



BUDGET SUMMARY

One-Year Operating and Capital Budget

Fiscal Year Ended June 30, 2019

Five-Year Operating Forecast and Capital Improvement Plan

Fiscal Years ending June 30, 2019 through 2023



PORT OF OAKLAND



ONE-YEAR OPERATING AND CAPITAL BUDGET FISCAL YEAR 2018-19

AND

FIVE-YEAR OPERATING FORECAST AND CAPITAL IMPROVEMENT PLAN FISCAL YEARS 2018-19 THROUGH 2022-23

Board of Port Commissioners of the City of Oakland

Joan H. Story, President
Cestra Butner, First Vice President
Andreas Cluver, Second Vice President
Michael Colbruno, Commissioner
Earl S. Hamlin, Commissioner
Arabella Martinez, Commissioner
Alan S. Yee, Commissioner

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June 28, 2018

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 5-Year Capital Improvement Plan 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 29, 2018

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

Joan Story, President
Cestra Butner, First Vice President
Andreas Cluver, Second Vice President
Michael Colbruno, Commissioner
Earl Hamlin, Commissioner
Arabella Martinez, Commissioner
Alan Yee, Commissioner

Subject: Adopted Operating and Capital Budgets for Fiscal Year Ending June 30, 2019

Dear Board of Port Commissioners:

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

- One-year operating budget for fiscal year ended June 30, 2019;
- One-year capital budget for fiscal year ended June 30, 2019;
- Five-year operating forecast for FY 2019 through FY 2023;
- Five-year Capital Improvement Plan (CIP) for FY 2019 through FY 2023; 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 FY 2019 operating and capital budgets were adopted by the Board on June 28, 2018. Subsequent years of the operating and cash flow projections, the FY 2019 capital pipeline projects, and the 5-year CIP are informational and presented for planning purposes only.

Overview

The FY 2019 operating and capital budgets were developed taking into account several key factors.

Positive Factors

- The Port's debt service coverage ratio and cash position have improved, as management has focused on revenue maintenance and growth, expense control, and debt service savings. At the same time, improvements to address key infrastructure have recently been substantially completed or currently underway: Terminal 1 (M102) renovations, International Arrivals Building renovations, Runway 12/30 rehabilitation, crane raising, and Cool Port rail infrastructure.

- The Port is located in a healthy local economy. This favorable geographic position results in approximately 89% of the Airport traffic being origin and destination and approximately 85% of the maritime cargo destined for and from local markets, providing resiliency and demand for the use of Airport, Seaport and Commercial Real Estate (CRE) properties.
- The Airport continues to experience significant passenger growth with annual passenger traffic over 13 million. For the first 11 months of FY 2018, passenger traffic has increased 6.4%, marking 54 consecutive months of growth. International traffic continues to increase, and the Airport serves approximately 65 domestic and international destinations, the most in its history.
- Maritime has maintained cargo volume despite periods of market volatility. All current terminal operators have recently extended their leases, strengthening Port revenue certainty over the next decade. Maritime trade, and the demand for supporting facilities, continues to be strong.
- CRE continues to serve a vibrant and growing local market.

Concerns and Considerations

- Personnel costs continue to rise. Pension costs are anticipated to be 36.2% of payroll in FY 2019, and projected to rise to 47.8% in FY 2023.
- Security and regulatory costs continue to rise.
- Capacity constraints at the Airport must be addressed.
- Airport Cost per Enplaned Passenger (CPE) must be managed to maintain competitiveness.
- Maritime twenty-foot equivalents (TEUs) are relatively flat and project to grow modestly.
- Maritime revenues grew 0% from FY 2011-17, yet Maritime operating expenses (excluding depreciation) increased 47% during this same time period.
- Maritime has no debt capacity and limited funds for capital investment due to current debt burden and declining operating margin.
- Port property spans over 4,700 acres, and aging infrastructure must continue to be addressed. The Port's infrastructure must also be able to accommodate industry changes such as growing vessel and aircraft size.

Other Considerations

In addition, the Port's upcoming fiscal year budget takes into account updated 5-year operating and cash flow projections, and an updated 5-year CIP.

Budget Objectives

The Port's operating and capital budgets were developed to support long-term financial strength, resiliency and sustainability, including providing reasonable flexibility and liquidity to protect against inherent operational, financial, political and economic uncertainties. Key financial objectives include:

- Align Maritime operating expenses and revenues.
- Proactively manage Airport CPE.
- Project minimum Debt Service Coverage Ratio of 1.50-1.60x.
- Project minimum June 30, 2019 General Fund balance of \$150 million.
- Maintain Board reserves, consistent with Port policy of approximately \$74.4 million.
- Maintain discipline of paying down outstanding commercial paper (CP) notes.
- Strategically identify, prioritize and properly plan capital projects.

The table below summarizes the Port's FY 2019 budget.

Uses and Sources of Funds
(\$000s)

	FY 2019 Budget
Uses of Funds	
Operating Expenses ¹	\$235,216
Debt Service ²	112,797
Capital Expenses – Initial	34,748
Capital Expenses – Pipeline Projects ³	92,659
Other Expenses ⁴	18,833
Total Uses	\$494,253
Sources of Funds	
Operating Revenues	\$384,363
Grants ⁵	18,733
Passenger Facility Charges (PFCs)	27,247
Customer Facility Charges (CFCs)	2,210
Interest Income	3,966
Available Cash	57,734
Total Sources	\$494,253

Operating Budget Highlights

Activity Levels

While Aviation and Maritime revenues are not directly correlated to activity levels, activity levels are important indicators of the strength of these business lines. Airport passengers are anticipated to increase 6.7% in FY 2018 and increase 5% in FY 2019 in comparison to FY 2018 anticipated actuals. Seaport Full TEUs are anticipated to be flat in FY 2018 and increase 1% in FY 2019 in comparison to FY 2018 anticipated actuals. The table on the following page summarizes FY 2019 budgeted Airport passengers and Seaport Full TEUs. FY 2017 actual and FY 2018 anticipated activity levels are also provided for comparison purposes.

¹ Excludes depreciation.

² Includes \$17.5 million repayment of CP Notes and associated interest. Of this amount, approximately \$11.5 million of CP Notes and associated interest is anticipated to be repaid with PFCs. The interest rate on the CP Notes is assumed to be 2.05% in FY 2019.

³ Board authorization is not requested for FY 2019 Pipeline Projects. The Pipeline Project costs are included in the Port's financial planning and cash flow analyses, however, authorization to proceed with the FY 2019 Pipeline Projects are subject to subsequent Board approval during the course of the fiscal year.

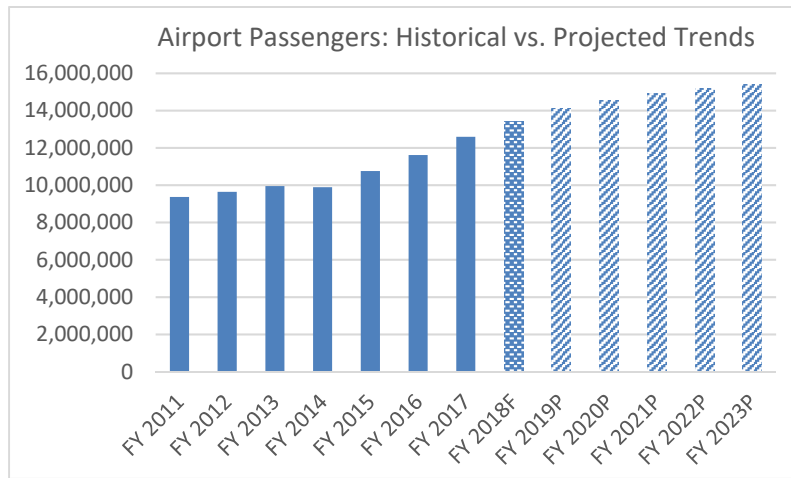
⁴ Includes but not limited to CP Notes and bond related fees, General Services and Lake Merritt payments to the City of Oakland, retroactive CalPERS pension payments for Airport service people, deposit to Operating Reserve, and certain deferred maintenance costs that were recorded as prior year loss contingency.

⁵ The Port has not yet obtained grant funding for all capital projects included in the budget.

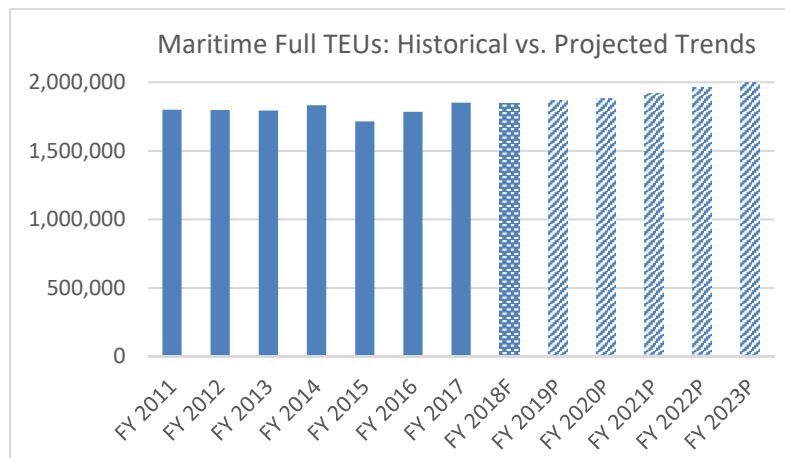
Activity Levels

	FY 2017 Actual	FY 2018 Anticipated	YoY Growth	FY 2019 Budget	YoY Growth
Airport Passengers	12,593,371	13,439,000	6.7%	14,111,000	5.0%
Seaport Full TEUs	1,850,295	1,846,000	(0.2%)	1,864,784	1.0%

For FY 2020-2023, Airport passenger growth is assumed to moderate to 1.5-3% per year, while Seaport Full TEUs are assumed to grow 1-2% per year. The following charts show historical and projected Airport passengers and Seaport Full TEUs for FY 2011-2023.



Compound Annual Growth Rate
FY 2011-17: 5.1%
FY 2017-23 projected: 3.4%



Compound Annual Growth Rate
FY 2011-17: 0.5%
FY 2017-23 projected: 1.3%

Operating Revenues

FY 2019 budgeted operating revenues of \$384.4 million, are \$15.5 million, or 4.2% higher than FY 2018 budget. In comparison to FY 2018 anticipated operating revenues of \$373.9 million, FY 2019 operating revenues are projected to increase \$10.5 million, or 2.8%. The growth in Port-wide operating revenues is mostly driven by increases in Aviation revenues and higher electricity usage and rates in Maritime. The table below summarizes FY 2019 budgeted operating revenues. FY 2017 actual, FY 2018 budget, and FY 2018 anticipated operating revenues are also provided for comparison purposes.

Summary of Operating Revenues
(\$000s)

	FY 2017 Actual	FY 2018 Budget	FY 2018 Anticipated	FY 2019 Budget	Change in Comparison to FY 2018 Budget	Change in Comparison to FY 2018 Anticipated
Aviation	\$190,657	\$197,982	\$200,240	\$207,359	4.7%	3.6%
Maritime	151,377	154,584	156,949	159,960	3.5%	1.9%
CRE	16,673	16,271	16,668	17,044	4.7%	2.3%
Total	\$358,706	\$368,836	\$373,857	\$384,363	4.2%	2.8%

Aviation revenues budgeted in FY 2019 of \$207.4 million are \$7.1 million or 3.6% higher than FY 2018 anticipated revenues of \$200.2 million. FY 2019 budgeted Aviation revenues assume (i) 5% passenger growth, (ii) higher airline rates and charges due to increased operating expenses and increased passenger volume, (iii) higher lease revenues based on existing and anticipated lease terms, (iv) continued growth in transportation network company revenues, (v) flat parking revenues based on current fiscal year experience, and (vi) lower terminal concession revenues due to the renewal of the food and beverage concession contracts, partially offset by higher passenger volume and spend rate.

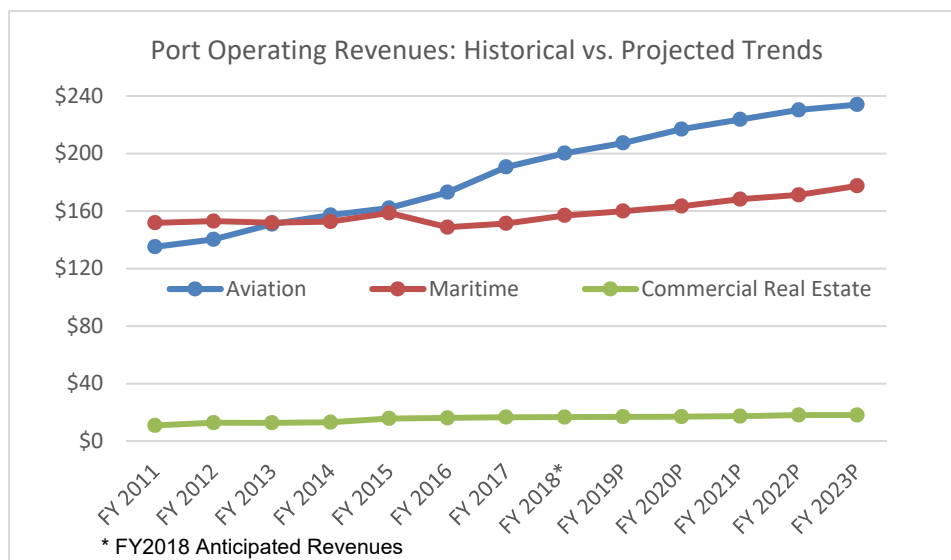
Maritime operating revenues budgeted in FY 2019 of \$160.0 million are \$3.0 million or 1.9% higher than FY 2018 anticipated operating revenues of \$156.9 million. The increase in FY 2019 budgeted Maritime operating revenues is driven by higher utility revenues resulting from anticipated higher shore power and wholesale electricity usage. FY 2019 budgeted operating revenues also assume a 1% growth in TEU volume in comparison to FY 2018 anticipated actuals and an increase in marine terminal revenues primarily due to the termination of rent abatement provisions during the expansion of one marine terminal offset by anticipated shift of cargo between terminals and a decrease in non-marine terminal revenues due to the termination of certain short-term property agreements that supported marine terminal operations that are no longer needed or being incorporated into long-term agreements.

CRE operating revenues budgeted in FY 2019 of \$17.0 million are \$0.4 million or 2.3% higher than FY 2018 anticipated revenues of \$16.7 million. FY 2019 budgeted CRE revenues are anticipated to be higher due to new leases, increases in percentage rents, and minimum rent adjustments due to lease renewals and scheduled rent adjustments.

FY 2020-2023 Operating Revenue Projections

Port-wide operating revenues are projected to increase from \$384.4 million in FY 2019 to \$429.7 million in FY 2023, for a forecasted compound annual growth rate of 2.8% based on a number of factors and assumptions including, but not limited to: passenger and TEU growth rates, changes in Airline rates and charges, Maritime tariff increases, and lease revenues based on existing and anticipated lease terms.

The chart below shows historical and projected revenues by business line for FY 2011-2023.



	Compound Annual Growth Rate	
	FY 2011-17	FY 2017-23 projected
Aviation	5.9%	3.5%
Maritime	(0.1%)	2.7%
CRE	7.2%	1.5%
Port-wide	3.1%	3.1%

Operating Expenses

Overall, Port operating expenses excluding depreciation are budgeted in FY 2019 at \$235.2 million, an increase of \$15.6 million or 7.1% in comparison to FY 2018 budget as summarized in the table below. The increase in costs are driven in part by anticipated increases in personnel costs and passenger-driven costs at the Airport.

Summary of Operating Expenses (excl. Depreciation) (\$000s)

	FY 2017 Actual	FY 2018 Budget	FY 2019 Budget	Change in Comparison to FY 2018 Budget
Personnel Costs	\$102,016	\$111,913	\$117,623	\$5,711
Contractual Services	65,505	84,676	93,539	8,863
General & Administrative	16,994	20,983	20,774	(209)
Supplies	5,217	4,276	4,262	(13)
Utility Cost of Sales	6,196	7,085	8,130	1,045
Departmental Credits ⁶	(7,142)	(9,286)	(9,113)	173
Total	\$188,785	\$219,646	\$235,216	\$15,570 or 7.1%

⁶ Primarily allocation of Engineer staffing costs and related overhead to capital expenses.

Personnel Costs

Personnel costs are approximately 50% of the Port's operating expenses and are budgeted to be \$117.6 million, an increase of \$5.7 million or 5.1%. The FY 2019 budget reflects a staffing level of 507 full-time equivalents (FTEs), a net increase of 5 FTEs from FY 2018 budget, reflecting the addition of 6 FTEs at the Airport and the elimination of one position in the Executive Office. In addition to the higher level of FTEs, personnel costs are budgeted to increase due to forecasted contractual wage increases and higher pension costs. The Port's employer pension contribution rate is anticipated to increase from approximately 34.9% to 36.2% of wages on July 1, 2018, resulting in budgeted pension costs of \$22.8 million, a \$2.1 million or 10.3% increase. Medical costs for retirees are budgeted at \$13.2 million and projected to decrease \$1.0 million, reflecting updated annual required contributions based on the most recent actuarial report. Medical costs for active employees are budgeted at \$10.2 million, an increase of \$0.4 million reflecting an increase in medical premiums on January 1, 2018, and an assumed increase in medical premiums of 6.25% on January 1, 2019, offset by updated and assumed employee-elected coverages. The personnel budget also reflects a vacancy factor of 25 FTEs to reflect normal attrition and lags in hiring. Other changes in personnel costs are based on recent experience, recent actuarial reports, or known or assumed rate increases.

Summary of Personnel Costs (\$000s)

Personnel Costs	FY 2017 Actual	FY 2018 Budget	FY 2019 Budget	Change in Comparison to FY 2018 Budget
Salaries	\$54,320	\$58,024	\$61,890	\$3,866
Pension	15,874	20,675	22,804	2,129
Health Care - Retirement	13,654	14,199	13,203	(996)
Health Care - Active	8,868	9,747	10,164	417
Overtime	4,196	2,934	3,384	450
Workers Compensation	312	2,444	2,150	(294)
Vacation/Sick Leave Accruals	1,804	1,442	1,500	58
Other ⁷	2,986	2,447	2,528	81
Total	\$102,016	\$111,913	\$117,623	\$5,711 or 5.1%

Non-Personnel Operating Expenses

Non-personnel costs are budgeted in FY 2019 to increase by \$9.9 million, or 9.2% more than the FY 2018 budget. The increase in costs are driven in part by passenger-driven costs at the Airport (some of these increases are directly offset by higher Airline rates and charges) and higher environmental mitigation costs and environmental consulting costs to focus on air quality and emissions. Seven expenses, as listed in the table on the following page, contribute to the increase in FY 2019 non-personnel costs. These costs are included in Contractual Services, which is budgeted to increase \$8.9 million or 10.5% and utility cost of sales, which is budgeted to increase by \$1.0 million.

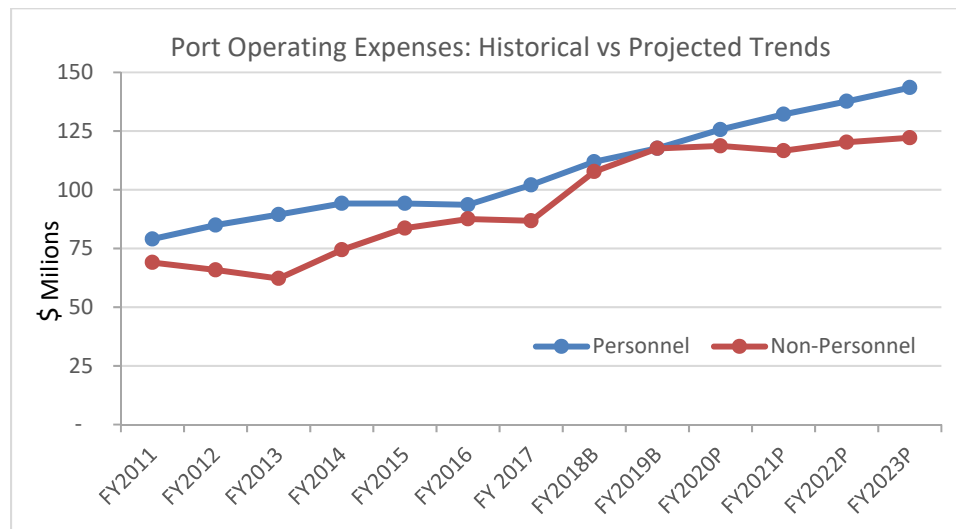
⁷ Includes temporary help, wellness program, continuing education, professional development, training, professional licenses, unemployment insurance, Section 125 Plan admin fees, college/high school intern program, college tuition program, deferred compensation, meal allowance and physicals.

**Significant Non-Personnel Cost Increase
(\$000s)**

Item	Change in Comparison to FY 2018 Budget
Aviation Planning Studies	\$5,244
Aviation Security	1,645
Environmental Mitigation Cost Share at former OAB	1,248
Utility Cost of Sales	1,012
Environmental Consulting	581
Maintenance Dredging	504
Computer Systems	416
All Other (Net)	(791)
Total Non-Personnel Cost Increase	\$9,859

FY 2020-2023 Operating Expense Projections

Port-wide operating expenses (excluding depreciation) are projected to increase from \$235.2 million in FY 2019 to \$265.6 million in FY 2023, for a forecasted compound annual growth rate of 3.1%. The chart below shows historical and projected operating expenses for FY 2011-2023.



Compound Annual Growth Rate

	FY 2011-17	FY 2017-23 projected
Personnel	4.4%	5.9%
Non-Personnel	3.9%	5.9%
Port-wide	4.1%	5.9%

Capital Budget

For FY 2019, budget authorization of \$34.7 million is requested from the Board for projects that have already been reviewed and authorized by the Board, or projects that are no more than \$250,000 and within the Executive Director's spending authority, as well as limited amounts for pre-development work to scope

potential projects and miscellaneous facilities replacement projects⁸. This authorization comprises the FY 2019 Capital Budget–Initial which includes the capital projects listed in the table below. The amounts shown in the table are expected expenditures in FY 2019 and do not include prior or subsequent fiscal year expenditures for projects spanning multiple fiscal years.

With the substantial completion of three major projects in FY 2018 (Runway 12/30 rehabilitation, Internationals Arrivals Building renovation and Terminal 1 (M102) renovation), the FY 2019 capital budget focuses on completing the TSA recapitalization of baggage screening equipment, Cool Port rail infrastructure, and crane raising and management system. The capital projects continue to be focused on replacing aged and obsolete infrastructure, and as a result, maintaining existing Port revenues.

FY 2019 Capital Budget – Initial
(\$millions)

Projects Already Underway and Previously Board Authorized

<i>Business Line¹</i>	<i>Project</i>	
A	TSA Recapitalization of Baggage Screening Equip.	5.0
M	Cool Port Rail Infrastructure	4.2
M	Crane Raising and Management System	4.0
M	Berth 25/26 Wharf and Related Improvements	2.0
A,M,C,S	Misc. Facilities Replacement Projects	1.7
A	Parking Access and Revenue Control System	1.6
A	Terminal 1 GSE Electrification	1.5
A,M	Utility Upgrades	1.5
A	ARFF Truck and Facilities	1.4
A	Terminal 2 M130 Roof Replacement	1.4
A	Various Terminal Improvements	1.5
C	Reconstruction of Embarcadero Road	1.2
A,M	Pre-Development Projects	0.8
A	Aviation Security Enhancements	0.8
A	International Arrivals Building Improvements	0.7
A	Terminal 1 M102 Renovations	0.7
M	Seaport Logistics Complex	0.6
S	Information Technology Equipment and Systems	0.6
A	Various Airfield Improvements	0.5
A	Runway Safety Area	0.5
A	Runway 12/30 Rehabilitation	0.5
A,M	Capital Equipment	0.5
M	7 th Street Grade Separation	0.4
C	Union Point Basin Environmental Remediation	0.4
C	Building and Tenant Improvement Allowances	0.5
M	Nutter Terminal Light Pole Replacement	0.2
Total		\$ 34.7

¹ Aviation (A); Maritime (M); Commercial Real Estate (C); Support (S)

⁸ Miscellaneous facility replacement refers to smaller scope projects or needs that may arise during the course of the fiscal year that are unforeseen or difficult to predict with certainty; these projects are individually usually less than \$100,000. Any project greater than \$250,000 would require further Board approval pursuant to the Port's Purchasing Ordinance 4321.

In addition, approximately \$92.7 million of additional projects are anticipated to commence in FY 2019 (FY 2019 Pipeline Projects), subject to Board approval. The largest anticipated project to commence in FY 2019 is the Airport Perimeter Dike project. Design and environmental review are complete and construction of the first phase of this project is slated to begin in FY 2019. The FY 2019 Pipeline Projects are listed in the Budget Summary book on page 110. The amounts shown are expected expenditures in FY 2019 and do not include prior or subsequent fiscal year expenditures for projects spanning multiple fiscal years.

Authorization to proceed with the FY 2019 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, available funding, and available staffing resources. The FY 2019 Pipeline Projects are at various stages of the pre-development, planning, and design process. For cash flow and financial planning purposes, the FY 2019 Pipeline Projects are assumed to be approved by the Board during the course of the fiscal year.

Provided below is a summary of the Port's FY 2019 Capital Budget–Initial and FY 2019 Pipeline Projects, and anticipated funding sources.

**FY 2019 Anticipated Capital Expenses
Uses of Funds by Business Line
(\$ millions)**

	FY 2019 Capital Budget – Initial	FY 2019 Pipeline Projects	FY 2019 Total
Aviation	\$19.1	\$70.0	\$89.0
Maritime	12.7	20.6	33.3
CRE	2.4	2.1	4.4
Support	0.7	0.0	0.7
Total	\$34.7	\$92.7	\$127.4

**FY 2019 Anticipated Capital Expenses
Sources of Funds
(\$ millions)**

	FY 2019 Capital Budget – Initial	FY 2019 Pipeline Projects	FY 2019 Total
Aviation Grants	\$6.1	\$11.7	\$17.8
Maritime Grants	0.0	0.9	0.9
PFC Pay-Go	2.5	12.1	14.6
CFCs	0.0	2.2	2.2
Cash	26.1	65.8	91.9
Total	\$34.7	\$92.7	\$127.4

Board-Established Reserves

Pursuant to Board policy, the following reserves will continue to be maintained for FY 2019:

Board-Established Reserves (\$000s)

	FY 2019
Operating Reserve ⁹	\$29,402
Capital Reserve	15,000
Port Bond Reserve	30,000
Total Reserves	\$74,402

Debt Service and Debt Service Coverage Ratios

The Port's debt service payments and projected debt service coverage ratios for FY 2019 are provided in the table below.

Debt Service and Debt Service Coverage Ratio (\$000s)

	FY 2019
Bonds	\$92,731
Dept of Boating and Waterway Loan	458
CP Notes (paid from operating revenues) ¹⁰	6,972
Total	\$100,161
CP Notes (paid with PFCs) ¹¹	12,636
Total Debt Service	\$112,797
Intermediate Lien Debt Service Coverage Ratio ¹²	1.65x
Aggregate Debt Service Coverage Ratio ¹³	1.53x

In FY 2019, the Port's debt service obligation on its bonds and Department of Boating and Waterway Loan is \$92.7 million and \$458,000, respectively. The FY 2019 budget also includes repayment of \$17.5 million of outstanding commercial paper notes and associated interest. Of this amount, approximately \$11.5 million of outstanding principal and associated interest is anticipated to be repaid with PFCs. The Port's debt service coverage ratio measures net operating revenues (that is, operating revenues less operating expenses) in comparison to debt service. It is an important financial metric that reflects both the resiliency and strength of the Port's operating performance to meet debt service payments. In FY 2019, the Intermediate Lien and Aggregate debt service coverage ratio are projected to be 1.65x and 1.53x, respectively.

⁹ Established at 12.5% of Operating Budget (excluding depreciation).

¹⁰ In FY 2019, the interest rate on the CP Notes is assumed to average 2.05%.

¹¹ In FY 2019, the interest rate on the CP Notes is assumed to average 2.05%.

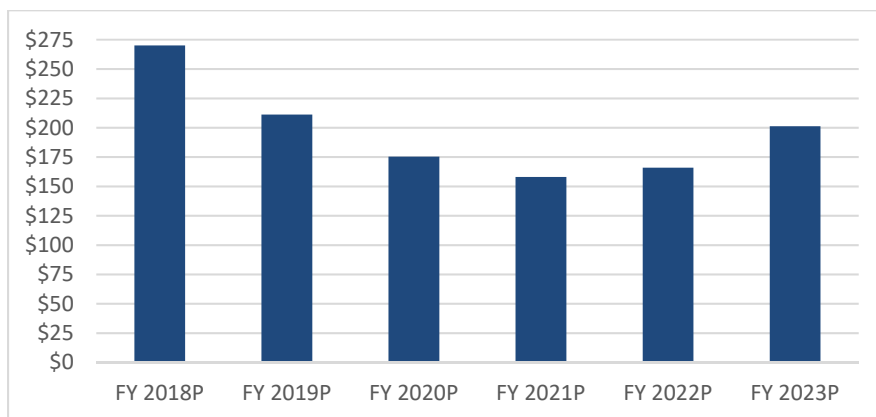
¹² Intermediate Lien Debt Service Coverage Ratio equals Net Revenues (as defined in the Bond Indentures) divided by the sum of the debt service on the Bonds and Department of Boating and Waterway Loan.

¹³ Aggregate Debt Service Coverage Ratio equals Net Revenues (as defined in the Bond Indentures) divided by the sum of the debt service on the Bonds, Department of Boating and Waterway Loan and CP Notes (excluding amounts anticipated to be paid with PFCs).

General Fund Cash Balance

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 and anticipated in the 5-year CIP, semi-annual bond debt service payments, and all other accrued liabilities. The graph below illustrates the anticipated General Fund cash balance on June 30, 2018 through June 30, 2023. The anticipated General Fund balance reflects the proposed FY 2019 operating and capital budgets, as well as the Port's updated 5-year financial forecast, including the 5-year CIP.

Projected June 30 General Fund Ending Balance¹⁴
(\$million)



Summary

The annual budget is an essential management tool to plan and sustain our businesses. The Port has an excellent track record of prudent and proactive budget management. I thank our highly skilled professional staff for their dedication to serve as reliable stewards of public resources. I appreciate the Board's support and commitment to the FY 2019 Budget.

Sincerely,

Chief Financial Officer

¹⁴ Excludes Board reserves and other restricted funds (such as PFCs, CFCs, contractor retention and Bond Trustee held reserves).

PORT OF OAKLAND COMMISSIONERS



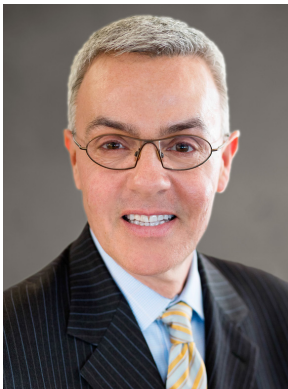
Joan H. Story
President



Cestra "Ces" Butner
First Vice-President



Andreas Cluver
Second Vice-President



Michael Colbruno
Commisioner



Earl S. Hamlin
Commissioner



Arabella Martinez
Commissioner



Alan S. Yee
Commissioner

Mission Statement

We are stewards of public assets. We lead our seaport, airport, and real estate businesses in a fiscally sound and socially beneficial way.

Vision Statement

The Port of Oakland is the preferred gateway for trade, travel and recreation.

STRATEGIC PLAN

In March 2018, the Board of Port Commissioners (Board) adopted the Port of Oakland Strategic Business Plan Fiscal Years 2018-2022 (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 2018 to 2022.

Titled *Growth with Care*, the Strategic Plan sharpens the Port's focus on the growth of its core maritime, aviation, and commercial real estate businesses by aligning governance, policies, processes and resources while minimizing adverse impacts and maximizing community benefits. The Strategic Plan establishes that all activities are based upon collaboration, accountability, and innovation. The Strategic Plan guides the Port to long-term fiscal and environmental sustainability and optimal performance.

The Port has established the goals outlined below to achieve the Port's mission and make its vision a reality. The Business and Port-wide objectives and strategies are the key steps towards achieving those goals and are summarized below.

BUSINESS

Grow Net Revenue - Increase the Port's business by accommodating growth in the markets it serves, and by increasing the Port's share of those markets; keeping costs low through efficiency, and securing the best possible prices and rates for the Port's assets and services.

Improve Customer Service – Direct and indirect customers drive the Port's success; the Port seeks to maintain and improve its relationship with these customers and provide the best possible service.

