

BUDGET SUMMARY

Three-Year
Operating Budget
Fiscal Years ending
June 30, 2013 through 2015

One-Year
Capital Budget
Fiscal Year ending
June 30, 2013

Five-Year
Capital Needs Assessment
Fiscal Years ending
June 30, 2013 through 2017



PORT OF OAKLAND





**THREE-YEAR OPERATING BUDGET
FISCAL YEARS 2012-13 THROUGH 2014-15**

**ONE-YEAR CAPITAL BUDGET
FISCAL YEAR 2012-13**

AND

**FIVE-YEAR CAPITAL NEEDS ASSESSMENT
FISCAL YEARS 2012-13 THROUGH 2016-17**

Board of Port Commissioners of the City of Oakland

Pamela Calloway, President
Gilda Gonzales, First Vice President
James Head, Second Vice President
Margaret Gordon, Commissioner
Earl S. Hamlin, Commissioner
Victor Uno, Commissioner
Alan Yee, Commissioner

Senior Staff

Omar R. Benjamin, Executive Director
Jean Banker, Deputy Executive Director
Michele Heffes, Acting Port Attorney
Arnel Atienza, Chief Audit Officer
John T. Betterton, Secretary of the Board
Deborah Ale Flint, Director of Aviation
Chris Chan, Director of Engineering
Denyce Holsey, Director of Administration
Pamela Kershaw, Director of Commercial Real Estate
Isaac Kos-Read, Director of External Affairs
James J. Kwon, Director of Maritime
Sara Lee, Chief Financial Officer
Marsha Carpenter Peterson, Port Labor Advisor
Richard Sinkoff, Director of Environmental Programs and Planning

Prepared by:

Financial Planning Staff

Delphine Prévost
David K. Kikugawa
Christina Lee
Sandra Yee
Saw May Khoo
Shelley Merid

530 Water Street
Oakland, California 94607

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

June 21, 2012

DISCLOSURE

This Budget Summary is disclosed publicly for general information relating to the Port only and should not be construed as an offering document nor part of the Port's Annual Report pursuant to SEC Rule 15c2-12 for the Port's revenue bonds or commercial paper notes. The information and expressions of opinion in this Budget Summary are subject to change without notice after the date hereof, and future use of this Budget Summary shall not otherwise create any implication that there has been no change in the matters referred to in this Budget Summary since the date hereof. The goals and objectives of the Port set forth in this Budget Summary should not be construed as commitments by the Port that such goals and objectives will, in fact, be achieved or occur within such time frames. The goals and objectives are subject to change.

Certain statements included or incorporated by reference in this Budget Summary constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "assume," "anticipate," "intend," "believe," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements are based upon certain assumptions and involve known and unknown risks, uncertainties and other factors, including business levels during the relevant periods, that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Actual results will vary and may vary materially. The Port does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based change.

The Port has not yet obtained funding for all the capital projects described in this Budget Summary, some of which may not ultimately be implemented by the Port. Furthermore, the overall cost of the Capital Needs Assessment is subject to change, and the variance from the cost estimates described in this Budget Summary could be material. Failure to complete the projects may adversely affect the Port's ability to generate the currently anticipated revenues.

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Go to <http://www.portofoakland.com/portnyou/public.asp> to see this book online.



Sara Lee
Chief Financial Officer

June 22, 2012

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

Pamela Calloway, President
Gilda Gonzales, First Vice President
James Head, Second Vice President
Margaret Gordon
Earl S. Hamlin
Victor Uno
Alan Yee

Subject: Adopted Operating and Capital Budgets for Fiscal Year Ending June 30, 2012

Dear Board of Port Commissioners:

On behalf of the Port staff, I am pleased to provide this Budget Summary, which contains the Port's:

- Three-Year Operating Budget for Fiscal Years ending June 30, 2013 through 2015;
- One-Year Capital Budget for Fiscal Year ending June 30, 2013;
- Five-Year Capital Needs Assessment for Fiscal Years ending June 30, 2013 through 2017; and
- Other related information such as the Port's staffing plan, division-specific operating budgets, cash flow projections, reserve amounts, and capital project descriptions.

The Fiscal Year (FY) 2013 Operating and Capital Budgets were adopted by the Board on June 21, 2012. Operating budgets for subsequent years and the 5-Year Capital Needs Assessment (CNA) were presented as informational and conceptual only. The FY 2013 Operating and Capital Budgets were developed taking into account the following objectives:

- Ensure operating needs are met
- Support organizational priorities and strategic initiatives
- Consider impact of resource limitations
- Consider creative and flexible approach where possible
- Evaluate Port-wide tradeoffs as needed
- Plan for the long-term
- Maintain and improve the Port's financial position

Overview

The Port continues to face business pressures and challenges. Activity at both the airport and the seaport is projected to be relatively flat (less than 3% growth) over the next three years, as consumers remain cautious and the Port's business partners continue to face pressure from increased competition and rising costs in a still-fragile global economy. At the same time, security, regulatory, maintenance and personnel costs continue to rise, and capital expenditures are needed to meet a variety of needs including regulatory requirements, life safety and revenue maintenance objectives, as well as to make investments necessary for the Port to remain competitive. Additionally, while the Port achieved over \$29 million in bond debt service savings in summer 2011, spread over the next eight years, the Port's aggregate annual debt service remains elevated compared to pre-2008 levels; aggregate debt service is approximately \$110 million annually over the next eight years.

Operating Budget

Operating revenues and expenses were developed based on the input of all Port divisions, incorporating known market and competitive factors for the Aviation, Maritime, Commercial Real Estate and Utilities businesses. Operating revenues also reflect an analysis of existing contracts and the execution of anticipated future contracts. In developing the operating expense budget, Port staff focused on controlling expenses, while addressing core operational needs and ensuring adequate funding for key activities necessary to the maintenance and enhancement of the Port's competitiveness. Port staff considered a number of factors, including but not limited to the impact of resource limitations (e.g., financial and human resource) and factors over which the Port has limited control (e.g., rising health care premiums).

Over the next three years, operating revenues are projected to increase on average 3.0% and operating expenses (before (i) depreciation and amortization and (ii) absorption of labor and overhead to capital assets) are projected to increase on average 4.3%.

- Operating revenues reflect 1.5% to 2.0% enplanement growth at the Airport, 2.0% to 2.5% growth at the seaport, and flat to modest growth in activity in commercial real estate. These revenues reflect continued pressure and uncertainty due to the overall economic climate and competitive factors. Modest activity growth and downward pressure on revenues are mitigated by scheduled rent increases and Airline Rates and Charges recovery.
- Operating expenses are higher primarily due to additional personnel, increased pension and health care costs, and rising security, regulatory, maintenance, electricity and insurance costs. Increases in operating expenses are mitigated by savings from assumed labor adjustments by all employees, including senior management, as well as various savings achieved in other areas.

The FY 2013 Operating Budget reflects 492 funded full-time equivalents (FTEs). This represents an increase of eight FTEs compared to FY 2012. No additional FTEs are projected for FY 2014 and FY 2015.

Provided below are summaries of growth in activity levels, as well as budgeted and projected operating revenues and operating expenses for FY 2012 through FY 2015.

Growth in Activity Levels
(compared to prior FY)

	Actual FY11	Projected FY12	Budget FY13	Projected FY14	Projected FY15
Enplanements - <i>Aviation</i>	-1.9%	1.6%	1.5%	2.0%	2.0%
Loaded Twenty-Foot Equivalent Units (TEUs) - <i>Maritime</i>	5.1%	-1.7%	2.0%	2.5%	2.5%

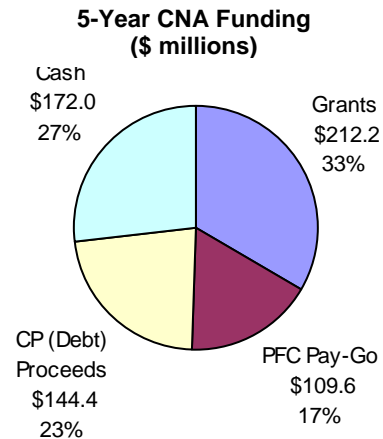
**Summary of Operating Revenues, Operating Expenses,
and Operating Income**

(\$000s)	Actual FY11	Budget FY12	Budget FY13	Projected FY14	Projected FY15
Operating Revenues					
Aviation	131,439	135,699	145,709	148,181	150,852
Maritime	147,189	141,864	145,780	148,312	152,212
CRE	11,294	11,398	11,457	11,731	11,987
Utilities	8,780	8,035	8,993	8,244	9,246
Bad Debt Reserve	(719)	(426)	(421)	(421)	(421)
Total	297,983	296,570	311,518	316,047	323,876
% Change from Prior FY	4.5%	-0.5%	5.0%	1.5%	2.5%
Operating Expenses (before D&A and Absorption of Labor & Overhead to Capital Assets)					
Personnel	79,002	84,572	88,734	91,155	93,179
Non-Personnel	78,985	81,704	91,232	91,885	95,216
Total	157,987	166,276	179,966	183,040	188,395
% Change from Prior FY	-1.8%	5.3%	8.2%	1.7%	2.9%
Operating Income before D&A					
Operating Income before D&A	149,981	141,879	142,282	145,341	146,677
% Change from Prior FY	10.8%	-5.4%	0.3%	2.1%	0.9%

Capital Needs Assessment & Capital Budget

The 5-Year Capital Needs Assessment (CNA), covering FY 2013 through FY 2017, is approximately \$638.2 million and continues to be focused on projects critical to regulatory compliance, life and safety, and revenue maintenance. The 5-Year CNA is allocated across the Port as shown in the table below. Port staff anticipates that approximately 50% of the 5-Year CNA will be funded with grants and available Passenger Facility Charges, also as shown below.

(\$ millions)	5-Year CNA
Aviation Division	469.3
Maritime Division	153.0
CRE Division	6.7
Other Divisions	9.3
Total	638.2



Each year, the Board adopts a one-year Capital Budget for the upcoming fiscal year. On June 21, 2012, the Board authorized a FY 2013 Capital Budget in the amount of approximately \$111.6 million that includes:

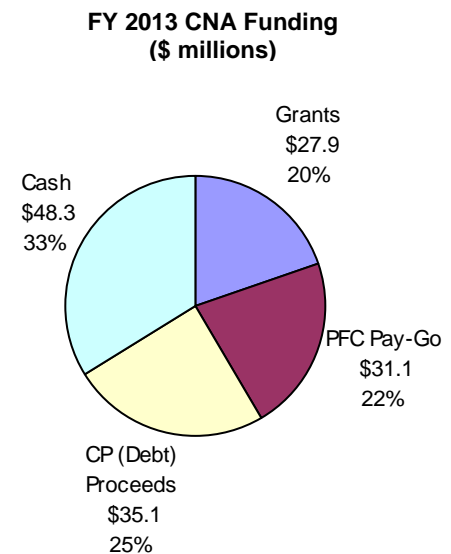
- Projects for which the Board already has a contractual obligation
- Certain pre-development work
- Miscellaneous facility replacement projects

Key projects in the FY 2013 Capital Budget include:

- Terminal 1 Retrofit and Renovation
- Runway Safety Area Improvements
- Airport Perimeter Dike Improvements
- BART – Oakland Airport Connector
- Pavement improvement at various taxiways and runways
- Oakland Army Base
- Shore Power infrastructure
- Maritime security projects
- Oak-to-9th Project closing and related costs
- Various utility upgrade/replacement projects
- Enterprise Resource Planning system
- Replacement of information technology network for security/reliability

In addition to the FY 2013 Capital Budget, Port staff has estimated an additional expenditure of approximately \$30.8 million in FY 2013 ("Pipeline" projects), for a total estimated FY 2013 CNA expenditure of approximately \$142.4 million. Authorization to proceed with Pipeline projects must be obtained from the Board during the course of the fiscal year on a project-by-project basis. FY 2013 CNA expenditures and anticipated funding sources are shown below.

(\$ millions)	FY13 Capital Budget	FY13 Pipeline	FY13 Total
Aviation Division	67.7	22.6	90.3
Maritime Division	38.7	5.6	44.3
CRE Division	2.1	0.6	2.7
Other Divisions	3.2	2.0	5.2
Total	111.6	30.8	142.4



Debt Service, Debt Service Coverage Ratio, and Cash Balance

The Port's debt service payments, debt service coverage ratios (DSCRs) and fiscal year ending General Fund cash balances over the next three years are projected as follows:

	Budget FY13	Projected FY14	Projected FY15
Total Debt Service (\$ millions)	108.7	109.8	111.1
Intermediate Lien DSCR	1.39x	1.42x	1.44x
Combined (Aggregate) DSCR	1.38x	1.40x	1.40x
General Fund Balance as of June 30 (\$ thousands)	85,000	85,000	85,000

The Port's DSCRs reflect projected operating revenues, operating expenses and additional borrowing to fund the 5-Year CNA, as presented in more detail in the Budget Summary. The DSCRs also reflect assumed labor adjustments on all employees, including senior management.

Sources & Uses of Port Funds

In addition to the information presented above, the Port's FY 2013 Operating and Capital Budgets may also be considered in terms of "sources" and "uses" of monies earned or otherwise received by the Port. The table below summarizes how the Port proposes to spend its money in FY 2013.

(\$000s)	Budget FY13
Sources of Funds	
Operating Revenues	311,518
Grants	28,633
PFCs and CFCs	36,963
Cash on Hand	24,816
CP (Debt) Proceeds	35,058
Other	449
Total Sources	437,438
Uses of Funds	
Operating Expenses – Personnel	88,734
Operating Expenses – Non-Personnel	80,502
Capital Expenses	142,399
Debt Service	108,712
Other	17,091
Total Uses	437,438

Looking Ahead

Port staff are committed to addressing challenges and leveraging opportunities that may arise with steadfast commitment to prioritizing revenue maintenance and enhancement; identifying and capturing opportunities to lower the Port's debt burden and improve liquidity; partnering with other government agencies to maximize and develop Port assets; and strengthening relationships with our business, community, and labor partners. Going forward, 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. The Port is committed to growing stronger financially; building up and allocating its resources in a manner consistent with its 5-Year Strategic Plan (FY 2011-2015); and continuing to deliver value to business, community benefits, and environmental stewardship. The Port will continue to manage a competitive and dynamic business environment through leadership and teamwork.

Sincerely,



Sara Lee
Chief Financial Officer

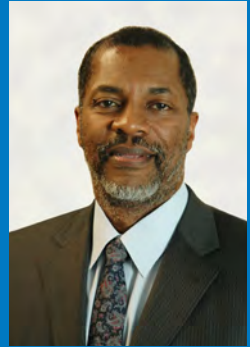
Board of Port Commissioners



Pamela Calloway
President



Gilda Gonzales
1st Vice President



James Head
2nd Vice President



Margaret Gordon
Commissioner



Earl S. Hamlin
Commissioner



Victor Uno
Commissioner



Alan Yee
Commissioner

MISSION STATEMENT

The Port of Oakland delivers the highest value to our customers and community through sustainable stewardship and growth of our assets, optimal performance of our people, and focus on our aviation, maritime, and real estate businesses.



Executive Management



Omar Benjamin
Executive Director



Jean Banker
Deputy Executive Director



Michele Heffes
Acting Port Attorney



Arnel Atienza
Chief Audit Officer



John Betterton
Secretary, Board of
Port Commissioners

VISION STATEMENT

We are an innovative and sustainable Port through an aggressive focus on business and optimal performance.



STRATEGIC PLAN

FISCAL YEARS 2011-15

Strategic Plan Overview

In October 2010, the Board of Port Commissioners (Board) adopted the Port of Oakland Strategic Plan Fiscal Years 2011-2015 (Strategic Plan; Plan). The Plan provides a stable and adaptable policy framework to guide the Port of Oakland (Port) during the next five years, and is updated every fiscal year (FY). The Plan is envisioned as both an on-going planning process and a documented plan, and serves as a general statement of the Port's vision, mission, guiding principles, goals, and objectives to shape organizational performance and decision-making. The Strategic Plan allows the Port to focus on growing and expanding its core businesses and enhancing its stewardship by aligning and strengthening finances, people, systems, policies, processes and governance. The Plan aspires to create an organizational culture based upon the values of collaboration, accountability and innovation. It serves as a guide towards long-term sustainability and optimal performance of the Port on behalf of all of its stakeholders. Through commitment to the Plan, the Port will realize its highest potential for the City of Oakland, the region, and the State of California and our global partners.

Consistent with the Plan, each year staff and the Board identify major strategic initiatives to maintain and enhance Port operations and grow revenues. For FY 2012, the second year of Strategic Plan implementation, Port staff and the Board identified 19 strategic initiatives tied to the key performance indicator of catalyzing a net increase of 1,000 Port-related jobs across the Northern California "Mega Region." For more information on jobs created by Port-related activity, please see the Port's brochure – Powering Jobs, Empowering Communities at: <http://www.portofoakland.com/PoweringJobs>, as well as the *Overview* section.

Strategic Plan actions for FY 2013 are still under development, but will remain consistent with the Guiding Principles and Strategic Priority Areas and Goals, of the overall Strategic Plan, as summarized below. The Port's Strategic Plan may be found on the Port's website at <http://www.portofoakland.com/portnyou>.

Guiding Principles

1. Economic development is the center of the Port's work.
2. Environmental stewardship is a lens for all Port activities.
3. The Port is a public enterprise that uses all appropriate public and private business development models to pursue and ensure its business and strategic goals.
4. The Port seeks opportunities to leverage cross-business line benefits.
5. The Port proactively communicates with its multiple stakeholders.
6. The Port maximizes its assets, investments and resources.
7. Relevant and timely information is fundamental to effective Board stewardship and decision-making.
8. The Port staff is appropriately aligned with the Port's strategic goals.
9. All Port activities must incorporate a full financial assessment.

10. The Port is a high performing workplace with partnership, accountability and teamwork among staff.
11. The Port delivers the highest value in its services and facilities at the most competitive price.

Strategic Priority Areas and Goals:¹Sustainable Economic and Business Development

Goal A: Create sustainable growth for the Port and beyond.

Goal B: Maintain and aggressively grow core businesses.

Goal C: Promote equitable community access to employment and business opportunities.

Goal D: Improve the Port's financial position.

Stewardship and Accountability

Goal E: Improve the processes for evaluating and managing capital expenditures for long-term management of Port property and infrastructure.

Goal F: Aggressively obtain maximum amount of external grant and government funding and regulatory relief.

Goal G: Sustain healthy communities through leading-edge environmental stewardship.

Port Workforce and Operations

Goal H: Develop and maintain a high-performing workforce.

Goal I: Align the Port's workforce, organizational structure and personnel management practices for optimal performance of the Port.

Goal J: Improve internal governance practices.

Communications and Information

Goal K: Promote a proactive and responsive communications model.

Goal L: Provide timely and relevant information to support critical analysis and decision-making.

¹ The goals set forth above are subject to change at any time by the Port and may not be achieved depending on the Port's available financial resources and personnel. Each goal is associated with specific objectives. For information about the objectives, please refer to the Port of Oakland Strategic Plan FY 2011-2015 at <http://www.portofoakland.com/portnyou>.

San Francisco Bay Area Region Map



PORT OF OAKLAND OVERVIEW

City of Oakland, California

The Port is located within the borders of the City of Oakland (City), in the State of California (State), United States (U.S.). The City is located in Alameda County, on the eastern shore of the San Francisco Bay and on the Oakland Estuary. The City has a total area of 78.2 square miles, of which 72% is land and 28% is water.²

The City is one of the 14 cities that comprise Alameda County and one of the three major cities in the nine-county region known as the San Francisco Bay Area (Bay Area), a large metropolitan area with a population of approximately 7 million. The City is bordered on the north by the cities of Berkeley and Emeryville; on the south by the City of San Leandro; on the east by various cities of Contra Costa County; and on the west by the City of Alameda, the Oakland Estuary, and the greater San Francisco Bay. As of 2010, the City had a population of 390,724, making it the third-largest city in the Bay Area, after San Jose and San Francisco, and the eighth-largest city in California.³

Port of Oakland

The Port is an independent department of the City. The Port area is located in the western part of the City, along approximately 20 miles of waterfront on the Oakland Estuary and San Francisco Bay. The majority of the Port's land was granted by the State decades ago, subject to the public trust, which requires that the land be used for Statewide public purposes, including commerce, navigation, fisheries and other recognized uses. The Port acts as trustee on behalf of the State for all Port property.

The City has operated a public harbor to serve waterborne commerce since its incorporation in 1852, and has operated an airport since 1927. Exclusive control and management of the Port area was delegated to a seven-commissioner Board in 1927 by an amendment to the City Charter. The commissioners are nominated by the City Mayor and appointed by the City Council, must be residents of the City, and serve staggered four-year terms without compensation.

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. The Board appoints an executive director to administer operations.

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 – as further discussed below.

² U.S. Census Bureau, Census 2010.

³ Ibid.

Port of Oakland Area Map



Port Business Lines and Operations

The Port generates and supports economic activity locally, regionally, nationally, and globally through three major business lines.

The **Aviation Division** operates Oakland International Airport (OAK; Airport), one of three major commercial airports serving the Bay Area. OAK is the second busiest Bay Area airport, with almost 350 daily passenger and cargo flights. The Airport currently serves 142 daily nonstop commercial passenger departures to 41 domestic and international destinations, as well as over 31 daily all-cargo flight departures to destinations around the globe. In calendar year (CY) 2011, the Airport served approximately 9.3 million passengers⁴ and handled approximately 1.1 billion pounds of air cargo. The Aviation Division generates approximately 45% of the Port's total operating revenues.⁵

The **Maritime Division** manages the fifth busiest container seaport in the U.S. The seaport comprises approximately 1,300 acres of maritime-related facilities, serves as the principal ocean gateway for international containerized cargo shipments in Northern California, and is one of five major gateways for such shipments on the West Coast of North America. In CY 2011, approximately 2.3 million twenty-foot equivalent units (or approximately 1.3 million containers) moved through the Oakland seaport. Approximately 89% of this activity was associated with international trade, while the remaining 11% represented domestic trade within the U.S. The Maritime Division generates approximately 50% of the Port's total revenues.⁶

The **Commercial Real Estate (CRE) Division** oversees the Port's commercial real estate, which includes all Port properties not used or intended to be used for maritime or aviation purposes. These properties total approximately 874 acres of land along the Oakland Estuary and include warehouses, public parking, hotels, offices, shops, restaurants, as well as public parks and open space. The CRE Division generates approximately 5% of the Port's total revenues.⁷

Unlike some U.S. ports, the Port does not receive funding from local tax revenues. The Port is a self-sufficient and independent department of the City and, as such, must generate sufficient revenue to financially support its day-to-day business line operations. However, the City does provide a variety of services to the Port, such as fire, police, treasury, and maintenance of certain Tidelands Trust property. The Port anticipates paying the City approximately \$14 million in FY 2012 for these services and for taxes collected on the City's behalf.

Companies and organizations that operate at the Port create jobs and revenue, and generate tax revenues for the City and State of California. According to the Port's most recently commissioned economic study, approximately \$106 billion of economic activity is associated with the Port's business

⁴ Approximately 4.6 million enplanements.

⁵ Based on FY 2011 audited financial statements.

⁶ Ibid.

⁷ Ibid.

lines. This activity supports approximately 74,000 direct, induced and indirect jobs in the region, and approximately 827,000 related jobs in California and the U.S. In addition, Port-related activities affect the generation of business revenue totaling approximately \$7 billion annually.⁸

AVIATION

The Aviation Division is responsible for operating, developing, and managing all activities at OAK, in support of commercial passenger service, air cargo operations, and general aviation. The Aviation Division's operating revenues are derived from three primary sources: landing fees and terminal rents paid by airlines, parking and ground access charges, and leases and concessions.

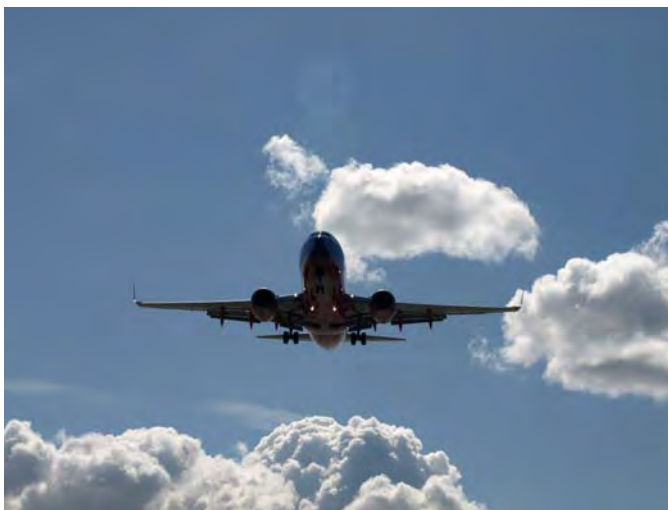
History

For 85 years, OAK has served the air travel and air cargo needs of the Bay Area. In 1927, work crews at Oakland Municipal Airport (now the North Field at OAK), constructed what was then the world's longest runway, a 7,020-foot long strip that served as the takeoff point for the first trans-Pacific flight from the U.S. mainland to Hawaii. The Airport received national recognition at its 1927 dedication when Col. Charles A. Lindbergh declared it "one of the finest airports" he had ever seen. It also was the departure point for Australian World War I ace Sir Charles Kingsford-Smith, who made the first flight between North America and Australia in 1928. Famous aviators frequented OAK, including Amelia Earhart, Lester Maitland, and Albert Hegenberger. OAK was also the West Coast terminus for United Airlines' newly introduced service to New York in 1937. The new DC-3s carried 14 passengers and made the trip in 15 hours and 20 minutes, with three stops. In 1962, Terminal 1 and Runway 11-29 were opened to accommodate growth and technological advancements in the aviation industry. A second eight-gate terminal (Terminal 2) was opened in 1985 and was expanded to a total of 13 passenger gates in 2007.

Oakland International Airport Today

OAK is located in the heart of the Bay Area, the fifth largest U.S. aviation market. OAK is one of three international airports, and the second busiest airport, serving the Bay Area with an approximate 16% market share in passenger activity and an approximate 52% market share in cargo activity. In 2011 OAK was ranked 36th in the U.S. in terms of total passengers and 12th in the U.S. in terms of air cargo tonnage.⁹

The Airport facilities are located on approximately 2,600 acres of land, and include terminals, airfield, parking, air cargo, corporate and general aviation, and maintenance facilities. The Airport's commercial passenger terminals (Terminals 1 and 2) have a total of 29 gates located at South Field. The original airfield (North Field) is



⁸ 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010. Also see page 37.

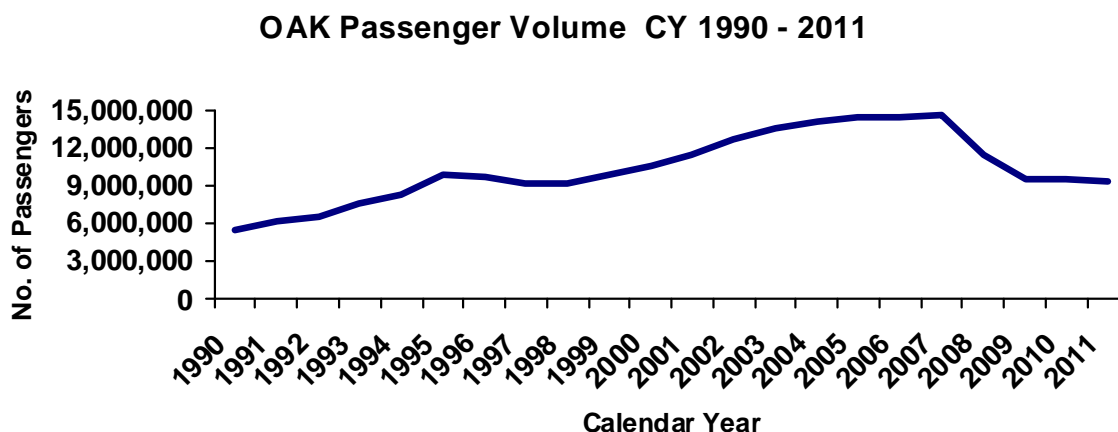
⁹ ACI Traffic Data 2011 (Final), Airports Council International.

presently used by smaller air cargo and corporate and general aviation operators. The North Field also serves commercial airlines as needed.

Passenger Service

OAK provides on-time flights, easy-to-use airport facilities, and convenient access to all of the major Bay Area business and leisure destinations. Southwest Airlines operates its largest Northern California base at OAK and is the dominant carrier at the Airport today.

In CY 2011, the Airport served approximately 9.3 million passengers (4.6 million enplaned passengers). This activity level represented a decrease of 2.9% from CY 2010. While only a modest decline from CY 2009 and CY 2010, CY 2011 activity levels represent a 36% significant decline from the peak in CY 2007. This sharp decline in passenger activity was cumulative beginning in 2008 and was due to a combination of factors, including global economic recession; new activity from a start-up carrier at San Francisco International Airport (SFO), which prompted some airlines to shift a portion of their service from OAK to SFO; and airline bankruptcies. Since 2009, passenger activity has remained essentially flat.



In the last five years, several airlines have ceased or reduced service at OAK, including the recent departure of United Airlines in June 2012. However, during this time, OAK has welcomed four new airlines, added 18 new destinations, and maintained service on major routes. Notable recent service additions at OAK include:

- Since moving its operation to OAK from SFO in February 2009, Allegiant Travel Company has expanded service to other destinations, including the recent (January and April 2012) addition of service to eight cities in Arizona, Idaho, Montana and Oregon. As part of its Bay Area expansion at OAK, Allegiant has based two 166-passenger MD-80 aircraft and added 60 jobs, establishing an OAK crew base.
- ArkeFly will begin scheduled seasonal service between OAK and Amsterdam Airport Schiphol beginning in June 2012. ArkeFly is the airline of Dutch tour operator TUI Nederland and part of the TUI Travel PLC group, Europe's largest travel conglomerate. ArkeFly's new twice-weekly service includes a nonstop flight and a direct, one-stop flight. The new service is part of the airline's three city U.S. west coast expansion that includes Los Angeles and Las Vegas.

- Alaska Airlines launched trans-Pacific flights between OAK and both Maui and the Big Island of Hawaii in November 2009, to Lihue in March 2011, and to Honolulu in April 2012. In response to the commercial success of the initial flights, Alaska now offers daily flights to each of these four Hawaiian destinations from OAK.
- Since 2008, Hawaiian Airlines has flown daily between OAK and Honolulu. Due to the commercial success of the Honolulu flight, Hawaiian will offer daily service to Kahului, Maui in summer 2012 as the airline builds a new hub in Maui. Between both Alaska Airlines and Hawaiian Airlines, scheduled seats offered from OAK to Hawaii will reach a historic record high of 1,148 daily seats to four Hawaiian Islands in summer 2012. This represents a significant shift of traffic from SFO to OAK and also the re-emergence of OAK as a major North American trans-Pacific gateway to Hawaii.
- In August 2011, Spirit Airlines launched service to Las Vegas with two daily nonstop flights. Spirit was the only new airline to begin service to the Bay Area in 2011.
- In May 2011, Volaris Airlines added nonstop service to Mexico City. Beginning as daily service, the carrier has since refined the schedule to offer the flights seasonally during peak periods. Volaris also serves Guadalajara with up to three daily flights in the peak season.
- Delta Air Lines launched five daily nonstop flights between OAK and Los Angeles International Airport in August 2011. The new service connects OAK with Delta and its SkyTeam's airline alliance hub to destinations around the globe. This service is in addition to existing service to Delta's hub at Salt Lake City.
- In June 2011, OAK received authorization by U.S. Customs and Border Protection to offer nonstop charter passenger service between the Bay Area and Cuba, and is the only local airport to hold the designation. OAK has partnered with a California-based travel company and local elected leadership to begin marketing future flight opportunities to Bay Area residents.



