is underway and will be completed in FY 2014 for a budget of \$1.7M.

Video Camera System to Support Ramp Control

Ramp control at OAK is currently handled by FAA ATCT controllers from the South Tower at Terminal 1. With the commission of a new control tower one half mile from the terminal complex, controllers will be unable to efficiently provide ramp control services for the terminals and adjoining non-movement areas. The Port is installing an Air Traffic Control-Grade video camera system to support ramp control operations and management. Users of the video camera system would provide coordinated control of aircraft flow within the non-movement area of the air carrier ramp, including access to aircraft gates and parking areas. The total project cost to install the video camera system is approximately \$1.4 million.

Terminal

The passenger terminal complex at OAK includes Terminal 1 (T1; 16 gates) and Terminal 2 (T2; 13 gates). An extensive expansion and renovation of T2 was completed in 2006. Minor capital projects associated with T2 are included in the 5-Year CNA, including scheduled re-roofing of Building M130. The majority of the other capital improvements are focused on T1. Approximately \$256 million is included in the 5-year CNA for terminal-related improvements, of which \$50.5 million is included in FY 2014. These costs are anticipated to be largely funded through PFCs.



Terminal 1 Retrofit and Renovation Program

Through studies and analyses, the Port determined that T1 would be retained for the foreseeable future to accommodate existing air passenger traffic and near-term growth. To retain the T1 structures and related systems, substantial renovations are required to meet current codes, mitigate life safety issues, replace inefficient and outdated infrastructure, improve passenger service, prolong service life and improve life cycle costs (the T1 Retrofit and Renovation Program, or the T1 Program). Approximately \$250 million is included in the 5-Year CNA for the T1 Program and it is anticipated to be largely funded using PFC's.

The T1 Program is being implemented in a phased manner, addressing near-term needs, prioritized life safety and other code requirements, and funding availability. In FY 2013, the fire suppression and fire alarm installation and communication and paging upgrades in Building M103 and the new Building M102 substation were completed. Final design was also completed for the major seismic retrofit of Building M102, and this construction is expected to begin by the end of 2013, and continue for approximately two and a half years. Final design for Buildings M101 and M103 is expected to be completed in the next two years, with construction beginning in FY 2016. Construction of the T1 Central Utility Plant project, which includes constructing a new mechanical building (T1MB), installing new equipment constructing advanced hydronics, and renovations to Building M104 began in FY 2013. The T1MB construction, equipment installation, and advanced hydronics phase is scheduled to be completed in summer 2013. Activation of the new mechanical and electrical equipment associated with T1MB is expected to be completed by the end of 2013. Upon activation of the T1MB, the renovation and seismic retrofit of Building M104 will begin and is anticipated to be completed in FY 2014.

The entire T1 Program will include green building principles and will continuously evaluate customer and tenant needs as projects are designed and implemented. The design and construction of the Building M102 second level is seeking LEED certification.

Replacement of Passenger Boarding Bridges

Five passenger boarding bridges serving Terminal 1 (at Gates 5, 10, 12, 15, and 17) were installed in 1991 and have reached the end of their 20-year useful life. These bridges require considerable maintenance and repair in order to keep them in operation. As passenger demand has increased in Terminal 1 over the past few years, airline usage of the gates with older bridges has also increased. It is essential to replace these bridges in order to provide high level of service to the airlines and passengers. The bridge plans and specifications are currently being prepared. This project is expected to be completed in FY 2014, cost \$6.9 million and be funded with PFCs.



Concurrent with this project, new pre-conditioned air (PCA) units will be installed on the 5 new bridges, as well as on 4 bridges that currently do not have PCA. This project is estimated to cost about \$2.8 million, of which approximately 80% will be funded using Voluntary Airport Low Emissions (VALE) grants.

Additional Terminal Development

Additional terminal improvements are required to meet the growth priorities and anticipated air traffic demand over the next few years. Specifically, planning needs to begin to develop international arrivals

facility solutions, and to identify ways to accommodate growth, using larger aircraft, for Southwest Airlines. The 5-Year CNA includes \$500,000 in FY 2014 to accomplish this planning.

