
Comprehensive Annual Financial Report

For the Years Ended June 30, 2014 and 2013



PORT OF OAKLAND

Oakland, California

(A Component Unit of the City of Oakland)

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Comprehensive Annual Financial Report
For the Years Ended June 30, 2014 and 2013

Prepared by the Financial Services Division

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Years Ended June 30, 2014 and 2013

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INTRODUCTORY SECTION

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

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Sara Lee
Chief Financial Officer

December 4, 2014

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Port of Oakland (Port), a component unit of the City of Oakland (City), as of and for the fiscal years ended June 30, 2014 and 2013. This report is comprised of three sections: Introductory, Financial, and Statistical. The Introductory Section includes this letter of transmittal, organizational chart, and list of appointed officials, executive and contributing staff. The Financial Section begins with the independent auditors' report, contains management's discussion and analysis (MD&A), the Port's financial statements and accompanying notes to the financial statements and required supplementary information. The Statistical Section includes selected financial, economic, and demographic data. All amounts are rounded to the nearest million dollars in the MD&A and thousand dollars in the financial statements and accompanying notes to the financial statements for presentation purposes.

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.

This letter of transmittal is designed to complement the MD&A, which provides a narrative introduction, overview, and analysis to the financial statements, and should be read in conjunction with the MD&A.

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 2013 the Airport ranked 36th in the United States in terms of total passengers and 13th in terms of air cargo tonnage. In fiscal year 2014, the Airport served approximately 9.89 million passengers and 1.15 billion pounds of air cargo. As of June 2014, the Airport offered approximately 140 daily nonstop commercial departures to 39 domestic and international destinations, as well as over 30 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 5th busiest cargo container port in the United States and 3rd busiest on the United States West Coast, based on the number of twenty-foot equivalent units (TEUs) handled annually. In fiscal year 2014, approximately 2.37 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 is developing 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, which connect the Bay Area with the major trading centers of global commerce around the world.

In addition, the Port oversees approximately 837 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. Operating budgets are prepared and presented annually to the Board. For fiscal year 2015 Port staff prepared a five-year operating forecast. The first year of the operating forecast was presented to the Board for adoption as the Port's operating budget, while the additional four years are presented in concept only.

In addition to preparing the operating budget, Port staff annually prepare a five-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 2009, the Port's capital program has been reduced to accommodate budgetary and staffing constraints, as well as 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, and are primarily focused on regulatory compliance, life safety-related improvements, and revenue maintenance.

The approved fiscal year 2014-15 operating and capital budgets, and five-year operating forecast and CNA, are available on the Port's website at, www.portoakland.com/about/investors.aspx and discussed at a high level in this transmittal letter.

Economic Outlook

The Port is located in the San Francisco Bay Area, a sizeable and generally affluent metropolitan area whose economy is intricately linked with global trade. Home to the world's technology leaders and a hub for higher education, the San Francisco Bay Area both shapes and is shaped by the global economy. Rapid growth of technology-based businesses and continued foreign investment strengthens the importance of trade between the San Francisco Bay Area and Asia. Agricultural trade is also a significant factor in the San Francisco Bay Area economy with the Port serving as the primary gateway for California's premium agricultural goods.

The global financial crisis that began in 2007 significantly impacted the San Francisco Bay Area economy, including the Port's tenants, customers and its three business lines. While the global economy continues a slow and tempered recovery, the San Francisco Bay Area economy continues to excel, reporting unemployment rates and real estate appreciation greater than the national average. However, continued and sustained growth will be dependent on the U.S. economy's strength and continued economic growth among Asian countries.

The Port continues to be focused on strengthening its core businesses, enhancing its revenues and improving its operational effectiveness while maintaining strong relationships with key stakeholders. The redevelopment of the former Oakland Army Base promises to enhance the Seaport's competitiveness, while improvements to Terminal 1, the runway safety area and the anticipated opening of the BART-Oakland Airport Connector in late 2014 will improve the competitive position of the Airport. The coming years will continue to introduce opportunities as well as challenges. Lease renewals, a competitive landscape, aging infrastructure and rising pension, medical, security and regulatory costs, must be addressed proactively and prudently.

Financial Planning

Fiscal year 2014 marked modest to flat growth in business activity at the Port. Passenger traffic at the Airport decreased 0.6%, air cargo activity increased 5.5%, and the number of loaded TEUs handled at the Seaport increased 2.2%. Despite the overall modest growth in business activity, the Port experienced a mixed year of financial performance. In fiscal year 2014, the Port reported increased operating revenues of 2.4%, but operating revenues were outpaced by an increase in operating expenses, before depreciation of 11.2%, resulting in decreased operating income of 15.9%.

In fiscal year 2015, the Port has budgeted total operating revenues of approximately \$314.8 million, a 2.6% decrease from fiscal year 2014 results. The decrease in revenue reflects modest increases in business activity that is offset by the effects of projected shifts in cargo activity among Maritime terminal operators and a one-time lease termination payment received in fiscal year 2014. Operating expenses before depreciation are budgeted at approximately \$186.3 million in fiscal year 2015, an approximate 10.5% increase over fiscal year 2014 results. Rising personnel costs, which represent 53.7% of the operating expense budget, drive the majority of this increase.

The Port remains cautious about the future and projects flat to modest growth in operating revenue. The Port projects operating revenues to increase to \$339.2 million by the end of fiscal year 2019 for a five year increase of 5.0%. During this period of modest revenue growth, the Port will continue to be challenged by rising operating costs, primarily in the areas of security, regulatory compliance, maintenance, pension, and health care costs. The Port is focused on controlling operating expenses while addressing core operational needs, which include adequate funding for key activities necessary to the maintenance and enhancement of the Port's competitiveness. Balancing these needs with costs the

Port has limited control over, such as pension and health care costs, the Port projects operating expenses before depreciation to increase significantly to approximately \$206.0 million by the end of fiscal year 2019 for a five year increase of 22.2% compared to fiscal year 2014 results.

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. These areas of focus were central to the development of the Port's fiscal year 2015 operating and capital budgets, as well as the 5-year operating forecast and CNA.

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. These initiatives are focused on upgrading and expanding the Port's facilities to sustain and accommodate future growth, improve its overall competitiveness, maintain safety, and enhance security. Many of these initiatives span multiple years due to the significance and complexity of these initiatives.

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 inefficient and outdated infrastructure, bringing building systems up to code, improving passenger service, prolonging service life 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. The Airport has completed construction of a new central utility plant mechanical building and renovations of the old mechanical buildings. The renovation and seismic retrofit of Building M102, which began in March 2014, will continue for approximately three years. The retrofit and building systems upgrades and replacement will be accomplished while maintaining operations in the building, which includes the passenger security checkpoint, concessions, Port administrative offices, 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 includes green building principles and the design and construction of airport administrative offices will seek Leadership in Energy and Environmental Design (LEED) Certification.

Runway Safety Area Improvements. The FAA requires that commercial airports regulated under Part 139 have standard Runway Safety Areas (RSAs) where practicable. RSAs enhance the safety of airplanes in the event that the aircraft undershoots, overruns, or veers off the runway. Beginning in 2005, the Airport developed a design to bring the runway into compliance. Construction of the South Field improvements began at the end of fiscal year 2013 and were substantially completed in November 2014. North Field construction will begin in late 2014 and be completed prior to the Congressionally mandated deadline of December 31, 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 conducted system testing during 2014 and commenced service to the public in late November 2014.

Perimeter Dike. The perimeter dike separates the South Field airfield from San Francisco Bay waters and in need of 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 future Airport development is minimized. Design and environmental review are underway and completion is expected in the summer of 2015. Construction of the initial phase of dike improvements is scheduled for completion in 2016.

Maritime

Oakland Logistics Center (formerly Oakland Army Base Redevelopment). The Oakland Army Base (OAB) is a former military supply depot built during World War II, closed in 1993, and transferred to the City and Port between 2003 and 2006. A Master Plan for the overall development of the Port and City owned property was completed in 2012. The Port plans to develop its 241 acres of property into a logistics center comprising an intermodal rail terminal, transloading, and warehousing facilities. The 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. In 2014 construction continued on a new 50,000-ft rail yard for staging railcars, including earthwork, utility relocations, drainage and grading, and track installation. The improvements will provide additional railcar storage capacity for current and future customers at the Oakland Logistics Center, particularly transload, bulk businesses. The first phase of construction is scheduled to be completed in 2015. 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.

Maritime Security Projects. Since 2001, the Port, state and Federal government have focused on Seaport security as a critical link in national defense. Leveraging federal security grant programs, the Port continues to implement security and emergency communication enhancements at the Seaport. Ongoing security projects that are expected to be completed in fiscal year 2015 include expansion of a fiber optic network to better interface the surveillance and monitoring systems; the integration of additional high definition closed circuit television cameras into the common surveillance platform; and expansion of the Geospatial Information System to improve Port resiliency and allow better information sharing among agencies during emergencies.

Shore Power Infrastructure. California law requires major reductions in air pollutant emissions associated with the auxiliary engines that power vessels when they are at dock. In coordination with its tenants and customers, the Port determined that the most effective compliance option was for vessels to receive electric power supply from the shore. The Port's Shore Power Program involved the construction of electrical land-side connections that enable ships to plug into the electric grid while docked. The Seaport completed construction of this infrastructure in 2013.

Commercial Real Estate

The Port welcomed new tenants, including restaurants, a workout facility, and office space, at the Jack London Square area through the partnership between the Port and its developer partner, Jack London Square Ventures LLC. 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, 2013. 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

We would like to express our appreciation to the Financial Services Division for their professionalism, dedication, and efficiency in the preparation of this report. We also extend our 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, we 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



Julie Lam
Port Controller



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

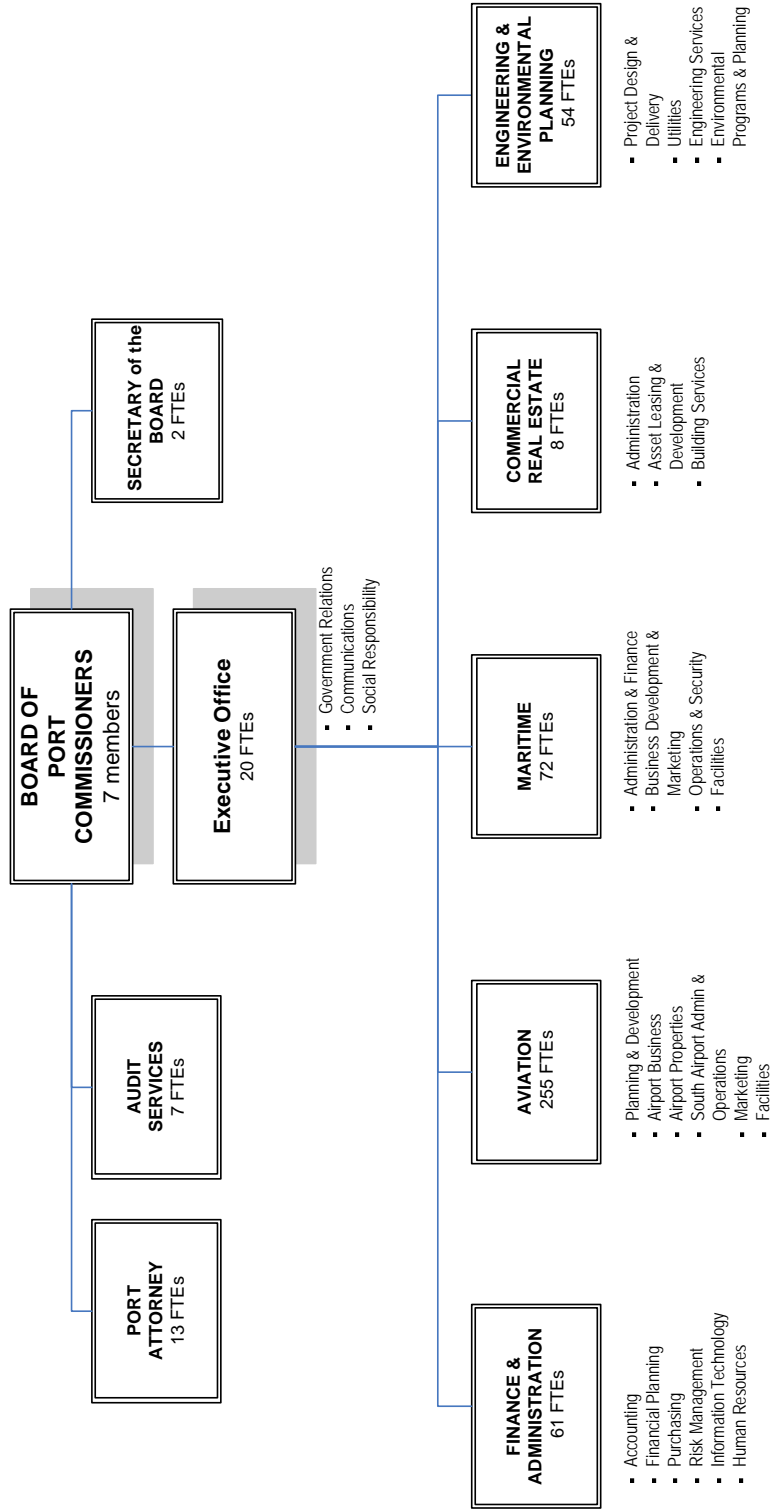
June 30, 2013

Executive Director/CEO

PORT OF OAKLAND ORGANIZATION CHART

Fiscal Year 2013-14

492 Budgeted FTEs (Full-Time Equivalents)





PORT OF OAKLAND
APPOINTED OFFICIALS, EXECUTIVE AND
CONTRIBUTING STAFF

For the Year Ended
June 30, 2014

Board of Port Commissioners of the City of Oakland

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

Executive Management

Chris Lytle, Executive Director
Deborah Ale Flint, Director of Aviation
Chris Chan, Director of Engineering
John C. Driscoll, Director of Maritime
Pamela Kershaw, Director of Commercial Real Estate
Sara Lee, Chief Financial Officer
Danny Wan, Port Attorney

Contributing Staff

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

530 Water Street
Oakland, California 94607

Phone: 510-627-1100
Website: portofoakland.com

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FINANCIAL SECTION

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

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Independent Auditors' Report

Board of Port Commissioners of the City of Oakland,
Oakland, 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, 2014 and 2013, 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.

