

# Comprehensive Annual Financial Report



**PORT OF OAKLAND**

**Oakland, California**

(A Component Unit of the City of Oakland)

**For the Years Ended  
June 30, 2013 and 2012**





**Port of Oakland**  
**Oakland, California**  
(A Component Unit of the City of Oakland)

**Comprehensive Annual Financial Report**  
**For the Years Ended June 30, 2013 and 2012**

Prepared by the Financial Services Division

This page left intentionally blank.

**PORT OF OAKLAND**  
**(A Component Unit of the City of Oakland)**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Fiscal Years Ended June 30, 2013 and 2012**

*Table of Contents*

	<i>Pages</i>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal .....	i
GFOA Certificate of Achievement for Excellence in Financial Reporting .....	vii
Budget Organization Chart .....	viii
Appointed Officials, Senior and Contributing Staff .....	ix
<b>FINANCIAL SECTION</b>	
<b>Independent Auditors' Report</b> .....	1-2
<b>Management's Discussion and Analysis (Unaudited)</b> .....	3-14
<b>Financial Statements:</b>	
Statements of Net Position.....	16-17
Statements of Revenues, Expenses and Changes in Net Position.....	18-19
Statements of Cash Flows.....	20-21
Notes to Financial Statements.....	22-57
<b>Required Supplementary Information (Unaudited):</b>	
Schedule of Funding Progress - Other Postemployment Benefits .....	59
<b>STATISTICAL SECTION (Unaudited)</b>	
Index to Statistical Section .....	61
Net Position by Components .....	62
Statements of Revenues, Expenses and Changes in Net Position.....	63
Principal Revenue Sources and Airline Revenue per Enplaned Passenger .....	64
Aviation Statistics – South Airport.....	65
Top Ten Individual Sources of Aviation Revenue .....	66
Schedule of Airline Rates and Changes.....	67
Principal Revenue Sources and Maritime Revenue per TEU .....	68
Maritime Division – Container Trends .....	69
Top Ten Individual Sources of Maritime Revenue by Alphabetical Order .....	70
Net Revenue Calculation For Debt Service Coverage.....	71
Debt Service Coverage .....	72
Ratios of Debt Service .....	73
Outstanding Debt by Debt Type .....	74
Demographic and Economic Statistics for the City of Oakland .....	75
Principal Employers – FY 2012 vs. FY 2006.....	76
Actual Employee Count by Division .....	77
Capital Assets Information .....	78

This page left intentionally blank.



## INTRODUCTORY SECTION

- Letter of Transmittal
- GFOA Certificate of Achievement for Excellence in Financial Reporting
- Budget Organization Chart
- Appointed Officials, Senior Staff and Contributing Staff

This page left intentionally blank.





Sara Lee  
Chief Financial Officer

November 7, 2013

**Board of Port Commissioners of the City of Oakland  
Oakland, California**

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the Port of Oakland (Port), a component unit of the City of Oakland (City), for the fiscal years ended June 30, 2013 and 2012. The CAFR is organized into the following sections:

- Independent auditors' report;
- Management's discussion and analysis (MD&A), which provides a narrative overview and analysis of the basic financial statements and should be read in conjunction with this letter of transmittal;
- Basic financial statements and notes to the basic financial statements;
- Required supplementary information; and
- A statistical section, which presents various financial and operating data.

Responsibility for the accuracy of the data, and the completeness and reliability of the information contained in the report rests with management of the Port. The framework of internal controls provides reasonable, rather than absolute assurance that the financial statements are free of any material misstatements. The data as presented is believed to be accurate in all material aspects and presented in a manner designed to fairly set forth the financial position and changes in financial position of the Port.

Certain statements in this Letter of Transmittal reflect not historical facts but forecasts, projections, estimates and other "forward-looking statements." The achievement of results, or other expectations, involves known and unknown risks, uncertainties and other factors that may cause actual results to be materially different than forecasted results. The Port is not obligated to issue updates or revisions to this discussion if and when the expectations, events, conditions or circumstances on which these statements are based, occur or fail to occur, as the case may be.

**Profile of the Port of Oakland**

The Port is an independent department of the City. The City has operated a public harbor to serve waterborne commerce since its incorporation in 1852. The City has operated an airport since 1927. Exclusive control and management of the Port area, which includes the harbor, airport, and other commercial real estate was delegated to a seven-member Board of Port Commissioners (Board) in 1927 by an amendment to the City Charter.

The Board has exclusive control of all of the Port's facilities and property, real and personal, all income and revenues of the Port, and proceeds of all bond sales initiated by it for harbor, airport, and other commercial real estate improvements, or for any other purpose. The Board has the power under the Charter to fix, alter, change or modify the rates, tolls, fees, rentals and other charges for the use of the Port's facilities and any services provided in connection with the Port's facilities. A substantial portion of the Port's revenues are governed by lease, use, license and other agreements with the tenants and

customers of the Port's three business lines: Aviation, Maritime and Commercial Real Estate. The Port is required by the City Charter to deposit its revenues in the City Treasury.

The Oakland International Airport (Airport) is a passenger, cargo and general aviation airport located on approximately 2,600 acres of land. The Airport is one of three major commercial airports serving the San Francisco Bay Area and the largest cargo hub in Northern California. In 2012 the Airport ranked 34<sup>th</sup> in the United States in terms of total passengers and 13<sup>th</sup> in terms of air cargo tonnage. In fiscal year 2013, the Airport served approximately 9.95 million passengers and 1.1 billion pounds of air cargo. As of June 2013, the Airport offered approximately 137 daily nonstop commercial departures to 41 domestic and international destinations. The Airport also offered approximately 31 daily all-cargo flight departures to destinations around the globe.

The Oakland seaport (Seaport) serves as the principal ocean gateway for international containerized cargo shipments in Northern California and is one of five major gateways for such shipments on the West Coast of North America. The Seaport is the 5<sup>th</sup> busiest cargo container port in the United States and 3<sup>rd</sup> busiest on the United States West Coast, based on the number of twenty-foot equivalent units (TEUs) handled annually. In fiscal year 2013, approximately 2.35 million full and empty TEUs moved through the Seaport. The Seaport comprises approximately 1,300 acres, including marine container terminals; intermodal rail facilities; areas for truck staging and other support services; and a portion of the former Oakland Army Base, which the Port plans to develop into a trade and logistics center. These facilities are backed by a network of roads and a deep water navigation channel. All major ocean carriers serve the Seaport, connecting the Bay Area with the major trading centers of global commerce around the world.

In addition, the Port oversees approximately 834 acres of land along the Oakland Estuary that is not used for maritime or aviation purposes. The commercial real estate properties on this land serve a number of uses including warehouses, parking lots, hotels, offices, shops, restaurants, public parks and open space.

Most of the Airport, Seaport, and commercial real estate properties are located on land that is owned by the City and, under the City Charter, controlled and managed by the Port subject to a trust imposed pursuant to numerous tideland grants from the State of California dating back as far as 1852. Certain requirements and restrictions are imposed by the tideland grants. Generally, the use of lands subject to the trust is limited to statewide public purposes, including commerce, navigation, fisheries, and other recognized uses. The trust also places certain limitations on the use of funds generated from trust lands and other assets.

### **Operating and Capital Budgets**

The Port's operating budget is an essential component of the Port's financial and operational planning and management. The operating budget is a plan for each Port division's operating revenue and expenses, and for Port-wide non-operating income and expenses. A three-year operating budget is prepared and presented annually to the Board. The first year operating budget is presented to the Board for adoption, while the additional two years are presented in concept only.

In addition to preparing the operating budget, Port staff annually prepare a 5-year capital needs assessment (CNA) and a one-year capital budget. The one-year capital budget is presented to the Board for adoption, while the CNA is presented in concept only. Since 2008, the Port's capital program has been reduced due to budgetary and staffing constraints, and reduced activity levels in the Port's business lines. Capital improvements included in the Port's current CNA have been limited to the highest priority items, primarily those focused on regulatory compliance, life safety-related improvements, and revenue maintenance. The projects within the CNA are not expected to generate significant new revenues.

The approved fiscal year 2013-14 operating and capital budgets, and 5-Year CNA, are available on the Port's website at, [www.portofoakland.com/about/investors.aspx](http://www.portofoakland.com/about/investors.aspx) and are further discussed below.

## **Economic Outlook**

The Port is located in the San Francisco Bay Area, a sizeable and generally affluent metropolitan area. Still, the Bay Area has not been immune to the effects of a weakened global economy and continues to struggle with uncertainty despite generally modest growth in the last year. The Port's three business lines are directly impacted by local and regional economic conditions. In addition, because many of the Port's tenants and customers operate nationally and globally, world-wide economic trends and conditions significantly impact the Port's three business lines.

Tenants and customers continue to remain cautious about business projections in light of rising costs and heightened competition in a still-fragile global economy. As a result, the Port projects relatively flat to modest (1-2%) growth in activity over the next three fiscal years (FY 2014 through FY 2016). During this time, the Port will continue to be challenged by rising operating costs, primarily in the areas of security, regulatory compliance, maintenance, and personnel costs (pension and health care).

## **Financial Planning**

The Port continues to target reductions in operating expenses and prioritize its work on key initiatives aimed to sustain and grow business activity in the near and long term. Port staff also remain focused on improving the Port's overall financial position, including improving its cash position, limiting additional debt issuance, and reducing debt service. These areas of focus are central to the development of the Port's annual operating and capital budgets, as well as the 5-year CNA.

Fiscal year 2013 marked modest to flat growth in business activity and the fourth consecutive year of improved financial performance. Passenger traffic at the Airport increased 3.2%. The number of loaded TEUs handled at the Seaport was down 0.1%. Operating revenue was up 3.1%, operating expenses before depreciation and amortization were higher (worse) by 0.5%, and operating income was up 14.5%.

However, in fiscal year 2014, the Port has budgeted total operating revenues of approximately \$305 million, a 3.4% decrease from fiscal year 2013 results. The decrease in revenue reflects modest increases in business activity that is offset by the effects of shifting cargo and recently renegotiated leases among the Port's maritime terminals. Operating expenses (before depreciation and amortization) are budgeted at approximately \$176 million in fiscal year 2014, an approximate 15.8% increase over fiscal year 2013 results. Rising personnel costs, which represent 51% of the operating expense budget, drives the majority of this increase. Despite the expected decrease in operating revenues for fiscal year 2014, operating revenues are projected to increase 4% over the next three years. Operating expenses are expected to increase 23% over the next three years. The Port's senior management and staff will continue to assess financial and operational measures in the context of projected business activity levels, and will continue to pursue additional revenue enhancement and cost-savings initiatives that may be available going forward.

## **Aviation**

The Airport remains competitive and poised to benefit from a sizeable and affluent air trade area, as well as a strong origin/destination passenger base; excellent capacity and operational strengths; and a competitive cost per enplanement. However, the Airport continues to be affected primarily by the weakened economy and airline capacity reductions. Passenger traffic is expected to grow approximately 1.4% in fiscal year 2014; air cargo is expected to decrease 0.8%.



### **Maritime**

In fiscal year 2013, the Seaport saw its second year of essentially flat activity, as measured by the number of loaded TEUs handled. Ocean carriers continue to carefully manage capacity and operations to achieve profitability in an environment of heightened competition. In fiscal year 2014, the Port expects to continue benefiting from a balanced mix of import and export cargo, which helps provide revenue stability; a stable base of tenants and customers; and long-term contracts with major Seaport tenants. In fiscal year 2014, cargo activity is expected to remain flat.

### **Commercial Real Estate**

In fiscal year 2013, the Port's commercial real estate (CRE) properties experienced higher percentage rent payments by Port tenants and increases in minimum rent due to lease renewals. In fiscal year 2014, CRE revenues are projected to be relatively flat, consistent with the regional projections of slower growth in the commercial real estate sector for the bay area region, as the economy continues to recover from the recession.

## **Major Initiatives**

In 2010, the Board approved the Port of Oakland Strategic Plan Fiscal Years 2011-2015. The Strategic Plan serves as a general statement of the Port's vision, mission, goals, objectives, and guiding principles to shape organizational performance and decision-making through fiscal year 2015. Consistent with the Strategic Plan, each year, staff and the Board identify major initiatives to maintain and enhance Port operations. Below is a summary of major accomplishments in fiscal year 2013 and highlights of major initiatives to be undertaken in fiscal year 2014. It should be noted that many of these initiatives span multiple years.

### **Accomplishments in Fiscal Year 2013**

The Port's major accomplishments in fiscal year 2013 include the following:

- Shore Power Program Phase 1 was completed in the summer of 2012 with the commissioning of three berths. Phase 2, which consists of the construction of Shore Power infrastructure at the remaining eight berths, is nearing completion and expected to be fully operational by December 31, 2013. Shore Power is intended to reduce emissions of air pollutants from vessels while they are docked at the Seaport;
- The Port and City agreed to a redevelopment program for the first phase of the Oakland Army Base (OAB) redevelopment. The project will be funded with state, federal, City, Port and private monies. The Port's portion of the redevelopment program begins with building the first phase of the new rail terminal on Port-owned OAB property;
- The Port completed the combined sale and lease of approximately 64-acres of land known as Oak-to-Ninth. The private developer is expected to redevelop the district into a new waterfront neighborhood with many acres of new public access and open space;
- Improvements needed to support a new air traffic control tower were completed in 2013. Improvements consisted of a new fiber optic communication facilities, relocation of the existing airfield lighting controller panel and a new crash phone. The new tower was constructed by the FAA and will enable the FAA to improve efficiency by eliminating duplicative activity that was caused by maintaining the previous two towers;
- The FAA approved the Port's Runway Safety Area (RSA) improvement plans. Design and bidding was completed and construction began just before the end of the fiscal year. The RSA project will bring the Airport's runway safety areas into compliance with current FAA requirements; and
- Refunding of certain outstanding bonds in fiscal year 2013, resulting in about \$60 million of present value debt service savings spread primarily through 2020. These savings are in addition to savings generated in fiscal year 2012 of \$29 million.

Additionally, the Port welcomed new tenants, including restaurants, boat services, and office space, at the Jack London Square area through the partnership between the Port and its developer partner, Jack London Square Ventures LLC.

### **Major Projects in Fiscal Year 2014**

The Port is poised to both continue progress and commence work on various major projects that will maximize the use of existing assets and support the long-term competitiveness and sustainability of the Port. Following are the most significant projects underway for each of the Port's business lines:

#### **Aviation**

*Terminal 1 Retrofit and Renovation Program.* Planned improvements at Terminal 1 are focused on replacing aging infrastructure, bringing building systems up to code, and improving life cycle costs. The program has been underway since 2008 and is being implemented in a phased manner to prioritize life safety and other code requirements while considering funding availability. Recently completed projects include installation of fire protection, communication and paging upgrades, and a new substation. The Terminal 1 Central Utility Plant is under construction and the new mechanical building and equipment were installed and activated in summer 2013. Construction of the major seismic retrofit improvements to Building M102 is expected to begin in early 2014, and will continue for approximately two and a half years. The retrofit and building systems upgrades and replacement will be accomplished while maintaining operations in the building, which include the passenger security checkpoint, concessions and other passenger facilities. Continuing in a phased approach, upgrades to the remaining buildings and infrastructure of Terminal 1 will be assessed and prioritized, and the next round of construction is anticipated to begin in 2016. The entire Terminal 1 Retrofit and Renovation Program include green building principles and the design and construction of airport offices will seek Leadership in Energy and Environmental Design (LEED) Certification.

*Perimeter Dike.* The perimeter dike separates the South Field airfield from San Francisco Bay waters and has been identified as needing flood hazard and seismic improvements. The Port is working with the Federal Emergency Management Agency to undertake the necessary improvements to the perimeter dike so that restrictions on Airport development in the future are minimized. The Port continues discussions with the two pipeline companies that own fuel lines within the dike. In 2013, the Port selected a modified project approach which only requires the removal of the inactive pipeline and allows for the active pipelines to remain. The Port continues work on the design and environmental review and expects construction of the improvement to be completed in 2015.

*Runway Safety Area Improvements.* The FAA requires that commercial airports regulated under Part 139 have standard Runway Safety Areas (RSAs) where practical. RSAs enhance the safety of airplanes which undershoot, overrun, or veer off the runway. Most of the RSAs at the Airport do not meet current FAA airport design standards. Since 2005 the Airport has worked on a design to bring the runway into compliance. Construction of the South Field improvements began at the end of fiscal year 2013 and will continue through 2014. North Field construction will begin in 2014 and be completed prior to the federally mandated deadline in 2015.

*BART – Oakland Airport Connector.* In fiscal year 2011, the San Francisco Bay Area Rapid Transit District (BART) broke ground on the Oakland Airport Connector project, which will improve access between the Airport and the regional rail transit system using an automated people mover. The project is being implemented by BART under a Design, Build, Operate and Maintain contract. The Port has entered into an agreement with BART for a maximum Port contribution to the project of \$45.4 million. In fiscal year 2012, the Port began funding its contribution to the project from passenger facility charges. BART will conduct system testing during fiscal year 2014 and anticipates commencing service to the public in late 2014.

**Maritime**

*Oakland Army Base Redevelopment.* The Port continues to work toward the redevelopment of former Oakland Army Base property into a trade and logistics center comprising an intermodal rail terminal, rail-served warehouses for maritime businesses, and truck parking. This redevelopment will facilitate the efficient movement of cargo in and out of the Port's marine terminals, improve intermodal service, and position the Port to secure additional maritime and maritime-related business. The Port has commenced the initial infrastructure development, with the first project being a new rail access and storage track infrastructure. In fiscal year 2013 the Port awarded a design-build construction contract for a portion of the first phase of rail construction; a second rail construction contract was awarded at the beginning of fiscal year 2014. Additional development will be based on market demand. In anticipation of this work, the Port continues to prepare the property through activities such as environmental remediation, grading, preliminary engineering and design, and limited infrastructure improvements.

*Shore Power Program.* California law requires container vessels berthed at the Port to reduce emissions associated with auxiliary engines that power the vessel. 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. The Port's Shore Power Program involves the construction of electrical land-side connections that enable ships to plug into the electric grid while docked. In fiscal year 2014, the Port expects to complete the program, resulting in electrification of almost all of the berths at the Seaport.

**Commercial Real Estate**

The Port will continue to work with developers and its tenants to maintain and maximize its commercial real estate with a focus on the Airport Business Park and Jack London Square.

**Awards**

The Port received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the Port's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A certificate is valid for a period of one year only. The Port will be submitting the current Comprehensive Annual Financial Report to GFOA to determine its eligibility for another certificate.

**Acknowledgements**

I would like to express my appreciation to the Financial Services Division for their professionalism, dedication, and efficiency in the preparation of this report. I also extend my appreciation to the other Port divisions who contributed to this report and to Macias Gini & O'Connell LLP and Kevin W. Harper CPA & Associates for their assistance and guidance. Finally, I thank the Board of Port Commissioners for their attention and continuing support to plan and manage the Port's financial operations in a responsible and progressive manner.

Respectfully submitted,



Sara Lee  
Chief Financial Officer



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Port of Oakland  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

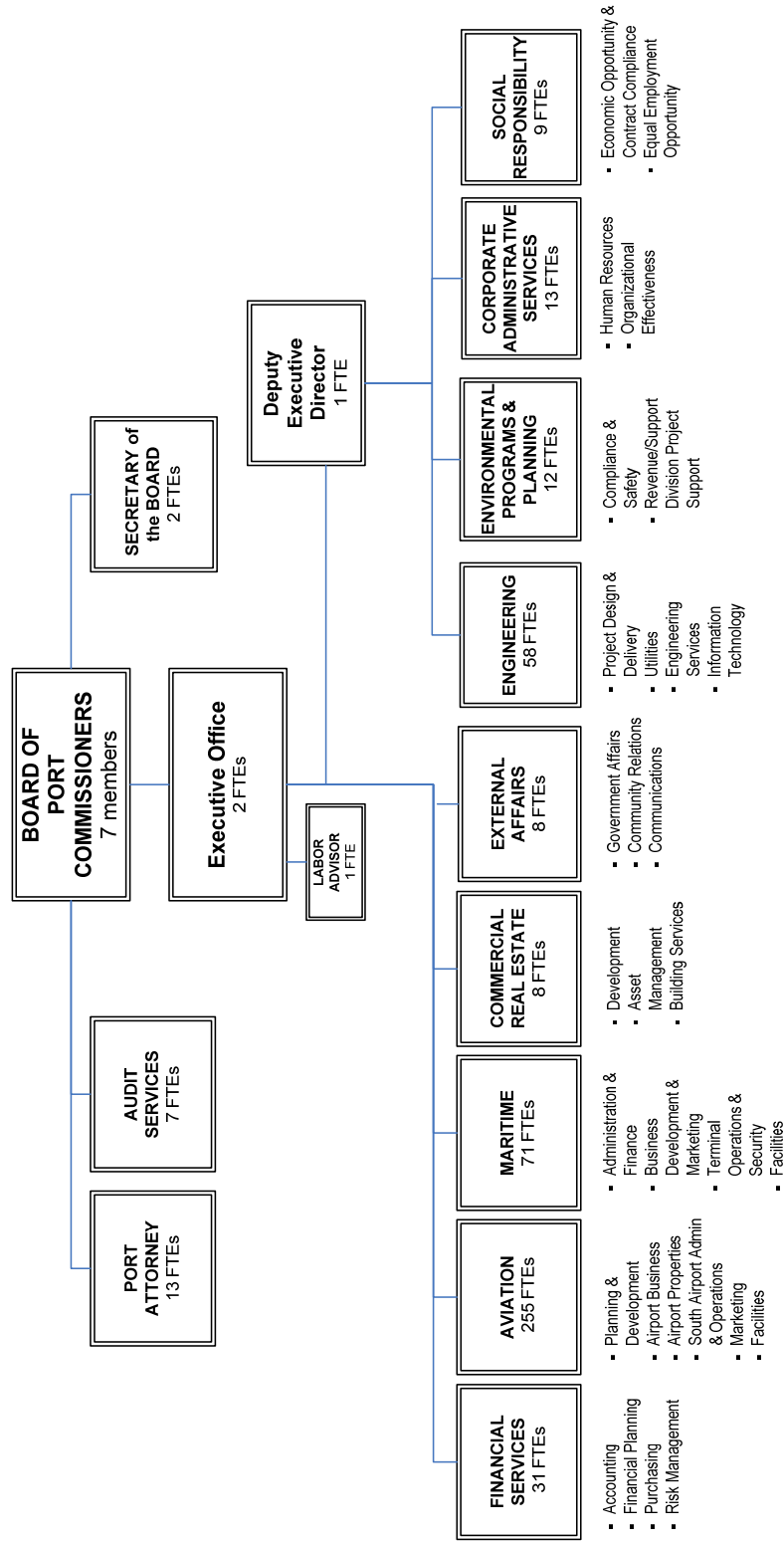
Executive Director/CEO

# PORT OF OAKLAND

## BUDGET ORGANIZATION CHART

Fiscal Year 2012-13

492<sup>1</sup> Funded FTEs (Full-Time Equivalents)



<sup>1</sup> Includes 1 unidentified FTE not yet assigned.





