
BUDGET SUMMARY

One-Year Operating and Capital Budget

Fiscal Year Ended June 30, 2015

Five-Year Operating Forecast and Capital Needs Assessment

Fiscal Years ending June 30, 2015 through 2019





ONE-YEAR OPERATING AND CAPITAL BUDGET FISCAL YEAR 2014-15

AND

FIVE-YEAR OPERATING FORECAST AND CAPITAL NEEDS ASSESSMENT FISCAL YEARS 2014-15 THROUGH 2018-19

Board of Port Commissioners of the City of Oakland

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

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Chris Chan, Director of Engineering
John C. Driscoll, Director of Maritime
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June 26, 2014

DISCLOSURE

This Budget Summary is disclosed publicly for general information relating to the Port of Oakland (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 27, 2014

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

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

Subject: Adopted Operating and Capital Budgets for Fiscal Year Ending June 30, 2015

Dear Board of Port Commissioners:

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

- 1-Year Operating Budget for fiscal year ending June 30, 2015;
- 1-Year Capital Budget for fiscal year ending June 30, 2015;
- 5-Year Operating Forecast for FY 2015 through FY 2019;
- 5-Year Capital Needs Assessment for FY 2015 through FY 2019; and
- Other related information such as the Port's staffing plan, division-specific operating budgets, debt service payments, cash flow projections, reserve amounts, and capital project descriptions.

The Fiscal Year (FY) 2015 Operating and Capital Budgets were adopted by the Board on June 26, 2014. Operating forecasts for subsequent years and the 5-Year Capital Needs Assessment (CNA) were presented as informational and conceptual only.

Overview

The Port continues to be focused on strengthening its core businesses, enhancing its revenues and improving its operational effectiveness while maintaining strong relationships with key stakeholders. The coming years will continue to introduce opportunities as well as challenges. The redevelopment of the former Oakland Army Base promises to enhance the seaport's competitiveness and 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 completion of shore power which will reduce the emissions generated by ships berthed at the Port, improving the air quality of the community. These investments will create jobs and enable the Port to better serve its customers, the community and region. However, upcoming lease renewals, a competitive landscape, aging infrastructure and rising pension, medical, security and regulatory costs, must be addressed proactively and prudently.

The table below summarizes the Port's FY 2015 Budget.

**Uses and Sources of Funds
(\$000s)**

	FY 2015 Budget
Uses of Funds	
Operating Expenses	186,303
Capital Expenses	175,324
Capital Expenses - Pipeline ¹	33,972
Debt Service	102,775
Other Expenses ²	5,499
Total Uses	503,873
Sources of Funds	
Operating Revenues	314,759
Grants ³	99,137
PFCs and CFCs	24,745
Commercial Paper (Debt) Proceeds ⁴	22,630
Interest Income	728
Available Cash ⁵	41,874
Total Sources	503,873

¹ Board authorization was not requested for FY 2015 Capital Pipeline projects. Although the project costs are included in the Port's financial planning and cash flow analyses, authorization to proceed with Capital Pipeline projects is subject to subsequent Board approval during the course of FY 2015.

² Includes commercial paper and bond related fees; General Services and Lake Merritt payments to the City of Oakland; retroactive CalPERS pension payments for Airport service people; and costs to demolish Building L-502.

³ The Port has not yet obtained grant funding for all capital projects included in the budget.

⁴ Debt proceeds are anticipated to be for the Port's Terminal 1 renovation project and payable by future Passenger Facility Charges. Assumes that the Port's commercial paper program will be utilized in the interim until a long-term bond transaction occurs.

⁵ Includes \$15.7 million of lagged grant receipts and reimbursement for 42 foot dredging project that are anticipated to be received in FY 2015.

A comparison of the FY 2015 Budget to the FY 2014 Budget is provided in the following table:

**Comparison of FY 2015 Budget to FY 2014 Budget
(\$000s)**

	FY 2015 Budget	\$ Change in Comparison to FY 2014 Budget	% Change in Comparison to FY 2014 Budget
Operating Revenues	314,759	+ 9,933	+ 3.3%
Operating Expenses ⁶	186,303	+ 10,800	+ 6.2%
Operating Income before Depreciation	128,456	- 867	- 0.7%
Operating Income	26,635	- 4,667	- 14.9%
Non-Operating Expenses ⁷	5,499	+ 173	+ 3.2%
Debt Service ⁸	102,775	+ 4,101	+ 4.2%
<i>Commercial Paper Note Repayment</i>	<i>4,000</i>	<i>+ 4,000</i>	<i>+ 100.0%</i>
FY 2015 Capital Budget	175,324	+ 34,610	+ 24.6%
FY 2015 Capital Pipeline ⁹	33,972	- 7,715	- 18.5%
Anticipated Additional Debt in FY 2015 (Payable by PFC Revenues)	22,630	+ 6,786	+ 42.8%
Board Established Reserves	68,288	+ 1,350	+ 2.0%
Intermediate Lien Debt Service Coverage Ratio ¹⁰	1.37x	1.38x	- 0.01x
Debt Service Coverage Ratio after CP Notes Debt Service ¹¹	1.31x	1.37x	- 0.06x
Anticipated Cash Balance on June 30	103,509	+ 2,302	+ 2.3%
FTEs	497	+ 3	+ 0.6%

Operating Budget Highlights

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 increase \$9.9 million or 3.3% in FY 2015 compared to FY 2014 Budget. In comparison to FY 2014 estimated revenues of \$322 million, operating revenues are projected to decrease 2.2%, driven primarily by shifts in cargo activity among terminals at the seaport which impacts revenues. Revenue projections also remain reflective of projected modest growth at the airport and seaport, and competitive factors.

⁶ Excludes depreciation and amortization.

⁷ Includes commercial paper and bond related fees; General Services and Lake Merritt payments to the City of Oakland; retroactive CalPERS pension payments for Airport service people; and costs to demolish Building L-502.

⁸ Includes principal repayment on outstanding CP Notes totaling \$4 million in FY 2015.

⁹ Board authorization was not requested for FY 2015 Capital Pipeline projects. Although the project costs are included in the Port's financial planning and cash flow analyses, authorization to proceed with Capital Pipeline projects is subject to subsequent Board approval during the course of FY 2015.

¹⁰ Intermediate Lien Debt Service Coverage Ratio is Net Revenues (as defined in the Bond Indentures) divided by debt service on Senior and Intermediate Lien Bonds and DBW Loan.

¹¹ Debt Service Coverage Ratio after CP Notes Debt Service is Net Revenues (as defined in the Indentures) divided by debt service on Senior and Intermediate Lien Bonds, DBW Loan, and CP Notes.

Operating revenues are projected to increase 5.4% from FY 2014 estimated revenues to FY 2019 projected revenues. The limited growth in revenues is primarily due to modest activity growth as well as certain upcoming lease renewals which are anticipated to renew at lower rates. This downward pressure is offset by anticipated increases in airline rates and charges, maritime tariff increase, and contractual lease escalations.

Operating Expenses (before Depreciation & Amortization)

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).

The FY 2015 Operating Budget reflects 497 funded full-time equivalents (FTEs), an increase of 3 FTEs from current staffing levels¹². Personnel costs are budgeted to be \$100.1 million, an increase of \$5.1 million or 5.3% primarily due to increases in pension and health care costs, as well as a 2.5% COLA agreed to in the labor contracts ratified in December 2012. Health care premiums increased 11% on January 1, 2014 and are budgeted to increase 9% on January 1, 2015. Health care costs, including retiree medical benefits is budgeted at \$23.3 million. On July 1, 2014 the Port's pension contribution rate, as established by CalPERS will increase from 27.3% of wages to 30.2% of wages. Pension costs are budgeted at \$16.1 million.

Personnel Costs (\$000s)

Personnel Costs	FY 2014 Budget	FY 2015 Budget	Difference
Salaries	50,659	52,178	1,519
Pension Costs	14,181	16,134	1,953
Health Care Costs (incl. Retiree Medical)	22,014	23,332	1,318
Other ¹³	8,232	8,502	270
Total	95,086	100,146	5,060
FTEs	494	497	3

Contractual services and supplies are budgeted to increase \$3.9 million or 6.2% and \$0.3 million or 8.1%, respectively. General and administrative expenses are budgeted to increase \$1.0 million or 5.3%. Increases in non-personnel costs are driven by higher maintenance and repair, security, regulatory and airport fire fighting and rescue service costs.

For FY 2016 through 2019, no additional FTEs. However, personnel costs are projected to increase \$2-3 million per year due to rising health care and pension costs. Contractual services and supplies are assumed to grow at less than 1% per year due to reduction in major maintenance repairs in comparison to FY 2015. General and administrative costs are assumed to increase approximately 3% per year and utility cost of sales increases proportional to increased usage. Overall, operating expenses are projected to increase by 17% from FY 2014 to FY 2019.

The table on the following page summarizes the FY 2015 Operating Budget, as well as FY 2016 and FY 2019 operating projections.

¹² The FY 2014 Budget had funded 492 FTEs which was subsequently increased by the Board to 494 FTEs in order to support the Port's Terminal 1 renovation program.

¹³ Includes overtime, temporary help, life insurance, long term disability, state disability insurance, long term, wellness program, continuing education, professional development, training, professional licenses, workers compensation, unemployment insurance, Section 125 Plan admin fees, vacation/sick leave accrual, college/high school intern program, college tuition program, deferred comp, meal allowance and physicals.

Summary of Operating Revenues, Operating Expenses and Operating Income
(\$000s)

	Actual FY 2013	Budget FY 2014	Budget FY 2015	Projected FY 2016	Projected FY 2017	Projected FY 2018	Projected FY 2019
Operating Revenues							
Aviation	145,452	150,385	151,661	150,978	158,857	162,373	165,657
Maritime	148,010	132,365	139,765	141,853	137,111	140,127	145,396
CRE	12,674	12,724	13,706	14,208	13,623	13,749	13,764
Utilities	9,422	9,777	10,072	10,912	12,168	13,485	14,808
Bad Debt Reserve	(60)	(426)	(445)	(445)	(445)	(445)	(445)
Total	315,518	304,826	314,759	317,506	321,314	329,289	339,181
% Change from Prior FY	n/a	n/a	3.3%	0.9%	1.2%	2.5%	3.0%
Operating Expenses							
Personnel	89,436	95,086	100,146	102,359	104,987	107,876	110,833
Non-Personnel ¹⁴	62,188	80,417	86,157	86,379	89,799	92,267	95,197
Total	151,623	175,503	186,303	188,738	194,786	200,143	206,030
% Change from Prior FY	n/a	n/a	6.2%	1.3%	3.2%	2.8%	2.9%
Operating Income							
Operating Income before D&A ¹⁵	163,895	129,323	128,456	128,768	126,528	129,146	133,151
% Change from Prior FY	n/a	n/a	-0.7%	0.2%	-1.7%	2.1%	3.1%

Growth in Activity Levels
(compared to prior fiscal year)

	Actual FY 2013	Estimated FY 2014	Budget FY 2015	Projected FY 2016	Projected FY 2017	Projected FY 2018	Projected FY 2019
Enplanements - Aviation	2.9%	-0.7%	1.7%	2.4%	2.4%	2.4%	2.4%
Loaded TEUs - Maritime	0.4%	0.5%	2.0%	2.0%	3.0%	3.0%	3.0%

¹⁴ Excludes depreciation and amortization. Net of Absorption of Labor and Overhead to Capital Assets, which is included in Capital Expenses.

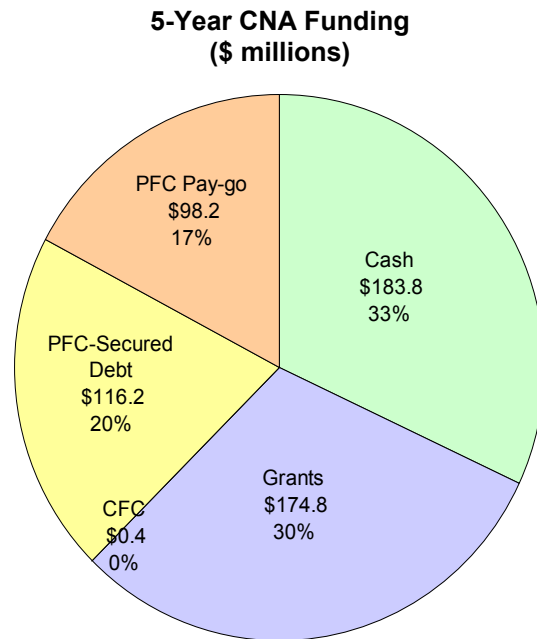
¹⁵ Operating Income before D&A is Operating Revenues less Operating Expenses before Depreciation and Amortization.

Capital Budget

5-Year Capital Needs Assessment (CNA)

The 5-Year Capital Needs Assessment (CNA), covering FY 2015 through FY 2019, is approximately \$573.4 million and continues to focus on projects critical to regulatory compliance, life safety, and revenue maintenance. As shown in the chart on the following page, approximately 47% of the 5-Year CNA is anticipated to be funded with grants and available Passenger Facility Charges (PFC).

(\$ millions)	5-Year CNA
Aviation	434.1
Maritime	127.9
CRE	7.6
Other	3.7
Total	573.4



FY 2015 Capital Budget

Of the 5-Year CNA, approximately \$209.3 million is for FY 2015 (i.e., the FY 2015 CNA). The FY 2015 CNA has two components:

- Capital Budget - \$175.3 million
Includes expenditures for (a) projects that already have contractual obligations, (b) a limited amount for pre-development work, and (c) a limited amount for miscellaneous facility replacement projects.
- Capital Pipeline - \$34.0 million
Includes expenditures/projects that staff anticipates will be necessary in FY 2015, 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.

FY 2015 CNA expenditures and anticipated funding sources are shown below.

**FY 2015 CNA Expenditures
(\$ millions)**

	FY 2015 Capital Budget	FY 2015 Capital Pipeline	FY 2015 Total
Aviation Division	120.4	28.7	149.2
Maritime Division	53.9	1.3	55.2
CRE Division	0.9	2.8	3.6
Other Divisions	0.1	1.2	1.3
Total	175.3	34.0	209.3

**FY 2015 CNA Funding Source
(\$ millions)**

Funding Source	FY 2015 Capital Budget	FY 2015 Total CNA
Grants	90.5	98.3
PFC Pay-Go	20.0	20.0
CFC Pay-Go	--	0.1
CP Debt Proceeds	17.9	22.6
Cash	46.9	68.3
Total Sources	175.3	209.3

Key projects in the FY 2015 Capital Budget include:

- Oakland Army Base Redevelopment – Trade and Logistics Center Phase I
- Terminal 1 Retrofit and Renovation
- Runway Safety Area Improvements
- Runway 12-30 Rehabilitation
- BART – Oakland Airport Connector
- Airport Perimeter Dike Improvements

Debt Service, Debt Service Coverage Ratio, and Cash Balance

The Port's debt service payments, projected debt service coverage ratios (DSCRs), and fiscal year ending General Fund cash balance are summarized in the table on the following page.

The Port's General Fund balance is an important indicator of the Port's financial health. The General Fund balance changes daily and is used to pay day-to-day operating expenses, capital expenditures already under contract, bond debt service payments, and all other accrued liabilities.

**Debt Service, Debt Service Coverage Ratio, and Cash Balance
(\$000s)**

(\$000s)	Actual FY 2013	Estimated FY 2014	Budget FY 2015	Projected FY 2016	Projected FY 2017	Projected FY 2018	Projected FY 2019
Senior & Intermediate Lien Bonds	106,811	97,746	97,735	98,448	99,049	100,536	102,045
DBW Loan	458	458	458	458	458	458	458
Commercial Paper Notes ¹⁶	156	471	4,582	4,973	5,533	7,284	9,238
Total Debt Service	107,424	98,674	102,775	103,879	105,040	108,278	111,740
Intermediate Lien Debt Service Coverage Ratio ¹⁷	1.59x	1.54x	1.37x	1.36x	1.34x	1.37x	1.41x
Debt Service Coverage Ratio after CP Notes Debt Service ¹⁸	1.58x	1.53x	1.31x	1.30x	1.27x	1.27x	1.29x
General Fund Balance on June 30 ¹⁹	113,300	130,000	103,500	90,500	88,600	85,700	102,100

¹⁶ Includes principal repayment on outstanding CP Notes totaling \$4 million per year beginning in FY 2015. At the same time, it is anticipated that the balance of CP Notes will increase in order to provide interim financing for the Terminal 1 program. Based on the 5-Year CNA, CP Notes balance is anticipated to be \$97.0 million by the end of FY 2015, increasing to \$174.6 million by the end of FY 2019. The interest rate on the CP Notes is assumed to be 0.6% in FY 2015, increasing to 3% in FY 2019.

¹⁷ Intermediate Lien Debt Service Coverage Ratio is Net Revenues (as defined in the Bond Indentures) divided by debt service on Senior and Intermediate Lien Bonds and DBW Loan.

¹⁸ Debt Service Coverage Ratio after CP Notes Debt Service is Net Revenues (as defined in the Indentures) divided by debt service on Senior and Intermediate Lien Bonds, DBW Loan, and CP Notes.

¹⁹ Other funds held by the Port are (1) Board-dedicated reserves of approximately \$68.3 million for emergency operating and capital expenses, (2) PFC and CFC revenues, which must be held separately as their use is restricted to generally Aviation-related capital expenditures, and (3) contractor retention which is held in escrow; it is customary to withhold a percentage of payments until construction is completed. In addition, the Bond Trustee holds for the benefit of bondholders approximately \$58 million in cash reserves. This reserve is required by bondholders and was funded by issuing additional debt.

Board-Established Reserves

The following reserves will continue to be established for FY 2015:

**FY 2015 Board-Established Reserves
(\$000s)**

Operating Reserve <i>12.5% of Budgeted Operating Expense</i>	\$23,288
Capital Reserve	15,000
Port Bond Reserve	30,000
Total Reserves	68,288

City Payments

The FY 2015 Budget also includes the following payments to the City of Oakland. These payments are included as Operating Expenses or Non-Operating Expenses.

**FY 2015 Budgeted City Payments
(\$000s)**

General Services	1,196
Lake Merritt Maintenance	1,064
Aircraft Rescue and Fire Fighting Services	6,094
Oakland Police Services	768
Personnel Services	240
KTOP and City Clerk Services	25
Treasury Services	315
Landscape Lighting Assessment District	700
Jack London Improvement District	109
Total Payments	10,511

In addition, the Port anticipates remitting to the City, approximately \$6.2 million in parking and utility taxes collected at Port facilities in FY 2015.

Summary

The annual budget is an essential management tool to plan and sustain our businesses. The Port has an excellent track record in prudent and proactive budget management due to the hard work and efforts of our highly skilled and professional staff. I appreciate your support and commitment to the FY 2015 budget.

Sincerely,



Sara Lee
Chief Financial Officer

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PORT OF OAKLAND COMMISSIONERS



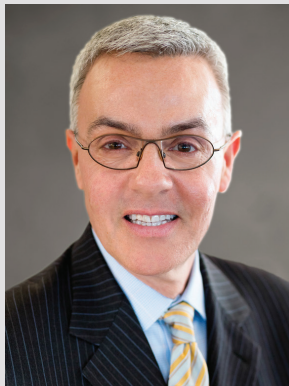
Cestra "Ces" Butner
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Second Vice-President



Michael Colbruno
Commissioner



James W. Head
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). The Strategic Plan provides a stable and adaptable policy framework to guide the Port of Oakland (Port) during the five year period from 2010 to 2015. It 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 sharpens the Port's focus on growing its core businesses and strengthens its stewardship by aligning governance, policies, processes and resources. The Strategic 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 Port performance on behalf of all of its stakeholders. Through commitment to the Strategic Plan, the Port will realize its highest potential for the City of Oakland, the region, the State of California, and our global partners.

The Port's Strategic Plan may be found on the Port's website at <http://www.portofoakland.com>. The Guiding Principles and Strategic Priority Areas and Goals are summarized below.

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 Goals¹Sustainable 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 14 cities in 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. The City has a population of 400,740³, making it the third-largest city in the Bay Area after San Jose and San Francisco, and the eighth-largest city in California.⁴

Port of Oakland

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 State Tidelands 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 an airport since 1927. Management of the Port was delegated to a seven-commissioner Board in 1927 by an amendment to the City Charter. The Commissioners are nominated by the City Mayor and appointed by the City Council. They serve staggered four-year terms without compensation, and must be residents of the City.

