



# Overview of Port Finances & Fiscal Year 2013 Budget

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Presentation to Oakland City Council  
Finance & Management Committee  
October 23, 2012

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# Overview

- The Port's financial condition remains challenging
  - Modest growth in business activity
  - Competitive business pressures and general economic uncertainty
  - Major lease renewals in next five years representing 34% of Port revenues
  - \$1.3 billion of outstanding debt
  - About \$850 million of other liabilities and needs to be addressed
  - Escalating pension, health care, security, and regulatory costs
- Port's approach to budgeting and financial management centers on:
  - Close monitoring of expenditures
  - Revenue maintenance and enhancement
  - Careful prioritization in light of resource limitations
  - Plan for the longer term (relationship of next 12 months to future years)
  - Maintain & improve financial position

# Business Activity Drives Revenue

## Growth in Activity Levels (compared to prior fiscal year)

	Actual FY11	Actual FY12 *	Budget FY13	Projected FY14	Projected FY15
<b>Enplanements</b> Aviation	-1.9%	2.9%	1.5%	2.0%	2.0%
<b>Loaded (full) TEUs</b> Maritime	5.1%	0.4%	0.0%	2.5%	2.5%

\* Subject to final review

TEU = Twenty-foot equivalent unit (one container is approximately 2 TEUs)

# Operating Income Results & Projections

(\$000s)	Actual FY11	Unaudited FY12	Budget FY13	Projected FY14	Projected FY15
<b>Operating Revenue</b>	297,983	306,138	311,518	316,047	323,876
% Change from Prior FY	n/a	2.7%	1.8%	1.5%	2.5%
<b>Operating Expense before D&amp;A</b>	148,002	150,778	169,237	170,706	177,199
% Change from Prior FY	n/a	1.9%	12.2%	0.9%	3.8%
<b>Operating Income before D&amp;A</b>	149,981	155,361	142,281	145,341	146,677
% Change from Prior FY	n/a	3.6%	-8.4%	2.1%	0.9%

D&A = Depreciation and Amortization.

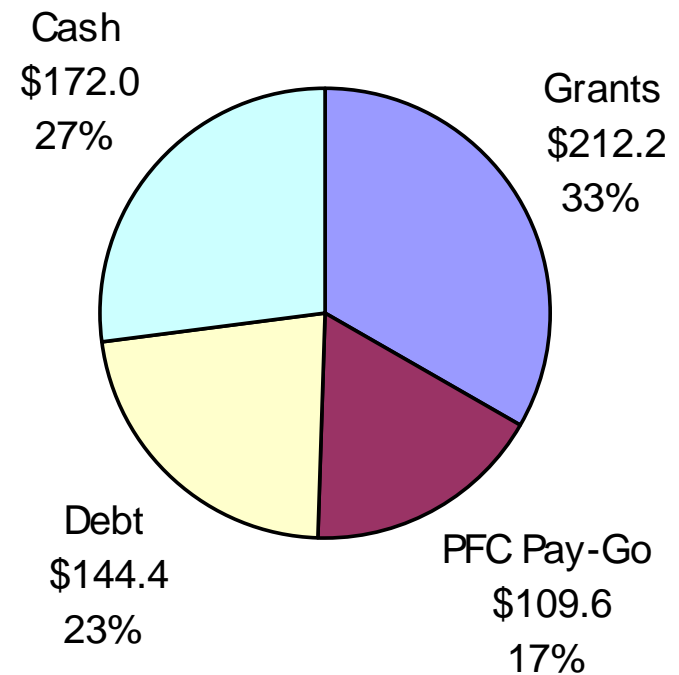
Unaudited results for FY12 are preliminary and subject to year-end adjustments.

