

BUDGET SUMMARY



Three-Year Operating Budget

Fiscal Years ending
June 30, 2014 through 2016

One-Year Capital Budget

Fiscal Year ending
June 30, 2014

Five-Year Capital Needs Assessment

Fiscal Years ending
June 30, 2014 through 2018





**THREE-YEAR OPERATING BUDGET
FISCAL YEARS 2013-14 THROUGH 2015-16**

**ONE-YEAR CAPITAL BUDGET
FISCAL YEAR 2013-14**

AND

**FIVE-YEAR CAPITAL NEEDS ASSESSMENT
FISCAL YEARS 2013-14 THROUGH 2017-18**

Board of Port Commissioners of the City of Oakland

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

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June 27, 2013

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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Sara Lee
Chief Financial Officer

June 28, 2013

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

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

Subject: Adopted Operating and Capital Budgets for Fiscal Year Ending June 30, 2014

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, 2014 through 2016;
- One-Year Capital Budget for Fiscal Year ending June 30, 2014;
- Five-Year Capital Needs Assessment for Fiscal Years ending June 30, 2014 through 2018; 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) 2014 Operating and Capital Budgets were adopted by the Board on June 27, 2013. The FY 2014 Operating and Capital Budgets were developed taking into account resource limitations, careful prioritization, and the following objectives:

- Support and maintain day-to-day operational needs
- Continue progress on seven major capital projects
- Support strategic plan
- Better optimize staffing
- Maintain and improve the Port's financial position

Operating budgets for subsequent years and the 5-Year Capital Needs Assessment (CNA) were presented as informational and conceptual only.

Overview

The Port continues to face business pressure and challenges. Activity at both the airport and the seaport is projected to be modest (1-2% growth) over the next three years, as the Port's business partners continue to face pressure from increased competition and rising costs in a still-fragile global economy.

Security, regulatory, maintenance and personnel costs continue to rise and critical capital expenditures are needed to meet regulatory requirements, as well as life safety and revenue maintenance objectives. Over the next three years, revenues are projected to increase 5% while operating expenses are expected to increase 10%. Since January 2010 the Port has achieved approximately \$182 million (\$138 million present value) in debt service savings through 2033 via refunding and defeasance transactions; however, the Port's aggregate annual debt service remains elevated compared to pre-2008 levels and aggregate debt service will be approximately \$100 million annually over the next 14 years.

The Port's senior management and staff will continue to assess financial and operational measures in the context of projected business activity levels, and will continue to pursue additional revenue enhancement and cost-savings initiatives that may be available going forward.

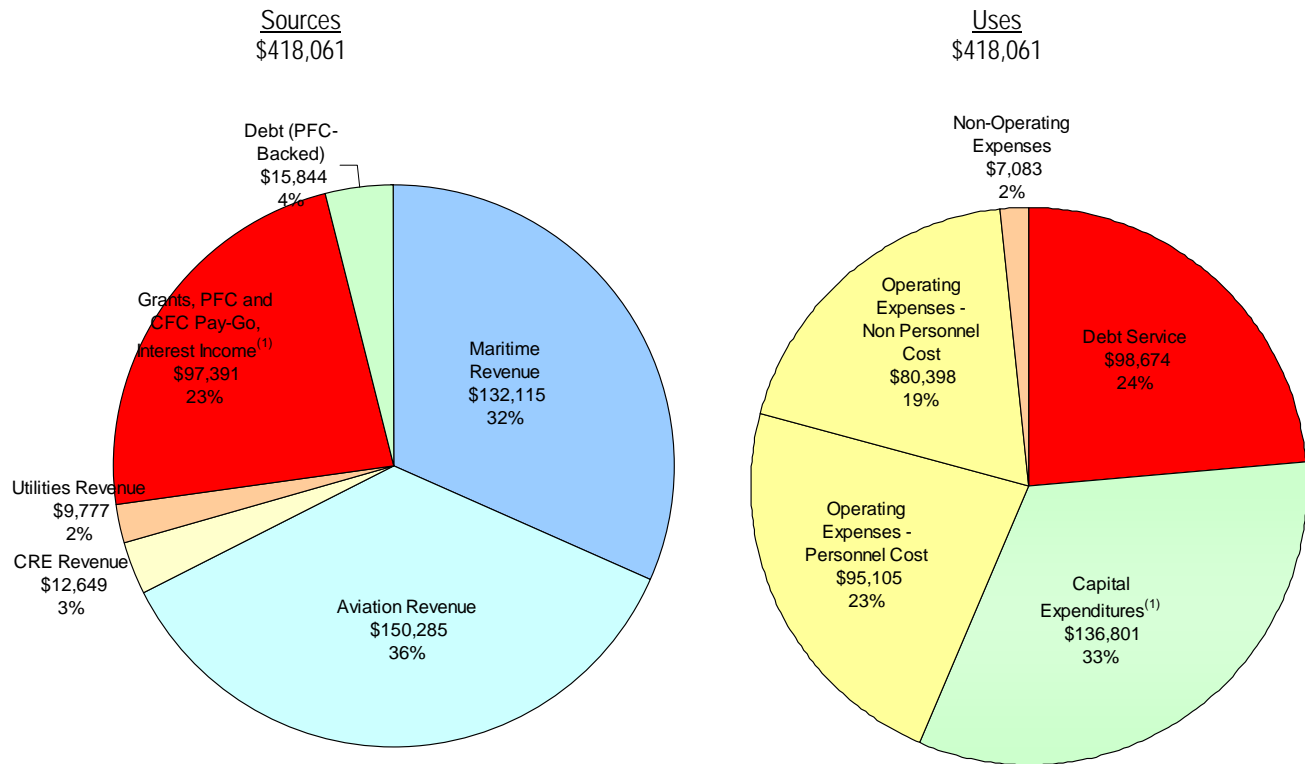
The FY 2014 Budget proposes the following:

Summary of FY 2014 Budget

	(\$000s)	% Change from FY 2013 Budget
Operating Revenues	304,826	-2.1
Operating Expenses	175,503	3.7
Net Operating Income	129,323	-9.1
Depreciation and Amortization	98,020	-0.1
Net Operating Income After Depreciation	31,303	-29.2
Debt Service	98,674	-9.2
FY 2014 Capital Budget	140,714	26.0
FY 2014 Capital Pipeline	41,687	35.5
5-Year Capital Needs Assessment	658,596	3.2
Anticipated Additional Debt (Secured by PFC Revenues) if FY 2014 Capital Pipeline Projects Approved	15,844	-45.2
FTEs	492	0.0

The Port's FY 2014 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 presents a summary of how the Port proposes to spend its money in FY 2014.

Sources and Uses of Funds (\$000s)



¹ Assumes the Port's FY 2014 Capital Budget plus FY 2014 Capital Pipeline projects are undertaken less an Adjustment Factor. See footnote 4 for description of Adjustment Factor.

Operating Budget

This section summarizes the FY 2014 Operating Budget, as well as FY 2015 and FY 2016 projections.

Summary of Operating Revenues, Operating Expenses, and Operating Income

(\$000s)	Actual FY12	Budget FY13	Budget FY14	Projected FY15	Projected FY16
Operating Revenues					
Aviation	136,507	145,709	150,385	151,623	159,480
Maritime	148,444	145,780	132,365	138,525	142,784
CRE	12,406	11,457	12,724	13,096	13,204
Utilities	8,235	8,993	9,777	11,496	11,660
Bad Debt Reserve	545	(421)	(426)	(426)	(426)
Total	306,138	311,518	304,826	314,314	326,703
% Change from Prior FY	2.7%	1.8%	-2.1%	3.1%	3.9%
Operating Expenses (before Depreciation & Amortization)					
Personnel	84,925	88,734	95,105	100,356	104,637
Non-Personnel ²	65,853	80,503	80,398	79,542	81,596
Total	150,778	169,237	175,503	179,898	186,233
% Change from Prior FY	1.9%	12.2%	3.7%	2.5%	3.5%
Operating Income before D&A					
Operating Income before D&A ³	155,361	142,282	129,323	134,417	140,471
% Change from Prior FY	3.6%	-8.6%	-9.1%	3.9%	4.5%

Growth in Activity Levels (compared to prior fiscal year)

	Actual FY12	Projected FY13	Budget FY14	Projected FY15	Projected FY16
Enplanements - Aviation	2.9%	3.9%	0.6%	1.0%	1.0%
Loaded TEUs - Maritime	0.4%	-3.7%	3.6%	2.0%	2.0%

² Net of Absorption of Labor and Overhead to Capital Assets, which is included in Capital Expenses. Excludes Depreciation and Amortization.

³ Operating Income before D&A is Operating Revenues less Operating Expenses before Depreciation and Amortization.

Operating Revenues

Operating revenues were developed based on divisional input incorporating known market and competitive factors, existing contracts, viability of outstanding agreements and the execution of anticipated future contracts.

Operating revenues are projected to decline \$6.7 million or 2.1% in FY 2014 compared to FY 2013 Budget. Revenue projections remain reflective of projected modest growth at both the airport and seaport from FY 2014 through FY 2016 as well as competitive factors. Aviation revenues are projected to increase \$4.7 million or 3.2% as modest activity growth is mitigated by increased airline rates and charges due to recovery of increased expenses. Maritime revenues are projected to decrease \$13.4 million or 9.2% due to potential lease renegotiations and changes in anticipated cargo activity among terminal operators resulting in a reduction in over-the-MAG (Minimum Annual Guarantee) revenues. Commercial real estate revenues are projected to increase \$1.3 million or 11.1% due to anticipated increases in percentage rents and minimum rent adjustments due to lease renewals. Utility revenues are projected to increase \$0.8 million or 8.7% primarily due to the utilization of shore power in compliance with CARB regulations on January 1, 2014.

In FY 2015 and 2016, revenues are projected to increase 3.1% and 3.9% in FY 2015 and FY 2016 respectively primarily due to modest activity growth, anticipated increases in airline rates and charges and maritime tariff, and contractual lease escalations.

Operating Expenses

Operating expenses were developed with a focus towards controlling expenses, while addressing the core operational needs of the Port, 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 and pension costs).

Operating expenses (before Depreciation and Amortization) are projected to increase by \$6.3 million or 3.7% in FY 2014 to \$175.5 million. Personnel related costs represent 51% of operating expenses. While the 492 budgeted full-time equivalents (FTEs) in FY 2014 are unchanged from the FY 2013 Budget, personnel costs are budgeted to increase by \$6.4 million or 7.2%. This change is due to increases in pension and health care costs, as well as a 2.5% cost of living adjustment which was agreed to in labor contracts ratified in December 2012. For non-personnel related expenses, which include contractual services, supplies, and general and administrative expenses, the Port has proactively managed to remain flat in aggregate. Utility cost of sales is increasing \$1.0 million or 21% due to the utilization of shore power in compliance with CARB regulations effective January 1, 2014. Absorption of Labor and Overhead to Capital Assets is increasing 10% or \$1.1 million (reducing operating expenses) due to higher capital expenses; that is, the portion of salaries and overhead which is allocated to the capital budget.

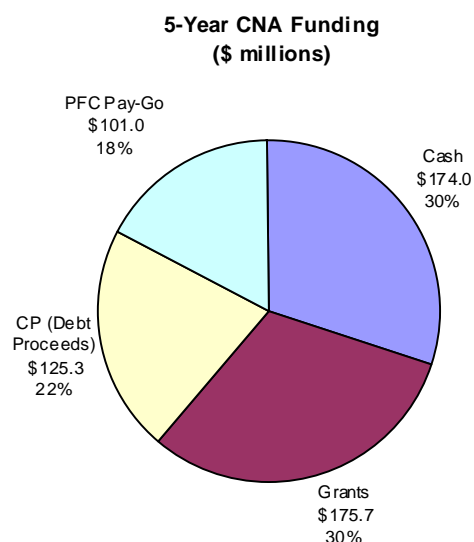
For FY 2015 and 2016, operating expenses are projected to increase 2.5% and 3.5% respectively. No additional FTEs are projected; however, personnel costs are projected to increase 5.5% and 4.3% for FY 2015 and 2016, respectively. All other operating expenses (other than utility cost of sales, which is a function of utility sales) is assumed to be managed to remain in aggregate essentially flat in comparison to FY 2014 Budget.

Capital Needs Assessment & Capital Budget

5-Year Capital Needs Assessment

The 5-Year Capital Needs Assessment (CNA), covering FY 2014 through FY 2018, is approximately \$658.6 million and continues to focus on projects critical to regulatory compliance, life safety, and revenue maintenance. As shown in the chart below, approximately 48% of the 5-Year CNA is anticipated to be funded with grants and available Passenger Facility Charges (PFC).

(\$ millions)	5-Year CNA
Aviation Division	505.1
Maritime Division	139.1
CRE Division	9.5
Other Divisions	4.9
Total	658.6
Adjustment Factor ⁴	(82.6)
Total less Adjustment Factor	576.0



FY 2014 Capital Budget

Included in the 5-Year CNA is approximately \$182.4 million for FY 2014 (i.e., the FY 2014 CNA). The FY 2014 CNA has two components:

- **Capital Budget - \$140.7 million**
Includes expenditures for (a) projects that already have contractual obligations, (b) a limited amount for pre-development work - \$0.5 million, and (c) a limited amount for miscellaneous facility replacement projects - \$1.3 million.⁵
- **Pipeline - \$41.7 million**
Includes expenditures/projects that staff anticipates will be necessary in FY 2014, but for which separate Board approval is required during the course of the fiscal year. Such approval is subject to review of need, financial analysis, cost estimates, alignment with Port's 5-year Strategic Plan, and available funding sources and staffing resources.

Key projects in the FY 2014 Capital Budget include:

- Terminal 1 Retrofit and Renovation
- Runway Safety Area Improvements
- Airport Perimeter Dike Improvements
- BART – Oakland Airport Connector
- Runway 11-29 Rehabilitation
- Oakland Army Base
- Shore Power

⁴ In aggregate, the Port has typically spent 30% less than planned due to various reasons (e.g. unforeseen delays in design and permitting approvals, staffing limitations, project specific contingencies, etc.). However, it cannot be determined which individual project(s) may under spend for the budgeted period. As a result, an Adjustment Factor of 25% and 20% in FY 2014 and 2015, respectively, has been applied to better reflect actual projected capital expenditures and grant receipts based on past experience.

⁵ Miscellaneous facility replacement refers to projects or needs that may arise during the course of the year that are unforeseen or difficult to predict with certainty; these projects are smaller in scope and usually less than \$100,000.

FY 2014 CNA expenditures and anticipated funding sources are shown below.

FY 2014 Capital Needs Assessment

(\$ millions)	FY14 Capital Budget	FY14 Pipeline	FY14 Total
Aviation Division	76.6	36.9	113.5
Maritime Division	63.1	1.2	64.3
CRE Division	0.4	2.7	3.1
Other Divisions	0.6	1.0	1.5
Total	140.7	41.7	182.4
Adjustment Factor	(35.2)	(10.4)	(45.6)
Total less Adjustment Factor	105.5	31.3	136.8

FY 2014 CNA Funding Source

Funding Source (\$ millions)	FY 2014 Capital Budget	FY 2014 Total CNA
Grants	67.3	69.7
PFC Pay-Go	17.3	21.9
CP Debt Proceeds	-	15.8
Cash	20.9	29.4
Total Sources	105.5	136.8

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 balance (excluding Board reserves) over the next three years are projected as follows:

	Budget FY14	Projected FY15	Projected FY16
Total Debt Service (\$ millions)	98.7	99.1	100.4
Intermediate Lien DSCR	1.38x	1.44x	1.49x
Combined (Aggregate) DSCR	1.37x	1.42x	1.47x
General Fund Balance as of June 30 (\$ thousands)	101,000	84,000	89,000

Looking Ahead

The coming years will continue to introduce challenges as well as opportunities; and Port staff will need to continue to proactively and prudently address them. Economic uncertainty still exists in the midst of a continued weak economy, upcoming maritime lease renewals, a competitive landscape, aging infrastructure and rising pension, medical, security and regulatory costs. The Port will continue to focus on improving its financial position; focused on increasing revenues and containing costs while continuing to invest in infrastructure and improving liquidity.

The redevelopment of the former Oakland Army Base promises to enhance the seaport's competitiveness. Traffic at the airport has stabilized and in-progress improvements to Terminal 1, the runway safety area and the anticipated opening of the BART-Oakland Airport Connector in late 2014 will improve the competitive position of the airport. The Port is also excited about the successful closing of the Brooklyn Basin project and to see the long-term vision for redevelopment of this site as a mixed-use residential community, come to fruition. These investments will create jobs and enable the Port to better serve its customers, the community and region.

We very much look forward to the leadership of the new Executive Director, Chris Lytle, who has significant industry and management experience and a proven track record of growing businesses. Mr. Lytle will help the Port strengthen its core businesses, enhance its revenues and improve its operational effectiveness while maintaining strong relationships with key stakeholders.

Sincerely,

A handwritten signature in black ink, appearing to read 'Sara Lee', with a stylized flourish at the end.

Sara Lee
Chief Financial Officer

Port of Oakland Commissioners



Gilda Gonzales
President



James W. Head
First Vice-President



Alan S. Yee
Second Vice-President



Cestra "Ces" Butner
Commissioner



Earl S. Hamlin
Commissioner



Bryan Parker
Commissioner



Victor Uno
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.

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 five year period from 2010 to 2015, 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 promote 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, workforce, 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.

FY 2013 was the third year of Strategic Plan implementation during which the Port met several key milestones. Port staff and the Board clarified governance issues related to roles and responsibilities of the Board, made structural changes to streamline governance processes, and developed project plans and scheduling for strategic initiatives. Consistent with the Plan, each year staff and the Board identify major strategic initiatives to maintain and enhance Port operations and grow revenues. The top 5 strategic priorities for FY 2014 are:

- 1) Retain and grow Maritime business activity
- 2) Grow air passenger activity levels
- 3) Advance Re-Organization
- 4) Strengthen internal controls and improve financial position
- 5) Build stronger strategic partnerships

These priorities were developed consistent with the Strategic Plan's Guiding Principles and Strategic Priority Areas and Goals, 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:¹

Sustainable 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 of Oakland is located within the borders of the City of Oakland (City), in the State of California (State), in the United States of America (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 seven 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 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 19 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 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 has three major business lines that generate and support economic activity locally, regionally, nationally, and globally.

Aviation - Oakland International Airport (OAK; Airport), is one of three major commercial airports serving the Bay Area. OAK is the second busiest Bay Area airport, with over 300 daily passenger and cargo arrivals and departures. The Airport currently serves 137 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) 2012, the Airport served approximately 10 million passengers and handled approximately 1.1 billion pounds of air cargo. Aviation generates approximately 46% of the Port's total operating revenues.⁴

Maritime – The Oakland seaport is the fifth busiest container port in the U.S. and has approximately 1,300 acres of maritime-related facilities. It serves as the principal ocean gateway for international containerized cargo shipments in Northern California. The Oakland seaport is one of five major gateways for such shipments on the West Coast of North America. In CY 2012, approximately 2.3 million twenty-foot equivalent units (or approximately 1.3 million containers) moved through the Oakland seaport. Approximately 91% of this activity was associated with international trade, while the remaining 9% represented domestic trade within the U.S. Maritime generates approximately 50% of the Port's total revenues.⁵

Commercial Real Estate - The Port's commercial real estate includes all Port properties not used or intended to be used for maritime or aviation purposes. These properties total approximately 865 acres of land along the Oakland Estuary and include warehouses, public parking, hotels, offices, shops, restaurants, as well as public parks and open space. Commercial real estate generates approximately 4% of the Port's total revenues.⁶

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, and treasury services. The Port anticipates paying the City approximately \$15 million in FY 2013 for these services, for maintenance of certain Tidelands Trust property, 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 lines. This activity supports approximately 74,000 direct, induced and indirect jobs in the region, and

⁴ Based on FY 2012 audited financial statements.

⁵ Ibid.

⁶ Ibid.

nearly 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.⁷

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. Aviation 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

OAK has served the air travel and air cargo needs of the Bay Area for 85 years. 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, which is the third largest U.S. aviation market behind New York and the Los Angeles Basin, surpassing the Chicago and Washington, DC markets in 2012. 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 54% market share in cargo activity. In 2012 OAK ranked 32nd in the U.S. in terms of total passengers (moving up four positions from the previous year) and 13th in the U.S. in terms of air cargo tonnage.⁸

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

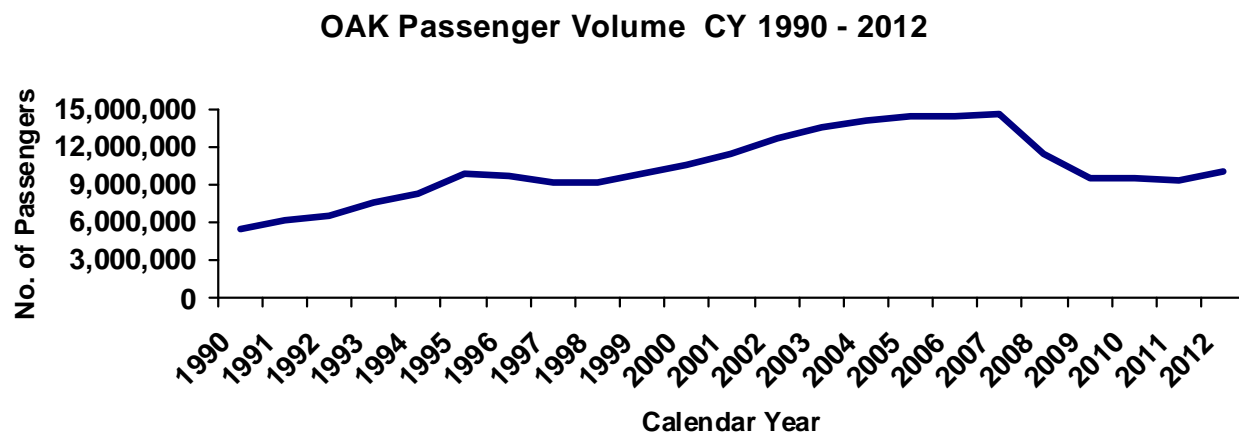


⁷ 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010. Also see page 34.