Leased Area

The Port routinely monitors and implements improvements needed to meet existing lease requirements (apron, foundation, roofing, and walls) and therefore support revenue retention and generation. Some leased facilities at North Field are in poor condition and must be improved in accordance with the Port's contractual obligations to tenants. A thorough assessment of the North Field properties lease requirements has been conducted and an on-going program to address the required improvements is being developed. Approximately \$7.8 million is included in the 5-Year CNA for this category of improvements.

Ground Access and Parking

This category includes a range of airport ground access-related projects intended to improve customer service, fulfill regulatory permit obligations, and/or maintain revenues, including upgrade to the parking revenue control equipment and replacement of the Automated Vehicle Identification (AVI) system. \$41 million is included in the 5-Year CNA for these projects, of which \$24 million is for the BART-Oakland Airport Connector.

BART-Oakland Airport Connector



Rendering of BART Oakland Airport Connector. Source: BART.

This project consists of an automated people mover system that will replace the current AirBART shuttle bus and improve access between OAK and the regional rail transit system. The total project cost is estimated at \$484.1 million. The 3.2-mile system includes elevated guideway sections along Hegenberger Road, a tunnel beneath Doolittle Drive, and at-grade and elevated sections for the 1.1-mile segment that is located on Airport property approaching the terminal facilities, with stops at BART's Coliseum Station and the Airport Station. The project is being implemented by BART under a Design, Build, Operate and Maintain contract. The Design-Build portion of the contract was awarded to Flatiron/Parsons Joint Venture, which includes Turner Construction, which will oversee construction of the Airport Station. The Operate-Maintain portion of the contract was awarded to Doppelpmayr Cable Car.

The construction of columns and bent caps that support the guideway on-Airport and along Hegenberger Road is complete, as is the Doolittle Drive tunnel and the outer shells of the Airport and Coliseum Station structures. Guideway erection and finishes to the Airport Station are scheduled to be completed in

FY 2014. BART will conduct system testing during FY 2014 and anticipates commencing service to the public in late 2014.

The BART Oakland Airport Connector project is intended to provide reliable scheduled service; connections that are safe, convenient, and predictable; and travel time savings between the existing BART Coliseum Station and OAK. Approximately \$24.0 million of the Port's total contribution of approximately \$45.4 million is included in the 5-Year CNA. The Port's contribution to the BART Airport Connector is PFC-funded.

Ron Cowan Bike Path

As part of accepting a permit from the San Francisco Bay Conservation and Development Commission (BCDC), the Port agreed to extend a Class I bike lane along the south side of Ron Cowan Parkway that connects Airport Drive to Harbor Bay Parkway. The project is scheduled to be completed during FY 2014 at an estimated cost of approximately \$1.5 million.

Security

Approximately \$6.6 million is included in the 5-Year CNA for general Airport security projects. Key projects include closed circuit television camera expansion and upgrades, perimeter fencing around air cargo buildings, cyberlock replacement, and other security system upgrades.

Utilities

OAK has an extensive utility network, serving approximately 2,600 acres of land area. Water, stormwater, sewer, and electrical infrastructure are vital to the ongoing operation of Airport facilities; failures must be avoided through a combination of maintenance and on-going capital investment. Approximately \$28.4 million has been included in the 5-Year CNA for utility infrastructure projects. These projects include water and sewer upgrades, pump house and sewer lift station replacements, and electrical substation overhaul and upgrades. Because of the extent of aging utilities serving the Airport, the improvements have been prioritized based on need and master plan assessment. The replacement of Pump Station No. 6 is one of several projects intended to renew and modernize critical portions of OAK's stormwater management infrastructure based on recommendations of the Stormwater Master Implementation Plan completed in 2009. The design has been completed and construction work for Pump Station No. 6 is scheduled to begin in FY 2015; this project is similar to the replacement of Pump Station No. 4, which was completed in FY 2012. OAK's sewer system infrastructure is undergoing design and construction efforts, including upgrades to Sewer Lift Station No. 1 and 5.



Other

Approximately \$3 million is included in the 5-Year CNA for miscellaneous Aviation Division projects, including information technology and telecommunications upgrades, capital equipment purchases, and safety projects.

