

# BUDGET SUMMARY

**One-Year Operating and Capital Budget**

Fiscal Year Ended June 30, 2021

**Five-Year Operating Forecast and Capital Improvement Plan**

Fiscal Years ending June 30, 2021 through 2025



**PORT OF OAKLAND**





# **ONE-YEAR OPERATING AND CAPITAL BUDGET FISCAL YEAR 2020-21**

**AND**

## **FIVE-YEAR OPERATING FORECAST AND CAPITAL IMPROVEMENT PLAN FISCAL YEARS 2020-21 THROUGH 2024-25**

### **Board of Port Commissioners of the City of Oakland**

Cestra Butner, President  
Andreas Cluver, First Vice President  
Barbara Leslie, Second Vice President  
Michael Colbruno, Commissioner  
Yui Hay Lee, Commissioner  
Arabella Martinez, Commissioner  
Joan H. Story, Commissioner

### **Executive Management**

Danny Wan, Executive Director  
Kristi McKenney, Chief Operating Officer  
Delphine Prevost, Acting Director of Maritime  
Bryant L. Francis, Director of Aviation  
Pamela Kershaw, Director of Commercial Real Estate  
Julie Lam, Acting Chief Financial Officer  
Michele Heffes, Port Attorney

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**June 25, 2020**





## 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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**Julie Lam**  
**Acting Chief Financial Officer**

June 25, 2020

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

Cestra Butner, President  
Andreas Cluver, First Vice President  
Barbara Leslie, Second Vice President  
Michael Colbruno, Commissioner  
Yui Hay Lee, Commissioner  
Arabella Martinez, Commissioner  
Joan Story, Commissioner

**Subject: Adopted Operating and Capital Budgets for Fiscal Year Ending June 30, 2021**

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, 2021
- One-year capital budget for fiscal year ended June 30, 2021
- Five-year operating forecast for FY 2021 through FY 2025
- Five-year Capital Improvement Plan (CIP) for FY 2021 through FY 2025, 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 2021 operating and capital budgets were adopted by the Board on June 25, 2020. Subsequent years of the operating and cash flow projections and the 5-Year CIP are informational and presented for planning purposes only.

**Overview**

Budget Objectives

The Port's operating and capital budgets were developed to (a) support long-term financial strength, resiliency and sustainability, (b) address near-term operational and financial challenges due to COVID-19 including maintaining reasonable flexibility and liquidity to protect against inherent on-going operational, financial, political and economic uncertainties, and (c) strategically identify, prioritize and plan major capital

projects with a focus on health, safety, regulatory compliance, and on-going or imminent revenue generating projects. Key financial objectives include:

- Improve operating margin across all three revenue divisions
- Control Airport Cost per Enplanement (CPE)
- Project minimum Bond Debt Service Coverage Ratio of 1.40x
- Project minimum June 30, 2021 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 notes

## **Key Factors**

The FY 2021 operating and capital budgets were developed taking into account several key factors, as well as updated 5-year operating and cash flow projections and an updated 5-year CIP.

### Positive Factors

- The Port's strong liquidity position comprised of both unrestricted cash and port reserves remains strong, provides the Port the financial flexibility to adapt and respond to on-going COVID-19 related operational and financial challenges, and potential impacts of a second wave in the fall of 2020.
- Port operations are supported by a strong and diverse local economy. Historically, this favorable geographic position results in approximately 84% of the Airport traffic being origin and destination and approximately 85% of the maritime cargo destined for and from local markets. The Bay Area remains an important center of commerce, and the Port remains an important, key gateway for both domestic and international trade and a top travel destination.
- The consolidated nature of the Port's three major lines of business is proven again to be a source of financial stability. Even in the midst of these very challenging and unprecedented times, particularly at the Airport, the Port projects to end FY 2021 at a stable 1.40x debt service coverage ratio increasing to 1.84x by FY 2025.
- Approximately \$19 million in CARES Act grants will be strategically applied in FY 2021 to reimburse the Port for eligible bond debt service payments and operating expenses. The Port plans to apply the remaining \$25 million of CARES Act grants in substantially equal amounts in FY 2022 and FY 2023 to pay debt service. Use of such funds will allow the Port to strengthen its financial position and remain financially resilient in the face of a slow, prolonged economic recovery.
- In FY 2021, the Airport's cost per enplanement (CPE) is the lowest of the three major gateway airports in the Bay Area making operating at OAK an attractive option to air carriers. Having a diversified cargo and passenger carrier business means the Airport is better positioned than most airports to withstand losses in passenger carrier operations which is the segment most impacted by the COVID-19 pandemic and the associated restrictions put forward by local and state governments to slow the spread of the disease.
- Domestic travel is expected to recover at a much higher pace than international travel which bodes well for the Airport. Southwest Airlines operates the most flights at the Airport and its fall 2020 schedule which runs from October 31 to January 4 restores 90% of its fall 2019 flight schedule. The schedule is however subject to change or cancellation depending on strength of passenger demand.
- The pronounced use of minimum annual guarantees (MAGs), long-term and short-term fixed lease agreements means Maritime operations and revenues are less susceptible and therefore more insulated from the impact of COVID-19. In FY 2021, maritime revenues are projected to decrease



by 1.7% which is substantially lower than the projected 25% decrease in aviation revenues and 10% decrease in CRE revenues. Growth in cool/refrigerated cargo, meat and agricultural exports to Asia and Southeast Asian markets continue to offset decreases in import activities at the Seaport.

- CRE continues to serve a vibrant and growing local market.

#### Concerns and Considerations

- Personnel costs continue to rise though partially mitigated by a hiring freeze enacted in FY 2020 that is expected to continue through FY 2021. Pension costs are anticipated to be 42.8% of payroll in FY 2021 and projected to peak at 48.1% in FY 2024 before abating to 42.0% in FY 2025.
- Security and regulatory costs continue to rise.
- Prolonged global economic impact of COVID-19, including a second wave in the fall of 2020, and other exogenous forces outside the Port's control may impair Port tenants' efforts to stay in business and make fixed and/or variable rent payments.
- Continued challenges in the airline industry may force additional air carriers to cancel operations either temporarily or permanently at OAK until passenger traffic resumes and reach a minimum threshold before airlines reconsider returning to OAK. Losing passenger carrier service impacts the amount the Airport collects in terminal rent and activity-based revenues such as parking, ground transportation and food/retail concessions.
- Changes to business and leisure passenger travel behavior in the absence of an effective COVID-19 vaccine may put a ceiling on how quickly and how far air travel rebounds from the steep declines observed in April 2020. Proliferation and acceptance of web based virtual meeting applications (i.e. Zoom, Webex, etc) may change how businesses approach employee travel and the frequency of travel.
- Airport Cost per Enplaned Passenger (CPE) must be managed to maintain competitiveness.
- High unemployment rate, potential of an enduring economic recession, the historical high personal saving rate of 33% along with other concerns continue to stifle consumer demand and the willingness of businesses to stock up on inventory of imported goods transported on cargo vessels. Maritime twenty-foot equivalents (TEUs) are expected to decrease in FY 2021 before resuming a more modest gradual increase over the projection period.
- An economic recession may cause marine terminal operators to ask for rent relief or reduction in rent payments due to lower cargo volumes and therefore impact Maritime revenues. Non-marine tenants may also cease operations at the Seaport further impacting Maritime revenues.
- Maritime has no debt capacity and limited funds for capital investment due to current debt burden and declining operating margin.
- Renewed trade war with China and prolonged impact of COVID-19 may negatively impact the economy and future business growth at the Port.
- Continuing electrification of Port's businesses will increase electricity demand and require significant infrastructure investment.
- 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.
- Restaurants operating at Jack London Square continue to struggle financially with Shelter-in-Place type orders still being enforced as of early June 2020 and must adapt to social distancing orders

and recommended CDC guidelines before restaurants can re-open and welcome dine-in customers.

- Parking revenues and variable rent revenues within CRE's portfolio of properties will remain under pressure as long as consumers continue to avoid retail and lodging establishments. Ability for tenants to pay rent will only worsen if the Bay Area were to be hit with a second COVID-19 wave in the fall of 2020.

The table below summarizes the Port's proposed FY 2021 budget.

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

	<b>FY 2021 Proposed Budget</b>
<b>Uses of Funds</b>	
Operating Expenses <sup>1</sup>	\$234,922
Debt Service <sup>2</sup>	116,580
Capital Expenses	72,305
Other Expenses <sup>3</sup>	8,682
<b>Total Uses</b>	<b>\$432,489</b>
<b>Sources of Funds</b>	
Cash from Operations	\$339,125
Grants/Rent Deferrals <sup>4</sup>	48,306
Passenger Facility Charges (PFCs)	11,956
Interest Income	4,238
Taxable CP Proceeds <sup>5</sup>	14,516
Cash Reserves	14,348
<b>Total Sources</b>	<b>\$432,489</b>

<sup>1</sup> Excludes depreciation.

<sup>2</sup> Includes \$23.5 million repayment of CP Notes and associated interest. Of this amount, approximately \$8.1 million of CP Notes and associated interest is anticipated to be repaid with PFCs and \$14.5 million will be repaid from the Port's CARES Act allocation. The interest rate on the CP Notes is assumed to be 1.60% in FY 2021.

<sup>3</sup> Includes but not limited to CP Notes and bond related fees, General Services and Lake Merritt payments to the City, retroactive CalPERS pension payments for Airport service people, adjustment of Operating Reserve, and certain deferred maintenance costs that were recorded as prior year loss contingency.

<sup>4</sup> The Port has not yet obtained grant funding for all capital projects included in the budget.

<sup>5</sup> Taxable CP proceeds are from the issuance of CP Notes in June 2020 to fund the payment of Aviation bond debt service. CP Notes will be repaid with CARES Act funds in FY 2021. The amount excludes planned issuance of CP Notes in June 2021, which will be used to fund the payment of Aviation bond debt service in FY 2022.

## Operating Budget Highlights

A comparison of the proposed FY 2021 budget to the FY 2020 budget is provided in the following table:

**Comparison of Proposed FY 2021 Budget to FY 2020 Budget  
(\$000s)**

	<b>FY 2021 Proposed Budget</b>	<b>FY 2020 Budget</b>	<b>Change in Comparison to FY 2020 Budget</b>
Operating Revenues	\$339,975	\$398,008	(\$58,032)
Operating Expenses before Depreciation	\$234,922	\$259,639	(\$24,717)
Operating Income before Depreciation	\$105,054	\$138,369	(\$33,315)
Operating Income	(\$20,125)	\$19,333	(\$39,459)
Debt Service – Bonds <sup>6</sup> and Dept. Boating & Waterway Loan	\$93,101	\$93,161	(\$60)
Debt Service – Commercial Paper (CP) Notes <sup>7</sup>	\$23,479	\$26,597	(\$3,118)
Bond Debt Service Coverage Ratio	1.40x	1.56x	(0.16x)
Capital Budget	\$72,305	\$123,736	(\$51,431)
Board Established Reserves	\$74,365	\$77,455	(\$3,090)
Full Time Equivalents (FTEs)	515	514	1
Anticipated General Fund Balance on June 30	\$341,997	\$263,092	\$78,905

### Activity Levels

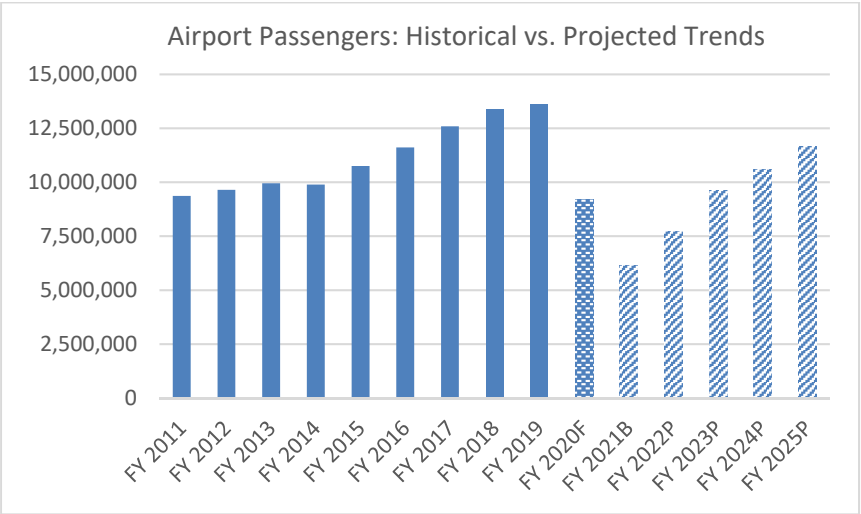
While activity levels are not directly correlated to Aviation and Maritime revenues, they are important indicators of the strength of these business lines. Airport passengers are anticipated to decrease 32.5% in FY 2020 and 33.0% in FY 2021. Seaport Full TEUs are anticipated to increase 0.6% in FY 2020 and decrease 10% in FY 2021. The table below provides FY 2019 actual, FY 2020 anticipated, and FY 2021 budgeted Airport passenger and Seaport Full TEU activity levels for comparison purposes.

	<b>FY 2019 Actual</b>	<b>FY 2020 Anticipated</b>	<b>YoY Change</b>	<b>FY 2021 Proposed Budget</b>	<b>YoY Change</b>
Airport Passengers	13,615,771	9,195,582	(32.5%)	6,163,102	(33.0%)
Seaport Full TEUs	1,888,331	1,898,828	0.6%	1,708,945	(10.0%)

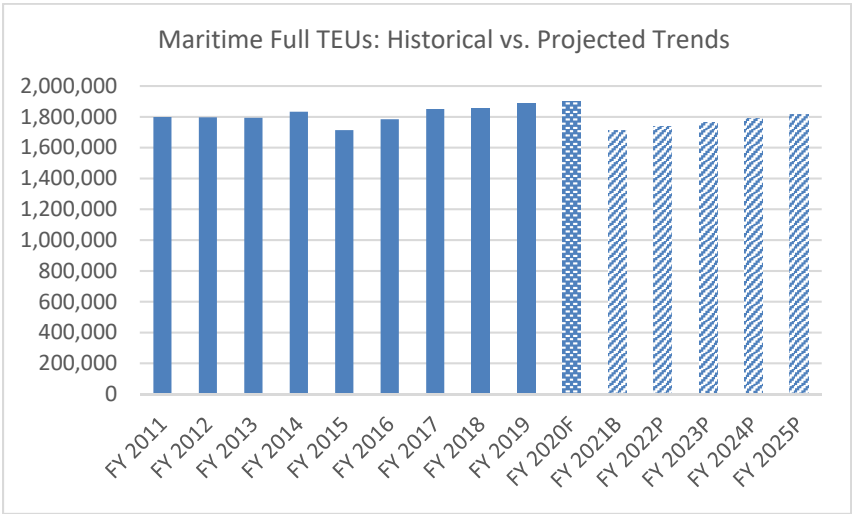
<sup>6</sup> Approximately \$14.5 million of FY 2021 bond debt service will be paid from Taxable commercial paper proceeds.

<sup>7</sup> Includes \$23.5 million repayment of CP Notes and associated interest. Of this amount, approximately \$8.1 million of CP Notes and associated interest is anticipated to be repaid with PFCs and approximately \$14.5 million will be repaid from the Port's CARES Act allocation. The interest rate on the CP Notes is estimated at 1.60% in FY 2021.

For FY 2022-2025, Airport passenger growth is assumed to grow by 25% in both FY 2022 and FY 2023 and moderate to 10% annually in FY 2024 and in FY 2025, while Seaport Full TEUs are assumed to grow 1% per year. The following charts show historical and projected Airport passengers and Seaport Full TEUs for FY 2011-2025.



Compound Annual Growth Rate  
FY 2011-19: 4.8%  
FY 2019-25 projected: -2.6%



Compound Annual Growth Rate  
FY 2011-19: 0.6%  
FY 2019-25 projected: -0.7%

## Operating Revenues

FY 2021 budgeted operating revenues of \$340.0 million, are \$58.0 million, or 14.6% lower than FY 2020 budget. In comparison to FY 2020 anticipated operating revenues of \$368.1 million, FY 2021 operating revenues are projected to decrease \$28.2 million or 7.6%. The table below provides FY 2019 actual, FY 2020 budget, FY 2020 anticipated, and FY 2021 budgeted operating revenues by business line for comparison purposes.

**Summary of Operating Revenues**  
(\$000s)

	<b>FY 2019 Actual</b>	<b>FY 2020 Budget</b>	<b>FY 2020 Anticipated</b>	<b>FY 2021 Proposed Budget</b>	<b>Change in Comparison to FY 2020 Budget</b>	<b>Change in Comparison to FY 2020 Anticipated</b>
Aviation	\$208,022	\$210,265	\$181,125	\$156,952	(25.4%)	(13.3%)
Maritime	170,975	170,203	171,232	167,276	(1.7%)	(2.3%)
CRE	17,999	17,541	15,769	15,747	(10.2%)	(0.1%)
<b>Total</b>	<b>\$396,997</b>	<b>\$398,008</b>	<b>\$368,126</b>	<b>\$339,975</b>	<b>(14.6%)</b>	<b>(7.6%)</b>

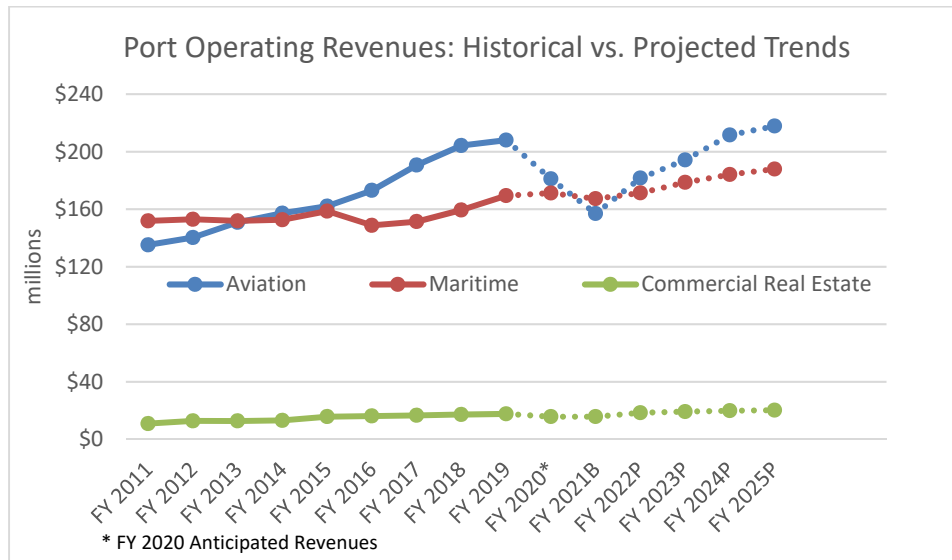
FY 2021 budgeted Aviation revenues assume (i) 33% decline in passengers, (ii) lower terminal rental rates due to decreased operating expenses and payment of debt service using CARES Act grant, (iii) lower airfield revenues reflecting a prior year true-up, (iv) lower parking revenues and ground transportation, (v) lower space rental partially offset by increase in cargo rents reflecting existing and anticipated lease terms, and (vi) lower terminal concession revenues due to loss in passenger traffic.

FY 2021 budgeted Maritime operating revenues assume Full TEUs are 10% lower and Empty TEUs are 10% lower in comparison to FY 2020 anticipated actuals, reflecting slowdowns in global trade flows. Maritime revenues are based on assumed cargo softening, projected cargo shifts between marine terminals, scheduled rent increases, and anticipated new tenancies.

FY 2021 budgeted CRE revenues are based on lower assumed parking revenues, loss of percentage rents, and anticipated lease expirations partially offset by new leases and scheduled rent adjustments.

### FY 2022-2025 Operating Revenue Projections

Port-wide operating revenues are projected to increase from \$340.0 million in FY 2021 to \$426.0 million in FY 2025, for a forecasted compound annual growth rate of 5.8% based on a number of assumptions including, but not limited to: passenger recovery and TEU growth rates, changes in Airline rates and charges, changes in transportation mode to the Airport, Maritime tariff increases, and lease revenues based on existing and anticipated lease terms. The chart on the following page shows historical and projected revenues by business line for FY 2011-2025.



	Compound Annual Growth Rate	
	FY 2011-19	FY 2019-25 Projected
Aviation	5.5%	0.8%
Maritime	1.4%	1.7%
CRE	6.2%	2.3%
Port-wide	3.6%	1.3%

### Operating Expenses

Overall, Port operating expenses (excluding depreciation) are budgeted in FY 2021 at \$234.9 million, a decrease of \$24.7 million or 9.5% in comparison to FY 2020 budget as summarized in the table below. The change is driven primarily by anticipated decreases in personnel costs, port wide maintenance and repairs, parking and ground transportation, Aviation security costs, Aviation planning studies, Maritime dredging costs, Airport Rescue Firefighting (ARFF), and cooperative marketing.

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

	FY 2019 Actual	FY 2020 Budget	FY 2021 Proposed Budget	Change in Comparison to FY 2020 Budget
Personnel Costs	\$118,671	\$131,530	\$126,614	(\$4,916)
Contractual Services	74,247	101,443	83,002	(18,441)
General & Administrative	15,197	21,512	17,638	(3,874)
Supplies	6,432	4,534	4,824	290
Utility Cost of Sales	6,586	8,015	8,184	169
Departmental Credits <sup>8</sup>	(5,102)	(7,395)	(5,340)	2,055
<b>Total</b>	<b>\$216,032</b>	<b>\$259,639</b>	<b>\$234,922</b>	<b>(\$24,717) or -9.5%</b>

<sup>8</sup> Primarily allocation of Engineer staffing costs and related overhead to capital expenses.



## Personnel Costs

Personnel costs are approximately 54% of the Port's operating expenses (before depreciation) and are budgeted to be \$126.6 million, a decrease of \$4.9 million or 3.7% in comparison to FY 2020 budget. Personnel costs decreases are driven by anticipated labor adjustments and retiree health care costs, as summarized in the table on the following page. The FY 2021 budget includes a staffing level of 515 full-time equivalents (FTEs), reflecting the addition of 1 FTE in the Operations Office. FY 2021 budgeted salaries are \$61.6 million, or \$3.6 million lower, reflecting anticipated labor concessions and hiring freeze partially offset by salary adjustments based on current labor MOUs (COLAs and step increases) and the addition of 1 FTE. The Port's employer pension contribution is anticipated to increase \$0.6 million to \$32.8 million resulting from an anticipated increase in pension rates from approximately 39.5% to 42.8% of wages on July 1, 2020. Medical costs for retirees are budgeted at \$12.2 million and projected to decrease \$1.3 million, reflecting updated annual required contributions based on the most recent actuarial report. Medical costs for active employees are budgeted at \$9.7 million and projected to decrease by \$0.4 million reflecting actual medical premiums on January 1, 2020 and an assumed increase in medical premiums of 5.5% on January 1, 2021, offset by updated and assumed employee-elected coverages. The personnel budget also reflects a vacancy factor of 41 FTEs to reflect normal attrition and Port wide hiring freeze. Other changes in personnel costs are based on recent experience, recent actuarial reports, or known or assumed rate increases.

### **Summary of Personnel Costs (\$000s)**

<b>Personnel Costs</b>	<b>FY 2019 Actual</b>	<b>FY 2020 Budget</b>	<b>FY 2021 Proposed Budget</b>	<b>Change in Comparison to FY 2020 Budget</b>
Salaries and Wages	\$58,023	\$65,230	\$61,639	(\$3,591)
Pension	27,044	32,166	32,769	603
Health Care - Retiree	9,416	13,478	12,152	(1,326)
Health Care - Active	9,160	10,115	9,690	(425)
Overtime	5,336	3,930	3,615	(315)
Workers Compensation	4,527	1,970	2,360	390
Vacation/Sick Leave Accruals	2,003	1,900	1,900	0
Other <sup>9</sup>	3,162	2,741	2,489	(252)
<b>Total</b>	<b>\$118,671</b>	<b>\$131,530</b>	<b>\$126,614</b>	<b>(\$4,916) or -3.7%</b>

<sup>9</sup> Includes Medicare, life, disability and accident insurance, 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.