⁸ 2012 North American Airport Traffic Summary (Top 50 Airports)--Preliminary Results, Airports Council International - North America

Passenger Service

OAK provides on-time flights, easy-to-use airport facilities, and convenient access to the Bay Area. OAK is the Bay Area market share leader for eight of the top 30 Bay Area air destinations. In CY 2012, the Airport served 10 million passengers. Although below OAK's peak of 14.6 million in 2007, traffic has stabilized over the past several years and the number of nonstop destinations has grown to 37.



Southwest Airlines is OAK's largest carrier representing over two-thirds of the Airport's passenger activity and serving 19 non-stop destinations with as many as 106 departures a day. Other key elements of OAK's service portfolio include:

- Alaska and Hawaiian are matching capacity with demand to Hawaii and now provide over 1,000 daily seats during the peak summer months to the four major destinations in Hawaii, up from 252 daily seats in the summer of 2008.
- Since moving its operations to OAK from SFO in February 2009, Allegiant Travel Company has expanded service and serves seven cities nonstop from OAK.
- Delta Air Lines has grown their OAK-Los Angeles (LAX) service to five daily nonstops and using larger aircraft on all flights, complementing their four times daily service to Delta's hub in Salt Lake City. LAX is an international hub for Delta.
- Spirit Airlines continues to expand services and launched service to Dallas-Fort Worth in April 2013.
- Two cities in Mexico are served through Volaris and seasonal summer service to Amsterdam and the Azores continues with Arkefly and SATA.

OAK PASSENGER ACTIVITY and MARKET SHARE BY CARRIER

Airline	Total Passengers Served in CY 2012	Market Share In CY 2012
Southwest	6,932,506	69.0%
Alaska/Horizon ¹	901,533	9.0%
JetBlue	491,962	4.9%
Allegiant	292,665	2.9%
SkyWest Airlines	283,909	2.8%
Hawaiian	270,802	2.7%
Delta Airlines	190,924	1.9%
Spirit	179,158	1.8%
US Airways/US Airways Express	178,433	1.8%
Volaris	135,748	1.4%
Mesa Airlines	106,137	1.1%
United	57,296	0.6%
Arkefly	13,402	0.1%
Azores Express/SATA	6,035	0.1%
Charter/Other	354	0.0%
Total	10,040,864	100.0%

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



OAK PASSENGER AND CARGO STATISTICS

PASSENGERS	CY 2012	CY 2011	% Change
Enplaned	5,022,684	4,642,107	8.2%
Deplaned	5,018,180	4,624,463	8.5%
Total	10,040,864	9,266,570	8.4%
FREIGHT (in 000 lbs)			
Inbound	538,717	528,729	1.9%
Outbound	546,606	551,373	-0.9%
Total	1,085,323	1,080,102	0.5%
MAIL (in 000 lbs)			
Inbound	9,400	13,201	-28.8%
Outbound	6,445	7,832	-17.7%
Total	15,845	21,033	-24.7%
TOTAL AIR CARGO (Freight & Mail) (in 000 lbs)	1,101,168	1,101,135	0.0%
LANDED WEIGHT (in 000 lbs)	8,797,595	8,572,860	2.6%
AIRCRAFT OPERATIONS (South and North Fields)	210,626	215,773	-2.4%

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 is constructing a new 125,000 square foot international sort facility to complement its existing 280,000 square foot domestic operation at OAK. FedEx performs intermodal sorting and distribution of freight and overnight packages to and from around the world from its state-of-the-art facilities. 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 2012, OAK handled approximately 1.1 billion pounds of air cargo (freight plus mail), matching CY 2011 levels. FedEx is the major operator of freight aircraft with an average of 15 flights per day and 893 million pounds of freight handled in CY 2012. UPS operated an average of 4 flights a day and handled 184 million pounds of freight in CY 2012. 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 14 million pounds of cargo in CY 2012. Small general aviation aircraft and a small number of charter aircraft carry the remaining cargo at OAK. Air cargo activity declined significantly during the global economic recession of 2008-2009 but has remained relatively steady since then.

Air Cargo Carrier	CY 2012 Volume⁹ (million lbs)
FedEx	893
UPS	184
Southwest	14
Other	10

⁹ Air Cargo figures include freight and mail.

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 OAK's newest FBO, Landmark Aviation brings its expertise 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. Business Jet Center has recently completed a \$9.0 million investment in their facilities (Hangar 9) and Landmark Aviation is expected to make significant capital investments during the first ten 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 2014, 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. Through FY 2013 several key T1 Program milestones have been achieved, including beginning construction of a central utility plant, completion of design for life safety improvements in building M102,¹⁰ installation of fire suppression and alarm systems in the concourse (M103), upgraded paging and communications, and construction of a new substation. The new T1 mechanical building (T1MB) will be completed in the summer of 2013, while the renovation and retrofit of M104 (the old mechanical building) will be completed by the end of 2014. It is anticipated that construction of the M102 life safety improvements will begin in late 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).

Runway Safety Area (RSA) Improvements

All airports are required to comply with Federal Aviation Administration's RSA standards by the end of 2015. These standards set forth criteria to enhance safety in the event that an aircraft undershoots, overruns, or veers off a runway. The first major phase of construction for the RSA improvements at OAK began in spring 2013 on the primary air carrier runway 11/29 at the South Field. The construction will be carefully phased to minimize impact on airline operations. Construction of the North Field RSA improvements is expected to commence in early 2014.

¹⁰ The M102 terminal building houses the security checkpoint, ticket counters, concessions, Port administrative offices, airport and tenant support space, and miscellaneous other facilities for travelers.

BART Oakland Airport Connector

In mid-2011, the Bay Area Rapid Transit District (BART) began construction 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, US Airways/US Airways Express/Mesa Airlines
International Scheduled Service:	Volaris Airlines, SATA Airlines (seasonal), ArkeFly (seasonal)
Major All-Cargo Carriers:	FedEx, UPS, WestAir
Number of Daily Departures:	168 (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 Flight Attendant and Pilot Base – Allegiant 60 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. The division 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 majority of maritime operating revenues are derived 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, this 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 U.S. West Coast to build terminals for container ships.

To meet regional, national, and global cargo transport needs for the 21st century, the Port 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 was 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 (OAB), ideally located directly adjacent to existing seaport facilities. The City and the Port have completed a master plan to develop the OAB into a state-of-the-art trade and logistics center. Work has begun and development is anticipated to take several years or more to complete.

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 one of the Port's largest marine terminal areas (Berths 20-24). 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 the fifth busiest 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 2012, approximately 2.3 million TEUs, or about 1.3 million containers, moved through the seaport. In that same year, approximately 91% of the Port's trade was with international regions/partners and 9% was domestic. Asia is the Port's most significant trading partner; in CY 2012, 80% 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 2012 TEUs	CY 2011 TEUs	% CHANGE
LOS ANGELES (CA)	8,077,714	7,940,511	1.7%
LONG BEACH (CA)	6,045,662	6,061,085	-0.3%
NEW YORK/NEW JERSEY (NY/NJ)	5,529,908	5,503,485	0.5%
SAVANNAH (GA)	2,966,221	2,944,684	0.7%
OAKLAND (CA)	2,344,392 ¹	2,342,526	0.1%

Source: Respective port websites, 2013.

¹ Includes estimates

OAKLAND MARITIME CARGO STATISTICS

	CY 2012 TEUs ¹	CY 2011 TEUs	% CHANGE
IMPORT (FULL)	791,624	797,272	-0.7%
EXPORT (FULL)	986,760	993,826	-0.7%
TOTAL (FULL)	1,778,384	1,791,098	-0.7%
EMPTY	566,008	551,428	2.6%
TOTAL	2,344,392¹	2,342,526	0.1%

¹ Includes estimates

Full (loaded) container activity (for both imports and exports) at the Port decreased less than 1% in CY 2012. The declines in full exports and imports were approximately equal. 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 2012 was hindered by a lack of container availability as demand for export containers outstripped the supply of containers arriving with imports. In CY 2012, imports comprised 44.5% of all full container activity, while exports represented 55.5%.

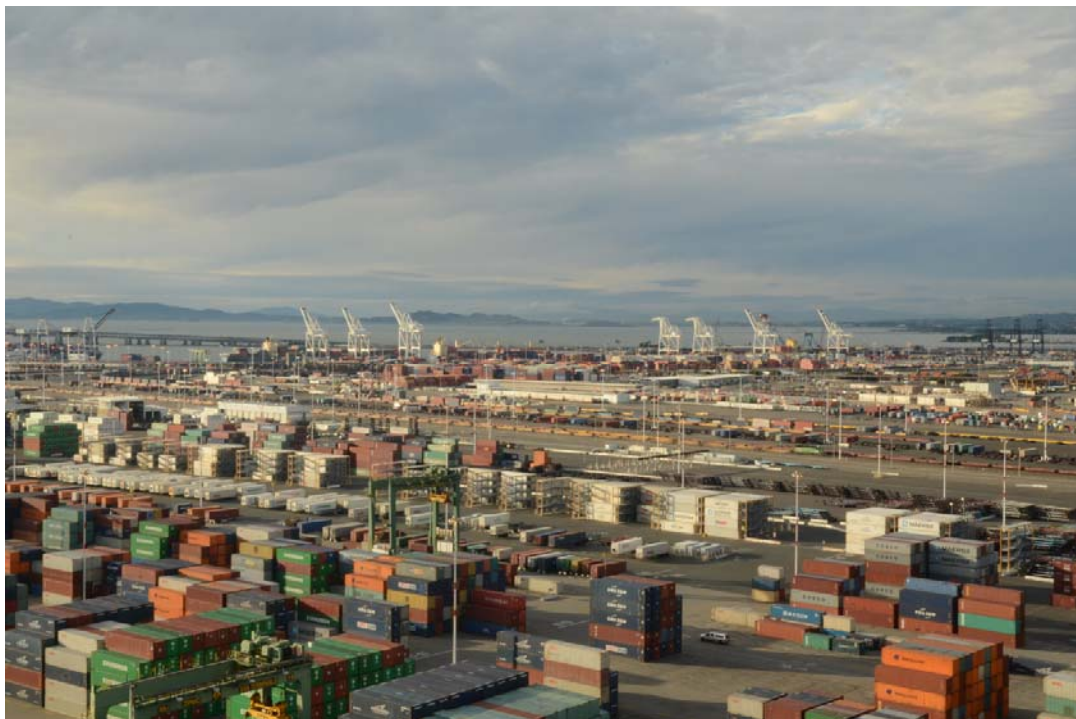
**MARITIME
CARGO STATISTICS
CY 2001 through CY 2012
(000s)**

Calendar Year	Revenue Tons¹	Loaded TEUs²	Total TEUs²
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
2012	31,532	1,778	2,344
Compounded Annual Growth Rate			
2001-2012	3.7%	3.3%	3.3%

¹ Containerized cargo only. Excludes bulk cargo.

² Loaded TEUs and Total TEUs include restows and shifts. Starting in CY 2012, restows and shifts were no longer counted.

The Port currently offers 18 deep-water berths (most with 50 feet of water depth), seven marine terminals (operated by six terminal operators under eight separate agreements), 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 Class I railroads - 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 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 2014. 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 Port is implementing its Shore Power Program in phases: Construction of the first phase (three berths) of the Program was completed in summer 2012. The second phase of construction (eight berths) is underway and scheduled for completion by fall/winter 2013. The Port's Shore Power Program is estimated to cost approximately \$65 million. To help fund this work, the Port expects to receive approximately \$30 million of grant funding. In addition to the Port's efforts, Eagle Marine Services

(EMS/APL) completed and is using shore power infrastructure at its Global Gateway Central Terminal. Also, Ports America Outer Harbor Terminal is under construction to equip one berth with shore power by the end of 2013.

Oakland Army Base

The Oakland Army Base (OAB), a military supply depot built during World War II, was closed by the Base Realignment and Closure (BRAC) Commission in 1993 and transferred to the City and Port between 2003 and 2006. The Port received 241 acres of property. A Master Plan for the overall (Port and City-owned OAB property) redevelopment was completed in 2012. The Port facilities on the OAB will include an intermodal rail terminal and warehousing facilities. Redevelopment will be phased to match market demand and funding availability. In 2013, the Port commenced construction activities for phase 1 of the new rail yard. The improvements will provide additional railcar storage capacity for current and future customers at the OAB, particularly transload, bulk and break bulk businesses. Phase 1 construction is scheduled to be completed in summer 2015.



MARITIME OPERATIONS AT-A-GLANCE

CY 2012 Cargo Vessel Arrivals: 1837

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, Matson Navigation, Mediterranean Shipping Company, Mitsui OSK Lines, NYK Line, OOCL, Polynesia Line, PO Shipping, 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 20-26 (Operator: Ports America), TraPac Terminal (Operator: TraPac, Inc.), TTI Terminal (Operator: Total Terminals International, 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

Principal Exports: Edible fruits and nuts, meat/prepared meat/fish, etc., machinery, automobiles and/or motor vehicles, beverages, inorganic chemicals/rare earth materials, misc. chemical products, organic chemicals, cereals/grain/seed/fruit, preserved food, 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, and electronics

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 865 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 apartments, 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 State 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. The primary challenge for the CRE Division is to enhance profitability of the Port's real estate portfolio in an environment of increased competition, market volatility, 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, 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, office building, 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 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 2014, the JLS Phase II developer plans to continue its 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. Also, two new contemporary restaurants opened at Jack London Square in the second half of FY 2013 adding more cuisine choices for local visitors and tourists.

Despite a challenging real estate market, about 95% 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.
- Navis, a leading maritime technology and cargo management company, in early 2012 decided to stay in the City by moving to the waterfront, preserving hundreds of office jobs for the local economy.
- Live Culture Company, the organization behind the annual Eat Real Festival, is based in JLS.

Brooklyn Basin (Formerly called Oak-to-9th Avenue)

Over the next few years, the Oak-to-9th Avenue waterfront district, an old, blighted, and underutilized industrial area 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 Brooklyn Basin. The Brooklyn Basin 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 Brooklyn Basin 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 Brooklyn Basin 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 June 14, 2013.

The idea for this project began more than ten years ago. The developers have publicly estimated that the Brooklyn Basin Project will be a \$1.5 billion investment. California Governor Edmund G. Brown Jr. announced the influx of significant investment from a China-based investment firm in April 2013. That funding combined with local investment is anticipated to make this project possible. The Governor estimated that the Brooklyn Basin Project, when complete, has the potential to deliver 10,000 short and long-term jobs.

Parks and Public Access

The Port's waterfront has evolved through the decades to include industrial, commercial and recreational uses 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 Oakland seaport and Airport. See *Parks and Open Spaces* section under Environmental Stewardship for more information.



COMMERCIAL REAL ESTATE OPERATIONS AT-A-GLANCE

Land Area Managed:	Approximately 865 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)
2012 Gross Sales:¹	\$87.6 million
Current Tenant Mix:	7 Warehouse Agreements 5 Hotel Agreements 12 Restaurant Agreements 15 Retail Agreements 19 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, recently completed or advanced security projects include: a new intrusion detection and reporting system, full implementation of a truck registry and identification system, Transportation Worker Identification Credential (access control) installation, and geospatial mapping systems. The Port is also working with the City to establish a Joint City-Port Domain Awareness Center that will improve multi-agency coordination and first responder support to all hazards in the seaport.



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. The Airport also uses a private security firm for additional security needs. At the seaport, the Port partners with the U.S. Coast Guard, CBP, California Highway Patrol, Oakland Police Department, the Alameda County Sheriff's Office, 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. For areas within the Commercial Real Estate portfolio, including public areas such as Jack London Square and Middle Harbor Shoreline Park, the Port relies on private security firms to help ensure safety of the public and security of Port facilities.

Where applicable, the Port will continue to apply for federal and state government grant opportunities to fund security system enhancements and to operate and maintain existing infrastructure protection systems.

COMMUNITY CONNECTION

The Port is a trustee of state tidelands that must be operated for the benefit of the people of the State of California. The Port recognizes that it is administered locally in diverse and thriving urban communities that are deeply connected to the Port through history, business, and the environment. Therefore the Port takes special care to engage and benefit its neighboring communities in real and constructive ways. To reflect the Port's long-standing commitment to promote the economic, social, and environmental well-being of the City, its neighboring communities of Alameda, Emeryville, and San Leandro, and the East Bay and greater San Francisco Bay Area region, the Port is constantly seeking to improve



and enhance its community engagement, building on some of the following active community engagement programs:

- The Social Responsibility and Corporate Administrative Services Divisions develop and disseminate information about internships, jobs and business opportunities, and also make sure the Port is complying with its very strong programs around local, small, and disadvantaged business engagement.
- The External Affairs Division coordinates many project-specific meetings in various locations across the City and the region, including the West Oakland community that is neighbor to the Port's maritime operations. The Division is also responsible for coordinating certain Port-wide community volunteer efforts, sponsorships of local community-based and advocacy organizations, and briefings with various organizations across the region on Port activities.
- The Environmental Programs & Planning Division works with Port stakeholders including business partners, customers, regulatory agencies, environmental organizations and local community in the development and implementation of the Port's leading environmental stewardship programs, which have made significant strides in reducing air pollutant emissions from goods movement and in promoting a healthier environment and quality of life for the Port's neighboring communities.
- The Aviation Division stewards an Aviation Stakeholder Committee that has improved the collaboration between OAK and its neighboring communities.
- The Maritime Division co-chairs a Truckers Working Group (TWG) with an industry representative. The TWG is the longest-standing regular forum for community engagement on Port trucking issues.

ENVIRONMENTAL STEWARDSHIP

Energy Conservation at Port Headquarters

In 2012, for the seventh 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 enterprise, which is consistent with the State's RPS requirements contained in Senate Bill X1-2. 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 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 agreement 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 September 2012, the Board approved a 5-year agreement with the East Bay Municipal Utility District Wastewater Treatment Plant to purchase their excess power generation. This

purchase is estimated to meet approximately 10% of the Port's overall electricity needs, helping the Port move closer to achieving the 2020 RPS. 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 provide rebates to Port electric customers who make qualified energy upgrades on their facilities such as lighting, heating and cooling systems, or who install renewable energy generation such as solar power. The Port funds the rebates through the collection of an environmental surcharge from the customers' 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, increasing renewable energy usage and deploying other innovative technologies and strategies that will enhance the competitiveness of the Port, generate jobs and improve long-term sustainability.

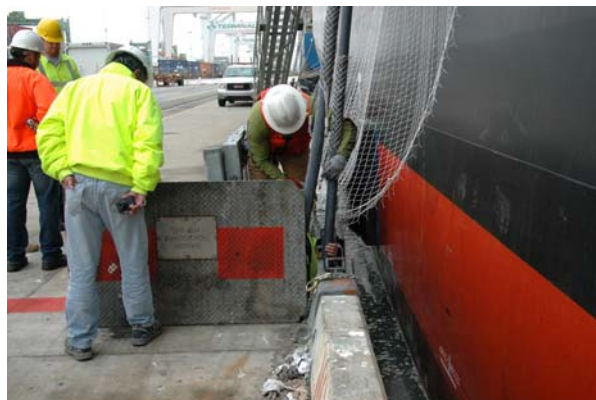
Air Quality

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 the health risk related to diesel particulate matter at the seaport by 85% by 2020 (using 2005 emissions as the baseline). In support of the Policy Statement, 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 2012 to assist Oakland drayage truck drivers serving marine terminals and rail yards with the purchase of replacement trucks to meet the next phase of State regulatory requirements that went into effect in January 2013. The Port helped staff the trucker grant information and outreach center at the seaport to increase access to grant funding and educational information aimed at helping truckers continue doing business at the Port while complying with environmental requirements. In 2012, the Port also completed the installation of "no idling" signs throughout the seaport. In 2013, the Port will continue to engage with regulatory and trucking partners to prepare for the next phase of regulatory requirements that go into effect in January 2014.

- 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 Goods Movement Emission Reduction Program and one of the principal methods of compliance with the CARB regulation for “vessels at berth.” The first phase of this program has been completed and the second phase is under construction with anticipated completion by the end of 2013 (see *Capital Budget and Capital Needs Assessment* section).
- In 2013, the Port is conducting an update of the Port of Oakland 2005 Seaport Air Emissions Inventory to determine the progress that has been made towards its 2020 air quality goals in the Maritime Air Quality Policy Statement (see above).