The Port is an independent department of the City. The Board has exclusive control of all Port facilities and property, real and personal, all income and revenues, and all bond proceeds for harbor, airport, 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 2010

³ Ibid.

⁴ 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, and has approximately 2,600 acres of aviation-related facilities. OAK is the second busiest Bay Area airport, with approximately 290 daily passenger and cargo arrivals and departures. The Airport currently serves 126 daily nonstop commercial passenger departures to 40 domestic and international destinations, as well as over 19 daily all-cargo flight departures to destinations around the globe. In calendar year (CY) 2013, the Airport served 9.7 million passengers and handled approximately 1.1 billion pounds of air cargo. Aviation generates approximately 48% of the Port's total operating revenues.⁵

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, and is one of five major gateways for such shipments on the West Coast of North America. In CY 2013, approximately 2.3 million twenty-foot equivalent units (TEUs) (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 48% of the Port's total operating revenues.⁶

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 837 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 operating revenues.⁷

Unlike some U.S. ports, the Port does not receive funding from local tax revenues. The Port is a self-sufficient and independent department of the City and, as such, must generate sufficient revenue to financially support its day-to-day business line operations. However, the City does provide a variety of services to the Port, including fire, police, and treasury services. The Port anticipates paying the City approximately \$17 million in FY 2015 for these services, as well as for maintenance of Tidelands Trust property, and for parking and utility 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. According to the Port's most recently commissioned economic impact 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 nearly 827,000

⁵ Based on FY 2013 audited financial statements

⁶ Ibid

⁷ Ibid

related jobs in the State and the U.S. In addition, Port-related activities affect the generation of business revenue totaling approximately \$7 billion annually.⁸

AVIATION

The Aviation Division is responsible for operating, developing, and managing all activities at OAK, in support of commercial passenger service, air cargo operations, and general aviation. Aviation operating revenues are derived from three primary sources: (1) landing fees and terminal rents paid by airlines; (2) parking and ground access charges, and (3) leases and concessions.

History

OAK has served the air travel and air cargo needs of the Bay Area for 87 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 12-30 (formerly 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 one of three international airports serving the Bay Area, the third largest U.S. aviation market behind New York and the Los Angeles Basin, surpassing in 2012 the Chicago and Washington, DC markets. In 2013 OAK ranked 39th in the U.S. in terms of total passengers and 13th in the U.S. in terms of air cargo tonnage.⁹ It was the second busiest passenger Bay Area airport, with an approximate market share of 15%, and the busiest cargo airport with a market share of 55%.

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.

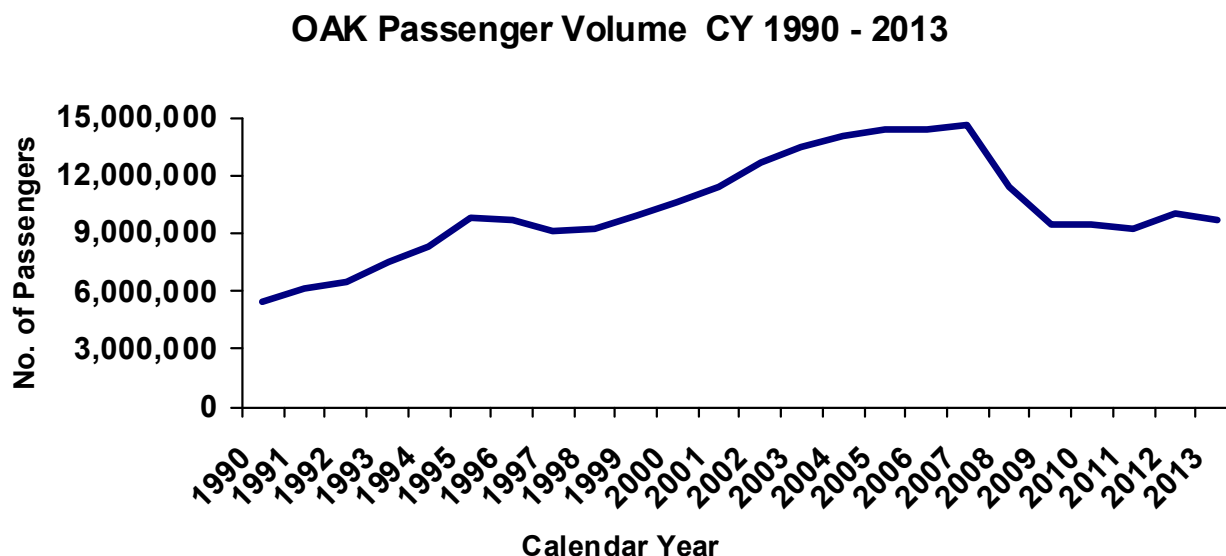


⁸ 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010. Also see page 32.

⁹ 2013 North American Airport Traffic Summary (Top 50 Airports) -- 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 air destinations from the Bay Area. In CY 2013, the Airport served 9.74 million passengers. Although below OAK's 2007 peak of 14.6 million, traffic has stabilized in recent years and the number of nonstop destinations has grown to 40.



Southwest is OAK's largest carrier, accounting for 69% of the Airport's passenger activity and serving 19 nonstop destinations, with as many as 106 daily departures in summer months. Southwest is adding seasonal daily nonstop service to Baltimore (BWI) in June 2014.

Other key contributors to OAK's service offerings in 2014 are as follows:

- Norwegian inaugurated thrice weekly service to Oslo, Norway and twice weekly service to Stockholm, Sweden in May 2014.
- Alaska and Hawaiian will provide over 1,300 daily seats during the 2014 summer peak to the four major destinations in Hawaii, placing OAK 5th among top U.S. gateways to Hawaii.
- Spirit Airlines continues to expand, launching daily year-round service to Dallas-Fort Worth and Chicago—O'Hare in May 2014.
- Delta is growing their OAK-Los Angeles (LAX) service to eight daily nonstops in summer 2014, complementing their three times daily service to Delta's hub in Salt Lake City (SLC). LAX is a Delta international hub and SLC is a major Delta domestic hub.
- Volaris continues to serve OAK from the Mexican city of Guadalajara year-round, with seasonal service from other points.

OAK PASSENGER ACTIVITY and MARKET SHARE BY CARRIER

Airline	Total Passengers Served in CY 2013	Market Share In CY 2013
Southwest	6,718,964	69.0%
Alaska/Horizon ¹	840,250	8.6%
JetBlue	462,678	4.7%
Hawaiian	294,299	3.0%
Delta Airlines	278,778	2.9%
Spirit	257,921	2.6%
SkyWest Airlines ²	224,447	2.3%
Allegiant	196,219	2.0%
US Airways/US Airways Express	171,544	1.8%
Volaris	146,133	1.5%
Mesa Airlines ³	129,235	1.3%
Arkefly	10,862	0.1%
Azores Express/SATA	5,808	0.1%
Charter/Other	5,749	0.1%
Total	9,742,887	100.0%

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

² SkyWest Airlines is a regional carrier that operates at OAK under a contractual agreement with Delta Airlines.

³ Mesa Airlines is a regional carrier that operates at OAK under a contractual agreement with US Airways.



OAK PASSENGER AND CARGO STATISTICS

PASSENGERS	CY 2013	CY 2012	% Change
Enplaned	4,870,006	5,022,684	-3.0%
Deplaned	4,872,881	5,018,180	-2.9%
Total	9,742,887	10,040,864	-3.0%
FREIGHT (in 000 lbs)			
Inbound	539,861	538,717	0.2%
Outbound	558,432	546,606	2.2%
Total	1,098,293	1,085,323	1.2%
MAIL (in 000 lbs)			
Inbound	6,887	9,400	-26.7%
Outbound	5,992	6,445	-7.0%
Total	12,879	15,845	-18.7%
TOTAL AIR CARGO (Freight & Mail) (in 000 lbs)	1,111,172	1,101,168	0.9%
LANDED WEIGHT (in 000 lbs)	8,703,743	8,797,595	-1.1%
AIRCRAFT OPERATIONS (South and North Fields)	201,231	210,626	-4.5%

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 recently completed construction of a new 200,000± square foot international sort facility to complement its existing 280,000 square foot domestic operation at OAK. It is also renovating and upgrading other on-Airport facilities with a total investment of approximately \$100 million over a five-year span. 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 on land leased from the Port and on-Airport transfer and loading facilities.

Air Cargo Carrier	CY 2013 Volume¹ (million lbs)
FedEx	905
UPS	185
Southwest	14
Other	7

¹ Air Cargo figures include freight and mail.

In CY 2013, OAK handled approximately 1.1 billion pounds of air cargo (freight plus mail), matching CY 2012 levels. FedEx is the major operator of freight aircraft with an average of 15 flights per day and 905 million pounds of freight handled in CY 2013. UPS operated an average of 4 flights a day and handled 185 million pounds of cargo in CY 2013. Southwest 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 2013. 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.

Corporate Aviation

OAK has two 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 two FBOs are: KaiserAir, which has operated at OAK since 1961; and Landmark Aviation, which commenced operations in late 2011 and acquired the holdings of Business Jet Center in 2013. Along with handling general aviation and corporate clients, KaiserAir also operates its proprietary (Part 121) aircraft with weekly scheduled flights to Hawaii. As OAK’s newest FBO, Landmark Aviation brings its expertise from operations at 45 airports across the U.S., Canada, and Europe. Landmark Aviation has recently completed a \$9 million investment in its facilities (Hangar 9) and is expected to make significant capital investments during the first ten years of its leases to improve Port-owned hangars and other facilities. KaiserAir continues to look for opportunities to expand and upgrade its FBO operations at OAK.

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 provide uninterrupted critical services. As further discussed in the *Capital Budget and Capital Needs Assessment* section, several major projects aimed at ensuring the safety and integrity of Airport facilities as well as enhancing customer service will continue in FY 2015. The most visible among these include:

Terminal 1 Renovation & Retrofit Program

The Port continues to work on the renovation and retrofit of OAK’s Terminal 1 (T1 Program), under a phased approach. The T1 Program focuses on replacing aging infrastructure, bringing building systems up to code, and reducing life-cycle costs. Through FY 2014 several key T1 Program milestones have been achieved, including:

- construction of the central utility plant mechanical building;
- renovation of M104 (the old mechanical building);
- upgrades to baggage carousel displays; and
- installation of five new passenger boarding bridges.

In addition, the implementation of major life safety and infrastructure improvements in building M102¹⁰ began in March 2014. This project includes seismic retrofit, replacement of electrical, mechanical, plumbing, special systems infrastructure, architectural upgrades, and demolition of the South Field air traffic control tower, with completion expected in 2017. The T1 Program, which began in 2007, will move forward in a manner that aligns program phases with funding availability, and ensures the continuation of

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.

operations 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 (FAA) 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 May 2013 on the primary air carrier Runway 12-30 (formerly 11-29) at the South Field, and will continue through November 2014. The construction will be carefully phased to minimize impact on airline operations. Construction of the North Field RSA improvements is expected to commence in mid-2014.

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 Passenger Facility Charges (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), Norwegian Air Shuttle
Major All-Cargo Carriers:	FedEx, UPS
Number of Daily Departures:	145 (including 19 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, approximately 2,400 employees (includes crew base staff) FedEx, approximately 1,300 employees Rolls Royce Engine Services, approximately 400 employees UPS, approximately 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, 30 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 late 1950s, this new technology transformed shipping worldwide through the use of standardized steel/aluminum 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 a major maritime expansion program in 2002, converting an area formerly occupied by the U.S. Navy into new container terminals (Berths 55-59); a new intermodal rail facility (Oakland International Gateway (OIG) formerly known as the Joint Intermodal Terminal); new roads; and a new waterfront public park (Middle Harbor Shoreline Park) bordered by a natural habitat (Middle Harbor Enhancement Area). Following this expansion, between 2003 and 2007, the Port acquired approximately 241 acres of the former Oakland Army Base (OAB), ideally located 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 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 2013, 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 approximately 9% was domestic. Asia is the Port's most significant trading partner; in CY 2013, about 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 2013 TEUs	CY 2012 TEUs	% CHANGE
LOS ANGELES (CA)	7,868,582	8,077,713	-2.6%
LONG BEACH (CA)	6,730,573	6,045,662	11.3%
NEW YORK/NEW JERSEY (NY/NJ)	5,467,347	5,529,908	-1.1%
SAVANNAH (GA)	3,034,014	2,966,221	2.3%
OAKLAND (CA)	2,346,544 ¹	2,344,379	0.1%

Source: Respective port websites

¹ Includes estimates.

OAKLAND MARITIME CARGO STATISTICS

TYPE	CY 2013 TEUs ¹	CY 2012 TEUs	% CHANGE
IMPORT (FULL)	803,314	791,707	1.5%
EXPORT (FULL)	1,014,797	986,855	2.8%
TOTAL (FULL)	1,818,111	1,778,562	2.2%
EMPTY	528,433	565,817	-6.6%
TOTAL	2,346,544 ¹	2,344,379	0.1%

¹ Includes estimates

Full (loaded) container activity (for both imports and exports) at the Port increased approximately 2% in CY 2013; full exports slightly outpaced full imports. The Port historically has been a strong export seaport, moving California agricultural products and other U.S. goods overseas to foreign markets. However, growth of export cargo is partially dependent on the availability of containers. This requires that the supply of import containers approximately matches the demand for export containers. Consequently, the balance of export and import cargo is important. In CY 2013, imports accounted for approximately 44% of all full container activity, while exports represented about 56%.

MARITIME
CARGO STATISTICS
CY 2002 through CY 2013
(000s)

Calendar Year	Revenue Tons¹	Loaded TEUs²	Total TEUs²
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	1,779	2,344
2013	31,624	1,818	2,347
2002-2013	3.5%	3.2%	2.9%

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), six marine terminals (operated by four¹¹ terminal operators under seven separate agreements), and 36 container cranes, of which 23 are Port-owned. One of the six marine terminals was vacated in early 2014 and is currently being leased to tenants on an interim basis until a long-term tenant is identified. All major ocean container 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 to and 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.

¹¹ SSA Terminals, LLC. operates both the Matson Terminal and the Oakland International Container Terminal but is counted as a single operator.

Major Projects

The Port must continuously upgrade and expand its facilities to accommodate future growth, improve its overall competitiveness, and enhance security. 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 2015. Among these, the most visible projects include:

Oakland Logistics Center

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 plans to develop its property into a logistics center, including an intermodal rail terminal, transloading, and warehousing facilities. Redevelopment will be phased to match market demand and funding availability.



In 2013, the Port commenced construction activities for the first phase of the new rail yard. The improvements will provide additional railcar storage capacity for current and future customers at the Oakland Logistics Center, particularly transload, bulk, and break bulk businesses. This first phase of construction is scheduled to be completed in 2015.

Maritime Security Projects

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

MARITIME OPERATIONS AT-A-GLANCE

CY 2013 Cargo Vessel Arrivals: 1,897

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 Lines, Hyundai Merchant Marine, "K" Line, Maersk, Matson Navigation, Mediterranean Shipping Company, Mitsui OSK Lines, NYK Line, OOCL, Polynesia Line, United Arab Shipping, U.S. Lines, Wan Hai, Yang Ming Line, Zim Container Line

Container Terminals:

- Ben E. Nutter Terminal (Operator: Everport Terminal Services), Inc.
- Charles P. Howard Terminal (currently not in service)
- Matson Terminal (Operator: SSA Terminals, LLC)
- Oakland International Container Terminal (Operator: SSA Terminals (Oakland), LLC)
- Ports America Outer Harbor Terminal (Operator: Ports America Outer Harbor Terminal, LLC)
- TraPac Terminal (Operator: TraPac, Inc.)

Deepwater Ship Berths: 18

Container Gantry Cranes: 36 (23 Port-owned)

Container Terminals Acreage: 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, vehicles/not railway, beverages, inorganic chemicals/rare earth materials, misc. chemical products, organic chemicals, cereals/grain/seed/fruit, preserved food, cotton and yarn/fabric, wine/spirits, and dairy products

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 837 acres of land along the Oakland Estuary that is not used for aviation or maritime purposes. Much of this land, particularly land located between the ferry terminal at Jack London Square (JLS) and Hegenberger Road (see *Commercial Real Estate Area Map, page 70*), 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.

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, and regulatory uncertainty.

The major properties managed by the CRE Division are categorized into four distinct geographic areas – 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 and familiarity 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, administration, 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 emphasize 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 provide important public benefits, including

650 jobs during the construction phase (some have already materialized), up to 2,000 permanent jobs, 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 2015, 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, a new restaurant and entertainment use is under construction for the 98 Broadway building at the foot of Broadway, which will add new cuisine and entertainment choices for visitors and tourists to JLS. The developer is also currently pursuing new land use entitlement approvals for two new multi-family residential buildings within JLS, which if approved, will enhance and expand the foot traffic and 24-hour vitality of this important asset.

Despite a competitive real estate market, about 95% of the office space at JLS is leased. Some examples of new and expanded leases at JLS include:

- Live Culture Company, the organization behind the annual Eat Real Festival;
- Visit Oakland, associated with the former Oakland Convention and Visitors Bureau, opened new offices in JLS and has contributed to the marketing efforts of JLS and the Airport, with the proximity to the Port headquarters encouraging greater collaboration;

- CrossFit, a new fitness center, provides an exercise venue for the local workforce as well as surrounding residents;
- Jack's, a new restaurant, is under construction and anticipated to open for business in September 2014 in the 66 Franklin building;
- Rosenblum Cellars is under construction on a new wine tasting venue in the 10 Clay building, and is expected to open in July 2014;
- Plank, a new brew-pub, boutique bowling and bocce venue, is under construction at 98 Broadway and is expected to open in September 2014; and
- A new retail yacht broker will open for sales at 451-455 Water Street in June 2014.

Brooklyn Basin (Formerly called Oak-to-Ninth Avenue)

Over the next few years, the Oak-to-Ninth 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 substantial redevelopment as a new residential neighborhood by a private developer, Zarsion-Oakland Harbor Partners. The concept for the area is to transform 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 Zarsion-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 and marina lease for the water acres, occurred on June 10, 2013. Construction on the project began in March 2014 with the demolition of several structures.

The developers have estimated that the Brooklyn Basin Project will be a \$1.5 billion investment. California Governor Edmund G. Brown Jr. announced the participation of a China-based investment firm in April 2013. 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 837 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>Brooklyn Basin (Formerly called Oak-to-Ninth Avenue): 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)
2013 Gross Sales:¹	\$96.2 million
Current Tenant Mix:	7 Warehouse Agreements 5 Hotel Agreements 12 Restaurant Agreements 17 Retail Agreements 18 Office Agreements 35 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:²	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. The Port worked with the Transportation Security Administration (TSA), to introduce risk-based screening and security initiatives to OAK, such as TSA Precheck, a program that allows low-risk travelers to experience faster, more efficient screening at OAK's security 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) verifications, 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. In addition, the Port continues to manage the Comprehensive Truck Management Program (CTMP) Secure Truck Enrollment Program (STEP) registry.



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 best practices, 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, 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 must now be operated and maintained at direct cost to the Port. For areas within the CRE 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 recognizes that its business and operations can profoundly affect the community and the environment, and takes special care to promote the economic, social, and environmental well-being of the City, and its neighboring communities. The Port is constantly seeking to improve and enhance its community engagement, building on some of the following programs:



- Information about internships, jobs and business opportunities is disseminated to the community through career fairs, community festivals, community meetings and various other communications channels including the Port's website, Facebook page, and news releases.
- Project-specific meetings are held in various locations across the City and the region to exchange information and obtain community input on the impact of various Port projects, job opportunities, and overall community benefit attributes of the project.
- The Port works with its stakeholders, including business partners, customers, regulatory agencies, environmental organizations, and the local community to develop and implement environmental stewardship programs, which reduce air pollutant emissions from goods movement and promote a healthier environment and quality of life for the Port's neighboring communities.
- The Aviation Stakeholder Committee was created to assist in the development of the Master Plan for OAK. Since completion of the Master Plan in 2006, the committee has continued meeting quarterly to improve relations between OAK and its neighboring communities.
- Truckers Working Group (TWG) is the longest-standing regular forum for community engagement on Port trucking issues. The TWG is attended primarily by the Port, motor carriers, truck drivers, brokers, shippers, terminal operators, and ocean carriers. Community members and government/regulatory agencies also attend routinely.

ENVIRONMENTAL STEWARDSHIP

Energy Conservation at Port Headquarters

In 2014 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. The Port headquarters has received this award seven times in the past eight years.