OAK PASSENGER ACTIVITY and MARKET SHARE BY CARRIER

Airline	Total Passengers Served in CY 2011	Market Share in CY 2011
Southwest	6,742,548	72.8%
Alaska/Horizon ¹	698,911	7.5%
JetBlue	468,062	5.1%
US Airways/US Airways Express	301,303	3.3%
Hawaiian	202,594	2.2%
Volaris	186,602	2.0%
SkyWest Airlines	174,838	1.9%
United	152,205	1.6%
Delta Airlines	148,169	1.6%
Allegiant	85,144	0.9%
Spirit	80,565	0.9%
Mesa Airlines	15,931	0.2%
Azores Express/SATA	5,427	0.1%
Charter/Other	4,271	0.0%
Total	9,266,570	100.0%

¹ Horizon Air and Alaska Airlines are wholly-owned subsidiaries of Alaska Air Group.

OAK PASSENGER AND CARGO STATISTICS

PASSENGERS	CY 2011	CY 2010	% Change
Enplaned	4,642,107	4,769,915	-2.7%
Deplaned	4,624,463	4,772,418	-3.1%
Total	9,266,570	9,542,333	-2.9%
FREIGHT (in 000 lbs)			
Inbound	528,729	536,985	-1.5%
Outbound	551,373	569,287	-3.2%
Total	1,080,102	1,106,272	-2.4%
MAIL (in 000 lbs)			
Inbound	13,201	12,468	5.9%
Outbound	7,832	7,934	-1.3%
Total	21,033	20,402	3.1%
TOTAL AIR CARGO (Freight & Mail) (in 000 lbs)	1,101,135	1,126,674	-2.3%
LANDED WEIGHT (in 000 lbs)	8,572,860	8,726,868	-1.8%
AIRCRAFT OPERATIONS (South and North Fields)	215,773	219,652	-1.8%

Air Cargo

In addition to its status as a major passenger airport, OAK serves the top two global air cargo leaders, FedEx and UPS. OAK is the North American west coast hub for FedEx. FedEx performs intermodal sorting and distribution of freight and overnight packages to and from around the world from its state-of-the-art facilities at OAK. OAK also serves as the primary Northern California air cargo facility for UPS with a major off-Airport sort facility and on-Airport transfer and loading facilities.

In CY 2011, OAK handled approximately 1.1 billion pounds of air cargo (freight plus mail), a decrease of 2.3% from CY 2010 levels. FedEx is the major operator of freight aircraft with an average of 15 flights per day and 888 million pounds of freight handled in CY 2011. UPS operated an average of 4 flights a day and handled 186 million pounds of freight in CY 2011. Southwest Airlines ranks as the third largest volume cargo carrier at OAK. With a large fleet of aircraft with lower deck "belly" cargo space, Southwest handled 12.3 million pounds of cargo in CY 2011. Small general aviation aircraft and a small number of charter aircraft carry the remaining cargo at OAK.

Air Cargo Carrier	CY 2011 Volume¹⁰ (million lbs)
FedEx	888
UPS	186
Southwest	12
Other	14

¹⁰ Air Cargo figures include freight and mail.

In response to the global economic recession, air cargo activity declined significantly in CY 2008 and CY 2009. Activity has remained relatively steady since then.

Corporate Aviation

OAK has three fixed base operators (FBOs) that serve local, national, and international corporate and dignitary customers with full service facilities. FBOs provide fueling, maintenance, charter aircraft passenger services, and aircraft parking and storage on OAK's airfield and in Port-owned hangars. The three FBOs are: KaiserAir, which has operated at OAK since 1961; Business Jet Center, which opened in 2001; and Landmark Aviation, which commenced operations in late 2011. As the newest FBO, Landmark Aviation brings its expertise to OAK from operations at 45 airports across the U.S., Canada and Europe. The length of term of these leases is predicated on the amount of capital investment by the FBOs. Both Business Jet Center and Landmark Aviation are expected to make significant capital investments during the first 10 years of their leases to improve Port-owned hangars and other facilities.

Major Projects

Capital planning and development programs focus on maintaining, renovating, and enhancing existing assets to sustain and grow revenue and provide adequate facilities to meet demand. This work includes monitoring and maintaining major OAK infrastructure, such as the airfield pavement and lighting systems to ensure safe and secure operating conditions and sewer water and power systems to ensure uninterrupted critical services. As further discussed in the *Capital Budget and Capital Needs Assessment* section, several major projects at the Airport will continue in FY 2013, aimed at ensuring the safety and integrity of Airport facilities, as well as enhancing customer service. Among these, the most visible projects include:

Terminal 1 Renovation & Retrofit Program

The Port continues to work, under a phased approach, on the renovation and retrofit of OAK's Terminal 1 (T1 Program). The T1 Program focuses on the replacement of aging infrastructure, bringing building systems up to code, and improving life cycle costs. In 2012 several key T1 Program milestones were achieved, including beginning construction of a central utility plant, completion of design for life safety improvements in building M102,¹¹ design and installation of fire suppression and alarm systems in the concourse (M103), upgraded paging and communications, and beginning construction of a new substation. It is anticipated that construction of the M102 life safety improvements will begin in 2013, with completion expected in 2016. The T1 Program, which began in 2007, will continue in a phased approach to match funding availability and to ensure operations can continue during construction. The T1 Program is funded primarily by Passenger Facility Charges (PFCs).

¹¹ The M102 building houses security, ticket counters, current South Field FAA Air Traffic Control Tower, and miscellaneous other facilities for travelers.

BART Oakland Airport Connector

In mid-2011, the Bay Area Rapid Transit District (BART) broke ground on the Oakland Airport Connector project, which will improve access between the Airport and the regional rail transit system using an automated people mover. BART is responsible for the design and construction of this project with coordination, input, and financial contribution from the Port (\$45.4 million funded by PFCs). Service is expected to start in late 2014.



Rendering of BART Oakland Airport Connector. Source: BART.

AVIATION OPERATIONS AT-A-GLANCE

Domestic Scheduled Service:	Alaska Airlines/Horizon Air, Allegiant, Delta Air Lines/SkyWest Airlines, Hawaiian Airlines, JetBlue Airways, Southwest Airlines, Spirit Airlines, United Airlines (ended June 2012), US Airways/US Airways Express/Mesa Airlines
International Scheduled Service:	Volaris Airlines, SATA Airlines (seasonal), ArkeFly (seasonal began June 2012)
Major All-Cargo Carriers:	FedEx, UPS, Ameriflight, WestAir
Number of Daily Departures:	173 (including 31 all-cargo flights)
Acreage:	Approximately 2,600 acres
Passenger Facilities:	Two terminals (556,000 sq ft), 29 boarding gates
Runways:	10,000-foot runway 6,212-foot runway 5,454-foot runway 3,372-foot runway
Number of Employees:	Approximately 8,000 Port and tenant employees (about one-third of tenant employees are in cargo-related jobs)
Largest Airport Employers:	Southwest Airlines, approx. 2,200 employees (includes crew base staff) FedEx, approx. 1,800 employees Rolls Royce Engine Services, approx. 400 employees UPS, approx. 320 employees Port of Oakland, 255 employees (Aviation Division)
Public Parking:	Approximately 7,000 vehicle capacity
Flight Crew Facilities:	Flight Attendant Base – Southwest Airlines, 1,044 employees Pilot Base – Southwest Airlines, 712 employees
Cargo Sort Facilities:	FedEx UPS
U.S. Customs:	International Arrivals Facility (29,000 sq ft)

MARITIME

The Maritime Division is responsible for managing, promoting, developing, and maintaining the Oakland seaport and its services and programs. It is also responsible for providing an interface for waterborne cargo moving between inland points in the U.S. and the Pacific Basin, as well as other points in the world. The Maritime Division's operating revenues are derived primarily from lease agreements with marine terminal operators.



History

In the early and mid-1900s, the shipping business was rapidly expanding in the City due in part to the Panama Canal's opening and World War I. To accommodate the growing seaport activities, City voters approved bonds in 1925 to finance the construction and development of a municipal port overseen by an autonomous Board. Two years later, the Port was officially established as an independent department of the City. The maritime facilities would serve the Port for the next 40 years with relatively few changes, until containerized shipping dramatically changed seaport operations. Developed in the U.S. in the 1950s, the new technology transformed shipping worldwide through the use of standardized steel containers that are carried by ship, truck and train. In the 1960s the Port became one of the pioneers of large-scale containerization in the U.S. by becoming the first major port on the West Coast to build terminals for container ships.

To meet regional, national, and global cargo transport needs for the 21st century, the Port substantially completed its Vision 2000 maritime expansion program in 2002. This major redevelopment is located in an area formerly occupied by the U.S. Navy and previously inaccessible to the public for 100 years. The Vision 2000 Program included two new container terminals (TTI Terminal; Oakland International Container Terminal); a new intermodal facility called Oakland International Gateway (OIG), formerly known as the Joint Intermodal Terminal; the addition of super-post-Panamax cranes to accommodate newer, wider container ships; and new roads. As part of the Vision 2000 Program, the Port also constructed a beautiful new waterfront public park (Middle Harbor Shoreline Park), and a natural habitat (Middle Harbor Enhancement Area). Between 2003 and 2007, the Port acquired approximately 241 acres of the former Oakland Army Base, ideally located directly adjacent to existing seaport facilities and envisioned for redevelopment as a world class trade and logistics center.

In 2009, the U.S. Army Corps of Engineers substantially completed the -50 Foot Project, which deepened the navigation channels serving the Port to accommodate the newest generation of container ships. The Port also deepened almost all its berths to match the depth of the channel. Maintenance of the -50 Foot Project is critical to the Port's competitiveness as an international gateway. Also in 2009, the Port entered a new chapter of its history by approving its first 50-year lease and concession for a marine terminal, the Ports America Outer Harbor Terminal (Berths 20-24). This terminal is one of the Port's largest marine terminals, with approximately 4,400 linear feet of berth length and about 168 acres of land. Over time, the Port expects Ports America Outer Harbor Terminal, LLC (the concessionaire), through substantial capital investment, to upgrade and develop the terminal into a state-of-the-art facility to enhance maritime activity and deliver long-term economic, environmental, and community benefits.

International Gateway Today

The seaport serves as the principal ocean gateway for international containerized cargo shipments in Northern California and is ranked as the fifth busiest cargo container port in North America, based on the number of twenty-foot equivalent units (TEUs) handled annually. A TEU is an international standard of measurement for the volume of business that moves through a container port. Containers come in different lengths, but most containers handled at the seaport are 40 feet long and are therefore equal to two TEUs. In CY 2011, approximately 2.3 million TEUs, or about 1.3 million containers, moved through the seaport. In that same year, approximately 89% of the Port's trade was with international regions/partners and 11% was domestic. Asia is the Port's most significant trading partner; in CY 2011, 78% of the full TEUs that moved through the Port either originated from or were destined for Asia.

NORTH AMERICA CONTAINER PORT ACTIVITY BY TEU VOLUME

PORT	CY 2011 TEUs	CY 2010 TEUs	% CHANGE
LOS ANGELES (CA)	7,940,511	7,831,902	1.4%
LONG BEACH (CA)	6,061,085	6,263,499	-3.2%
NEW YORK/NEW JERSEY (NY/NJ)	5,503,485	5,242,020	4.0%
SAVANNAH (GA)	2,944,684	2,825,185	4.2%
OAKLAND (CA)	2,342,504 ¹	2,330,457	0.5%

Source: Respective port websites, 2012.

¹ Includes estimates

OAKLAND MARITIME CARGO STATISTICS

	CY 2011 TEUs¹	CY 2010 TEUs	% CHANGE
IMPORT (FULL)	797,228	802,657	-0.7%
EXPORT (FULL)	993,926	955,579	4.0%
TOTAL (FULL)	1,791,154	1,758,236	1.9%
EMPTY	551,350	572,221	-3.7%
TOTAL	2,342,504	2,330,457	0.5%

¹ Includes estimates

Full (loaded) container cargo activity (for both imports and exports) at the Port increased by approximately 2% in CY 2011. Full exports led the growth at 4% while imports declined slightly at -0.7% compared to CY 2010. The Port has historically been a strong export seaport, moving California agricultural products and other U.S. goods overseas to foreign markets. However, the growth of export volume at the Port in CY 2011 was hindered by a lack of equipment availability as demand for export equipment outstripped the supply of containers arriving with imports. In CY 2011, imports comprised 44.5% of all full container activity, while exports represented 55.5%.

**MARITIME
CARGO STATISTICS
CY 2000 through CY 2011
(000s)**

Calendar Year	Revenue Tons¹	Loaded TEUs²	Total TEUs²
2000	22,814	1,322	1,777
2001	21,215	1,245	1,644
2002	21,667	1,280	1,708
2003	23,623	1,399	1,923
2004	25,511	1,508	2,048
2005	28,803	1,683	2,274
2006	29,542	1,718	2,392
2007	30,602	1,780	2,388
2008	29,362	1,707	2,234
2009	28,940	1,668	2,045
2010	30,934	1,758	2,330
2011	31,646	1,791	2,343
Compounded Annual Growth Rate			
2000-2011	3.0%	2.8%	2.6%

¹ Containerized cargo only. Excludes bulk cargo.

² Loaded TEUs and Total TEUs include restows and shifts.

The Port currently offers 18 deep-water berths (most with 50 feet of water depth), eight marine terminals (operated by six terminal operators) and 36 container cranes, of which 23 are Port-owned. All major ocean carriers serve the Port linking the Bay Area with direct all-water service routes to most of the world's major producing, consuming, and trading economies. Among other California container ports, the Oakland seaport offers some of the shortest transit times from Asia, its primary regional trading partner. The maritime facilities are backed by a network of local roads and interstate freeways, warehouses, as well as two intermodal (rail) facilities operated by BNSF Railway Company, and Union Pacific Railroad that, together, link the seaport to local, regional, and national markets for containerized goods.



Major Projects

As the Port considers future growth in its maritime trade and market share, the Port must continuously maintain and consider upgrading and expanding its maritime facilities to serve customer needs. While current facilities have adequate capacity to accommodate some future growth without major capital improvement, certain projects and initiatives are underway to strategically enhance the Port's market position. As further discussed in the *Capital Budget and Capital Needs Assessment* section, several major projects at the Oakland seaport will start or continue in FY 2013. Among these, the most visible projects include:

Shore Power Program

In 2008, the California Air Resources Board (CARB) adopted a new regulation that requires significant reductions in air pollutant emissions from ships that call all California ports including the Port. Shore power is one of the principal methods of compliance with this regulation and a key element of the State of California's Goods Movement Emission Reduction Program. Shore power provides electrical infrastructure so that ships can connect to the power grid and turn off their diesel-fueled auxiliary engines while at berth.



The Shore Power Program at the seaport has multiple elements. Construction of the first phase (three berths) of the Program started in spring 2011 and is scheduled for completion in summer 2012. The second phase of construction will start in spring 2012 and is scheduled for completion by winter 2013. Eagle Marine Services (EMS/APL) has already completed its shore power infrastructure at its Global Gateway Central Terminal, and Ports America will soon be building its own shore power system at the Ports America Outer Harbor Terminal. The Port's Shore Power Program is estimated to cost approximately \$70 million (revised from a prior estimate of \$90 million). To help fund this work, the Port has been awarded approximately \$33 million in grants.

Oakland Army Base

Between 2003 and 2007, the Port received 241 acres of property which was formerly part of the Oakland Army Base (OAB). A Master Plan for the overall (Port and City-owned OAB property) redevelopment was completed in FY 2012. The Port facilities on the OAB will include an intermodal rail terminal and transloading-warehousing facilities. Redevelopment activities will be phased to match priorities and funding availability. In 2013, the Port plans to continue environmental remediation of the site and prepare bridging documents for a design-build contractor for the construction of the first phase of the rail terminal. Construction of the rail terminal is anticipated to commence in spring/summer 2013.



MARITIME OPERATIONS AT-A-GLANCE

CY 2011 Cargo Vessel Arrivals: 2,121

Shipping Lines: ANL Container Line, APL, CCNI, China Ocean Shipping Co, China Shipping Agency, CMA-CGM, Evergreen Line, Hamburg Sud, Hanjin Shipping Co, Hapag-Lloyd, Horizon Line, Hyundai Merchant Marine, "K" Line, Maersk Sealand, Matson Navigation, Mediterranean Shipping Company, Mitsui OSK Lines, Norasia, NYK Line, OOCL, Pacific International Line, Polynesia Line, PO Shipping, T.S. Lines, U.S. Lines, Wan Hai, Yang Ming Line, Zim Container Line

Container Terminals: Ben E. Nutter Terminal (Operator: Evergreen Marine Corporation), Charles P. Howard Terminal (Operator: SSA Terminals, LLC), Global Gateway Central Terminal (Operator: Eagle Marine Services), Oakland International Container Terminal (Operator: SSA Terminals, LLC), Ports America Outer Harbor Terminal Berths 25/26 (Operator: Ports America), Ports America Outer Harbor Terminal Berths 20-24 (Operator: Ports America), TraPac Terminal (Operator: TransPacific Container Service Corp.), TTI Terminal (Operator: Total Terminals, Inc.)

Deepwater Ship Berths: 18

Container Gantry Cranes: 36 (23 Port-owned)

Container Terminals: Approximately 779 acres

Freeways Serving Port: Interstate 80 (north & eastbound)
880 (southbound)
580 (eastbound)
980 (eastbound)

Railroads: BNSF Railway Company
Union Pacific Railroad Company

Principal Exports: Edible fruits and nuts, meat/prepared meat/fish, etc., machinery, vehicles/not railway, beverages, inorganic chemicals/rare earth materials, metal scrap, misc. chemical products, wood pulp/paper/paperboard, organic chemicals, cereals/grain/seed/fruit, preserved food, plastic, cotton and yarn/fabric

Principal Imports: Machinery, beverages, furniture and bedding, vehicles/not railway, apparel, toys and sports equipment, plastic, iron/steel products, spices/coffee and tea, medical instruments, misc. textile articles

Source: Port of Oakland and U.S. Department of Commerce, Bureau of Census.

COMMERCIAL REAL ESTATE

The Port's Commercial Real Estate (CRE) Division oversees approximately 874 acres of land along the Oakland Estuary that is not used for aviation or maritime purposes. Much of this land, particularly between the ferry terminal at Jack London Square and Hegenberger Road (see *Commercial Real Estate Area Map*), was historically used for industrial purposes, and over time is being transformed with new development, including homes, hotels, offices, shops, restaurants, and industrial flex/research development. The majority of the land was granted to the Port years ago as part of the Tidelands Trust grants.

Over the last ten years, the CRE Division has leased most of its properties to developers or tenants under long-term agreements, pursuant to which the developer or tenant is responsible for the development, subleasing, operation and maintenance of the improvements on the properties. Development projects worth more than \$1 billion have been in the works over the past several years and many of these projects are being realized through public/private partnerships to enhance the City's "front-yard" and meet the needs of City residents and the entire region. The primary challenge for the CRE Division is to enhance profitability of the Port's real estate portfolio in an environment of increased competition, diverse public interest groups in the community, and regulatory uncertainty.

The major properties managed by the CRE Division are categorized into four distinct geographic areas – Jack London Square (JLS), Embarcadero Cove, the Oakland Airport Business Park/Distribution Center and Oak-to-9th District. Within these areas, there are a number of public parks and open space areas. The most significant activity in the CRE Division portfolio is occurring at JLS and Oak-to-9th District, as summarized below.

Jack London Square

The Port property that likely has the greatest direct visibility to most Bay Area residents is JLS, a mixed-use waterfront commercial development located along the Oakland Estuary at the foot of Broadway Street, approximately one-half mile from the City's downtown. The history of JLS dates back to the Gold Rush days when sailing ships carrying cargo, and ferry boats serving San Francisco and Oakland, docked at the foot of Broadway. In 1852, when the State Legislature incorporated the Town of Oakland, the first meeting of the board of Town Trustees was held in this location. JLS is named for American author Jack London who wrote *The Sea Wolf* and many other popular books. Jack London spent much of his boyhood on the Oakland working waterfront. The JLS area is steeped in a rich history of maritime activity.



Over the last 20 years, the Port has worked to strengthen JLS's traditional reputation as a restaurant and transportation center with the addition of complementary retail and entertainment businesses, including a

world-class jazz club and a multiplex cinema. The Port is currently working with a private developer (Jack London Square Ventures) on Jack London Square Phase II (JLS Phase II). The JLS Phase II Project is designed to enhance the JLS's natural character, and enhance the public access and pedestrian experience along the waterfront. Some of the JLS Phase II Project is already completed, and once fully constructed and operational, it is expected to have created important public benefits, including up to 2,000 permanent jobs, 650 jobs during the construction phase (some of these jobs have already been realized), an additional \$2.9 million in annual taxes for the City, and attractive public waterfront access.



The centerpiece of this redevelopment project is a 170,000-square-foot marketplace called Jack London Market, which was constructed in 2010. Although initially envisioned to house vendors offering local and California produce, baked goods, and other high quality and artisan foods, current demand for the new space is from restaurants and businesses seeking class-A office space for Tidelands Trust-consistent uses and to support users of the ground floor. Other projects currently entitled include a 250-room urban resort conference center hotel and spa, a second office development, as well as a mixed use retail and office space on the corner of Broadway and Embarcadero. In FY 2013, the JLS Phase II developer plans to continue their efforts to attract tenants to the newly constructed Jack London Market and new retail space on 2nd Street, and complete the associated tenant improvement work for those tenants.

Despite a challenging real estate market, about 90% of the office space at JLS is leased. Some examples of new and expanded leases at JLS include:

- Sungevity, a residential solar energy services company, is finding success on the Oakland waterfront, expanding its presence and growing its workforce to several hundred employees in JLS.
- Haven, a fine dining restaurant, opened in 2011.

- Navis, a leading maritime technology and cargo management company, in early 2012 decided to stay in the City by moving to the waterfront, preserving a couple of hundred office jobs for the local economy.
- Live Culture Company, the organization behind the annual Eat Real Festival, is based in JLS.

Oak-to-9th District

Over the next few years, the Oak-to-9th Avenue waterfront district, centrally located on the Oakland Estuary minutes from JLS and the City downtown, is expected to undergo redevelopment as a new residential neighborhood by a private developer, Oakland Harbor Partners. The concept for the area is to develop the underutilized former maritime industrial district into a revitalized, mixed-use waterfront neighborhood known as the Oak-to-9th Project. The Oak-to-9th Project site comprises approximately 64 acres of waterfront property bounded by Embarcadero Road, Fallon Street, Tenth Avenue and the Oakland Estuary. This project is expected to be constructed in four to six phases over a 15 to 17 year period.

The Oak-to-9th Project, approved by the City Council in 2006, is permitted to include a variety of land uses, including housing (up to 3,100 units), retail space, as well as public open spaces (approximately 32 acres), marina improvements and promenades designed to maximize public access to the shoreline and Oakland Estuary. Most of the existing buildings on the site are expected to be demolished. The Oak-to-9th Project also calls for the renovation of the Clinton Basin and Fifth Avenue Marinas. Pursuant to the terms of the executed Purchase and Sale Agreement between the Port and Oakland Harbor Partners, close of escrow for the 30+/- acres to be sold, as well as the execution of the ground lease for the remaining land, are anticipated to occur on or before January 31, 2013.

Parks and Public Access

The Port's waterfront has evolved through the decades to include commercial and recreational development as well as significant public access areas. In 1999, the Port and the City approved The Oakland Estuary Policy Plan, which established public access policies for 5.5 miles of urban waterfront located between the seaport and Airport. Major public access improvements along the waterfront on Port-owned land located within the portfolio of property managed by the CRE Division include:

- *Union Point Park* – Nine acres of property located in the San Antonio/Fruitvale district leased by the Port to the City to create waterfront recreational open space for a nearby neighborhood with a high population density of children.
- *Martin Luther King, Jr. Regional Shoreline* – Approximately 600 acres of land and water area near the Oakland Airport Business Park, leased by the Port to the East Bay Regional Park District (EBRPD), offering picnicking, fishing, hiking, bicycling, boating and bird watching.
- *Damon Slough Seasonal Wetlands* – In January 2012, the Board approved the transfer of Damon Slough, an 8-acre seasonal wetland restored by the Port, contiguous with the existing Martin Luther King Regional Shoreline. The Board's approval to transfer Damon Slough to the EBRPD will ensure that the site will be maintained as a seasonal wetland in perpetuity.
- *Estuary Park and the Jack London Aquatic Center* – Within Estuary Park near JLS, a City park located on property leased from the Port, in which the Port helped fund the construction of a 16,000 square foot multi-purpose boathouse and community center.

- *Portions of the San Francisco Bay Trail* – 19 of the 450 miles of trail will be located in the City and Port area when this regional project is completed. The Port has improved numerous segments of the San Francisco Bay Trail between JLS and Embarcadero Cove, as well as other public access segments within JLS. Significant portions of the Bay Trail have also been constructed by the Port at OAK to link bicycle and pedestrian access between the cities of Alameda, Oakland and San Leandro.



COMMERCIAL REAL ESTATE OPERATIONS AT-A-GLANCE

Land Area Managed:	Approximately 874 acres
Major Planned Developments by Private Developer:	<p>Jack London Square Phase II Project: 250,000 sq ft of retail/entertainment (completed); 1,100 space public parking garage and public access; improvements throughout JLS (completed); 200,000 sq ft of office space; and 250-room full service hotel</p> <p>Oak-to-9th Project: 3,100 residential units, 200,000 sq ft of commercial space, 2 marinas and 32 acres of open space</p>
Parking:	1,442 public parking spaces in Jack London Square (Port-managed)
2010 Gross Sales:¹	\$75.7 million
Current Tenant Mix:	19 Warehouse Agreements 5 Hotel Agreements 8 Restaurant Agreements 17 Retail Agreements 21 Office Agreements 34 Various Other Agreements (Parking, Billboards, Radio Towers, Land, etc.)
Public Access and Open Space:	About 600+ acres of public access and open space is located on Port-owned property managed by CRE
Land Use Standards:	The majority of CRE properties are subject to the City General Plan and City land use authority as well as Tidelands Trust restrictions. A few of the other regulatory agencies which may have regulations applicable to CRE properties are: Bay Conservation and Development Commission, Regional Water Quality Control Board – San Francisco Region, California Air Resources Board, California Department of Toxic Substances Control, U.S. Coast Guard, U.S. Army Corps of Engineers, and Federal Aviation Administration.

¹ Sales generated by Port tenants and subtenants.

² May also apply to Aviation and Maritime properties.

SECURITY

After September 11, 2001, airport and seaport security became issues of greater national concern. At OAK, intensified passenger and baggage security screening and other measures have been and continue to be introduced. One of the most recent changes includes the installation of Advanced Imaging Technology at OAK's passenger screening checkpoints. At the seaport, in 2011 and 2012, the Maritime Division completed or advanced several security projects, such as a new intrusion detection and reporting system, full implementation of a truck registry, Transportation Worker Identification Credential (access control) installation and enhanced communication, and geospatial mapping systems between law enforcement/emergency agencies.

The Port partners with local, regional, state and federal law enforcement agencies and the private sector for security purposes. At OAK, the Port partners with the Transportation Security Administration (TSA), U.S. Customs and Border Protection (CBP), and the Alameda County Sheriff's Office to implement TSA and other security related regulations, and to evaluate and address law enforcement and security-related issues at the Airport. The Port also uses a private security firm for additional security needs. At the seaport, the Port partners with the U.S. Coast Guard, CBP, the Oakland Police Department, and maritime tenants and customers to enhance and enforce security measures. Security requirements and regulations continue to evolve as various agencies, such as the U.S. Department of Homeland Security (DHS), respond to and learn from anticipated threats and security events. The cost of meeting security guidelines is rising as more requirements are put into place and as newly-installed infrastructure (sometimes funded by grants) must now be operated and maintained at direct cost to the Port. The Port anticipates that it will continue to look to the federal government for continued security funding.

COMMUNITY CONNECTION

The Port recognizes that its business activities can profoundly affect the local and regional community, as well as the environment. As a result, the Port continuously develops and evaluates its activities to reflect its long-standing commitment to doing its part to promote the economic, social, and environmental well-being of the City and the region. For example, as part of its Strategic Plan Update for Year 2012, the Port of Oakland established the key performance indicator of catalyzing the generation of 1,000 Port-related jobs.



The Port is committed to its role as a steward of the public trust, to improving the environment, and to being socially responsible in its activities and operations. The Port engages with the public, businesses, advocacy groups, tenants and regulatory agencies to improve its performance on traditional and emerging environmental and social equity issues, such as economic development. The Port also organizes events such as the Good Neighbor Breakfast where Port officials update the community on

Port projects and engage public input, and the annual shoreline clean up days to promote public participation in the Port's stewardship activities.

ENVIRONMENTAL STEWARDSHIP

Energy Conservation at Port Headquarters

In 2011, for the sixth consecutive year, the Port headquarters, located at 530 Water Street, was awarded the Energy Star label by the United States Environmental Protection Agency (EPA) and the United States Department of Energy (DOE). The Energy Star is a joint program of the EPA and DOE to help Americans save money and protect the environment through the use of energy efficient devices and energy saving practices. To achieve an Energy Star award, a facility must rank among the top 25% most energy efficient buildings in the market on a scale of 1 to 100.

Alternative Energy

The Port is moving on several fronts to increase the use of renewable and alternative energy. In 2011, the Board adopted a Renewable Portfolio Standard (RPS) for the Port's wholesale electric power. The RPS establishes that 33% of the Port's electricity purchases for resale be from renewable sources of energy by the year 2020. The California Energy Commission (CEC) currently accepts the following types of renewable electricity generation: solar, wind, geothermal, biogas, biomass, and small hydroelectric. The Port currently receives a small allocation of small hydroelectric generation from the Western Area Power Administration (WAPA), an agency of the U.S. Department of Energy. In November 2007, the Port and Sun Edison, LLC entered into a power purchase for a solar power system located at OAK. The solar power system, which consists of nearly 4,000 panels, generates over 1,000,000 kilowatt hours of energy annually. In April 2011, the Board approved the Port's participation in a geothermal power plant project at the Geysers in Sonoma County. The Port expects the project to meet 10% of the Port's electric needs when it begins generating electricity in 2014 and the Port will be one step closer to the 33% goal of the new 2020 RPS requirement. The Port is currently developing and exploring other renewable project opportunities in order to meet the RPS targets adopted by the Board.

In addition to the RPS, the Port has an energy efficiency program and renewable energy incentives which provides rebates to Port electric customers who make qualified energy upgrades on their facilities such as lighting, heating and cooling systems or install renewable energy generation such as solar power. The Port pays the rebates through the collection of an environmental surcharge from the customer's utilities Rates and Charges. Further, in 2011, the Port began the scoping process for the Port Energy Innovation Initiative (EII). The goal of the EII is to study and implement ways to achieve lower energy costs and long-term energy sustainability through energy efficiency, renewable energy and other innovative technologies and strategies that will enhance the competitiveness of the Port, generate jobs and improve long-term sustainability.