Auditors' 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 auditors' 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 auditors 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, 2014 and 2013, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress – other postemployment benefits 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 an opinion 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2014, 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.

Macias Gini & O'Connell LLP Kevin W. Kasper, CPA

Oakland, California
December 4, 2014

Port of Oakland
(A Component Unit of the City of Oakland)
Management's Discussion and Analysis (unaudited)
June 30, 2014 and 2013

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, 2014 and 2013, with comparative information for June 30, 2012. 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, financial statements, notes to the financial statements, and required supplementary information. The 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 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 of 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 as of June 30 follows (in millions):

	2014	% Change	2013	% Change	2012
Current and other assets	\$ 380.1	12.2%	\$ 338.8	-3.0%	\$ 349.2
Capital assets, net	2,196.8	-0.1%	2,199.1	0.6%	2,185.7
Total assets	<u>2,576.9</u>	1.5%	<u>2,537.9</u>	0.1%	<u>2,534.9</u>
Deferred outflow of resources	13.4	-7.6%	14.5	3.6%	14.0
Debt outstanding	1,258.3	-3.7%	1,306.5	-5.0%	1,375.6
Other liabilities	221.8	2.0%	217.5	-5.8%	231.0
Total liabilities	<u>1,480.1</u>	-2.9%	<u>1,524.0</u>	-5.1%	<u>1,606.6</u>
Net investment in capital assets	987.0	4.4%	945.0	7.1%	882.4
Restricted for construction	10.1	-28.9%	14.2	-31.1%	20.6
Unrestricted	113.1	63.4%	69.2	76.1%	39.3
Total net position	<u>\$ 1,110.2</u>	8.0%	<u>\$ 1,028.4</u>	9.1%	<u>\$ 942.3</u>

Port of Oakland
(A Component Unit of the City of Oakland)
Management's Discussion and Analysis (unaudited)
June 30, 2014 and 2013

Summary of Net Position (continued)

Total net position at June 30, 2014, increased approximately \$81.8 million or 8.0% from \$1,028.4 million on June 30, 2013 to \$1,110.2 million on June 30, 2014. Net investment in capital assets, net of related debt, increased \$42.0 million due to a decrease in outstanding debt of \$48.2 million offset by a decrease in the book value of capital assets of approximately \$2.3 million and an increase in accounts payable on construction contracts of \$4.9 million. Restricted for construction decreased \$4.1 million due to continued spending of passenger facility charges (PFC) proceeds on construction projects. Unrestricted net position increased approximately \$43.9 million due to an increase in the Port's unrestricted cash balance of \$23.1 million, an increase in accounts receivable of \$10.6 million primarily due to federal grants, an increase in other assets of \$5.4 million for tenant performance deposits and a decrease in unearned revenue of \$4.9 million.

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 \$62.6 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 \$6.4 million due to an increase in spending of PFC proceeds on construction projects. Unrestricted net position increased approximately \$29.9 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.

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 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, 2014 and 2013

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 millions):

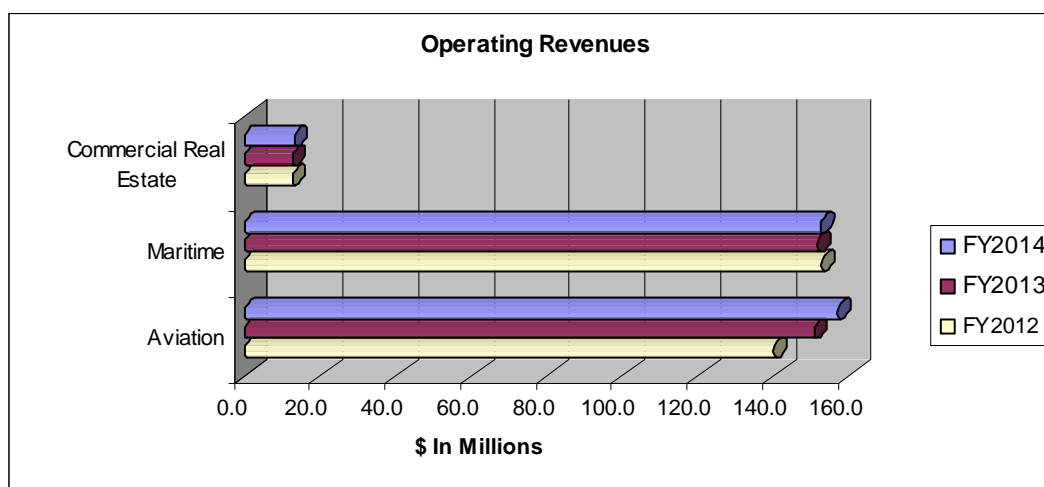
	Twelve Months Ended				
	2014	% Change	2013	% Change	2012
Operating revenues	\$ 323.0	2.4%	\$ 315.5	3.1%	\$ 306.1
Passenger facility charge revenue	19.7	-1.0%	19.9	0.5%	19.8
Customer facility charge revenue	5.6	3.7%	5.4	3.8%	5.2
Interest income	1.4	27.3%	1.1	-35.3%	1.7
Other income	-	-100.0%	19.1	100.0%	-
Total revenues	<u>349.7</u>	<u>-3.1%</u>	<u>361.0</u>	<u>8.5%</u>	<u>332.8</u>
Operating expenses before depreciation	168.5	11.1%	151.6	0.5%	150.8
Depreciation	99.2	1.0%	98.2	0.2%	98.0
Interest expense	54.0	-9.4%	59.6	-10.8%	66.8
Other expense	6.5	91.2%	3.4	-17.1%	4.1
Total expenses	<u>328.2</u>	<u>4.9%</u>	<u>312.8</u>	<u>-2.2%</u>	<u>319.7</u>
Change in net assets before capital contributions	21.5	-55.4%	48.2	267.9%	13.1
Capital contributions -					
Grants from government agencies	60.3	59.1%	37.9	63.4%	23.2
Increase in net position	81.8	-5.0%	86.1	137.2%	36.3
Net position, beginning of the year	<u>1,028.4</u>	<u>9.1%</u>	<u>942.3</u>	<u>4.0%</u>	<u>906.0</u>
Net position, end of the year	<u>\$ 1,110.2</u>	<u>8.0%</u>	<u>\$ 1,028.4</u>	<u>9.1%</u>	<u>\$ 942.3</u>

Port of Oakland
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Operating Revenues by Division

A condensed summary of operating revenues as of June 30 follows (in millions):

<u>Division</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Aviation	\$ 157.2	\$ 150.9	\$ 140.3
Maritime	152.7	151.9	153.0
Commercial Real Estate	13.1	12.7	12.8
Total	\$ <u>323.0</u>	\$ <u>315.5</u>	\$ <u>306.1</u>



2014

The Port's operating revenues increased approximately \$7.5 million or 2.4% from \$315.5 million in fiscal year 2013 to \$323.0 million in fiscal year 2014.

The Aviation Division generated \$157.2 million or 48.7% of the Port's total operating revenues in fiscal year 2014. Aviation's operating revenues increased approximately \$6.3 million or 4.2% from \$150.9 million in fiscal year 2013 to \$157.2 million in fiscal year 2014. The increase in Aviation operating revenue was due to increases in: terminal rental revenue of \$3.7 million; parking revenue of \$1.3 million; concession revenue of \$0.7 million, and landing fees of \$0.5 million. The primary reasons for these increases were an increase in the terminal rental rate from \$179.44 per square foot to \$205.68 per square foot and an increase in demand for parking at the Airport. In fiscal year 2014 enplanements remained relatively flat, with a small decrease from 9,950,856 in fiscal year 2013 to 9,890,271 in fiscal year 2014.

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Operating Revenues by Division (continued)

The Maritime Division generated \$152.7 million or 47.3% of the Port's total operating revenues in fiscal year 2014. Maritime's operating revenues increased approximately \$0.8 million or 0.5% from \$151.9 million in fiscal year 2013 to \$152.7 million in fiscal year 2014. The increase in Maritime operating revenue was primarily due to increased short-term rentals. Loaded Twenty Equivalent Units (TEUs) increased 2.2% from 1,793,749 in fiscal year 2013 to 1,832,559 in fiscal year 2014.

The Commercial Real Estate Division generated \$13.1 million or 4.1% of the Port's total operating revenues in fiscal year 2014. Commercial Real Estate's operating revenues in fiscal year 2014 were essentially unchanged from fiscal year 2013.

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 7.6% 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.

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 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. TEUs decreased 0.1% from 1,796,671 in fiscal year 2012 to 1,794,187 in fiscal year 2013.

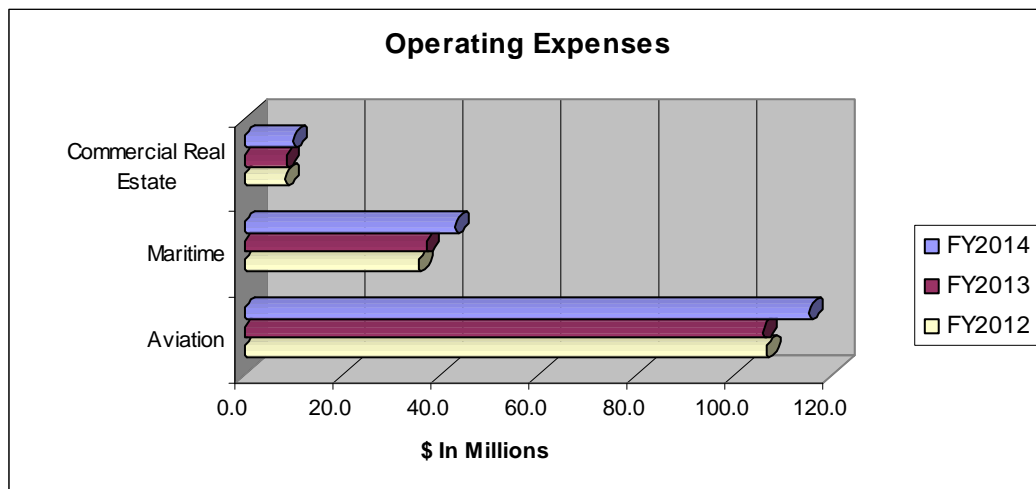
The Commercial Real Estate Division generated \$12.7 million or 4.0% of the Port's total operating revenues in fiscal year 2013. Commercial Real Estate's operating revenues in fiscal year 2013 were essentially unchanged from fiscal year 2012.

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Operating Expenses by Division

A condensed summary of operating expenses (excluding depreciation) as of June 30 follows (in millions):

<u>Division</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Aviation	\$ 115.4	\$ 106.0	\$ 106.7
Maritime	43.2	37.1	35.7
Commercial Real Estate	9.9	8.5	8.4
Total	<u>\$ 168.5</u>	<u>\$ 151.6</u>	<u>\$ 150.8</u>



2014

The Port's operating expenses, excluding depreciation, increased approximately \$16.9 million or 11.1% from \$151.6 million in fiscal year 2013 to \$168.5 million in fiscal year 2014.

The Aviation Division represented 68.5% of the Port's total operating expenses in fiscal year 2014. Aviation's operating expenses increased approximately \$9.4 million or 8.9% from \$106.0 million in fiscal year 2013 to \$115.4 million in fiscal year 2014. The increase is due primarily to higher personnel related expenses for salaries, medical and retirement, security and safety expenses, utilities and maintenance.

The Maritime Division represented 25.6% of the Port's total operating expenses in fiscal year 2014. Maritime's operating expenses increased approximately \$6.1 million or 16.4% from \$37.1 million in fiscal year 2013 to \$43.2 million in fiscal year 2014. The increase is due primarily to higher personnel related expenses for salaries, medical and retirement, property expenses for truck parking and utilities and maintenance for the Shore Power Program.

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Operating Expenses by Division (continued)

The Commercial Real Estate Division represented 5.9% of the Port's total operating expenses in fiscal year 2014. Commercial Real Estate's operating expenses increased approximately \$1.4 million or 16.5% from \$8.5 million in fiscal year 2013 to \$9.9 million in fiscal year 2014. The increase is due primarily to higher personnel related expenses for salaries, medical and retirement, pollution remediation site monitoring costs and utilities.