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 incentive program for Airport-serving taxis and shuttle buses, and a trip reduction program. The trip reduction program encourages Airport employees to seek alternatives to driving alone to work, such as vanpooling, carpooling, bicycling and use of public transportation.
- Port staff has 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 the new buses were put into operation in late January 2013.
- BART's Oakland Airport Connector project, currently in construction and expected to be operational by late 2014, will eliminate the operation of shuttle buses from the Airport to the Coliseum BART station, thereby reducing local air pollutant emissions; it also provides a seamless connection between BART and the Airport, thereby encouraging greater use of public transportation.
- In March 2011, the Airport expanded its electric vehicle charging (EV) infrastructure by installing eight dual-port new-generation ChargePoint chargers across from Terminal 2. In December 2012, four additional chargers were installed in the Daily Lot and the Economy Lot. In February 2013, the Port employee parking lot was equipped with a dual-port EV charger.
- The Port has initiated a project to provide pre-conditioned air (PCA) units on eight passenger boarding bridges in Terminal 1, the last of 29 passenger boarding bridges at OAK not equipped with PCA. These units supply heated and cooled air to aircraft while parked at the gate, allowing aircraft to



turn off jet fuel-powered auxiliary power units (APUs). The PCA units reduce fuel consumption, reduce airline costs, and improve air quality. The project is expected to be completed in FY 2014.

Parks and Open Spaces

The Port's waterfront has evolved through the decades to include industrial, commercial and recreational uses 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. There are several major public access improvements along the waterfront on Port-owned land along this stretch of waterfront, as well as within the Port's maritime area:

- *Port View Park and Middle Harbor Shoreline Park (MHSP)* – These two parks are connected and together comprise approximately 40 acres of property. MHSP is adjacent to the TTI Terminal (Berths 55-56) and Port View Park is next to the Ben E. Nutter Terminal (Berths 35-37). MHSP includes a large, informal amphitheater, significant open space areas, interpretive exhibits, an observation tower, nature trails, stunning views, the City's only major beach on San Francisco Bay, and an area where visitors can observe active marine terminal operations. Port View Park has the added attractions of a play area for kids, a small history museum and a fishing pier.
- *Union Point Park* – Officially opened in September of 2005, Union Point Park comprises nine acres of property located in the San Antonio/Fruitvale district. It is leased by the Port to the City to create waterfront-oriented 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, natural habitat areas, and bird watching.
- *Damon Slough Seasonal Wetlands* – In 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 Jr. 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. The property was officially transferred in July 2012.
- *Estuary Park and the Jack London Aquatic Center* – Within Estuary Park near Jack London Square is a 7-acre City park located on property leased from the Port. The Port helped fund the construction of the Jack London Square Aquatic Center, a 16,000 square foot multi-purpose boathouse and community center.
- *Portions of the San Francisco Bay Trail* – 19 miles of the 450 miles of trail will be located in the City and Port area when this regional public access 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.

Wetlands and Habitat Restoration

The Port is committed to providing open space and, where feasible, habitat restoration as part of its development activities 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 regional wetland restoration projects, including Arrowhead Marsh at Martin Luther King Jr. Regional Shoreline, Sonoma Baylands, and the Hamilton Base Wetlands Restoration Project. More recently, in July 2012, the Port transferred the Damon Slough seasonal 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 conducted an extensive wetlands and endangered species mitigation effort to address potential impacts to approximately 15 acres of fragmented seasonal wetlands, and approximately seven acres of potential and marginal foraging habitat for the California Clapper Rail. The Port worked closely with State and Federal regulatory agencies to identify suitable wetland mitigation areas, with a preference for enhancement and/or expansion of already established mitigation sites.

The Port expects to complete the last step in one of its largest habitat restoration projects, at the 180-acre Middle Harbor Enhancement Area (MHEA), a former U.S. Navy vessel berthing area in the Middle Harbor, located adjacent to the Middle Harbor Shoreline Park. 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 in-Bay shallow water habitat areas.

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

The Port includes green building features in its new developments and facilities, where practicable. 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 is an example. Terminal 2 was 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 designed to LEED-Gold standards and

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.

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 promote equitable workforce development strategies and maximize economic opportunity and development in the Port's community.

Equitable Contracting at the Port

In 1997, the Board adopted its Non-Discrimination and Small Local Business Utilization Policy (NDSLBP) 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 NDSLBP 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 NDSLBP is a Port policy and can be amended at any time by the Board. To support the NDSLBP 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).¹¹

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.

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

¹¹ The LIA includes the cities of Oakland, Alameda, Emeryville and San Leandro. The LBA includes all the cities in Alameda and Contra Costa counties.

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.

Living Wage 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 businesses¹² 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 provides covered 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.¹³ 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 1.16 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 \$110 million in wages were earned by LIA/LBA residents; \$57 million went to LIA residents.

¹² 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.

¹³ 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.

POSITIVE ECONOMIC IMPACT

The Port is a driver of economic activity and growth in the region. Economic development is at the center of the Port's work, primarily driven by cargo activity at the seaport and passenger and air freight activity at OAK, as well as through various leasing activity in the Port's commercial real estate area. The Port, along with its tenants and customers:

- ✓ Supports more than 73,000 jobs across the region (direct, indirect, and induced)
- ✓ Impacts nearly 827,000 jobs across the country (trade, and travel and tourism related-jobs)
- ✓ Generates more than \$600 million in annual tax revenue (local, state, and federal)

Trade, travel and tourism related jobs generated by the Port have numerous positive characteristics, including:

- The majority of Port-related jobs are above-average wage jobs.
- Port-related jobs generally cannot be exported overseas as they have to take place on the waterfront, at OAK, or in the community.
- Port operations offer many entry-level jobs, which are important for some sectors of the regional workforce, as well as advanced degree jobs.

The Port's economic impact numbers are based on the last comprehensive study of Port activity levels, which was conducted in 2011 based on 2010 calendar year data, as summarized in the table below. The Port generally conducts a comprehensive economic impact analysis every five years.

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 *Glossary* 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, is budgeted 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 is primarily limited to projects for which the Port is already contractually obligated.
- Funding sources for operating and capital expenditures are identified, including Port-generated cash, debt 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

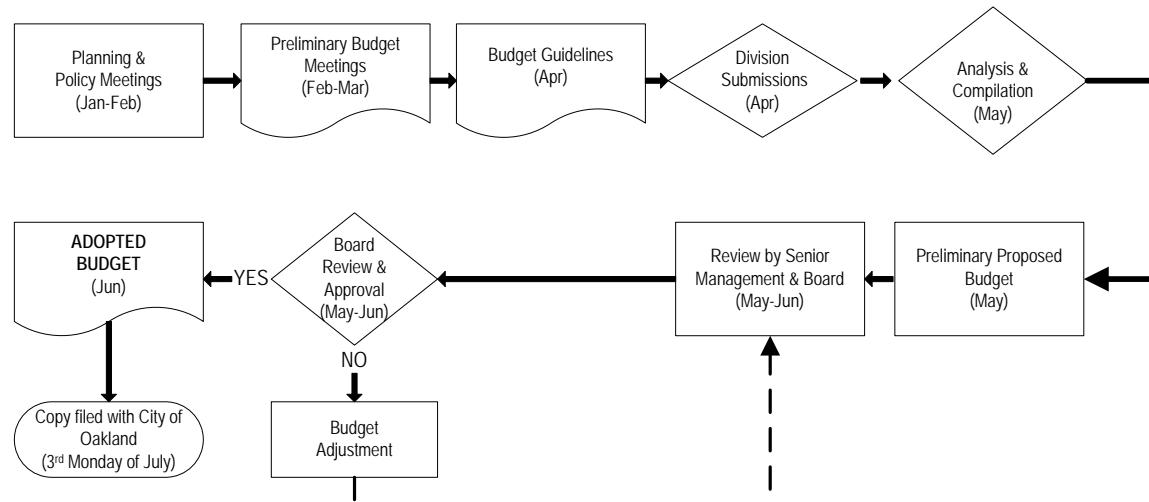
- Port Operating Reserve Fund established at 12.5% of operating expense budget.
- Port Bond Reserve Fund (separate from Debt Service Reserve Funds held by Trustee) established at \$30.0 million.
- Capital Reserve Fund established at \$15.0 million.

Financial Reporting Practice

- Financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, as promulgated by GASB and audited by independent external auditors.
- A Comprehensive Annual Financial Report is prepared which includes: Statement of Net Assets; Statement of Revenues, Expenses and Changes in Net Assets; Statement of Cash Flow, and other statistical data.
- Monthly unaudited financial statements and quarterly capital budget variance reports are prepared and distributed to the Board to monitor performance and determine if corrective action is needed.

- The External auditors prepare an annual management letter addressed to the Board.
- The Port is an independent 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.

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 senior 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 minimum Combined (Aggregate) debt service coverage ratio¹⁴ (DSCR) in the range of 1.35x – 1.40x.
- Maintain a minimum General Fund cash balance at the end of each fiscal year of at least \$85 million.¹⁵

GENERAL

- FY 2014-16 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 2014 Operating Expenses incorporate known and anticipated cost increases and decreases, with an emphasis on limiting non-personnel cost increases in the aggregate to less than 1%.
- FY 2015 and FY 2016 Operating Expense incorporate known and anticipated cost increases and decreases but assumes that non-personnel expenses in aggregate can be managed to be essentially flat compared to prior years.

FY 2014 REVENUE BUDGET HIGHLIGHTS AND ASSUMPTIONS

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

- Port-wide Operating Revenues are projected to be \$304.8 million; \$6.7 million or 2.1% lower compared to FY 2013 Budget.
- Aviation Revenues of \$150.4 million are \$4.7 million or 3.2% higher compared to FY 2013 Budget; Aviation Revenues for FY 2013 are anticipated to meet budget.
 - Enplanements projected to be 5.0 million or 0.6% higher compared to FY 2013 anticipated (or 4.7% higher compared to FY 2013 Budget).
 - Airline Rates and Charges are expected to increase due to recovery of certain increased expenses.
 - Parking revenues assumed to increase by \$1.0 million or 4% due to higher passenger traffic.
- Maritime Revenues of \$132.4 million are \$13.4 million or 9.2% lower compared to FY 2013 Budget. Maritime revenues for FY 2013 are anticipated to meet budget.
 - Full (loaded) TEUs projected to be 1.8 million, or 3.6% higher than FY 2013 anticipated actuals (or 0.1% lower compared to FY 2013 Budget).
 - Lease renewals coming due in FY 2014 are expected to renew at similar terms. Certain maritime lease revenues are budgeted pursuant to potentially renegotiated lease terms.

¹⁴ Combined (Aggregate) DSCR is Net Revenues (as defined in the Bond Indentures) divided by debt service on Senior and Intermediate Bonds, Department of Boating and Waterways Loan and Commercial Paper Notes interest.

¹⁵ Excluding Board Reserves.

- Due to projected shifts in cargo activity among terminal operators, revenues in excess of the Minimum Annual Guarantee (over the MAG revenue) is expected to be \$3.8 million less than FY 2013 Budget.
- Other revenue, primarily land and facility rental revenue from non-marine/rail terminal tenants, is \$1.7 million or 16% lower than FY 2013 anticipated actuals and \$0.3 million or 3.7% lower compared to FY 2013 Budget due to rent credits associated with certain space assignments at the former OAB.
- Interior Point Intermodal (IPI) Incentive Program of \$1.0 million is assumed (reduction in revenues).
- CRE Revenues of \$12.7 million are \$1.3 million or 11.1% higher compared to FY 2013 Budget; CRE Revenues for FY 2013 are anticipated to be \$12.2 million. In comparison to FY 2013 projected revenues, FY 2014 revenues are 6% higher.
 - Increase in percentage rents and minimum rent adjustments due to lease renewals.
 - Lower rental income due to close of escrow on the Oak-to-9th project in FY 2013.
- Utilities Revenues of \$9.8 million is \$0.8 million or 8.7% higher compared to FY 2013 Budget.
 - Electricity revenues assumed to increase primarily due to higher shore power usage of \$2.1 million partially offset by a one-time capacity charge of \$1.2 million from a major tenant in FY 2013.

FY 2014 OPERATING EXPENSE BUDGET HIGHLIGHTS AND ASSUMPTIONS

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

- Port-wide Operating Expenses before Depreciation and Amortization are budgeted to be higher by \$6.3 million or 4%.
- Personnel costs are higher by \$6.4 million or 7%; Personnel costs represent 51% 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) unchanged from FY 2013.
 - Salaries increase \$5.8 million due to 2.5% Cost of Living Adjustment and one time 8% increase offsetting the elimination of CalPERS employee contribution paid by the Port.¹⁶
 - CalPERS employer pension contribution rate increase to 27.3% from 25.1%, resulting in a \$1.9 million or 15% increase.
 - CalPERS employee contribution paid by the Port eliminated, saving \$2.5 million.
 - Overtime increases by \$0.4 million or 16% (flat compared to FY 2013 anticipated actuals).
 - Medical premiums rates assumed to increase 9% on January 1, 2014, resulting in \$0.9 million increase.

¹⁶ The SEIU and WCE contracts expired on June 30, 2011. The IBEW contract expired on December 31, 2011. The IFPTE contract expired on June 30, 2012. New contracts were ratified in December 2012 and with the exception of IBEW, which expires on December 31, 2015, the others expire on June 30, 2015.

- Retiree medical costs assumed to increase \$1.3 million or 11% due to rising health care cost and anticipated changes in the calculation of the liability by the CalPERS Trust administering the program.
- Anticipate vacancy factor of, on average 25 FTEs, due to retirements, normal attrition and normal lags in hiring; results in reduction of Personnel costs of \$4.0 million.
- Contractual services and supplies are budgeted to decrease 0.5% and 3%, respectively. General and Administrative expenses are budgeted to increase 2%.
- Significant Increases in Non-Personnel Operating Expenses.
 - Alameda County Sheriff's expense increase of \$1.0 million or 8% due to contractual cost of living wage adjustments and higher support costs.
 - Various security, regulatory, maintenance and repair, and IT-related expenses increase by \$0.5 million.
 - Aviation marketing expenses increase \$0.7 million or 202% to promote revenue growth at OAK
 - Insurance expense increase by \$0.1 million or 6% due to insurance market conditions.
- Decrease in Operating Expenses
 - Rental car shuttle bus operations decrease by \$1.3 million due to the one-time purchase of 12 clean diesel buses in FY 2013.
 - Port use electricity lower by \$0.6 million due primarily to adjustments related to the purchase of renewable energy as mandated by the State of California.
 - Elimination of Port-wide contingency for business continuity of \$0.7 million.
 - Maintenance dredging lower by \$0.2 million based on the recently opened dredging contract
 - Absorption of Labor and Overhead to Capital Assets higher by \$1.1 million; that is, the amount of Port salaries and overhead which is allocated to the capital budget (not included in operating budget) is higher due to salary and benefits increases and increased Port labor utilization on capital projects.
 - The Port continues to seek cost savings and improve efficiencies. Port staff has identified an additional approximately \$0.6 million in annual savings resulting from several items, including:
 - Employee dental and vision premium rates
 - Trade representative expense
 - Legal counsel
 - Travel and hosting
 - Promotional expenses
 - Payroll processing

FY 2014 NON-OPERATING EXPENSE BUDGET HIGHLIGHTS AND ASSUMPTIONS

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

- Interest income of \$0.2 million is lower by 19% due to low interest rate environment. Interest earnings rate on Port funds assumed to be 0.25%.

- Interest expense of \$53.8 million, which includes letter of credit (LOC) fees and accounting accruals, is lower by \$10.6 million, or 16% due to the issuance of the 2012 Series P and Q bonds to refund the 2002 Series L, M and N bonds for debt service savings, scheduled repayment of bond principal and lower anticipated 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 Commercial Paper (CP) Notes.
- Passenger Facility Charges (PFCs) revenue of \$21.0 million is \$0.8 million or 4% higher compared to FY 2013 Budget (or 0.6% higher than FY 2013 anticipated actuals), reflecting the projected enplanement growth rate for FY 2014. 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 \$5.3 million is 3% higher compared to FY 2013 Budget (or 0.6% higher than FY 2013 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 payments to the City for general services and Lake Merritt maintenance of \$2.2 million and \$0.7 million in retroactive CalPERS retirement contribution for airport servicemen.
- 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 2015 and 2016 REVENUE PROJECTION HIGHLIGHTS AND ASSUMPTIONS

FY 2015

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

- Port-wide Operating Revenues are projected to be \$314.3 million; \$9.5 million or 3.1% higher.
- Aviation Revenues increase by \$1.2 million or 0.8%.
 - Enplanements assumed to increase 1%.
 - Airline Rates and Charges projected to increase due to recovery of certain increased expenses.
- Maritime Revenues increase by \$6.2 million or 4.7%.
 - Full TEUs assumed to increase 2%.
 - Tariff increase anticipated
 - Contractual lease escalations
 - IPI Incentive Program of \$1.0 million (reduction in revenues).
- CRE Revenues of \$13.1 million increase by \$0.4 million or 2.9%.
 - Projected increase in percentage rents and minimum rent adjustments due to lease renewals.

- Utilities Revenues of \$11.5 million is expected to be \$1.7 million or 18% higher.
 - Gas and water revenues assumed flat.
 - Additional electricity revenues from anticipated increase in shore power use.

FY 2016

Note: All comparisons are to FY 2015 Projected, unless otherwise noted.

- Port-wide Operating Revenues of \$326.7 million is \$12.4 million or 3.9% higher.
- Aviation Revenues increase \$7.9 million or 5.2%.
 - Enplanements assumed to increase 1%.
 - Airline Rates and Charges projected to increase due to recovery of certain increased expenses and capital reimbursement.
- Maritime Revenues increase by \$4.3 million or 3.1%.
 - Full TEUs assumed to increase 2%.
 - Includes balance of assumed tariff increase from FY 2015 for those tenants with agreements that precluded full tariff increase in FY 2015.
 - Contractual lease escalations.
 - No IPI Incentive Program anticipated.
- CRE Revenues of \$13.2 million increase by \$0.1 million or 0.8%.
 - Projected increase in percentage rents and minimum rent adjustments due to lease renewals primarily in the Business Park mostly offset by lower rental income due to the completion of contractual payments related to the Oak to Ninth transaction.
- Utilities Revenues of \$11.7 million is \$0.2 million or 1.4% higher.
 - Gas and water revenues assumed flat.
 - Additional electricity revenues from assumed increase in shore power use.

FY 2015 AND 2016 OPERATING EXPENSE PROJECTION HIGHLIGHTS AND ASSUMPTIONS

- Operating Expenses before (i) Depreciation and Amortization assumed to increase 2.5% and 3.5%, in FY 2015 and FY 2016, respectively.
- Personnel costs assumed to increase 5.5% and 4.3% in FY 2015 and FY 2016, respectively
 - FTEs remain flat at 492 FTEs.
 - Medical premiums assumed to grow at 9% in FY 2015 and FY 2016, respectively, based on actual rate increases experienced, and actuarial study related to retiree health care costs.
 - CalPERS employer pension contribution rate assumed to be 29.1% and 31.5% 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 6.6% and 9.1% increase in FY 2015 and FY 2016, respectively).
 - Assume vacancy factor of, on average, 25 FTEs due to retirements, normal attrition and normal lags in hiring; results in reduction of Personnel costs of approximately \$4.3 million.

- Contractual services, supplies, and general and administrative costs in aggregate are assumed to remain essentially flat.
- Utilities Cost of Sales increases proportional to increased usage.