**PORT OF OAKLAND**  
**APPOINTED OFFICIALS, SENIOR AND**  
**CONTRIBUTING STAFF**

For the Year Ended  
June 30, 2013

**Board of Port Commissioners of the City of Oakland**

Gilda Gonzales, President  
James W. Head, First Vice- President  
Alan S. Yee, Second Vice-President  
Cestra Butner, Commissioner  
Earl S. Hamlin, Commissioner  
Bryan R. Parker, Commissioner  
Victor Uno, Commissioner

**Senior Staff**

Deborah Ale Flint, Acting Executive Director  
Arnel Atienza, Chief Audit Officer  
Jean Banker, Deputy Executive Director  
John T. Betterton, Secretary of the Board  
Chris Chan, Director of Engineering  
Denyce Holsey, Director of Administration  
Pamela Kershaw, Director of Commercial Real Estate  
Isaac Kos-Read, Director of External Affairs  
Sara Lee, Chief Financial Officer  
Kristi McKenney, Acting Director of Aviation  
Marsha Carpenter Peterson, Port Labor Advisor  
Ron Puccinelli, Chief Technology Officer  
Richard Sinkoff, Director of Environmental Programs and Planning  
Amy Tharpe, Director of Social Responsibility  
Danny Wan, Port Attorney

**Contributing Staff**

Julie Lam, Controller  
Angelica Avalos  
Leandro Denoga  
Alice Fan  
Katri Jones  
Saw May Khoo  
Betsy Kwok  
Cecilia Ravare  
Stanley Tanaka  
Sandra Yee  
David Zolezzi

530 Water Street  
Oakland, California 94607

Phone: 510-627-1100  
Website: [portofoakland.com](http://portofoakland.com)

This page left intentionally blank.



## **FINANCIAL SECTION**

- Independent Auditors' Report
- Management's Discussion and Analysis (unaudited)
- Basic Financial Statements
- Required Supplementary Information (unaudited)

This page left intentionally blank.



## **Independent Auditors' Report**

Board of Port Commissioners of the City of Oakland,  
San Francisco, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Port of Oakland (Port), a component unit of the City of Oakland, California as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Port enterprise fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2013 and 2012, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Also as described in Note 2 to the financial statements, effective July 1, 2011, the Port adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 recognizes certain amounts that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflow of resources on the statement of net position. The Port's net position as of July 1, 2011 was restated by \$20,025,000 as described in Note 2. Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

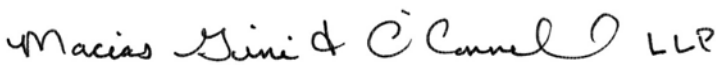
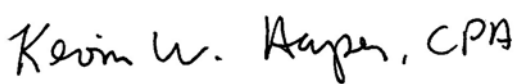
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis identified in the accompanying table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Port's financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2013, on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

Walnut Creek, California  
November 7, 2013

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Management's Discussion and Analysis (unaudited)**  
**June 30, 2013 and 2012**

---

## **Management's Discussion and Analysis**

The Management's Discussion and Analysis (MD&A) is intended to provide information concerning known facts and conditions affecting the Port of Oakland's (Port) operations. The following discussion and analysis of the financial performance and activities of the Port provides an introduction and understanding of the financial statements of the Port for the fiscal years ended June 30, 2013 and 2012, with comparative information for June 30, 2011. This MD&A has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes, which follow this section.

## **Financial Statement Overview**

The Port's financial report includes the MD&A, basic financial statements, notes to the basic financial statements, and required supplementary information. The basic financial statements include the Statements of Net Position; Statements of Revenues, Expenses and Changes in Net Position; and Statements of Cash Flows. In addition, the report includes a statistical section, which presents various financial and operating data.

The Port prepares the basic financial statements on the accrual basis in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board (GASB). Revenues are recognized when earned, not when received, and expenses are recognized when incurred, not when paid. Capital assets are capitalized and, with the exception of land, air rights and noise easements, depreciated over their useful lives.

## **Summary of Net Position**

The Statements of Net Position present the financial position for the Port at the end of the fiscal year. The statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Port. Net Position, the difference between assets, deferred outflows/inflows of resources, and liabilities, are an indicator of the current fiscal health of the Port and can provide an indication of improvement of its financial position over time. A summarized comparison of the Port's assets, deferred outflows of resources, liabilities, and net position at June 30 follows (in thousands):

	<b>2013</b>	<b>% Change</b>	<b>2012 restated<sup>1</sup></b>	<b>% Change</b>	<b>2011 restated<sup>1</sup></b>
Current and other assets	\$ 338,764	-3%	\$ 349,162	6%	\$ 330,078
Capital assets, net	2,199,085	1%	2,185,743	-1%	2,216,800
Total assets	<u>2,537,849</u>	0%	<u>2,534,905</u>	0%	<u>2,546,878</u>
Deferred outflow of resources	<u>14,512</u>	4%	<u>14,017</u>	7%	<u>13,158</u>
Debt outstanding	1,306,461	-5%	1,375,570	-3%	1,419,794
Other liabilities	217,481	-6%	231,018	-1%	234,267
Total liabilities	<u>1,523,942</u>	-5%	<u>1,606,588</u>	-3%	<u>1,654,061</u>
Net investment in capital assets	944,974	7%	882,351	2%	869,014
Restricted for construction	14,178	-31%	20,553	20%	17,187
Unrestricted	<u>69,267</u>	76%	<u>39,430</u>	99%	<u>19,774</u>
Total net position	<u>\$ 1,028,419</u>	9%	<u>\$ 942,334</u>	4%	<u>\$ 905,975</u>

<sup>1</sup>Net position for fiscal years 2012 and 2011 was restated to conform with GASB 65. Please see page 26 of the "Notes to Financial Statements" for further explanation.

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Management's Discussion and Analysis (unaudited)**  
**June 30, 2013 and 2012**

---

**Summary of Net Position (continued)**

Total net position at June 30, 2013, increased approximately \$86.1 million or 9.1% from \$942.3 million on June 30, 2012 to \$1,028.4 million on June 30, 2013. Net investment in capital assets, net of related debt, increased by approximately \$63 million due to decrease in outstanding debt of \$69 million and an increase in capital assets, net of depreciation of \$13 million, offset by an increase in accounts payables on construction contracts of \$4 million and decreases in bond reserves of \$12.5 million and noise abatement reserves of \$2.4 million. Restricted for construction decreased \$6 million due to an increase in spending of passenger facility charges (PFC) proceeds on construction projects. Unrestricted net position increased approximately \$29 million primarily as a result of an increase in other receivables of \$17 million and a decrease in unearned revenue and environmental and other liabilities of \$14 million. The increase in other receivables was primarily due to a \$13.5 million promissory note from the combined sale and lease of the Oak-to-Ninth property. The decrease in environmental and other liabilities was primarily due to the completion and progress on environmental projects.

Total net position at June 30, 2012, increased approximately \$36.4 million or 4.0% from \$906.0 million on June 30, 2011 to \$942.3 million on June 30, 2012. Net investment in capital assets, net of related debt increased by approximately \$14.2 million due to net capital reductions of approximately \$31 million, offset by a decrease in outstanding debt of \$44 million. Restricted for construction increased \$3.4 million as a result of PFC receipts received exceeding the reimbursement needed for construction projects. Unrestricted net position increased approximately \$18.8 million primarily as a result of an increase in cash equivalents and other assets.

Deferred outflows of resources is the amount of the unamortized deferred loss on refunding that was formerly included in the long term debt total. This change was made because of the adoption of GASB 65 as discussed in Note 2 to the basic financial statements that classifies certain transactions in a new category called deferred outflows of resources.



**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Management's Discussion and Analysis (unaudited)**  
**June 30, 2013 and 2012**

---

**Summary of Revenues, Expenses and Changes in Net Position**

The Statements of Revenues, Expenses and Changes in Net Position reflect how the Port's net position changed during the most recent fiscal year compared to the prior year. These changes are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. A summary of the Statements of Revenues, Expenses and Changes in Net Position as of June 30 follows (in thousands):

	Twelve Months Ended				
	2013	% Change	2012 restated <sup>1</sup>	% Change	2011 restated <sup>1</sup>
Operating revenues	\$ 315,518	3%	\$ 306,138	3%	\$ 297,983
Passenger facility charge revenue	19,924	1%	19,758	3%	19,106
Customer facility charge revenue	5,387	4%	5,184	9%	4,764
Interest income	1,095	-38%	1,755	-39%	2,876
Other income	19,074	100%	-	-100%	1,438
Total revenues	<u>360,998</u>	8%	<u>332,835</u>	2%	<u>326,167</u>
Operating expenses before depreciation	151,623	1%	150,778	2%	148,002
Depreciation	98,234	0%	98,032	-1%	98,816
Interest expense	59,598	-11%	66,798	-6%	70,714
Other expense	3,354	-18%	4,085	100%	-
Total expenses	<u>312,809</u>	-2%	<u>319,693</u>	1%	<u>317,532</u>
Change in net assets before capital contributions	48,189	267%	13,142	52%	8,635
Capital contributions -					
Grants from government agencies	<u>37,896</u>	63%	<u>23,217</u>	-15%	<u>27,343</u>
Increase in net position	<u>86,085</u>	137%	<u>36,359</u>	1%	<u>35,978</u>
Net position, beginning of the year as restated	<u>942,334</u>	4%	<u>905,975</u>	4%	<u>869,997</u>
Net position, end of the year	<u><u>\$ 1,028,419</u></u>	9%	<u><u>\$ 942,334</u></u>	4%	<u><u>\$ 905,975</u></u>

<sup>1</sup>Interest Expense for fiscal years 2012 and 2011 was restated to conform with GASB 65. Please see page 26 of the "Notes to Financial Statements" for further explanation.

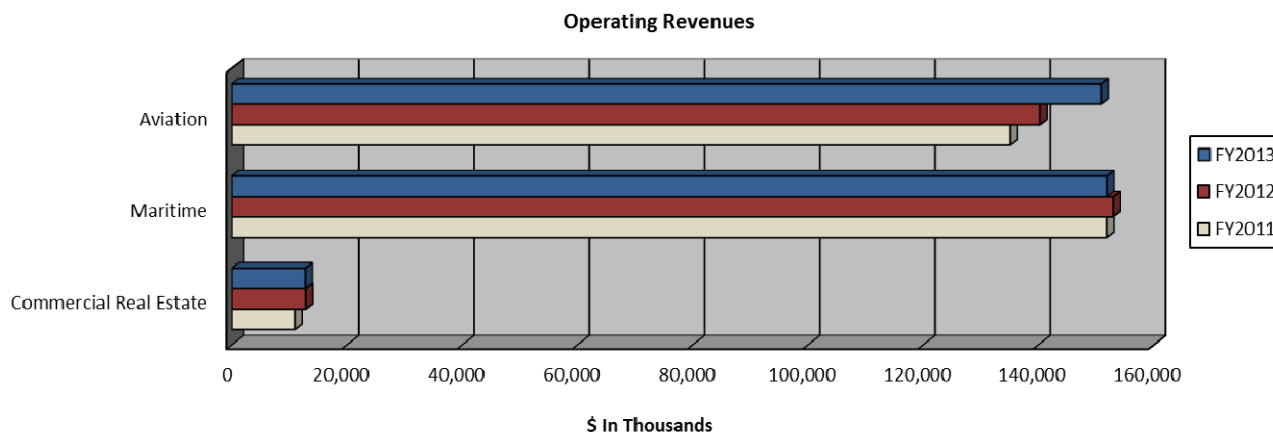
**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Management's Discussion and Analysis (unaudited)**  
**June 30, 2013 and 2012**

---

**Operating Revenues by Division**

A condensed summary of operating revenues follows (in thousands):

<b>Division</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Aviation	\$ 150,871	\$ 140,309	\$ 135,173
Maritime	151,869	152,988	151,854
Commercial Real Estate	12,778	12,841	10,956
<b>Total</b>	<b>\$ 315,518</b>	<b>\$ 306,138</b>	<b>\$ 297,983</b>



**2013**

The Port's operating revenues increased approximately \$9.4 million or 3.1% from \$306.1 million in fiscal year 2012 to \$315.5 million in fiscal year 2013.

The Aviation Division generated \$150.9 million or 47.8% of the Port's total operating revenues in fiscal year 2013. Aviation's operating revenues increased approximately \$10.6 million or 7.5% from \$140.3 million in fiscal year 2012 to \$150.9 million in fiscal year 2013. The increase in Aviation revenue was due to increases in: terminal rental revenue of \$4.0 million; cargo building rental revenue of \$2.3 million; parking revenue of \$1.2 million; utility revenue of \$1.5 million; and concession revenue of \$0.7 million. The primary reasons for these increases were an increase in the terminal rental rate from \$145.88 per square foot to \$179.44 per square foot and an overall increase in demand at the airport. Passenger traffic increased 3.2% in fiscal year 2013, from 9,643,555 in fiscal year 2012 to 9,950,856 in fiscal year 2013.

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Management's Discussion and Analysis (unaudited)**  
**June 30, 2013 and 2012**

---

**Operating Revenues by Division (continued)**

The Maritime Division generated \$151.9 million or 48.1% of the Port's total operating revenues in fiscal year 2013. Maritime's operating revenues decreased approximately \$1.1 million or 0.7% from \$153.0 million in fiscal year 2012 to \$151.9 million in fiscal year 2013. The decrease in Maritime revenue is primarily due to a shift in cargo activity among the terminals. Loaded Twenty Equivalent Units (TEUs) decreased 0.1% from 1,796,671 in fiscal year 2012 to 1,794,187 in fiscal year 2013.

The Commercial Real Estate Division generated \$12.8 million or 4.1% of the Port's total operating revenues in fiscal year 2013. Commercial Real Estate's operating revenues in fiscal year 2013 were essentially unchanged from fiscal year 2012.

**2012**

The Port's operating revenues increased approximately \$8.1 million or 2.7% from \$298.0 million in fiscal year 2011 to \$306.1 million in fiscal year 2012.

The Aviation Division generated \$140.3 million or 45.8% of the Port's total operating revenues in fiscal year 2012. Aviation's operating revenues increased approximately \$5.1 million or 3.8% from \$135.2 million in fiscal year 2011 to \$140.3 million in fiscal year 2012. The increase is primarily attributable to a scheduled lease payment increase of \$2.1 million; rent from the addition of a new tenant at the Airport of \$0.7 million; an increase in terminal rental revenues of \$0.2 million; and due to increased passenger traffic an increase in parking revenues of \$40.4 million and concession revenues of \$0.2 million. Traffic, as measured by passenger enplanements, increased 2.9% in fiscal year 2012.

The Maritime Division generated \$153.0 million or 50.0% of the Port's total operating revenues in fiscal year 2012. Maritime's operating revenues increased approximately \$1.1 million or 0.7% from \$151.9 million in fiscal year 2011 to \$153.0 million in fiscal year 2012. The increase is primarily attributable to a \$2.7 million scheduled lease payment increase, offset by lower activity at other marine terminals, resulting in lower revenues of \$1.6 million. Cargo activity, as measured by loaded TEUs, declined 0.1% in fiscal year 2012.

The Commercial Real Estate Division generated \$12.8 million or 4.2% of the Port's total operating revenues in fiscal year 2012. Commercial Real Estate's operating revenues increased \$1.8 million or 17.2% from \$11.0 million in fiscal year 2011 to \$12.8 million in fiscal year 2012. The increase is due to a one-time fee related to waiver of the Port's repurchase option agreement on certain undeveloped properties at Jack London Square, and higher than expected percentage rents.

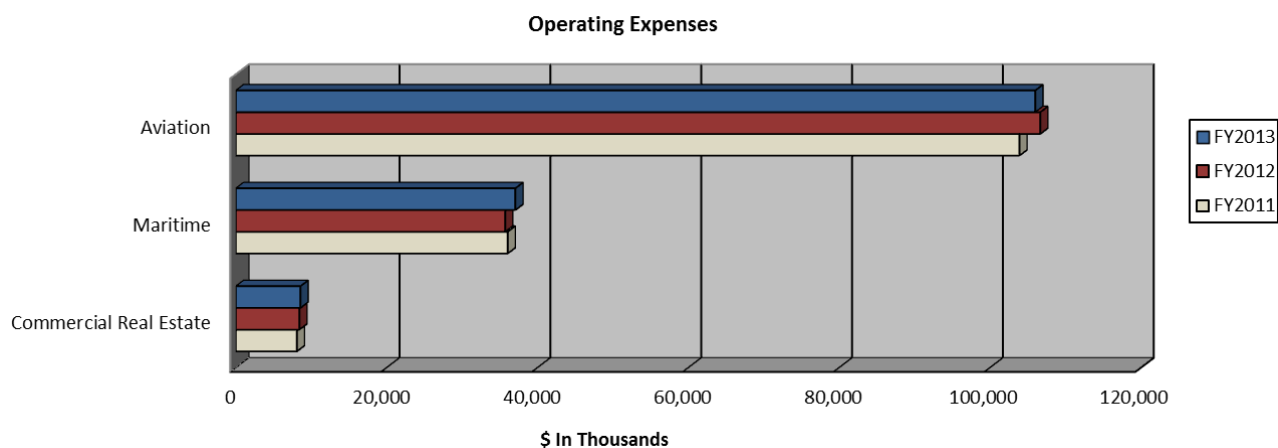
**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Management's Discussion and Analysis (unaudited)**  
**June 30, 2013 and 2012**

---

**Operating Expenses by Division**

A condensed summary of operating expenses (excluding depreciation) follows (in thousands):

<b>Division</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Aviation	\$ 106,002	\$ 106,657	\$ 103,887
Maritime	37,059	35,708	36,034
Commercial Real Estate	8,562	8,413	8,081
<b>Total</b>	<b>\$ 151,623</b>	<b>\$ 150,778</b>	<b>\$ 148,002</b>



**2013**

The Port's operating expenses, excluding depreciation, increased approximately \$0.8 million or 0.6% from \$150.8 million in fiscal year 2012 to \$151.6 million in fiscal year 2013.

The Aviation Division represented 69.9% of the Port's total operating expenses in fiscal year 2013. Aviation's operating expenses decreased approximately \$0.7 million in fiscal year 2013. The decrease was primarily due to lower Aircraft Rescue and Fire Fighting (ARFF) expenses resulting from a fiscal year 2012 and fiscal year 2013 true-up with the City of Oakland.

The Maritime Division represented 24.4% of the Port's total operating expenses in fiscal year 2013. Maritime's operating expenses increased approximately \$1.4 million or 3.8% in fiscal year 2013 from \$35.7 million in fiscal year 2012 to \$37.1 million in fiscal year 2013. The increase was due to higher personnel related expenses, security projects and supplies for a variety of maintenance and repair projects.

The Commercial Real Estate Division represented 5.7% of the Port's total operating expenses in fiscal year 2013. Commercial Real Estate's operating expenses in fiscal year 2013 were essentially unchanged from fiscal year 2012.

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Management's Discussion and Analysis (unaudited)**  
**June 30, 2013 and 2012**

---

**Operating Expenses by Division (continued)**

**2012**

The Port's operating expenses, excluding depreciation, increased approximately \$2.8 million or 1.9% from \$148.0 million in fiscal year 2011 to \$150.8 million in fiscal year 2012.

The Aviation Division represented 70.7% of the Port's total operating expenses in fiscal year 2012. Aviation's operating expenses increased approximately \$2.8 million in fiscal year 2012 from \$103.9 million in fiscal year 2011 to \$106.7 million in fiscal year 2012. The increase was primarily attributed to personnel related expenses, airport security and maintenance expense.

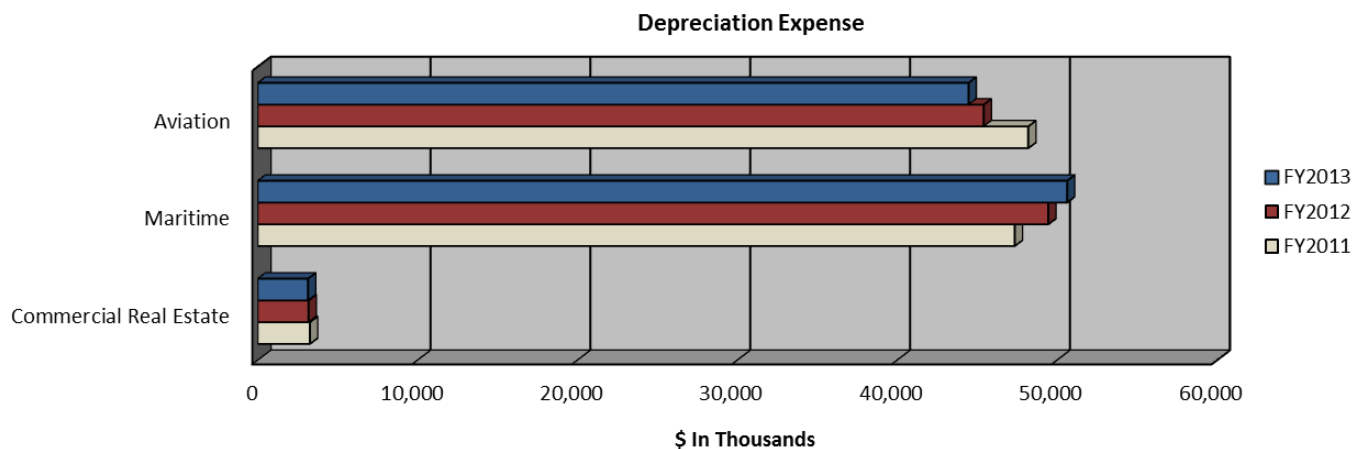
The Maritime Division represented 23.7% of the Port's total operating expenses in fiscal year 2012. Maritime's operating expenses in fiscal year 2012 were essentially unchanged from fiscal year 2011.

The Commercial Real Estate Division represented 5.6% of the Port's total operating expenses in fiscal year 2012. Commercial Real Estate's operating expenses in fiscal year 2012 were essentially unchanged from fiscal year 2011.

**Depreciation Expense by Division**

A summary of depreciation expense follows (in thousands):

<b>Division</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Aviation	\$ 44,459	\$ 45,407	\$ 48,199
Maritime	50,624	49,448	47,349
Commercial Real Estate	3,151	3,177	3,268
<b>Total</b>	<b>\$ 98,234</b>	<b>\$ 98,032</b>	<b>\$ 98,816</b>



**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Management's Discussion and Analysis (unaudited)**  
**June 30, 2013 and 2012**

---

**Depreciation Expense by Division (continued)**

**2013**

In fiscal year 2013, depreciation expense increased less than 1% or \$0.2 million. Depreciation expense on Maritime related assets increased \$1.2 million due to assets placed into service near the end of fiscal year 2012. Depreciation expense on Aviation related assets decreased \$0.9 million due to several assets that fully depreciated in fiscal year 2012 and in early 2013.

