
Comprehensive Annual Financial Report

For the Years Ended June 30, 2015 and 2014



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, 2015 and 2014

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, 2015 and 2014

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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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December 7, 2015

**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, 2015 and 2014. 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; and contains management's discussion and analysis (MD&A), the Port's financial statements, 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 in the tables of the 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 2014 the Airport ranked 35th in the United States in terms of total passengers and 13th in terms of air cargo tonnage. In fiscal year 2015, the Airport served approximately 10.75 million passengers and 1.18 billion pounds of air cargo. As of June 2015, the Airport averaged 137 passenger departures to 49 domestic and international destinations, as well as over 20 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 four major gateways for such shipments on the West Coast of North America. The Seaport is the 6th busiest cargo container port in the United States, based on the number of twenty-foot equivalent units (TEUs) handled annually. In fiscal year 2015, approximately 2.4 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 2016 Port staff prepared a five-year operating forecast. The first year of the operating forecast is 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 improvement program (CIP) and a one-year capital budget. The one-year capital budget is presented to the Board for adoption, while the CIP is presented in concept only. The five-year CIP does not include significant capacity expansion projects and thus will generally not generate significant new revenues. Criteria for inclusion in the five-year CIP is generally limited to regulatory and life safety requirements, revenue maintenance, contractual landlord obligations, and available funding and staffing resources.

The approved fiscal year 2016 operating and capital budgets, and five-year operating forecast and CIP, are available on the Port's website at, www.portofoakland.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 San Francisco Bay Area has been among the leading regions nationwide in terms of employment, income and population growth. The region's average employment wage grew by 9.8% between 2010 and 2013, compared to 6.6% for the State of California and 4.7% for the nation⁽¹⁾. The region is expected to experience continued growth in 2015 and 2016 reporting an unemployment rate of 3.8% in September 2015, down from 4.9% in September 2014⁽²⁾. The strong labor market is fueling a robust local economy and enhancing an already competitive real estate market. However, continued and sustained growth is dependent on the overall U.S. economy's strength and continued economic growth among Asian countries. Currently, low energy prices are helping to sustain global growth, while anticipated contracting growth in China and a strong U.S. dollar may act to decrease overall demand for U.S. exports.

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 development of the Oakland Logistics Center at the former Oakland Army Base promises to enhance the Seaport's competitiveness, while improvements to Terminal 1 and the opening of the BART-Oakland Airport Connector 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

The Port ends fiscal year 2015 in significantly better financial condition compared to the lows of fiscal year 2009 and reflective of certain significant improvements. The Port's cash balance, operating income and debt service coverage ratio have improved significantly. Aviation activity and revenue growth over the last 12 months have been very positive, with passenger traffic at the Airport increasing 8.7% and air cargo activity increasing 3.6% from fiscal year 2014. However, significant uncertainty surrounds Maritime business activities and revenues given timing of lease renewals; changes occurring in the shipping industry; competitive factors among seaports; competitive factors among terminal operators within the Port; and the impact of labor disruptions at west coast seaports during the year. As a result, the number of full TEUs handled at the Seaport decreased 6.5% and full exports, comprising more than half of the Seaport's TEU activity, decreased 12.1% from fiscal year 2014. Despite these challenges, the Port reported an operating margin of \$57 million, an increase of 3.2% from fiscal year 2014. Operating revenues of \$336.6 million, an increase of 4.2% from fiscal year 2014, were offset by operating expenses before depreciation of \$177.8 million, an increase of 5.5% from fiscal year 2014.

In fiscal year 2016, the Port has budgeted total operating revenues of approximately \$330.3 million, a 1.9% decrease from fiscal year 2015 results. The slight decrease in revenue reflects expectations of lower revenues from the marine terminals, offset by continuing above-average growth at the Airport. Operating expenses before depreciation are budgeted at approximately \$193.2 million in fiscal year 2016, an approximate 8.7% increase over fiscal year 2015 results. Rising personnel costs, which represent 52.9% of the operating expense budget, drive a significant portion of this increase.

(1) Source: Association of Bay Area Governments State of the Region Economy Housing Population 2015 report, California Employment Development Department and US Bureau of Labor Statistics data.

(2) Source: US Bureau of Labor Statistics San Francisco Area Economic Survey, updated November 3, 2015.

The Port remains cautious about the future and projects modest growth in operating revenue over the next five years. The Port projects operating revenues to increase to \$361.2 million by the end of fiscal year 2020 for a five year increase of 7.3%. During this period of modest revenue growth, the Port will continue to be challenged by rising operating costs, driven by increases in healthcare, pension, security and regulatory 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 \$219.4 million by the end of fiscal year 2020 for a five year increase of 23.4% compared to fiscal year 2015 results.

The Port's pension contribution rates are projected to increase from 32.9% in fiscal year 2016 to 41.3% of covered payroll in fiscal year 2020. The significant increase in required pension funding will not be reflected in future operating expenses due to the implementation of GASB 68, which separates the contributions (cash flow) from the recognition of expense in the financial statements. Prior to GASB 68, expense recognition matched required plan contributions and did not represent the cost of benefits earned over the period. GASB 68 also requires the Port to recognize a net pension liability representing the total pension obligation less the value of assets held by the plan to fund future distributions. The impact of GASB 68 is discussed in further detail in the Management's Discussion and Analysis section and in footnotes 2 and 9 of the accompanying financial statements.

For fiscal year 2016, the Board authorized an initial budget of \$133.1 million in capital expenditures. This amount is related to projects for which there is already a contractual obligation, as well as limited amounts for pre-development work to scope potential projects and miscellaneous facilities replacement projects. Contractual obligations are generally defined as expenditures for which there is an active contract in place or a lease agreement that requires the Port to take certain actions, where miscellaneous facilities replacement projects is generally defined as smaller scope projects or needs that may arise during the course of the fiscal year that are unforeseen or difficult to predict with certainty. Over the course of the fiscal year, an additional \$34 million of pipeline projects is anticipated to be authorized by the Board, after the pre-development work is concluded. Approximately, \$63.5 million of the capital expenditures are expected to be funded with various Aviation and Maritime grants, \$21.9 million is expected to be funded with Passenger Facility Charges and Customer Facility Charges, and the remaining will be funded with available cash or financed with commercial paper debt. A description of the major capital projects is provided under Major Initiatives.

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 2016 operating and capital budgets, as well as the five-year operating forecast and CIP.

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. The Vision Statement of the Strategic Plan calls for the Port to be innovative and sustainable "through an aggressive focus on business and optimal performance." Looking ahead to fiscal year 2016 and beyond, this vision will guide operations, policies, and the allocation of resources, as staff updates the Strategic Plan and develops future goals and objectives. The Port continues to work on the major initiatives previously identified which are focused on upgrading the Port's facilities to sustain and accommodate changes in the industry and 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 or recently completed for each of the Port's business lines:

Aviation

Terminal 1 Retrofit and Renovation Program. The Port continues to work on the renovation and retrofit of OAK's Terminal 1, (T1 Program) in a phased approach. 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 and maintaining continued operations during construction. The Airport continues the implementation of major life safety and infrastructure improvements in building M102, which includes the passenger security checkpoint, concessions, Port administrative offices, and other passenger facilities. The project includes seismic retrofitting, replacement of electrical, mechanical, plumbing, special systems infrastructure, architectural upgrades, and demolition of the South Field air traffic control tower and is expected to be completed in spring 2017. Additionally, in fiscal year 2015 the Port began planning and preliminary design for operability improvements for the International Arrivals Building. This project includes upgrades to improve reliability and functionality of the dated facility to better serve the intentional passenger market, including a new baggage carousel and expanded passenger processing.

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. The FAA provides approximately 80% of the funding to support these upgrades through the Airport Improvement Program (AIP) grants. 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 September 2014. North Field construction began November 2014 and will 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. Revenue service began in November 2014, improving access between the Airport and the regional rail transit system using an automated people mover. Since opening, the BART – Oakland Airport Connector ridership has increased significantly as compared to ridership using the former AirBART buses. The Port entered into an agreement with BART for a maximum Port contribution to the project of \$45.4 million.

Perimeter Dike. The perimeter dike separates the South Field airfield from San Francisco Bay waters and is 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. The Port completed a series of studies that assessed existing geotechnical conditions, vulnerability of the dike to storms, sea level rise, and potential future seismic events, and has identified improvements needed to address those vulnerabilities. Design and environmental review is underway and is expected to be completed in fiscal year 2016. The full project, estimated at \$59 million to construct, is designed to be scalable to allow for construction based on available funding. A portion of fuel pipeline related work is currently in demolition and being funded by pipeline owners.

Runway 12/30 Rehabilitation. Runway 12/30 is the Airport's main commercial air carrier runway. A runway pavement overlay project completed in 2001 extended the service life of the runway for an estimated 15 years; accordingly, the runway is due for a new overlay in 2016. Portions of the runway were upgraded as part of the RSA project described above. Planning and design of a pavement overlay project for the remaining portion of Runway 12/30 is scheduled to be performed during fiscal year 2016, with construction planned for summer 2017.

Maritime

Oakland Logistics Center. Between 2003 and 2007, the Oakland Army Base (OAB) - a former military supply depot built during World War II and closed in 1993 - was transferred to the City of Oakland and Port. The Port plans to develop its portion of the former OAB into a logistics center including new import cross-dock, export transloading from railcar to container, a new intermodal rail terminal, and related facilities. The development 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. Development is being phased to match market demand and funding availability. In 2015 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, and break bulk businesses. The first phase of construction is scheduled to be completed in early 2016. Also in 2015, the Port engaged in negotiations with a private developer partner for the development of the first of several planned logistics facilities adjacent to the new railyard. These negotiations are expected to continue into 2016.

Maritime Security. Since 2001, the Port, state and federal governments have focused on Seaport security as a critical link in national defense. Leveraging federal security grant programs, the Port continues to implement various improvements to enhance overall security and emergency preparedness at the Seaport. In fiscal year 2016, the Port plans to extend its existing security system (fiber optic network and surveillance cameras) to the Port-owned portion of the former OAB. Further, the Port also plans to modernize existing information technology systems that are at the core of seaport security. These improvements support resiliency and promote better information sharing among agencies and stakeholders during emergencies and other security events.

Other. In October 2015, the Board approved a 30-year lease with Lineage Logistics/Dreisbach Enterprises for "Cool Port Oakland," a development comprising a 364,000 square foot refrigerated cross-dock/storage facility on approximately 25 acres of land in the heart of the Maritime area. This development is expected to promote the handling of refrigerated export commodities through the Port. Construction is anticipated to start in summer of 2016. The improvements will include a new at-grade rail crossing and approximately 11,000 linear feet of track connecting the facility to the main rail line.

Commercial Real Estate

The Port welcomed new tenants, including restaurants 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 continues 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, 2014. 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 for their assistance and guidance. Finally, we thank the Board 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

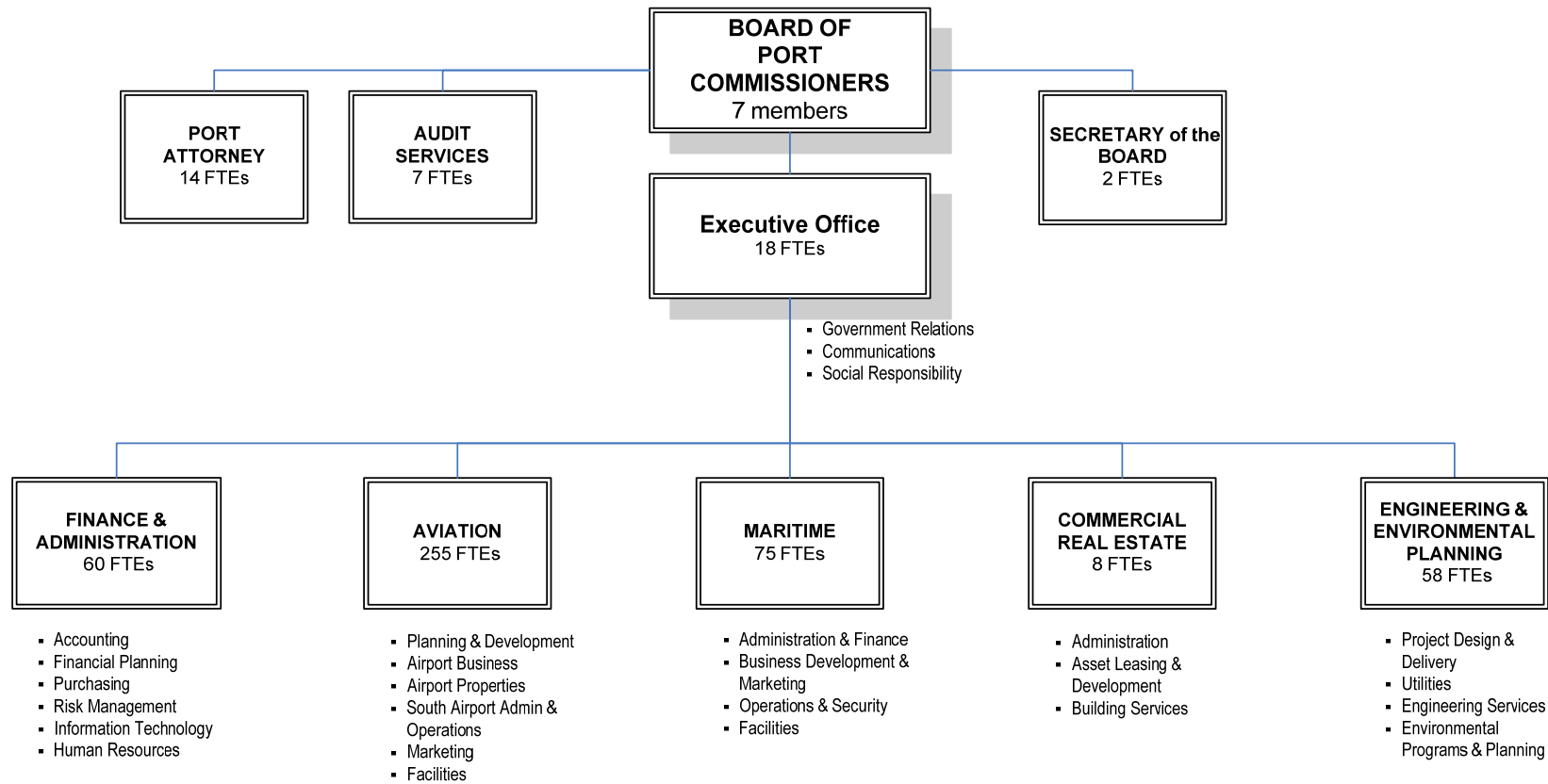
June 30, 2014

Executive Director/CEO

PORT OF OAKLAND ORGANIZATION CHART

Fiscal Year 2014-15

497 Funded FTEs (Full-Time Equivalents)





PORT OF OAKLAND
APPOINTED OFFICIALS, EXECUTIVE AND
CONTRIBUTING STAFF

For the Year Ended
June 30, 2015

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

Contributing Staff

Julie Lam, Port Controller
Angelica Avalos, Port Senior Accountant
Leandro Denoga, Port Senior Accountant
Katri Jones, Administrative Specialist
Saw May Khoo, Port Staff Accountant II
Betsy Kwok, Port Staff Accountant II
Alan Lum, Port Staff Accountant I
Cecilia Ravare, Port Accounting Supervisor
Stanley Tanaka, Port Senior Accountant
David Zolezzi, Port Senior Financial Analyst

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Oakland, California 94607

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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 Auditor's 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, 2015 and 2014, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 consider 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, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Also as discussed in Note 2 to the financial statements, effective July 1, 2014, the Port adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the Port's proportionate share of the net pension liability, the schedule of employer contributions 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 7, 2015, 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.