Modernize and Maintain Infrastructure – In order to promote safety, sustainability, reliability and long-term value, each business line has specific modernization and maintenance objectives to meet, notably development of long-term asset management plans; these objectives are at the core of the Port's responsibility to the community and are the basis for the Port's services.

PORT-WIDE

Pursue Employee Excellence - The Port will create and sustain a workplace culture of excellence and high engagement, foster innovation and growth, promote diversity and respect, and support the integration of the demands of work and life.

Strengthen Safety and Security - Safety and security are fundamental to everything the Port does; Port businesses are responsible to periodically test and refresh their business continuity and resiliency plans, as well as minimize security breaches, improve emergency readiness, and enhance Airport traveler and employee safety and security.

Serve Our Community - The Port will maximize the community benefit of Port projects, engage residents in neighboring communities, enhance existing and new relationships with the community, and invest in individuals and organizations that further the region's social and economic vitality.

Care for Our Environment – It is the Port's duty to ensure long-term ecological health and sustainability among its sensitive habitat and marine areas, as well as to be an environmental steward for the Port's local neighborhoods, public health and quality of life for residents and workers.

The Port's Strategic Plan may be found on the Port's website at <http://www.portofoakland.com>.

SAN FRANCISCO BAY AREA MAP



PORT OF OAKLAND OVERVIEW

The Port is an independent department of the City of Oakland, California (City). The Port manages three lines of business: Aviation, Maritime, and Commercial Real Estate. Port facilities include Oakland International Airport (OAK; Airport); marine terminals, rail facilities for intermodal and bulk cargo handling and areas for truck staging, container storage and maritime support services (collectively, the Seaport); commercial, industrial, recreational and other land under lease or available for lease or sale; undeveloped land; and water area.

The Port is located in the City, along approximately 19 miles of waterfront on the Oakland Estuary and San Francisco Bay. 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 million¹.

The majority of the Port's land was granted by the State of California (State) in the early 20th century, 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.

GOVERNANCE

An amendment to the City Charter in 1927 delegates governance of the Port to a seven-member Board. The Mayor nominates the commissioners and the City Council appoints them. Port Commissioners serve staggered four-year terms without compensation and must be residents of the City.

The Board has complete exclusive power over the Port. It has a duty for and on behalf of the City to manage all Port facilities and property, real and personal, all income and revenues, and all bond proceeds for harbor, airport, and commercial real estate improvements, and for any other purpose. The Board has the power under the City 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.

¹ U.S. Census Bureau 2010.

San Francisco Bay

Legend:

- Aviation Area (Orange)
- Commercial Real Estate Area (Red)
- Maritime Area (Purple)
- Recreation Area (Green)

Map Labels:

North: Ben E. Nutter Terminal, Middle Harbor Shoreline/Port View Park, Oakland Int'l. Gateway BNSF Railway Intermodal Yard, Oakland Int'l. Container Tml., Maritime Support Center, TraPac Terminal, Berths 20-24 Terminal, Outer Harbor.

Alameda: Alameda, Oakland, SF Ferry, Port Offices, Jack London Square, Estuary Park and J.L. Aquatic Center, 9th Ave. Terminal, Coast Guard Is., Embarcadero Cove, Union Point.

Oakland: Charles P. Howard Terminal, Embarkadero, Oak St., E. 8th St., E. 12th St., Fruitvale Ave., High St., Oakland St., Oakland Airport Business Park & Distribution Center, Oakland Coliseum, Hegenberger Rd., 98th Ave.

San Leandro: San Leandro, Metropolitan Golf Links, BART Airport Station, Bessie Coleman Dr., Harbor Bay Pkwy., Roulacman Pkwy., Air Cargo Way, Air Cargo.

Other Labels: MIDDLE HARBOR RD., THRUWAY, BROADWAY, MARKET ST., ADELIN ST., MARITIME ST., SEAPORT LOGISTICS COMPLEX, RAILROAD - OAKLAND UNION PACIFIC INTERMODAL YARD, EMBARKADERO, OAK ST., E. 8TH ST., E. 12TH ST., FRUITVALE AVE., HIGH ST., OAKPORT ST., 98TH AVE., HARBOR BAY PKWY., ROULACMAN PKWY., AIR CARGO WAY, AIR CARGO, BART AIRPORT STATION, BESSIE COLEMAN DR., METROPOLITAN GOLF LINKS, OAKLAND COLISEUM, OAKLAND AIRPORT BUSINESS PARK & DISTRIBUTION CENTER, HEGENBERGER RD., 98TH AVE.

Highways: 80, 880, 980.

Compass Rose: N, S, E, W.

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 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 as measured by commercial passengers with 375 daily passenger and cargo arrivals and departures. In 2018, the Airport averages 162 passenger departures a day to 65 domestic and international destinations, increasing to as many as 184 daily departures in summer 2018. All-cargo departures range from 15 to 30 departures per day to destinations around the globe. In calendar year (CY) 2017, the Airport served 13.1 million passengers and handled approximately 1.24 billion pounds of air cargo. Aviation generates approximately 53% of the Port's total operating revenues.² Aviation operating revenues come from three primary sources: landing fees and terminal rents paid by airlines; parking and ground access charges; and leases and concessions.

Maritime – The Oakland Seaport, comprising approximately 1,300 acres of maritime-related facilities, is one of the 10 busiest container ports in the United States and North America, and one of four major gateways for containerized shipments on the West Coast of the U.S. It serves as the principal ocean gateway for international containerized cargo shipments to and from Northern California, California's agricultural Central Valley, and western Nevada. The Seaport is also a key gateway for the "Intermountain States" including western Colorado and Utah. In CY 2017, approximately 2.4 million twenty-foot equivalent units (TEUs) moved through the Seaport. Approximately 91% of this activity was associated with international trade, while the remaining 9% represented domestic trade within the U.S. The Seaport generates approximately 42% of the Port's total operating revenues.³ Most of these operating revenues are derived from lease agreements with marine terminal operators.

Commercial Real Estate - The Port's commercial real estate (CRE) includes all Port properties not 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. CRE generates approximately 5% of the Port's total operating revenues.⁴ CRE revenues are derived primarily from lease agreements and parking revenues.

Unlike some ports, the Port does not receive funding from local tax revenues and, as an independent department of the City, must generate sufficient revenue to support financially its day-to-day business line operations. However, the City does provide a variety of services to the Port, such as fire, police, and treasury services. The Port anticipates paying the City approximately \$19.9 million in fiscal year (FY) 2019 for these services, as well as for maintenance of Tidelands Trust property, and for parking and utility taxes collected on the City's behalf.

² Based on FY 2017 audited financial statements.

³ Ibid.

⁴ Ibid.

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 in 2011, 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 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.⁵

AVIATION

History

OAK has served the air travel and air cargo needs of the Bay Area for 90 years. In 1927, work crews 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, Bessie Coleman, 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 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. In 2017, OAK ranked 36th in the U.S. in terms of total passengers and 14th in the U.S. in terms of air cargo tonnage.⁶ It was the second busiest Bay Area passenger airport with a market share of 16% and the busiest Bay Area cargo airport with a market share of 48%.

The Airport facilities are located on approximately 2,600 acres of land and include terminals, airfields, a consolidated rental car center, parking, air cargo, corporate and general aviation, a municipal golf course, and maintenance facilities. The Airport's commercial passenger terminals (Terminals 1 and 2) have a total of 29 gates and include the International Arrivals Building. The main commercial runway, Runway 12/30, primarily serves commercial air carrier operations and business jet departures. In addition, there are runways used primarily for business and general aviation purposes.

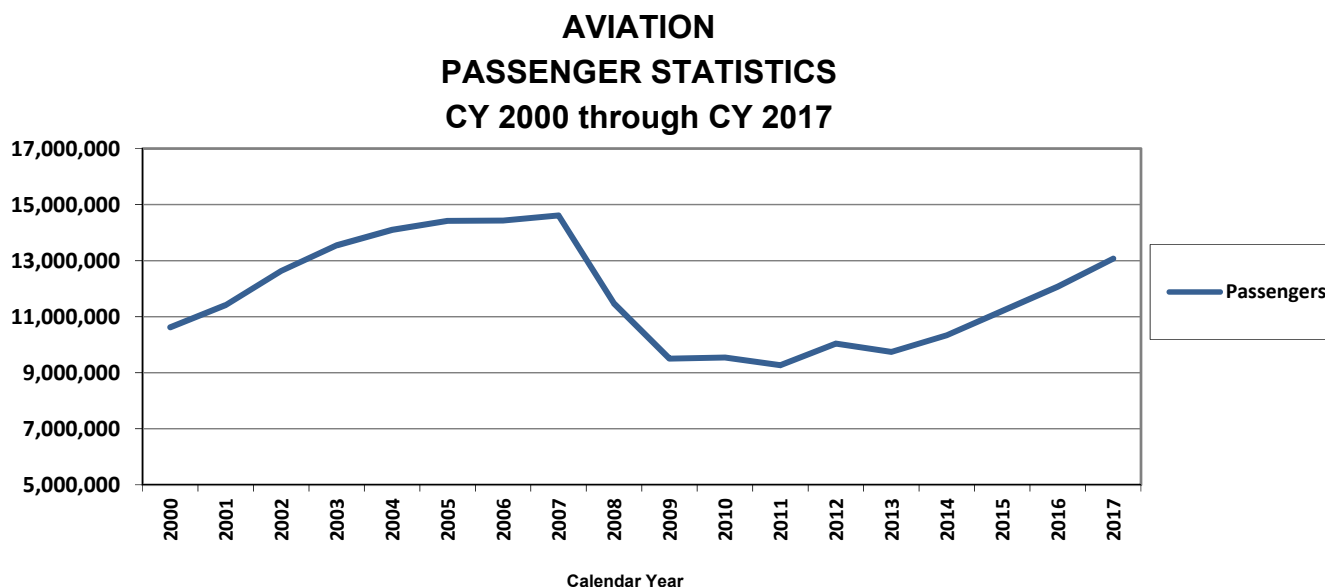


⁵ The Economic Impact of the Port of Oakland – 2011, Martin Associates.

⁶ Based on preliminary data from Airports Council International - North America.

Passenger Service

OAK provides easy-to-use airport facilities and convenient access to the Bay Area. In CY 2017, the Airport served 13.1 million passengers. Although below OAK's CY 2007 peak of 14.6 million, traffic grew 34% between CY 2013 and CY 2017, and with 65 nonstop destinations scheduled in summer 2018, the number of destinations is at an all-time high.



Southwest is OAK's largest carrier, accounting for 69% of the Airport's passenger activity and serving 34 nonstop destinations in July 2018, with as many as 126 daily departures planned.

New services added in 2017 included: Puerto Vallarta and Cabo San Lucas on Southwest Airlines in February; London Gatwick on British Airways in March; Copenhagen on Norwegian in March; Barcelona on both Norwegian and Level in June; Detroit and Baltimore on Spirit's seasonal service in May; and New York/Newark on Southwest in June 2017.

Announcements thus far for 2018 include: Rome and Paris on Norwegian in February and April, respectively; Dallas-Ft. Worth on American in April; Crescent City on Contour in April; Memphis on Allegiant; and, Orlando, San Antonio, Minneapolis-St. Paul, and Indianapolis on Southwest.

OAK PASSENGER ACTIVITY and MARKET SHARE BY CARRIER

Marketing Airline	Total Passengers Served in CY 2017	Market Share In CY 2017
Southwest ¹	9,077,935	69.4%
Alaska/Horizon ²	786,963	6.0%
Spirit	729,166	5.6%
Hawaiian	418,347	3.2%
JetBlue	415,566	3.2%
Norwegian Airlines	307,212	2.4%
Delta Airlines	295,638	2.3%
Allegiant	278,671	2.1%
Volaris	222,753	1.7%
American	222,713	1.7%
Compass Delta	147,562	1.1%
SkyWest Airlines ³	57,991	0.4%
British Airways	51,490	0.4%
Level	41,891	0.3%
Mesa Airlines ⁴	7,606	0.1%
Charter/Other	10,741	0.1%
Total	13,072,245	100.0%

¹ Includes Southwest International.

² Horizon Air and Alaska Airlines are wholly-owned subsidiaries of Alaska Air Group.

³ SkyWest Airlines is a regional carrier that operates at OAK under a contractual agreement with Delta Airlines, American Airlines, and Alaska Airlines.

⁴ Mesa Airlines is a regional carrier that operated at OAK under a contractual agreement with American Airlines.



OAK PASSENGER AND CARGO STATISTICS

PASSENGERS	CY 2017	CY 2016	% Change
Enplaned	6,530,308	6,041,455	8.1%
Deplaned	<u>6,541,937</u>	<u>6,029,512</u>	<u>8.5%</u>
Total	13,072,245	12,070,967	8.3%
FREIGHT (in 000 lbs)			
Inbound	617,371	579,736	6.5%
Outbound	<u>624,242</u>	<u>594,399</u>	<u>5.0%</u>
Total	1,241,613	1,174,135	5.8%
MAIL (in 000 lbs)			
Inbound	5,543	3,492	58.7%
Outbound	<u>3,896</u>	<u>3,389</u>	<u>15.0%</u>
Total	9,439	6,881	37.2%
TOTAL AIR CARGO (Freight & Mail) (in 000 lbs)	1,251,052	1,181,016	5.9%
LANDED WEIGHT (in 000 lbs)	10,919,726	10,147,656	7.6%
AIRCRAFT OPERATIONS	236,601	222,771	6.2%

Air Cargo

In addition to its status as a major passenger airport, OAK serves the top two global air cargo leaders, FedEx and United Parcel Services (UPS). OAK is the North American west coast hub for FedEx. In late 2013, FedEx completed construction of an international sort facility to complement its existing domestic operation at OAK. It has also renovated and upgraded other on-Airport facilities with \$100 million investment over the past five years. 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 2017 Volume ¹ (million lbs)
FedEx	996
UPS	222
Southwest	15
Other	18

¹ Air Cargo figures include freight and mail.

In CY 2017, OAK handled approximately 1.25 billion pounds of air cargo (freight plus mail), a 5.9% increase from CY 2016. FedEx is the major operator of freight aircraft with an average of 18 flights per day and 996 million pounds of cargo handled in CY 2017. UPS operated an average of four flights a day and handled 222 million pounds of cargo in CY 2017. 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 15 million pounds of

cargo in CY 2017. Other passenger airlines, general aviation aircraft, and a small number of charter aircraft carry the remaining cargo at OAK.

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, Inc. (KaiserAir) which has operated at OAK since 1954; and Signature Flight Support (Signature) (formerly 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 newer FBO, Signature brings its expertise from operations at almost 200 airports across the U.S., Canada, Europe, Africa, Asia, and South America. Signature has completed a \$12 million investment in its leased facilities and expects to make significant capital investments during the first ten years of its lease term. This is in an effort to improve Port-owned hangars and other airfield and support facilities.

Major Projects

Capital planning and development programs focus on maintaining, renovating, and enhancing existing assets in order to sustain 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 5-Year Capital Improvement Plan* section, several major projects aimed at ensuring the safety and integrity of Airport facilities and infrastructure, as well as enhancing customer service, will continue or be completed in FY 2019. Several major projects were substantially completed in FY 2018, improving the safety, reliability and customer service for these key Airport facilities—the 12/30 Runway Rehabilitation, the Terminal M102 Life Safety improvements, and the International Arrivals Building Upgrades.



The FY 2019 capital program includes critical infrastructure projects to address utility and sewer infrastructure, security initiatives, and near-term congestion issues. Some of these key projects are described below.

Airport Perimeter Dike Improvements Phase 1

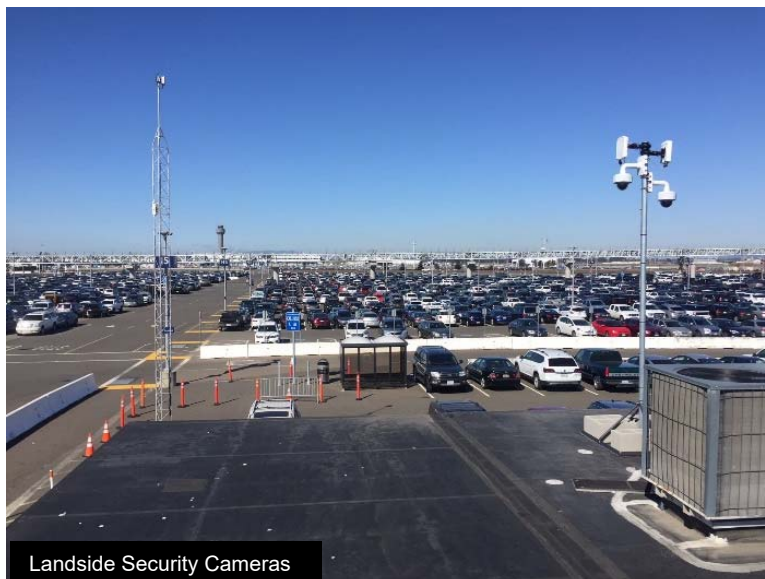
The Airport Perimeter Dike (APD) separates the airfield from San Francisco Bay waters. The project includes both flood hazard protection and seismic strengthening, and has been designed to be implemented in phases. The first phase addresses the flood hazard protection. The flood hazard improvements are designed to protect the Airport against flood risk from severe storms and sea-level rise. The proposed APD improvements are intended to meet Federal Emergency Management Agency (FEMA) levee design standards. The APD project will address the risk of flooding at the South Field from extreme tides, sea level rise, storm surge, and wave runup from the Bay (south) side of the Airport. Subsequent phases will analyze and seek to address the same risks from the San Leandro Bay side to the North Field. Design and environmental review are complete and construction of this first phase is slated to begin in late 2018.

The capital improvement plan (CIP) includes \$15.5 million for FY 2019 that includes a major portion of the flood hazard construction budget and some design budget for the seismic improvements. Approximately \$5 million of the project costs will be funded by a State Local Levee Assistance Program (LLAP) grant. 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. The grant expires in 2019.



Landside Security Cameras

As part of OAK's continuing effort to increase security and enhance the passenger experience at the Airport, there is a Landside Security Cameras project to expand the Airport's video surveillance system at a variety of landside areas. These areas include the rental car facility, public and employee parking areas, frontage roadways, and curbside of the terminal area. Part of the project includes infrastructure upgrades and expansion, and fiber communications with airport operations and law enforcement. The project is in the early phases of design. The total project cost is estimated to be \$6.8 million.



TSA Recapitalization of Baggage Screening Equipment

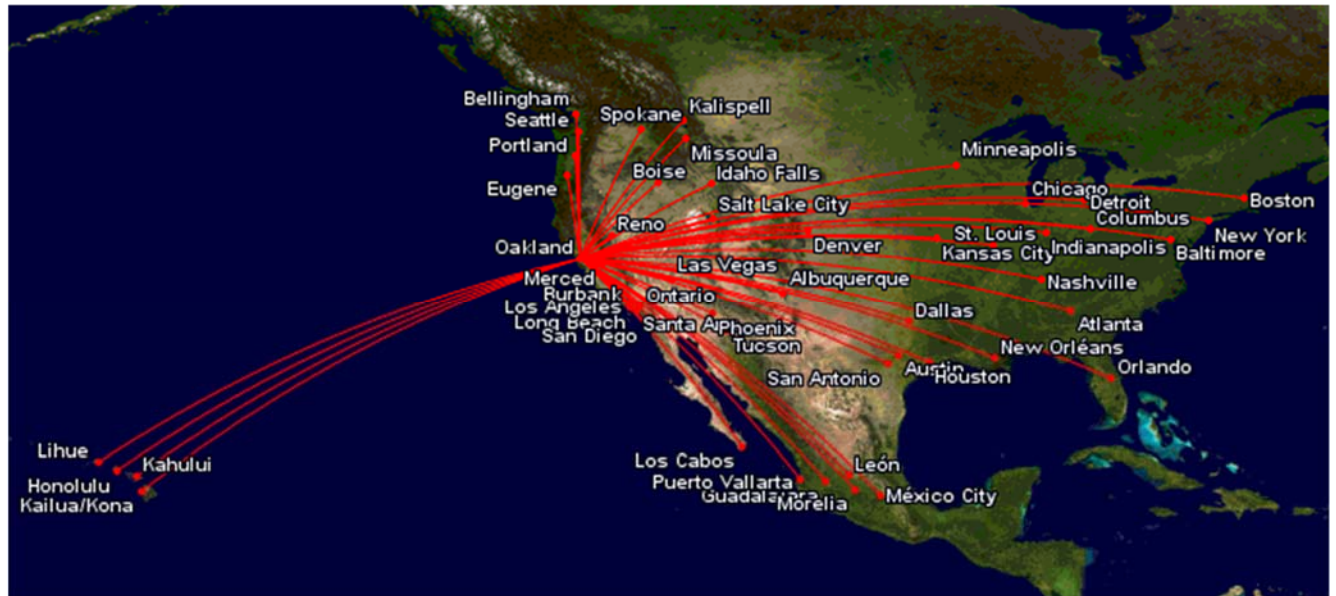
Transportation Security Administration (TSA) Electronic Baggage Screening Program (EBSP) has undertaken a national recapitalization effort because many of the existing checked-bag Explosives Detection Systems (EDS) deployed at airports throughout the country are nearing the end of their projected useful 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 construct terminal infrastructure modifications needed for the installation of the new 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. The project construction is now estimated to cost about \$10.6 million, most of which is anticipated to be reimbursed by the TSA through a revised OTA. Construction is underway and is expected to be completed in FY 2019.

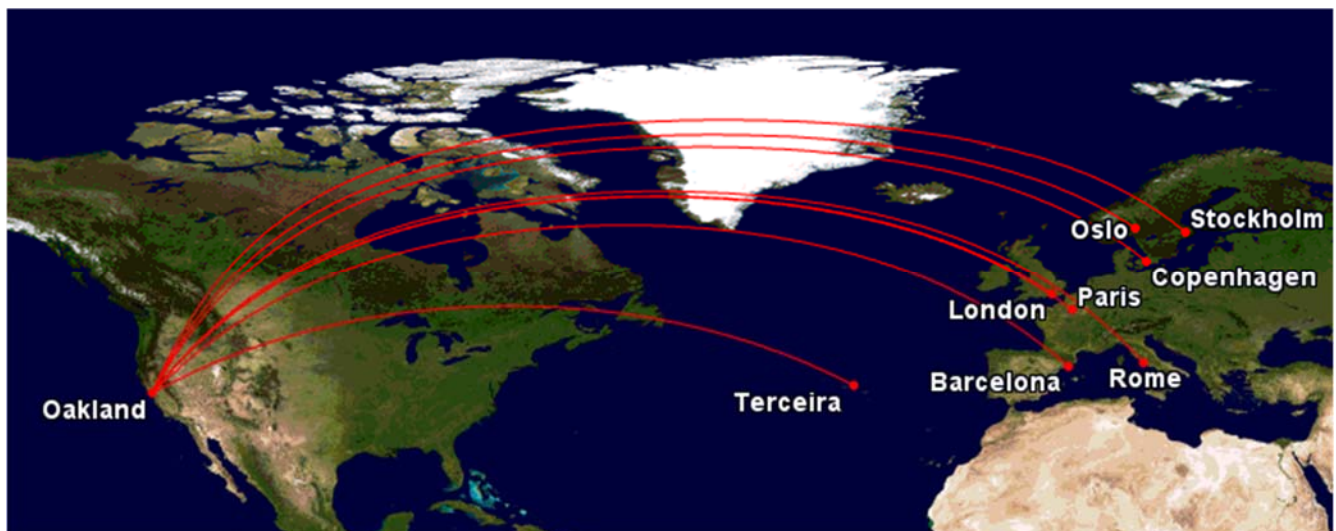
AVIATION OPERATIONS AT-A-GLANCE

Fast Facts		
Major All-Cargo Carriers:	FedEx UPS	
Number of Daily Departures: (passenger and cargo)	190 average 215 peak	
Acreage:	2,600 acres (approximate)	
Passenger Facilities:	Two terminals (556,000 sq ft) 29 boarding gates	
Runways:	10,000 feet 5,458 feet 6,212 feet 3,376 feet	
Number of Employees:	8,500 Port and tenant employees (approximate) About one-third of tenant employees are in cargo-related jobs.	
Largest Airport Employers:	Southwest Airlines FedEx Rolls Royce Engine Services UPS Port of Oakland	Approximately: 2,900 (includes crew base staff) 1,300 400 320 261 (Aviation Division)
Public Parking:	7,000 vehicle capacity	
Cargo Sort Facilities:	FedEx UPS	
U.S. Customs:	International Arrivals Building (42,000 sq ft)	
Domestic Airlines	International-Only Airlines	
Alaska Airlines/Horizon Air Allegiant Air American Airlines Boutique Air Compass Airlines Delta Air Lines	Hawaiian Airlines JetBlue Airways SkyWest Airlines Southwest Airlines Spirit Airlines	British Airways Level Norwegian Azores Airlines (seasonal) Volaris

OAK TO NORTH AMERICA - SUMMER 2018



OAK TO EUROPE - SUMMER 2018



MARITIME

History

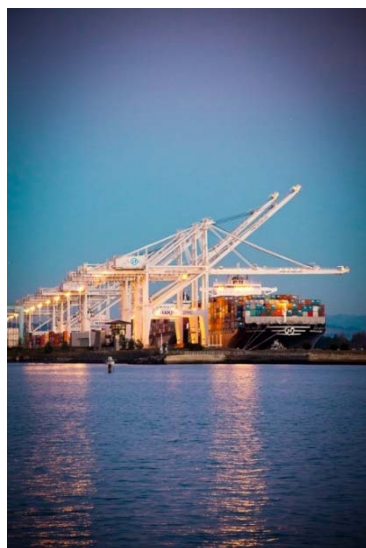
To accommodate growing international shipping demand in the first part of the 20th century, City voters approved bonds in 1925 to finance the construction and development of a municipal port overseen by an autonomous Board of Port Commissioners. Two years later, the Port was officially established as 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 altered maritime operations 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.



**PORT OF OAKLAND
SEAPORT**

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, intermodal rail facilities, roadways, and public waterfront open space. Following this expansion, between 2003 and 2007, the Port acquired approximately 241 acres of land and water of the former Oakland Army Base (OAB), ideally located adjacent to then-existing Seaport facilities. Over time, the Port is developing the former OAB into a state-of-the-art logistics center known as the Seaport Logistics Complex. The Port recently constructed a new railyard and, in 2018, signed a lease with a private developer for the construction of a 440,000-square foot distribution facility.

International Gateway Today



The Seaport serves as a major gateway for international containerized trade, especially with Asia. The Seaport handled approximately 2.4 million TEUs in CY 2017. A TEU is an international standard of measurement for the volume of business that moves through a container port and refers to a container that is 20 feet long. 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 2017, approximately 2.4 million TEUs, or about 1.4 million containers, moved through the Seaport – an increase of approximately 2.2% from CY 2016. The increase was due in part to strengthening of the global and U.S. economies. The Port is a strong export seaport, moving California agricultural products and other U.S. goods overseas to foreign markets. While import cargo activity tends to be driven primarily by the strength of the local and regional economy, export cargo varies with additional global economic factors such as the strength of the U.S. currency and the availability of containers. In CY 2017, imports accounted for approximately 50% of all full container activity, while exports represented 50%. On the U.S. West Coast, this “balance” of imports and exports is unique to the Seaport.

In CY 2017, 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 2017, about 76% of the full TEUs that moved through the Port either originated from or were destined for Asia.

UNITED STATES CONTAINER PORT ACTIVITY BY TEU VOLUME

PORT	CY 2017 TEUs	CY 2016 TEUs	% CHANGE
LOS ANGELES (CA)	9,343,193	8,856,783	5.5%
LONG BEACH (CA)	7,544,507	6,775,171	11.4%
NEW YORK/NEW JERSEY (NY/NJ)	6,710,817	6,251,953	7.3%
SAVANNAH (GA)	4,046,212	3,644,519	11.0%
NW SEAPORT ALLIANCE (WA)	3,665,329	3,615,752	1.4%
HAMPTON ROADS (VA)	2,841,016	2,655,705	7.0%
HOUSTON (TX)	2,459,107	2,182,720	12.7%
OAKLAND (CA)	2,420,837 ¹	2,369,576	2.2%

Source: Respective port websites

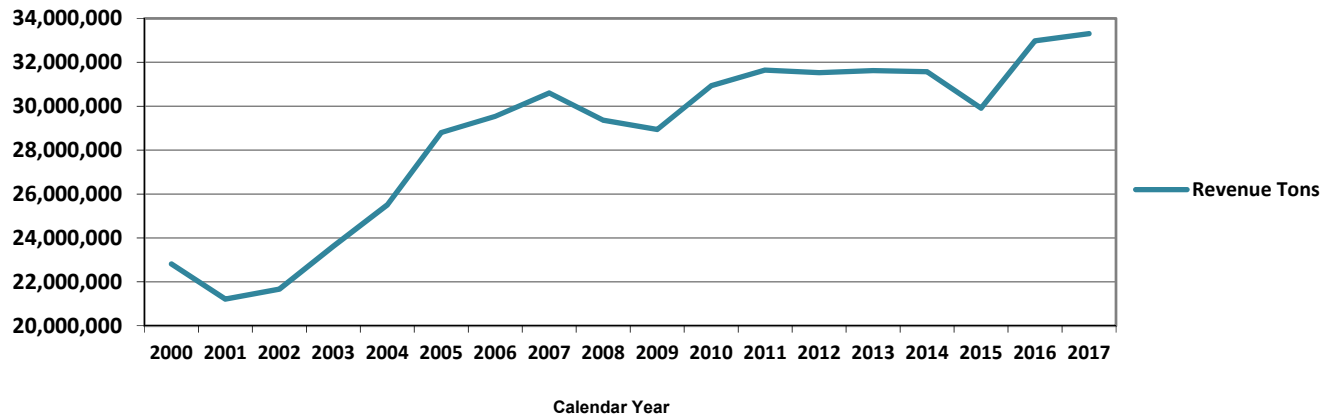
¹ Includes estimates.

OAKLAND CONTAINER ACTIVITY

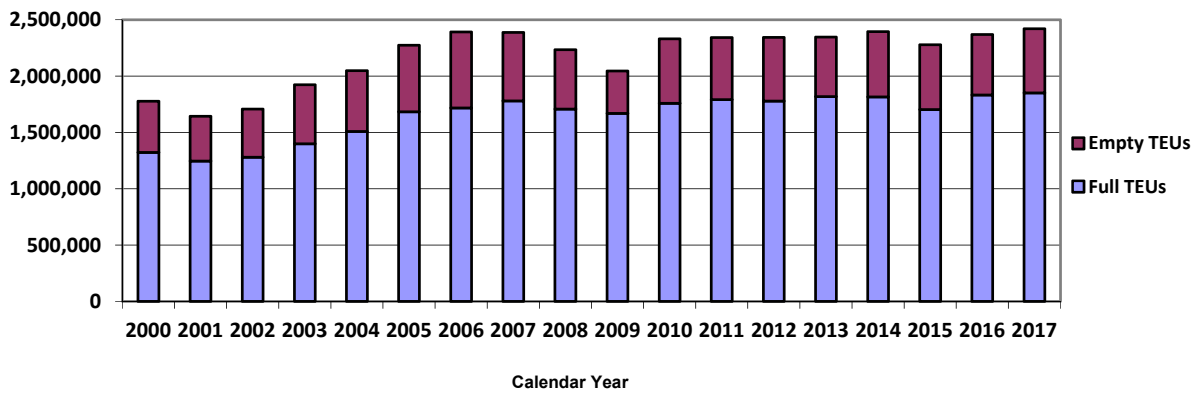
TYPE	CY 2017 TEUs ¹	CY 2016 TEUs	% CHANGE
FULL			
IMPORT	919,523	883,748	4.0%
EXPORT	<u>930,826</u>	<u>947,968</u>	<u>-1.8%</u>
Total	1,850,349	1,831,716	1.0%
EMPTY	570,488	537,860	6.1%
TOTAL TEUs	2,420,837	2,369,576	2.2%

¹ Includes estimates.