The Port completed projects worth approximately \$87.9 million during fiscal year 2013, of which approximately \$61.3 million are for the Aviation Division, \$26.5 million are for the Maritime Division and \$40 thousand are for the Commercial Real Estate Division.

**2012**

In fiscal year 2012, depreciation expense decreased approximately 1% or \$0.8 million. Depreciation expense on Maritime related assets increased \$2.1 million due to assets placed into service near the end of fiscal year 2011. Depreciation expense on Aviation related assets decreased \$2.8 million due to several assets that were fully depreciated in fiscal year 2011.

The Port completed projects worth approximately \$13.9 million during fiscal year 2012, of which approximately \$12.4 million are for the Aviation Division, \$1.4 million are for Maritime Division and \$51 thousand are for the Commercial Real Estate Division.

Grants are primarily restricted for the acquisition and construction of capital assets. The depreciation expense attributable to grant funded assets and to assets funded from other sources follows (in thousands):

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Non-grant funded assets	\$ 68,512	\$ 70,951	\$ 71,476
Grant funded assets (including those funded by PFCs)	<u>29,722</u>	<u>27,081</u>	<u>27,340</u>
Total depreciation expense	<u>\$ 98,234</u>	<u>\$ 98,032</u>	<u>\$ 98,816</u>

**Interest Expense**

Interest expense decreased \$7.2 million in fiscal year 2013 from \$66.8 million in fiscal year 2012 to \$59.6 million in fiscal year 2013. The decrease in interest expense is the result of the Port's refunding of outstanding debt and scheduled principal payments. For further explanation refer to Debt Administration section.

Interest expense decreased \$3.9 million in fiscal year 2012 in comparison to fiscal year 2011. The decrease in interest expense is the result of the Port's refunding of outstanding debt and scheduled principal payments. For further explanation refer to Debt Administration section. Please note that interest expense for fiscal year 2012 and 2011 has been restated to conform with GASB65. Further explanation of this pronouncement may be found on page 26 of the "Notes to Financial Statements".

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Management's Discussion and Analysis (unaudited)**  
**June 30, 2013 and 2012**

---

## **Other Income**

In fiscal year 2013, the Port recognized approximately \$19 million of other income. Other income consisted primarily of a \$13 million gain from the sale of Commercial Real Estate assets known as Oak-to-Ninth and the affect of changes in estimate of previously expensed legal and environmental matters of \$5.8 million.

Additional information on the gain from the sale of assets can be found in Note 4 Changes in Capital Assets in the accompanying notes to the financial statements.

## **Capital Contributions**

Grants are, for the most part, restricted for the acquisition or construction of capital assets.

In fiscal year 2013, grants from government agencies increased approximately \$14.7 million or 63.2% from \$23.2 million in fiscal year 2012 to \$37.9 million in fiscal year 2013. The increase was due to additional grant funding for capital projects in the Aviation Division, primarily funded with the Airport Improvement Program grants for the Runway Safety Area project.

In fiscal year 2012, grants from government agencies decreased approximately \$4 million or 15% from \$27.3 million in fiscal year 2011 to \$23.2 million in fiscal year 2012. This was due to a decrease in grant funding for capital projects in the Aviation Division, primary the completion of the East Apron, Phase 3 project, which was funded with American Recovery and Reinvestment Act of 2009 grants.

## **Capital Assets (net of depreciation) and Capital Needs Assessment**

A summary of Capital Assets, net of depreciation and amortization as of June 30 follows (in thousands):

	<u>2013</u>	<u>% Change</u>	<u>2012</u>	<u>% Change</u>	<u>2011</u>
Capital assets:					
Land and land improvements	\$ 523,235	0%	\$ 520,805	0%	\$ 520,130
Noise easements and air rights	23,493	0%	23,493	86%	12,642
Construction in progress	197,125	13%	175,086	43%	122,528
Buildings and improvements	351,854	-7%	379,059	-8%	409,994
Container cranes	64,704	-8%	69,958	-7%	75,380
Infrastructure	1,001,867	2%	981,923	-5%	1,036,244
Software	10,628	13%	9,394	-11%	10,516
Other equipment	26,179	1%	26,025	-11%	29,366
Total	<u>\$ 2,199,085</u>	1%	<u>\$ 2,185,743</u>	-1%	<u>\$ 2,216,800</u>

Net capital assets increased by approximately \$13.3 million or 0.6% in fiscal year 2013, due to an increase in capital assets of \$103 million offset by an increase in accumulated depreciation of \$89 million. Major additions to capital assets in fiscal year 2013 included electrical infrastructure for the Shore Power Program; BART – Oakland Airport Connector; Airport Terminal 1 renovation; Airport Runway Safety Area project; and overlay of various taxiways.

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Management's Discussion and Analysis (unaudited)**  
**June 30, 2013 and 2012**

---

**Capital Assets (net of depreciation) and Capital Needs Assessment (continued)**

Net capital assets decreased by approximately \$31.1 million or 1.4% in fiscal year 2012, due to an increase in capital assets of \$65 million offset by an increase in accumulated depreciation of \$96 million. Major additions to capital assets in fiscal year 2012 included acquired airport related noise easements; electrical infrastructure for the Shore Power Program; BART – Oakland Airport Connector; Airport Terminal 1 renovation; replacement of pump house 4 and 6; and overlay of various taxiways.

Additional information on the Port's capital assets can be found in Note 4 Changes in Capital Assets in the accompanying notes to the financial statements.

On June 27, 2013, a Five-Year (fiscal year 2014-2018) Capital Needs Assessment (CNA) in the amount of \$658.6 million was presented to the Board of Port Commissioners (Board) for informational purposes. For fiscal year 2014, the Board adopted a capital budget of \$105.5 million. The most significant projects in the CNA are:

Aviation: Terminal 1 renovation and retrofit; BART – Oakland Airport Connector; perimeter dike improvements; and the runway safety area.

Maritime: Shore Power Program and Phase 1 redevelopment at the former Oakland Army Base.

**Debt Administration**

The total debt of the Port decreased approximately \$69 million or 5% from \$1,376 million in fiscal year 2012 to \$1,306 million in fiscal year 2013. The decrease resulted from the refunding of outstanding debt, which was financed through a combination of new refunding bonds and internally generated funds. Specifically, the Port refunded a total of \$464 million of outstanding senior lien debt and issued \$384 million in refunding bonds. In addition, the Port made principal payments of \$31 million on outstanding bonds, commercial paper, and a loan with the Department of Boating and Waterways. These decreases were partially offset by net increase to unamortized bond premium totaling \$42 million.

The total debt of the Port decreased \$44 million or 3% from \$1,420 million in fiscal year 2011 to \$1,376 million in fiscal year 2012. The decrease resulted from revenue bond debt payments of \$49 million and the refunding of \$348 million of 2000 Series K with \$346 million of 2011 Series O that was offset by a net increase in bond premium of \$7 million.



**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Management's Discussion and Analysis (unaudited)**  
**June 30, 2013 and 2012**

---

**Debt Administration (continued)**

The following table summarizes the Port's outstanding debt as of June 30 (in thousands):

	<u>2013</u>	<u>2012<sup>1</sup></u>	<u>2011<sup>1</sup></u>
Bond Indebtedness	\$ 1,222,706	\$ 1,282,738	\$ 1,326,764
DBW Loan	5,357	5,564	5,762
Commercial Paper	78,398	87,268	87,268
Total debt	<u>\$ 1,306,461</u>	<u>\$ 1,375,570</u>	<u>\$ 1,419,794</u>

<sup>1</sup>Bond Indebtedness for fiscal years 2012 and 2011 has been restated to conform with GASB 65. Please see page 26 in the "Notes to Financial Statements" for further explanation.

The debt coverage ratios for the fiscal years ending June 30 were as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Senior Lien (Minimum 1.25)	2.49	2.33	2.33
Intermediate Lien (Minimum 1.10)	1.59	1.50	1.47
Combined	1.58	1.50	1.47

The calculation to determine Combined Debt Coverage Ratio includes Senior Lien debt service, California Department of Boating and Waterways debt service, Intermediate Lien debt service and Commercial Paper interest. There is no amortization of principal associated with Commercial Paper. This calculation is not defined and is not a requirement in any Indenture.

Additional information on the Port's debt activity can be found in Note 5 Debt in the accompanying notes to the financial statements.

**Credit Ratings**

The Port's credit ratings as of June 30, 2013 are as follows:

- Standard & Poor's Rating Services (S&P) underlying rating on the Port's Senior Lien Bonds is "A+" and the Intermediate Lien Bonds is "A". The Commercial Paper Notes for Series A, Series B and Series C is "A-1+", and the Commercial Paper Notes for Series D, Series E and Series F is "A-1".
- Moody's Investors Service, Inc. (Moody's) underlying rating on the Port's Senior Lien Bonds is "A2" and the Intermediate Lien Bonds is "A3". The Commercial Paper Notes for all series is "P1".
- Fitch Ratings (Fitch) on the Port's Senior Lien Bonds is "A+" and the Port's Intermediate Lien Bonds is "A-". The Commercial Paper Notes for Series A, Series B, and Series C is "F1+" and the Commercial Paper Notes for Series D, Series E, and Series F is "F1".

On September 14, 2012, S&P raised its rating on the Port's senior lien revenue bonds to "A+" from "A" and its intermediate lien revenue bonds to "A" from "A-". The outlook is stable. On May 31, 2013 and September 13, 2012, Fitch and Moody's, respectively, reaffirmed the Port's rating on its Senior and Intermediate Lien Bonds.

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Management's Discussion and Analysis (unaudited)**  
**June 30, 2013 and 2012**

---

**Credit Ratings (continued)**

On November 7, 2012, Fitch reaffirmed the Port's ratings on the Commercial Paper Notes for Series A, Series B, and Series C. On May 17, 2013, Fitch reaffirmed the Port's rating on the Commercial Paper Notes for Series D, Series E, and Series F.

On June 5, 2013, S&P corrected its rating on the Commercial Paper Notes for Series D, Series E and Series F to "A-1" from "A-1+"

**Notes to the Basic Financial Statements**

The notes to the Port's basic financial statements can be found on pages 20-58 of this report. These notes provide additional information that is essential to a full understanding of the basic financial statements.

**Facts and Conditions Affecting the Port's Operation**

On July 18, 2013 the Oakland Board of Port Commissioners approved a litigation settlement agreement with one of the Port's major long-term seaport tenants, SSA Terminals, LLC and SSA Terminals (Oakland), LLC (collectively, SSAT). The settlement involved four of the Port's then seven marine terminals, and allows SSAT to create a 350-acre mega-terminal at the Port's middle harbor. Under the settlement, SSAT leases two terminals through 2022 at substantially similar rates and conditions, and SSAT assumes the lease on a third terminal through 2016, with one option to extend to 2022. Additionally, the Port agreed to terminate SSAT's current lease at a fourth terminal effective September 30, 2013.

The settlement involves short-term revenue loss in exchange for longer term revenue growth and stability. Prior to this agreement, the Port was facing the expiration of all four terminal leases in fiscal years ending June 30, 2016 through June 30, 2017.

**Contacting the Port's Financial Management**

Requests for additional information about this report, should be addressed to the Financial Services Division, Port of Oakland, 530 Water Street, Oakland, California 94607 or visit the website at [www.portofoakland.com](http://www.portofoakland.com).

This page left intentionally blank.

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Statements of Net Position**  
**June 30, 2013 and 2012**  
**(dollar amounts in thousands)**

	<b>2013</b>	<b>2012 restated</b>
<b>Assets</b>		
Current assets:		
Unrestricted:		
Cash equivalents	\$ 179,440	\$ 189,064
Accounts receivable (less allowance for doubtful accounts of \$1,955 in 2013 and \$2,392 in 2012)	34,052	26,693
Prepaid expenses and other assets	4,098	4,167
Total unrestricted current assets	<u>217,590</u>	<u>219,924</u>
Restricted:		
Cash equivalents	11,702	20,789
Investments	57,896	60,412
Deposits in escrow	2,269	1,446
Receivables - passenger facility charges and customer facility charges	2,596	2,678
Accrued interest receivable	25	222
Total restricted current assets	<u>74,488</u>	<u>85,547</u>
Total current assets	<u>292,078</u>	<u>305,471</u>
Non-current assets:		
Capital assets:		
Land and land improvements	523,235	520,805
Noise easements and air rights	23,493	23,493
Construction in progress	197,125	175,086
Buildings and improvements	848,432	851,721
Container cranes	153,775	153,775
Infrastructure	1,650,965	1,574,781
Software	13,391	11,052
Other equipment	78,829	75,973
Total capital assets, at cost	3,489,245	3,386,686
Less accumulated depreciation	<u>(1,290,160)</u>	<u>(1,200,943)</u>
Capital assets, net	2,199,085	2,185,743
Other receivables	43,538	26,805
Other assets	3,148	7,392
Restricted investments	-	9,494
Total non-current assets	<u>2,245,771</u>	<u>2,229,434</u>
Total assets	<u>2,537,849</u>	<u>2,534,905</u>
<b>Deferred Outflows of Resources</b>		
Loss on refunding	\$ 14,512	\$ 14,017

(Continued)

The accompanying notes are an integral part of these financial statements.

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Statements of Net Position (continued)**  
**June 30, 2013 and 2012**  
**(dollar amounts in thousands)**

	<u>2013</u>	<u>2012 restated</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 35,660	\$ 30,926
Retentions on construction contracts	6,085	4,341
Environmental and other	10,832	10,161
Accrued interest	9,732	10,755
Long-term debt, net	48,464	50,100
Liability to City of Oakland	6,044	7,875
Unearned revenue	12,491	15,731
Total current liabilities	<u>129,308</u>	<u>129,889</u>
Non-current liabilities:		
Retentions on construction contracts	1,705	1,705
Environmental and other	26,170	32,937
Long-term debt, net	1,257,997	1,325,470
Deposits	5,546	6,383
Other post employment benefits	10,453	10,510
Unearned revenue	92,763	99,694
Total non-current liabilities	<u>1,394,634</u>	<u>1,476,699</u>
Total liabilities	<u>1,523,942</u>	<u>1,606,588</u>
<b>Net Position</b>		
Net investment in capital assets	944,974	882,351
Restricted for construction	14,178	20,553
Unrestricted	69,267	39,430
Total net position	<u>\$ 1,028,419</u>	<u>\$ 942,334</u>

(Concluded)

The accompanying notes are an integral part of these financial statements.

**Port of Oakland**  
(A Component Unit of the City of Oakland)  
**Statements of Revenues, Expenses and Changes in Net Position**  
For the years ended June 30, 2013 and 2012  
(dollar amounts in thousands)

	<b>2013</b>	<b>2012 restated</b>
Operating revenues:		
Aviation:		
Terminal rentals and concessions	\$ 53,234	\$ 48,458
Parking fees and ground access	30,548	29,252
Lease rentals	26,779	24,272
Landing fees	28,762	28,340
Utility sales	5,324	3,846
Fueling	3,918	3,985
Other	2,306	2,156
Total aviation operating revenues	<u>150,871</u>	<u>140,309</u>
Maritime:		
Marine terminal rentals	139,415	140,777
Space assignments and rentals	6,518	5,726
Utility sales	4,015	4,282
Other	1,921	2,203
Total maritime operating revenues	<u>151,869</u>	<u>152,988</u>
Commercial real estate:		
Lease rentals	9,396	8,786
Parking fees	2,133	2,086
Other	1,249	1,969
Total commercial real estate operating revenues	<u>12,778</u>	<u>12,841</u>
Total operating revenues	<u>315,518</u>	<u>306,138</u>
Operating expenses:		
Aviation:		
Materials, supplies, contract services and other	56,644	57,853
Security	13,766	13,468
Maintenance	21,487	22,067
Advertising and promotion	3,243	2,807
Administration	9,229	9,018
Cost of utility sales	1,633	1,444
Depreciation	44,459	45,407
Total aviation operating expenses	<u>150,461</u>	<u>152,064</u>
Maritime:		
Materials, supplies, contract services and other	13,140	12,918
Maintenance	10,876	10,340
Advertising and promotion	1,474	1,473
Administration	9,523	8,847
Cost of utility sales	2,046	2,130
Depreciation	50,624	49,448
Total maritime operating expenses	<u>\$ 87,683</u>	<u>\$ 85,156</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

**Port of Oakland**  
(A Component Unit of the City of Oakland)  
**Statements of Revenues, Expenses and Changes in Net Position (continued)**  
For the years ended June 30, 2013 and 2012  
(dollar amounts in thousands)

	<u>2013</u>	<u>2012 restated</u>
Operating expenses, continued		
Commercial real estate:		
Materials, supplies, contract services and other	\$ 6,138	\$ 6,325
Maintenance	786	487
Advertising and promotion	156	154
Administration	1,380	1,345
Cost of utility sales	102	102
Depreciation	3,151	3,177
Total commercial real estate operating expenses	11,713	11,590
Total operating expenses	249,857	248,810
Operating income	65,661	57,328
Non-operating revenues (expenses):		
Interest income	1,095	1,755
Interest expense	(59,598)	(66,798)
Customer facility charges	5,387	5,184
Passenger facility charges	19,924	19,758
Other income (expense)	3,668	(1,752)
Gain (loss) on sale (disposal) of capital assets	12,052	(2,333)
Total net non-operating expenses	(17,472)	(44,186)
Increase in net position before capital contributions	48,189	13,142
Capital contributions -		
Grants from government agencies	37,896	23,217
Increase in net position	86,085	36,359
Net position, beginning of the year		926,000
Adjustment for adoption of GASB 65		(20,025)
Net position, beginning of the year, as restated	942,334	905,975
Net position, end of the year	\$ 1,028,419	\$ 942,334

(Concluded)

The accompanying notes are an integral part of these financial statements.

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Statements of Cash Flows**  
**For the years ended June 30, 2013 and 2012**  
**(dollar amounts in thousands)**

	<u><b>2013</b></u>	<u><b>2012</b></u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 306,209	\$ 307,801
Payments to suppliers	(79,199)	(80,293)
Payments to employees	(74,492)	(71,543)
Other operating cash receipts	<u>2,119</u>	<u>2,465</u>
Net cash provided by operating activities	<u>154,637</u>	<u>158,430</u>
Cash flows from capital and related financing activities:		
Proceeds from new borrowings	430,213	345,730
Repayments/refunding of debt	(495,317)	(397,043)
Grants from government agencies	29,849	20,107
Interest paid on debt	(65,121)	(63,256)
Purchase of capital assets	(110,498)	(68,852)
Proceeds from sale of capital assets	4,801	-
Customer facility charge and passenger facility charge receipts	<u>20,305</u>	<u>20,457</u>
Net cash used in capital and related financing activities	<u>(185,768)</u>	<u>(142,857)</u>
Cash flows from investing activities:		
Interest received on investments	1,233	1,465
Purchase of restricted investments	(20,010)	(16,585)
Proceeds from maturity of restricted investments	<u>31,197</u>	<u>9,413</u>
Net cash provided (used) by investing activities	<u>12,420</u>	<u>(5,707)</u>
Net increase (decrease) in cash equivalents	(18,711)	9,866
Cash equivalents, beginning of year	<u>209,853</u>	<u>199,987</u>
Cash equivalents, end of year	<u><u>\$ 191,142</u></u>	<u><u>\$ 209,853</u></u>

(Continued)

The accompanying notes are an integral part of these financial statements.



**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Statements of Cash Flows (continued)**  
**For the years ended June 30, 2013 and 2012**  
**(dollar amounts in thousands)**

	<u>2013</u>	<u>2012</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 65,661	\$ 57,328
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	98,234	98,032
Other	2,119	2,465
Net effects of changes in:		
Accounts receivable, net of capital grants	688	2,725
Prepaid expenses and other current assets	69	(1,051)
Other receivables and assets	1,011	1,740
Accounts payable and accrued liabilities	276	4,346
Liability to City of Oakland	(1,831)	(9,218)
Unearned revenue	(10,171)	(862)
Deposits	(837)	(200)
Environmental and other liabilities	(582)	3,125
Net cash provided by operating activities	<u>\$ 154,637</u>	<u>\$ 158,430</u>
Non-cash capital and related financing activities:		
Acquisition of capital assets in accounts payable and accrued liabilities	\$ 14,682	\$ 10,281
Loss on disposal of capital assets	1,182	2,276
Gain on sale of assets	13,234	-
Reclassification of capital assets	-	370
Non-cash performance deposits received	582	2,224
Grants - capital contributions	8,047	3,110

(Concluded)

The accompanying notes are an integral part of these financial statements.

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

---

**1. Organization**

The Port of Oakland, California (Port) was established in 1927 by the City of Oakland (City) and is included as a component unit in the City's basic financial statements. The accompanying financial statements include the operations of the Oakland International Airport (Airport or OAK), the maritime facilities, and commercial real estate holdings.

The Port is governed by a seven-member Board of Port Commissioners (Board) whose members are appointed by the City Council, upon nomination by the Mayor. The Board appoints an Executive Director to administer operations. The Port prepares and controls its own budget, administers and controls its fiscal activities, and is responsible for all Port construction and operations. The Port is required by the City Charter to deposit its revenues in the City Treasury. The City Treasurer is responsible for investing and managing such funds.

**2. Significant Accounting Policies**

**Basis of Accounting**

The Port's financial statements are presented on the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**Grants from Government Agencies**

Grants are, for the most part, restricted for the acquisition or construction of capital assets. Such grants are recorded as revenue when all eligibility requirements imposed by the provider have been met.

**Passenger Facility Charges**

The Port, as authorized by the Federal Aviation Administration (FAA) pursuant to the Aviation Safety and Capacity Expansion Act of 1990 (the Act), as amended, currently imposes a Passenger Facility Charge (PFC) of \$4.50 for each enplaning passenger at the Airport. Under the Act, air carriers are responsible for the collection of PFC charges and are required to remit PFC revenues to the Port in the following month after they are recorded by the air carrier. The Port's most recent application was approved by the FAA on January 11, 2012. The current authority to impose PFCs is estimated to end May 1, 2023.

PFC revenues, including any interest earned thereon, are restricted solely to finance allowable costs of new airport planning and development projects as defined and authorized by the FAA. PFC revenues may be used to pay debt service and related expenditures associated with FAA approved projects and the Port has received FAA approval to pay certain debt service if debt proceeds are used for qualifying projects. PFC revenues are recorded as non-operating revenue and any unspent PFC revenues are recorded as restricted cash.