Oakland, California
December 7, 2015

Port of Oakland
(A Component Unit of the City of Oakland)
Management's Discussion and Analysis (unaudited)
June 30, 2015 and 2014

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, 2015 and 2014, with comparative information for June 30, 2013. 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 or deterioration of its financial position over time. A summarized comparison of the Port's assets, deferred outflows of resources, deferred inflows of resources, liabilities, and net position as of June 30 follows (in millions):

	2015	% Change	2014	% Change	2013
Current and other assets	\$ 420.0	10.5%	\$ 380.1	12.2%	\$ 338.8
Capital assets, net	2,212.4	0.7%	2,196.8	-0.1%	2,199.1
Total assets	<u>2,632.4</u>	2.2%	<u>2,576.9</u>	1.5%	<u>2,537.9</u>
Deferred outflows of resources	<u>26.8</u>	100.0%	<u>13.4</u>	-7.6%	<u>14.5</u>
Debt outstanding	1,204.8	-4.3%	1,258.3	-3.7%	1,306.5
Other liabilities	385.5	73.8%	221.8	2.0%	217.5
Total liabilities	<u>1,590.3</u>	7.4%	<u>1,480.1</u>	-2.9%	<u>1,524.0</u>
Deferred inflows of resources	<u>29.1</u>	n/a	<u>-</u>	n/a	<u>-</u>
Net investment in capital assets	1,053.9	6.8%	987.0	4.4%	945.0
Restricted for construction	12.1	19.8%	10.1	-28.9%	14.2
Unrestricted	(26.2)	-123.2%	113.1	63.4%	69.2
Total net position	<u>\$ 1,039.8</u>	-6.3%	<u>\$ 1,110.2</u>	8.0%	<u>\$ 1,028.4</u>

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Summary of Net Position (continued)

2015

Total net position at June 30, 2015, decreased approximately \$70.4 million or 6.3% from \$1,110.2 million on June 30, 2014 to \$1,039.8 million on June 30, 2015. The 2015 net position is reported after required adjustments to record pension obligations and related items pursuant to new accounting rules (see notes 2 and 9). The Port adopted the provisions of GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB issued Statement No. 71, *Pensions Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68* (collectively "GASB 68") as of July 1, 2014. As permitted by the transition provisions of GASB 68, when restatement of all prior periods is not practical, the cumulative effect of applying this accounting change is reported as a restatement of beginning position as of July 1, 2014. In fiscal year June 30, 2015, the Port reduced its beginning net asset balance by \$182.3 million for the cumulative effect of adopting GASB 68. Without pension related adjustments, net position increased \$108.5 million in 2015.

Net investment in capital assets increased \$66.9 million due to a decrease in outstanding debt of \$50.4 million caused by scheduled principal payments, an increase in capital assets, net of depreciation, of approximately \$15.6 million due to infrastructure development and significant facilities improvements at the Airport and Seaport (refer to pages 12-13 for more details), and a decrease in accounts payable on construction contracts of \$0.9 million driven by the timing of contractor payments.

Restricted for construction increased \$2 million due to increased collection of passenger facility charges (PFC) and customer facility charges (CFC) proceeds driven by increased passenger activity at the Airport.

Unrestricted net position decreased approximately \$139.3 million due to the recognition of net pension obligations and related deferred outflows and inflows of resources as required by GASB 68 totaling \$179 million. This decrease was mainly offset by an increase in accounts receivable of \$57.3 million primarily for federal and state grants funding the development of the Oakland Logistics Center at the Seaport and federally mandated runway improvements at the Airport. Also, because of the earlier measurement date allowed for the net pension liability and period-to-period actuarial changes, the accounting rules require the reporting of certain deferred outflows of resources (\$15.1 million for employer contributions subsequent to the measurement date) and deferred inflows of resources (\$29.1 million for assumption difference and changes), separate from assets and liabilities.

2014

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, increased \$42 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 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.

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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.

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):

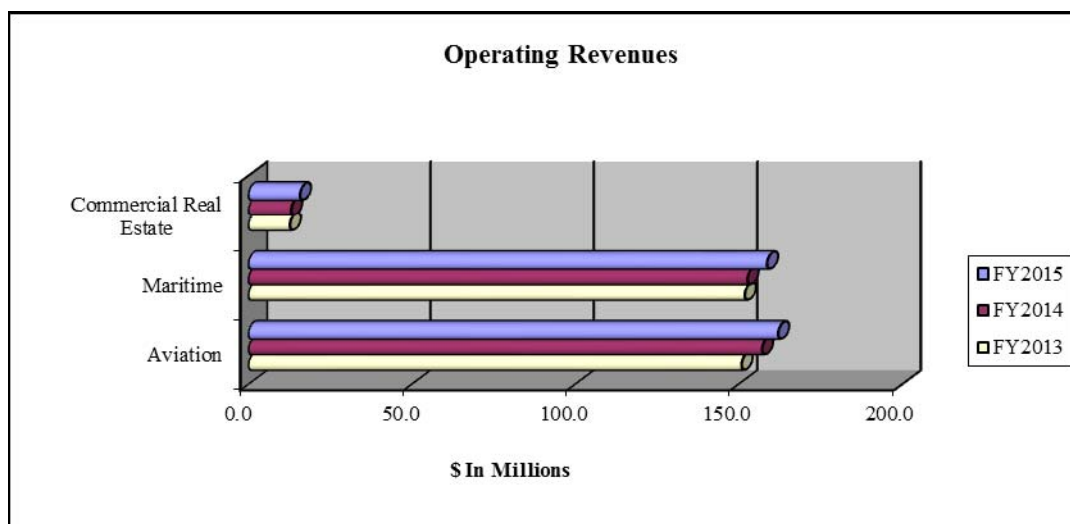
	Twelve Months Ended				
	2015	% Change	2014	% Change	2013
Operating revenues	\$ 336.6	4.2%	\$ 323.0	2.4%	\$ 315.5
Passenger facility charge revenue	21.4	8.6%	19.7	-1.0%	19.9
Customer facility charge revenue	6.3	12.5%	5.6	3.7%	5.4
Interest income	1.8	28.6%	1.4	27.3%	1.1
Grant revenue	3.9	100%	-	n/a	-
Other income	3.3	100%	-	-100.0%	19.1
Total revenues	<u>373.3</u>	6.7%	<u>349.7</u>	-3.1%	<u>361.0</u>
Operating expenses before depreciation	177.8	5.5%	168.5	11.1%	151.6
Depreciation	101.8	2.6%	99.2	1.0%	98.2
Interest expense	51.6	-4.4%	54.0	-9.4%	59.6
Other expense	-	-100.0%	6.5	91.2%	3.4
Grant expense	3.9	100%	-	-	-
Total expenses	<u>335.1</u>	2.1%	<u>328.2</u>	4.9%	<u>312.8</u>
Change in net assets before capital contributions	38.2	77.7%	21.5	-55.4%	48.2
Capital contributions -					
Grants from government agencies	<u>73.7</u>	22.2%	<u>60.3</u>	59.1%	<u>37.9</u>
Increase in net position	<u>111.9</u>	36.8%	<u>81.8</u>	-5.0%	<u>86.1</u>
Net position, beginning of the year	1,110.2	8.0%	1,028.4	9.1%	942.3
Beg bal adj for adoption of GASB 68	<u>(182.3)</u>	-100%	<u>-</u>	0.0%	<u>-</u>
Net position, beginning of the year, restated	<u>927.9</u>	-9.8%	<u>1,028.4</u>	9.1%	<u>942.3</u>
Net position, end of the year	<u>\$ 1,039.8</u>	-6.3%	<u>\$ 1,110.2</u>	8.0%	<u>\$ 1,028.4</u>

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Operating Revenues by Division

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

Division	2015	2014	2013
Aviation	\$ 162.1	\$ 157.2	\$ 150.9
Maritime	158.7	152.7	151.9
Commercial Real Estate	15.8	13.1	12.7
Total	\$ 336.6	\$ 323.0	\$ 315.5



2015

The Port's operating revenues increased approximately \$13.6 million or 4.2% from \$323.0 million in fiscal year 2014 to \$336.6 million in fiscal year 2015.

The Aviation Division generated \$162.1 million or 48.2% of the Port's total operating revenues in fiscal year 2015. Aviation's operating revenues increased approximately \$4.9 million or 3.1% from \$157.2 million in fiscal year 2014 to \$162.1 million in fiscal year 2015. The increase in Aviation operating revenue was primarily due to increases in: concession revenues of \$1.2 million; parking revenue of \$2.5 million and lease rentals of \$1.9 million. The primary reason for concession and parking revenue increases was the 8.7% increase in passenger traffic from 9.89 million passengers in fiscal year 2014 to 10.75 million passengers in fiscal year 2015. Lease rental increases were due primarily to increased leased space as well as rent escalations for existing leases tied to the CPI index. AirBART operations ceased after the new BART-Oakland Airport Connector was placed in service in November 2014 causing a \$1.0 million decrease in ground access revenues.

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Operating Revenues by Division (continued)

The Maritime Division generated \$158.7 million or 47.1% of the Port's total operating revenues in fiscal year 2015. Maritime's operating revenues increased approximately \$6 million or 3.9% from \$152.7 million in fiscal year 2014 to \$158.7 million in fiscal year 2015. The increase in Maritime operating revenue was primarily due to increased non-terminal rentals and utility sales from shore power usage. Full Twenty-Foot Equivalent Units (TEUs) decreased 6.5% from 1,832,559 in fiscal year 2014 to 1,713,812 in fiscal year 2015.

The Commercial Real Estate Division generated \$15.8 million or 4.7% of the Port's total operating revenues in fiscal year 2015. Commercial Real Estate's operating revenues increased approximately \$2.7 million or 20.6% from \$13.1 million in fiscal year 2014 to \$15.8 million in fiscal year 2015. The increase in Commercial Real Estate revenue was primarily due to increases in percentage rents, short-term rentals and parking revenue all driven by increased business activity in Jack London Square.

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.

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. Full Twenty-Foot Equivalent Units (TEUs) increased 2.2% from 1,793,749 in fiscal year 2013 to 1,832,559 in fiscal year 2014.

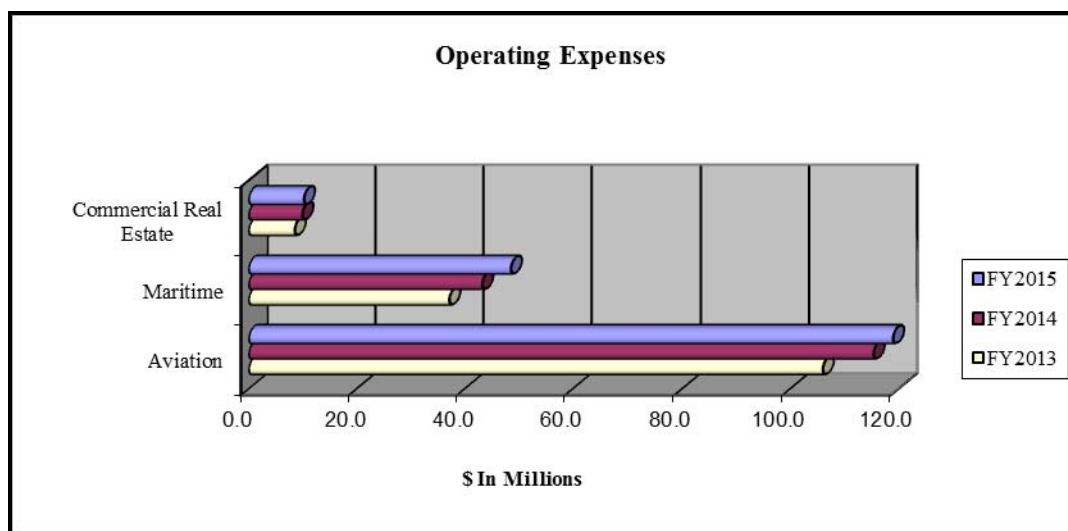
The Commercial Real Estate Division generated \$13.1 million or 4.1% of the Port's total operating revenues in fiscal year 2014. Commercial Real Estate's operating revenues in fiscal year 2014 were essentially unchanged from fiscal year 2013.

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Operating Expenses by Division

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

Division	2015	2014	2013
Aviation	\$ 119.0	\$ 115.4	\$ 106.0
Maritime	48.5	43.2	37.1
Commercial Real Estate	10.3	9.9	8.5
Total	\$ 177.8	\$ 168.5	\$ 151.6



2015

The Port's operating expenses, excluding depreciation, increased approximately \$9.2 million or 5.5% from \$168.5 million in fiscal year 2014 to \$177.7 million in fiscal year 2015.