# 5-Year Capital Needs Assessment

**FY 2013–17 Expenditure**  
(\$ millions)

	5-Year CNA
Aviation	469.3
Maritime	153.0
CRE	6.7
Other Divisions	9.3
<b>Total</b>	<b>638.2</b>

**FY 2013–17 Funding**  
(\$ millions)



# Major Projects Included in the CNA

**CNA is focused on highest priority items:**

- Regulatory compliance
- Life & safety
- Revenue maintenance

	FY 2013–17 Total Expenditure (\$ millions)
<b>Aviation</b>	
Terminal 1 Renovation	195
Runway Safety Area	103
Airport Perimeter Dike	47
Runway 11-29 Rehabilitation	25
BART Airport Connector	24
Total	394
<b>Maritime</b>	
Oakland Army Base	82
Shore Power	43
Total	125
<b>Total</b>	<b>519</b>
<b>Total as % of 5-Year CNA</b>	<b>81%</b>

# Sources and Uses of Funds

(\$000s)	FY 2013 Budget
<b>Sources of Funds</b>	
Operating Revenues	311,518
Grants	28,633
Passenger Facility Charges (PFCs) and Customer Facility Charges (CFCs) <sup>(1)</sup>	36,963
Cash on Hand	24,816
Debt Proceeds	35,058
Other	449
<b>Total Sources</b>	<b>437,438</b>
<b>Uses of Funds</b>	
Operating Expenses – Personnel	88,734
Operating Expenses – Non-Personnel	80,502
Capital Improvements	142,399
Debt Service <sup>(2)</sup>	116,467
Other <sup>(3)</sup>	9,336
<b>Total Uses</b>	<b>437,438</b>

(1) Includes PFC and CFC funds on hand.

(2) Includes repayment of \$7.8 million of outstanding commercial paper debt.

(3) Includes items such as letter of credit fees; General Services and Lake Merritt payments; and retroactive CalPERS pension payments.