Air Quality

The Port's programmatic efforts to improve air quality from maritime sources began in the mid-1990s, long before the relatively recent State of California regulatory focus on the effects of air pollutant emissions on the environment and public health. Over the years, the Port has initiated or participated in a number of emission reduction projects and mitigation programs, including cargo handling equipment retrofits and drayage truck replacements, and has designed its infrastructure, such as access roads and marine terminals, to provide for more efficient (less congested) operations at the seaport and Airport.

In 2008, the Board voted unanimously to adopt and implement a Maritime Air Quality Policy Statement, which includes the goal to reduce cancer health risk related to diesel particulate matter at the seaport by 85% by 2020 (using 2005 emissions as the baseline). In 2009, the Board adopted the Maritime Air Quality Improvement Plan (MAQIP), which represents the Port's comprehensive policy framework to improve air quality and public health related to emissions from seaport operations. The MAQIP establishes an emissions reduction approach comprised of three strategies: (1) target emissions reductions earlier than required by regulations ("early actions"); (2) support enforcement of regulations; and (3) target emissions reductions above and beyond those required by law. At the seaport, the Port is implementing several programs to comply with air quality regulations and to curb the effects of emissions from seaport sources on the natural and human environment.

- As part of its Comprehensive Truck Management Program (CTMP), the Port coordinated with the Bay Area Air Quality Management District in 2009-2011 to assist Oakland drayage truck drivers serving marine terminals with the purchase and installation of diesel particulate filters to meet State of California regulatory requirements. In addition to contributing \$5 million to retrofit drayage trucks with particulate filters, the Port helped staff the trucker grant information and outreach center at the seaport to increase access to and participation in the diesel particulate filter project. The filter is estimated to reduce drayage truck's diesel particulate emissions by 85%.
- In spring 2011, the Port began construction of shore power infrastructure at its marine terminals, enabling ships to connect to the power grid and turn off their diesel-fueled auxiliary engines while docked at the Port. Shore power is a key element of the State of California's Goods Movement Emissions Reduction Program and one of the principal methods of compliance with the CARB regulation for "vessels at berth." The program will be constructed and put into service in phases, between summer 2012 and winter 2013 (see *Capital Budget and Capital Needs Assessment* section).



- In CY 2013, the Port plans to conduct an update of the Port of Oakland 2005 Seaport Air Emissions Inventory to determine progress towards its 2020 air quality goals in the Maritime Air Quality Policy Statement (see above). The Port expects to report to its stakeholders as part of this update process.

At the Airport, the following projects are underway:

- The 2003 Airport Development Program Mitigation Monitoring and Reporting Program includes many air quality initiatives that the Port continues to implement, including the alternative fuel ordinance for Airport-serving taxis and shuttle buses, and a trip reduction program. The ordinance requires 50% of vehicles to use alternative fuel (e.g., compressed natural gas or hybrid technology). The trip reduction program encourages Airport employees to seek alternatives to driving alone to work, such as vanpooling, carpooling, and use of public transportation.
- Port staff have been working with the Rental Car Consortium (RAC) to encourage the RAC to replace its 1981 diesel buses ahead of CARB's regulatory deadlines. The RAC ordered new clean diesel buses in 2011, and new buses should be in operation in late 2012 / early 2013.
- BART's Oakland Airport Connector project, currently in construction, will eliminate the operation of shuttle buses from the Airport to the Coliseum BART station, thereby reducing air pollutant emissions.
- In March 2011, the Airport expanded its electric vehicle charging infrastructure, which is located directly across from the terminals, by installing eight new-generation Coulomb units as part of the ChargePoint America Program.



Wetlands, Habitat Restoration, and Parks

The Port is committed to open space and environmental restoration as part of its development and operations. As the cost of maintaining public parks, open space, and bicycle areas increases significantly, the Port works actively with government agency and community partners to maintain these areas for public access at financially-sustainable levels.



Over the years, the Port has been directly involved in several wetland restoration projects, including Arrowhead Marsh at Martin Luther King Jr. (MLK) Regional Shoreline, Sonoma Baylands, and Hamilton Base Wetlands Restoration Project. More recently, in spring 2012, the Port transferred the thriving Damon Slough wetland site to the EBRPD for maintenance in perpetuity as a seasonal wetland. Additionally, as part of the current Runway Safety Area Project at OAK, the Port is conducting an extensive wetlands and endangered species mitigation to address potential impacts of approximately 15 acres of fragmented seasonal wetlands, and approximately seven acres of potential and marginal foraging California clapper rail habitat. The Port is working closely with regulatory agencies to identify suitable wetland mitigation areas, with a preference for contributing to the enhancement and/or expansion of already established mitigation sites.

Finally, in the near future, the Port expects to complete one of its largest habitat restoration projects, the 180-acre Middle Harbor Enhancement Area (MHEA), a former U.S. Navy vessel berthing area in the heart of the seaport. The MHEA is a model project which demonstrates the benefits of reuse of dredged materials (from the Port's 50-foot harbor deepening/dredging project) to restore rare in-Bay habitat areas.

There are several parks on Port property - the four largest are Port View Park, Middle Harbor Shoreline Park, Estuary Park, Union Point Park, and MLK Regional Shoreline. The largest of these is the Middle Harbor Shoreline Park, a 40-acre park in the heart of the seaport adjacent to the MHEA. This park includes an informal amphitheater, large open space areas, interpretive exhibits, an observation tower, nature trails, stunning views, the City's only major beach, and an area where visitors can catch a glimpse of active marine terminal operations.

In addition, the Port is an active member of the working group that is planning access to the bicycle-pedestrian walkway currently under construction on the new east span of the Bay Bridge, in a manner that is compatible with the proposed development of a trade and logistics center at the former OAB and other related development projects.

Green Design

In recent years, the Port has included green building features in some of its new developments, notably the concourse at OAK Terminal 2, which was awarded Leadership in Energy and Environmental Design (LEED) Silver Certification by the U.S. Green Building Council. Terminal 2 is the first airport passenger terminal in the U.S. to receive the “Silver” level of this prestigious award. Currently, the Federal Aviation Administration (FAA) in coordination with the Port is constructing a new 236-foot air traffic control tower, which will be a state-of-the-art facility incorporating significant green systems including solar power, geothermal heating, and rainwater storage. The tower is scheduled for completion in 2013 and was funded by the federal stimulus act to provide well-paid construction jobs.

SOCIAL RESPONSIBILITY

The Port’s contribution to the vitality of the City and surrounding communities also comes through the policies and programs administered by its Social Responsibility Division (SRD). SRD aims to facilitate inclusion, fairness, equity, as well as access to economic opportunities, programs, and services of the Port for the people and businesses in the Port community. SRD’s activities include:

- Administering and managing federal, state, local and Port policies and regulatory requirements as they relate to economic and equal employment opportunity;
- Ensuring that the Port and its contractors, vendors and tenants fulfill their regulatory compliance requirements (i.e., federal, state, local and Port mandates); and
- Strengthening the Port’s commitment to strategic collaboration and outreach with key stakeholders (Port staff, contractors, tenants, vendors and community partners and residents) to maximize community economic opportunity and development.

Equitable Contracting at the Port

In 1997, the Board adopted its Non-Discrimination and Small Local Business Utilization Policy (NDSLBU) to ensure non-discrimination in Port contracting processes, and to facilitate small and local business participation in Port public works and goods and services contracts. The NDSLBU provides preference points for local, small and very small businesses bidding on Port contracts; sets aside contracts for small businesses; and facilitates technical assistance and other financial services to ensure equitable access to Port contracting opportunities. The NDSLBU is a Port policy and can be amended at any time by the Board. To support the NDSLBU provisions and process, the Board approved a formal Port certification of small and local businesses. Preference points and/or discounts are awarded to bidders and proposers utilizing Port-certified firms in the Local Impact Area (LIA)/Local Business Area (LBA).¹²

¹² The LIA includes the cities of Oakland, Alameda, Emeryville and San Leandro. The LBA includes all the cities in Alameda and Contra Costa counties.

In 2002, the Board adopted the Alternative Project Delivery Approach (APDA) within the NDSLBP. This collaborative policy introduced new strategies for facilitating local and small business participation when the project and specifications are not sufficiently defined to allow bidders to identify their subcontractors, suppliers, or sub-consultants, at the time of bid submission (e.g., alternative project delivery methods). The APDA pairs minimum local and small business utilization requirements with financial incentives for exceeding goals and penalties for underachieving the goals. As a result of the NDSLBP policy, the Port has achieved noteworthy small and local business utilization, as summarized in the tables below.

FY 2011 Contract Dollars, Local and Small Business Utilization

Total Contract Amount (includes "Under Bid Limit", "Consultant" and "Public Works" Contracts)	Local Business Utilization (includes LIA + LBA)		Small Business Utilization (includes SBE + VSBE) ¹	
\$60,094,893	\$41,575,413	69%	\$9,270,634	15%

¹ SBE is defined as a Small Business Enterprise; VSBE as a Very Small Business Enterprise.

FY 2011 Local Business Utilization Percentage

Contract Type	Contract Amount	Local Business Utilization	
		<u>In Dollars</u>	<u>Percentage</u>
Under the Bid Limit	\$18,903,108	\$11,724,775	62%
Consultant Contracts	\$17,344,168	\$11,365,795	66%
Public Works	\$23,847,617	\$18,484,843	78%
Total Contract Amount	\$60,094,893	\$41,575,413	69%

In order to comply with requirements and assurances for grants awarded by the FAA, the Maritime Administration, and the Federal Highway Administration pursuant to U.S. Department of Transportation, 49 Code of Federal Regulation, Parts 23 and 26, the Port must establish and administer Disadvantaged Business Enterprise (DBE) programs including developing a goal, methodology for determining the goal, and monitoring and reporting requirements to determine DBE attainment. SRD is responsible for developing the DBE program plans, outreach plans, goals and methodologies specific to each grant as set forth by the operating agency, administering the programs once approved by the Board and the granting agency, and monitoring and reporting on DBE attainment.

Sustainable Wages and Local Workforce Utilization at the Port

In 2002, the voters of the City passed Measure I, adding to the City Charter Section 728 (§728) entitled, Living Wage and Labor Standards at Port-Assisted Businesses. §728 requires Port Aviation and Maritime businesses¹³ that meet specified minimum threshold requirements to pay all non-exempt employees a Living Wage rate established by City Ordinance and adjusted annually based on the Consumer Price Index for the San Francisco, City and San Jose area. The Living Wage rate as of July 1, 2012 is set at \$11.70 per hour for employees who receive health benefits and \$13.45 per hour for employees who do not receive health benefits. §728 also applies to aviation and maritime tenants that have month-to-month tenancy, and provides applicable employers with incentives to provide health benefits to employees, establishes a worker retention policy, and requires applicable employers to provide access to payroll records in order to monitor compliance and to allow labor organization representatives to access the workforce. The provisions of §728 are incorporated in Port Ordinance Number 3666 as amended by Ordinance 3719.

The Port has also developed a number of strategic partnerships to stimulate local workforce utilization. Some of those efforts include partnering with the ATLAS program, an innovative program of Peralta Colleges designed to create career path training and employment for East Bay residents in warehousing and logistics (truck driving, supply chain management, technologies, etc.) and the Port's partnership with labor and community through the Maritime Aviation Project Labor Agreement (MAPLA) discussed below.

Maritime and Aviation Project Labor Agreement

The MAPLA was adopted by the Board in 2000 and is intended to cover the capital projects at the Airport and the seaport. In response to Board policies, the MAPLA was designed to ensure project labor stability, the employment of Port LIA/LBA residents (Local Hire Program), and the utilization of Port-certified small businesses.¹⁴ The MAPLA also maintains a "Social Justice Trust Fund," a national model, used to fund local training and employment programs. Initially adopted for five years (through December 2004), the MAPLA has been extended several times and is currently in effect through June 30, 2015. Successes of the MAPLA to date include:

- Over 3.7 million craft hours have been worked under the MAPLA resulting in 1.15 million LIA craft hours of employment.
- LIA/LBA resident craft hours total over 2.2 million; 59% of the total craft hours were performed by LIA/LBA workers, well over the 50% goal established in the MAPLA.
- Over \$109 million in wages were earned by LIA/LBA residents; \$57 million went to LIA residents.

¹³ Generally includes Port contractors/consultants (except contractors providing public works construction) and Port financial assistance recipients with contracts that exceed certain minimum thresholds. Also applies to contractors/consultants hired by Port tenants. §728 applies to Maritime and Aviation-related work; it does not apply to Commercial Real Estate work.

¹⁴ The MAPLA sets forth specific goals for the hiring of residents from the Port's LIA and LBA. For more information, please visit <http://www.portofoakland.com/business/contract.asp>.

- Contractors' contribution of 15 cents per craft hour to the Social Justice Trust Fund has resulted in over \$385,000 in grants distributed to community groups working to achieve the Port's local-hire goals.

Even with these successes, the MAPLA continues to face challenges. On-going weak economic conditions result in lower construction activity; trade unions have high unemployment in many prominent craft jobs such as carpenters, operating engineers, and electricians; and the increased oversight from federal and state agencies that provide grants to the Port is increasing compliance costs. Despite these challenges, the Port and its labor and community partners have benefitted greatly from the MAPLA. The Port has enjoyed more than ten years of labor peace and the local community has gained jobs and experience through the local hiring goals requirements of the MAPLA. Through the MAPLA's Social Justice Trust Fund, local contractors have become proactive in investing in community training programs, thereby helping the local community to grow.

ECONOMIC IMPACT

After more than eight decades, the Port continues to meet challenges and leverage opportunities to ensure its competitiveness and financial health, which in turn allows the Port to deliver meaningful and diverse benefits locally and regionally, as well as throughout the State of California and beyond. The table below provides a summary of the economic impact of the Port and Port-related activities.

CY 2010 ECONOMIC IMPACTS OF THE PORT

ECONOMIC IMPACT	AVIATION	MARITIME	COMMERCIAL REAL ESTATE	TOTAL PORT
REVENUE (\$ millions)				
Business Revenue	\$4,216	\$2,108	\$500	\$6,824
Personal Income	\$1,868	\$2,222	\$316	\$4,406
State/Local Taxes	\$197	\$233	\$33	\$463
Local Purchases	\$271	\$522	\$58	\$851
DIRECT AND OTHER JOBS				
<i>Types of Bay Area jobs:</i>				
Direct	7,680	10,927	3,336	21,943
Induced	5,578	11,600	1,433	18,611
Indirect	<u>1,408</u>	<u>6,306</u>	<u>868</u>	<u>8,582</u>
TOTAL	14,666	28,833	5,637	49,136
VISITOR INDUSTRY JOBS (direct and induced)	24,428	---	---	24,428
RELATED JOBS	383,010	443,988	---	826,998

Source: 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010.

Note: Definitions of economic impact categories can be found in the *Acronyms and Definitions* section.

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FINANCIAL POLICY GUIDELINES

General Guidelines

- The basis on which the budget is prepared is consistent with the basis of accounting used, as promulgated by the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Section 1700.116. The operating budget is presented on the accrual basis of accounting, wherein revenues are recognized when they are earned, not when received, and expenses are recognized when they are incurred, not when paid.
- The Port adopts a balanced operating budget in which total revenues exceed total expenditures.
- All known expected revenues and expenses are reflected.
- Expected future revenue, which may not have signed contracts, has been budgeted only to the extent such expectation is reasonable.
- Incremental revenue from new capital projects, some of which are completed and others of which are expected to be completed within the budget period, are included in the operating revenue only to the extent such expectation is reasonable.
- The capital planning process and development of the 5-Year Capital Needs Assessment is primarily focused on regulatory compliance, life and safety, and revenue maintenance projects. The 1-year Capital Budget includes limited expenditures, primarily for projects for which the Port is already contractually obligated.
- A monthly operating budget and quarterly capital budget variance report is analyzed and distributed to the Board in order to determine if corrective action is needed.
- Funding sources for operating and capital expenditures are identified, including Port-generated cash, bonds and commercial paper proceeds, grant proceeds, Passenger Facility Charges and Customer Facility Charges.
- The City Charter requires the Port to send its adopted Budget to the City by the third Monday in July.

Bond Covenant

- The Port's Bond Indentures require a minimum debt service coverage ratio of 1.25 for Senior Lien and 1.10 for Intermediate Lien debt service.

Board Reserves

- Port Operating Reserve Fund established at 12.5% of operating expense budget.
- Port Bond Reserve Fund (separate from Debt Service Reserve Funds held by Trustee) established at \$30.0 million.
- Capital Reserve Fund established at \$15.0 million.

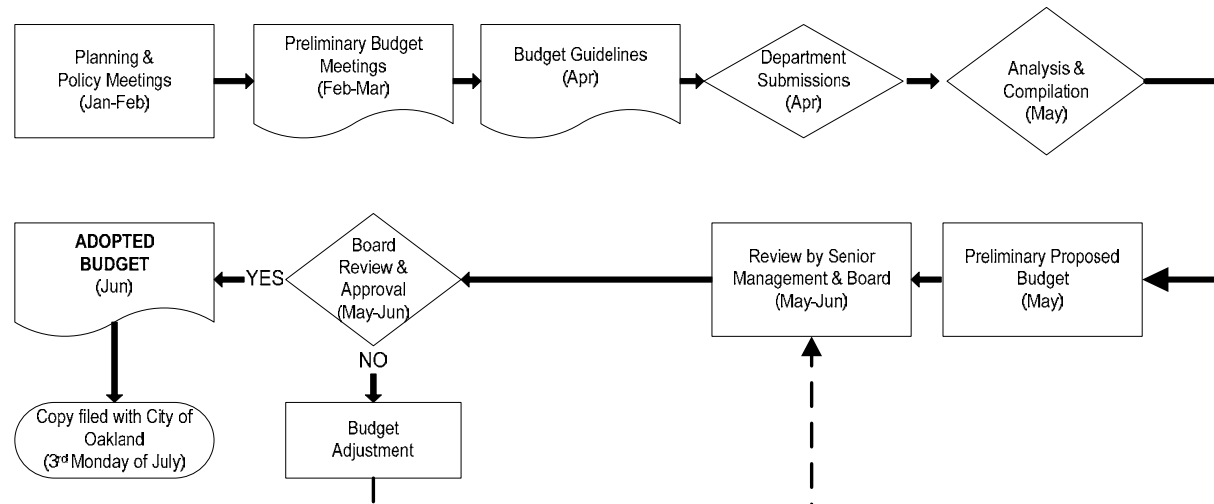
Financial Reporting Policies

- Include Statement of Net Assets; Statement of Revenues, Expenses and Changes in Net Assets; and Statement of Cash Flow in financial reporting.

- Prepare financial statements in accordance with accounting principles generally accepted in the United States of America, as promulgated by GASB.
- Conduct an annual independent external audit in accordance with generally accepted auditing standards.
- Include an annual management letter prepared by external auditors for management and the Board.
- The Port is a department, and accounted for as a public enterprise fund, of the City and its year-end financial reports are included in the Comprehensive Annual Financial Report of the City.
- Adopted GASB Statement No. 59, Financial Instruments Omnibus, beginning Fiscal Year ending June 30, 2011.

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OPERATING BUDGET PROCESS



The Port's operating budget is an essential and major component in the Port's overall planning and management process. The operating budget is a plan for each division's operating revenue and expenses and for Port-wide non-operating income and expenses.

Preliminary budget policies are determined early in the cycle by executive management. Preliminary budget meetings provide the opportunity for discussion and review of new programs, and proposed increases in revenue and expenses, as well as operational needs. Budget instructions, forms and worksheets based upon the outcome of these meetings are distributed in April to all divisions and departments responsible for budget preparation. The primary responsibility for budget preparation rests with the division directors and each division is responsible for presenting a seasonally-adjusted proposed budget. The Financial Services Division ensures consistency in budget submissions and compiles the proposed budgets.

A three-year operating budget is presented to the Board, which adopts the upcoming year's operating budget. The subsequent years' operating budgets are provided in concept only. The final budget is adopted through resolution of the Board. Copies of the adopted budget are provided to various City officials in accordance with the City Charter. The operating budget may only be amended by a resolution of the Board.

During the fiscal year, monthly variance reports are produced comparing actual monthly results to seasonally-adjusted monthly budgets.

OPERATING BUDGET HIGHLIGHTS AND ASSUMPTIONS

OBJECTIVES

- Develop a balanced budget in which total revenues exceed total expenditures.
- Develop an operating budget that strives to achieve a Combined (Aggregate) debt service coverage ratio¹⁵ (DSCR) in the range of 1.35x – 1.40x.
- Maintain a minimum General Fund cash balance at the end of the fiscal year of at least \$85 million.¹⁶

GENERAL

- FY 2013-15 Operating Revenues for Aviation, Maritime and Commercial Real Estate and Utilities are based on divisional input incorporating known market and competitive factors, existing contracts, viability of outstanding agreements, and the execution of anticipated future contracts.
- FY 2013 Operating Expenses incorporate known and anticipated cost increases and decreases, with an emphasis on maintaining or reducing discretionary contractual services, supplies and general and administrative costs and negotiating labor adjustments.
- FY 2014 and FY 2015 Operating Expense incorporate known and anticipated cost increases and decreases.

FY 2013 REVENUE BUDGET HIGHLIGHTS AND ASSUMPTIONS

Note: All comparisons are to FY 2012 Budget, unless otherwise noted.

- Port-wide Operating Revenues of \$311.5 million are \$14.9 million or 5% higher compared to FY 2012 Budget.
- Aviation Revenues of \$145.7 million are \$10.0 million or 7.4% higher compared to FY 2012 Budget; Aviation Revenues for FY 2012 are anticipated to meet budget.
 - Enplanements projected to be 4.8 million or 1.5% higher compared to FY 2012 Budget.
 - Rates and Charges recovery of certain increased operating expenses.
 - Parking Revenue increases by \$0.8 million or 3%.
- Maritime Revenues of \$145.8 million are \$3.9 million or 2.8% higher compared to FY 2012 Budget. Maritime revenues for FY 2012 are anticipated to be \$146.5 million. In comparison to FY 2012 anticipated revenues, FY 2013 budgeted revenues are 0.5% lower.
 - Full (loaded) TEUs projected to be 1.8 million, or 2% higher than FY 2012 anticipated actuals (or 1.4% lower compared to FY 2012 Budget).
 - \$2.7 million increase in Ports America Outer Harbor Terminal, LLC lease pursuant to signed contract.
 - Changes in container activity at certain terminals results in a net \$0.6 million decrease in projected revenues compared to FY 2012 anticipated actuals.

¹⁵ Combined (Aggregate) DSCR is Net Revenues (as defined in the Bond Indentures) divided by debt service on Senior and Intermediate Bonds, DBW Loan and CP Notes interest.

¹⁶ Excluding Board Reserves.

- Space assignment and truck parking revenues is \$0.3 million or 2.9% lower than FY 2012 anticipated actuals (flat compared to FY 2012 Budget).
- Inland Point Intermodal (IPI) Incentive Program of \$2.0 million for ocean carriers.
- CRE Revenues of \$11.5 million are \$0.1 million or 0.5% higher compared to FY 2012 Budget; CRE Revenues for FY 2012 are anticipated to be \$12.2 million. In comparison to FY 2012 anticipated revenues, FY 2013 revenues are 6% lower.
 - Increase in percentage rents, minimum rent adjustments and lease renewals.
 - Assumed close of escrow on Oak-to-9th project by January 2013.
- Utilities Revenues of \$9.0 million is \$1.0 million or 11.9% higher compared to FY 2012 Budget.
 - Electricity revenues assumed to increase primarily due to a one-time capacity charge of \$1.2 million from a major tenant.

FY 2013 OPERATING EXPENSE BUDGET HIGHLIGHTS AND ASSUMPTIONS

Note: All comparisons are to FY 2012 Budget, unless otherwise noted.

- Port-wide Operating Expenses before (i) Depreciation and Amortization and (ii) Absorption of Labor and Overhead to Capital Assets are \$13.7 million or 8.2% higher compared to FY 2012 Budget.
- Port-wide Operating Expenses before Depreciation and Amortization are higher by \$14.5 million or 9.4%.
- Personnel costs are higher by \$4.2 million or 4.9%; Personnel costs represent 49% of the Operating Expense Budget before (i) Depreciation and Amortization and (ii) Absorption of Labor and Overhead to Capital Assets.
 - 492 Full-time Equivalents (FTEs). Current FY 2012 Staffing Plan of 484 FTEs includes the reinstatement of 10 FTEs that were not in the originally adopted FY 2012 Staffing Plan.
 - CalPERS employer pension contribution rate increase from 23.6% to 25.1%, resulting in a \$0.7 million or 5.9% increase.
 - Overtime increases by \$1.3 million or 137% (flat compared to FY 2012 anticipated actuals).
 - Medical premiums rates assumed to increase 7.75% on January 1, 2013, resulting in \$0.6 million increase.
 - Labor adjustments negotiated and realized.¹⁷
 - Vacancy factor of, on average 17 FTEs, due to retirements, normal attrition and normal lags in hiring; results in reduction of Personnel costs of \$2.6 million.
- Significant Increases in Non-Personnel Operating Expenses.
 - Alameda County Sheriff's expense increase of \$1.7 million.
 - Rental car shuttle bus operations increase by \$1.7 million due to the purchase of 12 clean diesel buses. This cost is paid 100% by Customer Facility Charges (CFCs).

¹⁷ The SEIU and WCE contracts expired on June 30, 2011. The IBEW contract expired on December 31, 2011. The IFPTE contract expires on June 30, 2012.

- Maintenance dredging related costs increase by \$1.0 million or 37.8% due to regulatory requirements impacting FY 2011-13.
- Various security, regulatory, maintenance and repair, and IT-related expenses increase by \$2.2 million.
- Supplies increase by \$0.7 million or 21% (primarily maintenance, electrical, plumbing and mechanical) compared to FY 2012 Budget, and 5% compared to FY 2012 anticipated actuals.
- Port use electricity higher by \$0.7 million due primarily to the purchase of renewable energy as mandated by the State of California.
- Insurance expense increase by \$0.5 million due to insurance market conditions.
- Port-wide contingency for business continuity established at \$0.7 million.
- Absorption of Labor and Overhead to Capital Assets lower by \$0.9 million; that is, the amount of Port salaries and overhead which is allocated to the capital budget (not included in operating budget) is lower due to changes in allocations.
- Decrease in Operating Expenses
 - The Port continues to seek cost savings and improve efficiencies. Port staff has identified approximately \$0.7 million in annual savings resulting from several items, including:
 - Employee Assistance Program premium rate
 - Changes to Port cell phone reimbursement allowance
 - Promotional expense
 - Photo copier rental expense
 - Full year implementation of changes to Middle Harbor Shoreline Park management contract
 - Elimination of Alameda County ferry subsidy
 - Wireless communications
 - Payroll processing
 - State Disability Insurance rate

FY 2013 NON-OPERATING EXPENSE BUDGET HIGHLIGHTS AND ASSUMPTIONS

Note: All comparisons are to FY 2012 Budget, unless otherwise noted.

- Interest income of \$1.3 million is lower by 49% due to low interest rate environment. Interest earnings rate on Port funds assumed to be 0.33%.
- Interest expense of \$64.4 million, which includes letter of credit (LOC) fees and accounting accruals, is lower by \$6.1 million, or 9% due to the issuance of the 2011 Series O bonds to refund the 2000 Series K bonds for debt service savings, scheduled repayment of bond principal and lower LOC fees.
 - The Port's revenue bonds and Department of Boating and Waterways (DBW) loan bear interest at fixed rates ranging from 1.5% to 5.5%.
 - The Port assumes a 0.5% interest rate for its outstanding CP Notes.
- Passenger Facility Charges (PFCs) revenue of \$20.2 million is \$0.3 million or 1.5% higher compared to FY 2012 Budget, reflecting the projected enplanement growth rate for FY 2013. PFCs are

approved by the FAA and used to fund eligible capital improvement for specific projects at OAK. See *Capital Budget and Capital Needs Assessment* section.

- Customer Facility Charges (CFC) revenue of \$5.1 million is 7.7% higher compared to FY 2012 Budget (or 1.8% higher than FY 2012 anticipated actuals). CFCs are used to reimburse rental car and shuttle bus operating costs and to fund improvements of the rental car facility at OAK. See *Capital Budget and Capital Needs Assessment* section.
- Other income (expense) reflects the one-time gain of \$12.0 million on the sale of Oak-to-9th partially offset by payments to the City for general services and Lake Merritt maintenance of \$2.1 million, \$0.7 million in retroactive CalPERS retirement contribution for airport servicemen, and \$1.1 million for demolition of Building L-142 at North Field.
- Loss on abandoned and demolished assets budgeted at \$0.3 million annually.
- Grants from government agencies include anticipated Aviation and Maritime grants for reimbursement of certain capital expenditures. See *Capital Budget and Capital Needs Assessment* section.

FY 2014 and 2015 REVENUE PROJECTION HIGHLIGHTS AND ASSUMPTIONS

FY 2014

Note: All comparisons are to FY 2013 Budget, unless otherwise noted.

- Port-wide Operating Revenues of \$316.0 million is \$4.5 million or 1.5% higher.
- Aviation Revenues increase by \$2.5 million or 1.7%.
 - Enplanements assumed to increase 2%.
- Maritime Revenues increase by \$2.5 million or 1.7%.
 - Full TEU growth rate of 2.5%.
 - \$0.6 million increase in Ports America Outer Harbor Terminal, LLC lease pursuant to signed contract.
 - Space assignment revenues anticipated flat.
 - No IPI Incentive Program anticipated.
- CRE Revenues of \$11.7 million increase by \$0.3 million or 2.4%.
 - Increase in percentage rents, minimum rent adjustments and lease renewals.
- Utilities Revenues of \$8.2 million is \$0.7 million or 8.3% lower.
 - Gas and water revenues assumed flat.
 - Additional electricity revenues from anticipated increase in shore power use offset by one-time capacity charge for a major tenant that was recognized in FY 2013.

FY 2015

Note: All comparisons are to FY 2014 Projected, unless otherwise noted.

- Port-wide Operating Revenues of \$323.9 million is \$7.8 million or 2.5% higher.
- Aviation Revenues increase \$2.7 million or 1.8%.

- Enplanements assumed to increase 2.0%.
- Maritime Revenues increase by \$3.9 million or 2.6%.
 - Full TEU growth rate of 2.5%.
 - \$0.7 million increase in Ports America Outer Harbor Terminal, LLC lease pursuant to signed contract.
 - No IPI Incentive Program anticipated.
 - Anticipated tariff increase.
- CRE Revenues of \$12.0 million increase by \$0.3 million or 2.2%.
 - Increase in percentage rents, minimum rent adjustments and lease renewals.
- Utilities Revenues of \$9.2 million is \$1.0 million or 12.2% higher.
 - Gas and water revenues assumed flat.
 - Additional electricity revenues from assumed increase in shore power use.