FY 2015 AND 2016 NON-OPERATING REVENUE & EXPENSE PROJECTION HIGHLIGHTS AND ASSUMPTIONS

- Interest income is higher as interest earnings rate assumed to increase to 0.5% and 0.75%, respectively, in FY 2015 and FY 2016.
- Interest expense lower due to scheduled repayment of bond principal offset by higher assumed interest rate on Port's outstanding CP notes of 0.75% and 1.0%, respectively in FY 2015 and FY 2016 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 1% in FY 2015 and 1% in FY 2016.
- CFCs increase at rate of projected enplanement growth rate of 1% in FY 2015 and 1% in FY 2016.
- Other income (expense) reflects \$2.2 million to the City for general services and Lake Merritt maintenance and \$0.8 million in retroactive CalPERS retirement contributions for airport servicemen for both FY 2015 and FY 2016.
- 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 2011-12	Budget 2012-13	Budget 2013-14	Projected 2014-15	Projected 2015-16
Senior & Intermediate Lien Bonds	107,717	107,681	97,745	97,747	98,460
DBW Loan	458	458	458	458	458
CP Interest ¹	159	573	471	871	1,506
Total Debt Service	108,334	108,712	98,674	99,076	100,424
Less: Pledged Funds ²	621	n/a	n/a	n/a	n/a
Total Net Debt Service	107,713	108,712	98,674	99,076	100,424
Intermediate Lien DSCR ³	1.50x	1.39x	1.38x	1.44x	1.49x
Combined (Aggregate) DSCR ⁴	1.50x	1.38x	1.37x	1.42x	1.47x

¹ Based on the 5-Year Capital Needs Assessment, CP Notes balance is assumed to be \$94.2 million, \$116.1 million and \$150.6 million with interest rates of 0.5%, 0.75%, and 1.0% for FYs ending 2014, 2015 and 2016, 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
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 THROUGH 2016
(In \$Thousands)

Division	Actual 2011-12	Budget 2012-13	Budget 2013-14	Projected 2014-15	Projected 2015-16	Variance 2014B vs. 2013B B/(W)	% Variance 2014B vs. 2013B B/(W)
Operating Revenue							
Aviation	\$ 136,507	\$ 145,709	\$ 150,385	\$ 151,623	\$ 159,480	\$ 4,677	3.2%
Maritime	148,444	145,780	132,365	138,525	142,784	(13,415)	-9.2%
CRE	12,406	11,457	12,724	13,096	13,204	1,267	11.1%
Utilities	8,235	8,993	9,777	11,496	11,660	784	8.7%
Bad Debt Reserve	545	(421)	(426)	(426)	(426)	(5)	-1.2%
Total Operating Revenue	306,138	311,518	304,826	314,314	326,703	(6,692)	(2.1%)
Operating Expenses							
Aviation	(73,805)	(81,220)	(85,764)	(86,897)	(88,254)	(4,544)	-5.6%
Maritime	(16,226)	(18,569)	(19,638)	(20,316)	(20,781)	(1,069)	-5.8%
Commercial Real Estate	(5,440)	(6,184)	(6,258)	(6,371)	(6,463)	(74)	-1.2%
Corporate Administrative Services	(2,710)	(3,290)	(3,146)	(3,280)	(3,374)	143	4.4%
Information Technology	(3,450)	(4,511)	(4,824)	(4,977)	(5,082)	(313)	-6.9%
Engineering	(8,744)	(11,746)	(12,183)	(12,617)	(13,812)	(437)	-3.7%
Environmental Programs & Planning	(2,517)	(2,747)	(2,910)	(3,029)	(3,111)	(163)	-5.9%
Utilities Cost of Sales	(3,675)	(4,722)	(5,705)	(5,864)	(6,340)	(983)	-20.8%
Social Responsibility	(1,257)	(1,235)	(1,357)	(1,415)	(1,454)	(122)	-9.8%
External Affairs	(2,082)	(2,504)	(2,618)	(2,700)	(2,757)	(114)	-4.6%
Executive Office	(1,400)	(1,589)	(1,993)	(1,888)	(1,940)	(404)	-25.4%
Board of Port Commissioners	(522)	(542)	(547)	(567)	(579)	(5)	-0.8%
Office of Audit Services	(1,114)	(1,202)	(1,272)	(1,337)	(1,380)	(70)	-5.8%
Port Attorney's Office	(3,696)	(4,786)	(4,694)	(4,849)	(4,953)	91	1.9%
Financial Services	(4,671)	(5,379)	(5,431)	(5,642)	(5,829)	(52)	-1.0%
Non-Departmental Expenses	(32,605)	(29,742)	(28,996)	(30,458)	(32,222)	746	2.5%
Absorption of Labor & Overhead to Capital Assets	13,137	10,730	11,832	12,309	12,099	1,102	10.3%
Depreciation & Amortization	(98,032)	(98,094)	(98,020)	(98,215)	(102,675)	73	0.1%
Total Operating Expenses	(248,810)	(267,330)	(273,523)	(278,113)	(288,908)	(6,193)	-2.3%
Operating Income (A)	57,329	44,188	31,303	36,201	37,796	(12,885)	-29.2%
Non-Operating Items							
Interest Income	1,755	1,280	1,035	1,566	2,103	(245)	-19.1%
Interest Expense	(65,710)	(64,381)	(53,766)	(52,984)	(51,676)	10,616	16.5%
Passenger Facility Charges (PFC's)	19,758	20,229	21,032	21,242	21,455	803	4.0%
Customer Facility Charges (CFC's)	5,184	5,130	5,282	5,335	5,388	152	3.0%
Abandoned Capital Assets	(2,276)	(300)	(300)	(300)	(300)	0	0.0%
Other Income (Expenses)	(1,809)	8,134	(2,870)	(2,983)	(3,101)	(11,004)	-135.3%
(B)	(43,098)	(29,908)	(29,587)	(28,124)	(26,130)	321	1.1%
Capital Contributions							
Grants from Government Agencies (C)	23,217	27,933	70,405	53,634	33,761	42,472	152.1%
CHANGE IN NET ASSETS (A+B+C)	\$ 37,448	\$ 42,212	\$ 72,121	\$ 61,711	\$ 45,426	\$ 29,908	70.9%
Net Assets, Beginning of the Year	926,000	959,504	1,001,717	1,073,837	1,135,548	42,212	4.4%
Net Assets, End of the Year	\$ 963,447	\$ 1,001,717	\$ 1,073,837	\$ 1,135,548	\$ 1,180,974	\$ 72,121	7.2%

Senior Lien Debt Service Coverage Ratio	2.33	2.17	2.82	2.81	3.05
Intermediate Lien Debt Service Coverage Ratio	1.50	1.39	1.38	1.44	1.49
Combined (Aggregate) Debt Service Coverage Ratio	1.50	1.38	1.37	1.42	1.47
Operating Ratio	49.3%	54.3%	57.6%	57.2%	57.0%
Funded FTE's (Full-Time Equivalent)	451	492	492	492	492

* Later increased to 484 FTEs

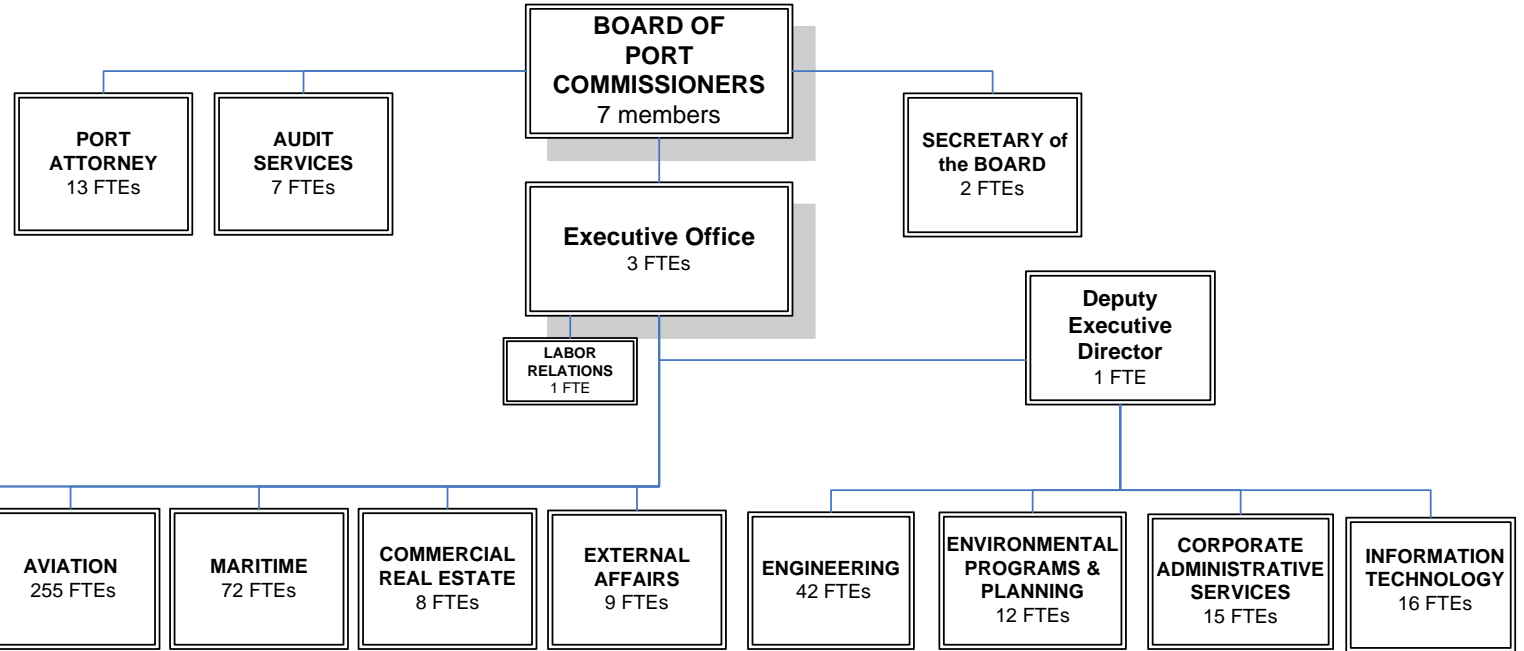
OPERATING EXPENSES BY CATEGORY
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 THROUGH 2016
(\$ Thousands)

	Actual	Budget	Budget	Projected	Projected	Variance 2014B vs. 2013B B/(W)	% Variance 2014B vs. 2013B B/-W
Operating Expenses	2011-12	2012-13	2013-14	2014-15	2015-16		
Personnel Services	(\$84,925)	(\$88,734)	(\$95,015)	(\$100,356)	(\$104,637)	(\$6,371)	-7.2%
Contractual Services	(51,888)	(62,866)	(63,187)	(62,305)	(63,244)	(321)	-0.5%
Supplies	(3,989)	(3,899)	(4,015)	(4,015)	(4,015)	(115)	-3.0%
General & Administrative	(19,682)	(20,000)	(19,578)	(19,923)	(20,351)	422	2.1%
Utilities	(3,675)	(4,722)	(5,705)	(5,864)	(6,340)	(983)	-20.8%
Departmental Credits	13,382	10,985	12,087	12,564	12,354	1,102	10.0%
Depreciation & Amortization	(98,032)	(98,094)	(98,020)	(98,215)	(102,675)	73	0.1%
Total Operating Expenses	(\$248,810)	(\$267,330)	(\$273,523)	(\$278,113)	(\$288,908)	(\$6,193)	-2.3%

PORT OF OAKLAND ORGANIZATION CHART

Fiscal Year 2013-14

492 Funded FTEs (Full-Time Equivalents)



- Economic Opportunity & Contract Compliance

- Accounting
- Financial Planning
- Purchasing
- Risk Management

- Planning & Development
- Airport Business
- Airport Properties
- South Airport Admin & Operations
- Marketing
- Facilities

- Administration & Finance
- Business Development & Marketing
- Terminal Operations & Security
- Facilities

- Development
- Asset Management
- Building Services

- Government & Community Affairs
- Communications

- Project Design & Delivery
- Utilities
- Engineering Services

- Compliance, Health & Safety

- Human Resources
- Organizational Effectiveness
- Equal Employment Opportunity

STAFF SUMMARY

In 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 FTEs.

In FY 2013, the Port budgeted an additional 8 FTEs primarily in Information Technology to support Enterprise Resource Planning (ERP) initiatives and priorities. As a result, the FY 2013 budget included 492 funded FTEs.

For FY 2014, the Port's Staffing Plan remains flat at 492 FTEs; however, vacant staffing positions were reassigned in certain circumstances to better meet the strategic objectives of the Port. The Port continues to evaluate its organizational structure to ensure its operational and customer needs are achieved. 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)

	Actual ¹ 2011-12	Adjusted ² Budget 2011-12	Budget 2012-13	Budget ³ 2013-14
<u>FTEs</u>				
Aviation	242	254	255	255
Maritime	63	70	71	72
Commercial Real Estate	7	8	8	8
Corporate Administrative Services	14	13	15	15
Engineering	39	41	41	42
Information Technology	11	12	17	16
Environmental Programs & Planning	11	12	12	12
External Affairs	7	8	9	9
Social Responsibility	5	9	6	6
Board of Port Commissioners	2	2	2	2
Executive Office	4	4	4	5
Audit Services	6	7	7	7
Port Attorney	12	13	13	13
Financial Services	28	31	31	30
Non-Departmental ⁴	0	0	1	0
Total FTEs	434	484	492	492

¹ Represents FTEs that were filled as of June 30, 2012.

² 10 FTE's were reinstated in spring 2012, increasing the staffing plan from 474 to 484.

³ 4 FTEs are limited duration appointments.

⁴ Included 1 unidentified FTE not yet assigned.

PERSONNEL SERVICES BY DIVISION¹

(\$ Thousands)

Division	Actual 2011-12	Budget 2011-12	Budget 2012-13²	Budget 2013-14³	Projected 2014-15	Projected 2015-16
Aviation	33,310	34,546	35,944	38,808	40,864	42,282
Maritime	10,126	11,281	11,691	12,789	13,467	13,933
Commercial Real Estate	1,292	1,360	1,265	1,342	1,414	1,463
Corporate Administrative Services	2,196	2,519	2,643	2,625	2,759	2,852
Engineering	7,127	7,449	7,519	8,248	8,683	8,977
Information Technology	1,932	2,086	2,832	2,990	3,143	3,248
Environmental Programs & Planning	2,029	2,122	2,087	2,240	2,359	2,441
External Affairs	1,265	1,361	1,455	1,573	1,656	1,713
Social Responsibility	1,051	1,505	1,057	1,177	1,236	1,275
Board of Port Commissioners ⁴	324	337	346	377	396	409
Executive Office	924	1,018	1,074	1,616	1,510	1,562
Audit Services	1,084	1,231	1,165	1,236	1,301	1,345
Port Attorney	2,679	2,716	2,787	2,975	3,130	3,234
Financial Services	4,274	4,470	4,617	4,768	5,021	5,194
Non-Departmental	15,311	10,571	12,253	12,343	13,419	14,711
TOTAL PERSONNEL SERVICES	84,925	84,572	88,734	95,105	100,356	104,637
% Change from Prior Year Budget	n/a	5.6%	4.9%	7.2%	5.5%	4.3%
% Change from Prior Year Actuals	7.5%	n/a	n/a	n/a	n/a	n/a

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

² Reflects assumed labor adjustments from all units including unrepresented (not realized).

³ Includes terms of new labor contracts. New contracts were ratified in December 2012 and, with the exception of IBEW, which expires in December 31, 2015, the contracts with SEIU, WCE, and IFPTE expire on June 30, 2015.

⁴ Includes Secretary of the Board and Assistant Secretary of the Board.

SALARIES AND FRINGES BY DIVISION¹

(\$ Thousands)

	Budget FY 2012-13 ²			Budget FY 2013-14		
	Salaries	Fringes	Total	Salaries	Fringes	Total
Aviation	23,674	12,133	35,808	26,347	12,032	38,379
Maritime	7,659	3,920	11,579	8,670	3,951	12,621
Commercial Real Estate	837	417	1,254	904	421	1,325
Corporate Administrative Services	1,487	780	2,268	1,662	802	2,465
Engineering	5,054	2,430	7,484	5,691	2,476	8,167
Information Technology	1,680	839	2,519	1,968	892	2,859
Environmental Programs & Planning	1,367	695	2,062	1,516	696	2,212
External Affairs	953	474	1,427	1,054	483	1,537
Social Responsibility	679	309	987	776	327	1,103
Board of Port Commissioners	238	105	343	266	107	373
Executive Office	744	330	1,074	1,059	410	1,468
Audit Services	796	369	1,165	865	364	1,229
Port Attorney	1,885	878	2,763	2,066	864	2,930
Financial Services	3,083	1,507	4,589	3,255	1,466	4,721
Non-Departmental ³	(1,573)	(496)	(2,069)	(2,715)	(926)	(3,640)
TOTAL	48,562	24,690	73,252	53,384	24,365	77,749
Funded FTEs	492			492		

¹ Fringes mainly consist of pension, Medicare, medical insurance, dental insurance, life insurance, long term disability, State disability insurance, vision care, and employee assistance.

² Reflects assumed labor adjustments from all units including unrepresented (not realized).

³ Non-Departmental reflect Port-wide vacancy factor, retiree CalPERS replacement benefit and for FY 2013 only, 1 unallocated FTE.

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Aviation Division



Aviation Area Map



AVIATION DIVISION FUNCTION

The Aviation Division provides 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, telecommunication services and rental car agreements; as well as agreements with fixed base operators, the airline fuel consortium, aircraft ground handlers, cargo operators, outdoor advertising, and a municipal golf course.

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 FIELD

- **Aviation Administration** plans, organizes and directs airport operations pursuant to Port rules, policies and applicable federal and state regulations.
- **Administrative Services** coordinates human resource management/training, insurance compliance and communications for Aviation staff, and manages special systems and related information technology throughout the Airport.
- **Landside Operations** manages airline terminal facility operations, interacts with airlines for space requirements and ensures that terminal facilities serve airport customer needs. Also coordinates with Airport Facilities and Planning & Development regarding the maintenance and the 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. Landside staff coordinates the permitting of organizations that seek approval to conduct commercial filming and free speech activities at the Airport.
- **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 2011-12	Budget 2012-13	Budget 2013-14	Projected 2014-15	Projected 2015-16
Enplaned Passengers					
Volume	4,826	4,835	5,044	5,111	5,162
% Growth	2.9%	0.2%	4.7%	1.0%	1.0%
Landing Weight	8,719,289	9,215,000	8,962,000	9,051,620	9,142,136
% Growth	1.8%	5.4%	-2.7%	1.0%	1.0%
Air Freight + Mail (lbs)	1,104,388	1,100,000	1,078,000	1,088,780	1,099,668
% Growth	-1.8%	-0.4%	-2.0%	1.0%	1.0%
Parking Volume	866	862	877	877	877
% Growth	-3.6%	0.4%	1.7%	0.0%	0.0%
AirBART Ridership	767	767	812	410	-
% Growth	4.2%	0.1%	5.7%	1.0% ¹	N/A

¹ Assumes AirBART operations cease in December 2014 with the opening of the BART Oakland Airport Connector.

- Anticipated FY 2012-13 Enplaned Passengers is 5,015,000 reflecting enplanement growth for FY 2012-13 and FY 2013-14 of 3.9% and 0.6%, respectively.
- Anticipated FY 2012-13 Landing Weight is 8,792,462 reflecting Landing Weight growth for FY 2012-13 and FY 2013-14 of 0.8% and 1.9%, respectively.

AVIATION DIVISION

OPERATING REVENUE

(\$ Thousands)

	Actual 2011-12	Budget 2012-13	Budget 2013-14	Projected 2014-15	Projected 2015-16
Fueling Revenue	3,984	3,809	3,295	3,295	3,295
Airfield Revenue	30,362	32,018	31,782	32,571	35,847
Terminal Concessions	19,372	19,650	19,689	19,742	19,796
Other Terminal	5,849	7,033	7,885	7,933	8,421
Other Airport Rentals	24,272	26,865	26,859	26,703	28,568
Parking and Ground Access	29,252	29,603	30,907	31,176	31,488
Terminal Rent	23,236	26,604	29,856	30,092	31,954
Delinquency Charges	66	21	8	8	8
Miscellaneous	113	106	104	104	104
Subtotal	136,507	145,709	150,385	151,623	150,481
Bad Debt Reserve	(45)	(101)	(101)	(101)	(101)
TOTAL	136,463	145,608	150,285	151,522	159,380

- FY 2012-13: Terminal rent increase of \$3.3 million due to adjustments in rental rates. Other airport rentals increase \$2.6 million due primarily to increased cargo related rent from lease-adjusted rent increases and from increased North Field fixed based operator rent. Airfield revenue higher by \$1.7 million due to higher forecasted airline operations and landing weight. Other terminal revenue increases \$1.2 million primarily due to higher baggage fees.
- FY 2013-14: Terminal rent increases \$3.2 million due to adjustments in rental rates. Other terminal revenue increases by \$0.8 million due to higher baggage fees. Parking and ground access increase \$1.3 million, reflecting passenger growth. Airfield revenues declines of \$0.2 million due to airline schedule adjustments. Fueling revenue declines \$0.5 million due to scheduled adjustments to payments by the airline fuel consortium.
- FY 2014-15: Operating revenue increases reflect 1% assumed growth in passenger activity. Airfield revenue increases of \$0.8 million, reflecting anticipated adjustments in airline landing fees. Terminal rent increase \$0.2 million due to anticipated adjustments in rental rates.
- FY 2015-16: Operating revenue increases reflect 1% assumed growth in passenger activity. Airfield revenue increase of \$3.3 million reflects anticipated adjustments in airline landing fees. Terminal rent increases \$1.9 million due to anticipated adjustments in rental rates. Other airport rental increases of \$1.9 million due to elimination of tenant rent credits in the previous fiscal year.

AVIATION DIVISION OPERATING EXPENSES

(\$ Thousands)

	Actual 2011-12	Budget 2012-13	Budget 2013-14	Projected 2014-15	Projected 2015-16
Personnel Services	33,310	35,944	38,808	40,864	42,282
Contractual Services	36,728	41,363	42,218	41,293	41,231
Supplies	2,323	2,172	2,211	2,211	2,211
General & Administrative	1,443	1,741	2,528	2,529	2,530
Dept'l (Credits) Charges	0	0	0	0	0
TOTAL	73,805	81,220	85,764	86,897	88,254
<i>FTEs (headcount)</i>	<i>242</i>	<i>255</i>	<i>255</i>	<i>255</i>	<i>255</i>

Personnel Services

- FY 2012-13: Includes the reinstatement of 6 FTEs and 1 incremental FTE. CalPERS pension employer contribution rate increasing from 23.6% to 25.1%. Health care premiums assumed to increase by 7.75%. Overtime expenses increase by \$1.2 million. Labor adjustments assumed.
- FY 2013-14: Salaries higher due to a contractual 2.5% Cost of Living increase plus an 8% increase to offset 8% CalPERS employee contribution that was formerly paid by the Port but will be paid by employee. CalPERS pension employer contribution rate increasing from 25.1% to 27.3%. Health care premiums assumed to increase 9% on January 1, 2014.
- FY 2014-15: Salaries increase due to a contractual 2.5% Cost of Living increase. CalPERS pension employer contribution rate increasing from 27.3% to 29.1%. Health care premiums assumed to increase 9% on January 1, 2015.
- FY 2015-16: CalPERS pension employer contribution rate increasing from 29.1% to 31.5%. Health care premiums assumed to increase 9% on January 1, 2016.