The Aviation Division represented 67% of the Port's total operating expenses in fiscal year 2015. Aviation's operating expenses increased approximately \$3.6 million or 3.1% from \$115.4 million in fiscal year 2014 to \$119 million in fiscal year 2015. The increase is primarily due to higher wages, medical premiums, security and safety costs, and maintenance expenses.

The Maritime Division represented 27.3% of the Port's total operating expenses in fiscal year 2015. Maritime's operating expenses increased approximately \$5.3 million or 12.3% from \$43.2 million in fiscal year 2014 to \$48.5 million in fiscal year 2015. The increase is primarily due to higher wages, medical premiums, maintenance expenses, truck parking expenses resulting from increased volume, and utility expenses resulting from utilization of shore power program.

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Operating Expenses by Division (continued)

The Commercial Real Estate Division represented 5.7% of the Port's total operating expenses in fiscal year 2015. Commercial Real Estate's operating expenses increased approximately \$0.4 million or 4.0% from \$9.9 million in fiscal year 2014 to \$10.3 million in fiscal year 2015. The increase is primarily due to higher wages, medical premiums and maintenance costs.

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.

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.

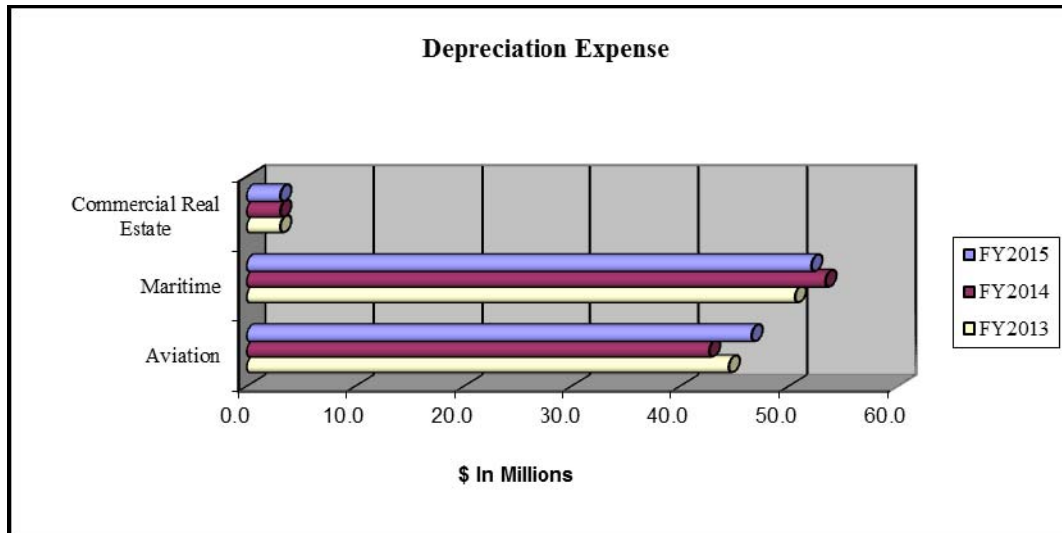
Depreciation Expense by Division

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

Division	2015	2014	2013
Aviation	\$ 46.6	\$ 42.7	\$ 44.5
Maritime	52.1	53.4	50.6
Commercial Real Estate	3.1	3.1	3.1
Total	<u>\$ 101.8</u>	<u>\$ 99.2</u>	<u>\$ 98.2</u>

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Depreciation Expense by Division (continued)



2015

In fiscal year 2015, depreciation expense increased 2.6% or \$2.6 million. Maritime depreciation decreased approximately \$1.3 million due to several assets that fully depreciated during the year. Aviation depreciation expense increased \$3.9 million due to assets placed into service near the end of fiscal year 2014 and several additions placed in service during the first half of fiscal year 2015.

The Port completed projects worth approximately \$150 million during fiscal year 2015, of which approximately \$142.7 million were for the Aviation Division and \$3.1 million were for Maritime Division. The most significant Aviation projects completed during fiscal year 2015 were related to the Runway Safety Area improvements, BART-Oakland Airport Connector, and the Terminal 1 retrofit and renovation. The most significant Maritime projects completed during fiscal year 2015 were related to the Port's geo-spatial mapping and domain awareness projects.

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.

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Depreciation Expense by Division (continued)

The Port completed projects worth approximately \$92.6 million during the fiscal year 2014, of which approximately \$31 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.

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Non-grant funded assets	\$ 70.7	\$ 72.7	\$ 68.5
Grant funded assets (including those funded by PFCs)	<u>31.1</u>	<u>26.5</u>	<u>29.7</u>
Total depreciation expense	<u><u>\$ 101.8</u></u>	<u><u>\$ 99.2</u></u>	<u><u>\$ 98.2</u></u>

Interest Expense

Interest expense decreased \$2.4 million in fiscal year 2015 from \$54 million in fiscal year 2014 to \$51.6 million in fiscal year 2015 and is the result of scheduled principal payments.

Interest expense decreased \$5.6 million in fiscal year 2014 from \$59.6 million in fiscal year 2013 to \$54 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.

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Capital Contributions

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

In fiscal year 2015, grants from government agencies increased approximately \$17.4 million or 22.2% from \$60.3 million in fiscal year 2014 to \$73.7 million in fiscal year 2015. The most significant grant funded projects were the Oakland Logistics Center development project, primarily funded by a Trade Corridor Improvement Fund grant, for which the Port recognized approximately \$42.5 million in grant funding and the Runway Safety Area project, primarily funded with Airport Improvement Program grants, for which the Port recognized approximately \$31.6 million in grant funding.

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 Oakland Logistics Center development project, 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.

Capital Assets (net of depreciation) and Capital Improvement Program

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

	<u>2015</u>	<u>% Change</u>	<u>2014</u>	<u>% Change</u>	<u>2013</u>
Capital assets:					
Land	\$ 523.3	0.0%	\$ 523.3	0.0%	\$ 523.2
Noise easements and air rights	25.9	0.0%	25.9	10.2%	23.5
Construction in progress	167.8	-16.4%	200.7	1.8%	197.1
Buildings and improvements	304.2	-7.4%	328.6	-6.6%	351.9
Container cranes	54.7	-8.1%	59.5	-8.0%	64.7
Infrastructure	1,096.2	7.4%	1,020.5	1.9%	1,001.9
Software	8.2	-11.8%	9.3	-12.3%	10.6
Other equipment	32.1	10.7%	29.0	10.7%	26.2
Total	<u>\$ 2,212.4</u>	0.7%	<u>\$ 2,196.8</u>	-0.1%	<u>\$ 2,199.1</u>

Net capital assets increased by approximately \$15.6 million or 0.7% in fiscal year 2015, due to capital asset additions of \$117.5 million offset by retirements and abandoned construction in progress of \$5.7 million and a decrease in accumulated depreciation of \$96 million. Major additions to capital assets in fiscal year 2015 included the BART – Oakland Airport Connector; Airport Terminal 1 retrofit and renovation; Airport Runway Safety Area improvements; and Oakland Logistics Center development project.

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Capital Assets (net of depreciation) and Capital Improvement Program (continued)

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 Oakland Logistics Center development project.

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 25, 2015, a five-year (fiscal year 2016-2020) Capital Improvement Program (CIP) in the amount of \$480 million was presented to the Board of Port Commissioners (Board) for informational purposes. For fiscal year 2015, the Board adopted a capital budget of \$133.1 million. The most significant projects in the five-year CIP are:

Aviation: Terminal 1 retrofit and renovation Program; Runway Safety Area improvements; 12/30 Runway rehabilitation; and perimeter dike improvements.

Maritime: Oakland Logistics Center development project.

Debt Administration

The total debt of the Port decreased approximately \$53.5 million or 4.3% from \$1,258.3 million in fiscal year 2014 to \$1,204.8 million in fiscal year 2015. The decrease resulted from principal payments of \$47 million on outstanding bonds, commercial paper, and a loan with the Department of Boating and Waterways and a decrease to unamortized bond premium totaling \$6 million.

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.

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Debt Administration (continued)

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Bond Indebtedness	\$ 1,125.5	\$ 1,175.8	\$ 1,222.7
DBW Loan	4.9	5.1	5.4
Commercial Paper	74.4	77.4	78.4
Total debt	<u>\$ 1,204.8</u>	<u>\$ 1,258.3</u>	<u>\$ 1,306.5</u>

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Senior Lien	3.28	3.34	2.49
Intermediate Lien	1.68	1.64	1.59
Aggregate	1.63	1.62	1.58

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 and 2015, the Aggregate Debt Coverage Ratio also includes a \$1 and \$3 million principal repayment of Commercial Paper Notes, respectively. 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, 2015 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 all series 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 23-62 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 Y. Mineta San José International Airport (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.

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 now in the fourth year of a severe drought 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.

The Seaport is working on a suite of supply chain efficiency initiatives that range from extended marine terminal gate hours to real-time traffic flow monitoring and other technology aimed at reducing congestion both on and off the Port marine terminals. Implementation of these initiatives will be phased in over time based on research and piloting.

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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 Port's website at www.portofoakland.com.

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Port of Oakland
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Statements of Net Position
June 30, 2015 and 2014
(dollar amounts in thousands)

	<u>2015</u>	<u>2014</u>
Assets		
Current assets:		
Unrestricted:		
Cash equivalents	\$ 198,946	\$ 202,546
Accounts receivable (less allowance for doubtful accounts of \$1,128 in 2015 and \$1,036 in 2014)	101,969	44,655
Prepaid expenses and other assets	<u>3,527</u>	<u>3,961</u>
Total unrestricted current assets	<u>304,442</u>	<u>251,162</u>
Restricted:		
Cash equivalents	9,424	65,377
Investments	57,867	-
Deposits in escrow	3,919	5,549
Receivables - passenger facility charges and customer facility charges	2,914	2,793
Accrued interest receivable	<u>170</u>	<u>-</u>
Total restricted current assets	<u>74,294</u>	<u>73,719</u>
Total current assets	<u>378,736</u>	<u>324,881</u>
Non-current assets:		
Capital assets:		
Land	523,339	523,283
Noise easements and air rights	25,852	25,852
Construction in progress	167,751	200,709
Buildings and improvements	852,565	851,650
Container cranes	148,697	153,417
Infrastructure	1,871,579	1,730,806
Software	13,676	13,391
Other equipment	<u>93,464</u>	<u>86,039</u>
Total capital assets, at cost	3,696,923	3,585,147
Less accumulated depreciation	<u>(1,484,512)</u>	<u>(1,388,373)</u>
Capital assets, net	2,212,411	2,196,774
Other receivables	29,224	43,137
Other assets	<u>12,013</u>	<u>12,047</u>
Total non-current assets	<u>2,253,648</u>	<u>2,251,958</u>
Total assets	<u>2,632,384</u>	<u>2,576,839</u>
Deferred Outflows of Resources		
Loss on refunding	11,745	13,431
Pension contributions subsequent to measurement date	<u>15,077</u>	<u>-</u>
Total deferred outflows of resources	<u>\$ 26,822</u>	<u>\$ 13,431</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, 2015 and 2014
(dollar amounts in thousands)

	<u>2015</u>	<u>2014</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 42,179	\$ 38,245
Retentions on construction contracts	1,947	2,591
Environmental and other	10,548	9,714
Accrued interest	9,071	9,416
Long-term debt, net	52,257	49,919
Liability to City of Oakland	8,916	5,153
Unearned revenue	10,948	12,220
Total current liabilities	<u>135,866</u>	<u>127,258</u>
Non-current liabilities:		
Retentions on construction contracts	4,816	6,395
Environmental and other	22,241	23,320
Long-term debt, net	1,152,520	1,208,346
Net pension liability	164,918	-
Deposits	16,744	16,486
Other post employment benefits	10,249	10,414
Unearned revenue	82,957	87,860
Total non-current liabilities	<u>1,454,445</u>	<u>1,352,821</u>
Total liabilities	<u>1,590,311</u>	<u>1,480,079</u>
Deferred Inflows of Resources		
Differences between projected and actual earnings on investments	<u>29,137</u>	<u>-</u>
Net Position		
Net investment in capital assets	1,053,882	986,959
Restricted for construction	12,066	10,072
Unrestricted	<u>(26,190)</u>	<u>113,160</u>
Total net position	<u>\$ 1,039,758</u>	<u>\$ 1,110,191</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, 2015 and 2014
(dollar amounts in thousands)

	2015	2014
Operating revenues:		
Aviation:		
Terminal rentals and concessions	\$ 60,566	\$ 58,790
Parking fees and ground access	33,349	31,848
Lease rentals	28,572	26,635
Landing fees	29,783	29,351
Utility sales	4,201	4,212
Fueling	2,940	3,914
Other	2,724	2,470
Total aviation operating revenues	<u>162,135</u>	<u>157,220</u>
Maritime:		
Marine terminal rentals	133,689	134,845
Space assignments and rentals	12,984	8,665
Utility sales	9,440	5,834
Other	2,571	3,313
Total maritime operating revenues	<u>158,684</u>	<u>152,657</u>
Commercial real estate:		
Lease rentals	12,140	10,021
Parking fees	2,769	2,171
Other	859	971
Total commercial real estate operating revenues	<u>15,768</u>	<u>13,163</u>
Total operating revenues	<u>336,587</u>	<u>323,040</u>
Operating expenses:		
Aviation:		
Materials, supplies, contract services and other	58,869	59,172
Security	15,980	14,615
Maintenance	25,727	22,686
Advertising and promotion	2,710	3,620
Administration	13,882	13,371
Cost of utility sales	1,871	2,006
Depreciation	46,587	42,738
Total aviation operating expenses	<u>165,626</u>	<u>158,208</u>
Maritime:		
Materials, supplies, contract services and other	14,750	13,974
Maintenance	14,556	12,583
Advertising and promotion	2,049	1,593
Administration	12,075	12,028
Cost of utility sales	5,102	3,023
Depreciation	52,077	53,404
Total maritime operating expenses	<u>\$ 100,609</u>	<u>\$ 96,605</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, 2015 and 2014
(dollar amounts in thousands)