FY 2014 AND 2015 OPERATING EXPENSE PROJECTION HIGHLIGHTS AND ASSUMPTIONS

- Operating Expenses before (i) Depreciation and Amortization and (ii) Absorption of Labor and Overhead to Capital Assets assumed to increase 1.7% and 2.9%, in FY 2014 and FY 2015, respectively.
- Personnel costs
 - FTEs remain flat at 492 FTEs.
 - Medical premiums assumed to grow at 6.75% in FY 2014 and FY 2015, respectively, based on recent Other Post Employment Benefits (OPEB) actuarial study.
 - CalPERS employer pension contribution rate assumed to be 27.0% and 27.4% based on CalPERS projections as provided to the Port and recent changes to the discount rate announced by CalPERS in calculating its pension liability (a 7.5% and 1.5% increase in FY 2014 and FY 2015, respectively).
 - Labor adjustments negotiated and realized in FY 2014 and FY 2015.
 - Vacancy factor of, on average, 13 FTEs due to retirements, normal attrition and normal lags in hiring; results in reduction of Personnel costs of \$2 million.
- Non-Personnel costs in general are assumed to grow in aggregate at 3% per annum.
- Utilities Cost of Sales increases proportional to increased usage.
- Maintenance Dredging costs increase by \$0.1 million in FY 2014 and by \$0.4 million in FY 2015 due to variations in dredging work required at the individual berths.

FY 2014 AND 2015 NON-OPERATING REVENUE & EXPENSE PROJECTION HIGHLIGHTS AND ASSUMPTIONS

- Interest income is higher as interest earnings rate assumed to increase to 1.0% and 1.5%, respectively, in FY 2014 and FY 2015.
- Interest expense lower due to scheduled repayment of bond principal offset by higher assumed interest rate on Port's outstanding commercial paper notes (CP Notes) of 1.0% and 1.5%, respectively in FY 2014 and FY 2015 and increases in outstanding CP Notes based on 5-Year Capital Needs Assessment. See *Capital Budget and Capital Needs Assessment* section.
- PFCs increase at rate of projected enplanement growth rate of 2% in FY 2014 and 2% in FY 2015.
- CFCs increase at rate of projected enplanement growth rate of 2% in FY 2014 and 2% in FY 2015.
- Other income (expense) reflects \$2.2 million to the City of Oakland for general services and Lake Merritt maintenance and \$0.8 million in retroactive CalPERS retirement contributions for airport servicemen for both FY 2014 and FY 2015.
- Loss on abandoned and demolished assets budgeted at \$0.3 million annually.
- Grants from Government Agencies include anticipated Aviation and Maritime grants for reimbursement of certain capital expenditures and is based on 5-year Capital Needs Assessment. See *Capital Budget and Capital Needs Assessment* section.

DEPRECIATION AND AMORTIZATION

The budget for Depreciation and Amortization reflects the anticipated rate of depreciation on the existing asset base based on anticipated in-service date and life expectancy of capital projects.

DEBT SERVICE AND DEBT SERVICE COVERAGE RATIO

The Port's scheduled bond debt service payments, anticipated interest payments on its outstanding CP Notes, as well as projected debt service associated with new borrowings to support the Port's capital expenditures are as follows:

(\$ Thousands)	Actual 2010-11	Budget 2011-12	Budget 2012-13	Projected 2013-14	Projected 2014-15
Senior & Intermediate Lien Bonds	105,187	113,052	107,681	107,680	107,682
DBW Loan	458	457	458	458	458
CP Interest ¹	233	333	573	1,665	2,959
Total Debt Service	105,878	113,842	108,712	109,802	111,098
Less: Pledged Funds ²	n/a	621	n/a	n/a	n/a
Total Net Debt Service	105,878	113,221	108,712	109,802	111,098
Intermediate Lien DSCR ³	1.47x	1.32x	1.39x	1.42x	1.44x
Combined (Aggregate) DSCR ⁴	1.47x	1.31x	1.38x	1.40x	1.40x

¹ Based on the 5-Year Capital Needs Assessment, CP Notes balance is assumed to be \$114.6 million, \$166.5 million and \$197.2 million with interest rates of 0.5%, 1.0%, and 1.5% for FYs ending 2013, 2014 and 2015, respectively.

² Unspent Series M Bond proceeds were pledged toward debt service.

³ Intermediate Lien DSCR is Net Revenues (as defined in the Bond Indentures) divided by net debt service on Senior and Intermediate Lien Bonds and DBW Loan.

⁴ Combined (Aggregate) DSCR is Net Revenues (as defined in the Indentures) divided by net debt service on Senior and Intermediate Lien Bonds, DBW Loan and CP Notes interest.

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS

FY 2010-11 to FY 2014-15

(\$Thousands)

Division	Actual 2010-11	Budget 2011-12	Budget 2012-13	Projected 2013-14	Projected 2014-15	Variance 2013B vs. 2012B B/(W)	% Variance 2013B vs. 2012B B/(W)
Operating Revenue							
Aviation	\$ 131,439	\$ 135,699	\$ 145,709	\$ 148,181	\$ 150,852	\$ 10,010	7.4%
Maritime	147,189	141,864	145,780	148,312	152,212	3,916	2.8%
CRE	11,294	11,398	11,457	11,731	11,987	59	0.5%
Utilities	8,780	8,035	8,993	8,244	9,246	958	11.9%
Bad Debt Reserve	(719)	(426)	(421)	(421)	(421)	5	1.2%
Total Operating Revenue	297,983	296,570	311,518	316,047	323,876	14,948	5.0%
Operating Expenses							
Aviation	(70,859)	(74,954)	(81,220)	(81,663)	(83,511)	(6,266)	-8.4%
Maritime	(16,574)	(17,576)	(18,569)	(18,930)	(19,383)	(992)	-5.6%
Commercial Real Estate	(5,767)	(6,291)	(6,184)	(6,355)	(6,538)	107	1.7%
Corporate Administrative Services	(2,322)	(3,114)	(2,925)	(2,982)	(3,046)	189	6.1%
Information Technology	(3,456)	(3,560)	(4,511)	(4,621)	(4,737)	(951)	-26.7%
Engineering	(8,596)	(10,479)	(11,746)	(11,860)	(12,430)	(1,267)	-12.1%
Environmental Programs & Planning	(2,456)	(2,758)	(2,747)	(2,776)	(2,838)	12	0.4%
Utilities Cost of Sales	(4,269)	(4,482)	(4,722)	(4,865)	(5,543)	(240)	-5.4%
Social Responsibility	(1,693)	(1,814)	(1,759)	(1,796)	(1,836)	55	3.0%
External Affairs	(1,495)	(2,350)	(2,345)	(2,396)	(2,454)	6	0.2%
Executive Office	(843)	(1,465)	(1,589)	(1,536)	(1,561)	(124)	-8.5%
Board of Port Commissioners	(478)	(540)	(542)	(554)	(567)	(2)	-0.4%
Office of Audit Services	(1,177)	(1,268)	(1,202)	(1,218)	(1,241)	66	5.2%
Port Attorney's Office	(3,795)	(4,371)	(4,786)	(4,888)	(5,003)	(415)	-9.5%
Financial Services	(4,382)	(5,150)	(5,379)	(5,379)	(5,491)	(228)	-4.4%
Non-Departmental Expenses	(29,825)	(26,103)	(29,742)	(31,223)	(32,218)	(3,639)	-13.9%
Absorption of Labor & Overhead to Capital Assets	9,985	11,585	10,730	12,334	11,196	(855)	-7.4%
Depreciation & Amortization	(98,816)	(99,323)	(98,094)	(99,184)	(105,860)	1,230	1.2%
Total Operating Expenses	(246,818)	(254,014)	(267,330)	(269,890)	(283,059)	(13,316)	-5.2%
Operating Income (A)	51,165	42,556	44,188	46,157	40,817	1,632	3.8%
Non-Operating Items							
Interest Income	2,876	2,488	1,280	2,741	3,870	(1,208)	-48.6%
Interest Expense	(71,678)	(70,458)	(64,381)	(63,602)	(63,028)	6,076	8.6%
Passenger Facility Charges (PFCs)	19,105	19,934	20,229	20,634	21,047	295	1.5%
Customer Facility Charges (CFCs)	4,764	4,764	5,130	5,233	5,337	366	7.7%
Abandoned Capital Assets	0	(300)	(300)	(300)	(300)	0	0.0%
Other Income (Expenses)	1,438	8,629	8,134	(2,903)	(2,995)	(495)	-5.7%
(B)	(43,495)	(34,943)	(29,908)	(38,197)	(36,069)	5,035	14.4%
Capital Contributions							
Grants from Government Agencies (C)	27,343	25,891	27,933	97,118	54,641	2,041	7.9%
CHANGE IN NET ASSETS (A+B+C)	\$ 35,013	\$ 33,504	\$ 42,212	\$ 105,078	\$ 59,389	\$ 8,708	26.0%
Net Assets, Beginning of the Year	890,986	926,000	959,504	1,001,716	1,106,794	35,013	3.8%
Net Assets, End of the Year	\$ 926,000	\$ 959,504	\$ 1,001,716	\$ 1,106,794	\$ 1,166,183	\$ 43,721	4.6%
Change in Net Assets before Grants (A+B)	\$ 7,670	\$ 7,613	\$ 14,280	\$ 7,960	\$ 4,748	\$ 6,667	86.9%
Change in Net Assets before Grants, PFCs and remaining CFCs	\$ (12,330)	\$ (12,767)	\$ (4,685)	\$ (12,654)	\$ 4,748	\$ 6,286	49.2%
Senior Lien Debt Service Coverage Ratio	2.33	1.99	2.17	2.64	2.59		
Intermediate Lien Debt Service Coverage Ratio	1.47	1.32	1.39	1.42	1.44		
Combined (Aggregate) Debt Service Coverage Ratio	1.47	1.31	1.38	1.40	1.40		
Operating Ratio	49.7%	52.2%	54.3%	54.0%	54.7%		
Funded FTEs (Full-Time Equivalent)	465	474*	492	492	492		

* Later increased to 484 FTEs

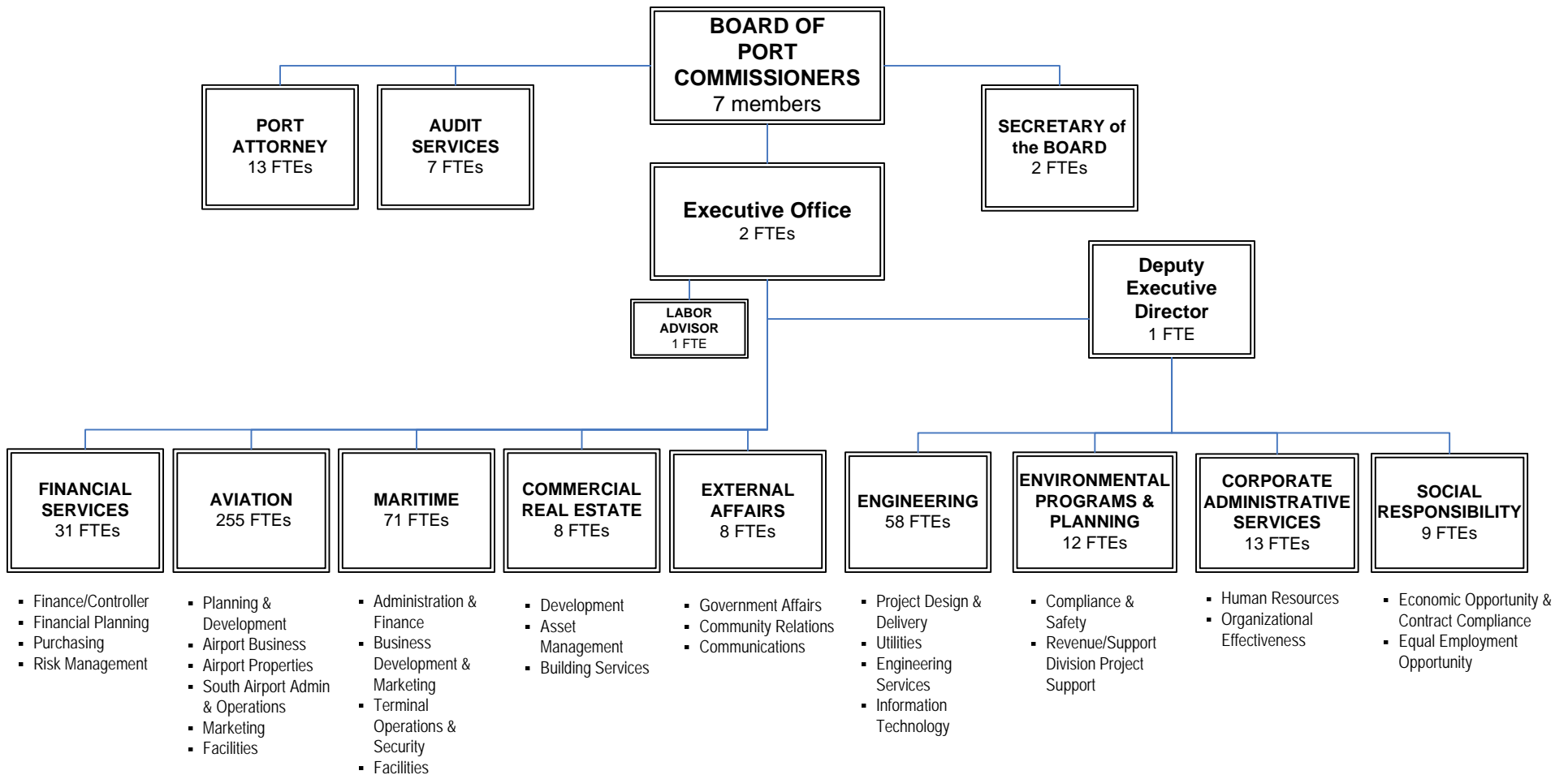
OPERATING EXPENSES BY CATEGORY
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 THROUGH 2015
(\$ Thousands)

						Variance	%
	Actual	Budget	Budget	Projected	Projected	2013 B	2013 B
Operating Expenses	2010-11	2011-12	2012-13	2013-14	2014-15	vs.	vs.
						2012 B	2012 B
Personnel Services	(79,002)	(84,572)	(88,734)	(91,155)	(93,179)	(4,162)	-4.9%
Contractual Services	(53,189)	(56,324)	(62,993)	(63,164)	(65,082)	(6,669)	-11.8%
Supplies	(3,427)	(3,214)	(3,901)	(4,019)	(4,139)	(688)	-21.4%
General & Administrative	(18,404)	(17,962)	(19,871)	(20,095)	(20,713)	(1,909)	-10.6%
Utilities	(4,269)	(4,482)	(4,722)	(4,865)	(5,543)	(240)	-5.4%
Departmental Credits	10,290	11,862	10,985	12,592	11,457	(877)	-7.4%
Depreciation & Amortization	(98,816)	(99,323)	(98,094)	(99,184)	(105,860)	1,230	1.2%
Total Operating Expenses	(246,818)	(254,014)	(267,330)	(269,890)	(283,059)	(13,316)	-5.2%

PORT OF OAKLAND ORGANIZATION CHART

Fiscal Year 2012-13

492¹ Funded FTEs (Full-Time Equivalents)



¹ Includes 1 unidentified FTE not yet assigned.

STAFF SUMMARY

During FY 2011, the Port completed a five-year Strategic Plan and determined it needed to add two key senior level positions to implement the initiatives set forth in the Strategic Plan. This effectively raised the FY 2011 funded FTEs to 467. In addition, the Port created an External Affairs Division, added a Labor Advisor, moved the Information Technology Department from Financial Services to Engineering, and realigned the Executive Office, Corporate Administrative Services, and Social Responsibility Divisions. These changes did not alter the funded FTE count of 467.

For FY 2012, the Port budgeted for an additional seven FTEs including a Deputy Executive Director and Director of Engineering. The FY 2012 Budget reflected 474 FTEs. During FY 2012, 10 FTEs were reinstated, increasing the FY 2012 Staffing Plan Budget to 484.

In FY 2013, the Port is budgeting an additional 8 FTEs primarily in Information Technology to support Enterprise Resource Planning (ERP) initiatives and priorities. As a result, the FY 2013 budget includes 492 funded FTEs. The Port continues to evaluate its organizational structure. At this time, no assumptions can be made about what changes may be made to the Port's organizational structure, if any, as a result of its organizational re-alignment efforts.

STAFF SUMMARY

(FULL-TIME EQUIVALENT)

	Unaudited ¹ Actual 2010-11	Budget 2010-11	Adjusted ² Budget 2011-12	Funded ³ 2012-13
FTEs				
Aviation ⁴	228	249	254	255
Maritime ⁵	61	65	70	71
Commercial Real Estate	8	8	8	8
Corporate Administrative Services	13	13	13	13
Engineering (excluding IT)	37	38	41	41
Information Technology (IT)	10	12	12	17
Environmental Programs & Planning	12	12	12	12
External Affairs	7	8	8	8
Social Responsibility	7	8	9	9
Board of Port Commissioners (Secretary of the Board)	2	2	2	2
Executive Office	3	3	4	4
Audit Services	7	7	7	7
Port Attorney	12	13	13	13
Financial Services	27	29	31	31
Non-Departmental ⁶	0	0	0	1
Total FTEs	434	467	484	492

¹ Represents FTEs that were filled as of June 30, 2011.

² See Notes 4-5 below.

³ 3 FTEs are limited duration appointments.

⁴ Reinstated 6 FTEs and transferred 1 FTE to Financial Services Division.

⁵ Reinstated 4 FTEs.

⁶ Includes 1 unidentified FTE not yet assigned.

PERSONNEL SERVICES BY DIVISION¹

(\$ Thousands)

Division	Actual 2010-11	Budget 2011-12	Budget 2012-13²	Projected 2013-14³	Projected 2014-15³
Aviation	31,030	34,546	35,944	36,449	37,206
Maritime	9,790	11,281	11,691	11,846	12,087
Commercial Real Estate	1,291	1,360	1,265	1,284	1,309
Corporate Administrative Services	2,021	2,519	2,374	2,415	2,462
Engineering	6,430	7,449	7,519	7,611	7,758
Information Technology	1,826	2,086	2,832	2,892	2,956
Environmental Programs & Planning	1,967	2,122	2,087	2,115	2,157
External Affairs	899	1,361	1,334	1,355	1,381
Social Responsibility	1,301	1,505	1,446	1,474	1,504
Board of Port Commissioners	277	337	346	352	358
Executive Office ⁴	616	1,018	1,074	1,084	1,103
Audit Services	1,142	1,231	1,165	1,180	1,201
Port Attorney	2,507	2,716	2,787	2,829	2,882
Financial Services	3,841	4,470	4,617	4,690	4,782
Non-Departmental	14,066	10,571	12,253	13,582	14,032
TOTAL PERSONNEL SERVICES	79,002	84,572	88,734	91,155	93,179
% Change from Prior Year		7.1%	4.9%	2.7%	2.2%

¹ Mainly consists of salaries, fringe benefits, retiree medical costs, workers' compensation, vacation accrual, overtime, temporary help, professional development, training, college tuition program and meal allowance.

² Reflects labor adjustments from all units including unrepresented.

³ Reflects full year of labor adjustments from all units including unrepresented.

⁴ Includes Executive Director, Secretary to the Executive Director, Deputy Executive Director and Port Labor Advisor.

SALARIES AND FRINGES BY DIVISION¹

(\$ Thousands)

	Budget FY 2011-12			Budget FY 2012-13 ²		
	Salaries	Fringes	Total	Salaries	Fringes	Total
Aviation	22,199	12,219	34,418	23,674	12,133	35,808
Maritime	7,347	3,823	11,170	7,659	3,920	11,579
Commercial Real Estate	903	454	1,357	837	417	1,254
Corporate Administrative Services	1,313	687	1,999	1,318	682	2,000
Engineering	4,922	2,493	7,415	5,054	2,430	7,484
Information Technology	1,322	678	2,001	1,681	839	2,520
Environmental Programs & Planning	1,390	724	2,114	1,367	695	2,062
External Affairs	904	430	1,334	882	427	1,309
Social Responsibility	956	475	1,432	919	453	1,372
Board of Port Commissioners	230	104	334	238	105	343
Executive Office	706	312	1,018	744	330	1,074
Audit Services	831	400	1,231	796	369	1,165
Port Attorney	1,819	872	2,692	1,885	878	2,763
Financial Services	2,944	1,472	4,416	3,083	1,507	4,589
Non-Departmental ³	(1,500)	(2,250)	(3,750)	(1,573)	(496)	(2,069)
TOTAL	46,285	22,894	69,179	48,563	24,690	73,253
Funded FTEs			484			492

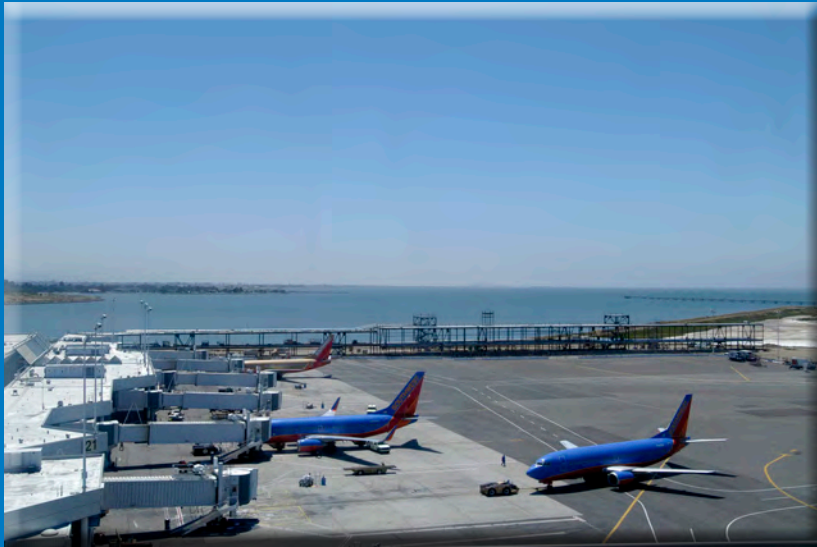
¹ Fringes mainly consist of Employer PERS, Employee PERS paid by the Port, Medicare, medical insurance, dental insurance, life insurance, long term disability, State Disability Insurance, vision care, and employee assistance.

² Reflects labor adjustments from all units including unrepresented.

³ Non-Departmental reflects salary and fringe savings resulting from vacancy factor, and 1 unidentified FTE in FY 2012-13.

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Aviation Division



Aviation Area Map



AVIATION DIVISION FUNCTION

The Aviation Division provides the finest quality air transportation facilities for the use of its tenants and the traveling public, while maximizing the economic impact of OAK for the City and the surrounding region.

DEPARTMENT FUNCTIONS

AVIATION PLANNING AND DEVELOPMENT

Aviation Planning and Development evaluates and identifies future Airport operating requirements, develops the facility plans and capital improvements as well as funding programs to meet those needs, and manages implementation of all approved aviation capital projects in an effort to achieve scope, schedule and budget objectives.

AIRPORT BUSINESS

Airport Business prepares Aviation Division's revenue and expense budgets, passenger airline operations and financial forecasts; strategizes ways to enhance non-aviation revenue; manages related special projects; and manages airport parking and bus shuttle services.

AIRPORT PROPERTIES

Airport Properties manages the leasing, acquisition and disposition of aviation properties, including all commercial airline agreements, principal land and building leases, in-terminal concession and rental car agreements, as well as other agreements with fixed base operators, the airline fuel consortium, aircraft ground handlers and cargo operators.

AVIATION MARKETING

Aviation Marketing develops and manages programs designed to promote OAK to the general public, local communities, passenger and cargo airlines, travel agents, and commercial travel departments in order to establish OAK as the preferred airport for traveling passengers and air cargo carriers. This department also promotes OAK to commercial airlines that are considering Bay Area service.

AVIATION FACILITIES

Aviation Facilities performs ongoing maintenance, repair and construction of all Airport grounds, facilities and physical plant components for the entire 2,600 acre campus, including ensuring compliance with numerous federal safety and security regulations and standards. This scope includes building exteriors, all pavement (including runways, taxiways, and roadways), drainage, fences, dikes, landscaping; all utility systems including electrical power distribution, water, and sewer systems; as well as the interior of the Airport terminals, which includes electrical, lighting, heating, ventilating and air conditioning systems, baggage handling systems, elevators, escalators and passenger loading bridges.

SOUTH AIRPORT

- **Aviation Administration** plans, organizes and directs airport operations pursuant to Port rules, policies and applicable federal and state regulations.

- **Administrative Services** provides human resource management/training, insurance compliance, communications, and information technology.
- **Landside Operations** manages airline terminal facility operations and interacts with airlines for space requirements and ensures that terminal facilities serve airport customer needs. Also coordinates the maintenance and improvement of airport access roads, walkways and grounds, and manages ground transportation required for support, safety and security of passenger and visitor activities in the terminal complex.
- **Airside Operations** provides airport safety, security, crash, fire and emergency medical services and monitors programs to reduce airport noise levels with computerized tracking systems. Staff inspects and maintains the airport's operational facilities to ensure compliance with prescribed FAA standards.
- **Aviation Security** administers security, which includes airport-worker training, background vetting, and the issuance of identification badges, and develops contingency plans for security-related emergencies at OAK. This includes administering contracts with outside agencies to provide law enforcement and security guard services at OAK and related functions, managing/operating the Airport's automated access control system, and closely coordinating with the TSA on terminal and perimeter security matters and operation of the security checkpoints.

ACTIVITY LEVELS

(Thousands)

	Actual 2010-11	Budget 2011-12	Budget 2012-13	Projected 2013-14	Projected 2014-15
Enplaned Passenger Traffic	4,688	4,764	4,835	4,932	5,031
% Growth	-1.9%	1.6%	1.5%	2.0%	2.0%
Landing Weight	8,581,456	8,488,649	9,215,000	9,399,300	9,587,286
% Growth	-2.8%	-1.1%	8.6%	2.0%	2.0%
Air Freight + Mail (lbs)	1,124,605	1,105,302	1,100,000	1,100,000	1,133,220
% Growth	4.2%	-1.7%	-0.5%	0.0%	3.0%
Parking Volume	898	908	862	862	862
% Growth	-4.7%	1.1%	-5.1%	0.0%	0.0%
AirBART Ridership	735	754	758	773	789 ¹
% Growth	-2.8%	2.6%	0.5%	2.0%	2.0%

¹ Subject to change based on BART-Oakland Airport Connector in-service date.

AVIATION DIVISION OPERATING REVENUE

(\$ Thousands)

	Actual 2010-11	Budget 2011-12	Budget 2012-13	Projected 2013-14	Projected 2014-15
Fueling Revenue	3,561	3,720	3,809	3,809	3,809
Field Revenue	30,168	29,922	32,018	31,912	32,465
Terminal Concessions	19,128	19,068	19,650	19,705	19,761
Other Terminal	6,185	6,619	7,033	7,374	7,496
Other Airport Rentals	20,707	24,364	26,865	27,064	27,980
Parking and Ground Access	28,813	28,828	29,603	30,198	30,801
Terminal Rent	22,667	22,976	26,604	28,018	28,438
Delinquency Charges	56	21	21	21	21
Miscellaneous	156	181	106	80	80
Subtotal	131,439	135,699	145,709	148,181	150,852
Bad Debt Reserve	(694)	(101)	(101)	(101)	(101)
TOTAL	130,745	135,598	145,608	148,080	150,751

- FY 2011-12: Other airport rental revenue increases \$3.7 million primarily due to cargo related rental rate increases included in certain signed contracts of \$3.6 million. Other terminal revenues higher by \$0.4 million due to increased baggage revenues. Bad debt reserve is better by \$0.6 million primarily due to the bankruptcy of an international airline, increased reserves for defunct cargo handling operators and other uncollectables in FY 2010-11.
- FY 2012-13: Field revenue higher by \$2.1 million due to higher forecasted airline operations and landing weight. Other Airport Rentals increase \$2.5 million due primarily to increased cargo related rent from lease-adjusted rent increases and from increased North Airport-Fixed Based Operator rent. Parking revenues increase by \$0.8 million or 3%. Terminal rent increase of \$3.6 million reflects higher operating expense, and the expiration of an airline rental credit related to prior years' true-up adjustments.
- FY 2013-14: Parking and ground access higher by \$0.6 million due increase in passenger traffic. Terminal rent increases by \$1.4 million.
- FY 2014-15: Operating revenue increases reflect linear growth in passenger and airline activity. Other Airport Rentals increase \$0.9 million due to increase in cargo-related space and building rent. Terminal rent increases by \$0.4 million.

AVIATION DIVISION OPERATING EXPENSES

(\$ Thousands)

	Actual 2010-11	Budget 2011-12	Budget 2012-13	Projected 2013-14	Projected 2014-15
Personnel Services	31,030	34,546	35,944	36,449	37,206
Contractual Services	36,297	37,215	41,363	41,183	42,154
Supplies	1,997	1,539	2,174	2,239	2,306
General & Administrative	1,536	1,676	1,739	1,791	1,845
Dept'l (Credits) Charges	0	(22)	0	0	0
TOTAL	70,859	74,954	81,220	81,663	83,511
<i>FTEs (headcount)</i>	<i>228</i>	<i>254</i>	<i>255</i>	<i>255</i>	<i>255</i>

Personnel Services

- FY 2011-12: Salaries higher due to unfilled positions and vacancy factor being allocated to Non-Departmental (not Aviation Division) in the prior fiscal year. CalPERS pension employer contribution rate increasing from 19.9% to 23.6%. Health care premiums assumed to increase 10% on January 1, 2012.
- FY 2012-13: Includes the reinstatement of 6 FTEs and 1 incremental FTE. CalPERS pension employer contribution rate increasing to 25.15% from 23.60%. Health care premiums assumed to increase by 7.75%. Overtime expenses grow by \$1.2 million. Labor adjustments assumed.
- FY 2013-14: Includes full year impact of labor adjustments.

Contractual Services

- FY 2011-12: Maintenance and repair costs higher by \$0.8 million; shuttle bus operations higher by \$0.8 million; parking lot and ground transportation expenses higher by \$0.3 million; security services higher by \$0.2 million. Lower contractual & consulting services of \$0.8 million, Alameda County Sheriff of \$0.3 million, and computer systems of \$0.1 million.
- FY 2012-13: Alameda County Sheriff expenses higher by \$1.7 million. Rental car shuttle bus operations expenses higher by \$1.7 million due to the rental car companies' acquisition of 12 new clean diesel buses. Higher other contractual services of \$0.4 million and maintenance and repair costs of \$0.2 million.

Supplies

- FY 2011-12: Lower maintenance materials, janitorial, plumbing and expendable equipment.
- FY 2012-13: Primarily higher maintenance materials, electrical, plumbing and mechanical supplies.

Maritime Division



Maritime Area Map



MARITIME DIVISION FUNCTION

The Maritime Division manages, promotes and develops modern logistics facilities, services and programs which stimulate international business and trade while generating revenue to support the overall mission of the Port, and to promote economic growth in the Bay Area, Northern California, and beyond.

DEPARTMENT FUNCTIONS

The Maritime Division manages the Oakland seaport. In December 2008, the Board approved a reorganization of the Maritime Division which streamlined the functions and reorganized staff into three main areas. The Administration and Finance area works on all existing business such as current contracts and capital projects. The Business Development and Marketing area focuses on maintaining and increasing business. The Terminal Operations and Security, and Maritime Facilities (also known as Harbor Facilities) manage tenant relations, security and safety, facility and equipment maintenance, utilities and diving services.