2013

The Port's operating expenses, excluding depreciation, increased approximately \$0.8 million or 0.5% 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 or 0.7% from \$106.7 million in fiscal year 2012 to \$106.0 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 24.5% of the Port's total operating expenses in fiscal year 2013. Maritime's operating expenses increased approximately \$1.4 million or 3.9% 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 5.6% 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.

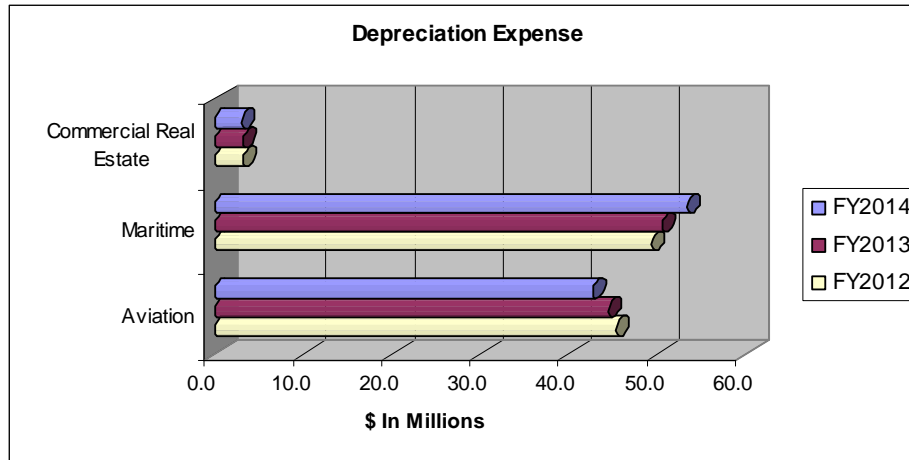
Depreciation Expense by Division

A summary of depreciation expense as of June 30 follows (in millions):

<u>Division</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Aviation	\$ 42.7	\$ 44.5	\$ 45.4
Maritime	53.4	50.6	49.4
Commercial Real Estate	<u>3.1</u>	<u>3.1</u>	<u>3.2</u>
Total	\$ <u>99.2</u>	\$ <u>98.2</u>	\$ <u>98.0</u>

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Depreciation Expense by Division (continued)



2014

In fiscal year 2014, depreciation expense increased \$1 million or 1.0%. Maritime depreciation increased approximately \$2.8 million due to assets placed into service near the end of fiscal year 2013 and several additions placed in service during the first half of fiscal year 2014. The most significant Maritime assets placed in service during fiscal year 2014 were capital assets constructed under the Port's Shore Power Program. Aviation depreciation expense decreased \$1.8 million due to several assets that fully depreciated during the year, as well as several assets that were retired at the beginning of fiscal year 2014.

The Port completed projects worth approximately \$92.6 million during the fiscal year 2014, of which approximately \$31.0 million were for the Aviation Division and \$61.6 million were for the Maritime Division. The most significant Maritime projects completed during fiscal year 2014 were related to the Port's Shore Power Program, and redevelopment of the former Oakland Army Base. The most significant Aviation projects completed during fiscal year 2014 were related to taxiway improvements and the Terminal 1 retrofit and renovation.

2013

In fiscal year 2013, depreciation expense increased less than \$0.2 million or 0.2%. 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.

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Depreciation Expense by Division (continued)

A summary of depreciation expense for non-grant funded assets and grant funded assets for June 30 (in millions) follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Non-grant funded assets	\$ 72.7	\$ 68.5	\$ 70.9
Grant funded assets (including those funded by PFCs)	<u>26.5</u>	<u>29.7</u>	<u>27.1</u>
Total depreciation expense	<u>\$ 99.2</u>	<u>\$ 98.2</u>	<u>\$ 98.0</u>

Interest Expense

Interest expense decreased \$5.6 million in fiscal year 2014 from \$59.6 million in fiscal year 2013 to \$54.0 million in fiscal year 2014. The decrease in interest expense is the result of scheduled principal payments as well as a decrease in fees associated with the Port's commercial paper program.

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 refunding outstanding debt and scheduled principal payments. For further explanation, refer to Debt Administration section.

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 effect 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.

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Capital Contributions

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

In fiscal year 2014, grants from government agencies increased approximately \$22.4 million or 59.1% from \$37.9 million in fiscal year 2013 to \$60.3 million in fiscal year 2014. The increase was due to significant grant funding for capital projects. The most significant grant funded projects were the redevelopment of the Former Oakland Army Base, primarily funded by a Trade Corridor Improvement Fund grant, for which the Port recognized approximately \$18.8 million in grant funding and the Runway Safety Area project, primarily funded with Airport Improvement Program grants, for which the Port recognized approximately \$28.1 million in grant funding.

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.

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 millions):

		%		%	
	2014	Change	2013	Change	2012
Capital assets:					
Land	\$ 523.3	0.0%	\$ 523.2	0.5%	\$ 520.8
Noise easements and air	25.9	10.2%	23.5	0.0%	23.5
Construction in progress	200.7	1.8%	197.1	12.6%	175.0
Buildings and improvements	328.6	-6.6%	351.9	-7.2%	379.1
Container cranes	59.5	-8.0%	64.7	-7.6%	70.0
Infrastructure	1,020.5	1.9%	1,001.9	2.0%	981.9
Software	9.3	-12.3%	10.6	12.8%	9.4
Other equipment	29.0	10.7%	26.2	0.8%	26.0
Total	<u>\$ 2,196.8</u>	-0.1%	<u>\$ 2,199.1</u>	0.6%	<u>\$ 2,185.7</u>

Net capital assets decreased by approximately \$2.3 million or 0.1% in fiscal year 2014, due to capital asset additions of \$105.1 million offset by retirements and abandoned construction in progress of \$8.2 million and an increase in accumulated depreciation of \$99.3 million. Major additions to capital assets in fiscal year 2014 included electrical infrastructure for the Shore Power Program; BART – Oakland Airport Connector; Airport Terminal 1 retrofit and renovation; Airport Runway Safety Area project; and redevelopment of the former Oakland Army Base.

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

Net capital assets increased by approximately \$13.3 million or 0.6% in fiscal year 2013, due to capital asset additions of \$116.6 million offset by retirements and abandoned construction in progress of \$5.1 million and an increase in accumulated depreciation of \$98.2 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.

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 26, 2014, a Five-Year (fiscal year 2015-2019) Capital Needs Assessment (CNA) in the amount of \$573.4 million was presented to the Board of Port Commissioners (Board) for informational purposes. For fiscal year 2015, the Board adopted a capital budget of \$175.3 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: Phase 1 redevelopment of the former Oakland Army Base.

Debt Administration

The total debt of the Port decreased approximately \$48.2 million or 3.7% from \$1,306.5 million in fiscal year 2013 to \$1,258.3 million in fiscal year 2014. The decrease resulted from principal payments of \$43 million on outstanding bonds, commercial paper, and a loan with the Department of Boating and Waterways and a decrease to unamortized bond premium totaling \$5 million.

The total debt of the Port decreased approximately \$69.1 million or 5% from \$1,375.6 million in fiscal year 2012 to \$1,306.5 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.

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Debt Administration (continued)

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Bond Indebtedness	\$ 1,175.7	\$ 1,222.7	\$ 1,282.7
DBW Loan	5.1	5.4	5.6
Commercial Paper	77.4	78.4	87.3
Total debt	<u>\$ 1,258.2</u>	<u>\$ 1,306.5</u>	<u>\$ 1,375.6</u>

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Senior Lien	3.33	2.49	2.33
Intermediate Lien	1.63	1.59	1.50
Aggregate	1.61	1.58	1.50

The calculation to determine Aggregate Debt Coverage Ratio includes Senior Lien Bond debt service, California Department of Boating and Waterways Loan debt service, Intermediate Lien Bond debt service, and Commercial Paper Note interest. In fiscal year 2014, the Aggregate Debt Coverage Ratio also includes a \$1 million principal repayment of Commercial Paper Notes. 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, 2014 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) underlying rating 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".
- The Port's Intermediate Lien Bonds are insured by National Public Finance Guarantee Corp. whose S&P rating is "AA-".

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Notes to the Financial Statements

The notes to the Port's financial statements can be found on pages 23-58 of this report. These notes provide additional information that is essential to a full understanding of the financial statements.

Facts and Conditions Affecting the Port's Operation

Aviation

The Airport is one of three commercial airports serving the San Francisco Bay Area; the Airport, San Francisco International (SFO), and Norman Mineta San Jose International (SJC). The Bay Area airports, especially the Airport and SFO, serve overlapping markets and compete for passengers who frequently consider more than one Bay Area airport when purchasing air travel. Additionally, airlines may shift their operations among the Bay Area airports based upon local competition and each airline's market share goals. Air carriers also consider airport operating costs, the availability of airport facilities and, in some cases, the location of existing alliance partner flight activity as contributing factors in their flight schedule decision-making process. In addition to the aforementioned factors, the activity levels at the Airport are also sensitive to general economic conditions, acts of terrorism or disease epidemic/pandemic which could significantly impact demand for air travel. The Airport is unable to predict how market competition or future economic conditions will affect the Airport's operations.

Maritime

The Seaport competes for market share with respect to discretionary intermodal rail cargo with other U.S. West Coast ports, as well as with ports in other parts of the U.S. and in Canada and Mexico. Future developments, including but not limited to the widening of the Panama Canal, could result in greater diversion of this type of cargo from West Coast ports to East Coast and Gulf ports. Expansion of other ports could also cause a decrease in the Port's market share of discretionary intermodal rail cargo. As the Seaport continues to work towards expanding its market share of such cargo, these types of developments may adversely affect the Seaport. However, the Seaport cannot predict the scope of potential impacts at this time.

The Seaport's competitive position on the West Coast and in the U.S. is also affected by the availability and productivity of labor on the marine terminals. The bargaining agreement between the International Longshore and Warehouse Union and the Pacific Maritime Association, expired on July 1, 2014. Negotiations are ongoing but concerns of labor instability and work stoppages may lead to the diversion of cargo from or between U.S. West Coast ports, including the Seaport. Potential disruptions at the various U.S. West Coast ports may not be equal, and therefore, could lead to an increase or a decrease of cargo activity, as cargo is diverted either from or to the other U.S. West Coast ports. The impacts, if any, of the on-going negotiations cannot be estimated at this time.

Historically, the Port has managed a balance of import and export trade, leading with a strong export base of California's premium agricultural products and other U.S. goods bound for foreign markets. The State of California is currently experiencing one of its worst droughts on record, with significant impacts to the State's agricultural industry. The overall economic impact of the drought depends on a number of complex and inter-related factors, and it is therefore difficult to quantify and predict how the drought may impact the Port's cargo activity or how long those impacts, if any, may last.

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Commercial Real Estate

Over the last decade, the Commercial Real Estate Division has leased most of its properties to developers or tenants under long-term ground leases, under which the developer or tenant is responsible for the development, subleasing, operation and maintenance of the improvements on the properties. The Port continues to work with the developers to ensure the properties are developed and managed in ways that are compliant with California Tidelands Trust regulations, however most of the development cost and financial risk is held by the developers.

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.

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Port of Oakland
(A Component Unit of the City of Oakland)
Statements of Net Position
June 30, 2014 and 2013
(dollar amounts in thousands)

	<u>2014</u>	<u>2013</u>
Assets		
Current assets:		
Unrestricted:		
Cash equivalents	\$ 202,546	\$ 179,440
Accounts receivable (less allowance for doubtful accounts of \$1,036 in 2014 and \$1,955 in 2013)	44,655	34,052
Prepaid expenses and other assets	<u>3,961</u>	<u>4,098</u>
Total unrestricted current assets	<u>251,162</u>	<u>217,590</u>
Restricted:		
Cash equivalents	65,377	11,702
Investments	-	57,896
Deposits in escrow	5,549	2,269
Receivables - passenger facility charges and customer facility charges	2,793	2,596
Accrued interest receivable	<u>-</u>	<u>25</u>
Total restricted current assets	<u>73,719</u>	<u>74,488</u>
Total current assets	<u>324,881</u>	<u>292,078</u>
Non-current assets:		
Capital assets:		
Land	523,283	523,235
Noise easements and air rights	25,852	23,493
Construction in progress	200,709	197,125
Buildings and improvements	851,650	848,432
Container cranes	153,417	153,775
Infrastructure	1,730,806	1,650,965
Software	13,391	13,391
Other equipment	<u>86,039</u>	<u>78,829</u>
Total capital assets, at cost	3,585,147	3,489,245
Less accumulated depreciation	<u>(1,388,373)</u>	<u>(1,290,160)</u>
Capital assets, net	2,196,774	2,199,085
Other receivables	43,137	43,538
Other assets	<u>12,047</u>	<u>3,148</u>
Total non-current assets	<u>2,251,958</u>	<u>2,245,771</u>
Total assets	<u>2,576,839</u>	<u>2,537,849</u>
Deferred Outflows of Resources		
Loss on refunding	\$ <u>13,431</u>	\$ <u>14,512</u>

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, 2014 and 2013
(dollar amounts in thousands)