	<u>2015</u>	<u>2014</u>
Operating expenses, continued		
Commercial real estate:		
Materials, supplies, contract services and other	\$ 7,026	\$ 7,063
Maintenance	1,073	740
Advertising and promotion	389	170
Administration	1,640	1,629
Cost of utility sales	101	272
Depreciation	3,095	3,117
Total commercial real estate operating expenses	<u>13,324</u>	<u>12,991</u>
Total operating expenses	<u>279,559</u>	<u>267,804</u>
Operating income	<u>57,028</u>	<u>55,236</u>
Non-operating revenues (expenses):		
Interest income	1,783	1,373
Interest expense	(51,636)	(53,977)
Customer facility charges	6,253	5,625
Passenger facility charges	21,478	19,698
Other income (expense)	3,176	(2,727)
Grant revenue	3,874	-
Grant expenses	(3,874)	-
Gain (loss) on sale (disposal) of capital assets	84	(3,791)
Total net non-operating expenses	<u>(18,862)</u>	<u>(33,799)</u>
Increase in net position before capital contributions	38,166	21,437
Capital contributions -		
Grants from government agencies	<u>73,725</u>	<u>60,335</u>
Increase in net position	<u>111,891</u>	<u>81,772</u>
Net position, beginning of the year	1,110,191	1,028,419
Beginning balance adjustment for adoption of GASB 68	<u>(182,324)</u>	<u>-</u>
Net position, beginning of the year, as restated	<u>927,867</u>	<u>1,028,419</u>
Net position, end of the year	<u>\$ 1,039,758</u>	<u>\$ 1,110,191</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, 2015 and 2014
(dollar amounts in thousands)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Receipts from tenants and customers	\$ 332,838	\$ 321,355
Payments to suppliers	(85,054)	(91,981)
Payments to employees	(73,583)	(70,593)
Payments to employee retirement plans	(14,694)	(13,105)
Net cash provided by operating activities	<u>159,507</u>	<u>145,676</u>
Cash flows from noncapital financing activities:		
Grants from government agencies	3,874	-
Proceeds from insurance and other recoveries	3,244	938
Other nonoperating cash payment to or receipts from suppliers	(419)	6,411
Net cash provided by noncapital financing activities	<u>6,699</u>	<u>7,349</u>
Cash flows from capital and related financing activities:		
Proceeds from new borrowings	59,398	-
Repayments/refunding of debt	(106,439)	(42,942)
Grants from government agencies	27,159	45,958
Interest paid on debt	(56,742)	(58,466)
Purchase of capital assets	(118,358)	(97,830)
Proceeds from sale of capital assets	352	92
Customer facility charge and passenger facility charge receipts	23,537	20,984
Net cash used in capital and related financing activities	<u>(171,093)</u>	<u>(132,204)</u>
Cash flows from investing activities:		
Interest received on investments	1,571	1,344
Purchase of restricted investments	(57,867)	-
Proceeds from maturity of restricted investments	1,630	54,616
Net cash (used in)/provided by investing activities	<u>(54,666)</u>	<u>55,960</u>
Net increase (decrease) in cash equivalents	(59,553)	76,781
Cash equivalents, beginning of year	<u>267,923</u>	<u>191,142</u>
Cash equivalents, end of year	<u>\$ 208,370</u>	<u>\$ 267,923</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, 2015 and 2014
(dollar amounts in thousands)

	<u>2015</u>	<u>2014</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 57,028	\$ 55,236
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	101,759	99,259
Net effects of changes in:		
Accounts receivable, net of capital grants	(11,779)	1,047
Prepaid expenses and other current assets	434	137
Other receivables and assets	13,947	(8,498)
Accounts payable and accrued liabilities	3,482	(2,414)
Liability to City of Oakland	3,763	(891)
Unearned revenue	(6,175)	(5,174)
Deposits	258	10,940
Environmental and other liabilities	(245)	(3,966)
Net pension liability and related deferred outflow/inflow of resources	(2,965)	-
Net cash provided by operating activities	<u>\$ 159,507</u>	<u>\$ 145,676</u>
Non-cash capital and related financing activities:		
Acquisition of capital assets in accounts payable and accrued liabilities	\$ 20,962	\$ 19,642
Net change in retention on capital construction contracts	(2,223)	2,408
Loss on disposal of capital assets	140	3,791
Disposal of capitalized insurance costs	-	3,766
Gain on sale of capital assets	224	-
Net change in capital grants receivables	45,535	11,650

(Concluded)

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

Port of Oakland
(A Component Unit of the City of Oakland)
Notes to Financial Statements
For the years ended June 30, 2015 and 2014

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 (Seaport) 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, net pension liability, 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, 2015 and 2014, the statement of net position reported \$12,066,000 and \$10,072,000, 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, 2015 and 2014

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 constructed 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
Software	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, 2015 and 2014

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.

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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Port's pension plan, and additions to/deductions from the Port's pension plan's fiduciary net position have been determined on the same basis as they are reported by the Plan's administrator, State of California's Public Employees' Retirement System (CalPERS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Port of Oakland
(A Component Unit of the City of Oakland)
Notes to Financial Statements
For the years ended June 30, 2015 and 2014

Grants from Government Agencies

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

Passenger Facility Charges

The Port, as authorized by the Federal Aviation Administration (FAA) pursuant to the Aviation Safety and Capacity Expansion Act of 1990 (the Act), as amended, currently imposes a Passenger Facility Charge (PFC) of \$4.50 for each enplaning passenger at the Airport. Under the Act, air carriers are responsible for the collection of PFC charges and are required to remit PFC revenues to the Port in the following month after they are recorded by the air carrier. The Port 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 February 1, 2030.

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.

Effects of New Pronouncements

As of July 1, 2014, the Port implemented the provisions of GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions* (issued June 2012) and GASB Statement No. 71 (GASB 71), *Pensions Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68* (issued June 2013). GASB 68 and GASB 71 are intended to improve accounting and financial reporting by state and local governments for pensions.

The Port did not restate the financial statements for the year ended June 30, 2014 because the actuarial information was not available. As such, the Port included herein the pension disclosures under GASB Statement No. 27, *Accounting for Pension by State and Local Government Employers*, for the year ended June 30, 2014. As of July 1, 2014, the Port restated its net position by \$182,324,000 to record the beginning Net Pension Liability of \$195,681,000 and the beginning Deferred Outflows of Resources of \$13,357,000.

Port of Oakland
(A Component Unit of the City of Oakland)
Notes to Financial Statements
For the years ended June 30, 2015 and 2014

New Accounting Pronouncements Not Yet Adopted

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The requirements of this statement will enhance comparability of financial statements among governments requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. Application of this statement is effective for the Port's fiscal year ending June 30, 2016.

In June 2015, GASB issued Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB 75 is intended to make Other Post Employment Benefits (OPEB) accounting and financial reporting consistent with the pension standards outlined in GASB 68. This will include recognizing a net OPEB liability in accrual-basis financial statements. This statement is effective for fiscal years beginning after June 15, 2017. This statement applies to government employers who provide OPEB plans to their employees. Application of this statement is effective for the Port's fiscal year ending June 30, 2018.

Reclassification and Presentation

Certain reclassifications of prior year's balances have been made to conform with the current year presentation. The reclassifications have no effect on the financial position, result of operations or cash flows.

Port of Oakland
(A Component Unit of the City of Oakland)
Notes to Financial Statements
For the years ended June 30, 2015 and 2014

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>2015</u>	<u>2014</u>
U.S. Treasury Notes	\$ 57,867	\$ -
Government Securities Money Market Mutual Funds	272	58,098
City Investment Pool	208,098	209,825
Deposits in Escrow	3,919	5,549
	<u>\$ 270,156</u>	<u>\$ 273,472</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

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.

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

Port of Oakland
(A Component Unit of the City of Oakland)
Notes to Financial Statements
For the years ended June 30, 2015 and 2014

Investments (continued)

At June 30, 2015, 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	\$ 57,867	Aaa	\$ -	\$ 57,867
Government Securities Money				
Market Mutual Funds	272	Aaa	272	-
City Investment Pool	208,098	Not rated	208,098	-
Total Investments	<u>\$ 266,237</u>		<u>\$ 208,370</u>	<u>\$ 57,867</u>

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	209,825	Not rated	209,825	-
Total Investments	<u>\$ 267,923</u>		<u>\$ 267,923</u>	<u>\$ -</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, 2015 and 2014

Interest Rate Risk

This risk represents the possibility that an interest rate change could adversely affect an investment's fair value. Pursuant to the City Charter, all cash receipts from Port operations are deposited in the City Investment Pool. For this reason, the Port does not have a formal policy to manage interest risk.

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 the maximum maturities of certain investments. 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. Pursuant to the City Charter, all cash receipts from Port operations are deposited in the City Investment Pool. For this reason, the Port does not have a formal policy to manage credit risk.

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, A2 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, 2015 and 2014

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:
 - obligations of the United States government;
 - United States government sponsored enterprises;
 - insured certificates of deposit;
 - local government investment pools; and
 - money market investment funds.
- 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. At the end of FY 2014-15 the City expanded its definition of permitted investments to include dollar-denominated obligations issued by supranational organizations.
- 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 5330, Oakland, California 94612-2093.

Custodial Credit Risk

Custodial credit risk 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 \$58,139,000 and \$58,098,000 at June 30, 2015 and 2014, respectively.
- The pooled cash invested by the City is 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 \$208,098,000 and \$209,825,000 invested in the City Investment Pool at June 30, 2015 and 2014, respectively.

Port of Oakland
(A Component Unit of the City of Oakland)
Notes to Financial Statements
For the years ended June 30, 2015 and 2014

Custodial Credit Risk (continued)

The carrying amount of the Port's deposits in escrow was \$3,919,000 at June 30, 2015 and \$5,549,000 at June 30, 2014. Of this amount, a maximum bank balances and escrow deposits of \$250,000 per account on June 30, 2015 and on June 30, 2014, 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 \$3,419,000 as of June 30, 2015 and \$5,218,000 as of June 30, 2014, 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, 2015, is as follows (in thousands):

	Beginning Balance July 1, 2014	Additions	Adjustments and Retirements	Transfer of Completed Construction	Ending Balance June 30, 2015
Capital assets not being depreciated					
Land	\$ 523,283	\$ -	\$ -	\$ 56	\$ 523,339
Intangibles (noise easements and air rights)	25,852	-	-	-	25,852
Construction in progress	200,709	117,003	-	(149,961)	167,751
Total capital assets not being depreciated	749,844	117,003	-	(149,905)	716,942
Capital assets being depreciated					
Buildings and improvements	851,650	-	-	915	852,565
Container cranes	153,417	-	(4,720)	-	148,697
Infrastructure	1,730,806	-	-	140,773	1,871,579
Software	13,391	-	-	285	13,676
Other equipment	86,039	452	(959)	7,932	93,464
Total capital assets being depreciated	2,835,303	452	(5,679)	149,905	2,979,981
Less accumulated depreciation for					
Buildings and improvements	(523,071)	(25,214)	-	-	(548,285)
Container cranes	(93,894)	(4,823)	4,720	-	(93,997)
Infrastructure	(710,351)	(65,018)	-	-	(775,369)
Software	(4,102)	(1,368)	-	-	(5,470)
Other equipment	(56,955)	(5,336)	900	-	(61,391)
Total accumulated depreciation	(1,388,373)	(101,759)	5,620	-	(1,484,512)
Total being depreciated, net	1,446,930	(101,307)	(59)	149,905	1,495,469
Total capital assets, net	\$ 2,196,774	\$ 15,696	\$ (59)	\$ -	\$ 2,212,411

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Changes in Capital Assets (continued)

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

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5. Debt

Long-term debt consists of the following at June 30, 2015 and 2014 (in thousands):

	Interest Rate	Fiscal Maturity Year	Original Amount	Beginning Balance July 1, 2014	Additions	Reductions (2)	Ending Balance June 30, 2015	Principal Due Within One Year
Senior Lien Bonds								
2011 Revenue Bonds Series O	2.25-5.125%	2031	\$ 345,730	\$ 321,525	\$ -	\$ 8,760	\$ 312,765	\$ 14,440
2012 Revenue Bonds Series P	3.00-5.00	2033	380,315	377,050	-	7,530	369,520	-
Total Senior Lien Bonds			<u>726,045</u>	<u>698,575</u>	<u>-</u>	<u>16,290</u>	<u>682,285</u>	<u>14,440</u>
Dept. of Boating and Waterway (DBW) Loan								
Small Craft Harbor Revenue Bonds, Series 1993	4.50	2030	<u>7,176</u>	<u>5,140</u>	<u>-</u>	<u>226</u>	<u>4,914</u>	<u>236</u>
Intermediate Lien Bonds								
2007 Revenue Bonds Series A	4.00-5.00	2030	242,075	173,870	-	15,185	158,685	2,715
2007 Revenue Bonds Series B	4.00-5.00	2030	182,450	167,880	-	12,340	155,540	17,625
2007 Revenue Bonds Series C	5.00	2020	<u>78,565</u>	<u>78,565</u>	<u>-</u>	<u>-</u>	<u>78,565</u>	<u>11,220</u>
Total Intermediate Lien Bonds			<u>503,090</u>	<u>420,315</u>	<u>-</u>	<u>27,525</u>	<u>392,790</u>	<u>31,560</u>
Commercial Paper¹								
Series A, B, C Notes	0.08-0.09	2016	N/A	62,398	-	62,398	-	-
Series D, E, F Notes	0.05-0.15	2016	N/A	<u>15,000</u>	<u>59,398</u>	<u>-</u>	<u>74,398</u>	<u>4</u>
Total Commercial Paper				<u>77,398</u>	<u>59,398</u>	<u>62,398</u>	<u>74,398</u>	<u>4</u>
Sub-Total				<u>1,201,428</u>	<u>59,398</u>	<u>106,439</u>	<u>1,154,387</u>	<u>46,240</u>
Net unamortized bond premium and discount				<u>56,837</u>	<u>(22)</u>	<u>6,425</u>	<u>50,390</u>	<u>6,017</u>
Total Debt				<u>1,258,265</u>	<u>59,376</u>	<u>112,864</u>	<u>1,204,777</u>	<u>\$ 52,257</u>
Current maturities of long-term debt				<u>(49,919)</u>	<u>(52,257)</u>	<u>(49,919)</u>	<u>(52,257)</u>	
Total Debt - long-term portion				<u>\$ 1,208,346</u>	<u>\$ 7,119</u>	<u>\$ 62,945</u>	<u>\$ 1,152,520</u>	

¹As of June 30, 2015, the Port has capacity to issue an aggregate principal amount of commercial paper notes up to \$200 million.