**MARITIME
CARGO STATISTICS
CY 2000 through CY 2017
Revenue Tons¹**



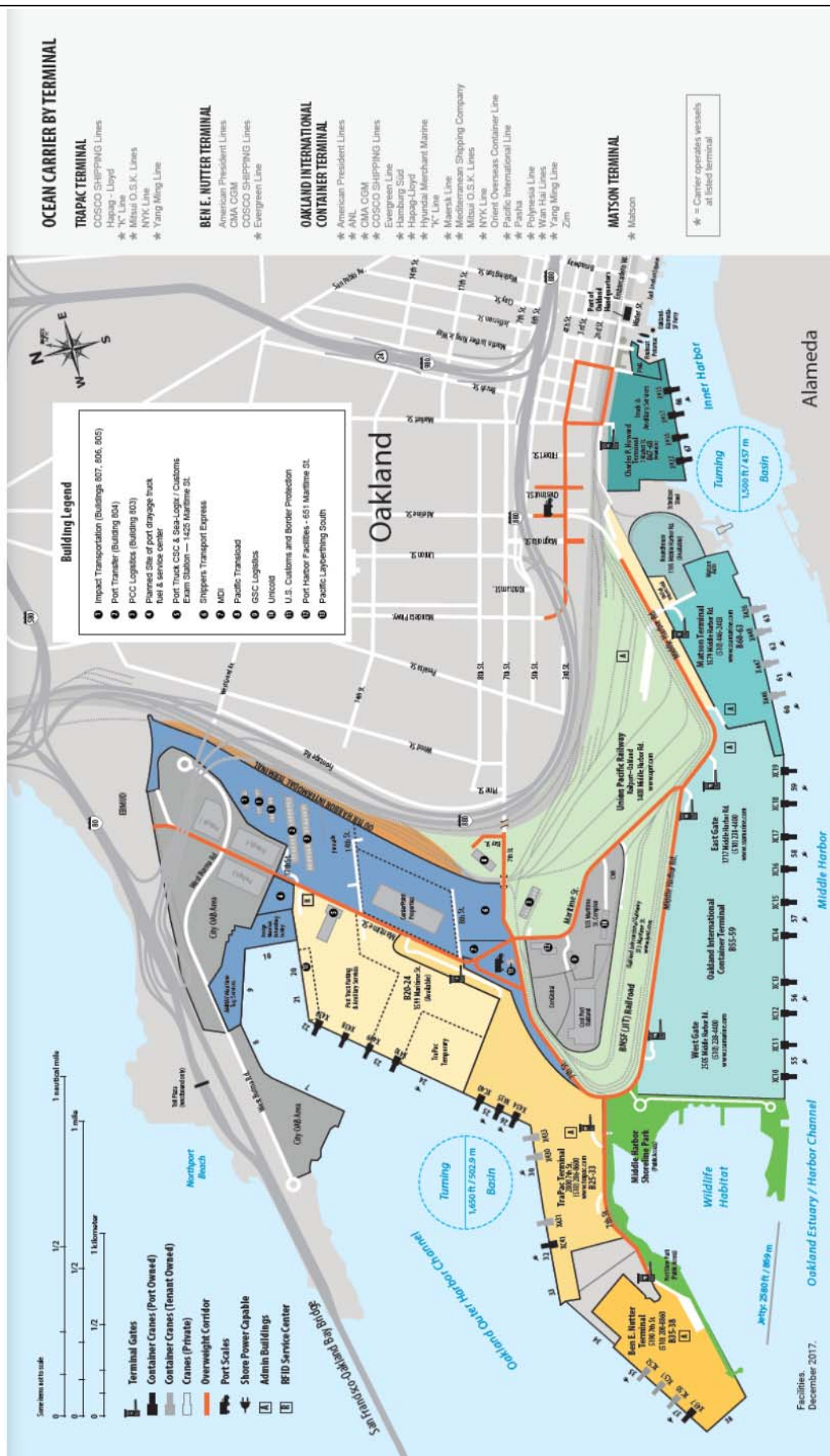
Total TEUs²



¹ Containerized cargo only; excludes bulk cargo. Figures in metric tons.

² Although minimal, note that in CY 2000 through CY 2011, TEUs include restows and shifts. Starting in CY 2012, restows and shifts are no longer counted.

SEAPORT FACILITIES



The Port currently offers 18⁷ deep-water berths (most with 50 feet/15 meters of water depth), four active marine terminals (operated by four terminal operators under six separate agreements), and 33 container cranes, of which 23 are Port-owned. The Charles P. Howard Terminal, previously operated as a container terminal, is currently being leased to tenants that provide maritime support services. There has been interest from various private entities to utilize Howard for bulk or roll-on/roll-off operations. The Outer Harbor Terminal (Berths 20-26), which closed in spring 2016, has been partially incorporated into the expansion of the adjacent TraPac Terminal (formerly Berths 30-32, now Berths 25-33). The balance of the Outer Harbor Terminal (Berths 20-24) is under lease on an interim basis to tenants that provide maritime support services.

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 Seaport offers some of the shortest transit times to and from Asia, its primary regional trading partner. In addition to Asia, other major trading partners (with direct service routes) include Europe, the Mediterranean, Australia/New Zealand, and Central and South America. The Seaport is backed by a network of local roads and interstate freeways, warehouses, and two Class I railroads – Burlington Northern Sante Fe Railway Company (BNSF) and Union Pacific Railroad (UP) – that, together, link the Seaport to national markets, including the Midwestern United States, for containerized goods.

Major Projects

Maritime trade, and the demand for supporting facilities, continues to be strong. The Port continuously reinvests in its facilities to accommodate future growth, improve its overall competitiveness, and enhance security. As further discussed in the *Capital Budget and 5-Year Capital Improvement Plan* section, various projects are planned to continue or begin in FY 2019 across all areas of the Seaport. Of these, the most significant include:

Seaport Logistics Complex

The OAB, a military supply depot built during World War II, was closed by the Base Realignment and Closure (BRAC) Commission in 1993. Portions of the OAB were transferred to either City-related entities or the Port between 2003 and 2007. The Port received approximately 241 acres of OAB property, of which 185 acres are land and 56 acres are submerged land (i.e., water). Over time, the Port is developing its OAB property into the Seaport Logistics Complex, which is expected to include new import cross-dock operations (direct to regional stores), transloading from railcar to container (and vice versa), and new rail facilities. Development is phased to match market demand and funding availability.

In 2016, the Port completed construction of the first phase of new rail facilities, at a cost of about \$100 million. The improvements provide additional railcar storage capacity for current and future customers at the Seaport Logistics Complex, particularly transload, bulk, and break bulk business. In early 2018, the Port signed a lease with Centerpoint-Oakland Development I, LLC, to construct a new approximate 440,000-square foot logistics facility on 27 acres of land adjacent to the new rail yard. Ground-breaking is scheduled in late 2018. The Port is also currently negotiating with a

Conceptual rendering of OAB development at full build-out.
Prepared by Centerpoint.



⁷ Functional berths based on current average vessel size.

developer/operator for a new rail-served facility, primarily to serve bulk agricultural cargo transloading, on up to 10 acres of the former OAB.

Temperature-Controlled Facilities

In 2015, the Port entered into a lease with Cool Port Oakland, LLC for the development of a new temperature-controlled transload facility. Construction began in May 2017, and operations are scheduled to commence in fall 2018. The intent of the development is to reduce supply chain costs for shippers of refrigerated cargo, and to increase the import and export of perishable food products through Northern California and the Seaport.

Marine Terminal & Roadway Improvements

The Port and its tenants continue to make improvements to marine terminals and the key access points to those terminals. This work addresses aging infrastructure, the needs of larger ships, and congestion on roadways inside the Seaport. Key projects include crane raising (two cranes have already been raised and two more are scheduled to be raised by December 2018); wharf upgrades for vessels capable of carrying 18,000 TEUs or more; and design and construction of a new, grade-separated 7th Street (pending finalization of a complete funding plan, which will include Measure BB funds). The Port will fund some of these improvements, while others will be funded by private investment or State/federal monies.

Security

Leveraging federal, State, and local funding sources (including grants), the Port continues to implement various improvements to enhance overall security and emergency preparedness. In FY 2019, the Port plans to complete design of a new primary Emergency Operations Center (EOC) within the Port's Harbor Facilities Center, as well as upgrade Truck Management System infrastructure. Further, over the next few years, the Port also plans to enhance the current maritime security system with improved technology to foster deterrence, detection, and response capability, as well as incorporate certain traffic management systems to aid efficiency and information sharing throughout the Seaport.

Cargo Velocity and Operational Efficiency

With containerized cargo throughput concentrated at four marine terminals since 2016, the Port has worked with its business partners to minimize congestion and increase operational efficiency through several initiatives, all under the umbrella of the Port Efficiency Task Force (PETF). The PETF was launched in August 2015; its members include representatives from all sectors of the supply chain – cargo owners, marine terminal operations, labor, ocean carriers, motor carriers, customs, and others. The PETF is currently working on or has completed several initiatives including:

- extended gate hours (night gates have been in operation since early 2016 at some terminals);
- real time monitoring of truck wait and turn-times, and other operations-related performance monitoring/metrics;
- marine terminal appointment systems; and
- development of a customer portal that would provide a one-stop source for information about container status.

The Port is partnering with the Alameda County Transportation Commission (ACTC) to design and implement various roadway infrastructure and transportation technology-related improvements, known as the Freight Intelligent Transportation System (FITS) program, to enhance truck flows on arterial streets in

and out of the Seaport. Contemplated improvements include the installation of “smart” traffic signals, enhancement of the Port’s video monitoring system to enhance visibility of traffic conditions, construction of a traffic management center, and installation of message signboards to communicate real-time traffic information. Construction of initial improvements is expected to start in the 2019-2020 time frame.

In parallel with these efforts, the Port is also pursuing the development of a new truck service center and fueling station on approximately 8 acres of land within the Seaport. Such a facility is envisioned to efficiently provide valuable services to Port-serving truckers, while helping to keep these trucks out of adjacent neighborhoods.



MARITIME OPERATIONS AT-A-GLANCE

Fast Facts

CY 2017 Cargo Vessel Arrivals:	1,624
Deepwater Ship Berths:	18
Container Gantry Cranes:	33 (23 Port-owned)
Container Terminals Acreage:	779 acres (approximate)
Railroads:	BNSF Railway Company Union Pacific Railroad
Freeways Serving Port:	Interstate 80 (north & eastbound) 880 (southbound) 580 (eastbound) 980 (eastbound)

Container Terminals	Operator	Berths
Ben E. Nutter Terminal	Everport Terminal Services, Inc.	35-38
Charles P. Howard Terminal	Various, ancillary uses only at this time	67-68
Matson Terminal	SSA Terminals, LLC	60-63
Oakland Int'l Container Terminal	SSA Terminals (Oakland), LLC	55-59
Outer Harbor Terminal	Various, ancillary uses only at this time	20-24
TraPac Terminal	TraPac, LLC	25-33

Shipping Lines

American President Lines	Maersk Line	Pacific International Line
ANL	Matson	Pasha
CMA CGM	Mediterranean Shipping	Polynesia Line
COSCO SHIPPING Lines	Company	Wan Hai Lines
Evergreen Line	Orient Overseas Container	Yang Ming Line
Hamburg Sud	Line	Zim
Hapag-Lloyd	Ocean Network Express	
Hyundai Merchant Marine	(ONE)	

Major Exports

Aluminum/Articles of Aluminum	Iron/Steel	Preparations of Vegetables
Beverages	Meats	Waste Paper
Cereals	Oil Seeds/Oleaginous Fruits	Wood Pulp
Edible Fruits/Nuts	Plastic and Articles of Plastic	

Major Imports

Articles of Iron/Steel	Furniture	Plastic and Articles of Plastic
Beverages	Glass/Glassware	Rubber
Electrical Machinery	Machinery	Wood/Articles of Wood
Clothing	Paper and Paperboard	

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

COMMERCIAL REAL ESTATE

CRE includes 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 80), was historically used for industrial purposes. Over time, it is being transformed with new development, including entertainment uses, hotels, offices, shops, restaurants, industrial developments, as well as public recreational areas and open space.

Most of CRE's properties are leased to developers or tenants under long-term agreements, wherein the developer or tenant is responsible for the development, subleasing, operation, and maintenance of the improvements on the properties. The primary challenge for CRE is to enhance profitability of the Port's real estate portfolio in an environment of intense competition, competing interest group pressures, and complex regulatory oversight.



CRE properties are categorized into four distinct geographic areas –JLS, Embarcadero Cove, Oakland Airport Business Park/Distribution Center, and Brooklyn Basin (formerly called Oak-to-Ninth Avenue). Within each of these areas, there are a number of public parks and open space areas which, in total acreage, comprise approximately 75% of the total land area within the CRE portfolio. The most significant new development activity is occurring at JLS and Brooklyn Basin, as summarized below.

Jack London Square

The Port property that likely has the greatest direct visibility and familiarity to most Bay Area residents and visitors 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 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 venues. In March 2016, the Port approved the assignment of numerous long-term ground leases in JLS from Jack London Square Ventures to CIM Group. CIM Group is a prominent, nationally recognized, real estate investment company with substantial experience in developing and operating mixed-use complexes in urban areas throughout the U.S. The Port is currently working with CIM Group on the remaining Jack London Square Phase II properties (JLS Phase II Project). The JLS Phase II Project is designed to emphasize JLS's natural character, intensify the activity in JLS, and enhance the public access and pedestrian experience along the waterfront. Portions of the JLS Phase II Project are complete, 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 new public waterfront access.

In FY 2018, CIM Group has continued its efforts to attract tenants to the remaining available retail spaces in JLS, and complete the associated tenant improvement work for those tenants. CIM Group has secured new land-use entitlement approvals for two new proposed multi-family residential buildings adjacent to JLS on privately owned land, which, once constructed, will enhance and expand the foot traffic and 24-hour vitality of this important asset. CIM Group is also pursuing development of the previously approved hotel on the final remaining vacant JLS Phase II ground lease parcel owned by the Port. Both the proposed residential developments and the planned hotel are currently awaiting issuance of final land use and building permit approvals from the City of Oakland.

Despite a competitive real estate market, over 95% of the Port owned space at JLS is currently leased and several new tenants have opened, or are expected to open in FY 2018, including:

- Dyafa, a new restaurant located in the 55 Harrison Street building;
- Belcampo, a new restaurant located in the 66 Franklin Street building;
- The Oakland Athletics moved their headquarters into the third floor of the 55 Harrison Street building in January of 2018;
- A new e-sports entertainment venue located on 2nd Street adjacent to the Amtrak Station; and
- Tartine Roastery, a new coffee roaster and bakery located in the 55 Harrison Street building.

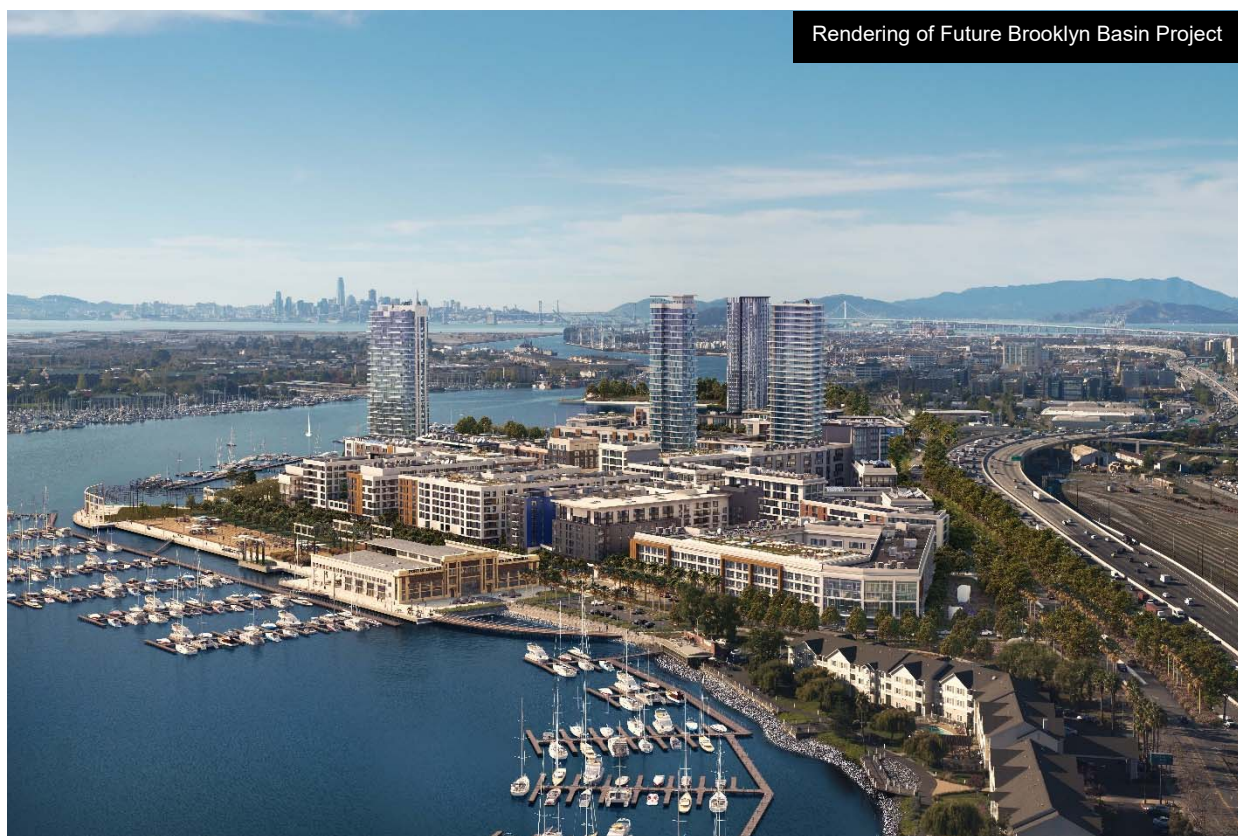


Brooklyn Basin (Formerly called Oak-to-Ninth Avenue)

Over the next few years, the Brooklyn Basin waterfront district, an older, underutilized industrial area centrally located on the Oakland Estuary minutes from JLS and downtown Oakland, is expected to continue the substantial redevelopment currently underway to create a new residential neighborhood by a private developer, Zarsion-OHPI, LLC (ZOHP). The concept for the area is to transform the underutilized former maritime industrial district into a revitalized, mixed-use waterfront community known as Brooklyn Basin. The Brooklyn Basin Project site comprises approximately 64 acres of waterfront property bounded by Embarcadero Road, Oak Street, Tenth Avenue, and the Oakland Estuary. Approximately one half of the property is owned by ZOHP and the other half is still owned by the Port and leased to ZOHP. This project is expected to be constructed in four to six phases over the next three to ten years.

The Brooklyn Basin Project, will include housing (up to 3,100 units), up to 200,000 square feet of neighborhood serving retail space, public open space and parks (approximately 32 acres), and two renovated recreational marinas designed to maximize access to the shoreline and Oakland Estuary. Most of the pre-existing buildings on the site have now been demolished and the project infrastructure and a portion of the environmental remediation have been completed. Vertical construction of the first phase of residential units (approximately 450 units) and the first portion of the open space (approximately 8 acres) commenced in late 2017 with completion of this first phase anticipated in 2019.

ZOHP estimates that the Brooklyn Basin Project will be a \$1.5 billion investment. California Governor Edmund G. Brown Jr. estimates that the Brooklyn Basin Project, when complete, has the potential to deliver 10,000 short and long-term jobs.



Rendering of Future Brooklyn Basin Project

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 Seaport and Airport. See *Parks and Open Spaces* section under Environmental Stewardship for more information. Approximately 630 acres of public parks and public access are located within CRE's portfolio of properties, comprising over 75% of the CRE portfolio of holdings. While these open space properties do not generate revenue for the Port, they provide an important waterfront recreational amenity for the public throughout the region. In summer 2016, the Port executed several Right of Entry Agreements with the City to enable the City to construct the last few small waterfront Bay Trail segments on CRE properties where gaps in the trail exist today. The City intends to use Measure DD bond funds to construct these last few segments and plans to commence construction in summer 2018. Once finished, the Bay Trail will be constructed on all waterfront properties within the CRE portfolio.

COMMERCIAL REAL ESTATE OPERATIONS AT-A-GLANCE

Fast Facts

Land Area Managed:	837 acres (approximate)
Public Parking:	1,346 Port-owned spaces in Jack London Square
Gross Sales:¹	\$126.3 million
Public Access and Open Space:	630 acres (approximate) 75% of total CRE land acreage

Major Developments Planned or Constructed by Private Developer

Jack London Square Phase II Project:

Retail/Entertainment/Office Space	300,000 sq ft	completed
Public Parking Garage	1,100 spaces	completed
Full Service Hotel	150 rooms	planned
Public Access Improvements throughout JLS		completed

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

Residential Units	3,100 units	under construction
Commercial Space	200,000 sq ft	planned
Marinas	2	planned
Open Space	32 acres	under construction

Current Tenant Mix

Office Agreements	18
Restaurant Agreements	12
Retail Agreements	12
Warehouse Agreements	11
Hotel Agreements	5
Various Other Agreements	37 (Parking, Billboards, Radio Towers, Land, etc.)

Land Use Standards²

The majority of CRE properties are subject to City land use jurisdiction, which is unique to the CRE holdings, as well as Tidelands Trust restrictions.

The properties in the Oakland Airport Business Park are subject to Port land use authority.

A few of the other regulatory agencies which may have regulations applicable to CRE properties are:

San Francisco Bay Conservation and Development Commission	U.S. Coast Guard
Regional Water Quality Control Board – San Francisco Region	U.S. Army Corps of Engineers
California Air Resources Board	Federal Aviation Administration
California Department of Toxic Substances Control	

¹ Sales generated by Port tenants and subtenants.

² May also apply to Aviation and Maritime properties.

UTILITIES

The Port provides utility services (electrical, gas, water, and sewer service) to Port facilities (both tenant-operated and Port-operated) in support of the Port's business lines. Approximately 99% of Port utility revenues were related to the sale of electricity. Revenues and expenses associated with utility services are allocated to the Aviation, Maritime, and CRE business lines, and capital projects related to utilities are included in the Port's 5-Year CIP related to these business lines.

The Port provides and sells natural gas on a very limited, pass-through basis from the local investor-owned utility, Pacific Gas and Electric Company (PG&E), which serves the Northern California region. The Port has water distribution and sewer collection infrastructure; the water and sewer treatment services are provided by the East Bay Municipal Utility District (EBMUD). For the provision of electricity service, the Port acts as a municipal utility for the Airport and portions of the Seaport. At Seaport facilities not served by the Port acting as a municipal utility, electricity is provided by PG&E. The Port's CRE area is served entirely by PG&E.

PORT SECURITY

Airport and Seaport security continue to be a national concern. As reported in the media, the Federal Bureau of Investigation (FBI) and U.S. Department of Homeland Security (DHS) assess that U.S. commercial aviation continues to be a key target for certain foreign terrorist organizations. Perimeter security and insider threats (those posed by airport employees with access to sensitive areas at airports) are two current issues that all U.S. airports are working on in order to enhance the multiple layers of security. The Port continues to work with the TSA to introduce risk-based screening and security initiatives to OAK.

At the Seaport, recently completed or advanced security projects include expansion of the Port's maritime security fiber optic network to establish connectivity within the developing Seaport Logistics Complex, along with the installation of additional maritime security cameras. Further, the Port continues to manage the Comprehensive Truck Management Program (CTMP) and the Secure Truck Enrollment Program (STEP) registry. Looking ahead, the Port plans to modernize existing core systems, as well as incorporate various Advanced Traffic Management System (ATMS) capabilities. The overall goal of these efforts is to support resilience and promote better information sharing among stakeholders during security events.



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 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 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, the Port relies on private security firms to help ensure safety of the public and security of Port facilities, in cooperation with the Oakland Police Department.

Where applicable, the Port will continue to apply for federal and State grants to fund security system enhancements and to operate and maintain existing infrastructure protection systems.

COMMUNITY CONNECTION

The Port embraces its role as a socially responsible enterprise and 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:

- For over 18 years, the Port has provided summer jobs, work experience, and exposure to careers for hundreds of students through its Internship Program. An internship can be a student's very first job or a stepping stone in a career path that can help open doors and opportunities for the future.
- The Port engages with the community year-round at career fairs, business expos, community festivals, and community meetings. The Port connects with people through various other communications channels including online LiveChat, Port Hotline, blog, website, social media, and e-newsletter. The Port offers unique opportunities to learn about its Seaport operations through harbor tours, which are free and open to the public.
- To ensure that its economic benefits are shared in surrounding communities, each year the Port provides community investments through a variety of grants for charitable and community-based organizations. In an effort to support the goals of its three enterprises: Airport, CRE, and Seaport; its grants are made in three program areas: (1) Economic Vitality; (2) Environmental Sustainability; and (3) Workforce Development and Education.
- The Port supports programs and activities that prepare individuals in the community to participate successfully in an increasingly global society. Specifically, the Port focuses on supporting programs and projects that expand access to high-quality education, and prepares and trains individuals for careers in Port-related industries. Examples of these activities include, but are not limited to, training and education in trade and logistics, STEM (science, technology, engineering, and mathematics), aviation, and building-construction trades.
- The Port holds project-specific meetings 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 benefits 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 Port created the Aviation Stakeholder Committee to assist in the development of the Master Plan for OAK. Since completion of the Master Plan in 2006, the committee continues to meet quarterly to strengthen the relationships between OAK and its neighboring communities.
- The Port participates in the Truckers Working Group (TWG), the longest-standing regular forum for community engagement on Port trucking issues. The TWG is attended primarily by the Port, motor carriers serving the Seaport, truck drivers, brokers, shippers, terminal operators, and ocean carriers. Community members and government/regulatory agencies also attend routinely.
- The Port participates regularly in the Jack London Improvement District Board meetings, which are held monthly, to engage with neighboring businesses, residents, and community leaders on issues related to CRE properties in Jack London Square as well as issues affecting the entire Jack London District in Oakland.



Harbor Tour, May 2017

ENVIRONMENTAL STEWARDSHIP

Energy Conservation at Port Headquarters

In March 2017, the Port headquarters located at 530 Water Street received its eleventh consecutive Energy Star certification. Every year, the U.S. Environmental Protection Agency (EPA) recognizes buildings nationwide for energy efficiency. This year, the Port headquarters was the only building in the City to receive this distinction. The Port headquarters is also one of only 70 buildings in the State to receive an Energy Star.

The Port headquarters ranked in the top 19% of EPA benchmarked facilities nationwide. To achieve an Energy Star award, a building must rank among the top 25% most energy efficient buildings in the market. Factors that affect scoring include building systems, operational hours, climate controls, equipment scheduling, and equipment monitoring.

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. In 2015, State legislature passed Senate



Bill 350, which increases RPS from 33% to 50%. Subsequently, the Board reviewed the Port's renewable energy purchasing plan, including the comprehensive strategy to meet renewable energy requirements through 2030.

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 an allocation of hydroelectric generation from the Western Area Power Administration (WAPA), an agency of the U.S. Department of Energy (DOE). In November 2007, the Port and SunE H3 Holdings, 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 five-year agreement with the EBMUD Wastewater Treatment Plant to purchase its excess power generation. In July 2016, the Board approved a five-year extension with the EBMUD Wastewater Treatment Plant at a reduced rate. In March 2017, the Board approved a 20-year power purchase agreement with the Northern California Power Agency for a solar energy project, which is expected to begin generating electricity between 2020 and 2021.

In addition to the RPS, the Port has an energy efficiency program which provides rebates to Port electric customers who make qualified energy upgrades on their facilities such as energy efficient lighting and energy efficient heating and cooling systems. The Port funds the rebates through the collection of an environmental surcharge from the customers' utilities rates and charges.

In 2011, the Port started the Energy Innovation Initiative as a forum for tenants, local businesses, and community partners. In February 2014, the Port began an Energy Innovation Study to understand its current and forecasted energy usage, and to explore opportunities that would enhance long-term energy efficiency, reliability, and resiliency, as well as energy cost-savings. In January 2016, Port staff presented the Energy Innovation Study to the Board. Next steps to follow on from the Energy Innovation Study include:

- (1) **Prepare Electrical System Assessment:** Although the Energy Innovation Study provided an initial high-level assessment of baseline conditions and forecasted energy use based on existing data, more detailed studies of the existing infrastructure and operations are needed to effectively address changing conditions. This is particularly relevant in the maritime area where loads are projected to double in the next ten years. Port staff presented the Maritime Electric Strategic Assessment to the Board in December 2016. In FY 2018, the Port kicked-off a similar system assessment at the Airport.
- (2) **Evaluate System Reliability and Resiliency Measures:** By focusing on improving energy efficiency, increasing renewable power supplies and incorporating distributed and dispatchable generation, the Port can greatly enhance the sustainability and resiliency of its operations. This will not only help secure the competitiveness of the Port, it will also help reduce its environmental footprint and improve its ability to provide emergency support and critical resources to the surrounding community and the region. This effort was included in the Maritime Electric Strategic Assessment.
- (3) **Prepare a Cost of Service Study:** With the potential need to improve the Port's electrical transmission and distribution system, a Cost of Service Study is recommended to design rate structures for retail sales of electricity that is both competitive and provides adequate funds to meet infrastructure improvements. The Cost of Service Study for the Seaport and the Airport will be completed in early FY 2019.

- (4) **Build on Existing Energy Efficiency Program Success and Explore Additional Opportunities for Energy Efficiency:** Future studies, including energy audits, are needed to evaluate additional energy efficiency opportunities throughout the Port.
- (5) **Convene Energy Innovation Advisory Team:** The team will be responsible for engaging with key internal and external stakeholders to develop partnerships; reviewing the key metrics and goals; advising on areas to improve energy management at the Port; and pursuing funding, including grants, to support studies, projects, and programs. This effort will begin once the Maritime electrical master plan and Cost of Service Study are complete.

Air Quality

The Port has numerous programs to improve air quality. These air quality programs anticipated the State's regulatory focus on addressing the effects of air pollutant emissions from goods movement on the environment and public health. The Port has initiated or participated in many emission reduction projects and mitigation programs, including cargo handling equipment retrofits and drayage truck replacements. The Port continues to seek efficiencies in the design of its infrastructure and facilities layout, such as marine terminals and access roads, to provide for less-congested operations at the Seaport and Airport, thereby contributing to a reduction in emissions.

In 2008, the Board voted unanimously to adopt and implement a Maritime Air Quality Policy Statement (Policy Statement), which established the goal to reduce the health risk related to diesel particulate matter (DPM) 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;
- (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 the CTMP and shore-side power connections for vessels at dock⁸. These programs are intended to assist tenants and business partners in their compliance with air quality regulations and to curb the effects of emissions from Seaport mobile sources on the natural and human environment, with particular attention to effects on the nearby West Oakland community. The results of the 2015 Seaport Air Emissions Inventory show that, between 2005 and 2015, overall DPM emissions at the Seaport decreased by 76%. DPM emissions from drayage trucks fell by 98% from 16 tons in 2005 to 0.4 tons in 2015. 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 75%, through the use of low-sulfur engine fuel and shore power. These results represent a major step forward in meeting the Port's 85% health risk reduction goal by 2020. In 2018, the Port is once again updating the Seaport Emissions Inventory with data from CY 2017. Concurrently, the Port is reconvening the MAQIP Task Force to review emissions reduction measures towards the goal of an 85% reduction in DPM. The MAQIP Task Force will also begin identifying issues for future air quality

⁸ The provision of electric power to vessels at dock is commonly referred to as "shore power." Shore power allows a vessel to maintain essential vessel functions without running diesel-fueled auxiliary engines.

planning. The Port is in the process of developing the MAQIP 2020 and Beyond Plan. Among the issues to be addressed in this plan are greenhouse gas (GHGs) reductions, local exposure reduction and the transition of diesel equipment to new technologies, including zero and near-zero emissions equipment.

The following table summarizes the Port's DPM emissions reductions from the baseline year 2005:

Year	DPM Reduction Ocean Going Vessels		DPM Reduction Drayage Trucks		DPM Reduction Overall
2005	-	209 tons	-	16 tons	-
2012	72%	57 tons	88%	2 tons	70%
2015	75%	52 tons	98%	0.4 tons	76%

At the Airport, the Port is involved with a variety of air quality initiatives that minimize the impact of airport operations on local air quality. On the landside, the Airport uses compressed natural gas (CNG)-fueled shuttle buses and provides publicly available alternative fuel infrastructure, including a CNG fueling station and 21 stalls dedicated to electric vehicle charging. On the airside, the Airport offers pre-conditioned air and 400Hz power at each of the 29 gates used by OAK's air carriers; this provides air carriers with an opportunity to minimize emissions from jet fuel while parked at the gate.

Port tenants make many of the decisions that affect air quality at OAK. The Port continues to build relationships with its local partners and work closely with its tenants to educate and implement a variety of innovative and environmentally beneficial programs. One such program is the electrification of ground support equipment (GSE). OAK's largest air carrier, Southwest Airlines, has electrified most of its fleet that operates out of Terminal 2. Installation of electric charging stations at Terminal 1 are underway and should be operational for airline tenants to use by fall 2018.