### Non-Personnel Operating Expenses

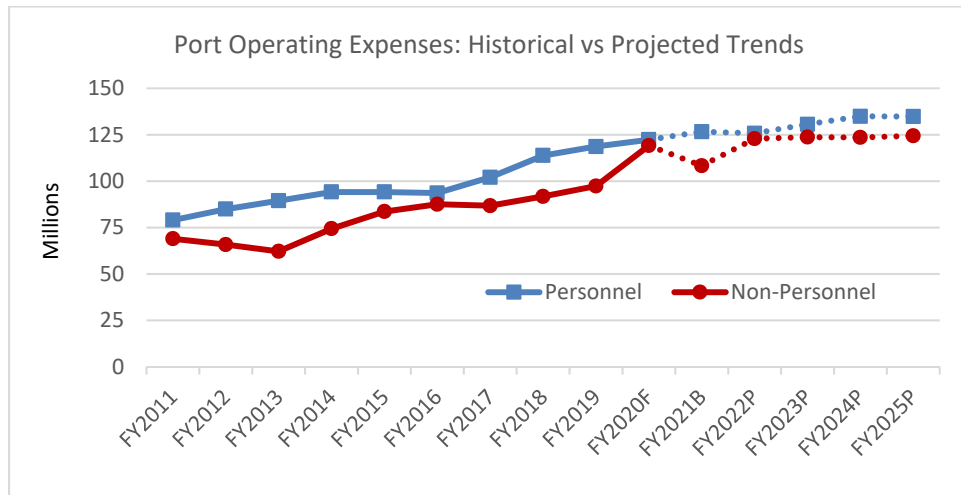
Non-personnel costs are budgeted in FY 2021 to decrease by \$19.8 million, or 15.5% lower than the FY 2020 budget. Seven expenses, as listed in the table on the following page, drive the increase in FY 2021 non-personnel costs.

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

<b>Item</b>	<b>Change in Comparison to FY 2020 Budget</b>
Maintenance & Repairs	(\$5,057)
Parking and Ground Transportation	(4,637)
Aviation Security	(2,300)
Aviation Planning Studies	(2,200)
Maintenance Dredging	(1,466)
Cooperative Marketing	(800)
Airport Rescue and Firefighting	(750)
All Other (Net)	(2,591)
<b>Total Non-Personnel Cost Decrease</b>	<b>(\$19,801)</b>

### FY 2022-2025 Operating Expense Projections

Following a projected significant decrease in FY 2021, Port-wide operating expenses (excluding depreciation) are projected to increase from \$234.9 million in FY 2021 to \$259.2 million in FY 2025, for a forecasted compound annual growth rate of 2.5%. The forecast assumes FTEs remain unchanged at 515, salary adjustments based on labor MOUs, medical premiums increasing 5.0%, pension costs rising and peaking at 48.1% of wages in FY 2024 before abating to 42.0% in FY 2025, and no additional changes in unfunded pension or retiree medical liability. This results in personnel costs increasing at a compound annual rate of 1.6% from FY 2021 through FY 2025. Non-personnel costs are assumed to grow modestly at a compound annual rate of 3.5% between FY 2021 and FY 2025. Parking and ground transportation expenses at the airport increase commensurately with the recovery of passenger traffic in FY 2022 and beyond. Major maintenance previously deferred in FY 2021 accelerates in FY 2022 and beyond while consulting increases in FY 2022 before tapering off afterwards offsetting an assumed general non-personnel increase of 3% per year. The chart on the following page shows historical and projected personnel and non-personnel operating expenses for FY 2021-2025.



	Compound Annual Growth Rate	
	FY 2011-19	FY 2019-25 Projected
Personnel	5.2%	2.1%
Non-Personnel	4.4%	4.2%
Port-wide	4.8%	3.1%

## Capital Budget

Capital budget authorization of \$72.3 million is requested from the Board for the FY 2021 Capital Budget, which includes the capital projects listed in the table on the following page.

The full economic and financial impact of COVID-19 to Port operations is not yet known. As a result, the FY 2021 budget reflects prioritization of health and life safety, regulatory compliance, policy and contractual obligations, and preservation and generation of revenue. The capital budget has been reduced to match staffing resources available based on a prioritization of staff resources for both expense and capital improvements.

The table on the following page summarizes the projects in the FY 2021 Capital Budget. The amounts shown in the table are expected expenditures in FY 2021 and do not include prior or subsequent fiscal year expenditures for projects spanning multiple fiscal years.

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**FY 2021 Capital Budget**  
**(\$millions)**

<i>Business Line<sup>1</sup></i>	<i>Project</i>	<i>(\$ millions)</i>
A,M	Utility Upgrades	\$16.0
A	Pavement, Taxiways and Runways	12.9
A	Airport Perimeter Dike	11.6
M	Seaport Logistics Complex	11.2
A	Aviation Security Enhancements	2.4
A	Replace Airfield Signs	2.1
A	Terminal Upgrades	1.7
C	Jack London Square Improvements	1.6
C	Parking Access and Revenue Control System	1.5
A,M,C,	Misc. Facilities Replacement Projects	1.4
A,M	Pre-Development Projects	1.3
A,M	Capital Equipment	1.3
M	Additional Shore Power Outlets	1.2
A	Passenger Boarding Bridge Replacement	0.9
A	Terminal 2 Flooring Materials	0.8
M	Marine Terminal Improvements	0.7
S	Information Technology Equipment and Systems	0.7
C	Business Park Improvements	0.6
A	Apron Upgrades	0.5
M	Pavement Improvement at ConGlobal Leasehold (Port	0.5
M	GoPort Roadway Projects	0.4
A	Terminal Restroom Upgrades	0.3
M	GoPort Security Projects	0.3
C	Union Point Basin Environmental Remediation	0.3
A	Airport Drive Overlay	0.1
<b>Total</b>		<b>\$ 72.3</b>

<sup>1</sup> Aviation (A); Maritime (M); Commercial Real Estate (C); Support (S)

Provided below is a summary of the Port's FY 2021 Capital Budget by business line and anticipated funding sources.

**FY 2021 Anticipated Capital Expenses – Uses of Funds by Business Line  
(\$ millions)**

	<b>FY 2021 Capital Budget</b>
Aviation	\$42.7
Maritime	24.4
CRE	4.2
Support	1.0
<b>Total</b>	<b>\$72.3</b>

**FY 2021 Anticipated Capital Expenses – Sources of Funds  
(\$ millions)**

	<b>FY 2021 Capital Budget</b>
Aviation Grants	\$17.4
Maritime Grants	0.1
PFC Pay-Go	3.8
Cash	51.0
<b>Total</b>	<b>\$72.3</b>

**Board-Established Reserves**

Pursuant to Board policy, the following reserves will continue to be maintained for FY 2021:

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

	<b>FY 2021</b>
Operating Reserve <sup>10</sup>	\$29,365
Capital Reserve	15,000
Port Bond Reserve	30,000
<b>Total Reserves</b>	<b>\$74,365</b>

<sup>10</sup> Established at 12.5% of Operating Budget (excluding depreciation).

## Debt Service and Debt Service Coverage Ratios

The Port's debt service payments and projected debt service coverage ratio for FY 2021 are provided in the table below.

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

	<b>FY 2021</b>
Bonds	\$78,127
Department of Boating and Waterway Loan	458
CP Notes (paid from operating revenues) <sup>11</sup>	862
<b>Total</b>	<b>\$79,447</b>
Bonds (paid with taxable CP proceeds)	14,516
CP Notes (paid with PFCs) <sup>12</sup>	8,102
CP Notes (paid with CARES Act allocation)	14,516
<b>Total Debt Service</b>	<b>\$116,581</b>
<b>Bond Lien Debt Service Coverage Ratio<sup>13</sup></b>	<b>1.40x</b>

In FY 2021, the Port's debt service payment on its bonds and Department of Boating and Waterway Loan is \$92.6 million and \$458,000, respectively, while CP note debt service totals \$23.5 million. However, only \$78.1 million of revenue bond debt service will be paid from Port revenues while the remainder (or \$14.5 million) will be paid from the proceeds of taxable CP notes. In turn those taxable CP notes will be repaid from \$14.5 million of the Port's CARES Act allocation. When factoring in the \$8.1 million of CP debt service that will be paid from PFCs, the amount of CP debt service that will be paid from Port revenues is only \$862,000. In FY 2021, planned CP debt service payment will total \$23.5 million and will be paid from three separate sources: Port revenues, CARES Act grant reimbursements, and 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 2021, the Bond debt service coverage ratio is projected to be 1.40x based on the methodology specified in the Port's Intermediate Lien Bond Indenture.

## 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 following graph illustrates the projected General Fund cash balance on June 30, 2020 through June 30, 2025. The projected General Fund balance reflects the proposed FY 2021 operating and capital budgets, as well as the Port's updated 5-year financial forecast, including the 5-year CIP.

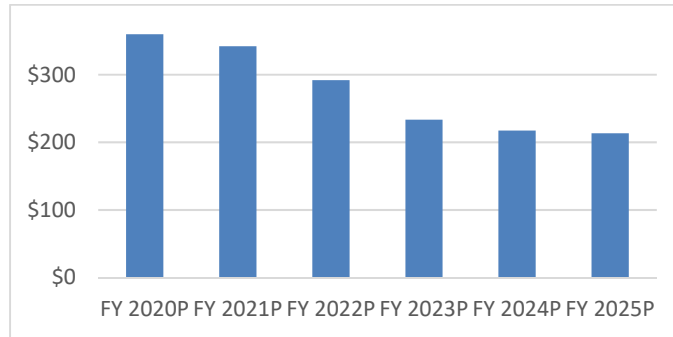
<sup>11</sup> In FY 2020, the interest rate on the CP Notes is assumed to average 1.80%.

<sup>12</sup> In FY 2021, the interest rate on the CP Notes is assumed to average 1.60%.

<sup>13</sup> Bond 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.



### Projected June 30 General Fund Ending Balance<sup>14</sup>



#### Summary

The annual budget is an essential management tool to plan and sustain the Port's businesses. I thank Port staff for their time and commitment to developing this budget as well as their dedication to serve as reliable stewards of public resources. I would also like to thank the Board for their leadership, guidance, and support of the FY 2021 Budget.

Sincerely,

Julie Lam  
Acting Chief Financial Officer

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

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# PORT OF OAKLAND COMMISSIONERS



**Cestra "Ces" Butner**  
President



**Andreas Cluver**  
First Vice-President



**Barbara Leslie**  
Second Vice-President



**Michael Colbruno**  
Commissioner



**Yui Hay Lee**  
Commissioner



**Arabella Martinez**  
Commissioner



**Joan H. Story**  
Commissioner

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## 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.

Entitled *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 Plan is an adaptable policy framework and is adjusted as needed to changing business environments including the current global Coronavirus (COVID-19) pandemic. 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** – The long-term plan is to 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. However, due to impacts of COVID-19 to Port operations, the Port's short-term strategic focus will be to ensure financial stability and resilience. The Port remains open for business following local, state, and federal COVID-19 centric guidelines to maintain a safe working environment for both Port employees and customers. Where applicable, the Port will apply for available federal, state, or local grants providing relief to businesses impacted by COVID-19. Grants received will offset a portion of lost revenues, improve the Port's balance sheet, and put the Port in a better financial position overall. Reductions in operating expenses will also be undertaken as necessary.

**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** – 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 of 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 million<sup>1</sup>.

The majority of the Port's land was granted by the State of California (State) in the early 20<sup>th</sup> 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 and exclusive power over the Port. The Board 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.

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<sup>1</sup> U.S. Census Bureau 2010.

# PORT OF OAKLAND PROPERTIES MAP



## PORT BUSINESS LINES AND OPERATIONS

The Port has three major business lines that generate and support economic activity locally, regionally, nationally, and globally.

**Aviation** - Oakland International Airport 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 operations, with 370 daily passenger and cargo arrivals and departures in calendar year (CY) 2019. In the first seven months of fiscal year (FY) 2020, before air travel restrictions were put in place to slow the spread of COVID-19, the Airport averaged 155 passenger aircraft departures a day to 54 domestic and international destinations, increasing to as many as 184 daily departures. However, following the implementation of air travel restrictions and subsequent decline in consumer demand for air travel, OAK experienced a more than 90% drop in passenger enplanement traffic. All-cargo departures average 35 per day to destinations around the globe and have not changed significantly due to COVID-19. Although the long-term impacts of COVID-19 on cargo operations is uncertain, operations and landed weight have not changed significantly over the past few months (February-March, 2020). The Port will continue to monitor cargo activity at OAK for signs of COVID-19 related impact to cargo operations. In CY 2019, the Airport served 13.4 million passengers and handled approximately 1.29 billion pounds of air cargo.

In FY 2019, Aviation generated approximately 52.4% of the Port's total operating revenues.<sup>2</sup> 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. These revenue sources are expected to decline significantly relative to FY 2019 for as long as consumer demand for air travel remains low, air carriers remain financially and operationally challenged, and COVID-19 remains a public health issue.

As passenger traffic declines, all related Airport revenue streams have been severely impacted. The most significant is in-terminal concessions – retail, restaurants, bars, cafés, wine bars, and the lounge. These have been allowed to close and will not fully reopen until passengers return. Other impacted revenue streams include: the rental car companies, which are operating with most of their fleets in long-term storage; as well as third-party aviation service providers – passenger, baggage, ground and cargo handling; aircraft cabin cleaning, washing and maintenance and repair; ground service equipment maintenance and repair; facilities janitorial; aviation security; private security screening; skycap and wheelchair services; inflight catering; and, into-plane fueling. These service providers have furloughed significant numbers of their staffs. For the foreseeable future, minimum annual guarantee (MAGs) for these concessionaires may be suspended with just percentage-of-gross revenues being paid.

**Maritime** – The Oakland Seaport is comprised of approximately 1,300 acres of maritime-related facilities, including 750 acres of maritime terminals. The Seaport is one of the 10 busiest container ports in the United States, 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,

<sup>2</sup> Based on FY 2019 audited financial statements.

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 2019, approximately 2.5 million twenty-foot equivalent units (TEUs) moved through the Seaport. Approximately 93% of this activity was associated with international trade, while the remaining 7% represented domestic trade within the U.S. The Seaport generated approximately 43.1% of the Port's total operating revenues in FY 2019.<sup>3</sup> Most of these operating revenues are derived from lease agreements with marine terminal operators. However, due to COVID-19 impacts on consumer demand and global trade in general, the Port expects a decline in its maritime activity for both FY 2020 and FY 2021.

**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. In FY 2019, CRE generated approximately 4.5% of the Port's total operating revenues.<sup>4</sup> CRE revenues are derived primarily from lease agreements and parking revenue. Due to COVID-19 impacts on businesses in FY 2020, CRE's anticipated revenues will decline.

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 \$16.1 million in FY 2021 for these services, as well as for maintenance of Tidelands Trust property, and for parking and utility taxes collected on the City's behalf. The Port is participating in available federal aid programs to recover lost revenues caused by COVID-19 disruptions to normal Port operations.

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 2018, approximately \$130 billion of annual economic value (from business revenues, consumer spending, taxes, and total value of goods and services) was associated with the Port's business lines in CY 2017. This activity supports approximately 84,000 direct, induced, and indirect jobs in the region, and over one million related jobs across the country (trade, travel, and tourism related jobs). Due to COVID-19 pandemic impacts, these numbers will likely decline.

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<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

## AVIATION

### History

OAK has served the air travel and air cargo needs of the Bay Area for over 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 2018, OAK ranked 37th in the U.S. in terms of total passengers and 14th in the U.S. in terms of air cargo tonnage.<sup>5</sup> It was the busiest Bay Area cargo airport with a market share of 50%. OAK serves 20% of the passengers originating or destined for the three Bay Area airports.

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 corporate jet departures. In addition, there are runways used primarily for corporate and general aviation purposes.



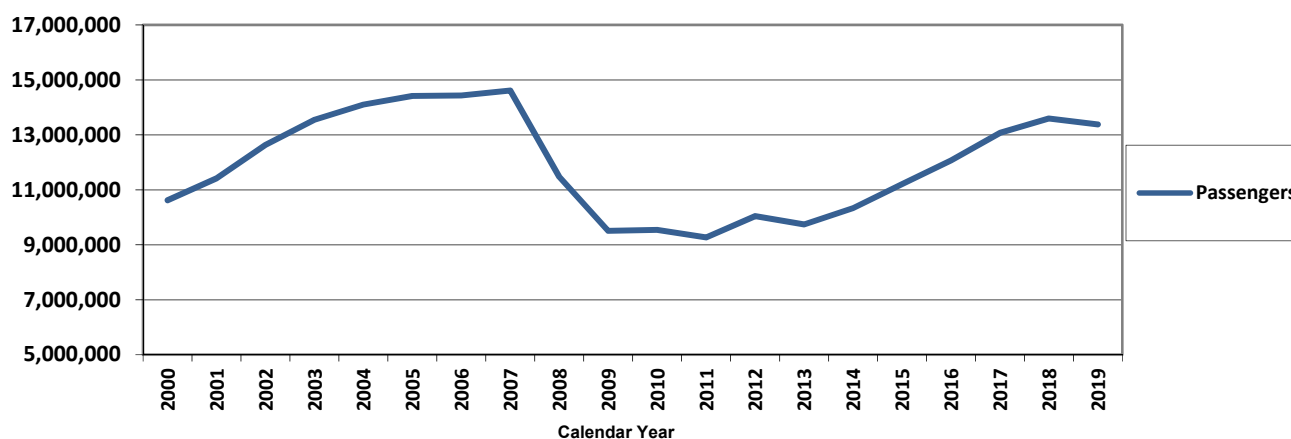
<sup>5</sup> Based on reported data from individual airports and Airports Council International - North America.

### Passenger Service

OAK provides easy-to-use airport facilities and convenient access to the Bay Area. In CY 2019, the Airport served 13.4 million passengers. Although below OAK's CY 2007 peak of 14.6 million passengers, traffic has grown 37% since 2013, with 54 nonstop destinations scheduled in summer 2020. The number of nonstop destinations has doubled in the past decade.

Following the implementation of air travel restrictions to slow the spread of COVID-19 in early CY 2020, and subsequent decline in passenger demand for air travel, OAK experienced a more than 90% drop in passenger enplanement traffic. The Port has addressed drops in passenger demand with strategic aircraft gate and hold room closures to better accommodate current demand and reduce operating and maintenance costs. On-going passenger service at OAK continues to be fluid as air carriers adjust to the impacts of COVID-19, and further changes, adjustments, and reductions may be realized through FY 2021. Some airlines have suspended service temporarily to address lack of demand and have plans to resume in summer or fall 2020. The Port will continue to monitor activity.

### AVIATION PASSENGER STATISTICS CY 2000 through CY 2019



Southwest Airlines is OAK's largest carrier, accounting for 73% of the Airport's passenger activity in CY 2019 and serving 36 nonstop destinations in June 2020, with as many as 121 daily departures planned.

New services added in CY 2019 included Southwest's first ever service to Hawaii, with its first departure from OAK nonstop to Honolulu in March, followed by service to Maui in April.

At the time of publication, new service in CY 2020 includes Lihue and Kona, Hawaii on Southwest Airlines in January, and Fort Lauderdale on Spirit Airlines in April.

**OAK PASSENGER ACTIVITY and MARKET SHARE BY CARRIER**

<b>Marketing Airline</b>	<b>Total Passengers Served in CY 2019</b>	<b>Market Share In CY 2019</b>
Southwest <sup>1</sup>	9,710,292	72.6%
Alaska/Horizon <sup>2</sup>	727,708	5.4%
Spirit	713,991	5.3%
Hawaiian	375,483	2.8%
Norwegian Airlines <sup>3</sup>	323,883	2.4%
Volaris	311,860	2.3%
JetBlue	261,553	2.0%
Delta Airlines	254,603	1.9%
Allegiant	238,948	1.8%
American	191,633	1.4%
SkyWest Airlines <sup>4</sup>	188,111	1.4%
Mesa Airlines <sup>5</sup>	36,733	0.3%
Contour Airlines	36,537	0.3%
Charter/Other	7,076	0.1%
<b>Total</b>	<b>13,378,411</b>	<b>100.0%</b>

<sup>1</sup> Includes Southwest International.

<sup>2</sup> Horizon Air and Alaska Airlines are wholly owned subsidiaries of Alaska Air Group.

<sup>3</sup> Includes Norwegian Air UK.

<sup>4</sup> SkyWest Airlines is a regional carrier that operates at OAK under a contractual agreement with Delta Airlines, American Airlines, and Alaska Airlines.

<sup>5</sup> Mesa Airlines is a regional carrier that operated at OAK under a contractual agreement with American Airlines.

## ANTICIPATED OAK NONSTOP DESTINATIONS - SUMMER 2020





## OAK PASSENGER AND CARGO STATISTICS

	CY 2019	CY 2018	% Change
<b>PASSENGERS</b>			
Enplaned	6,689,457	6,798,321	-1.6%
Deplaned	<u>6,688,954</u>	<u>6,795,930</u>	<u>-1.6%</u>
Total	13,378,411	13,594,251	-1.6%
<b>FREIGHT (in 000 lbs)</b>			
Inbound	645,546	658,393	-2.0%
Outbound	<u>635,263</u>	<u>670,968</u>	<u>-5.3%</u>
Total	1,280,809	1,329,361	-3.7%
<b>MAIL (in 000 lbs)</b>			
Inbound	8,986	6,089	47.6%
Outbound	<u>4,614</u>	<u>5,215</u>	<u>-11.5%</u>
Total	13,600	11,304	20.3%
<b>TOTAL AIR CARGO (Freight &amp; Mail) (in 000 lbs)</b>	1,294,409	1,340,665	-3.5%
<b>LANDED WEIGHT (in 000 lbs)</b>	11,217,796	11,510,274	-2.5%
<b>AIRCRAFT OPERATIONS</b>	242,757	241,703	0.4%

Air Cargo

In addition to its status as a major passenger airport, OAK serves the top two global air cargo leaders, Federal Express (FedEx) and United Parcel Services (UPS). OAK is the North American west coast hub for FedEx. FedEx performs intermodal sorting and distribution of freight and overnight packages to and from around the world from its state-of-the-art facilities. 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.

In CY 2019, OAK handled approximately 1.29 billion pounds of air cargo (freight plus mail), a 3.5% decrease from CY 2018. FedEx is the major operator of freight aircraft with an average of 22 departures per day and 1 billion pounds of cargo handled in CY 2019. UPS operated an average of eight departures a day and handled 268 million pounds of cargo in 2019. 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 15.5 million pounds of cargo in CY 2019. Other passenger airlines, general aviation aircraft, and a small number of charter aircraft carry the remaining cargo at OAK.

Air Cargo Carrier	CY 2019 Volume <sup>1</sup> (million lbs)
<b>FedEx</b>	1,002
<b>UPS</b>	268
<b>Southwest</b>	15
<b>Other</b>	9

<sup>1</sup> Air Cargo figures include freight and mail.

### 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), 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. During 2019, Jet Suite X initiated non-stop service from OAK to Burbank, Orange County, Phoenix, Las Vegas, and other destinations, operating through Signature's facilities on 30-seat jets.

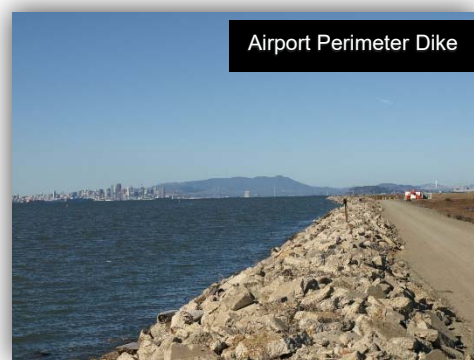
### Major Projects

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 year, as a result of the COVID-19 pandemic, the demand for air travel has been significantly disrupted globally, including at OAK. Given the uncertainty of passenger traffic to be realized in FY 2021, the capital program has been reduced to focus solely on projects relating to health, life safety, and security; regulatory compliance; and revenue generation. Consideration is also given to funding source availability (i.e., grant-funded projects) and other strategic objectives.

The projects included in this year's budget are deemed essential to maintaining safe and secure airport operating conditions (airfield pavement and lighting systems); the projects also include addressing 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, will continue or be completed in FY 2021.

#### *Airport Perimeter Dike Improvements*

The Airport Perimeter Dike (APD) separates the airfield from San Francisco Bay waters. The APD improvement 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 and 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. Design and environmental review are complete.



The project has been bid and awarded, and construction of this first phase (flood hazard protection) is slated to begin in summer 2020 and be completed in 2021. The design and bid packaging for the seismic phase has been deferred to FY 2022.

The project cost for the first phase is estimated at about \$19 million and the total project cost including the seismic improvements is estimated at \$64 million. 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.