	<u>2014</u>	<u>2013</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 38,245	\$ 35,660
Retentions on construction contracts	2,591	6,085
Environmental and other	9,714	10,832
Accrued interest	9,416	9,732
Long-term debt, net	49,919	48,464
Liability to City of Oakland	5,153	6,044
Unearned revenue	12,220	12,491
Total current liabilities	<u>127,258</u>	<u>129,308</u>
Non-current liabilities:		
Retentions on construction contracts	6,395	1,705
Environmental and other	23,320	26,170
Long-term debt, net	1,208,346	1,257,997
Deposits	16,486	5,546
Other post employment benefits	10,414	10,453
Unearned revenue	87,860	92,763
Total non-current liabilities	<u>1,352,821</u>	<u>1,394,634</u>
Total liabilities	<u>1,480,079</u>	<u>1,523,942</u>
Net Position		
Net investment in capital assets	986,959	944,974
Restricted for construction	10,072	14,178
Unrestricted	113,160	69,267
Total net position	<u>\$ 1,110,191</u>	<u>\$ 1,028,419</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, 2014 and 2013
(dollar amounts in thousands)

	2014	2013
Operating revenues:		
Aviation:		
Terminal rentals and concessions	\$ 58,790	\$ 53,234
Parking fees and ground access	31,848	30,548
Lease rentals	26,635	26,779
Landing fees	29,351	28,762
Utility sales	4,212	5,324
Fueling	3,914	3,918
Other	2,470	2,306
Total aviation operating revenues	<u>157,220</u>	<u>150,871</u>
Maritime:		
Marine terminal rentals	134,845	139,415
Space assignments and rentals	8,665	6,518
Utility sales	5,834	4,015
Other	3,313	1,921
Total maritime operating revenues	<u>152,657</u>	<u>151,869</u>
Commercial real estate:		
Lease rentals	10,021	9,396
Parking fees	2,171	2,133
Other	971	1,249
Total commercial real estate operating revenues	<u>13,163</u>	<u>12,778</u>
Total operating revenues	<u>323,040</u>	<u>315,518</u>
Operating expenses:		
Aviation:		
Materials, supplies, contract services and other	60,635	56,644
Security	14,615	13,766
Maintenance	22,686	21,487
Advertising and promotion	3,620	3,243
Administration	11,908	9,229
Cost of utility sales	2,006	1,633
Depreciation	42,738	44,459
Total aviation operating expenses	<u>158,208</u>	<u>150,461</u>
Maritime:		
Materials, supplies, contract services and other	14,149	13,140
Maintenance	12,583	10,876
Advertising and promotion	1,593	1,474
Administration	11,853	9,523
Cost of utility sales	3,023	2,046
Depreciation	53,404	50,624
Total maritime operating expenses	<u>\$ 96,605</u>	<u>\$ 87,683</u>

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, 2014 and 2013
(dollar amounts in thousands)

	<u>2014</u>	<u>2013</u>
Operating expenses, continued		
Commercial real estate:		
Materials, supplies, contract services and other	\$ 7,170	\$ 6,138
Maintenance	740	786
Advertising and promotion	170	156
Administration	1,522	1,380
Cost of utility sales	272	102
Depreciation	3,117	3,151
Total commercial real estate operating expenses	<u>12,991</u>	<u>11,713</u>
Total operating expenses	<u>267,804</u>	<u>249,857</u>
Operating income	<u>55,236</u>	<u>65,661</u>
Non-operating revenues (expenses):		
Interest income	1,373	1,095
Interest expense	(53,977)	(59,598)
Customer facility charges	5,625	5,387
Passenger facility charges	19,698	19,924
Other income (expense)	(2,727)	3,668
Gain (loss) on sale (disposal) of capital assets	(3,791)	12,052
Total net non-operating expenses	<u>(33,799)</u>	<u>(17,472)</u>
Increase in net position before capital contributions	21,437	48,189
Capital contributions -		
Grants from government agencies	<u>60,335</u>	<u>37,896</u>
Increase in net position	81,772	86,085
Net position, beginning of the year	<u>1,028,419</u>	<u>942,334</u>
Net position, end of the year	<u>\$ 1,110,191</u>	<u>\$ 1,028,419</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 Cash Flows
For the years ended June 30, 2014 and 2013
(dollar amounts in thousands)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 321,355	\$ 306,209
Payments to suppliers	(91,981)	(79,199)
Payments to employees	(83,698)	(74,492)
Other operating cash receipts	<u>7,349</u>	<u>2,119</u>
Net cash provided by operating activities	<u>153,025</u>	<u>154,637</u>
Cash flows from capital and related financing activities:		
Proceeds from new borrowings	-	430,213
Repayments/refunding of debt	(42,942)	(495,317)
Payments to grant subrecipient	(2,727)	-
Grants from government agencies	48,685	29,849
Interest paid on debt	(58,466)	(65,121)
Purchase of capital assets	(97,830)	(110,498)
Proceeds from sale of capital assets	92	4,801
Customer facility charge and passenger facility charge receipts	<u>20,984</u>	<u>20,305</u>
Net cash used in capital and related financing activities	<u>(132,204)</u>	<u>(185,768)</u>
Cash flows from investing activities:		
Interest received on investments	1,344	1,233
Purchase of restricted investments	-	(20,010)
Proceeds from maturity of restricted investments	<u>54,616</u>	<u>31,197</u>
Net cash provided by investing activities	<u>55,960</u>	<u>12,420</u>
Net increase (decrease) in cash equivalents	76,781	(18,711)
Cash equivalents, beginning of year	<u>191,142</u>	<u>209,853</u>
Cash equivalents, end of year	<u><u>\$ 267,923</u></u>	<u><u>\$ 191,142</u></u>

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, 2014 and 2013
(dollar amounts in thousands)

	<u>2014</u>	<u>2013</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 55,236	\$ 65,661
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	99,259	98,234
Other	7,349	2,119
Net effects of changes in:		
Accounts receivable, net of capital grants	1,047	688
Prepaid expenses and other current assets	137	69
Other receivables and assets	(8,498)	1,011
Accounts payable and accrued liabilities	(2,414)	276
Liability to City of Oakland	(891)	(1,831)
Unearned revenue	(5,174)	(10,171)
Deposits	10,940	(837)
Environmental and other liabilities	(3,966)	(582)
Net cash provided by operating activities	<u>\$ 153,025</u>	<u>\$ 154,637</u>
Non-cash capital and related financing activities:		
Acquisition of capital assets in accounts payable and accrued liabilities	\$ 19,642	\$ 14,682
Net change in retention on capital construction contracts	2,408	1,744
Loss on disposal of capital assets	3,791	1,182
Disposal of capitalized insurance costs	3,766	-
Gain on sale of capital assets	-	13,234
Grants - capital contributions	11,650	8,047

(Concluded)

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

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Port of Oakland
(A Component Unit of the City of Oakland)
Notes to Financial Statements
For the years ended June 30, 2014 and 2013

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 in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

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, the 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. Estimates and assumptions are used to record environmental remediation liabilities, accounts receivable and grant receivable accruals, allowance for doubtful accounts, depreciation expense, other post-employment benefits costs and various expense allocations. Actual results could differ from those estimates.

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, 2014 and 2013, the statement of net position reported \$10,072,000 and \$14,178,000, respectively, as restricted for construction.

Port of Oakland
(A Component Unit of the City of Oakland)
Notes to Financial Statements
For the years ended June 30, 2014 and 2013

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

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded for invoices issued to customers and granting agencies in accordance with contractual arrangements. The allowance for doubtful accounts is based on a tiered percentage of significantly aged receivables. Accounts receivable are written-off against the allowance when deemed uncollectible. Recoveries of receivables previously written-off are recorded when received.

Restricted Assets

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

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.

Port of Oakland
(A Component Unit of the City of Oakland)
Notes to Financial Statements
For the years ended June 30, 2014 and 2013

Other Receivables

Other receivables include future lease receipts from a fifty-year finance lease agreement associated with the sale and lease of the Marina as discussed in Note 7, 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.

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.

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.

Port of Oakland
(A Component Unit of the City of Oakland)
Notes to Financial Statements
For the years ended June 30, 2014 and 2013

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 has three approved and active applications with the FAA to collect and use PFC funds for specific purposes. The current authority to impose PFCs is estimated to end March 1, 2032.

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.

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 common use shuttle bus operations between the terminal and rental car facility and are eligible to fund common use capital improvements. CFC revenues are recorded as non-operating revenue and any unspent CFC revenues are recorded as restricted cash.

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.

Port of Oakland
(A Component Unit of the City of Oakland)
Notes to Financial Statements
For the years ended June 30, 2014 and 2013

New Accounting Pronouncements Not Yet Adopted (continued)

In November 2013, GASB issued Statement No. 71, *Pensions Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. This Statement addresses an issue regarding application of the transition provisions of the GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by the state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

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

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>2014</u>	<u>2013</u>
U.S. Treasury Notes	\$ -	\$ 57,896
Government Securities Money Market Mutual Funds	58,098	120
City Investment Pool	209,200	190,396
Deposits in Escrow	5,549	2,269
Bank Deposits and Cash on Hand	625	626
	<u>\$ 273,472</u>	<u>\$ 251,307</u>

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.

Port of Oakland
(A Component Unit of the City of Oakland)
Notes to Financial Statements
For the years ended June 30, 2014 and 2013

Investments (continued)

At June 30, 2014, the Port had the following investments (in thousands):

			<u>Maturity</u>	
	<u>Fair Value</u>	<u>Credit Rating per Moody's</u>	<u>Less than 1 Year</u>	<u>1-5 Years</u>
Government Securities Money				
Market Mutual Funds	\$ 58,098	Aaa	\$ 58,098	-
City Investment Pool	209,200	Not rated	209,200	-
Total Investments	<u>\$ 267,298</u>		<u>\$ 267,298</u>	<u>\$ -</u>

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

			<u>Maturity</u>	
	<u>Fair Value</u>	<u>Credit Rating per Moody's</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>

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, are referred to as 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.

Port of Oakland
(A Component Unit of the City of Oakland)
Notes to Financial Statements
For the years ended June 30, 2014 and 2013

Interest Rate Risk

This risk represents the possibility that an interest rate change could adversely affect an investment's fair 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, 2014 and 2013

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 \$58,098,000 and \$58,016,000 at June 30, 2014 and 2013, 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 \$209,200,000 and \$190,396,000 invested in the City Investment Pool at June 30, 2014 and 2013, respectively.

Port of Oakland
(A Component Unit of the City of Oakland)
Notes to Financial Statements
For the years ended June 30, 2014 and 2013

Custodial Credit Risk (continued)

The carrying amount of the Port's deposits in escrow was \$5,549,000 at June 30, 2014 and \$2,269,000 at June 30, 2013. Of this amount, bank balances and escrow deposits of \$250,000 on June 30, 2014 and on June 30, 2013, 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 \$5,218,000 as of June 30, 2014 and \$1,839,000 as of June 30, 2013, 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, 2014, is as follows (in thousands):

	Beginning Balance July 1, 2013	Additions	Adjustments and Retirements	Transfer of Completed Construction	Ending Balance June 30, 2014
Capital assets not being depreciated					
Land	\$ 523,235	\$ -	\$ (857)	\$ 905	\$ 523,283
Intangibles (noise easements and air rights)	23,493	-	-	2,359	25,852
Construction in progress	197,125	104,856	(6,209)	(95,063)	200,709
Total capital assets not being depreciated	743,853	104,856	(7,066)	(91,799)	749,844
Capital assets being depreciated					
Buildings and improvements	848,432	-	(558)	3,776	851,650
Container cranes	153,775	-	(358)	-	153,417
Infrastructure	1,650,965	-	(57)	79,898	1,730,806
Software	13,391	-	-	-	13,391
Other equipment	78,829	342	(1,257)	8,125	86,039
Total capital assets being depreciated	2,745,392	342	(2,230)	91,799	2,835,303
Less accumulated depreciation for					
Buildings and improvements	(496,578)	(26,887)	394	-	(523,071)
Container cranes	(89,071)	(4,823)	-	-	(93,894)
Infrastructure	(649,098)	(61,253)	-	-	(710,351)
Software	(2,763)	(1,339)	-	-	(4,102)
Other equipment	(52,650)	(4,957)	652	-	(56,955)
Total accumulated depreciation	(1,290,160)	(99,259)	1,046	-	(1,388,373)
Total being depreciated, net	1,455,232	(98,917)	(1,184)	91,799	1,446,930
Total capital assets, net	\$ 2,199,085	\$ 5,939	\$ (8,250)	\$ -	\$ 2,196,774

Port of Oakland
(A Component Unit of the City of Oakland)
Notes to Financial Statements
For the years ended June 30, 2014 and 2013

Changes in Capital Assets (continued)

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

	Beginning Balance July 1, 2012	Additions	Adjustments and Retirements	Transfer of Completed Construction	Ending Balance June 30, 2013
Capital assets not being depreciated					
Land	\$ 520,805	\$ -	\$ (762)	\$ 3,192	\$ 523,235
Intangibles (noise easements and air rights)	23,493	-	-	-	23,493
Construction in progress	175,086	116,424	(3,331)	(91,054)	197,125
Total capital assets not being depreciated	719,384	116,424	(4,093)	(87,862)	743,853
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	75,973	163	(1,853)	4,546	78,829
Total capital assets being depreciated	2,667,302	219	(9,991)	87,862	2,745,392
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	(49,949)	(4,489)	1,788	-	(52,650)
Total accumulated depreciation	(1,200,943)	(98,234)	9,017	-	(1,290,160)
Total being depreciated, net	1,466,359	(98,015)	(974)	87,862	1,455,232
Total capital assets, net	\$ 2,185,743	\$ 18,409	\$ (5,067)	\$ -	\$ 2,199,085