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 and restored natural habitat 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. The following are the major public access and open space areas along the Oakland waterfront:

- *Port View Park and Middle Harbor Shoreline Park (MHSP)* –These two parks, located in the Middle Harbor area of the Seaport, are physically connected. Together they comprise approximately 40 acres of park and open space property adjacent to two of the Seaport's large marine terminals. MHSP features include an informal amphitheater, significant open space and natural areas, interpretive exhibits, an observation tower, nature trails, views of the Bay and surrounding communities, and the City's sole major beach on San Francisco Bay. The park provides observation points where visitors can view active marine terminal operations. Port View Park has the added attractions of a play area for children, a small history museum, bayside walkways, and a public 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 near the San Antonio and Fruitvale neighborhoods, which both have a high density of children.
- *Martin Luther King, Jr. Regional Shoreline* – This shoreline park comprises approximately 600 acres of land and water area in the Oakland Airport Business Park. The Port leases the acreage to the East Bay Regional Park District (EBRPD). The regional shoreline offers facilities for picnicking, fishing, hiking, bicycling, boating, viewing of natural habitat areas, and related bird watching.
- *Estuary Park and the Jack London Aquatic Center* – Estuary Park 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 located adjacent to Estuary Park at the entrance to the Lake Merritt Channel.
- *Portions of the San Francisco Bay Trail* – 19 miles of the 450 miles of San Francisco Bay Trail will be located in the City and Port when this regional public access project is completed. The Port has already constructed and improved numerous segments of the San Francisco Bay Trail on Port owned properties located between JLS and Embarcadero Cove, as well as other public access segments within JLS and connector trails, such as the Class I bicycle trail along Ron Cowan Parkway at OAK. Significant portions of the Bay Trail have also been constructed by the Port to link bicycle and pedestrian access between the cities of Emeryville, Alameda, Oakland, and San Leandro.
- *Brooklyn Basin* – Construction of approximately 32 acres of public open space on land leased from the Port is planned as part of the mixed-use development project at Brooklyn Basin. Construction of the park and open space areas is anticipated to occur in phases. When completed, the park and open space areas will provide significant new public access for the Brooklyn Basin area of the Oakland Estuary for Oakland residents and visitors.



Middle Harbor Shoreline Park Coastal Cleanup

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 local businesses, government agencies, and community partners to maintain these areas for public access and enjoyment 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 in Sonoma County, Damon Slough Seasonal Wetlands within the Airport Business Park, and the Hamilton Base Wetlands Restoration Project in Marin County. As part of the recently completed 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 Ridgway Rail (formerly designated as the California Clapper Rail). The Port worked closely with the private sector and 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 continues to support U.S. Army Corps of Engineers activities to complete the 180-acre Middle Harbor Enhancement Area (MHEA), a former U.S. Navy vessel berthing area in the Middle Harbor, located adjacent to MHSP. 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 tidal habitat areas for plant and animal life and shoreline resiliency.

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, was designed to LEED-Gold standards and incorporates significant green systems, including solar power, geothermal heating, and rainwater storage. The design and construction of OAK's Terminal 1 Retrofit and Renovation Program has followed LEED principles and standards such as high recycled content of building materials, use of certified wood, reuse of construction materials, on-going green cleaning program, and use of daylight harvesting, occupancy sensors, and LED lighting. LEED-Gold certification is being sought for the mezzanine portion of the construction.

In December 2017, the Port updated its Sustainability Policy implementation procedures to promote the consideration of sustainability features, such as solar energy, water recycling, and reuse of materials, in development projects at the Port.

Storm Water Management

The Port is implementing the requirements of the State Phase II Municipal Storm Water Permit. The permit requires the Port to develop post-construction standards to address storm water discharges from new development and redevelopment projects. In August 2015, the Port developed a 2015 Post-Construction Storm Water Design Manual to provide guidance for planning, implementing and maintaining effective control measures to improve water quality and mitigate impacts from storm water and non-storm water discharges from land development in the Port area. A Storm Water Master Plan Update for the Airport will commence in FY 2019.

Soil, Groundwater, and Hazardous Materials Management

The Port actively conducts soil, groundwater, and soil gas remediation activities across all business lines in order to comply with federal and State law and protect human health and the environment with oversight from various local, State, and federal regulatory agencies. To reflect the Port's Sustainability Policy goals and to better manage the Port's properties, the Port implements a soil management protocol. This protocol mandates that soil encountered during routine excavation projects undergo a comprehensive chemical analysis before being reused as backfill on Port property, and that any material not meeting strict environmental standards be removed from Port property and transported to a registered landfill. The Port also oversees transportation and disposal/recycling of Port-generated hazardous waste in accordance with all local, State, and federal regulations to permitted disposal/recycling facilities.

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, and 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.

The Social Responsibility Division (SRD) is responsible for defining, developing, and administering a comprehensive community education and outreach program in support of Port projects that are most critical to the Port's mission, goals, and objectives.

Equitable Contracting at the Port

In 1997, the Board adopted its Non-Discrimination and Small Local Business Utilization Policy (NDSLBP) to ensure non-discrimination in Port contracting processes, and to facilitate small and local business participation in Port public works and services contracts. The NDSLBP provides preference points for local, small, and very small businesses bidding on certain Port contracts; sets aside contracts for small businesses; and facilitates technical assistance to ensure equitable access to Port contracting opportunities. The NDSLBP is a Port policy and can be amended at any time by the Board. To support the NDSLBP provisions and process, the Board approved a formal Port certification of small and local businesses. Preference points and/or discounts are awarded to bidders and proposers utilizing Port-certified firms in the Local Impact Area (LIA)/Local Business Area (LBA).⁹

In 2002, the Board adopted the Alternative Project Delivery Approach (APDA) within the NDSLBP. This collaborative policy introduced new strategies for facilitating local and small business participation when the project and specifications are not sufficiently defined to allow bidders to identify 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 FAA, the Maritime Administration, and the Federal Highway Administration, pursuant to U.S. Department of Transportation, 49 Code of Federal Regulation, Parts 23 and 26, the Port must establish and administer Disadvantaged Business Enterprise (DBE) programs including developing a goal, developing the 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

⁹ The LIA includes the cities of Oakland, Alameda, Emeryville, and San Leandro. The LBA includes all the cities in Alameda and Contra Costa counties.

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 businesses¹⁰ 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 (CPI) for the San Francisco, City and San Jose area. The Living Wage rate as of July 1, 2017, is set at \$13.32 per hour for employees who receive health benefits and \$15.31 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 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.

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. The MAPLA is designed to ensure project labor stability, the employment of Port LIA/LBA residents (Local Hire Program), and the utilization of Port-certified small businesses.¹¹ 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, the MAPLA has been extended several times. A new MAPLA was adopted by the Board in 2016 and is in effect through January 31, 2021. Up through June 2017, MAPLA has provided:

- Over 4.7 million craft hours, resulting in 2.8 million LIA/LBA resident craft hours and 1.4 million LIA resident craft hours. 59% of the total craft hours were performed by LIA/LBA workers, well over the 50% goal established in the MAPLA;
- Over \$151 million in wages were earned by LIA/LBA residents, \$72 million went to LIA residents; and
- Contractor contributions of 15 cents and 30 cents (effective 2016) per craft hour to the Social Justice Trust Fund has resulted in over \$490,000 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 from the MAPLA. The Port has enjoyed more than 17 years of labor peace and the local community has gained jobs and experience through the

¹⁰ 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-related work.

¹¹ 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>.

local hiring goals requirements of the MAPLA. In addition, through the MAPLA's Social Justice Trust Fund, local contractors have proactively invested in community training programs.

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 CRE area. The Port, along with its tenants and customers:

- Supports more than 73,000 jobs across the region (direct, indirect, and induced);
- Impacts nearly 827,000 jobs across the country (trade, travel, and tourism related jobs);
- Directly generates more than \$600 million in annual local, State, and federal taxes; and
- 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; and
- Port opportunities range from entry-level to advanced-degree jobs.

The Port's economic impact numbers are based on the last comprehensive study of Port activity levels, which was conducted in 2011 based on 2010 calendar year data, as summarized on the following page.

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 – 2011, 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.

Please visit the Port's website: www.portofoakland.com

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 sources 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 CIP is primarily focused on regulatory compliance, life and safety, and revenue maintenance projects. The initial fiscal year Capital Budget is primarily limited to projects that have the Board-approved contract and budget authority and are in the process of implementation. 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 (PFCs) and Customer Facility Charges (CFCs).
- 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

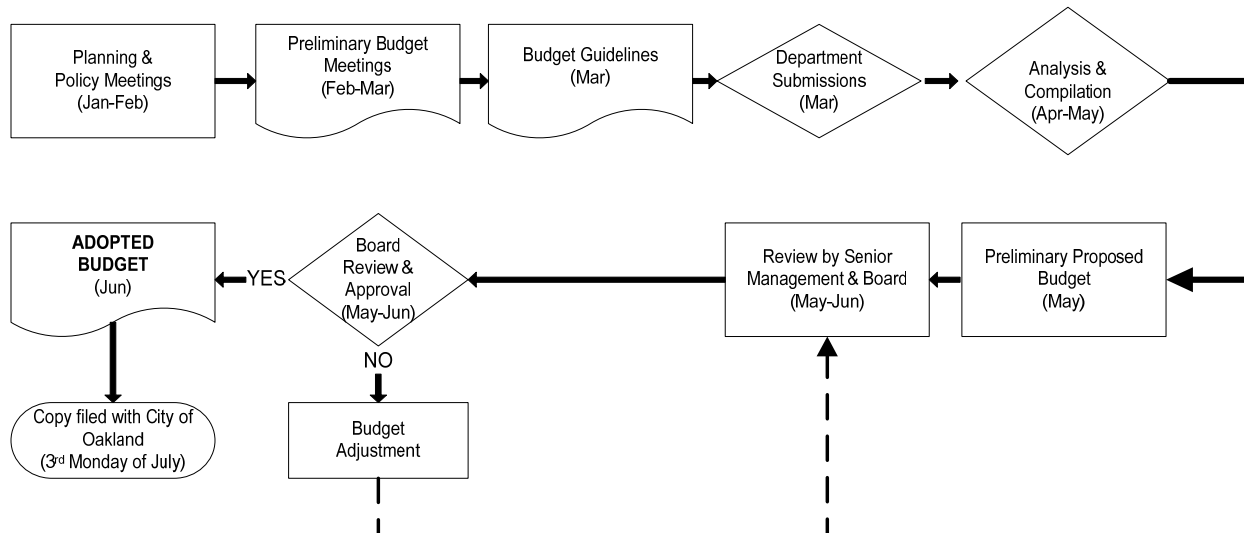
- Port Operating Reserve Fund established at 12.5% of operating expense budget.
- Port Bond Reserve Fund (separate from Debt Service Reserve Funds held by Trustee) established at \$30 million.
- Capital Reserve Fund established at \$15 million.

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 (CAFR) is prepared which includes: Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; Statement of Cash Flows; 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 of the City, and accounted for as a discrete component unit of the City. The Port maintains separate accounting records and issues a CAFR that is incorporated into, but reported separately, in the CAFR of the City.
- The Port does not use fund accounting. For budgeting purposes, the Port reports all of its operations similar to a single enterprise fund.

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 revenues and expenses and for Port-wide non-operating income and expenses. The Port's operating budget is intended solely for planning purposes, and nothing in this operating budget should be construed as an assurance of actual results. Actual results will vary and may vary materially.

Preliminary budget policies are determined early in the cycle by senior management. Preliminary budget meetings provide the opportunity for discussion and review of operational needs, and proposed increases in revenue and expenses. Budget instructions, forms, and worksheets based upon the outcome of these meetings are distributed in March to all divisions responsible for budget preparation. Each division is also responsible for presenting a seasonally-adjusted proposed budget.

The upcoming fiscal year operating budget is adopted through resolution of the Board. 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. Copies of the adopted budget are provided to various City officials in accordance with the City Charter.

In conjunction with the development of its operating budget, the Port also develops financial forecasts for the subsequent four years, which are provided for informational and conceptual purposes only. Actual results will vary and may vary materially.

FY19 OPERATING BUDGET TIMELINE

ACTIVITY	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Budget Guidelines - preparation and distribution								
Baseline budget preparations; Divisions submit revenue and operating budgets								
Preliminary operating budget analysis and compilation, including iterations								
Distribute Draft Budget Summary Book for Review by Divisions and Executive Management								
Final revisions made. Budget Summary Book goes for Board Approval, June 28. Upon approval, budget delivered								
Budget Summary Book production, distribution, and upload to Port's website								
Budget Detail Book preparation, distribution and upload to Port's intranet								

OPERATING BUDGET HIGHLIGHTS AND ASSUMPTIONS

OBJECTIVES

- Develop a balanced budget in which total sources exceed total expenditures.
- Develop an operating budget that achieves a minimum aggregate debt service coverage ratio (DSCR)¹² of 1.40x per the Port Debt Policy.
- Maintain a minimum General Fund cash balance at the end of each fiscal year of approximately \$150 million¹³, taking into account future anticipated needs such as capital improvements and accrued liabilities.

GENERAL

- FY 2019-23 Operating Revenues for Aviation, Maritime, Commercial Real Estate, and Utilities are based on divisional input incorporating known market and competitive factors, existing contracts, and the anticipated execution of future contracts. Projected revenues assume that Port tenants will comply with their contract obligations.
- FY 2019 Operating Expenses incorporate known and anticipated cost increases and decreases, with an emphasis on controlling costs to the extent possible.
- FY 2020 through FY 2023 Operating Expense incorporate known and anticipated cost increases and decreases but in general, assumes that expenses unless otherwise identified will grow by 2.5% per annum.
- No assurances can be given that projections and future results discussed in the operating budget will be achieved. Future results, for example, could be adversely impacted by such factors as (i) decreases in revenues and/or business levels, (ii) unanticipated increases in expenditures, (iii) tenant defaults (iv) unavailability of assumed funding sources, (v) construction delays or cost overruns, or (vi) other adverse and unforeseen events or conditions affecting the Port.

FY 2019 REVENUE BUDGET HIGHLIGHTS AND ASSUMPTIONS

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

- Port-wide Operating Revenues are projected to be \$384.4 million; \$15.5 million or 4.2% higher than FY 2018 Budget. In comparison to FY 2018 anticipated operating revenues of \$373.9 million, FY 2019 revenues are anticipated to be higher by \$10.5 million, or 2.8%. The growth in Port-wide Operating Revenues is mostly driven by increases in Aviation Revenues and higher electricity usage and rates in Maritime.
- Projected Aviation Revenues of \$207.4 million are \$9.4 million or 4.7% higher in comparison to FY 2018 Budget. In comparison to FY 2018 anticipated revenues of \$200.2 million, FY 2019 projected revenues are \$7.2 million or 3.6% higher. Aviation Revenues increase mostly due to increases in terminal rent and airfield revenues.

¹² Aggregate DSCR is Net Revenues (as defined in the Bond Indentures) divided by debt service on Senior and Intermediate Bonds, Department of Boating and Waterways Loan and Commercial Paper Notes (not repaid with Passenger Facility Charges).

¹³ Excluding Board Reserves. See *Debt Service and Cash Flow* section.

- Total passengers are projected to be 14.1 million or 5.0% higher than FY 2018 anticipated passengers of 13.4 million.
- Terminal rent revenues are projected to increase by \$3.7 million primarily due to increased operating costs, recovered through the terminal rental rates.
- Other terminal revenues are projected to increase by \$1.7 million due to increased terminal rental rates and higher international passenger volumes.
- Airfield revenues are anticipated to increase by \$3.4 million due to increased operating costs, recovered through the landing fee rates.
- Ground transportation revenues are projected to increase by \$0.8 million as Transportation Network Company (TNC) revenues are anticipated to increase by \$1.0 million (\$0.5 million increase compared to FY 2018 anticipated revenues), partially offset by lower Airport shuttle trip fees and lower taxi and limousine revenues of \$0.2 million.
- Parking revenues are projected to decrease \$0.8 million reflecting the industrywide shift in increased TNC usage in lieu of Airport parking and other modes of ground transportation.
- Car rental revenues are projected to increase by \$0.7 million due to more favorable terms from the renewal of the car rental contracts than previously budgeted.
- Lease revenues are projected to increase by \$1.3 million primarily due to higher hangar revenues of \$0.9 million and space rentals of \$0.4 million.
- Utilities revenues are anticipated to decrease by \$0.8 million due to anticipated revision of cost of service, resulting in lower electricity rates.
- Terminal concession revenues are projected to decrease by \$0.5 million due to the renewal of the food and beverage concession contracts, partially offset by higher passenger volume and spend rate.
- Projected Maritime Revenues of \$160.0 million are \$5.4 million or 3.5% higher in comparison to FY 2018 Budget. In comparison to FY 2018 anticipated revenues of \$156.9 million, FY 2019 projected revenues are \$3.0 million or 1.9% higher.
 - Full twenty-foot equivalent units (TEUs) are projected to be 1.86 million, 0.3% higher than FY 2018 Budget and 1.0% higher than FY 2018 anticipated actuals. Total TEUs (fulls and empties) are projected to be 2.5 million, 1.8% higher than FY 2018 Budget and 1.0% higher than FY 2018 anticipated actuals.
 - Marine Terminal revenue is projected to increase by \$7.0 million from FY 2018 anticipated actuals primarily due to the termination of rent abatement provisions during the expansion of one marine terminal partially offset by anticipated shift of cargo between terminals (shifts of cargo impact revenue above the MAG). Relative to FY 2018 Budget, marine terminal revenues are anticipated to increase by \$9.1 million for the same reasons.
 - Revenue from other (non-marine terminal) tenants is projected to be approximately \$5.9 million lower than FY 2018 anticipated actuals and approximately \$7.1 million lower than FY 2018 Budget primarily due to the termination of certain short-term property agreements that supported marine terminal operations that are no longer needed or being incorporated into long-term agreements.

- Utilities revenue are projected to increase \$3.4 million compared to FY 2018 Budget due to higher shore power electricity usage of \$2.0 million and higher wholesale electricity usage of \$1.6 million, partially offset by lower usage at Oakland Army Base of \$0.2 million and lower electric rates.
- Projected CRE Revenues of \$17.0 million are \$0.8 million or 4.7% higher in comparison to FY 2018 Budget. In comparison to FY 2018 anticipated revenues of \$16.7 million, FY 2019 projected revenues are 2.3% higher.
 - CRE revenues are anticipated to be higher due to new leases, increases in percentage rents, and minimum rent adjustments due to lease renewals and scheduled rent adjustments.

FY 2019 OPERATING EXPENSE BUDGET HIGHLIGHTS AND ASSUMPTIONS

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

- Port-wide Operating Expenses before Depreciation and Amortization are budgeted at \$235.2 million, an increase of \$15.6 million or 7.1%, mostly driven by higher personnel, security, and Airport capacity planning costs.
- Personnel costs are budgeted to increase by \$5.7 million or 5.1%; personnel costs represent 50% of the Operating Expense Budget before Depreciation and Amortization.
 - 507 Full-time Equivalents (FTEs); increase of 5 FTEs from FY 2018 Budget.
 - Salaries are higher by \$3.8 million or 6.7% due to assumed cost of living adjustments and step increases.
 - The Port's California Pension Employees Retirement System (CalPERS) employer pension contribution rate is projected to increase from 34.9% to 36.2% on July 1, 2018. In addition, the budget assumes prepayment of a portion of the Port's FY 2019 pension payments, resulting in an approximately 3% savings on the unfunded accrued liability. Combined with assumed salary increases, CalPERS payments are anticipated to increase \$2.1 million or 10.5%. The Port's budget reflects estimated pension payments to CalPERS and does not reflect the impact of GASB No. 68 (*Accounting and Financial Reporting for Pensions*) adjustments related to pension accruals.
 - FY 2019 medical costs are projected to increase 4.3% based on medical premium rates as of January 1, 2018, an assumed increase in rates on January 1, 2019 of 6.25%, and employee-elected coverage levels. Dental and vision premium costs assumed to increase by 4%.
 - Retiree medical costs are projected to decrease by \$1.0 million based on the most recent actuarial study.
 - Overtime and vacation accruals are higher by \$0.5 million based on recent experience.
 - Workers' compensation budgeted to decrease by \$0.3 million based on most recent actuarial study projecting claims and costs.
 - A vacancy factor of 25 FTEs is assumed due to retirements, normal attrition, and normal lags in hiring, resulting in a reduction of overall personnel costs of approximately \$4.3 million.
- Contractual services are budgeted to increase \$8.9 million or 10.5%. General and Administrative expenses are budgeted to decrease \$0.2 million or 1.0%. Supplies are budgeted to decrease 0.3%. Utilities cost of sales are budgeted to increase \$1.0 million or 14.7%.
 - Aviation planning studies of Airport capacity needs drive a \$5.2 million increase.

- Security costs at the Airport increase by \$1.7 million or 7.3%
 - Alameda County Sheriff costs increase by \$1.0 million due to contractual rate increases and greater demand due to higher activity at the Airport.
 - Additional private security and security systems costs increases by \$0.7 million driven by higher terminal passenger activity.
- Environmental mitigation cost share for development at the former OAB is budgeted at \$1.2 million.
- Utility cost of sales increases by \$1.0 million due to higher electricity-wholesale usage in the Maritime area related to anticipated tenancy changes.
- Environmental consulting increases by \$0.6 million to focus on air quality and emissions.
- Maintenance dredging costs increase by \$0.5 million due to higher volumes.
- Computer systems higher by \$0.4 million due to increases in ERP hosting and additional software licensing.
- All other expenses are budgeted to decrease in aggregate by \$0.7 million.

FY 2019 NON-OPERATING REVENUE & EXPENSE BUDGET HIGHLIGHTS AND ASSUMPTIONS

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

- Interest income of \$4.5 million is budgeted \$2.2 million higher as interest rate on Port funds assumed to be 1.45% compared to 0.75% in FY 2018 Budget.
- Interest expense of \$37.0 million, which includes letter of credit (LOC) fees and accounting accruals, is lower by \$9.4 million, or 20.2%, due to the refunding of the Series 2007 Intermediate Lien bonds in August 2017 and the 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 1.65% to 5.125%.
 - The Port assumes a 2.05% interest rate for its outstanding Commercial Paper (CP) Notes.
- Passenger Facility Charges (PFCs) of \$27.2 million is \$2.0 million or 7.9% higher compared to FY 2018 Budget, reflecting projected passenger activity level for FY 2019. PFCs are approved by the FAA and used to fund eligible capital improvement for specific projects at OAK. See *Capital Budget and 5-Year Capital Improvement Plan* section.
- Customer Facility Charges (CFCs) of \$5.6 million is \$0.5 million or 8.0% lower compared to FY 2018 Budget due to lower anticipated rental car transactions. In comparison to FY 2018 anticipated actuals, FY 2019 budgeted CFCs is 2.5% lower. 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 5-Year Capital Improvement Plan* section.
- Other income (expense) reflects \$2.5 million in payments to the City for general services and Lake Merritt maintenance, a one-time \$0.9 million reimbursement to the Union Pacific Railroad, and \$0.8 million in retroactive CalPERS retirement contribution for Airport servicemen.
- Gain (loss) on sale (disposal) of capital assets reflect a loss on demolition of capital assets budgeted at \$0.3 million and abandoned capital assets of \$0.3 million.
- Grants from government agencies include anticipated Aviation and Maritime grants for reimbursement of certain capital expenditures. See *Capital Budget and 5-Year Capital Improvement Plan* section.

FY 2020 TO 2023 REVENUE PROJECTION HIGHLIGHTS AND ASSUMPTIONS

- Port-wide Operating Revenues projected to increase from \$384.4 million in FY 2019 to \$429.7 million in FY 2023, for a compound annual growth rate of 2.8%.
- Aviation Revenues projected to increase from \$207.4 million in FY 2019 to \$234.0 million in FY 2023 for a compound annual growth rate of 3.1%.
 - Enplanements assumed to increase 3.0% in FY 2020, 2.5% in FY 2021, 2.0% in FY 2022, and 1.5% in FY 2023.
 - Landing fees and terminal rent revenues are projected to increase due to forecasted increases in operating costs.
 - Parking revenues are forecasted to increase at 1%, below passenger growth level, due to expected continuing growth of TNC usage.
 - TNC revenues increase 12.3% in FY 2020, 11.0% in FY 2021, 6.7% in FY 2022, and 4.4% in FY 2023 reflecting the continuing market share shift in ground transportation.
 - Lease revenues projected in accordance with existing or anticipated lease terms.
- Maritime Revenues projected to increase from \$160.0 million in FY 2019 to \$177.5 million in FY 2023, for a compound annual growth rate of 2.6%.
 - Full TEUs assumed to increase 1% to 2% per year.
 - An annual increase to certain Tariff rates, commensurate with inflation, is assumed for certain tenancies.
 - Marine terminal revenues are projected in accordance with existing or anticipated lease terms, and with the anticipated distribution of cargo throughput among terminals. Leases due to expire are generally expected to renew at similar terms. Marine terminal revenues include reimbursement by one terminal operator for costs incurred by the Port to raise certain gantry cranes. Some of these crane raising costs are included in the Port's 5-year CIP.
 - Revenue from other tenants (non-marine terminal and non-rail terminal) assume new developments are constructed and/or new operations commence resulting in a \$1.6 million increase in non-marine terminal revenues in FY 2020, compared to FY 2019. Thereafter, these revenues are projected to grow at an annual growth rate of 2.3%.
 - Rail terminal revenues are projected to increase \$0.6 million in FY 2020, due to anticipated lease terms, cargo growth, and the termination of a rent credit provided in FY 2019. Thereafter, rail terminal revenues grow approximately \$0.2 million or an annual growth rate of 5%.
 - Utilities revenues anticipated to increase at a compound annual growth rate of 0.7%.
- CRE Revenues projected to increase from \$17.0 million in FY 2019 to \$18.2 million in FY 2023, for a compound annual growth rate of 1.6%. CRE revenues assume projected increase in percentage rents, and minimum rent adjustments due to projected lease renewals and scheduled rent adjustments, partially offset by vacancy potential.

FY 2020 TO 2023 OPERATING EXPENSE PROJECTION HIGHLIGHTS AND ASSUMPTIONS

- Operating Expenses before Depreciation and Amortization are assumed to increase from \$235.2 million in FY 2019 to \$265.6 million in FY 2023, for a compound annual growth rate of 3.1% per year from FY 2019 through FY 2023.
- Personnel costs assumed to increase at a compound annual growth rate of 5.1% from FY 2019 through FY 2023.
 - FTEs assumed unchanged at 507.
 - Medical premiums assumed to increase 5.5% to 5.75% per year during this timeframe.
 - Based on actuarial report dated August 29, 2017, retiree medical costs are assumed to increase approximately 1.2% per year based on closed amortization funding methodology utilized in actuarial study.
 - CalPERS employer pension contribution rate assumed to be 36.2% in FY 2019 rising to an estimated 47.8% in FY 2023 based on CalPERS projections reflecting updated mortality study and reduction in discount rate from 7.5% to 7.0%. The Port's budget reflects estimated pension payments to CalPERS and does not reflect the impact of GASB No. 68 (*Accounting and Financial Reporting for Pensions*) adjustments related to pension accruals.
 - Adjustments to salaries based on approximately CPI.
 - Assume vacancy factor of 25 FTEs due to retirements, normal attrition, and normal lags in hiring; results in reduction of personnel costs of approximately \$4.7 million in FY 2020, increasing to \$5.4 million in FY 2023.
- Contractual services, general and administrative costs, and supplies take into account anticipated changes, but otherwise assume expenses will grow at 2.5% per year. Contractual services, general and administrative costs, and supplies are assumed to grow at a compound annual growth rate of 1.0%, 2.4%, and 2.4% respectively for this time period.
- Utility Cost of Sales changes are driven by anticipated changes in tenancy in Electricity-Retail and Electricity-Wholesale partially offset by increased Shore Power usage. No electricity rate increase is assumed while annual rate increases are anticipated for natural gas and water (sewer) of 3% and 5%, respectively.

FY 2020 TO 2023 NON-OPERATING REVENUE & EXPENSE PROJECTION HIGHLIGHTS AND ASSUMPTIONS

- Interest income is anticipated to increase as interest earnings rate assumed to increase to 2.10%, 2.25%, 2.25%, and 2.30%, respectively, in FY 2020 through FY 2023.
- Interest expense anticipated to decrease due to scheduled repayment of bond principal and projected repayment of CP notes (see Debt Service and Cash Flow section) offset by higher assumed interest rate on Port's outstanding CP Notes of 2.35%, 2.5%, 2.5%, and 2.55%, respectively, in FY 2020 through FY 2023.
- PFCs projected to increase at the same rate as projected passenger growth rate.
- CFCs projected to remain nearly flat, reflecting the impact from the continuing growth of TNCs.
- Other income (expense) assumes \$2.4 million for City general services and Lake Merritt maintenance increases 2.5% annually, and \$0.8 million in retroactive CalPERS retirement contributions for Airport

servicemen increases to \$0.9 million in FY 2022 based on established repayment schedule. The retroactive CalPERS contribution ends in FY 2022.

- Loss on abandoned and demolished assets assumed to be \$2.2 million in FY 2020 and \$6.1 million in FY 2021 due to demolition of cranes and obsolete equipment at the Seaport and demolition of old and obsolete buildings at the Airport. Losses anticipated at \$0.3 million in FY 2022 and \$0.8 million in FY 2023.
- Grants from government agencies include anticipated Aviation and Maritime grants for reimbursement of certain capital expenditures and is based on the 5-Year CIP. See *Capital Budget and 5-Year Capital Improvement Plan* 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.