²Includes purchase of \$570 of 2012 Revenue Bonds Series P in June 2015.

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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 (2)	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			<u>729,620</u>	<u>712,050</u>	<u>-</u>	<u>13,475</u>	<u>698,575</u>	<u>15,720</u>
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			<u>503,090</u>	<u>448,565</u>	<u>-</u>	<u>28,250</u>	<u>420,315</u>	<u>27,525</u>
Commercial Paper¹								
Series A, B, C Notes	0.06-0.13	2016	N/A	63,398	-	1,000	62,398	-
Series D, E, F Notes	0.14-0.23	2016	N/A	15,000	-	-	15,000	2
Total Commercial Paper				<u>78,398</u>	<u>-</u>	<u>1,000</u>	<u>77,398</u>	<u>2</u>
Sub-Total				<u>1,244,370</u>	<u>-</u>	<u>42,942</u>	<u>1,201,428</u>	<u>43,473</u>
Net unamortized bond premium and discount				<u>62,091</u>	<u>-</u>	<u>5,254</u>	<u>56,837</u>	<u>6,446</u>
Total Debt				<u>1,306,461</u>	<u>-</u>	<u>48,196</u>	<u>1,258,265</u>	<u>\$ 49,919</u>
Current maturities of long-term debt				<u>(48,464)</u>	<u>(49,919)</u>	<u>(48,464)</u>	<u>(49,919)</u>	
Total Debt - long-term portion				<u>\$ 1,257,997</u>	<u>\$ (49,919)</u>	<u>\$ (268)</u>	<u>\$ 1,208,346</u>	

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

²Includes purchase of \$280 of 2012 Revenue Bonds Series P in August 2013.

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Debt Service

The Port's long-term debt and final maturity is identified in detail on page 35 and consists of tax-exempt bonds, short-term commercial paper notes and a loan from the California Department of Boating and Waterways. All of the Port's outstanding bonds, loans and commercial paper notes have been issued to finance or refinance capital improvements to the Port's aviation, maritime, and commercial real estate infrastructure. 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. In fiscal year, 2015 pledged revenues amounted to \$338,328,000.

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 2015 nor in 2014.

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	
2016	\$ 67,493	\$ 57,499	\$ 124,992	
2017	70,489	53,860	124,349	
2018	74,465	49,564	124,029	
2019	68,027	45,149	113,176	
2020	54,752	42,357	97,109	
2021 - 2025	315,397	170,629	486,026	
2026 - 2030	371,084	84,678	455,762	
2031 - 2033	132,680	11,624	144,304	
Total	\$ <u>1,154,387</u>	\$ <u>515,360</u>	\$ <u>1,669,747</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 2016-2019 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

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 Service 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. As of June 30, 2015, only one DBW Loan remained outstanding with a balance of \$4,914,000.

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 Service 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.

On July 1, 2013, the Port renewed both of its then-outstanding LOCs with Wells Fargo Bank National Association (Wells) and JP Morgan Chase Bank National Association (JP Morgan). 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, 2015, the outstanding balance of CP Notes issued under the Wells LOC is \$0, while the outstanding balance of CP Notes issued under the JP Morgan LOC is \$74,398,000.

The Port covenants in the LOC and Reimbursement Agreements with Wells and JPMorgan that the Intermediate Lien Debt Service 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 2015 Debt Principal and Interest	FY 2015 Net Pledged Revenues**
Total Net Pledged Revenues				\$ 164,643
Senior Lien Bonds:				
2011 Revenue Bonds Series O	5/1/2031	\$ 463,932	\$ 24,892	
2012 Revenue Bonds Series P	5/1/2033	595,037	25,254	
Subtotal Senior Lien Bonds		<u>1,058,969</u>	<u>50,146</u>	<u>(50,146)</u>
Net Pledged Revenues Remaining after Sr. Lien				114,497
Dept. of Boating and Waterways Loan	8/1/2029	<u>6,863</u>	<u>457</u>	<u>(457)</u>
Net Pledged Revenues Remaining after DBW				114,040
Intermediate Lien Bonds:				
2007 Series A	11/1/2029	234,065	23,491	
2007 Series B	11/1/2029	196,368	20,170	
2007 Series C	11/1/2019	88,730	3,928	
Subtotal Intermediate Lien Bonds		<u>519,163</u>	<u>47,589</u>	<u>(47,589)</u>
Net Pledged Revenues Remaining after Int. Lien				66,451
Commercial Paper Notes*		<u>84,752</u>	<u>3,092</u>	<u>(3,092)</u>
Net Pledged Revenues Remaining after CP Notes				\$ <u>63,359</u>
Total		\$ <u>1,669,747</u>	\$ <u>101,284</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, \$4,115,000) plus Interest Earned (not including interest earned on PFC and CFC funds, \$18,000 and \$24,000 respectively)

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Priority of Payment (continued)

	Maturity Date	Total Debt Service to Maturity	FY 2014 Debt Principal and Interest	FY 2014 Net Pledged Revenues**
Total Net Pledged Revenues				\$ 160,769
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>	<u>(48,069)</u>
Net Pledged Revenues Remaining after Sr. Lien				112,700
Dept. of Boating and Waterways Loan	8/1/2029	<u>7,321</u>	<u>457</u>	<u>(457)</u>
Net Pledged Revenues Remaining after DBW				112,243
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	<u>92,658</u>	<u>3,928</u>	
Subtotal Intermediate Lien Bonds		<u>566,752</u>	<u>49,664</u>	<u>(49,664)</u>
Net Pledged Revenues Remaining after Int. Lien				62,579
Commercial Paper Notes*		<u>88,663</u>	<u>1,086</u>	<u>(1,086)</u>
Net Pledged Revenues Remaining after CP Notes				\$ <u>61,493</u>
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 (as restated) is Revenues less Operation and Maintenance Expenses (not including operating expenses reimbursed with grants and CFC funds totaling, \$4,955,000) plus Interest Earned (not including interest earned on PFC and CFC funds, \$39,000 and \$15,000 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	2015 (Discount) Premium	2014 (Discount) Premium
Senior Lien Bonds:		
2011 Series O	\$ 4,157	\$ 5,590
2012 Series P	38,124	41,218
Subtotal Senior Lien Bonds	<u>42,281</u>	<u>46,808</u>
Intermediate Lien Bonds:		
2007 Series A	2,999	3,369
2007 Series B	3,501	4,363
2007 Series C	1,610	2,298
Subtotal Intermediate Lien Bonds	<u>8,110</u>	<u>10,030</u>
Commercial Paper	(1)	(1)
Total	<u>\$ 50,390</u>	<u>\$ 56,837</u>

6. Environmental and Other Liabilities

Changes in environmental and other liabilities for the years ended June 30, 2015 and 2014 are as follows (in thousands):

	Beginning Balance July 1, 2014	Additions	Reductions	Ending Balance June 30, 2015	Amounts Due Within One Year
Accrued vacation, sick leave and compensatory time	\$ 7,072	\$ 4,902	\$ (5,380)	\$ 6,594	\$ 5,596
Pollution liability	13,473	6,488	(8,261)	11,700	3,452
Workers' compensation	11,182	2,792	(1,313)	12,661	1,500
Other long-term liabilities	<u>1,307</u>	<u>630</u>	<u>(103)</u>	<u>1,834</u>	<u>-</u>
Total	<u>\$ 33,034</u>	<u>\$ 14,812</u>	<u>\$ (15,057)</u>	<u>\$ 32,789</u>	<u>\$ 10,548</u>

	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>

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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 with percentage rent contingent on business sales or activity, 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>2015</u>	<u>2014</u>
Minimum non-cancelable rentals, including preferential assignments	\$ 172,471	\$ 170,700
Contingent rentals in excess of minimums	<u>17,006</u>	<u>18,568</u>
	<u>\$ 189,477</u>	<u>\$ 189,268</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, 2015 and 2014, the unamortized net upfront fee was approximately \$47.8 million and \$48.9 million, respectively. At June 30, 2015, the amounts classified as short-term and long-term unearned revenue were \$1,074,000 and \$46,708,000 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.

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):

2016	\$ 173,949
2017	164,582
2018	139,524
2019	112,273
2020	110,676
2021-2025	400,094
2026-2030	290,110
2031-2035	292,869
2036-2040	264,934
2041-2045	260,782
2046-2050	284,912
Thereafter	<u>642,528</u>
	<u>\$ 3,137,233</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):

2016	\$	413
2017		425
2018		438
2019		452
2020		465
2021-2025		2,544
2026-2030		2,949
2031-2035		3,419
2036-2040		3,963
2041-2045		4,594
2046-2050		5,326
Thereafter		4,648
	\$	<u>29,636</u>

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

	<u>2015</u>	<u>2014</u>
Land	\$ 413,820	\$ 412,265
Container cranes	148,697	153,417
Buildings and improvements	206,336	203,682
Infrastructure	1,095,378	1,064,953
	1,864,231	1,834,317
Less accumulated depreciation	<u>(706,439)</u>	<u>(652,053)</u>
Net capital assets, on lease	\$ <u>1,157,792</u>	\$ <u>1,182,264</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, 2015 and 2014 are as follows (in thousands):

	Beginning Balance July 1, 2014	Additions	Reductions	Ending Balance June 30, 2015	Amounts Due Within One Year
Ports America Outer Harbor upfront fee	\$ 48,856	\$ -	\$ (1,074)	\$ 47,782	\$ 1,074
Marina capital lease unearned interest revenue	20,049	-	(503)	19,546	503
92A Special Facility bond redemptions	11,348	-	(2,522)	8,826	2,522
Oakland Fuel Facilities Corporation	8,836	150	(580)	8,406	580
Unearned tenant rent	9,645	5,895	(7,383)	8,157	6,111
Other unearned revenue	1,346	-	(158)	1,188	158
Total	\$ 100,080	\$ 6,045	\$ (12,220)	\$ 93,905	\$ 10,948

	Beginning Balance July 1, 2013	Additions	Reductions	Ending Balance June 30, 2014	Amounts Due Within One Year
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	\$ 105,254	\$ 7,317	\$ (12,491)	\$ 100,080	\$ 12,220

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9. Retirement Plans

CalPERS Miscellaneous Unit

Plan Description

All full-time and certain other qualifying employees of the Port are eligible to participate in the State of California's Public Employees' Retirement System (CalPERS) as members of the City of Oakland's Miscellaneous Unit of CalPERS (Miscellaneous Plan). The Miscellaneous Plan is an agent multiple-employer defined benefit pension plan. 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 Miscellaneous Plan within CalPERS is not available. As a department of the City, the Port shares benefit costs with the City. The Port presents the related defined benefit disclosures as a participant in a cost-sharing plan arrangement with the City.

Benefits Provided

The Miscellaneous Plan provides service retirement, disability retirement, and death benefits based on the employee's years of service, age at retirement and highest one-year or three-year final compensation while employed. An employee becomes eligible for service retirement upon attainment of age 50 and with at least 5 years of CalPERS credited service. 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) become eligible for service retirement upon attainment of age 52 and with at least 5 years of credited service. The service retirement benefit is a monthly allowance for life equal to the product of the benefit factor, years of service and final compensation. The benefit factor may vary based on the employee's date of hire and age at retirement. An employee of the Port is eligible to receive the following benefit:

Date of Hire	Benefit Factor	Age at Retirement
Prior to June 9, 2012	2.0 - 2.7%	50 - 55
June 9, 2012 through December 31, 2012	2.0 - 2.5%	50 - 55
On or after January 1, 2013 *	1.0 - 2.5%	52 - 67

*for "new members" as defined by PEPRA

Cost-of-living adjustments are paid the second calendar year of retirement and every year thereafter up to a maximum of 2% per year.

All members are eligible to apply for a disability retirement benefit, regardless of age, when they have 5 or more years of credited service and they sustain an injury or illness that prevents them from performing their duties.

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Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The total Miscellaneous Plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by the employees during the year, with an additional amount to finance any unfunded accrued liability. The City and the Port are required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014, the employer contribution rate was 27.295% of covered payroll and the average active employee contribution rate was 7.979% of covered pay.

For the year ended June 30, 2015, the Port paid contributions during the measurement period (contributions made during the fiscal year ended June 30, 2014) of \$13,105,000 for the Miscellaneous Plan.

CalPERS Safety Unit – Special Agreement with the City of Oakland

During the period from July 1, 1976, through January 17, 1998 (employment period), 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 the Miscellaneous Unit member status in CalPERS to Safety Unit member status, effective retroactively to the later of either the date of their respective employment in such classifications or July 1, 1976.

The decision to reclassify employees to safety member status resulted in an additional net cost to provide retirement benefits earned during the employment period. 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, with interest at 4.34% and adjusted for cost of living at a rate of 3.75%. Under this agreement the Port's obligation will not fluctuate based on the recognition of market gains or losses, changes in the actuarial assumptions, or experiences that differ from the actuary projections. The Port's obligation will remain fixed until paid in full.

As of June 30, 2015, the Port paid contributions during the measurement period of \$291,000 for the Safety Unit obligation.

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Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

At June 30, 2015, the Port reported a total net pension liability of \$164,918,000. The total net pension liability represented the Port's proportionate share of the City's Miscellaneous Plan's net pension liability of \$160,287,000 and the remaining Safety Unit's obligation of \$4,631,000. The City's Miscellaneous Plan's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The Port's proportionate share of the City's Miscellaneous Plan was determined based on the Port's employer contributions divided by the total employer contributions for the measurement period (July 1, 2013 to June 30, 2014). The Port's proportionate share of the City's Miscellaneous Plan was 24.86% as of June 30, 2014, the measurement date.