MARITIME ADMINISTRATION AND FINANCE

Maritime Administration and Finance develops and manages, in coordination with the other Maritime departments, all Maritime Division programs in order to achieve the division's stated function, goals and objectives. The Administration and Finance Department provides general oversight and management direction for division personnel and operations. Specifically, the department provides:

- Administration for marine terminal agreements such as terminal pricing, contract negotiations, billing, tariff adjustments and auditing activity;
- Financial analysis and projections, including budget development and statistical data collection;
- Planning, project management and grant development for all marine terminals and related infrastructure facilities and capital projects;
- Management of maritime air quality improvement initiatives and regulatory compliance; and
- Long-term operational strategic planning for other ancillary issues that arise from the operation of the seaport, such as rail planning.

MARITIME BUSINESS DEVELOPMENT AND MARKETING

Maritime Business Development and Marketing develops, recommends and implements a broad range of targeted marketing and business development programs to address the commercial, operational, and strategic needs of the seaport and its customers while maximizing the utilization of seaport assets and services.

Specifically, the Maritime Business Development and Marketing Department:

- Seeks opportunities in domestic and foreign markets; formulates and executes market entry strategies;

- Develops and maintains business relationships with ocean carriers, terminal operators, beneficial cargo owners (importers/exporters), railroads, and other supply chain partners from the local operational offices to the senior executives at global headquarters,
- Actively markets vacant land within the seaport area and manages the entire business development process from solicitation and selection of the optimum business partner to the execution of the final lease agreement;
- Identifies, targets and influences cargo flows using intermodal services and other multimodal logistics capabilities to promote Oakland as a preferred gateway to/from Asia in addition to promoting the entire U.S. West Coast through the U.S. West Coast Collaboration consisting of the six major U.S. West Coast container ports and the two western railroads;
- Coordinates maritime marketing activities to support the Port's public relations and governmental affairs efforts;
- Manages a marketing communication program that focuses on strategies to differentiate Oakland from other U.S., Canada, and Mexico gateways and grow market share;
- Coordinates overseas agency representation and supports senior level overseas trade missions;
- Fosters sister-port relationships and other international collaborative partnerships; and
- Gathers and analyzes statistical data and other market intelligence.

MARITIME TERMINAL OPERATIONS AND SECURITY

Maritime Terminal Operations and Security is responsible for day-to-day contact with the local terminal operators and serves as the liaison between marine tenants and Port services. The Wharfingers determine maintenance and repair responsibilities and coordinate with the Harbor Facilities Department by issuing work orders and assigning priorities based on tenant needs. The Wharfingers also serve as the day-to-day liaison with U.S. Customs, U.S. Coast Guard, the San Francisco Bar Pilots, the Marine Exchange, and the Harbor Safety Committee, as well as other government entities. The operations area ensures that Port tariff requirements and marine terminal lease terms are enforced, and markets and manages space assignment (month-to-month leases) and other non-marine terminal leases. Operations is also responsible for implementation of the Comprehensive Truck Management Program (CTMP).

Security for the Port is managed by the Port Facilities Security Officer (PFSO). The PFSO acts as a liaison between the U.S. Coast Guard, U.S. Customs and Border Protection, local law enforcement and the six marine terminal operators (operating 8 terminals) for security regulations and enforcement strategies. The PFSO is a member of the Northern California Area Maritime Security Committee and the Port Readiness Committee. The PFSO ensures compliance with all mandates of the Federal Maritime Transportation Security Act and United States Coast Guard regulations related to maritime security. The PFSO is also responsible for planning, developing and evaluating seaport security programs and public safety activities in the seaport area. In addition, the PFSO manages federal and state Port security grant programs to fund and implement regional infrastructure protection projects.

MARITIME FACILITIES

Maritime Facilities, also known as the Harbor Facilities Department, is responsible for maintaining Port-owned utilities, facilities and equipment primarily in the harbor and CRE areas and, to a lesser extent, at OAK and the Airport Business Park. It also provides support during construction of capital projects, performs regular and preventive maintenance, administers major maintenance through the Port's annual on-call contracts, and provides first response and stabilization during emergencies and natural disasters. Following are the major functions within the department:

- **Facilities Management** plans, leads, organizes and controls the department's budget, programs, resource management and cost allocation. It interfaces with other departments and divisions and oversees job prioritization and general day-to-day operations.
- **General Maintenance** performs a wide variety of maintenance services within the harbor and CRE areas. This group plans, coordinates, maintains, inspects and performs roofing, paving, building maintenance, carpentry, painting and striping, miscellaneous signage, landscaping/gardening/weed-abatement, maintenance and sweeping of Port-controlled roads, flood response and park maintenance. The General Maintenance group will undertake construction activities when requested.
- **Utilities Group** maintains all Port-owned water and power distribution systems within the harbor and CRE areas and is also responsible for both Port and City-owned facilities at the former OAB. This group supports the Engineering Division in implementing major public works projects, and sometimes takes the lead on certain construction requests. The group reads electric, gas, and water meters, provides fire prevention services throughout the Port, including OAK, maintains electrical substations, sewer lift stations, streetlights, and railroad crossing protection on Port-owned roads.
- **Fleet Maintenance** maintains and services Port vehicles, construction equipment, and aircraft crash and fire rescue vehicles. The group also coordinates the operation of the Port's fossil fuel and compressed natural gas fueling stations. The group coordinates its operations with the Port's Environmental Programs and Planning Division and conforms its operations to comply with various air quality regulations as well as the California Highway Patrol bi-annual terminal inspections.
- **Diving Services** plans, coordinates, and performs inspection and repair of the Port's waterfront marine structures throughout the harbor, as well as in the CRE areas and the Runway 11-29 approach light structure, tide gates and security buoys at OAK. Primary work includes programmed inspection/repair of concrete piles to prevent structural failure of decks/cranes as well as pile inspection during construction. The Diving Services group is capable of providing on-call response for aircraft and ferry boat accidents in the San Francisco Bay, provides first response on waterside oil spill containment and raises/disposes of derelict vessels. The group also performs miscellaneous work and repairs, such as marine fender systems and tide gates, within all Port areas.
- **Crane Design and Maintenance** performs design and specification services for purchasing, upgrading, modifying, maintaining, surplus and replacing the Port's container cranes. The group also provides project management and construction administration, and oversees construction inspection, testing, loading, delivery, unloading and commissioning of cranes. The group is responsible for the structural integrity and major operational maintenance of Port-owned container cranes.

MARITIME DIVISION

ACTIVITY LEVELS

	Actual 2010-11	Budget 2011-12	Budget 2012-13	Projected 2013-14	Projected 2014-15
Number of Deep Water Cargo Vessels	2,126	2,088	2,064	2,064	2,064
Total Loaded TEUs ¹ Handled	1,790,098	1,821,913	1,795,647	1,840,356	1,886,226
Total Loaded TEUs % Growth	5.1%	1.8%	-1.4%	2.5%	2.5%

¹ TEU – Twenty-Foot Equivalent Unit. Does not include restows and shifts.

- Increased activity not always proportional to revenue increase because of Minimum Annual Guarantees (MAG) and agreements.
- Activity levels assume renewal of agreements that expire in FY 2012-13 through FY 2014-15 period, as well as completion of capital projects.
- Anticipated FY 2011-12 Number of Deep Water Cargo Vessels is 1,920.
- Anticipated FY 2011-12 Total Loaded TEUs Handled is 1,760,434.

MARITIME DIVISION OPERATING REVENUE

(\$ Thousands)

	Actual 2010-11	Budget 2011-12	Budget 2012-13	Projected 2013-14	Projected 2014-15
Inner Harbor	10,122	10,095	10,095	10,095	10,399
Middle Harbor	77,838	72,259	74,938	75,786	78,389
7 th Street Harbor Complex	16,995	17,793	16,681	15,740	15,740
Outer Harbor	29,318	31,946	34,683	35,238	35,972
Space Assignments	10,461	9,260	9,267	9,274	9,467
Oakland International Gateway	2,454	2,511	2,116	2,179	2,245
Miscellaneous	0	(2,000)	(2,000)	0	0
Subtotal	147,189	141,864	145,780	148,312	152,212
Bad Debt Reserve	427	(250)	(250)	(250)	(250)
TOTAL	147,616	141,614	145,530	148,062	151,962

- FY 2011-12: Middle Harbor lower by \$5.6 million due to lower over MAG activities compared to FY 2010-11. Outer Harbor revenues increase by \$2.6 million due to contractual rent escalation. Space assignment revenue lower by \$1.2 million primarily due to unanticipated one-time activities that occurred in FY 2010-11. IPI incentive program of \$2.0 million for ocean carriers.
- FY 2012-13: Middle Harbor revenues increase by \$2.7 million due to higher over MAG activities. Outer Harbor revenues increase by \$2.7 million due to contractual rent escalation. Reflects extension of BNSF lease at OIG at prior lease terms through December 2013. IPI incentive program of \$2.0 million for ocean carriers.
- FY 2013-14: Middle Harbor revenues increase by \$0.8 due to over the MAG activity. Outer Harbor revenues higher by \$0.6 million primarily due to contractual rent increase. New long-term lease for OIG anticipated with terms and conditions similar to current lease.
- FY 2014-15: Middle Harbor revenues higher by \$2.6 million due to the anticipated tariff increase and over MAG activity. Outer Harbor revenues increase of \$0.7 million due to contractual rent increase.

MARITIME DIVISION OPERATING EXPENSES

(\$ Thousands)

	Actual 2010-11	Budget 2011-12	Budget 2012-13	Projected 2013-14	Projected 2014-15
Personnel Services	9,790	11,281	11,691	11,846	12,087
Contractual Services	3,895	3,974	4,517	4,652	4,792
Supplies	1,238	1,360	1,400	1,441	1,485
General & Administrative	1,651	996	995	1,025	1,056
Dept'l (Credits) Charges	0	(34)	(34)	(35)	(36)
TOTAL	16,574	17,576	18,569	18,930	19,383
<i>FTEs (headcount)</i>	<i>61</i>	<i>70</i>	<i>71</i>	<i>71</i>	<i>71</i>

Personnel Services

- FY 2011-12: Salaries higher due to unfilled positions and vacancy factor being allocated to Non-Departmental (not Maritime Division) in the prior fiscal year; and addition of 1 FTE. CalPERS pension employer contribution rate increasing from 19.9% to 23.6%. Health care premiums assumed to increase 10% on January 1, 2012.
- FY 2012-13: Includes the reinstatement of 4 FTEs and 1 additional FTE. CalPERS pension employer contribution rate increasing to 25.15% from 23.6%. Health care premiums assumed to increase by 7.75%. Labor adjustments assumed.
- FY 2013-14: Includes full year impact of labor adjustments.

Contractual Services

- FY 2011-12: Higher maintenance and repair costs of \$0.2 million and security costs of \$0.2 million partially mitigated by lower professional/consulting services of \$0.3 million.
- FY 2012-13: Higher security and maintenance expenses of \$0.4 million and \$0.2 million, respectively, partially offset by \$0.1 million in lower management fees at Middle Harbor Shoreline Park.

Supplies

- FY 2011-12: Primarily higher maintenance materials and escalating fuel cost.

General & Administrative

- FY 2011-12: Higher reimbursement to the Port by the City related to the costs of maintaining utility system at OAB of \$0.3 million, lower marketing related expenses of \$0.2 million and lower space assignment property costs of \$0.1 million.

Commercial Real Estate Division



Commercial Real Estate Area Map



COMMERCIAL REAL ESTATE DIVISION

FUNCTION

The Commercial Real Estate (CRE) Division cares for, promotes, develops and enhances the City's urban waterfront for economic benefit and public enjoyment. CRE customers include:

- Businesses and individuals who manage, purchase, develop and/or lease Port land, buildings, marinas and other facilities;
- Employees and patrons of those businesses;
- Users of the public spaces such as streets, plazas, piers and promenades; and
- Other Port divisions and departments.

The CRE Division performs several major functions: marketing and managing Port assets; providing information, services and special events to the public; planning and facilitating new development on the urban waterfront; and providing building services support to all Port divisions.

OPERATING REVENUE

(\$ Thousands)

	Actual 2010-11	Budget 2011-12	Budget 2012-13	Projected 2013-14	Projected 2014-15
Jack London Square	6,221	6,270	6,456	7,104	7,188
Embarcadero Cove	1,485	1,613	1,744	1,771	1,921
Business Park	562	663	677	689	711
Distribution Center	257	257	279	515	515
Other Areas	2,768	2,595	2,301	1,652	1,652
Subtotal	11,294	11,398	11,457	11,731	11,987
Bad Debt Reserve	(452)	(75)	(70)	(70)	(70)
TOTAL	10,842	11,323	11,387	11,661	11,917

Jack London Square

- FY 2012-13 through FY 2014-15: Increase in percentage rents, minimum rent adjustments and lease renewals.

Embarcadero Cove

- FY 2011-12 through FY 2014-15: Projected increase in percentage rent, minimum rent adjustments and lease renewals.

Other Areas

- FY 2012-13: Lower rental income due to the anticipated close of escrow on the Oak-to-9th project by January 1, 2013.
- FY 2013-14 through FY 2014-15: Lower rental income due to full year impact of the Oak-to-9th sale in FY 2012-13.

COMMERCIAL REAL ESTATE DIVISION

OPERATING EXPENSES

(\$ Thousands)

	Actual 2010-11	Budget 2011-12	Budget 2012-13	Projected 2013-14	Projected 2014-15
Personnel Services	1,291	1,360	1,265	1,284	1,309
Contractual Services	4,251	4,537	4,586	4,724	4,865
Supplies	73	124	124	128	132
General & Administrative	308	430	369	381	392
Dept'l (Credits) Charges	(156)	(161)	(161)	(161)	(161)
TOTAL	5,767	6,291	6,184	6,355	6,538
<i>FTEs (headcount)</i>	8	8	8	8	8

Personnel Services

- FY 2011-12: CalPERS pension employer contribution rate increasing from 19.9% to 23.6%. Health care premiums assumed to increase 10% on January 1, 2012.
- FY 2012-13: CalPERS pension employer contribution rate increasing to 25.15% from 23.6%. Health care premiums assumed to increase by 7.75%. Labor adjustments assumed.
- FY 2013-14: Includes full year impact of labor adjustments.

Contractual Services

- FY 2011-12: Higher security and life related services of \$0.2 million and higher operating costs at the Port of Oakland Headquarters building of \$0.1 million.

Supplies

- FY 2011-12: Higher general office supplies.

General & Administrative

- FY 2011-12: Higher promotional expenses.
- FY 2012-13: Elimination of Alameda/Oakland Ferry subsidy and lower promotional expense.

Utilities- Engineering Division



Port Utility Service Area Map



UTILITIES – ENGINEERING DIVISION

FUNCTION

The Utilities Department is a unit within the Engineering Division that provides the expertise to manage the Port's utility distribution system (electrical, gas, water, sewer and telephone). The department ensures that the Port plans, operates and upgrades its utility systems in an effective and efficient manner in compliance with all rules and regulations. The Utilities Department purchases and manages the delivery of electricity to the Port's customers at OAK and in certain seaport areas. It also obtains renewable energy for the Port, takes measures to reduce the Port's greenhouse gas emissions from electricity generation and promotes energy efficiency. The Utilities Department is comprised of technical and administration sections, as further discussed in the *Engineering Division* section. Utility revenues and cost of sales are reported separately here for budget purposes. Personnel costs, maintenance and other associated expenses of the Utilities Department are included as part of the Engineering Division budget.

UTILITIES – ENGINEERING DIVISION**REVENUE BY AREA**

(\$ Thousands)

	Actual 2010-11	Budget 2011-12	Budget 2012-13	Projected 2013-14	Projected 2014-15
South Airport	2,568	1,707	2,811	1,662	2,012
North Airport	1,859	2,087	1,868	1,868	1,808
Marine Terminals – Retail	531	501	500	500	500
Marine Terminals – Wholesale	3,460	3,396	3,473	3,873	4,525
Commercial Real Estate	114	111	105	105	105
Oakland Army Base	248	233	236	236	236
TOTAL	8,780	8,035	8,993	8,244	9,246

REVENUE BY COMMODITY TYPE

(\$ Thousands)

	Actual 2010-11	Budget 2011-12	Budget 2012-13	Projected 2013-14	Projected 2014-15
Electricity – Retail	639	596	605	605	605
Electricity – Wholesale	6,914	6,888	6,850	7,350	8,352
Electricity – Capacity	578	325	1,323	73	73
Gas	41	48	34	35	35
Telecom – Capacity	369	0	0	0	0
Water	105	128	131	131	131
Water – Capacity	87	0	0	0	0
Miscellaneous	41	50	50	50	50
TOTAL	8,780	8,035	8,993	8,244	9,246

- FY 2011-12: Decreased revenue at South Airport primarily due to one-time revenue gain of \$0.8 million from capacity charges for the new FAA tower at South Airport in FY 2010-11 partially mitigated by one-time revenue gain of \$0.25 million from capacity charges at OAK East Apron.
- FY 2012-13: One-time capacity charge of \$1.2 million from a major tenant.
- FY 2013-14 and 2014-15: Higher Marine Terminals – Wholesale revenues projected due to ships utilizing shore power.

UTILITIES - ENGINEERING DIVISION

COST OF SALES BY AREA

(\$ Thousands)

	Actual 2010-11	Budget 2011-12	Budget 2012-13	Projected 2013-14	Projected 2014-15
South Airport	645	647	752	1,090	1,121
North Airport	985	933	1,113	992	1,021
Marine Terminals – Retail	488	525	525	525	525
Marine Terminals – Wholesale	1,966	2,173	2,154	2,079	2,706
Commercial Real Estate	101	117	104	107	110
Oakland Army Base/OHIT	84	88	74	72	60
TOTAL	4,269	4,482	4,722	4,865	5,543

COST OF SALES BY COMMODITY TYPE

(\$ Thousands)

	Actual 2010-11	Budget 2011-12	Budget 2012-13	Projected 2013-14	Projected 2014-15
Electricity – Retail	587	626	629	632	635
Electricity – Wholesale	3,567	3,681	3,920	4,055	4,724
Gas	38	48	50	51	53
Water	77	128	123	127	131
TOTAL	4,269	4,482	4,722	4,865	5,543

- FY 2012-13: Increase in electricity cost of sales due to regulatory mandate to purchase 20% alternative energy for CY 2011 through CY 2013. Marine Terminals wholesale cost relatively flat due to lower anticipated usage offsetting higher electricity costs.
- FY 2013-14: Higher Electricity – Wholesale due to slightly higher use.
- FY 2014-15: Higher Marine Terminals – Wholesale costs projected higher due to ships utilizing shore power.

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CORPORATE ADMINISTRATIVE SERVICES DIVISION

FUNCTION

The Corporate Administrative Services (CAS) Division provides administrative support services to internal customers (other Port Divisions and the Board), and maintains effective partnerships with external customers, including job applicants, program associates and employee organizations. These services are carried out by the departments of Administration, Human Resources, and Organizational Effectiveness within the CAS Division.

DEPARTMENT FUNCTIONS

CAS ADMINISTRATION

CAS Administration provides direction, management, and coordination of the departments and functions within the division.

HUMAN RESOURCES

The Human Resources Department is responsible for the effective delivery of employee services as required by City Civil Service Rules and Procedures, Port Personnel Rules and Procedures, Port administrative policies, various memoranda of understanding, the City Charter, California employment and workers' compensation laws, as well as other rules, policies and procedures that govern the Port.

The functional areas of the Human Resources Department include the following services:

- **Payroll and Benefits** provides all payroll information and changes to the Financial Services Division; maintains benefit, salary and payroll records; administers the Deferred Compensation Program and the Professional Development budget; administers the employee benefit programs, including health care, dental and vision plans, IRC 125/129 plans life insurance; the Retiree Benefit Plan; and provides for new employee orientation program.
- **Personnel and Employee Services** administers classification, compensation, recruitment and examination systems; maintains employee records and files, including performance management program and its records (Performance Incentive Program, Civil Service evaluations); maintains the staffing plan; provides for new employee orientation program; and administers temporary agency employees' function.
- **Employee and Labor Relations** is responsible for the administration of the four labor contracts at the Port; engages with Port labor unions in the negotiation of successor contracts; when appropriate, meets and confers with labor unions over changes in wages, hours and working conditions; processes and provides assistance and guidance to management in handling grievance and employee discipline matters; provides support to Port legal counsel for litigation or arbitrations arising out of contract disputes; and provides assistance to management in resolving employee relations issues.
- **Workers' Compensation** maintains and operates a self-insured, self-administered workers' compensation program in compliance with state law; provides support to the Port Attorney's Office and outside counsel; investigates and reports on suspected fraudulent claims; monitors occupational clinic services; monitors changes in laws; and maintains statistical information.

ORGANIZATIONAL EFFECTIVENESS

The Organizational Effectiveness Department develops and implements programs and projects in the following areas: Port-wide training for employee development (managerial and non-managerial), strategic planning and internal consulting in organizational effectiveness and process improvement, performance management and measurement, talent management, succession planning, and college education assistance. This unit is also responsible for coordinating the development and revision of administrative policies and procedures.

CORPORATE ADMINISTRATIVE SERVICES DIVISION OPERATING EXPENSES

(\$ Thousands)

	Actual 2010-11	Budget 2011-12	Budget 2012-13	Projected 2013-14	Projected 2014-15
Personnel Services	2,021	2,519	2,374	2,415	2,462
Contractual Services	233	475	457	471	485
Supplies	12	6	6	6	6
General & Administrative	57	114	87	90	92
TOTAL	2,322	3,114	2,925	2,982	3,046
<i>FTEs (headcount)</i>	<i>13</i>	<i>13</i>	<i>13</i>	<i>13</i>	<i>13</i>

Personnel Services

- FY 2011-12: Add Director of Administration, transfer 1 FTE from SRD, transfer Equal Opportunity Department to SRD, transfer Media Public Relations Department to External Affairs. CalPERS pension employer contribution rate increasing from 19.9% to 23.6%. Health care premiums assumed to increase 10% on January 1, 2012. Professional development expenses higher by \$0.1 million.
- FY 2012-13: CalPERS pension employer contribution rate increasing to 25.15% from 23.6%. Health care premiums assumed to increase by 7.75%. Professional development expense lower by \$0.1 million. Labor adjustments assumed.
- FY 2013-14: Includes full year impact of labor adjustments.

Contractual Services

- FY 2011-12: Increased consulting costs for one-time human resource studies and workplace investigations.
- FY 2012-13: Lower consulting costs partially offset by higher computer systems expense.

General & Administrative

- FY 2011-12: Primarily due to higher personnel recruiting costs.
- FY 2012-13: Lower personnel recruitment expense partially offset by higher personnel advertising costs.

ENGINEERING DIVISION

FUNCTION

The Engineering Division has multiple functions within a number of technical, scientific, and engineering disciplines. Each supports the general mission of planning, designing, constructing, delivering and maintaining Port-funded facilities and physical and information infrastructure assets. The Engineering Division is responsible for:

- Administration and effective and accountable project management of Port-funded construction contracts in support of the Port's capital and major maintenance programs;
- Management, operation, development, and maintenance of the Port's utility systems in the aviation and maritime areas, including revenue-generating systems;
- Management, operation, development, and maintenance of the Port's information technology systems, including the Enterprise Resource Planning (ERP) system;
- Administration and execution of the Port's maintenance dredging program and oversight of the federal contracts to deepen and maintain the Inner and Outer Harbor Channels;
- Administration of land and bathymetric surveying and mapping; and
- Building permits for the Port, its tenants and other landowners in Port area and code compliance support.

The Engineering Division has five departments reporting to Engineering Administration: Project Design & Delivery – Aviation; Project Design & Delivery – Maritime; Engineering Services; Utilities; and Information Technology. The Project Design & Delivery Departments focus on project management including planning, design and construction management for a particular revenue division or other Port-wide request and provide oversight on tenant improvement projects. The Engineering Services Department covers items that are both divisional and Port-wide. It has the contract administration functions for consultants and contractors as well as all other engineering support functions. The Utilities Department oversees all aspects of utility related services as well as the utility business for the Port and its tenants. The Information Technology Department oversees all aspects of information technology services and operations as well as the ERP system for the Port.

DEPARTMENT FUNCTIONS

ENGINEERING ADMINISTRATION

Engineering Administration provides the management direction, coordination, support services and systems for the division's operations. The department formulates divisional policy, assigns project work, coordinates work efforts with other Port divisions, monitors performance through the use of schedules and cost-reporting systems, and reviews and accepts completed work on behalf of the Port.

PROJECT DESIGN & DELIVERY - AVIATION

The Aviation Project Design & Delivery (APDD) Department provides engineering, project management, construction management and other technical services (cost estimating, scheduling, facility inspections/assessments, inspection of tenant improvements, technical studies, etc.) to support the Port's Aviation business. Preparation of Plans and Specifications are accomplished largely through outside

professional services contracts with oversight and management being provided by the department. In conjunction with SRD, the APDD team ensures that there is consideration for the use of local businesses in executing the program. Also, working with other departments, the APDD team supports the application for and implementation of outside grants/funding sources as these relate to Airport projects.

PROJECT DESIGN & DELIVERY - MARITIME

The Maritime Project Design & Delivery (MPDD) Department provides engineering, project management, construction management and other technical services (cost estimating, scheduling, facility inspections/assessments, inspection of tenant improvements, technical studies, etc.) to support the Port's Maritime business. Preparation of Plans and Specifications are accomplished largely through outside professional services contracts with oversight and management being provided by the department. In conjunction with SRD, the MPDD team ensures that there is consideration for the use of local businesses in executing the program. Also, working with other departments, the MPDD team supports the application for and implementation of outside grants/funding sources as these relate to seaport projects.

- **Dredging** is charged with providing water depth in the channels and berths required for safe and efficient maritime navigation at the Port. This includes berth maintenance dredging, federal channel maintenance dredging, and deepening projects as applicable.

UTILITIES

The Utilities Department manages all aspects of utility services as well as the Port's utility business, including the buying and selling of electricity, water, and gas; provides master planning on the Port's utility systems; and supports infrastructure developments. Additionally, it serves as technical liaison with the utility companies and handles business-related designs and continuity across the division. Services of the department are provided through the following sections:

- **Utilities Section** provides the technical expertise to manage the Port's utility distribution systems, including power (both gas and electricity), water, sewer and communications. It also ensures that the Port plans, operates and upgrades its utility systems in an effective and efficient manner in compliance with all rules and regulations. It reviews and supports tenant improvement projects as well as the Port's capital projects.
- **Utilities Administration Section** ensures that the Port is efficient in its purchase of electricity, sets electricity rates and related services, as well as manages billing, Port-use utilities accounts, and other utility financial matters.

ENGINEERING SERVICES

The Engineering Services Department provides a variety of engineering-related support services to the Port, Port tenants, and the public. These support services include the following:

- **Specifications** prepares the project manual that includes project specifications and bidding documents for public works projects, prepares Requests for Proposals (RFPs) for professional services contract, and prepares procurement manuals for procurement of equipment and materials in support of the Project Design and Delivery Departments. This section also works closely with SRD and the Port Attorney's Office and, at times, contractors, to ensure bidders comply with contract provisions as well as Port policies, such as the NDSLBP.

- **Drafting** provides computer aided drafting services to the Engineering Division and others. Drafting is also responsible for the maintenance and archival of the record drawings for all Port projects after receiving the as-built drawings from the construction contractors.
- **Geomatics** (Surveys and Land Records) provides survey, mapping and land records management services to support the Port's development needs.
- **Permits** provides building permit and code compliance support for the Port, its outside tenants and other landowners within the Port area. Additionally, this section maintains permit files and records, and provides technical assistance to Port staff regarding compliance with the Americans with Disabilities Act (ADA).
- **Project Controls and Contract Administration** is responsible for tracking project budgets and schedules being executed by the Engineering Division, administering the consultant and construction contracts that are issued by the Engineering Division and assisting in the management of the MAPLA.
- **Document Control** is responsible for administering the bid process for public works contracts and long-term management of project manuals and engineering documents.

INFORMATION TECHNOLOGY

The Information Technology Department is responsible for the planning, management, operation, development, and maintenance of the Port's information technology (IT) needs (with the exception of specialized systems at OAK). The department collaborates with users to provide long term IT planning, integrates information technology into Port operations to allow Port business objectives and strategies to be met, manages resources to ensure that the Port's IT systems run efficiently with minimal downtime, and prepares contingency and disaster recovery plans.

ENGINEERING DIVISION
(EXCLUDING INFORMATION TECHNOLOGY DEPARTMENT)
OPERATING EXPENSES

(\$ Thousands)

	Actual 2010-11	Budget 2011-12	Budget 2012-13	Projected 2013-14	Projected 2014-15
Personnel Services	6,430	7,449	7,519	7,611	7,758
Contractual Services	2,142	2,921	4,106	4,124	4,543
Supplies	28	74	82	84	87
General & Administrative	66	65	70	72	74
Dept'l (Credits) Charges	(70)	(30)	(30)	(31)	(32)
TOTAL	8,596	10,479	11,746	11,860	12,430
<i>FTEs (headcount)</i>	<i>37</i>	<i>41</i>	<i>41</i>	<i>41</i>	<i>41</i>

Personnel Services

- FY 2011-12: Salaries higher due to unfilled positions and vacancy factor being allocated to Non-Departmental (not Engineering Division) in the prior fiscal year. CalPERS pension employer contribution rate increasing from 19.9% to 23.6%. Health Care premiums assumed to increase 10% on January 1, 2012. Addition of 3 FTEs, including 2 FTEs to support the Shore Power Program.
- FY 2012-13: CalPERS pension employer contribution rate increasing to 25.15% from 23.6%. Health care premiums assumed to increase by 7.75%. Labor adjustments assumed.
- FY 2013-14: Includes full year impact of labor adjustments.

Contractual Services

- FY 2011-12: Maintenance dredging and professional services related to maintenance dredging increased by \$0.6 million and \$0.3 million, respectively, due to regulatory requirements.
- FY 2012-13: Maintenance dredging increases by \$0.9 million due to regulatory requirements, professional services related to maintenance dredging increases by \$0.1 million and other professional consulting services increase by \$0.2 million.

Supplies

- FY 2011-12: Increased reprographics and computer supplies.

INFORMATION TECHNOLOGY DEPARTMENT

OPERATING EXPENSES

(\$ Thousands)

	Actual 2010-11	Budget 2011-12	Budget 2012-13	Projected 2013-14	Projected 2014-15
Personnel Services	1,826	2,086	2,832	2,892	2,956
Contractual Services	1,586	1,426	1,631	1,680	1,731
Supplies	19	30	30	31	32
General & Administrative	25	18	17	17	18
TOTAL	3,456	3,560	4,511	4,621	4,737
<i>FTEs (headcount)</i>	<i>10</i>	<i>12</i>	<i>17</i>	<i>17</i>	<i>17</i>

Personnel Services

- FY 2011-12: Salaries higher due to unfilled positions and vacancy factor being allocated to Non-Departmental (not IT Department) in the prior fiscal year. CalPERS pension employer contribution rate increasing from 19.9% to 23.6%. Health care premiums assumed to increase 10% on January 1, 2012. Add 1 IT Manager and transfer 1 Administrative Assistant to External Affairs Division (shared with CRE Division).
- FY 2012-13: CalPERS pension employer contribution rate increasing to 25.15% from 23.6%. Health care premiums assumed to increase by 7.75%. Includes 5 new FTEs. Labor adjustments assumed.
- FY 2013-14: Includes full year impact of labor adjustments.

Contractual Services

- FY 2011-12: Lower computer systems expense of \$0.2 million.
- FY 2012-13: Higher professional/consulting services and computer systems.