Contractual Services

- FY 2012-13: Higher parking lot operations, parking lot shuttle buses and AirBART shuttle buses of \$1.6 million. Rental car shuttle bus operations expenses higher by \$1.5 million due to the rental car companies' acquisition of 12 new clean diesel buses. Higher maintenance and repair costs of \$0.9 million. Alameda County Sheriff expenses higher by \$0.5 million.
- FY 2013-14: Alameda County Sheriff expense higher by \$1.0 million. Contractual rate escalations for parking lot operations, ground transportation management, Oakland Fire Department-AARF. Lower rental car shuttle bus operations of \$1.3 million due to the purchase of 12 buses in FY 2013.
- FY 2014-15: Lower AirBART shuttle operations due to the BART Oakland Airport Connector opening partially offset by CPI-based increases for parking, shuttle and curbside operations contractors and higher Alameda County Sheriff expenses.
- FY 2015-16: Lower expense reflects full year impact of the cessation of AirBART shuttle operations offset by CPI-based increases for parking, shuttle and curbside operations contractors.

General and Administrative

- FY 2012-13: Higher exhibits and displays, marketing and special events of \$0.3 million
- FY 2013-14: Primarily increased marketing expenses of \$0.7 million

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

In a landlord capacity, the Maritime Division manages the Oakland seaport. The Maritime Division is organized into three main functional areas. The Administration and Finance area works on all existing business, including planning and development of 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) areas manage and/or provide day-to-day tenant liaison, security and safety, facility and equipment maintenance, and utilities and diving services.

MARITIME ADMINISTRATION AND FINANCE

In coordination with other Maritime departments, Maritime Administration and Finance develops and manages 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 administration for facilities and capital projects;
- Management of environmental, legislative, and regulatory initiatives including regulatory compliance; and
- Long-term operational and strategic 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; gathers and analyzes statistical data and other market intelligence;
- 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; and
- Coordinates overseas agency representation and supports senior level overseas trade missions; fosters sister-port relationships and other international collaborative partnerships.

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 governmental and related 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 programs that affect day-to-day operations such as 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 Port's marine terminal operators 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 projects, and provides first response and stabilization during emergencies and natural disasters. Below are the major functions of 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 2011-12	Budget 2012-13	Budget 2013-14	Projected 2014-15	Projected 2015-16
Number of Deep Water Cargo Vessels	1,914	2,064	1,962	1,962	1,962
Total Loaded TEUs ¹ Handled	1,797,274	1,795,647	1,793,166	1,829,031	1,865,610
Total Loaded TEUs % Growth	0.4%	-0.1%	-0.1%	2.0%	2.0%

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.
- Anticipated FY 2012-13 Number of Deep Water Cargo Vessels is 1,905.
- Anticipated FY 2012-13 Total Loaded TEUs Handled is 1,730,204. In comparison to anticipated actuals, Loaded TEU growth for FY 2012-13 and FY 2013-14 is -3.7% and 3.6% respectively.

MARITIME DIVISION OPERATING REVENUE

(\$ Thousands)

	Actual 2011-12	Budget 2012-13	Budget 2013-14	Projected 2014-15	Projected 2015-16
Terminals	135,899	136,362	122,293	126,519	129,520
Oakland International Gateway	1,942	2,116	2,117	2,159	2,202
Other Revenue	10,603	9,302	8,955	10,847	11,062
Miscellaneous	0	(2,000)	(1,000)	(1,000)	0
Subtotal	148,444	145,780	132,365	138,525	142,784
Bad Debt Reserve	262	(250)	(250)	(250)	(250)
TOTAL	148,706	145,530	132,115	138,275	142,534

- FY 2012-13: Terminals revenue increases by \$0.5 million due to contractual rent escalations offset by shifts in cargo activity among terminal operators that are anticipated to result in less over MAG revenue. Other revenue lower by \$1.3 million primarily due to unanticipated one-time and intermittent space assignment (short term, month-to-month) activities that occurred in FY 2011-12 and cannot be budgeted with certainty in future years. Miscellaneous revenue lower by \$2.0 million due to IPI incentive program for ocean carriers.
- FY 2013-14: Terminals revenue decreases by \$14.1 million due to potentially renegotiated lease terms and shifts in cargo activity among terminal operators that are anticipated to result in less over MAG revenue. Other revenue is lower by \$0.3 million primarily due to rent credits associated with certain space assignments at the former OAB. BNSF lease at OIG is assumed to renew at prior lease terms. Miscellaneous revenue reflects IPI incentive program of \$1.0 million.
- FY 2014-15: Anticipated tariff increase goes into effect, resulting in overall revenue increase for the fiscal year. Terminals revenue also increases due to forecasted cargo activity growth. Other revenue also increases due to elimination of prior year rent credits.
- FY 2015-16: Terminals revenues higher by \$3.0 million due to higher projected cargo activity levels and contractual rent escalation.

MARITIME DIVISION OPERATING EXPENSES

(\$ Thousands)

	Actual 2011-12	Budget 2012-13	Budget 2013-14	Projected 2014-15	Projected 2015-16
Personnel Services	10,126	11,691	12,789	13,467	13,933
Contractual Services	3,074	4,517	4,600	4,600	4,600
Supplies	1,475	1,400	1,450	1,450	1,450
General & Administrative	1,551	995	833	833	833
Dept'l (Credits) Charges	0	(34)	(34)	(34)	(34)
TOTAL	16,226	18,569	19,638	20,316	20,781
<i>FTEs (headcount)</i>	<i>63</i>	<i>71</i>	<i>72</i>	<i>72</i>	<i>72</i>

Personnel Services

- FY 2012-13: Includes the reinstatement of 4 FTEs and 1 incremental FTE. CalPERS pension employer contribution rate increasing from 23.6% to 25.1%. Health care premiums assumed to increase by 7.75%. Labor adjustments assumed.
- FY 2013-14: Salaries higher due to a contractual 2.5% Cost of Living increase plus an 8% increase to offset 8% CalPERS employee contribution that was formerly paid by the Port but will be paid by employee. CalPERS pension employer contribution rate increasing from 25.1% to 27.3%. Health care premiums assumed to increase 9% on January 1, 2014. Also contributing to the increase is the addition of 1 FTE transferred from non-departmental.
- FY 2014-15: Salaries increase due to a contractual 2.5% Cost of Living increase. CalPERS pension employer contribution rate increasing from 27.3% to 29.1%. Health care premiums assumed to increase 9% on January 1, 2015.
- FY 2015-16: CalPERS pension employer contribution rate increasing from 29.1% to 31.5%. Health care premiums assumed to increase 9% on January 1, 2016.

Contractual Services

- FY 2012-13: Higher maintenance and repair costs of \$0.6 million, security costs of \$0.7 million and management fees at Middle Harbor Shoreline Park of \$0.2 million.
- FY 2013-14: Primarily higher consulting expense

Supplies

- FY 2012-13: Primarily lower electrical and plumbing supplies

General & Administrative

- FY 2012-13: Higher reimbursement to the Port by the City related to the costs of maintaining utility system at OAB of \$0.3 million, lower travel and hosting of \$0.2 million, and lower space assignment property costs of \$0.1 million.
- FY 2013-14: Lower trade representative, travel and hosting expenses.

Commercial Real Estate Division



Commercial Real Estate Area Map



COMMERCIAL REAL ESTATE DIVISION

FUNCTION

The Commercial Real Estate (CRE) Division manages, 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 2010-12	Budget 2012-13	Budget 2013-14	Projected 2014-15	Projected 2015-16
Jack London Square	6,829	6,456	6,702	6,704	7,043
Embarcadero Cove	1,752	1,744	1,879	1,853	1,867
Business Park	769	677	788	1,157	1,452
Distribution Center	257	279	841	841	841
Other Areas	2,799	2,301	2,514	2,514	2,001
Subtotal	12,406	11,457	12,724	13,096	13,204
Bad Debt Reserve	328	(70)	(75)	(75)	(75)
TOTAL	12,734	11,387	12,649	13,021	13,129

Jack London Square

- FY 2012-13: Decrease due to a one time \$0.5 million fee related to Port's repurchase option on certain undeveloped JLS properties in FY 2011-12.
- FY 2013-14 through FY 2015-16: Increase in percentage rents and minimum rent adjustments due to lease renewals.

Embarcadero Cove

- FY 2013-14 through FY 2015-16: Projected increase in percentage rents and minimum rent adjustments due to lease renewals.

Business Park

- FY 2012-13: Decrease due to lower percentage rent projections.

- FY 2014-15 through FY 2015-16: Projected increase in percentage rents and minimum rent adjustments due to lease renewals

Distribution Center

- FY 2013-14 through FY 2015-16: Projected increase in percentage rents and minimum rent adjustments due to lease renewals.

Other Areas

- FY 2012-13: Lower rental income due to the anticipated close of escrow on the Oak-to-9th project in FY 2013.
- FY 2014-15: Projected increase in percentage rents and minimum rents due to lease renewals.
- FY 2015-16: Lower rental income due to the completion of contractual payments related to the Oak to Ninth transaction.

COMMERCIAL REAL ESTATE DIVISION OPERATING EXPENSES

(\$ Thousands)

	Actual 2011-12	Budget 2012-13	Budget 2013-14	Projected 2014-15	Projected 2015-16
Personnel Services	1,292	1,265	1,342	1,414	1,463
Contractual Services	3,972	4,586	4,576	4,609	4,643
Supplies	68	124	124	124	124
General & Administrative	269	369	376	384	393
Dept'l (Credits) Charges	(161)	(161)	(161)	(161)	(161)
TOTAL	5,440	6,184	6,258	6,371	6,463
<i>FTEs (headcount)</i>	<i>7</i>	<i>8</i>	<i>8</i>	<i>8</i>	<i>8</i>

Personnel Services

- FY 2012-13: CalPERS pension employer contribution rate increasing from 23.6% to 25.1%. Health care premiums assumed to increase by 7.75%. Labor adjustments assumed.
- FY 2013-14: Salaries higher due to a contractual 2.5% Cost of Living increase plus an 8% increase to offset 8% CalPERS employee contribution that was formerly paid by the Port but will be paid by employee. CalPERS pension employer contribution rate increasing from 25.1% to 27.3%. Health care premiums assumed to increase 9% on January 1, 2014.
- FY 2014-15: Salaries increase due to a contractual 2.5% Cost of Living increase. CalPERS pension employer contribution rate increasing from 27.3% to 29.1%. Health care premiums assumed to increase 9% on January 1, 2015.
- FY 2015-16: CalPERS pension employer contribution rate increasing from 29.1% to 31.5%. Health care premiums assumed to increase 9% on January 1, 2016.

Contractual Services

- FY 2012-13: Higher operating costs at 530 Water Street building and Jack London Square of \$0.4 million. Higher parking lot operations of \$0.1 million and management consultants of \$0.1 million.

Supplies

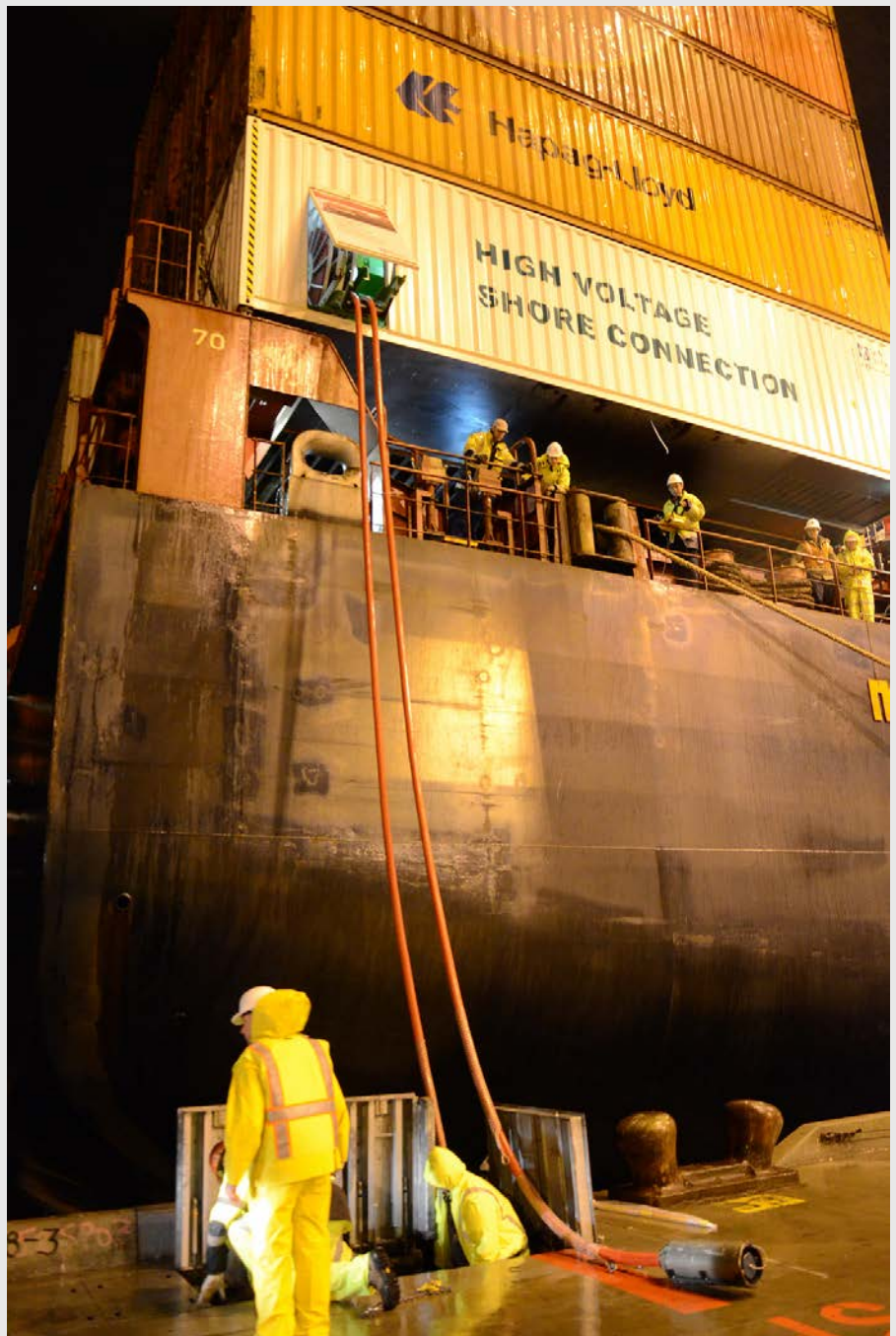
- FY 2012-13: Primarily higher general office supplies

General & Administrative

- FY 2012-13: Higher promotional expenses, marketing expense and courier services

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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 2011-12	Budget 2012-13	Budget 2013-14	Projected 2014-15	Projected 2015-16
South Airport	1,910	2,811	1,679	1,729	1,779
North Airport	1,936	1,868	1,868	1,918	1,968
Marine Terminals – Retail	452	500	400	400	400
Marine Terminals – Wholesale	3,530	3,473	3,307	3,243	3,244
Marine Terminals – Shore Power	N/A	N/A	2,185	3,917	3,981
Commercial Real Estate	107	105	102	102	102
Oakland Army Base	300	236	236	186	186
TOTAL	8,235	8,993	9,777	11,496	11,660

REVENUE BY COMMODITY TYPE

(\$ Thousands)

	Actual 2011-12	Budget 2012-13	Budget 2013-14	Projected 2014-15	Projected 2015-16
Electricity – Retail	559	605	502	502	502
Electricity – Wholesale	7,116	6,850	6,750	6,850	6,950
Electricity – Capacity	63	1,323	106	43	43
Shore Power	N/A	N/A	2,185	3,917	3,981
Gas	53	34	52	52	52
Telecom – Capacity	252	0	0	0	0
Water	149	131	132	132	132
Water – Capacity	0	0	0	0	0
Miscellaneous	43	50	50	0	0
TOTAL	8,235	8,993	9,777	11,496	11,660

- FY 2012-13: Increased electricity revenue due to one-time capacity charge of \$1.2 million from a major tenant.
- FY 2013-14: Shore Power reflects approximately 6 months of high demand shore power use (when vessel owners are required to comply with CARB regulation in January 2014). Shore power use during the first half of year is not expected to be significant.
- FY 2014-15 and 2015-16: Shore Power revenues projected due to ships utilizing shore power.

UTILITIES - ENGINEERING DIVISION**COST OF SALES BY AREA**

(\$ Thousands)

	Actual 2011-12	Budget 2012-13	Budget 2013-14	Projected 2014-15	Projected 2015-16
South Airport	574	752	841	726	932
North Airport	870	1,113	1,018	875	761
Marine Terminals – Retail	448	525	400	400	400
Marine Terminals – Wholesale	1,633	2,154	2,191	1,910	1,996
Marine Terminals – Shore Power	N/A	N/A	1,062	1,754	2,054
Commercial Real Estate	102	104	102	102	102
Oakland Army Base/OHIT	48	74	91	97	95
TOTAL	3,675	4,722	5,705	5,864	6,340

COST OF SALES BY COMMODITY TYPE

(\$ Thousands)

	Actual 2011-12	Budget 2012-13	Budget 2013-14	Projected 2014-15	Projected 2015-16
Electricity – Retail	550	629	502	502	502
Electricity – Wholesale	2,946	3,920	3,988	3,455	3,631
Shore Power	N/A	N/A	1,062	1,754	2,054
Gas	44	50	46	46	46
Water	135	123	107	107	107
TOTAL	3,675	4,722	5,705	5,864	6,340

- FY 2012-13: Increase in electricity cost of sales due to regulatory mandate to purchase 20% alternative energy for CY 2011 through CY 2013.
- FY 2013-14: Shore power increase due to substantial compliance of CARB Shore Power regulation beginning January 2014.
- FY 2014-15: Shore power increase due to full year compliance of CARB Shore Power regulation. Lower Electricity - Wholesale due to the purchase of electricity including renewables at a normal pace compared to the accelerated pace of renewables purchases in FY 2013-14.

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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, Organizational Effectiveness and Equal Employment Opportunity 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.

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.

CORPORATE ADMINISTRATIVE SERVICES DIVISION

OPERATING EXPENSES

(\$ Thousands)

	Actual 2011-12	Budget 2012-13	Budget 2013-14	Projected 2014-15	Projected 2015-16
Personnel Services	2,196	2,643	2,625	2,759	2,852
Contractual Services	401	421	395	395	395
Supplies	7	7	7	7	7
General & Administrative	106	219	119	119	119
TOTAL	2,710	3,290	3,146	3,280	3,374
<i>FTEs (headcount)</i>	<i>14</i>	<i>15</i>	<i>15</i>	<i>15</i>	<i>15</i>

Personnel Services

- FY 2012-13: Office of Equal Opportunity transferred from Social Responsibility Division. CalPERS pension employer contribution rate increasing from 23.6% to 25.1%. Health care premiums assumed to increase by 7.75%. Labor adjustments assumed.
- FY 2013-14: Professional development funds transferred to respective divisions. Salaries higher due to a contractual 2.5% Cost of Living increase plus an 8% increase to offset 8% CalPERS employee contribution that was formerly paid by the Port but will be paid by employee. CalPERS pension employer contribution rate increasing from 25.1% to 27.3%. Health care premiums assumed to increase 9% on January 1, 2014.
- FY 2014-15: Salaries increase due to a contractual 2.5% Cost of Living increase. CalPERS pension employer contribution rate increasing from 27.3% to 29.1%. Health care premiums assumed to increase 9% on January 1, 2015.
- FY 2015-16: CalPERS pension employer contribution rate increasing from 29.1% to 31.5%. Health care premiums assumed to increase 9% on January 1, 2016.

Contractual Services

- FY 2013-14: Lower consultants expense related to HR Organizational Study.

General & Administrative

- FY 2012-13: Primarily due to higher executive recruiting costs.
- FY 2013-14: Lower executive recruitment expense.

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;
- 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 four departments reporting to Engineering Administration: Project Design & Delivery – Aviation; Project Design & Delivery – Maritime; Engineering Services; and Utilities. 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.

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 archiving 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.