#### *Taxiway Bravo and Taxiway Victor Rehabilitation*

The pavement at OAK, including the airfield taxiways, runways, aprons, and vehicle access roads, represents one of the Port's largest assets at the Airport. It is critical to safe and efficient operations that the pavement undergo regular maintenance and rehabilitation. The rehabilitation of Taxiway Bravo and Taxiway Victor is the next priority paving project.

Taxiway Bravo is operationally critical to the Airport, as it is the only taxiway connecting North Field and South Field. The portion of Taxiway Bravo for project consideration is approximately 5700 ft long x 75 feet wide asphalt surface. This pavement section was last rehabilitated in 2008. The pavement is showing signs of distress, including joint cracking, rutting, and pavement raveling. The proposed rehabilitation will be constructed in phases to meet funding and implementation needs and will consist of a mill and overlay, including the shoulders as needed to maintain Federal Aviation Administrative (FAA) grading criteria. The project is anticipated to include reapplication of pavement markings at the conclusion of the project. Additional geotechnical analyses will be performed during the design phase to determine any additional rehabilitation efforts.

Taxiway Victor is approximately 1,200 feet long and provides an important connection between Taxiway Whiskey and Taxiway Bravo. The pavement shows evidence of joint cracking and raveling of medium severity. The proposed rehabilitation includes a 6-inch mill and overlay with shoulders being overlayed as required to meet FAA grading standards.

Design and bidding for these projects was completed in FY 2020 and have been included in the Federal Fiscal Year (FFY) 2020 Airport Improvement Program (AIP) grant applications. It is anticipated that these projects will be largely funded using AIP grants, including the local match provided as part of the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act. A construction budget of \$11 million is included in the FY 2021 budget. Additional funding of approximately \$8 million is included the 5-Year CIP for the future phases of Taxiway Bravo construction.

#### *Access Security Gate Hardening*

On September 1, 2019, an unauthorized vehicle breached the security perimeter at a vehicle access gate and proceeded onto the active airfield at OAK. At approximately 50 mph, the vehicle crashed through Alpha-gate, one of two primary gates providing vehicle access to the terminal complex, and onto the Air Operations Area (AOA), with the Alameda County Sheriff's Office (ACSO) deputy in pursuit. Airfield operations were impacted while ACSO investigated the incident, which ultimately resulted in the driver abandoning his vehicle and jumping into San Francisco Bay.

The Transportation Security Administration (TSA) in its 2015 Joint Vulnerability Assessment of OAK recommended the Port consider installing anti-ram vehicle barriers at its key airfield access gates. In response to the FAA Letter of Investigation (LOI) about the September 1, 2019, incident, the Port indicated that to prevent this type of breach from happening in the future, it is actively exploring installation of anti-ram vehicle barriers at its airfield access gates. To that end, Port staff have

evaluated and identified a range of security gate design improvements to address these vulnerabilities and further safeguard OAK while continuing to facilitate vehicle access to the airfield.

The project includes replacement of the physical barrier gates at the Alpha and Bravo gates with drop arm crash barricades (anti-ram vehicle barrier, similar to the one depicted below). The project was approved by the Board in April 2020 and is planned to be delivered using a design-build approach for the approximate cost of \$1.4 million with installation being completed by the end of 2020.



## AVIATION OPERATIONS AT-A-GLANCE

Fast Facts		
<b>Major All-Cargo Carriers:</b>	FedEx UPS	
<b>Number of Daily Departures<sup>1</sup>:</b> (passenger and cargo)	190 average 225 peak	
<b>Acreage:</b>	2,600 acres (approximate)	
<b>Passenger Facilities:</b>	Two terminals (556,000 sq ft) 29 boarding gates	
<b>Runways:</b>	10,000 feet 5,458 feet 6,212 feet 3,376 feet	
<b>Number of Employees:</b>	8,500 Port and tenant employees (approximate) About one-third of tenant employees are in cargo-related jobs.	
<b>Largest Airport Employers:</b>	Southwest Airlines FedEx UPS Port of Oakland	Approximately: 2,900 (includes crew base staff) 1,300 320 261 (Aviation Division)
<b>Public Parking:</b>	7,000 vehicle capacity	
<b>Cargo Sort Facilities:</b>	FedEx UPS	
<b>U.S. Customs:</b>	International Arrivals Building (42,000 sq ft)	
Domestic Airlines		International-Only Airlines
Alaska Airlines/Horizon Air Allegiant Air Contour Airlines Delta Air Lines		Hawaiian Airlines SkyWest Airlines Southwest Airlines Spirit Airlines  Azores Airlines (seasonal) Volaris

<sup>1</sup>. Activity is prior to air travel restrictions to slow the spread of COVID-19.

## MARITIME

### History

To accommodate growing international shipping demand in the first part of the 20<sup>th</sup> 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.



To meet regional, national, and global cargo transport needs for the 21<sup>st</sup> 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. Recent activities at this site include completion of a new railyard and construction of a new 464,000-square foot distribution facility by a private developer, scheduled for completion in 2020.

### International Gateway Today



The Seaport serves as a major gateway for international containerized trade, connecting U.S. markets with Asia, Central and South America, Europe, Australia/New Zealand, Indian Subcontinent, and Africa. The Seaport handled approximately 2.5 million TEUs in CY 2019. 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 2019, approximately 2.5 million TEUs, or about 1.4 million containers, moved through the Seaport – a decrease of approximately 1.8% from CY 2018. 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 economies, export cargo varies with additional global economic factors such as the strength of the U.S.

currency and consumer demand in foreign markets. In CY 2019, imports accounted for approximately 51% of all full TEU activity, while exports represented 49%. On the U.S. West Coast, this “balance” of imports and exports is unique to the Seaport. In CY 2019, approximately 93% of the Port’s trade was with international regions/partners and approximately 7% was domestic. Asia is the Port’s largest trading partner; in CY 2019, about 76% of the full TEUs that moved through the Port either originated from or were destined for Asia.

Cargo throughput in CY 2019 was affected by federal trade tariffs enacted and/or planned by the U.S. Government. Notably, the Seaport continued to see higher-than-anticipated import TEUs in early 2019, following a dramatic “front loading” of imports in late 2018. Exports continued to decline due to trade tariffs enacted by China, and the strength of the U.S. dollar, until about mid-year, when exports began to increase. This increase is likely the result of demand for California agricultural products and the establishment of new markets for recycled paper in Asian markets outside of China. The advance shipment of imports in late 2018 resulted in a surge of empty containers moving through the Seaport to be repositioned to foreign markets. This surge began to decline (i.e., fewer empty TEUs) mid-2019, as trade flows stabilized and as exports began to increase (i.e., using available empty TEUs). In summary, in CY 2019, empty TEUs decreased 13%, but full TEUs increased 2.3%; therefore, total TEUs decreased 1.8%.

Anticipated growth rates in FY 2021, discussed later in this Budget Summary, reflect some conservatism about trade flows over the next 12 months based on outstanding trade issues and the recent impacts of the COVID-19 pandemic on the supply chain.

### UNITED STATES CONTAINER PORT ACTIVITY BY TEU VOLUME

PORT	CY 2019 TEUs	CY 2018 TEUs	% CHANGE
LOS ANGELES (CA)	9,337,632	9,458,749	-1.3%
LONG BEACH (CA)	7,632,032	8,091,023	-5.7%
NEW YORK/NEW JERSEY (NY/NJ)	7,471,131	7,179,792	4.1%
SAVANNAH (GA)	4,599,172	4,351,919	5.7%
NW SEAPORT ALLIANCE (WA)	3,775,302	3,797,627	-0.6%
HOUSTON (TX)	2,987,291	2,699,850	10.6%
HAMPTON ROADS (VA)	2,923,005	2,855,911	2.3%
OAKLAND (CA)	2,500,431 <sup>1</sup>	2,546,351	-1.8%

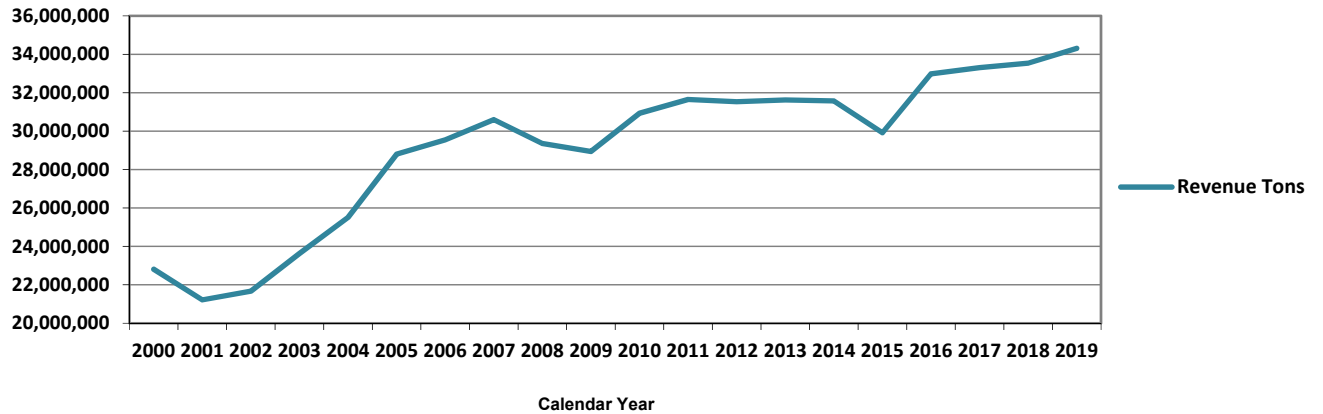
Source: AAPA 2019 Container Port data; Respective port websites

### OAKLAND CONTAINER ACTIVITY

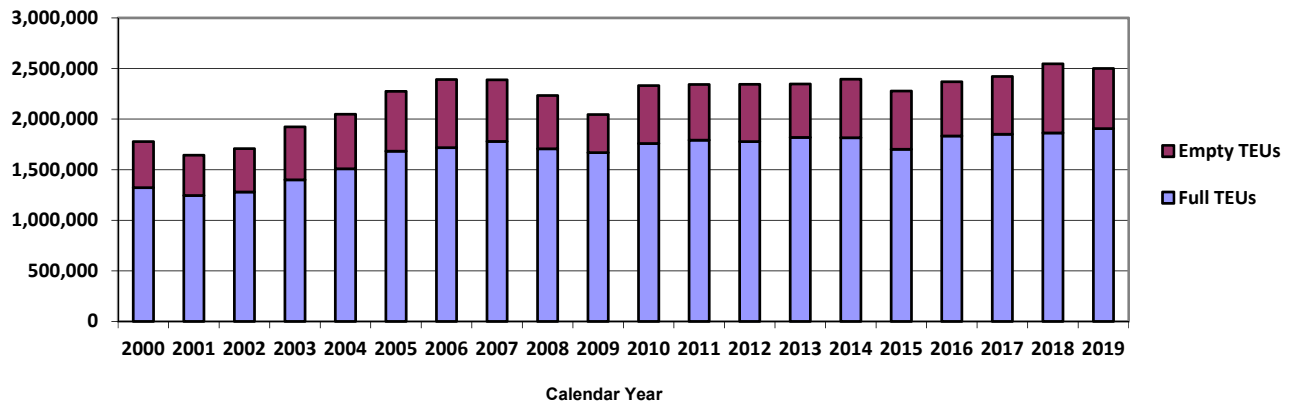
TYPE	CY 2019 TEUs <sup>1</sup>	CY 2018 TEUs	% CHANGE
<b>FULL</b>			
IMPORT	975,180	965,552	1.0%
EXPORT	<u>931,019</u>	<u>897,804</u>	<u>3.7%</u>
Total	1,906,199	1,863,356	2.3%
<b>EMPTY</b>	594,232	682,995	-13.0%
<b>TOTAL TEUs</b>	<b>2,500,431</b>	<b>2,546,351</b>	<b>-1.8%</b>

<sup>1</sup>Includes estimates.

**MARITIME  
CARGO STATISTICS  
CY 2000 through CY 2019  
Revenue Tons<sup>1</sup>**



**Total TEUs<sup>2</sup>**



<sup>1</sup> Containerized cargo only; excludes bulk cargo. Figures in metric tons.

<sup>2</sup> Although de minimis, 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 18<sup>6</sup> 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), 33 container cranes (of which 23 are Port-owned), and approximately 21,404 linear feet of deep water. The Outer Harbor Terminal (Berths 20-26), which closed in spring 2016, was partially incorporated into the expansion of the adjacent TraPac Terminal (formerly Berths 30-32, now Berths 25-33) in late 2018. The balance of the Outer Harbor Terminal (Berths 20-24) is under lease on an interim basis to tenants that provide maritime support services, including berthing for tugs and laid-up vessels. The Charles P. Howard Terminal (Howard Terminal), previously operated as a container terminal, is also currently leased to tenants that provide maritime support services. Both the Outer Harbor Terminal and Howard Terminal include some truck parking/container depot facilities that “flex” over time based on demand and competing Maritime needs. In FY 2021, the Port plans to relocate certain truck parking/container depot facilities to the former Union Pacific Roundhouse property, which would be a more long-term location for that specific use. The Port is currently limited in its ability to lease the Howard Terminal for long-term uses because the Port is party to an Exclusive Negotiation Term Sheet For Howard Terminal with the Athletics Investment Group LLC d/b/a the Oakland Athletics, LLC for the potential development of the terminal into a baseball park and mixed commercial/residential use.

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 U.S., for containerized goods.

### Major Projects

The Port continuously reinvests in its facilities to accommodate future growth, improve its overall competitiveness, and enhance security. As further discussed below and in the *Capital Budget and 5-Year Capital Improvement Plan* section, various projects are planned to continue or begin in FY 2021 across all areas of the Seaport. Of these, the most significant include:

#### *Seaport Logistics Complex*

The Port acquired fee title to approximately 241 acres of OAB property, of which about 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 has started and is being phased to match market demand and funding availability.



<sup>6</sup> Functional berths based on current average vessel size.

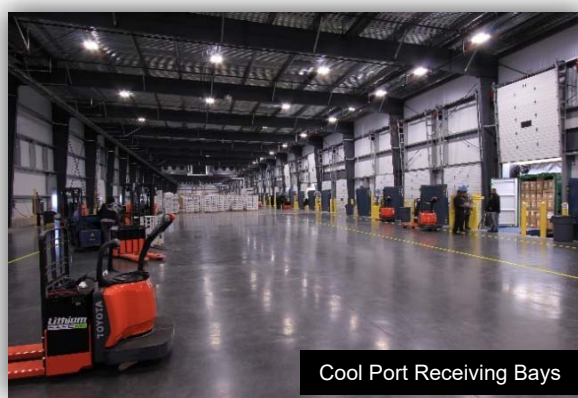
The first phase of new rail facilities has been operational since 2016, providing additional railcar storage capacity for current and future customers at the Seaport Logistics Complex, particularly transload, bulk, and break-bulk businesses. In 2018, Centerpoint-Oakland Development I, LLC, started construction of a new, approximate 464,000-square foot logistics facility on 27 acres of land adjacent to the new rail yard. Construction is scheduled for completion in 2020. The balance of the Port-owned OAB property is currently being used for a variety of transload and off-dock container yard activities, taking place in pre-existing warehouse and/or open land areas.

#### *Temperature-Controlled Facilities*

Cool Port Oakland, LLC began operating its new temperature-controlled transload facility 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.



Cool Port Rail



Cool Port Receiving Bays

#### *Marine Terminal Upgrades and Development*

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, crane management system upgrades, and wharf upgrades for Ultra Large Container Vessels (ULCV) capable of carrying 18,000 TEUs or more. Also, the Port is negotiating with a private party for the proposed development of a new facility on approximately 20 acres of marine terminal property, to handle imported sand and aggregate primarily to serve the local and regional construction industry.

#### *Roadway & Traffic Improvements*

The Port is planning to construct or enhance roadways to better serve new developments and expansions. In particular, the Port is focused on the implementation of the GoPort Program in partnership with the Alameda County Transportation Commission (Alameda CTC). The GoPort Program is a partnership between the Port and the Alameda CTC to design and implement the Freight Intelligent Transportation System (FITS) program and a new, grade-separated 7<sup>th</sup> Street. The whole program is expected to cost about \$650 million, of which about \$330 million has been identified or secured from a combination of Measure BB Tax Measure, State/Local grants, and minimal Port funds of approximately \$1.5 million over the next five years.

FITS comprises a suite of demonstration projects intended to enhance truck flows on arterial streets in and out of the Seaport and enhance security. Planned improvements include the installation of “smart” traffic signals, enhancement of the Port’s video monitoring system to improve visibility of traffic conditions,



construction of a traffic management and emergency operations center, upgrades to the Truck Management System infrastructure, and installation of message signboards to communicate real-time traffic information. Construction of initial improvements started in early 2020; it is expected the whole suite of projects will be operational by fall 2022. Alameda CTC is performing both design and construction of the FITS project. Operation and maintenance will be the responsibilities of the Port for a minimum of 5 years.

The Port is also partnering with Alameda CTC to construct a new, grade-separated 7<sup>th</sup> Street (pending finalization of a multi-source funding plan), known as the 7<sup>th</sup> Street Grade Separation project (7SGS). 7SGS is divided into two segments: East (7SGSE), which runs between I-880 and Maritime Street, and West (7SGSW), which replaces 7<sup>th</sup> Street west of the Maritime/7<sup>th</sup> Street intersection and a portion of Maritime Street. The project is intended to reduce congestion, provide more efficient rail connections by eliminating certain at-grade conflicts, and enhance an existing pedestrian/bike path. Construction of 7SGSE is anticipated to begin in 2021. 7SGSW is currently in design, and if funded, construction is anticipated to commence upon completion of 7SGSE. Alameda CTC is performing both design and construction of 7SGS. Operation and maintenance will be the responsibilities of the Port and City.



### *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 includes representatives from all sectors of the supply chain – cargo owners, marine terminal operators, labor, ocean carriers, motor carriers, customs, and others. A relatively recent accomplishment is the launch of a web-based community portal (referred to as the Oakland Portal) that currently provides a one-stop site for information about terminal operations, container status, truck turn times, and Port news. Over the longer term, the Port anticipates expanding the Oakland Portal to include a refinement of truck turn time data, smart parking software system, and an interconnected mobile application, all of which are part of the FITS program. (See above.)

### *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 2021, the focus will be on two projects included in the GoPort Program, which aim to complete a new primary Emergency Operations Center (EOC), 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.

### *Dredging and Other Core Infrastructure*

In addition to the major projects described above, the Port is devoting significant resources to the maintenance and upgrade of core infrastructure, such as 115kv substations, sanitary sewer systems, roadways, and dredging. In particular, the Port is working with the U.S. Army Corps of Engineers on the possible expansion of the two turning basins - the Inner and Outer Harbor Turning Basins – associated with the federal navigation channels that serve the Seaport in order to serve ULCVs. The basins are used by vessels to enter or leave port and are critical to Seaport operations today and in the future. However, the Basins were constructed in the late 1990s based on a much smaller size vessel than the vessels that call and/or are expected to call the Seaport in the near future.

## MARITIME OPERATIONS AT-A-GLANCE

### Fast Facts

<b>CY 2019 Cargo Vessel Arrivals:</b>	1,419
<b>Deepwater Ship Berths:</b>	18
<b>Container Gantry Cranes:</b>	33 (23 Port-owned)
<b>Container Terminals Acreage:</b>	779 acres (approximate)
<b>Railroads:</b>	BNSF Railway Company Union Pacific Railroad
<b>Freeways Serving Port:</b>	Interstate 80 (north & eastbound) 880 (southbound) 580 (eastbound) 980 (eastbound)

Container Terminals	Operator	Berths
<b>Ben E. Nutter Terminal</b>	Everport Terminal Services, Inc.	35-38
<b>Charles P. Howard Terminal</b>	Various, ancillary uses only at this time	67-68
<b>Matson Terminal</b>	SSA Terminals, LLC	60-63
<b>Oakland Int'l Container Terminal</b>	SSA Terminals (Oakland), LLC	55-59
<b>Outer Harbor Terminal</b>	Various, ancillary uses only at this time	20-24
<b>TraPac Terminal</b>	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	SeaLand
Evergreen Line	Ocean Network Express	Wan Hai Lines
Hamburg Sud	(ONE)	Yang Ming Line
Hapag-Lloyd	Orient Overseas Container	Zim
Hyundai Merchant Marine	Line (OOCL)	

### Major Exports

Beverages	Iron/Steel	Prepared Fruits and Vegetables
Cereals	Meats	Waste Paper
Dairy Products	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	Toys, Games, Sporting Equipment
Electrical Machinery	Machinery	Vehicles and Parts
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 79), 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, complex regulatory oversight and the impacts of the COVID-19 pandemic.

CRE properties are categorized into four distinct geographic areas –Jack London Square (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. These figures were developed prior to the COVID-19 pandemic and are expected to be revised downward.

In FY 2019, CIM Group 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 secured new land-use entitlement approvals for two multi-family residential buildings adjacent to JLS on privately owned land, which, once constructed, will enhance the foot traffic at JLS. The first of these two buildings is under construction. Channel House is a 333-unit apartment building to be completed in 2020. CIM Group also recently secured final design review approvals for development of the previously approved hotel on the final remaining vacant JLS Phase II Project ground lease parcel owned by the Port. The second residential building as well as the planned hotel are awaiting 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 new tenants are planning to open:

- Seabreeze Café, a new restaurant to occupy the former Il Pescatore space in 2020; and
- Oakland Assembly, a food-oriented market hall and restaurant collection intended to occupy the ground floor space of the 55 Harrison Street building by late 2020.

#### 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 completed in three to five phases over the next five 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 and is almost complete, and the first market rate residential building containing approximately 241 units was completed in 2019 and is currently occupied. The second phase of the project, including additional residential units and open space, is expected to commence vertical construction in FY 2021.

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





### Parks and Public Access

The Port's waterfront has evolved through the decades to include industrial, commercial, and recreational uses as well as significant public access areas. In 1999, the Port and the City approved The Oakland Estuary Policy Plan, which established public access policies for 5.5 miles of urban waterfront located between the 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. 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

<b>Land Area Managed:</b>	837 acres (approximate)
<b>Public Parking:</b>	1,346 Port-owned spaces in Jack London Square
<b>Gross Sales:<sup>1</sup></b>	\$138.7 million
<b>Public Access and Open Space:</b>	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	16
Restaurant Agreements	9
Retail Agreements	11
Warehouse Agreements	12
Hotel Agreements	5
Various Other Agreements	35 (Parking, Billboards, Radio Towers, Land, etc.)

### Land Use Standards<sup>2</sup>

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	

<sup>1</sup> Sales generated by Port tenants and subtenants for CY 2019.

<sup>2</sup> 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 85% 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; capital projects related to utilities are included in the Port's 5-Year CIP related to these business lines.

The Port is the only major seaport and airport in California that operates a Publicly Owned Utility (POU). While the responsibility of operating a POU creates complexities to Port business, it allows the Port to be a leader in demonstrating its commitment to local businesses, clean energy, and offering a cost effective service to our customers. In 2018, the State legislature passed Senate Bill 100, which increases the renewable portfolio standard (RPS) from 50% to 60% by 2030 and further mandates that by 2045, 100% of the electricity purchased for resale is procured from greenhouse gas (GHG)-free resources. In 2019 Port electricity was supplied at approximately 20% less cost than the alternative, and almost 60% of the energy provided came from carbon free sources. Water, sewer, and gas are provided at a rate equaling the expenses.

## 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 executing new vendor service agreements for maintenance of the Maritime Security Surveillance System, staffing of the Port Security Operations Center (PSOC), and management and maintenance of the Comprehensive Truck Management Program (CTMP) Port Registry and Truck Positioning System.

Further, the Port continues executing projects funded through the DHS/FEMA Port Security Grant Program (PSGP), including construction of an Emergency Operations Center and upgrades to the Radio Frequency Identification (RFID) based Truck Positioning System. 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 improve safety, security, and resilience and promote better information sharing among stakeholders during security or other significant events.