For the year ended June 30, 2015, the Port recognized pension expense of \$11,729,000 including amortization of deferred outflow/inflow related pension items. At June 30, 2015, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in assumptions	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	-	29,137
Change in proportionate share	-	-
Pension contributions subsequent to the measurement date	<u>15,077</u>	<u>-</u>
	\$ <u><u>15,077</u></u>	\$ <u><u>29,137</u></u>

The pension contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources, will be amortized annually and recognized as a reduction to pension expense as follows (in thousands):

<u>Year Ending June 30</u>	
2016	\$ 7,284
2017	7,284
2018	7,284
2019	<u>7,285</u>
	\$ <u><u>29,137</u></u>

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Actuarial Methods and Assumptions

For the measurement period ended June 30, 2014, the pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and the June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract cost of living adjustment up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

¹The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

All other actuarial assumption used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS website under Form and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. To determine whether the municipal bond rate should be used in the calculation of a discount rate, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on CalPERS testing, none of the tested plans run out of assets. Therefore, CalPERS determined that the current 7.5% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.5% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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Discount Rate (continued)

According to GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.5% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. The difference in calculation between 7.5% and a 7.65% was not material to the Port's financial statements.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require CalPERS Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB Statement Nos. 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until they change their methodology.

The long term expected rate of return on pension plan investments of 7.5% was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make the required contributions on time as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of the benefits was calculated. The expected rate of return was set by calculating the single equivalent expected rate of return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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Discount Rate (continued)

The table below reflects long-term expected real rate of return, net of administrative expenses, by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	New Strategic Allocation	Real Return Years 1-10⁽¹⁾	Real Return Years 11+⁽²⁾
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)
Total	100%		

¹An expected inflation of 2.5% used for this period.

²An expected inflation of 3.0% used for this period.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Port's proportionate share of the net pension liability as of the measurement date calculated using the discount rate of 7.5%, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate (in thousands):

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Port's proportionate share of the net pension liability	\$230,901	\$160,287	\$101,613

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Pension disclosures under GASB 27 for the year ended June 30, 2014

The City's basic financial statements for June 30, 2014 contain disclosures and required supplementary information for all covered members of the CalPERS Miscellaneous Plan. Amounts for the Port are not separable from the City totals in those disclosures. Contributions are made to the Miscellaneous Plan by both the Port and its employees. Employee contributions rates are established through the employee's respective bargaining agreement. 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. Effective the first day of the pay period containing July 1, 2013 all employee contributions were paid to CalPERS by the employees.

The Port's employer contribution 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.

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.

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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 5 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, prior to the fiscal year end.

As of June 30, 2015, there were approximately 541 employees who had retired from the Port and were participating in the Retiree Health Plan. During fiscal year ended June 30, 2015, the Port contributed \$5,800,000 to the CERBT and made payments of \$7,145,287 on behalf of eligible retirees to third parties outside of 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.

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 30 years.

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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):

	<u>2015</u>	<u>2014</u>
Annual required contribution	\$ 12,844	\$ 12,844
Interest on prior year net OPEB obligation	729	732
Adjustment to annual required contribution	<u>(793)</u>	<u>(787)</u>
Annual OPEB Cost	12,780	12,789
Contribution made	<u>(12,945)</u>	<u>(12,828)</u>
Increase (decrease) in net OPEB obligation	(165)	(39)
Net OPEB obligation - beginning of year	<u>10,414</u>	<u>10,453</u>
Net OPEB obligation - end of year	<u>\$ 10,249</u>	<u>\$ 10,414</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):

<u>Fiscal</u> <u>Year End</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2013 \$	10,984	100.51%	\$ 10,453
6/30/2014 \$	12,789	100.30%	\$ 10,414
6/30/2015 \$	12,780	101.29%	\$ 10,249

Funding Status and Funding Progress

The table below indicates the funded status of the Port's OPEB plan as of June 30, 2015, the most recent actuarial valuation date (in thousands).

Actuarial Accrued Liability (AAL)	\$ 157,351
Actuarial Value of Plan Assets	<u>(47,870)</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 109,481</u>
Funded Ratio (actuarial value of plan assets/AAL)	30.4%
Annual Covered Payroll (active plan members)	\$ 50,093
UAAL as a Percentage of Annual Covered Payroll	219%

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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 2014 and 2015 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 June 30, 2013 actuarial valuation used a discount rate of 7.0%, annual healthcare costs were assumed to increase at rates ranging from 2.75% to 7.25%, and a general inflation rate of 2.5% was used.

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.

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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 \$6,971,000 and \$5,475,000 in fiscal years 2015 and 2014, respectively, and are included in Operating Expenses. At June 30, 2015 and 2014, \$6,674,000 and \$2,954,000, 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, 2015 and 2014, the Port accrued approximately \$841,000 and \$773,000, respectively, of payments for General Services. Additionally, the Port accrued approximately \$1,401,000 and \$1,425,000 to reimburse the City for Lake Merritt Trust Services in fiscal years 2015 and 2014, 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.

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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 subleased to a third party and in fiscal year 2015, the third party paid rent of \$305,964, which pursuant to the lease terms with the City was 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, 2015 and 2014, unearned rent was approximately \$733,000 and \$802,000, respectively. The amount classified as short term unearned revenue at June 30, 2015 and 2014 was \$70,000.

12. Commitments

Capital Program

As of June 30, 2015, the Port had construction commitments for the acquisition and construction of assets as follows (in thousands):

Aviation	\$	74,059
Maritime		29,077
Other		78
Total	\$	<u>103,214</u>

The most significant projects for which the Port has contractual commitments for construction are: Runway Safety Area improvements of \$10,235,000, Airport Terminal 1 retrofit and renovation program of \$61,798,000, and Phase 1 of the Oakland Logistic center of \$27,003,000.

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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 two 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, as of June 30, 2015, the Port held multiple forward power purchases contracts totaling approximately \$5 million with Powerex Corporation and Shell Energy North America. The forward power purchase contracts have various expiration dates through December 31, 2018.

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.

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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, 2015 and 2014, is as follows (in thousands):

Obligating Event	June 30, 2015 Liability, net	Estimated Recovery
Pollution poses an imminent danger to the public or environment	\$ 449	\$ 4
Violated a pollution prevention-related permit or license	-	-
Identified as responsible to clean-up pollution	8,286	1,633
Named in a lawsuit to compel to cleanup	-	-
Begins or legally obligates to cleanup or post-cleanup activities	2,965	191
Total by Obligating Event	<u>\$ 11,700</u>	<u>\$ 1,828</u>

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>

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).

Port of Oakland
(A Component Unit of the City of Oakland)
Notes to Financial Statements
For the years ended June 30, 2015 and 2014

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.

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 post remediation 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

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

Port of Oakland
(A Component Unit of the City of Oakland)
Notes to Financial Statements
For the years ended June 30, 2015 and 2014

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, if incurred. Port management may make provision for probable losses if deemed appropriate on the advice of legal counsel.

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. In 2014, an amendment to the lease for a third terminal replaced the single 10-year option to extend to 2022 by two options (one through December 2017 and a second through June 2022). The option to extend through December 2017 was successfully exercised.

Grants

Certain grants that the Port receives are subject to audit and financial acceptance by the granting agency based upon review of cost incurred and submitted for reimbursement or demonstrated Port match. The Port's management does not believe that such audits will have a material impact on the financial statements.

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 2015 and 2014, the Port carried excess insurance over \$1,000,000 for the self insured general liability and workers compensation exposures. There have been no claim payments related to these programs that exceeded insurance limits in the last three years.

Port of Oakland
(A Component Unit of the City of Oakland)
Notes to Financial Statements
For the years ended June 30, 2015 and 2014

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, 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		11,182
Current year claims and changes in estimates		2,792
Claim payments		<u>(1,313)</u>
Workers' compensation liability at June 30, 2015	\$	<u><u>12,661</u></u>

The workers' compensation liability of \$12,661,000 at June 30, 2015 is based upon an actuarial study performed as of June 30, 2015 that assumed a probability level of 80% and a discount rate of 0.0%. The workers' compensation liability balance 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%.

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.

Port of Oakland
(A Component Unit of the City of Oakland)
Notes to Financial Statements
For the years ended June 30, 2015 and 2014

14. Subsequent Event

On December 1, 2015, the Port issued \$10,325,000 of Series D (AMT) commercial paper notes, in order to reimburse prior capital expenditures for the Terminal 1 retrofit and renovation project at the Airport. This transaction is part of a larger plan to finance PFC-eligible Airport projects by utilizing debt when the rate of project expenditure exceeds the rate of PFC collections. In its fiscal year 2016 Capital Budget, the Port has estimated that \$64.2 million will be issued for this purpose over the 5-Year Capital Improvement Program period.

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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, 2015 and 2014

1. Schedule of the Port's Proportionate Share of the Net Pension Liability (in thousands)

City of Oakland CalPERS Miscellaneous Unit – Pension Plan

The schedule below shows the Port's allocation of the employer's Net Pension Liability and related ratios.

		<u>2015</u>
Allocation percentage of employer's net pension liability (Port's portion of the City's Plan)		24.86%
Allocation of employer's net pension liability	\$	160,287 ⁽¹⁾
Covered employee payroll	\$	50,093
Proportionate share of the net pension liability as percentage of Covered employee payroll		329.22%
Plan's fiduciary net position (proportionate share)	\$	423,667
Plan's total pension liability (proportionate share)	\$	583,954
Plan's fiduciary net position as a percentage of total pension liability		72.55%

Notes to Schedule:

Benefits – There were no changes in benefits during the year.

Changes in assumptions – There were no changes in assumptions this year.

Fiscal year 2015 was the first year of implementation of GASB 68, therefore only one year is shown.

(1) Excludes \$4,631 net pension obligation related to the Safety Unit obligation discussed on page 46.

Port of Oakland
(A Component Unit of the City of Oakland)
Required Supplementary Information (Unaudited)
For the years ended June 30, 2015 and 2014

2. Schedule of Employer Contributions (in thousands)

City of Oakland CalPERS Miscellaneous Unit – Pension Plan

The following is a schedule for the Port's allocation of Employer Contributions for fiscal year 2014-2015.

	<u>2015*</u>
Allocation of contractually required contributions	\$ 14,735 ⁽¹⁾
Allocation of contributions in relation to the actuarially determined contributions	<u>14,735</u>
Allocation of contribution deficiency/(excess)	\$ <u>-</u>
Covered employee payroll	\$ 50,093
Allocation of contributions as a percentage of payroll	29.42%

Note to the schedule -

Valuation date: 6/30/2013

* Fiscal year 2015 was the first year of implementation of GASB 68, therefore only one year is shown.

(1) Excludes \$341 of contributions made related to the Safety Unit obligation discussed on page 46.

Port of Oakland
(A Component Unit of the City of Oakland)
Required Supplementary Information (Unaudited)
For the years ended June 30, 2015 and 2014

3. Schedule of Funding Progress – Other Postemployment Benefits (in thousands)

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, 2015 valued the Actuarial Accrued Liability at \$157,351 an increase of \$20,735 from the previous study performed as of June 30, 2013.

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)
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%
6/30/2015	47,870	157,351	109,481	30.4%	50,093	219%

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

	<u>2006</u>	<u>2007</u>	<u>2008 (1)</u>	<u>2009 (2)</u>	<u>2010</u>	<u>2011 (3)</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015 (4)</u>
Net position:										
Net investment in										
capital assets	\$ 663,939	\$ 875,547	\$ 862,165	\$ 853,011	\$ 881,567	\$ 869,014	\$ 882,351	\$ 944,974	\$ 986,959	\$ 1,053,882
Restricted	114,377	9,806	12,692	21,357	11,677	17,187	20,553	14,178	10,072	12,066
Unrestricted	<u>49,266</u>	<u>11,896</u>	<u>39,729</u>	<u>14,838</u>	<u>(2,258)</u>	<u>19,774</u>	<u>39,430</u>	<u>69,267</u>	<u>113,160</u>	<u>(26,190)</u>
Total net position	<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>	<u>\$ 1,039,758</u>

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.

(4) The beginning balance decreased \$182,324 due to the adoption of GASB 68.

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)

	<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>	<u>2015</u>
Operating revenues:										
Aviation	\$ 133,869	\$ 139,491	\$ 159,086	\$ 130,443	\$ 130,284	\$ 135,173	\$ 140,309	\$ 150,871	\$ 157,220	\$ 162,135
Maritime	122,819	127,141	128,351	140,739	143,344	151,854	152,988	151,869	152,657	158,684
Commercial real estate	<u>10,773</u>	<u>10,742</u>	<u>12,446</u>	<u>12,108</u>	<u>11,597</u>	<u>10,956</u>	<u>12,841</u>	<u>12,778</u>	<u>13,163</u>	<u>15,768</u>
Total operating revenues	<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>	<u>336,587</u>
Operating expenses:										
Aviation	134,104	144,169	162,299	161,542	152,099	152,086	152,064	150,461	158,208	165,626
Maritime	72,451	75,570	82,264	90,029	84,004	83,383	85,156	87,683	96,605	100,609
Commercial real estate	<u>13,553</u>	<u>14,140</u>	<u>13,711</u>	<u>12,674</u>	<u>12,606</u>	<u>11,349</u>	<u>11,590</u>	<u>11,713</u>	<u>12,991</u>	<u>13,324</u>
Total operating expenses ⁽¹⁾	<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>	<u>279,559</u>
Operating income	<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>	<u>57,028</u>
Non-operating revenues (expenses):										
Interest income	11,146	10,457	13,145	9,655	4,741	2,876	1,755	1,095	1,373	1,783
Interest expense	(61,405)	(65,261)	(76,796)	(78,415)	(74,624) ⁽⁶⁾	(70,714) ⁽⁶⁾	(66,798)	(59,598)	(53,977)	(51,636)
Loss on debt defeasance	-	-	-	-	(4,158)	-	-	-	-	-
Customer facility charges	7,742	7,430	6,999	5,235	4,530	4,764	5,184	5,387	5,625	6,253
Passenger facility charges	29,671	30,221	27,033	19,391	19,702	19,106	19,758	19,924	19,698	21,478
Other income (expenses)	2,136	10,419	2,452	(5,072)	292	1,438	(1,809)	3,668	(2,727)	3,176
Gain (loss) on disposal of capital assets	<u>(1,835)</u>	<u>(2,761)</u>	<u>(14,985)</u>	<u>(435)</u>	<u>(6,562)</u>	<u>-</u>	<u>(2,276)</u>	<u>12,052</u>	<u>(3,791)</u>	<u>84</u>
Total net non-operating expenses	<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>	<u>(18,862)</u>
Change in net assets before capital contributions	<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>	<u>38,166</u>
Capital contributions:										
Grants from government agencies	29,658	14,094	27,092	11,896	21,343	27,343	23,217	37,896	60,335	73,725
Land conveyed from U.S. Army	<u>-</u>	<u>21,573</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital contributions	<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>	<u>73,725</u>
Change in net position	64,466	69,667	26,549	(18,700)	1,780	35,978	36,359	86,085	81,772	111,891
Net position, beginning of the year	<u>763,116</u>	<u>827,582</u>	<u>888,037</u> ⁽³⁾	<u>907,906</u> ⁽⁴⁾	<u>889,206</u>	<u>869,997</u> ⁽⁵⁾	<u>905,975</u>	<u>942,334</u>	<u>1,028,419</u>	<u>927,867</u> ⁽⁷⁾
Net position, end of the year	<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>	<u>\$ 1,039,758</u>

Note:

(1) Total operating expenses include depreciation.