Maritime Division Projects

The 5-Year CNA includes approximately \$139.1 million for capital projects at the seaport.

Shore Power Program

California law requires container vessels berthed at the Port to reduce emissions associated with the auxiliary engines that power the vessel. In order to ensure vessels are able to comply with this regulation, the Port's tenants must have emissions control measures available at the wharf for the vessels. In coordination with its tenants and customers, the Port determined that the most effective compliance option is for vessels to receive electric power supply from the shore, reducing vessel auxiliary engine use while at berth.

The Port's Shore Power Program requires significant new electrical power service infrastructure to each of the berths at the Port. The Port began planning for shore power in 2009. The first phase of construction, three of the 11 berths in the Program, was completed in summer 2012 and vessels have already started plugging into the system. The second phase of construction (eight berths) is under way and scheduled for completion in fall/winter 2013.

The total estimated cost of the Shore Power Program is approximately \$65 million, of which \$14.1 million is included in the 5-Year CNA. Funding for the Program includes approximately \$30 million in grants from various local, state and federal agencies.

Redevelopment of the Former Oakland Army Base (OAB)

Between 2003 and 2007, the Port received 241 acres of property which formerly was part of the OAB. The City received nearly an equal amount of the former base for its own redevelopment purposes. Since receiving title to the property, the Port has been demolishing the Army buildings, investigating and remediating environmental contamination and planning for the ultimate build out. A Master Plan for the overall (Port and City-owned OAB property) redevelopment was completed in FY 2012. The Port facilities will include a new rail terminal, warehouses and a truck parking lot. The City facilities will include a new bulk and breakbulk marine terminal, warehouses, a truck service area and a recycling center. Redevelopment of the Port's former OAB property is generally being phased to match market demand and funding availability.

In FY 2013, the Port and City agreed on a \$500 million redevelopment program for the first phase of development, funded with state, federal, City, Port and private monies. Under this first phase of development, the City and its development partners intend to redevelop the entire City-owned portion of the OAB, while the Port intends to build the first phase of the new rail terminal on Port-owned OAB property. In FY 2013, the Port awarded a design-build construction contract for a portion of the first phase of rail construction. A second rail construction contract is scheduled to be awarded in FY 2014. Approximately \$96.1 million is included in the 5-Year CNA for this work, of which \$40.5 million is included in FY 2014. Future phases of construction, including new warehouse construction and site development for the Port property will be developed based on market demand. Approximately \$82 million of grant funding is expected over the next five years to help offset development costs. In the Amended and Restated Memorandum of Agreement (ARMOA) for the OAB, the Port and the City agreed to pay into a Community Trust Fund which would provide funding for activities that benefit the community. The City Redevelopment Agency and its developer(s) are required to contribute to the Community Trust Fund. Once the City and its developer(s) contribute, the Port is required to make an equal contribution, not to exceed \$2 million, within 30 days of the City and its developer(s)' payment. If the City and its

developer(s) do not make a contribution, then the Port has no obligation. The 5-Year CNA includes \$2.0 million for the Community Trust Fund.

Maritime Security

Since 2001, the Port, state and federal government have focused on seaport security as a critical link in the national defense. Leveraging both state and federal security grant programs, the Port continues to implement security enhancements at the seaport. The Port has installed comprehensive intrusion detection and surveillance system throughout the seaport area, offering security personnel the ability to identify what is happening throughout the seaport, including the marine terminals, roadways and other key infrastructure.

Key security projects include construction of a fiber optic network to better incorporate all the surveillance and monitoring systems with a high speed, reliable pathway, a Radio Frequency Identification (RFID)-based truck tracking program to better monitor truck activity within the Port, and the integration of Port closed circuit television cameras into the common surveillance platform. A Geospatial Information System has also been established and will be expanded to include critical system information that will improve Port resiliency and allow better information sharing between agencies during emergencies. Approximately \$15 million is included in the 5-Year CNA for security projects. Most of the security projects are anticipated to be funded with grants (approximately \$9.3 million over the next five years); however, on-going operation and maintenance costs are typically the responsibility of the Port.