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

---

**Customer Facility Charges**

Under Section 1936 of the California Civil Code, and pursuant to a Port ordinance effective January 2009, the rental car companies operating at the Airport are required to collect from the rental customers and remit to the Port a \$10-per-transaction Customer Facility Charge (CFC). The revenues from CFCs collected by the Port are funding the shuttle bus operations between the terminal and rental car facility. CFC revenues are recorded as non-operating revenue and any unspent CFC revenues are recorded as restricted cash.

**Net Position**

Net position represents the residual interest in the Port's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. Net position consists of three sections: net investment in capital assets, restricted for construction, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of debt that is attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources or deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position. The restricted component of net position consists of restricted assets reduced by liabilities related to those assets. As of June 30, 2013 and 2012, the statement of net position reported \$14,178,000 and \$20,553,000, respectively, as restricted for construction.

**Cash Equivalents**

The Port considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Port's cash and investments in the City Treasury are, in substance, demand deposits and are considered cash equivalents.

**Investments**

The Port reports its investments at fair market value in the accompanying financial statements and the corresponding change in fair market value of investments is reported in the year in which the change occurs. Fair market value is based upon quoted market prices.

**Restricted Assets**

Assets whose use is restricted to specific purposes by bond indenture or otherwise are segregated on the statements of net position.

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

---

**Capital Assets**

Capital assets are stated at cost and it is the policy of the Port to capitalize all expenses related to capital assets greater than \$5,000. Interest costs applicable to qualifying assets are capitalized as part of the cost of the assets. Interest earned on temporary investment of the proceeds from qualifying tax-exempt debt is offset against interest costs capitalized. Depreciation expense is calculated using the straight-line method over the following estimated useful lives of the assets:

Buildings and improvements	5 to 50 years
Container cranes	25 years
Infrastructure	10 to 50 years
Other equipment	5 to 10 years
Intangible assets	20 years

Tenant improvements paid for by the tenants and owned by the Port are recorded as capital assets with an offsetting credit to unearned revenue. The asset is amortized over the shorter of the life of the lease or the life of the asset and the unearned revenue is amortized over the same terms.

Intangible assets which are identifiable are recorded as capital assets. The Port has identified noise easements, air rights and computer software development costs as intangible assets. Intangible assets not having indefinite useful lives are amortized over the estimated useful life of the asset.

**Other Receivables**

Other receivable includes future lease receipts from a fifty-year finance lease agreement and a note receivable associated with the sale and lease of the Oak-to-Ninth property as discussed in Note 4.

**Loss on Refunding**

The loss on refunding at the time of a refunding is reported as deferred outflow of resources and is amortized as interest expense over the shorter of the remaining life of the refunded bonds or life of the new bonds.

**Unearned Revenue**

Unearned interest revenue and prepaid rent related to tenant leases are deferred and amortized principally on the straight-line method over the life of the remaining lease term.

**Compensated Absences**

The Port accrues employee benefits, including accumulated vacation and sick leave, as liabilities in the period the benefits are earned.

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

---

**Operating Revenues and Expenses**

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Port. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing activities. When an expense is incurred for purposes for which there are both restricted and unrestricted assets available, it is the Port's policy to first utilize available restricted assets and then to utilize unrestricted assets.

**Allocation of Expenses to the Port Businesses**

The Port records to each of its revenue divisions (Aviation, Maritime, and Commercial Real Estate) expenses directly related to those operations. In addition, the Port annually allocates indirect expenses to these divisions based on an expense allocation methodology. Allocated expenses include general operating expenses, maintenance, advertising and promotion, and administrative expenses.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflow/inflow of resources, and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**New Accounting Pronouncements Adopted**

Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedures which does not conflict with or contradict other GASB pronouncements. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and renames the resulting measure as net position rather than net assets. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011. As of July 1, 2011, the Port adopted the above GASB standards, which did not have a significant impact on its financial statements.

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

---

**New Accounting Pronouncements Adopted (continued)**

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The statement also recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. During fiscal year 2013, the Port adopted the provisions of GASB Statement No. 65 and restated net position as of July 1, 2011 in the amount of \$20,025,000 to write off \$16,245,000 of unamortized bond issuance costs previously reported as an asset and \$3,780,000 of bond issuance costs included in the unamortized loss on refunding previously reported as a contra liability. The remaining unamortized loss on refunding of \$14,017,000 was reclassified from a contra liability to deferred outflows of resources. During fiscal year 2012, interest expense was increased by \$1,088,000.

**New Accounting Pronouncements Not Yet Adopted**

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The significant changes in this statement address (1) the measurement of pension obligations that derive liabilities (or assets); and (2) the calculations behind pension expense. GASB 68 also covers:

- Deferred outflows and deferred inflows of resources;
- Methods and assumptions of pension calculations, including how to calculate the discount rate to be used and how to attribute the pension liability to various periods;
- Note disclosure and required supplementary information; and
- Defined contribution pension plan reporting.

Application of this statement is effective for the Port's fiscal year ending June 30, 2015.

**Reclassification**

Certain 2012 amounts have been reclassified to conform to the 2013 presentation.

**3. Cash, Cash Equivalents, Investments, and Deposits**

The Port's cash, cash equivalents, investments and deposits in escrow consisted of the following at June 30 (in thousands):

	<u>2013</u>	<u>2012</u>
U.S. Treasury Notes	\$ 57,896	\$ 69,906
Government Securities Money Market Mutual Funds	120	2,914
City Investment Pool	190,396	206,313
Deposits in Escrow	2,269	1,446
Bank Deposits and Cash on Hand	626	626
	<u>\$ 251,307</u>	<u>\$ 281,205</u>

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

---

**Deposits in Escrow**

Deposits in escrow consist of amounts received from construction contractors that are deposited into an escrow account in-lieu of retention withheld from construction progress billings. Interest on these deposits accrues to the contractor.

**Investments**

Under the City Charter, all cash receipts from the operations of the Port are deposited in the City Investment Pool. These funds are invested by the City, pursuant to an Investment Policy which it administers and reviews annually. For this reason, the Port does not maintain a policy of its own, and relies on the City Investment Policy to mitigate the risks described below.

Senior Lien Bonds reserves are on deposit with the Senior Lien Bonds trustee. The investment of funds held by the Senior Lien Bonds trustee is governed by the Senior Trust Indenture and is currently invested in either 1) U.S. Treasury Notes or 2) Government Securities Money Market Mutual Funds. There were no investments pertaining to the Intermediate Lien Debt.

At June 30, 2013, the Port had the following investments (in thousands):

	<u>Fair Value</u>	<u>Credit Rating per Moody's</u>	<u>Maturity</u>	
			<u>Less than 1 Year</u>	<u>1-5 Years</u>
U.S. Treasury Notes	\$ 57,896	Aaa	\$ -	\$ 57,896
Government Securities Money Market Mutual Funds	120	Aaa	120	-
City Investment Pool	190,396	Not rated	190,396	-
Total Investments	<u>\$ 248,412</u>		<u>\$ 190,516</u>	<u>\$ 57,896</u>

At June 30, 2012, the Port had the following investments (in thousands):

	<u>Fair Value</u>	<u>Credit Rating per Moody's</u>	<u>Maturity</u>	
			<u>Less than 1 Year</u>	<u>1-5 Years</u>
U.S. Treasury Notes	\$ 69,906	Aaa	\$ 60,412	\$ 9,494
Government Securities Money Market Mutual Funds	2,914	Aaa	2,914	-
City Investment Pool	206,313	Not rated	206,313	-
Total Investments	<u>\$ 279,133</u>		<u>\$ 269,639</u>	<u>\$ 9,494</u>

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

---

**Investments Authorized by Debt Agreements**

The following are the types of investments generally allowed under the Senior Trust Indenture and the Intermediate Trust Indenture dated as of October 1, 2007 (Intermediate Trust Indenture, together with the Senior Trust Indenture, the Trust Indentures): U.S. Government Securities, U.S. Agency Obligations, obligations of any State in the U.S., prime commercial paper, FDIC insured deposits, certificates of deposit/banker's acceptances, money market mutual funds, long or medium-term corporate debt, repurchase agreements, state-sponsored investment pools, investment contracts, and forward delivery agreements.

**Interest Rate Risk**

This risk represents the possibility that an interest rate change could adversely affect an investment's fair market value.

In order to manage interest rate risk:

- Proceeds from bonds are invested in permitted investments, as stated in the Trust Indentures, with short term maturities.
- The deposits with the City Treasury pursuant to the City's Investment Policy and Section 53601 of the State of California Government Code, limits certain investments to short-term maturities of 360 days and 270 days, respectively. Also, Section 53601 limits the maximum maturity of any investment to be no longer than 5 years unless authority for such investment is expressly granted in advance by the City Council or authorized by bond covenants.

**Credit Risk**

This risk represents the possibility that the issuer/counterparty to an investment will be unable to fulfill its obligation.

In order to manage credit risk:

- Provisions of the Trust Indentures prescribe restrictions on the types of permitted investments of the monies held by the trustee in the funds and accounts created under the Trust Indentures, including agreements or financial institutions that must meet certain ratings, such as certain investments that must be rated in either of the two highest ratings by S&P and Moody's.
- The deposits with the City Treasury are invested in short-term debt that is rated at least A-1 by S&P, P-1 by Moody's or F-1 by Fitch Ratings. Long-term debt shall be rated at least A- by S&P, A3 by Moody's, and A- by Fitch Ratings.



**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

---

**Concentration of Credit Risk**

The Trust Indentures place no limit on the amount the Port may invest in any one issuer.

Port revenues are deposited in the City Treasury. These and all City funds are pooled and invested in the City Investment Pool. The City has adopted an investment policy that provides for the following:

- The maximum maturity for any one investment may not exceed 5 years.
- No more than 5 percent of the total assets of the investments held by the City may be invested in the securities of any one issuer except the obligations of the United States government or government-sponsored enterprises.
- Permitted investments include U.S. treasury securities, federal agency and instrumentalities, banker's acceptances, commercial paper, asset-backed commercial paper, local government investment pools, medium-term notes, negotiable certificates of deposit, repurchase agreements, reverse repurchase agreements, secured obligations and agreements, certificates of deposit, money market mutual funds, state investment pool (Local Agency Investment Fund), local City/agency bonds and State of California obligations, and other local agency bonds.
- All investments are to be secured through third party custody and safekeeping procedures. All securities purchased from dealers and brokers are held in safekeeping by the City's custodial bank, which establishes ownership by the City.
- Additional information regarding deposit custodial credit, interest and credit risks, and securities lending transactions of the City Investment Pool is presented in the notes of the City's basic financial statements. Requests for financial information should be addressed to the Finance and Management Agency, Accounting Division, City of Oakland, 150 Frank H. Ogawa Plaza, Suite 6353, Oakland, California 94612-2093.

**Custodial Credit Risk**

Custodial credit risks is the risk that, in the event of the failure of a depository financial institution or counterparty to a transaction, the Port will not be able to recover the value of its investment or collateral securities that are in possession of another party.

To protect against custodial credit risk:

- All securities owned by the Port under the terms of the Trust Indentures are held in the name of the Port for safekeeping by a third party bank trust department, acting as an agent for the Port. The Port had investments held by a third party bank trust department in the amount of \$58,016,000 and \$72,820,000 at June 30, 2013 and 2012, respectively.
- All securities owned by the Port and invested by the City are held in the name of the City for safekeeping by a third party bank trust department, acting as an agent for the City under the terms of the Custody Agreements. The Port had \$190,396,000 and \$206,313,000 invested in the City Investment Pool at June 30, 2013 and 2012, respectively.

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

---

**Custodial Credit Risk (continued)**

The carrying amount of the Port's deposits in escrow was \$2,269,000 at June 30, 2013 and \$1,446,000 at June 30, 2012. Of this amount, bank balances and escrow deposits of \$250,000 on June 30, 2013 and on June 30, 2012, are insured or collateralized with securities held by the pledging financial institution's trust department in the Port's name and the remaining balance of \$1,839,000 as of June 30, 2013 and \$1,196,000 as of June 30, 2012, was exposed to custodial credit risk by not being insured or collateralized.

**4. Changes in Capital Assets**

A summary of changes in capital assets for the year ended June 30, 2013, is as follows (in thousands):

	<b>Beginning Balance July 1, 2012</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfer of Completed Construction</b>	<b>Ending Balance June 30, 2013</b>
Capital assets not being depreciated					
Land and land improvements	\$ 520,805	\$ -	\$ (762)	\$ 3,192	\$ 523,235
Noise easements and air rights	23,493	-	-	-	23,493
Construction in progress	<u>175,086</u>	<u>116,424</u>	<u>(3,331)</u>	<u>(91,054)</u>	<u>197,125</u>
Total capital assets not being depreciated	<u>719,384</u>	<u>116,424</u>	<u>(4,093)</u>	<u>(87,862)</u>	<u>743,853</u>
Capital assets being depreciated					
Buildings and improvements	851,721	56	(7,008)	3,663	848,432
Container cranes	153,775	-	-	-	153,775
Infrastructure	1,574,781	-	(1,130)	77,314	1,650,965
Software	11,052	-	-	2,339	13,391
Other equipment	<u>75,973</u>	<u>163</u>	<u>(1,853)</u>	<u>4,546</u>	<u>78,829</u>
Total capital assets being depreciated	<u>2,667,302</u>	<u>219</u>	<u>(9,991)</u>	<u>87,862</u>	<u>2,745,392</u>
Less accumulated depreciation for					
Buildings and improvements	(472,661)	(30,088)	6,171	-	(496,578)
Container cranes	(83,817)	(5,254)	-	-	(89,071)
Infrastructure	(592,858)	(57,298)	1,058	-	(649,098)
Software	(1,658)	(1,105)	-	-	(2,763)
Other equipment	<u>(49,949)</u>	<u>(4,489)</u>	<u>1,788</u>	<u>-</u>	<u>(52,650)</u>
Total accumulated depreciation	<u>(1,200,943)</u>	<u>(98,234)</u>	<u>9,017</u>	<u>-</u>	<u>(1,290,160)</u>
Total being depreciated, net	<u>1,466,359</u>	<u>(98,015)</u>	<u>(974)</u>	<u>87,862</u>	<u>1,455,232</u>
Total capital assets, net	<u>\$ 2,185,743</u>	<u>\$ 18,409</u>	<u>\$ (5,067)</u>	<u>\$ -</u>	<u>\$ 2,199,085</u>

On June 10, 2013, the Port completed the combined sale and lease of approximately 64-acres of land known as Oak-to-Ninth. Buildings, improvements, infrastructure and certain land was transferred to a developer in exchange for approximately \$18,000,000, of which \$4,500,000 was paid in cash and \$13,500,000 financed with a promissory note payable in full to the Port on or before October 1, 2015. The net book value of the assets transferred was approximately \$4,977,000.

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

---

**Changes in Capital Assets (continued)**

A summary of changes in capital assets for the year ended June 30, 2012, is as follows (in thousands):

	<b>Beginning Balance July 1, 2011</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfer of Completed Construction</b>	<b>Ending Balance June 30, 2012</b>
Capital assets not being depreciated					
Land and land improvements	\$ 520,130	\$ 512	\$ 163	\$ -	\$ 520,805
Noise easements and air rights	12,642	-	-	10,851	23,493
Construction in progress	<u>122,528</u>	<u>68,688</u>	<u>(2,292)</u>	<u>(13,838)</u>	<u>175,086</u>
Total capital assets not being depreciated	<u>655,300</u>	<u>69,200</u>	<u>(2,129)</u>	<u>(2,987)</u>	<u>719,384</u>
Capital assets being depreciated					
Buildings and improvements	851,384	-	65	272	851,721
Container cranes	153,775	-	-	-	153,775
Infrastructure	1,574,958	-	(1,401)	1,224	1,574,781
Software	11,069	-	(17)	-	11,052
Other equipment	<u>74,742</u>	<u>51</u>	<u>(311)</u>	<u>1,491</u>	<u>75,973</u>
Total capital assets being depreciated	<u>2,665,928</u>	<u>51</u>	<u>(1,664)</u>	<u>2,987</u>	<u>2,667,302</u>
Less accumulated depreciation for					
Buildings and improvements	(441,390)	(32,431)	1,160	-	(472,661)
Container cranes	(78,395)	(5,422)	-	-	(83,817)
Infrastructure	(538,714)	(54,144)	-	-	(592,858)
Software	(553)	(1,105)	-	-	(1,658)
Other equipment	<u>(45,376)</u>	<u>(4,930)</u>	<u>357</u>	<u>-</u>	<u>(49,949)</u>
Total accumulated depreciation	<u>(1,104,428)</u>	<u>(98,032)</u>	<u>1,517</u>	<u>-</u>	<u>(1,200,943)</u>
Total being depreciated, net	<u>1,561,500</u>	<u>(97,981)</u>	<u>(147)</u>	<u>2,987</u>	<u>1,466,359</u>
Total capital assets, net	<u>\$ 2,216,800</u>	<u>\$ (28,781)</u>	<u>\$ (2,276)</u>	<u>\$ -</u>	<u>\$ 2,185,743</u>

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

**5. Debt**

Long-term debt consists of the following at June 30, 2013 and 2012 (in thousands):

	Interest Rate	Fiscal Maturity Year	Original Amount	Beginning Balance July 1, 2012	Additions	Reductions	Ending Balance June 30, 2013	Principal Due Within One Year
<b>Senior Lien Bonds</b>								
2002 Revenue Bonds Series L	5.00-5.50	2033	401,530	\$ 357,025	-	\$ 357,025	\$ -	\$ -
2002 Revenue Bonds Series M	4.00-5.00	2021	218,470	27,660	-	27,660	-	-
2002 Revenue Bonds Series N	3.25-5.00	2023	121,150	79,135	-	79,135	-	-
2011 Revenue Bonds Series O	2.00-5.125	2031	345,730	334,550	-	6,390	328,160	6,635
2012 Revenue Bonds Series P	2.00-5.00	2033	380,315	-	380,315	-	380,315	2,985
2012 Revenue Bonds Series Q	2.00	2014	3,575	-	3,575	-	3,575	3,575
Total Senior Lien Bonds			1,470,770	798,370	383,890	470,210	712,050	13,195
<b>Dept. of Boating and Waterway (DBW) Loan</b>								
Small Craft Harbor Revenue Bonds, Series 1993	4.50	2030	7,176	5,564	-	207	5,357	217
<b>Intermediate Lien Bonds</b>								
2007 Revenue Bonds Series A	4.00-5.00	2030	242,075	205,500	-	15,420	190,080	16,210
2007 Revenue Bonds Series B	4.00-5.00	2030	182,450	180,530	-	610	179,920	12,040
2007 Revenue Bonds Series C	5.00	2020	78,565	78,565	-	-	78,565	-
Total Intermediate Lien Bonds			503,090	464,595	-	16,030	448,565	28,250
<b>Commercial Paper<sup>1</sup></b>								
2010 Series A, B, C Notes	0.13-0.20	2016	N/A	63,398	-	-	63,398	-
2010 Series D, E, F Notes	0.19-0.23	2016	N/A	23,870	-	8,870	15,000	2
Total Commercial Paper				87,268	-	8,870	78,398	2
Sub-Total				1,355,797	383,890	495,317	1,244,370	41,664
Unamortized bond premium				19,773	46,323	4,005	62,091	6,800
Total Debt				1,375,570	430,213	499,322	1,306,461	\$ 48,464
Current maturities of long-term debt				(50,100)	(57,334)	(58,970)	(48,464)	
Total Debt - long-term portion				\$ 1,325,470	\$ 372,879	\$ 440,352	\$ 1,257,997	

<sup>1</sup> As of June 30, 2013, the Port has authorization to issue an aggregate principal amount of commercial paper notes up to \$300 million.

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

**Debt (continued)**

Long-term debt consists of the following at June 30, 2012 and 2011 (in thousands):

	Interest Rate	Fiscal Maturity Year	Original Amount	Beginning Balance July 1, 2011 restated	Additions	Reductions	Ending Balance June 30, 2012 restated	Principal Due Within One Year
<b>Senior Lien Bonds</b>								
2000 Revenue Bonds Series K	5.10-5.875 %	2031	\$ 400,000	\$ 348,280	\$ -	\$ 348,280	\$ -	\$ -
2002 Revenue Bonds Series L	5.00-5.50	2033	401,530	357,025	-	-	357,025	-
2002 Revenue Bonds Series M	4.00-5.00	2021	218,470	42,220	-	14,560	27,660	15,245
2002 Revenue Bonds Series N	3.25-5.00	2023	121,150	86,705	-	7,570	79,135	7,940
2011 Revenue Bonds Series O	1.50-5.125	2031	345,730	-	345,730	11,180	334,550	6,390
Total Senior Lien Bonds			1,486,880	834,230	345,730	381,590	798,370	29,575
<b>Dept. of Boating and Waterway (DBW) Loan</b>								
Small Craft Harbor Revenue Bonds, Series 1993	4.50	2030	7,176	5,762	-	198	5,564	207
<b>Intermediate Lien Bonds</b>								
2007 Revenue Bonds Series A	4.00-5.00	2030	242,075	220,170	-	14,670	205,500	15,420
2007 Revenue Bonds Series B	4.00-5.00	2030	182,450	181,115	-	585	180,530	610
2007 Revenue Bonds Series C	5.00	2020	78,565	78,565	-	-	78,565	-
Total Intermediate Lien Bonds			503,090	479,850	-	15,255	464,595	16,030
<b>Commercial Paper<sup>1</sup></b>								
2010 Series A, B, C Notes	0.10-0.21	2014	N/A	63,398	-	-	63,398	-
2010 Series D, E, F Notes	0.16-0.20	2013	N/A	23,870	-	-	23,870	8
Total Commercial Paper				87,268	-	-	87,268	8
Sub-Total				1,407,110	345,730	397,043	1,355,797	45,820
Unamortized bond premium				12,684	10,906	3,817	19,773	4,280
Total Debt				1,419,794	356,636	400,860	1,375,570	\$ 50,100
Current maturities of long-term debt				(49,843)	(257)	-	(50,100)	
Total Debt - long-term portion				\$ 1,369,951	\$ 356,379	\$ 400,860	\$ 1,325,470	

<sup>1</sup>As of June 30, 2012, the Port has authorization to issue an aggregate principal amount of commercial paper notes up to \$300 million.

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

---

**Debt Service**

The Port's long-term debt consists primarily of tax-exempt bonds. The majority of the Port's outstanding bonds are revenue bonds which are secured by Pledged Revenues of the Port. Pledged Revenues are substantially all revenues and other cash receipts of the Port, including, without limitation, amounts held in the Port Revenue Fund with the City, but excluding amounts received from certain taxes, certain insurance proceeds, special facilities revenues, and certain other gifts, fees, and grants that are restricted by their terms to purposes inconsistent with the payment of debt service.

Pledged Revenues do not include cash received from PFCs or CFCs unless projects included in a financing are determined to be PFC or CFC eligible and bond proceeds are expended on such eligible projects and the Port elects to pledge PFCs or CFCs as supplemental security to such applicable bonds. Currently, the Port has no bonds for which PFCs or CFCs are pledged.