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, 2014 and 2013

5. Debt

Long-term debt consists of the following at June 30, 2014 and 2013 (in thousands):

	Interest Rate	Fiscal Maturity Year	Original Amount	Beginning Balance July 1, 2013	Additions	Reductions	Ending Balance June 30, 2014	Principal Due Within One Year
Senior Lien Bonds								
2011 Revenue Bonds Series O	2.00-5.125	2031	\$ 345,730	\$ 328,160	-	\$ 6,635	\$ 321,525	\$ 8,760
2012 Revenue Bonds Series P	2.00-5.00	2033	380,315	380,315	-	3,265	377,050	6,960
2012 Revenue Bonds Series Q	2.00	2014	3,575	3,575	-	3,575	-	-
Total Senior Lien Bonds			729,620	712,050	-	13,475	698,575	15,720
Dept. of Boating and Waterway (DBW) Loan								
Small Craft Harbor Revenue Bonds, Series 1993	4.50	2030	7,176	5,357	-	217	5,140	226
Intermediate Lien Bonds								
2007 Revenue Bonds Series A	4.00-5.00	2030	242,075	190,080	-	16,210	173,870	15,185
2007 Revenue Bonds Series B	4.00-5.00	2030	182,450	179,920	-	12,040	167,880	12,340
2007 Revenue Bonds Series C	5.00	2020	78,565	78,565	-	-	78,565	-
Total Intermediate Lien Bonds			503,090	448,565	-	28,250	420,315	27,525
Commercial Paper¹								
2010 Series A, B, C Notes	0.06-0.13	2016	N/A	63,398	-	1,000	62,398	-
2010 Series D, E, F Notes	0.14-0.23	2016	N/A	15,000	-	-	15,000	2
Total Commercial Paper				78,398	-	1,000	77,398	2
Sub-Total				1,244,370	-	42,942	1,201,428	43,473
Unamortized bond premium				62,091	-	5,254	56,837	6,446
Total Debt				1,306,461	-	48,196	1,258,265	\$ 49,919
Current maturities of long-term debt				(48,464)	(49,919)	(48,464)	(49,919)	
Total Debt - long-term portion				\$ 1,257,997	\$ (49,919)	\$ (268)	\$ 1,208,346	

¹ As of June 30, 2014, the Port has capacity to issue an aggregate principal amount of commercial paper notes up to \$200 million.

Port of Oakland
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Debt (continued)								
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
Senior Lien Bonds								
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
Dept. of Boating and Waterway (DBW) Loan								
Small Craft Harbor Revenue Bonds, Series 1993	4.50	2030	7,176	5,564	-	207	5,357	217
Intermediate Lien Bonds								
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
Commercial Paper ¹								
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		

¹ As of June 30, 2013, the Port has capacity to issue an aggregate principal amount of commercial paper notes up to \$200 million.

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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 2014 nor in 2013.

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 was 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.

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):

Fiscal Year				
Ending	Principal	Interest	Total	
2015	\$ 63,356	\$ 60,062	\$ 123,418	
2016	71,321	56,773	128,094	
2017	74,317	52,038	126,355	
2018	60,551	47,841	108,392	
2019	57,400	45,103	102,503	
2020 - 2024	300,183	185,465	485,648	
2025 - 2029	364,502	102,760	467,262	
2030 - 2033	209,798	21,350	231,148	
Total	\$ <u>1,201,428</u>	\$ <u>571,392</u>	\$ <u>1,772,820</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 ending 2015-2018 pursuant to the "Term Loan" provisions of the Commercial Paper Reimbursement Agreements.

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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).

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, 2014, was Series 1993 with a balance of \$5,140,000.

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).

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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, were 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 was \$63,398,000 on June 30, 2013.
- 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 was \$15,000,000 on June 30, 2013.

Commercial Paper Notes (continued)

On July 1, 2013, the Port renewed its LOC's with both Wells and JPMorgan. Each LOC now has 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.

As of June 30, 2014, the outstanding balance on the CP notes issued under the Wells LOC was \$62,398,000, while the CP notes issued under JP Morgan LOC was \$15,000,000.

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%.

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Priority of Payment

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

	Maturity Date	Total Debt Service to Maturity	FY 2014 Debt Principal and Interest	FY 2014 Net Pledged Revenues**
Total Net Pledged Revenues				\$ 160,242
Senior Lien Bonds:				
2011 Revenue Bonds Series O	5/1/2031	\$ 488,824	\$ 23,084	
2012 Revenue Bonds Series P	5/1/2033	621,260	21,338	
2012 Revenue Bonds Series Q	5/1/2014	-	3,647	
Subtotal Senior Lien Bonds		<u>1,110,084</u>	<u>48,069</u>	(48,069)
Net Pledged Revenues Remaining after Sr. Lien				112,173
Dept. of Boating and Waterways Loan	8/1/2029	<u>7,321</u>	<u>457</u>	(457)
Net Pledged Revenues Remaining after DBW				111,716
Intermediate Lien Bonds:				
2007 Series A	11/1/2029	257,556	25,300	
2007 Series B	11/1/2029	216,538	20,436	
2007 Series C	11/1/2019	92,658	3,928	
Subtotal Intermediate Lien Bonds		<u>566,752</u>	<u>49,664</u>	(49,664)
Net Pledged Revenues Remaining after Int. Lien				62,052
Commercial Paper Notes*		<u>88,663</u>	<u>1,086</u>	(1,086)
Net Pledged Revenues Remaining after CP Notes				\$ 60,966
Total		\$ <u>1,772,820</u>	\$ <u>99,276</u>	

* The Total Debt Service to Maturity for Commercial Paper includes 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 reimbursed with grants and CFC funds totaling, \$4,428,000) plus Interest Earned (not including interest earned on PFC and CFC funds, \$39,000 and \$15,000 respectively)

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Priority of Payment (continued)

	Maturity Date	Total Debt Service to Maturity	FY 2013 Debt Principal and Interest	FY 2013 Net Pledged Revenues**
Total Net Pledged Revenues				\$ 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>
Net Pledged Revenues Remaining after Sr. Lien				101,865
Dept. of Boating and Waterways Loan	8/1/2029	<u>7,779</u>	<u>457</u>	<u>(457)</u>
Net Pledged Revenues Remaining after DBW				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>
Net Pledged Revenues Remaining after Int. Lien				62,860
Commercial Paper Notes*		<u>89,811</u>	<u>156</u>	<u>(156)</u>
Net Pledged Revenues Remaining after CP Notes				\$ <u>62,704</u>
Total		\$ <u>1,872,678</u>	\$ <u>107,424</u>	

* The Total Debt Service to Maturity for Commercial Paper includes 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 reimbursed with grants and CFC funds, \$5,197,000) plus Interest Earned (not including interest earned on PFC and CFC funds, \$51,000 and \$8,000 respectively).

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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):

Bond Issue	2014 (Discount) Premium	2013 (Discount) Premium
Senior Lien Bonds:		
2011 Series O	\$ 5,590	\$ 7,172
2012 Series P	41,218	42,754
2012 Series Q	-	49
Subtotal Senior Lien Bonds	<u>46,808</u>	<u>49,975</u>
Intermediate Lien Bonds:		
2007 Series A	3,369	3,866
2007 Series B	4,363	5,290
2007 Series C	2,298	2,960
Subtotal Intermediate Lien Bonds	<u>10,030</u>	<u>12,116</u>
Commercial Paper	(1)	-
Total	<u>\$ 56,837</u>	<u>\$ 62,091</u>

6. Environmental and Other Liabilities

Changes in environmental and other liabilities for the years ended June 30, 2014 and 2013 are as follows (in thousands):

	Beginning Balance July 1, 2013	Additions	Reductions	Ending Balance June 30, 2014	Amounts Due Within One Year
General liability	\$ 290	\$ -	\$ (290)	\$ -	\$ -
Accrued vacation, sick leave and compensatory time	7,481	4,814	(5,223)	7,072	5,223
Pollution liability	17,674	-	(4,201)	13,473	2,991
Workers' compensation	9,630	3,025	(1,473)	11,182	1,500
Other long-term liabilities	<u>1,927</u>	<u>474</u>	<u>(1,094)</u>	<u>1,307</u>	<u>-</u>
Total	<u>\$ 37,002</u>	<u>\$ 8,313</u>	<u>\$ (12,281)</u>	<u>\$ 33,034</u>	<u>\$ 9,714</u>

	Beginning Balance July 1, 2012	Additions	Reductions	Ending Balance June 30, 2013	Amounts Due Within One Year
General liability	\$ 5,663	\$ -	\$ (5,373)	\$ 290	\$ 290
Accrued vacation, sick leave and compensatory time	6,023	6,482	(5,024)	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	<u>1,995</u>	<u>472</u>	<u>(540)</u>	<u>1,927</u>	<u>-</u>
Total	<u>\$ 43,098</u>	<u>\$ 14,018</u>	<u>\$ (20,114)</u>	<u>\$ 37,002</u>	<u>\$ 10,832</u>

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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.

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

	<u>2014</u>	<u>2013</u>
Minimum non-cancelable rentals, including preferential assignments	\$ 170,700	\$ 178,085
Contingent rentals in excess of minimums	18,568	16,272
	<u>\$ 189,268</u>	<u>\$ 194,357</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 which is being amortized over the life of the lease. At June 30, 2014 and 2013, the unamortized net upfront fee was approximately \$48.9 million and \$49.9 million, respectively. At June 30, 2014, the amounts classified as short-term and long-term unearned revenue were \$1,074,000 and \$47,782,000 respectively. At June 30, 2013, the amounts classified as short-term and long-term unearned revenue were \$1,073,000 and \$48,857,000 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):

2015	\$ 169,189
2016	169,099
2017	153,764
2018	129,970
2019	105,400
2020-2024	453,275
2025-2029	292,172
2030-2034	297,050
2035-2039	275,092
2040-2044	260,976
2045-2049	284,627
Thereafter	709,044
	<u>\$ 3,299,658</u>

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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):

2015	\$	401
2016		413
2017		426
2018		438
2019		452
2020-2024		2,470
2025-2029		2,863
2030-2034		3,319
2035-2039		3,848
2040-2044		4,460
2045-2049		5,171
Thereafter		5,777
	\$	<u><u>30,038</u></u>

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

	<u>2014</u>	<u>2013</u>
Land	\$ 412,265	\$ 447,870
Container cranes	153,417	153,775
Buildings and improvements	203,682	215,556
Infrastructure	<u>1,064,953</u>	<u>1,045,178</u>
	1,834,317	1,862,379
Less accumulated depreciation	<u>(652,053)</u>	<u>(631,192)</u>
Net capital assets, on lease	\$ <u><u>1,182,264</u></u>	\$ <u><u>1,231,187</u></u>

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8. Unearned Revenue

Unearned revenue consists primarily of an upfront fee from a terminal operating lease; 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, 2014 and 2013 are as follows (in thousands):

	<u>Beginning Balance July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2014</u>	<u>Amounts Due Within One Year</u>
Ports America Outer Harbor upfront fee	\$ 49,930	\$ -	\$ (1,074)	\$ 48,856	\$ 1,074
Marina capital lease unearned interest revenue	20,552	-	(503)	20,049	503
92A Special Facility bond redemptions	13,870	-	(2,522)	11,348	2,522
Oakland Fuel Facilities Corporation	9,266	150	(580)	8,836	580
Unearned tenant rent	10,132	7,167	(7,654)	9,645	7,383
Other unearned revenue	1,504	-	(158)	1,346	158
Total	<u>\$ 105,254</u>	<u>\$ 7,317</u>	<u>\$ (12,491)</u>	<u>\$ 100,080</u>	<u>\$ 12,220</u>

	<u>Beginning Balance July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2013</u>	<u>Amounts Due Within One Year</u>
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
Total	<u>\$ 115,425</u>	<u>\$ 7,588</u>	<u>\$ (17,759)</u>	<u>\$ 105,254</u>	<u>\$ 12,491</u>

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.

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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. 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, 2013 valued the combined Port and City actuarial accrued liability at \$2,153,339,419 and the combined Port and City unfunded actuarial accrued liability was \$656,748,512. 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 27.295% (fiscal year 2014), 25.115% (July 2012 to Feb 2013), 24.248% (March 2013 to June 2013), and 23.604% (fiscal year 2012) of covered payroll. For the fiscal years ended June 30, 2014, 2013, and 2012, the Port's annual pension costs for the employer contribution to CalPERS was \$13,105,000, \$11,490,000, and \$11,039,000 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, 2014 was based upon an actuarial valuation study performed by CalPERS Actuarial & Employer Services Division as of June 30, 2011.

The Port's payroll reported to CalPERS for employees participating in the Fund was \$48,524,000, \$45,796,000, and \$46,768,000 for the years ended June 30, 2014, 2013 and 2012, respectively. The Port's payroll for all employees was \$48,727,000, \$44,721,000, and \$43,214,000 in fiscal years 2014, 2013 and 2012 respectively.