Alternative Energy

The Port is moving forward 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 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 (EBMUD) Wastewater Treatment Plant to purchase its excess power generation. These purchases are estimated to fulfill the Port's RPS requirements in 2014 and 2015. The Port is currently developing and exploring other renewable project opportunities in order to meet the RPS targets adopted by the Board for future years.

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 February 2014, the Port began its Energy Innovation Initiative (EII) study. The goal of the EII is to 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 began in the mid-1990s, long before the State's 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. Moreover, the Port has designed its infrastructure and facilities layout, such as marine terminals and access roads, to provide for less congested operations at the seaport and Airport.

In 2008, the Board voted unanimously to adopt and implement a Maritime Air Quality Policy Statement (Policy Statement), which affirms 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, such as CTMP and Shore Power, to assist tenants and business partners to comply with air quality regulations and to curb the effects of emissions from seaport sources on the natural and human environment. The results of the 2012 Seaport Air Emissions Inventory showed that, between 2005 and 2012, overall Diesel Particulate Matter (DPM) emissions at the seaport decreased by 70%. DPM emissions from drayage trucks fell by 88% from 16 tons in 2005 to 2 tons in 2012. These results directly reflect the Port's priority goal to reduce truck emissions. DPM emissions from ocean-going vessels, the largest source of emissions at the seaport, decreased by 72%, primarily through the use of low-sulfur engine fuel. These results represent a major step forward in meeting the Port's 85% health risk reduction goal by 2020.

At the Airport, the following projects are underway or recently completed:

- 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 commuting alone, such as vanpooling, carpooling, bicycling and public transportation.

- Port staff worked with the Rental Car Consortium (RAC) to encourage the RAC to replace its 1981 diesel buses ahead of CARB's regulatory deadlines. The new clean diesel 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.
- The Airport continues to expand its electric vehicle (EV) charging infrastructure. In February 2013, the Port employee parking lot was equipped with a dual-port EV charger giving the Airport a total capacity of 21 individual charging stalls.
- 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 underway and expected to be completed by November 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:

- *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 Oakland International Container Terminal and Port View Park is next to the Ben E. Nutter Terminal. 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 children, a small history museum and a fishing pier.
- *Union Point Park* – 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, to the EBRPD. The EBRPD is required to maintain the site as a seasonal wetland in perpetuity.

- *Estuary Park and the Jack London Aquatic Center* – Within Estuary Park, near JLS, 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 to link bicycle and pedestrian access between the cities of Alameda, Oakland, and San Leandro.
- *Brooklyn Basin* – Construction of approximately 32 acres of public open space is planned as part of the Brooklyn Basin project. Construction of these parks is anticipated to occur in phases over the next 2-8 years, but when completed will provide significant public access to the estuary for residents and visitors to the Oakland Waterfront.

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, Damon Slough, and the Hamilton Base Wetlands Restoration Project. 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 Gateway Park and access to the bicycle-pedestrian walkway 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, for example, was awarded the Leadership in Energy and Environmental Design (LEED) Silver Certification by the U.S. Green Building Council, and was the first airport passenger terminal in the U.S. to receive the "Silver" level of this prestigious award. The Airport's new 236-foot air traffic control tower, which opened in June 2013, has been designed to LEED-Gold standards and incorporates significant green systems, including solar power, geothermal heating, and rainwater storage.

SOCIAL RESPONSIBILITY

The Port administers policies and programs that contribute to the vitality of the City and surrounding communities. The Port 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. Port 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 (NDSLBU) to ensure non-discrimination in Port contracting processes, and to facilitate small and local business participation in Port public works and goods and services contracts. The NDSLBU provides preference points for local, small and very small businesses bidding on Port contracts; sets aside contracts for small businesses; and facilitates technical assistance to ensure equitable access to Port contracting opportunities. The NDSLBU is a Port policy and can be amended at any time by the Board. To support the NDSLBU provisions and process, the Board approved a formal Port certification of small

and local businesses. Preference points and/or discounts are awarded to bidders and proposers utilizing Port-certified firms in the Local Impact Area (LIA)/Local Business Area (LBA).¹²

In 2002, the Board adopted the Alternative Project Delivery Approach (APDA) within the NDSLBU. 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 subcontractors, suppliers, or sub-consultants. (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.

In order to comply with requirements and assurances for grants awarded by the Federal Aviation Administration, 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. The Port is responsible for developing the DBE program plans, outreach plans, goals and methodologies specific to each grant as set forth by the operating agency, administering the programs once approved by the Board and the granting agency, and monitoring and reporting on DBE attainment.

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 businesses¹³ that meet specified minimum threshold requirements to pay all non-exempt employees a Living Wage rate established by City Ordinance and adjusted annually based on the Consumer Price Index for the San Francisco, City and San Jose area. The Living Wage rate as of July 1, 2013 is set at \$11.96 per hour for employees who receive health benefits and \$13.75 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 City of Oakland and the West Oakland Job Resource Center, the Cypress Mandela reentry program, and the community through the Maritime Aviation Project Labor Agreement (MAPLA) discussed below.

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

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

Maritime and Aviation Project Labor Agreement

The MAPLA was adopted by the Board in 2000 and covers capital projects at the Airport and the seaport. In response to Board policies, the MAPLA was designed to ensure project labor stability, the employment of Port LIA/LBA residents (Local Hire Program), and the utilization of Port-certified small businesses.¹⁴ The MAPLA also maintains a “Social Justice Trust Fund,” a mechanism used to fund local training and employment programs that has been emulated nationally. 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:

- Almost 3.8 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 \$123 million in wages were earned by LIA/LBA residents; \$61 million went to LIA residents; and
- Contractors’ contributions of 15 cents per craft hour to the Social Justice Trust Fund has resulted in over \$420,000 in grants distributed to community groups working to achieve the Port’s local-hire goals.

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. In addition, through the MAPLA’s Social Justice Trust Fund, local contractors have become proactive in investing in community training programs.

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 approximately 74,000 jobs across the region (direct, indirect, and induced);
- Impacts nearly 827,000 jobs across the country (trade, and travel and tourism related-jobs);
- Directly generates more than \$600 million in annual local, State and federal taxes;
- Directly generates more than \$4.4 billion in personal income.

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 outsourced overseas;
- Port opportunities range from entry-level to advanced-degrees jobs.

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

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
Federal/State/Local Taxes	\$350	\$233	\$33	\$616
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, induced, and indirect)	24,428	---	---	24,428
RELATED JOBS	383,010	443,988	---	826,998

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

Notes: Definitions of economic impact categories can be found in the *Glossary* section; aviation revenue impact figures are a combination of on-site Airport generated impacts and visitor industry impacts.

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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 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 as 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 initial 1-year Capital Budget is primarily limited to projects for which the Port is already contractually obligated. Additional projects are subject to Board approval during the course of the fiscal year.
- 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 (DSCR) of 1.25 for Senior Lien and 1.10 for Intermediate Lien debt service.

Board Reserves

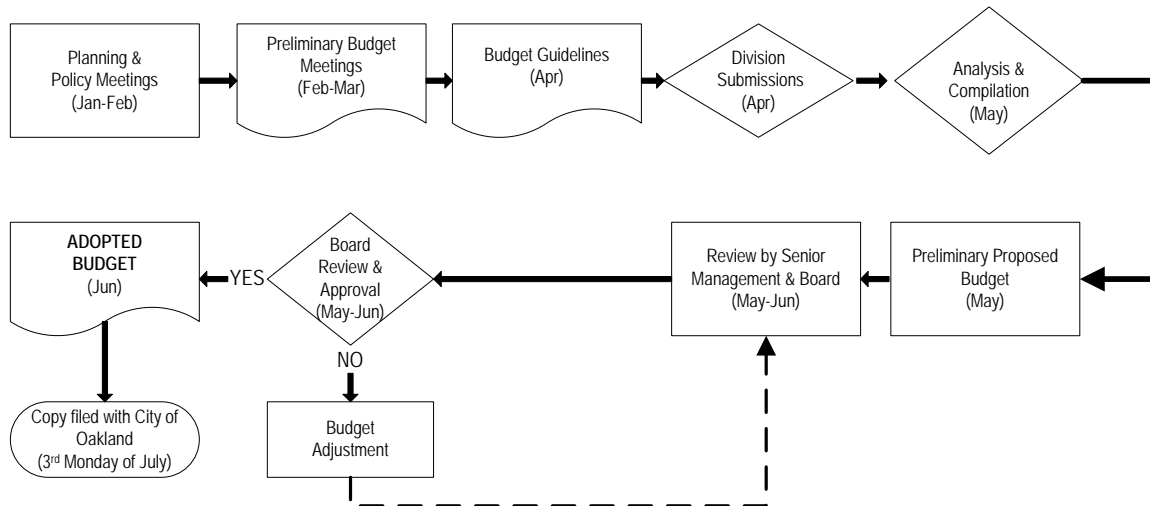
- Port Operating Reserve Fund established at 12.5% of operating expense budget.
- Port Bond Reserve Fund (separate from Debt Service Reserve Funds held by Trustee) established at \$30.0 million.
- Capital Reserve Fund established at \$15.0 million.

Financial Reporting Practice

- Financial statements are prepared in accordance with accounting principles generally accepted in the U.S., 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 responsible for budget preparation. Each division is also responsible for presenting a seasonally-adjusted proposed budget.

The upcoming fiscal year's operating budget is adopted through resolution of the Board. Subsequent years' operating budgets are provided in concept only. 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 achieves a minimum Intermediate Lien debt service coverage ratio¹⁵ (DSCR) in the range of 1.35x - 1.40x and is able to repay \$4 million of outstanding commercial paper (CP) Notes.
- Maintain a minimum General Fund cash balance at the end of each fiscal year of at least \$85-\$100 million.¹⁶

GENERAL

- FY 2015-19 Operating Revenues for Aviation, Maritime, 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 2015 Operating Expenses incorporate known and anticipated cost increases and decreases, with an emphasis on limiting cost increases to the extent possible.
- FY 2016 through FY 2019 Operating Expense incorporate known and anticipated cost increases and decreases but assumes that non-personnel expenses unless otherwise specified will grow by 2% per annum compared to FY 2015.

FY 2015 REVENUE BUDGET HIGHLIGHTS AND ASSUMPTIONS

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

- Port-wide Operating Revenues are projected to be \$314.8 million; \$9.9 million or 3.3% higher than FY 2014 Budget.
- Aviation Revenues of \$151.7 are \$1.3 million or 0.8% higher compared to FY 2014 Budget; Aviation revenues for FY 2014 are anticipated to be \$153.0 million. In comparison to FY 2014 projected revenues, FY 2015 revenues are 0.9% lower.
 - Enplanements projected to be 5.0 million or 1.7% higher compared to FY 2014 anticipated enplanements of 4.94 million (or flat compared to FY 2014 Budget enplanements of 5.0 million).
 - Airline Rates and Charges are expected to decrease slightly due to true up of prior year airline payments and reduction of capital cost charges due to scheduled repayment by airlines being completed.
 - Parking revenues are projected to increase slightly, as higher revenue per parking transaction is offset by lower Air-BART revenues.
 - Terminal concession revenues are increasing due to higher passenger spend rate.
 - Lease revenues are increasing by \$0.9 million primarily due to scheduled lease adjustments.

¹⁵ Intermediate DSCR is Net Revenues (as defined in the Bond Indentures) divided by debt service on Senior and Intermediate Bonds and Department of Boating and Waterways Loan.

¹⁶ Excluding Board Reserves.

- Maritime Revenues of \$139.8 million are \$7.4 million or 5.6% higher compared to FY 2014 Budget; Maritime revenues for FY 2014 are anticipated to be \$145.7 million. In comparison to FY 2014 projected revenues, FY 2015 revenues are 4% lower.
 - Full (loaded) TEUs projected to be 1.8 million, or 2.0% higher than FY 2014 anticipated actuals (or 2.6% higher compared to FY 2014 Budget).
 - Maritime revenue in excess of the Minimum Annual Guarantee (over the MAG revenue) is expected to be \$5.2 million less than FY 2014 anticipated actuals due to projected shifts in cargo activity among terminal operators.
 - Decrease from FY 2014 anticipated actuals also due to one-time termination payment received in FY 2014.
 - Other revenue, primarily land and facility rental revenue from non-marine/rail terminal tenants, is \$0.7 million or 6% higher than FY 2014 anticipated actuals, and \$4.7 million or 52% higher compared to FY 2014 Budget due to the expiration of rent credits associated with certain space assignments at the former OAB and increased truck parking.
 - Lease renewals coming due in FY 2015 are expected to renew at similar terms.
 - Interior Point Intermodal (IPI) Incentive Program of \$1.0 million is assumed (reduction in revenues), as well as a tariff increase.
- CRE Revenues of \$13.7 million are approximately \$1 million or 7.7% higher compared to FY 2014 Budget and 2% higher than anticipated revenues for FY 2014.
 - Increase in percentage rents, minimum rent adjustments due to lease renewals and scheduled rent adjustments.
- Utilities Revenues of \$10.1 million is \$0.3 million or 3.0% higher compared to FY 2014 Budget.
 - Electricity revenues assumed to increase \$0.3 million primarily due to higher usage at South Airport and former OAB property partially offset by lower shore power usage of \$0.5 million (adjusted downward based on forecasted FY 2014 usage).

FY 2015 OPERATING EXPENSE BUDGET HIGHLIGHTS AND ASSUMPTIONS

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

- Port-wide Operating Expenses before Depreciation and Amortization are budgeted to be higher by \$10.8 million or 6.2%.
- Personnel costs are higher by \$5.1 million or 5.3%; Personnel costs represent 51% of the Operating Expense Budget before (i) Depreciation and Amortization and (ii) Absorption of Labor and Overhead to Capital Assets.
 - 497 Full-time Equivalents (FTEs); an increase of 3 FTEs from FY 2014.
 - Salaries increase \$1.5 million due to 2.5% Cost of Living Adjustment, 3 new FTEs and salary adjustments due to step increases.
 - CalPERS employer pension contribution rate increase to 30.2% from 27.3%, resulting in a \$1.9 million or 13.9% increase.
 - Overtime increases by \$0.4 million or 14.5% (lower compared to FY 2014 anticipated actuals).

- Medical premiums rates are assumed to increase 9% on January 1, 2015, resulting in \$0.9 million increase.
- Retiree medical costs assumed to increase \$0.5 million or 3.6% based on actuarial study.
- 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 \$4.3 million.
- Contractual services and supplies are budgeted to increase \$3.9 million or 6.2% and \$0.3 million or 8.1%, respectively. General and Administrative expenses are budgeted to increase \$1.0 million or 5.3%.
- Significant Increases in Non-Personnel Operating Expenses.
 - Maintenance and repair increase of \$1.7 million or 24%, primarily at maritime facilities.
 - Oakland Fire Department Aircraft Rescue Fire Fighter services expense increase of \$1.0 million or 18.5% due to contractual salary reinstatement and higher benefits and administrative support costs.
 - Various security costs increase by \$1.8 million.
 - Maintenance dredging cost increase by \$0.2 million due to regulatory requirement and disposal site fees.
 - Community outreach and public relations increase of \$0.3 million.
 - Parking lot shuttle bus operations increase of \$0.3 million due to reallocation of shuttle bus operator overhead costs resulting from the cessation of AirBART.
 - Truck parking lot operations increase of \$0.3 million due to higher volume, offset by higher truck parking revenues.
 - New Jack London Improvement District (JLID) property assessment of \$0.1 million.
 - Port utility costs increase by \$0.3 million due primarily to higher rates.
 - Absorption of Labor and Overhead to Capital Assets decrease by \$0.4 million; that is, the amount of Port salaries and overhead which is allocated to the capital budget (not included in operating budget) is lower primarily due to lower indirect overhead rate applied to Port capital projects, partially offset by higher direct salary, benefits, and administrative costs.
- Decrease in Operating Expenses
 - AirBART shuttle bus operations decrease by \$1.2 million due to the cessation of service coinciding with the anticipated commencement of the BART-OAK Connector in late 2014.
 - Legal contingency and outside legal services lower by \$0.5 partially offset by the addition of one FTE.
 - The Port continues to seek cost savings and improve efficiencies. Port staff has identified additional savings resulting from several items, including:
 - Financial consultants
 - Conferences
 - Management fees for Middle Harbor Shoreline Park
 - Metered postage

FY 2015 NON-OPERATING EXPENSE BUDGET HIGHLIGHTS AND ASSUMPTIONS

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

- Interest income of \$1.2 million is \$0.2 million higher due to higher budgeted interest rates. Interest rate on Port funds assumed to be 0.35%.
- Interest expense of \$52.1 million, which includes letter of credit (LOC) fees and accounting accruals, is lower by \$1.7 million, or 3.2%, due to scheduled repayment of bond principal.
 - The Port's revenue bonds and Department of Boating and Waterways (DBW) loan bear interest at fixed rates ranging from 2.25% to 5.5%.
 - The Port assumes a 0.6% interest rate for its outstanding Commercial Paper (CP) Notes.
- Passenger Facility Charges (PFCs) revenue of \$20.2 million is \$0.8 million or 3.9% lower compared to FY 2014 Budget (or 1.9% higher than FY 2014 anticipated actuals), reflecting the projected enplanement activity level for FY 2015. 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 \$5.4 million is 1.9% higher compared to FY 2014 Budget (or 1.3% lower than FY 2014 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 \$2.3 million in payments to the City for general services and Lake Merritt maintenance, \$0.7 million in retroactive CalPERS retirement contribution for Airport servicemen, and \$0.4 million for demolition of building D502.
- Loss on abandoned capital 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 2016 TO 2019 REVENUE PROJECTION HIGHLIGHTS AND ASSUMPTIONS

FY 2016

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

- Port-wide Operating Revenues of \$317.5 million is \$2.7 million or 0.9% higher.
- Aviation Revenues decrease by \$0.7 million or 0.5%.
 - Enplanements assumed to increase 2.4%.
 - Airline Rates and Charges are projected to increase slightly due to higher operating costs offset by true up of prior year airline payments.
 - Loss of AirBART revenue due to the Oakland Airport Connector.
 - One-time rent credit is provided to a major cargo tenant for making infrastructure improvements on Port property.
- Maritime Revenues increase by \$2.1 million or 1.5%.
 - Full TEUs assumed to increase 2%.

- Tariff increase and IPI Incentive Program are assumed.
- Certain space assignments in the OAB area vacated for redevelopment of the OAB into a logistics center (reduction in revenues).
- CRE Revenues increase by \$0.5 million or 3.7%.
 - Projected increase in percentage rents, minimum rent adjustments due to lease renewals and scheduled rent adjustments.
- Utilities Revenues increase by \$0.8 million or 8.3%.
 - Additional electricity revenues from anticipated increase in shore power use.

FY 2017

Note: All comparisons are to FY 2016 Projected, unless otherwise noted.

- Port-wide Operating Revenues of \$321.3 million is \$3.8 million or 1.2% higher.
- Aviation Revenues increase \$7.9 million or 5.2%.
 - Enplanements assumed to increase 2.4%.
 - Airline Rates and Charges are projected to increase due to higher operating costs.
 - One-time rent credit to major cargo tenant is eliminated.
 - Higher parking revenues due to higher enplanements.
- Maritime Revenues decrease by \$4.7 million or 3.3%.
 - Full TEUs assumed to increase 3%.
 - Terminal revenues lower due to anticipated renegotiated lease terms and cargo shifts.
 - Certain space assignments in the OAB area vacated for redevelopment of the OAB into a logistics center.
 - Tariff increase assumed.
 - No IPI Incentive Program anticipated.
- CRE Revenues decrease by \$0.6 million or 4.1%.
 - Projected increase in percentage rents, minimum rent adjustments due to lease renewals, and scheduled rent adjustments are offset by lower rental income due to the expiration of contractual payments related to the Brooklyn Basin/Oak-to-Ninth transaction.
- Utilities Revenues increase by \$1.3 million or 11.5%.
 - Electricity rate increase assumed to comply with California Renewable Portfolio Standard (RPS) and additional electricity revenues from assumed increase in shore power use.

FY 2018

Note: All comparisons are to FY 2017 Projected, unless otherwise noted.

- Port-wide Operating Revenues of \$329.3 million is \$8.0 million or 2.5% higher.
- Aviation Revenues increase \$3.5 million or 2.2%.
 - Enplanements assumed to increase 2.4%.