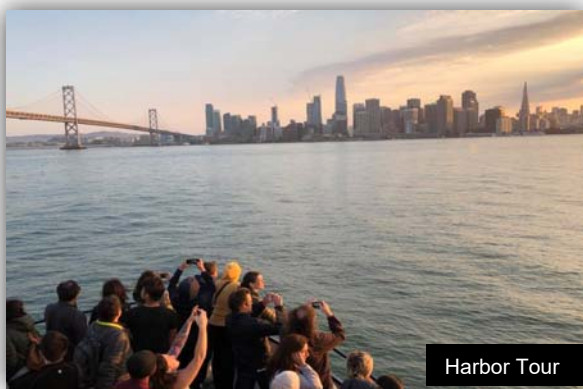
The Port works with local, regional, State, and federal law enforcement agencies and the private sector for security purposes. At OAK, the Port works with the TSA, U.S. Customs and Border Protection (CBP), and the Alameda County Sheriff's Office to implement TSA and other security-related regulations 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 works 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 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, 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 normally engages with the community year-round at internship fairs, business expos, community festivals, and community meetings. The Port co-hosted the annual "Port Day" at Children's Fairyland and "Aviation Day" for local students at Oakland International Airport. However, following the COVID-19 shelter-in-place orders, community outreach activities were switched to online gatherings. Internet and phone access also helps the Port connect with its community through various channels including online LiveChat, Port Hotline, blog, website, social media, and e-newsletters. Prior to the COVID-19 pandemic, the Port offered unique opportunities to learn about its Seaport operations through harbor tours, which were free and open to the public. Videos showing the Port's community engagement are also available on the Port's YouTube channel.
- 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.



- As the Port operates, it ensures that its neighboring communities benefit from its success. The recently approved development agreement with CenterPoint to develop a logistics facility with modern distribution centers on Port property that once served as an Army supply depot, includes a groundbreaking jobs policy envisioned as an economic driver and job generator. Among the stipulations are: preferences for hiring local residents; special consideration for disadvantaged residents including the chronically unemployed, single parents, formerly incarcerated and military veterans; and funding for a local, community-based workforce development partner, the West Oakland Job Resource Center, to train workforce candidates and provide the opportunity to refer job applicants.
- The Port holds project-specific meetings in various locations across the City and the region or online (during shelter-in-place orders) 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 has developed public engagement plans for the Seaport Air Quality 2020 and Beyond Plan, the West Oakland Truck Management Plan, and the OAB redevelopment.
- 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.

## ENVIRONMENTAL STEWARDSHIP

### Air Quality

The Port has numerous programs to reduce emissions and improve air quality. These air quality programs anticipate and promote compliance with 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 emissions 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, as well as information technology systems to provide for less-congested operations at the Seaport and Airport, thereby contributing to emissions reductions.

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 compared to a 2005 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 reduce 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 Comprehensive Truck Management Program (CTMP) and shore-side power connections for vessels at berth<sup>7</sup>. These programs assist tenants and business partners in their compliance with air quality regulations and curb the effects of emissions from Seaport mobile sources on the natural and human environment, with a focus on the nearby West Oakland community. The results of the 2017 Seaport Air Emissions Inventory show that, between 2005 and 2017, overall DPM emissions at the Seaport decreased by 80%. DPM emissions from drayage trucks fell by 98% from 16 tons in 2005 to 0.3 tons in 2017. 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 to 42.2 tons through low-sulfur engine fuel and shore power. These results represent a major step forward in meeting the Port's 85% health risk reduction goal in 2020.

In 2018, the Port reconvened the MAQIP Task Force to review emissions reduction measures towards the goal of an 85% reduction in DPM. The MAQIP Task Force also identified issues for future air quality planning. Between 2017 and 2019, the Port prepared its new maritime air quality plan – the Seaport Air Quality 2020 and Beyond Plan, which was approved by the Board on June 13, 2019. Among the issues addressed in this plan are GHG 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 <sup>8</sup>
<b>2005</b>	-	209 tons	-	16 tons	-
<b>2012</b>	73%	57 tons	88%	2 tons	70%
<b>2015</b>	75%	52 tons	99%	0.2 tons	76%
<b>2017</b>	80%	42 tons	98%	0.3 tons	80%

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 parking stalls dedicated to electric vehicle charging. On the airside, the Airport offers pre-conditioned air, 400Hz power and charging for electric ground support equipment (GSE) at each of the 29 gates used

<sup>7</sup> 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 operating diesel-fueled auxiliary engines.

<sup>8</sup> DPM Reduction Overall includes emission reduction from tugs, rail, and other cargo handling equipment that is not shown in the table.

by OAK's air carriers; this provides air carriers with an opportunity to minimize emissions from jet fuel while parked at the gate and to transition to all-electric GSE.

Port tenants make many of the decisions that affect air quality at OAK. The Port continues to work closely with its tenants to educate and implement a variety of innovative and environmentally beneficial programs.

### 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 (social distancing required in parks during shelter-in-place orders related to the COVID-19 pandemic):

- *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, and views of the Bay and surrounding communities. The MHSP provides observation points where visitors can view active marine terminal operations and shore birds. Port View Park has the added attractions of a play area for children, a small history museum (open by appointment), 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 seven-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



Middle Harbor Shoreline Park Coastal Cleanup

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.

### 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. 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 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, starting with the OAK Terminal 2 concourse extension, being the first airport passenger terminal awarded the Leadership in Energy and Environmental Design (LEED) Silver Certification by the U.S. Green Building Council. The Airport's 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's National Pollutant Discharge Elimination System (NPDES) permits including, but not limited to, any discharge of storm water from construction activity, industrial activity, and municipal separate storm sewer system (MS4).

- Construction and Industrial Activities: The Port works in partnership with its tenants to help prevent contaminants from entering the Bay from operations and construction projects. The Port conducts pollution prevention training sessions, performs inspections, and monitors storm water discharge at various sites at the Port.
- MS4: 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.

The Port is actively engaged with State and Regional Water Quality Control Boards in the FY 2021 effort to draft the next 5-year Municipal General Permit that applies to the Port. The new permit will have new provisions including implementation of a Full Trash Capture Program and programs to address pollutants of concern.

### 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. The Port also oversees transportation and disposal of Port-generated hazardous, non-hazardous, and universal wastes in accordance with all local, State, and federal regulations to permitted disposal 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:

- Engaging key stakeholders in policy and program development to promote the Port's social responsibility goals including promoting local hiring, utilizing local and small businesses, supporting initiatives that promote economic vitality, environmental stewardship and workforce development;
- 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).<sup>9</sup>

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 were 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 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 businesses<sup>10</sup> 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, Oakland, and San Jose area. The Living Wage rate as of July 1, 2019, is set at \$14.35 per hour for employees who receive health benefits and \$16.47 per hour for employees who do not receive health benefits. §728 provides covered employers with incentives to provide health benefits to

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

<sup>10</sup> 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.

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 Training Center, Rising Sun Energy Center, and the community through the Maritime Aviation Project Labor Agreement (MAPLA).

#### 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.<sup>11</sup> 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. Through June 2019, MAPLA has provided:

- Over 5.5 million craft hours, resulting in 3.2 million LIA/LBA resident craft hours and 1.6 million LIA resident craft hours. 58% of the total craft hours were performed by LIA/LBA workers, well over the 50% goal established in the MAPLA;
- Over \$174 million in wages were earned by LIA/LBA residents, over \$83 million went to LIA residents; and
- Contractor contributions of 30 cents per craft hour to the Social Justice Trust Fund has resulted in over \$597,000 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 19 years of labor peace and the local community has gained jobs and experience through the local hiring goals requirements of the MAPLA. In addition, through the MAPLA's Social Justice Trust Fund, local contractors have proactively invested in community training programs.

#### **ECONOMIC IMPACT**

The Port has been 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's investment in marine terminals, airport infrastructure and commercial real estate helps support these three business lines. Prior to the business impacts of the COVID-19 pandemic, the full extent of which are unknown at this time, the Port, along with its tenants and customers:

- Supported more than 84,000 jobs across the region (direct, indirect, and induced); 20% of those jobs being Oakland-based;
- Touched more than 1 million jobs across the country (trade, travel, and tourism related jobs);

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<sup>11</sup> The MAPLA sets forth specific goals for the hiring of residents from the Port's LIA and LBA. For more information, please visit [https://www.portofoakland.com/files/PDF/MAPLA\\_Agreement\\_2016.pdf](https://www.portofoakland.com/files/PDF/MAPLA_Agreement_2016.pdf).

- Created an overall annual economic value—from business revenue, consumer spending, and total value of goods and services—of \$130 billion;
- Directly generated \$698 million in annual local, State, and federal taxes; and
- Directly generated more than \$5.6 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 2018 based on 2017 calendar year data; a summary is provided on the following page.

These numbers will undoubtedly trend downward in the immediate future due to local to global impacts from the COVID-19 pandemic. At the time of this publication, there is not enough information available to know how long business, jobs, and economic recovery will take.

## CY 2017 ECONOMIC IMPACTS OF THE PORT

Summary of the Economic Impacts Generated by the Port of  
Oakland Seaport, Airport, and Commercial Real Estate Activity

IMPACTS	SEAPORT	ON-SITE AIRPORT	VISITOR INDUSTRY	CRE	TOTAL
<b>JOBS</b>					
Direct	11,393	8,892	18,615	3,500	42,401
Induced	10,507	6,575	6,910	1,529	25,521
Indirect	<u>5,831</u>	<u>1,943</u>	<u>7,423</u>	<u>1,024</u>	<u>16,222</u>
Total	27,732	17,411	32,949	6,052	84,144
<b>PERSONAL INCOME/LOCAL CONSUMPTION (\$ millions)</b>					
Direct	\$641	\$608	\$488	\$185	\$1,923
Re-Spending/Local Consumption	\$1,503	\$905	\$493	\$136	\$3,038
Indirect	<u>\$333</u>	<u>\$102</u>	<u>\$216</u>	<u>\$38</u>	<u>\$690</u>
Total	\$2,478	\$1,616	\$1,198	\$359	\$5,650
<b>BUSINESS REVENUE (\$ millions)</b>	\$2,243	\$4,315	\$2,817	\$563	\$9,938
<b>STATE AND LOCAL TAXES (\$ millions)</b>	\$281	\$217	\$156	\$43	\$698
<b>LOCAL PURCHASES (\$ millions)</b>	\$546	\$230	\$503	\$68	\$1,347
<b>RELATED USER IMPACTS</b>					
User Jobs	492,597	518,100			1,010,697
Total Value of Output (\$ millions)	\$56,622	\$60,937			\$117,559
User Income (\$ millions)	\$21,474	\$29,008			\$50,482
User State/Local Taxes (\$ millions)	\$2,448	\$3,307			\$5,755

Source: Economic Impact of the Port of Oakland – 2018, 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](http://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 Board approves a Capital Budget every year, and if costs exceed a pre-determined amount, the Board must grant contract authority before funds can be disbursed or encumbered.
- 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

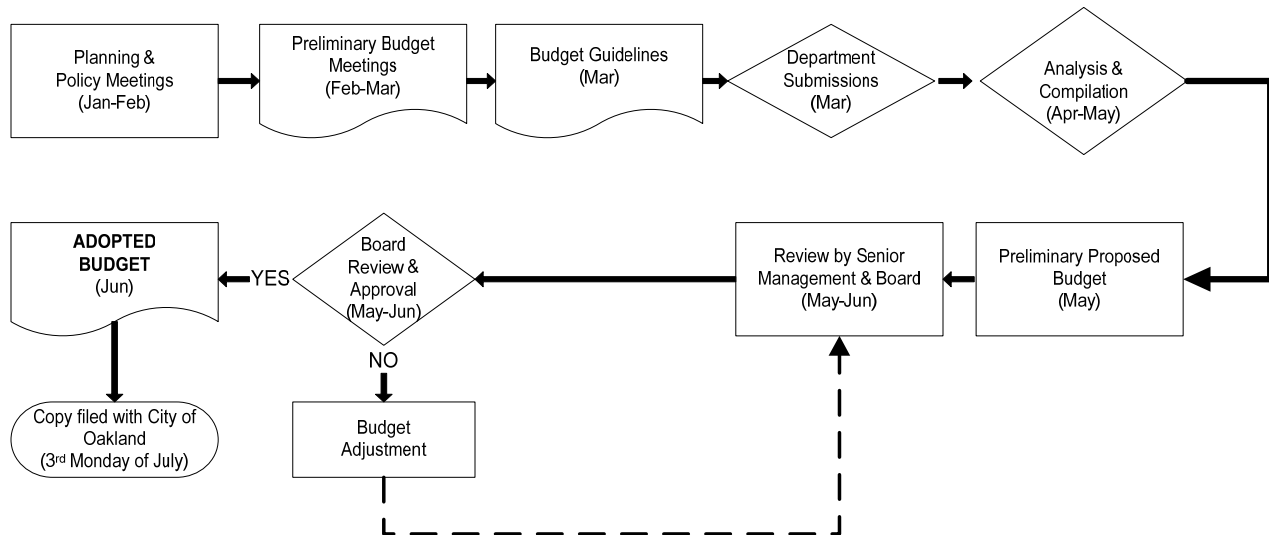
- Financial statements are prepared in accordance with accounting principles generally accepted in the U.S., as promulgated by GASB and audited by independent external auditors.
- A Comprehensive Annual Financial Report (CAFR) is prepared which includes: Statement of Net Position; Statement of Revenues, 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.

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## OPERATING BUDGET PROCESS



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

**FY21 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 25. 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 targets a minimum aggregate debt service coverage ratio (DSCR)<sup>12</sup> 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 million<sup>13</sup>, taking into account future anticipated needs such as capital improvements and accrued liabilities.

### GENERAL

- FY 2021-25 Operating Revenues for Aviation, Maritime, Commercial Real Estate, and Utilities incorporate the impact of COVID-19 and 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 contractual obligations.
- FY 2021 Operating Expenses include cost saving measures to account for the impact of COVID-19 on operations and incorporate other known and anticipated cost increases and decreases, with an emphasis on cost reductions to the greatest extent possible.
- FY 2022 through FY 2025 Operating Expense incorporate known and anticipated cost increases and decreases but in general, assumes that expenses unless otherwise identified will grow by 3% 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) the timing and strength of the recovery from the COVID-19 pandemic, (ii) decreases in revenues and/or business levels, (iii) a potential renewed trade war with China, including the imposition of additional tariffs on imported Chinese goods or U.S. exports, (iv) unanticipated increases in expenditures, (v) tenant defaults, (vi) unavailability of assumed funding sources, (vii) construction delays or cost overruns, or (viii) other adverse and unforeseen events or conditions affecting the Port.

### FY 2021 REVENUE BUDGET HIGHLIGHTS AND ASSUMPTIONS

*Note: All comparisons are to FY 2020 Budget, unless otherwise noted.*

- Port-wide Operating Revenues are projected to be \$340.0 million; \$58.0 million (-14.6%) lower than FY 2020 Budget, and \$28.1 million (-7.6%) lower than FY 2020 anticipated operating revenues of \$368.1 million.
- Projected Aviation Revenues of \$157.0 million are \$53.3 million (-25.4%) lower in comparison to FY 2020 Budget, and \$24.1 million (-13.3%) lower than FY 2020 anticipated revenues of \$181.1 million.

<sup>12</sup> 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).

<sup>13</sup> Excluding Board Reserves. See *Debt Service and Cash Flow* section.

Aviation Revenues are adversely impacted in all areas of the Airport due to COVID-19's effect on passenger activity at OAK.

- Total passengers are projected to be 6.2 million or 33.0% lower than FY 2020 anticipated passengers of 9.2 million.
- Terminal rent revenues are projected to decrease by \$14.2 million primarily due to the application of a portion of the CARES Act grant to pay terminal related debt service resulting in lower terminal rental rates.
- Ground transportation revenues are projected to decrease by \$4.3 million as Transportation Network Company (TNC) revenues are anticipated to decrease by \$3.6 million (-43.7%) (\$1.0 million decrease compared to FY 2020 anticipated revenues) with Airport shuttle trip fees anticipated to decrease by \$0.5 million (-49.7%) and taxi cab trip fees falling by \$0.2 million (-59.1%).
- Parking revenues are projected to decrease \$18.2 million (-53.2%) reflecting the collapse in passenger traffic.
- Car rental revenues are projected to decline by \$7.6 million (-62.8%).
- Lease revenues are projected to decrease by \$0.5 million primarily due to lower space rentals of \$0.9 million partially offset by higher cargo rents of \$0.4 million.
- Utilities revenues are anticipated to increase by \$0.9 million primarily due to higher electricity revenues resulting from an anticipated decrease in electricity rates in FY 2019-20 that did not materialize partially offset by lower usage.
- Terminal concession revenues are projected to decrease by \$5.1 million (-55.0%) due to decreased passenger traffic and lower sales during renovation of concessions areas.
- Airfield revenues are anticipated to decrease by \$4.0 million due to a prior year true-up exacerbated by decreased operating costs and the use of CARES Act grant to pay debt service which reduces the amount of net cost center costs recovered through the landing fee rates.
- Projected Maritime Revenues of \$167.3 million are \$2.9 million (-1.7%) lower in comparison to FY 2020 Budget, and \$3.7 million (-2.1%) lower in comparison to FY 2020 anticipated revenues of \$170.9 million.
  - Full twenty-foot equivalent units (TEUs) are projected to be 1.71 million; 10% lower compared to FY 2020 anticipated actuals. Empty TEUs are projected to decrease 10% from FY 2020 anticipated actuals to reflect stabilization of trade flows. Total TEUs (fulls and empties) are projected to be 2.2 million or 10% lower than FY 2020 anticipated actuals.
  - Marine Terminal revenue is projected to decrease by \$1.7 million from FY 2020 anticipated actuals primarily due to lower volume and resulting decreases in variable rent. Relative to FY 2020 Budget, marine terminal revenues are anticipated to decrease by \$0.7 million due to net effect of cargo losses and scheduled rent increases.
  - Revenue from Rail Terminals is projected to increase \$0.1 million from FY 2020 anticipated actuals due a scheduled rent increase. Relative to FY 2020 Budget, Rail Terminal revenues are anticipated to decrease by \$0.2 million due to lower volume partially offset by scheduled rate increases per current and anticipated lease terms.

- Revenue from other (non-marine and non-rail) tenants is projected to be approximately \$2.4 million lower than FY 2020 anticipated actuals and approximately \$2.7 million lower than FY 2020 Budget primarily due to reduced acreage for truck parking/container depot partially offset by scheduled rent increases and anticipated new tenancies.
- Utilities revenue are projected to increase \$0.7 million compared to FY 2020 Budget primarily due to higher electricity revenues resulting from higher electricity rates.
- Projected CRE Revenues of \$15.7 million are \$1.8 million (-10.2%) lower in comparison to FY 2020 Budget due to lower parking and percentage rent revenues in addition to an increase in bad debt reserve. In comparison to FY 2020 anticipated revenues of \$15.8 million, FY 2021 projected revenues are 0.6% lower due to lower parking and percentage rent revenues.
  - CRE revenues are based on anticipated lease expirations, new leases, percentage rents, and scheduled rent adjustments.

### **FY 2021 OPERATING EXPENSE BUDGET HIGHLIGHTS AND ASSUMPTIONS**

*Note: All comparisons are to FY 2020 Budget, unless otherwise noted.*

- Port-wide Operating Expenses before Depreciation and Amortization are budgeted at \$234.9 million, a decrease of \$24.7 million (-9.5%), driven by Port wide cost cutting initiatives and the deferral of maintenance and repairs and cost saving measures in parking and ground transportation operations, consulting, airport security, and maintenance dredging.
- Personnel costs are budgeted to decrease by \$4.9 million (-3.7%); personnel costs represent 54% of the Operating Expense Budget before Depreciation and Amortization.
  - 515 Full-time Equivalents (FTEs); increase of 1 FTE from FY 2020 Budget.
  - Salaries are lower by \$3.6 million (-5.5%) due to labor adjustments partially offset by MOUs, step increases, and 1 additional FTE.
  - The Port's employer pension contribution is anticipated to increase \$0.6 million to \$32.8 million resulting from a projected increase in pension rates from approximately 39.5% to 42.8% on July 1, 2020.
  - FY 2021 medical costs are projected to decrease based on medical premium rates as of January 1, 2020, and an assumed increase in rates on January 1, 2021, of 5.5% for medical and 3% for dental, vision, and employee assistance program (EAP) offset by changes in employee-elected coverage levels.
  - Retiree medical costs are projected to decrease by \$1.3 million based on the most recent actuarial study.
  - Overtime lower by \$0.3 million based on cost containment measures.
  - Workers' compensation budgeted to increase by \$0.4 million based on most recent actuarial study projecting claims and costs.
  - A vacancy factor of 41 FTEs is assumed due to retirements, normal attrition, and normal lags in hiring, resulting in a reduction of overall personnel costs of approximately \$8.3 million.
- Contractual services are budgeted to decrease \$18.4 million (-18.2%). General and Administrative expenses are budgeted to decrease \$3.9 million (-18.0%). Supplies are budgeted to increase \$0.3 million (+6.4%). Utilities cost of sales are budgeted to increase \$0.2 million (+2.1%).

- Parking and ground transportation operations lower by \$4.6 million.
- Maritime major maintenance decreases by \$2.6 million.
- Maintenance and repairs lower by \$2.5 million with only essential work anticipated while deferring less time sensitive maintenance to future years.
- Security costs at the Airport (excluding Alameda County Sheriff's Office) decrease by \$2.3 million (-52%).
  - Reductions in private security of \$1.2 million due to lower demand for guard services.
  - Lower US Customs and Border Protection of \$1.1 million.
- Aviation planning studies reduced, deferred or eliminated drive a \$2.2 million decrease.
- Maritime maintenance dredging costs decrease by \$1.4 million due to anticipated lower volumes and disposal costs.
- Airport Rescue and Firefighting (ARFF) lower by \$0.8 million.
- Cooperative marketing lower by \$0.8 million.
- All other expenses are budgeted to increase in aggregate by \$2.5 million.

## **FY 2021 NON-OPERATING REVENUE & EXPENSE BUDGET HIGHLIGHTS AND ASSUMPTIONS**

*Note: All comparisons are to FY 2020 Budget, unless otherwise noted.*

- Interest income of \$4.8 million is budgeted \$2.0 million lower as interest rate on Port funds assumed to be 1.4% compared to 2.3% in FY 2020 Budget.
- Interest expense of \$33.1 million, which includes letter of credit (LOC) fees and accounting accruals, is lower by \$1.6 million (-4.7%) due to 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 1.85% to 5.125%.
  - The Port assumes a 1.60% interest rate for its outstanding Commercial Paper (CP) Notes.
- Passenger Facility Charges (PFCs) of \$11.9 million is \$14.8 million (-55.4%) lower compared to FY 2020 Budget, reflecting the significant decline in projected passenger activity level for FY 2021. 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 \$2.3 million is \$2.8 million (-54.8%) lower compared to FY 2020 Budget due to lower anticipated rental car transactions. In comparison to FY 2020 anticipated actuals, FY 2021 budgeted CFCs is 29.1% lower. CFCs are used to reimburse rental car 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) includes \$19.1 million in Coronavirus Aid, Relief, and Economic Security (CARES) Act reimbursements, \$3.0 million from the sale of Low Carbon Fuel Standard (LCFS) credits, \$2.7 million in payments to the City for general services and Lake Merritt maintenance, and \$0.9 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 \$4.5 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 2022 TO 2025 REVENUE PROJECTION HIGHLIGHTS AND ASSUMPTIONS**

- Port-wide Operating Revenues projected to increase from \$340.0 million in FY 2021 to \$426.0 million in FY 2025, for a compound annual growth rate of 5.8%.
- Aviation Revenues projected to increase from \$157.0 million in FY 2021 to \$217.8 million in FY 2025 for a compound annual growth rate of 8.5%.
  - Enplanements assumed to increase 25% annually in FY 2022 through FY 2023 before moderating to 10% annually in FY 2024 through FY 2025.
  - Landing fees and terminal rent revenues are in general projected to increase due to forecasted increases in operating costs.
  - Parking revenues are forecasted to increase at 25% annually in FY 2022 through FY 2023 and moderating to 10% annually in FY 2024 through FY 2025.
  - TNC revenues increase 28% in FY 2022, 28% in FY 2023, 13% in FY 2024, and 13% in FY 2025 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 \$167.3 million in FY 2021 to \$187.9 million in FY 2025, for a compound annual growth rate of 3.0%.
  - Full TEUs assumed to increase 1.5% 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.
  - Revenue from other tenants (non-marine terminal and non-rail terminal) assume scheduled or anticipated lease terms, rent increases driven by anticipated Tariff increases, anticipated new tenancies, and anticipated loss of tenancies due to development activities.
  - Rail terminal revenue is based on 1% activity growth in FY 2022 – FY 2025, as well as current and anticipated lease terms.
  - Utilities revenues anticipated to increase at a compound annual growth rate of 1.0%.
- CRE Revenues projected to increase from \$15.7 million in FY 2021 to \$20.3 million in FY 2025, for a compound annual growth rate of 6.6%. 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 2022 TO 2025 OPERATING EXPENSE PROJECTION HIGHLIGHTS AND ASSUMPTIONS**

- Operating Expenses before Depreciation and Amortization are assumed to increase from \$234.9 million in FY 2021 to \$259.2 million in FY 2025, for a compound annual growth rate of 2.5% per year from FY 2021 through FY 2025.
- Personnel costs assumed to increase at a compound annual growth rate of 1.6% from FY 2021 through FY 2025.
  - FTEs assumed unchanged at 515.
  - Medical premiums assumed to increase 5% per year during this timeframe.
  - CalPERS employer pension contribution rate assumed to be 42.8% in FY 2021 rising to an estimated 48.1% in FY 2024 and then declining to 42.0% in FY 2025 based on CalPERS projections reflecting updated mortality study and reduction in discount rate from 7.5% to 7.0%. The Port's projections reflect 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 labor MOUs through FY 2022, and thereafter adjusted by approximately CPI.
  - Assume vacancy factor of 41 FTEs due to retirements, normal attrition, and normal lags in hiring; results in reduction of personnel costs of approximately \$8.3 million in FY 2021, increasing to \$9.3 million in FY 2025.
- Contractual services, general and administrative costs, and supplies take into account anticipated changes, but otherwise assume expenses will grow at 3% per year. Contractual services are assumed to grow at a compound annual growth rate of 3.6% based on one-time expenditures during this time period and fluctuations in major maintenance and maintenance dredging. General and administrative costs, and supplies increase 2.9%, and 3.1%, respectively, for this time period.
- Utility Cost of Sales changes are driven by anticipated changes in customer usage and rates.