The Port did not capitalize any interest cost in fiscal year 2013 nor in 2012.

On October 10, 2012, the Port issued \$380,315,000 of 2012 Series P (AMT) together with certain additional funds provided by the Port to refund and retire \$357,025,000 of 2002 Series L and \$79,135,000 of 2002 Series N. In addition, the Port issued \$3,575,000 of 2012 Series Q (non-AMT) together with certain additional funds provided by the Port to refund and retire \$27,660,000 of 2002 Series M. The final maturity date for the 2012 Series P is May 1, 2033 and for 2012 Series Q is May 1, 2014. The gross debt service savings through fiscal year 2033 is \$63,573,000 with a present value savings of \$60,113,000. In addition, the Port recorded a deferred loss on refunding of \$1,809,000.

On August 16, 2011, the Port issued \$345,730,000 of 2011 Series O to refund and retire 2000 Series K. The gross debt service savings through fiscal year 2033 is \$28,026,000 with a present value savings of \$29,206,000. In addition, the Port recorded a deferred loss on refunding of \$2,492,000.

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

---

**Debt Service (continued)**

The Port's required debt service payments on its Senior Lien Bonds and Intermediate Lien Bonds are due each May 1 and November 1 through May 1, 2033. The California Department of Boating and Waterways loan is due each August 1 through August 1, 2029. Commercial Paper has been classified as long-term debt because the Port has the intent and ability to continue to refinance this debt. The Port's required debt service payment for the outstanding long-term debt for years ending June 30 are as follows (in thousands):

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 61,797	\$ 61,953	\$ 123,750
2015	68,890	58,892	127,782
2016	71,654	54,469	126,123
2017	56,658	50,344	107,002
2018	53,208	47,798	101,006
2019 - 2023	290,971	199,574	490,545
2024 - 2028	357,690	120,463	478,153
2029 - 2033	<u>283,502</u>	<u>34,815</u>	<u>318,317</u>
Total	\$ <u>1,244,370</u>	\$ <u>628,308</u>	\$ <u>1,872,678</u>

Although the Port intends to refinance the Commercial Paper debt in the future, for purposes of this schedule, Commercial Paper debt is amortized over the fiscal years 2014-2017 pursuant to the "Term Loan" provisions of the Commercial Paper Reimbursement Agreements.

**Types of Debt and Priority of Payment**

***Senior Lien Bonds***

On October 10, 2012, the 2002 Series L, 2002 Series M, and 2002 Series N were refunded with 2012 Series P and 2012 Series Q. 2011 Series O, 2012 Series P, and 2012 Series Q (collectively, the Senior Lien Bonds) are issued under the Senior Trust Indenture and are paid from Pledged Revenues first.

As long as any Senior Lien Bonds remain outstanding, the Port has covenanted to collect rates, tolls, fees, rentals and charges so that Pledged Revenues in each fiscal year will be sufficient to pay all of the following amounts: (i) the sum of principal and interest on the outstanding Senior Lien Bonds; (ii) all other payments required for compliance with terms of the Senior Trust Indenture including, but not limited to, required deposits to any Reserve Fund; (iii) all other payments necessary to meet ongoing legal obligations to be paid from Pledged Revenues; and (iv) operation and maintenance expenses of the Port. In addition, payment of principal and interest on the Senior Lien Bonds when due is secured by a reserve fund held by the trustee and invested in U.S. Treasury Notes.

The Port has also covenanted in the Senior Trust Indenture that Net Pledged Revenue (Revenues less the Operation and Maintenance Expenses) will be equal to at least 125% of actual debt service for the Senior Lien Bonds (Senior Lien Debt Coverage Ratio).

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

---

***California Department of Boating and Waterways (DBW) Loan***

The DBW Loan is subordinate to the Senior Lien Bonds but superior to the Intermediate Lien Bonds and the Port's Commercial Paper Notes with respect to the Pledged Revenues. The Port turned over the operation of its marina, financed, in part, with DBW Loans, to a private company through a fifty-year capital lease in May 2004. The only DBW Loan outstanding as of June 30, 2013, was Series 1993 with a balance of \$5,357,000.

***Intermediate Lien Bonds***

The 2007 Series A, Series B and Series C Bonds (collectively, the Intermediate Lien Bonds) issued under the Intermediate Trust Indenture are next in payment priority. The Intermediate Lien Bonds are paid from the Intermediate Lien Pledged Revenues. The Intermediate Lien Pledged Revenues are the Pledged Revenues after payment first, of all amounts payable for any Senior Lien Bonds and second, any debt service requirements payable on the DBW Loan. Payment of principal and interest on the Intermediate Lien Bonds when due is secured by a debt service reserve surety policy, as well as being insured by municipal bond insurance policies.

The Port covenanted in the Intermediate Trust Indenture that Net Pledged Revenues will be equal to at least 110% of the actual debt service becoming due and payable on the combined Intermediate Lien Bonds, Senior Lien Bonds, and DBW Loan (Intermediate Lien Debt Coverage Ratio).

***Commercial Paper Notes***

Commercial Paper Notes (CP Notes) have the lowest payment priority. The Board authorized a \$150,000,000 Commercial Paper program in 1998 and a further \$150,000,000 was authorized in 1999. The maximum maturity of the CP Notes is 270 days and the maximum interest rate is 12%. The Port has classified the CP Notes as long term debt as the Port intends and has the ability to reissue CP Notes until the expiration of the two irrevocable Letters of Credit (LOC), discussed below. Interest income paid to the holders of the CP Notes may fall under one of three tax treatments: tax-exempt Alternative Minimum Tax (AMT), tax-exempt non-AMT and taxable.

As of June 30, 2013, the CP Notes, backed by one of two separate irrevocable LOC which were originally issued on August 2, 2010, are as follows:

- Wells Fargo Bank, National Association (Wells) with a maximum stated amount of \$163,315,000 (principal of \$150,000,000 and interest of \$13,315,000) and a termination date of August 2, 2013. The outstanding balance on the CP Notes issued under this LOC is \$63,398,000 on June 30, 2013 and on June 30, 2012.
- JPMorgan Chase Bank, National Association (JPMorgan) with a maximum stated amount of \$54,438,000 (principal of \$50,000,000 and interest of \$4,438,000) and an original termination date of August 2, 2012, that was extended to August 1, 2014. The outstanding balance on the CP Notes issued under this LOC is \$15,000,000 and \$23,870,000 on June 30, 2013 and 2012, respectively.



**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

***Commercial Paper Notes (continued)***

On July 1, 2013, both Wells and JPMorgan will each have a LOC with a maximum stated amount of \$108,876,713 (principal of \$100,000,000 and interest of \$8,876,713) and a termination date of June 30, 2016.

The Port covenants in the Letter of Credit and Reimbursement Agreements with Wells and JPMorgan that the Intermediate Lien Debt Coverage Ratio will equal to at least 110%.

***Priority of Payment***

The following are the priority of payment tables (in thousands):

	<b>Maturity Date</b>	<b>Total Debt Service to Maturity</b>	<b>FY 2013 Debt Principal and Interest</b>	<b>FY 2013 Net Pledged Revenues*</b>
<b>Total Net Pledged Revenues</b>				\$ 170,128
Senior Lien Bonds:				
2002 Revenue Bonds Series L	11/1/2032	\$ -	\$ 9,150	
2002 Revenue Bonds Series M	11/1/2020	-	15,848	
2002 Revenue Bonds Series N	11/1/2022	-	9,890	
2011 Revenue Bonds Series O	5/1/2031	511,908	23,081	
2012 Revenue Bonds Series P	5/1/2033	643,117	10,254	
2012 Revenue Bonds Series Q	5/1/2014	3,646	40	
Subtotal Senior Lien Bonds		<u>1,158,671</u>	<u>68,263</u>	<u>(68,263)</u>
<b>Net Pledged Revenues Remaining after Sr. Lien</b>				101,865
Dept. of Boating and Waterways Loan	8/1/2029	<u>7,779</u>	<u>457</u>	<u>(457)</u>
<b>Net Pledged Revenues Remaining after DBW</b>				101,408
Intermediate Lien Bonds:				
2007 Series A	11/1/2029	282,856	25,300	
2007 Series B	11/1/2029	236,974	9,320	
2007 Series C	11/1/2019	96,587	3,928	
Subtotal Intermediate Lien Bonds		<u>616,417</u>	<u>38,548</u>	<u>(38,548)</u>
<b>Net Pledged Revenues Remaining after Int. Lien</b>				62,860
Commercial Paper Notes		<u>89,811</u>	<u>156</u>	<u>(156)</u>
<b>Net Pledged Revenues Remaining after CP Notes</b>				\$ <u>62,704</u>
<b>Total</b>		\$ <u>1,872,678</u>	\$ <u>107,424</u>	

\* Net Pledged Revenues is Revenues less Operation and Maintenance Expenses (not including operating expenses paid with CFC funds, \$5,147,000) plus Interest Earned (not including interest earned on PFC and CFC funds, \$51,000 and \$8,000 respectively).

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

***Priority of Payment (continued)***

	<b>Maturity Date</b>	<b>Total Debt Service to Maturity</b>	<b>FY 2012 Debt Principal and Interest</b>	<b>FY 2012 Net Pledged Revenues**</b>
<b>Total Net Pledged Revenues</b>				\$ 161,254
Senior Lien Bonds:				
2002 Revenue Bonds Series L	11/1/2032	\$ 638,542	\$ 18,300	
2002 Revenue Bonds Series M	11/1/2020	29,512	16,105	
2002 Revenue Bonds Series N	11/1/2022	100,112	11,647	
2011 Revenue Bonds Series O	5/1/2031	534,989	23,121	
Subtotal Senior Lien Bonds		<u>1,303,155</u>	<u>69,173</u>	<u>(69,173)</u>
<b>Net Pledged Revenues Remaining after Sr. Lien</b>				92,081
Dept. of Boating and Waterways Loan	8/1/2029	<u>8,236</u>	<u>457</u>	<u>(457)</u>
<b>Net Pledged Revenues Remaining after DBW</b>				91,624
Intermediate Lien Bonds:				
2007 Series A	11/1/2029	308,155	25,298	
2007 Series B	11/1/2029	246,294	9,319	
2007 Series C	11/1/2019	<u>100,515</u>	<u>3,928</u>	
Subtotal Intermediate Lien Bonds		<u>654,964</u>	<u>38,545</u>	<u>(38,545)</u>
<b>Net Pledged Revenues Remaining after Int. Lien</b>				53,079
Commercial Paper Notes*		<u>94,942</u>	<u>159</u>	<u>(159)</u>
<b>Net Pledged Revenues Remaining after CP Notes</b>				\$ <u>52,920</u>
<b>Total</b>		\$ <u>2,061,297</u>	\$ <u>108,334</u>	

\* The Total Debt Service to Maturity for Commercial Paper has been restated to incorporate the payment of both principal and interest on outstanding Commercial Paper debt pursuant to the "Term Loan" provision of the Commercial Paper Reimbursement Agreements.

\*\* Net Pledged Revenues is Revenues less Operation and Maintenance Expenses (not including operating expenses paid with CFC funds, \$4,217,000) plus Interest Earned (not including interest earned on PFC and CFC funds, \$66,000 and \$12,000 respectively).

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

---

**Bond Premium (Discount)**

The Port amortizes the original issue discount or premium over the life of each bond issue. The unamortized amount for each Port issue is as follows (in thousands):

<u><b>Bond Issue</b></u>	<b>2013 (Discount) Premium</b>	<b>2012 (Discount) Premium</b>
Senior Lien Bonds:		
2002 Series L	\$ -	\$ (5,097)
2002 Series M	-	92
2002 Series N	-	1,545
2011 Series O	7,172	8,852
2012 Series P	42,754	-
2012 Series Q	49	-
Subtotal Senior Lien Bonds	<u>49,975</u>	<u>5,392</u>
Intermediate Lien Bonds:		
2007 Series A	3,866	4,500
2007 Series B	5,290	6,286
2007 Series C	2,960	3,596
Subtotal Intermediate Lien Bonds	<u>12,116</u>	<u>14,382</u>
Commercial Paper	-	(1)
Total	<u><u>\$ 62,091</u></u>	<u><u>\$ 19,773</u></u>

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

**6. Environmental and Other Liabilities**

Changes in environmental and other liabilities for the years ended June 30, 2013 and 2012 are as follows (in thousands):

	<b>Beginning Balance July 1, 2012</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance June 30, 2013</b>	<b>Amounts Due Within One Year</b>
General liability	\$ 5,663	\$ -	(5,373)	\$ 290	\$ 290
Accrued vacation, sick leave and compensatory time	6,023	2,799	(1,341)	7,481	5,024
Pollution liability	21,227	4,432	(7,985)	17,674	4,018
Workers' compensation	8,190	2,632	(1,192)	9,630	1,500
Other long-term liabilities	1,995	472	(540)	1,927	-
Total	\$ <u>43,098</u>	\$ <u>10,335</u>	\$ <u>(16,431)</u>	\$ <u>37,002</u>	\$ <u>10,832</u>

	<b>Beginning Balance July 1, 2011</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance June 30, 2012</b>	<b>Amounts Due Within One Year</b>
General liability	\$ 3,918	\$ 4,685	\$ (2,940)	\$ 5,663	\$ -
Accrued vacation, sick leave and compensatory time	6,595	1,653	(2,225)	6,023	4,370
Pollution liability	20,710	5,715	(5,198)	21,227	4,291
Workers' compensation	6,900	2,593	(1,303)	8,190	1,500
Other long-term liabilities	1,850	254	(109)	1,995	-
Total	\$ <u>39,973</u>	\$ <u>14,900</u>	\$ <u>(11,775)</u>	\$ <u>43,098</u>	\$ <u>10,161</u>

**7. Leases**

A major portion of the Port's capital assets are leased to others. Leased assets include maritime facilities, aviation facilities, office and commercial space, and land. The majority of the Port's leases are classified as operating leases.

Certain maritime facilities are leased under agreements that provide the tenants with preferential, but nonexclusive, use of the facilities. These leases provide for rentals based on gross revenues of the leased premises, or in the case of marine terminal facilities, on annual usage of the facilities. The leases generally provide for minimum rentals, and certain preferential assignments provide for both minimum and maximum rentals.

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

---

**Leases (continued)**

A summary of revenues from long-term leases for years ended June 30 is as follows (in thousands):

	<u>2013</u>	<u>2012</u>
Minimum non-cancelable rentals, including preferential assignments	\$ 178,085	\$ 170,943
Contingent rentals in excess of minimums	16,272	18,695
Secondary use of facilities leased under preferential assignments	-	216
	<u>\$ 194,357</u>	<u>\$ 189,854</u>

The Port and Ports America Outer Harbor Terminal, LLC, a private company, entered into a long-term concession and lease agreement on January 1, 2010, for the operation of Berths 20-24 for 50 years. A \$60 million upfront fee was paid to the Port in fiscal year 2010. At June 30, 2013 and 2012, the unamortized net upfront fee was approximately \$50 million and \$51 million, respectively. At June 30, 2013, the amounts classified as short-term and long-term unearned revenue were \$1,074,000 and \$48,856,000, respectively. At June 30, 2012, the amounts classified as short-term and long-term unearned revenue were \$1,074,000 and \$49,930,000, respectively.

Minimum future rental revenues for years ending June 30 under non-cancelable operating leases having an initial term in excess of one year are as follows (in thousands):

2014	\$ 166,746
2015	164,079
2016	162,643
2017	142,566
2018	178,585
2019-2023	488,001
2024-2028	262,325
2029-2033	215,992
2034-2038	236,753
2039-2043	254,948
2044-2048	278,455
Thereafter	764,601
	<u>\$ 3,315,694</u>

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

---

**Leases (continued)**

The Port turned over the operation of its marina to a private company through a long-term financing lease and operating agreement on May 1, 2004. Minimum future lease payments to be received, which is a component of unearned revenue, for years ending June 30 are as follows (in thousands):

2014	\$	390
2015		401
2016		413
2017		426
2018		438
2019-2023		2,398
2024-2028		2,780
2029-2033		3,222
2034-2038		3,736
2039-2043		4,331
2044-2048		5,020
Thereafter		6,874
	\$	<u><u>30,429</u></u>

The capital assets leased to others at June 30 consist of the following (in thousands):

	<u><b>2013</b></u>	<u><b>2012</b></u>
Land	\$ 447,870	\$ 389,387
Container cranes	153,775	153,775
Buildings and improvements	215,556	219,324
Infrastructure	<u>1,045,178</u>	<u>922,645</u>
	1,862,379	1,685,131
Less accumulated depreciation	<u>(631,192)</u>	<u>(520,756)</u>
Net capital assets, on lease	\$ <u><u>1,231,187</u></u>	\$ <u><u>1,164,375</u></u>

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

**8. Unearned Revenue**

Unearned revenue consists primarily of an upfront fee from a terminal operating; a long term financing lease for the marina operations; early redemption of special facilities bonds; prepayment of bond debt service for airline fuel facility and prepaid tenant rent.

Changes in unearned revenue for the years ended June 30, 2013 and 2012 are as follows (in thousands):

	<b>Beginning Balance July 1, 2012</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance June 30, 2013</b>	<b>Amounts Due Within One Year</b>
Ports America Outer Harbor upfront fee	\$ 51,003	\$ -	\$ (1,073)	\$ 49,930	\$ 1,073
Marina capital lease unearned interest revenue	21,055	-	(503)	20,552	503
92A Special Facility bond redemptions	16,392	-	(2,522)	13,870	2,522
Oakland Fuel Facilities Corporation	9,696	150	(580)	9,266	580
Unearned tenant rent	13,427	7,438	(10,733)	10,132	7,654
Other unearned revenue	3,852	-	(2,348)	1,504	159
<b>Total</b>	<b>\$ 115,425</b>	<b>\$ 7,588</b>	<b>\$ (17,759)</b>	<b>\$ 105,254</b>	<b>\$ 12,491</b>

	<b>Beginning Balance July 1, 2011</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance June 30, 2012</b>	<b>Amounts Due Within One Year</b>
Ports America Outer Harbor upfront fee	\$ 52,077	\$ -	\$ (1,074)	\$ 51,003	\$ 1,074
Marina capital lease unearned interest revenue	21,558	-	(503)	21,055	503
92A Special Facility bond redemptions	18,914	-	(2,522)	16,392	2,522
Oakland Fuel Facilities Corporation	10,126	150	(580)	9,696	580
Unearned tenant rent	9,424	10,517	(6,514)	13,427	10,733
Other unearned revenue	4,188	-	(336)	3,852	319
<b>Total</b>	<b>\$ 116,287</b>	<b>\$ 10,667</b>	<b>\$ (11,529)</b>	<b>\$ 115,425</b>	<b>\$ 15,731</b>

**9. Retirement Plan**

**Public Employees' Retirement System Plan Description**

All full-time and certain other qualifying employees of the Port are eligible to participate in the Public Employees' Retirement Fund (Fund) of the State of California's Public Employees' Retirement System (CalPERS). Port employees are included on a cost-sharing basis with City employees in the City of Oakland miscellaneous unit of CalPERS. The Fund provides retirement, disability, and death benefits based on the employee's years of service, age and final compensation.

Employees hired before January 2013 vest after five years of service and may receive retirement benefits at age 50. Starting in January 2013, CalPERS members who fall under the definition of a "new member" as defined by the Public Employees' Pension Reform Act (PEPRA) will vest after five years of service and may receive retirement benefits at age 52.

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

---

**Public Employees' Retirement System Plan Description (continued)**

These benefit provisions and all other requirements are established by State statute and City ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811 or at [www.CalPERS.ca.gov](http://www.CalPERS.ca.gov). A separate report for the City's plan within CalPERS is not available.

CalPERS does not calculate a separate pension obligation for the Port; therefore, no separate Port obligation can be presented herein. CalPERS most recent actuarial valuation for the Miscellaneous Plan of the City of Oakland as of June 30, 2011 valued the combined Port and City actuarial accrued liability at \$2,025,140,791 and the combined Port and City unfunded actuarial accrued liability was \$409,201,026. Under the requirements of GASB 68, the Port will have to recognize a liability for its proportionate share of the net pension liability and GASB 68 has recommended the use of the Port's projected long-term contribution effort as compared to the total projected long-term contribution effort of the combined Port and City as a basis for determining the Port's share. The Port is evaluating the effects of this methodology in anticipation of implementing GASB 68 for the fiscal year ending June 30, 2015.

The Port is required to contribute the remaining amounts necessary to fund retirement benefits for its employees using the actuarial basis determined by CalPERS. The Port's employer contribution to the Fund was 25.115% (July 2012 to Feb 2013), 24.248% (March 2013 to June 2013), 23.604% (fiscal year 2012) and 19.885% (fiscal year 2011) of covered payroll in fiscal years 2013, 2012 and 2011 respectively. For the fiscal years ended June 30, 2013, 2012, and 2011, the Port's annual pension costs for the employer contribution to CalPERS was \$11,490,000, \$11,039,000, and \$8,964,000 respectively. The Port contributed 100% of the actuarial required contribution for each of the three years. The employer contribution rate for the year ended June 30, 2013 was based upon an actuarial valuation study performed by CalPERS Actuarial & Employer Services Division as of June 30, 2010.

The Port's payroll reported to CalPERS for employees participating in the Fund was \$45,796,000, \$46,768,000, and \$45,079,000 for the years ended June 30, 2013, 2012 and 2011, respectively. The Port's payroll for all employees was \$44,721,000, \$43,214,000, and \$41,685,000 in fiscal years 2013, 2012 and 2011 respectively.

**PERS Employee Member Contributions**

For fiscal years 2013, 2012, and 2011, the Port elected to pay the 8% Employer Paid Member Contributions (EPMC) to CalPERS on behalf of most of its employees and has exercised its options to include the 8% EPMC as compensation for the purpose of calculating the CalPERS contribution.

The Port has contributed \$3,122,000, \$3,552,000, and \$3,510,000 for the fiscal years ended June 30, 2013, 2012, and 2011 respectively.

Effective the first pay period of January 2013, members of the International Brotherhood of Electrical Workers contributed 3% of the EPMC, and in exchange for the represented Employees' contribution, the Port increased base salary of the International Brotherhood of Electrical Workers by 3%.



**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

---

**PERS Employee Member Contributions (continued)**

Effective the first day of the pay period containing July 1, 2013, Port employees who are members of CalPERS including unrepresented employees are required to contribute 8% of their base salary as employee paid member contributions to CalPERS. The Port increased the base salary of employees by 8%.

**Public Employees' Pension Reform Act of 2013**

Starting in January 2013, CalPERS members who fall under the definition of a "new member" as defined by PEPRAs are subject to the provisions of PEPRAs.

Highlights of PEPRAs (for more information contact CalPERS (888) 225-7377).