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 THROUGH 2023
(In \$Thousands)

Division	Actual 2016-17	Budget 2017-18	Budget 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22	Projected 2022-23	Variance 2019B vs. 2018B B/(W)	% Variance 2019B vs. 2018B B/-W
Operating Revenue									
Aviation	\$ 190,657	\$ 197,982	\$ 207,359	\$ 216,948	\$ 223,692	\$ 230,300	\$ 234,016	\$ 9,378	4.7%
Maritime	151,377	154,584	159,960	163,402	168,241	171,256	177,522	5,376	3.5%
CRE	16,673	16,271	17,044	17,051	17,325	18,199	18,186	773	4.7%
Total Operating Revenue	358,706	368,836	384,363	397,401	409,258	419,755	429,723	15,527	4.2%
Operating Expenses									
Aviation	(88,562)	(98,650)	(110,673)	(115,216)	(117,377)	(120,406)	(124,607)	(12,022)	-12.2%
Maritime	(9,831)	(11,363)	(13,060)	(13,082)	(13,948)	(14,298)	(14,548)	(1,697)	-14.9%
Commercial Real Estate	(6,331)	(6,705)	(7,298)	(7,567)	(7,816)	(8,047)	(8,285)	(593)	-8.8%
Engineering & Environmental	(29,113)	(41,809)	(39,858)	(41,838)	(41,687)	(44,767)	(45,682)	1,952	4.7%
Utilities Cost of Sales	(6,196)	(7,085)	(8,130)	(8,178)	(7,754)	(7,889)	(8,026)	(1,045)	-14.7%
Executive	(4,577)	(5,911)	(6,109)	(6,425)	(6,593)	(6,845)	(7,108)	(198)	-3.3%
Board	(513)	(589)	(547)	(582)	(612)	(642)	(661)	42	7.1%
Audit	(1,226)	(1,461)	(1,459)	(1,569)	(1,659)	(1,731)	(1,806)	2	0.1%
Legal	(4,215)	(5,015)	(5,319)	(5,655)	(5,937)	(6,171)	(6,413)	(304)	-6.1%
Finance & Administration	(18,490)	(20,051)	(21,141)	(22,111)	(22,984)	(24,001)	(24,689)	(1,090)	-5.4%
Non-Departmental Expenses	(26,316)	(29,933)	(30,442)	(31,265)	(31,938)	(32,885)	(33,921)	(509)	-1.7%
Absorption of Labor & Overhead to Capital Assets	6,584	8,926	8,818	9,215	9,584	9,823	10,118	(108)	-1.2%
Depreciation & Amortization	(106,255)	(110,225)	(116,956)	(121,452)	(124,819)	(125,182)	(123,012)	(6,731)	-6.1%
Total Operating Expenses	(295,040)	(329,871)	(352,172)	(365,725)	(373,539)	(383,041)	(388,641)	(22,301)	-6.8%
Operating Income (A)	63,666	38,966	32,192	31,677	35,719	36,713	41,082	(6,774)	-17.4%
Non-Operating Items									
Interest Income	2,712	2,306	4,529	6,511	6,956	6,970	7,107	2,223	96.4%
Interest Expense	(47,695)	(46,422)	(37,043)	(35,703)	(33,996)	(31,977)	(29,510)	9,379	20.2%
Passenger Facility Charges (PFC's)	24,520	25,238	27,233	28,049	28,750	29,324	29,767	1,995	7.9%
Customer Facility Charges (CFC's)	6,010	6,036	5,556	5,559	5,546	5,607	5,691	(480)	-8.0%
Customer Facility Charge Expenses	(4,531)	(5,094)	(4,857)	(5,440)	(5,320)	(5,480)	(5,644)	237	4.7%
Gain (Loss) on Sale (Disposal) of Capital Assets	(2,869)	1,720	(620)	(2,230)	(6,075)	(300)	(800)	(2,340)	-136.0%
Other Income (Expenses)	3,683	(3,242)	(4,282)	(3,482)	(3,581)	(3,622)	(2,753)	(1,040)	-32.1%
(B)	(18,170)	(19,458)	(9,484)	(6,737)	(7,720)	521	3,857	9,973	51.3%
Capital Contributions									
Grants from Government Agencies (C)	13,694	61,059	18,733	11,070	12,594	16,080	48,712	(42,326)	-69.3%
CHANGE IN NET ASSETS (A+B+C)	\$ 59,190	\$ 80,567	\$ 41,440	\$ 36,010	\$ 40,593	\$ 53,315	\$ 93,651	\$ (39,127)	-48.6%
Net Assets, Beginning of the Year	1,069,842	1,077,544	1,158,111	1,199,551	1,235,561	1,276,154	1,329,469	80,567	7.5%
Net Assets, End of the Year	\$ 1,129,032	\$ 1,158,111	\$ 1,199,551	\$ 1,235,561	\$ 1,276,154	\$ 1,329,469	\$ 1,423,120	\$ 41,440	3.6%
Senior Lien Debt Service Coverage Ratio	3.89	3.34	3.33	3.38	2.56	2.21	2.30		
Intermediate Lien Debt Service Coverage Ratio	1.73	1.50	1.65	1.71	1.80	1.81	1.84		
Aggregate Debt Service Coverage Ratio	1.66	1.43	1.53	1.58	1.66	1.70	1.75		
Funded FTE's (Full-Time Equivalent)	461	502	507	507	507	507	507		

OPERATING EXPENSES BY CATEGORY
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 THROUGH 2023
(\$ Thousands)

	Actual 2016-17	Budget 2016-17	Budget 2017-18	Budget 2018-19	Variance 2019B vs. 2018B/(W)	% Variance 2019B vs. 2018B/(W)	Projected 2019-20	Projected 2020-21	Projected 2021-22	Projected 2022-23
			[A]	[B]	[B-A=C]					
Personnel Services	\$102,016	\$106,812	\$111,913	\$117,623	(\$5,711)	(5.1%)	\$125,598	\$132,104	\$137,644	\$143,489
Contractual Services	65,505	71,103	84,676	93,539	(8,863)	(10.5%)	94,377	92,511	95,602	97,047
Supplies	5,217	4,323	4,276	4,262	13	0.3%	4,385	4,502	4,587	4,694
General & Administrative	16,994	19,819	20,984	20,774	209	1.0%	21,251	21,744	22,279	22,818
Utilities	6,196	7,657	7,085	8,130	(1,045)	(14.7%)	8,178	7,754	7,889	8,026
Departmental Credits	(7,142)	(9,056)	(9,286)	(9,113)	(173)	(1.9%)	(9,518)	(9,894)	(10,142)	(10,445)
Operating Expenses before Depreciation	188,785	200,659	219,646	235,216	(15,570)	(7.1%)	244,273	248,720	257,859	265,629
Depreciation & Amortization	106,255	105,220	110,225	116,956	(6,731)	(6.1%)	121,452	124,819	125,182	123,012
Total Operating Expenses	\$295,040	\$305,879	\$329,871	\$352,172	(\$22,301)	(6.8%)	\$365,725	\$373,539	\$383,041	\$388,641

PORT ORGANIZATION

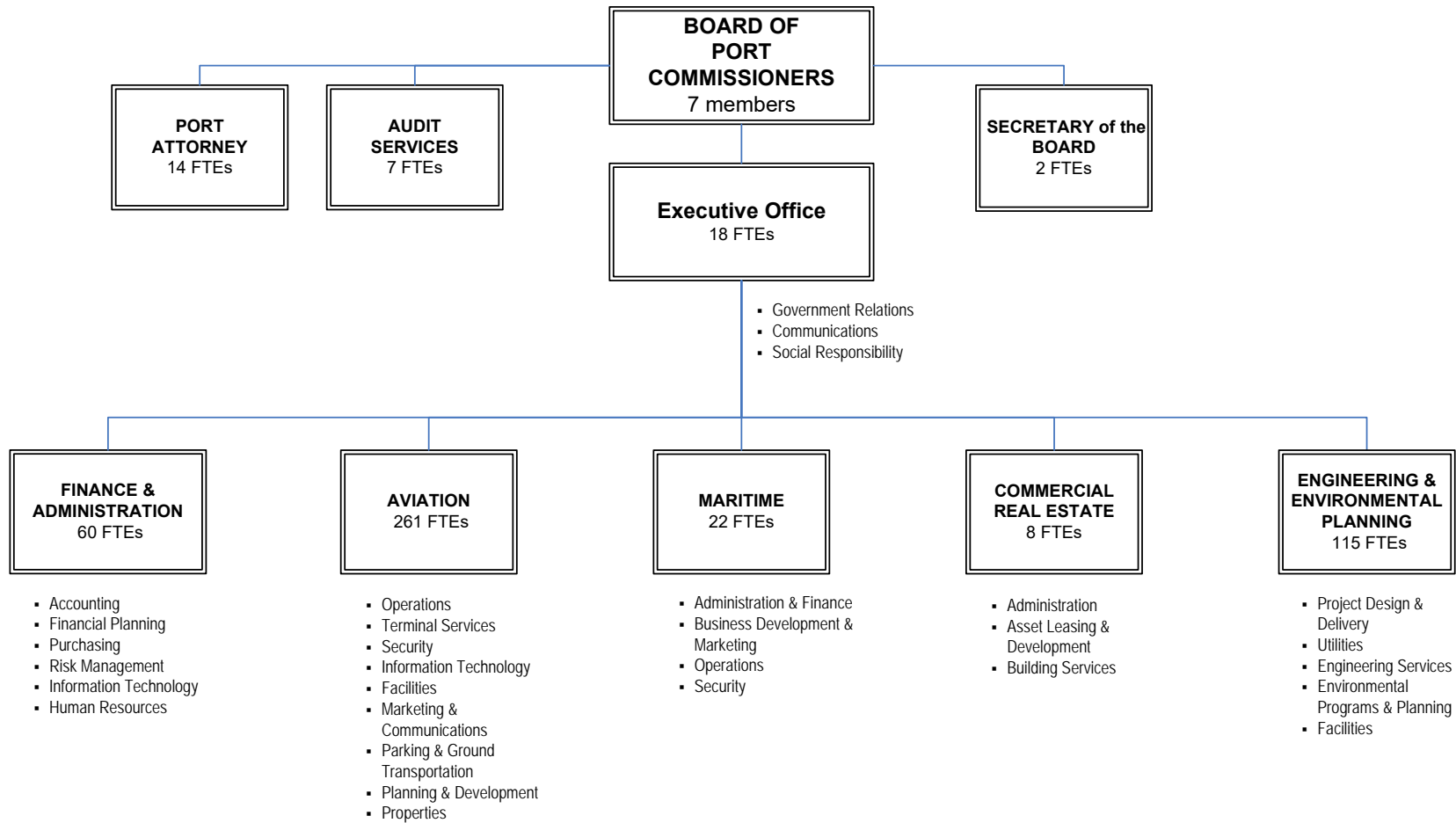
The chart on page 53 illustrates the Port's organizational structure.

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PORT OF OAKLAND ORGANIZATION CHART

Fiscal Year 2018-19

507 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 2019, staffing levels increase to 507 FTEs from 502 FTEs resulting from 6 new additional positions in Aviation partially offset by the elimination of 1 FTE from the Executive Office. In addition, Executive Office transferred 1 FTE to Aviation for FY 2019 staffing. A summary of staffing by Division is provided in the chart on page 55.

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STAFF SUMMARY

(FULL-TIME EQUIVALENT)

	Actual 2016-17	Budget 2016-17	Budget 2017-18	Budget 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22	Projected 2022-23
<u>FTEs</u>								
Aviation	236	254	254	261	261	261	261	261
Maritime	18	23	22	22	22	22	22	22
Commercial Real Estate	8	8	8	8	8	8	8	8
Engineering and Environmental Planning	105	114	115	115	115	115	115	115
Finance and Administration	57	61	60	60	60	60	60	60
Executive Office	16	19	20	18	18	18	18	18
Port Attorney	13	14	14	14	14	14	14	14
Audit Services	6	7	7	7	7	7	7	7
Office of Board of Port Commissioners	2	2	2	2	2	2	2	2
Total FTEs¹	461	502	502	507	507	507	507	507

¹ FY 2016-17 Total FTEs represents the number of FTEs on payroll on June 30, 2017.

PERSONNEL COSTS BY DIVISION¹

(\$ Thousands)

	Actual 2016-17	Budget 2016-17	Budget 2017-18	Budget 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22	Projected 2022-23
Aviation	40,450	43,925	44,232	47,631	51,150	54,062	56,396	58,845
Maritime	4,105	5,114	4,861	4,922	5,281	5,588	5,835	6,090
Commercial Real Estate	1,488	1,529	1,571	1,688	1,818	1,924	2,008	2,096
Engineering & Environmental Planning	20,216	23,380	23,633	23,768	25,558	27,030	28,212	29,446
Executive Office	3,739	4,317	4,092	4,135	4,448	4,705	4,910	5,125
Board of Port Commissioners	416	434	450	413	445	471	491	513
Audit Services	1,215	1,405	1,425	1,425	1,535	1,624	1,696	1,770
Port Attorney	3,304	3,591	3,716	3,950	4,252	4,499	4,697	4,903
Finance and Administration	10,981	11,698	11,469	12,413	13,357	14,131	14,754	15,403
Non-Departmental ²	16,102	11,418	16,464	17,278	17,755	18,069	18,645	19,298
TOTAL PERSONNEL SERVICES³	102,016	106,812	111,913	117,623	125,598	132,104	137,644	143,489

¹ Includes, but not limited to: salaries, fringe benefits, retiree medical costs, workers' compensation, overtime, temporary help, wellness program, professional development, continuing education, training, college tuition program, and meal allowance. Vacancy factor of 25 FTEs assumed in FY 2018 and FY 2019 Budgets and FY 2020-23 projections. Vacancy factor is due to normal attrition and lags in hiring.

² Non-Departmental personnel costs include, but are not limited to, retiree medical expenses, workers' compensation costs, vacation and sick leave accruals, and unemployment insurance. In FY 2018 budget, vacancy factor of 12 FTEs has been included in Non-Departmental for budget purposes and vacancy factor of 13 FTEs has been allocated to specific divisions. For FY 2019-23, vacancy factor has been fully allocated to specific divisions based on projected attrition and lags in hiring. Actual vacancy savings will be recognized in the divisions where the vacancies occur.

³ Totals may not add up due to rounding.

PERSONNEL COSTS

(\$ Thousands)

	Actual 2016-17	Budget 2016-17	Budget 2017-18	Budget 2018-19
Salaries and Wages	54,320	55,408	58,024	61,890
Pension	15,874	19,363	20,675	22,804
Health Care – Retirement	13,654	13,653	14,199	13,203
Health Care – Active	8,868	9,662	9,747	10,164
Overtime	4,196	2,797	2,934	3,384
Workers' Compensation	312	2,306	2,444	2,150
Vacation/Sick Leave	1,804	1,400	1,442	1,500
Medicare	870	803	841	897
Life, Disability, Accident Insurance	670	659	693	668
Training and Education	423	498	616	656
Other	1,023	262	297	307
Total Personnel Costs¹	102,016	106,812	111,913	117,623
FTEs	461 ²	502	502	507
Vacancy Factor ³	n/a	35	25	25

¹ Totals may not add up due to rounding.

² On June 30, 2017, there were 461 FTEs on payroll.

³ Due to normal attrition and lags in hiring.

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AVIATION DIVISION



AVIATION AREA MAP



AVIATION DIVISION FUNCTION

The Aviation Division manages, promotes, and develops air transportation facilities for use by 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 OPERATIONS

Airport Operations provides Airport-wide safety, security, crash, fire and emergency medical services; assigns and manages aircraft gates; and manages airfield surfaces, noise, and environmental issues related to Aviation operations. Staff inspects the Airport's operational facilities and coordinates with Aviation Facilities and Planning and Development to ensure compliance with prescribed FAA standards. Operations provides 24/7/365 Airport Duty Manager services Airport-wide.

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, walkways, and grounds.

TERMINAL SERVICES

Terminal Services manages airline terminal facility operations, interacts with airlines for ticket counter assignments and signage, ensures that terminal facilities serve Airport customer needs, coordinates with TSA regarding the security checkpoint screening and CBP regarding Federal Inspection Services. Terminal Services manages custodial services, wayfinding, and passenger experience.

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, and 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.

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. 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 PARKING AND GROUND TRANSPORTATION

Airport Parking and Ground Transportation manages over 10,000 Airport public, tenant, and employee parking spaces, shuttle bus operations, parking revenue control, management, and permitting of all ground transportation services and facilities, including tracking and invoicing for all required fees. Staff coordinates with Aviation Facilities Maintenance and Planning and Development regarding the maintenance and improvement of Airport roadways, parking lots, and curbsides.

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.

AVIATION PROPERTIES

Aviation Properties manages the leasing, acquisition, and disposition of on-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 FBOs, the airline fuel consortium, aircraft ground handlers, cargo operators, outdoor advertising, and a municipal golf course. This department also coordinates with Aviation Planning and Development for the redevelopment of non-terminal facilities, including new air cargo facility, potential on-airport hotel and other underutilized assets. During FY2018-19, Aviation Properties will be evaluating proposals received through an extensive request for proposals (RFP) process and will be awarding contracts for the complete redevelopment of all food and beverage concessions throughout the terminal complex. The ten-plus year contracts are expected to generate in excess of \$500 million in anticipated gross revenues by the concessionaires.

AVIATION DIVISION

ACTIVITY LEVELS

(Thousands)

	Actual 2016-17	Budget 2017-18	Budget 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22	Projected 2022-23
Total							
Passengers	12,593	13,030	14,111	14,534	14,897	15,195	15,423
% Growth	8.4%	3.5%	8.3%	3.0%	2.5%	2.0%	1.5%
Enplaned							
Passengers	6,296	6,515	7,056	7,267	7,449	7,597	7,712
% Growth	8.3%	3.5%	8.3%	3.0%	2.5%	2.0%	1.5%
Airline Seats	16,075	16,869	18,363	18,913	19,386	19,774	20,071
% Growth	8.5%	4.9%	8.9%	3.0%	2.5%	2.0%	1.5%
Landing							
Weight	10,419,153	11,158,019	12,085,090	12,569,051	13,030,136	13,463,372	13,863,781
% Growth	6.0%	7.1%	8.3%	4.0%	3.7%	3.3%	3.0%
Parking							
Transactions	955	962	961	963	967	973	981
% Growth	(2.1%)	0.7%	(0.1%)	0.2%	0.4%	0.6%	0.8%

- Anticipated FY 2017-18 passengers are 13.4 million or 3.1% higher than FY 2017-18 Budget. Budgeted FY 2018-19 passengers are 5.0% higher than anticipated FY 2017-18 passengers.
- Passengers are assumed to grow at 3.0% in FY 2019-20, 2.5% in FY 2020-21, 2.0% in FY 2021-22 and 1.5% in FY 2022-23.
- Anticipated FY 2017-18 airline seat capacity is 17.1 million or 1.6% higher than FY 2017-18 Budget. Budgeted FY 2018-19 seat capacity is 7.2% higher than anticipated FY 2017-18 seat capacity.
- Anticipated FY 2017-18 landing weight is million or 4.4% higher than FY 2017-18 Budget. Budgeted FY 2018-19 landing weight is 3.7% higher than anticipated FY 2017-18 landing weight.
- Anticipated FY 2017-18 parking transaction volume is 957,000 or 0.5% lower than FY 2017-18 Budget. Budgeted FY 2018-19 transactions are anticipated to increase slightly from anticipated FY 2017-18 parking transactions.

AVIATION DIVISION OPERATING REVENUES

(\$ Thousands)

	Actual 2016-17	Budget 2017-18	Budget 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22	Projected 2022-23
Airfield Revenue	36,770	38,208	41,603	44,829	48,063	50,993	52,446
Terminal Rent	38,994	43,204	46,914	49,501	49,904	50,858	51,008
Parking and Ground Access	40,867	43,331	43,351	44,907	46,077	46,977	47,716
Other Airport Rentals	30,505	30,782	32,094	32,760	33,982	34,416	35,092
Other Terminal	11,527	13,348	15,081	16,586	17,237	17,988	18,137
Car Rental	14,867	11,292	12,000	12,240	12,485	12,734	12,989
Terminal Concessions	9,696	10,418	9,895	10,044	10,339	10,645	10,855
Fueling Revenue	2,422	3,114	2,966	3,000	3,048	3,098	3,148
Utilities Sales	4,359	4,281	3,452	3,077	2,553	2,586	2,620
Miscellaneous & Other Charges	172	124	124	124	124	124	124
Subtotal	190,179	198,102	207,479	217,068	223,812	230,420	234,136
Bad Debt Reserve	478	(120)	(120)	(120)	(120)	(120)	(120)
TOTAL	190,657	197,982	207,359	216,948	223,692	230,300	234,016

- FY 2017-18: Higher airfield revenue and terminal rent reflect higher operating expenses. Increases in terminal concessions due to forecasted passenger growth. Parking revenue and ground access assumed to increase as higher revenue per transaction offsets lower parking transactions and continued growth in Transportation Network Company (TNC) service. Other Airport rentals flat due to hangar vacancies offset by contractual lease adjustments. Other terminal revenue assumed to increase due to increased rates and passenger volume. Car rental revenue based on MAG of new concession agreement.
- FY 2018-19: Higher airfield revenue and terminal rent reflect higher anticipated operating expenses. Lower terminal concession revenues are due to the renewal of the food and beverage concession contract partially offset by forecasted higher passenger volume and spend rate. Parking and ground access revenues are projected to be flat, driven by higher TNC revenues, offset by lower parking revenues, Airport shuttle trip fees and lower taxi and limousine revenues, reflecting the industrywide shift in increased TNC usage in lieu of other transportation modes. Other Airport rentals higher due to anticipated increase in hangar rents partially offset by lower assumed land rents. Other terminal revenue assumed to increase due to higher terminal rate applied to baggage claim charges and higher Federal Inspection Services (FIS) facility use. Car rental revenue higher due to more favorable terms

from the renewal of the car rental contracts than previously budgeted. Utility sales lower primarily due to lower anticipated electricity rates resulting from the Port's electric cost of service study.

- FY 2020-23: Airfield revenue and terminal rent increases reflect higher anticipated operating expenses. Increases in terminal concessions are due to forecasted passenger growth. Parking and ground access revenues assumed to increase based on forecasted passenger growth and expected continuing market share shift to TNCs from parking and other ground transportation modes. Other Airport rentals increase based on contractual lease adjustments. Other terminal revenue assumed to increase due to higher baggage and FIS facility use. Utility sales are assumed to decrease due to a proposed rate reduction that has not yet been approved by the Board. Beginning in mid FY 2020, Utility sales are projected to decrease further due to the anticipated departure of a high utility use tenant, thereafter utility revenues are anticipated to grow 1% per year due to increased usage.

AVIATION DIVISION OPERATING EXPENSES

(\$ Thousands)

	Actual 2016-17	Budget 2017-18	Budget 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22	Projected 2022-23
Personnel Services	40,450	44,232	47,631	51,150	54,062	56,396	58,845
Contractual Services	42,355	48,769	57,297	58,200	57,315	57,863	59,464
Supplies	2,902	2,411	2,470	2,532	2,595	2,660	2,726
General & Administrative	2,855	3,238	3,275	3,333	3,405	3,487	3,572
TOTAL	88,562	98,650	110,673	115,215	117,377	120,406	124,607
<i>FTEs (headcount)</i>	<i>236</i>	<i>254</i>	<i>261</i>	<i>261</i>	<i>261</i>	<i>261</i>	<i>261</i>

Personnel Services

- FY 2017-18: Assumes salaries adjusted by 2.0% based on labor MOUs. CalPERS pension employer contribution rate assumed to increase from 34.2% to 34.9%. Health care premiums assumed to increase 6% on January 1, 2018. Vacancy factor of 5.5 FTEs or \$0.8 million assigned directly to Aviation due to normal attrition and lags in hiring. Overtime and temporary help lower by \$1.2 million and \$0.4 million, respectively. FY 2016-17 Actual includes a \$1.5 million pension expense credit due to GASB 68.
- FY 2018-19: Assumes salaries adjusted by 9% due to the addition of 6 new FTEs and 1 FTE transferred from Executive Office, as well as cost of living adjustments and step increases. CalPERS pension employer contribution rate assumed to increase from 34.9% to 36.2%. Health care premiums assumed to increase 6.25% on January 1, 2019. Vacancy factor of 13 FTEs or \$2.1 million assigned directly to Aviation due to normal attrition and lags in hiring.
- FY 2019-20 through FY 2022-23: CalPERS pension employer contribution rate assumed to increase to 40.7%, 43.3%, 45.9%, and 47.8%, respectively. Medical premiums assumed to increase 5.75% in FY 2019-20 and 5.5% annually thereafter. Dental, vision, and Employee Assistance Program (EAP) premiums assumed to increase 4% annually. Assumes salaries adjusted by approximately CPI.

Contractual Services

- FY 2017-18: \$6.4 million higher due to an increase in Alameda County Sheriff Officers (ACSO), U.S. Customs & Border Patrol (CBP), and security expense of \$4.3 million, consulting of \$0.9 million, parking lot and shuttle bus operations of \$0.9 million, and Aircraft Rescue and Firefighting (ARFF) of \$0.4 million.
- FY 2018-19: \$8.5 million higher mainly due to increases in planning studies of aviation capacity needs of \$5.2 million; ASCO of \$0.9 million; repairs and maintenance related expenses of \$0.9 million; private security of \$0.7 million to handle increased terminal traffic; other consulting and contractual services of \$0.6 million; and ARFF of \$0.2 million.

- FY 2019-20: \$0.9 million higher mainly due to increases in security and ASCO of \$1.0 million, parking and ground transportation management of \$0.3 million, repairs and maintenance related expenses of \$0.2 million, and ARFF of \$0.2 million partially offset by a reduction in Airport planning studies of \$0.8 million.
- FY 2020-21 through FY 2022-23: Expenses reflect anticipated changes, otherwise, assumes expenses will increase approximately 2.5% each year. ACSO assumed to increase at 5% annually.

Supplies

- FY 2017-18: Lower by \$0.5 million due to reduced electric supplies, maintenance materials, expendable equipment, painting, janitorial, and mechanical supplies.
- FY 2018-19: Increase of \$0.1 million due primarily to higher safety and janitorial supplies.
- FY 2019-20 through FY 2022-23: Expenses assumed to increase approximately 2.5% each year.

General & Administrative

- FY 2017-18: Higher by \$0.4 million due to higher marketing of \$1.5 million and exhibits and displays of \$0.2 million, partially offset by lower advertising of \$0.3 million.
- FY 2018-19: Expenses increase slightly due to one-time special events partially offset by lower RSVP volunteers and elimination of air cargo marketing.
- FY 2019-20 through FY 2022-23: Expenses assumed to increase approximately 2.5% each year.

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MARITIME DIVISION



MARITIME AREA MAP



MARITIME DIVISION

FUNCTION

The Maritime Division manages, promotes, and develops maritime-related logistics facilities, services, and programs, which stimulate international trade and generate revenue to support the mission of the Port, and to promote economic growth in the Bay Area, Northern California, and beyond.

MARITIME ADMINISTRATION AND FINANCE

Maritime Administration and Finance assists in the overall management of the Division, including management of strategic planning, facility planning, budgeting, and real estate agreements. More specifically, the department provides:

- Negotiation and administration of major lease agreements;
- Facility pricing, contract negotiations and compliance, billing, Tariff administration, and support for auditing activities;
- Financial analysis and projections, including budget development and monitoring, as well as statistical data collection;
- Long-term operational and facility planning, program oversight, project management, and grant administration;
- Analysis of environmental, legislative, and regulatory initiatives; and
- Day-to-day management of administrative matters.

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. Specifically, the department:

- Seeks opportunities in domestic and foreign markets, formulates and executes market entry strategies, and gathers and analyzes statistical data and other market intelligence;
- Actively markets vacant land within the Seaport and manages the business development process from solicitation of the optimum business partner to execution of final agreements;
- Identifies, targets, and influences cargo flows using intermodal services and other multimodal logistics capabilities to promote Oakland as a preferred gateway to/from foreign and domestic markets; and
- Manages a marketing communication program that focuses on strategies to grow market share through differentiation of Oakland from other gateways.

MARITIME OPERATIONS

Operations is responsible for day-to-day knowledge of field conditions and liaison with maritime tenants and agency partners such as CBP, San Francisco Bar Pilots, and Marine Exchange of the San Francisco Bay Region. This department:

- Markets and administers short-term lease agreements for various facilities;
- Coordinates rail access and planning;

- Ensures that Port Tariff requirements and marine terminal lease terms are enforced;
- Identifies and monitors maintenance needs and helps ensure that Seaport facilities are maintained appropriately;
- Coordinates with tenants on various operational matters, such as traffic management and extended terminal gate hours; and
- Manages various projects that are operationally focused.

MARITIME SECURITY

Maritime Security is responsible for day-to-day liaison with maritime tenants and agency partners for matters related to the security of Seaport operations and facilities. This department:

- Acts as a liaison between the U.S. Coast Guard, CBP, local law enforcement, and the Port's marine terminal operators for security regulations and enforcement strategies;
- Ensures compliance with all mandates of the Federal Maritime Transportation Security Act and U.S. Coast Guard regulations related to maritime security;
- Monitors security and communications systems and coordinates patrol services in response to Seaport incidents;
- Plans, develops, implements, and evaluates Seaport security programs, projects, and public safety activities in the Seaport; and
- Manages federal and State grant programs and projects specific to security initiatives.

Within each of the key functional areas described above, the Division's project managers are responsible for the implementation and/or oversight of various projects necessary to advance operations, meet contractual obligations, and meet long-term planning objectives. These project managers:

- Evaluate and develop recommendations for projects that meet the strategic goals of the Division;
- Analyze project opportunities and requirements, and direct multi-disciplined teams to ensure projects are completed timely and within budget;
- Coordinate with other agencies to develop and implement regional or multi-agency projects that benefit the Port;
- Support lease negotiations, as applicable;
- Apply for grant funding and administer project-specific grants; and
- Assist with the development and monitoring of the Division's CIP.

MARITIME DIVISION

ACTIVITY LEVELS

	Actual 2016-17	Budget 2017-18	Budget 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22	Projected 2022-23
Number of Vessel Calls	1,680	1,624	1,600	1,600	1,600	1,600	1,600
Total TEUs ¹	2,400,994	2,414,460	2,458,183	2,482,765	2,532,420	2,583,069	2,634,730
Total TEUs Growth	2.5%	0.6%	1.8%	1.0%	2.0%	2.0%	2.0%
Full TEUs	1,850,295	1,860,062	1,864,784	1,883,432	1,921,100	1,959,522	1,998,713
Full TEUs Growth	3.7%	0.5%	0.3%	1.0%	2.0%	2.0%	2.0%

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

- Changes in activity are not always directly correlated with changes in revenue because of Minimum Annual Guarantees (MAGs) and other terms of lease agreements.
- The number of cargo vessel calls is difficult to project in future years. As larger vessels are deployed, cargo growth could be accommodated on fewer vessels. For simplicity, vessel calls for the period FY 2018-19 through FY 2022-23 are held flat to FY 2017-18 anticipated vessel calls.
- Anticipated FY 2017-18 Total TEUs is approximately 2.43 million TEUs, or 0.8% higher than FY 2017-18 Budget and 1.4% higher than FY 2016-17 Actual. Budgeted FY 2018-19 Total TEUs is 1% higher than anticipated FY 2017-18 Total TEUs.
- Anticipated FY 2017-18 Full TEUs of 1.85 million is approximately 0.7% lower than FY 2017-18 Budget and 0.2% lower than FY 2016-17 Actual. Budgeted FY 2018-19 Full TEUs is 1% higher than anticipated FY 2017-18 Full TEUs.
- FY 2019-20: Full and Total TEUs growth assumed at 1% annually.
- FY 2021-23: Full and Total TEUs growth assumed at 2% annually.

MARITIME DIVISION OPERATING REVENUES

(\$ Thousands)

	Actual 2016-17	Budget 2017-18	Budget 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22	Projected 2022-23
Marine Terminals	107,921	108,960	118,082	119,316	123,111	125,239	130,499
Rail Terminals	2,893	2,765	2,700	3,272	3,437	3,629	3,793
Other Revenue	30,965	33,899	26,772	28,396	29,432	29,867	30,442
Utility Sales	9,741	9,210	12,656	12,668	12,511	12,771	13,038
Miscellaneous	(84)	0	0	0	0	0	0
Subtotal	151,436	154,834	160,210	163,652	168,491	171,506	177,772
Bad Debt Reserve	(59)	(250)	(250)	(250)	(250)	(250)	(250)
TOTAL	151,377	154,584	159,960	163,402	168,241	171,256	177,522

- FY 2017-18: Budgeted Marine Terminal revenues are \$1.0 million higher than FY 2016-17 actuals primarily due to additional variable (sometimes called “over-MAG”) revenue and scheduled rent increases. Other Revenue is higher by \$2.9 million primarily due to a higher/longer-than anticipated number of short-term property agreements.
- FY 2018-19: Assumes 1% growth in cargo activity. Rail activity assumed to be flat to anticipated FY 2017-18 actuals. Marine Terminals revenue is projected to increase by approximately \$7.0 million from FY 2017-18 anticipated actuals primarily due to the termination of rent abatements during the expansion of one marine terminal, partially offset by anticipated cargo shifts between terminals. Relative to FY 2017-18 Budget, marine terminals revenues are anticipated to increase approximately \$9.1 million for the same reasons, and also because certain anticipated cargo shifts have not occurred as planned and certain anticipated rent terms were delayed. Revenue from Rail Terminals is based on anticipated increases to rates per current or anticipated lease terms, partially offset by a one-time credit for anticipated investments. Other Revenue in FY 2018-19 is projected to be approximately \$5.9 million lower than FY 2017-18 anticipated actuals and approximately \$7.1 million lower than FY 2017-18 Budget, primarily due to the termination of certain short-term property agreements that supported marine terminal operations but are no longer needed or are being incorporated into long-term agreements. Utility sales increase due to higher anticipated shore power usage and rates of \$2.0 million, higher electricity sales at Harbor Transportation Center of \$1.6 million based on current utilization plus projected load increases at TraPac Terminal and Cool Port partially offset by lower electricity usage at the former OAB of \$0.2 million. Total revenue is projected to increase approximately \$3.0 million from FY 2017-18 anticipated actuals and \$5.4 million from FY 2017-18 Budget.
- FY 2020-23: Marine Terminals revenue is based on forecasted cargo activity growth of 1% in FY 2019-20 and 2% thereafter, scheduled rent adjustments per current or anticipated lease terms, and anticipated shifts of cargo between terminals. Rail Terminal Revenue is based on activity growth of 1% as well as anticipated lease terms. Other Revenue is based on scheduled or anticipated lease terms

and Tariff increases, and any anticipated loss of tenancies. Utility sales increases are generally based on 3% growth in shore power usage annually, 1% growth in electricity wholesale usage annually, offset by anticipated shifts in tenancy.