**FY 2022 TO 2025 NON-OPERATING REVENUE & EXPENSE PROJECTION HIGHLIGHTS AND ASSUMPTIONS**

- Interest income is anticipated to increase modestly during FY 2022 to FY 2024 as interest earnings rate assumed at 1.30% before increasing to 1.40% in FY 2025.
- 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 1.6%, 1.6%, 1.7%, and 1.8%, respectively, in FY 2022 through FY 2025.
- PFCs projected to increase at the same rate as projected passenger growth rate.
- CFCs projected to increase at the same rate as projected passenger growth rate.
- Other income (expense) assumes \$12.7 million and \$12.8 million in CARES Act reimbursements in FY 2022 and FY 2023, \$3.0 million annually from the sale of LCFS credits, \$2.7 million for City general services and Lake Merritt maintenance increases 4.0% annually, and the final \$0.9 million in retroactive CalPERS retirement contributions for Airport servicemen in FY 2022 based on established repayment schedule.



- Loss on abandoned and demolished assets assumed to be \$1.8 million in FY 2022 and \$2.5 million in FY 2023 due to demolition of old and obsolete buildings at the Airport and demolition of cranes, buildings and obsolete equipment at the Seaport. Losses anticipated at \$6.7 million in FY 2024 and \$7.8 million in FY 2025 due primarily to the design and demolition of the Oakland Maintenance Center at the Airport (2-year project) and additional demolition of cranes, buildings, and equipment at the Seaport.
- 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 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, 2019 THROUGH 2025**  
(In \$Thousands)

Division	Actual 2018-19	Budget 2019-20	Budget 2020-21	Projected 2021-22	Projected 2022-23	Projected 2023-24	Projected 2024-25	Variance 2021B vs. 2020B B/(W)	% Variance 2021B vs. 2020B B/-W
<b>Operating Revenue</b>									
Aviation	\$ 208,022	\$ 210,265	\$ 156,952	\$ 181,628	\$ 194,222	\$ 211,556	\$ 217,769	\$ (53,313)	-25.4%
Maritime	170,975	170,203	167,276	171,284	178,601	184,110	187,912	(2,926)	-1.7%
CRE	17,999	17,541	15,747	18,477	19,283	19,870	20,297	(1,793)	-10.2%
<b>Total Operating Revenue</b>	<b>396,997</b>	<b>398,008</b>	<b>339,975</b>	<b>371,388</b>	<b>392,107</b>	<b>415,535</b>	<b>425,978</b>	<b>(58,032)</b>	<b>-14.6%</b>
<b>Operating Expenses</b>									
Aviation	(98,235)	(116,355)	(101,696)	(107,275)	(110,798)	(113,420)	(114,219)	14,659	12.6%
Maritime	(25,657)	(35,850)	(32,007)	(37,644)	(37,295)	(35,851)	(34,704)	3,843	10.7%
Commercial Real Estate	(7,486)	(7,650)	(7,756)	(7,876)	(8,074)	(8,345)	(8,522)	(106)	-1.4%
Utilities Cost of Sales	(6,586)	(8,015)	(8,184)	(9,132)	(9,254)	(9,348)	(9,441)	(169)	-2.1%
Executive	(5,879)	(6,888)	(5,832)	(5,750)	(5,965)	(6,162)	(6,199)	1,056	15.3%
Board	(457)	(592)	(568)	(607)	(624)	(645)	(652)	24	4.1%
Audit	(1,325)	(1,716)	(1,727)	(1,737)	(1,776)	(1,837)	(1,825)	(11)	-0.7%
Legal	(5,186)	(5,850)	(5,156)	(5,140)	(5,339)	(5,519)	(5,530)	694	11.9%
Chief Operating Officer	(32,921)	(40,281)	(36,649)	(37,674)	(38,472)	(39,721)	(40,022)	3,632	9.0%
Finance & Administration	(16,327)	(17,547)	(17,070)	(17,188)	(17,724)	(18,244)	(18,314)	477	2.7%
Non-Departmental Expenses	(20,797)	(25,879)	(23,255)	(23,743)	(24,255)	(24,784)	(25,329)	2,624	10.1%
Absorption of Labor & Overhead to Capital Assets	4,823	6,985	4,978	5,103	5,256	5,413	5,576	(2,007)	-28.7%
Depreciation & Amortization	(114,921)	(119,036)	(125,179)	(125,809)	(124,376)	(116,449)	(117,825)	(6,143)	-5.2%
<b>Total Operating Expenses</b>	<b>(330,953)</b>	<b>(378,675)</b>	<b>(360,101)</b>	<b>(374,471)</b>	<b>(378,697)</b>	<b>(374,912)</b>	<b>(377,008)</b>	<b>18,574</b>	<b>4.9%</b>
<b>Operating Income (A)</b>	<b>66,044</b>	<b>19,333</b>	<b>(20,125)</b>	<b>(3,083)</b>	<b>13,410</b>	<b>40,624</b>	<b>48,971</b>	<b>(39,459)</b>	<b>-204.1%</b>
<b>Non-Operating Items</b>									
Interest Income	13,363	6,780	4,800	4,251	4,260	4,268	4,559	(1,980)	-29.2%
Interest Expense	(36,604)	(34,691)	(33,052)	(31,267)	(28,887)	(26,386)	(24,614)	1,639	4.7%
Passenger Facility Charges (PFC's)	25,819	26,773	11,942	14,927	18,659	20,525	22,577	(14,832)	-55.4%
Customer Facility Charges (CFC's)	5,421	5,113	2,311	2,889	3,611	3,972	4,370	(2,801)	-54.8%
Customer Facility Charge Expenses	(5,440)	(5,186)	(2,311)	(2,889)	(3,611)	(3,972)	(4,370)	2,875	55.4%
Gain (Loss) on Sale (Disposal) of Capital Assets	(10,864)	(1,640)	(4,825)	(1,785)	(2,450)	(6,680)	(7,825)	(3,185)	-194.2%
Other Income (Expenses)	(3,274)	(3,483)	18,545	12,033	12,946	9	(111)	22,028	632.4%
<b>(B)</b>	<b>(11,578)</b>	<b>(6,334)</b>	<b>(2,591)</b>	<b>(1,842)</b>	<b>4,527</b>	<b>(8,265)</b>	<b>(5,414)</b>	<b>3,743</b>	<b>59.1%</b>
<b>Capital Contributions</b>									
Grants from Government Agencies (C)	8,238	16,019	17,470	11,040	10,780	8,428	13,760	1,451	9.1%
<b>CHANGE IN NET ASSETS (A+B+C)</b>	<b>\$ 62,703</b>	<b>\$ 29,018</b>	<b>\$ (5,246)</b>	<b>\$ 6,116</b>	<b>\$ 28,717</b>	<b>\$ 40,787</b>	<b>\$ 57,317</b>	<b>\$ (34,265)</b>	<b>-118.1%</b>
Net Assets, Beginning of the Year	1,200,987	1,263,691	1,292,709	1,287,462	1,293,578	1,322,296	1,363,082	29,018	2.3%
<b>Net Assets, End of the Year</b>	<b>\$ 1,263,691</b>	<b>\$ 1,292,709</b>	<b>\$ 1,287,462</b>	<b>\$ 1,293,578</b>	<b>\$ 1,322,296</b>	<b>\$ 1,363,082</b>	<b>\$ 1,420,399</b>	<b>\$ (5,246)</b>	<b>-0.4%</b>
Senior Lien Debt Service Coverage Ratio	4.21	3.07	1.91	1.90	2.18	2.52	2.68		
Intermediate Lien Debt Service Coverage Ratio	2.08	1.56	1.40	1.58	1.77	1.73	1.84		
Aggregate Debt Service Coverage Ratio	1.94	1.40	1.38	1.44	1.65	1.63	1.75		
Funded FTE's (Full-Time Equivalent)	461	514	515	515	515	515	515		

**OPERATING EXPENSES BY CATEGORY**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2019 THROUGH 2025**  
(\$ Thousands)

	Actual 2018-19	Budget 2018-19	Budget 2019-20	Budget 2020-21	Variance 2021B vs. 2020B/(W)	% Variance 2021B vs. 2020B/(W)	Projected 2021-22	Projected 2022-23	Projected 2023-24	Projected 2023-25
			[A]	[B]	[B-A=C]					
Personnel Services	\$118,671	\$117,623	\$131,530	\$126,614	\$4,916	3.7%	\$125,810	\$130,635	\$134,925	\$134,814
Contractual Services	74,247	93,539	101,443	83,002	18,441	18.2%	95,743	96,058	95,344	95,616
Supplies	6,432	4,262	4,534	4,824	(290)	(6.4%)	4,979	5,125	5,282	5,453
General & Administrative	15,197	20,774	21,512	17,638	3,874	18.0%	18,421	18,833	19,312	19,778
Utilities	6,586	8,130	8,015	8,184	(169)	(2.1%)	9,132	9,254	9,348	9,441
Departmental Credits	(5,102)	(9,113)	(7,395)	(5,340)	(2,055)	(27.8%)	(5,422)	(5,583)	(5,749)	(5,919)
<b>Operating Expenses before Depreciation</b>	<b>216,032</b>	<b>235,216</b>	<b>259,639</b>	<b>234,922</b>	<b>24,717</b>	<b>9.5%</b>	<b>248,662</b>	<b>254,320</b>	<b>258,463</b>	<b>259,182</b>
Depreciation & Amortization	114,921	116,956	119,036	125,179	(6,143)	(5.2%)	125,809	124,376	116,449	117,825
<b>Total Operating Expenses</b>	<b>\$330,953</b>	<b>\$352,172</b>	<b>\$378,675</b>	<b>\$360,101</b>	<b>\$18,574</b>	<b>4.9%</b>	<b>\$374,471</b>	<b>\$378,697</b>	<b>\$374,912</b>	<b>\$377,008</b>

## **PORT ORGANIZATION**

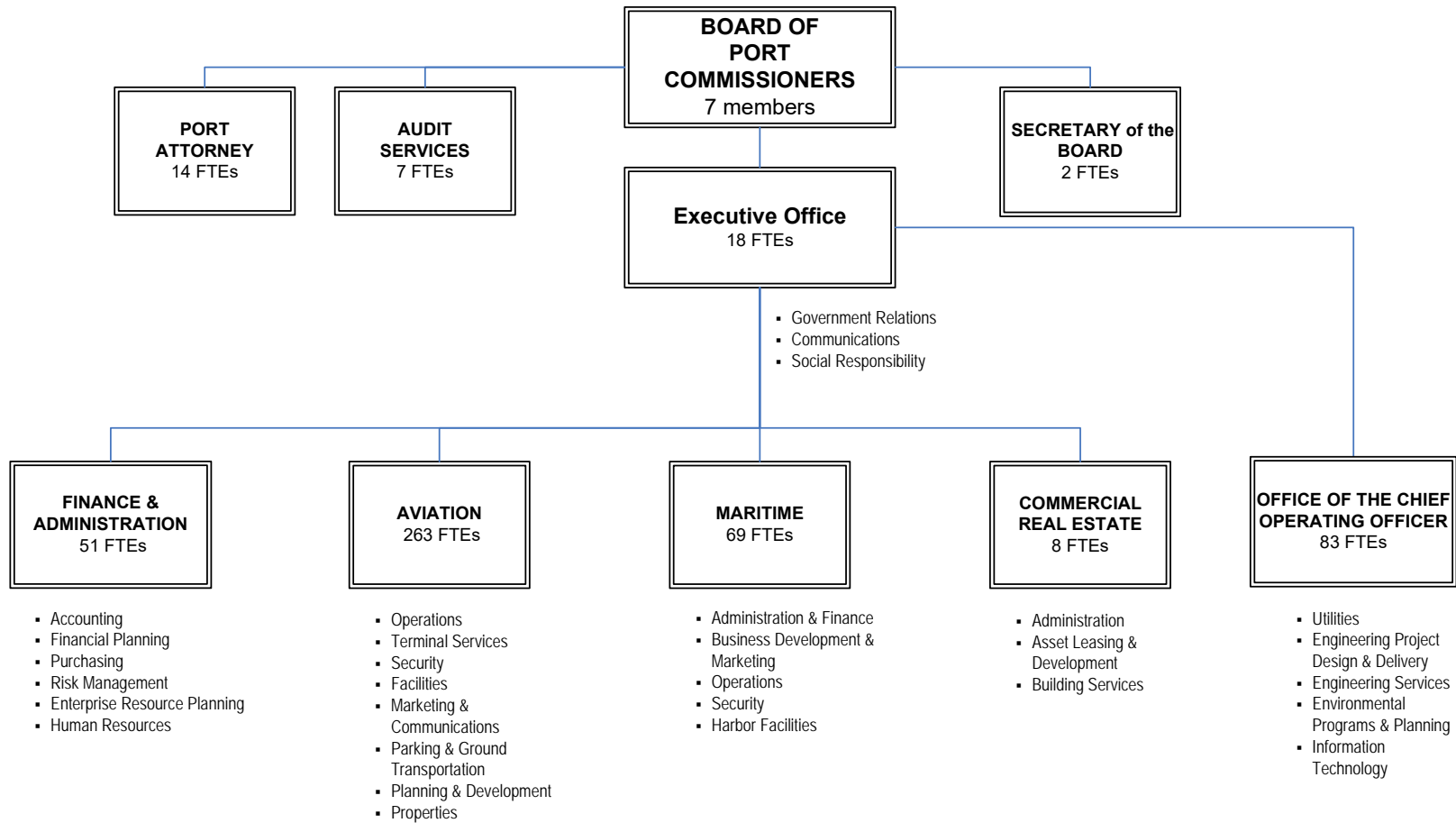
The chart on the following page illustrates the Port's organizational structure.

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# PORT OF OAKLAND ORGANIZATION CHART

Fiscal Year 2020-21

515 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 2021, staffing levels increase to 515 FTEs from 514 FTEs resulting from the newly created position of the Chief Operating Officer. In FY 2020, staffing levels increased to 514 FTEs from 507 FTEs resulting from the addition of new positions in Aviation. A summary of staffing by Division is provided in the chart on the following page.

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## STAFF SUMMARY

*(FULL-TIME EQUIVALENT)*

	Actual 2018-19 <sup>1</sup>	Budget 2018-19	Budget 2019-20	Budget 2020-21	Projected 2021-22	Projected 2022-23	Projected 2023-24	Projected 2024-25
<b><u>FTEs</u></b>								
Aviation	235	256	263	263	263	263	263	263
Maritime	63	69	69	69	69	69	69	69
Commercial Real Estate	7	8	8	8	8	8	8	8
Operations Office	75	82	82	83	82	82	82	82
Finance and Administration	47	51	51	51	51	51	51	51
Executive Office	17	18	18	18	18	18	18	18
Port Attorney	13	14	14	14	14	14	14	14
Audit Services	7	7	7	7	7	7	7	7
Office of Board of Port Commissioners	2	2	2	2	2	2	2	2
<b>Total FTEs<sup>1</sup></b>	<b>466</b>	<b>507</b>	<b>514</b>	<b>515</b>	<b>515</b>	<b>515</b>	<b>515</b>	<b>515</b>

<sup>1</sup> FY 2018-19 Total FTEs represents the number of FTEs on payroll on June 30, 2019.

## PERSONNEL COSTS BY DIVISION<sup>1</sup>

(\$ Thousands)

	Actual 2018-19	Budget 2018-19	Budget 2019-20	Budget 2020-21	Projected 2021-22	Projected 2022-23	Projected 2023-24	Projected 2024-25
Aviation	46,961	46,635	53,410	51,530	51,089	53,211	55,096	54,977
Maritime	14,430	14,170	15,911	16,060	15,887	16,547	17,116	17,048
Commercial Real Estate	1,790	1,688	1,863	1,854	1,831	1,907	1,973	1,961
Executive Office	4,415	4,135	4,857	3,866	3,819	3,977	4,114	4,090
Operations Office	17,855	17,399	19,688	19,597	19,366	20,166	20,867	20,748
Board of Port Commissioners	367	413	457	466	463	482	499	495
Audit Services	1,356	1,425	1,682	1,696	1,674	1,743	1,803	1,791
Port Attorney	4,148	3,950	4,481	3,980	3,929	4,092	4,234	4,207
Finance and Administration	10,953	10,530	11,682	10,732	10,621	11,061	11,446	11,382
Non-Departmental <sup>2</sup>	16,396	17,278	17,768	16,832	17,132	17,450	17,777	18,115
<b>TOTAL PERSONNEL SERVICES<sup>3</sup></b>	<b>118,671</b>	<b>117,623</b>	<b>131,530</b>	<b>126,614</b>	<b>125,810</b>	<b>130,635</b>	<b>134,925</b>	<b>134,814</b>

<sup>1</sup> 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 2019 and FY 2020 Budgets and 41 FTEs assumed in FY 2021 and FY 2022-25 projections. Vacancy factor is due to normal attrition and lags in hiring.

<sup>2</sup> Non-Departmental personnel costs include, but are not limited to, retiree medical expenses, workers' compensation costs, vacation and sick leave accruals, retroactive pension costs, and unemployment insurance.

<sup>3</sup> Totals may not add up due to rounding.



## PERSONNEL COSTS

(\$ Thousands)

	Actual 2018-19	Budget 2018-19	Budget 2019-20	Budget 2020-21
Salaries and Wages	58,023	61,890	65,230	61,639
Pension	27,044	22,804	32,166	32,769
Health Care – Retirement	9,416	13,203	13,478	12,152
Health Care – Active	9,160	10,164	10,115	9,690
Overtime	5,336	3,384	3,930	3,615
Workers' Compensation	4,527	2,150	1,970	2,360
Vacation/Sick Leave	2,003	1500	1,900	1,900
Medicare	947	897	946	894
Life, Disability, Accident Insurance	778	668	777	763
Training and Education	377	656	713	475
Other	1,060	307	306	357
<b>Total Personnel Costs<sup>1</sup></b>	<b>118,671</b>	<b>117,623</b>	<b>131,530</b>	<b>126,614</b>
FTEs	466 <sup>2</sup>	507	514	515
Vacancy Factor <sup>3</sup>	n/a	25	25	41

<sup>1</sup> Totals may not add up due to rounding.

<sup>2</sup> On June 30, 2019, there were 466 FTEs on payroll.

<sup>3</sup> Due to normal attrition, lags in hiring, and hiring freeze in FY 2020-21.

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# AVIATION DIVISION



# AVIATION AREA MAP



## AVIATION DIVISION FUNCTION

### **AVIATION ADMINISTRATION**

Aviation Administration manages, promotes, and develops air transportation facilities for use by the traveling public and tenants in a manner that prioritizes safety, security, and customer experience, and maximizes OAK's economic contribution to the City and the surrounding region, while caring for Oakland's community and environment.

### **AIRPORT OPERATIONS**

Airport Operations provides 24/7 safety, security, crash, fire and emergency medical services, assigns and manages aircraft gates, manages noise and environmental issues, manages airfield surfaces and coordinates with Airport Facilities Maintenance and Planning and Development regarding the maintenance and improvement of facilities. Staff inspects and maintains the Airport's operational facilities to ensure compliance with FAA, TSA, CBP, and other regulatory standards. Staff also assists in ensuring facilities are safe, secure, and serve Airport customers by monitoring terminal and landside areas such as checkpoint and ticket counter activities.

### **AIRPORT TERMINAL SERVICES**

Airport Terminal Services manages passenger terminal facilities and operations 24/7, interacts with airlines for space requirements, assigns ticket counters, ensures that terminal facilities serve Airport customers, manages custodial services, manages the Airport signage program, coordinates with TSA regarding the security checkpoint screening area and CBP regarding the international processing.

### **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 and 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 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 PARKING AND GROUND TRANSPORTATION**

Aviation Parking and Ground Transportation manages Airport public and employee parking facilities, including operations, revenue control, shuttle services, and related management contracts supporting a safe, secure, and convenient customer and employee experience on the landside of the Airport.

**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 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.

## AVIATION DIVISION

### ACTIVITY LEVELS

(Thousands)

	<b>Actual 2018-19</b>	<b>Budget 2019-20</b>	<b>Budget 2020-21</b>	<b>Projected 2021-22</b>	<b>Projected 2022-23</b>	<b>Projected 2023-24</b>	<b>Projected 2024-25</b>
Total							
Passengers	14,111	13,818	6,163	7,704	9,630	10,593	11,652
% Growth	5.6%	(2.1%)	(55.4%)	25.0%	25.0%	10.0%	10.0%
Enplaned							
Passengers	7,056	6,909	3,082	3,852	4,815	5,296	5,826
% Growth	5.7%	(2.1%)	(55.4%)	25.0%	25.0%	10.0%	10.0%
Airline Seats	17,149	17,926	12,218	12,218	12,982	13,631	14,994
% Growth	0.0%	4.5%	(31.8%)	0.0%	6.3%	5.0%	10%
Landing							
Weight	12,085,090	11,662,500	8,075,114	8,072,752	8,577,299	9,006,164	9,906,781
% Growth	6.5%	(3.5%)	(30.8%)	0%	6.3%	5.0%	10.0%
Parking							
Transactions	961	921	395	494	617	679	747
% Growth	0.7%	(4.2%)	(56.7%)	25.1%	24.9%	10.0%	10%

- Budgeted FY 2020-21 passengers are 6.2 million or 55.4% lower than FY 2019-20 Budget, and 33.0% lower than anticipated FY 2019-20 passengers.
- Passenger growth is assumed to recover by 25.0% annually in FY 2021-22 and FY 2022-23 following the dramatic decline anticipated in FY 2021. Passenger growth moderates to 10% annually in FY 2023-24 and FY 2024-25.
- Budgeted FY 2020-21 airline seat capacity is 12.2 million or 31.8% lower than FY 2019-20 Budget, and 16.1% lower than anticipated FY 2019-20 seat capacity.
- Budgeted FY 2020-21 landing weight is 8.1 million or 30.8% lower than FY 2019-20 Budget, and 15.0% lower than anticipated FY 2019-20 landing weight.
- Budgeted FY 2020-21 parking transaction volume is 395,000 or 56.7% lower than FY 2019-20 Budget, and 34.2% lower than anticipated FY 2019-20 parking transactions. Parking transaction volume is anticipated to increase 25% annually in FY 2021-22 through FY 2022-23 and then by 10% annually in FY 2023-24 and FY 2024-25.