- Airline Rates and Charges are projected to increase due to higher operating expenses and lower terminal concession revenues due to anticipated renegotiation of leases.
- Maritime Revenues increase by \$3.0 million or 2.2%.
 - Full TEUs assumed to increase 3%.
 - Tariff increase assumed, along with assumed new leases at logistics center.
 - No IPI Incentive Program anticipated.
- CRE Revenues increase by \$0.1 million or 0.9%.
 - Projected increase in percentage rents, minimum rent adjustments due to lease renewals and scheduled rent adjustments are offset by office and restaurant vacancy potential.
- Utilities Revenues increase by \$1.3 million or 10.8%.
 - Electricity rate increase assumed to comply with California Renewable Portfolio Standard (RPS) and additional electricity revenues from assumed increase in shore power use.

FY 2019

Note: All comparisons are to FY 2018 Projected, unless otherwise noted.

- Port-wide Operating Revenues of \$339.2 million is \$9.9 million or 3% higher.
- Aviation Revenues increase \$3.2 million or 2%.
 - Enplanements assumed to increase 2.4%.
 - Airline Rates and Charges are projected to increase due to higher operating costs.
- Maritime Revenues increase by \$5.3 million or 3.8%.
 - Full TEUs assumed to increase 3%.
 - Tariff increase assumed, along with assumed new leases at logistics center.
 - No IPI Incentive Program anticipated.
- CRE Revenues flat.
 - Projected increase in percentage rents, minimum rent adjustments due to lease renewals and scheduled rent adjustments are offset by office and restaurant vacancy potential.
- Utilities Revenues \$1.3 million or 9.8% higher.
 - Electricity rate increase assumed to comply with California Renewable Portfolio Standard (RPS) and additional electricity revenues from assumed increase in shore power use.

FY 2016 TO 2019 OPERATING EXPENSE PROJECTION HIGHLIGHTS AND ASSUMPTIONS

- Operating Expenses before (i) Depreciation and Amortization assumed to increase on average 2.5% per year from FY 2016 through FY 2019.
- Personnel costs assumed to increase on average 2.6% per year from FY 2016 through FY 2019.
 - FTEs lowered to 495 FTEs due to expiration of 2 Limited Duration Appointment FTEs.
 - Medical premiums assumed to increase 6.5% to 7.5% per year during the FY 2016 through FY 2019 timeframe, based on an actuarial study related to retiree health care costs.

- Retiree medical costs are assumed to grow at less than 1% due to closed amortization funding methodology.
- CalPERS employer pension contribution rate assumed to be 32% in FY 2016 rising to 37.5% in FY 2019 based on CalPERS projections as provided to the Port. The following items are not included in the pension contribution rate projections, which may cause pension costs to be higher than projected:
 - GASB No. 68, Accounting and Financial Reporting for Pensions, as the impact can not be quantified as of this date.
 - Recent actuarial assumption changes by CalPERS (most notably, mortality improvements); the impact of the new assumptions on employer rates will be implemented by CalPERS effective FY 2017.
- Salaries are assumed to remain flat.
- 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 \$4.4 million in FY 2016, increasing to \$4.8 million in FY 2019.
- Contractual services and supplies are assumed to grow at less than 1% per year, due to reduction in major maintenance repairs in comparison to significant increase in expenditures budgeted for FY 2015.
- General and administrative costs are assumed to increase approximately 3% per year.
- Utilities Cost of Sales increases proportional to increased usage.

FY 2016 TO 2019 NON-OPERATING REVENUE & EXPENSE PROJECTION HIGHLIGHTS AND ASSUMPTIONS

- Interest income is higher as interest earnings rate assumed to increase to 0.5%, 0.75%, 1.75%, and 2.75%, respectively, in FY 2016 through FY 2019.
- Interest expense decreasing due to scheduled repayment of bond principal offset by higher assumed interest rate on Port's outstanding CP notes of 0.75%, 1.0%, 2.0%, and 3.0%, respectively, in FY 2016 through FY 2019 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 assumed at 2.4% in FY 2016 through FY 2019, respectively.
- CFCs increase at rate of projected enplanement growth rate assumed at 2.4% in FY 2016 through FY 2019, respectively.
- Other income (expense) reflects \$2.3 million to the City for general services and Lake Merritt maintenance increasing 4% in FY 2016 through FY 2019, respectively, and \$0.7 million in retroactive CalPERS retirement contributions for Airport servicemen increasing 3.8% in FY 2016 through FY 2019, respectively.
- 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 assets.

DEBT SERVICE AND DEBT SERVICE COVERAGE RATIO

The Port's scheduled bond debt service payments, anticipated interest and principal repayments 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	Budget		Projected			
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Senior & Intermediate Lien Bonds	106,811	97,745	97,735	98,447	99,048	100,535	102,044
DBW Loan	458	458	458	458	458	458	458
Commercial Paper ¹	156	471	4,582	4,973	5,533	7,284	9,238
Total Debt Service	107,424	98,674	102,775	103,879	105,040	108,278	111,740
Intermediate Lien DSCR ²	1.59x	1.38x	1.37x	1.36x	1.34x	1.37x	1.41x
Aggregate DSCR ³	1.58x	1.37x	1.31x	1.30x	1.27x	1.27x	1.29x

¹ Reflects the Port's plan to make principal repayments on outstanding CP Notes in the amount of \$4 million per year, beginning in FY 2014-15. At the same time, it is anticipated that the balance of CP Notes will increase in order to provide interim financing for the Port's Terminal 1 renovation project. Based on the 5-Year Capital Needs Assessment (CNA), CP Notes balance is anticipated to be \$97.0 million by the end of FY 2014-15, increasing to \$174.6 million through the end of FY 2018-19. The interest rate on CP Notes is assumed to be 0.6% in FY 2014-15 and is expected to increase to 3.0% in FY 2018-19. 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.

² Intermediate Lien DSCR is Net Revenues (as defined in the Bond Indentures) divided by debt service on Senior and Intermediate Lien Bonds and DBW Loan.

³ Aggregate DSCR is Net Revenues (as defined in the Indentures) divided by debt service on Senior and Intermediate Lien Bonds, DBW Loan, and Commercial Paper Notes.

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 THROUGH 2019
(In \$Thousands)

Division	Actual 2012-13	Budget 2013-14	Budget 2014-15	Projected 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19	Variance 2015B vs. 2014B B/(W)	% Variance 2015B vs. 2014B B/-W
Operating Revenue									
Aviation	\$ 145,452	\$ 150,385	\$ 151,661	\$ 150,978	\$ 158,857	\$ 162,373	\$ 165,657	\$ 1,276	0.8%
Maritime	148,010	132,365	139,765	141,853	137,111	140,127	145,396	7,401	5.6%
CRE	12,674	12,724	13,706	14,208	13,623	13,749	13,764	981	7.7%
Utilities	9,442	9,777	10,072	10,912	12,168	13,485	14,808	295	3.0%
Bad Debt Reserve	(60)	(426)	(445)	(445)	(445)	(445)	(445)	(19)	-4.6%
Total Operating Revenue	315,518	304,826	314,759	317,506	321,314	329,289	339,181	9,933	3.3%
Operating Expenses									
Aviation	(76,695)	(85,764)	(89,553)	(90,227)	(92,384)	(94,643)	(96,947)	(3,789)	-4.9%
Maritime	(18,256)	(19,638)	(24,268)	(22,475)	(22,930)	(23,037)	(23,636)	(4,630)	-25.4%
Commercial Real Estate	(5,521)	(6,258)	(6,346)	(6,480)	(6,621)	(6,767)	(6,916)	(88)	-1.6%
Engineering & Environmental	(13,357)	(15,092)	(16,484)	(17,533)	(17,909)	(18,310)	(18,716)	(1,392)	-10.4%
Utilities Cost of Sales	(3,781)	(5,705)	(5,698)	(6,588)	(7,521)	(8,473)	(9,446)	7	0.2%
Executive	(4,075)	(5,968)	(5,323)	(5,444)	(5,583)	(5,729)	(5,877)	645	15.8%
Board	(434)	(547)	(564)	(571)	(586)	(601)	(616)	(17)	-3.9%
Audit	(1,038)	(1,272)	(1,330)	(1,360)	(1,397)	(1,437)	(1,477)	(58)	-5.6%
Legal	(3,548)	(4,694)	(4,930)	(5,041)	(5,167)	(5,301)	(5,436)	(236)	-6.7%
Finance & Administration	(12,062)	(13,402)	(13,699)	(14,031)	(14,390)	(14,801)	(15,187)	(298)	-2.5%
Non-Departmental Expenses	(27,451)	(28,996)	(29,490)	(30,423)	(31,141)	(31,911)	(32,741)	(494)	-1.8%
Absorption of Labor & Overhead to Capital Assets	14,594	11,832	11,381	11,434	10,843	10,866	10,964	(451)	-3.1%
Depreciation & Amortization	(98,234)	(98,020)	(101,821)	(108,384)	(111,659)	(114,655)	(114,230)	(3,800)	-3.9%
Total Operating Expenses	(249,857)	(273,523)	(288,124)	(297,122)	(306,445)	(314,798)	(320,260)	(14,601)	-5.8%
Operating Income (A)	65,661	31,303	26,635	20,384	14,869	14,491	18,921	(4,667)	-14.9%
Non-Operating Items									
Interest Income	1,095	1,035	1,245	1,567	2,104	4,257	6,434	210	20.3%
Interest Expense	(59,600)	(53,772)	(52,071)	(50,556)	(48,971)	(48,548)	(48,107)	1,701	3.2%
Passenger Facility Charges (PFC's)	19,924	21,032	20,212	20,689	21,178	21,677	22,189	(820)	-3.9%
Customer Facility Charges (CFC's)	5,387	5,282	5,383	5,510	5,640	5,773	5,910	101	1.9%
Abandoned Capital Assets	(658)	(300)	(300)	(300)	(300)	(300)	(300)	0	0.0%
Other Income (Expenses)	16,379	(2,870)	(3,333)	(3,101)	(3,223)	(3,350)	(3,482)	(463)	-16.1%
(B)	(17,474)	(29,593)	(28,863)	(26,190)	(23,572)	(20,489)	(17,356)	730	2.5%
Capital Contributions									
Grants from Government Agencies (C)	37,896	70,405	99,137	67,225	5,520	2,992	800	28,732	40.8%
CHANGE IN NET ASSETS (A+B+C)	\$ 86,083	\$ 72,115	\$ 96,909	\$ 61,420	\$ (3,183)	\$ (3,006)	\$ 2,364	\$ 24,794	34.4%
Net Assets, Beginning of the Year	942,335	1,028,418	1,100,533	1,197,442	1,258,862	1,255,678	1,252,673	72,115	7.0%
Net Assets, End of the Year	\$ 1,028,418	\$ 1,100,533	\$ 1,197,442	\$ 1,258,862	\$ 1,255,678	\$ 1,252,673	\$ 1,255,037	\$ 96,909	8.8%
Senior Lien Debt Service Coverage Ratio	2.49	2.82	2.69	2.80	3.00	3.04	3.11		
Intermediate Lien Debt Service Coverage Ratio	1.59	1.38	1.37	1.36	1.34	1.37	1.41		
Aggregate Debt Service Coverage Ratio	1.58	1.37	1.31	1.30	1.27	1.27	1.29		
Operating Ratio	48.1%	57.6%	59.2%	59.4%	60.6%	60.8%	60.7%		
Funded FTE's (Full-Time Equivalent)	456	494	497	495	495	495	495		

OPERATING EXPENSES BY CATEGORY
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 THROUGH 2019
(\$ Thousands)

Expense Categories	Actual FY 2012-13	Budget FY 2013-14	Budget FY 2014-15	Variance 2015B vs. 2014B	% Variance 2015B vs. 2014B	Projected Fiscal Years			
						2015-16	2016-17	2017-18	2018-19
		[A]	[B]	[B-A=C]					
Personnel Services	\$89,436	\$95,086	\$100,146	\$5,060	5.3%	\$102,359	\$104,987	\$107,876	\$110,833
Contractual Services	54,295	63,228	67,162	3,934	6.2%	65,893	66,908	68,108	69,416
Supplies	4,383	4,018	4,342	325	8.1%	4,211	4,486	4,317	4,391
General & Administrative	14,672	19,553	20,599	1,046	5.3%	21,389	22,000	22,514	23,193
Utilities	3,781	5,705	5,698	(7)	-0.1%	6,588	7,521	8,473	9,446
Departmental Credits	(14,944)	(12,087)	(11,644)	443	3.7%	(11,702)	(11,116)	(11,145)	(11,248)
Depreciation & Amortization	98,234	98,020	101,821	3,800	3.9%	108,384	111,659	114,655	114,230
Total Operating Expenses	\$249,857	\$273,523	\$288,124	\$14,601	5.3%	\$297,122	\$306,445	\$314,798	\$320,260

PORT ORGANIZATION

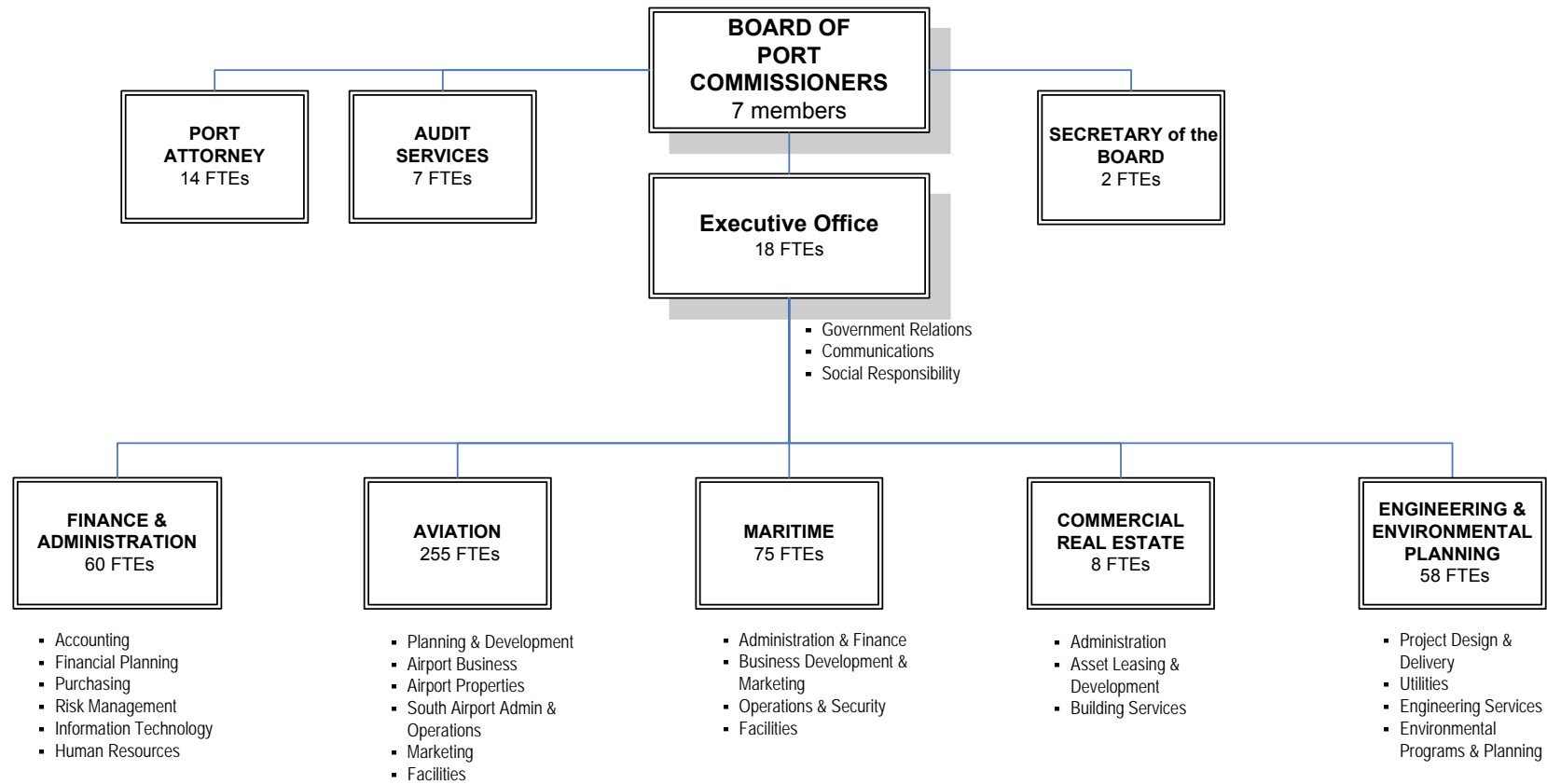
On December 19, 2013, the Board approved a new senior management organizational structure in order to create a management framework better aligned with business outcomes and objectives; encourage cross-departmental collaboration; eliminate functional duplications; improve management efficiencies; and increase accountability. The chart on page 47 illustrates the Port's current organizational structure.

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PORT OF OAKLAND ORGANIZATION CHART

Fiscal Year 2014-15

497 Funded FTEs (Full-Time Equivalents)



STAFF SUMMARY

The Port continues to evaluate its staffing needs in order to ensure operational and customer needs are achieved while balanced against available financial resources.

In FY 2013, the Port budgeted an additional 8 FTEs primarily in Information Technology to support the Port's Enterprise Resource Planning (ERP) initiative. In FY 2014, 2 additional FTEs were added to support the Port's capital program. In FY 2015, 3 additional FTEs are being added to support the Port's operational needs and capital program. A summary of staffing by Division is provided in the chart on page 49.

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STAFF SUMMARY

(FULL-TIME EQUIVALENT)

	Actual ¹ 2012-13	Budget 2012-13	Budget 2013-14	Budget ² 2014-15	Projected ³ 2015-16	Projected ³ 2016-17	Projected ³ 2017-18	Projected ³ 2018-19
<u>FTEs</u>								
Aviation	233	255	255	255	255	255	255	255
Maritime	69	71	72	75	73	73	73	73
Commercial Real Estate	7	8	8	8	8	8	8	8
Engineering and Environmental Planning	50	53	56	58	58	58	58	58
Finance and Administration	59	63	61	60	60	60	60	60
Executive Office	17	19	20	18	18	18	18	18
Port Attorney	13	13	13	14	14	14	14	14
Audit Services	6	7	7	7	7	7	7	7
Board of Port Commissioners	2	2	2	2	2	2	2	2
Non-Departmental	0	1	0	0	0	0	0	0
Total FTEs	456	492	494	497	495	495	495	495

¹ Represents FTEs that were filled as of June 30, 2013.

² 11 FTEs are limited duration appointments.

³ 9 FTEs are limited duration appointments.

PERSONNEL SERVICES BY DIVISION¹

(\$ Thousands)

	Actual 2012-13	Budget 2012-13	Budget 2013-14	Budget 2014-15	Projected 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19
Aviation	35,154	35,944	38,808	40,978	42,077	43,270	44,548	45,849
Maritime	11,107	11,691	12,789	13,855	14,016	14,374	14,804	15,242
Commercial Real Estate	1,099	1,265	1,342	1,408	1,443	1,484	1,528	1,572
Engineering & Environmental Planning	9,390	9,606	10,487	11,663	11,974	12,312	12,673	13,039
Executive Office ²	2,857	3,585	4,346	3,832	3,924	4,033	4,148	4,265
Board of Port Commissioners	329	346	377	400	410	421	433	445
Audit Services	1,009	1,165	1,236	1,294	1,324	1,361	1,400	1,439
Port Attorney	2,700	2,787	2,975	3,386	3,465	3,561	3,662	3,765
Finance and Administration ³	9,001	10,092	10,384	10,670	10,926	11,238	11,570	11,907
Non-Departmental	16,791	12,253	12,343	12,661	12,799	12,935	13,111	13,310
TOTAL PERSONNEL SERVICES	89,436	88,734	95,086	100,146	102,359	104,987	107,876	110,833
% Change from Prior Year Budget	n/a	4.9%	7.2%	5.3%	2.2%	2.6%	2.8%	2.7%
% Change from Prior Year Actuals	5.3%	n/a	n/a	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 Includes Executive, Social Responsibility, Communications, and Government Relations.

³ Includes Financial Services, Human Resources, and Information Technology.