Other Projects

Other projects in the Maritime Division CNA represent approximately \$13.9 million. These projects include, but are not limited to:

- Navigational Channel Deepening Project: The Port and the U.S. Army Corps of Engineers plan to improve the MHEA, a shallow water habitat adjacent to the Port's Middle Harbor Shoreline Park, which was built by the Port as a mitigation measure for the Port's 50-foot dredging project. Additionally, the Port and U.S. Army Corps of Engineers are working to complete the dredging project through formal project close out procedures. In total, the 5-Year CNA includes \$6.8 million for the MHEA and close out activities.
- Sewer system upgrades, consistent with requirements of the U.S. EPA in collaboration with the California Regional Water Quality Control Board-San Francisco Region, as well as major overhaul of electrical substations.
- Pavement replacements and improvements at various marine terminals.
- Continued implementation of the CTMP, including installation of pre-fabricated, semi-permanent restroom facilities and pilot-phase implementation of a virtual container yard system.

Commercial Real Estate Division Projects

The 5-Year CNA includes about \$9.5 million for projects in the CRE Division.

Approximately \$7.9 million in the 5-Year CNA is budgeted for leasing commissions and tenant improvement allowance, primarily for new leases in the Airport Business Park and Jack London Square, and building improvements at 530 Water Street building.

Support Division

The 5-Year CNA includes \$4.9 million for computer hardware and software, network upgrades, and functional improvements to the Port's Enterprise Resource Planning (ERP) system. Approximately \$3.7 million has been allocated to ERP.

PROJECTS NOT INCLUDED IN THE 5-YEAR CNA

The Port's planned capital projects have been greatly reduced (both in scope and number) in recent years due to budgetary and staffing constraints. The Port continues to assess and explore alternative funding strategies for projects not included in the current 5-Year CNA, and may include these projects in a subsequent CNA.

Provided below is a summary of the major projects only partially included or excluded from the current 5-Year CNA. If the Port fails to undertake the Maritime and Aviation Division projects not included in the 5-Year CNA, the Port's operating capacity could be impaired, which in turn could lower the rate of cargo and enplanement growth and adversely affect Port revenues.

Aviation

Aviation continues to explore alternative strategies for funding certain terminal and infrastructure projects that are not included or only partially included in the 5-Year CNA, as outlined below:

- The scope of the T1 Retrofit and Renovation Program is phased and prioritized to match PFC funding availability; therefore, the costs and time required to implement the full T1 Program improvements have increased.
- Additional terminal facility improvements are required to meet the Port's strategic goal of growing air passengers. Expanded and improved international arrival facilities are needed to accommodate projected growth in international traffic. Aircraft fleet and service changes for Southwest Airlines projected to occur within this 5-year CNA will require additional and expanded facilities at Terminal 2.
- Utility infrastructure, including electrical, water and sewer, is aged and in need of repair at numerous points in the system. Improvements have been limited to highest priority items in order to reduce and spread expenditures.
- North Field facilities improvements have been limited to contractually obligated improvements and high priority facility repair or demolition.

Maritime

Maritime continues to explore alternative strategies to fund certain marine terminal reconstruction and infrastructure projects. Maritime projects under consideration that are not included or only partially included in the 5-Year CNA are:

- Oakland Army Base Redevelopment, Phase II.
- Reconstruction of the Global Gateway Central (EMS/APL) terminal wharf.
- Utility infrastructure improvements.
- Purchase or modification of container cranes to service larger ships coming on line.

CAPITAL PROJECT FUNDING SOURCES

Capital projects at the Port are funded by a variety of sources including grants, PFCs, Port-generated cash, private sector contributions and debt. Based on current estimates of available grants, PFC funds, and Port-generated cash, funding the 5-Year CNA includes approximately \$125.3 million of debt proceeds secured by PFC revenues. A description of the anticipated funding sources for Port capital projects is described below.