ENVIRONMENTAL PROGRAMS AND PLANNING DIVISION

FUNCTION

The Environmental Programs and Planning (EP&P) Division has primary responsibility to promote the highest levels of environmental stewardship and safety compliance, as well as ensure environmental compliance with all federal, state, and local statutes and regulations in all Port plans, activities, operations, and development programs and projects. EP&P provides professional and technical leadership, project management and support services to all Port departments and divisions to achieve the Port's Strategic Plan goal of sustaining healthy communities through leading edge environmental stewardship. The EP&P Division also provides strategic leadership, guidance and technical support services in the areas of Port-wide strategic planning and economic development.

DEPARTMENT FUNCTIONS

EP&P is currently organized into four departments or functional areas: Administration, Compliance and Safety, Aviation/Commercial Real Estate, and Maritime.

ADMINISTRATION

The Administration section is chiefly responsible for division operations, including preparation of the annual business plan and budget, staffing plan, division-wide work program, and personnel-related activities, with an important focus on staff professional development and training. The Director of EP&P also leads the Port's environmental advocacy efforts before local, state, national and international environmental agencies and organizations, including resource and regulatory agencies, and advises the Executive Office and the Board on strategic environmental and planning initiatives and policies.

COMPLIANCE & SAFETY, AVIATION/COMMERCIAL REAL ESTATE, AND MARITIME

These three departments are chiefly responsible for providing technical services to the Port's three Port business lines and to other internal Port clients, with a focus on the Executive Office, Port Attorney's Office, Engineering Division and Financial Services Division. Core functions of these departments include:

- Environmental planning and assessment in compliance with the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA), including the development of mitigation monitoring and reporting programs.
- Regulatory permitting for Port operations, maintenance and development projects (i.e., U.S. Army Corps of Engineers, Regional Water Quality Control Board, Bay Area Air Quality Management District, Bay Conservation and Development Commission, California Department of Fish and Game, Federal Aviation Administration, etc.)
- Environmental management and remediation, including surface and groundwater pollution prevention; air quality planning, programs and inventories; sediment management; handling, abatement and disposal of hazardous materials and waste; environmental remediation of contaminated Port property; and environmental liability insurance recovery support technical services.
- Environmental health and safety, including emergency spill response, employee injury protection and safety, Cal-OSHA compliance, and disaster preparedness and business recovery.

In emerging topical areas, such as air quality, global climate change, greenhouse gas regulation, sea level rise, human health risk, energy efficiency, renewable energy, sustainability, and environmental justice, the EP&P is the Port's lead division in the development and design of related plans, programs, policies, procedures and guidelines.

ENVIRONMENTAL PROGRAMS AND PLANNING DIVISION

OPERATING EXPENSES

(\$ Thousands)

	Actual 2010-11	Budget 2011-12	Budget 2012-13	Projected 2013-14	Projected 2014-15
Personnel Services	1,967	2,122	2,087	2,115	2,157
Contractual Services	445	627	635	636	655
Supplies	12	11	15	15	16
General & Administrative	35	28	39	40	42
Dept'l (Credits) Charges	(3)	(30)	(30)	(31)	(32)
TOTAL	2,456	2,758	2,747	2,776	2,838
<i>FTEs (headcount)</i>	<i>12</i>	<i>12</i>	<i>12</i>	<i>12</i>	<i>12</i>

Personnel Services

- FY 2011-12: CalPERS pension employer contribution rate increasing from 19.9% to 23.6%. Health care premiums assumed to increase 10% on January 1, 2012.
- FY 2012-13: CalPERS pension employer contribution rate increasing to 25.15% from 23.6%. Health care premiums assumed to increase by 7.75%. Labor adjustments assumed.
- FY 2013-14: Includes full year impact of labor adjustments.

Contractual Services

- FY 2011-12: Primarily higher hazardous waste testing and storm water monitoring/permitting of \$0.2 million and security and life safety related services of \$0.1 million, partially offset by lower environmental consulting expenses of \$0.1 million.

EXTERNAL AFFAIRS DIVISION

FUNCTION

The External Affairs Division has primary responsibility to:

- Enhance the quality of Port communication with all relevant stakeholders internally and externally, including employees, media, business partners, community, and government;
- Build and maintain positive relations with partner institutions and leaders in the community;
- Develop and implement advocacy strategies;
- Maximize grant funding and policy support from local, regional, state, federal, and international levels of government; and
- Enhance the Port's corporate brand by ensuring consistent visual standards and unifying messages across all external and internal audiences.

To fulfill these responsibilities, the External Affairs Division directly and proactively communicates with external stakeholders while also supporting other Port divisions and departments in their communications.

DEPARTMENT FUNCTIONS

EXTERNAL AFFAIRS ADMINISTRATION

External Affairs Administration works collaboratively with each functional department within the division to implement the goals and objectives of the Strategic Plan. Administration handles overall administrative functions of the division, interfaces among senior management, Board and other Port division staff, and provides strategic direction and support.

GOVERNMENT AFFAIRS

The Government Affairs Department works with other Port divisions to develop and implement legislative, regulatory and advocacy strategies, and to establish the Port's position on legislative and regulatory proposals, all for the express purpose of supporting the Port's goals and priorities. This department takes the lead in identifying and securing other governmental agency funding for Port projects and programs. In addition, the department manages and coordinates the Port's relationships with local, regional, state and federal governments.

COMMUNITY RELATIONS

The Community Relations Department is responsible for defining, developing and administering a comprehensive community education and outreach program in support of Port projects that are most critical to the Port's mission, goals and objectives. The department plans and implements education and outreach that serve to increase awareness and understanding of the Port, its projects and policies; builds and maintains cooperative and effective working relationships through partnerships and engagement; and promotes goodwill with both internal and external stakeholders. This department carries out "good neighbor" activities through Port assistance and resources that create benefits and value to the community. In addition, the department provides strategic advice and stakeholder process development support to divisions and departments throughout the Port.

COMMUNICATIONS

The Communications Department provides timely, proactive, cost-effective and strategic communications to both internal and external stakeholders. The department's functions are designed to increase public awareness and understanding of the Port, its projects and policies. The department:

- Develops and updates communication strategies that seek to promote, protect and defend the Port's reputation;
- Handles news media relations with local, regional, national, international and trade-specific outlets;
- Produces Port events, Port presentations, and targeted advertising;
- Supports meaningful and timely employee communications; and
- Provides professional design, art, photography, publishing, and related services to all Port divisions.

EXTERNAL AFFAIRS DIVISION OPERATING EXPENSES

(\$ Thousands)

	Actual 2010-11	Budget 2011-12	Budget 2012-13	Projected 2013-14	Projected 2014-15
Personnel Services	899	1,361	1,334	1,355	1,381
Contractual Services	486	635	651	671	691
Supplies	9	7	7	7	7
General & Administrative	100	347	353	363	374
TOTAL	1,495	2,350	2,345	2,396	2,454
<i>FTEs (headcount)</i>	7	8	8	8	8

Personnel Services

- FY 2011-12: Full year staffing compared to a partial year in FY 2010-11 (External Affairs Division was formalized at the end of January 2011). CalPERS pension employer contribution rate increasing from 19.9% to 23.6%. Health care premiums assumed to increase 10% on January 1, 2012.
- FY 2012-13: CalPERS pension employer contribution rate increasing to 25.15% from 23.6%. Health care premiums assumed to increase by 7.75%. Labor adjustments assumed.
- FY 2013-14: Includes full year impact of labor adjustments.

Contractual Services

- FY 2011-12: Full year impact new support division compared to a partial year in FY 2010-11. Higher consulting costs of \$0.2 million.

General & Administrative

- FY 2011-12: Full year impact new support division compared to a partial year in FY 2010-11. Primarily higher dues & memberships expenses and community outreach.

SOCIAL RESPONSIBILITY DIVISION

FUNCTION

The Social Responsibility Division (SRD) aims to facilitate inclusion, fairness, equity, and access to economic opportunities, programs and services of the Port for the people and businesses in the Port community. SRD is guided by the following principles:

- Advocacy and compliance in the delivery of policies and programs that promote inclusion, fairness and equity for small, local and/or disadvantaged business participation in procurement and contracting opportunities at the Port as well as for job seekers and employees in economic and equal employment opportunities at the Port;
- Strategic collaboration and outreach with key stakeholders (Port staff, contractors, tenants, vendors and community partners and residents) to maximize economic opportunity and development in the community; and
- Promotion and facilitation of job opportunities and sustainable wages for the local community, and establishment and continuation of strategic partnerships.

These functions are carried out in coordination with all Port divisions and departments. Currently, the division is comprised of three departments: SRD Administration, Economic Opportunity and Contract Compliance, and Equal Employment Opportunity.

DEPARTMENT FUNCTIONS

SRD ADMINISTRATION

Administration provides management direction and coordination of the division's strategic planning, operations, program and overall budget. It works closely with the Executive Office and all Port divisions to administer and manage federal, state, local, and Port policies and regulatory requirements as they relate to equal opportunity and civil rights. The division promotes equitable and fair policies, programs and procedures for employees and external stakeholders engaged with the Port.

ECONOMIC OPPORTUNITY AND CONTRACT COMPLIANCE

The Economic Opportunity and Contract Compliance Department ensures equal access and compliance with federal, state, and local labor and business requirements by encouraging the participation of small, disadvantaged and local contractors, consultants and vendor businesses in Port contracting and purchasing opportunities. The department further promotes job pathways and sustainable wages through innovative policies and programs, strategic partnerships, outreach and compliance.

As a means to achieving these goals, the Port has developed and is implementing the Non-Discrimination and Small Local Business Utilization Policy (NDSLBU) designed to award preference points to small and local businesses on bid opportunities. The department oversees implementation and compliance with the Disadvantaged Business Enterprise (DBE) and Airport Concession Disadvantaged Business Enterprise (ACDBE) Program, which are federally mandated programs that monitor utilization of disadvantaged business enterprises as defined by federal regulations.

The department also manages the MAPLA Social Justice Program and the Limited English Proficiency Program. Additionally, the department is responsible for the administration and monitoring of the Port's Living Wage and federal/state prevailing wage regulations.

EQUAL EMPLOYMENT OPPORTUNITY

The Office of Equal Employment Opportunity offers multifaceted services to Port employees and acts as a resource to Port divisions and departments on equal employment opportunity and civil rights matters. The office promotes fairness, equity, inclusion and diversity for all employees and job applicants, without regard to age (over 40), ancestry, color, physical or mental disability, marital status, medical condition, national or ethnic origin, political affiliation, race, religion, sex (including gender identity), actual or perceived sexual orientation, or veterans status. The office ensures nondiscrimination by designing, coordinating and implementing policies, procedures and training programs. The office works in collaboration with the Human Resources Department, hiring supervisors and managers, to recruit, train, and retain a workforce that is representative of the regions' diverse workforce. The office's primary functions include:

- Fulfillment of federal and state laws by developing policies to implement equal employment opportunity and accessibility requirements (not limited to employment);
- Ensuring equitable access to employment opportunities and to Port facilities; and
- Administering the process for the investigation and resolution of discrimination complaints.

Equal Employment Opportunity policies, programs and procedures are guided in part by the Equal Pay Act of 1963, Title VII of the Civil Rights Act of 1964, Age Discrimination in Employment Act of 1967, Pregnancy Discrimination Act of 1978, Title I and Title II of Americans with Disabilities Act of 1990, the California Fair Employment Housing Act of 2000, ADA Amendments Act of 2008, Section 504 of the Rehabilitation Act of 1973 (as amended), and Veterans and Individuals with Disabilities.

SOCIAL RESPONSIBILITY DIVISION

OPERATING EXPENSES

(\$ Thousands)

	Actual 2010-11	Budget 2011-12	Budget 2012-13	Projected 2013-14	Projected 2014-15
Personnel Services	1,301	1,505	1,446	1,474	1,504
Contractual Services	159	226	226	233	240
Supplies	2	4	4	4	4
General & Administrative	231	79	83	86	89
TOTAL	1,693	1,814	1,759	1,796	1,836
<i>FTEs (headcount)</i>	<i>7</i>	<i>9</i>	<i>9</i>	<i>9</i>	<i>9</i>

Personnel Services

- FY 2011-12: Salaries higher due to unfilled positions and vacancy factor allocated to Non-Departmental (not Social Responsibility Division) in the prior fiscal year. CalPERS pension employer contribution rate increasing from 19.9% to 23.6%. Health care premiums assumed to increase 10% on January 1, 2012. Transfer Equal Opportunity Department from CAS Division
- FY 2012-13: CalPERS pension employer contribution rate increasing to 25.15% from 23.6%. Health care premiums assumed to increase by 7.75%. Labor adjustments assumed.
- FY 2013-14: Includes full year impact of labor adjustments.

Contractual Services

- FY 2011-12: Transfer Equal Opportunity Department related expenses from CAS Division partially offset by transfer of Community Relations related expenses to External Affairs Division.

General & Administrative

- FY 2011-12: Transfer of dues and registration expenses of \$0.1 million and community outreach expenses of \$0.1 million to External Affairs Division.

OFFICE OF BOARD OF THE PORT COMMISSIONERS

FUNCTION

The Board, as established in the City Charter, was specifically established to promote and assure the comprehensive development of the Port through continuity of control, management and operation. The exclusive control and management of the Port is vested in the Board, composed of seven members who are nominated by the Mayor of Oakland and approved by the Oakland City Council. The Board is specifically charged with the tasks presented in Article 7 of the City Charter.

The Board Secretary and Assistant Secretary manage the functions of the Office of the Board of Port Commissioners. The Office's key duties include assuring the public's right to know and participate in a meaningful way in the decision-making processes of the Port; publishing the Board Agendas, Minutes, Resolutions and Ordinances in conformance with the City Charter and Ralph M. Brown Act; receiving and publically opening all sealed bids; coordinating Public Information Requests; and managing on behalf of the Port and Board the annual filing of the Fair Political Practices Commission's Form 700 Statement of Economic Interest.

OPERATING EXPENSES

(\$ Thousands)

	Actual 2010-11	Budget 2011-12	Budget 2012-13	Projected 2013-14	Projected 2014-15
Personnel Services	277	337	346	352	358
Contractual Services	45	36	34	35	36
Supplies	14	5	5	5	5
General & Administrative	142	161	158	162	167
TOTAL	478	540	542	554	567
<i>FTEs (headcount)</i>	<i>2</i>	<i>2</i>	<i>2</i>	<i>2</i>	<i>2</i>

Personnel Services

- FY 2011-12: CalPERS pension employer contribution rate increasing from 19.9% to 23.6%. Health care premiums assumed to increase 10% on January 1, 2012. Salary adjustment for certain employee(s).
- FY 2012-13: CalPERS pension employer contribution rate increasing to 25.15% from 23.6%. Health care premiums assumed to increase by 7.75%. Labor adjustments assumed.
- FY 2013-14: Includes full year impact of labor adjustments.

Contractual Services

- FY 2011-12: Primarily lower professional/consulting services.

General & Administrative

- FY 2011-12: Primarily higher legal advertising, receptions, and travel costs.

EXECUTIVE OFFICE FUNCTION

The Executive Office provides leadership, vision, inspiration and direction to all Port divisions and departments. The Executive Office also provides guidance and oversight to the Port's divisions and departments in strategic, long-range, and policy planning. This includes strategic development, business planning, labor relations, and managing projects and services that will meet the Port's future operational and organizational needs.

EXECUTIVE OFFICE

The Executive Director, who is appointed by the Board, is the Port's top management official. In accordance with the Board's policies, the Executive Director is responsible for the formulation, interpretation and implementation of Port policy. Under the general direction of the Executive Director, the Deputy Executive Director provides support in planning, organizing, directing, and controlling the day-to-day operations and other activities of the Port; supports the execution of the strategic plan, operational goals and objectives, and special projects; ensures accountability and timely reporting throughout all divisions; oversees Port systems administration; and acts on behalf of the Executive Director during his/her absence. The Deputy Executive Director reports to and serves at the pleasure of the Executive Director and the Board.

LABOR ADVISOR

Under the direction of the Executive Director, the Port Labor Advisor engages, improves and encourages meaningful labor relations between the Port and its unions – Service Employees International Union (SEIU) Local 1021, Western Council of Engineers (WCE), International Brotherhood of Electrical Workers (IBEW), and the International Federation of Professional and Technical Engineers Local 21 (IFPTE). The Port Labor Advisor develops and directs the Port's overall labor strategy; develops proposals and directs negotiations of sustainable memoranda of understanding (MOU) reflective of the Port's operational needs and objectives; provides interpretation of the MOU in grievances of discipline and contract interpretation; provides interpretation of various employee policies and procedures as they impact labor relations; provides guidance to ensure results of meet and confer sessions with unions on wages, hours and working conditions are aligned with labor strategy; meets at regularly scheduled labor management meetings with union leadership; ensures labor relation objectives support the Port's overall strategic plan; and updates, informs and trains stakeholders on a consistent basis on evolving or current labor relations issues.

EXECUTIVE OFFICE OPERATING EXPENSES

(\$ Thousands)

	Actual 2010-11	Budget 2011-12	Budget 2012-13	Projected 2013-14	Projected 2014-15
Personnel Services	616	1,018	1,074	1,084	1,103
Contractual Services	38	209	313	244	244
Supplies	4	7	7	7	7
General & Administrative	186	232	196	202	208
TOTAL	843	1,465	1,589	1,536	1,561
<i>FTEs (headcount)</i>	<i>3</i>	<i>4</i>	<i>4</i>	<i>4</i>	<i>4</i>

Personnel Services

- FY 2011-12: CalPERS pension employer contribution rate increasing from 19.9% to 23.6%. Health care premiums assumed to increase 10% on January 1, 2012. Add Port Labor Advisor.
- FY 2012-13: CalPERS pension employer contribution rate increasing to 25.15% from 23.6%. Health care premiums assumed to increase by 7.75%. Labor adjustments assumed.
- FY 2013-14: Includes full year impact of labor adjustments.

Contractual Services

- FY 2011-12: Transfer \$0.2 million of labor relations consulting expense from CAS Division.
- FY 2012-13 Higher labor relations consulting expenses

General and Administrative

- FY 2011-12: Primarily higher promotional expense.
- FY 2012-13: Lower promotional and special events expenses partially offset by increased travel costs.

OFFICE OF AUDIT SERVICES

FUNCTION

The Office of Audit Services provides independent and objective reviews and evaluations of the financial and operational activities of the organization for the benefit of the Port, its management, and the Board. The Office also manages and administers the Port's Whistleblower Program.

DEPARTMENT FUNCTIONS

INTERNAL AUDIT

Internal Audit conducts performance and compliance audits to ascertain if the Port's internal controls are adequate and effective for compliance with all applicable laws and regulations, resources are safeguarded, data and information are reliable, operations are effective and efficient, and the plans and intentions of the Board and management are carried out. Internal Audit also conducts investigation of whistleblower hotline reports, furnishes constructive recommendations for improvements, and provides assistance in implementing them.

FIELD AUDIT

Field Audit verifies that revenues owed the Port and expenses reimbursed/paid to consultants/contractors by the Port are properly calculated and reported.

OPERATING EXPENSES

(\$ Thousands)

	Actual 2010-11	Budget 2011-12	Budget 2012-13	Projected 2013-14	Projected 2014-15
Personnel Services	1,142	1,231	1,165	1,180	1,201
Contractual Services	8	5	5	5	6
Supplies	3	7	7	7	7
General & Administrative	24	25	25	25	26
TOTAL	1,177	1,268	1,202	1,218	1,241
<i>FTEs (headcount)</i>	<i>7</i>	<i>7</i>	<i>7</i>	<i>7</i>	<i>7</i>

Personnel Services

- FY 2011-12: CalPERS pension employer contribution rate increasing from 19.9% to 23.6%. Health care premiums assumed to increase 10% on January 1, 2012. Salary adjustment for certain employee(s).
- FY 2012-13: CalPERS pension employer contribution rate increasing to 25.15% from 23.6%. Health care premiums assumed to increase by 7.75%. Labor adjustments assumed.
- FY 2013-14: Includes full year impact of labor adjustments.

PORT ATTORNEY'S OFFICE FUNCTION

The Port Attorney's Office, as provided under City Charter Section 706, paragraph 20, passes upon the form and legality of all contracts within the jurisdiction of the Board; gives legal advice to the Board, its officers and employees on all matters within its jurisdiction; defends and prosecutes or compromises all actions at law or equity and special proceedings for or against the City related to Port activities or any Port officers in their official capacity; prepares all legal briefs and memoranda, contracts, ordinances, resolutions and other documents of the Port; and makes all appearances in actions and proceedings on behalf of the Port. The Port Attorney's Office discharges these duties directly and through assistants and deputies. Duties are assigned among the staff attorneys on a case-by-case basis with some specialization in maritime, aviation, commercial real estate, environmental, litigation, public finance, construction, open meeting laws, tax and labor/employment.

OPERATING EXPENSES

(\$ Thousands)

	Actual 2010-11	Budget 2011-12	Budget 2012-13	Projected 2013-14	Projected 2014-15
Personnel Services	2,507	2,716	2,787	2,829	2,882
Contractual Services	1,166	1,493	1,838	1,893	1,950
Supplies	10	35	35	36	37
General & Administrative	111	128	127	130	134
TOTAL	3,795	4,371	4,786	4,888	5,003
<i>FTEs (headcount)</i>	<i>12</i>	<i>13</i>	<i>13</i>	<i>13</i>	<i>13</i>

Personnel Services

- FY 2011-12: CalPERS pension employer contribution rate increasing from 19.9% to 23.6%. Health care premiums assumed to increase 10% on January 1, 2012. Add 1 FTE.
- FY 2012-13: CalPERS pension employer contribution rate increasing to 25.15% from 23.6%. Health care premiums assumed to increase by 7.75%. Labor adjustments assumed.
- FY 2013-14: Includes full year impact of labor adjustments.

Contractual Services

- FY 2011-12: Higher outside legal services of \$0.3 million.
- FY 2012-13: Primarily higher legal services of \$0.4 million.

Supplies

- FY 2011-12: Higher office supplies.

General & Administrative

- FY 2011-12: Primarily higher travel and dues & registration expenses.

FINANCIAL SERVICES DIVISION

FUNCTION

The Financial Services Division provides the Port with short and long-term financial guidance in the areas of financial planning, financial management, capital project funding, internal and external financial reporting, risk management and purchasing.

DEPARTMENT FUNCTIONS

FINANCIAL SERVICES ADMINISTRATION

Financial Services Administration provides the management direction and coordination of the departments and functions within the division. Administration plans and manages the Port's overall financial operations.

FINANCE/CONTROLLER

Finance/Controller provides the Port with centralized accounting services. The functions of the department include the recording of revenue, expenses, assets, liabilities, payments to vendors, payroll, billing of tenants, and collection of accounts receivable, as well as the preparation of financial reports and actuarial studies. The department is also responsible for the coordination and oversight of external audits, and assists the Port's Audit Services Division with internal audits.

FINANCIAL PLANNING

Financial Planning facilitates and monitors the Port's operating and capital budgets, prepares financial analyses and forecasts, and develops and coordinates the funding of capital projects. The department works with Finance/Controller to prepare or commission certain reports, such as actuarial studies. The department is also responsible for cash management, fixed assets management, debt structuring and debt compliance.

PURCHASING

Purchasing facilitates and manages the acquisition of supplies, equipment and services for the Port, except for those items and services which are procured through construction bids (public works).

RISK MANAGEMENT

Risk Management is responsible for identifying, evaluating and recommending risk transfer of insurable loss exposures faced by the Port. The department coordinates and directs various risk transfer functions, including risk analysis, insurance purchase, claims administration, selection of agents/brokers, allocation of risk charges to operating departments, and recovery from insurance companies. Risk Management also reviews Port contracts, and recommends and tracks insurance protection levels for tenants, vendors, consultants and suppliers. The department also administers the Port's Owner-Controlled Insurance Program (OCIP) for capital improvement projects.

FINANCIAL SERVICES DIVISION

OPERATING EXPENSES

(\$ Thousands)

	Actual 2010-11	Budget 2011-12	Budget 2012-13	Projected 2013-14	Projected 2014-15
Personnel Services	3,841	4,470	4,617	4,690	4,782
Contractual Services	505	635	701	626	645
Supplies	5	5	7	7	8
General & Administrative	31	40	53	55	57
TOTAL	4,382	5,150	5,379	5,379	5,491
<i>FTEs (headcount)</i>	<i>27</i>	<i>30</i>	<i>31</i>	<i>31</i>	<i>31</i>

Personnel Services

- FY 2011-12: Salaries higher due to unfilled positions and vacancy factor being allocated to Non-Departmental (not Financial Services Division) in the prior fiscal year. CalPERS pension employer contribution rate increasing from 19.9% to 23.6%. Health care premiums assumed to increase 10% on January 1, 2012. Addition of 1 FTE partially offset by lower temporary help.
- FY 2012-13: CalPERS pension employer contribution rate increasing to 25.15% from 23.6%. Health care premiums assumed to increase by 7.75%. Transfer of 1 FTE from Aviation. Labor adjustments assumed.
- FY 2013-14: Includes full year impact of labor adjustments.

Contractual Services

- FY 2011-12: Increase in payroll and other professional services costs, partially offset by lower audit expense.
- FY 2012-13: Higher professional consulting services related to various required actuarial and financial studies.

General & Administrative

- FY 2011-12: Higher travel, books & subscriptions and collection costs partially offset by lower personnel advertising expense.
- FY 2012-13: Primarily higher travel, dues & registration, collection costs and personnel advertising.

NON-DEPARTMENTAL FUNCTION

Non-Departmental is a cost center that collects Port-wide non-discretionary expense items which are not allocated directly to Port divisions and departments. These expenses include personnel vacation and sick leave accruals, retiree medical expenses, workers' compensation costs, unemployment insurance, City services, telecommunications costs, insurance premiums, utilities for Port usage, and certain legal and environmental costs.

OPERATING EXPENSES

(\$ Thousands)

	Actual 2010-11	Budget 2011-12	Budget 2012-13	Projected 2013-14	Projected 2014-15
Personnel Services	14,066	10,571	12,253	13,582	14,032
Contractual Services	1,934	1,909	1,929	1,987	2,046
General & Administrative	13,901	13,623	15,560	15,655	16,139
Departmental Credits	(10,060)	(11,585)	(10,730)	(12,334)	(11,196)
TOTAL	19,840	14,518	19,012	18,889	21,022
<i>FTEs (headcount)*</i>	<i>n/a</i>	<i>n/a</i>	<i>1</i>	<i>0</i>	<i>0</i>

* Includes 1 unidentified FTE not yet assigned.

Personnel Services

- FY 2011-12: Savings of \$2.3 million for vacancy factor, \$1.5 million in labor adjustments¹⁸ and lower vacation/sick leave accrual of \$0.6 million partially offset by higher workers' compensation costs of \$0.7 million, retiree medical costs of \$0.1 million and unemployment insurance of \$0.1 million. Actual savings from vacancy factor and labor adjustments will be applied to divisions when known.
- FY 2012-13: Higher vacancy factor by \$0.3 million (that is, lower cost) offset by higher retirement costs related to changes in CalPERS pension plan limits of \$0.3 million, workers' compensation insurance expense of \$0.1 million, and 1 additional FTE (\$0.1 million) that has yet to be allocated to a division. In addition, labor adjustments have been allocated to divisions (compared to FY 2012 Budget, in which such adjustments were allocated to Non-Departmental). Actual savings from vacancy factor will be applied to divisions when known.
- FY 2013-14: Reduced vacancy factor by \$0.6 million (that is, higher cost). Higher projected retiree medical costs of \$0.6 million and higher workers' compensation costs of \$0.1 million. Actual savings from vacancy factor will be applied to divisions when known.

¹⁸ Additional \$1.8 million of labor adjustments allocated to divisions.

General & Administrative

- FY 2011-12: Primarily lower legal contingency of \$0.7 million partially offset by higher insurance premium of \$0.2 million, Port use electricity costs of \$0.1 million and pollution remediation costs of \$0.1 million.
- FY 2012-13: Higher Port use electricity costs of \$0.7 million to meet state regulations by the end of calendar year 2013, higher insurance premium costs of \$0.5 million, and Port-wide contingency for business continuity of \$0.7 million established.

Departmental Credits

- FY 2011-12: Primarily higher direct and indirect costs charged to capital assets.
- FY 2012-13: Lower direct and indirect costs charged to capital of \$0.9 million due to lower direct allocation of labor.
- FY 2013-14: Higher direct and indirect costs charged to capital assets. Primarily due to an increase in projected capital expenditures.

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CAPITAL BUDGET AND CAPITAL NEEDS ASSESSMENT

CAPITAL PLANNING PROCESS

The Port updated its capital expenditure and budget approval process in FY 2010. The diagram on page 118 illustrates the capital expenditure approval process. As the Port gains more experience implementing this updated process, adjustments may be made to streamline or otherwise improve the planning and delivery of capital improvements.

The capital planning process begins with the identification of the Port's 5-Year Capital Needs Assessment (CNA). The 5-Year CNA is updated on an annual basis and presented to the Board. The 5-Year CNA is not a committed capital improvement program of the Port. Instead, it identifies the anticipated capital needs of the Port over the next five years. The 5-Year CNA is developed taking into account available funding sources (e.g., grants and PFCs), overall Port finances, and Port staffing resources.

For FY 2013, budget authorization is requested from the Board for (a) those projects for which there is already a contractual obligation, (b) a limited amount of pre-development work to scope potential projects, and (c) miscellaneous facilities replacement projects. "Contractual obligations" are generally defined as expenditures for which, for example, there is an active contract in place or a lease agreement that requires the Port to take certain actions. Project expenditures included in these three categories comprise the FY 2013 Capital Budget. Project expenditures not included in these three categories comprise the FY 2013 Pipeline. Authorization to proceed with Pipeline capital projects is sought from the Board on a project-by-project basis during the course of the fiscal year. Such authorization may be granted based on the need, financial analysis, cost estimates, alignment with Port goals and strategies and available funding sources. The FY 2013 Capital Budget and Pipeline together comprise the FY 2013 CNA. Together, the FY 2013 CNA, and an additional four years (FY 2014-2017) of projected expenditures, comprise the 5-Year CNA.

The Port's Aviation, Maritime, and CRE Divisions manage the majority of capital projects.

5-YEAR CAPITAL NEEDS ASSESSMENT

The 5-Year CNA is approximately \$638.2 million. The 5-Year CNA does not include significant capacity expansion projects and thus will generally not generate significant new revenues. It is primarily focused on regulatory compliance, life and safety, and revenue maintenance. For a project to be included in the 5-Year CNA, it must generally fall within one of the following categories:

- Contractual Obligation
- Regulatory Compliance
- Life and Safety
- Revenue Maintenance
- Revenue Enhancement

Further, projects included in the 5-Year CNA must meet the requirements of the Port's Capitalization Policy, Administrative Policy (AP) 506. AP 506 generally defines capital expenditures as those expenditures that:

- Result in Port-owned assets
- Are at least \$5,000
- Create an asset having an economic useful life of three or more years
- Create an asset intended to provide productive benefit to the Port during its useful life

The Port allocates indirect overhead costs to capital projects. The Port routinely conducts an indirect cost allocation analysis and as of September 2010, is applying an administrative overhead rate of 194.92% on labor costs and 3.61% on non-labor costs.