SALARIES AND FRINGES BY DIVISION¹

(\$ Thousands)

	Budget FY 2013-14				Budget FY 2014-15		
	Salaries	Fringes	Total		Salaries	Fringes	Total
Aviation	24,124	12,032	36,156		24,787	13,317	38,104
Maritime	8,430	3,951	12,381		8,805	4,534	13,339
Commercial Real Estate	899	421	1,319		941	454	1,395
Engineering & Environmental Planning	6,982	3,173	10,155		7,571	3,757	11,328
Executive Office ²	2,889	1,219	4,108		2,550	1,177	3,727
Board of Port Commissioners	266	107	373		277	120	397
Audit Services	865	364	1,229		881	406	1,287
Port Attorney	2,066	864	2,930		2,277	1,036	3,313
Finance and Administration ³	6,852	3,143	9,995		6,939	3,447	10,386
Non-Departmental ⁴	(2,715)	(1,285)	(4,000)		(2,851)	(1,464)	(4,315)
TOTAL	50,659	23,989	74,648		52,178	26,785	78,962
Funded FTEs			494				497

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 Includes Executive, Social Responsibility, Communications, and Government Relations.

³ Includes Financial Services, Human Resources, and Information Technology.

⁴ Non-Departmental reflect Port-wide vacancy factor and retiree CalPERS replacement benefit.

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AVIATION DIVISION



AVIATION AREA MAP



AVIATION DIVISION FUNCTION

The Aviation Division manages, promotes, and develops air transportation facilities for the use of the traveling public and tenants, in a manner that prioritizes safety and maximizes OAK's contribution to the City's economy and that of the surrounding region.

AIRPORT EXECUTIVE OFFICE

The Executive Office plans, organizes and directs Airport operations pursuant to Port rules, policies and applicable federal and State regulations. This office also coordinates administrative services including human resource management/training, insurance compliance, and communications for the Aviation Division.

AIRSIDE OPERATIONS

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.

LANDSIDE OPERATIONS

Landside Operations manages airline terminal facility operations, interacts with airlines for space requirements, ensures that terminal facilities serve Airport customer needs and coordinates with TSA regarding the security checkpoint screening area modifications. This department coordinates with Aviation Facilities and Maintenance, 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.

AVIATION SECURITY

Aviation Security administers security, which includes Airport-worker training, background vetting, and the issuance of identification badges. This department also develops contingency plans for security-related emergencies at OAK, administers contracts with outside agencies to provide law enforcement and security guard services, manages/operates the Airport's automated access control system, and coordinates with the TSA on terminal and perimeter security matters and the operation of the security checkpoints.

AVIATION IT

Aviation IT plans, implements, and maintains special systems and telecommunications, and provides support and guidance to the Aviation Division, airlines and other Airport stakeholders. Special systems supported include the common use ticket counters and gate systems, flight information displays, the Airport operations database, resource management system, terminal paging and all passive and active infrastructure.

AVIATION FACILITIES MAINTENANCE

Aviation Facilities Maintenance performs maintenance, repair and construction of all Airport grounds, facilities and physical plant components for the entire 2,600 acre campus, and ensures compliance with numerous federal safety and security regulations and standards. This includes building exteriors, pavement (including runways, taxiways, and roadways), drainage, fences, dikes, landscaping; all utility systems including electrical power distribution, water, and sewer systems; and 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.

AIRPORT BUSINESS

Airport Business prepares the Aviation Division's operating revenue and expense budgets, passenger airline operations and financial forecasts; identifies enhancements to non-airline revenue; and manages Airport parking and bus shuttle services.

AVIATION MARKETING AND COMMUNICATIONS

Aviation Marketing and Communications develops, executes, and manages programs intended to maintain and grow passenger and cargo traffic levels at OAK. Programs include air service business development; business to business and business to consumer advertising; analysis of airline economic performance and industry trends; development and publication of performance reports; development of associated marketing materials; and advertising collateral. The department also manages aviation communications with media and related stakeholders, associated social media programs and Airport/airline customer relations programs, including quarterly Airport user satisfaction surveys, and the volunteer Airport information booth program.

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 PROPERTIES

Airport Properties manages the leasing, acquisition and disposition of Airport 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.

ACTIVITY LEVELS

(Thousands)

	Actual 2012-13	Budget 2013-14	Budget 2014-15	Projected 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19
Enplaned Passengers							
Volume	4,973	5,044	5,022	5,140	5,261	5,386	5,513
% Growth	3.1%	1.4%	-0.4%	2.4%	2.4%	2.4%	2.4%
Landing							
Weight	8,745,413	8,962,000	9,079,000	9,293,264	9,512,585	9,737,082	9,966,878
% Growth	0.3%	2.5%	1.3%	2.4%	2.4%	2.4%	2.4%
Parking							
Revenue							
Transactions	873	877	882	890	899	908	917
% Growth	-0.2%	0.4%	0.6%	1.0%	1.0%	1.0%	1.0%
AirBART							
Ridership ¹	769	812	336	0	0	0	0
% Growth	-0.5%	5.6%	-59%	n/a	n/a	n/a	n/a

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

- Estimated FY 2013-14 enplaned passengers is 4,937,800, which is 2.1% less than budgeted FY 2013-14 enplanements. Budgeted FY 2014-15 enplanements is 1.7% higher than estimated FY 2013-14 enplanements.
- Estimated FY 2013-14 Landing Weight is 8,659,611,000 pounds, which is 3.4% less than FY 2013-14 budgeted Landing Weight. Budgeted FY 2014-15 Landing Weight is 4.8% higher than estimated FY 2013-14 landing weight.
- Projected growth in parking revenue transaction volume is less than budgeted enplanement growth due to declining trends in paid short-term parking, which is declining nationally. However, overnight parking volume, which generates over 90% of revenue, is increasing.
- AirBART operations are assumed to cease in late 2014.

AVIATION DIVISION

OPERATING REVENUE

(\$ Thousands)

	Actual 2012-13	Budget 2013-14	Budget 2014-15	Projected 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19
Fueling Revenue	3,918	3,295	2,903	2,900	2,930	2,960	2,991
Airfield Revenue	30,970	31,782	31,612	32,291	33,980	34,751	35,481
Terminal Concessions	20,104	19,689	20,535	20,611	20,689	17,401	16,767
Other Terminal	6,891	7,885	8,302	8,265	9,024	9,989	10,338
Other Airport Rentals	26,779	26,859	27,785	26,964	28,716	29,372	30,023
Parking and Ground Access	30,548	30,907	31,054	30,787	31,514	32,258	33,019
Terminal Rent	28,239	29,856	29,357	29,048	31,892	35,636	37,029
Late Payments & Other Charges	1,150	7	7	7	7	7	7
Miscellaneous	2	104	104	104	104	0	0
Subtotal	145,452	150,385	151,661	150,978	158,857	162,373	165,657
Bad Debt Reserve	121	(101)	(120)	(120)	(120)	(120)	(120)
TOTAL	145,573	150,285	151,541	150,858	158,738	162,252	165,537

- FY 2013-14: Fueling Revenue declines due to scheduled adjustments to payments by the airline fuel consortium. Airfield Revenue and Terminal Rent increases reflect adjustments to landing fees and rental rates. Other Terminal increases primarily due to higher baggage fees. Parking and Ground Access increase is primarily due to projected enplanement growth.
- FY 2014-15: Fueling Revenue decrease reflects the terms of the lease with OFFC. Airfield Revenue and Terminal Rent decrease due to slightly lower landing fees and rental rates which reflect the true up of airline payments from FY 2012-13. Terminal Concessions and Other Terminal increases are primarily due to projected enplanement growth. The increase in Parking and Ground Access reflects an increase in parking revenues offset by the cessation of AirBART operations in late 2014. Other Airport Rentals increase reflects contractual lease adjustments.
- FY 2015-16: Airfield Revenue increase reflects anticipated landing fee adjustments. Terminal Concessions increase slightly, reflecting higher enplanements growth. The decrease in Other Airport Rentals is driven by a one-time tenant credit. Parking and Ground Access decrease is largely due to the termination of AirBART which is partially offset by an increase in parking revenues.

- FY 2016-17: Airfield Revenue and Terminal Rent increases reflect anticipated landing fee and rental rate adjustments. Other Airport Rentals increase reflects the lapse of a tenant rent credit in the prior year and contractual lease adjustments. Other Terminal and Parking and Ground Access increases are primarily due to projected enplanement growth.
- FY 2017-18: Airfield Revenue and Terminal Rent increases reflect anticipated landing fee and rental rate adjustments. Terminal Concessions decrease primarily due to anticipated renegotiated concession agreements. Other Airport Rentals increase as a result of contractual lease adjustments. Other Terminal and Parking and Ground Access increases are primarily due to projected enplanement growth.
- FY 2018-19: Airfield Revenue and Terminal Rent increases reflect anticipated landing fee and rental rate adjustments. Terminal Concessions decrease reflects the lapse of a tenant infrastructure fee, which is a return of Port investment in concessions spaces. Other Airport Rentals increase as a result of contractual lease adjustments. Other Terminal and Parking and Ground Access increases are primarily due to projected enplanement growth.

AVIATION DIVISION

OPERATING EXPENSES

(\$ Thousands)

	Actual 2012-13	Budget 2013-14	Budget 2014-15	Projected 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19
Personnel Services	35,154	38,808	40,978	42,077	43,270	44,548	45,849
Contractual Services	37,747	42,218	43,747	43,226	44,086	44,968	45,867
Supplies	2,280	2,214	2,207	2,251	2,296	2,342	2,389
General & Administrative	1,514	2,524	2,621	2,674	2,731	2,786	2,842
Dept'l (Credits) Charges	0	0	0	0	0	0	0
TOTAL	76,695	85,764	89,553	90,227	92,384	94,643	96,947
<i>FTEs (headcount)</i>	<i>233</i>	<i>255</i>	<i>255</i>	<i>255</i>	<i>255</i>	<i>255</i>	<i>255</i>

Personnel Services

- 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. 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 30.2%. Health care premiums assumed to increase 9% on January 1, 2015.
- FY 2015-16 through FY 2018-19: CalPERS pension employer contribution rate assumed to increase to 32.0%, 33.8%, 35.7%, and 37.5%, respectively. Health care premiums assumed to increase by 7.5%, 6.5%, 6.875% and 7%, respectively. No salary adjustments assumed.

Contractual Services

- FY 2013-14: Higher by \$4.5 million due to increases in Oakland Fire Department-ARFF of \$1.5 million, Alameda County Sheriff expense of \$1.2 million, repairs and maintenance related expenses of \$1.1 million, and parking lot operations of \$0.7 million.
- FY 2014-15: Higher by \$1.5 million due to increases in Oakland Fire Department-AARF of \$1.0 million, one time consulting services of \$0.7 million, Alameda County Sheriff of \$0.3 million, parking lot shuttle bus of \$0.3 million, and security costs of \$0.2 million, partially offset by lower AirBART shuttle bus expense of \$1.2 million resulting from the commencement of BART Oakland Airport Connector service in late 2014.
- FY 2015-16: Lower by \$0.5 million due to the elimination of AirBART shuttle bus of \$0.8 million and decreased consulting expenses of \$0.6 million partially offset by a 2% increase for all other contractual services.
- FY 2016-17 through FY 2018-19: Expenses assumed to increase approximately 2% each year.

Supplies

- FY 2013-14: Lower by \$0.1 million primarily due to maintenance, janitorial, and landscaping supplies.
- FY 2014-15: Expenses budgeted to be flat.
- FY 2015-16 through FY 2018-19: Expenses assumed to increase approximately 2% each year.

General & Administrative

- FY 2013-14: Higher by \$1.0 million primarily due to increased marketing expenses of \$0.7 million, exhibits and displays of \$0.2 million and special events of \$0.1 million.
- FY 2014-15: Expenses increase \$0.1 million primarily due to pollution insurance that was previously not budgeted in Aviation but in Non-Departmental and increased advertising.
- FY 2016-17 through FY 2018-19: Expenses assumed to increase approximately 2% each year.

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.

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 and compliance, 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 OPERATIONS AND SECURITY

Operations and Security is responsible for day-to-day liaison with maritime tenants. 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), as well as 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 maritime and CRE areas and, to a lesser extent, at OAK and the Airport Business Park. Harbor Facilities also provides support during construction of capital projects, performs regular and preventive maintenance, administers certain 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 projects. 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 12-30 (formerly 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 2012-13	Budget 2013-14	Budget 2014-15	Projected 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19
Number of Deep Water Cargo Vessels	1,869	1,962	1,952	1,952	1,952	1,952	1,952
Total Loaded TEUs ¹	1,794,187	1,793,166	1,839,013	1,875,800	1,932,075	1,990,040	2,049,737
Total Loaded TEUs % Growth	-0.20%	-0.10%	2.60%	2.00%	3.00%	3.00%	3.00%

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

- The number of cargo vessels is difficult to project in future years. As larger vessels are deployed, cargo growth could be accommodated on fewer vessels. For simplicity, vessel calls are held flat from FY 2014-15 through FY 2018-19.
- Increased activity not always proportional to revenue increase because of Minimum Annual Guarantees (MAG) and agreements.
- Anticipated FY 2013-14 Number of Deep Water Cargo Vessels is estimated to be 1,910. Vessel growth in FY 2014-15 is based on FY 2013-14 anticipated.
- Anticipated FY 2013-14 Total Loaded TEUs are estimated to be 1,802,979, slightly higher than FY 2013-14 Budget. Total Loaded TEU growth in FY 2014-15 TEUs is 2.0% higher than FY 2013-14 anticipated.

MARITIME DIVISION OPERATING REVENUE

(\$ Thousands)

	Actual 2012-13	Budget 2013-14	Budget 2014-15	Projected 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19
Marine Terminals	134,094	122,293	124,945	127,861	123,798	126,347	129,485
Oakland International Gateway	2,078	2,117	2,208	2,320	2,461	2,611	2,770
Other Revenue	11,839	8,955	13,612	12,672	10,852	11,169	13,141
Miscellaneous	0	(1,000)	(1,000)	(1,000)	0	0	0
Subtotal	148,011	132,365	139,765	141,853	137,111	140,127	145,396
Bad Debt Reserve	(156)	(250)	(250)	(250)	(250)	(250)	(250)
TOTAL	147,855	132,115	139,515	141,603	136,861	139,877	145,146

- FY 2013-14: Terminals revenue decreases by \$11.8 million due to renegotiated lease terms and anticipated shifts in cargo activity among terminal operators, which would result in less over MAG revenue. Other revenue is lower by \$2.9 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: Compared to FY 2013-14 Budget, revenues increase approximately \$7.4 million. However, compared to FY 2013-14 anticipated revenue of \$145.7 million, the FY 2014-15 Budget represents a decrease in revenue of approximately \$6.2 million. The budgeted decrease in FY 2014-15 results primarily from the full impact of certain cargo shifts and the full impact of lease termination of certain property in FY 2013-14, offset primarily by forecasted cargo activity growth, and elimination of prior year rent credits for space assignments at the former OAB. An IPI Incentive Program of \$1 million is assumed (reduction in revenue), as well as a tariff increase.
- FY 2015-16: Terminals revenue increases primarily due to forecasted cargo activity growth. Other revenue decreases primarily due to certain space assignments in the OAB area being vacated to accommodate the development of a logistics center. An IPI Incentive Program of \$1 million is assumed (reduction in revenue), as well as a tariff increase.
- FY 2016-17: Tariff increase assumed. Terminals revenues lower by \$4.1 million primarily due to anticipated renegotiated lease terms and cargo shifts. Other revenue decreases due to full impact of vacancies resulting from OAB redevelopment into a logistics center.
- FY 2017-18: Tariff increase assumed. Terminals revenue increases primarily due to forecasted cargo activity growth. Other revenue increases as a result of assumed new leases at the logistics center.
- FY 2018-19: Tariff increase assumed. Terminals revenue increases primarily due to forecasted cargo activity growth. Other revenue increases as a result of assumed new leases at the logistics center.

MARITIME DIVISION OPERATING EXPENSES

(\$ Thousands)

	Actual 2012-13	Budget 2013-14	Budget 2014-15	Projected 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19
Personnel Services	11,107	12,789	13,855	14,016	14,374	14,804	15,242
Contractual Services	3,840	4,600	7,064	5,317	5,194	5,199	5,316
Supplies	1,834	1,450	1,735	1,556	1,779	1,555	1,574
General & Administrative	1,475	833	1,649	1,620	1,620	1,515	1,540
Dept'l (Credits) Charges	0	(34)	(34)	(35)	(35)	(36)	(37)
TOTAL	18,256	19,638	24,268	22,475	22,930	23,037	23,636
<i>FTEs (headcount)</i>	<i>69</i>	<i>72</i>	<i>75</i>	<i>73</i>	<i>73</i>	<i>73</i>	<i>73</i>

Personnel Services

- 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. 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 30.2%. Health care premiums assumed to increase 9% on January 1, 2015. Also contributing to the increase is the addition of 3 FTEs.
- FY 2015-16 through FY 2018-19: CalPERS pension employer contribution rate assumed to increase to 32.0%, 33.8%, 35.7%, and 37.5%, respectively. Health care premiums assumed to increase by 7.5%, 6.5%, 6.875% and 7%, respectively. No salary adjustments assumed. Expiration of 2 Limited Duration FTEs occurs in FY 2015-16.

Contractual Services

- FY 2013-14: Primarily higher maintenance and repair related expenses of \$0.8 million.
- FY 2014-15: Higher by \$2.5 million primarily due to significant increase in major maintenance of \$1.5 million, consulting services of \$0.5 million, and security of \$0.4 million, partially offset by lower management fees at Middle Harbor Shoreline Park of \$0.1 million.
- FY 2015-16: Lower by \$1.7 million primarily due to decreased major maintenance of \$0.8 million, security costs of \$0.7 million and consulting of \$0.3 million. Other contractual services assumed to increase 2%.
- FY 2016-17: Lower by \$0.1 million due to decreased consulting of \$0.3 million and major maintenance of \$0.2 million partially offset by higher security costs of \$0.3 and crane maintenance of \$0.1 million. Other contractual services are assumed to increase 2%.

- FY 2017-18: Expenses assumed flat as lower maintenance and repair expenses offset by higher crane maintenance and management fees at Middle Harbor Shoreline Park as well as other contractual services increasing 2%.
- FY 2018-19: Expenses increase \$0.1 million due to higher crane maintenance and an assumed increase in other contractual services expenses of 2%.

Supplies

- FY 2013-14: Lower by \$0.4 million due to maintenance materials, electrical, and vehicle maintenance supplies.
- FY 2014-15: Higher by \$0.3 million primarily due to increased maintenance materials.
- FY 2015-16 through FY 2017-19: Year over year fluctuations are the result of increased and decreased expenditures (+/- \$0.2 million) in maintenance materials with other supplies increasing by 2%.

General & Administrative

- FY 2013-14: Lower by \$0.6 million due to truck parking and higher cost share recovery from City related to maintenance and repair at former OAB property partially offset by higher travel and marketing expenses.
- FY 2014-15: Higher by \$0.8 million primarily due to increased truck parking of \$0.3 million, maritime security contingency of \$0.3 million, and lower cost share recovery from City.
- FY 2015-16 through FY 2018-19: Expenses assumed to decline slightly; lower maritime security contingency offset by other expenses increasing by approximately 2% each year.

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 2012-13	Budget 2013-14	Budget 2014-15	Projected 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19
Jack London Square	6,412	6,702	6,856	7,045	7,162	7,074	7,031
Embarcadero Cove	2,017	1,879	2,261	2,289	2,319	2,378	2,396
Business Park and Distribution Center	1,240	1,629	2,151	2,482	2,524	2,656	2,676
Other Areas	3,004	2,514	2,437	2,391	1,617	1,641	1,661
Subtotal	12,674	12,724	13,706	14,208	13,623	13,749	13,764
Bad Debt Reserve	2	(75)	(75)	(75)	(75)	(75)	(75)
TOTAL	12,676	12,649	13,631	14,133	13,548	13,674	13,689

Jack London Square

- FY 2013-14 through FY 2016-17: Increase in percentage rents, minimum rent adjustments due to lease renewals and scheduled rent adjustments.
- FY 2017-18 through FY 2018-19: Increases in percentage rents, minimum rent adjustments due to lease renewals and scheduled rent adjustments are offset by office and restaurant vacancy potential.

Embarcadero Cove

- FY 2014-15 through FY 2018-19: Projected increase in percentage rents, minimum rent adjustments due to lease renewals and scheduled rent adjustments.

Business Park and Distribution Center

- FY 2014-15 through FY 2018-19: Projected increase in percentage rents, minimum rent adjustments due to lease renewals and scheduled rent adjustments.

Other Areas

- FY 2013-14 through FY 2016-17: Lower rental income due to the completion of contractual payments related to the Brooklyn Basin/ Oak-to-Ninth transaction.
- FY 2017-18 through FY 2018-19: Projected increase in percentage rents, minimum rents due to lease renewals and scheduled rent adjustments.