MARITIME DIVISION OPERATING EXPENSES

(\$ Thousands)

	Actual 2016-17	Budget 2017-18	Budget 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22	Projected 2022-23
Personnel Services	4,105	4,861	4,922	5,281	5,588	5,835	6,090
Contractual Services	5,307	5,681	7,525	7,184	7,746	7,830	7,812
Supplies	9	8	12	5	5	6	6
General & Administrative	410	813	601	612	609	627	639
TOTAL	9,831	11,363	13,060	13,082	13,948	14,298	14,548
<i>FTEs (headcount)</i>	<i>18</i>	<i>22</i>	<i>22</i>	<i>22</i>	<i>22</i>	<i>22</i>	<i>22</i>

Personnel Services

- FY 2017-18: Assumes salaries adjusted by 2.0% based on labor MOUs. CalPERS pension employer contribution rate assumed to increase from 34.2% to 34.9%. Health care premiums assumed to increase 6% on January 1, 2018. Vacancy factor of 1 FTE or \$0.2 million assigned directly to Maritime due to normal attrition and lags in hiring. FY 2016-17 Actual includes a \$0.2 million pension expense credit due to GASB 68.
- FY 2018-19 Assumes salaries adjusted by 4.0%. CalPERS pension employer contribution rate assumed to increase from 34.9% to 36.2%. Health care premiums assumed to increase 6.25% on January 1, 2019. Vacancy factor of 2 FTEs or \$0.4 million assigned directly to Maritime due to normal attrition and lags in hiring.
- FY 2019-20 through FY 2022-23: CalPERS pension employer contribution rate assumed to increase to 40.7%, 43.3%, 45.9%, and 47.8%, respectively. Medical premiums assumed to increase 5.75% in FY 2019-20 and 5.5% annually thereafter. Dental, vision, and EAP premiums assumed to increase 4% annually. Assumes salaries adjusted by approximately CPI.

Contractual Services

- FY 2017-18: Higher by \$0.4 million primarily due to increased security of \$0.4 million, higher consulting of \$0.4 million, and higher truck parking of \$0.2 million (offset by higher truck parking revenues) partially offset by the transfer of management fees at MHSP to the Social Responsibility Division of \$0.4 million and lower mitigation costs of \$0.2 million.
- FY 2018-19: Higher by \$1.8 million primarily due to mitigation costs for the Seaport Logistics Complex of \$1.3 million, maintenance reimbursements to tenants of \$1.0 million, and higher security costs of \$0.3 million, partially offset by lower consulting costs of \$0.7 million and ancillary services (including truck parking) of \$0.1 million.
- FY 2019-20: Lower by \$0.3 million primarily due to lower mitigation costs for Seaport Logistics Complex in FY 2018-19 of \$1.3 million partially offset by higher maintenance reimbursements to tenants of

\$0.8 million, increased ancillary services (including truck parking) of \$0.1 million, and higher consulting expenses of \$0.1 million.

- FY 2020-21 and FY 2022-23: Maintenance reimbursements to tenants, and consulting expenses fluctuate year over year. All other contractual services are assumed to increase 2.5%.

General & Administrative

- FY 2017-18: Higher by \$0.4 million primarily due to port contingency of \$0.2 million and higher travel costs of \$0.2 million.
- FY 2018-19: Lower by \$0.2 million due to elimination of the port contingency.
- FY 2019-20 through FY 2022-23: Expenses are assumed to increase on average 2.5% each year.

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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:

- Tenants and individuals who manage, develop and/or lease Port land, buildings, marinas, and other facilities;
- Employees and patrons of those businesses;
- Users of the public spaces such as plazas, piers, paths 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 REVENUES

(\$ Thousands)

	Actual 2016-17	Budget 2017-18	Budget 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22	Projected 2022-23
Jack London Square	8,147	8,251	8,325	8,324	8,667	9,064	9,272
Embarcadero Cove	3,079	2,985	3,292	3,298	3,324	3,434	3,468
Business Park and Distribution Center	3,865	3,457	3,858	3,845	3,725	4,063	3,797
Brooklyn Basin and Other Areas	1,510	1,549	1,542	1,557	1,582	1,611	1,622
Utility Sales	102	105	102	102	102	102	102
Subtotal	16,703	16,241	17,119	17,126	17,400	18,274	18,261
Bad Debt Reserve	(30)	(75)	(75)	(75)	(75)	(75)	(75)
TOTAL	16,673	16,271	17,044	17,051	17,325	18,199	18,186

Jack London Square

- FY 2017-18: Higher office and retail rents partially offset by lower parking revenues.
- FY 2019-20 through FY 2022-23: Increase in parking revenues, percentage rents, and minimum rent adjustments due to projected lease renewals and scheduled rent adjustments.

Embarcadero Cove

- FY 2017-18: Lower land rent due to vacancy and lower hotel percentage rent.
- FY 2018-19: Higher hotel and office rents.
- FY 2019-2020 through FY 2022-23: Increase in percentage rents, and minimum rent adjustments due to projected lease renewals and scheduled rent adjustments offset by vacancy potential.

Business Park and Distribution Center

- FY 2017-18: Lower land rent due to loss of major tenant.
- FY 2018-19: Higher land rent due to existing tenant increasing acreage from major tenant vacancy in FY 2017-18.
- FY 2019-20 through FY 2022-23: Increase in percentage rents, and minimum rent adjustments due to projected lease renewals and scheduled rent adjustments offset by vacancy potential.

Brooklyn Basin and Other Areas

- FY 2017-18 through FY 2022-23: Projected increase in percentage rents, and minimum rents due to projected lease renewals and scheduled rent adjustments.

COMMERCIAL REAL ESTATE DIVISION

OPERATING EXPENSES

(\$ Thousands)

	Actual 2016-17	Budget 2017-18	Budget 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22	Projected 2022-23
Personnel Services	1,488	1,571	1,688	1,818	1,924	2,008	2,096
Contractual Services	4,715	4,962	5,438	5,573	5,712	5,854	6,000
Supplies	22	36	36	37	38	39	40
General & Administrative	290	327	334	342	351	359	368
Dept'l (Credits) Charges	(185)	(191)	(198)	(203)	(209)	(214)	(219)
TOTAL	6,331	6,705	7,298	7,567	7,816	8,047	8,285
<i>FTEs (headcount)</i>	8	8	8	8	8	8	8

Personnel Services

- FY 2017-18: Assumes salaries adjusted by 2.0% based on labor MOUs. CalPERS pension employer contribution rate assumed to increase from 34.2% to 34.9%. Health care premiums assumed to increase 6% on January 1, 2018. FY 2016-17 Actual includes a \$0.1 million pension expense credit due to GASB 68.
- FY 2018-19: Assumes salaries adjusted by 4.0%. CalPERS pension employer contribution rate assumed to increase from 34.9% to 36.2%. Health care premiums assumed to increase 6.25% on January 1, 2019.
- FY 2019-20 through FY 2022-23: CalPERS pension employer contribution rate assumed to increase to 40.7%, 43.3%, 45.9%, and 47.8%, respectively. Medical premiums assumed to increase 5.75% in FY 2019-20 and 5.5% annually thereafter. Dental, vision, and EAP premiums assumed to increase 4% annually. Assumes salaries adjusted by approximately CPI.

Contractual Services

- FY 2017-18: Higher anticipated JLS common area maintenance and security costs of \$0.2 million and parking lot operations of \$0.1 million.
- FY 2018-19: Higher anticipated operating costs at Port headquarters building of \$0.2 million, increased JLS common area maintenance and security of \$0.2 million, and higher parking lot operations costs of \$0.1 million.
- FY 2019-20 through FY 2022-23: Expenses assumed to increase approximately 2.5% each year.

Supplies

- FY 2017-18: Higher Port-wide general office supplies.
- FY 2018-19: Expenses assumed flat.

- FY 2019-20 through FY 2022-23: Expenses assumed to increase approximately 2.5% each year.

General & Administrative

- FY 2017-18: Higher promotional expense, travel, postage, and dues and registration expenses.
- FY 2018-19: Higher promotional expense partially offset by lower marketing and dues and registration expenses.
- FY 2019-20 through FY 2022-23: Expenses assumed to increase by 2.5% each year.

UTILITIES-ENGINEERING DIVISION



PORT UTILITY SERVICE AREA MAP



UTILITIES – ENGINEERING DIVISION

FUNCTION

Utilities is a unit within the Engineering Division that manages the Port's utility distribution system (electrical, gas, water, and sewer). Utilities ensures that the Port plans, operates and upgrades its utility systems in an effective and efficient manner in compliance with all rules and regulations. Utilities 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. *Utility revenues are included in Aviation, Maritime, and CRE revenues. See Port Divisions - Aviation, Maritime, and Commercial Real Estate.* The table below highlights utility revenues by commodity type.

REVENUE BY COMMODITY TYPE

(\$ Thousands)

	Actual 2016-17	Budget 2017-18	Budget 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22	Projected 2022-23
Electricity – Retail	286	332	492	552	142	143	144
Electricity – Wholesale	8,387	7,987	8,504	8,103	7,638	7,715	7,793
Electricity – Capacity	270	253	278	139	142	145	148
Shore Power	5,046	4,840	6,721	6,834	7,031	7,234	7,443
Gas	88	66	73	75	78	81	84
Water (Sewer)	125	118	142	144	135	141	148
TOTAL	14,202	13,596	16,210	15,847	15,166	15,459	15,760

- Electricity-Retail is forecasted to change in FY 2018-19 through FY 2020-21 due to anticipated changes in tenancy and usage.
- Electricity-Wholesale reflects a proposed rate reduction effective October 1, 2018 that has not yet been approved by the Board for the Airport and Seaport area. In FY 2018-19, the rate reductions are offset by an increase in usage due to the addition of 2 new customers resulting in an overall net increase of 6%. Beginning in the middle of FY 2019-20, revenues are projected to decrease due to the anticipated departure of an Airport tenant. Thereafter, Electricity-Wholesale revenues are projected to increase 1% based on increased usage.
- Electricity-Capacity is assumed to increase 2% per year due to inflation per the contract. Revenue decreases beginning FY 2019-20 is due to the completion of a scheduled retroactive payment.
- Shore Power revenue is projected to increase by 39% in FY 2018-19 due to a rate increase for maintenance charge and increase on average 2.5% per year thereafter due to increased utilization.

UTILITIES - ENGINEERING DIVISION

The tables below highlight the cost of sales by business line and commodity type.

COST OF SALES BY BUSINESS LINE

(\$ Thousands)

	Actual 2016-17	Budget 2017-18	Budget 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22	Projected 2022-23
Aviation	1,911	2,118	1,932	1,816	1,695	1,720	1,745
Maritime	4,183	4,862	6,096	6,260	5,957	6,067	6,179
CRE	102	105	102	102	102	102	102
TOTAL	6,196	7,085	8,130	8,178	7,754	7,889	8,026

COST OF SALES BY COMMODITY TYPE

(\$ Thousands)

	Actual 2016-17	Budget 2017-18	Budget 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22	Projected 2022-23
Electricity – Retail	278	332	492	552	142	143	144
Electricity – Wholesale	3,757	4,216	5,113	5,022	4,926	4,976	5,026
Shore Power	1,976	2,369	2,324	2,394	2,466	2,540	2,616
Gas	68	55	68	71	74	77	80
Water	117	113	133	139	146	153	160
TOTAL	6,196	7,085	8,130	8,178	7,754	7,889	8,026

- Electricity-Retail cost of sales is forecasted to change in FY 2018-2019 through FY 2020-21 due to anticipated changes in tenancy and usage.
- Electricity-Wholesale cost of sales is projected to increase by 21% in FY 2018-19 due to the addition of 2 new customers. Beginning in the middle of FY 2019-20, usage is anticipated to decline with the departure of an Airport tenant. Thereafter, Electricity-Wholesale cost is anticipated to increase 1% per year due to increased usage.
- Shore Power cost of sales is projected to decrease 2% in FY 2018-19 due to lower electricity costs and increase 3% per year thereafter due to increase usage.

ENGINEERING AND ENVIRONMENTAL PLANNING DIVISION FUNCTION

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

PROJECT DESIGN & DELIVERY - AVIATION

Aviation Project Design & Delivery (APDD) provides engineering design, project management, construction management and other technical services (such as cost estimating, scheduling, facility inspections/assessments, inspection of tenant improvements, and technical studies) 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 APDD. 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 divisions, the APDD team supports the application for and implementation of outside grants/funding sources as these relate to Aviation projects.

PROJECT DESIGN & DELIVERY - MARITIME

Maritime Project Design & Delivery (MPDD) provides planning, engineering design, project management, construction management and other technical services (such as cost estimating, scheduling, facility inspections/assessments, inspection of tenant improvements, and technical studies) to support the Port's Maritime and CRE businesses. Preparation of plans and specifications are accomplished largely through outside professional services contracts with oversight and management being provided by MPDD. 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 divisions, the MPDD team supports the application for and implementation of outside grants/funding sources as these relate to Maritime projects.

MPDD manages the water depth of the channels and berths to provide for safe and efficient maritime navigation at the Port. This responsibility includes the Port's berth maintenance dredging program, coordination with the U.S. Army Corps of Engineers for the federal channel maintenance dredging, and deepening projects as applicable.

MPDD is also responsible for the structural integrity and major operational maintenance of Port-owned container cranes, including project management and construction administration, construction inspection, testing, loading, delivery, unloading and commissioning of cranes.

UTILITIES

Utilities 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 liaison with the utility companies and coordinates business-related utility needs and service continuity across the Port.

ENGINEERING SERVICES

Engineering Services provides a variety of engineering-related support services to the Port, Port tenants, and the public.

- **Contract Administration** is responsible for administering the consultant and construction contracts that are issued by the division and assisting in the management of the MAPLA as well as maintaining a comprehensive project contract file archive.
- **Document Control** is responsible for administering the bid process for public works contracts and long-term management of project manuals and engineering documents.
- **Geomatics (Surveys and Land Records) and Drafting** provides survey, mapping and land records management services to support the Port's development needs.

ENVIRONMENTAL PROGRAMS AND PLANNING

Environmental Programs and Planning has primary responsibility to promote Port business development, including the 5-year CIP, through environmental stewardship and ensure environmental compliance with all federal, State, and local statutes and regulations in all Port plans, activities, operations, and development programs and projects. 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 programs and permitting for Port operations, maintenance and capital improvement projects, and dredging. Coordination with regulatory agencies such as the U.S. Army Corps of Engineers, Regional Water Quality Control Board, Bay Area Air Quality Management District, Bay Conservation and Development Commission, National Oceanic and Atmospheric Administration (NOAA) Fisheries, U.S. Fish and Wildlife Service, California Department of Fish and Wildlife, and FAA;
- Environmental hazardous materials management and remediation, including soil and groundwater pollution clean-up and 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; and
- Environmental policy and advocacy before public regulatory bodies, trade associations, community and environmental organizations; and supporting community relations and media activities to raise awareness of Port environmental stewardship activities, programs and accomplishments.
- Port development permits, City building permits, and code compliance support for the Port, its tenants and other landowners within the Port area.

ENGINEERING FACILITIES

Engineering Facilities 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. Engineering 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. Interfaces with other departments and divisions and

oversees job prioritization and general day-to-day operations. Executes and maintains a variety of service level and public works contracts.

- **General Maintenance** performs a wide variety of maintenance services within the Seaport 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, storm water pollution prevention, 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 Seaport and CRE areas and is also responsible for both Port and City-owned facilities at the former OAB. The group reads electric, gas, and water meters, provides fire prevention services throughout the Port, (including OAK); maintains electrical substations, sewer lift stations, street-lighting, building electrical and mechanical systems on Port-owned and Port-responsible buildings, and aboveground and underground utilities through regular and preventative maintenance programs. This group also supports major maintenance and public works projects, and utility heavy construction projects.
- **Fleet Maintenance** maintains and services Port vehicles, construction equipment, and aircraft crash and fire rescue vehicles. The group coordinates the operation of the Port's fossil fuel and compressed natural gas fueling stations 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 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 services such as on-call response for aircraft and ferry boat accidents in the San Francisco Bay, and first response on waterside oil spill containment. The group also performs miscellaneous work and repairs, such as marine fender systems and tide gates, within all Port areas.

ENGINEERING & ENVIRONMENTAL PLANNING DIVISION OPERATING EXPENSES

(\$ Thousands)

	Actual 2016-17	Budget 2017-18	Budget 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22	Projected 2022-23
Personnel Services	20,216	23,633	23,768	25,558	27,030	28,212	29,446
Contractual Services	7,222	16,490	14,515	14,668	13,007	14,866	14,507
Supplies	1,882	1,703	1,535	1,573	1,613	1,653	1,694
General & Administrative	166	153	135	137	139	141	143
Dept'l (Credits) Charges	(372)	(169)	(96)	(99)	(102)	(105)	(107)
TOTAL	29,113	41,809	39,858	42,838	41,687	44,767	45,682
<i>FTEs (headcount)</i>	<i>105</i>	<i>115</i>	<i>115</i>	<i>115</i>	<i>115</i>	<i>115</i>	<i>115</i>

Personnel Services

- FY 2017-18: Assumes salaries adjusted by 2.0% based on labor MOUs and the transfer of 1 vacant FTE from Finance and Administration Division. CalPERS pension employer contribution rate assumed to increase from 34.2% to 34.9%. Health care premiums assumed to increase 6% on January 1, 2018. Vacancy factor of 2.5 FTEs or \$0.5 million assigned directly to Engineering due to normal attrition and lags in hiring. FY 2016-17 Actual includes a \$0.8 million pension expense credit due to GASB 68.
- FY 2018-19: Assumes salaries adjusted by 4.0%. CalPERS pension employer contribution rate assumed to increase from 34.9% to 36.2%. Health care premiums assumed to increase 6.25% on January 1, 2019. Vacancy factor of 7 FTEs or \$1.4 million assigned directly to Engineering due to normal attrition and lags in hiring.
- FY 2019-20 through FY 2022-23: CalPERS pension employer contribution rate assumed to increase to 40.7%, 43.3%, 45.9%, and 47.8%, respectively. Medical premiums assumed to increase 5.75% in FY 2019-20 and 5.5% annually thereafter. Dental, vision, and EAP premiums assumed to increase 4% annually. Assumes salaries adjusted by approximately CPI.

Contractual Services

- FY 2017-18: Higher by \$9.3 million due to anticipated increases in major maritime maintenance of \$5.5 million; higher engineering consulting of \$1.0 million; fleet and asset management consulting of \$0.8 million, higher maintenance dredging of \$1.3 million due to higher disposal rates and dredging consulting costs; increased repairs and maintenance cost of \$0.5; and higher hazardous waste and environmental consultants of \$0.2 million
- FY 2018-19: Lower major maintenance in the maritime terminal area and former OAB of \$2.9 million and repairs and maintenance costs of \$0.2 million partially offset by higher environmental consulting of \$0.6 million and higher maintenance dredging of \$0.5 million due to higher disposal rates.
- FY 2019-20 through FY 2022-23: Major maintenance programs projected at \$19.9 million over the 4-year period. Maintenance dredging volumes assumed flat with disposal rates fluctuating by

anticipated disposal sites. Major maintenance programs fluctuate year to year while all other expenses assumed to increase approximately 2.5% each year.

Supplies

- FY 2017-18: Lower maintenance, electrical, safety, and computer supplies partially offset by higher automotive fuel costs and landscaping supplies.
- FY 2018-19: Lower electrical and landscaping supplies.
- FY 2019-20 through FY 2022-23: Expenses assumed to increase approximately 2.5% each year.

General & Administrative

- FY 2017-18: Lower wireless GPS tracking services for Port take home vehicle partially offset by higher marketing and personnel advertising costs.
- FY 2018-19: Lower auto allowance due to retirement of staff and lower legal advertising.
- FY 2019-20 through FY 2022-23: Expenses assumed to increase approximately 2.5% 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, management of grant reimbursements, and management of the annual external audits which includes the production of the Port's 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 Aviation Rates and Charges, 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

Information Technology (IT) 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 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 by preparing and exercising contingency and disaster recovery plans.

HUMAN RESOURCES

Human Resources (HR) 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 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, wellness, 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. Workers' Compensation investigates each industrial injury or illness, reports suspected fraudulent claims, monitors medical treatment, arranges medical consultations, determines eligibility for workers' compensation benefits, provides information on benefits to employees, communicates with Port management on return-to-work status and coordinates 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.
- **Employee Health and Safety** implements and administers the Port's Safety Program including pertinent safety monitoring and control, training, disaster/emergency response, accident prevention and other related functions to reduce safety hazards and loss for the Port. They also provide technical consultation to Port departments to ensure compliance with the Occupational Health and Safety Act and other federal, State and local ordinances pertaining to hazardous waste, toxic substances and safety.

FINANCE AND ADMINISTRATION DIVISION

OPERATING EXPENSES

(\$ Thousands)

	Actual 2016-17	Budget 2017-18	Budget 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22	Projected 2022-23
Personnel Services	10,981	11,469	12,413	13,357	14,131	14,754	15,403
Contractual Services	2,887	4,355	4,111	4,023	4,017	4,349	4,296
Supplies	380	70	167	194	206	178	180
General & Administrative	4,242	4,157	4,450	4,537	4,629	4,720	4,810
TOTAL	18,490	20,051	21,141	22,111	22,984	24,001	24,689
<i>FTEs (headcount)</i>	<i>57</i>	<i>60</i>	<i>60</i>	<i>60</i>	<i>60</i>	<i>60</i>	<i>60</i>

Personnel Services

- FY 2017-18: Assumes salaries adjusted by 2.0% based on labor MOUs plus the transfer of 1 vacant FTE to the Engineering Division. CalPERS pension employer contribution rate assumed to increase from 34.2% to 34.9%. Health care premiums assumed to increase 6% on January 1, 2018. Vacancy factor of 3 FTEs or \$0.5 million assigned directly to Finance and Administration due to normal attrition and lags in hiring. FY 2016-17 Actual includes a \$0.4 million pension expense credit due to GASB 68.
- FY 2018-19: Assumes salaries increase by 4.0%. CalPERS pension employer contribution rate assumed to increase from 34.9% to 36.2%. Health care premiums assumed to increase 6.25% on January 1, 2019. Vacancy factor of 2 FTEs or \$0.4 million assigned directly to Finance and Administration due to normal attrition and lags in hiring.
- FY 2019-20 through FY 2022-23: CalPERS pension employer contribution rate assumed to increase to 40.7%, 43.3%, 45.9%, and 47.8%, respectively. Medical premiums assumed to increase 5.75% in FY 2019-20 and 5.5% annually thereafter. Dental, vision, and EAP premiums assumed to increase 4% annually. Assumes salaries adjusted by approximately CPI.

Contractual Services

- FY 2017-18: Higher by \$1.5 million due to consulting costs for ERP technical upgrade of \$0.8 million, higher computer systems of \$0.3 million, labor negotiator costs of \$0.2 million, and copy machine rental and maintenance of \$0.1 million.
- FY 2018-19: Lower by \$0.2 million due to lower IT consulting of \$0.6 million and lower labor negotiator costs of \$0.2 million partially offset by higher computer systems of \$0.4 million and financial consultants of \$0.1 million.
- FY 2019-20 through FY 2022-23: Expenses assumed to increase approximately 2.5% each year except for actuarial services, which vary bi-annually due to reporting requirements related to the Port's retiree medical plan. Labor negotiator costs budgeted in FY 2021-22 to coincide with the anticipated expiration of the labor MOUs.

Supplies

- FY 2017-18: Lower expendable equipment of \$0.3 million due to the Port-wide desktop and monitor replacement program completed in FY 2016-17. No expenditures for computer related equipment anticipated in FY 2017-18.
- FY 2018-19: Higher expendable equipment due to anticipated laptop replacements, monitors, and other computer equipment.
- FY 2019-20 through FY 2022-23: Anticipated replacement of servers, desktop monitors and computers staggered during this timeframe. All other supplies assumed to increase approximately 2.5% each year.

General & Administrative

- FY 2017-18: Lower insurance premiums.
- FY 2018-19: Higher insurance premiums and landline voice and data services.
- FY 2019-20 through FY 2022-23: Expenses assumed to increase approximately 2.5% each year while insurance premiums assumed to increase 5% 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. The Executive Director, who is appointed by the Board, is the Port's top management official. In accordance with Board policies, the Executive Director is responsible for the formulation, interpretation and implementation of Port policy.

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 reproduction 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

SRD aims to facilitate inclusion, fairness, equity, and access to economic opportunities, programs and services of the Port for the people and businesses in the Port community 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 the hiring of local residents on Port-related projects;
- Promotes and facilitates job opportunities and sustainable wages for the local community; and
- Defines, develops, and administers comprehensive community education and outreach programs, and manages the community benefits planning for the organization.

EXECUTIVE OFFICE OPERATING EXPENSES

(\$ Thousands)

	Actual 2016-17	Budget 2017-18	Budget 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22	Projected 2022-23
Personnel Services	3,739	4,092	4,135	4,448	4,705	4,910	5,125
Contractual Services	190	1,088	1,243	1,229	1,122	1,150	1,179
Supplies	8	11	11	11	11	12	12
General & Administrative	641	720	719	737	755	773	792
TOTAL	4,577	5,911	6,109	6,425	6,593	6,845	7,108
<i>FTEs (headcount)</i>	<i>16</i>	<i>20</i>	<i>18</i>	<i>18</i>	<i>18</i>	<i>18</i>	<i>18</i>

Personnel Services

- FY 2017-18: Assumes salaries adjusted by 2.0% based on labor MOUs. CalPERS pension employer contribution rate assumed to increase from 34.2% to 34.9%. Health care premiums assumed to increase 6% on January 1, 2018. Vacancy factor of 2 FTEs or \$0.4 million assigned directly to Executive Office due to normal attrition and lags in hiring. FY 2016-17 Actual includes a \$0.1 million pension expense credit due to GASB 68.
- FY 2018-19: Assumes salaries adjusted by 4.0% and the transfer of 1 FTE to the Aviation Division and the elimination of 1 FTE. CalPERS pension employer contribution rate assumed to increase from 34.9% to 36.2%. Health care premiums assumed to increase 6.25% on January 1, 2019. Vacancy factor of 0.5 FTEs or \$0.1 million assigned directly to Executive Office due to normal attrition and lags in hiring.
- FY 2019-20 through FY 2022-23: CalPERS pension employer contribution rate assumed to increase to 40.7%, 43.3%, 45.9%, and 47.8%, respectively. Medical premiums assumed to increase 5.75% in FY 2019-20 and 5.5% annually thereafter. Dental, vision, and EAP premiums assumed to increase 4% annually. Assumes salaries adjusted by approximately CPI.

Contractual Services

- FY 2017-18: Primarily the transfer of management fees at Middle Harbor Shoreline Park from Maritime Division of \$0.5 million, higher legislative representative expense of \$0.3 million, and SRD consulting of \$0.1 million.
- FY 2018-19: New consulting costs for Port's share of City of Oakland Disparity Study.
- FY 2019-20 through FY 2022-23: Disparity Study costs are budgeted though FY 2019-20. All other expenses assumed to increase approximately 2.5% each year.

General and Administrative

- FY 2017-18: Primarily higher community outreach, travel, sponsorships, dues and registrations, and special events expenses.
- FY 2018-19: Expenses anticipated flat.
- FY 2019-20 through FY 2022-23: Expenses assumed to increase approximately 2.5% 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 2016-17	Budget 2017-18	Budget 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22	Projected 2022-23
Personnel Services	3,304	3,716	3,950	4,252	4,499	4,697	4,903
Contractual Services	804	1,145	1,215	1,245	1,276	1,309	1,341
Supplies	5	21	21	21	22	22	23
General & Administrative	102	133	133	137	140	143	146
TOTAL	4,215	5,015	5,319	5,655	5,937	6,171	6,413
<i>FTEs (headcount)</i>	<i>13</i>	<i>14</i>	<i>14</i>	<i>14</i>	<i>14</i>	<i>14</i>	<i>14</i>

Personnel Services

- FY 2017-18: Assumes salaries adjusted by 2.0% based on labor MOUs. CalPERS pension employer contribution rate assumed to increase from 34.2% to 34.9%. Health care premiums assumed to increase 6% on January 1, 2018. FY 2016-17 Actual includes a \$0.1 million pension expense credit due to GASB 68.
- FY 2018-19: Assumes salaries adjusted by 4.0%. CalPERS pension employer contribution rate assumed to increase from 34.9% to 36.2%. Health care premiums assumed to increase 6.25% on January 1, 2019.
- FY 2019-20 through FY 2022-23: CalPERS pension employer contribution rate assumed to increase to 40.7%, 43.3%, 45.9%, and 47.8%, respectively. Medical premiums assumed to increase 5.75% in FY 2019-20 and 5.5% annually thereafter. Dental, vision, and EAP premiums assumed to increase 4% annually. Assumes salaries adjusted by approximately CPI.

Contractual Services

- FY 2017-18: Primarily higher outside legal services of \$0.3 million.

- FY 2018-19: Higher outside legal services due to the transfer of HR related legal services from HR of \$0.1 million.
- FY 2019-20 through FY 2022-23: Expenses assumed to increase approximately 2.5% each year.

Supplies

- FY 2017-18: Higher office and computer supplies.
- FY 2018-19: Expenses anticipated flat.
- FY 2019-20 through FY 2022-23: Expenses assumed to increase approximately 2.5% each year.

General & Administrative

- FY 2017-18: Higher travel, dues and registration costs, and books and subscriptions.
- FY 2018-19: Expenses anticipated flat.
- FY 2019-20 through FY 2022-23: Expenses assumed to increase approximately 2.5% 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 investigations of whistleblower hotline reports, furnishes constructive recommendations for process and internal control improvements, and provides assistance in implementing them.

FIELD AUDIT

Field Audit conducts concession 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 2016-17	Budget 2017-18	Budget 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22	Projected 2022-23
Personnel Services	1,215	1,425	1,425	1,535	1,624	1,696	1,770
Contractual Services	4	5	7	7	7	7	7
Supplies	7	6	6	6	7	7	7
General & Administrative	(0)	25	21	21	21	21	22
TOTAL	1,226	1,461	1,459	1,569	1,659	1,731	1,806
<i>FTEs (headcount)</i>	6	7	7	7	7	7	,

Personnel Services

- FY 2017-18: Assumes salaries adjusted by 2.0% based on labor MOUs. CalPERS pension employer contribution rate assumed to increase from 34.2% to 34.9%. Health care premiums assumed to increase 6% on January 1, 2018. FY 2016-17 Actual includes a \$0.05 million pension expense credit due to GASB 68.
- FY 2018-19: Assumes salaries adjusted by 4.0%. CalPERS pension employer contribution rate assumed to increase from 34.9% to 36.2%. Health care premiums assumed to increase 6.25% on January 1, 2019. Vacancy factor of 0.5 FTEs or \$0.1 million assigned directly to Office of Audit Services due to normal attrition and lags in hiring.
- FY 2019-20 through FY 2022-23: CalPERS pension employer contribution rate assumed to increase to 40.7%, 43.3%, 45.9%, and 47.8%, respectively. Medical premiums assumed to increase 5.75% in FY 2019-20 and 5.5% annually thereafter. Dental, vision, and EAP premiums assumed to increase 4% annually. Assumes salaries adjusted by approximately CPI.

General & Administrative

- FY 2017-18: No recovery of audit costs from certain tenant leases budgeted, partially offset by higher dues and registrations.
- FY 2018-19 through FY 2022-23: Expenses assumed to increase approximately 2.5% each year.

OFFICE OF THE BOARD OF 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. 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, Ralph M. Brown Act, and the Port's Sunshine Ordinance; receiving and publicly 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 2016-17	Budget 2017-18	Budget 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22	Projected 2022-23
Personnel Services	416	450	413	445	471	491	513
Contractual Services	19	4	5	5	5	5	5
Supplies	1	10	5	5	5	11	6
General & Administrative	77	125	124	127	131	134	137
TOTAL	513	589	547	582	612	642	661
<i>FTEs (headcount)</i>	2	2	2	2	2	2	2

Personnel Services

- FY 2017-18: Assumes salaries adjusted by 2.0% based on labor MOUs. CalPERS pension employer contribution rate assumed to increase from 34.2% to 34.9%. Health care premiums assumed to increase 6% on January 1, 2018. FY 2016-17 Actual includes a \$0.02 million pension expense credit due to GASB 68.
- FY 2018-19: Assumes salaries adjusted by 4.0%. CalPERS pension employer contribution rate assumed to increase from 34.9% to 36.2%. Health care premiums assumed to increase 6.25% on January 1, 2019.
- FY 2019-20 through FY 2022-23: CalPERS pension employer contribution rate assumed to increase to 40.7%, 43.3%, 45.9%, and 47.8%, respectively. Medical premiums assumed to increase 5.75% in FY 2019-20 and 5.5% annually thereafter. Dental, vision, and EAP premiums assumed to increase 4% annually. Salaries adjusted by approximately CPI.

Contractual Services

- FY 2017-18: Lower Board Room equipment repairs and maintenance costs. FY 2016-17 included the purchase of new equipment and wiring.
- FY 2018-19: Higher anticipated Board Room equipment and maintenance costs.
- FY 2019-20 through FY 2022-23: Expenses assumed to increase approximately 2.5% each year.