## AVIATION DIVISION OPERATING REVENUES

(\$ Thousands)

	<b>Actual 2018-19</b>	<b>Budget 2019-20</b>	<b>Budget 2020-21</b>	<b>Projected 2021-22</b>	<b>Projected 2022-23</b>	<b>Projected 2023-24</b>	<b>Projected 2024-25</b>
Airfield Revenue	41,179	40,495	36,501	43,756	45,650	48,618	48,599
Terminal Rent	63,000	66,728	52,501	58,614	58,130	63,921	64,141
Parking and Ground Access	44,167	43,706	21,255	26,700	33,544	37,119	41,078
Other Airport Rentals	31,614	32,186	31,708	32,609	33,595	33,996	35,448
Car Rental	12,064	12,131	4,518	6,768	8,460	11,280	11,280
Terminal Concessions	9,937	9,281	4,179	6,543	8,110	9,814	10,332
Fueling Revenue	2,852	2,928	3,174	3,214	3,254	3,296	3,338
Utilities Sales	4,120	2,370	3,302	3,348	3,400	3,443	3,477
Miscellaneous & Other Charges	770	558	414	324	330	319	325
Subtotal	209,433	210,385	157,552	181,878	194,472	211,806	218,019
Bad Debt Reserve	(1,411)	(120)	(600)	(250)	(250)	(250)	(250)
<b>TOTAL</b>	<b>208,022</b>	<b>210,265</b>	<b>156,952</b>	<b>181,628</b>	<b>194,222</b>	<b>211,556</b>	<b>217,769</b>

- FY 2020-21: Lower airfield revenue budgeted due to a prior year true up and a significant reduction in anticipated operating and debt service expenses utilizing CARES Act grants. Lower terminal rent reflects lower anticipated operating and debt service expenses using CARES Act grants, and changes in composition of preferential and common use gates leased by air carriers. Lower terminal concession revenues are due to lower passengers and delays in the build out of space by the new food and beverage concessionaires. Parking and ground access revenues are projected to significantly decrease driven by lower passenger enplanements. Other Airport rentals lower due to lower anticipated space rents partially offset by increase in cargo rents. Car rental revenue declines sharply from significantly less passenger activity. Utility sales higher primarily due to higher rates as an assumed rate reduction in early FY 2019-20 did not materialize.
- FY 2022-25: Airfield revenue and terminal rent increases reflect higher anticipated operating expenses partially offset by lower debt service utilizing CARES Act grants and reductions in aviation planning studies. 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. Utility sales are anticipated to grow 1.0% to 1.5% per year beginning FY 2021-22 due to increased usage and rates.



## AVIATION DIVISION OPERATING EXPENSES

(\$ Thousands)

	Actual 2018-19	Budget 2019-20	Budget 2020-21	Projected 2021-22	Projected 2022-23	Projected 2023-24	Projected 2024-25
Personnel Services	46,961	53,410	51,530	51,088	53,211	55,096	54,976
Contractual Services	45,424	57,354	46,345	52,115	53,392	54,005	54,800
Supplies	3,727	2,508	2,339	2,411	2,485	2,563	2,648
General & Administrative	2,123	3,083	1,482	1,661	1,710	1,756	1,795
<b>TOTAL</b>	<b>98,235</b>	<b>116,355</b>	<b>101,696</b>	<b>107,275</b>	<b>110,798</b>	<b>113,420</b>	<b>114,219</b>
<i>FTEs (headcount)</i>	<i>235</i>	<i>263</i>	<i>263</i>	<i>263</i>	<i>263</i>	<i>263</i>	<i>263</i>

### **Personnel Services**

- FY 2020-21: Assumes salaries adjusted by 4.0% due to labor MOUs (COLAs and step increases). CalPERS pension employer contribution rate assumed to increase from 39.5% to 42.8%. Medical premiums assumed to increase 5.5% on January 1, 2021. Dental, vision, and EAP premiums assumed to increase 3% on January 1, 2021. Vacancy factor of 20 FTEs or \$3.5 million assigned directly to Aviation due to normal attrition and hiring freeze. Overtime decreases \$0.4 million. Assumes anticipated labor adjustments negotiated and realized.
- FY 2021-22 through FY 2024-25: CalPERS pension employer contribution rate assumed to increase to 46.0%, 45.6%, and 48.1%, respectively, before decreasing to 42.0%. Medical premiums assumed to increase 5%. Dental, vision, and EAP premiums assumed to increase 3% annually. Salary adjustments are based on labor MOUs in FY 2021-22 and thereafter adjusted by approximately CPI.

### **Contractual Services**

- FY 2020-21: \$11.0 million lower mainly due to decreases in parking lot and ground transportation operations of \$3.6 million, aviation planning studies of \$2.2 million, repairs and maintenance related expenses of \$1.7 million, private security of \$1.2 million, US Customs and Border Patrol (CBP) of \$1.1 million, and Airport Rescue and Firefighting (ARFF) of \$0.8 million.
- FY 2021-22: \$5.8 million higher mainly due to increases in parking and ground transportation operations of \$1.8 million, ASCO of \$1.6 million, repairs and maintenance related expenses of \$0.8 million, ARFF of \$0.4 million, and aviation planning studies of \$1.1 million.
- FY 2022-23 through FY 2024-25: Expenses reflect anticipated changes, otherwise, assumes expenses will increase approximately 3% each year. Airport planning study expenditures expected to decrease per year by \$1.3 million, \$1.7 million, and \$1.5 million. ACSO assumed to increase 7% in FY 2022-23 and then 5% annually thereafter.

### **Supplies**

- FY 2020-21: Decrease of \$0.2 million due primarily to reduced maintenance materials and safety supplies.
- FY 2021-22 through FY 2024-25: Expenses assumed to increase approximately 3% each year.

**General & Administrative**

- FY 2020-21: Expenses lower by \$1.6 million due the elimination of cooperative marketing of \$0.8 million, lower marketing and advertising of \$0.6 million, travel of \$0.1 million, and special events of \$0.1 million.
- FY 2021-22 through FY 2024-25: Expenses assumed to increase approximately 3% each year. Marketing and advertising expenses anticipated to increase temporarily by 19% in FY 2021-22 to provide marketing support for the new food and beverage concessionaires and then by 2.8% thereafter.

# MARITIME DIVISION



# MARITIME AREA MAP



## MARITIME DIVISION

### FUNCTION

The Maritime Division leases, manages, promotes, and develops maritime-related logistics facilities, services, and programs, which stimulate international trade and generate revenue – all to support the mission of the Port and 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 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, major project delivery, 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, as well as the Port's dredging program;

- Ensures that Port Tariff requirements and agreement terms are enforced;
- Identifies and monitors maintenance needs, and helps ensure that Seaport facilities are maintained appropriately, working closely with Engineering Project Design & Delivery and Harbor Facilities (see below);
- 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; and
- Plans, develops, implements, and evaluates Seaport security programs, projects, and public safety activities in the Seaport.

The Division's project managers support each of the key functional areas described above. Collectively, working closely with Engineering Project Design & Delivery and Harbor Facilities (see below), they are responsible for the implementation and/or oversight of various projects necessary to improve operations, meet contractual obligations, and meet long-term planning and business objectives.

### **HARBOR FACILITIES**

Harbor 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. Harbor Facilities also provides support during construction of capital projects, performs regular and preventive maintenance, administers certain major maintenance projects, and provides first response and stabilization during emergencies and natural disasters. Below are the major functions of the department:

- *Facilities Management* plans, leads, organizes and controls the department's budget, programs, resource management and cost allocation.
- *General Maintenance* performs a wide variety of maintenance services such as roofing, paving, building maintenance, signage, landscaping/gardening/weed-abatement, and maintenance and sweeping of Port-controlled roads.
- Maintains most Port-owned water and power distribution systems within the Seaport and CRE areas. Responsibilities include maintenance and/or installation of fire prevention services; electrical substations and sewer lift station lighting; electrical and mechanical systems for certain buildings; and above/underground utilities.
- *Fleet Maintenance* maintains and services Port vehicles, construction equipment, and aircraft crash and fire rescue vehicles.

- *Diving Services* plans, coordinates, and performs inspection and repair of the Port's waterfront marine structures throughout the Maritime area, as well as in the CRE areas and the Runway 12/30 approach light structure, tide gates and security buoys at OAK. 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.

## MARITIME DIVISION

### ACTIVITY LEVELS

	<b>Actual 2018-19</b>	<b>Budget 2019-20</b>	<b>Budget 2020-21</b>	<b>Projected 2021-22</b>	<b>Projected 2022-23</b>	<b>Projected 2023-24</b>	<b>Projected 2024-25</b>
Number of Vessel Calls	1,488	1,575	1,339	1,339	1,339	1,339	1,339
Total TEUs <sup>1</sup>	2,589,698	2,534,173	2,197,857	2,228,380	2,259,337	2,290,733	2,322,575
Total TEU Growth	5.8%	-2.1%	-13.3%	1.39%	1.39%	1.39%	1.39%
Full TEUs	1,888,331	1,882,431	1,708,945	1,734,579	1,760,598	1,787,007	1,813,812
Full TEU Growth	2.0%	-0.3%	-9.2%	1.5%	1.5%	1.5%	1.5%
Empty TEUs	701,367	651,742	488,911	493,801	498,739	503,726	508,763
Empty TEU Growth	17.6%	-7.1%	-25.0%	1.0%	1.0%	1.0%	1.0%

<sup>1</sup> 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 2020-21 through FY 2024-25 are held flat to FY 2019-20 anticipated vessel calls (1,339 calls, which is approximately 10.0% lower than FY 2018-19 Actual).
- Budgeted FY 2020-21 Total TEUs is 10% lower than Anticipated FY 2019-20 Total TEUs of approximately 2.44 million TEUs or 13.3% lower than FY 2019-20 Budget and 15.1% lower than FY 2018-19 Actual.
  - Budgeted FY 2020-21 Full TEUs is 10% lower than Anticipated FY 2019-20 Full TEUs of 1.90 million or 9.2% lower than FY 2019-20 Budget and 9.5% lower than FY 2018-19 Actual.
  - Budgeted FY 2020-21 Empty TEUs is 10% lower than Anticipated FY 2019-20 Empty TEUs of 0.54 million or 25% lower than FY 2019-20 Budget and 30.3% lower than FY 2018-19 Actual.
- Total budgeted cargo is anticipated to decline by approximately 13.3% in FY 2020-21 relative to FY 2019-20 Budget (and -10% relative to FY 2019-20 anticipated), due to (a) conservative assumption for imported goods due to anticipated declines in consumer demand through FY 2024-25, and (b) early signs of weakness in key Asian markets for exports – all of which are associated with COVID-19

pandemic. Therefore, FY 2020-21 Budget Total TEUs are about 10% lower than Anticipated FY 2019-20 Total TEUs.

- FY 2022-25: Full TEU growth assumed at 1.5% annually. Empty TEU growth assumed at 1% annually. Anticipated full cargo growth rates in FY 2021-22 through FY 2024-25 are conservatively assumed at 1.5% in anticipation of future incremental growth despite current economic challenges.
- Therefore, FY 2020-21 Budget Total TEUs decline by approximately 10% compared to Anticipated FY 2019-20 Total TEUs. Total TEUs also grow by approximately 1.4% annually in FY 2021-22 through FY 2024-25.

## MARITIME DIVISION OPERATING REVENUES

(\$ Thousands)

	<b>Actual 2018-19</b>	<b>Budget 2019-20</b>	<b>Budget 2020-21</b>	<b>Projected 2021-22</b>	<b>Projected 2022-23</b>	<b>Projected 2023-24</b>	<b>Projected 2024-25</b>
Marine Terminals	120,550	120,870	120,203	118,717	123,252	125,700	126,917
Rail Terminals	3,979	3,607	3,384	3,519	3,642	4,356	4,600
Other Revenue	32,071	33,857	31,192	36,234	38,751	40,953	43,164
Utility Sales	14,384	11,524	12,446	12,688	12,831	12,975	13,105
Miscellaneous	0	596	301	376	376	376	376
Subtotal	170,983	170,453	167,526	171,534	178,851	184,360	188,162
Bad Debt Reserve	(8)	(250)	(250)	(250)	(250)	(250)	(250)
<b>TOTAL</b>	<b>170,975</b>	<b>170,203</b>	<b>167,276</b>	<b>171,284</b>	<b>178,601</b>	<b>184,110</b>	<b>187,912</b>

- FY 2020-21: Assumes 10% decrease in TEUs (both full and empty) at marine terminals relative to FY 2019-20 anticipated actuals. Rail activity assumed to increase 1% relative to FY 2019-20 anticipated actuals.
  - Marine Terminals revenue is projected to decrease by approximately \$1.7 million in FY 2020-21 from FY 2019-20 anticipated actuals. This is primarily due to a drop in variable revenue at each marine terminal because of projected decreases in cargo volumes in FY 2020-21, and an anticipated fixed rent reduction at one terminal associated with the removal of three Port-owned cranes from service (to be replaced by tenant-owned cranes). Decreases in variable rent are partially offset by an increase in fixed rent at one marine terminal. Relative to FY 2019-20 Budget, marine terminals revenues are anticipated to decrease approximately \$0.7 million for the same reasons.
  - Revenue from Rail Terminals is based on scheduled rate increases per current lease terms. FY 2020-21 budgeted cargo activity at the rail terminal is forecast to be 38% lower than the FY 2019-20 budget, based on actual activity in FY 2019-20 year-to-date.
  - Other Revenue in FY 2020-21 is projected to be approximately \$2.4 million lower than FY 2019-20 anticipated actuals and approximately \$2.7 million lower than FY 2019-20 Budget. The



decrease relative to FY 2019-20 anticipated actuals are primarily due to anticipated declines in truck parking/container depot revenue, partially offset by revenue from new tenancies in areas formerly used for truck parking/container depot operations. The decrease relative to FY 2019-20 Budget additionally includes some projected revenue from new short term tenancies which did not materialize. Lastly, no Tariff rate increase for land rental is currently anticipated in FY 2020-21, which dampens revenue growth.

- Utility sales assumed to increase in FY 2020-21 due to higher rates as the anticipated rate reduction in FY 2019-20 did not materialize.
- Miscellaneous revenue decreases due to updated projections for fees collected from Licensed Motor Carriers under the Port's Comprehensive Truck Management Plan (CTMP).
- FY 2022-25: Revenue is based on forecasted cargo activity growth, and current or anticipated lease terms. More specifically:
  - Marine Terminals revenue is based on forecasted full TEU growth of 1.5% in in FY 2021-22 through FY 2024-25; empty TEU growth of 1% annually; and current or anticipated lease terms.
  - Rail Terminal Revenue is based on forecasted steady activity growth of 1% in each fiscal year, as well as current and anticipated lease terms.
  - Revenue from other tenants (non-marine terminal and non-rail terminal) assume scheduled or anticipated lease terms, rent increases driven by anticipated Tariff increases, anticipated new tenancies, and anticipated loss of tenancies due to development activities.
  - Utility sales increases are generally based on 2.6% growth in shore power usage in FY 2021-22 and then by 1.0% annually, 1% growth in electricity wholesale usage annually, offset by anticipated shifts in tenancy.
  - Miscellaneous revenue increases in FY 2021-22 due to an anticipated increase in the CTMP registry fee collected for each active drayage truck and remains flat thereafter.

## MARITIME DIVISION OPERATING EXPENSES

(\$ Thousands)

	Actual 2018-19	Budget 2019-20	Budget 2020-21	Projected 2021-22	Projected 2022-23	Projected 2023-24	Projected 2024-25
Personnel Services	14,430	15,911	16,060	15,887	16,547	17,115	17,048
Contractual Services	8,376	17,679	13,308	18,950	17,861	15,764	14,595
Supplies	2,456	1,795	2,253	2,321	2,391	2,463	2,536
General & Administrative	416	503	426	526	537	551	569
Dept'l (Credits) Charges	(21)	(38)	(39)	(40)	(42)	(43)	(44)
<b>TOTAL</b>	<b>25,657</b>	<b>35,849</b>	<b>32,007</b>	<b>37,644</b>	<b>37,295</b>	<b>35,851</b>	<b>34,704</b>
<i>FTEs (headcount)</i>	63	69	69	69	69	69	69

### **Personnel Services**

- FY 2020-21: Assumes salaries adjusted by 4.0% due to labor MOUs (COLAs and step increases). CalPERS pension employer contribution rate assumed to increase from 39.5% to 42.8%. Medical premiums assumed to increase 5.5% on January 1, 2021. Dental, vision, and Employee Assistance Program (EAP) premiums assumed to increase 3% on January 1, 2021. Vacancy factor of 4 FTEs or \$0.9 million assigned directly to Maritime due to normal attrition and hiring freeze. Assumes anticipated labor adjustments negotiated and realized.
- FY 2021-22 through FY 2024-25: CalPERS pension employer contribution rate assumed to increase to 46.0%, 45.6%, and 48.1%, respectively, before decreasing to 42.0%. Medical premiums assumed to increase 5%. Dental, vision, and EAP premiums assumed to increase 3% annually. Salary adjustments are based on labor MOUs in FY 2021-22 and thereafter adjusted by approximately CPI.

### **Contractual Services**

- FY 2020-21: Lower by \$4.4 million primarily due to lower maintenance and repairs of \$2.5 million, parking lot operations of \$0.7 million, consulting of \$0.5 million, contractual payments to the City of \$0.3 million, mitigation costs for the Seaport Logistics Center (SLC) of \$0.3 million, and maintenance reimbursements to tenants of \$0.2 million partially offset by higher security costs of \$0.2 million.
- FY 2021-22: Higher by \$5.6 million primarily due to higher consulting expenses of \$2.4 million and increased ancillary services (including truck parking) of \$0.1 million partially offset by lower reimbursements to tenants of \$0.8 million, decreased payments to the City of \$0.4 million, and lower mitigation costs for SLC of \$0.2 million.
- FY 2022-23 through FY 2024-25: Maintenance reimbursements to tenants are relatively flat while business analysis consulting expenses and costs related to 7<sup>th</sup> Street Grade Separation decrease. All other contractual services are assumed to increase 3%.

### **General & Administrative**

- FY 2020-21: Lower by \$0.1 million due to travel.
- FY 2021-22 through FY 2024-25: Expenses are assumed to increase on average 3% each year.

# COMMERCIAL REAL ESTATE DIVISION



# COMMERCIAL REAL ESTATE AREA MAP



## COMMERCIAL REAL ESTATE DIVISION

### FUNCTION

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

- 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)

	<b>Actual 2018-19</b>	<b>Budget 2019-20</b>	<b>Budget 2020-21</b>	<b>Projected 2021-22</b>	<b>Projected 2022-23</b>	<b>Projected 2023-24</b>	<b>Projected 2024-25</b>
Jack London Square	8,967	8,589	7,414	9,314	9,543	9,765	9,986
Embarcadero Cove	3,524	3,300	3,194	3,581	3,774	3,827	3,881
Business Park and Distribution Center	3,985	4,033	3,747	4,148	4,296	4,544	4,630
Brooklyn Basin and Other Areas	1,610	1,592	1,640	1,682	1,719	1,782	1,849
Utility Sales	102	102	102	102	102	102	102
Subtotal	18,188	17,616	16,097	18,827	19,433	20,020	20,447
Bad Debt Reserve	(189)	(75)	(350)	(350)	(150)	(150)	(150)
<b>TOTAL</b>	<b>17,999</b>	<b>17,541</b>	<b>15,747</b>	<b>18,477</b>	<b>19,283</b>	<b>19,870</b>	<b>20,297</b>

#### Jack London Square

- FY 2020-21: Lower parking, office and restaurant tenant vacancies, and lower percentage rents from hotels and restaurants. Increase in bad debt reserve to account for negotiated rent deferrals.
- FY 2021-22 through FY 2024-25: Increase in parking revenues, percentage rents, and minimum rent adjustments due to projected lease renewals, new tenants, and scheduled rent adjustments.

**Embarcadero Cove**

- FY 2020-21: Higher restaurant rents mostly offset by lower hotel percentage rents.
- FY 2021-2022 through FY 2024-25: 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 2020-21 through FY 2024-25: 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 2020-21 through FY 2024-25: 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 2018-19	Budget 2019-20	Budget 2020-21	Projected 2021-22	Projected 2022-23	Projected 2023-24	Projected 2024-25
Personnel Services	1,790	1,863	1,854	1,831	1,907	1,973	1,961
Contractual Services	5,547	5,629	5,679	5,848	6,023	6,203	6,388
Supplies	23	36	30	31	32	33	34
General & Administrative	324	334	405	384	338	368	378
Dept'l (Credits) Charges	(199)	(213)	(213)	(219)	(226)	(232)	(239)
<b>TOTAL</b>	<b>7,485</b>	<b>7,650</b>	<b>7,756</b>	<b>7,876</b>	<b>8,074</b>	<b>8,345</b>	<b>8,522</b>
<i>FTEs (headcount)</i>	7	8	8	8	8	8	8

#### **Personnel Services**

- FY 2020-21: Assumes salaries adjusted by 4.0% due to labor MOUs (COLAs and step increases). CalPERS pension employer contribution rate assumed to increase from 39.5% to 42.8%. Medical premiums assumed to increase 5.5% on January 1, 2021. Dental, vision, and EAP premiums assumed to increase 3% on January 1, 2021. Assumes anticipated labor adjustments negotiated and realized.
- FY 2021-22 through FY 2024-25: CalPERS pension employer contribution rate assumed to increase to 46.0%, 45.6%, and 48.1%, respectively, before decreasing to 42.0%. Medical premiums assumed to increase 5%. Dental, vision, and EAP premiums assumed to increase 3% annually. Salary adjustments are based on labor MOUs in FY 2021-22 and thereafter adjusted by approximately CPI.

#### **Contractual Services**

- FY 2020-21: Higher anticipated JLS security of \$61k and CAM of \$49k partially offset by lower parking lot operations of \$45k and consultants of \$16k.
- FY 2021-22 through FY 2024-25: Expenses assumed to increase approximately 3% each year.

#### **General & Administrative**

- FY 2020-21: Higher leasing commissions partially offset by lower postage, promotional costs, travel, marketing and advertising, and dues and registrations.
- FY 2021-22 through FY 2024-25: Property costs vary based on anticipated needs. Other expenses assumed to increase by 3% each year.

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# UTILITIES-ENGINEERING DIVISION



## UTILITIES – OFFICE OF THE CHIEF OPERATING OFFICER FUNCTION

Utilities is a unit within the Office of the Chief Operating Officer that operates the Port publicly owned utility system (electrical), and manages the administration of other utilities (electrical, gas, water, and sewer). Utilities purchases power through wholesale and retail markets, ensures that the Port complies with California Energy Commission (CEC), Air Resources Board (CARB), and the Public Utilities Commission (CPUC) rules and regulations. Utilities also helps plan, operate, and upgrades its utility systems in an effective and efficient manner in compliance with all rules and regulations. It also obtains renewable energy for the Port, takes measures to reduce the Port's GHG emissions from electricity generation, operates in the Cap and Trade market, 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)

	<b>Actual 2018-19</b>	<b>Budget 2019-20</b>	<b>Budget 2020-21</b>	<b>Projected 2021-22</b>	<b>Projected 2022-23</b>	<b>Projected 2023-24</b>	<b>Projected 2024-25</b>
Electricity – Retail	510	412	443	446	450	453	457
Electricity – Wholesale	8,910	6,188	7,858	7,936	8,016	8,096	8,177
Electricity – Capacity	988	142	150	155	159	164	166
Shore Power	7,996	7,024	7,148	7,333	7,420	7,506	7,582
Gas	82	82	107	117	125	123	124
Water (Sewer)	129	148	144	150	162	177	178
<b>TOTAL</b>	<b>18,615</b>	<b>13,996</b>	<b>15,850</b>	<b>16,137</b>	<b>16,332</b>	<b>16,520</b>	<b>16,684</b>

- Electricity-Retail was anticipated to decrease in FY 2019-20 due to a conversion of retail customers to wholesale. FY 2020-21 reflects increased cost of commodity. Forecasted changes in FY 2021-22 to FY 2024-25 are due to increased rates partially offset by lower usage.
- Electricity-Wholesale decrease in FY 2019-20 reflected an anticipated rate reduction affecting tenants in the Airport and Seaport area and the departure of a major north airfield tenant. FY 2020-21 is assumed to increase due to higher rates as the anticipated rate reduction in FY 2019-20 did not materialize and was partially offset by lower usage due to the departure of a major tenant and operational changes caused by COVID-19. Thereafter, Electricity-Wholesale revenues are projected to increase 1% due to customer usage.
- Electricity-Capacity decrease in FY 2019-20 is due to a one-time payment in FY 2018-19 from a new Port tenant. Revenue is assumed to increase 2% per year based on contract terms with San Francisco Public Utilities Commission for the transmission of power to Treasure Island.

- Shore Power revenue in FY19-2020 was anticipated to decrease due to an assumed rate reduction and usage reverting to more standard levels compared to FY 2018-19 which was an abnormally high year for usage. Anticipated FY 2020-21 increases due to higher rates as the rate reduction assumed in FY 2019-20 did not materialize. FY 2021-22 assumes increased usage of 2.6% and then 1% annually in FY 2022-23 to FY 2024-25.
- Water (Sewer) increases annually due to anticipated rate increases from East Bay Municipal Utility District.