- Benefit formula for new Miscellaneous members is 2% at age 62
- Caps annual salary that can be used to calculate final pension benefit
- Imposes member contribution requirements

**Change in CalPERS Discount Rate Assumption**

On March 14, 2012, the CalPERS Board of Administration approved a recommendation to lower the CalPERS discount rate assumption, or the rate of investment return the Fund assumes, from 7.75 to 7.50 percent. Keeping all other assumptions constant, the change in the CalPERS discount rate assumption will have the effect of increasing Public Agency Employer rates for fiscal year 2014 and subsequent fiscal years.

CalPERS states in Circular Letter 200-014-12 that in spite of the changes in the assumed discount rate assumption that it is possible that the funding contribution determined in the annual valuation may be less than the annual required contribution under the current GASB rules.

**Agreement Between the City and the Port Regarding CalPERS Payments**

During the period from July 1, 1976, through January 17, 1998, the Port appointed certain employees to positions in the classifications of Airport Servicemen and Airport Operations Supervisors. The Port was and has always been the employer that directly appointed, retained, employed and compensated the personnel in these positions.

As result of a decision by CalPERS' Board of Administration on April 15, 1998, employees appointed to positions in the classifications of Airport Servicemen and Airport Operations Supervisors were reclassified from miscellaneous member status in CalPERS to safety member status, effective retroactively to the later of either the date of their respective employment in such classifications or July 1, 1976.

The decision to reclassify employees to safety member status resulted in an additional net cost to provide retirement benefits. CalPERS' actuary estimated that the present value of this net cost (including subsequent actual experience through June 30, 2000, and projected experience through June 30, 2002) was \$5,915,000.

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

---

**Agreement Between the City and the Port Regarding CalPERS Payments (continued)**

The Port entered into an agreement with the City for the payment of this net cost by the Port directly to CalPERS. The agreement provides for the Port to make payments over 20 years in annual installments, adjusted for cost of living at a rate of 3.75%, until fully paid. No pre-payment penalty applies. The Port has made the scheduled payments of \$672,000 and \$648,000 for the fiscal years ended June 30, 2013 and 2012, respectively. The remaining unfunded liability at June 30, 2013 and 2012 was \$4,922,000 and \$5,168,000 respectively.

**10. Other Postemployment Benefits**

***Plan Description***

The Port contributes to the California Employer's Retiree Benefit Trust (CERBT), an agent multiple-employer defined benefit postemployment healthcare plan administered by CalPERS. The CERBT is an Internal Revenue Code Section 115 trust and an investment vehicle that can be used by all California public employers to prefund future retiree health and Other Postemployment Benefits (OPEB) costs.

The Port's Retiree Health Plan allows eligible retirees and their dependents to receive employer paid medical insurance benefits through CalPERS, subject to certain limitations described below. The Port adopted resolutions which established a Health Benefit Vesting Requirement for employees hired on or after September 1, 2011 (on or after April 1, 2013 for members of SEIU and IBEW).

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

---

***Plan Description (continued)***

The Port shall pay a percentage of employer contributions for retiree medical coverage for a retiree and his or her eligible dependents based on the provisions of Section 22893 of the California Government Code. Under these rules, a retiree must have at least 10 years of credited service with a CalPERS agency, at least five of which are with the City/Port. Except as otherwise required by Section 22893(b) of the California Government Code (providing for 100% of employer contributions for a retiree who retired for disability or retired for service with 20 or more years of service credit), the Port will pay a percentage of employer contributions for the Retiree based upon the following:

Years of Credited Service (at least 5 of which are with the City/Port)	% of Employer Contributions
10	50
11	55
12	60
13	65
14	70
15	75
16	80
17	85
18	90
19	95
20	100

The employer contribution will be adjusted by the Port each year but cannot be less than the amount required by California Government Code Section 22893 plus administrative fees and contingency reserve fund assessments.

Employees hired before October 1, 2009 [before January 1, 2013 for members of the Services Employees International Union (SEIU) and International Brotherhood of Electrical Workers (IBEW)] are eligible to receive dental and vision coverage through the Port's Retiree Health Plan.

***Funding Policy***

Benefit provisions are established and are amended through negotiations between the Port and the various bargaining units during each bargaining period. The Port pays a portion of retiree benefit expenses on a pay-as-you-go basis to third parties, outside of the CERBT fund, and funds the remaining annual required contribution (ARC) to the CERBT fund.

As of June 30, 2013, there were approximately 526 employees who had retired from the Port and were participating in the Port's Retiree Health Plan. During fiscal year ended June 30, 2013, the Port contributed \$4,200,000 to the CERBT and made payments of \$6,840,944 on behalf of eligible retirees to third parties outside of the CERBT fund.

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

---

***Funding Policy (continued)***

As of June 30, 2012, there were approximately 564 employees who had retired from the Port and were participating in the Port's Retiree Health Plan. During fiscal year ended June 30, 2012, the Port contributed \$4,500,000 to the CERBT and made payments of \$6,434,000 on behalf of eligible retirees to third parties outside of the CERBT fund.

***Annual OPEB Cost and Net OPEB Obligation***

The Port's annual OPEB cost is equal to (a) ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45, plus (b) one year's interest on the beginning balance of the net OPEB obligation, and minus (c) an adjustment to the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and any unfunded actuarial liabilities (or funding excess) amortized over an open period of thirty years.

The following table shows the components of the Port's annual OPEB cost for the year, the amount contributed to the CERBT and changes in the Port's net OPEB obligation as of June 30 (in thousands):

	<b>2013</b>	<b>2012</b>
Annual required contribution	\$ 10,783	\$ 10,783
Interest on prior year net OPEB obligation	800	796
Adjustment to annual required contribution	(599)	(596)
Annual OPEB Cost	10,984	10,983
Contribution made	(11,041)	(10,934)
Increase (decrease) in net OPEB obligation	(57)	49
Net OPEB obligation - beginning of year	10,510	10,461
Net OPEB obligation - end of year	\$ <u>10,453</u>	\$ <u>10,510</u>

The Port's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and prior two years are as follows (in thousands):

<b>Fiscal Year End</b>	<b>Annual OPEB Cost</b>	<b>Percentage of OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
6/30/2011 \$	11,193	99.36%	\$ 10,461
6/30/2012 \$	10,983	99.55%	\$ 10,510
6/30/2013 \$	10,984	100.51%	\$ 10,453

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

---

***Funding Status and Funding Progress***

The table below indicates the funded status of the Port's OPEB plan as of June 30, 2013, the most recent actuarial valuation date (in thousands).

Actuarial Accrued Liability (AAL)	\$ 136,616
Actuarial Value of Plan Assets	30,715
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 105,901</u>
Funded Ratio (actuarial value of plan assets/AAL)	22.5%
Annual Covered Payroll (active plan members)	\$ 47,823
UAAL as a Percentage of Annual Covered Payroll	221%

***Actuarial Methods and Assumptions***

Projections of benefits for financial reporting purposes are based on the substantive plan in effect and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The actuarial cost method used for determining the benefit obligations of the Port is the Projected Unit Credit Cost Method. Under the principles of this method, the actuarial present value of the projected benefits is the value of benefits expected to be paid for active and retired employees. The AAL is the present value of benefits attributed to employee service rendered prior to the valuation date. The AAL equals the present value of benefits multiplied by a fraction equal to service date over service at expected retirement. The ARC for fiscal years 2011 and 2012 was based on an actuarial valuation of the Port's plan as of June 30, 2011, which amortized the UAAL as a level dollar amount over an "open" period of 30 years. In the most recent valuation of the Port's plan, as of June 30, 2013, the Port's UAAL was amortized over a "closed" period of 30 years.

Actuarial assumptions used for the valuation of the Port's plan include a discount rate, which is based on the CERBT expected rate of return for the plan assets, and annual healthcare cost trends, which is based on the "Getzen" model published by the Society of Actuaries. The demographic assumptions regarding turnover and retirement are based on statistics from reports for CalPERS under a "2.7% @ 55" benefits schedule. The June 30, 2011 valuation used a discount rate of 7.61% and annual healthcare costs were assumed to increase at rates ranging from 4.00% to 8.75%. The June 30, 2013 valuation used a discount rate of 7.00% and annual healthcare costs were assumed to increase at rates ranging from 2.75% to 7.25%.

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

---

***Actuarial Methods and Assumptions (continued)***

The schedules presented as required supplementary information following the notes to the financial statements, present multiyear trend information. The Schedule of Funding Progress - Other Postemployment Benefits presents information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**11. Agreements with City of Oakland**

The Port has entered into agreements with the City for provisions of various services such as aircraft rescue and firefighting (ARFF), Special Services, General Services, and Lake Merritt Trust Services. The City provides these services to the Port.

Special Services include designated police services, personnel, city clerk, and treasury services. General Services includes fire, rescue, police, street maintenance, and similar services. Lake Merritt Trust Services includes items such as recreation services, grounds maintenance, security, and lighting.

Port payments to the City for these services are made upon execution of appropriate agreements and/or periodic findings and authorizations from the Board.

**Special Services and ARFF**

Payments for Special Services and ARFF are treated as a cost of Port operations pursuant to City Charter Section 717(3) Clause Third and have priority over certain other expenditures of Port revenues. Special Services and ARFF from the City totaled \$3,916,000 and \$6,704,000 in fiscal years 2013 and 2012, respectively, and are included in Operating Expenses. At June 30, 2013 and 2012, \$3,899,000 and \$5,719,000, respectively, were accrued as current liabilities for these payments.

**General Services and Lake Merritt Trust Services**

Payments for General Services provided by the City are payable only to the extent the Port determines annually that surplus monies are available under the Charter for such purposes. As of June 30, 2013 and 2012, the Port accrued approximately \$1,012,000 and \$1,196,000, respectively, of payments for General Services. Additionally, the Port accrued approximately \$1,133,000 and \$961,000 to reimburse the City for Lake Merritt Trust Services in fiscal years 2013 and 2012, respectively. Subject to availability of surplus monies, the Port expects that it will continue to reimburse the City annually for General Services and Lake Merritt Trust Services.

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

---

**Golf Course Lease**

The Port has leased property to the City under a 66-year lease, which is expressed in terms of the Amended and Restated Lease between the Port and the City for the development and operation of a public golf course by the City. The lease commenced in 2003 when the Port delivered a completed 164.9 acre golf course to the City to replace the City's golf course that was destroyed when the Port used the site as a dredge disposal site. The golf course is leased to a third party and the minimum annual rental is \$270,000 payable in twelve installments of \$22,500 per month, which is then split 50/50 between the Port and the City.

**Unearned Rent**

In November 1994, the City entered into an agreement with the Port to partially fund the development of a project related to a lease at the Port. The lease required \$5,145,000 in tenant improvements partially financed by \$2,000,000 in deferred rent from the City's former Redevelopment Agency. The unearned rent is classified as unearned revenue. At June 30, 2013 and 2012, unearned rent was approximately \$872,000 and \$942,000, respectively. The amount classified as short term unearned revenue at June 30, 2013 and 2012 was \$70,000.

**12. Commitments**

**Capital Program**

As of June 30, 2013, the Port had construction commitments for the acquisition and construction of assets as follows (in thousands):

Aviation	\$	64,657
Maritime		66,080
CRE & Support Division		1,418
Total	\$	<u>132,155</u>

The most significant projects for which the Port has contractual commitments for construction are: Runway Safety Area of \$36,545,000, Airport Terminal Renovation projects of \$13,406,000, Phase 1 of the new rail terminal project on Port-owned OAB property of \$48,464,000 and Shore Power of \$12,115,000.

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

---

**Power Purchases**

The Port purchases electrical power for resale and self-consumption and currently has three power purchase agreements with the East Bay Municipal Utility District (EBMUD), the Western Area Power Administration (WAPA) and SunEdison, LLC (SunEdison) with expiration dates greater than four years.

<b>Counterparty</b>	<b>Contract Ending Year</b>	<b>Contract Structure</b>	<b>Estimated Output</b>	<b>Estimated Annual Cost</b>
EBMUD	2017	Take and Pay – (Pay contract price only if energy is received)	8,000 MWH	Approximately \$584,000 with no Annual Escalator
WAPA	2024	Take or Pay – (Pay contract price without regard to energy received)	17,000 MWH	Approx. \$800,000 (Changes annually depending on revenue requirement for power generation projects)
SunEdison	2027	Take and Pay – (Pay contract price only if energy is received)	1,200 MWH	Approx. \$200,000 with Annual Escalator

In addition to the aforementioned power purchase agreements, the Port had outstanding, as of June 30, 2013, approximately \$2.5 million of power purchases contracts with Powerex Corporation and Shell Energy North America with expiration dates of 18 months or less.

**13. Contingencies**

**Environmental**

The entitlements for the Airport Development Program (ADP) subject the Port to obligations arising from the adopted ADP Mitigation Monitoring and Reporting Program required under: the California Environmental Quality Act; permits issued by numerous regulatory agencies including the Regional Water Quality Control Board and the Bay Conservation and Development Commission; and settlement agreements. The majority of these obligations have been met, and monitoring and reporting are ongoing.



**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

---

**Environmental (continued)**

A summary of the Port's environmental liability accounts, net of the estimated recoveries, included as Environmental and other liability on the statements of net position at June 30, 2013 and 2012, is as follows (in thousands):

<b>Obligating Event</b>	<b>June 30, 2013 Liability, net</b>	<b>Estimated Recovery</b>
Pollution poses an imminent danger to the public or environment	\$ 392	\$ -
Violated a pollution prevention-related permit or license	-	-
Identified as responsible to clean-up pollution	13,508	857
Named in a lawsuit to compel to cleanup	31	-
Begins or legally obligates to cleanup or post-cleanup activities	3,743	60
Total by Obligating Event	<u>\$ 17,674</u>	<u>\$ 917</u>

<b>Obligating Event</b>	<b>June 30, 2012 Liability, net</b>	<b>Estimated Recovery</b>
Pollution poses an imminent danger to the public or environment	\$ 763	\$ -
Violated a pollution prevention-related permit or license	-	-
Identified as responsible to clean-up pollution	17,092	619
Named in a lawsuit to compel to cleanup	31	-
Begins or legally obligates to cleanup or post-cleanup activities	3,341	60
Total by Obligating Event	<u>\$ 21,227</u>	<u>\$ 679</u>

The environmental liability accounts in the summary tables are listed by the initial obligating event. Due to new information, the obligating event may change from the initial obligating event. Examples of obligating events include: 1) the Port is named, or evidence indicates that it will be named, by a regulator such as the Department of Toxic Substances Control or the Regional Water Quality Control Board, as a responsible party or potentially responsible party for remediation; or 2) the Port has commenced, or legally obligates itself to commence, clean-up activities, monitoring or operation and maintenance of the remediation effort (e.g., by undertaking a soil and groundwater pre-development investigation).

***Methods and Assumptions***

The Port measured the environmental liabilities for pollution remediation sites on Port-owned property using the Expected Cash Flow technique. The measurements are based on the current value of the outlays expected to be incurred. The cash flow scenarios include each component which can be reasonably estimated for outlays such as testing, monitoring, legal services and indirect outlays for Port labor instead of ranges of all components. Reasonable estimates of ranges of possible cash flows are limited from a single scenario to a few scenarios. Data used to develop the cash flow scenarios is obtained from outside consultants, Port staff, and the Port's outside legal counsel.

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

---

***Methods and Assumptions (continued)***

Changes to estimates will be made when new information becomes available. Estimates for the pollution remediation sites will be developed when the following benchmarks or changes in estimated outlays occur:

- Receipt of an administrative order.
- Participation, as a responsible party or a potentially responsible party, in the site assessment or investigation.
- Completion of a corrective measures feasibility study.
- Issuance of an authorization to proceed.
- Remediation design and implementation, through and including operation and maintenance and postremediation monitoring.
- Change in the remediation plan or operating conditions, including but not limited to type of equipment, facilities and services that will be used and price increases.
- Changes in technology.
- Changes in legal or regulatory requirements.

***Recoveries***

Estimated future recoveries that are listed on the prior page have been netted against the environmental and other liability accounts. In calculating the estimated future recoveries, Port staff and outside legal counsel reviewed and applied the requirements of GASB 49 for accounting for recoveries. For example, if a Port tenant has a contract obligation to reimburse the Port for certain pollution remediation costs, or if an insurance carrier has paid money on a certain claim and the Port is pursuing additional costs from the insurance carrier associated with the claim, then a recovery was estimated. If an insurance carrier has not yet acknowledged coverage, then a recovery was not estimated.

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

---

**Litigation**

As of June 30, 2013, the Port was a defendant in various lawsuits arising in the normal course of business, including constructing public improvements or construction related claims for unspecified amounts. The ultimate disposition of these suits and claims is not known and the Port's insurance may cover a portion of any losses. Port management may make provision for probable losses if deemed appropriate on the advice of legal counsel. To the extent that such provision for damages is considered necessary, appropriate amounts are reflected in the accompanying financial statements. A summary of the reported liability included within the Environmental and other liability on the statements of net position is as follows (in thousands):

General liability at June 30, 2010	\$ 3,079
Current year claims and changes in estimates	4,983
Vendor payments	<u>(4,144)</u>
General liability at June 30, 2011	3,918
Current year claims and changes in estimates	4,685
Vendor payments	<u>(2,940)</u>
General liability at June 30, 2012	5,663
Current year claims and changes in estimates	(926)
Vendor payments	<u>(4,447)</u>
General liability at June 30, 2013	\$ <u><u>290</u></u>

The Port was in litigation with one of its maritime tenants in connection with such tenant's complaint before the Federal Maritime Commission alleging the Port has violated the Federal Shipping Act of 1984 by entering into a long term concession and lease agreement with another maritime tenant. As discussed in Note 16, the Port has settled the matter on July 18, 2013.

**Landscaping and Lighting Assessment District (LLAD)**

The Port and the City concluded that the LLAD previously imposed on Airport property for the years ended June 30, 1997 through 2012 were not permissible under the Federal Aviation Administration's *Policy and Procedures Concerning the Use of Airport Revenue*. No amounts were accrued on the Port's financial statements.

**14. Insurance**

The Port purchases insurance on certain risk exposures including but not limited to property, crane, rail, automobiles liability, airport liability, umbrella liability, environmental liability, fidelity, fiduciary liability, and public officials liability. Port deductibles for the various insured programs range from \$10,000 to \$1,000,000 each claim. The Port is, however, self-insured for other general liability and liability/litigation-type claims, workers' compensation of the Port's employees and most first party earthquake exposures. However, during fiscal years 2013 and 2012, the Port carried excess insurance over \$1,000,000 for the self insured general liability and workers compensation exposures. There have been no claim payments related to these programs that exceeded insurance limits in the last three years.

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

---

**Workers' Compensation**

Changes in the reported liability, which is included as part of environmental and other, follows (in thousands):

Workers' compensation liability at June 30, 2010	\$ 6,900
Current year claims and changes in estimates	863
Claim payments	<u>(863)</u>
Workers' compensation liability at June 30, 2011	6,900
Current year claims and changes in estimates	2,593
Claim payments	<u>(1,303)</u>
Workers' compensation liability at June 30, 2012	8,190
Current year claims and changes in estimates	2,632
Claim payments	<u>(1,192)</u>
Workers' compensation liability at June 30, 2013	<u><u>\$ 9,630</u></u>

The workers' compensation liability of \$9,630,000 at June 30, 2013 is based upon an actuarial study performed as of June 30, 2013 that assumed a probability level of 70% and a discount rate of 1.15%. The workers' compensation liability balance of \$8,190,000 at June 30, 2012 is based upon an actuarial study performed as of June 30, 2012 that assumed a probability level of 70% and a discount rate of 0.57%.

**Capital Improvement Projects**

The Port maintains an Owner Controlled Insurance Program (OCIP) and Professional Liability Insurance Program (PLIP) for contractors and consultants working on Port Capital Improvement Projects (CIP).

OCIP provides general liability insurance and workers' compensation insurance for contractors working on CIP projects. The Port is responsible for payment of the deductible/self-insured retention, which is currently \$100,000 for each general liability and workers' compensation claim. The Port's OCIP insurance broker provided an actuarial forecast for this program that projects losses within the deductible/self-insured retention, which have not yet been accrued, of approximately \$507,000 through program expiration in July 2014.

The PLIP provides professional liability insurance for consultants working on Port CIP projects. Subject to this program, the consultants separately are responsible for paying the deductible/self-insured retentions, which are \$50,000 for consultants with annual revenues under \$20,000,000 and \$1,000,000 for consultants with annual revenues over \$20,000,000. The Port's deductible/self-insured retention is \$1,000,000. There is no actuarial forecast for this coverage.

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Notes to Financial Statements**  
**For the years ended June 30, 2013 and 2012**

---

**15. Public Transportation Modernization, Improvement, and Service Enhancement**

On May 20, 2008, the California Emergency Management Agency (Cal EMA) awarded \$2,900,000 to the Port under the California Port and Maritime Security Grant Program (CPMSGP) to fund the Wireless Truck Tracking and Reporting System Phase 1 and Perimeter Intrusion Detection and Reporting Projects. The Port has established a drayage truck registry and implemented the Truck Management System. The Port also completed installation of a terminal perimeter, intrusion detection system utilizing CCTV cameras and video analytics.

On April 15, 2009, the Cal EMA awarded the Port an additional \$3,331,000 under the CPMSGP to fund 3 projects: 1) Comprehensive Geospatial Security Mapping, 2) Fiber Optic Telecommunications Linkage, and 3) Wireless Truck Tracking and Reporting System Phase 2 Projects. Projects 1 and 2 are complete and Project 3's implementation continues.

On September 29, 2009, the Federal Emergency Management Agency's awarded the Port \$7,620,950 under the 2009 American Recovery and Reinvestment Act to fund two Port Security projects: 1) Joint City/Port Domain Awareness Center, and 2) Transportation Worker Identification Credential (TWIC) Infrastructure at Marine Terminals.

The Port has recorded a receivable for the Public Transportation Modernization, Improvement, and Service Enhancement Projects of \$2,607,000 and \$506,000 as of June 30, 2013 and 2012, respectively.

**16. Subsequent Event**

On July 18, 2013 the Oakland Board of Port Commissioners approved a litigation settlement agreement with one of the Port's major long-term seaport tenants, SSA Terminals, LLC and SSA Terminals (Oakland), LLC (collectively, SSAT). The settlement involved four of the Port's then seven marine terminals, and allows SSAT to create a 350-acre mega-terminal at the Port's middle harbor. Under the settlement, SSAT leases two terminals through 2022 at substantially similar rates and conditions, and assumes the lease on a third terminal through 2016, with one option to extend to 2022. Additionally, the Port agreed to terminate SSAT's current lease at a fourth terminal effective September 30, 2013.

The settlement involves short-term revenue loss in exchange for longer term revenue growth and stability. Prior to this agreement, the Port was facing the expiration of all four terminal leases in fiscal years ending June 30, 2016 through June 30, 2017.