Supplies

- FY 2017-18: One-time iPad replacements for Commissioners anticipated and higher office supplies
- FY 2019-20 through FY 2022-23: Expenses assumed to increase approximately 2.5% each year with iPad replacements budgeted in FY 2021-22.

General & Administrative

- FY 2017-18: Primarily higher travel, legal advertising, and receptions expenses.
- FY 2018-19: Elimination of auto allowance partially offset by higher business meals and dues and registrations.
- FY 2019-20 through FY 2022-23: Expenses assumed to increase approximately 2.5% each year.

NON-DEPARTMENTAL FUNCTION

Non-Departmental is a cost center that collects Port-wide non-discretionary expense items which are not initially allocated directly to Port divisions. These expenses include, but are not limited to, retiree medical expenses, workers' compensation costs, supplemental pension expense for high earning retirees, vacation and sick leave accruals, unemployment insurance, certain City services and assessments, insurance claims, 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 2016-17	Budget 2017-18	Budget 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22	Projected 2022-23
Personnel Services	16,102	16,464	17,278	17,755	18,069	18,645	19,298
Contractual Services	2,002	2,177	2,183	2,242	2,304	2,368	2,435
General & Administrative	8,213	11,292	10,981	11,268	11,565	11,873	12,188
Departmental Credits	(6,584)	(8,926)	(8,818)	(9,215)	(9,584)	(9,824)	(10,118)
TOTAL	19,732	21,006	21,624	22,050	22,354	23,062	23,803

Personnel Services

- FY 2017-18: Higher workers' compensation accrual of \$2.1 million, OPEB of \$0.6 million, and supplemental CalPERS pension benefit of \$0.1 million are mostly offset by budgeted vacancy factor of \$2.0 million and lower vacation accrual of \$0.4 million. Budgeted vacancy factor in Non-Departmental is 11 FTEs (\$2.0 million). An additional vacancy factor of 14 FTEs, or \$2.4 million, is directly allocated to various divisions. Vacancy factor is due to normal attrition and lags in hiring. Actual vacancy savings is recognized in the divisions where the vacancies occur.
- FY 2018-19: No vacancy factor budgeted in Non-Departmental resulting in the elimination of a \$2.0 million expense credit compared to FY 2018 Budget. Based on actuarial reports, lower projected retiree medical costs of \$1.0 million and lower workers' compensation accrual of \$0.1 million.
- FY 2019-20 through FY 2022-23: Higher projected retiree medical costs based on actuarial report and higher workers' compensation costs based on projected increases in medical premiums; medical excise tax assumed beginning in FY 2021-2022.

Contractual Services

- FY 2017-18: City services and assessments higher due to anticipated contractual increases and impact of FY 2016-17 year true-up credits.

- FY 2018-19 through FY 2022-23: City services and JLID costs assumed to increase approximately 4% and 3% respectively, each year while City of Oakland Landscaping and Lighting Assessment District (LLAD) is anticipated to remain flat.

General & Administrative

- FY 2017-18: Higher by \$3.1 million primarily due to higher legal contingency of \$2.2 million, Port use electricity of \$0.5 million, and Port-wide contingency of \$0.4 million.
- FY 2018-19: Lower Port use electricity of \$0.4 million and elimination of Port-wide contingency of \$0.4 million, partially offset by the higher legal contingency of \$0.2 million and higher Port use water/sewage of \$0.2 million.
- FY 2019-20 through FY 2022-23: Expenses assumed to increase approximately 2.7% each year.

Departmental Credits

- FY 2017-18: Higher direct salary and benefit costs anticipated to be charged to capital projects.
- FY 2018-19 through FY 2022-23: Primarily lower direct salary and benefits costs charged to capital projects, partially offset by increases in underlying personnel costs.

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CAPITAL BUDGET AND 5-YEAR CAPITAL IMPROVEMENT PLAN

FY 2019 CAPITAL BUDGET - INITIAL AND PIPELINE PROJECTS

For FY 2019, budget authorization of \$34.7 million is requested from the Board for projects that have already been reviewed and authorized by the Board, or projects that are no more than \$250,000 and within the Executive Director's spending authority, as well as limited amounts for pre-development work and miscellaneous facility replacement projects.

This authorization comprises the FY 2019 Capital Budget - Initial which includes the capital projects listed in the table below. The amounts shown are expected expenditures in FY 2019 and do not include prior or subsequent fiscal year expenditures for projects spanning multiple fiscal years.

FY 2019 CAPITAL BUDGET – INITIAL

<i>Business Line¹</i>	<i>Project</i>	<i>(\$ millions)</i>
A	TSA Recapitalization	5.0
M	Cool Port Rail Infrastructure	4.2
M	Crane Raising and Management System	4.0
M	Berth 25/26 Wharf and Related Improvements	2.0
A,M,C,S	Misc. Facilities Replacement Projects	1.7
A	Parking Access and Revenue Control System	1.6
A	Terminal 1 GSE Electrification	1.5
A,M	Utility Upgrades	1.5
A	ARFF Truck and Facilities	1.4
A	Terminal 2 M130 Roof Replacement	1.4
A	Various Terminal Improvements	1.5
C	Reconstruction of Embarcadero Road	1.2
A,M	Pre-Development Projects	0.8
A	Aviation Security Enhancements	0.8
A	International Arrivals Building Improvements	0.7
A	Terminal 1 M102 Renovations	0.7
M	Seaport Logistics Complex	0.6
S	Information Technology Equipment and Systems	0.6
A	Various Airfield Improvements	0.5
A	Runway Safety Area	0.5
A	Runway 12/30 Rehabilitation	0.5
A,M	Capital Equipment	0.5
M	7 th Street Grade Separation	0.4
C	Union Point Basin Environmental Remediation	0.4
C	Building and Tenant Improvement Allowances	0.5
M	Nutter Terminal Light Pole Replacement	0.2
Total		\$ 34.7

¹ Aviation (A); Maritime (M); Commercial Real Estate (C); Support (S)

In addition, approximately \$92.7 million of additional projects are anticipated to commence in FY 2019 (FY 2019 Pipeline Projects), subject to Board approval. Authorization to proceed with the FY 2019 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, available funding, and available staffing resources. The FY 2019 Pipeline Projects are at various stages of the pre-development, planning, and design process. For cash flow and financial planning purposes, the FY 2019 Pipeline Projects listed in the table below are assumed to be approved by the Board during the course of the fiscal year. The amounts shown are expected expenditures in FY 2019 and do not include prior or subsequent fiscal year expenditures for projects spanning multiple fiscal years.

FY 2019 PIPELINE PROJECTS

<i>Project</i>	<i>(\$ millions)</i>
Airport	
Airport Perimeter Dike	15.4
Security Projects	9.1
Utility Projects	8.5
Terminal 1 CT-80 Baggage Screening Device Placement	4.4
Taxiways and Runways	4.2
Replace Airfield Signs	4.2
Terminal 1 Restroom Upgrades	4.0
Capital Equipment	3.5
Moving Walkway Refurbish	2.5
Terminal 2 M371 Boiler Retrofit/Replacement	2.8
Misc. Terminal Improvements	2.4
Terminal 1 M103 Air Handler Replacement	1.8
Ground Access and Parking	1.6
Terminal 1 M101 Planning	1.5
Airport Security Checkpoint Upgrades	1.5
Terminal 2 Flooring Replacement	1.5
Facilities Maintenance	0.8
Misc. Airfield Improvements	0.3
Sub-Total	70.0
Maritime	
Seaport Logistics Complex	11.2
Utility Projects	2.2
Capital Equipment	2.2
Roadway Improvements	1.8
Security Projects	1.2
-50 Ft Cost Share to US Army Corps of Engineers	1.0
Air Quality Initiatives and Grant Match	0.5
Crane Safety Ladder Installation	0.5
Sub-Total	20.6
Commercial Real Estate	
Jack London Square Improvements	2.1
Total	\$ 92.7

The diagram on page 122 illustrates the capital budget approval process. From time to time, the capital budget approval process may be updated or adjusted to improve the planning and delivery of capital improvements and reflect best practices.

5-YEAR CAPITAL IMPROVEMENT PLAN

The Port maintains a 5-Year Capital Improvement Plan (CIP), which consists of anticipated expenditures and funding sources for capital projects the Port plans to undertake over the next five years. The 5-Year CIP is updated annually and is currently estimated at \$498.9 million (FY 2019-2023). Capital improvements included in the Port's current 5-Year CIP are limited to the highest priority items, primarily those focused on regulatory compliance, life and safety-related improvements, and revenue maintenance. The 5-year CIP does not currently include significant capacity expansion projects. Furthermore, staffing and funding constraints limit the amount of capital projects that can be completed at any one time.

Projects may be added to or removed from the 5-Year CIP as the needs of the Port evolve. The Port expects it will undertake additional significant capital projects to address aging infrastructure, competitive factors and future capacity constraints; however, these projects and their timing, are currently too speculative to include in the Port's current 5-Year CIP.

No assurances can be made that the funding sources identified will be available to complete the projects included in the 5-Year CIP (see *Capital Project Funding Sources* section). The cost estimates for these projects are subject to various sources of uncertainty; as such, these estimates are subject to change. The variance from the cost estimates could be material and may result in the Port issuing additional indebtedness, including Senior or Intermediate Lien Bonds, than currently anticipated, or not undertaking certain projects. The failure to complete certain projects included in the 5-Year CIP could significantly affect projected Port revenues.

Aviation Projects

The 5-Year CIP includes approximately \$361.1 million of projects at the Airport and is divided into several programmatic areas.

Airport Perimeter Dike Improvements

The Airport Perimeter Dike separates the airfield from San Francisco Bay waters. The project includes both flood hazard protection and seismic strengthening, but has been designed to be constructed in phases. The first phase addresses the flood hazard protection. The flood hazard improvements are designed to protect the Airport against flood risk from severe storms and sea-level rise. The proposed APD improvements are intended to meet FEMA levee design standards. The APD project will address the risk of flooding at the South Field from extreme tides, sea level rise, storm surge, and wave runup from the Bay (south) side of the Airport. Subsequent phases will analyze and seek to address the same risks from the San Leandro Bay side to the North Field. Design and environmental review are complete and construction of this first phase is slated to begin in 2018.

The 5-Year CIP includes \$15.4 million for FY 2019 that includes a major portion of the flood hazard construction budget and some design budget for the seismic improvements. Approximately \$5 million of the project costs are anticipated to be funded by a State Local Levee Assistance Program (LLAP) grant. 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. The awarded grant expires in 2019.



Airfield

Approximately \$123.9 million is included in the 5-Year CIP for airfield projects. Projects in this category include multiple taxiway and hangar apron improvements, airfield signage replacement, Southfield pavement improvements, and ARFF truck vehicle replacement.

Taxiway and Hangar Apron Improvements

Taxiway and hangar apron reconstruction and repaving projects totaling \$106.9 million is included in the 5-Year CIP. These projects have been identified through the Airport Pavement Management System (APMS) update and prioritized based on the pavement condition and use. Airfield projects identified in the latest study include rehabilitation of portions of Taxiway Bravo, Whiskey, Kilo, and Runway 10L/28R. Apron reconstruction and overlays include: L-130, L-142, L-710, L-810, and L-820.

Airfield Signage Replacement

The Airport has modernized a number of airfield signs in conjunction with other projects. There remains approximately 82 airfield signs that require replacement and modernization. Improvements will include new frangible boxes mounted on existing or new foundations, and panels that support the replacement of existing and addition of new signs where necessary. The majority of the signage in the project is located in the North Airfield. The project design has been completed and construction is expected to be completed in FY 2019. The total project cost is estimated at approximately \$4.3 million and will be funded in part using FAA Airport Improvement Program (AIP) grants.



Southfield Pavement Improvements

During the APMS update, the following Airport paved areas were identified for rehabilitation in Federal Fiscal Year 2018:

- Taxiway Tango between Taxiways Bravo and Sierra;
- Portions of the East Apron between Terminals 1 and 2; and
- The vehicle service road (VSR) parallel to Taxiway Bravo and a portion of the tug road adjacent to Terminal 1.

The scope of the Southfield pavement improvements include overlays, crack sealing, repair of spalled concrete pavement joints, pavement replacement, and installation of pavement markings. The project design has been completed and construction is expected to be completed in FY 2019. The total project cost is estimated at approximately \$4.1 million and will be funded in part using AIP grants.

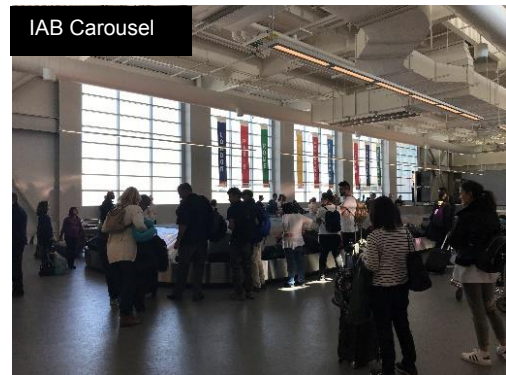
ARFF Truck Vehicle Replacement

OAK is required by the FAA to station four Aircraft Rescue and Fire Fighting (ARFF) vehicles at the South Field to support OAK-based firefighting personnel. In 2014, one of the vehicles was lost in a training accident and another ARFF vehicle is model year 2001 and beyond its 15-year service life. OAK is procuring two new ARFF vehicles from Rosenbauer at a cost of \$1.6 million. The new trucks are expected to arrive in August 2018.



Terminal

The passenger terminal complex at OAK includes Terminal 1 (16 gates) and Terminal 2 (13 gates). Approximately \$93.8 million is included in the 5-Year CIP for terminal improvements. Several large-scale Terminal 1 Retrofit and Renovation Program projects were substantially completed in FY 2019 including the M102 life safety improvements and upgrades to the International Arrivals Building (IAB). The terminal projects in the 5-Year CIP address on-going infrastructure and customer service improvements including roof replacement projects, heating, ventilation, and air conditioning (HVAC) upgrades, restroom refurbishment, and security enhancements.



Installation of Charging Infrastructure for Ground Support Equipment (GSE)

Airline and ground-handler tenants own the GSE operated at OAK. Approximately 70% of the Airport-wide GSE fleet is based in Terminal 2 and has been electrified. In order to meet the demand from tenants who operate the remaining 30% of GSE, the Port is designing a project to install electric infrastructure to support 25 charging stations at Terminal 1. This project is estimated to cost \$4.8 million, of which approximately 80% is anticipated to be funded using Voluntary Airport Low Emissions (VALE) grants.

Terminal 1 and Terminal 2 Window Walls

The Port has prepared conceptual plans for modifications to the curbside window walls for Terminal 1 and Terminal 2. The modifications have addressed improvements to the blast resistance of the window walls that separate the ticket counter areas from the vehicle curbsides and could result in expanding the congested ticket counter queueing areas. Concepts were evaluated based on TSA requirements and industry best practices. The 5-Year CIP includes approximately \$27 million for the window wall improvements which will be phased over the 5-year period. Design for the Terminal 1 improvements are anticipated to be completed in FY 2019.

Terminal 2 Gate Modifications

Southwest Airlines anticipates introducing 737-800 and 737-900 aircraft to the fleet servicing OAK in the next few years. During FY 2018, Southwest began flying 787-800 into OAK. Preliminary analysis indicated that the larger aircraft could be accommodated at some of the existing gates with minor striping modifications to the aircraft gate parking position and these were completed in fall 2017. Further modifications to accommodate larger aircraft include fuel pit relocations and replacement of passenger boarding bridges at some gates, as well as analysis of building expansions to accommodate larger hold rooms. These improvements are under design and phased improvements are expected to be completed

over the next three years. The 5-Year CIP includes \$2.5 million for gate modification costs and is anticipated to be funded primarily by future PFCs.

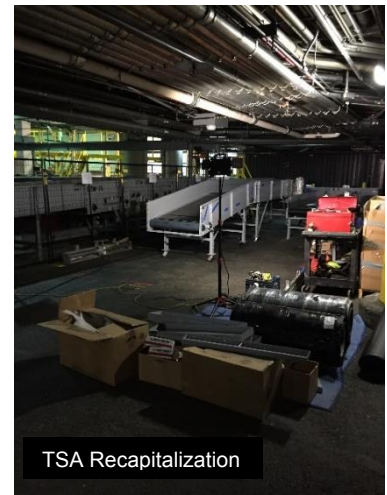
Restroom Upgrades

The Airport is initiating a program to remodel the terminal building restrooms. Restrooms in the Terminal 1 concourse have been in service for more than 15 years, and restrooms in Terminal 2 for more than 10 years. The growing passenger demand has put additional stress on these aging facilities, requiring increased staff time and resources to clean and maintain to acceptable standards. The program will include modernizing finishes and installing low water use fixtures that meet current standards, extend life cycle, and ease maintenance requirements in the future. The 5-Year CIP includes \$12 million for restroom renovation. Design is expected to be completed and construction initiated in FY 2019 for a budget of \$4 million.

TSA Recapitalization of Baggage Screening Equipment

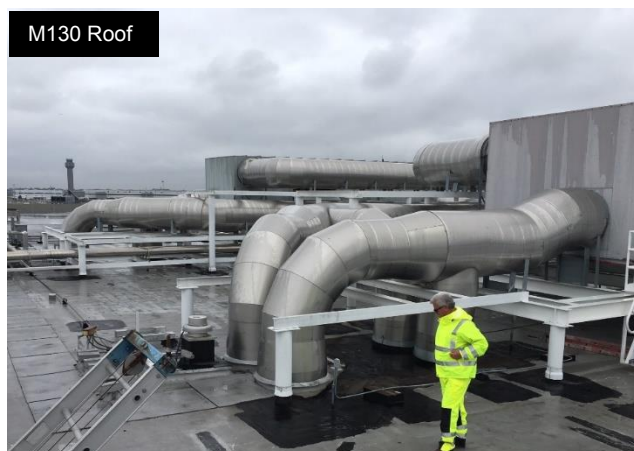
TSA Electronic Baggage Screening Program (EBSP) has undertaken a national recapitalization effort because many of the existing checked-bag Explosives Detection Systems (EDS) deployed at airports throughout the country are nearing the end of their projected useful life. The recapitalization effort refers 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 construct terminal infrastructure modifications needed for the installation of the new 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. The project construction is now estimated to cost about \$10.6 million, most of which is anticipated to be reimbursed by the TSA through a revised OTA.



Building M130 Roof Replacement

The upper portion of the Building M130 roof is approximately 55,000 square feet and was original to the December 1986 construction, making it over 30 years old. Roof replacement will preserve critical operational space in Terminal 2 that houses the TSA's security screening checkpoint as well as Southwest Airlines offices and ticket counters. The project is expected to be complete by August 2018, with an estimated cost of \$2.9 million.



Security Checkpoint Upgrades

In 2017, the TSA identified OAK as one of two pilot medium hub airports to participate in the TSA's Innovation Task Force. This is critically important to OAK as innovation and technology are essential tools to accommodate the current growth in passengers. The Innovation Task Force includes use of canines, testing new computed tomography (CT) passenger screening equipment and installation of automated screening lanes to expedite the security checkpoint process. Approximately \$5.5 million has been budgeted in the 5-Year CIP to accommodate infrastructure and other improvements required.

Moving Sidewalk Refurbish

As passenger traffic grows and the need for more customer amenities continues, the Port has been assessing the viability and cost benefit of maintaining the existing moving sidewalks in the Terminal 1/Terminal 2 connector and in Terminal 2. These areas can be better served by removing the moving sidewalks (which require extensive maintenance to keep in service) in order to repurpose this area for retail and customer amenity use. It is anticipated that the design for the moving walkway removal would occur during FY 2019. \$5 million has been included in the 5-Year CIP.

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. An assessment of the leased properties has been conducted and an on-going program to address the required improvements is being developed. The 5-Year CIP totals \$17.7 million in project costs and includes improvements to hangars and the rental car facility. Eligible rental car facility improvements of \$2.2 million will be funded primarily through CFCs.

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 completion of the upgrade to the parking revenue control equipment, the Airport Drive pavement overlay, expansion of electric vehicle charging in the public parking lots and several other access control and surface parking reconstruction projects. About \$14 million is included in the 5-Year CIP for these projects.

Airport Drive Overlay

Airport Drive (Bessie Coleman Drive) is a nearly 4,900 linear foot, six-lane roadway from Doolittle Drive to the inbound-outbound split to and from the Airport terminals. Airport Drive was rehabilitated and widened as part of the Airport Roadway project in 1999. Since then, the roadway has been subject to surface and sub-surface deterioration. This pavement rehabilitation project is expected to include deep patch repair of deteriorated sections to extend the useful life of the roadway by about 20 years. During FY 2017, a pavement assessment was conducted and the extent of improvements were identified. The total project cost is now estimated at \$5.3 million.

Security

Approximately \$ 17.1 million is included in the 5-Year CIP for Airport security projects. Key projects include completion of the Terminal 2 baggage claim exit and design of security cameras at the rental car, parking, and curbside locations.

Terminal 2 Baggage Claim Exit

The Terminal 2 Security Exit is used as the main exit for pedestrian traffic to exit from the security side of the Airport, into the public area of the terminal. It is located adjacent to the baggage claim area. The pedestrian traffic utilizing this exit may include, but is not limited to, arriving passengers, airline staff, vendors, and Airport employees. OAK could reduce its personnel operating expenses with layout reconfiguration, new security equipment, and/or technology upgrades while maintaining or increasing the existing level of security. Design is anticipated to be complete by the end of 2018 with construction complete by fall 2019. The total project cost is estimated at \$1.7 million.



Rendering of T2 Security Exit

Landside Security Camera

As part of OAK's continuing effort to increase security and enhance the passenger experience at the Airport, there is a Landside Security Camera project to expand the Airport's video surveillance system at a variety of landside areas. These areas include the rental car facility, public and employee parking areas, frontage roadways, and curbside of the terminal area. Part of the project includes infrastructure upgrades and expansion, and fiber communications with airport operations and law enforcement. The project is in the early phases of design. The total project cost is estimated at \$6.2 million.



SpotterRF Radar -- works alongside a camera to detect threats

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 \$31.6 million has been included in the 5-Year CIP for utility infrastructure projects. These projects include water and sewer upgrades, sewer lift station upgrades and replacements, and electrical duct bank and distribution upgrades.

Airport Lift Station Improvements

The Sanitary Sewer Improvements Comprehensive Report completed in January 2015, addressed the condition of the aging sewer lift stations servicing the Airport. Improvements have been prioritized based on need and master plan assessment. Upgrades to Lift Station 1 were completed in August 2017, and the design of upgrades to Lift Station 2 is currently underway and construction is expected to cost approximately \$2.1 million. During FY 2018, the design of Lift Stations 12 and 15 was initiated to address critical issues with the sewer injection system serving restrooms in Terminal 1. The project cost for the repair for these lift stations is estimated at \$2.7 million.

Earhart Road Sewer Line Replacement/Rehabilitation

The Earhart Road sewer line is in need of replacement or rehabilitation. The 15-inch diameter sanitary sewer gravity main line was built in the 1950s and is in very poor condition with many structural deficiencies. Inspections of this sanitary sewer line from Airport Drive to Cooke Street have shown fractures in multiple

locations. Design is anticipated to be complete by 2019 with construction complete by 2021. The project cost is estimated at \$6.5 million.

Facilities Maintenance

Approximately \$3.7 million is included in the 5-Year CIP for facilities maintenance projects including controls and system upgrades for power and energy management systems, and lift stations.

Other Projects

Approximately \$6.9 million is included in the 5-Year CIP for capital equipment purchases, pre-development work, and miscellaneous facility replacement projects.

Maritime Projects

Increasingly, the Port has been relying on private investment to develop new facilities at the Seaport. Over the next 5 years, the anticipated investment includes approximately \$140 million from tenants and approximately \$30 million from public funding administered by the Alameda County Transportation Commission (ACTC). Therefore, the 5-Year CIP is not reflective of all the capital investment at the Seaport, but rather includes only those projects and expenditures that the Port will perform and/or pay for directly, which total approximately \$128.7 million.

Seaport Logistics Complex

Since acquiring approximately 241 acres of the former OAB, the Port has been remediating the property, upgrading the infrastructure, and constructing the initial phases of development for what is envisioned to become a world class trade and logistics center. The new logistics complex, known as the Seaport Logistics Complex, is planned to include new import cross-dock, export transloading from railcar to container, a new intermodal container terminal, and related facilities. Redevelopment is being phased to match market demand and funding. The adjacent City-owned former OAB property at full build-out is expected to include a new bulk and break-bulk marine terminal, warehouses, a truck service area, and a recycling center.



In 2016, the Port completed the first phase of the new rail terminal on Port-owned OAB property, which includes approximately 40,000 feet of storage track, plus a 7,700-ft departure track (support and manifest yards, respectively) providing the Port with the ability to accommodate two arriving and two departing trains daily. The rail yard is anticipated to spur customer growth, particularly for heavy export products, which can be brought to the Seaport in rail cars, transloaded, and placed into a container within the overweight corridor. Initially, the rail yard will serve current transload providers in the Seaport, while also accommodating future cargo associated with new logistics buildings on both the City and Port-owned properties of the former OAB. Eventually, the rail yard may be expanded to include intermodal service (handling of ocean containers) but no funding has been included for this work.

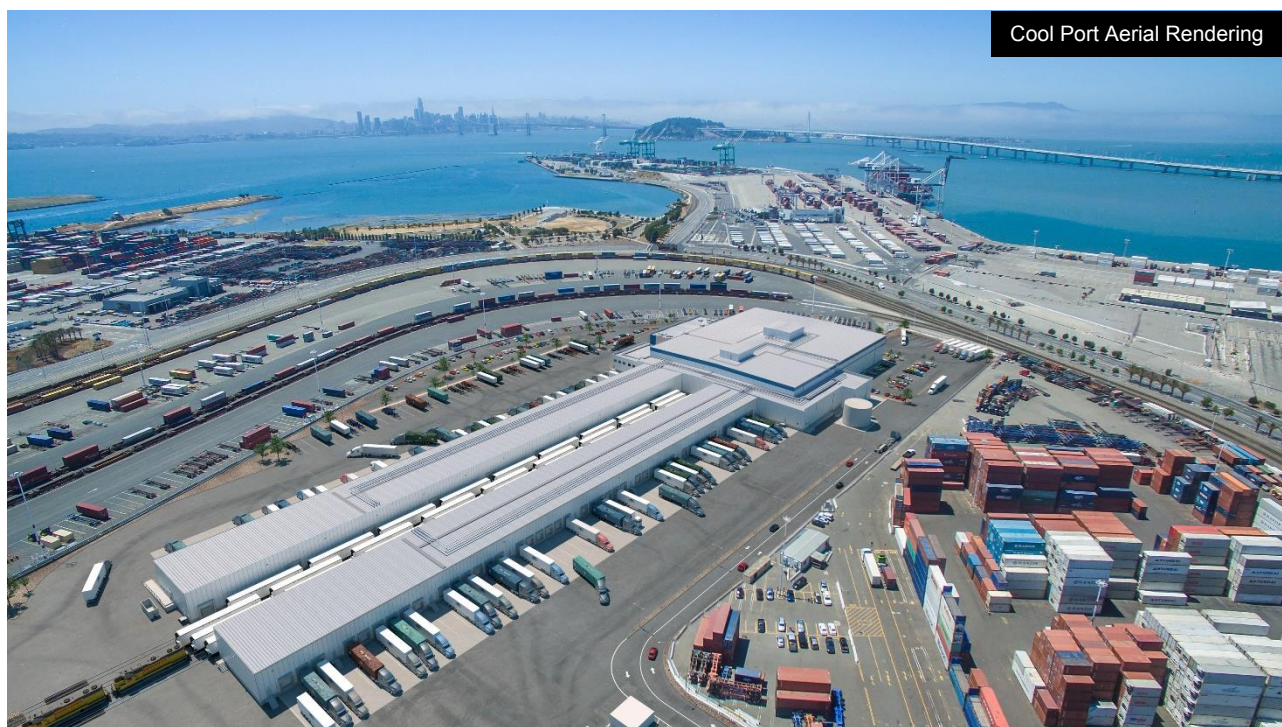
The Port envisions that the remainder of the Seaport Logistics Complex will be developed primarily by private developers and/or operators. In early 2018, the Port signed a lease with Centerpoint-Oakland Development I, LLC (Centerpoint), to construct a new, approximate 440,000-square foot logistics facility on 27 acres of OAB land adjacent to the new rail yard. Ground breaking is scheduled in summer 2018, and operations are anticipated to start in late 2019. In addition to the anticipated private investment, which includes about \$50 million by Centerpoint alone, the Port continues to directly invest in the Seaport Logistics Complex. More specifically, the Port plans to perform certain utility work for the Centerpoint development; grading, paving and utility work on other parcels for a variety of current and anticipated leaseholds; and certain common infrastructure work. Therefore, the 5-Year CIP includes approximately \$20.3 million for the Seaport Logistics Complex, as follows:

- \$13.3 million for a variety of related work items, including pavement and site development for interim leasing;
- \$2.5 million for utility infrastructure connections to lease parcels;
- \$2.5 million for miscellaneous common area improvements; and

- \$2.0 million is to be deposited into a Community Trust Fund. In the Amended and Restated Memorandum of Agreement (ARMOA) covering the former OAB, the Port and the City agreed to pay into a Community Trust Fund. Once the City and its developer contribute, the Port is committed to make an equal contribution, not to exceed \$2 million.

Temperature-Controlled Logistics Facilities

In 2015 the Port entered into a 30-year lease with three options to extend an additional 36 years with Cool Port Oakland, LLC, for the construction of a temperature-controlled logistics facility. Construction of the Cool Port Project started in May 2017, and operations are expected to commence in fall 2018. The intent of the development is to increase the import and export of perishable food products through Northern California and the Seaport. The 5-Year CIP includes \$4.2 million to finish construction of new rail



infrastructure within the development.

Marine Terminal Improvements

Over the next 5 years, the Port expects to make a number of improvements to marine terminals in order to address aging infrastructure and the needs of larger ships. Key projects include crane raising and wharf upgrades for vessels capable of carrying 18,000 TEUs or more. Approximately \$34.8 million is included in the 5-Year CIP for marine terminal improvements, of which approximately \$16.7 million is for crane raising and crane-related improvements, and \$18.1 million is for other marine terminal upgrades.

Roadway Improvements

Over the next 5 years, the Port also expects to make a number of improvements to various roadways and key access points to and within the Seaport, in order to address aging infrastructure and minimize congestion. Key projects include the design and construction of a new, grade-separated 7th Street; development of a freight intelligent transportation system (FITS); and reconstruction of 14th Street, the principal ingress/egress to the Seaport Logistics Complex. The 7th Street grade separation and FITS projects are inter-related, and directly managed by the ACTC with funding from the Measure BB Tax Fund.

The Port is working very closely with ACTC on these projects. Approximately \$19.2 million is included in the 5-Year CIP for roadway projects, of which approximately \$9 million is to reconstruct 14th Street, and \$8.5 million is for the 7th Street grade separation project.

Maritime Security

Since 2001, the Port, State, and federal government have focused on seaport security as a critical link in the national defense system. Leveraging federal security grant programs, the Port continues to implement various improvements to enhance overall security and emergency preparedness.

Key security projects in FY 2019 include upgrading the Emergency Operations Center to add functionality and incorporate a traffic management center, and installing radio-frequency identification (RFID) sensors to enhance domain awareness and operational efficiencies. These improvements support Port resiliency and promote better information sharing among agencies and stakeholders, especially during emergencies. Approximately \$3.3 million is included in the 5-Year CIP for security projects. Although grant funding for security has become scarcer and more competitive since the early 2000s, the Port has been awarded up to \$2.9 million to help fund the security projects. On-going operation and maintenance costs, which have been growing in recent years, are typically the responsibility of the Port.



Other Projects

Other identified projects at the Seaport total approximately \$46.8 million in the 5-Year CIP. These projects include:

- \$4 million for electric truck charging stations intended to support an anticipated growth in the deployment of electric drayage trucks to transport cargo within the Seaport, and \$2.5 million for match funds for anticipated grants to implement near-zero and zero emission equipment projects.
- Navigational Channel Deepening Project: The Port and the U.S. Army Corps of Engineers plan to improve the Middle Harbor Enhancement Area (MHEA), a shallow water habitat adjacent to the Port's MHSP, 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. These expenditures continue to be delayed and, therefore, the Port continues to carry \$2 million in the 5-Year CIP for these activities.
- Approximately \$24.9 million for utility upgrades such as substation replacement, sanitary sewer, and fire systems.
- \$3.8 million is included for the MHSP, for the repair of a section of the dike along the Oakland Estuary, and for a potential upgrade of elevator systems in one of the buildings.
- \$1 million to establish a "materials management" site to maximize the reuse of materials (e.g., asphalt, aggregate base) across Seaport projects, to achieve both economic and environmental benefits.