ENGINEERING DIVISION OPERATING EXPENSES

(\$ Thousands)

	Actual 2011-12	Budget 2012-13	Budget 2013-14	Projected 2014-15	Projected 2015-16
Personnel Services	7,127	7,519	8,248	8,683	8,977
Contractual Services	1,597	4,106	3,806	3,806	4,706
Supplies	36	82	82	82	82
General & Administrative	57	70	77	77	77
Dept'l (Credits) Charges	(73)	(30)	(30)	(30)	(30)
TOTAL	8,744	11,746	12,183	12,617	13,812
<i>FTEs (headcount)</i>	<i>39</i>	<i>41</i>	<i>42</i>	<i>42</i>	<i>42</i>

Personnel Services

- FY 2012-13: CalPERS pension employer contribution rate increasing from 23.6% to 25.1%. Health care premiums assumed to increase by 7.75%. Labor adjustments assumed.
- FY 2013-14: Salaries higher due to a contractual 2.5% Cost of Living increase plus an 8% increase to offset 8% CalPERS employee contribution that was formerly paid by the Port but will be paid by employee. CalPERS pension employer contribution rate increasing from 25.1% to 27.3%. Health care premiums assumed to increase 9% on January 1, 2014. Also contributing to the increase is the addition of 1 vacant FTE transferred from the Financial Services Division.
- FY 2014-15: Salaries increase due to a contractual 2.5% Cost of Living increase. CalPERS pension employer contribution rate increasing from 27.3% to 29.1%. Health care premiums assumed to increase 9% on January 1, 2015.
- FY 2015-16: CalPERS pension employer contribution rate increasing from 29.1% to 31.5%. Health care premiums assumed to increase 9% on January 1, 2016.

Contractual Services

- FY 2012-13: Maintenance dredging and professional services related to maintenance dredging increased by \$1.9 million and \$0.4 million, respectively, due to regulatory requirements. Other professional consulting expense higher by \$0.3 million.
- FY 2015-16: Maintenance dredging increases by \$0.9 million due to dredging requirements as mandated by local regulatory agencies.

Supplies

- FY 2012-13: Increased reprographics and computer supplies.

INFORMATION TECHNOLOGY DIVISION

FUNCTION

The Information Technology Division is responsible for the planning, development, management, operation, security, and maintenance of the Port's business systems and technology portfolio, including the Enterprise Resource Planning (ERP) system. The division collaborates with clients to provide long term technology enabled planning; facilitates business system integration into Port operations supporting Port business objectives and strategies; manages resources to ensure that the Port's business systems run efficiently with minimal downtime; maintains the integrity and security of Port business systems; and supports the Port's continuity of operations, preparing and exercising contingency and disaster recovery plans.

OPERATING EXPENSES

(\$ Thousands)

	Actual 2011-12	Budget 2012-13	Budget 2013-14	Projected 2014-15	Projected 2015-16
Personnel Services	1,932	2,832	2,990	3,143	3,248
Contractual Services	1,480	1,631	1,786	1,786	1,786
Supplies	14	30	30	30	30
General & Administrative	24	17	17	17	17
TOTAL	3,450	4,511	4,824	4,977	5,082
<i>FTEs (headcount)</i>	<i>11</i>	<i>17</i>	<i>16</i>	<i>16</i>	<i>16</i>

Personnel Services

- FY 2012-13: Includes 6 new FTEs to support the Port's ERP initiatives. CalPERS pension employer contribution rate increasing from 23.6% to 25.1%. Health care premiums assumed to increase by 7.75%. Labor adjustments assumed.
- FY 2013-14: Salaries higher due to a contractual 2.5% Cost of Living increase plus an 8% increase to offset 8% CalPERS employee contribution that was formerly paid by the Port but will be paid by employee. CalPERS pension employer contribution rate increasing from 25.1% to 27.3%. Health care premiums assumed to increase 9% on January 1, 2014. Partially offsetting these increases is the transfer of 1FTE to the Executive Office.
- FY 2014-15: Salaries increase due to a contractual 2.5% Cost of Living increase. CalPERS pension employer contribution rate increasing from 27.3% to 29.1%. Health care premiums assumed to increase 9% on January 1, 2015.
- FY 2015-16: CalPERS pension employer contribution rate increasing from 29.1% to 31.5%. Health care premiums assumed to increase 9% on January 1, 2016.

Contractual Services

- FY 2012-13: Higher computer systems expense of \$0.2 million partially offset by lower professional consulting services.
- FY 2013-14: 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, as well as ensure 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 leadership for Port-wide strategic planning.

DEPARTMENT FUNCTIONS

EP&P is currently organized into four functional areas: Administration, Environmental Health and Safety Compliance, 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 and policy 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.

ENVIRONMENTAL HEALTH & SAFETY, AVIATION/COMMERCIAL REAL ESTATE, AND MARITIME

These three functional areas 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 Wildlife, Federal Aviation Administration, etc.)
- Environmental hazardous materials 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 2011-12	Budget 2012-13	Budget 2013-14	Projected 2014-15	Projected 2015-16
Personnel Services	2,029	2,087	2,240	2,359	2,441
Contractual Services	434	635	583	583	583
Supplies	20	15	55	55	55
General & Administrative	40	39	62	62	62
Dept'l (Credits) Charges	(5)	(30)	(30)	(30)	(30)
TOTAL	2,517	2,747	2,910	3,029	3,111
<i>FTEs (headcount)</i>	<i>11</i>	<i>12</i>	<i>12</i>	<i>12</i>	<i>12</i>

Personnel Services

- FY 2012-13: CalPERS pension employer contribution rate increasing from 23.6% to 25.1%. Health care premiums assumed to increase by 7.75%. Labor adjustments assumed.
- FY 2013-14: Salaries higher due to a contractual 2.5% Cost of Living increase plus an 8% increase to offset 8% CalPERS employee contribution that was formerly paid by the Port but will be paid by employee. CalPERS pension employer contribution rate increasing from 25.1% to 27.3%. Health care premiums assumed to increase 9% on January 1, 2014.
- FY 2014-15: Salaries increase due to a contractual 2.5% Cost of Living increase. CalPERS pension employer contribution rate increasing from 27.3% to 29.1%. Health care premiums assumed to increase 9% on January 1, 2015.
- FY 2015-16: CalPERS pension employer contribution rate increasing from 29.1% to 31.5%. Health care premiums assumed to increase 9% on January 1, 2016.

Contractual Services

- FY 2012-13: Primarily higher environmental consulting services, hazardous waste testing and storm water monitoring/permitting and municipal storm water permit expenses.
- FY 2013-14: Lower environmental consulting services partially offset by higher life safety and security costs.

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 & COMMUNITY AFFAIRS

The Government & Community 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. The department is also 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. 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.

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 2011-12	Budget 2012-13	Budget 2013-14	Projected 2014-15	Projected 2015-16
Personnel Services	1,265	1,455	1,573	1,656	1,713
Contractual Services	499	671	671	671	671
Supplies	11	8	8	8	8
General & Administrative	307	370	366	366	366
TOTAL	2,082	2,504	2,618	2,700	2,757
<i>FTEs (headcount)</i>	<i>7</i>	<i>9</i>	<i>9</i>	<i>9</i>	<i>9</i>

Personnel Services

- FY 2012-13: Transfer of 1 FTE from Social Responsibility Division. CalPERS pension employer contribution rate increasing from 23.6% to 25.1%. Health care premiums assumed to increase by 7.75%. Labor adjustments assumed.
- FY 2013-14: Salaries higher due to a contractual 2.5% Cost of Living increase plus an 8% increase to offset 8% CalPERS employee contribution that was formerly paid by the Port but will be paid by employee. CalPERS pension employer contribution rate increasing from 25.1% to 27.3%. Health care premiums assumed to increase 9% on January 1, 2014.
- FY 2014-15: Salaries increase due to a contractual 2.5% Cost of Living increase. CalPERS pension employer contribution rate increasing from 27.3% to 29.1%. Health care premiums assumed to increase 9% on January 1, 2015.
- FY 2015-16: CalPERS pension employer contribution rate increasing from 29.1% to 31.5%. Health care premiums assumed to increase 9% on January 1, 2016.

Contractual Services

- FY 2012-13: Higher consulting and legislative costs \$0.2 million.

General & Administrative

- FY 2012-13: Primarily higher community outreach and dues & memberships expenses.

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;
- 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 and Workforce Opportunity and Contract Compliance.

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 AND WORKFORCE OPPORTUNITY AND CONTRACT COMPLIANCE

The Economic and Workforce 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.

SOCIAL RESPONSIBILITY DIVISION

OPERATING EXPENSES

(\$ Thousands)

	Actual 2011-12	Budget 2012-13	Budget 2013-14	Projected 2014-15	Projected 2015-16
Personnel Services	1,051	1,057	1,177	1,236	1,275
Contractual Services	168	115	115	115	115
Supplies	5	2	2	2	2
General & Administrative	34	61	62	62	62
TOTAL	1,257	1,235	1,357	1,415	1,454
<i>FTEs (headcount)</i>	<i>5</i>	<i>6</i>	<i>6</i>	<i>6</i>	<i>6</i>

Personnel Services

- FY 2012-13: Transfer Office of Equal Opportunity to Corporate Administration Services and 1 FTE to External Affairs Division. CalPERS pension employer contribution rate increasing from 23.6% to 25.1%. Health care premiums assumed to increase by 7.75%. Labor adjustments assumed.
- FY 2013-14: Salaries higher due to a contractual 2.5% Cost of Living increase plus an 8% increase to offset 8% CalPERS employee contribution that was formerly paid by the Port but will be paid by employee. CalPERS pension employer contribution rate increasing from 25.1% to 27.3%. Health care premiums assumed to increase 9% on January 1, 2014
- FY 2014-15: Salaries increase due to a contractual 2.5% Cost of Living increase. CalPERS pension employer contribution rate increasing from 27.3% to 29.1%. Health care premiums assumed to increase 9% on January 1, 2015
- FY 2015-16: CalPERS pension employer contribution rate increasing from 29.1% to 31.5%. Health care premiums assumed to increase 9% on January 1, 2016.

Contractual Services

- FY 2012-13: Lower professional consulting services and legal services due to transfer of Office of Equal Opportunity to Corporate Administrative Services Division.

General & Administrative

- FY 2012-13: Higher travel and dues and registration expenses.

OFFICE OF BOARD OF THE PORT COMMISSIONERS

FUNCTION

The duty of the Board, as established in the City Charter, is to promote and assure the comprehensive development of the Port through continuity of control, management and operation. Per the City Charter, the exclusive control and management of the Port is vested in the Board, comprised of seven members who are nominated by the Mayor of Oakland and appointed 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 2011-12	Budget 2012-13	Budget 2013-14	Projected 2014-15	Projected 2015-16
Personnel Services	324	346	377	396	409
Contractual Services	31	34	27	27	27
Supplies	10	5	6	6	6
General & Administrative	158	158	138	138	138
TOTAL	522	542	547	567	579
<i>FTEs (headcount)</i>	<i>2</i>	<i>2</i>	<i>2</i>	<i>2</i>	<i>2</i>

Personnel Services

- FY 2012-13: CalPERS pension employer contribution rate increasing from 23.6% to 25.1%. Health care premiums assumed to increase by 7.75%. Labor adjustments assumed.
- FY 2013-14: Salaries higher due to a contractual 2.5% Cost of Living increase plus an 8% increase to offset 8% CalPERS employee contribution that was formerly paid by the Port but will be paid by employee. CalPERS pension employer contribution rate increasing from 25.1% to 27.3%. Health care premiums assumed to increase 9% on January 1, 2014.
- FY 2014-15: Salaries increase due to a contractual 2.5% Cost of Living increase. CalPERS pension employer contribution rate increasing from 27.3% to 29.1%. Health care premiums assumed to increase 9% on January 1, 2015.
- FY 2015-16: CalPERS pension employer contribution rate increasing from 29.1% to 31.5%. Health care premiums assumed to increase 9% on January 1, 2016.

Contractual Services

- FY 2013-14: Primarily lower professional/consulting services.

General & Administrative

- FY 2013-14: Primarily lower travel, receptions and hosting expenses.

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.

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 2011-12	Budget 2012-13	Budget 2013-14	Projected 2014-15	Projected 2015-16
Personnel Services	924	1,074	1,616	1,510	1,562
Contractual Services	326	313	245	245	245
Supplies	4	7	3	3	3
General & Administrative	146	196	130	130	130
TOTAL	1,400	1,589	1,993	1,888	1,940
<i>FTEs (headcount)</i>	<i>4</i>	<i>4</i>	<i>5</i>	<i>5</i>	<i>5</i>

Personnel Services

- FY 2012-13: CalPERS pension employer contribution rate increasing from 23.6% to 25.1%. Health care premiums assumed to increase by 7.75%. Labor adjustments assumed.
- FY 2013-14: Salaries higher due to a contractual 2.5% Cost of Living increase plus an 8% increase to offset 8% CalPERS employee contribution that was formerly paid by the Port but will be paid by employee. CalPERS pension employer contribution rate increasing from 25.1% to 27.3%. Health care premiums assumed to increase 9% on January 1, 2014. Also contributing to the increase is the hiring of a new Executive Director, and the addition of 1 vacant FTE transferred from the IT Division.
- FY 2014-15: Salaries increase due to a contractual 2.5% Cost of Living increase. CalPERS pension employer contribution rate increasing from 27.3% to 29.1%. Health care premiums assumed to increase 9% on January 1, 2015. Partially offsetting these increases are one-time relocation and moving costs for the new Executive Director in FY 2013-14.
- FY 2015-16: CalPERS pension employer contribution rate increasing from 29.1% to 31.5%. Health care premiums assumed to increase 9% on January 1, 2016.

Contractual Services

- FY 2013-14 Primarily lower consulting services.

General and Administrative

- FY 2012-13: Primarily higher travel, promotional and hosting expenses.
- FY 2013-14: Primarily lower promotional expenses.

OFFICE OF AUDIT SERVICES

FUNCTION

The Office of Audit Services provides independent and objective reviews and evaluations of the Port's financial and operational activities to assist the Board and management in the effective discharge of their oversight responsibilities. The Office also manages and administers the Port's Whistleblower Program.

DEPARTMENT FUNCTIONS

INTERNAL AUDIT

Internal Audit conducts performance and compliance audits to ascertain the adequacy and effectiveness of the Port's internal controls over financial reporting and safeguarding of assets as well as compliance with all applicable laws and regulations and efficiency of operations. Internal Audit also conducts investigation of whistleblower hotline reports, furnishes constructive recommendations for improvements, and provides assistance in implementing them.

FIELD AUDIT

Field Audit conducts concessions and compliance audits to verify that revenues received from Port tenants and expenditures reimbursed/paid to Port consultants/contractors are properly calculated and reported.

OPERATING EXPENSES

(\$ Thousands)

	Actual 2011-12	Budget 2012-13	Budget 2013-14	Projected 2014-15	Projected 2015-16
Personnel Services	1,084	1,165	1,236	1,301	1,345
Contractual Services	8	5	5	5	5
Supplies	2	7	6	6	6
General & Administrative	19	25	25	25	25
TOTAL	1,114	1,202	1,272	1,337	1,380
<i>FTEs (headcount)</i>	<i>6</i>	<i>7</i>	<i>7</i>	<i>7</i>	<i>7</i>

Personnel Services

- FY 2012-13: CalPERS pension employer contribution rate increasing from 23.6% to 25.1%. Health care premiums assumed to increase by 7.75%. Labor adjustments assumed.
- FY 2013-14: Salaries higher due to a contractual 2.5% Cost of Living increase plus an 8% increase to offset 8% CalPERS employee contribution that was formerly paid by the Port but will be paid by employee. CalPERS pension employer contribution rate increasing from 25.1% to 27.3%. Health care premiums assumed to increase 9% on January 1, 2014.
- FY 2014-15: Salaries increase due to a contractual 2.5% Cost of Living increase. CalPERS pension employer contribution rate increasing from 27.3% to 29.1%. Health care premiums assumed to increase 9% on January 1, 2015.
- FY 2015-16: CalPERS pension employer contribution rate increasing from 29.1% to 31.5%. Health care premiums assumed to increase 9% on January 1, 2016.

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 2011-12	Budget 2012-13	Budget 2013-14	Projected 2014-15	Projected 2015-16
Personnel Services	2,679	2,787	2,975	3,130	3,234
Contractual Services	901	1,838	1,568	1,568	1,568
Supplies	14	35	25	25	25
General & Administrative	103	127	127	127	127
TOTAL	3,696	4,786	4,694	4,849	4,953
<i>FTEs (headcount)</i>	<i>12</i>	<i>13</i>	<i>13</i>	<i>13</i>	<i>13</i>

Personnel Services

- FY 2012-13: CalPERS pension employer contribution rate increasing from 23.6% to 25.1%. Health care premiums assumed to increase by 7.75%. Labor adjustments assumed.
- FY 2013-14: Salaries higher due to a contractual 2.5% Cost of Living increase plus an 8% increase to offset 8% CalPERS employee contribution that was formerly paid by the Port but will be paid by employee. CalPERS pension employer contribution rate increasing from 25.1% to 27.3%. Health care premiums assumed to increase 9% on January 1, 2014.
- FY 2014-15: Salaries increase due to a contractual 2.5% Cost of Living increase. CalPERS pension employer contribution rate increasing from 27.3% to 29.1%. Health care premiums assumed to increase 9% on January 1, 2015.
- FY 2015-16: CalPERS pension employer contribution rate increasing from 29.1% to 31.5%. Health care premiums assumed to increase 9% on January 1, 2016.

Contractual Services

- FY 2012-13: Higher outside legal services of \$0.9 million.

- FY 2014-15: Primarily lower outside legal services of \$0.2 million and computer systems of \$0.1 million.

Supplies

- FY 2012-13: Higher office and computer supplies.
- FY 2013-14: Lower computer and office supplies

General & Administrative

- FY 2012-13: Primarily higher travel, books and subscriptions 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.

ACCOUNTING

Accounting, led by the Port Controller, provides centralized accounting and financial statement reporting services for the entire Port. Accounting develops and maintains a system of internal controls to help maintain reliable financial reporting and plays an important role in safeguarding assets and preventing and detecting fraud. The primary functions of the department include: producing and delivering invoices to tenants, processing payments to suppliers, preparation and distribution of payroll, custody and maintenance of the General Ledger, preparation of monthly financial statements, and management of the annual external audits which includes the production of the Port's Comprehensive Annual Financial Report (CAFR). Additionally, Accounting works closely with the Port's Audit Services Division on internal audits and with Financial Planning on certain reports and studies.

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 the Accounting Department to prepare or commission certain reports, such as actuarial studies. The department is also responsible for cash 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 2011-12	Budget 2012-13	Budget 2013-14	Projected 2014-15	Projected 2015-16
Personnel Services	4,274	4,617	4,768	5,021	5,194
Contractual Services	365	701	614	572	586
Supplies	2	7	7	7	7
General & Administrative	30	53	43	43	43
TOTAL	4,671	5,379	5,431	5,642	5,829
<i>FTEs (headcount)</i>	<i>28</i>	<i>31</i>	<i>30</i>	<i>30</i>	<i>30</i>

Personnel Services

- FY 2012-13: CalPERS pension employer contribution rate increasing from 23.6% to 25.1%. Health care premiums assumed to increase by 7.75%. Labor adjustments assumed.
- FY 2013-14: Salaries higher due to a contractual 2.5% Cost of Living increase plus an 8% increase to offset 8% CalPERS employee contribution that was formerly paid by the Port but will be paid by employee. CalPERS pension employer contribution rate increasing from 25.1% to 27.3%. Health care premiums assumed to increase 9% on January 1, 2014. Partially offsetting these increases is the transfer of 1 FTE to Engineering Division.
- FY 2014-15: Salaries increase due to a contractual 2.5% Cost of Living increase. CalPERS pension employer contribution rate increasing from 27.3% to 29.1%. Health care premiums assumed to increase 9% on January 1, 2015.
- FY 2015-16: CalPERS pension employer contribution rate increasing from 29.1% to 31.5%. Health care premiums assumed to increase 9% on January 1, 2016.

Contractual Services

- FY 2012-13: Higher financial consultants, professional services costs and payroll services.
- FY 2013-14: Lower professional consulting services and payroll services.

General & Administrative

- FY 2012-13: Higher travel, dues and registration, and collection costs partially offset by lower cell phone and wireless communications expenses.
- FY 2013-14: Primarily lower travel, 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 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. Also included is departmental credits, which is mostly labor and overhead costs allocated to the capital budget.

OPERATING EXPENSES

(\$ Thousands)

	Actual 2011-12	Budget 2012-13	Budget 2013-14	Projected 2014-15	Projected 2015-16
Personnel Services	15,311	12,253	12,343	13,419	14,711
Contractual Services	1,904	1,929	1,978	2,029	2,082
General & Administrative	15,396	15,560	14,675	15,011	15,429
Departmental Credits	(13,142)	(10,730)	(11,832)	(12,309)	(12,099)
TOTAL	19,468	19,012	17,164	18,149	20,122
<i>FTEs (headcount)*</i>	<i>n/a</i>	<i>1</i>	<i>0</i>	<i>0</i>	<i>0</i>

* Includes 1 unidentified FTE not yet assigned.

Personnel Services

- FY 2012-13: Lower primarily due to vacancy factor of \$2.6 million budgeted in Non-Departmental while the actual savings from open headcount are recognized in each of the divisions' personnel costs and lower workers' compensation costs of \$0.9 million, partially offset by higher retiree medical costs of \$0.2 million.
- FY 2013-14: Higher retiree medical expenses of \$1.3 million and vacation accrual of \$0.3 million partially offset by increased vacancy factor of \$1.4 million (that is, lower cost), and transfer of unallocated FTE to Maritime Division. Actual savings from vacancy factor will be applied to divisions when known.
- FY 2014-15: Higher projected retiree medical costs of \$1.1 million and higher workers' compensation and vacation accrual costs of \$0.1 million.
- FY 2015-16: Higher projected retiree medical costs of \$1.2 million and higher workers' compensation costs of \$0.1 million.