COMMERCIAL REAL ESTATE DIVISION

OPERATING EXPENSES

(\$ Thousands)

	Actual 2012-13	Budget 2013-14	Budget 2014-15	Projected 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19
Personnel Services	1,099	1,342	1,408	1,443	1,484	1,528	1,572
Contractual Services	4,185	4,592	4,618	4,710	4,804	4,900	4,998
Supplies	95	124	114	117	119	121	124
General & Administrative	303	360	374	382	389	397	405
Dept'l (Credits) Charges	(161)	(161)	(169)	(172)	(176)	(179)	(183)
TOTAL	5,521	6,258	6,346	6,480	6,621	6,767	6,916
<i>FTEs (headcount)</i>	<i>7</i>	<i>8</i>	<i>8</i>	<i>8</i>	<i>8</i>	<i>8</i>	<i>8</i>

Personnel Services

- 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. 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 30.2%. Health care premiums assumed to increase 9% on January 1, 2015.
- FY 2015-16 through FY 2018-19: CalPERS pension employer contribution rate assumed to increase to 32.0%, 33.8%, 35.7%, and 37.5%, respectively. Health care premiums assumed to increase by 7.5%, 6.5%, 6.875% and 7%, respectively. No salary adjustments assumed.

Contractual Services

- FY 2013-14: Increased operating costs at Port administration building, Jack London Square (JLS) and parking lots.
- FY 2014-15: Lower management consultants offset by higher operating costs at JLS and for security.
- FY 2015-16 through FY 2018-19: Expenses assumed to increase approximately 2% each year.

Supplies

- FY 2014-15 through FY 2018-19: Expenses assumed to increase approximately 2% each year.

General & Administrative

- FY 2014-15 through FY 2018-19: Expenses assumed to increase approximately 2% each year.

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UTILITIES-ENGINEERING DIVISION



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 2012-13	Budget 2013-14	Budget 2014-15	Projected 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19
South Airport	3,424	1,679	2,171	2,174	2,240	2,308	2,378
North Airport	1,901	1,868	1,912	1,918	1,977	2,040	2,103
Marine Terminals – Retail	395	400	400	412	424	437	450
Marine Terminals – Wholesale	3,274	3,306	3,450	3,425	3,471	3,570	3,672
Marine Terminals – Shore Power	7	2,185	1,712	2,625	3,693	4,761	5,829
Commercial Real Estate	102	103	102	105	108	111	115
Oakland Army Base	339	236	325	253	255	258	261
TOTAL	9,442	9,777	10,072	10,912	12,168	13,485	14,808

REVENUE BY COMMODITY TYPE

(\$ Thousands)

	Actual 2012-13	Budget 2013-14	Budget 2014-15	Projected 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19
Electricity – Retail	497	502	502	517	532	548	565
Electricity – Wholesale	7,298	6,750	7,450	7,300	7,513	7,733	7,959
Electricity – Capacity	1,372	106	150	225	175	175	175
Shore Power	7	2,185	1,712	2,625	3,693	4,761	5,829
Gas	51	52	56	58	60	62	64
Telecom – Capacity	0	0	0	0	0	0	0
Water (Sewer)	171	132	177	187	195	206	216
Water – Capacity	0	0	0	0	0	0	0
Miscellaneous	45	50	25	0	0	0	0
TOTAL	9,442	9,777	10,072	10,912	12,168	13,485	14,808

- FY 2013-14: Decreased electricity revenue due to one-time capacity charge of \$1.2 million from a major tenant in FY 2012-13 at South Airport and lower usage by a major cargo tenant. 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: South Airport electricity higher due to increased use by major cargo tenant opening new building. Shore Power revenues decrease due to lower anticipated usage based on current utilization of system.
- FY 2015-16 through FY 2018-19: Utility rates for water (sewer), gas, and electricity assumed to increase by 5%, 3%, and 3%, respectively. Shore Power usage anticipated to increase.

UTILITIES - ENGINEERING DIVISION

COST OF SALES BY AREA

(\$ Thousands)

	Actual 2012-13	Budget 2013-14	Budget 2014-15	Projected 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19
South Airport	770	841	1,080	1,083	1,116	1,149	1,183
North Airport	864	1,018	990	995	1,027	1,060	1,094
Marine Terminals – Retail	398	400	400	412	424	437	450
Marine Terminals – Wholesale	1,548	2,191	2,073	2,073	2,135	2,199	2,265
Commercial Real Estate	102	102	102	105	108	111	115
Oakland Army Base	99	91	173	153	155	158	161
Shore Power	0	1,062	880	1,767	2,556	3,359	4,178
TOTAL	3,781	5,705	5,698	6,588	7,521	8,473	9,446

COST OF SALES BY COMMODITY TYPE

(\$ Thousands)

	Actual 2012-13	Budget 2013-14	Budget 2014-15	Projected 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19
Electricity – Retail	500	502	502	517	532	548	565
Electricity – Wholesale	3,089	3,988	4,092	4,069	4,187	4,309	4,435
Shore Power	0	1,062	880	1,767	2,556	3,359	4,178
Gas	48	46	47	48	51	51	52
Water	144	107	177	187	195	206	216
TOTAL	3,781	5,705	5,698	6,588	7,521	8,473	9,446

- FY 2013-14: Shore power increase due to substantial compliance of CARB Shore Power regulation beginning January 2014. Increase in electricity cost of sales due to increase in renewable energy purchase.
- FY 2014-15: Shore Power decrease due to lower anticipated usage based on current utilization of system. Wholesale electricity higher due to increased use at South Airport partially offset by lower costs from decrease in renewable energy purchases.
- FY 2015-16 through FY 2018-19: Utility costs for water (sewer), gas, and electricity assumed to increase by 5%, 3%, and 3%, respectively. Shore Power usage assumed to increase.

ENGINEERING & ENVIRONMENTAL PLANNING DIVISION FUNCTION

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

- Administration and effective and accountable project management of Port-funded (incl. grant funded) design/construction contracts in support of the Port's capital and major maintenance programs;
- Environmental programs and planning;
- 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;
- Administration of the bid process for publicly bid construction contracts;
- Custodial management of the Port's engineering records on all Port assets;
- Building permits for the Port, its tenants and other landowners in the Port area; and code compliance support.

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 and Commercial Real Estate businesses. 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).
- **Contract Administration** is responsible for 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.

ENVIRONMENTAL PROGRAMS AND PLANNING

The Environmental Programs and Planning (EP&P) Department 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.

- **EP&P Administration** is chiefly responsible for EP&P department operations. It 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 on strategic environmental and planning initiatives and policies.

- **Environmental Health & Safety, Aviation/Commercial Real Estate, and Maritime**

Core functions 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.

ENGINEERING & ENVIRONMENTAL PLANNING DIVISION OPERATING EXPENSES

(\$ Thousands)

	Actual 2012-13	Budget 2013-14	Budget 2014-15	Projected 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19
Personnel Services	9,390	10,487	11,663	11,974	12,312	12,673	13,039
Contractual Services	3,855	4,389	4,614	5,348	5,383	5,419	5,455
Supplies	100	137	135	138	141	144	147
General & Administrative	132	139	131	134	136	139	141
Dept'l (Credits) Charges	(120)	(60)	(60)	(61)	(62)	(64)	(65)
TOTAL	13,357	15,092	16,484	17,533	17,909	18,310	18,716
<i>FTEs (headcount)</i>	<i>50</i>	<i>56</i>	<i>58</i>	<i>58</i>	<i>58</i>	<i>58</i>	<i>58</i>

Personnel Services

- 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. 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 30.2%. Health care premiums assumed to increase 9% on January 1, 2015. 2 additional FTE's added compared to the FY 2014 staffing plan.
- FY 2015-16 through FY 2018-19: CalPERS pension employer contribution rate assumed to increase to 32.0%, 33.8%, 35.7%, and 37.5%, respectively. Health care premiums assumed to increase by 7.5%, 6.5%, 6.875% and 7%, respectively. No salary adjustments assumed.

Contractual Services

- FY 2013-14: Primarily higher consulting expenses.
- FY 2014-15: Higher maintenance dredging costs.
- FY 2015-16: Maintenance dredging increases by \$0.7 million due to dredging requirements as mandated by local regulatory agencies.
- FY 2016-17 through FY 2018-19: Maintenance dredging assumed flat while all other expenses assumed to increase approximately 2% each year.

Supplies

- FY 2014-15: Expenses budgeted to remain flat.
- FY 2015-16 through FY 2018-19: Expenses assumed to increase approximately 2% each year.

General & Administrative

- FY 2014-15: Expenses budgeted to remain flat.
- FY 2015-16 through FY 2018-19: Expenses assumed to increase approximately 2% each year.

FINANCE AND ADMINISTRATION DIVISION

FUNCTION

The Finance and Administration Division provides the Port with short and long-term financial guidance in the areas of financial planning, financial management, capital project funding, and internal and external financial reporting. This division is also responsible for risk management, purchasing, information technology, and human resources.

FINANCE

- **Accounting** is led by the Port Controller, and 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** 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 is also responsible for cash management, debt management, and debt compliance.
- **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** 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 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.

INFORMATION TECHNOLOGY

The Information Technology Department 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 department collaborates with Port divisions 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.

HUMAN RESOURCES

Human Resources is responsible for servicing and advising the Port on matters related to human resources administration.

- **Personnel and Employee Services** is responsible for the administration of the Personnel Rules and Procedures of the Port of Oakland (Port Personnel Rules) and the City of Oakland Civil Service Rules; and maintains and administers provisions related to classification and compensation, recruitment and selection, certification, appointment and performance management.
- **Payroll and Benefits** is responsible for the effective delivery of services related to payroll and benefits administration.
- **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; assists and guides management in handling grievances, employee discipline matters, and employee relations issues; and provides support to the Port Attorney's Office for litigation or arbitrations arising out of contract disputes.
- **Equal Opportunity** is responsible for policies and programs that ensure the Port is free of discrimination and harassment pursuant to rules and regulations promulgated by the Department of Fair Employment and Housing (DFEH) and the Equal Employment Opportunity Commission (EEOC). Equal Opportunity is also responsible for the Accessibility and Accommodation Program, which prohibits discrimination against persons with disabilities in employment, transportation, public accommodation, communications, governmental activities, and telecommunication.
- **Workers' Compensation** maintains and operates a self-insured, self-funded workers' compensation program in compliance with all applicable laws and statutes. They investigate each industrial injury or illness, report suspected fraudulent claims, monitor medical treatment, arrange medical consultations, determine eligibility for workers' compensation benefits, provide information on benefits to employees, communicate with Port management on return-to-work status and coordinate with reporting agencies and other Port divisions to resolve work-related illness or injury issues.
- **Organizational Effectiveness** is responsible for the delivery of an array of training programs designed to enhance staff morale, and develop and promote an efficient and high performing workforce.

FINANCE AND ADMINISTRATION DIVISION

OPERATING EXPENSES

(\$ Thousands)

	Actual 2012-13	Budget 2013-14	Budget 2014-15	Projected 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19
Personnel Services	9,001	10,384	10,670	10,926	11,238	11,570	11,907
Contractual Services	2,735	2,810	2,802	2,873	2,917	2,991	3,035
Supplies	32	44	96	98	100	102	104
General & Administrative	295	164	131	134	136	138	141
TOTAL	12,062	13,402	13,699	14,031	14,390	14,801	15,187
<i>FTEs (headcount)</i>	<i>59</i>	<i>61</i>	<i>60</i>	<i>60</i>	<i>60</i>	<i>60</i>	<i>60</i>

Personnel Services

- 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. 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 30.2%. Health care premiums assumed to increase 9% on January 1, 2015.
- FY 2015-16 through FY 2018-19: CalPERS pension employer contribution rate assumed to increase to 32.0%, 33.8%, 35.7%, and 37.5%, respectively. Health care premiums assumed to increase by 7.5%, 6.5%, 6.875% and 7%, respectively. No salary adjustments assumed.

Contractual Services

- FY 2013-14: Higher computer systems and information technology consultants partially offset by lower payroll services cost.
- FY 2014-15: Expenses budgeted to remain in aggregate flat.
- FY 2015-16 through FY 2018-19: Expenses assumed to increase approximately 2% each year except for actuarial services which vary bi-annually due to reporting requirements related to the Port's retiree medical plan.

Supplies

- FY 2014-15: Primarily higher expendable equipment due to the phased replacement of Port desktop computers.
- FY 2015-16 through FY 2018-19: Expenses assumed to increase approximately 2% each year.

General & Administrative

- FY 2013-14: Lower primarily due to reduced use of executive recruitment search firm.
- FY 2014-15: Lower primarily due to reduced use of executive recruitment search firm
- FY 2015-16 through FY 2018-19: Expenses assumed to increase approximately 2% each year.

EXECUTIVE OFFICE FUNCTION

The Executive Office provides leadership, vision, inspiration and direction to all Port divisions. This includes strategic and business planning, policy development, communications, social responsibility, community affairs, and government relations.

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 Principal Assistant to the Executive Director assists in the development and implementation of the strategic plan, helps determine resources necessary to fulfill the Port's goals and objectives, oversees special projects and represents the Executive Director on selected committees.

COMMUNICATIONS

Communications provides timely, proactive, and cost-effective 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.

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

GOVERNMENT RELATIONS

Government Relations 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. This department also 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.

SOCIAL RESPONSIBILITY

Social Responsibility 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 through innovative policies and programs, strategic partnerships, and outreach.

- Promotes inclusion of small, local, and/or disadvantaged business enterprises in procurement and contracting opportunities at the Port;
- Promotes and facilitates job opportunities and sustainable wages for the local community; and
- Defines, develops, and administers comprehensive community education and outreach programs.

EXECUTIVE OFFICE OPERATING EXPENSES

(\$ Thousands)

	Actual 2012-13	Budget 2013-14	Budget 2014-15	Projected 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19
Personnel							
Services	2,857	4,346	3,832	3,924	4,033	4,148	4,265
Contractual							
Services	869	1,041	751	766	781	797	813
Supplies	10	12	14	15	15	15	15
General & Administrative	339	568	725	739	754	768	783
TOTAL	4,075	5,968	5,323	5,444	5,583	5,729	5,877
<i>FTEs (headcount)</i>	<i>17</i>	<i>20</i>	<i>18</i>	<i>18</i>	<i>18</i>	<i>18</i>	<i>18</i>

Personnel Services

- 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. 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 30.2%. 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 and the elimination of 2 FTEs.
- FY 2015-16 through FY 2018-19: CalPERS pension employer contribution rate assumed to increase to 32.0%, 33.8%, 35.7%, and 37.5%, respectively. Health care premiums assumed to increase by 7.5%, 6.5%, 6.875% and 7%, respectively. No salary adjustments assumed.

Contractual Services

- FY 2013-14: Primarily higher one-time consulting services.
- FY 2014-15: Primarily lower consulting services.
- FY 2015-16 through FY 2018-19: Expenses assumed to increase approximately 2% each year.

General and Administrative

- FY 2013-14: Primarily higher travel, dues and registration, and special events.
- FY 2014-15: Increased community outreach and public relations.
- FY 2015-16 through FY 2018-19: Expenses assumed to increase approximately 2% each year.

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 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, insurance, litigation, public finance, construction, open meeting laws, tax and labor/employment.

OPERATING EXPENSES

(\$ Thousands)

	Actual 2012-13	Budget 2013-14	Budget 2014-15	Projected 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19
Personnel							
Services	2,700	2,975	3,386	3,465	3,561	3,662	3,765
Contractual							
Services	743	1,568	1,400	1,428	1,456	1,485	1,515
Supplies	15	25	25	26	26	27	27
General & Administrative	90	127	120	122	124	127	129
TOTAL	3,548	4,694	4,930	5,041	5,167	5,301	5,436
<i>FTEs (headcount)</i>	<i>13</i>	<i>13</i>	<i>14</i>	<i>14</i>	<i>14</i>	<i>14</i>	<i>14</i>

Personnel Services

- 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. 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 30.2%. Health care premiums assumed to increase 9% on January 1, 2015. Addition of 1 FTE.
- FY 2015-16 through FY 2018-19: CalPERS pension employer contribution rate assumed to increase to 32.0%, 33.8%, 35.7%, and 37.5%, respectively. Health care premiums assumed to increase by 7.5%, 6.5%, 6.875% and 7%, respectively. No salary adjustments assumed.

Contractual Services

- FY 2013-14: Higher outside legal services.

- FY 2014-15: Primarily lower outside legal services of \$0.2 million due to addition of 1 FTE and lower computer systems of \$0.1 million.
- FY 2015-16 through FY 2018-19: Expenses assumed to increase approximately 2% each year.

General & Administrative

- FY 2013-14: Primarily higher travel and dues & registration expenses.
- FY 2014-15: Decreased books and subscriptions.
- FY 2015-16 through FY 2018-19: Expenses assumed to increase approximately 2% each year.

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.

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 2012-13	Budget 2013-14	Budget 2014-15	Projected 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19
Personnel							
Services	1,009	1,236	1,294	1,324	1,361	1,400	1,439
Contractual							
Services	7	5	5	5	5	6	6
Supplies	5	6	6	6	6	6	7
General & Administrative	17	25	25	25	25	25	26
TOTAL	1,038	1,272	1,330	1,360	1,397	1,437	1,477
<i>FTEs (headcount)</i>	<i>6</i>	<i>7</i>	<i>7</i>	<i>7</i>	<i>7</i>	<i>7</i>	<i>7</i>

Personnel Services

- 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. 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 30.2%. Health care premiums assumed to increase 9% on January 1, 2015.
- FY 2015-16 through FY 2018-19: CalPERS pension employer contribution rate assumed to increase to 32.0%, 33.8%, 35.7%, and 37.5%, respectively. Health care premiums assumed to increase by 7.5%, 6.5%, 6.875% and 7%, respectively. No salary adjustments assumed.

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 2012-13	Budget 2013-14	Budget 2014-15	Projected 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19
Personnel							
Services	329	377	400	410	421	433	445
Contractual							
Services	32	27	4	4	4	4	4
Supplies	13	6	10	5	5	5	5
General & Administrative	60	138	150	152	155	158	161
TOTAL	434	547	564	571	586	601	616
<i>FTEs (headcount)</i>	2	2	2	2	2	2	2

Personnel Services

- 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. 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 30.2%. Health care premiums assumed to increase 9% on January 1, 2015.
- FY 2015-16 through FY 2018-19: CalPERS pension employer contribution rate assumed to increase to 32.0%, 33.8%, 35.7%, and 37.5%, respectively. Health care premiums assumed to increase by 7.5%, 6.5%, 6.875% and 7%, respectively. No salary adjustments assumed.

Contractual Services

- FY 2014-15: Transfer of Board meeting internet hosting to Information Technology.

General & Administrative

- FY 2013-14: Primarily higher travel, receptions, and dues and registration expenses.
- FY 2014-15: Primarily higher legal advertising.
- FY 2015-16 through FY 2018-19: Expenses assumed to increase approximately 2% each year.

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. These expenses include vacation and sick leave accruals, vacancy factor, 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 2012-13	Budget 2013-14	Budget 2014-15	Projected 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19
Personnel Services	16,791	12,343	12,661	12,799	12,935	13,111	13,310
Contractual Services	284	1,978	2,158	2,216	2,277	2,340	2,405
General & Administrative	10,446	14,675	14,672	15,408	15,930	16,461	17,025
Departmental Credits	(14,663)	(11,832)	(11,381)	(11,434)	(10,843)	(10,866)	(10,964)
TOTAL	12,857	17,164	18,109	18,988	20,298	21,046	21,777
<i>FTEs (headcount)</i>	<i>n/a</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>

Personnel Services

- FY 2013-14: Lower primarily due to vacancy factor of \$4.0 million budgeted in Non-Departmental while the actual savings from open headcount are recognized in each of the divisions personnel costs, lower vacation accrual of \$1.2 million and workers compensation accrual of \$0.8 million, partially offset by higher retiree medical expenses of \$1.5 million.
- FY 2014-15: Higher projected retiree medical costs of \$0.4 million and higher workers compensation and vacation accrual costs of \$0.2 million partially offset by higher vacancy factor of \$0.3 million.
- FY 2015-16 through FY 2018-19: Higher projected retiree medical and workers compensation costs partially offset by higher vacancy factor.