The Port has not yet secured all the funding for the projects in the CNA. Further, the Port can provide no assurance that anticipated grants will be received in full, that reimbursable Port costs will be reimbursed in a timely manner, or that changes in project circumstances will not preclude award or receipt of grant funds. The amount projected to be available from each funding source is based on the estimated cost of certain projects and various other assumptions. Such estimates and assumptions are subject to change. Any such changes could have an impact on the Port's plans for funding the CNA, and such changes could be material. If grants, PFCs, and/or cash are not available as anticipated, the Port will need to use other sources of funds for these projects, such as additional CP Note proceeds, additional Intermediate Lien Bonds, additional Senior Lien Bonds, or increased Airline Rates and Charges, or the Port will not undertake or complete these projects.

Federal Aviation Administration Airport Improvement Program (AIP) Funds

The AIP funds approximately 80% of eligible Airport projects. The Port is required to fund the other 20%. The Port's share may come from PFCs or internally generated revenues. The Port typically receives AIP grant reimbursements 60 days after expenditures are made.

From FY 2014 through FY 2018, total AIP grants for OAK (consisting of both AIP entitlement and discretionary funds) are estimated to be \$96.9 million. From FY 2010 through FY 2012, OAK received a total of approximately \$37.5 million in AIP grants. In FY 2013, OAK anticipates receiving approximately \$45.9 million in AIP grants. The AIP grants will be used on grant-eligible portions of airfield and apron-related projects for both North and South Fields of the Airport.

Passenger Facility Charges (PFC)

PFC is a user fee charged by the airport and collected by the airlines when tickets are sold to revenue passengers enplaning at OAK. The current PFC is \$4.50 per enplaned revenue passenger. Non-revenue passengers, such as airline employees, do not pay a PFC. Airlines retain \$0.11 (2.4%) per PFC and disburse the remaining amount collected to the Port. PFCs are due to the Port by the last day of the month following the month in which they are collected. Initiated at OAK in September 1992, PFCs are approved by the FAA and are used to fund eligible capital improvement projects at OAK.

In the 5-Year CNA, the Port includes approximately \$250 million of PFC-eligible projects and anticipates collecting \$107.9 million based on the current passenger forecast and a PFC level of \$4.50. It is also assumed that \$2 million of PFCs will be available at the beginning of FY 2014 and that costs to finance PFC projects will be reimbursed with PFCs. The difference between PFC-eligible project costs and available PFCs is assumed to be funded with debt secured by PFC revenues.

Customer Facility Charges (CFC)

Effective April 2002, the rental car companies operating at OAK are required to collect a \$10-per-transaction CFC from their rental customers. CFCs are received approximately 20 days after the month in which they are collected. CFC revenues in FY 2012 totaled approximately \$5.2 million. Future CFC revenues are projected based on a historical ratio of CFC collections per enplaned passenger.

CFCs can fund both operating and capital improvement costs related to rental car activity. In the current 5-Year CNA, no CFCs are assumed to be used for capital costs. CFCs are assumed to be used to offset rental car busing operating costs, as well as the purchase of new shuttle buses by the rental car companies.

Maritime Grants

The Port expects to receive a total of approximately \$108.5 million in grant funding for seaport projects from FY 2014 through FY 2018. Of this total, \$9.3 million is for security projects, \$17.5 million is for the Shore Power Program, and \$81.7 million is for the OAB. The OAB funding includes monies from the State's Trade Corridor Improvement Fund (TCIF), which are shared between the Port and City. The Port's share is \$65.8 million and the City's share is the balance of \$176.3 million. City improvements at the OAB funded by TCIF include the reconstruction of Maritime Street and new utility systems.

Port Cash

Approximately \$174.0 million of cash generated from operations is assumed to be applied to the 5-Year CNA.

Other & Third-Party Contributions

The Port continues to actively seek private-public partnerships and other sources to fund portions of its 5-Year CNA.

Debt

To the extent the above-listed funding sources are insufficient to pay for project costs, the Port would consider the issuance of debt, to be repaid by future revenues, to fund a portion of the capital costs. Based on the current 5-year CNA, the Port projects that it will need to issue approximately \$125.3 million of debt secured by PFC revenues to pay for a portion of the projects that are PFC-eligible. It is currently assumed that the Port will utilize its CP program in the interim, until a long-term bond financing is undertaken. The actual timing of a long-term financing secured by PFC revenues has not yet been determined and will be based upon actual capital expenditures and market conditions.