(2) Not used.

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

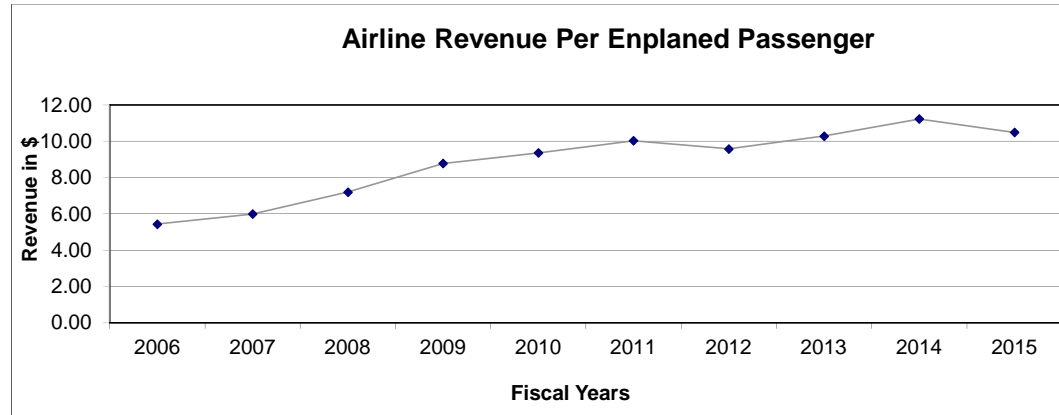
(4) The beginning balance decreased by \$6,680 due to the adoption of GASB 49.

(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.

(7) The beginning balance decreased \$182,324 due to the adoption of GASB 68.

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



	<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>	<u>2015</u>
Aviation revenues:										
Terminal rental ⁽¹⁾	\$ 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	\$ 36,194,008
Landing fees (excludes cargo airlines)	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	20,135,955
Total airline revenues	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	56,329,963
Concession	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	22,018,984
Parking & ground access	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	33,348,923
Lease rentals	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	28,572,415
Landing fees--cargo airlines	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	9,647,184
Aviation fueling	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	2,939,581
Utility sales	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	4,200,661
Other ⁽²⁾	4,174,920	4,092,139	4,443,581	2,824,306	4,077,976	2,873,178	4,740,148	4,204,678	4,758,285	5,077,355
Total revenues	\$ 133,868,969	\$ 139,491,044	\$ 159,086,219	\$ 130,442,760	\$ 130,284,231	\$ 135,172,347	\$ 140,309,281	\$ 150,870,934	\$ 157,220,027	\$ 162,135,066
Enplaned passengers	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	5,374,187
Airline revenue per enplaned passenger	\$ 5.44	\$ 5.99	\$ 7.20	\$ 8.77	\$ 9.36	\$ 10.02	\$ 9.57	\$ 10.28	\$ 11.22	\$ 10.48

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
PASSENGERS										
Enplaned	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	5,374,187
Deplaned	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	5,380,369
Total	<u>14,368,563</u>	<u>14,533,825</u>	<u>13,627,030</u>	<u>9,923,785</u> ⁽¹⁾	<u>9,558,175</u>	<u>9,367,577</u>	<u>9,643,555</u>	<u>9,950,856</u>	<u>9,890,271</u>	<u>10,754,556</u>
FREIGHT (in 000 lb)										
Inbound	703,118	693,291	694,513	568,696	516,536	536,601	532,724	529,605	563,601	581,482
Outbound	771,810	768,048	741,453	626,474	541,473	568,082	552,475	543,928	571,474	594,450
Total	<u>1,474,928</u>	<u>1,461,339</u>	<u>1,435,966</u>	<u>1,195,170</u> ⁽²⁾	<u>1,058,009</u>	<u>1,104,683</u>	<u>1,085,199</u>	<u>1,073,533</u>	<u>1,135,075</u>	<u>1,175,932</u>
TOTAL AIR CARGO (in 000 lb) (Freight & mail)	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	1,188,335
LANDED WEIGHT (in 000 lb) ⁽³⁾										
Passenger carriers	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	6,247,035
Cargo carriers	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	2,978,823
Total	<u>12,724,730</u>	<u>13,063,788</u>	<u>12,655,702</u>	<u>10,032,037</u>	<u>8,822,700</u>	<u>8,581,456</u>	<u>8,711,815</u>	<u>8,745,414</u>	<u>8,728,813</u>	<u>9,225,858</u>
AIRCRAFT MOVEMENTS	186,321	189,712	181,690	122,028 ⁽¹⁾	114,327	106,260	107,652	102,470	100,384	104,592
PARKING										
Number of stalls	7,298	6,864	7,868	6,103 ⁽⁴⁾	6,315 ⁽⁴⁾	6,950 ⁽⁴⁾	6,516 ⁽⁵⁾	6,516	6,621 ⁽⁶⁾	6,878 ⁽⁶⁾
Average revenue per stall	\$4,991	\$5,112	\$4,151	\$3,991 ⁽¹⁾	\$3,605	\$3,391	\$3,688	\$3,900	\$4,016	\$4,203

Oakland International Airport is comprised two airfields, 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) Additional stalls in Daily Parking Lot were made available as construction on the BART - Oakland Airport Connector neared completion and was completed.

Port of Oakland
 (A Component Unit of the City of Oakland)
Top Ten Individual Sources of Aviation Revenue
Fiscal Year 2015 and Fiscal Year 2006

<u>Fiscal Year 2015</u>	<u>Revenue</u>	<u>Percent of Total Aviation Revenue</u>	<u>Fiscal Year 2006</u>	<u>Revenue</u>	<u>Percent of Total Aviation Revenue</u>
Southwest Airlines	\$38,074,066	23.5%	On-Airport Public Parking (2)	\$ 36,418,275	27.2%
On-Airport Public Parking (1)	28,907,006	17.8%	Southwest Airlines	20,563,674	15.4%
Federal Express Corp.	18,175,680	11.2%	Federal Express Corp.	8,140,418	6.1%
Avis Rent-A-Car Systems Inc.	5,967,814	3.7%	Oakland Fuel Facilities Corp.	4,782,948	3.6%
HMS Host Corporation	5,480,489	3.4%	Air Terminal Service (CA1)	4,738,866	3.5%
Landmark Aviation	5,023,036	3.1%	Alaska Airlines	3,841,667	2.9%
Hertz Corporation	4,884,190	3.0%	United Airlines	3,743,647	2.8%
Alaska Airlines	4,332,395	2.7%	Hertz Corporation	3,492,057	2.6%
United Parcel Service	3,714,970	2.3%	jetBlue Airways	3,185,229	2.4%
DTG Operations, Inc.	3,043,528	1.9%	Avis Rent-A-Car System, Inc.	2,585,010	1.9%

Note:

(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	FY14-15
Rates & Charges for Period:	CY2006	CY2007	(2) FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015

Landing Fees (per 1,000 lbs. MGLW) (1)

Basic Landing Rate	\$	1.46	\$	1.62	\$	1.85	\$	2.50	\$	3.06	\$	3.30	\$	3.27	\$	3.29	\$	3.33	\$	3.24
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Terminal Space Rental (per square foot per year)

Type1 - Ticket Counter	\$	190.22	\$	181.34	\$	188.13	\$	164.81	\$	164.81	\$	176.81	\$	176.26	\$	211.56	\$	242.93	\$	241.62
Type2 - Office Space		171.20		163.21		169.32		148.33		148.33		159.13		158.63		190.40		218.64		217.46
Type3 - Baggage Space (3)		152.18		145.07		150.50		131.85		131.86		141.45		141.00		169.24		194.34		193.30
Type4 - Baggage Make-Up		133.16		126.94		131.69		115.37		115.37		123.77		123.39		148.10		170.06		169.13
Type5 - Ticket Counter (Others)		95.12		90.67		94.07		82.41		82.42		88.41		88.13		105.78		121.47		120.81
Type6 - Office Space (Others)		85.60		81.61		84.66		74.16		74.16		79.56		79.32		95.21		109.32		108.73
Type7 - Baggage Make-Up (Others)		66.57		63.47		65.85		57.68		57.68		61.88		61.69		74.05		85.03		84.57

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

Holdroom, Loading Bridge	\$	34,250	\$	31,678	\$	34,576	\$	31,269	\$	32,801	\$	36,006	\$	36,080	\$	41,907	\$	46,835	\$	46,794
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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
(dollar amounts in thousands)

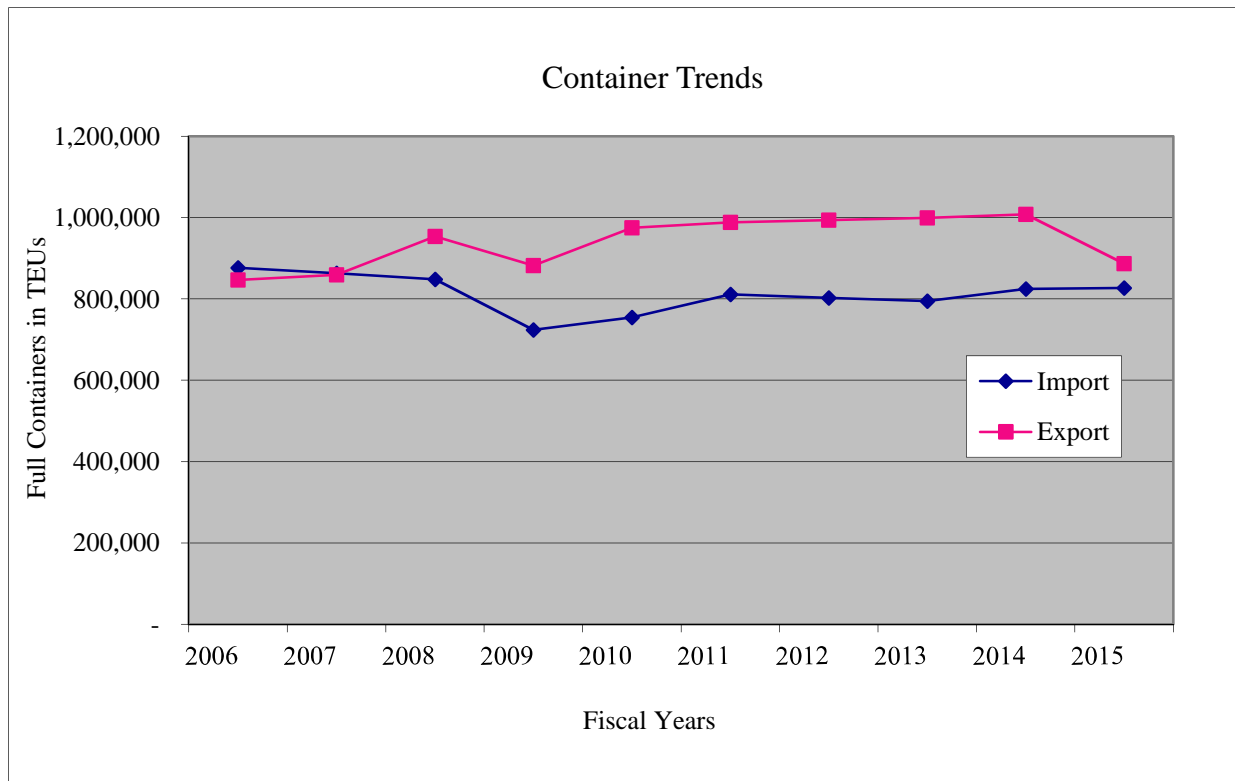
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Maritime revenues:										
Marine terminal rentals	\$ 109,001	\$ 115,305	\$ 117,795	\$ 126,068	\$ 130,254	\$ 138,964	\$ 140,777	\$ 139,415	\$ 134,845	\$ 133,689
Space assignments and rentals	3,809	3,306	3,731	8,553	6,961	5,771	5,726	6,518	8,665	12,984
Other revenues	<u>4,230</u>	<u>3,177</u>	<u>2,248</u>	<u>1,966</u>	<u>1,813</u>	<u>2,881</u>	<u>2,203</u>	<u>1,921</u>	<u>3,313</u>	<u>2,571</u>
Maritime revenue, excluding utility sales	117,040	121,788	123,774	136,587	139,028	147,616	148,706	147,854	146,823	149,244
Utility sales	<u>5,779</u>	<u>5,353</u>	<u>4,577</u>	<u>4,152</u>	<u>4,316</u>	<u>4,238</u>	<u>4,282</u>	<u>4,015</u>	<u>5,834</u>	<u>9,440</u>
	<u>\$ 122,819</u>	<u>\$ 127,141</u>	<u>\$ 128,351</u>	<u>\$ 140,739</u>	<u>\$ 143,344</u>	<u>\$ 151,854</u>	<u>\$ 152,988</u>	<u>\$ 151,869</u>	<u>\$ 152,657</u>	<u>\$ 158,684</u>
Full TEUs	1,723,181	1,722,522	1,802,004	1,605,613	1,729,383	1,798,960	1,796,849	1,793,749	1,832,559	1,713,812 (1)
Maritime revenue per Full TEU, excluding utility sales	<u>\$ 67.92</u>	<u>\$ 70.70</u>	<u>\$ 68.69</u>	<u>\$ 85.07</u>	<u>\$ 80.39</u>	<u>\$ 82.06</u>	<u>\$ 82.76</u>	<u>\$ 82.43</u>	<u>\$ 80.12</u>	<u>\$ 87.08</u>

Note:

(1) 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	%	
2006	876,462	51%	846,719	49%	1,723,181
2007	863,393	50%	859,129	50%	1,722,522
2008	848,383	47%	953,621	53%	1,802,004
2009	723,504	45%	882,109	55%	1,605,613
2010	754,316	44%	975,067	56%	1,729,383
2011	811,096	45%	987,864	55%	1,798,960
2012	802,914	45%	993,935	55%	1,796,849
2013	794,511	44%	999,238	56%	1,793,749
2014	824,310	45%	1,008,249	55%	1,832,559
2015	827,141	48%	886,671 (2)	52%	1,713,812 (1)



Note:

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

(2) Decrease in full container exports was driven by a strengthening U.S. dollar, impacts of the drought on California agriculture, and cargo diverted from the west coast during labor disruptions.