The tables below highlight the cost of sales by business line and commodity type. The cost of sales correlates to usage and revenues (see Revenue by Commodity Type on the previous page).

### COST OF SALES BY BUSINESS LINE

(\$ Thousands)

	Actual 2018-19	Budget 2019-20	Budget 2020-21	Projected 2021-22	Projected 2022-23	Projected 2023-24	Projected 2024-25
Aviation	1,932	1,904	2,142	2,164	2,204	2,235	2,258
Maritime	6,096	6,010	5,941	6,866	6,948	7,011	7,081
CRE	102	102	102	102	102	102	103
<b>TOTAL</b>	<b>8,130</b>	<b>8,015</b>	<b>8,184</b>	<b>9,132</b>	<b>9,254</b>	<b>9,348</b>	<b>9,441</b>

### COST OF SALES BY COMMODITY TYPE

(\$ Thousands)

	Actual 2018-19	Budget 2019-20	Budget 2020-21	Projected 2021-22	Projected 2022-23	Projected 2023-24	Projected 2024-25
Electricity – Retail	492	412	443	446	450	453	458
Electricity – Wholesale	5,113	4,687	4,995	5,352	5,405	5,459	5,514
Shore Power	2,324	2,688	2,500	3,071	3,115	3,140	3,171
Gas	68	82	108	116	126	123	124
Water	133	146	139	146	158	172	174
<b>TOTAL</b>	<b>8,130</b>	<b>8,015</b>	<b>8,184</b>	<b>9,132</b>	<b>9,254</b>	<b>9,348</b>	<b>9,441</b>

## OFFICE OF THE CHIEF OPERATING OFFICER

### FUNCTION

The Office of the Chief Operating Officer is responsible for Port-wide operations and compliance with government regulations and Board policies. These functions include a variety of technical disciplines and coordination with staff across the organization. Divisions include Engineering, Utilities, Environmental Programs and Planning, and Information Technology.

#### **ENGINEERING**

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

Engineering provides scoping, engineering design, engineering project management, construction management, cost estimating, scheduling, facility inspections/assessments, inspection of tenant improvements, and technical studies to support the Port's Revenue Divisions' infrastructure and development needs. Preparation of plans and specifications are accomplished largely through outside professional services contracts with oversight and management being provided by staff. In conjunction with SRD, the Engineering team ensures that there is compliance with the non-discrimination and small and local business utilization policy. Also, working with other divisions, the Engineering team supports the application for and implementation of outside grants/funding sources as these relate to Aviation and Maritime projects.

Engineering also 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.

Engineering 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.

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

- **Contract Administration** - 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** - 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** - providing 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 as Lead Agency pursuant to the California Environmental Quality Act and review under the National Environmental Policy Act; development and implementation of mitigation monitoring and reporting programs; review and comment on other agencies' projects as Responsible Agency; develop long-term strategies, plans and programs to address critical environmental issues, such as air quality, climate change, storm water, truck operations, and sea-level rise;
- Regulatory programs and permitting for Port operations, maintenance and capital improvement projects, and dredging. Coordination with regulatory agencies including but not limited to: the Alameda County Department of Environmental Health, U.S. Army Corps of Engineers, Department of Toxic Substances Control, Regional Water Quality Control Board, Bay Area Air Quality Management District, Bay Conservation and Development Commission, California Air Resources Board, National Oceanic and Atmospheric Administration (NOAA) Fisheries, U.S. Fish and Wildlife Service, California Department of Fish and Wildlife, State Lands Commission, State Water Resources Control Board, California Native American Heritage Commission, 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;
- 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;
- Provides technical planning services and expertise to support the Port's current and long-range planning efforts, including master plans, specific plans, site plans, use plans and transportation plans; and
- Port development permits, City building permits, and code compliance support for the Port, its tenants and other landowners within the Port Area.

### **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.

### **INFORMATION TECHNOLOGY**

Information Technology (IT) is responsible for the planning, development, management, operation, security, and maintenance of the Port's business systems, special systems and technology portfolio. The department collaborates with Port divisions and Port stakeholders to provide long-term technology planning and guidance; 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.

## OFFICE OF THE CHIEF OPERATING OFFICER OPERATING EXPENSES

(\$ Thousands)

	<b>Actual 2018-19</b>	<b>Budget 2019-20</b>	<b>Budget 2020-21</b>	<b>Projected 2021-22</b>	<b>Projected 2022-23</b>	<b>Projected 2023-24</b>	<b>Projected 2024-25</b>
Personnel Services	17,855	19,688	19,597	19,366	20,166	20,867	20,748
Contractual Services	9,273	14,085	10,955	12,011	11,863	12,262	12,528
Supplies	104	87	114	118	121	125	129
General & Administrative	5,747	6,581	6,092	6,239	6,381	6,527	6,677
Dept'l (Credits) Charges	(58)	(160)	(110)	(60)	(60)	(60)	(60)
<b>TOTAL</b>	<b>32,921</b>	<b>40,281</b>	<b>36,649</b>	<b>37,674</b>	<b>38,472</b>	<b>39,721</b>	<b>40,022</b>
<i>FTEs (headcount)</i>	<i>75</i>	<i>82</i>	<i>83</i>	<i>83</i>	<i>83</i>	<i>83</i>	<i>83</i>

### **Personnel Services**

- FY 2020-21: Assumes salaries adjusted by 4.0% due to labor MOUs (COLAs and step increases). CalPERS pension employer contribution rate assumed to increase from 39.5% to 42.8%. Medical premiums assumed to increase 5.5% on January 1, 2021. Dental, vision, and EAP premiums assumed to increase 3% on January 1, 2021. Vacancy factor of 7 FTEs or \$1.7 million assigned directly to Operations Office due to normal attrition and hiring freeze. Assumes anticipated labor adjustments negotiated and realized.
- FY 2021-22 through FY 2024-25: CalPERS pension employer contribution rate assumed to increase to 46.0%, 45.6%, and 48.1%, respectively, before decreasing to 42.0%. Medical premiums assumed to increase 5%. Dental, vision, and EAP premiums assumed to increase 3% annually. Salary adjustments are based on labor MOUs in FY 2021-22 and thereafter adjusted by approximately CPI.

### **Contractual Services**

- FY 2020-21: Lower by \$3.1 million due to maintenance dredging of \$1.5 million due to lower volumes and disposal rates, lower IT consulting of \$0.6 million, lower IT equipment repairs of \$0.5 million, lower crane maintenance of \$0.4 million, and lower Engineering computer systems of \$0.2 million.
- FY 2021-22 through FY 2024-25: Maintenance dredging volumes assumed flat with disposal rates fluctuating by anticipated disposal sites. All other expenses assumed to increase approximately 3% each year.

### **Supplies**

- FY 2020-21: Higher expendable equipment, computer supplies, office supplies, and safety supplies while all other remain flat to FY 2019-20.
- FY 2021-22 through FY 2024-25: Expenses assumed to increase approximately 3% each year.

**General & Administrative**

- FY 2020-21: Lower Port use Electricity of \$0.6 million and Port use Gas of \$0.1 million partially offset by higher hazardous waste of \$0.2 million (formerly in Non-Departmental).
- FY 2021-22 through FY 2024-25: Expenses assumed to increase approximately 3% each year.

**Departmental Credits**

- FY 2020-21: Lower due to the reclass of LCFS credit sales to non-operating revenue.
- FY 2021-22 through FY 2024-25: Permit Fee recoveries and carbon credit sales flat.

## 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, and allocation of risk charges to operating departments. 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.

#### **ENTERPRISE RESOURCE PLANNING**

The Enterprise Resource Planning (ERP) Group provides technical and functional support to users of the Oracle eBusiness Suite. The Port of Oakland utilizes Oracle eBusiness Suite in the following business areas: Financials, Human Resources, Payroll, Projects & Grants, Procurement, Enterprise Asset Management, Property Management, and Maritime Tenant Revenue.



## **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 employment related 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 2018-19	Budget 2019-20	Budget 2020-21	Projected 2021-22	Projected 2022-23	Projected 2023-24	Projected 2024-25
Personnel Services	10,953	11,682	10,732	10,621	11,061	11,446	11,382
Contractual Services	1,802	1,691	1,949	1,975	1,964	2,009	2,051
Supplies	83	68	65	67	69	71	74
General & Administrative	3,489	4,106	4,324	4,525	4,630	4,718	4,808
<b>TOTAL</b>	<b>16,327</b>	<b>17,547</b>	<b>17,070</b>	<b>17,188</b>	<b>17,724</b>	<b>18,244</b>	<b>18,314</b>
FTEs (headcount)	47	51	51	51	51	51	51

#### **Personnel Services**

- FY 2020-21: Assumes salaries adjusted by 4.0% due to labor MOUs (COLAs and step increases). CalPERS pension employer contribution rate assumed to increase from 39.5% to 42.8%. Medical premiums assumed to increase 5.5% on January 1, 2021. Dental, vision, and EAP premiums assumed to increase 3% on January 1, 2021. Vacancy factor of 5.5 FTEs or \$1.1 million assigned directly to Finance and Administration due to normal attrition and hiring freeze. Assumes anticipated labor adjustments negotiated and realized.
- FY 2021-22 through FY 2024-25: CalPERS pension employer contribution rate assumed to increase to 46.0%, 45.6%, and 48.1%, respectively, before decreasing to 42.0%. Medical premiums assumed to increase 5%. Dental, vision, and EAP premiums assumed to increase 3% annually. Salary adjustments are based on labor MOUs in FY 2021-22 and thereafter adjusted by approximately CPI.

#### **Contractual Services**

- FY 2020-21: Higher by \$0.2 million due to higher IT consulting services of \$0.3 million (formerly in Operations Office) partially offset by lower computer systems of \$0.2 million.
- FY 2021-22 through FY 2024-25: Expenses assumed to increase approximately 3% 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 and FY 2023-24 to coincide with the anticipated expiration of the labor MOUs.

#### **Supplies**

- FY 2020-21: Lower office and safety supplies.
- FY 2021-22 through FY 2024-25: Supplies assumed to increase approximately 3% each year.

#### **General & Administrative**

- FY 2020-21: Higher insurance premiums.
- FY 2021-22 through FY 2024-25: Expenses assumed to increase approximately 3% each year while most insurance premiums assumed to increase 5% in FY 2021-22 and by 2% each year thereafter.

## **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. Communications:

- 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. SRD:

- 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)

	<b>Actual 2018-19</b>	<b>Budget 2019-20</b>	<b>Budget 2020-21</b>	<b>Projected 2021-22</b>	<b>Projected 2022-23</b>	<b>Projected 2023-24</b>	<b>Projected 2024-25</b>
Personnel							
Services	4,415	4,587	3,866	3,819	3,977	4,114	4,090
Contractual							
Services	729	1,495	1,340	1,287	1,326	1,366	1,407
Supplies	10	11	9	9	9	10	10
General & Administrative	725	795	619	637	656	675	695
<b>TOTAL</b>	<b>5,879</b>	<b>6,888</b>	<b>5,832</b>	<b>5,750</b>	<b>5,965</b>	<b>6,162</b>	<b>6,199</b>
<i>FTEs</i> <i>(headcount)</i>	<i>17</i>	<i>18</i>	<i>18</i>	<i>18</i>	<i>18</i>	<i>18</i>	<i>18</i>

### **Personnel Services**

- FY 2020-21: Assumes salaries adjusted by 4.0% due to labor MOUs (COLAs and step increases). CalPERS pension employer contribution rate assumed to increase from 39.5% to 42.8%. Medical premiums assumed to increase 5.5% on January 1, 2021. Dental, vision, and EAP premiums assumed to increase 3% on January 1, 2021. Vacancy factor of 3.5 FTEs or \$0.7 million assigned directly to Executive Office due to normal attrition and hiring freeze. Assumes anticipated labor adjustments negotiated and realized.
- FY 2021-22 through FY 2024-25: CalPERS pension employer contribution rate assumed to increase to 46.0%, 45.6%, and 48.1%, respectively, before decreasing to 42.0%. Medical premiums assumed to increase 5%. Dental, vision, and EAP premiums assumed to increase 3% annually. Salary adjustments are based on labor MOUs in FY 2021-22 and thereafter adjusted by approximately CPI.

### **Contractual Services**

- FY 2020-21: Lower Middle Harbor Shoreline Park management fees of \$0.1 million and finalization of Disparity Study of \$0.1 million.
- FY 2021-22 through FY 2024-25: Lower consulting in FY 2021-22 due to completion of Disparity Study. All other expenses assumed to increase approximately 3% each year.

### **General and Administrative**

- FY 2020-21: Lower sponsorships, community outreach, travel, dues and registrations, and auto allowance.
- FY 2021-22 through FY 2024-25: Expenses assumed to increase approximately 3% 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)

	<b>Actual 2018-19</b>	<b>Budget 2019-20</b>	<b>Budget 2020-21</b>	<b>Projected 2021-22</b>	<b>Projected 2022-23</b>	<b>Projected 2023-24</b>	<b>Projected 2024-25</b>
Personnel Services	4,148	4,481	3,980	3,929	4,092	4,234	4,207
Contractual Services	937	1,215	1,063	1,095	1,128	1,162	1,197
Supplies	5	21	10	10	11	11	11
General & Administrative	96	133	103	106	109	112	116
<b>TOTAL</b>	<b>5,186</b>	<b>5,850</b>	<b>5,156</b>	<b>5,140</b>	<b>5,339</b>	<b>5,519</b>	<b>5,530</b>
<i>FTEs (headcount)</i>	13	14	14	14	14	14	14

#### **Personnel Services**

- FY 2020-21: Assumes salaries adjusted by 4.0% due to labor MOUs (COLAs and step increases). CalPERS pension employer contribution rate assumed to increase from 39.5% to 42.8%. Medical premiums assumed to increase 5.5% on January 1, 2021. Dental, vision, and EAP premiums assumed to increase 3% on January 1, 2021. Vacancy factor of 1.0 FTEs or \$0.4 million assigned directly to Port Attorney's Office due to normal attrition and hiring freeze. Assumes anticipated labor adjustments negotiated and realized.
- FY 2021-22 through FY 2024-25: CalPERS pension employer contribution rate assumed to increase to 46.0%, 45.6%, and 48.1%, respectively, before decreasing to 42.0%. Medical premiums assumed to increase 5%. Dental, vision, and EAP premiums assumed to increase 3% annually. Salary adjustments are based on labor MOUs in FY 2021-22 and thereafter adjusted by approximately CPI.

**Contractual Services**

- FY 2020-21: Lower legal services and file services.
- FY 2021-22 through FY 2024-25: Expenses assumed to increase approximately 3% each year.

**Supplies**

- FY 2020-21: Lower office supplies and elimination of computer supplies.
- FY 2021-22 through FY 2024-25: Expenses assumed to increase approximately 3% each year.

**General & Administrative**

- FY 2020-21: Lower travel and elimination of auto allowance.
- FY 2021-22 through FY 2024-25: Expenses assumed to increase approximately 3% 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 furnishes constructive recommendations for process and internal control improvements. Internal Audit also conducts investigations of whistleblower hotline reports.

#### **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)

	<b>Actual 2018-19</b>	<b>Budget 2019-20</b>	<b>Budget 2020-21</b>	<b>Projected 2021-22</b>	<b>Projected 2022-23</b>	<b>Projected 2023-24</b>	<b>Projected 2024-25</b>
Personnel Services	1,356	1,682	1,696	1,674	1,743	1,803	1,791
Contractual Services	4	21	22	54	23	24	24
Supplies	17	3	1	1	1	1	1
General & Administrative	(52)	9	8	9	9	9	9
<b>TOTAL</b>	<b>1,325</b>	<b>1,716</b>	<b>1,727</b>	<b>1,737</b>	<b>1,776</b>	<b>1,837</b>	<b>1,825</b>
<i>FTEs (headcount)</i>	7	7	7	7	7	7	7

#### **Personnel Services**

- FY 2020-21: Assumes salaries adjusted by 4.0% due to labor MOUs (COLAs and step increases). CalPERS pension employer contribution rate assumed to increase from 39.5% to 42.8%. Medical premiums assumed to increase 5.5% on January 1, 2021. Dental, vision, and EAP premiums assumed to increase 3% on January 1, 2021. Assumes anticipated labor adjustments negotiated and realized.
- FY 2021-22 through FY 2024-25: CalPERS pension employer contribution rate assumed to increase to 46.0%, 45.6%, and 48.1%, respectively, before decreasing to 42.0%. Medical premiums assumed to increase 5%. Dental, vision, and EAP premiums assumed to increase 3% annually. Salary adjustments are based on labor MOUs in FY 2021-22 and thereafter adjusted by approximately CPI.

#### **Contractual Services**

- FY 2021-22: Replacement of audit software system

- FY 2022-23 through FY 2024-25: Expenses assumed to increase approximately 3% each year.

**General & Administrative**

- FY 2020-21: Lower dues & registrations and travel offset by higher cell phone allowance.
- FY 2021-22 through FY 2024-25: Expenses assumed to increase approximately 3% 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. Pursuant to 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)

	<b>Actual 2018-19</b>	<b>Budget 2019-20</b>	<b>Budget 2020-21</b>	<b>Projected 2021-22</b>	<b>Projected 2022-23</b>	<b>Projected 2023-24</b>	<b>Projected 2024-25</b>
Personnel Services	367	457	466	463	482	499	495
Contractual Services	3	5	7	7	7	8	8
Supplies	7	5	3	11	5	5	11
General & Administrative	79	125	92	126	130	134	138
<b>TOTAL</b>	<b>456</b>	<b>592</b>	<b>568</b>	<b>607</b>	<b>624</b>	<b>645</b>	<b>652</b>
<i>FTEs (headcount)</i>	<i>2</i>	<i>2</i>	<i>2</i>	<i>2</i>	<i>2</i>	<i>2</i>	<i>2</i>

#### **Personnel Services**

- FY 2020-21: Assumes salaries adjusted by 4.0% due to labor MOUs (COLAs and step increases). CalPERS pension employer contribution rate assumed to increase from 39.5% to 42.8%. Medical premiums assumed to increase 5.5% on January 1, 2021. Dental, vision, and EAP premiums assumed to increase 3% on January 1, 2021. Assumes anticipated labor adjustments negotiated and realized.
- FY 2021-22 through FY 2024-25: CalPERS pension employer contribution rate assumed to increase to 46.0%, 45.6%, and 48.1%, respectively, before decreasing to 42.0%. Medical premiums assumed to increase 5%. Dental, vision, and EAP premiums assumed to increase 3% annually. Salary adjustments are based on labor MOUs in FY 2021-22 and thereafter adjusted by approximately CPI.

#### **Contractual Services**

- FY 2020-21: Higher computer systems to facilitate public records requests.
- FY 2021-22 through FY 2024-25: Expenses assumed to increase approximately 3% each year.

**Supplies**

- FY 2020-21: Elimination of expendable equipment budget.
- FY2021-22: Replacement of 6 iPads and higher office supplies.
- FY 2022-23 through FY 2023-24: Expenses assumed to increase approximately 3% each year.
- FY 2024-25: Replacement of 6 iPads.

**General & Administrative**

- FY 2020-21: Lower travel, dues & registrations, and legal advertising.
- FY 2021-22 through FY 2024-25: Expenses assumed to increase approximately 3% 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)

	<b>Actual 2018-19</b>	<b>Budget 2019-20</b>	<b>Budget 2020-21</b>	<b>Projected 2021-22</b>	<b>Projected 2022-23</b>	<b>Projected 2023-24</b>	<b>Projected 2024-25</b>
Personnel Services	16,396	17,768	16,832	17,132	17,450	17,777	18,115
Contractual Services	2,151	2,269	2,333	2,400	2,469	2,542	2,617
General & Administrative	2,250	5,842	4,090	4,211	4,336	4,465	4,597
Departmental Credits	(4,823)	(6,985)	(4,978)	(5,103)	(5,256)	(5,413)	(5,576)
<b>TOTAL</b>	<b>15,973</b>	<b>18,894</b>	<b>18,277</b>	<b>18,640</b>	<b>18,999</b>	<b>19,370</b>	<b>19,754</b>

#### **Personnel Services**

- FY 2020-21: Lower projected retiree medical costs based on actuarial report of \$1.3 million partially offset by higher workers' compensation accrual of \$0.4 million.
- FY 2020-21 through FY 2023-24: Higher projected retiree medical costs based on medical inflation in actuarial report and higher workers' compensation costs based on projected increases in medical premiums and higher vacation sick/leave accrual.

#### **Contractual Services**

- FY 2020-21 through FY 2024-25: City services and JLID costs assumed to increase approximately 4% and 5% respectively, each year while City of Oakland Landscaping and Lighting Assessment District (LLAD) is anticipated to remain flat.

#### **General & Administrative**

- FY 2020-21: Lower legal contingency of \$0.7 million, pollution remediation of \$0.7 million, and hazardous waste of \$0.1 million (transferred to Environmental).
- FY 2021-22 through FY 2024-25: Expenses assumed to increase approximately 3.0% each year.

#### **Departmental Credits**

- FY 2020-21: Primarily lower direct labor charged to capital projects partially offset by higher Engineering and Facilities overhead rates.
- FY 2021-22 through FY 2024-25: Higher absorption of labor and benefits to capital projects due to assumed increases in underlying personnel costs.

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## CAPITAL BUDGET AND 5-YEAR CAPITAL IMPROVEMENT PLAN

### FY 2021 Capital Budget

Capital budget authorization of \$72.3 million is requested from the Board for the FY 2021 Capital Budget, which includes the capital projects listed in the table below. The amounts shown are expected expenditures in FY 2021 and do not include prior or subsequent fiscal year expenditures for projects spanning multiple fiscal years.

#### FY 2021 CAPITAL BUDGET

<i>Business Line<sup>1</sup></i>	<i>Project</i>	<i>(\$ millions)</i>
A,M	Utility Upgrades	16.0
A	Pavement, Taxiways and Runways	12.9
A	Airport Perimeter Dike	11.6
M	Seaport Logistics Complex	11.2
A	Aviation Security Enhancements	2.4
A	Replace Airfield Signs	2.1
A	Terminal Upgrades	1.7
C	Jack London Square Improvements	1.6
C	Parking Access and Revenue Control System	1.5
A,M,C,S	Misc. Facilities Replacement Projects	1.4
A,M	Pre-Development Projects	1.3
A,M	Capital Equipment	1.3
M	Additional Shore Power Outlets	1.2
A	Passenger Boarding Bridge Replacement	0.9
A	Terminal 2 Flooring Materials	0.8
M	Marine Terminal Improvements	0.7
S	Information Technology Equipment and Systems	0.7
C	Business Park Improvements	0.6
A	Apron Upgrades	0.5
M	Pavement Improvement at ConGlobal Leasehold (Port Contribution)	0.5
M	GoPort Roadway Projects	0.4
A	Terminal Restroom Upgrades	0.3
M	GoPort Security Projects	0.3
C	Union Point Basin Environmental Remediation	0.3
A	Airport Drive Overlay	0.1
<b>Total</b>		<b>\$ 72.3</b>

<sup>1</sup> Aviation (A); Maritime (M); Commercial Real Estate (C); Support (S)

The diagram on page 117 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 \$499.6 million (FY 2021-2025).

In March 2020, the World Health Organization declared the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, to be a pandemic. The full economic and financial impact of COVID-19 to Port operations is not yet known. As a result, the 5-Year capital program reflects prioritization of health and life safety, regulatory compliance, policy and contractual obligations, and preservation and generation of revenue. Port management cannot, at this time, predict the ultimate magnitude of the impact of COVID-19. Depending on the duration and severity of COVID-19, Port management may accelerate or further delay the start or completion of future capital projects in the 5-Year CIP.

Capital planning has been strategically redesigned for FY 2021 to match both financial *and* staffing resources. Engineering staff have applied a resource allocation planning process in collaboration with the Revenue Divisions in order to realistically project work that can be accomplished in FY 2021 with existing resources. Engineering staff work on a variety of expense funded work beyond the CIP. Most of the Engineering work effort for Maritime is expense funded. A smaller but still meaningful portion of the work effort for Aviation is expense funded. The remaining work effort is dedicated to the CIP. The capital budget has been reduced to match staffing resources available based on a prioritization of staff resources for both expense and capital improvements. The 5-Year CIP does not currently include significant capacity expansion projects.