FY 2014 CAPITAL BUDGET AND FY 2014 PIPELINE PROJECTS

For FY 2014, budget authorization of \$140.7 million is requested from the Board for projects for which the Board already has a contractual obligation, as well as limited amounts for pre-development work and miscellaneous facility replacement projects. This authorization comprises the FY 2014 Capital Budget. The FY 2014 Capital Budget includes, but is not limited to, expenditures associated with the following capital projects:

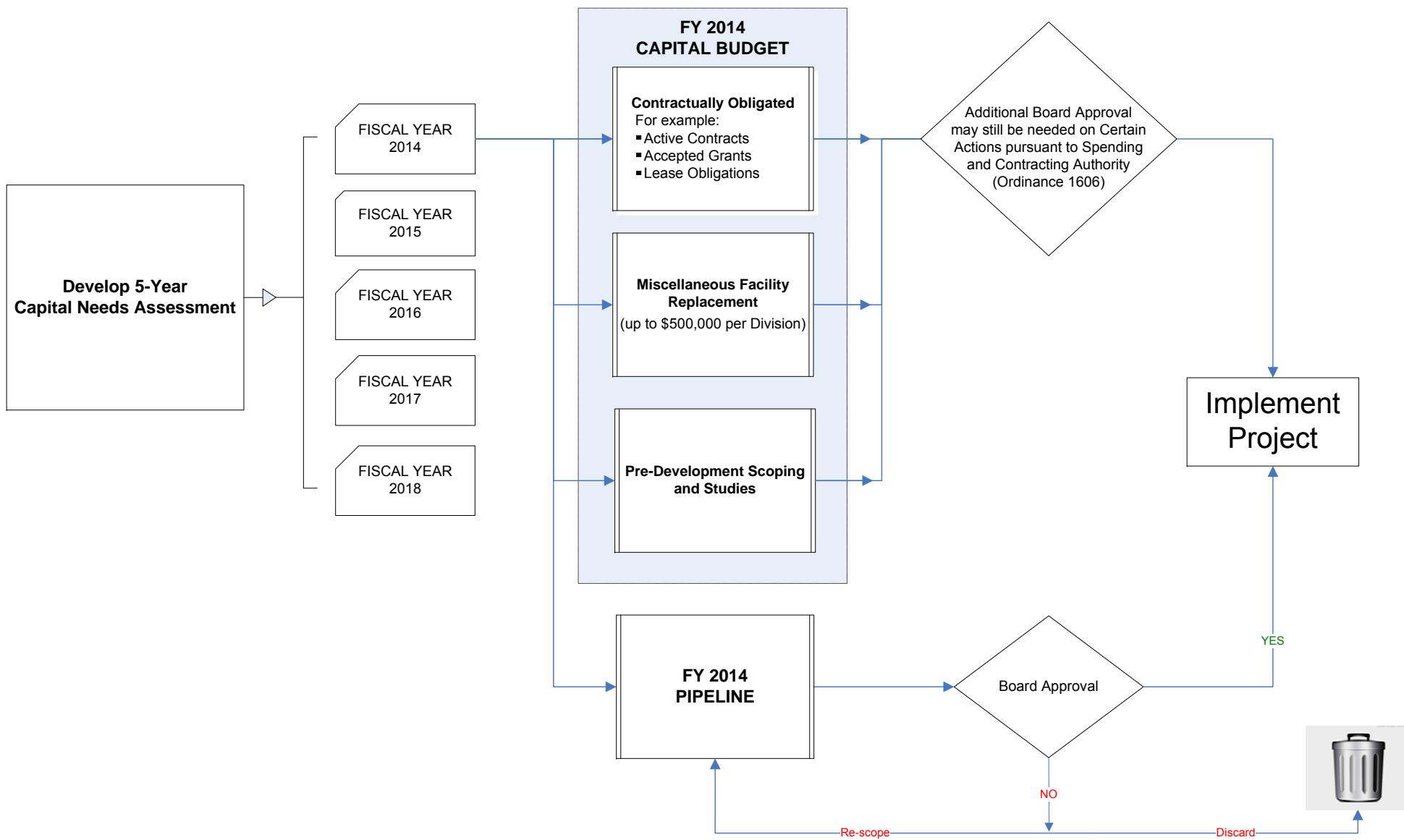
- Terminal 1 Renovation and Retrofit
- Runway Safety Area
- Perimeter Dike Improvements
- BART – Oakland Airport Connector
- Pavement Improvements
- Utility Improvements
- Shore Power Program
- Maritime Security
- Oakland Army Base