Port of Oakland
(A Component Unit of the City of Oakland)
Top Ten Individual Sources of Maritime Revenue by Alphabetical Order
Fiscal Year 2015 and Fiscal Year 2006

Fiscal Year 2015

BNSF Railway Company
 Everport Terminal Services, Inc. (2)
 GSC Logistics, Inc.
 Impact Transportation
 Pacific Coast Container, Inc.
 Ports America Outer Harbor Terminal, LLC
 Shippers Transport Express, Inc.
 SSA Terminals, LLC and SSA Terminals (Oakland), LLC (combined)
 TraPac, Inc.
 Truck Parking (1)

Fiscal Year 2006

American President Lines
 APM Terminals Pacific , LTD
 Burlington Northern/Santa Fe
 Evergreen Marine Corp. (Taiwan) Ltd (2)
 International Transportation Service
 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 2006, 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)

	<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>	<u>2015</u>
Operating Revenues	\$ 267,461	\$ 277,374	\$ 299,883	\$ 283,290	\$ 285,225	\$ 297,983	\$ 306,138	\$ 315,518	\$ 323,040	\$ 336,587
Operating Expenses	220,108	233,879	258,274	264,245	248,709	246,818	248,810	249,857	267,804	279,559
Less: Depreciation Expense	(74,895)	(80,788)	(88,907)	(96,938)	(98,810)	(98,816)	(98,032)	(98,234)	(99,259)	(101,759)
Less: CFC and Grant Reimbursed Operating Expense	(5,376)	(5,337)	(5,320)	(4,808)	(3,968)	(3,724)	(4,217)	(5,197)	(4,955) ⁽⁹⁾	(4,115)
Adjusted Operating Expenses	139,837	147,754	164,047	162,499	145,931	144,278	146,561	146,426	163,590	173,685
Adjusted Operating Income	127,624	129,620	135,836	120,791	139,294	153,705	159,577	169,092	159,450	162,902
Gross Interest Earned ⁽¹⁾	-	-	-	9,655	8,635	1,865	1,755	1,095	1,373	1,783
Less: Interest Earned on PFC and CFC Funds	-	-	-	(273)	(69)	(68)	(78)	(59)	(54)	(42)
Adjusted Interested Income ⁽²⁾	8,942	8,838	9,095	9,382	8,566	1,797	1,677	1,036	1,319	1,741
Net Pledged Revenues Available for Debt Service	<u>\$ 136,566</u>	<u>\$ 138,458</u>	<u>\$ 144,931</u>	<u>\$ 130,173</u>	<u>\$ 147,860</u>	<u>\$ 155,502</u>	<u>\$ 161,254</u>	<u>\$ 170,128</u>	<u>\$ 160,769</u>	<u>\$ 164,643</u>
Debt Service										
Senior Bonds ⁽³⁾	\$ 71,774	\$ 82,649	\$ 71,230	\$ 64,465	\$ 84,218	\$ 66,641	\$ 69,173	\$ 68,263	\$ 48,069	\$ 50,146
Senior Bonds, DBW Loan and Intermediate Bonds	N/A	N/A	84,458	94,045	113,303	105,645	108,175	107,268	98,191	98,192
Aggregate ⁽⁴⁾	N/A	N/A	90,274	95,301	113,611	105,878	108,334	107,424	99,276	101,284
Debt Service Coverage Ratio										
Senior Lien ⁽⁵⁾	1.90	1.68	2.03	2.02	1.76	2.33	2.33	2.49	3.34	3.28
Intermediate Lien ^{(6) (7)}	N/A	N/A	1.72	1.38	1.42	1.47	1.50	1.59	1.64	1.68
Aggregate ^{(7) (8)}	N/A	N/A	1.61	1.37	1.42	1.47	1.50	1.58	1.62	1.63

Note:

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

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

(3) Senior Bonds Debt Service is less capitalized interest.

(4) Aggregate debt service consists of Senior Lien Bonds, Department of Boating and Waterway (DBW) Loan , Intermediate Lien Bonds and interest on Commercial Paper Notes. Fiscal year 2014 and 2015 include \$1 million and \$3 million principal repayment of Commerical Paper Notes, respectively.

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

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

(7) 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.

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

(9) CFC and Grant Reimbursed Operating Expense were restated for fiscal year 2014 to include certain operating grant accruals.

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

	<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> ⁽³⁾	<u>2015</u>
Debt Service										
Senior Revenue Bonds ⁽¹⁾										
Aviation	\$ 8,254	\$ 9,845	\$ 5,997	\$ 5,437	\$ 14,887	\$ 12,551	\$ 13,206	\$ 13,014	\$ 6,550	\$ 5,718
Maritime	58,269	67,515	61,159	59,021	67,682	54,085	55,960	55,242	41,517	44,426
Commercial Real Estate	5,251	5,289	4,074	7	1,649	5	7	7	2	2
Total Senior Revenue Bonds Debt Service	<u>71,774</u>	<u>82,649</u>	<u>71,230</u>	<u>64,465</u>	<u>84,218</u>	<u>66,641</u>	<u>69,173</u>	<u>68,263</u>	<u>48,069</u>	<u>50,146</u>
Department of Boating & Waterways										
Commercial Real Estate	-	-	457	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	12,924
Maritime	-	-	8,886	20,985	20,486	29,128	25,271	25,289	34,568	32,894
Commercial Real Estate	-	-	267	527	525	552	1,241	1,241	1,792	1,771
Total Intermediate Revenue Bonds Debt Service	<u>-</u>	<u>-</u>	<u>12,771</u>	<u>29,122</u>	<u>28,628</u>	<u>38,547</u>	<u>38,545</u>	<u>38,548</u>	<u>49,664</u>	<u>47,589</u>
Commercial Paper ⁽²⁾										
Aviation	-	-	1,793	361	90	68	40	41	189	23
Maritime	-	-	4,023	896	218	165	116	115	897	3,069
Commercial Real Estate	-	-	-	-	-	-	3	-	-	-
Total Commercial Paper Debt Service	<u>-</u>	<u>-</u>	<u>5,816</u>	<u>1,257</u>	<u>308</u>	<u>233</u>	<u>159</u>	<u>156</u>	<u>1,086</u>	<u>3,092</u>
Debt Service by Division										
Aviation	8,254	9,845	11,408	13,408	22,594	21,486	25,279	25,073	20,043	18,665
Maritime	58,269	67,515	74,068	80,902	88,386	83,378	81,347	80,646	76,982	80,389
Commercial Real Estate	5,251	5,289	4,798	991	2,631	1,014	1,708	1,705	2,251	2,230
Total Debt Service	<u>\$ 71,774</u>	<u>\$ 82,649</u>	<u>\$ 90,274</u>	<u>\$ 95,301</u>	<u>\$ 113,611</u>	<u>\$ 105,878</u>	<u>\$ 108,334</u>	<u>\$ 107,424</u>	<u>\$ 99,276</u>	<u>\$ 101,284</u>
Aviation Debt Service per Enplaned Passenger										
Enplaned passengers (in 000's)	7,188	7,267	6,802	4,956	4,778	4,688	4,826	4,973	4,950	5,374
Aviation Debt Service per Enplaned Passenger (not in 000's)	<u>\$ 1.15</u>	<u>\$ 1.35</u>	<u>\$ 1.68</u>	<u>\$ 2.71</u>	<u>\$ 4.73</u>	<u>\$ 4.58</u>	<u>\$ 5.24</u>	<u>\$ 5.04</u>	<u>\$ 4.05</u>	<u>\$ 3.47</u>

Note:

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

(2) Includes principal payments of \$1 million and \$3 million, paid in FY 2014 and FY 2015 respectively.

(3) FY 2014 commercial paper debt service was reallocated to more accurately reflect the reduction of debt on specifically identified projects.

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 Boating & Waterways		Commercial Paper		Total
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)	803,761		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
2015		724,566		400,899		4,914		74,398		1,204,777

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 (%)
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	12,402,660	31,030	36.6	36,180	11.3
2014	405,703 (1)	13,154,920	32,425	36.4	37,040	9.0
2015	410,603	13,799,956	33,609	36.2	37,147	5.7

Source:

Population - State of California Department of Finance

Per Capita Income and Median Age - DemographicsNow.com (2006-2013), American Community Survey (2014-2015)

School Enrollment - Oakland Unified School District

Unemployment Rate - State of California Employment Development Department

Note:

(1) 2014 population is updated with newly available data from the California Department of Finance, personal income is also updated accordingly.

Port of Oakland
 (A Component Unit of the City of Oakland)
Principal Employers in the City of Oakland - FY 2015 vs FY 2006

<u>Employer</u>	<u>2015 (1)</u>			<u>2006 (2)</u>		
	<u>Number of</u> <u>Employees</u>	<u>Rank</u>	<u>Percentage of</u> <u>Total Employment</u>	<u>Number of</u> <u>Employees</u>	<u>Rank</u>	<u>Percentage of</u> <u>Total Employment</u>
Kaiser Foundation Hospitals/Permanente Medical Center	9,992	1	5.03%	N/A		
Oakland Unified School District	6,637	2	3.34%	8,000	2	4.31%
County of Alameda	5,312	3	2.67%	9,740	1	5.25%
City of Oakland	3,352	4	1.69%	4,290	5	2.31%
Bay Area Rapid Transit	3,210	5	1.62%	2,800	6	1.51%
State of California	3,169	6	1.59%	N/A		
Children's Hospital Oakland	2,800	7	1.41%	N/A		
Alameda County Health System	2,300	8	1.16%	N/A		
United Parcel Service	2,200	9	1.11%	N/A		
Southwest Airlines	2,113	10	1.06%	N/A		
Kaiser Permanente Medical Center	N/A			5,450	3	2.94%
Kaiser Foundation Hospitals	N/A			4,340	4	2.34%
Federal Express	N/A			2,790	7	1.50%
Alta-Bates Medical Center	N/A			2,620	8	1.41%
Kaiser Foundation Health Plan	N/A			2,590	9	1.40%
Summit Medical Center	N/A			2,230	10	1.20%

Source:

DemographicsNow.com

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

Fiscal Year 2015 - City of Oakland, Department of Economic and Workforce Development and State of California Employment Development Department

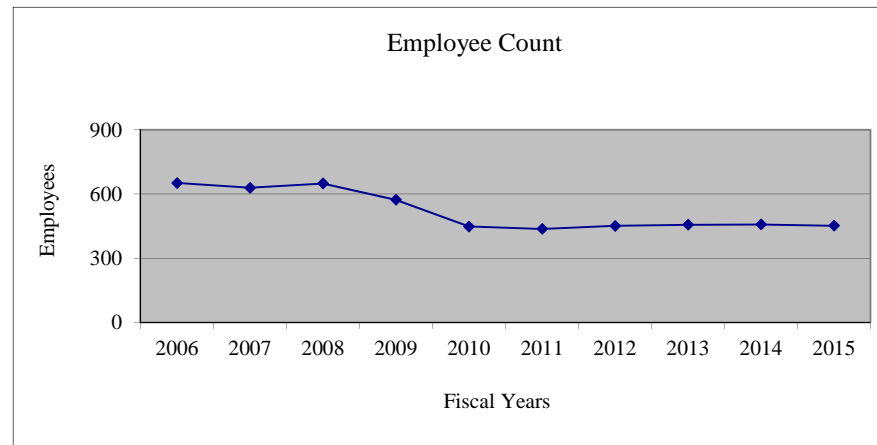
Note:

(1) Total employment of 198,700 from the State of California Development Department is used to calculate the percentage employment in 2015.

(2) Total employment of 185,400 from demographicsNow.com is used to calculate the percentage employment in 2006.

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

	<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>	<u>2015</u>
Aviation	310	289	315	307	238	228	242	233	236	222
Maritime	18	65 ⁽¹⁾	77	78	63	61	63	69	69	68
Commercial Real Estate	9	7	8	7	8	8	7	7	8	8
Engineering & Environmental	167	108 ⁽¹⁾	110	67	49	48	50	50	54	57
Financial Services & Administration (2)	75	83	79	63	55	53	53	59	54	56
Others	<u>72</u>	<u>77</u>	<u>60</u>	<u>51</u>	<u>35</u>	<u>39</u>	<u>36</u>	<u>38</u>	<u>37</u>	<u>41</u>
Total	<u>651</u>	<u>629</u>	<u>649</u>	<u>573</u>	<u>448</u>	<u>437</u>	<u>451</u>	<u>456</u>	<u>458</u>	<u>452</u>



Source:
Port of Oakland Records

Note:
(1) In fiscal year 2007, Harbor Facilities was moved to the Maritime Division from the Engineering Division.
(2) Financial Services & Administration Division consist of Human Resources, Information Technology, and Financial Services.

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

	<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>	<u>2015</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 ⁽¹⁾	7,298	6,864	7,868	6,103	6,315	6,950	6,516	6,516	6,621	6,878
Harbor facilities										
Miles of waterfront	19	19	19	19	19	19	19	19	19	19
Berthing length at wharves (in feet)	23,063	23,063	23,063	23,233	23,233	23,233	23,233	23,233	23,233	23,233
Maritime terminal area (in acres)	786	786	786	786	786	779	779	779	779	779
Commercial Real Estate										
Owned acreage	876	876	874	874	874	874	865	837	837	837
Parking stalls	2,114	2,004	1,479	1,429	1,429	1,429	1,429	1,429	1,429	1,429

Source:
Port of Oakland Records

Note:

(1) Available parking stalls are increased or decreased due to market demand or to make space available for construction projects.

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