General & Administrative

- FY 2013-14: Primarily lower Port use electricity costs of \$0.7 million and lower Port-wide contingency for business continuity of \$0.7 million, partially offset by higher legal contingency of \$0.2 million and higher insurance premium costs of \$0.1 million.

Departmental Credits

- FY 2012-13: Lower direct and indirect costs charged to capital of \$2.4 million due to lower direct allocation of labor.
- FY 2013-14: Higher direct and indirect costs charged to capital due to increased capital projects expenditures and higher direct labor charged to capital assets.
- FY 2014-15: Higher direct and indirect costs charged to capital due to increased capital projects expenditures and higher direct labor charged to capital assets.
- FY 2015-16: Lower direct and indirect costs charged to capital due to decreased capital projects expenditures.

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CAPITAL BUDGET AND CAPITAL NEEDS ASSESSMENT

CAPITAL PLANNING PROCESS

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 and serves as a planning tool. 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 2014, 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 2014 Capital Budget. Project expenditures not included in these three categories comprise the FY 2014 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 an evaluation of need, financial analysis, cost estimates, alignment with Port goals and strategies, and available funding sources and staffing resources. The FY 2014 Capital Budget and Pipeline together comprise the FY 2014 CNA. Together, the FY 2014 CNA, and an additional four years (FY 2015-2018) of projected expenditures, comprise the 5-Year CNA.

The Port's Aviation, Maritime, and CRE Divisions manage the majority of capital projects. The diagram on page 121 illustrates the capital expenditure approval process. From time to time, the capital expenditure approval process may be updated or adjusted to improve the planning and delivery of capital improvements and reflect best practices.

5-YEAR CAPITAL NEEDS ASSESSMENT

The 5-Year CNA is approximately \$658.6 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. Criteria for inclusion in the 5-Year CNA are generally limited to:

- Regulatory and Life Safety Requirements
- Revenue Maintenance
- Contractual Landlord Obligations
- Available Funding and Staffing Resources

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 March 2013, is applying an administrative overhead rate of 198.66% on labor costs for engineering staff and 146.17% for facilities and other staff; and an administrative overhead rate of 0.63% 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 \$505.1 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 \$162.4 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, airport pavement management system update, and projects triggered by the opening of the new air traffic control tower (airfield lighting, ramp control, and demolition of North Field Air Traffic Control Tower (ATCT)). Approximately \$44.6 million of the expenditures in this category are included in the FY 2014 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, congressionally mandated program to enhance safety by upgrading the RSAs at commercial airports. The FAA provides some level of federal funding to support these 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 (South Field) and another for Runways 9L/27R and 9R/27L (North Field). Design and bidding for the South Field improvements was completed in FY 2013. South Field construction is scheduled to begin in May 2013. Approximately \$94.6 million has been included in the 5-Year CNA to complete design and construction of the RSA improvements. Although not all of the grant funding is in place, the 5-Year CNA assumes that this project will be funded 80% with Airport Improvement Program (AIP) grants.

Perimeter Dike Improvements

The perimeter dike separates OAK's South Field airfield from San Francisco Bay waters and protects the essential airfield and terminal facilities. 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. Port staff has recently selected a modified project approach which allows the active pipelines to remain in place (the inactive pipeline will still be required to be removed). Staff plans to reinstate design and environmental review in 2013, and to complete construction of the improvements in 2015. \$44.0 million is included in the 5-Year CNA to cover the balance of design and environmental work, mitigation of potential wetland wildlife impacts from the project, and construction of the recommended improvements. Fuel pipeline related work is assumed to be completed by pipeline owners and not included in the 5-Year CNA. \$6.7 million in two State Local Levee Assistance Program ("LLAP") grants has been received to pay for a portion of the project costs. The LLAP was created in 2006 when California voters approved Proposition 84, which provided funds for programs to evaluate and repair local levees and flood control facilities.



Airfield Pavement

In FY 2014, 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 AIP grant funding. Pavement rehabilitation activities slated for FY 2014 will focus on projects that support the RSA improvement program described above, as well as an update of OAK's FAA-required Pavement



Management System. Approximately \$0.6 million is included in the 5-Year CNA for airfield pavement work.

Runway 11/29 Upgrades

Runway 11/29 is the airport's main commercial air carrier runway. The runway is fully instrumented to allow aircraft operations. With 10,000 feet in length, it provides landing and take-off distances that accommodate all types of commercial and air cargo aircraft. The runway pavement was last overlaid in 2001 with a 15-year design service life. The runway will be due for a new overlay in 2016. As described above, the RSA project will modify the runway, shift thresholds, and reconstruct portions of the electrical, navigational aid, and lighting systems. This work will also include a new pavement overlay of approximately 2,400 lineal feet (1,400' on the 29 end and 1,000' at 11 end), which will be complete by September 2014. Overlay of the remaining pavement for Runway 11/29 is scheduled to be completed in FY 2017 and will entail the central portion of the runway. \$19.8M is included in the 5-Year CNA for this pavement overlay project, 80% of which is expected to be funded using future AIP grants.

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 eliminating duplicative activities that result from the maintenance of the two existing towers. The new tower construction has been completed and the commissioning and testing to facilitate operations in the new tower will be completed in June 2013. Although the ATCT project is FAA funded and constructed, the Port completed related improvements, including new fiberoptic communication facilities, relocation of the existing airfield lighting control panel and a new crash phone. Additionally, the Port is responsible for demolishing the old North Field Tower and relocating associated infrastructure within 6 months of the opening of the new tower. This work is underway and will be completed in FY 2014 for a budget of \$1.7M.

Video Camera System to Support Ramp Control

Ramp control at OAK is currently handled by FAA ATCT controllers from the South Tower at Terminal 1. With the commission of a new control tower one half mile from the terminal complex, controllers will be unable to efficiently provide ramp control services for the terminals and adjoining non-movement areas. The Port is installing an Air Traffic Control-Grade video camera system to support ramp control operations and management. Users of the video camera system would provide coordinated control of aircraft flow within the non-movement area of the air carrier ramp, including access to aircraft gates and parking areas. The total project cost to install the video camera system is approximately \$1.4 million.

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 \$256 million is included in the 5-year CNA for terminal-related improvements, of which \$50.5 million is included in FY 2014. These costs are anticipated to be largely 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). Approximately \$250 million is included in the 5-Year CNA for the T1 Program and it is anticipated to be largely funded using PFC's.

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 and the new Building M102 substation were completed. Final design was also completed for the major seismic retrofit of Building M102, and this construction is expected to begin by the end of 2013, and continue for approximately two and a half years. Final design for Buildings M101 and M103 is expected to be completed in the next two years, with construction beginning in FY 2016. Construction of the T1 Central Utility Plant project, which includes constructing a new mechanical building (T1MB), installing new equipment constructing advanced hydronics, and renovations to Building M104 began in FY 2013. The T1MB construction, equipment installation, and advanced hydronics phase is scheduled to be completed in summer 2013. Activation of the new mechanical and electrical equipment associated with T1MB is expected to be completed by the end of 2013. Upon activation of the T1MB, the renovation and seismic retrofit of Building M104 will begin and is anticipated to be completed in FY 2014.

The entire T1 Program will includes green building principles and will continuously evaluate customer and tenant needs as projects are designed and implemented. The design and construction of the Building M102 second level is seeking LEED certification.

Replacement of Passenger Boarding Bridges

Five passenger boarding bridges serving Terminal 1 (at Gates 5, 10, 12, 15, and 17) were installed in 1991 and have reached the end of their 20-year useful life. These bridges require considerable maintenance and repair in order to keep them in operation. As passenger demand has increased in Terminal 1 over the past few years, airline usage of the gates with older bridges has also increased. It is essential to replace these bridges in order to provide high level of service to the airlines and passengers. The bridge plans and specifications are currently being prepared. This project is expected to be completed in FY 2014, cost \$6.9 million and be funded with PFCs.



Concurrent with this project, new pre-conditioned air (PCA) units will be installed on the 5 new bridges, as well as on 4 bridges that currently do not have PCA. This project is estimated to cost about \$2.8 million, of which approximately 80% will be funded using Voluntary Airport Low Emissions (VALE) grants.

Additional Terminal Development

Additional terminal improvements are required to meet the growth priorities and anticipated air traffic demand over the next few years. Specifically, planning needs to begin to develop international arrivals

facility solutions, and to identify ways to accommodate growth, using larger aircraft, for Southwest Airlines. The 5-Year CNA includes \$500,000 in FY 2014 to accomplish this planning.

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 \$7.8 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, including upgrade to the parking revenue control equipment and replacement of the Automated Vehicle Identification (AVI) system. \$41 million is included in the 5-Year CNA for these projects, of which \$24 million is for the BART-Oakland Airport Connector.

BART-Oakland Airport Connector



Rendering of BART Oakland Airport Connector. Source: BART.

This project consists of an automated people mover system that 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, with stops at BART's Coliseum Station and the Airport 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.

The construction of columns and bent caps that support the guideway on-Airport and along Hegenberger Road is complete, as is the Doolittle Drive tunnel and the outer shells of the Airport and Coliseum Station structures. Guideway erection and finishes to the Airport Station are scheduled to be completed in

FY 2014. BART will conduct system testing during FY 2014 and anticipates commencing service to the public in late 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 \$24.0 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.

Ron Cowan Bike Path

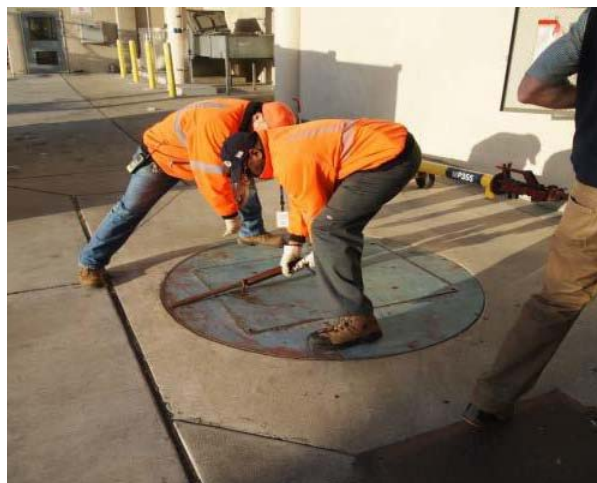
As part of accepting a permit from the San Francisco Bay Conservation and Development Commission (BCDC), the Port agreed to extend a Class I bike lane along the south side of Ron Cowan Parkway that connects Airport Drive to Harbor Bay Parkway. The project is scheduled to be completed during FY 2014 at an estimated cost of approximately \$1.5 million.

Security

Approximately \$6.6 million is included in the 5-Year CNA for general Airport security projects. Key projects include closed circuit television camera expansion and upgrades, perimeter fencing around air cargo buildings, cyberlock replacement, 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 \$28.4 million has been included in the 5-Year CNA for utility infrastructure projects. These projects include water and sewer upgrades, pump house and sewer lift station replacements, and electrical substation overhaul and upgrades. Because of the extent of aging utilities serving the Airport, the improvements have been prioritized based on need and master plan assessment. 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. The design has been completed and construction work for Pump Station No. 6 is scheduled to begin in FY 2015; this project is similar to the replacement of Pump Station No. 4, which was completed in FY 2012. OAK's sewer system infrastructure is undergoing design and construction efforts, including upgrades to Sewer Lift Station No. 1 and 5.



Other

Approximately \$3 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 \$139.1 million for capital projects at the seaport.

Shore Power Program

California law requires container vessels berthed at the Port to reduce emissions associated with the auxiliary engines that power 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 receive electric power supply from the shore, 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, three of the 11 berths in the Program, was completed in summer 2012 and vessels have already started plugging into the system. The second phase of construction (eight berths) is under way and scheduled for completion in fall/winter 2013.

The total estimated cost of the Shore Power Program is approximately \$65 million, of which \$14.1 million is included in the 5-Year CNA. Funding for the Program includes approximately \$30 million in grants from various local, state and federal agencies.

Redevelopment of the Former Oakland Army Base (OAB)

Between 2003 and 2007, the Port received 241 acres of property which formerly was part of the OAB. The City received nearly an equal amount of the former base for its own redevelopment purposes. 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 a new rail terminal, warehouses and a truck parking lot. The City facilities will include a new bulk and breakbulk marine terminal, warehouses, a truck service area and a recycling center. Redevelopment of the Port's former OAB property is generally being phased to match market demand and funding availability.

In FY 2013, the Port and City agreed on a \$500 million redevelopment program for the first phase of development, funded with state, federal, City, Port and private monies. Under this first phase of development, the City and its development partners intend to redevelop the entire City-owned portion of the OAB, while the Port intends to build the first phase of the new rail terminal on Port-owned OAB property. In FY 2013, the Port awarded a design-build construction contract for a portion of the first phase of rail construction. A second rail construction contract is scheduled to be awarded in FY 2014. Approximately \$96.1 million is included in the 5-Year CNA for this work, of which \$40.5 million is included in FY 2014. Future phases of construction, including new warehouse construction and site development for the Port property will be developed based on market demand. Approximately \$82 million of grant funding is expected over the next five years to help offset development costs. 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 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

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. The Port has installed 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 fiber optic network to better incorporate all the surveillance and monitoring systems with a high speed, reliable pathway, 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 platform. A Geospatial Information System has also been established and will be expanded to include critical system information that will improve Port resiliency and allow better information sharing between agencies during emergencies. Approximately \$15 million is included in the 5-Year CNA for security projects. Most of the security projects are anticipated to be funded with grants (approximately \$9.3 million over the next five years); however, on-going operation and maintenance costs are typically the responsibility of the Port.



Other Projects

Other projects in the Maritime Division CNA represent approximately \$13.9 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. Additionally, the Port and U.S. Army Corps of Engineers are working to complete the dredging project through formal project close out procedures. In total, the 5-Year CNA includes \$6.8 million for the MHEA and close out activities.
- 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 substations.
- Pavement replacements and improvements at various marine terminals.
- Continued implementation of the CTMP, including installation of pre-fabricated, semi-permanent restroom facilities and pilot-phase implementation of a virtual container yard system.

Commercial Real Estate Division Projects

The 5-Year CNA includes about \$9.5 million for projects in the CRE Division.

Approximately \$7.9 million in the 5-Year CNA is budgeted for leasing commissions and tenant improvement allowance, primarily for new leases in the Airport Business Park and Jack London Square, and building improvements at 530 Water Street building.

Support Division

The 5-Year CNA includes \$4.9 million for computer hardware and software, network upgrades, and functional improvements to the Port's Enterprise Resource Planning (ERP) system. Approximately \$3.7 million has been allocated to 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 the full T1 Program improvements have increased.
- Additional terminal facility improvements are required to meet the Port's strategic goal of growing air passengers. Expanded and improved international arrival facilities are needed to accommodate projected growth in international traffic. Aircraft fleet and service changes for Southwest Airlines projected to occur within this 5-year CNA will require additional and expanded facilities at Terminal 2.
- 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 to fund certain marine terminal reconstruction and infrastructure projects. Maritime projects under consideration that are not included or only partially included in the 5-Year CNA are:

- Oakland Army Base Redevelopment, Phase II.
- Reconstruction of the Global Gateway Central (EMS/APL) terminal wharf.
- Utility infrastructure improvements.
- Purchase or modification of container cranes to service larger ships coming on line.

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, funding the 5-Year CNA includes approximately \$125.3 million of debt proceeds secured by PFC revenues. A description of the anticipated funding sources for Port capital projects is described below.

The Port has not yet secured all the funding for the projects in the CNA. Further, the Port can provide no assurance that anticipated grants will be received in full, that reimbursable Port costs will be reimbursed in a timely manner, or that changes in project circumstances will not preclude award or receipt of grant funds. The amount projected to be available from each funding source is based on the estimated cost of certain projects and various other assumptions. Such estimates and assumptions are subject to change. Any such changes could have an impact on the Port's plans for funding the CNA, and such changes could be material. If grants, PFCs, and/or cash are not available as anticipated, the Port will need to use other sources of funds for these projects, such as additional CP Note proceeds, additional Intermediate Lien Bonds, additional Senior Lien Bonds, or increased Airline Rates and Charges, or the Port will not undertake or complete these projects.

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 2014 through FY 2018, total AIP grants for OAK (consisting of both AIP entitlement and discretionary funds) are estimated to be \$96.9 million. From FY 2010 through FY 2012, OAK received a total of approximately \$37.5 million in AIP grants. In FY 2013, OAK anticipates receiving approximately \$45.9 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 when tickets are sold to revenue passengers enplaning at OAK. The current PFC is \$4.50 per enplaned revenue passenger. Non-revenue passengers, such as airline employees, do not pay a PFC. Airlines retain \$0.11 (2.4%) per PFC and disburse the remaining amount collected to the Port. PFCs are due to the Port by the last day of the month following 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 \$250 million of PFC-eligible projects and anticipates collecting \$107.9 million based on the current passenger forecast and a PFC level of \$4.50. It is also assumed that \$2 million of PFCs will be available at the beginning of FY 2014 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 debt secured by PFC revenues.

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 in which they are collected. CFC revenues in FY 2012 totaled approximately \$5.2 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 \$108.5 million in grant funding for seaport projects from FY 2014 through FY 2018. Of this total, \$9.3 million is for security projects, \$17.5 million is for the Shore Power Program, and \$81.7 million is for the OAB. The OAB funding includes monies from the State's Trade Corridor Improvement Fund (TCIF), which are shared between the Port and City. The Port's share is \$65.8 million and the City's share is the balance of \$176.3 million. City improvements at the OAB funded by TCIF include the reconstruction of Maritime Street and new utility systems.

Port Cash

Approximately \$174.0 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 and other sources to fund portions of its 5-Year CNA.

Debt

To the extent the above-listed funding sources are insufficient to pay for project costs, the Port would consider the issuance of debt, to be repaid by future revenues, to fund a portion of the capital costs. Based on the current 5-year CNA, the Port projects that it will need to issue approximately \$125.3 million of debt secured by PFC revenues to pay for a portion of the projects that are PFC-eligible. It is currently assumed that the Port will utilize its CP program in the interim, until a long-term bond financing is undertaken. The actual timing of a long-term financing secured by PFC revenues has not yet been determined and will be based upon actual capital expenditures and market conditions.

FY 2014 CAPITAL BUDGET AND FY 2014 PIPELINE PROJECTS

For FY 2014, budget authorization of \$140.7 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 2014 Capital Budget. The FY 2014 Capital Budget includes, but is not limited to, expenditures associated with the following capital projects:

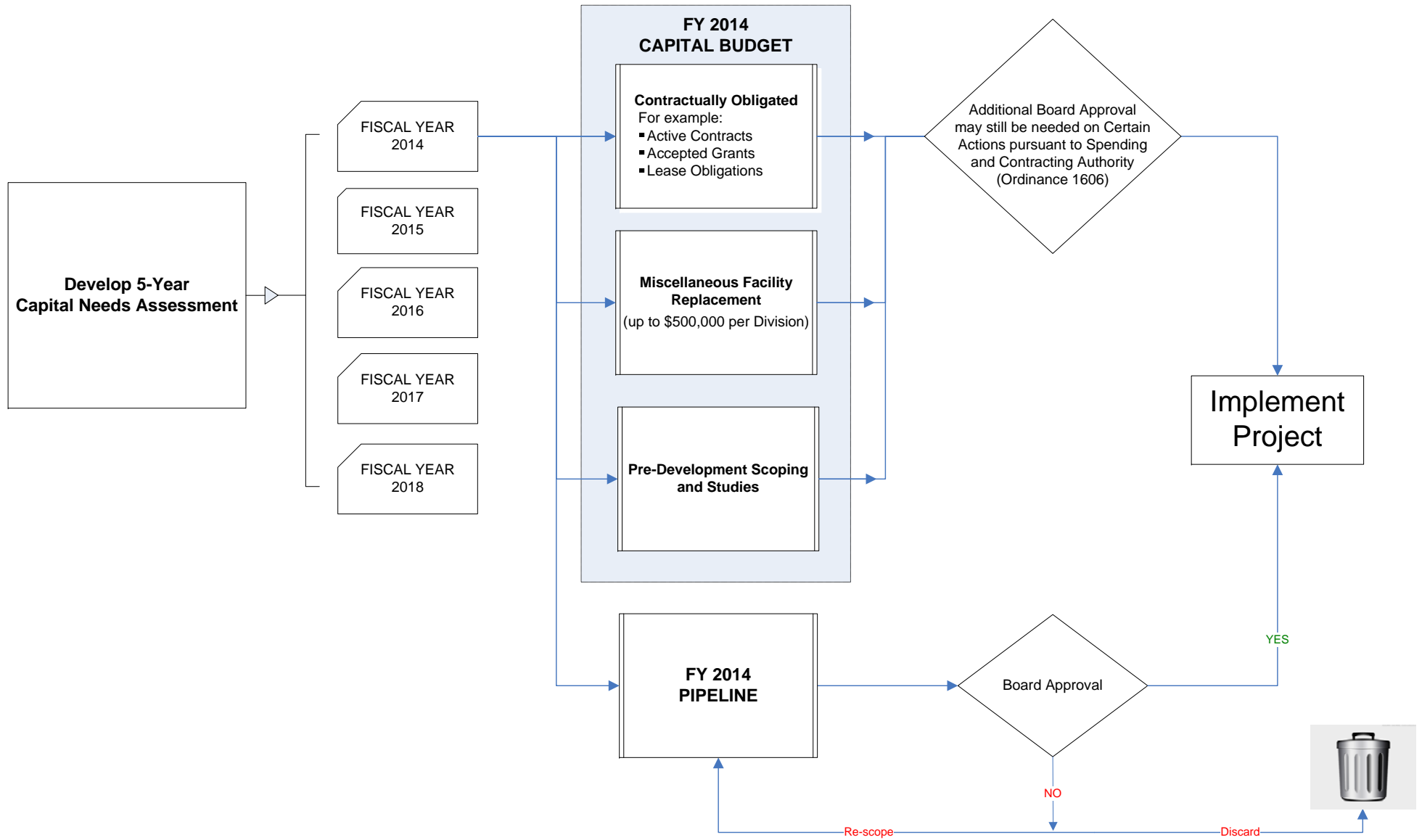
- Terminal 1 Renovation and Retrofit
- Runway Safety Area
- Perimeter Dike Improvements
- BART – Oakland Airport Connector
- Pavement Improvements
- Utility Improvements
- Shore Power Program
- Maritime Security
- Oakland Army Base

Additional projects identified for FY 2014 (i.e., the FY 2014 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 and staffing resources.