Additional projects identified for FY 2014 (i.e., the FY 2014 Pipeline) are subject to Board approval during the course of the fiscal year before they can commence. Authorization to proceed with these Pipeline capital projects may be provided by the Board on a project-by-project basis, based on the need, financial analysis, cost estimates, alignment with Port goals and strategies, and available funding sources and staffing resources.

Please refer to the tables at the end of this section for more information on the 5-Year CNA and the FY 2014 CNA (Capital Budget and Pipeline Projects).

CAPITAL EXPENDITURE APPROVAL PROCESS

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5-YEAR CAPITAL NEEDS ASSESSMENT
Expenditure and Funding Sources
FY 2013-14 to FY 2017-18
(\$ Thousands)

5-YEAR EXPENDITURE BY DIVISION

Divisions	5-YEAR EXPENDITURE BY DIVISION					Total
	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	Estimated Expenditure
Aviation	113,461	136,921	116,175	94,350	44,150	505,057
Maritime	64,265	44,591	19,775	8,960	1,540	139,131
CRE	3,145	2,519	1,418	1,479	907	9,468
Support	1,530	1,080	1,080	750	500	4,940
Total	182,401	185,111	138,448	105,539	47,097	658,596
Less Adjustment Factor ¹	(45,600)	(37,022)	-	-	-	(82,622)
Total after Adjust. Factor	136,801	148,089	138,448	105,539	47,097	575,974

5-YEAR FUNDING BY SOURCE

Funding Source	5-YEAR FUNDING BY SOURCE					Estimated
	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	Funding
Aviation Grants ²	36,469	31,446	20,625	15,040	-	103,580
Maritime Grants ²	56,471	34,722	13,136	4,218	-	108,547
Less Adjustment Factor ¹	(23,235)	(13,234)	-	-	-	(36,469)
Net Grants	69,705	52,934	33,761	19,258	-	175,659
PFC Pay-Go ³	21,898	20,874	20,621	19,390	18,231	101,014
Debt Proceeds (PFC) ⁴	15,844	21,906	34,455	41,402	11,689	125,296
Cash	29,354	52,374	49,611	25,489	17,177	174,005
Total	136,801	148,089	138,448	105,539	47,097	575,974

¹ In aggregate, the Port has typically spent 30% less than planned due to various reasons (e.g. unforeseen delays in design and permitting approvals, staffing limitations, project specific contingencies, etc.). However, it cannot be determined which individual project(s) may underspend for the budgeted period. As a result, an Adjustment Factor of 25% and 20% in FY 2014 and 2015, respectively, has been applied to better reflect actual projected capital expenditures based on past experience.

² The Port has not yet obtained grant funding for all capital projects.

³ Assumes \$2 million of PFCs available at beginning of FY 2014.

⁴ Assumes that the Port's CP program will be utilized in the interim until a long-term bond transaction occurs.

5-YEAR CAPITAL NEEDS ASSESSMENT**Annual Expenditure By Division and Projects****FY 2013-14 to FY 2017-18**

(\$ Thousands)