The projected annual cost of the 5-Year CNA includes estimated costs for numerous individual projects. The cost estimates for these projects are subject to various sources of uncertainty; as such, these estimates are subject to change. In addition, projects may be added to or removed from the 5-Year CNA as the needs of the Port evolve, and as projects are completed. No assurances can be made that cash and/or financing will be available to complete projects included in the 5-Year CNA. Failure to complete such projects may adversely impact projected Port revenues.

Aviation Division Projects

The 5-Year CNA includes approximately \$469.3 million of projects in the Aviation Division and is divided into seven programmatic areas: Airfield, Terminal, Leased Area, Ground Access and Parking, Security, Utilities, and Other.

Airfield

Approximately \$187.0 million is included in the 5-Year CNA for airfield projects. Projects in this category include runway safety area improvements, perimeter dike improvements, critical pavement rehabilitation, utilities for the FAA's planned new Air Traffic Control Tower (ATCT), airport layout plan update, enhancement of airfield signage and lighting, and airport pavement management system update. Approximately \$26.9 million of the expenditures in this category are included in the FY 2013 CNA.

Runway Safety Area Improvement Project

The FAA requires that commercial airports regulated under Part 139 have standard Runway Safety Areas (RSAs) where practicable. The FAA has a high-priority program to enhance safety by upgrading the RSAs at commercial airports and provides federal funding to support those upgrades. RSAs enhance the safety of airplanes which undershoot, overrun, or veer off the runway. RSAs are required at both ends and along the sides of runways to provide greater accessibility for firefighting and rescue equipment during such incidents. Most of the RSAs at OAK do not meet current FAA airport design standards. A planning study completed in October 2005 identified ways to bring the RSAs into conformance with FAA criteria, and the



Port, in consultation with the FAA and based on application of the RSA evaluation criteria, selected one improvement alternative for Runway 11/29 and another for Runways 9L/27R and 9R/27L. Approximately \$103.1 million has been included in the 5-Year CNA to complete design, environmental mitigation, and construction of the RSA improvements. Construction is scheduled to begin in early 2013. Although the grant funding is not yet in place, the 5-Year CNA assumes that this project would be funded with Airport Improvement Program (AIP) grants, with PFCs serving as the local match.

Perimeter Dike Improvements

The perimeter dike separates OAK's South Field airfield from San Francisco Bay waters. The Port has 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 identified improvements needed to address those vulnerabilities. In FY 2011, environmental review and design of the improvements were initiated, and then were put on hold while the Port team engaged in technical discussions with the two pipeline companies who own active and inactive fuel lines within the airport perimeter dike. The



Port team expects to reinstate design and environmental review in 2012. The \$47.0 million included in the 5-Year CNA includes the balance of design and environmental work, continued negotiations with the pipeline companies, mitigation of potential wetland wildlife impacts from the project, and construction of the recommended improvements. Staff continues to actively pursue potential governmental funding sources for this project.

Airfield Pavement

In FY 2013, Port staff will continue implementing its pavement management program. This program ensures that the pavement at the Airport, one of the Port's largest assets, is managed in the most cost-effective manner to provide the longest pavement life, ensure aircraft safety through quality pavement that does not lead to foreign object debris damage, and maximize Airport Improvement Program (AIP) grant funding. Pavement rehabilitation activities slated for FY 2013 will focus on projects that support the RSA improvement program described above, as well as a \$25.0 million rehabilitation of the main commercial runway (Runway 11-29) and an update of OAK's FAA-required Pavement Management System.



FAA Air Traffic Control Tower

The new ATCT, designed to reach a height of 236 feet above ground level (plus 20 feet of antennas and lightning masts), will enable the FAA to improve efficiency by reducing duplicative activities that result from the maintenance of the two existing towers. The new ATCT 'base building' (administrative offices)

will contain the latest electronic equipment associated with a new, state of the art air traffic control system as well as offices and other administrative areas. The tower was designed to meet U.S. Green Building Council LEED criteria for Gold certification using design features such as a 250 kW solar array to be constructed on roofs of the base building and carports, as well as a geothermal well component to the heating, ventilation and air conditioning system, which the FAA expects will reduce power requirements by about 12%. Although the ATCT project is FAA funded and constructed, the Port will contribute related improvements, including a new airfield lighting control panel and crash phone. Additionally, the Port is responsible for demolishing the old North Field Tower, among other improvements, and has included \$2 million in the 5-Year CNA for this work. Tower construction is expected to be completed in June 2012, and the FAA expects to commence operations in the new tower in July 2013.

Terminal

The passenger terminal complex at OAK includes Terminal 1 (T1; 16 gates) and Terminal 2 (T2; 13 gates). An extensive expansion and renovation of T2 was completed in 2006. Minor capital projects associated with T2 are included in the 5-Year CNA, including scheduled re-roofing of Building M130. The majority of the other capital improvements are focused on T1. Approximately \$200 million is included in the 5-year CNA for terminal-related improvements. These costs are primarily funded through PFCs.

Terminal 1 Retrofit and Renovation Program

Through studies and analyses, the Port determined that T1 would be retained for the foreseeable future to accommodate existing air passenger traffic and near-term growth. To retain the T1 structures and related systems, substantial renovations are required to meet current codes, mitigate life safety issues, replace inefficient and outdated infrastructure, improve passenger service, prolong service life and improve life cycle costs (the T1 Retrofit and Renovation Program, or the T1 Program). The Strategic Plan includes the T1 Program as an implementing action to sustain economic and business development by maximizing the use of existing assets, retaining existing customers and tenants, and pricing Port services to provide a highly competitive value. Approximately \$195.1 million is included in the 5-Year CNA for the T1 Program.



The T1 Program is being implemented in a phased manner, addressing near-term needs, prioritized life safety and other code requirements, and funding availability. In FY 2013, the fire suppression and fire alarm installation and communication and paging upgrades in Building M103 will be completed, as well as the new Building M102 substation. The final design for the Building M102 life and safety improvements will be completed in summer of 2012; construction of these improvements is expected to begin by the end of FY 2013. The final design for the central utility plant renovation/replacement was completed in FY 2012; construction will be underway at the beginning of FY 2013, and be completed in approximately two years. The T1 Program will include green building principles and will continuously evaluate customer and tenant needs as projects are designed and implemented.

Leased Area

The Port routinely monitors and implements improvements needed to meet existing lease requirements (apron, foundation, roofing, and walls) and therefore support revenue retention and generation. Some

leased facilities at North Field are in poor condition and must be improved in accordance with the Port's contractual obligations to tenants. A thorough assessment of the North Field properties lease requirements has been conducted and an on-going program to address the required improvements is being developed. Approximately \$9.3 million is included in the 5-Year CNA for this category of improvements.

Ground Access and Parking

This category includes a range of airport ground access-related projects intended to improve customer service, fulfill regulatory permit obligations, and/or maintain revenues. Approximately \$37.1 million is included in the 5-Year CNA for these projects, of which \$23.5 million is for the BART Oakland Airport Connector.

This project consists of an automated people mover system, which will replace the current AirBART shuttle bus and improve access between OAK and the regional rail transit system. The total project cost is estimated at \$484.1 million. The 3.2-mile system includes elevated guideway sections along Hegenberger Road, a tunnel beneath Doolittle Drive, and at-grade and elevated sections for the 1.1-mile segment that is located on Airport property approaching the terminal facilities, an Airport Station, and a Coliseum Station. The project is being implemented by BART under a Design, Build, Operate and Maintain contract. The Design-Build portion of the contract was awarded to Flatiron/Parsons Joint Venture, which includes Turner Construction, which will oversee construction of the Airport Station. The Operate-Maintain portion of the contract was awarded to Doppelmayr Cable Car.

Construction of the guideway columns on-Airport and along Hegenberger Road, as well as the foundations of the Airport and Coliseum Stations has been completed. Bent caps to support the guideway are under construction. The Doolittle Drive undercrossing and remaining civil designs are estimated to be completed during FY 2013. Guideway construction and on-Airport construction are scheduled for completion in FY 2013. BART will conduct system testing during FY 2014 and anticipates commencing service to the public in spring 2014.

The BART Oakland Airport Connector project is intended to provide reliable scheduled service; connections that are safe, convenient, and predictable; and travel time savings between the existing BART Coliseum Station and OAK. Approximately \$23.5 million of the Port's total contribution of approximately \$45.4 million is included in the 5-Year CNA. The Port's contribution to the BART Airport Connector is PFC-funded.



Rendering of BART Oakland Airport Connector. Source: BART.

Security

Approximately \$4.4 million is included in the 5-Year CNA for general Airport security projects. Key projects include closed circuit television camera expansion and upgrades, access control and other security system upgrades.

Utilities

OAK has an extensive utility network, serving approximately 2,600 acres of land area. Water, stormwater, sewer, and electrical infrastructure are vital to the ongoing operation of Airport facilities; failures must be avoided through a combination of maintenance and on-going capital investment. Approximately \$26.9 million has been included in the 5-Year CNA for utility infrastructure projects. These projects include water and sewer upgrades, development of a Water Master Plan, and replacement of Pump Station No. 6. The replacement of Pump Station No. 6 is one of several projects intended to renew and modernize critical portions of OAK's stormwater management infrastructure based on recommendations of the Stormwater Master Implementation Plan completed in 2009. Both design and construction work for Pump Station No. 6 are scheduled in FY 2013; this project is similar to the replacement of Pump Station No. 4, which was completed in FY 2012.

Other

Approximately \$4.9 million is included in the 5-Year CNA for miscellaneous Aviation Division projects, including information technology and telecommunications upgrades, capital equipment purchases, and safety projects.

Maritime Division Projects

The 5-Year CNA includes approximately \$153.0 million for capital projects at the seaport.

Shore Power Program

California law requires container vessels berthed at the Port to reduce emissions associated with auxiliary engines powering the vessel. In order to ensure vessels are able to comply with this regulation, the Port's tenants must have emissions control measures available at the wharf for the vessels. In coordination with its tenants and customers, the Port determined that the most effective compliance option is for vessels to be retrofitted to receive electric power supply from the shore power, reducing vessel auxiliary engine use while at berth.



The Port's Shore Power Program requires significant new electrical power service infrastructure to each of the berths at the Port. The Port began planning for shore power in 2009. The first phase of construction, at three of the 11 berths in the Port's Shore Power Program, started in spring 2011 and is expected to be completed in early summer 2012. The second phase of construction (8 berths) is now starting, and should be completed by winter 2013.

The total estimated cost of the Shore Power Program is approximately \$70 million (revised from a prior estimate of \$90 million), of which \$43.1 million is included in the 5-Year CNA. Funding for the Program includes approximately \$32.7 million in grants from various local, state and federal agencies.

Site Preparation and Redevelopment of the Former Oakland Army Base

Between 2003 and 2007, the Port received 241 acres of property which formerly was part of the OAB. Since receiving title to the property, the Port has been demolishing the Army buildings, investigating and remediating environmental contamination and planning for the ultimate build out. A Master Plan for the overall (Port and City-owned OAB property) redevelopment was completed in FY 2012. The Port facilities will include an intermodal rail terminal and transloading-warehousing facilities. Redevelopment of the former OAB property will be phased to match priorities and funding availability.

In FY 2013, the Port plans to continue remediating the site and prepare bridging documents for a design-build contractor for the construction of the first phase of the rail terminal. Construction of the rail terminal is anticipated to commence in late FY 2013. Approximately \$79.6 million is included in the 5-Year CNA for this work, of which \$7.6 million is in FY 2013. Future phases of construction, including new warehouse construction and site development for the Port property will be developed based on market demand.

In the Amended and Restated Memorandum of Agreement (ARMOA) for the OAB, the Port and the City agreed to pay into a Community Trust Fund which would provide funding for activities that benefit the community. The City Redevelopment Agency and its developer(s) are required to contribute to the Community Trust Fund. Once the City and its developer(s) contribute, the Port is required to make an equal contribution, not to exceed \$2.0 million, within 30 days of the City and its developer(s)' payment. If the City and its developer(s) do not make a contribution, then the Port has no obligation. The 5-Year CNA includes \$2.0 million for the Community Trust Fund.

Maritime Security Initiatives

Since 2001, the Port, state and federal government have focused on seaport security as a critical link in the national defense. Leveraging both state and federal security grant programs, the Port continues to implement security enhancements at the seaport. To date, the Port has installed radiation portal monitors, which scan all imported containers for radiation at all of the Port's international marine terminals. The Port has also implemented comprehensive intrusion detection and surveillance system throughout the seaport area, offering security personnel the ability to identify what is happening throughout the seaport, including the marine terminals, roadways and other key infrastructure.



Key security projects include construction of a security network to better incorporate all the surveillance technology through a common network, a Radio Frequency Identification (RFID)-based truck tracking program to better monitor truck activity within the Port, and the integration of Port closed circuit television cameras into the common surveillance network. Approximately \$14.7 million is included in the 5-Year CNA for security projects. Most of the security projects are funded with grants (approximately \$9.8 million over the next five years); however, on-going operation and maintenance costs are typically the responsibility of the Port.

7th Street Grade Separation

The grade separation project is a component of the OAB Master Plan that allows the Port to accommodate longer, more efficient trains, while creating a direct, secure access route between ships and trains so that cargo can freely move between rail and marine terminals in a more coordinated fashion. Approximately \$250,000 has been included in FY 2013 primarily for planning and other pre-development activities. Project delivery is highly dependent on other sources of funding such as the Alameda County Transportation Commission (ACTC) ballot measure scheduled for November 2012.

Other Projects

Other projects in the Maritime Division CNA represent approximately \$13.3 million. These projects include, but are not limited to:

- Navigational Channel Deepening Project: The Port and the U.S. Army Corps of Engineers plan to improve the MHEA, a shallow water habitat adjacent to the Port's Middle Harbor Shoreline Park, which was built by the Port as a mitigation measure for the Port's 50-foot dredging project. The 5-Year CNA includes \$3.8 million for the MHEA.
- Sewer system upgrades, consistent with requirements of the U.S. EPA in collaboration with the California Regional Water Quality Control Board-San Francisco Region, as well as major overhaul of electrical substation.
- Replacing portions of pavement at various marine terminals.
- Continued implementation of the CTMP, which includes improving truck circulation in the seaport. Specifically, the Port will reconfigure the traffic lanes on 7th Street, improve the entrance lanes at various marine terminals, construct restroom facilities, and implement a virtual container yard system.



Commercial Real Estate Division Projects

The 5-Year CNA includes about \$6.7 million for projects in the CRE Division.

- The Port is currently working with a private developer on JLS Phase II for the redevelopment of the eastern portion of JLS. Approximately \$0.7 million is included in the 5-Year CNA for Port activities related to this redevelopment. The developer project is valued at approximately \$300 million.
- The Port is currently working with a private developer, Oakland Harbor Partners, to redevelop the Oak-to-9th waterfront district, centrally located on the Oakland Estuary minutes from JLS and downtown Oakland. Approximately \$0.6 million is allocated to facilitate development plans.
- In addition, approximately \$5.4 million is included in the 5-Year CNA for improvements related to revenue maintenance and enhancements.

Support Division & Port-Wide Projects

The 5-Year CNA includes \$9.3 million for projects and equipment such as computer hardware and software, network upgrades, and telecommunications, and continued implementation and enhancement of the Port's ERP system, launched in October 2010. Approximately \$3.6 million has been allocated to for ERP.

PROJECTS NOT INCLUDED IN THE 5-YEAR CNA

The Port's planned capital projects have been greatly reduced (both in scope and number) in recent years due to budgetary and staffing constraints. The Port continues to assess and explore alternative funding strategies for projects not included in the current 5-Year CNA, and may include these projects in a subsequent CNA.

Provided below is a summary of the major projects only partially included or excluded from the current 5-Year CNA. If the Port fails to undertake the Maritime and Aviation Division projects not included in the 5-Year CNA, the Port's operating capacity could be impaired, which in turn could lower the rate of cargo and enplanement growth and adversely affect Port revenues.

Aviation

Aviation continues to explore alternative strategies for funding certain terminal and infrastructure projects that are not included or only partially included in the 5-Year CNA, as outlined below:

- The scope of the T1 Retrofit and Renovation Program is phased and prioritized to match PFC funding availability; therefore, the costs and time required to implement T1 Program improvements may increase.
- Utility infrastructure, including electrical, water and sewer, is aged and in need of repair at numerous points in the system. Improvements have been limited to highest priority items in order to reduce and spread expenditures.
- North Field facilities improvements have been limited to contractually obligated improvements and high priority facility repair or demolition.

Maritime

Maritime continues to explore alternative strategies for funding certain marine terminal reconstruction projects. Maritime projects under consideration that are not included or only partially included in the 5-Year CNA are:

- Reconstruction of the Global Gateway Central (EMS/APL) terminal wharf, estimated to cost approximately \$130 million. Approximately \$150,000 has been included in the 5-Year CNA for preliminary planning activities only.
- 7th Street Grade Separation, estimated to cost approximately \$220 million. Approximately \$250,000 has been included in the 5-Year CNA for preliminary planning activities only.
- Utility infrastructure improvements, estimated to cost approximately \$8 million, are not included pending completion of work that is included in the current 5-Year CNA.

Commercial Real Estate

- Capital improvements at the Port headquarters (530 Water Street), estimated to cost approximately \$1.0 million.
- Various improvements at 101 Washington Street Garage, located across from the Port headquarters, estimated to cost approximately \$0.5 million.

CAPITAL PROJECT FUNDING SOURCES

Capital projects at the Port are funded by a variety of sources including grants, PFCs, Port-generated cash, private sector contributions and debt. Based on current estimates of available grants, PFC funds, and Port-generated cash, the 5-Year CNA estimates that approximately \$144.4 million of debt proceeds are needed, of which \$102.9 million is for PFC-eligible projects. Staff continues to actively seek additional grants and other third party contributions to fund its 5-Year CNA.

Projects included in the 5-Year CNA will be approved¹⁹ on a project-by-project basis based on the need, financial analysis, cost estimates, alignment with Port goals and strategies, and available funding sources. A description of the various funding sources for Port capital projects is described below.

Federal Aviation Administration Airport Improvement Program (AIP) Funds

The AIP funds approximately 80% of eligible Airport projects. The Port is required to fund the other 20%. The Port's share may come from PFCs or internally generated revenues. The Port typically receives AIP grant reimbursements 60 days after expenditures are made.

From FY 2013 through FY 2017, total AIP grants for OAK (consisting of both AIP entitlement and discretionary funds) are estimated to be \$110 million. From FY 2009 through FY 2011, OAK received a total of approximately \$32.7 million in AIP grants. In FY 2012, OAK anticipates receiving approximately \$15 million in AIP grants. The AIP grants will be used on grant-eligible portions of airfield and apron-related projects for both North and South Fields of the Airport.

Passenger Facility Charges (PFC)

PFC is a user fee charged by the airport and collected by the airlines for revenue passengers enplaning at OAK. The current rate is \$4.50 per enplaned passenger. Airlines retain approximately 2.4% (\$0.11 per passenger) and disburse the remainder to the Port. PFCs are collected at the time that airline tickets are sold, and are forwarded approximately 30 days after the month in which they are collected. Initiated at OAK in September 1992, PFCs are approved by the FAA and are used to fund eligible capital improvement projects at OAK.

In the 5-Year CNA, the Port includes approximately \$212.4 million of PFC-eligible projects and anticipates collecting \$105.3 million based on the current passenger forecast and a PFC level of \$4.50. It is also assumed that \$12 million of PFCs will be available at the beginning of FY 2013 and that costs to finance PFC projects will be reimbursed with PFCs. The difference between PFC-eligible project costs and available PFCs is assumed to be funded with commercial paper notes (CP Notes) and repaid with PFC revenues in FY 2018-2025 based on assumed passenger activity levels. Congress is currently reviewing proposals in the FAA re-authorization legislation that could increase the PFC up to \$7.00 per enplaned passenger.

Customer Facility Charges (CFC)

Effective April 2002, the rental car companies operating at OAK are required to collect a \$10-per-transaction CFC from their rental customers. CFCs are received approximately 20 days after the month

¹⁹ Funding for projects included in the FY 2013 Capital Budget is approved upon Board adoption of the FY 2013 Budget. Funding for projects identified in the FY 2013 Pipeline is subject to approval by the Board during the course of the fiscal year.

in which they are collected. CFC revenues in FY 2011 totaled approximately \$4.8 million. Future CFC revenues are projected based on a historical ratio of CFC collections per enplaned passenger.

CFCs can fund both operating and capital improvement costs related to rental car activity. In the current 5-Year CNA, no CFCs are assumed to be used for capital costs. CFCs are assumed to be used to offset rental car busing operating costs, as well as the purchase of new shuttle buses by the rental car companies.

Maritime Grants

The Port expects to receive a total of approximately \$101 million in grant funding for seaport projects from FY 2013 through FY 2017. Of this total, \$9.8 million is for security projects, \$21.5 million is for the Shore Power Program, and \$69.6 million is for the OAB.²⁰

Port Cash

Approximately \$172.0 million of cash generated from operations is assumed to be applied to the 5-Year CNA.

Other & Third-Party Contributions

The Port continues to actively seek private-public partnerships to fund portions of its 5-Year CNA.

Commercial Paper, Bonds, Other Debt

To the extent that the above-listed funding sources are insufficient to pay for projects included in the 5-Year CNA, the Port would need to issue additional debt (assumed to be CP Notes) to fund its capital projects, to be repaid with future revenues generated from operations. Based on the current 5-Year CNA and estimated funding sources, approximately \$144.4 million of CP Notes or other debt may be needed by the Port to fund certain projects included in the 5-Year CNA, of which \$102.9 million is for PFC-eligible projects. In FY 2016, it is assumed the Port increases its letter of credit supporting the CP Program from \$200 million to \$250 million.

²⁰ Grant funding provided by the California Transportation Commission (CTC) from the Transportation Corridor Infrastructure Fund (TCIF). This grant funding remains subject to final approval by the CTC.

FY 2013 CAPITAL BUDGET AND FY 2013 PIPELINE PROJECTS

For FY 2013, budget authorization of \$111.6 million is requested from the Board for projects for which the Board already has a contractual obligation, as well as limited amounts for pre-development work and miscellaneous facility replacement projects. This authorization comprises the FY 2013 Capital Budget. The FY 2013 Capital Budget includes, but is not limited to, expenditures associated with the following capital projects:

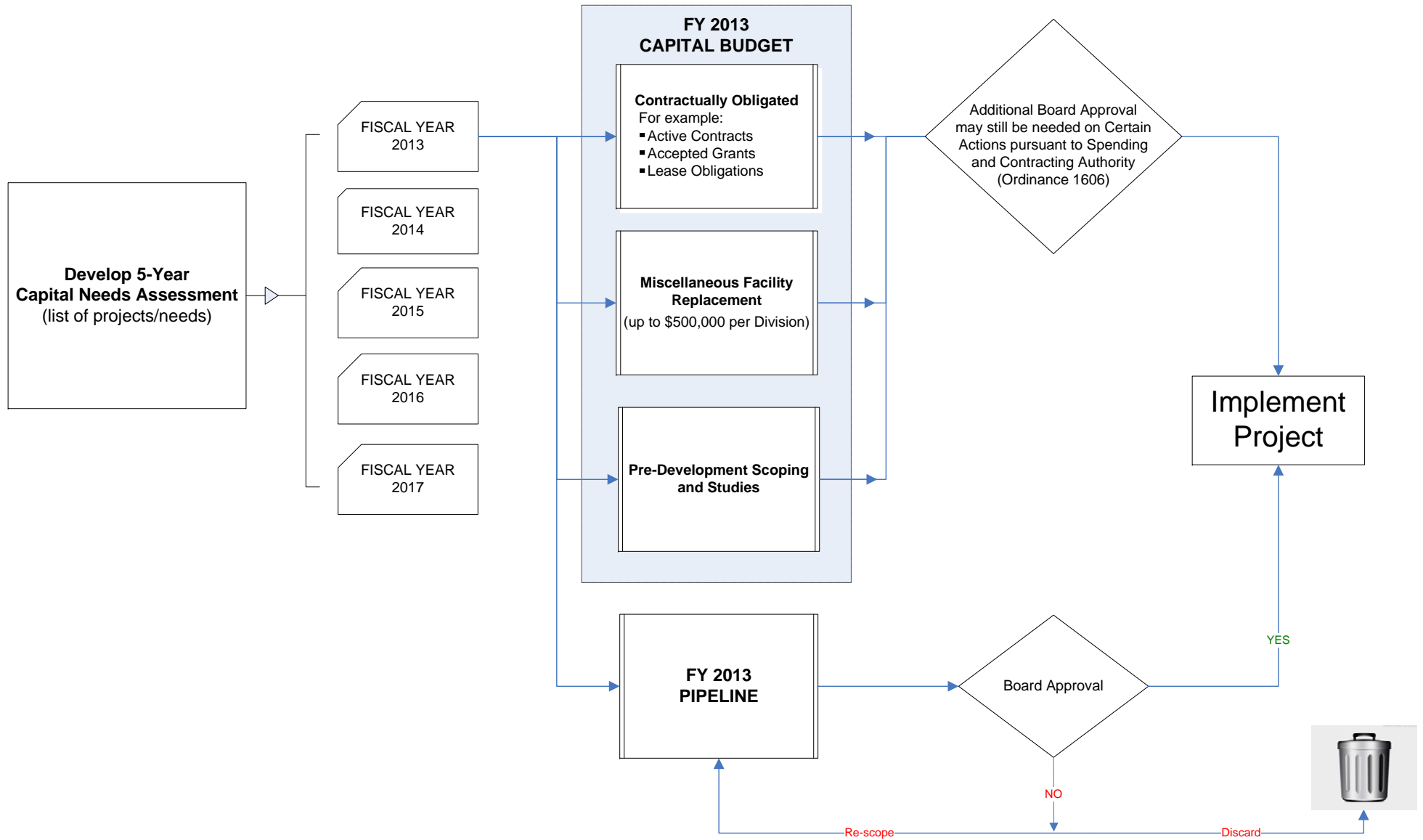
- Terminal 1 Renovation and Retrofit
- Runway Safety Area
- Perimeter Dike Improvements
- BART – Oakland Airport Connector
- Pavement Improvements
- Utility Improvement Program, including Replacement of Pump House No. 6
- Shore Power Program
- Maritime Security
- Oakland Army Base
- Oak-to-9th Tidelands Trust and closing costs
- Information Technology upgrades and systems, including Enterprise Resource Planning system

Additional projects identified for FY 2013 (i.e., the FY 2013 Pipeline) are subject to Board approval during the course of the fiscal year before they can commence. Authorization to proceed with these Pipeline capital projects may be provided by the Board on a project-by-project basis, based on the need, financial analysis, cost estimates, alignment with Port goals and strategies, and available funding sources.

Please refer to the tables at the end of this section for more information on the 5-Year CNA and the FY 2013 CNA (Capital Budget and Pipeline Projects).

CAPITAL EXPENDITURE APPROVAL PROCESS

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5-YEAR CAPITAL NEEDS ASSESSMENT**Expenditure and Funding Sources****FY 2012-13 to FY 2016-17**

(\$ Thousands)

5-YEAR EXPENDITURE BY DIVISION						Total Estimated Expenditure
Divisions	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17	
Aviation	90,263	141,699	107,598	98,165	31,532	469,257
Maritime	44,286	57,428	41,436	8,700	1,100	152,950
CRE	2,688	894	1,749	655	705	6,691
Support	5,162	1,100	1,500	750	750	9,262
Total	142,399	201,121	152,283	108,270	34,087	638,160

5-YEAR FUNDING BY SOURCE

Funding Source	Total
Aviation Grants	110,039
Maritime Grants	100,966
Other Grants	1,220
PFC Pay-Go ¹	109,561
Cash	171,953
CP (Debt) Proceeds ²	144,421
Total	638,160

¹ Assumes \$12.0 million of PFCs available at beginning of FY 2013.

² Includes \$102.9 million of CP Proceeds to fund PFC-eligible Aviation Division projects, to be repaid with PFC revenues between FY 2018 and FY 2025, depending on passenger level and congressional PFC authorization levels. In FY 2016, it is assumed that the Port increases its Letter of Credit supporting the CP program from \$200 million to \$250 million.

5-YEAR CAPITAL NEEDS ASSESSMENT
Annual Expenditure By Division and Projects
FY 2012-13 to FY 2016-17
(\$ Thousands)

<u>DIVISIONS</u>	<u>FY 12-13</u>	<u>FY13-14</u>	<u>FY14-15</u>	<u>FY15-16</u>	<u>FY16-17</u>	<u>Total</u>
AVIATION						
Airfield						
Perimeter Dike Improvements	1,884	13,230	21,650	10,265	0	47,029
Runway Safety Area Improvements	17,500	51,400	24,600	9,600	0	103,100
Other Projects	7,487	2,000	5,500	20,000	1,900	36,887
Subtotal Airfield	26,871	66,630	51,750	39,865	1,900	187,016
Terminal						
T1 Renovation & Retrofit	36,030	54,860	40,340	46,000	17,890	195,120
Other Projects	730	300	0	3,500	0	4,530
Subtotal Terminal	36,760	55,160	40,340	49,500	17,890	199,650
Leased Area	1,959	2,330	1,240	3,250	500	9,279
Ground Access and Parking						
BART	12,825	10,700	0	0	0	23,525
Other Projects	1,725	1,349	10,000	0	500	13,574
Subtotal Ground Access & Parking	14,550	12,049	10,000	0	500	37,099
Security	560	2,096	18	100	1,592	4,366
Utilities	6,459	3,084	3,900	5,100	8,400	26,943
Other	3,104	350	350	350	750	4,904
TOTAL AVIATION	90,263	141,699	107,598	98,165	31,532	469,257

5-YEAR CAPITAL NEEDS ASSESSMENT
Annual Expenditure By Division and Projects
FY 2012-13 to FY 2016-17
(\$ Thousands)

<u>DIVISIONS</u>	<u>FY 12-13</u>	<u>FY13-14</u>	<u>FY14-15</u>	<u>FY15-16</u>	<u>FY16-17</u>	<u>Total</u>
MARITIME						
Marine Terminals						
Shore Power Program	27,000	12,300	3,800	0	0	43,100
Other Projects	990	200	200	200	200	1,790
Subtotal Marine Terminals	27,990	12,500	4,000	200	200	44,890
Security	5,621	6,228	2,836	0	0	14,685
Oakland Army Base	7,625	36,400	30,000	7,600	0	81,625
7th Street Grade Separation	250	0	0	0	0	250
Dredging	200	1,400	2,200	0	0	3,800
Other	2,600	900	2,400	900	900	7,700
TOTAL MARITIME	44,286	57,428	41,436	8,700	1,100	152,950
COMMERCIAL REAL ESTATE						
Jack London Square (JLS)	1,195	469	1,249	180	330	3,423
Embarcadero Cove	518	0	0	0	0	518
Business Park	0	100	200	175	75	550
Oak-to-9th District	600	0	0	0	0	600
Other	375	325	300	300	300	1,600
TOTAL COMMERCIAL REAL ESTATE	2,688	894	1,749	655	705	6,691
SUPPORT						
ERP	1,630	500	500	500	500	3,630
Other Projects	3,532	600	1,000	250	250	5,632
TOTAL SUPPORT	5,162	1,100	1,500	750	750	9,262
TOTAL	142,399	201,121	152,283	108,270	34,087	638,160

FY 2012-13 CAPITAL NEEDS ASSESSMENT

Expenditure and Funding Sources

(\$ Thousands)

FY 2012-13 CNA EXPENDITURE

Divisions	Capital Budget				Pipeline	Total Expenditure
	Contractual Obligations	Pre-Development	Misc. Facility Replacement	Total Capital Budget		
Aviation	66,708	500	500	67,708	22,555	90,263
Maritime	38,158	0	500	38,658	5,628	44,286
CRE	1,788	0	325	2,113	575	2,688
Support	3,132	0	25	3,157	2,005	5,162
Total	109,786	500	1,350	111,636	30,763	142,399

FY 2012-13 CNA FUNDING BY SOURCE

Funding Source	FY 12-13 Capital Budget	FY 12-13 Total CNA
Aviation Grants	9,209	19,043
Maritime Grants	7,354	7,670
Other Grants	1,220	1,220
PFC Pay-Go ¹	31,147	31,124
Cash	48,365	48,284
CP (Debt) Proceeds ²	14,341	35,058
Total	111,636	142,399

¹ Assumes \$12.0 million of PFCs available at beginning of FY 2013.