Contractual Services

- FY 2013-14: Increase due to a \$1.6 million one-time accounting accrual adjustment for City Services in FY 2012-13.
- FY 2014-15: Increase due to an assumed 4% increase on City Special Services and new Jack London Square Improvement District (JLID) property assessment from the City.
- FY 2015-16 through FY 2018-19: City Special Services and JLID assumed to increase approximately 4% and 5% respectively, each year.

General & Administrative

- FY 2013-14: Primarily higher legal contingency of \$3.6 million and higher insurance premium costs of \$0.5 million partially offset by lower pollution remediation expenses of \$0.1 million.
- FY 2014-15: Expenses flat as lower legal contingency, metered postage and crane insurance offset by higher Port use of utilities primarily at South Airport.
- FY 2015-16 through FY 2018-19: Expenses assumed to increase approximately 2% each year with the exception of insurance premiums which are assumed to increase approximately 7.5% each year.

Departmental Credits

- FY 2013-14: Primarily lower indirect overhead rate applied to capital projects.
- FY 2014-15: Primarily lower indirect overhead rate applied to capital projects, partially offset by higher direct salary, benefits, and administrative costs.
- FY 2015-16 through FY 2018-19: Primarily higher direct salary and benefits costs due to increases in personnel costs.

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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 2015, 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 2015 Capital Budget. Project expenditures not included in these three categories comprise the FY 2015 Capital Pipeline. Authorization to proceed with Capital Pipeline 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 2015 Capital Budget and Capital Pipeline together comprise the FY 2015 CNA. Together, the FY 2015 CNA, and an additional four years (FY 2016-2019) 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 112 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 \$573.4 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 May 2014, is applying an administrative overhead rate of 155.43% on labor costs for engineering staff and 71.95% for facilities and other staff; and an administrative overhead rate of 0.82% 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 \$434.1 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 \$120.5 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 (ramp control, and partial demolition of the North Field Air Traffic Control Tower (ATCT)).

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 approximately 80% of the funding to support these upgrades. RSAs enhance the safety of aircraft that 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. Design and bidding for the South Field improvements was



completed in FY 2013. South Field construction began in May 2013 and will continue through September 2014. The completed project includes runway paving, two new taxiways, drainage improvements, upgraded FAA navigational aids, and upgraded airfield lighting. North Field design is nearing completion and is scheduled to be bid in August 2014. Approximately \$78 million has been included in the 5-Year CNA to complete design and construction of the South Field and North Field RSA improvements. Although not all of the grant funding is in place, the 5-Year CNA assumes that this project will be awarded \$62.4 million of Airport Improvement Program (AIP) grants.

Perimeter Dike Improvements Phase 1

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. Design and environmental review is presently ongoing and is expected to be completed in November 2014. Construction of the initial phase of dike improvements is programmed to be completed in 2016. Approximately \$10.2



million is included in the 5-Year CNA to cover the cost of design and environmental work, mitigation of potential wetland wildlife impacts from the project, and construction of the recommended improvements. A portion of fuel pipeline related work is assumed to be completed by pipeline owners and not included in the 5-Year CNA. Two State Local Levee Assistance Program ("LLAP") grants amounting to \$5 million have been received to pay for a portion of the project design and environmental analysis 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 2015, 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, minimize foreign object debris damage, and maximize AIP grant funding. A major



update to the Airfield Pavement Plan is scheduled for completion in June 2014. Pavement rehabilitation activities slated for FY 2015 will focus on projects that support the RSA improvement program described above, as well as planning and engineering studies for the rehabilitation of Runway 12/30 (as discussed below).

Runway 12/30 Upgrades

Runway 12/30 is the airport's main commercial air carrier runway. The runway is fully instrumented to allow aircraft operations up to current FAA standards. 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 payment overlay of approximately 2,400 lineal feet (1,400' on the 30 end and 1,000 at 12 end), which will be complete by September 2014. Overlay of the remaining pavement for Runway 12/30 is scheduled to be completed in FY 2016 and will entail the central portion of the runway. About \$28 million is included in the 5-Year CNA for this pavement overlay project, \$22.4 million of which is expected to be funded using future AIP grants.

FAA North Tower Partial Demolition

With the new Air traffic Control Tower becoming operational in June 2013 and reaching a height of 236 feet, the Port is responsible for demolishing the old North Field Tower to clear the new tower's line of sight. This project is in the bidding phase, and construction is expected to be completed in November 2014 for a budget of about \$1 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 \$228.6 million is included in the 5-Year CNA for terminal-related improvements, of which \$47.7 million is included in FY 2015. 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 \$220 million is included in the 5-Year CNA for the T1 Program, which will be mostly funded with PFCs.

The T1 Program is being implemented in a phased manner that aligns near-term needs, prioritized life safety and other code requirements, and funding availability. Customer and tenant needs are continuously evaluated as projects are designed and implemented. The entire T1 Program incorporates green building principles. The Port is seeking LEED certification for the design and construction of the Building M102 second level.

The T1 Mechanical Building construction, including equipment installation, and advanced hydronics, was completed in FY 2014, and new mechanical and electrical systems were activated. The renovation and seismic retrofit of Building M104 was initiated and is anticipated to be completed by fall 2014. Also in FY 2014, the new Building M102 substation was completed, and new Baggage Information Displays (BIDs) were installed.

In November 2013, the Board authorized \$109 million for the major seismic retrofit of Building M102 and associated projects. Construction began in April 2014 and will continue for approximately three years. The M102 construction includes structural upgrades, replacement and upgrades to the building systems and infrastructure. The project features architectural enhancements, including the renovation of the mezzanine level offices and public service/meeting space, and the demolition of the old South Field air traffic control tower.

Other associated projects for T1 will be implemented to improve power reliability in the terminal, to facilitate tenant and Port staff moves, and to undertake planning and analysis to prioritize the next phase of development for T1. The conceptual planning includes (1) assessing the international passenger facilities and upgrade potential, and (2) concept development for the M101 ticketing lobby to incorporate modern passenger processes, self-service, and operational needs of airlines. The planning outcome will define the next phase of design and construction for T1, to best meet future needs consistent with available funding.



Replacement of Passenger Boarding Bridges

Five passenger boarding bridges serving Terminal 1 were installed in 1991 and have exceeded their 20-year useful life. These bridges require considerable maintenance and repair in order to keep them in operation. The boarding bridges replacement project will be completed in FY 2014, for an estimated cost of \$6.9 million funded with PFCs. Concurrent with this project, new pre-conditioned air (PCA) units will be installed on four of the new bridges (one gate will reuse the existing PCA unit). This project is estimated to cost about \$2.2 million, of which approximately 80% will be funded using Voluntary Airport Low Emissions (VALE) grants.

TSA Recapitalization of Baggage Screening Equipment

The Transportation Security Administration (TSA) Electronic Baggage Screening Program (EBSP) has undertaken a national recapitalization effort because many of the existing checked-bag Explosives Detection Systems (EDS) deployed at airports throughout the country are nearing the end of their projected useful life. The recapitalization effort refers to the replacement of EDS machines, typically with a newer model EDS machine with similar or better throughput and capabilities.

The TSA selected OAK as a priority airport to participate in the TSA's program to recapitalize the EDS located within the Checked Baggage Inspection System of Terminal 2. The Port is required to design and implement terminal infrastructure modifications needed for the installation of EDS within the baggage screening area. The Port has entered into an Other Transaction Agreement (OTA) that requires the TSA to largely cover design and construction costs. It is expected that construction will begin in early 2015 and will be completed by November 2015. This project is estimated to cost \$5.3 million, of which \$5.2 million is to be funded by the TSA.

Leased Area

The Port routinely monitors and implements improvements needed to meet existing lease requirements (apron, foundation, roofing, and walls) and 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 \$8.5 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. It includes an upgrade to the parking revenue control equipment, and the replacement of the Automated Vehicle Identification (AVI) system. Several roadway and surface parking reconstruction projects are also included, to mitigate failing pavement and address safety concerns. About \$39.6 million is included in the 5-Year CNA for these projects, of which \$18 million is for the BART-Oakland Airport Connector.

BART-Oakland Airport Connector



Oakland Airport Connector Vehicle on Elevated Guideway above I-880. Source: BART.

The BART-Oakland Airport Connector is 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 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. 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, Finance, Build, Operate and Maintain contract. Flatiron/Parsons Joint Venture is building the project and Doppelmayr Cable Car will operate and maintain the system. Most of the construction is complete. BART is conducting system testing and anticipates commencing service to the public in late 2014.

The total project cost is \$484.1 million. The Port's contribution to the project is \$45.8 million, funded by PFCs. Approximately \$18 million of the Port's contribution remains to be funded and has been included in the 5-Year CNA.

Bike Path on Ron Cowan Parkway

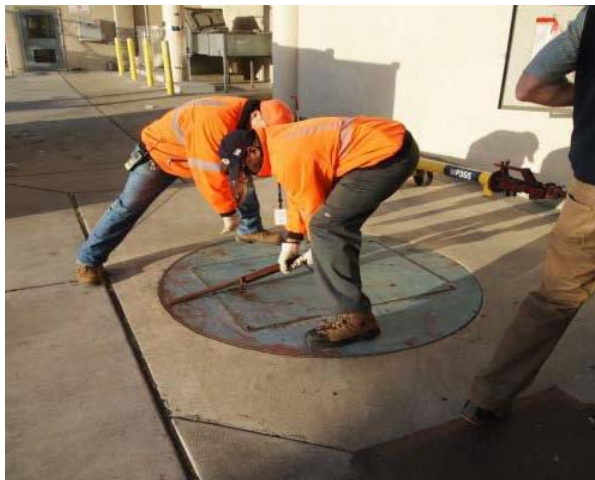
As part of accepting a permit from the San Francisco Bay Conservation and Development Commission (BCDC), the Port agreed to extend a Class I bike lane along the south side of Ron Cowan Parkway that connects Airport Drive to Harbor Bay Parkway. The project is scheduled to be completed during FY 2015 at an estimated cost of approximately \$1.7 million.

Security

Approximately \$5.3 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, access control upgrades 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 \$24.9 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, 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 began in May 2014. OAK's sewer system infrastructure is also being upgraded.



Other

Approximately \$6.6 million is included in the 5-Year CNA for miscellaneous Aviation Division projects, including Aircraft Rescue and Firefighting (ARFF) replacement truck, information technology and telecommunications upgrades, capital equipment purchases, and pre-development studies.

Maritime Division Projects

The 5-Year CNA includes approximately \$127.9 million for capital projects at the seaport.

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 a nearly equal share 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 2012. The Port plans to develop its property into a logistics center, including an intermodal rail terminal, transloading, warehousing, and ancillary maritime services. The City facilities will include a new bulk and break-bulk marine terminal, warehouses, a truck service area, and a recycling center.

In 2012, 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 is currently building the first phase of the new rail terminal on Port-owned OAB

property. In FY 2014, the Port's design-build contractor completed much of the underground work for the rail project. Construction under a second rail construction contract is scheduled to start in FY 2015. Approximately \$75.7 million is included in the 5-Year CNA for this work, of which \$41.8 million is included in FY 2015. Of the 5-year estimated expenditure of \$75.7 million, approximately \$62.8 million of grant funding is expected to help offset development costs. Of the \$41.8 million in FY 2015, approximately \$37.9 million is expected to be funded with grants.

The Port is currently in exclusive negotiations with Prologis, California Capital & Investment Group, and Oakland Global Rail Enterprises regarding a new logistics center which would be developed on the former OAB lands ("Phase 2"). This development would include new warehouse construction for port logistics companies serving various businesses such as imported consumer products and exported agricultural products. If successful, the exclusive negotiations will result in agreements for the developers to fund the development under a lease from the Port. At this time, no funding has been included in the 5-Year CNA for this Phase 2 work.

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. Once the City and its developer(s) contribute, the Port is required to make an equal contribution, not to exceed \$2 million. The 5-Year CNA includes \$2 million for the Community Trust Fund.

Maritime Security

Since 2001, the Port, State and federal government have focused on seaport security as a critical plank in the national defense system. Leveraging federal security grant programs, the Port continues to implement security and emergency communications enhancements at the seaport. The Port has installed a 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 expansion of a fiber optic network to better incorporate all the surveillance and monitoring systems with a high speed, reliable pathway, and the integration of additional high definition closed circuit television cameras into the common surveillance platform. An established Geospatial Information System will be expanded to include critical system information that will allow better information sharing between agencies during emergencies. Approximately \$16.3 million is included in the 5-Year CNA for security projects. Most of the security projects are anticipated to be funded with grants (approximately \$11.2 million over the next five years). On-going operation and maintenance costs are typically the responsibility of the Port.



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 compliance with this regulation, emissions control measures must be in place when vessels are berthed (at-dock). 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 while at berth. The Port completed the installation of new electrical power service infrastructure to 11 berths at the Port's marine terminals, and the system was fully operational as of December 2013. Separately, some of the Port's tenants have installed shore power infrastructure at additional berths. The final cost of the Shore Power Program is approximately \$55 million, of which \$2 million is included in the 5-Year CNA to address anticipated software/hardware upgrades inside the shore power substations. This project was funded in part with federal and State grants. If grant assurances such as the percentage of vessels plugged into the system are not met, the granting agencies may require some or all grant funds to be returned.

Other Projects

Other identified projects in the Maritime Division CNA represent approximately \$33.9 million. These projects include:

- 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 \$4.2 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. The 5-Year CNA includes approximately \$1.5 million for this category of work.
- Pavement and sub-grade improvements; fendering system installations, gate improvements, container crane upgrades, and similar projects at various marine terminals. These projects total about \$21.1 million over five years.
- Capital equipment to perform critical facility maintenance and improvements, and other miscellaneous projects, totaling about \$7.1 million over five years.

Commercial Real Estate Division Projects

The 5-Year CNA includes about \$7.6 million for projects in the CRE Division.

Approximately \$5.1 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.

Support Division

The 5-Year CNA includes \$3.7 million for items such as network upgrades, website modernization, Board meeting enhancements, and functional improvements to the Port's Enterprise Resource Planning (ERP) system.

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. The conceptual planning for the ticketing building (M101) and International Arrivals Building (IAB) upgrades is underway, but it is likely that the 5-Year CNA funding of approximately \$100 million will not be adequate to complete these projects. In addition, infrastructure improvements (HVAC, lighting, electrical distribution, plumbing, lighting, architectural finishes, etc.) for the concourse (M103) are not included in the 5-Year CNA. Deferring improvements for Terminal 1 has resulted in the need to invest in more maintenance, and in interim/temporary construction (e.g., baggage makeup area ventilation) to maintain operations in unimproved areas.
- Additional terminal facility improvements are required to meet the Port's strategic goal of growing air passengers. Aircraft fleet and service changes for Southwest are projected to occur within the 5-Year CNA and will require additional and expanded facilities at Terminal 2.
- Utility infrastructure, including electrical, water and sewer, is in need of repair at numerous points in the system. Improvements have been limited to highest priority items in order to reduce and phase expenditures.
- Perimeter dike improvements have been limited to available funding. Total costs are estimated to be \$43.2 million; only \$10.2 million of Phase 1 costs are reflected in the 5-Year CNA.
- 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 infrastructure projects. Maritime projects under consideration that are not included or only partially included in the 5-Year CNA are:

- Logistics center, Phase 2
- Roadway infrastructure upgrades/replacements
- Wharf and other marine terminal infrastructure upgrades/replacements
- 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 grants, PFCs, Port-generated cash, and debt. Based on current estimates of available grants, PFC funds, and Port-generated cash, funding the 5-Year CNA includes approximately \$116.2 million of debt proceeds payable from 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, 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 cash. The Port typically receives AIP grant reimbursements 60 days after expenditures are made.

From FY 2015 through FY 2019, total AIP grants for OAK (consisting of both AIP entitlement and discretionary funds) are estimated to be \$86.9 million. From FY 2010 through FY 2013, OAK received a total of approximately \$78.4 million in AIP grants. In FY 2015, OAK anticipates receiving approximately \$48.2 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.

In the 5-Year CNA, the Port includes approximately \$214.3 million of PFC-funded projects and anticipates collecting \$105.9 million based on the current passenger forecast and a PFC level of \$4.50. It is also assumed that \$1 million of PFCs will be available at the beginning of FY 2015 and that costs to finance PFC projects will be reimbursed with PFCs. The difference between PFC-funded project costs and available PFCs is assumed to be funded with debt payable from 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 2013 totaled approximately \$5.4 million. Future CFC revenues are projected based on a historical ratio of CFC collections per deplaned passenger.

CFCs can fund both operating and capital improvement costs related to rental car activity. In the current 5-Year CNA, \$350,000 of CFCs are assumed to be used for capital costs. CFCs are also 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 \$74.6 million in grant funding for seaport projects from FY 2015 through FY 2019. Of this total, \$11.2 million is for security projects, \$0.6 million is for information technology projects, and \$62.8 million is for the OAB redevelopment into a logistics center. The funding for the OAB redevelopment 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 \$183.8 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 \$116.2 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 2015 CAPITAL BUDGET AND FY 2015 PIPELINE PROJECTS

For FY 2015, budget authorization of \$175.3 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 2015 Capital Budget. The FY 2015 Capital Budget includes, but is not limited to, expenditures associated with the following capital projects:

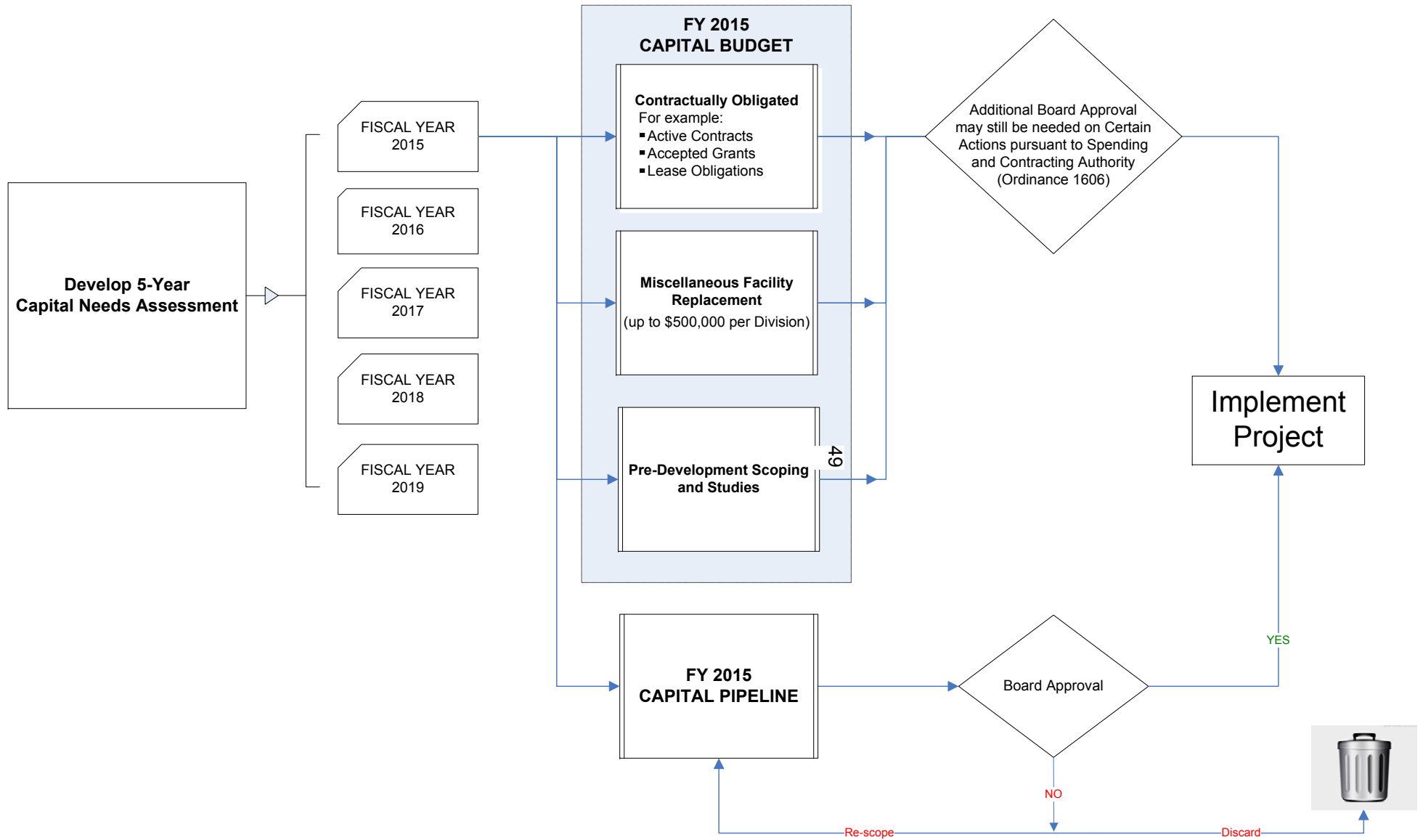
- Oakland Army Base Redevelopment / Logistics Center
- Terminal 1 Renovation and Retrofit
- Runway Safety Area
- Perimeter Dike Improvements
- BART – Oakland Airport Connector
- Pavement Improvements
- Utility Improvements
- Security Enhancements

Additional projects identified for FY 2015 (i.e., the FY 2015 Capital Pipeline) are subject to Board approval during the course of the fiscal year before they can commence. Authorization to proceed with these Capital Pipeline 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 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 2015 CNA (Capital Budget and Capital Pipeline Projects).