- Capital equipment and miscellaneous infrastructure upgrades, totaling about \$3.6 million over five years, to perform critical facility maintenance and improvements, and \$5 million for miscellaneous projects and pre-development work that cannot be predicted at this time.

Commercial Real Estate Projects

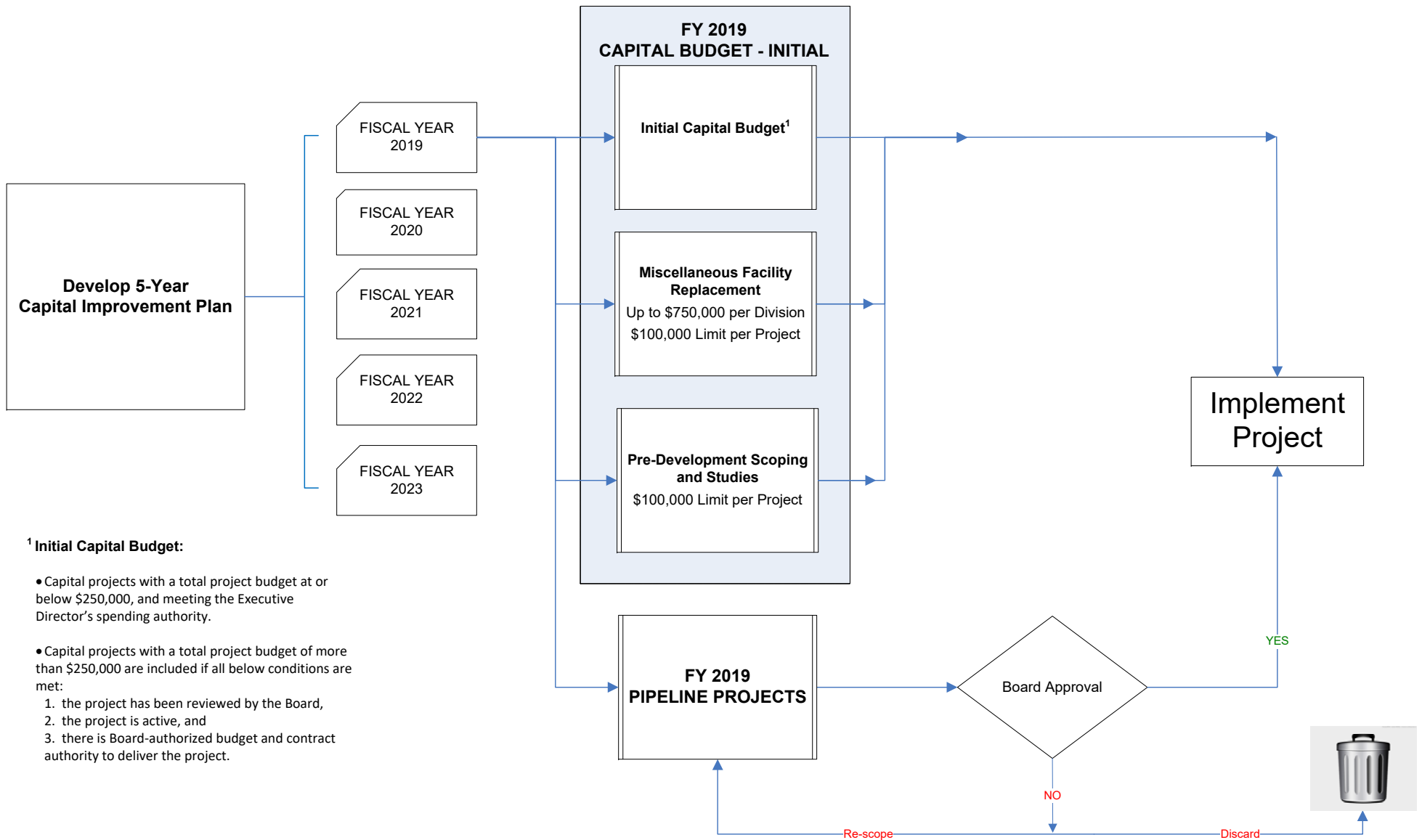
The 5-Year CIP includes about \$7.3 million for projects related to CRE. Approximately \$1.3 million in the 5-Year CIP is included for building and tenant improvement allowance, primarily for new leases in the Airport Business Park and Jack London Square; and \$1.2 million is included for reconstruction of a portion of Embarcadero Road.

Support Division

The 5-Year CIP includes \$1.9 million for Port business systems needs.

CAPITAL EXPENDITURE APPROVAL PROCESS

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CAPITAL PROJECT FUNDING SOURCES

Capital projects at the Port are funded by grants, PFCs, CFCs, Port-generated cash, and debt. 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 5-Year CIP. 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 5-Year CIP, and such changes could be material. If grants, PFCs, CFCs, 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 or additional Senior Lien Bonds, or the Port will not undertake or complete these projects. The failure to complete certain projects could significantly impact Port revenues.

Federal Aviation Administration Airport Improvement Program (AIP) Grants and Other Aviation Grants

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. From FY 2019 through FY 2023, total AIP grants for OAK (consisting of both AIP entitlement and discretionary funds) are estimated to be about \$95.1 million. In FY 2019, OAK anticipates using approximately \$8.8 million in AIP grants. The AIP grants will be used on grant-eligible portions of airfield and apron-related projects as well as installation of GSE. In addition, the 5-Year CIP includes LLAP and OTA funds totaling \$9 million to pay for eligible portions of the Airport perimeter dike and TSA recapitalization EDS projects.

Passenger Facility Charges (PFC)

PFCs are 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. Passengers using frequent flyer award certificates and 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. The Port received approximately \$24.5 million in PFCs in FY 2017.

The Port anticipates that approximately \$66.1 million in PFC pay-go revenues will fund the costs of certain projects currently in the 5-Year CIP. All projects that are currently under construction have FAA PFC imposition and use authority. FAA PFC imposition and use authority is needed for certain projects that are anticipated to occur later in the 5-Year CIP.

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. CFCs in FY 2017 totaled approximately \$6 million. Future CFCs are projected based on a historical ratio of CFC collections per deplaned passenger.

CFCs can fund costs to finance, design, and construct a consolidated rental car facility and to finance, design, construct, and operate a common use transportation system. The Port's primary use of CFCs is to fund the operating costs for common use rental car buses. In the 5-Year CIP, \$4.4 million of CFCs are assumed to be used for capital costs.

Maritime Grants and Other Funding

In the 5-Year CIP, the Port expects to offset its expenditures with approximately \$2.9 million in grant funding for security projects, which includes \$1.7 million for an RFID system that could also help improve roadway/transportation efficiencies. These amounts do not include the Measure BB and other funding that ACTC is drawing upon (or may draw upon) to design and construct certain projects, as discussed earlier in this section.

Port Cash

Approximately \$321.4 million of cash on hand and cash generated from future operations is assumed and applied to the 5-Year CIP.

FY 2018-19 CAPITAL BUDGET - INITIAL AND PIPELINE PROJECTS**Expenditure and Funding Sources**

(\$ Thousands)

FY 2019 EXPENDITURES

Divisions	Capital Budget - Initial				Pipeline Projects	FY 18-19 Total Expenditure
	Initial Projects	Pre-Development	Misc. Facility Replacement	Total		
Aviation	18,054	500	500	19,054	69,987	89,041
Maritime	11,661	250	750	12,661	20,622	33,283
CRE	2,040	-	325	2,365	2,050	4,415
Support	568	-	100	668	-	668
Total	32,323	750	1,675	34,748	92,659	127,407

FY 2019 FUNDING SOURCES

Funding Source	FY 18-19 Capital Budget - Initial	FY 18-19 Pipeline Projects	FY 18-19 Total Expenditure
Aviation Grants ¹	6,079	11,728	17,807
Maritime Grants ¹	0	870	870
PFC Pay-Go ²	2,526	12,085	14,611
CFCs	10	2,200	2,210
Cash	26,133	65,776	91,909
Total	34,748	92,659	127,407

¹ The Port has not yet obtained grant funding for all capital projects.² Assumes \$1 million of PFCs available at beginning of FY 2019.

5-YEAR CAPITAL IMPROVEMENT PLAN**Expenditure and Funding Sources****FY 2018-19 to FY 2022-23**

(\$ Thousands)

5-YEAR EXPENDITURE BY DIVISION

Divisions	FY 18-19 ¹	FY 19-20	FY 20-21	FY 21-22	FY 22-23	Total Estimated Expenditure
Aviation	89,041	79,050	76,760	47,940	68,270	361,061
Maritime	33,283	32,505	22,025	25,125	15,775	128,713
CRE	4,415	530	1,192	479	683	7,299
Support	668	300	300	300	300	1,868
Total	127,407	112,385	100,277	73,844	85,028	498,941

5-YEAR FUNDING SOURCES

Funding Source	FY 18-19 ¹	FY 19-20	FY 20-21	FY 21-22	FY 22-23	Estimated Funding
Aviation Grants ²	17,807	8,944	12,536	16,080	48,712	104,079
Maritime Grants ²	870	2,070	0	-	-	2,940
PFC Pay-Go ³	14,611	18,471	20,176	7,320	5,504	66,082
CFCs	2,210	-	800	1,400	-	4,410
Cash	91,909	82,900	66,765	49,044	30,812	321,430
Total	127,407	112,385	100,277	73,844	85,028	498,941

¹ Includes FY 2019 Capital Budget - Initial and FY 2019 Pipeline Projects.² The Port has not yet obtained grant funding for all capital projects.³ Assumes \$1 million of PFCs available at beginning of FY 2019.

5-YEAR CAPITAL IMPROVEMENT PLAN
Annual Expenditure By Division and Projects
FY 2018-19 to FY 2022-23
(\$ Thousands)

<u>DIVISIONS</u>	<u>FY 18-19¹</u>	<u>FY 19-20</u>	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>Total</u>
AVIATION						
Perimeter Dike Improvements	15,445	20,450	16,500	0	0	52,395
Airfield						
Taxiway and Runway Improvements	5,646	8,860	2,480	8,880	44,540	70,406
Other Projects	6,127	2,070	17,740	11,220	16,350	53,507
Subtotal Airfield	11,773	10,930	20,220	20,100	60,890	123,913
Terminal						
Terminal 2 Projects	13,450	8,460	10,020	7,600	4,180	43,710
Terminal 1 Renovation & Retrofit	12,730	13,180	10,700	0	0	36,610
Terminal 1 GSE Electrification	1,469	0	0	0	0	1,469
Other Projects	5,500	4,000	1,500	1,000	0	12,000
Subtotal Terminal	33,149	25,640	22,220	8,600	4,180	93,789
Leased Area	10	220	2,520	14,900	0	17,650
Ground Access and Parking						
Airport Drive	800	2,000	2,500	0	0	5,300
Other Projects	2,369	3,230	2,600	540	0	8,739
Subtotal Ground Access & Parking	3,169	5,230	5,100	540	0	14,039
Security	9,875	2,680	1,300	550	2,700	17,105
Utilities	9,929	11,550	7,400	2,750	0	31,629
Facilities Maintenance	825	1,850	1,000	0	0	3,675
Other	4,866	500	500	500	500	6,866
TOTAL AVIATION	89,041	79,050	76,760	47,940	68,270	361,061

¹ Includes FY 2019 Capital Budget - Initial and FY 2019 Pipeline Projects.

5-YEAR CAPITAL IMPROVEMENT PLAN
Annual Expenditure By Division and Projects
FY 2018-19 to FY 2022-23
(\$ Thousands)

<u>DIVISIONS</u>	<u>FY 18-19¹</u>	<u>FY 19-20</u>	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>Total</u>
MARITIME						
Marine Terminals	2,224	2,850	4,000	2,000	7,000	18,074
Cranes	4,500	6,650	2,400	3,150	0	16,700
Security	1,200	2,100	0	0	0	3,300
Seaport Logistics Complex	11,800	4,000	2,000	500	2,000	20,300
Dredging	1,000	1,000	0	0	0	2,000
Utilities	2,350	10,500	8,000	4,100	4,000	28,950
Roadway	2,210	3,380	2,850	9,800	1,000	19,240
Other Projects	7,999	2,025	2,775	5,575	1,775	20,149
TOTAL MARITIME	33,283	32,505	22,025	25,125	15,775	128,713
COMMERCIAL REAL ESTATE						
Jack London Square	2,391	158	481	0	0	3,030
Embarcadero Cove	1,558	0	0	0	0	1,558
Business Park	141	0	292	60	125	618
Other	325	372	419	419	558	2,093
TOTAL COMMERCIAL REAL ESTATE	4,415	530	1,192	479	683	7,299
SUPPORT						
Equipment and Systems	668	300	300	300	300	1,868
TOTAL SUPPORT	668	300	300	300	300	1,868
TOTAL	127,407	112,385	100,277	73,844	85,028	498,941

¹ Includes FY 2019 Capital Budget - Initial and FY 2019 Pipeline Projects.

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 and assumed interest and principal repayment on outstanding commercial paper (CP) Notes.

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 D, E, F and G), and CP Notes outstanding.

Outstanding Debt	Unaudited May 2, 2018
Senior Lien Bonds	\$ 637,745,000
DBW Loan	4,172,257
Intermediate Lien Bonds	253,950,000
CP Notes	105,370,000
Total	\$1,001,237,257

The current outstanding revenue bonds (Senior Lien and Intermediate Lien) were issued in 2011, 2012, and 2017 at fixed rates ranging from 1.65% to 5.125% with remaining principal repayments scheduled for FY 2019-2033. 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. The interest rate on the CP Notes is variable and resets every 1 to 270 days and is assumed to range from 2.05% to 2.55% in FY 2019 through FY 2023. 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) with Bank of America N.A. (BANA) securing the CP Notes, and amounting to \$150 million (Series ABC Notes) and \$50 million (Series DEF Notes) respectively. Both LOCs expire on June 30, 2019.

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 Additional Debt

The Port anticipates issuing approximately \$5 million of additional CP Notes to pay for PFC-eligible costs incurred during FY 2018, that are not reflected in the May 2, 2018 CP Notes outstanding balance. The average interest rate on the outstanding CP Notes is assumed to be 2.05% in FY 2019, increasing to 2.55% in FY 2023.

Repayment of CP Notes

As of May 2, 2018, approximately \$53.4 million of the Port's outstanding CP Notes is non-PFC eligible. The Port plans to make annual principal repayments ranging between \$4 million and \$7 million during the FY 2019-23 period, as an overall plan to repay this debt.

As of May 2, 2018, approximately \$52.0 million of the Port's outstanding CP Notes is PFC-eligible. The Port anticipates issuing approximately \$5 million of additional CP Notes to pay PFC-eligible costs incurred during FY 2018 that are not reflected in the May 2, 2018 CP Notes outstanding balance.

For the CP Notes that are payable from PFCs, the Port anticipates repaying these CP Notes in full with future PFCs over the next 5 years. However, increases in project costs and/or interest rates, decreases in PFC collection, or the addition of other PFC-eligible projects to the Port's 5-Year CIP may decrease the amount of CP Notes that can be repaid and a long-term financing take-out may be necessary, utilizing additional Senior or Intermediate Lien Bonds.

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 following table. The Intermediate Lien DSCR includes debt service on Senior Lien Bonds, DBW Loan, and Intermediate Lien Bonds. The Aggregate DSCR includes debt service on Senior Lien Bonds, DBW Loan, Intermediate Lien Bonds, and CP Notes that are to be repaid with operating revenues, including the Port's plan to make principal payments on outstanding CP Notes ranging between \$4 million and \$7 million per year, as part of an overall plan to repay this debt. The Aggregate DSCR does not include debt service on CP Notes anticipated to be repaid with PFCs. The interest rate on the CP Notes is assumed to be 2.05% in FY 2019, increasing to 2.55% in FY 2023.

DEBT SERVICE COVERAGE**FY 2016-17 TO FY 2022-23**

(\$ Thousands)

	<u>Actual</u> <u>2016-17</u>	<u>Budget</u> <u>2017-18</u>	<u>Budget</u> <u>2018-19</u>	<u>Projected</u> <u>2019-20</u>	<u>Projected</u> <u>2020-21</u>	<u>Projected</u> <u>2021-22</u>	<u>Projected</u> <u>2022-23</u>
Operating Revenues	\$358,707	\$368,836	\$384,363	\$397,401	\$409,258	\$419,755	\$429,723
Operating Expenses ¹	(188,786)	(219,646)	(235,216)	(244,273)	(248,720)	(257,859)	(265,629)
Interest Earned ²	2,631	2,231	4,469	6,456	6,893	6,919	7,084
Net Revenues	172,552	151,421	153,616	159,584	167,431	168,815	171,178
<u>Debt Service:</u>							
Debt Service – Senior Lien Bonds	44,365	45,370	46,132	47,210	65,472	76,246	74,376
Debt Service – Senior & Intermediate Lien Bonds & DBW Loan	99,454	100,939	93,189	93,186	93,127	93,188	93,194
Debt Service – Aggregate (excl. amounts paid by PFCs) ³	103,847	105,660	100,161	101,136	100,962	99,573	97,799
<u>Debt Service Coverage Ratio:</u>							
Senior Lien ⁴	3.89	3.34	3.33	3.38	2.56	2.21	2.30
Intermediate Lien ⁵	1.73	1.50	1.65	1.71	1.80	1.81	1.84
Aggregate ⁶	1.66	1.43	1.53	1.58	1.66	1.70	1.75

¹ Excludes depreciation and amortization.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 that are to be repaid with Operating Revenues, including the Port's plan to make principal payments on outstanding CP Notes ranging between \$4 million and \$7 million per year during the FY 2019-23 time period, as part of an overall plan to repay this debt. Does not include debt service on CP Notes anticipated to be repaid with PFCs. The interest rate on CP Notes is assumed to be 2.05% in FY 2019, increasing to 2.55% in FY 2023.⁴ 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 (excluding amounts paid by PFCs).

DEBT SERVICE SCHEDULE

FY 2018-19 TO FY 2022-23

(\$Thousands)¹

Description	FY 2018-19			FY 2019-20			FY 2020-21			FY 2021-22			FY 2022-23		
	Principal	Interest ²	Total	Principal	Interest ²	Total	Principal	Interest ²	Total	Principal	Interest ²	Total	Principal	Interest ²	Total
<u>Senior Lien Revenue Bonds</u>															
2011 Refunding Bonds Series O	\$14,565	\$13,760	\$28,325	\$16,370	\$13,033	\$29,403	\$17,185	\$12,214	\$29,399	\$18,040	\$11,363	\$29,403	\$18,940	\$10,461	\$29,401
2012 Refunding Bonds Series P	0	17,808	17,808	0	17,808	17,808	18,265	17,808	36,073	29,945	16,899	46,844	29,570	15,405	44,975
Subtotal Sr. Lien Rev. Bonds	14,565	31,568	46,133	16,370	30,841	47,211	35,450	30,022	65,472	47,985	28,262	76,247	48,510	25,866	74,376
<u>Loans</u>															
Dept. of Boating & Waterways Loan	270	188	458	282	176	458	295	163	458	308	150	458	322	136	458
<u>Intermediate Lien Revenue Bonds</u>															
2017 Refunding Bonds Series D	0	4,794	4,794	350	4,785	5,135	5,345	4,643	9,988	5,025	4,383	9,408	6,380	4,098	10,478
2017 Refunding Bonds Series E	17,525	3,929	21,454	21,600	2,992	24,592	11,380	2,209	13,589	1,775	1,880	3,655	2,335	1,777	4,112
2017 Refunding Bonds Series F	17,380	1,102	18,482	13,355	334	13,689	0	0	0	0	0	0	0	0	0
2017 Refunding Bonds Series G	790	1,078	1,868	1,040	1,062	2,102	2,595	1,026	3,621	2,450	970	3,420	2,865	905	3,770
Subtotal Int. Lien Rev. Bonds	35,695	10,903	46,598	36,345	9,173	45,518	19,320	7,878	27,198	9,250	7,233	16,483	11,580	6,780	18,360
Total Sr. & Int. Lien Rev. Bonds and DBW Loan	50,530	42,659	93,189	52,997	40,190	93,187	55,065	38,063	93,128	57,543	35,645	93,188	60,412	32,782	93,194
Commercial Paper (Non-PFC) ³	6,000	972	6,972	7,000	950	7,950	7,000	835	7,835	5,692	693	6,385	4,000	605	4,605
Total including CP Notes (Non-PFC)	56,530	43,631	100,161	59,997	41,140	101,137	62,065	38,898	100,963	63,235	36,338	99,573	64,412	33,387	97,799
Commercial Paper (PFC) ⁴	11,468	1,168	12,636	8,530	1,069	9,599	7,672	924	8,596	21,294	732	22,026	7,990	204	8,194

¹ Summary amounts may not total due to rounding.

² Interest shown on this table is on a cash basis. On the Income Statement, Interest Expense is shown on an accrual basis.

³ The Port plans to make principal payments on outstanding CP Notes between \$4 million and \$7 million per year during the FY 2019-23 period, as part of an overall plan to repay this debt. The interest rate on CP Notes is assumed to be 2.05% in FY 2019, increasing to 2.55% in FY 2023.

⁴ The Port anticipates having \$57.0 million of CP Notes payable from PFCs outstanding at the end of FY 2018 and anticipates repaying these CP Notes in full with future PFCs over the next 5 years; see *Capital Budget and 5-Year Capital Improvement Plan* and *Debt Service and Cash Flow* sections. The Port has not yet obtained funding for all capital projects described, some of which may ultimately not be implemented by the Port.

CASH FLOW

Flow of Funds

The application of the Port's revenues is governed by certain provisions of the City 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 (no general obligation bonds are outstanding);
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, 2018:

Board Reserves	
Port Bond Reserve	\$30,000,000
Operating Reserve	29,402,000
Capital Reserve	<u>15,000,000</u>
Total	\$74,402,000

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 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 – Adjusted each July 1 to equal 12.5% of the Port's approved annual operating expense budget (before depreciation and amortization). 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 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, bond reserve funds are established and held by the bond trustee to pay debt service if the Port has insufficient funds. Rebate funds are held under the indentures 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 costs;
3. Passenger Facility Charge (PFC) – A user fee charged by OAK and collected by the airlines for revenue passengers enplaning air carrier flights. The FAA approves the PFCs which are used to fund eligible Airport capital improvements;
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; and
5. Construction Escrows – A 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 FLOWS

FY 2018-19 to FY 2022-23

(\$ Thousands)

	Projected 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22	Projected 2022-23
General Fund ¹	270,000	211,134	175,388	158,040	165,965
Port Bond Reserve Fund	30,000	30,000	30,000	30,000	30,000
Operating Reserve Fund	29,402	30,534	31,090	32,232	33,204
Capital Reserve Fund	15,000	15,000	15,000	15,000	15,000
Beginning Balance	344,402	286,668	251,478	235,272	244,169
Sources					
Operating Revenues	384,363	397,401	409,258	419,755	429,723
PFCs for Debt Service ²	12,636	9,599	8,596	22,026	8,194
Interest Income ³	3,966	5,952	6,390	6,416	6,581
Other ⁴	56	1,976	58	-	-
Total Receipts	401,021	414,928	424,302	448,197	444,498
AIP, PFC Pay-Go, CFC, Other Grants ⁵	35,498	29,485	33,512	24,800	54,216
Debt Proceeds	-	-	-	-	-
Debt Proceeds (PFC-Supported) ⁶	-	-	-	-	-
Total Capital and Financing Proceeds	35,498	29,485	33,512	24,800	54,216
TOTAL SOURCES	436,519	444,413	457,814	472,997	498,714
Uses					
Operating Expenses	(235,216)	(244,273)	(248,720)	(257,859)	(265,629)
Bond and DBW Debt Service					
Principal	(50,530)	(52,997)	(55,065)	(57,543)	(60,412)
Interest	(42,659)	(40,189)	(38,062)	(35,645)	(32,782)
Total Bond and DBW Debt Service	(93,189)	(93,186)	(93,127)	(93,188)	(93,194)
CP Notes					
Principal ⁷	(17,468)	(15,530)	(14,672)	(26,986)	(11,990)
Interest ⁸	(2,140)	(2,019)	(1,759)	(1,425)	(809)
Total CP Notes Payments	(19,608)	(17,549)	(16,431)	(28,411)	(12,799)
Capital Expenses ⁹	(127,407)	(112,385)	(100,277)	(73,844)	(85,028)
Other Payments ¹⁰	(18,833)	(12,211)	(15,465)	(10,798)	(5,842)
TOTAL USES	(494,253)	(479,604)	(474,020)	(464,100)	(462,492)
Net Cash Flow (Sources less Uses)	(57,734)	(35,190)	(16,206)	8,897	36,222
Ending Balance	286,668	251,478	235,272	244,169	280,390

1 Beginning General Fund balance for FY 2019 is an estimate. General Fund balances in subsequent years are projected.

2 PFCs anticipated to be used to pay for debt service related to PFC-eligible CP Notes.

3 Excludes non-cash interest accrual and interest income earned on PFC and CFC fund balances. Assumes interest rates of 1.45%, 2.10%, 2.25%, 2.25%, 2.30% in FY 2019 through FY 2023, respectively.

4 Includes proceeds from sale of certain small parcels of land.

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 5-Year Capital Improvement Plan* section.

6 Assumes that the Port's CP program will be utilized.

7 Includes principal repayments of outstanding CP Notes in each year ranging between \$4 million and \$7 million, plus anticipated repayment of PFC-eligible CP Notes, based on 5-year CIP and PFC revenue projections. See *Capital Budget and 5-Year Capital Improvement Plan* section.

8 Assumes interest rates of 2.05%, 2.35%, 2.50%, 2.50%, 2.55% in FY 2019 through FY 2023, respectively and CP Notes balance at end of FY of \$92.9 million, \$77.4 million, \$62.7 million, \$35.7 million, and \$23.7 million, respectively.

9 Based on the Port's 5-year CIP. See *Capital Budget and 5-Year Capital Improvement Plan* section.

10 Includes, but not limited to LOC fees, certain non-operating City payments, retroactive pension contributions for certain ARFF personnel and deferred prior year maintenance.

STATEMENT OF CASH FLOWS - RESTRICTED

FY 2018-19 to FY 2022-23

(\$ Thousands)

	Projected 2018-19	Projected 2019-20	Projected 2020-21	Projected 2021-22	Projected 2022-23
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	3,111	1,645	1,799	1,266	21
Construction Escrows	3,000	3,000	3,000	3,000	3,000
Beginning Balance	65,019	63,553	63,707	63,174	61,929
Passenger Facility Charge (PFC)					
Beginning Balance ¹	1,000	1,000	1,000	1,000	1,000
PFC Revenues	27,233	28,049	28,750	29,324	29,767
PFC Interest Income ²	15	21	23	23	23
PFC-Eligible Debt Proceeds ³	-	-	-	-	-
Less: Interest on PFC-Eligible CP Notes ⁴	(1,168)	(1,069)	(924)	(732)	(204)
Less: PFC Capital Expenditures ³	(14,611)	(18,471)	(20,176)	(7,320)	(5,504)
Less: Repayment of PFC-Eligible CP Notes	(11,468)	(8,530)	(7,672)	(21,294)	(7,990)
Ending Balance	1,000	1,000	1,000	1,000	17,092
Customer Facility Charge (CFC)					
Beginning Balance ¹	3,111	1,645	1,799	1,266	21
CFC Revenues	5,556	5,559	5,546	5,607	5,691
CFC Interest Income ²	45	35	40	28	0
Less: CFC Capital Expenditures	(2,210)	-	(800)	(1,400)	-
Less: CFC Expenditures	(4,857)	(5,440)	(5,320)	(5,480)	(5,644)
Ending Balance	1,645	1,799	1,266	21	69

1 Beginning fund balances for FY 2019 are estimates; subsequent years are projected.

2 Assumes interest rates of 1.45%, 2.10%, 2.25%, 2.25% 2.30% in FY 2019 through FY 2023, respectively.

3 Based on the Port's 5-year CIP. See *Capital Budget and 5-Year Capital Improvement Plan* section.

4 Assumes interest rates of 2.05%, 2.35%, 2.50%, 2.50%, 2.55% in FY 2019 through FY 2023, respectively.

ACRONYMS

ACTC	Alameda County Transportation Commission
AIP	Airport Improvement Program
APDA	Alternative Project Delivery Approach
APD	Airport Perimeter Dike
APDD	Aviation Project Design & Delivery
APMS	Airport Pavement Management System
ARFF	Aircraft Rescue and Fire Fighting
ARMOA	Amended and Restated Memorandum of Agreement
ATMS	Advanced Traffic Management System
AVI	Automated Vehicle Identification
BART	Bay Area Rapid Transit
BNSF	Burlington Northern-Santa Fe Railway Company
BRAC	Base Realignment and Closure
CAFR	Comprehensive Annual Financial Report
CalPERS	California Public Employees Retirement System
CBP	U.S. Customs and Border Protection
CEC	California Energy Commission
CEQA	California Environmental Quality Act
CFC	Customer Facility Charge
CIP	Capital Improvement Plan
CNG	Compressed Natural Gas
CP	Commercial Paper
CPI	Consumer Price Index
CRE	Commercial Real Estate
CTMP	Comprehensive Truck Management Program
CT	Computed Tomography
CY	Calendar Year
DBE	Disadvantaged Business Enterprise
DBW	Department of Boating and Waterways
DFEH	Department of Fair Employment and Housing
DHS	U.S. Department of Homeland Security
DOE	U.S. Department of Energy
DPM	Diesel Particulate Matter
DSCR	Debt Service Coverage Ratio
EAP	Employee Assistance Program

EEOC	Equal Employment Opportunity Commission
EBMUD	East Bay Municipal Utility District
EBRPD	East Bay Regional Park District
EBSP	Electronic Baggage Screening Program
EDS	Explosives Detection Systems
EOC	Emergency Operations Center
EPA	U.S. Environmental Protection Agency
ERP	Enterprise Resource Planning
FAA	Federal Aviation Administration
FIS	Federal Inspection Services
FBI	Federal Bureau of Investigation
FEMA	Federal Emergency Management Agency
FITS	Freight Intelligent Transportation System
FTE	Full-Time Equivalent
FY	Fiscal Year
FBO	Fixed Base Operator
GASB	Governmental Accounting Standards Board
GHG	Greenhouse Gas
GSE	Ground Support Equipment
HR	Human Resources
HVAC	Heating, Ventilation, and Air Conditioning
IAB	International Arrivals Building
ILWU	International Longshore and Warehouse Union
IT	Information Technology
JLID	Jack London Improvement District
JLS	Jack London Square
LBA	Local Business Area
LED	Light Emitting Diode
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
NOAA	National Oceanic and Atmospheric Administration
OAB	Oakland Army Base
OAK	Oakland International Airport
OCIP	Owner-Controlled Insurance Program
OIG	Oakland International Gateway (formerly known as Joint Intermodal Terminal - "JIT")
OTA	Other Transaction Agreement
PARCS	Parking Access and Revenue Control System
PETF	Port Efficiency Task Force
PFC	Passenger Facility Charge
PFSO	Port Facilities Security Officer
PG&E	Pacific Gas and Electric
PMA	Pacific Maritime Association
RFID	Radio-Frequency Identification
RFP	Request for Proposals
RPS	Renewable Portfolio Standard
RSA	Runway Safety Area
SRD	Social Responsibility Division
STEM	Science, Technology, Engineering, and Mathematics
STEP	Secure Truck Enrollment Program
TEU	Twenty-Foot Equivalent Unit
TNC	Transportation Network Company
TSA	Transportation Security Administration
TWG	Truckers Working Group
UP	Union Pacific Railroad
UPS	United Parcel Service, Inc.
VALE	Voluntary Airport Low Emissions
VSR	Vehicle Service Road
WAPA	Western Area Power Administration

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*

Balanced Budget – A budget in which revenues equal or exceed expenditures incurred during a given period.

Business Revenue - As referenced in the table on page 38, 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.

Capital Expenditure – A cost incurred to purchase, construct, transport or make ready a capital asset for its intended purpose if it meets the following conditions: can be directly identified with a specific capital asset; is incurred after the planning phase of a project has completed, and the Port has demonstrated its commitment to execute a construction plan or purchase the asset. The Port will only apply capitalization procedures to individual asset purchases that cost \$5,000 or more, and have an economic useful life of two or more years.

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 the City 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 38, 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 38, 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 38, 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 38, 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, among other matters, 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 38, 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 38, 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 38, 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 38, direct, induced, and indirect jobs supported in the Bay Area visitor industry as a result of out-of-town passengers using OAK. Source: 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010.

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