PERS Employee Member Contributions

For fiscal year 2013, 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.

Effective the first day of the pay period containing July 1, 2013, the Port discontinued the payment of the 8% EPMC. 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 has contributed \$5,500, \$3,122,000, and \$3,552,000 for the fiscal years ended June 30, 2014, 2013, and 2012 respectively.

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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 PEPRA are subject to the provisions of PEPRA.

Highlights of PEPRA are below. For more information contact CalPERS at (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 Assumptions

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. The new discount rate was used to set the plan's 2014-15 contributions rates.

On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate smoothing policies. Beginning with the June 30, 2013 valuations that set the plan's 2015-16 contribution rates, CalPERS will no longer use the actuarial value of assets and will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period.

On February 19, 2014, the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns. The new asset allocation is expected to have a long-term blended return that continues to support a discount rate of 7.5 percent. The CalPERS Board of Administration also adopted several changes to the demographic assumptions that more closely align with actual experience. The new actuarial assumptions will be used to set the plan's 2016-17 contribution rates.

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.

Port of Oakland
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Notes to Financial Statements
For the years ended June 30, 2014 and 2013

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

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.

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 \$697,397 and \$672,190 for the fiscal years ended June 30, 2014 and 2013, respectively. The remaining unfunded liability at June 30, 2014 and 2013 was \$4,631,000 and \$4,922,000 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. Additionally, through the Port's Retiree Health Plan, 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 benefits.

Prior to 2011, eligible retirees must have attained the age of fifty or over at the time of retirement, have five or more years of CalPERS service, and must be eligible to receive PERS retirement benefits. On July 21, 2011, the Port adopted resolutions that 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). The vesting schedule does not apply to employees that are granted a disability retirement.

Port of Oakland
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Notes to Financial Statements
For the years ended June 30, 2014 and 2013

Plan Description (continued)

Under the adopted vesting schedule, the Port shall pay a percentage of 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. 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

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, 2014, there were approximately 535 employees who had retired from the Port and were participating in the Port's Retiree Health Plan. During fiscal year ended June 30, 2014, the Port contributed \$5,800,000 to the CERBT and made payments of \$7,028,398 on behalf of eligible retirees to third parties outside of 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.

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 a "closed" period of thirty years.

Port of Oakland
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Notes to Financial Statements
For the years ended June 30, 2014 and 2013

Annual OPEB Cost and Net OPEB Obligation (continued)

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):

	2014	2013
Annual required contribution	\$ 12,844	\$ 10,783
Interest on prior year net OPEB obligation	732	800
Adjustment to annual required contribution	(787)	(599)
Annual OPEB Cost	12,789	10,984
Contribution made	(12,828)	(11,041)
Increase (decrease) in net OPEB obligation	(39)	(57)
Net OPEB obligation - beginning of year	10,453	10,510
Net OPEB obligation - end of year	<u>\$ 10,414</u>	<u>\$ 10,453</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):

Fiscal Year End	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/2012 \$	10,983	99.55%	\$ 10,510
6/30/2013 \$	10,984	100.51%	\$ 10,453
6/30/2014 \$	12,789	100.30%	\$ 10,414

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%

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Notes to Financial Statements
For the years ended June 30, 2014 and 2013

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 year 2013 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. The ARC for fiscal year 2014 was based on an actuarial valuation of the Port's plan as of June 30, 2013, which amortized the Port's UAAL 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%.

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.

Port of Oakland
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Notes to Financial Statements
For the years ended June 30, 2014 and 2013

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, legislative programming, and treasury services. General Services include fire, rescue, police, street maintenance, and similar services. Lake Merritt Trust Services include 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 \$ 5,475,000 and \$3,221,000 in fiscal years 2014 and 2013, respectively, and are included in Operating Expenses. At June 30, 2014 and 2013, \$2,954,000 and \$3,899,000, 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, 2014 and 2013, the Port accrued approximately \$773,000 and \$1,012,000, respectively, of payments for General Services. Additionally, the Port accrued approximately \$1,425,000 and \$1,133,000 to reimburse the City for Lake Merritt Trust Services in fiscal years 2014 and 2013, 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, 2014 and 2013

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 of \$270,000 is 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, 2014 and 2013, unearned rent was approximately \$802,000 and \$872,000, respectively. The amount classified as short term unearned revenue at June 30, 2014 and 2013 was \$70,000.

12. Commitments

Capital Program

As of June 30, 2014, the Port had construction commitments for the acquisition and construction of assets as follows (in thousands):

Aviation	\$	94,251
Maritime		51,787
Other		64
Total	\$	<u>146,102</u>

The most significant projects for which the Port has contractual commitments for construction are: Runway Safety Area of \$6,601,000, Airport Terminal Renovation projects of \$84,606,000, and Phase 1 of the new rail terminal project on Port-owned OAB property of \$48,347,000.

Port of Oakland
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Notes to Financial Statements
For the years ended June 30, 2014 and 2013

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.

Counterparty	Contract Ending Year	Contract Structure	Estimated Output	Estimated Annual Cost
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, 2014, approximately \$3.6 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
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Notes to Financial Statements
For the years ended June 30, 2014 and 2013

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, 2014 and 2013, is as follows (in thousands):

Obligating Event	June 30, 2014 Liability, net	Estimated Recovery
Pollution poses an imminent danger to the public or environment	\$ 434	\$ -
Violated a pollution prevention-related permit or license	-	-
Identified as responsible to clean-up pollution	9,532	988
Named in a lawsuit to compel to cleanup	10	-
Begins or legally obligates to cleanup or post-cleanup activities	3,497	61
Total by Obligating Event	<u>\$ 13,473</u>	<u>\$ 1,049</u>

Obligating Event	June 30, 2013 Liability, net	Estimated Recovery
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>

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
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Notes to Financial Statements
For the years ended June 30, 2014 and 2013

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
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Notes to Financial Statements
For the years ended June 30, 2014 and 2013

Litigation

The Port at various times is 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, 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	290
Current year claims and changes in estimates	<u>(290)</u>
General liability at June 30, 2014	\$ <u><u>-</u></u>

On July 18, 2013, the Port settled litigation with one of the Port's 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 allowed 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.

14. Insurance

The Port purchases insurance on certain risk exposures including but not limited to property, 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 self-insured for other general liability and liability/litigation-type claims, workers' compensation of the Port's employees and most first party exposures. During fiscal years 2014 and 2013, 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
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Notes to Financial Statements
For the years ended June 30, 2014 and 2013

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, 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	9,630
Current year claims and changes in estimates	3,025
Claim payments	<u>(1,473)</u>
Workers' compensation liability at June 30, 2014	<u><u>\$ 11,182</u></u>

The workers' compensation liability of \$11,182,000 at June 30, 2014 is based upon an actuarial study performed as of June 30, 2014 that assumed a probability level of 70% and a discount rate of 0.0%. The workers' compensation liability balance 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%.

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 \$250,000 for each general liability and workers' compensation claim.

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.



REQUIRED SUPPLEMENTARY INFORMATION

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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.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
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%

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Statistical Section (Unaudited)

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

Statistical Section

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.

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Port of Oakland
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Net Position by Components
Last Ten Fiscal Years
(dollar amounts in thousands)

	2005	2006	2007	2008 (1)	2009 (2)	2010	2011 (3)	2012	2013	2014
Net position:										
Net investment in capital assets	\$ 592,698	\$ 663,939	\$ 875,547	\$ 862,165	\$ 853,011	\$ 881,567	\$ 869,014	\$ 882,351	\$ 944,974	\$ 986,959
Restricted	136,004	114,377	9,806	12,692	21,357	11,677	17,187	20,553	14,178	10,072
Unrestricted	34,414	49,266	11,896	39,729	14,838	(2,258)	19,774	39,430	69,267	113,160
Total net position	\$ 763,116	\$ 827,582	\$ 897,249	\$ 914,586	\$ 889,206	\$ 890,986	\$ 905,975	\$ 942,334	\$ 1,028,419	\$ 1,110,191

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.

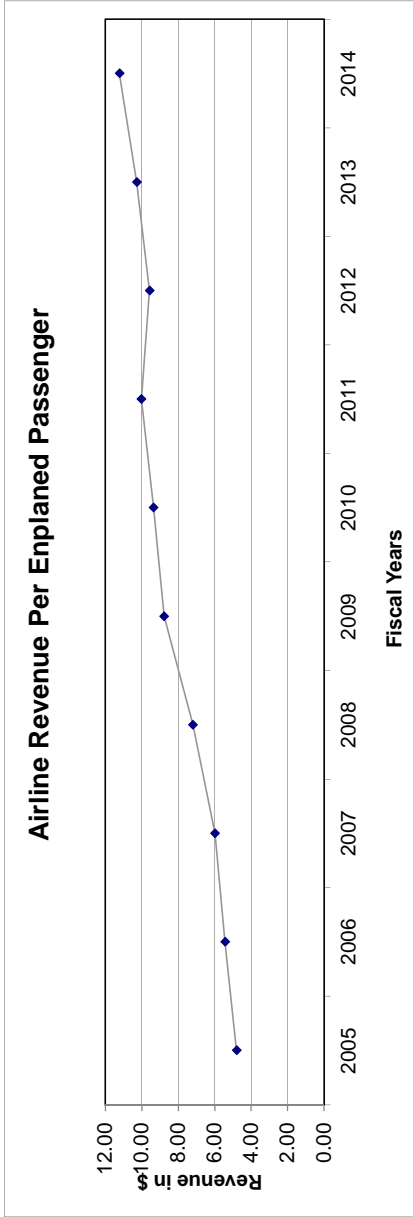
Port of Oakland
(A Component Unit of the City of Oakland)
Statements of Revenues, Expenses and Changes in Net Position
Last Ten Fiscal Years
(dollar amounts in thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Operating revenues:										
Aviation	\$ 126,988	\$ 133,869	\$ 139,491	\$ 159,086	\$ 130,443	\$ 130,284	\$ 135,173	\$ 140,309	\$ 150,871	\$ 157,220
Maritime	112,859	122,819	127,141	128,351	140,739	143,344	151,854	152,988	151,869	152,657
Commercial real estate	11,163	10,773	10,742	12,446	12,108	11,597	10,956	12,778	12,778	13,163
Total operating revenues	<u>251,010</u>	<u>267,461</u>	<u>277,374</u>	<u>299,883</u>	<u>283,290</u>	<u>285,225</u>	<u>297,983</u>	<u>306,138</u>	<u>315,518</u>	<u>323,040</u>
Operating expenses:										
Aviation	123,295	134,104	144,169	162,299	161,542	152,099	152,086	152,064	150,461	158,208
Maritime	67,609	72,451	75,570	82,264	90,029	84,004	83,383	85,156	87,683	96,605
Commercial real estate	15,154	13,553	14,140	13,711	12,674	12,606	11,349	11,590	11,713	12,991
Total operating expenses (1)	<u>206,058</u>	<u>220,108</u>	<u>233,879</u>	<u>258,274</u>	<u>264,245</u>	<u>248,709</u>	<u>246,818</u>	<u>248,810</u>	<u>249,857</u>	<u>267,804</u>
Operating income	<u>44,952</u>	<u>47,353</u>	<u>43,495</u>	<u>41,609</u>	<u>19,045</u>	<u>36,516</u>	<u>51,165</u>	<u>57,328</u>	<u>65,661</u>	<u>55,236</u>
Non-operating revenues (expenses):										
Interest income	8,935	11,146	10,457	13,145	9,655	4,741	2,876	1,755	1,095	1,373
Interest expense	(59,488)	(61,405)	(65,261)	(76,796)	(78,415)	(74,624)	(70,714)	(66,798)	(59,598)	(53,977)
Loss on debt defeasance	-	-	-	-	-	(4,158)	-	-	-	-
Customer facility charges (2)	5,375	7,742	7,430	6,999	5,235	4,530	4,764	5,184	5,387	5,625
Passenger facility charges (2)	-	29,671	30,221	27,033	19,391	19,702	19,106	19,758	19,924	19,698
Other income (expenses)	3,678	2,136	10,419	2,452	(5,072)	292	1,438	(1,809)	3,668	(2,727)
Gain (loss) on disposal of capital assets	(514)	(1,835)	(2,761)	(14,985)	(435)	(6,562)	-	(2,276)	12,052	(3,791)
Total net non-operating expenses	<u>(42,014)</u>	<u>(12,545)</u>	<u>(9,495)</u>	<u>(42,152)</u>	<u>(49,641)</u>	<u>(56,079)</u>	<u>(42,530)</u>	<u>(44,186)</u>	<u>(17,472)</u>	<u>(33,799)</u>
Change in net assets before capital contributions	<u>2,938</u>	<u>34,808</u>	<u>34,000</u>	<u>(543)</u>	<u>(30,596)</u>	<u>(19,563)</u>	<u>8,635</u>	<u>13,142</u>	<u>48,189</u>	<u>21,437</u>
Capital contributions:										
Grants from government agencies	19,180	29,658	14,094	27,092	11,896	21,343	27,343	23,217	37,896	60,335
Land conveyed from U.S. Army	-	-	21,573	-	-	-	-	-	-	-
Passenger facility charges (PFC) (2)	29,031	-	-	-	-	-	-	-	-	-
Customer facility charges (CFC) (2)	2,043	-	-	-	-	-	-	-	-	-
Interest income from PFC and CFC	1,111	-	-	-	-	-	-	-	-	-
Total capital contributions	<u>51,365</u>	<u>29,658</u>	<u>35,667</u>	<u>27,092</u>	<u>11,896</u>	<u>21,343</u>	<u>27,343</u>	<u>23,217</u>	<u>37,896</u>	<u>60,335</u>
Change in net position	<u>54,303</u>	<u>64,466</u>	<u>69,667</u>	<u>26,549</u>	<u>(18,700)</u>	<u>1,780</u>	<u>35,978</u>	<u>36,359</u>	<u>86,085</u>	<u>81,772</u>
Net position, beginning of the year	<u>708,813</u>	<u>763,116</u>	<u>827,582</u>	<u>888,037</u>	<u>907,906</u>	<u>889,206</u>	<u>869,997</u>	<u>905,975</u>	<u>942,334</u>	<u>1,028,419</u>
Net position, end of the year	<u>\$ 763,116</u>	<u>\$ 827,582</u>	<u>\$ 897,249</u>	<u>\$ 914,586</u>	<u>\$ 889,206</u>	<u>\$ 890,986</u>	<u>\$ 905,975</u>	<u>\$ 942,334</u>	<u>\$ 1,028,419</u>	<u>\$ 1,110,191</u>