<u>DIVISIONS</u>	<u>FY 13-14</u>	<u>FY14-15</u>	<u>FY15-16</u>	<u>FY16-17</u>	<u>FY17-18</u>	<u>Total</u>
AVIATION						
Airfield						
Perimeter Dike Improvements	1,400	17,100	25,500	0	0	44,000
Runway Safety Area Improvements	39,779	33,607	21,231	0	0	94,617
Other Projects	3,433	745	845	18,800	0	23,823
Subtotal Airfield	44,612	51,452	47,576	18,800	0	162,440
Terminal						
T1 Renovation & Retrofit	45,390	51,260	53,000	63,000	34,000	246,650
Other Projects	5,100	4,250	0	0	0	9,350
Subtotal Terminal	50,490	55,510	53,000	63,000	34,000	256,000
Leased Area	348	3,223	2,440	1,750	0	7,761
Ground Access and Parking						
BART	8,000	8,000	8,000	0	0	24,000
Other Projects	2,731	8,730	1,500	2,000	2,000	16,961
Subtotal Ground Access & Parking	10,731	16,730	9,500	2,000	2,000	40,961
Security	1,016	3,673	309	1,600	0	6,598
Utilities	3,634	6,233	3,150	7,200	8,150	28,367
Other	2,630	100	200	0	0	2,930
TOTAL AVIATION	113,461	136,921	116,175	94,350	44,150	505,057

5-YEAR CAPITAL NEEDS ASSESSMENT**Annual Expenditure By Division and Projects****FY 2013-14 to FY 2017-18**

(\$ Thousands)

<u>DIVISIONS</u>	<u>FY 13-14</u>	<u>FY14-15</u>	<u>FY15-16</u>	<u>FY16-17</u>	<u>FY17-18</u>	<u>Total</u>
MARITIME						
Marine Terminals						
Shore Power Program	12,400	1,700	0	0	0	14,100
Other Projects	1,500	450	200	0	0	2,150
Subtotal Marine Terminals	13,900	2,150	200	0	0	16,250
Security	6,679	4,360	2,890	1,080	40	15,049
Oakland Army Base	40,525	35,645	14,385	5,580	0	96,135
Dredging	150	2,200	2,200	2,200	0	6,750
Other	3,011	236	100	100	1,500	4,947
TOTAL MARITIME	64,265	44,591	19,775	8,960	1,540	139,131
COMMERCIAL REAL ESTATE						
Jack London Square (JLS)	688	1,396	260	1,179	607	4,130
Business Park	2,132	823	858	0	0	3,813
Other	325	300	300	300	300	1,525
TOTAL COMMERCIAL REAL ESTATE	3,145	2,519	1,418	1,479	907	9,468
SUPPORT						
ERP	900	750	750	750	500	3,650
Other Projects	630	330	330	0	0	1,290
TOTAL SUPPORT	1,530	1,080	1,080	750	500	4,940
TOTAL	182,401	185,111	138,448	105,539	47,097	658,596

FY 2013-14 CAPITAL NEEDS ASSESSMENT
Expenditure and Funding Sources
(\$ Thousands)

FY 2013-14 CNA EXPENDITURE

Divisions	Capital Budget				Pipeline	Total Expenditure
	Contractual Obligations	Pre-Development	Misc. Facility Replacement	Total Capital Budget		
Aviation	75,609	500	500	76,609	36,852	113,461
Maritime	62,590	0	500	63,090	1,175	64,265
CRE	80	0	325	405	2,740	3,145
Support	610	0	0	610	920	1,530
Total	138,889	500	1,325	140,714	41,687	182,401
Less Adjustment Factor ¹	(34,722)	(125)	(331)	(35,179)	(10,422)	(45,600)
Total after Adjust. Factor	104,167	375	994	105,536	31,265	136,801

FY 2013-14 CNA FUNDING BY SOURCE

Funding Source	FY 13-14 Capital Budget	FY 13-14 Total CNA
Aviation Grants ²	33,460	36,469
Maritime Grants ²	56,321	56,471
Less Adjustment Factor ¹	(22,445)	(23,235)
Net Grants	67,336	69,705
PFC Pay-Go ³	17,321	21,898
Debt Proceeds (PFC) ⁴	-	15,844
Cash	20,879	29,354
Total	105,536	136,801

¹ In aggregate, the Port has typically spent 30% less than planned due to various reasons (e.g. unforeseen delays in design and permitting approvals, staffing limitations, project specific contingencies, etc.). However, it cannot be determined which individual project(s) may underspend for the budgeted period. As a result, an Adjustment Factor of 25% and 20% in FY 2014 and 2015, respectively, has been applied to better reflect actual projected capital expenditures based on past experience.

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