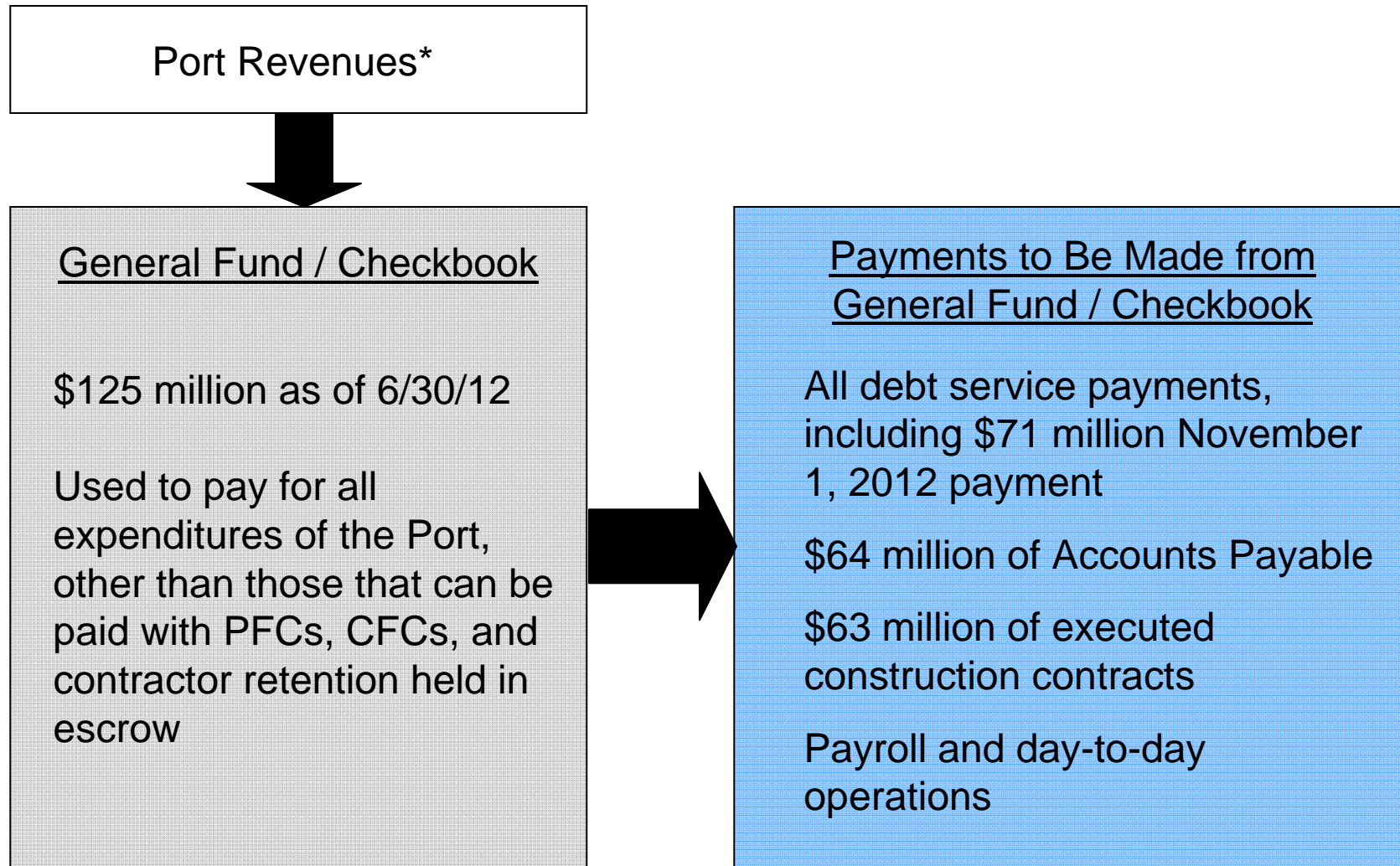
# Port Cash Balances

Fund Balance as of 6/30/12 (unaudited)	Amount (\$ millions)
<b>Unrestricted Cash *</b>	
General Fund / "Checkbook"	125
Board-Established Reserve	64
Total Unrestricted Cash	189
<b>Restricted Cash *</b>	
Passenger Facility Charges (PFCs)	15
Customer Facility Charges (CFCs)	3
Contractor Retention Amounts Held in Escrow	4
Bond Reserves Held with Bond Trustee	71
Total Restricted Cash	92
Total Cash	281

Unaudited results for FY12 are preliminary and subject to year-end adjustments.