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:

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Terminal rental (1)	\$ 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	\$ 35,656,540
Landing fees (excludes cargo airlines)	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	19,902,682
Total airline revenues	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	55,559,222
Concession	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	20,844,939
Parking & ground access	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	31,848,118
Lease rentals	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	26,635,475
Landing fees--cargo airlines	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	9,448,582
Aviation fueling	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	3,913,768
Utility sales	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	4,211,638
Other (2)	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	4,758,285
Total revenues	\$ 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	\$ 157,220,027
Enplaned passengers	7,171,141	7,187,587	7,267,170	6,802,486	4,955,743	(3) 4,777,514	4,687,878	4,825,802	4,973,107	4,949,628
Airline revenue per enplaned passenger	\$ 4.80	\$ 5.44	\$ 5.99	\$ 7.20	\$ 8.77	\$ 9.36	\$ 10.02	\$ 9.57	\$ 10.28	\$ 11.22

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
PASSENGERS										
Enplaned	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	4,949,628
Deplaned	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	4,940,643
Total	14,306,309	14,368,563	14,533,825	13,627,030	9,923,785 ⁽¹⁾	9,558,175	9,367,577	9,643,555	9,950,856	9,890,271
FREIGHT (in 000 lb)										
Inbound	713,544	703,118	693,291	694,513	568,696	516,536	536,601	532,724	529,605	563,601
Outbound	767,210	771,810	768,048	741,453	626,474	541,473	568,082	552,475	543,928	571,474
Total	1,480,754	1,474,928	1,461,339	1,435,966	1,195,170 ⁽²⁾	1,058,009	1,104,683	1,085,199	1,073,533	1,135,075
TOTAL AIR CARGO (in 000 lb) (Freight & mail)	1,493,531	1,485,973	1,471,796	1,452,437	1,212,414 ⁽²⁾	1,079,243	1,124,605	1,104,388	1,087,140	1,147,454
LANDED WEIGHT (in 000 lb) ⁽³⁾										
Passenger carriers	9,185,531	9,154,681	9,385,633	9,095,540	6,873,516 ⁽¹⁾	6,328,081	5,957,187	6,076,945	6,059,597	5,910,395
Cargo carriers	3,525,403	3,570,049	3,678,155	3,560,162	3,158,521 ⁽²⁾	2,494,619	2,624,269	2,634,870	2,685,817	2,818,418
Total	12,710,934	12,724,730	13,063,788	12,655,702	10,032,037	8,822,700	8,581,456	8,711,815	8,745,414	8,728,813
AIRCRAFT MOVEMENTS	187,858	186,321	189,712	181,690	122,028 ⁽¹⁾	114,327	106,260	107,652	102,470	100,384
PARKING										
Number of stalls	8,431	7,298	6,864	7,868	6,103 ⁽⁴⁾	6,315 ⁽⁴⁾	6,950 ⁽⁴⁾	6,516 ⁽⁵⁾	6,516	6,621 ⁽⁶⁾
Average revenue per stall	\$4,391	\$4,991	\$5,112	\$4,151	\$3,991 ⁽¹⁾	\$3,605	\$3,391	\$3,688	\$3,900	\$4,016

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

Note:

(1) 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.

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

(3) Excludes non-revenue flights.

(4) Stalls in the Daily Parking Lot were blocked in 2009 in response to a decline in demand related to a decrease in passenger traffic. Subsequently, limited amounts of stalls were reopened in response to increased demand.

(5) 434 stalls in Daily Parking Lot were blocked due to construction of the BART - Oakland Airport Connector.

(6) 121 stalls in Daily Parking Lot were made available as construction on the BART - Oakland Airport Connector enters final stages.

Port of Oakland

**(A Component unit of the City of Oakland)
Top Ten Individual Sources of Aviation Revenue
Fiscal Year 2014 and Fiscal Year 2005**

	Fiscal Year 2014		Percent of Total Aviation		Fiscal Year 2005		Percent of Total Aviation	
	Revenue		Revenue		Revenue		Revenue	
Southwest Airlines	\$ 37,895,905		24.1%		On-Airport Public Parking (2)	\$ 37,021,833	29.2%	
On-Airport Public Parking (1)	26,589,335		16.9%		Southwest Airlines	17,200,088	13.5%	
Federal Express Corp.	17,288,377		11.0%		Federal Express Corp.	7,543,603	5.9%	
Avis Rent-A-Car Systems Inc.	5,981,269		3.8%		Oakland Fuel Facilities Corp.	5,729,969	4.5%	
HMS Host Corporation	5,338,548		3.4%		Air Terminal Service (CAI)	4,566,838	3.6%	
Landmark Aviation	4,867,014		3.1%		Alaska Airlines	3,902,164	3.1%	
Hertz Corporation	4,851,086		3.1%		United Airlines	3,449,348	2.7%	
Alaska Airlines	4,261,371		2.7%		Hertz Corporation	3,329,578	2.6%	
United Parcel Service	3,554,265		2.3%		jetBlue Airways	3,255,744	2.6%	
DTG Operations, Inc.	3,028,731		1.9%		Avis Rent-A-Car System, Inc.	2,233,446	1.8%	

(1) Operated by LAZ Parking California, LLC. as of 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	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	FY04-05	FY06-07	FY07-08	FY08-09	FY09-10	FY10-11	FY11-12	FY12-13	FY13-14	FY2014
Rates & Charges for Period:	CY2006	CY2007	(2) FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	
<u>Landing Fees (per 1,000 lbs. MGLW)(1)</u>										
Basic Landing Rate	\$ 1.46	\$ 1.62	\$ 1.85	\$ 2.50	\$ 3.06	\$ 3.30	\$ 3.27	\$ 3.29	\$ 3.33	
<u>Terminal Space Rental (per square foot per year)</u>										
Type1 - Ticket Counter	\$ 190.22	\$ 181.34	\$ 188.13	\$ 164.81	\$ 164.81	\$ 176.81	\$ 176.26	\$ 211.56	\$ 242.93	
Type2 - Office Space	171.20	163.21	169.32	148.33	148.33	159.13	158.63	190.40	218.64	
Type3 - Baggage Space(3)	152.18	145.07	150.50	131.85	131.86	141.45	141.00	169.24	194.34	
Type4 - Baggage Make-Up	133.16	126.94	131.69	115.37	115.37	123.77	123.39	148.10	170.06	
Type5 - Ticket Counter (Others)	95.12	90.67	94.07	82.41	82.42	88.41	88.13	105.78	121.47	
Type6 - Office Space (Others)	85.60	81.61	84.66	74.16	74.16	79.56	79.32	95.21	109.32	
Type7 - Baggage Make-Up (Others)	66.57	63.47	65.85	57.68	57.68	61.88	61.69	74.05	85.03	
<u>Primary Holdroom, Loading Bridge Rental (per holdroom per month)</u>										
Holdroom, Loading Bridge	\$ 34,250	\$ 31,678	\$ 34,576	\$ 31,269	\$ 32,801	\$ 36,006	\$ 36,080	\$ 41,907	\$ 46,835	

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>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>	<u>2014</u>
Maritime revenues:										
Marine terminal rentals	\$ 101,198	\$ 109,001	\$ 115,305	\$ 117,795	\$ 126,068	\$ 130,254	\$ 138,964	\$ 140,777	\$ 139,415	\$ 134,845
Space assignments and rentals	3,361	3,809	3,306	3,731	8,553	6,961	5,771	5,726	6,518	8,665
Other revenues	3,534	4,230	3,177	2,248	1,966	1,813	2,881	2,203	1,921	3,313
Maritime revenue, excluding utility sales	108,093	117,040	121,788	123,774	136,587	139,028	147,616	148,706	147,854	146,823
Utility sales	4,766	5,779	5,353	4,577	4,152	4,316	4,238	4,282	4,015	5,834
	\$ 112,859	\$ 122,819	\$ 127,141	\$ 128,351	\$ 140,739	\$ 143,344	\$ 151,854	\$ 152,988	\$ 151,869	\$ 152,657
TEUs (Full only)	1,628,369	1,723,181	1,722,522	1,802,004	1,605,613	1,729,383	(1) 1,798,960	(1) 1,796,849	(1) 1,793,749	(1) 1,832,559
Maritime revenue per TEU, excluding utility sales	\$ 66.38	\$ 67.92	\$ 70.70	\$ 68.69	\$ 85.07	\$ 80.39	\$ 82.06	\$ 82.76	\$ 82.43	\$ 80.12

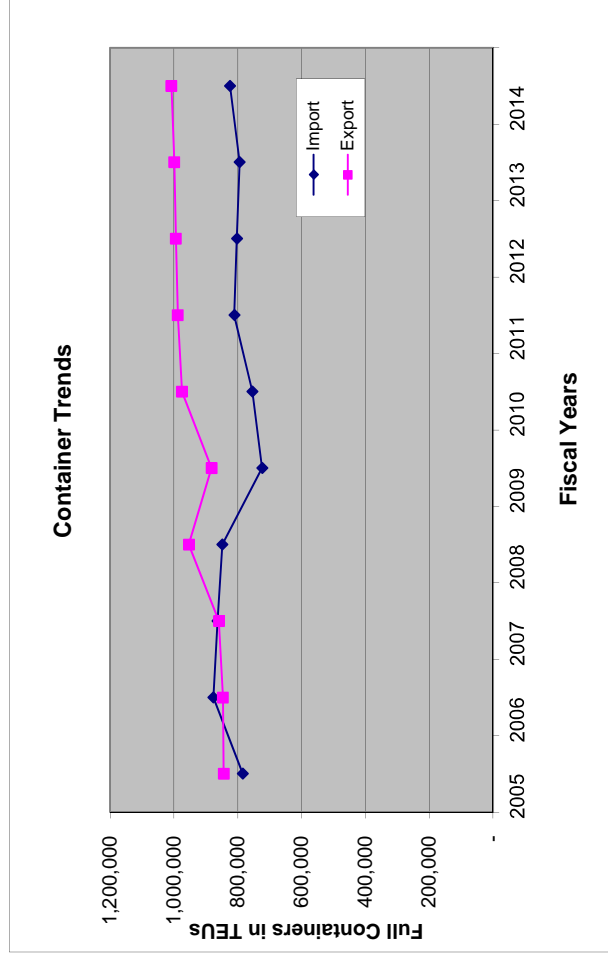
Note:

(1) Fiscal year 2010-2013 TEU's were revised after the completion of operational audits.

(2) Subject to change pending completion of operational audits.

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

Fiscal Year	Full Containers			Total
	Import	Export	%	
2005	784,312	844,057	52%	1,628,369
2006	876,462	846,719	49%	1,723,181
2007	863,393	859,129	50%	1,722,522
2008	848,383	953,621	53%	1,802,004
2009	723,504	882,109	55%	1,605,613
2010	754,316	975,067	56%	1,729,383 (1)
2011	811,096	987,864	55%	1,798,960 (1)
2012	802,914	993,935	55%	1,796,849 (1)
2013	794,511	999,238	56%	1,793,749 (1)
2014	824,310	1,008,249	55%	1,832,559 (1)



Note:

- (1) Fiscal year 2010 - 2013 TEUs were revised following completion of operational audits.
(2) Subject to change pending completion of operational audits.

Port of Oakland
 (A Component unit of the City of Oakland)
Top Ten Individual Sources of Maritime Revenue by Alphabetical Order
Fiscal Year 2014 and Fiscal Year 2005

Fiscal Year 2014

BNSF Railway Company
 Eagle Marine Services, Ltd
 Everport Terminal Services, Inc. (2)
 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 2005

American President Lines
 Burlington Northern/Santa Fe
 Evergreen Marine Corp. (Taiwan) Ltd (2)
 International Transportation Service
 Maersk-Sealand/Horzion
 Shippers Transport Express, Inc.
 SSA Terminals, LLC
 Total Terminals International, LLC
 Trans Pacific Container Service Corp.
 United Intermodal Services

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 and therefore revenue and percent of total maritime revenue have been excluded from this report.