Please refer to the tables at the end of this section for more information on the 5-Year CNA and the FY 2014 CNA (Capital Budget and Pipeline Projects).

CAPITAL EXPENDITURE APPROVAL PROCESS

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5-YEAR CAPITAL NEEDS ASSESSMENT
Expenditure and Funding Sources
FY 2013-14 to FY 2017-18
(\$ Thousands)

5-YEAR EXPENDITURE BY DIVISION

Divisions	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	Total Estimated Expenditure
Aviation	113,461	136,921	116,175	94,350	44,150	505,057
Maritime	64,265	44,591	19,775	8,960	1,540	139,131
CRE	3,145	2,519	1,418	1,479	907	9,468
Support	1,530	1,080	1,080	750	500	4,940
Total	182,401	185,111	138,448	105,539	47,097	658,596
Less Adjustment Factor ¹	(45,600)	(37,022)	-	-	-	(82,622)
Total after Adjust. Factor	136,801	148,089	138,448	105,539	47,097	575,974

5-YEAR FUNDING BY SOURCE

Funding Source	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	Estimated Funding
Aviation Grants ²	36,469	31,446	20,625	15,040	-	103,580
Maritime Grants ²	56,471	34,722	13,136	4,218	-	108,547
Less Adjustment Factor ¹	(23,235)	(13,234)	-	-	-	(36,469)
Net Grants	69,705	52,934	33,761	19,258	-	175,659
PFC Pay-Go ³	21,898	20,874	20,621	19,390	18,231	101,014
Debt Proceeds (PFC) ⁴	15,844	21,906	34,455	41,402	11,689	125,296
Cash	29,354	52,374	49,611	25,489	17,177	174,005
Total	136,801	148,089	138,448	105,539	47,097	575,974

¹ In aggregate, the Port has typically spent 30% less than planned due to various reasons (e.g. unforeseen delays in design and permitting approvals, staffing limitations, project specific contingencies, etc.). However, it cannot be determined which individual project(s) may underspend for the budgeted period. As a result, an Adjustment Factor of 25% and 20% in FY 2014 and 2015, respectively, has been applied to better reflect actual projected capital expenditures based on past experience.

² The Port has not yet obtained grant funding for all capital projects.

³ Assumes \$2 million of PFCs available at beginning of FY 2014.

⁴ Assumes that the Port's CP program will be utilized in the interim until a long-term bond transaction occurs.

5-YEAR CAPITAL NEEDS ASSESSMENT**Annual Expenditure By Division and Projects****FY 2013-14 to FY 2017-18**

(\$ Thousands)

<u>DIVISIONS</u>	<u>FY 13-14</u>	<u>FY14-15</u>	<u>FY15-16</u>	<u>FY16-17</u>	<u>FY17-18</u>	<u>Total</u>
AVIATION						
Airfield						
Perimeter Dike Improvements	1,400	17,100	25,500	0	0	44,000
Runway Safety Area Improvements	39,779	33,607	21,231	0	0	94,617
Other Projects	3,433	745	845	18,800	0	23,823
Subtotal Airfield	44,612	51,452	47,576	18,800	0	162,440
Terminal						
T1 Renovation & Retrofit	45,390	51,260	53,000	63,000	34,000	246,650
Other Projects	5,100	4,250	0	0	0	9,350
Subtotal Terminal	50,490	55,510	53,000	63,000	34,000	256,000
Leased Area	348	3,223	2,440	1,750	0	7,761
Ground Access and Parking						
BART	8,000	8,000	8,000	0	0	24,000
Other Projects	2,731	8,730	1,500	2,000	2,000	16,961
Subtotal Ground Access & Parking	10,731	16,730	9,500	2,000	2,000	40,961
Security	1,016	3,673	309	1,600	0	6,598
Utilities	3,634	6,233	3,150	7,200	8,150	28,367
Other	2,630	100	200	0	0	2,930
TOTAL AVIATION	113,461	136,921	116,175	94,350	44,150	505,057

5-YEAR CAPITAL NEEDS ASSESSMENT**Annual Expenditure By Division and Projects****FY 2013-14 to FY 2017-18**

(\$ Thousands)

<u>DIVISIONS</u>	<u>FY 13-14</u>	<u>FY14-15</u>	<u>FY15-16</u>	<u>FY16-17</u>	<u>FY17-18</u>	<u>Total</u>
MARITIME						
Marine Terminals						
Shore Power Program	12,400	1,700	0	0	0	14,100
Other Projects	1,500	450	200	0	0	2,150
Subtotal Marine Terminals	13,900	2,150	200	0	0	16,250
Security	6,679	4,360	2,890	1,080	40	15,049
Oakland Army Base	40,525	35,645	14,385	5,580	0	96,135
Dredging	150	2,200	2,200	2,200	0	6,750
Other	3,011	236	100	100	1,500	4,947
TOTAL MARITIME	64,265	44,591	19,775	8,960	1,540	139,131
COMMERCIAL REAL ESTATE						
Jack London Square (JLS)	688	1,396	260	1,179	607	4,130
Business Park	2,132	823	858	0	0	3,813
Other	325	300	300	300	300	1,525
TOTAL COMMERCIAL REAL ESTATE	3,145	2,519	1,418	1,479	907	9,468
SUPPORT						
ERP	900	750	750	750	500	3,650
Other Projects	630	330	330	0	0	1,290
TOTAL SUPPORT	1,530	1,080	1,080	750	500	4,940
TOTAL	182,401	185,111	138,448	105,539	47,097	658,596

FY 2013-14 CAPITAL NEEDS ASSESSMENT

Expenditure and Funding Sources

(\$ Thousands)

FY 2013-14 CNA EXPENDITURE

Divisions	Capital Budget				Pipeline	Total Expenditure
	Contractual Obligations	Pre-Development	Misc. Facility Replacement	Total Capital Budget		
Aviation	75,609	500	500	76,609	36,852	113,461
Maritime	62,590	0	500	63,090	1,175	64,265
CRE	80	0	325	405	2,740	3,145
Support	610	0	0	610	920	1,530
Total	138,889	500	1,325	140,714	41,687	182,401
Less Adjustment Factor ¹	(34,722)	(125)	(331)	(35,179)	(10,422)	(45,600)
Total after Adjust. Factor	104,167	375	994	105,536	31,265	136,801

FY 2013-14 CNA FUNDING BY SOURCE

Funding Source	FY 13-14 Capital Budget	FY 13-14 Total CNA
Aviation Grants ²	33,460	36,469
Maritime Grants ²	56,321	56,471
Less Adjustment Factor ¹	(22,445)	(23,235)
Net Grants	67,336	69,705
PFC Pay-Go ³	17,321	21,898
Debt Proceeds (PFC) ⁴	-	15,844
Cash	20,879	29,354
Total	105,536	136,801

¹ In aggregate, the Port has typically spent 30% less than planned due to various reasons (e.g. unforeseen delays in design and permitting approvals, staffing limitations, project specific contingencies, etc.). However, it cannot be determined which individual project(s) may underspend for the budgeted period. As a result, an Adjustment Factor of 25% and 20% in FY 2014 and 2015, respectively, has been applied to better reflect actual projected capital expenditures based on past experience.

² The Port has not yet obtained grant funding for all capital projects.

³ Assumes \$2 million of PFCs available at beginning of FY 2014.

⁴ Assumes that the Port's CP program will be utilized in the interim until a long-term bond transaction occurs.

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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), and 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 O, P and Q), a DBW Loan, Intermediate Lien Bonds (Series A, B and C) and CP Notes outstanding.

Outstanding Debt	Unaudited June 30, 2013
Senior Lien Bonds	\$ 712,050,000
DBW Loan	5,356,701
Intermediate Lien Bonds	448,565,000
CP Notes	78,398,000
Total	\$1,244,369,701

The current outstanding revenue bonds (Senior Lien and Intermediate Lien) were issued in October 2007 through October 2012 at fixed rates ranging from 2.0% to 5.125% with principal repayment scheduled for FYs 2014-2033. 2012 Series P and Q Senior Lien Bonds were issued on October 10, 2012 to refund the 2002 Series L, M and O 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. \$8.9 million of outstanding CP Notes was repaid in FY 2013; no additional principal repayment of CP Notes is assumed in FY 2014 through FY 2016. 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 1.0% in FY 2014 through FY 2016. 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 2014 and 2013 respectively, and the Port is currently working to extend the LOCs with both banks. The Port expects that effective July 1, 2013 both of the LOCs will be extended through June 2016 and will be \$100 million each.

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 (see *Capital Budget and Capital Needs Assessment* section), the Port projects that it will need to issue approximately \$15.8, \$21.9 and \$34.5 million (in FY 2014, 2015, and 2016, respectively) of debt secured by PFC revenues to pay for a portion of the projects that are PFC-eligible. It is currently assumed that the Port will utilize its CP program in the interim, until a long-term bond financing is undertaken. The average annual interest rate on the outstanding CP Notes during this 3-year time period is assumed to be approximately 0.50%, 0.75% and 1.00%, respectively. The actual timing of a long-term financing secured by PFC revenues has not yet been determined and will be based upon actual capital expenditures and market conditions.

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 2011-12</u>	<u>Budget 2012-13</u>	<u>Budget 2013-14</u>	<u>Projected 2014-15</u>	<u>Projected 2015-16</u>
Operating Revenue	\$306,138	\$311,518	\$304,826	\$314,314	\$326,703
Net Operating Expense ¹	(146,561)	(162,842)	(170,373)	(174,680)	(181,624)
Interest Earned ²	1,677	1,230	1,022	1,542	2,061
Net Revenue	161,254	149,906	135,475	141,176	147,140
<u>Debt Service:</u>					
Debt Service – Senior Lien Bonds	69,173	69,133	48,081	50,158	48,232
Debt Service – Senior & Intermediate Lien Bonds & DBW Loan	108,175	108,139	98,203	98,205	98,918
Debt Service – Combined (Aggregate) ³	108,334	108,712	98,674	99,076	100,424
<u>Debt Service Coverage Ratio:</u>					
Senior Lien ⁴	2.33	2.17	2.82	2.81	3.05
Intermediate Lien ^{5,7}	1.50	1.39	1.38	1.44	1.49
Combined (Aggregate) ^{6,7}	1.50	1.38	1.37	1.42	1.47

¹ Excludes depreciation and amortization and operating expenses paid with CFCs and 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 \$94.2 million, \$116.1 million and \$150.6 million, with interest rates of 0.50%, 0.75%, and 1.00% for FYs ending 2014, 2015 and 2016, 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 2013-14 to FY 2015-16**

(\$Thousands)

Description	FY 2013-14			FY 2014-15			FY 2015-16		
	Principal	Interest ¹	Total	Principal	Interest ¹	Total	Principal	Interest ¹	Total
<u>Senior Lien Revenue Bonds</u>									
2011 Refunding Bonds Series O	\$6,635	\$16,449	\$23,084	\$8,760	\$16,132	\$24,892	\$14,440	\$15,695	\$30,135
2012 Refunding Bonds Series P	2,985	18,366	21,351	6,960	18,306	25,266	0	18,097	18,097
2012 Refunding Series Q	3,575	71	3,646	0	0	0	0	0	0
Subtotal Sr. Lien Rev. Bonds	13,195	34,886	48,081	15,720	34,438	50,158	14,440	33,792	48,232
<u>Loans</u>									
Dept. of Boating & Waterways Loan	217	241	458	226	232	458	236	222	458
<u>Intermediate Lien Revenue Bonds</u>									
2007 Refunding Bonds Series A	16,210	9,090	25,300	15,185	8,306	23,491	2,715	7,860	10,575
2007 Refunding Bonds Series B	12,040	8,396	20,436	12,340	7,830	20,170	17,625	7,160	24,785
2007 Refunding Bonds Series C	0	3,928	3,928	0	3,928	3,928	11,220	3,648	14,868
Subtotal Int. Lien Rev. Bonds	28,250	21,414	49,664	27,525	20,064	47,589	31,560	18,668	50,228
Subtotal Sr. & Int. Lien Rev. Bonds and DBW Loan	41,662	56,541	98,203	43,471	54,734	98,205	46,236	52,682	98,918
Commercial Paper ²	0	471	471	0	871	871	0	1,506	1,506
Total Debt Service	\$41,662	\$57,012	\$98,674	\$43,471	\$55,605	\$99,076	\$46,236	\$54,188	\$100,424

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 \$94.2 million, \$116.1 million and \$150.6 million with interest rates of 0.50%, 0.75%, and 1.00% for FYs ending 2014, 2015 and 2016, 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, 2013:

Board Reserves	
Port Bond Reserve	\$30,000,000
Operating Reserve	21,938,000
Capital Reserve	15,000,000
Total	\$66,938,000

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 2013-14 to FY 2015-16

(\$ Thousands)

	Projected 2013-14	Projected 2014-15	Projected 2015-16
General Fund ¹	100,000	101,207	84,327
Port Bond Reserve Fund	30,000	30,000	30,000
Operating Reserve Fund	21,938	22,487	23,279
Capital Reserve Fund	15,000	15,000	15,000
Beginning Balance	166,938	168,694	152,606
Sources			
Operating Revenue	304,826	314,314	326,703
Grants and CFCs for Operating Expenses	5,130	5,218	4,609
PFCs for Debt Service ²	139	373	842
Interest Income ³	519	1,038	1,557
Other ⁴	-	-	13,500
Total Receipts	310,614	320,943	347,211
AIP, PFC Pay-As-You-Go, Other Grants ⁵	114,838	87,042	54,382
Adjustment Factor for Capital Projects ⁶	(23,235)	(13,234)	-
Debt Proceeds (PFC) ⁷	15,844	21,906	34,455
Total Capital and Financing Proceeds	107,447	95,714	88,837
TOTAL SOURCES	418,061	416,658	436,048
Uses			
Operating Expenses	(175,503)	(179,898)	(186,233)
Debt Service			
Principal ⁸	(41,662)	(43,471)	(46,236)
Interest ⁹	(57,013)	(55,605)	(54,188)
Total Debt Service Payments	(98,674)	(99,076)	(100,424)
Capital Projects ¹⁰	(182,401)	(185,111)	(138,448)
Adjustment Factor for Capital Projects ⁶	45,600	37,022	-
Other Payments ¹¹	(5,326)	(5,683)	(5,706)
TOTAL USES	(416,304)	(432,746)	(430,811)
Net Cash Flow (Sources less Uses)	1,756	(16,088)	5,237
Ending Balance	168,694	152,606	157,843

¹ Beginning General Fund balance for FY 2014 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 2015.

⁵ The Port has not yet obtained grant funding for all capital projects described, some of which may not be ultimately implemented by the Port. See *Capital Budget and Capital Needs Assessment* section.

⁶ In aggregate, the Port has typically spent 30% less than planned due to various reasons (e.g. unforeseen delays in design and permitting approvals, staffing limitations, project specific contingencies, etc.). However it cannot be determined which individual project(s) may underspend for the budgeted period. As a result, an Adjustment Factor of 25% and 20% in FY 2014 and 2015 respectively, has been applied to better reflect actual projected capital expenditures and corresponding grant receipts based on past experience.

⁷ Assumes that the Port's CP program will be utilized in the interim until a long-term bond transaction occurs.

⁸ Does not include principal repayment of outstanding CP Notes.

⁹ Assumes interest rates of 0.50%, 0.75%, and 1.00% in FY 2014, 2015 and 2016 respectively and outstanding CP Notes balance of \$94.2 million, \$116.1 million, and 150.6 million, respectively.

¹⁰ Based on the Port's 5-year CNA. See *Capital Budget and Capital Needs Assessment* section.

¹¹ Includes, but not limited to letter of credit fees, certain non-operating City payments and retroactive pension contributions for certain aircraft rescue fire fighters personnel.

STATEMENT OF CASH FLOW - RESTRICTED**FY 2013-14 to FY 2015-16**

(\$ Thousands)

	Projected 2013-14	Projected 2014-15	Projected 2015-16
Bond Reserve Funds	57,661	57,661	57,661
Bond Construction Funds	-	-	-
Passenger Facility Charge	2,000	1,000	1,000
Customer Facility Charge	3,000	3,860	4,696
Construction Escrows	3,000	3,000	3,000
Beginning Balance	65,661	65,521	66,357
Passenger Facility Charge (PFC)			
Beginning Balance ¹	2,000	1,000	1,000
PFC Revenues	21,032	21,242	21,455
PFC Interest Income	5	5	7
Debt Proceeds (PFC) ²	15,844	21,906	34,455
Less: PFC Debt Service	(139)	(373)	(842)
Less: PFC Capital Expenditures ³	(50,322)	(53,475)	(55,076)
Adjustment Factor for Capital Projects ⁴	12,581	10,695	-
Ending Balance	1,000	1,000	1,000
Customer Facility Charge (CFC)			
Beginning Balance ¹	3,000	3,860	4,696
CFC Revenues	5,282	5,335	5,388
CFC Interest Income	8	19	35
Less: CFC Capital Expenditures	-	-	-
Less: CFC Operating Expenses	(4,430)	(4,518)	(4,609)
Ending Balance	3,860	4,696	5,510

¹ Beginning fund balances for FY 2014 are estimates; subsequent years are projected.² Assumes that the Port's CP program will be utilized in the interim until a long-term bond transaction occurs.³ Based on the Port's 5-year CNA. See *Capital Budget and Capital Needs Assessment* section⁴ In aggregate, the Port has typically spent 30% less than planned due to various reasons (e.g. unforeseen delays in design and permitting approvals, staffing limitations, project specific contingencies, etc.). However it cannot be determined which individual project(s) may underspend for the budgeted period. As a result, an Adjustment Factor of 25% and 20% in FY 2014 and 2015 respectively, has been applied to better reflect actual projected capital expenditures and corresponding grant receipts based on past experience.

ACRONYMS

ACDBE	Airport Concession Disadvantaged Business Enterprise
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
APU	Auxiliary Power Unit
ARMOA	Amended and Restated Memorandum of Agreement
ATCT	Air Traffic Control Tower
AVI	Automated Vehicle Identification
BART	Bay Area Rapid Transit
BCDC	San Francisco Bay Conservation and Development Commission
BNSF	Burlington Northern-Santa Fe
BRAC	Base Realignment and Closure
CAFR	Comprehensive Annual Financial Report
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
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 Marine Services/American President Lines
EPA	Environmental Protection Agency
EP&P	Environmental Programs and Planning Division
ERP	Enterprise Resource Planning
EV	Electric Vehicle
FAA	Federal Aviation Administration
FBO	Fixed-Base Operator
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	Interior Point Intermodal
IT	Information Technology
JLS	Jack London Square
LAX	Los Angeles International Airport
LBA	Local Business Area
LEED	Leadership in Energy and Environmental Design
LIA	Local Impact Area
LLAP	State Local Levee Assistance Program
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
MHSP	Middle Harbor Shoreline Park
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
OIG	Oakland International Gateway (formerly known as Joint Intermodal Terminal - "JIT")
OPEB	Other Post Employment Benefits

PCA	Pre-Conditioned Air
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
T1MB	Terminal 1 Mechanical Building
T2	Terminal 2
TCIF	Trade Corridor Improvement Fund
TEU	Twenty-Foot Equivalent Unit
TSA	Transportation Security Administration
TWG	Truckers Working Group
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 34, revenue generated by businesses due to Port activity. Source: 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010.

Calendar Year (CY) – A twelve-month period starting with January 1 and ending with December 31, and which has 365 days in a non-leap year and 366 days in a leap year.

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 34, 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 34, 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 34, 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 34, 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 34, 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 34, 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 34, 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 34, 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.