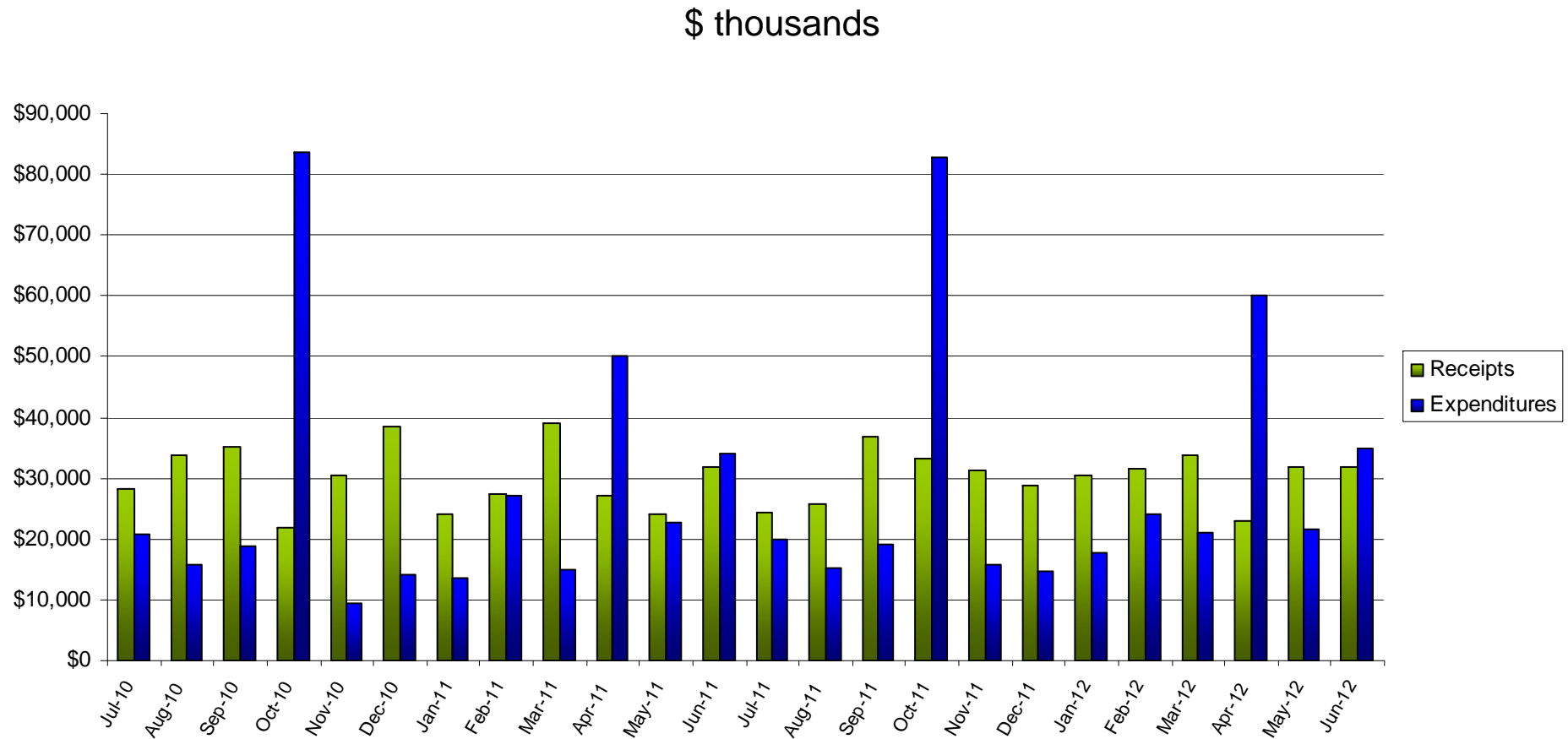
\* Unrestricted and Restricted are defined by Generally Accepted Accounting Principles (GAAP).

# Port's General Fund



\* Excludes PFC, CFC, and grant receipts, which are restricted in use

# Monthly Cash Receipts & Expenditures



# Liabilities & Other Needs to be Addressed

	Amount (\$ millions)
Retiree medical benefits	110
Pension benefits	158
Deferred capital projects	460
Commercial paper debt*	78
Other	52
Total	858

\* Port has not established a repayment plan for this debt

# October 2012 Bond Refunding Update

- Recent bond refunding yielded approximately \$60 million of present value savings
  - Annual savings of approximately \$9 million in FY 2014 through FY 2020
- Reduces burden associated with \$1.3 billion of outstanding debt
- Use savings to:
  - Address \$850 million of other liabilities and needs
  - Respond to rising costs and business challenges
  - Establish a repayment schedule for \$78 million of outstanding commercial paper debt
  - Minimize future borrowings

# Payments to City

Payment Type	FY13 Budget (\$ millions)	Total Paid FY03 through FY12 (\$ millions)
General Services and Lake Merritt Maintenance <sup>(1)</sup>	2.0	20.2
Special Services	1.0	35.1 <sup>(2)</sup>
Aircraft Reserve Fire Fighting (ARFF)	5.0	55.3
Treasury Management	0.2	2.4
Landscaping & Lighting Assessment District (LLAD)	0.7	6.8
Parking Tax	5.1	49.4 <sup>(3)</sup>
<b>Total</b>	<b>14.0</b>	<b>169.2</b>

- (1) Payments are made pursuant to a Memoranda of Understanding between the Port and the City, as well as Section 717(3) of the Charter of the City of Oakland, which sets forth purposes for which Port funds may be used.
- (2) Reflects payments for years in which Oakland Police Department provided Airport security services, which are now provided by Alameda County Sheriff.
- (3) Estimated; Port budgets revenues net of parking tax.