Note:

- (1) Operated by Ampco System Parking, Inc.
- (2) Subsequent to Fiscal Year 2005, Evergreen Marine Corp. (Taiwan) Ltd has assigned it's property agreements with the Port of Oakland to Everport Terminal Services Inc.

Port of Oakland
(A Component Unit of the City of Oakland)
Net Pledged Revenues and Debt Service Coverage Calculation
Last Ten Fiscal Years
(dollar amounts in thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Operating Revenues	\$ 251,010	\$ 267,461	\$ 277,374	\$ 299,883	\$ 283,290	\$ 285,225	\$ 297,983	\$ 306,138	\$ 315,518	\$ 323,040
Operating Expenses	206,058	220,108	233,879	258,274	264,245	248,709	246,818	248,810	249,857	267,804
Less: Depreciation Expense	(68,892)	(74,895)	(80,788)	(88,907)	(96,938)	(98,810)	(98,816)	(98,032)	(98,234)	(99,259)
Less: CFC and Grant Reimbursed Operating Expense	(5,375)	(5,376)	(5,337)	(5,320)	(4,808)	(3,968)	(3,724)	(4,217)	(5,197)	(4,428)
Adjusted Operating Expenses	131,791	139,837	147,754	164,047	162,499	145,931	144,278	146,561	146,426	164,117
Adjusted Operating Income	119,219	127,624	129,620	135,836	120,791	139,294	153,705	159,577	169,092	158,923
Gross Interest Earned ⁽¹⁾	-	-	-	-	9,655	8,635	1,865	1,755	1,095	1,373
Less: Interest Earned on PFC and CFC Funds	-	-	-	-	(273)	(69)	(68)	(78)	(59)	(54)
Adjusted Interest Income ⁽⁸⁾	7,417	8,942	8,838	9,095	9,382	8,566	1,797	1,677	1,036	1,319
Net Pledged Revenues Available for Debt Service	\$ 126,636	\$ 136,566	\$ 138,458	\$ 144,931	\$ 130,173	\$ 147,860	\$ 155,502	\$ 161,254	\$ 170,128	\$ 160,242
Debt Service										
Senior ⁽²⁾	\$ 61,788	\$ 71,774	\$ 82,649	\$ 71,230	\$ 64,465	\$ 84,218	\$ 66,641	\$ 69,173	\$ 68,263	\$ 48,069
Senior, DBW and Intermediate	N/A	N/A	N/A	84,458	94,045	113,303	105,645	108,175	107,268	98,191
Aggregate ⁽³⁾	N/A	N/A	N/A	90,274	95,301	113,611	105,878	108,334	107,424	99,276
Debt Service Coverage Ratio										
Senior Lien ⁽⁴⁾	2.05	1.90	1.68	2.03	2.02	1.76	2.33	2.33	2.49	3.33
Intermediate Lien ^{(5) (6)}	N/A	N/A	N/A	1.72	1.38	1.42	1.47	1.50	1.59	1.63
Aggregate ^{(6) (7)}	N/A	N/A	N/A	1.61	1.37	1.42	1.47	1.50	1.58	1.61

Note:

(1) Starting in fiscal year 2011, the amortization of bond premium is no longer included in Gross Interest Earned.

(2) Senior debt service is less capitalized interest.

(3) Aggregate debt service consists of Senior Lien Bonds, Department of Boating and Waterway Loan (DBW), Intermediate Lien Bonds, interest on Commercial Paper Notes and in fiscal year 2014, a \$1 million principal repayment of Commercial Paper Notes.

(4) Senior Lien Debt Service Coverage Ratio is calculated by dividing Net Pledged Revenues Available for Debt Service by Senior Debt Service.

(5) Intermediate Lien Debt Service Coverage Ratio is calculated by dividing Net Pledged Revenues Available for Debt Service by Senior, DBW, and Intermediate Lien Debt Service.

(6) Intermediate Lien and Aggregate Debt Service Coverage ratios include the following:

- In fiscal year 2010, debt service was reduced \$9.5 million due to the release of funds from Series F, Series K, Series L and Series N bond reserves funds.

- In fiscal year 2012, \$0.6 million of Series M unspent bond proceeds were applied to the debt service payment.

(7) Aggregate Debt Service Coverage Ratio is calculated by dividing Net Pledge Revenues Available for Debt Service by Aggregate Debt Service.

(8) Break out of interest earned on PFC and CFC funds not readily available prior to fiscal year 2009.

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Service										
Senior Revenue Bonds (1)										
Aviation	\$ 7,818	\$ 8,254	\$ 9,845	\$ 5,997	\$ 5,437	\$ 14,887	\$ 12,551	\$ 13,206	\$ 13,014	\$ 6,550
Maritime	48,745	58,269	67,515	61,159	59,021	67,682	54,085	55,960	55,242	41,517
Commercial Real Estate	5,225	5,251	5,289	4,074	7	1,649	5	7	7	2
Total Senior Revenue Bonds Debt Service	61,788	71,774	82,649	71,230	64,465	84,218	66,641	69,173	68,263	48,069
Department of Boating & Waterways										
Commercial Real Estate	-	-	-	457	457	457	457	457	457	457
Intermediate Revenue Bonds										
Aviation	-	-	-	3,618	7,610	7,617	8,867	12,033	12,018	13,304
Maritime	-	-	-	8,886	20,985	20,486	29,128	25,271	25,289	34,568
Commercial Real Estate	-	-	-	267	527	525	552	1,241	1,241	1,792
Total Intermediate Revenue Bonds Debt Service	-	-	-	12,771	29,122	28,628	38,547	38,545	38,548	49,664
Commercial Paper (2)										
Aviation	-	-	-	1,793	361	90	68	40	41	346
Maritime	-	-	-	4,023	896	218	165	116	115	740
Commercial Real Estate	-	-	-	-	-	-	-	3	-	-
Total Commercial Paper Debt Service	-	-	-	5,816	1,257	308	233	159	156	1,086
Debt Service by Division										
Aviation	7,818	8,254	9,845	11,408	13,408	22,594	21,486	25,279	25,073	20,200
Maritime	48,745	58,269	67,515	74,068	80,902	88,386	83,378	81,347	80,646	76,825
Commercial Real Estate	5,225	5,251	5,289	4,798	991	2,631	1,014	1,708	1,705	2,251
Total Debt Service	\$ 61,788	\$ 71,774	\$ 82,649	\$ 90,274	\$ 95,301	\$ 113,611	\$ 105,878	\$ 108,334	\$ 107,424	\$ 99,276
Aviation Debt Service per Enplaned Passenger										
Enplaned passengers (in 000's)	7,171	7,188	7,267	6,802	4,956	4,778	4,688	4,826	4,973	4,950
Aviation Debt Service per Enplaned Passenger (not in 000's)	\$ 1.09	\$ 1.15	\$ 1.35	\$ 1.68	\$ 2.71	\$ 4.73	\$ 4.58	\$ 5.24	\$ 5.04	\$ 4.08

Note:

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

(2) Consists of interest payments and in fiscal year 2014 a principal repayment of \$1 million.

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

Fiscal Year	Senior Bonds	Intermediate Bonds	Department of		Capital Tax Exempt Loan	Commercial Paper		Total
			Boating & Waterways					
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	(1)	478,977	5,564		-	87,268		1,375,570
2013	762,025	460,681	5,357		-	78,398		1,306,461
2014	745,382	430,345	5,140		-	77,398		1,258,265

Note:

(1) 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

Year	Population	Personal Income (\$000s)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate (%)
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	\$ 11,107,340	\$ 28,311	36.3	38,540	16.3
2012	394,832	\$ 11,281,140	\$ 28,572	36.2	37,742	14.3
2013	399,699 (1)	\$ 12,402,660 (1)	\$ 31,030	36.6	36,180	11.3
2014	404,355	\$ 13,111,211	\$ 32,425	36.4	37,040	9.0

Source:

Population - State of California Department of Finance

Per Capita Income and Median Age - DemographicsNow.com (2005-2013), American Community Survey (2014)

School Enrollment - Oakland Unified School District

Unemployment Rate - State of California Employment Development Department

Note:

(1) 2013 population and personal income is updated with newly available data.

Port of Oakland

(A Component Unit of the City of Oakland)
Principal Employers in the City of Oakland - FY 2013 vs FY 2006

	FY 2013 (2)			FY 2006 (1)		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
Employer						
Kaiser Permanente Medical Group	10,914	1	6.01%	5,450	3	3.12%
Oakland Unified School District	7,664	2	4.22%	8,000	2	4.58%
State of California	7,480	3	4.12%	N/A		
County of Alameda	6,218	4	3.43%	9,740	1	5.58%
City of Oakland	5,082	5	2.80%	4,290	5	2.46%
Alta-Bates Summit Medical Center	3,623	6	2.00%	N/A		
Children's Hospital & Research Center	2,600	7	1.43%	N/A		
Internal Revenue Service	2,500	8	1.38%	N/A		
Southwest Airlines	2,100	9	1.16%	N/A		
Peralta Community College District	1,420	10	0.78%	N/A		
Kaiser Foundation Hospitals	N/A			4,340	4	2.49%
Bay Area Rapid Transit	N/A			2,800	6	1.60%
Federal Express	N/A			2,790	7	1.60%
Alta-Bates Medical Center	N/A			2,620	8	1.50%
Kaiser Foundation Health Plan	N/A			2,590	9	1.48%
Summit Medical Center	N/A			2,230	10	1.28%

Source:

DemographicsNow.com

Fiscal Year 2006 - Economic Development Alliance for Business and Alameda County Largest Employers.

Fiscal Year 2013 - City of Oakland, Department of Economic and Workforce Development

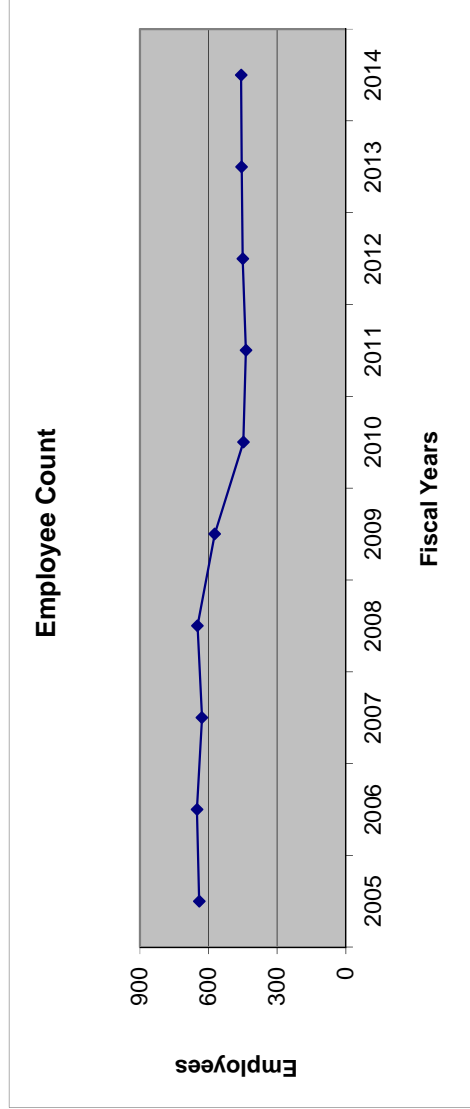
Note:

(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 2014 is not readily available. As such, we used 2013 data as our latest information available.

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Aviation	290	310	289	315	307	238	228	242	233	236
Maritime	21	18	65 (1)	77	78	63	61	63	69	69
Commercial Real Estate	9	9	7	8	7	8	8	7	7	8
Engineering & Environmental	170	167	108 (1)	110	67	49	48	50	50	54
Financial Services & Administration	60	58	66	61	49	44	42	44	44	44
Others	91	89	94	78	65	46	50	45	53	47
Total	641	651	629	649	573	448	437	451	456	458



Note:

(1) In FY 2007, Harbor Facilities was moved to the Maritime Division from the Engineering Division.

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

	<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>	<u>2014</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	8,431	7,298	6,864	7,868	6,103 ⁽¹⁾	6,315 ⁽¹⁾	6,950 ⁽¹⁾	6,516 ⁽²⁾	6,516	6,621 ⁽³⁾
Harbor facilities										
Miles of waterfront	19	19	19	19	19	19	19	19	19	19
Berthing length at wharves (in feet)	23,031	23,063	23,063	23,063	23,233	23,233	23,233	23,233	23,233	23,233
Harbor area (in acres)	770	786	786	786	786	786	779	779	779	779
Commercial Real Estate										
Owned acreage	877	876	876	874	874	874	874	865	837	837
Parking stalls	2,114	2,114	2,004	1,479	1,429	1,429	1,429	1,429	1,429	1,429

Source:

Port of Oakland Records

Note:

(1) Stalls in the Daily Parking Lot were blocked in 2009 in response to a decline in demand related to a decrease in passenger traffic. Subsequently, limited amounts of stalls were reopened in response to increased demand.

(2) 434 stalls in Daily Parking Lot were blocked due to construction of the BART - Oakland Airport Connector.

(3) 121 stall in Daily Parking lot were made available as construction of the BART - Oakland Airport Connector enters final stages.

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