

Guest commentary: Oakland port challenges go far beyond improper expenditures

By Gilda Gonzales and Deborah Ale Flint

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The Port of Oakland faces serious challenges, and they're not just the unacceptable expenditures you've been reading about in the news.

Personnel costs, which are half our operating expenditures, are growing three times as fast as revenue. We have nearly \$1.3 billion in debt. Our annual debt service consumes about a third of our \$300 million annual revenue, and will through 2027. We also have \$850 million in unfunded liabilities and unbudgeted capital needs that are critical to keeping us competitive with other seaports and airports.

Despite all this, there are claims that the port has a surplus. There's no surplus. Laws, contracts and prudent financial management require us to have sufficient funding on hand to pay constant bills, two major debt-service payments every year, and still have savings left over so that we're not living "paycheck to paycheck." Saying we have a surplus is like saying a family has a surplus when the next day the house payment is due and the roof still needs to be replaced.

There are also claims that past improper expenditures are the cause of these financial challenges. We do not in any way minimize the severity of these, but they are not the cause of our \$2.1 billion financial challenge.

What is true is that a bygone era of plenty led to significant debt, lax expenditure practices, and unsustainable labor agreements. This is now compounded by a weak economy and increasing competition.

We must address all of these challenges simultaneously. And we are.

Regarding improper expenditures, we immediately engaged independent outside counsel to aid in our ongoing investigation. We have begun a new era of transparent and accountable leadership, with a new acting executive director and a new port attorney.

We also are developing a new expenditure compliance program and will continue strengthening our policies, practices, and procedures to ensure nothing like this ever happens again.

As our current labor contracts expire, we are seeking reasonable, shared contributions to the financial sustainability of the port. Specifically, we are asking all of our employees to contribute to their pensions.

We appreciate our workforce, and that is why they receive some of the most generous pay packages among comparable agencies in the region. Currently, the port pays full medical, dental, vision, retirement and state disability contributions for almost all except a few new employees with modified benefit packages agreed to by two of our unions in 2009.

We spend more every year on retiree medical benefits -- employees are eligible to retire at 50 and receive full medical coverage for themselves and their dependents for life -- than we are spending on current employee health care. That's not sustainable. The shared contributions we are seeking are sustainable, comparable with other agencies, and still preserve our employees' better than average compensation.

We have refinanced our debt twice since 2011, saving the port almost \$90 million in net present value savings. It's not a huge dent in \$1.3 billion, but it's a strong start, and we continue seeking additional savings.

We continue to build and market this port, so that our maritime, aviation, and real estate businesses can continue serving thousands of customers and passengers daily, generating more than 73,000 jobs and more than \$600 million tax revenue per year.

As Oakland residents and as public servants of one of our region's most important economic assets, we are committed to continuing on this path to financial sustainability. Join us, and hold us accountable.

Gilda Gonzales is president of the Port of Oakland board of commissioners. Deborah Ale Flint is the port's acting executive director.

http://www.contracostatimes.com/news/ci_22004966/guest-commentary-oakland-port-challenges-go-far-beyond