² Includes \$12.3 million of CP Proceeds (FY 2013 Capital Budget) and \$16.9 million (FY 2013 CNA) to fund PFC-eligible Aviation Division projects, to be repaid with PFC revenues between FY 2018 and FY 2025, depending on passenger level and congressional PFC authorization levels.

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DEBT SERVICE

The debt service as reflected in this budget is based on the scheduled annual principal and interest payments required of the Port's outstanding bonds and Department of Boating and Waterways (DBW) Loan, interest only on outstanding commercial paper notes (CP Notes), plus additional anticipated CP Notes to fund the Port's 5-Year CNA.

Outstanding and Planned Debt

The Port does not have taxing power and has issued debt secured by a pledge of Port revenues (with certain exceptions).

Outstanding Debt

The Port currently has Senior Lien Bonds (Series L, M, N and O), a DBW Loan, Intermediate Lien Bonds (Series A, B and C) and CP Notes outstanding.

Outstanding Debt	Unaudited June 30, 2012
Senior Lien Bonds	\$ 798,370,000
DBW Loan	5,563,884
Intermediate Lien Bonds	464,595,000
CP Notes	87,268,000
Total	\$1,355,796,884

The current outstanding revenue bonds (Senior Lien and Intermediate Lien) were issued in August 2002 through August 2011 at fixed rates ranging from 1.5% to 5.5% with principal repayment scheduled for FYs 2013-2033. 2011 Series O Senior Lien Bonds were issued on August 16, 2011, to refund the 2000 Series K Senior Lien Bonds for debt service savings. The DBW Loan financed the 1999 renovation of the Jack London Square Marinas and has a fixed rate of 4.5%.

The Port initiated a \$300 million CP program in 1998 to provide flexibility to borrow funds on short notice to (1) fund a portion of the capital program, (2) provide interim financing for cash management (e.g. lags in grant reimbursement), and (3) provide emergency funding. CP Notes may be repaid with cash, PFCs, or long-term debt and may be re-borrowed from time to time. Approximately \$7.8 million of outstanding CP Notes is assumed to be repaid in FY 2013; no additional principal repayment of CP Notes is assumed in FY 2013 through FY 2015. The interest rate on the CP Notes is variable and resets every 1 to 270 days and is assumed to range from 0.5% to 1.5% in FY 2013 through FY 2015. Under the CP Indenture, the maximum CP Notes interest rate is 12% with a maximum term of 270 days.

The Port currently has two letter of credits (LOC) securing the CP Notes, \$50 million with JPMorgan Chase Bank and \$150 million with Wells Fargo Bank, allowing the Port to have outstanding up to \$200 million in CP Notes. The LOCs expire on August 2, 2012 and 2013, respectively. The Port has extended the LOC with JPMorgan Chase Bank for an additional two years, through August 1, 2014.

The priority of payment for the Port's debt is as follows:

1. Senior Lien Bonds
2. DBW Loan
3. Intermediate Lien Bonds
4. CP Notes

Planned Debt

Based on the 5-Year CNA, the Port anticipates that it will borrow through its CP Program to fund certain capital improvements (see *Capital Budget and Capital Needs Assessment* section). The CNA indicates that in FY 2013, FY 2014 and FY 2015, the Port anticipates borrowing \$35.1 million, \$51.8 million and \$30.8 million, respectively. The average annual interest rate on the outstanding CP Notes during this 3-year time period is assumed to be 0.5%, 1.0% and 1.5%, respectively. The Port anticipates increasing its CP Program from the current \$200 million to approximately \$250 million in FY 2016.

In addition, in FY 2013, the Port is considering refunding certain outstanding bonds if interest rates are favorable and the Port is able to achieve debt service savings. However, no such refunding is assumed in the budget.

Debt Covenants

The Port has covenanted in the Bond Indentures and in the LOC Agreements to maintain Net Revenues (as defined in the Bond Indentures) at or above specified levels of the annual debt service paid by the Port each fiscal year. The minimum debt service coverage ratio (DSCR) for Senior Lien Bonds is 1.25 and the minimum DSCR for the Intermediate Lien Bonds is 1.10. Under the LOC Agreements, the Port has also agreed to maintain a minimum Intermediate Lien DSCR of 1.10.

Debt Service Coverage Ratios

The Senior Lien, Intermediate Lien, and Combined (Aggregate) DSCR are shown in the table following. The Intermediate Lien DSCR takes into account Senior Lien Bond, DBW Loan and Intermediate Lien Bond debt service. The Combined (Aggregate) DSCR includes all debt service including interest on CP Notes.

DEBT SERVICE COVERAGE

FY 2010-11 TO FY 2014-15

(\$ Thousands)

	<u>Actual 2010-11</u>	<u>Budget 2011-12</u>	<u>Budget 2012-13</u>	<u>Projected 2013-14</u>	<u>Projected 2014-15</u>
Operating Revenue	\$297,983	\$296,570	\$311,518	\$316,047	\$323,876
Operating Expense before Depreciation & Amortization, & CFC/Grants ¹	(144,278)	(150,373)	(162,842)	(165,453)	(171,823)
Interest Earned ²	1,797	2,387	1,230	2,706	3,808
Net Revenue	155,502	148,583	149,906	153,300	155,861
<u>Debt Service:</u>					
Debt Service – Senior Lien Bonds	66,641	74,507	69,133	58,016	60,093
Debt Service – Senior & Intermediate Lien Bonds & DBW Loan	105,645	113,509	108,139	108,137	108,138
Debt Service – Combined (Aggregate) ³	105,878	113,842	108,712	109,802	111,098
<u>Debt Service Coverage Ratio:</u>					
Senior Lien ⁴	2.33	1.99	2.17	2.64	2.59
Intermediate Lien ^{5,7}	1.47	1.32	1.39	1.42	1.44
Combined (Aggregate) ^{6, 7}	1.47	1.31	1.38	1.40	1.40

¹ Does not include operating expenses paid with CFCs or certain Maritime grants.

² Interest Earned is Interest Income in accordance with generally accepted accounting principles and does not include the interest earned on PFC and CFC funds.

³ Includes debt service on Senior and Intermediate Lien Bonds, DBW Loan and interest due on CP Notes, but not principal on CP Notes. Based on the 5-Year CNA, CP Notes balance is anticipated to be \$114.6 million, \$166.5 million and \$197.2 million, with interest rates of 0.5%, 1.0%, and 1.5% for FYs ending 2013, 2014 and 2015, respectively. However, as further discussed in the *Capital Budget and Capital Needs Assessment* section, the Port has not yet obtained funding for all capital projects described, some of which may ultimately not be implemented by the Port.

⁴ Senior Lien DSCR equals Net Revenues divided by Senior Lien Bond debt service.

⁵ Intermediate Lien DSCR equals Net Revenues divided by Senior and Intermediate Lien Bond debt service and DBW Loan debt service.

⁶ Combined (Aggregate) DSCR equals Net Revenues divided by Debt Service – Combined (Aggregate).

⁷ In FY 2012, Intermediate and Combined (Aggregate) Debt Service Coverage Ratios reflect \$0.6 million of Series M unspent bond proceeds being applied to debt service payments.

DEBT SERVICE SCHEDULE**FY 2012-13 to FY 2014-15**

(\$Thousands)

Description	FY 2012-13			FY 2013-14			FY 2014-15		
	Principal	Interest ¹	Total	Principal	Interest ¹	Total	Principal	Interest ¹	Total
<u>Senior Lien Revenue Bonds</u>									
2002 Revenue Bonds Series L	\$0	\$18,300	\$18,300	\$0	\$18,300	\$18,300	\$0	\$18,300	\$18,300
2002 Revenue Bonds Series M	15,245	860	16,105	4,565	422	4,987	5,025	227	5,252
2002 Refunding Bonds Series N	7,940	3,708	11,648	8,335	3,310	11,645	8,760	2,888	11,648
2011 Refunding Bonds Series O	6,390	16,691	23,081	6,635	16,449	23,084	8,760	16,132	24,892
Subtotal Sr. Lien Rev. Bonds	29,575	39,559	69,133	19,535	38,481	58,016	22,545	37,547	60,093
<u>Loans</u>									
Dept. of Boating & Waterways Loan	207	250	458	217	241	458	226	231	458
<u>Intermediate Lien Revenue Bonds</u>									
2007 Refunding Bonds Series A	15,420	9,880	25,300	16,210	9,090	25,300	15,185	8,306	23,491
2007 Refunding Bonds Series B	610	8,710	9,320	12,040	8,396	20,436	12,340	7,830	20,170
2007 Refunding Bonds Series C	0	3,928	3,928	0	3,928	3,928	0	3,928	3,928
Subtotal Int. Lien Rev. Bonds	16,030	22,518	38,548	28,250	21,414	49,664	27,525	20,064	47,589
Subtotal Sr. & Int. Lien Rev. Bonds and DBW Loan	45,812	62,327	108,139	48,002	60,136	108,137	50,296	57,842	108,138
Commercial Paper ²	0	573	573	0	1,665	1,665	0	2,959	2,959
Total Debt Service	\$45,812	\$62,900	\$108,712	\$48,002	\$61,801	\$109,802	\$50,296	\$60,802	\$111,098

¹ Interest shown on this table is on a cash basis. On the Income Statement, Interest Expense is shown on an accrual basis.

² Based on the 5-Year CNA, CP Notes balance is anticipated to be \$114.6 million, \$166.5 million and \$197.2 million with interest rates of 0.5%, 1.0%, and 1.5% for FYs ending 2013, 2014 and 2015, respectively.

CASH FLOW

Flow of Funds

The application of the Port's revenues is governed by certain provisions of the City's Charter. All income and revenue from the operations of the Port or from Port facilities is to be deposited in a special fund in the City Treasury and to be designated as the "Port Revenue Fund" (also known as "General Fund") and to be applied as follows:

1. To pay principal and interest on any or all general obligation bonds of the City issued for Port purposes.
2. To pay the principal and interest on revenue bonds.
3. To pay all costs of maintenance and operation of the facilities together with general costs of administration and overhead allocable to such facilities.
4. To defray the expenses of any pension or retirement system applicable to the employees.
5. For necessary additions, betterments, improvements, repairs or replacements of any facilities.
6. To establish and maintain reserve or other funds to insure the payment on or before maturing of any or all general obligation bonds of the City issued for any facility under the control of the Board. To establish and maintain reserve or other funds to insure the payment on or before maturity of any or all revenue bonds.
7. To establish and maintain such other reserve funds pertaining to the facilities of the Board as determined by a resolution(s) of the Board, and
8. For transfer to the General Fund to the City, to the extent that the Board determines that surplus moneys exist in such fund which is not then needed for any of the above purposes.

Board Established Cash Reserves

The following reserves are established as of July 1, 2012:

Board Reserves	
Port Bond Reserve	\$30,000,000
Operating Reserve	21,155,000
Capital Reserve	15,000,000
Total	\$66,155,000

The Board established Reserve Funds are to be used as follows:

1. Bond Reserve Fund – Fixed at \$30 million. Amounts may be withdrawn from the reserve fund for the following purposes:
 - a. to pay principal of and interest on indebtedness of the Port in the event that reserve funds established under the various resolutions of issue and indentures relating to such indebtedness and revenues of the Port are insufficient to pay such principal or interest then due and owing by the Port, or
 - b. to pay for emergency capital expenditures or extraordinary operating and maintenance expenditures of the Port.
2. Operating Reserve Fund – Equal to 12.5% of the Port's approved annual operating expense budget (Operating Expenses before depreciation and amortization) and is adjusted each July 1 for the fiscal year. The Port may withdraw funds for unanticipated working capital requirements.
3. Capital Reserve Fund – Fixed at \$15 million. The reserve may be used for the following purposes:
 - a. to pay principal of and interest on indebtedness of the Port in the event that reserve funds established under the various resolutions of issue and indentures relating to such indebtedness and revenues of the Port are insufficient to pay such principal or interest then due and owing by the Port, or
 - b. to pay for extraordinary capital improvements or extraordinary operating and maintenance expenditures of the Port.

Restricted Cash

Restricted cash are sources that have a designated purpose and cannot be used for any other reasons. The Port's restricted cash includes the following:

1. Bond Reserve/Rebate Funds – As stated in the indentures, series-specific bond reserve funds are to be used to pay debt service if the Port has insufficient funds to pay the scheduled debt service for the applicable series. Rebate funds are held under the Indenture to hold rebate payments to be made to the United States Government.
2. Bond Construction Funds – Funds received from Bond proceeds to pay for qualifying capital improvement projects while under construction.
3. Passenger Facility Charge (PFC) – A user fee charged by OAK and collected by the airlines for revenue passengers enplaning air carrier flights. The Federal Aviation Administration approves the PFCs that are used to fund eligible capital improvements for specific projects at the airport.
4. Customer Facility Charge (CFC) – A per-contract fee charged by rental car companies on behalf of OAK. CFCs are used to fund ground transportation (including buses and shuttle services) and construction related to rental car facilities.
5. Construction Escrows – Portion of the amount due to a contractor is set aside until the project has been signed off and placed into service.

STATEMENT OF CASH FLOW - UNRESTRICTED**FY 2012-13 to FY 2014-15**

(\$ Thousands)

	Projected 2012-13	Projected 2013-14	Projected 2014-15
General Fund ¹	110,000	85,000	85,000
Port Bond Reserve Fund	30,000	30,000	30,000
Operating Reserve Fund	21,155	21,338	22,150
Capital Reserve Fund	15,000	15,000	15,000
Beginning Balance	176,155	151,338	152,150
Sources			
Operating Revenue	311,518	316,047	323,876
Less: Non-Cash Revenue Accruals	(3,778)	(3,778)	(3,778)
Grants and CFCs for Operating Expenses	6,395	5,253	4,676
PFCs for Debt Service ²	144	713	1,321
Interest Income ³	727	2,203	3,305
Other ⁴	3,500	-	13,500
Total Receipts	318,506	320,438	342,900
AIP, PFC Pay-As-You-Go, Other Grants	59,057	117,049	74,382
Commercial Paper Drawdown ⁵	18,201	9,351	13,997
Commercial Paper Drawdown (PFC) ⁵	16,857	42,468	16,776
Total Capital and Financing Proceeds	94,115	168,868	105,155
TOTAL SOURCES	412,621	489,306	448,055
Uses			
Operating Expenses	(169,236)	(170,706)	(177,199)
Debt Service			
Principal ⁶	(45,812)	(48,002)	(50,296)
Interest ⁷	(62,900)	(61,801)	(60,802)
Total Debt Service Payments	(108,712)	(109,802)	(111,098)
Capital Projects ⁸	(142,399)	(201,121)	(152,283)
Other Payments ⁹	(17,091)	(6,866)	(6,810)
TOTAL USES	(437,438)	(488,495)	(447,391)
Net Cash Flow (Sources less Uses)	(24,816)	812	664
Ending Balance	151,338	152,150	152,814

¹ Beginning General Fund balance for FY 2013 is an estimate. General Fund balances in subsequent years are projected.

² PFCs used to reimburse portion of eligible CP Notes debt service payments.

³ Excludes non-cash interest accrual.

⁴ Includes receipt of funds for Oak-to-9th sale in FY 2013 and FY 2015.

⁵ Assumes that the Port's 5-Year CNA is fully implemented. However, the Port has not yet obtained funding for all capital projects described, some of which may ultimately not be implemented by the Port. See *Capital Budget and Capital Needs Assessment* section.

⁶ Does not include principal repayment of CP Notes.

⁷ CP Notes balance is anticipated to be \$114.6 million, \$166.5 million and \$197.2 million with interest rates of 0.5%, 1.0% and 1.5% in FYs ending 2013, 2014 and 2015, respectively.

⁸ Assumes that the Port's 5-Year CNA is fully implemented. See *Capital Budget and Capital Needs Assessment* section.

⁹ Includes, but not limited to letter of credit fees, certain non-operating City payments, retroactive pension contributions for certain aircraft rescue fire fighters personnel, and repayment of \$7.8 million of outstanding CP Notes in FY 2013.

STATEMENT OF CASH FLOW - RESTRICTED

FY 2012-13 to FY 2014-15

(\$ Thousands)

	Projected 2012-13	Projected 2013-14	Projected 2014-15
Bond Reserve Funds	70,309	70,309	70,309
Bond Construction Funds	-	-	-
Passenger Facility Charge	12,000	1,000	1,000
Customer Facility Charge	3,000	2,445	3,149
Construction Escrows	3,000	3,000	3,000
Beginning Balance	<u>88,309</u>	<u>76,754</u>	<u>77,459</u>
Passenger Facility Charge (PFC)			
Beginning Balance ¹	12,000	1,000	1,000
PFC Revenues	20,229	20,634	21,047
PFC Interest Income	40	10	15
Commercial Paper Drawdown (PFC) ²	16,857	42,468	16,776
Less: PFC Debt Service	(144)	(713)	(1,321)
Less: PFC Capital Expenditures	<u>(47,981)</u>	<u>(62,399)</u>	<u>(36,517)</u>
Ending Balance	1,000	1,000	1,000
Customer Facility Charge (CFC)			
Beginning Balance ¹	3,000	2,445	3,149
CFC Revenues	5,130	5,233	5,337
CFC Interest Income	10	24	47
Less: CFC Capital Expenditures	-	-	-
Less: CFC Operating Expenses	<u>(5,695)</u>	<u>(4,553)</u>	<u>(4,676)</u>
Ending Balance	2,445	3,149	3,858

¹ Beginning fund balances for FY 2013 are estimates; subsequent years are projected.

² Assumes the Port's 5 year CNA is fully implemented. See *Capital Budget and Capital Needs Assessment* section.

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ACRONYMS

ACDBE	Airport Concession Disadvantaged Business Enterprise
ACTC	Alameda County Transportation Commission
ADA	Americans with Disabilities Act
AIP	Airport Improvement Program
AP	Administrative Policy
APDA	Alternative Project Delivery Approach
APDD	Aviation Project Design & Delivery
APL	American President Lines
ARRA	American Recovery and Reinvestment Act of 2009
ATCT	Air Traffic Control Tower
BART	Bay Area Rapid Transit
BNSF	Burlington Northern-Santa Fe
CalPERS	California Public Employees Retirement System
CARB	California Air Resources Board
CAS	Corporate Administrative Services
CBP	U.S. Customs and Border Protection
CEC	California Energy Commission
CEQA	California Environmental Quality Act
CFC	Customer Facility Charge
CNA	Capital Needs Assessment
CP	Commercial Paper
CRE	Commercial Real Estate
CTC	California Transportation Commission
CTMP	Comprehensive Truck Management Program
CY	Calendar Year
DBE	Disadvantaged Business Enterprise
DBW	Department of Boating and Waterways
DHS	Department of Homeland Security
DOE	Department of Energy
DSCR	Debt Service Coverage Ratio
EBRPD	East Bay Regional Park District
EII	Energy Innovation Initiative
EMS/APL	Eagle Marin Services/American President Lines
EPA	Environmental Protection Agency
EP&P	Environmental Programs and Planning Division

ERP	Enterprise Resource Planning
FAA	Federal Aviation Administration
FTE	Full-Time Equivalent
FY	Fiscal Year
FBO	Fixed Base Operator
GASB	Governmental Accounting Standards Board
IBEW	International Brotherhood of Electrical Workers
IFPTE	International Federation of Professional and Technical Engineers
IPI	Inland Point Intermodal
IT	Information Technology
JLS	Jack London Square
LBA	Local Business Area
LEED	Leadership in Energy and Environmental Design
LIA	Local Impact Area
LOC	Letter of Credit
MAG	Minimum Annual Guarantee
MAPLA	Maritime and Aviation Project Labor Agreement
MAQIP	Maritime Air Quality Improvement Plan
MHEA	Middle Harbor Enhancement Area
MLK	Martin Luther King Jr. Regional Shoreline
MOU	Memoranda of Understanding
MPDD	Maritime Project Design & Delivery
NDSLBP	Non-Discrimination and Small Local Business Utilization Policy
NEPA	National Environmental Policy Act
OAB	Oakland Army Base
OAK	Oakland International Airport
OCIP	Owner-Controlled Insurance Program
OHIT	Outer Harbor Intermodal Terminal
OIG	Oakland International Gateway (formerly known as Joint Intermodal Terminal - "JIT")
OPEB	Other Post Employment Benefits
PFC	Passenger Facility Charge
PFSO	Port Facilities Security Officer
RAC	Rental Car Consortium
RFID	Radio Frequency Identification
RFP	Request for Proposals
RPS	Renewable Portfolio Standard

RSA	Runway Safety Area
SBE	Small Business Enterprise
SEIU	Service Employees International Union
SFO	San Francisco International Airport
SRD	Social Responsibility Division
T1	Terminal 1
T2	Terminal 2
TCIF	Transportation Corridor Infrastructure Fund
TEU	Twenty-Foot Equivalent Unit
TSA	Transportation Security Administration
UPS	United Parcel Service, Inc.
VSBE	Very Small Business Enterprise
WAPA	Western Area Power Administration
WCE	Western Council of Engineers

DEFINITIONS

Aircraft operation - Refers to landing and subsequent takeoff (also known as a “turn”).

Airport Business Park - Business park near Oakland Airport and Oakland-Alameda County Coliseum Complex. The park consists of 340 acres, of which 280 acres are privately owned.

Airport Improvement Program (AIP) - Federal program that provides funding from the Airport and Airway Trust Fund for airport development, airport planning, noise compatibility planning, and to carry out noise compatibility programs.

Americans with Disabilities Act (ADA) - Federal legislation that prohibits discrimination against all individuals with mental or physical disabilities.

Amortization - See *Depreciation and Amortization*

Business Revenue - As referenced in the table on page 37, revenue generated by businesses due to Port activity. Source: 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010.

ChargePoint America Program - ChargePoint America is a program sponsored by Coulomb Technologies to provide electric vehicle charging infrastructure to nine selected regions in the United States. This program is made possible by the American Recovery and Reinvestment Act through the Transportation Electrification Initiative administered by the Department of Energy. The objective of the program is to accelerate the development and production of electric vehicles to substantially reduce petroleum consumption, reduce greenhouse gas production, and create jobs.

Component Unit in the City of Oakland Basic Financial Statement - The account the City uses to record the financial activities of the Port due to the enterprise nature of the Port's operations. The Port is a department of the City.

Comprehensive Annual Financial Report of the City of Oakland (CAFR) - Document published annually by City of Oakland detailing financial, statistical, budgetary and demographic data to be distributed to the public. It includes the Port's financial information.

Comprehensive Truck Management Program (CTMP) - The CTMP is the Port's Comprehensive Truck Management Program, a plan to address air quality, safety and security, community impacts, and business operation issues related to trucks serving the Port's maritime facilities. The CTMP seeks to balance the needs of its customers with those of its neighboring community in an effort to improve commerce and quality of life for those living and working in and around the seaport.

Consumer Price Index (CPI) - An inflationary indicator that measures the change in the cost of a fixed basket of products and services, including housing, electricity, food, and transportation.

Contractual services - Professional and support personnel services used by the Port other than employees or temporary agencies.

Cranes, post-panamax - Container cranes designed to handle cargo vessels that are too large to fit through the Panama Canal. See *Post-panamax vessels*

Cranes, super post-panamax - Container cranes designed to handle cargo vessels that are too large to fit through the Panama Canal. See *Super post-panamax vessels*

Department - An organizational unit within the Port which is part of a division.

Departmental credits - The application of direct labor and overhead to capital projects or the transfer of expenses from one unit, department or division to another.

Depreciation and Amortization - The value of an asset is reduced through use, deterioration or obsolescence. Depreciation describes the decrease in the value of the asset over its estimated useful life. Tangible assets, such as buildings and equipment are depreciated. Amortization refers to intangible assets such as computer software and noise easements. Intangible assets are amortized over the estimated service capacity of the asset.

Direct Jobs - As referenced in the table on page 37, Bay Area jobs wholly-dependent upon the Port's existence. Source: 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010.

Division - A major administrative segment of the Port which indicates overall management responsibility for an operation or a group of related operations within a functional area.

Dockage - The charge levied against a vessel for berthing space.

Dredging - Removal of sediments on the bottom of a waterway for the safe passage of vessels.

Embarcadero Cove - Recreational marina area on the waterfront south of Lake Merritt Channel which includes marinas, a public fishing pier, shops, offices, hotels and restaurants.

Enterprise Fund - A fund established to account for government operations financed and operated in a manner similar to private business enterprises.

Federal Aviation Administration (FAA) - The federal agency responsible for regulating and funding U.S. airports.

Fiscal year (FY) - A twelve-month time period signifying the beginning and ending period for recording financial transactions. The Port has specified July 1 through June 30 as its fiscal year.

Fueling revenue - Port revenue for providing facilities for fuel storage (tank farm) and delivery (fuel hydrant system) for aircraft and ground vehicles. A fuel consortium of passenger and cargo airlines operating at OAK, under lease, reimburses the Port for all costs associated with its use of the fueling infrastructure. The consortium contracts with a third-party operator to provide fueling services.

Full-Time Equivalent (FTE) - A measure of employment used when the work force includes full-time employees.

General aviation - Aviation activity not air carrier related, such as private aircraft, business aircraft, and corporate aviation activities. OAK's North Field is considered a general aviation airport, although some air carrier activity takes place there.

General Services - See *Payments to the City, General Services*

Generally Accepted Accounting Principles (GAAP) - A widely accepted set of rules, conventions, standards, and procedures for reporting financial information, as established by the Financial Accounting Standards Board.

Governmental Accounting Standards Board (GASB) - The independent private-sector organization, formed in 1984 that establishes and improves financial accounting and reporting standards for state and local governments.

Indirect Jobs - As referenced in the table on page 37, similar to induced jobs, but generated by businesses re-spending their income on local goods and services. Source: 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010.

Induced Jobs - As referenced in the table on page 37, jobs, generally but not necessarily in the Bay Area, which are generated by direct job holders spending their salaries on goods and services. Source: 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010.

Inland Point Intermodal (IPI) - Refers to inland points (non-ports) that can be served by carriers (shipping lines) on a through bill of lading.

Jack London Square (JLS) - A 25-acre mixed-use development area at the foot of Broadway.

Lake Merritt payments - See *Payments to the City, Lake Merritt*

Leadership in Energy and Environmental Design (LEED) - A nationally recognized green building rating system established by the U.S. Green Building Council.

Local Purchases - As referenced in the table on page 37, purchases of goods and services by firms dependent upon the Port. These support local, indirect jobs. Source: 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010.

Loss on abandoned and demolished assets - Abandonment losses result on projects written off because it is not feasible to complete the project or the project does not result in an asset. Losses on demolished assets result when a depreciable asset is destroyed, usually to make way for another project.

MegaRegion - The Northern California MegaRegion combines the primary urban areas around San Francisco Bay with the greater Sacramento region. It includes the nearby commuting counties in the Central Valley, foothills and central coast. The sphere of influence extends south to the Fresno area, east into the undeveloped Sierra counties and Reno and north beyond Santa Rosa past Ukiah.

Net assets - The amount by which the value of a company's assets exceeds its liabilities.

Non-operating items - Income or expenses that are not associated with operations. In the Port's financial reporting, these include interest income, interest expense, and other income and expenses that are either nonrecurring in nature or do not result from its ordinary operations.

Northern California - The northern portion of the U.S. State of California, defined generally as those areas including and north of the Monterey, Kings, Tulare, and Inyo counties.

Oakland International Gateway (OIG) - Facility that provides ocean carriers with a near-dock intermodal facility. OIG became operational in March 2002 and is operated by Burlington Northern-Santa Fe Railroad under a ten-year lease agreement. Union Pacific Railroad is allowed access and usage. Formerly known as the Joint Intermodal Terminal (JIT).

Owner-Controlled Insurance Program (OCIP) - Port-managed program for consolidated purchase of insurance to assist small and local businesses to participate in Port capital projects.

Panamax vessels - Those vessels that fit through the Panama Canal and are no more than 13 containers wide. See *Post-panamax and Super post-panamax vessels*

Passenger traffic - Enplanements, deplanements and connecting passenger activity. Enplanement is an originating passenger who boards a flight; deplanement is a passenger whose final destination is OAK; and connecting passenger is a passenger who uses OAK to connect between flights. Connecting passengers are considered enplanements for the purpose of collecting PFCs.

Payments to the City, General Services - General Services include police and fire services.

Payments to the City, Lake Merritt - Reimbursement to the City for expenditures of local funds for Lake Merritt tideland trust purposes.

Payments to the City, Special Services - Reimbursement to the City for services, such as City Clerk personnel, City Treasury, and special police services.

Personal Income - As referenced in the table on page 37, wages and salaries of direct job holders plus wages and salaries of indirect job holders plus re-spending and consumption. Source: 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010.

Personnel services - Expenditures related to employee compensation including wages and fringe benefits such as medical, dental and retirement.

Post-panamax vessels - Those vessels that are more than 13 containers but less than 18 containers wide. See *Panamax and Super post-panamax vessels*

Radio Frequency Identification (RFID) - Method used to track trucks, cargo, containers and goods.

Related Jobs - As referenced in the table on page 37, jobs with companies that ship or receive goods through the seaport or airport to the extent such jobs are directly connected to the companies' activities at the Port. Source: 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010.

State/Local Taxes - As referenced in the table on page 37, includes state and local income tax, sales tax, motor vehicle registration and licensing tax, state motor fuel tax, county property tax and local city tax. This includes direct, induced/local consumption, and indirect taxes. Source: 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010.

Super post-panamax vessels - Vessels that are at least 18 containers wide. See *Panamax and Post-panamax vessels*

Tidelands Trust - All Port of Oakland lands and assets are held in trust for the people of the State of California, subject to a public trust, commonly known as the Tidelands Trust. The State Lands Commission has jurisdiction over these lands. Permitted uses under the Tidelands Trust generally include maritime commerce, harbors and aviation, as well as uses of statewide interest, such as fishing, public recreation, and enjoyment of the waterfront.

Twenty-foot equivalent unit (TEU) - A TEU or Twenty-foot Equivalent Unit is an international standard of measurement for the volume of business that moves through a container port. Containers vary in length, from 20 feet to 53 feet with the majority of the containers being 40 feet. One forty-foot container is equal to two TEUs.

Visiting Industry Jobs - As referenced in the table on page 37, direct, induced, and indirect jobs supported in the Bay Area visitor industry as a result of out-of-town passengers using the OAK. Source: 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010.

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