This page left intentionally blank.



**PORT OF OAKLAND**

**REQUIRED SUPPLEMENTARY  
INFORMATION**

This page left intentionally blank.



**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Required Supplementary Information (Unaudited)**  
**For the years ended June 30, 2013 and 2012**

---

**1. Schedule of Funding Progress – Other Postemployment Benefits**

The schedule of funding progress presented below provides a consolidated snapshot of the Port's ability to meet current and future liabilities with plan assets. The funded ratio conveys a plan's level of assets to liabilities, an important indicator to determine the financial health of the OPEB plan. The closer the plan is to a 100% funded status, the better position it will be in to meet all of its future liabilities.

An actuarial valuation study performed as of June 30, 2013 valued the Actuarial Accrued Liability at \$136,616,000, an increase of \$7,710,000 from the previous study performed as of June 30, 2011.

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll ((b-a)/c)</b>
1/1/2011	13,373	131,327	117,954	10.2%	45,248	261%
6/30/2011	19,145	128,906	109,760	14.9%	44,627	246%
6/30/2013	30,715	136,616	105,901	22.5%	47,823	221%

This page left intentionally blank.



**Statistical Section (Unaudited)**

This page left intentionally blank.

**PORT OF OAKLAND**  
**(A Component Unit of the City of Oakland)**

**Statistical Selection**

This part of the comprehensive annual financial report for the Port of Oakland presents detailed information as a context for understanding the financial statements, note disclosures, and required supplementary information.

<b>Contents</b>	<b>Schedule</b>
<b>Financial Trends</b>	
Net Position by Components.....	1
Statements of Revenues, Expenses and Changes in Net Position .....	2
<b>Revenue Capacity</b>	
<b>Aviation Division:</b>	
Principal Revenue Sources and Airline Revenue per Enplaned Passenger.....	3
Aviation Statistics – South Airport .....	4
Top Ten Individual Sources of Aviation Revenue .....	5
Schedule of Airline Rates and Charges .....	6
<b>Maritime Division:</b>	
Principal Revenue Sources and Maritime Revenue per TEU .....	7
Maritime Division - Container Trends .....	8
Top Ten Individual Sources of Maritime Revenue by Alphabetical Order .....	9
<b>Debt Capacity</b>	
Net Revenue Calculation for Debt Service Coverage .....	10
Debt Service Coverage.....	11
Ratios of Debt Service .....	12
Outstanding Debt by Debt Type .....	13
<b>Demographic and Economic Information</b>	
Demographic and Economic Statistics for the City of Oakland .....	14
Principal Employers – FY 2012 vs. FY 2006 .....	15
<b>Operating Information</b>	
Actual Employee Count by Division .....	16
Capital Assets Information.....	17

**Port of Oakland**  
 (A Component Unit of the City of Oakland)  
 Schedule of Net Position by Components  
 Last Ten Fiscal Years  
 (dollar amounts in thousands)

	2004	2005	2006	2007	2008 (1)	2009 (2)	2010	2011 (3)	2012	2013
Net position:										
Net investment in capital assets	\$ 483,659	\$ 592,698	\$ 663,939	\$ 875,547	\$ 862,165	\$ 853,011	\$ 881,567	\$ 869,014	\$ 882,351	\$ 944,974
Restricted	175,229	136,004	114,377	9,806	12,692	21,357	11,677	17,187	20,553	14,178
Unrestricted	49,925	34,414	49,266	11,896	39,729	14,838	(2,258)	19,774	39,430	69,267
Total net position	\$ 708,813	\$ 763,116	\$ 827,582	\$ 897,249	\$ 914,586	\$ 889,206	\$ 890,986	\$ 905,975	\$ 942,334	\$ 1,028,419

Note: (1) The 2008 unrestricted net assets amount was reduced by \$9,212 in 2009 for a prior period adjustment.

(2) The beginning balance decreased by \$6,680 due to the adoption of GASB 49.

(3) The beginning balance decreased \$20,025 due to the adoption of GASB 65.

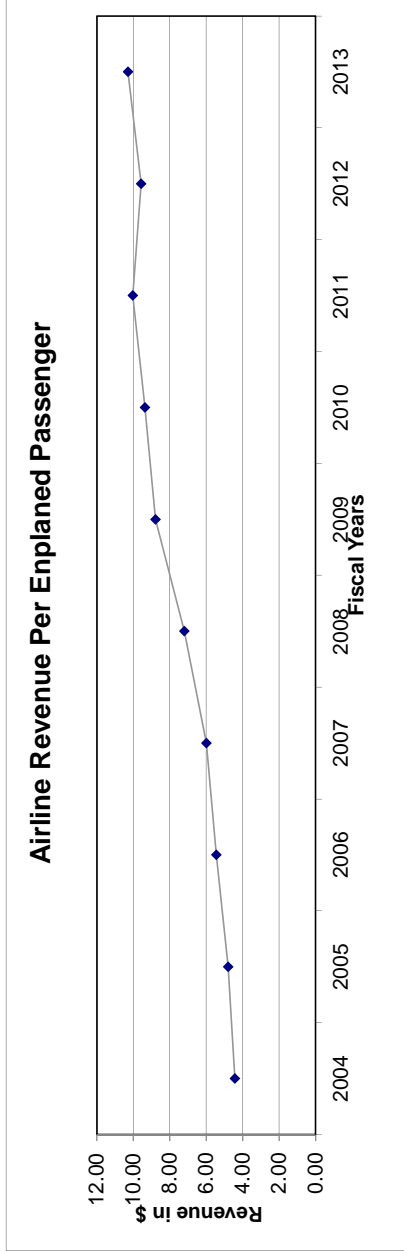
**Port of Oakland**  
(A Component Unit of the City of Oakland)  
**Statements of Revenues, Expenses and Changes in Net Position**  
Last Ten Fiscal Years  
(dollar amounts in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Operating revenues:										
Aviation	\$ 121,183	\$ 126,988	\$ 133,869	\$ 139,491	\$ 159,086	\$ 130,443	\$ 130,284	\$ 135,173	\$ 140,309	\$ 150,871
Maritime	99,605	112,859	122,819	127,141	128,351	140,739	143,344	151,854	152,988	151,869
Commercial real estate	11,747	11,163	10,773	10,742	12,446	12,108	11,597	10,956	12,841	12,778
Total operating revenues	232,535	251,010	267,461	277,374	299,883	283,290	285,225	297,983	306,138	315,518
Operating expenses:										
Aviation	116,385	123,295	134,104	144,169	162,299	161,542	152,099	152,086	152,064	150,461
Maritime	64,271	67,609	72,451	75,570	82,264	90,029	84,004	83,383	85,156	87,683
Commercial real estate	17,333	15,154	13,553	14,140	13,711	12,674	12,606	11,349	11,590	11,713
Total operating expenses (1)	197,989	206,058	220,108	233,879	258,274	264,245	248,709	246,818	248,810	249,857
Operating income	34,546	44,952	47,353	43,495	41,609	19,045	36,516	51,165	57,328	65,661
Non-operating revenues (expenses):										
Interest income	3,653	8,935	11,146	10,457	13,145	9,655	4,741	2,876	1,755	1,095
Interest expense	(54,410)	(59,488)	(61,405)	(65,261)	(76,796)	(78,415)	(74,624)	(70,714) (6)	(66,798) (6)	(59,598)
Loss on debt defeasance	-	-	-	-	-	-	(4,158)	-	-	-
Customer facility charges (2)	5,936	5,375	7,742	7,430	6,999	5,235	4,530	4,764	5,184	5,387
Passenger facility charges (2)	-	-	29,671	30,221	27,033	19,391	19,702	19,106	19,758	19,924
Other income (expenses)	12,874	3,678	2,136	10,419	2,452	(5,072)	292	1,438	(1,809)	3,668
Gain (loss) on disposal of capital assets	(57,631)	(514)	(1,835)	(2,761)	(14,985)	(435)	(6,562)	-	(2,276)	12,052
Total net non-operating expenses	(89,578)	(42,014)	(12,545)	(9,495)	(42,152)	(49,641)	(56,079)	(42,530)	(44,186)	(17,472)
Change in net assets before capital contributions	(55,032)	2,938	34,808	34,000	(543)	(30,596)	(19,563)	8,635	13,142	48,189
Capital contributions:										
Grants from government agencies	10,339	19,180	29,658	14,094	27,092	11,896	21,343	27,343	23,217	37,896
Land conveyed to Port	3,173	-	-	-	-	-	-	-	-	-
Land conveyed from U.S. Army	-	-	-	21,573	-	-	-	-	-	-
Passenger facility charges (PFC) (2)	29,130	29,031	-	-	-	-	-	-	-	-
Customer facility charges (CFC) (2)	1,118	2,043	-	-	-	-	-	-	-	-
Interest income from PFC and CFC	1,035	1,111	-	-	-	-	-	-	-	-
Total capital contributions	44,795	51,365	29,658	35,667	27,092	11,896	21,343	27,343	23,217	37,896
Change in net position	(10,237)	54,303	64,466	69,667	26,549	(18,700)	1,780	35,978	36,359	86,085
Net position, beginning of the year, as restated	719,050	708,813	763,116	827,582	888,037 (3)	907,906 (4)	889,206	869,997 (5)	905,975	942,334
Net position, end of the year	\$ 708,813	\$ 763,116	\$ 827,582	\$ 897,249	\$ 914,586	\$ 889,206	\$ 890,986	\$ 905,975	\$ 942,334	\$ 1,028,419

## Note:

- (1) Total operating expenses include depreciation and amortization.  
(2) CFC and PFC were presented in various formats and in separate line items. Commencing in FY 2006, all CFC and PFC were categorized as "Non-operating revenues & expenses" in the Port's audited financial statements.  
(3) The 2008 unrestricted net assets amount was reduced by \$9,212 in 2009 for a prior period adjustment.  
(4) The beginning balance decreased by \$6,680 due to the adoption of GASB 49.  
(5) The beginning balance decreased \$20,989 due to the adoption of GASB 65.  
(6) Interest expense was increased by \$964 in FY 2011 and decreased by \$1,088 in FY 2012 due to the adoption of GASB 65.

**Port of Oakland**  
(A Component Unit of the City of Oakland)  
Principal Revenue Sources and Airline Revenue per Enplaned Passenger  
Last Ten Fiscal Years



Aviation revenues:

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Terminal rental (1)	\$ 20,215,042	\$ 23,115,191	\$ 26,496,828	\$ 29,086,828	\$ 32,153,229	\$ 26,263,040 (3)	\$ 25,497,463	\$ 27,364,000	\$ 26,501,221	\$ 31,231,563
Landing fees (Excludes Cargo Airlines)	10,604,702	11,296,427	12,587,169	14,442,874	16,838,252	17,213,846	19,206,913	19,626,426	19,699,801	19,902,017
Total airline revenues	30,819,744	34,411,618	39,083,997	43,529,702	48,991,481	43,476,886	44,704,376	46,990,426	46,201,022	51,133,580
Concession	15,250,009	15,892,401	17,323,078	18,773,156	21,861,577	17,948,928 (3)	18,797,132	19,127,821	19,372,472	20,103,716
Parking & ground access	45,140,417	42,425,750	42,381,447	41,567,417	39,221,863	29,505,355 (3)	28,001,940	28,812,537	29,252,483	30,547,660
Lease rentals	15,149,828	16,522,758	16,173,463	18,054,979	20,551,862	21,004,740	19,776,344	20,707,048	24,271,955	26,778,749
Landing fees--Cargo Airlines	3,998,258	4,350,225	4,911,713	5,677,359	6,603,275	7,926,263	7,646,361	8,673,223	8,640,337	8,860,083
Aviation fueling	3,111,504	6,833,030	5,879,259	3,993,271	13,411,817	3,564,246	3,589,896	3,560,980	3,984,459	3,918,318
Utility sales	4,088,391	4,585,644	3,941,092	3,803,021	4,000,763	4,192,036	3,690,206	4,427,134	3,846,405	5,324,150
Other (2)	3,625,020	1,967,402	6,174,920	4,092,139	4,443,581	2,824,306	4,077,976	2,873,178	4,740,148	4,204,678
Total revenues	\$ 121,183,171	\$ 126,988,828	\$ 135,868,969	\$ 139,491,044	\$ 159,086,219	\$ 130,442,760	\$ 130,284,231	\$ 135,172,347	\$ 140,309,281	\$ 150,870,934
Enplaned passengers	6,957,782	7,171,141	7,187,587	7,267,170	6,802,486	4,955,743 (3)	4,777,514 (3)	4,687,878	4,825,802	4,973,107
Airline revenue per enplaned passenger	\$ 4.43	\$ 4.80	\$ 5.44	\$ 5.99	\$ 7.20	\$ 8.77	\$ 9.36	\$ 10.02	\$ 9.57	\$ 10.28

Note:

(1) Terminal rentals are for airlines only. Non-airline terminal rental revenues are classified under "Other".

(2) Includes non-airline terminal revenues, miscellaneous revenues and other field revenue.

(3) The drop in commercial activities was due to loss of 7 airlines, namely American Airlines, Aloha Airlines, Continental Airlines, Express Jet, Skybus, ATA Airlines and TACA International Airlines.



**Port of Oakland**  
(A Component Unit of the City of Oakland)  
Aviation Statistics - South Airport  
Last Ten Fiscal Years

Schedule 4

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>PASSENGERS</b>										
Enplaned	6,957,782	7,171,141	7,187,587	7,267,170	6,802,486	4,955,743	4,777,514	4,687,878	4,825,802	4,973,107
Deplaned	6,939,143	7,135,168	7,180,976	7,266,655	6,824,544	4,968,042	4,780,661	4,679,699	4,817,753	4,977,749
Total	13,896,925	14,306,309	14,368,563	14,533,825	13,627,030	9,923,785 (2)	9,558,175 (2)	9,367,577	9,643,555	9,950,856
<b>FREIGHT (in 000 lb)</b>										
Inbound	674,783	713,544	703,118	693,291	694,513	568,696	516,536	536,601	532,724	529,605
Outbound	723,190	767,210	771,810	768,048	741,453	626,474	541,473	568,082	552,475	543,928
Total	1,397,973	1,480,754	1,474,928	1,461,339	1,435,966	1,195,170 (3)	1,058,009 (3)	1,104,683	1,085,199	1,073,533
<b>TOTAL AIR CARGO (in 000 lb)</b>	1,408,452	1,493,531	1,485,973	1,471,796	1,452,437	1,212,414 (3)	1,079,243 (3)	1,124,605	1,104,388	1,087,140
(Freight & Mail)										
<b>LANDED WEIGHT (in 000 lb) (4)</b>										
Passenger Carriers	8,862,439 (5)	9,185,531 (5)	9,154,681 (5)	9,385,633	9,095,540	6,873,516 (2)	6,328,081 (2,5)	5,957,187	6,076,945	6,090,830
Cargo Carriers	3,336,954 (5)	3,525,403 (5)	3,570,049 (5)	3,678,155	3,560,162	3,158,521 (3)	2,494,619 (3,5)	2,624,269	2,634,870	2,691,589
Total	12,199,393	12,710,934	12,724,730	13,063,788	12,655,702	10,032,037	8,822,700	8,581,456	8,711,815	8,782,419
<b>AIRCRAFT MOVEMENTS</b>	182,079	187,858	186,321	189,712	181,690	122,028 (2)	114,327 (2)	106,260	107,652	102,470
<b>PARKING</b>										
Number of stalls	8,596	8,431	7,298	6,864	7,868	6,103 (6)	6,315 (6)	6,950 (6)	6,516 (6,8)	6,516 (6,8)
Average revenue per stall	\$4,648	\$4,391	\$4,991	\$5,112	\$4,151	\$3,991 (2)	\$3,605 (2)	\$3,391 (7)	\$3,688	\$3,900

Note:

Oakland Airport is comprised of the North and South Field. North Field handles general aviation and South Field handles commercial passengers and freight airlines.

(1) Not used.

(2) The drop in commercial activities was due to loss of 7 airlines, namely American Airlines, Aloha Airlines, Continental Airlines, Express Jet, Skybus, ATA Airlines and TACA International Airlines.

(3) Federal Express reduced the number of flights by 13% during FY 2008-09.

(4) Excludes non-revenue flights.

(5) Previously reported amounts have been corrected due to a classification error.

(6) 1,186 stalls in Daily Parking Lot were blocked due to the drop of volume.

(7) Parking revenue was revised due to the completion of a parking contractor audit.

(8) 434 stalls in Daily Parking Lot were blocked due to construction of the BART - Oakland Airport Connector.

**Port of Oakland**  
(A Component unit of the City of Oakland)  
**Top Ten Individual Sources of Aviation Revenue**  
Fiscal Year 2013 and Fiscal Year 2004

Schedule 5

<u>Fiscal Year 2013</u>	<u>Revenue</u>	<u>Percentage of Revenue</u>	<u>Fiscal Year 2004</u>	<u>Revenue</u>	<u>Percentage of Revenue</u>
Southwest Airlines	\$ 35,648,751	32.7%	On-Airport Public Parking (2)	\$ 39,957,907	47.5%
On-Airport Public Parking (1)	25,241,050	23.2%	Southwest Airlines	15,228,788	18.1%
Federal Express Corp.	18,226,357	16.7%	Federal Express Corp.	7,214,356	8.6%
Avis Budget Group, Inc.	5,940,641	5.5%	Air Terminal SVC (CA1)	4,325,796	5.1%
HMS Host Corporation	5,430,305	5.0%	Alaska Airlines	3,568,990	4.2%
Hertz Corporation	4,810,293	4.4%	Hertz Corporation	3,396,146	4.0%
United Parcel Service	4,174,115	3.8%	United Airlines	3,049,196	3.6%
DTG Operations, Inc.	3,549,485	3.3%	jetBlue Airways	2,632,562	3.1%
Alaska Airlines	3,045,631	2.8%	United Parcel Service	2,434,641	2.9%
jetBlue Airways	2,790,586	2.6%	Avis Budget Group, Inc.	2,289,926	2.7%

Note:

(1) Operated by Ampco Parking Oakland Airport Management, LLC until December 1, 2012 and LAZ Parking California, LLC after December 1, 2012.

(2) Operated by Five Star Parking.

**Port of Oakland**  
(A Component Unit of the City of Oakland)  
Schedule of Airline Rates and Charges  
Last Ten Fiscal Years

Costs from period:	Actual	Actual	Actual	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	FY02-03	FY03-04	FY04-05	FY06-07	FY07-08	FY08-09	FY09-10	FY10-11	FY11-12	FY12-13	
Rates & Charges for period:	CY2004	CY2005	CY2006	CY2007 (2)	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	
<u>Landing Fees (per 1,000 lbs. MGLW) (1)</u>											
Basic Landing Rate	\$ 1.21	\$ 1.29	\$ 1.46	\$ 1.62	\$ 1.85	\$ 2.50	\$ 3.06	\$ 3.30	\$ 3.27	\$ 3.29	
<u>Terminal Space Rental (per square foot per year)</u>											
Type1 - Ticket Counter	\$ 155.89	\$ 165.67	\$ 190.22	\$ 181.34	\$ 188.13	\$ 164.81	\$ 164.81	\$ 176.81	\$ 176.26	\$ 211.56	
Type2 - Office Space	140.30	149.10	171.20	163.21	169.32	148.33	148.33	159.13	158.63	190.40	
Type3 - Baggage Space (3)	124.71	132.54	152.18	145.07	150.50	131.85	131.86	141.45	141.00	169.24	
Type4 - Baggage Make-Up	109.12	115.97	133.16	126.94	131.69	115.37	115.37	123.77	123.39	148.10	
Type5 - Ticket Counter (Others)	77.95	82.84	95.12	90.67	94.07	82.41	82.42	88.41	88.13	105.78	
Type6 - Office Space (Others)	70.15	74.55	85.60	81.61	84.66	74.16	74.16	79.56	79.32	95.21	
Type7 - Baggage Make-Up (Others)	54.56	57.98	66.57	63.47	65.85	57.68	57.68	61.88	61.69	74.05	

Primary Holdroom, Loading Bridge Rental (per Holdroom per month)

Holdroom, Loading Bridge	\$ 28,649	\$ 29,595	\$ 34,250	\$ 31,678	\$ 34,576	\$ 31,269	\$ 32,801	\$ 36,006	\$ 36,080	\$ 41,907
--------------------------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------

Note:

- (1) MGLW - Maximum Gross Landing Weight
- (2) In FY2007, the Port converted from using actual previous year's expenses to budgeted expenses for the forthcoming fiscal year as the basis for calculating Rates & Charges.
- (3) The baggage claim requirement is calculated by multiplying the Type 3 rate by the square footage of the baggage claim areas. Until FY2008, the requirement is calculated among the airlines using an 80/20 formula. 20% of the revenue requirement is divided equally among all airlines. The remaining 80% is distributed among all airlines based on the number of enplaned passengers. Beginning FY2009, the requirement is distributed among all airlines based on the number of enplaned passengers.