CAPITAL EXPENDITURE APPROVAL PROCESS

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5-YEAR CAPITAL NEEDS ASSESSMENT**Expenditure and Funding Sources****FY 2014-15 to FY 2018-19**

(\$ Thousands)

5-YEAR EXPENDITURE BY DIVISION

Divisions	5-YEAR EXPENDITURE BY DIVISION					Total
	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	Estimated Expenditure
Aviation	149,164	123,198	65,525	54,435	41,805	434,127
Maritime	55,186	50,495	10,124	9,320	2,760	127,885
CRE	3,621	1,159	1,154	697	983	7,614
Support	1,325	600	600	600	600	3,725
Total	209,296	175,452	77,403	65,052	46,148	573,351

5-YEAR FUNDING BY SOURCE

Funding Source	5-YEAR FUNDING BY SOURCE					Estimated
	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	Funding
Aviation Grants ¹	58,137	40,324	904	104	800	100,269
Maritime Grants ¹	40,148	26,901	4,616	2,888	0	74,553
PFC Pay-Go ²	20,008	20,159	20,196	19,419	18,371	98,153
Debt Proceeds (PFC) ³	22,630	36,749	27,564	14,859	14,387	116,189
CFCs	75	275	0	0	0	350
Cash	68,298	51,044	24,123	27,782	12,590	183,837
Total	209,296	175,452	77,403	65,052	46,148	573,351

¹ The Port has not yet obtained grant funding for all capital projects. Approximately \$0.6 million of maritime grants is to be used for information technology projects listed under "Support."

² Assumes \$1 million of PFCs available at beginning of FY 2015.

³ 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 2014-15 to FY 2018-19**

(\$ Thousands)

<u>DIVISIONS</u>	<u>FY 14-15</u>	<u>FY15-16</u>	<u>FY16-17</u>	<u>FY17-18</u>	<u>FY18-19</u>	<u>Total</u>
AVIATION						
Airfield						
Runway Safety Area Improvements	59,828	18,200	0	0	0	78,028
Runway 12-30 rehabilitation	300	27,700	0	0	0	28,000
Perimeter Dike Improvements	5,200	5,000	0	0	0	10,200
Other Projects	2,249	675	175	175	1,045	4,319
Subtotal Airfield	67,577	51,575	175	175	1,045	120,547
Terminal						
T1 Renovation & Retrofit	40,375	50,000	52,000	40,000	38,000	220,375
Other Projects	7,283	1,000	0	0	0	8,283
Subtotal Terminal	47,658	51,000	52,000	40,000	38,000	228,658
Leased Area	4,023	1,000	2,240	1,250	0	8,513
Ground Access and Parking						
BART	8,000	8,000	2,000	0	0	18,000
Other Projects	5,791	6,650	3,100	6,100	0	21,641
Subtotal Ground Access & Parking	13,791	14,650	5,100	6,100	0	39,641
Security	3,323	963	1,000	0	0	5,286
Utilities	9,196	3,510	3,510	6,410	2,260	24,886
Other	3,596	500	1,500	500	500	6,596
TOTAL AVIATION	149,164	123,198	65,525	54,435	41,805	434,127

5-YEAR CAPITAL NEEDS ASSESSMENT**Annual Expenditure By Division and Projects****FY 2014-15 to FY 2018-19**

(\$ Thousands)

<u>DIVISIONS</u>	<u>FY 14-15</u>	<u>FY15-16</u>	<u>FY16-17</u>	<u>FY17-18</u>	<u>FY18-19</u>	<u>Total</u>
MARITIME						
Marine Terminals						
Crane Raising	3,350	4,250	0	4,000	0	11,600
Pavement & Utility Improvements	0	4,500	0	0	0	4,500
Shore Power Program	0	0	2,000	0	0	2,000
Other Projects	1,800	1,995	470	370	370	5,005
Subtotal Marine Terminals	5,150	10,745	2,470	4,370	370	23,105
Security	2,915	3,250	5,990	4,100	40	16,295
Oakland Army Base						
OHIT Railyard Phase 1	27,500	26,300	400	0	0	54,200
OHIT Support yard	14,000	4,500	414	0	0	18,914
Other Projects	290	2,250	0	0	0	2,540
	41,790	33,050	814	0	0	75,654
Dredging	2,000	2,200	0	0	0	4,200
Other	3,331	1,250	850	850	2,350	8,631
TOTAL MARITIME	55,186	50,495	10,124	9,320	2,760	127,885
COMMERCIAL REAL ESTATE						
Business Park	2,232	859	0	0	0	3,091
Jack London Square (JLS)	731	0	854	397	39	2,021
Other	658	300	300	300	944	2,502
TOTAL COMMERCIAL REAL ESTATE	3,621	1,159	1,154	697	983	7,614

5-YEAR CAPITAL NEEDS ASSESSMENT**Annual Expenditure By Division and Projects****FY 2014-15 to FY 2018-19**

(\$ Thousands)

<u>DIVISIONS</u>	FY 14-15	FY15-16	FY16-17	FY17-18	FY18-19	Total
SUPPORT						
Enterprise Back-up Solution	400	0	0	0	0	400
Network Management System	250	0	0	0	0	250
Website Modernization	200	0	0	0	0	200
Other	475	600	600	600	600	2,875
TOTAL SUPPORT	1,325	600	600	600	600	3,725
TOTAL	209,296	175,452	77,403	65,052	46,148	573,351

FY 2014-15 CAPITAL NEEDS ASSESSMENT**Expenditure and Funding Sources**

(\$ Thousands)

FY 2014-15 CNA EXPENDITURE

Divisions	Capital Budget				Pipeline	Total Expenditure
	Contractual Obligations	Pre-Development	Misc. Facility Replacement	Total Capital Budget		
Aviation	119,438	500	500	120,438	28,726	149,164
Maritime	53,166	250	500	53,916	1,270	55,186
CRE	570	0	300	870	2,751	3,621
Support	0	0	100	100	1,225	1,325
Total	173,174	750	1,400	175,324	33,972	209,296

FY 2014-15 CNA FUNDING BY SOURCE

Funding Source	FY 14-15 Capital Budget	FY 14-15 Total CNA
Aviation Grants ¹	51,164	58,137
Maritime Grants ¹	39,360	40,148
PFC Pay-Go ²	20,036	20,008
Debt Proceeds (PFC) ³	17,860	22,630
CFCs	0	75
Cash	46,904	68,298
Total	175,324	209,296

¹ The Port has not yet obtained grant funding for all capital projects. Approximately \$0.6 million of maritime grants is to be used for information technology projects listed under "Support."

² Assumes \$1 million of PFCs available at beginning of FY 2015.

³ 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, assumed interest and principal repayment 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 and P), a DBW Loan, Intermediate Lien Bonds (Series A, B and C) and CP Notes outstanding.

Outstanding Debt	Unaudited June 30, 2014
Senior Lien Bonds	\$ 698,575,000
DBW Loan	5,140,194
Intermediate Lien Bonds	420,315,000
CP Notes	77,398,000
Total	\$1,201,428,194

The current outstanding revenue bonds (Senior Lien and Intermediate Lien) were issued in October 2007 through October 2012 at fixed rates ranging from 2.25% to 5.125% with principal repayment scheduled for FY 2015-2033. 2011 Series O Senior Lien Bonds were issued on August 16, 2011 to refund the 2000 Series K Senior Lien Bonds for debt service savings. 2012 Series P and Q Senior Lien Bonds were issued on October 10, 2012 to refund the 2002 Series L, M and N Senior Lien Bonds, also 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. For FY 2015 through FY 2019, the Port plans to make principal repayments on outstanding CP Notes totaling \$4 million per year, as part of an overall plan to repay this debt. The interest rate on the CP Notes is variable and resets every 1 to 270 days and is assumed to range from 0.6% to 3.0% in FY 2015 through FY 2019. Under the CP Indenture, the maximum CP Notes interest rate is 12% with a maximum term of 270 days.

The Port currently has two letters of credit (LOC) securing the CP Notes, \$100 million with JPMorgan Chase Bank and \$100 million with Wells Fargo Bank. Both LOCs expire on June 30, 2016.

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 from FY 2015 through FY 2019, it will need to issue approximately \$116.2 million of debt payable 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 5-year time period is assumed to range from 0.6% to 3.0%. 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 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 Aggregate DSCR includes all debt service including interest and principal repayment on CP Notes.

DEBT SERVICE COVERAGE**FY 2012-13 TO FY 2018-19**

(\$ Thousands)

	<u>Actual</u> <u>2012-13</u>	<u>Budget</u> <u>2013-14</u>	<u>Budget</u> <u>2014-15</u>	<u>Projected</u> <u>2015-16</u>	<u>Projected</u> <u>2016-17</u>	<u>Projected</u> <u>2017-18</u>	<u>Projected</u> <u>2018-19</u>
Operating Revenue	\$315,518	\$304,826	\$314,759	\$317,506	\$321,314	\$329,289	\$339,181
Net Operating Expense ¹	(146,426)	(170,373)	(180,996)	(184,194)	(190,151)	(195,415)	(201,208)
Interest Earned ²	1,036	1,022	1,231	1,543	2,063	4,142	6,221
Net Revenue	170,128	135,475	134,994	134,855	133,226	138,016	144,194
<u>Debt Service:</u>							
Debt Service – Senior Lien Bonds	68,263	48,081	50,146	48,220	44,418	45,425	46,409
Debt Service – Senior & Intermediate Lien Bonds & DBW Loan	107,268	98,203	98,193	98,905	99,506	100,994	102,502
Debt Service – Aggregate ³	107,424	98,674	102,775	103,879	105,040	108,278	111,740
<u>Debt Service Coverage Ratio:</u>							
Senior Lien ⁴	2.49	2.82	2.69	2.80	3.00	3.04	3.11
Intermediate Lien ⁵	1.59	1.38	1.37	1.36	1.34	1.37	1.41
Aggregate ⁶	1.58	1.37	1.31	1.30	1.27	1.27	1.29

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 CP Notes. Includes the Port's plan to make principal repayments on outstanding CP Notes totaling \$4 million per year beginning in FY 2014-15. At the same time, it is anticipated that the balance of CP Notes will increase in order to provide interim financing for the Terminal 1 program. Based on the 5-Year CNA, CP Notes balance is anticipated to be \$97.0 million by the end of FY 2014-15, increasing to \$174.6 million through the end of FY 2018-19. The interest rate on CP Notes is assumed to be 0.6% in FY 2014-15, increasing to 3.0% in FY 2018-19. 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 Debt Service – Senior Lien Bond.

⁵ Intermediate Lien DSCR equals Net Revenues divided by Debt Service – Senior & Intermediate Lien Bonds & DBW Loan.

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

DEBT SERVICE SCHEDULE

FY 2014-15 to FY 2018-19

(\$Thousands)

Description	FY 2014-15			FY 2015-16			FY 2016-17			FY 2017-18			FY 2018-19		
	Principal	Interest ¹	Total	Principal	Interest ¹	Total	Principal	Interest ¹	Total	Principal	Interest ¹	Total	Principal	Interest ¹	Total
<u>Senior Lien Revenue Bonds</u>															
2011 Refunding Bonds Series O	\$8,760	\$16,132	\$24,892	\$14,440	\$15,695	\$30,135	11,360	14,973	26,333	\$12,935	\$14,405	\$27,340	\$14,565	\$13,760	\$28,325
2012 Refunding Bonds Series P	6,960	18,294	25,254	0	18,084	18,084	0	18,084	18,084	0	18,084	18,084	0	18,084	18,084
Subtotal Sr. Lien Rev. Bonds	15,720	34,426	50,146	14,440	33,779	48,220	11,360	33,057	44,418	12,935	32,489	45,425	14,565	31,844	46,409
<u>Loans</u>															
Dept. of Boating & Waterways Loan	226	232	458	236	222	458	247	211	458	258	200	458	270	188	458
<u>Intermediate Lien Revenue Bonds</u>															
2007 Refunding Bonds Series A	15,185	8,306	23,491	2,715	7,860	10,575	2,905	7,720	10,625	2,430	7,588	10,018	2,560	7,464	10,024
2007 Refunding Bonds Series B	12,340	7,830	20,170	17,625	7,160	24,785	18,055	6,335	24,390	19,440	5,428	24,868	20,930	4,456	25,386
2007 Refunding Bonds Series C	0	3,928	3,928	11,220	3,648	14,868	16,665	2,951	19,616	18,145	2,080	20,225	19,075	1,150	20,225
Subtotal Int. Lien Rev. Bonds	27,525	20,064	47,589	31,560	18,668	50,229	37,625	17,006	54,631	40,015	15,096	55,111	42,565	13,070	55,635
Subtotal Sr. & Int. Lien Rev. Bonds and DBW Loan	43,471	54,722	98,193	46,236	52,669	98,907	49,232	50,274	99,506	53,208	47,785	100,994	57,400	45,102	102,502
Commercial Paper ²	4,000	582	4,582	4,000	973	4,973	4,000	1,533	5,533	4,000	3,284	7,284	4,000	5,238	9,238
Total Debt Service	\$47,471	\$55,304	\$102,775	\$50,236	\$53,642	\$103,879	\$53,232	\$51,808	\$105,040	\$57,208	\$51,069	\$108,278	\$61,400	\$50,340	\$111,740

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

² Starting in FY 2014-15, the Port plans to make principal payments on outstanding CP Notes totaling \$4 million per year, as part of an overall plan to repay this debt. At the same time, it is anticipated that the balance of CP Notes will increase in order to provide interim financing for the Port's Terminal 1 Program. Based on the 5-Year CNA, the Port plans to issue approximately \$116.2 million of CP Notes to accommodate the Terminal 1 Program. The interest rate on CP Notes is assumed to be 0.6% in FY 2014-15, increasing to 3.0% in FY 2018-19.

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 are to be deposited in a special fund in the City Treasury and to be designated as the "Port Revenue 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 will be established as of July 1, 2014:

Board Reserves	
Port Bond Reserve	\$30,000,000
Operating Reserve	23,288,000
Capital Reserve	15,000,000
Total	\$68,288,000

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 U.S. Treasury.
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 2014-15 to FY 2018-19**

(\$ Thousands)

	Projected 2014-15	Projected 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19
General Fund ¹	130,000	103,509	90,498	88,623	85,668
Port Bond Reserve Fund	30,000	30,000	30,000	30,000	30,000
Operating Reserve Fund	23,288	23,592	24,348	25,018	25,754
Capital Reserve Fund	15,000	15,000	15,000	15,000	15,000
Beginning Balance	198,288	172,101	159,847	158,641	156,422
Sources					
Operating Revenue	314,759	317,506	321,314	329,289	339,181
Grants and CFCs for Operating Expenses	5,307	4,544	4,635	4,728	4,822
PFCs for Debt Service ²	208	535	989	2,276	3,845
Interest Income ³	728	1,040	1,559	3,638	5,717
Other ⁴	15,687	13,500	-	-	-
Total Receipts	336,688	337,125	328,498	339,931	353,566
AIP, PFC Pay-Go, CFC, Other Grants ⁵	118,368	87,659	25,716	22,411	19,171
Debt Proceeds (PFC) ⁶	22,630	36,749	27,564	14,859	14,387
Total Capital and Financing Proceeds	140,998	124,408	53,280	37,270	33,558
TOTAL SOURCES	477,686	461,533	381,778	377,201	387,124
Uses					
Operating Expenses	(186,303)	(188,738)	(194,786)	(200,143)	(206,030)
Debt Service					
Principal ⁷	(47,471)	(50,236)	(53,232)	(57,208)	(61,400)
Interest ⁸	(55,303)	(53,642)	(51,808)	(51,069)	(50,340)
Total Debt Service Payments	(102,775)	(103,879)	(105,040)	(108,278)	(111,740)
Capital Projects ⁹	(209,296)	(175,452)	(77,403)	(65,052)	(46,148)
Other Payments ¹⁰	(5,499)	(5,718)	(5,754)	(5,948)	(6,116)
TOTAL USES	(503,873)	(473,787)	(382,983)	(379,420)	(370,034)
Net Cash Flow (Sources less Uses)	(26,187)	(12,255)	(1,206)	(2,219)	17,089
Ending Balance	172,101	159,847	158,641	156,422	173,511

1 Beginning General Fund balance for FY 2015 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 lagged grant receipts, reimbursement for 42 foot dredging project and proceeds from Brooklyn Basin/Oak-to-Ninth sale.

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

7 Includes \$4 million principal repayment of outstanding CP Notes in each year.

8 Assumes for CP Notes interest rates of 0.60%, 0.75%, 1.00%, 2.00%, 3.00% in FY 2015-19 respectively and outstanding CP Notes balance of \$97.0 million, \$129.8 million, \$153.3 million, \$164.2 million, and \$174.6 million, respectively.

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

10 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 2014-15 to FY 2018-19**

(\$ Thousands)

	Projected 2014-15	Projected 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19
Bond Reserve Funds	57,908	57,908	57,908	57,908	57,908
Bond Construction Funds	-	-	-	-	-
Passenger Facility Charge	1,000	1,000	1,000	1,000	1,000
Customer Facility Charge	3,000	3,864	4,574	5,613	6,756
Construction Escrows	3,000	3,000	3,000	3,000	3,000
Beginning Balance	64,908	65,771	66,481	67,521	68,664
Passenger Facility Charge (PFC)					
Beginning Balance ¹	1,000	1,000	1,000	1,000	1,000
PFC Revenues	20,212	20,689	21,178	21,677	22,189
PFC Interest Income	4	5	8	18	28
Debt Proceeds (PFC) ²	22,630	36,749	27,564	14,859	14,387
Less: PFC Debt Service	(208)	(535)	(989)	(2,276)	(3,845)
Less: PFC Capital Expenditures ³	(42,638)	(56,908)	(47,760)	(34,278)	(32,758)
Ending Balance	1,000	1,000	1,000	1,000	1,000
Customer Facility Charge (CFC)					
Beginning Balance ¹	3,000	3,864	4,574	5,613	6,756
CFC Revenues	5,383	5,510	5,640	5,773	5,910
CFC Interest Income	11	19	34	98	186
Less: CFC Capital Expenditures	(75)	(275)	-	-	-
Less: CFC Operating Expenses	(4,455)	(4,544)	(4,635)	(4,728)	(4,822)
Ending Balance	3,864	4,574	5,613	6,756	8,030

¹ Beginning fund balances for FY 2015 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* section.

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
ARFF	Aircraft Rescue and Fire Fighting
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
DPM	Diesel Particulate Matter
DSCR	Debt Service Coverage Ratio

EBMUD	East Bay Municipal Utility District
EBRPD	East Bay Regional Park District
EBSP	Electronic Baggage Screening Program
EII	Energy Innovation Initiative
EMS/APL	Eagle Marine Services/American President Lines
EPA	Environmental Protection Agency
EP&P	Environmental Programs and Planning
ERP	Enterprise Resource Planning
EV	Electric Vehicle
FAA	Federal Aviation Administration
FTE	Full-Time Equivalent
FY	Fiscal Year
FBO	Fixed Base Operator
GASB	Governmental Accounting Standards Board
IBEW	International Brotherhood of Electrical Workers
IFPTE	International Federation of Professional and Technical Engineers
IPI	Interior Point Intermodal
IT	Information Technology
JLID	Jack London Improvement District
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
SLC	Salt Lake City International Airport
STEP	Secure Truck Enrollment Program
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 International 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 32, 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.

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 32, 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 32, 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 32, 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 32, 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.

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 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 32, 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*

Related Jobs - As referenced in the table on page 32, 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 32, includes airline ticket tax, 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 32, direct, induced, and indirect jobs supported in the Bay Area visitor industry as a result of out-of-town passengers using the OAK. Source: 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010.

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