**Port of Oakland**  
(A Component Unit of the City of Oakland)  
Principal Revenue Sources and Maritime Revenue per TEU  
Last Ten Fiscal Years

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Maritime revenues:										
Marine terminal rentals	\$ 89,178,000	\$ 101,198,000	\$ 109,001,000	\$ 115,305,000	\$ 117,795,000	\$ 126,068,000	\$ 130,254,000	\$ 138,964,000	\$ 140,777,000	\$ 139,415,000
Space assignments and rentals	4,042,000	3,361,000	3,809,000	3,306,000	3,731,000	8,553,000	6,961,000	5,771,000	5,726,000	6,518,000
Other revenues	6,381,000	3,534,000	4,230,000	3,177,000	2,248,000	1,966,000	1,813,000	2,881,000	2,203,000	1,921,000
Crane rentals	4,000 <sup>(1)</sup>	-	-	-	-	-	-	-	-	-
Maritime revenue, excluding utility sales	99,605,000	108,093,000	117,040,000	121,788,000	123,774,000	136,587,000	139,028,000	147,616,000	148,706,000	147,854,000
Utility sales	-	4,766,000	5,779,000	5,353,000	4,577,000	4,152,000	4,316,000	4,238,000	4,282,000	4,015,000
	\$ 99,605,000	\$ 112,859,000	\$ 122,819,000	\$ 127,141,000	\$ 128,351,000	\$ 140,739,000	\$ 143,344,000	\$ 151,854,000	\$ 152,988,000	\$ 151,869,000
TEUs (Full only)	1,406,250	1,628,369	1,723,181	1,722,522	1,802,004	1,605,613	1,729,122	1,799,050	1,796,671 <sup>(2)</sup>	1,794,187 <sup>(3)</sup>
Maritime revenue per TEU, excluding utility sales	\$ 70.83	\$ 66.38	\$ 67.92	\$ 70.70	\$ 68.69	\$ 85.07	\$ 80.40	\$ 82.05	\$ 82.77	\$ 82.41

## Note:

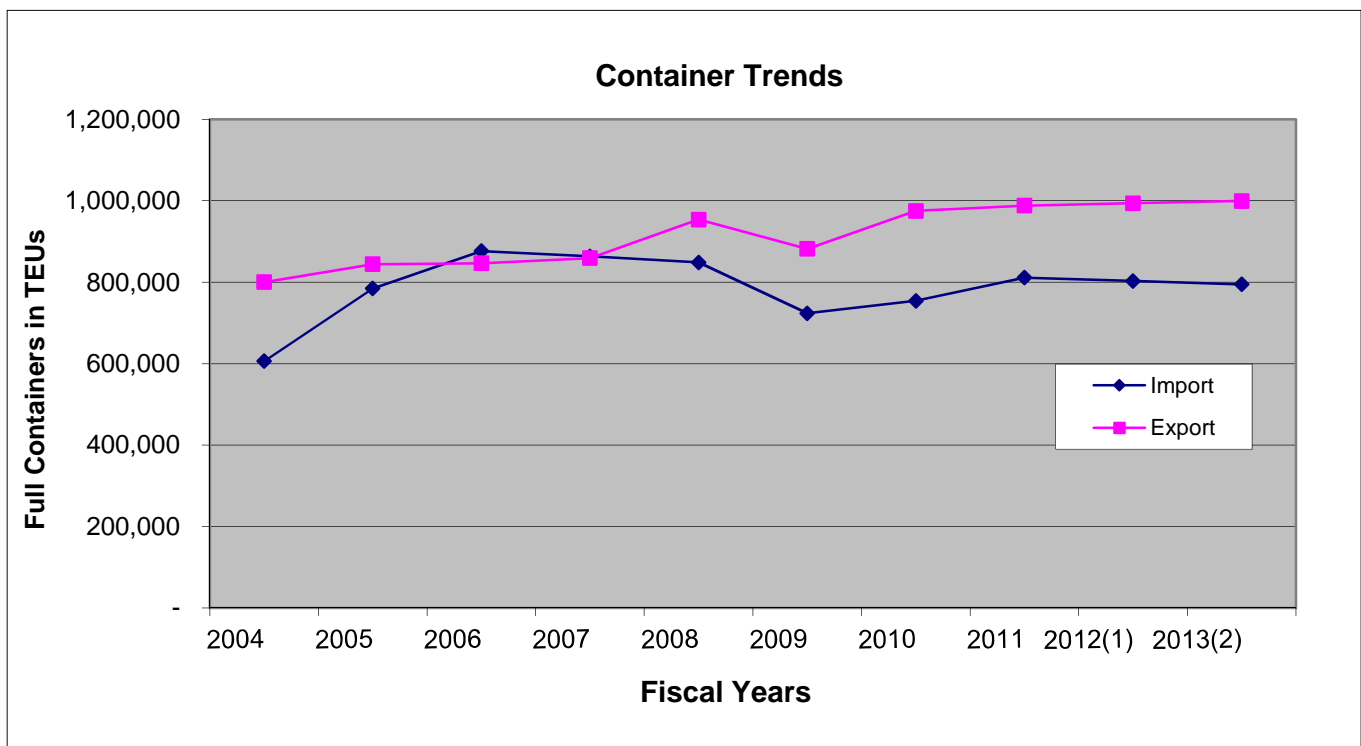
(1) Contracts with terminals operators were changed to new all-inclusive agreements in fiscal year 2004. Hence, crane rentals were not individually billed.

(2) Fiscal year 2012 TEU's were revised after internal audit was finalized.

(3) Subject to change pending completion of internal audit.

**Port of Oakland**  
**(A Component Unit of the City of Oakland)**  
**Maritime Division - Container Trends**  
**Last Ten Fiscal Years**  
**(TEUs)**

<b>Fiscal Year</b>	<b>Full Containers</b>				<b>Grand Total</b>
	<b>Import</b>	<b>%</b>	<b>Export</b>	<b>%</b>	
2004	606,202	43%	800,048	57%	1,406,250
2005	784,312	48%	844,057	52%	1,628,369
2006	876,462	51%	846,719	49%	1,723,181
2007	863,393	50%	859,129	50%	1,722,522
2008	848,383	47%	953,621	53%	1,802,004
2009	723,504	45%	882,109	55%	1,605,613
2010	754,257	44%	974,865	56%	1,729,122
2011	811,082	45%	987,968	55%	1,799,050
2012 <sup>(1)</sup>	802,831	45%	993,840	55%	1,796,671
2013 <sup>(2)</sup>	794,615	44%	999,572	56%	1,794,187



Note:

(1) Fiscal year 2012 TEUs were revised after internal audit was finalized.

(2) Subject to change pending completion of internal audit.

**Port of Oakland**  
**(A Component unit of the City of Oakland)**  
**Top Ten Individual Sources of Maritime Revenue by Alphabetical Order**  
**Fiscal Year 2013 and Fiscal Year 2004**

**Fiscal Year 2013**

BNSF Railway Company  
 Eagle Marine Services, Ltd  
 Evergreen Marine Corp. (Taiwan) Ltd  
 GSC Logistics, Inc.  
 Ports America Outer Harbor Terminal, LLC  
 Shippers Transport Express, Inc.  
 SSA Terminals, LLC and SSA Terminals (Oakland), LLC (combined)  
 Total Terminals International, LLC  
 TraPac, Inc.  
 Truck Parking (1)

**Fiscal Year 2004**

American President Lines  
 Burlington Northern/Santa Fe  
 Evergreen Marine Corp. (Taiwan) Ltd  
 International Transportation Service  
 Maersk-Sealand/CSX  
 Shippers Transport Express, Inc.  
 SSA Terminals, LLC  
 Total Terminals International, LLC  
 Trans Pacific Container Service Corp.  
 Yusen Terminal, Inc.

## Note:

The Port of Oakland terminal tenants compete against each other for business. The Port feels disclosure of revenue by tenant would give advantages or disadvantages to certain tenants.

(1) Operated by Ampco System Parking, Inc.

**Port of Oakland**  
(A Component Unit of the City of Oakland)  
**Net Revenue Calculation For Debt Service Coverage**  
Last Ten Fiscal Years  
(dollar amounts in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Operating Revenues (Excluding OPA)	\$ 224,372	\$ 251,010	\$ 267,461	\$ 277,374	\$ 299,883	\$ 283,290	\$ 285,225	\$ 297,983	\$ 306,138	\$ 315,518
Operating Expenses before Depreciation <sup>(1)</sup>	(125,977)	(131,791)	(139,837)	(147,754)	(164,047)	(162,499)	(145,931)	(144,278)	(146,561)	(146,426)
Operating Income before Depreciation	98,395	119,219	127,624	129,620	135,836	120,791	139,294	153,705	159,577	169,092
Gross Interest Earned <sup>(2)</sup>	8,183	7,417	8,942	8,838	9,095	9,382	8,566	1,797	1,677	1,036
Pledged OPA Revenue <sup>(3)</sup>	4,219	-	-	-	-	-	-	-	-	-
Net Revenue Available for Debt Service	\$ 110,797	\$ 126,636	\$ 136,566	\$ 138,458	\$ 144,931	\$ 130,173	\$ 147,860	\$ 155,502	\$ 161,254	\$ 170,128

## Note:

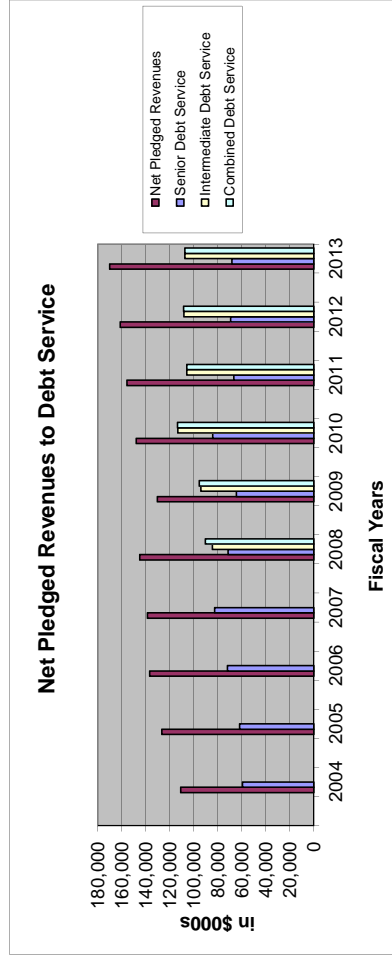
(1) Operating Expenses before Depreciation does not include operating expenses reimbursed by customer facility charges (CFC).

(2) Starting in fiscal year 2011, the amortization of bond premium has been accounted for as a component of interest expense. Also excludes interest earned on passenger facility charges (PFC) and CFC funds

(3) OPA - Oakland Portside Associates, a blended component unit in the Port's fiscal financial statements, was dissolved effective June 30, 2004 and its assets transferred to the Port.

**Port of Oakland**  
(A Component Unit of the City of Oakland)  
Debt Service Coverage  
Last Ten Fiscal Years  
(dollar amounts in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net Pledged Revenues Available for Debt Service	\$ 110,797	\$ 126,636	\$ 136,566	\$ 138,458	\$ 144,931	\$ 130,173	\$ 147,860	\$ 155,502	\$ 161,254	\$ 170,128
Debt Service										
Senior Debt Service <sup>(1)</sup>	\$ 59,365	\$ 61,788	\$ 71,774	\$ 82,649	\$ 71,230	\$ 64,465	\$ 84,218	\$ 66,641	\$ 69,173	\$ 68,263
Intermediate Debt Service <sup>(2)</sup>	N/A	N/A	N/A	N/A	84,458	94,045	113,303	105,645	108,175	107,268
Combined Debt Service <sup>(3)</sup>	N/A	N/A	N/A	N/A	90,274	95,301	113,611	105,878	108,334	107,424
Debt Service Coverage Ratio <sup>(4)</sup>										
Senior Lien (minimum 1.25)	1.87	2.05	1.90	1.68	2.03	2.02	1.76	2.33	2.33	2.49
Intermediate Lien (minimum 1.10) <sup>(5)</sup>	N/A	N/A	N/A	N/A	1.72	1.38	1.42	1.47	1.50	1.59
Combined Aggregate <sup>(5)</sup>	N/A	N/A	N/A	N/A	1.61	1.37	1.42	1.47	1.50	1.58



Note:

- (1) Senior debt service is less capitalized interest.
- (2) Intermediate debt service consists of Senior Lien, Department of Boating and Waterways Loans and Intermediate Lien debt.
- (3) Combined debt service is all debt service including interest on Commercial Paper.
- (4) Debt Service Ratio is calculated by dividing the Net Pledged Revenues Available for Debt Service by the corresponding Debt Service.
- (5) Intermediate Lien and Combined Aggregate Debt Service Coverage ratios includes the following:
  - In fiscal year 2010, a reduction in debt service of \$95 million due to the release of funds from Series F, Series K, Series L and Series N bond reserve funds.
  - In fiscal year 2012, \$0.6 million of Series M unspent bond proceeds were applied to the debt service payment.



**Port of Oakland**  
(A Component Unit of the City of Oakland)  
Ratios of Debt Service  
Last Ten Fiscal Years  
(dollar amounts in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Debt Service</b>										
Senior Revenue Bonds (1)										
Aviation	\$ 7,320	\$ 7,818	\$ 8,254	\$ 9,845	\$ 5,997	\$ 5,437	\$ 14,887	\$ 12,551	\$ 13,206	\$ 13,014
Maritime	47,779	48,745	58,269	67,515	61,159	59,021	67,682	54,085	55,960	55,242
Commercial Real Estate	4,266	5,225	5,251	5,289	4,074	7	1,649	5	7	7
Total Senior Revenue Bonds Debt Service	\$ 59,365	\$ 61,788	\$ 71,774	\$ 82,649	\$ 71,230	\$ 64,465	\$ 84,218	\$ 66,641	\$ 69,173	\$ 68,263
Department of Boating & Waterways										
Commercial Real Estate	\$ -	\$ -	\$ -	\$ -	\$ 457	\$ 457	\$ 457	\$ 457	\$ 457	\$ 457
Intermediate Revenue Bonds										
Aviation	\$ -	\$ -	\$ -	\$ -	\$ 3,618	\$ 7,610	\$ 7,617	\$ 8,867	\$ 12,033	\$ 12,018
Maritime	-	-	-	-	8,886	20,985	20,486	29,128	25,271	25,289
Commercial Real Estate	-	-	-	-	267	527	525	552	1,241	1,241
Total Intermediate Revenue Bonds Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 12,771	\$ 29,122	\$ 28,628	\$ 38,547	\$ 38,545	\$ 38,548
Commercial Paper (2)										
Aviation	\$ -	\$ -	\$ -	\$ -	\$ 1,793	\$ 361	\$ 90	\$ 68	\$ 40	\$ 41
Maritime	-	-	-	-	4,023	896	218	165	116	115
Commercial Real Estate	-	-	-	-	-	-	-	-	3	0
Total Commercial Paper Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 5,816	\$ 1,257	\$ 308	\$ 233	\$ 159	\$ 156
Debt Service by Division										
Aviation	\$ 7,320	\$ 7,818	\$ 8,254	\$ 9,845	\$ 11,408	\$ 13,408	\$ 22,594	\$ 21,486	\$ 25,279	\$ 25,073
Maritime	47,779	48,745	58,269	67,515	74,068	80,902	88,386	83,378	81,347	80,646
Commercial Real Estate	4,266	5,225	5,251	5,289	4,798	991	2,631	1,014	1,708	1,705
Total Debt Service	\$ 59,365	\$ 61,788	\$ 71,774	\$ 82,649	\$ 90,274	\$ 95,301	\$ 113,611	\$ 105,878	\$ 108,334	\$ 107,424
<b>Aviation Debt Service per Enplaned Passenger</b>										
Enplaned passengers (in 000's)	6,958	7,171	7,188	7,267	6,802	4,956	4,778	4,688	4,826	4,973
Aviation Debt Service per Enplaned Passenger (not in 000's)	\$ 1.05	\$ 1.09	\$ 1.15	\$ 1.35	\$ 1.68	\$ 2.71	\$ 4.73	\$ 4.58	\$ 5.24	\$ 5.04

Note:

(1) Senior Revenue Bond debt service is less capitalized interest.

(2) Interest only.

**Port of Oakland**  
(A Component Unit of the City of Oakland)  
**Outstanding Debt by Debt Type**  
Last Ten Fiscal Years  
(dollar amounts in thousands)

Schedule 13

<u>Fiscal Year</u>	<u>Senior Bonds (1)</u>	<u>Intermediate Bonds</u>	<u>Department of Boating &amp; Waterways</u>	<u>Special Facilities Bonds</u>	<u>Capital Tax Exempt Loan</u>	<u>Commercial Paper</u>	<u>Total</u>
2004	\$ 1,418,586	\$ -	\$ 9,739	\$ 34,090	\$ 1,154	\$ 150,000	\$ 1,613,569
2005	1,410,431	-	6,787	-	348	150,000	1,567,566
2006	1,395,464	-	6,632	-	-	150,000	1,552,096
2007	1,370,072	-	6,473	-	-	191,893	1,568,438
2008	962,822	503,090	6,307	-	-	78,540	1,550,759
2009	935,672	498,585	6,133	-	-	81,440	1,521,830
2010	856,000	494,390	5,952	-	-	89,440	1,445,782
2011	834,230	479,850	5,762	-	-	87,268	1,407,110
2012	(2) 803,761	478,977	5,564	-	-	87,268	1,375,570
2013	762,025	460,681	5,357	-	-	78,398	1,306,461

Note:

(1) Senior Debt was called Parity Bonds Debt through Fiscal Year 2007.

(2) Starting in 2012, amounts include bond discount/premium.

**Port of Oakland**  
 (A Component Unit of the City of Oakland)  
**Demographic And Economic Statistics for the City of Oakland**  
**Last Ten Calendar Years**

<b>Calendar Year</b>	<b>Population</b>	<b>Personal Income (\$000s)</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>School Enrollment</b>	<b>Unemployment Rate (%)</b>
2004	411,600	\$ 18,163,496	\$ 44,129	33.3	49,334	6.1
2005	412,300	\$ 9,044,213	\$ 21,936	33.3	49,334	5.3
2006	411,755	\$ 11,697,548	\$ 28,409	33.3	41,467	7.1
2007	415,492	\$ 9,114,233	\$ 21,936	33.3	39,802	7.4
2008	420,183	\$ 10,554,157	\$ 25,118	36.1	39,705	9.6
2009	425,068	\$ 11,182,689	\$ 26,308	36.7	38,826	17.1
2010	390,757	\$ 10,607,099	\$ 27,145	37.1	38,450	17.2
2011	392,333 (1)	\$ 11,107,340 (1)	\$ 28,311	36.3	38,540	16.3
2012	394,832 (1)	\$ 11,281,140 (1)	\$ 28,572	36.2	37,742	14.3
2013	399,326	\$ 12,391,086	\$ 31,030	36.6	36,180	11.3

Note: In FY 2003 - 2004 median family income was used as per capital personal income

Source: Population - State of California Department of Finance, Per Capita Income and Median Age - DemographicsNow.com,  
 School Enrollment - Oakland Unified School District, Unemployment Rate - State of California Employment Development Department

(1) 2011 and 2012 were updated with newly available data from the California Department of Finance and DemographicsNow.com.

**Port of Oakland**  
(A Component Unit of the City of Oakland)  
**Principal Employers in the City of Oakland - FY 2012 vs FY 2006**

Schedule 15

<u>Employer</u>	<b>FY 2012 (2)</b>			<b>FY 2006 (1)</b>		
	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total Employment</b>	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total Employment</b>
County of Alameda	8,843	1	5.11%	9,740	1	5.63%
Oakland Unified School District	4,496	2	2.60%	8,000	2	4.63%
Kaiser Permanente Medical Group	4,418	3	2.56%	5,450	3	3.15%
Dreyer's Grand Ice Cream Inc.	4,191	4	2.42%	N/A		
Cost Plus Inc.	4,113	5	2.38%	N/A		
City of Oakland	4,073	6	2.36%	4,290	5	2.48%
Alta-Bates Summit Medical Center	3,623	7	2.10%	N/A		1.48%
Children's Hospital & Research	2,600	8	1.50%	N/A		
Bay Area Rapid Transit	1,499	9	0.87%	2,800	6	1.62%
Peralta Community College District	1,400	10	0.81%	N/A		
Kaiser Foundation Hospitals	N/A			4,340	4	2.51%
Federal Express	N/A			2,790	7	1.61%
Alta-Bates Medical Center	N/A			2,620	8	1.52%
Kaiser Foundation Health Plan	N/A			2,590	9	1.50%
Summit Medical Center	N/A			2,230	10	1.29%
Total	<u>39,256</u>			<u>44,850</u>		

Note:

(1) Data pertaining to principal employers for past 10 years is not readily available. As such, we used 2006 data as our base year which is the earliest information available.

(2) Data pertaining to principal employers for 2013 is not readily available. As such, we used 2012 data as our latest information available.

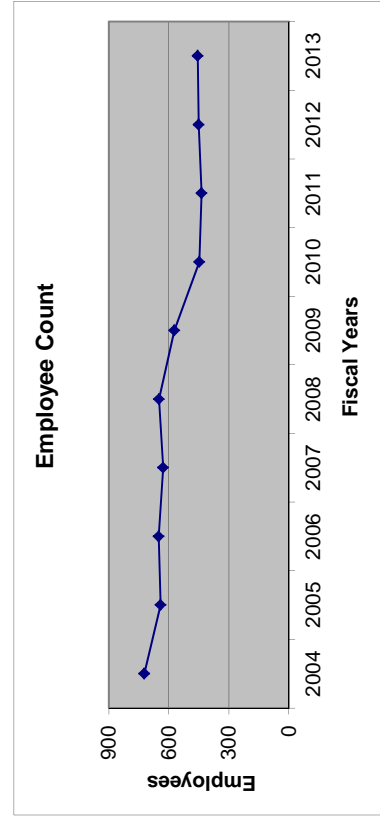
Source: Fiscal Year 2006 - Economic Development Alliance for Business, Alameda County Largest Employers.

Fiscal Year 2012 - Various sources

Total employment of 172,896 (2011 estimate) from DemographicsNow.com is used to calculate the percentage of employment.

**Port of Oakland**  
(A Component Unit of the City of Oakland)  
Actual Employee Count by Division  
Last Ten Fiscal Years

<b>Revenue Divisions</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Aviation	316	290	310	289	315	307	238	228	242	233
Maritime	26	21	18	65 (1)	77	78	63	61	63	69
Commercial Real Estate	12	9	9	7	8	7	8	8	7	7
Subtotal	354	320	337	361	400	392	309	297	312	309
<b>Support Divisions</b>										
Corporate Administrative Services	32	31	26	29	26	35	17	17	14	14
Engineering	204	170	167	108 (1)	91	49	37	37	39	38
Financial Services	42	39	39	42	40	33	27	27	28	30
Others	91	81	82	89	92	64	58	59	58	65
Subtotal	369	321	314	268	249	181	139	140	139	147
<b>Total</b>	<b>723</b>	<b>641</b>	<b>651</b>	<b>629</b>	<b>649</b>	<b>573</b>	<b>448</b>	<b>437</b>	<b>451</b>	<b>456</b>



Note:

(1) Harbor Facilities was moved from Engineering Division to Maritime Division in FY 2007.

Source: Port of Oakland Human Resources Database

**Port of Oakland**  
(A Component Unit of the City of Oakland)  
Capital Assets Information  
Last Ten Fiscal Years

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Aviation facilities										
Paved airport runways	4	4	4	4	4	4	4	4	4	4
Total length of runways (in feet)	25,038	25,038	25,038	25,038	25,038	25,038	25,038	25,038	25,038	25,038
Area of airport (in acres)	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600
Parking stalls	8,596	8,431	7,298	6,864	7,868	6,103 <sup>(1)</sup>	6,315 <sup>(1)</sup>	6,950 <sup>(1)</sup>	6,516 <sup>(1,2)</sup>	6,516 <sup>(1,2)</sup>
Harbor facilities										
Miles of waterfront	19	19	19	19	19	19	19	19	19	19
Berthing length at wharves (in feet)	23,031	23,031	23,063	23,063	23,063	23,233	23,233	23,233	23,233	23,233
Harbor area (in acres)	770	770	786	786	786	786	786	779	779	779
Commercial Real Estate										
Owned acreage	914	877	876	876	874	874	874	874	865	834
Parking stalls	2,114	2,114	2,114	2,004	1,479	1,429	1,429	1,429	1,429	1,429

Note:

- (1) 1,186 stalls in Daily Parking Lot were blocked due to the drop of passenger volume.  
(2) 434 stalls in Daily Parking Lot were blocked due to construction of the BART - Oakland Airport Connector.

Source: Port of Oakland Records