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

As discussed previously, the demand for air travel has been significantly disrupted globally, including at OAK, due to the COVID-19 pandemic. Decreases in air travel and passenger traffic adversely affect airline revenues, as well as revenues generated by in-terminal concessions, rental cars, parking and other sources of revenue for the Airport. Recovery of the transportation industry and air travel specifically is unknown but is expected to take potentially two to three years. The budget planning for this 5-year period has focused on the FY 2021 budget but may need to be adjusted as more information is known and the recovery path becomes clear. The current FY 2021 budget is approximately \$42.7 million (a reduction of up to \$50 million in necessary infrastructure projects). It should be noted that the deferred projects were important projects to replace or support aging infrastructure, provide customer service upgrades and amenities, or to add capacity. Projects in the near-term focus on life-safety and security, regulatory compliance, and potential revenue generation.

Consideration was also given to the funding source availability (i.e., grant-funded projects) and other strategic purposes. The projects included in this year's budget are deemed essential to maintaining safe and secure airport operating conditions.

The 5-Year CIP includes approximately \$317.9 million of projects at the Airport and is divided into several programmatic areas.

### *Airport Perimeter Dike Improvements*

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 and the second phase addresses the seismic improvements. Initial design of both phases and the environmental review have been completed.



### Phase 1—Flood Hazard Improvements

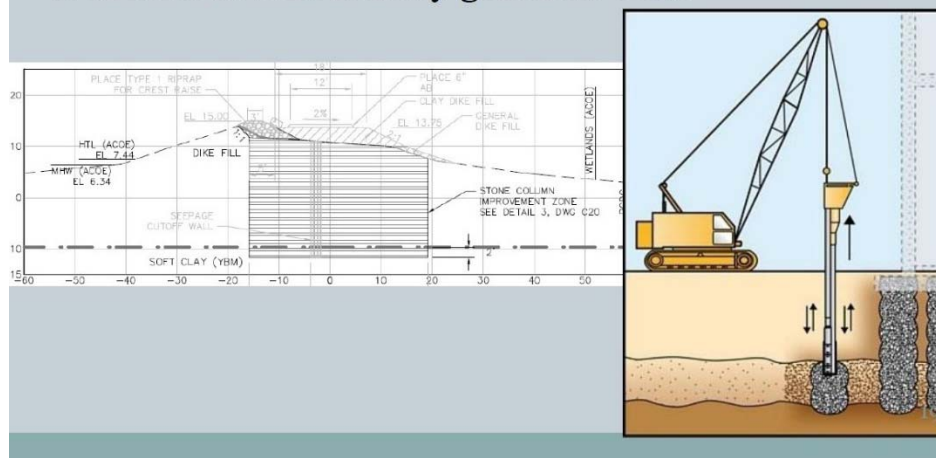
The Phase 1 flood hazard improvements are designed to protect the Airport against flood risk from severe storms and sea-level rise and to meet Federal Emergency Management Agency (FEMA) levee design standards. The APD project will address the risk of flooding at the South Field from extreme tides, sea level rise, storm surge, and wave runup from the Bay (south) side of the Airport.

The project has been bid and awarded, and construction of this first phase (flood hazard protection) is slated to begin in summer 2020 and be completed in 2021. The project cost for the first phase is estimated at about \$20 million. 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.

### Phase 2—Seismic Upgrades

The design and bid packaging for the Phase 2--Seismic Upgrades has been deferred to FY 2022. The Phase 2 upgrades will provide improvements necessary to protect the dike from catastrophic damage during a major earthquake by stabilizing and reinforcing the granular soils using stone columns. The Phase 2 improvements are estimated to be approximately \$35 million. The total project cost including the design, environmental, and construction of Phase 1 and Phase 2 is estimated to be \$64 million and \$54.8 million is included in the 5-Year CIP.

- Stone columns construct dense aggregate columns to reinforce and densify granular soils



## Airfield

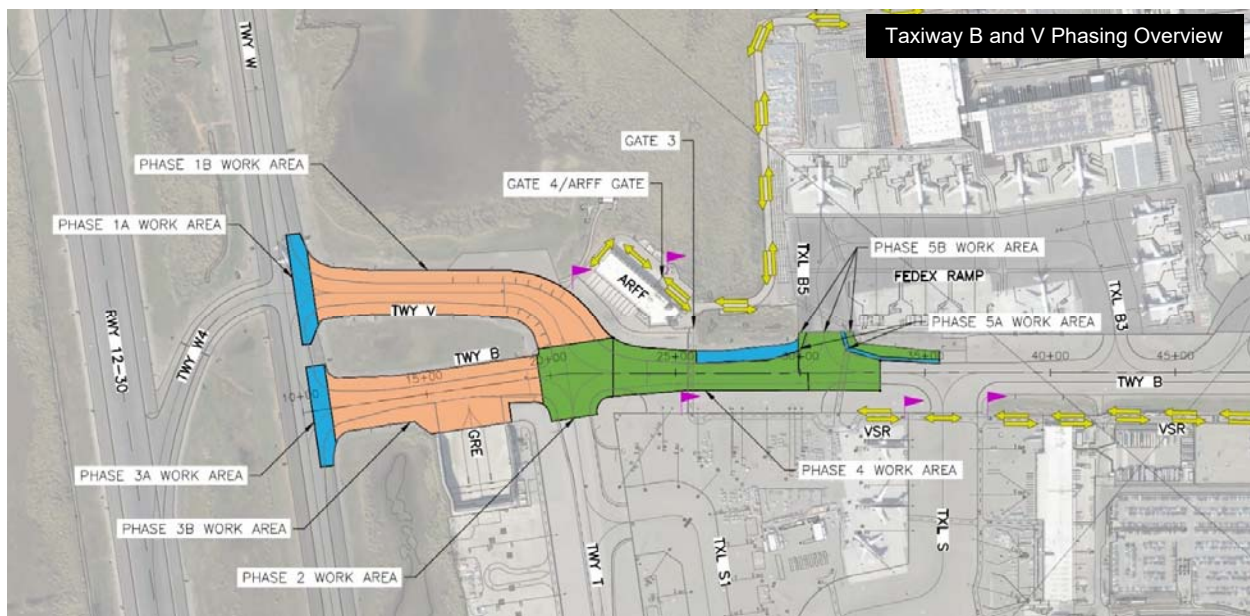
Approximately \$70.7 million is included in the 5-Year CIP for airfield projects. The paved surfaces at the Airport represent one of the single largest assets the Port maintains. It is critical to safe and efficient operations that the pavement undergo regular maintenance and rehabilitation. Projects in this category include multiple pavement projects including taxiway, runway and apron improvements, airfield signage replacement, vehicle service roads, and Aircraft Rescue and Fire Fighting (ARFF) truck vehicle replacement. Key projects are described below.

### *Taxiway Bravo and Taxiway Victor Rehabilitation*

Taxiway Bravo is operationally critical to the Airport, as it is the only taxiway connecting North Field and South Field. The full length of Taxiway Bravo -- approximately 5,700 feet between Taxiway Whiskey to the North Field bridge over Ron Cowan Parkway -- needs to be rehabilitated over the next few years. The pavement section was last rehabilitated in 2008 and the pavement is showing signs of distress including joint cracking, rutting, and pavement raveling. The rehabilitation will be constructed in phases to meet funding and implementation needs.

Taxiway Victor is approximately 1,200 feet long and provides an important connection between Taxiway Whiskey and Taxiway Bravo. The pavement shows evidence of joint cracking and raveling of medium severity. The proposed rehabilitation includes a 6-inch mill and overlay with shoulders being overlaid as required to meet FAA grading standards.

Design and bidding for these projects was completed in FY 2020 and have been included in the Federal Fiscal Year (FFY) 2020 Airport Improvement Program (AIP) grant applications. It is anticipated that these projects will be largely funded using AIP grants, including the local match provided as part of the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act. A construction budget of \$11 million is included in the FY 2021 budget. Additional funding of approximately \$8 million is included in the 5-Year CIP for the future phases of Taxiway Bravo construction.





### *Airfield Signage Replacement*

Airfield signage provides situational awareness for pilots and airfield personnel. Signage elements on the airfield are in need of replacement to keep a uniform, high-visibility directional signage system that meets the Federal Aviation Administration (FAA) standards. The Airfield Signage Replacement Project will install new signs and provide upgrades to over 200 airfield signs including installing new frangible boxes mounted on existing or new foundations; panels that replace existing signs; new conduit, conductors and other electrical infrastructure, as well as bird deterrent spikes onto all new airfield signs and existing airfield signs.

The majority of the signage in the project is located in the North Field. Construction began in FY 2020 and is expected to be completed in early 2021. \$2.1 million is included in the FY 2021 budget and will be funded in part using an AIP grant received in FY 2018.



### *Taxiway Romeo (Eastern Half)*

Taxiway Romeo was partially rehabilitated in 2016 (western half). Due to budget limitations, not all of the poor pavement was replaced at that time. This remaining section identified by the Airport Pavement Management System (APMS) for rehabilitation has been showing signs of stress and is in need of additional work. This taxiway is critical to providing circulation for air carrier and air cargo traffic. The rehabilitation design for mill and overlay with deeper patching in high-stress zones has been completed and construction is expected to be completed in 2020. About \$1.4 million is included in the FY 2021 budget and will be funded largely using AIP grants.

### *Rehabilitation of Apron L142 and L130*

This project includes the design and construction of replacement concrete panels with an asphalt overlay of the aircraft apron adjacent to Buildings L142 and L130. This pavement section was originally constructed in 1955 and had been maintained using crack sealing and other maintenance approaches. Revived aeronautical activity has stressed the pavement and a full rehabilitation is needed including full panel replacement as well as mill and overlay. This project is anticipated for AIP funding in FY 2021, with design work to commence in FY 2021 and construction in FY 2022. A total of \$5.6 million has been included in the 5-Year CIP.

### *Runway 10R/28L Rehabilitation*

The Runway 10R/28L pavement rehabilitation includes mill and overlay and reconstruction as needed. The runway was last rehabilitated in 2007 and is beginning to show signs of wear. The runway is scheduled for pavement maintenance to extend the useful life through 2025. Total budget included in the 5-Year CIP for design and construction is approximately \$24 million, with \$2.4 million budgeted for design in FY 2023. It is anticipated that this project will be largely funded using AIP grants.

### *Taxiway Whiskey and Taxiway Delta Rehabilitation*

Other taxiway projects scheduled for rehabilitation include Taxiway Whiskey and Taxiway Delta. These projects have been identified through the APMS program and prioritized based on the pavement condition and use. About 2,700 feet of Taxiway Whiskey work is needed to address pavement distress. The project includes mill and overlay and pavement markings. A total of \$6.5 million is budgeted for this project in the 5-Year CIP; it is anticipated that design would begin in FY 2022 and construction in FY 2023.

Taxiway Delta is operational critical for the Airport as it is the primary taxiway providing access to several hangars and aeronautical activity for about half of North Field. It was last rehabilitated in 2003 and requires mill and overlay to address pavement deficiencies. A total of \$10.8 million is budgeted in the 5-Year CIP; it is anticipated that the design would begin in FY 2022 and construction would be completed in FY 2024. Both of these projects are anticipated to be AIP grant-funded.

#### *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. Vehicle replacement is needed to ensure the fleet is serviceable at all times to meet the Part 139 ARFF index. Rescue 2 was placed into service in 2001 and has met its FAA AIP useful life. Preparation of the specifications and bidding will be conducted in FY 2023 in anticipation of acquiring a new vehicle in FY 2024. The cost is estimated at \$910,000, funded primarily through an AIP grant.



#### Terminal

The passenger terminal complex at OAK includes Terminal 1 (16 gates) and Terminal 2 (13 gates). Approximately \$60.8 million is included in the 5-Year CIP for terminal improvements, with only about \$3.8 million included in the FY 2021 budget. Only safety and regulatory compliance projects have been included in the FY 2021 budget. All other terminal projects have been deferred to future years. The terminal projects in the 5-Year CIP address on-going infrastructure and customer service improvements including heating, ventilation, and air conditioning (HVAC) upgrades, restroom refurbishment, and customer service and efficiency upgrades.

#### *Terminal 2 Window Walls*

The Port has prepared conceptual plans for modifications to the curbside window walls for Terminal 2. The modifications address 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 Transportation Security Administration (TSA) requirements and industry best practices. The 5-Year CIP includes approximately \$15.4 million for the window wall improvements which will be phased over the 5-Year CIP period and the project is anticipated to be funded primarily with Passenger Facility Charges (PFCs). Design of the improvements is expected to begin in FY 2023.

#### *Restroom Upgrades*

The Airport initiated a program to remodel the terminal building restrooms in FY 2019. 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 experienced during the past few years 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 gender-neutral facilities, 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 \$17.2 million for restroom renovation, funded primarily with future PFCs. The program will be implemented in a phased manner. Design is anticipated to be completed for Phase 1 (Terminal 1 and 2 pre-security restrooms and Terminal 1 family restrooms) in 2020, but then deferring construction to FY 2022.

### *Gate 9A Passenger Boarding Bridge Replacement*

In October 2019, Gate 9A Passenger Boarding Bridge (PBB) had been taken out of service for maintenance to address operational and wear-and-tear issues. During the maintenance process, which goes beyond typical operational use, metal rods that hold the far end of the PBB in place, “the pivot point”, snapped resulting in the front cab section that mates with the aircraft to fall causing the damage shown in the picture here.

Port staff and the manufacturer immediately inspected these parts on all PBBs and, although none appeared to be in immediate risk of failure from normal use, Port staff has begun installing new, stronger rods as an additional precaution. Given the level of damage and the age of this PBB (19 years) a full PBB replacement is necessary. \$890,000 is included in the FY 2021 budget and the new bridge is anticipated to be installed in summer 2020.



Gate 9A PBB damage

### Ground Access and Parking

This category includes a range of Airport ground access-related projects intended to improve customer service, upgrade parking lot paving, and/or maintain revenues. It includes surface parking reconstruction projects, the Airport Drive pavement overlay, expansion of electric vehicle charging in the public parking lots and future shuttle bus procurement. About \$20.8 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. Design is expected to be completed in FY 2020, but construction will be deferred until at least FY 2022. The 5-Year CIP includes a budget of \$5.8 million.

### Security

Approximately \$43.9 million is included in the 5-Year CIP for Airport security projects. Key projects include access control gate hardening, completion of the Terminal 2 baggage claim exit and installation of an integrated landside security camera system in the parking bowl, rental car center, and curbside locations.

#### *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 design will be completed in 2020, and it is intended to be implemented in phases. The first phase of construction is expected to begin in FY 2021. \$25 million is included in the 5-Year CIP for this project.



SpotterRF Radar -- works alongside a camera to detect threats

### *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. The design has also served to better organize passenger flows in this area. Design was completed in FY 2020, but construction has been deferred until FY 2022. \$7.3 million is included in the 5-Year CIP for this project.



### 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 \$61.2 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, substation, and distribution upgrades.

### *Substation 1 and 2 Upgrades*

Substation 1 (SS-1) and 2 (SS-2) are located near Earhart Road and were installed in 1983. These substations serve as the point of connection with PG&E and the main switchgear for the Airport. In the last few years, SS-1 and SS-2 had increasing numbers of electrical component failures including cables, relays and vacuum interrupting power breakers. Some of these components have been replaced while others are bypassed or inoperable. This infrastructure is critical to the power feed and distribution for the Airport. The scope of this project is to assess, rehabilitate and replace the aging substations, switchgears, and distribution system as necessary for system reliability. Design is estimated to begin in FY 2021 and construction, in a phased manner, will follow in FY 2022. \$31 million is included in the 5-Year CIP for this project.

### *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. Approximately \$12.7 million has been included in the 5-Year CIP to improve the sewer ejector systems and repair and upgrade lift stations.

### *Earhart Road Sewer Line Replacement/Rehabilitation*

The Earhart Road sewer line is in need of replacement and 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 in late 2020 with construction complete by 2021. The estimated project cost of \$7.5 million is included in the 5-Year CIP.

### Facilities Maintenance

Approximately \$2 million is included in the 5-Year CIP for facilities maintenance projects including controls and system upgrades for power and energy management systems, LED Lighting, and building upgrades.

### Other Projects

Approximately \$3.6 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 \$60 million from tenants and approximately \$600 million of 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 \$170.7 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 planned 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 is anticipated to spur customer growth, particularly for heavy export products that can be brought to the Seaport in rail cars, transloaded, and placed into a container within the overweight corridor. In the near term, the rail yard will serve current transload providers in the Seaport and 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 2018, Centerpoint-Oakland Development I, LLC, started construction of a new, approximate 464,000-square foot logistics facility on 27 acres of land adjacent to the new rail yard. Construction is scheduled for completion in summer 2020. 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 rail track improvements to provide enhanced warehouse connectivity; utility work for the Centerpoint development; and grading, paving and utility work on other parcels for a variety of current and anticipated leaseholds. Therefore, the 5-Year CIP includes approximately \$20.4 million for the Seaport Logistics Complex. Of that total, \$2.0 million is a planned contribution to a Community Trust Fund, which was established in the Amended and Restated Memorandum of Agreement (ARMOA) between the City and Port for the former OAB.

### 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 system upgrades, wharf upgrades for vessels capable of carrying 18,000 TEUs or more (ULCVs), additional shore power connections, and reconstruction/modernization of the Berths 9-10 area that includes the Port's dredged



material re-handling facility. Approximately \$29.6 million is included in the 5-Year CIP for marine terminal improvements, of which about \$1.9 million is for cranes, \$9.5 million for wharf upgrades for ULCVs, and \$8.5 million for reconstruction of the Berths 9-10 area.



MSC Anna, the largest ship ever to call at Oakland, docked at OICT on 4/16/2020.

### 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 Freight Intelligent Transportation System (FITS) component of the GoPort Program in partnership with the Alameda CTC (see *Overview* section), and reconstruction of 14<sup>th</sup> Street, the principal ingress/egress to the Seaport Logistics Complex. Approximately \$21.7 million is included in the 5-Year CIP for roadway projects, of which approximately \$9.3 million is to reconstruct 14<sup>th</sup> Street; \$10.4 million is for a potential new access road at the Seaport Logistics Complex; \$0.5 million is for the GoPort Program FITS component; and \$1.5 million is for the early stages of a potential Seaport-wide program to modify key ingress/egress points at the Seaport and improve connectivity between marine terminal and rail/ancillary properties. The 7<sup>th</sup> Street Grade Separation component of the GoPort Program is not included in the Port's CIP because the roadway will continue to be owned by the City.

### 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.

In FY 2021, the focus will be on two projects included in the FITS portion of the GoPort Program, which comprise (a) a new primary Emergency Operations Center (EOC) 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, and (b) new RFID readers. Approximately \$0.2 million is included in the 5-Year CIP to complete the EOC project. The RFID Reader project has been transferred to Alameda CTC and the bulk of the cost will be paid by non-Port funds (the CIP includes \$0.05 million for this project). Although grant funding for security has become scarcer and more competitive since the early 2000s, the Port was awarded up to \$2.5 million to help fund the security projects. On-going operation and maintenance costs, which have been growing in recent years, are the responsibility of the Port.

### Other Projects

Other identified projects at the Seaport total approximately \$96.9 million in the 5-Year CIP. These projects include:

- \$6.3 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 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 continue improving 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 funding in the 5-Year CIP for these activities. The CIP includes \$13.1 million for dredging work.
- Approximately \$57.8 million for new utilities or utility upgrades such as substation replacement, sanitary sewer, storm water trash capture systems, and fire systems; \$4.4 million for solar energy projects; and approximately \$3.0 million for the early stages of a potential Seaport-wide electrification and resiliency program.
- \$1.3 million is included for the MHSP, for the repair of a section of the dike along the Oakland Estuary, and for a potential elevator upgrade in one of the buildings.
- Capital equipment and miscellaneous infrastructure upgrades, totaling about \$7.0 million over five years, and \$4.0 million for miscellaneous projects and pre-development work that cannot be predicted at this time.



Electric Truck Charging Station

### **Commercial Real Estate Projects**

The 5-Year CIP includes about \$8.9 million for projects related to CRE. Approximately \$6.8 million in the 5-Year CIP is included for building and tenant improvements, primarily in Jack London Square and the Airport Business Park.

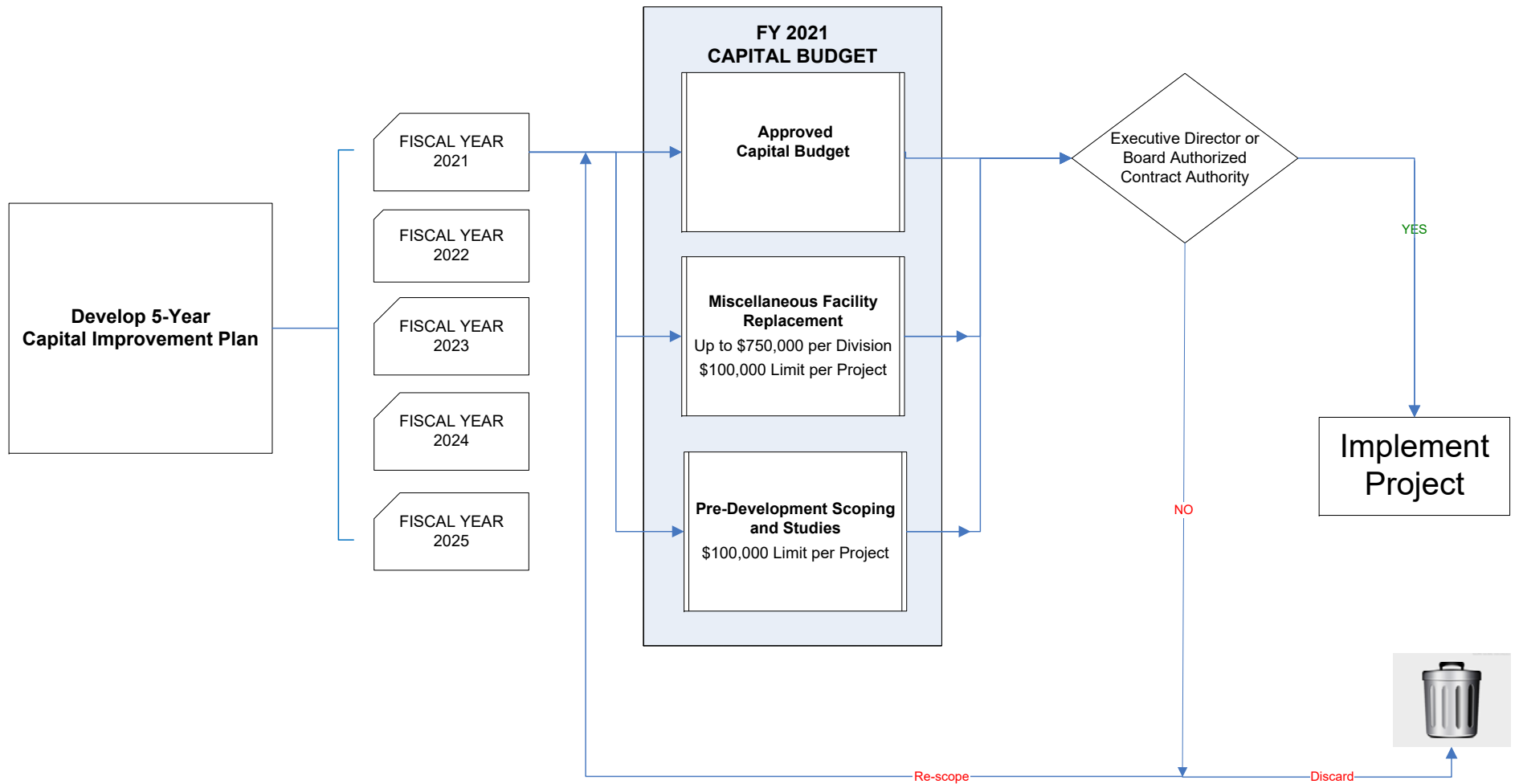
### **Support Division**

The 5-Year CIP includes \$2.2 million for Port information technology system 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 Commercial Paper (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 AIP-eligible Airport projects. The Port is required to fund the remaining 20% from PFCs or internally generated cash. However, in an effort to mitigate the impacts of the COVID-19 pandemic, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020, and includes \$10 billion to be awarded to affected airports. A portion of the CARES Act funding will be used to eliminate the 20% local matching requirements to qualify for 2020 federal capital improvement grants. The remainder may be applied to any airport expenses (both operating and non-operating) that would otherwise be funded with airport revenues. The total amount of CARES funding expected to be allocated to the Airport is approximately \$47.3 million of which \$2.5 million, representing the Port's 20% local matching requirement, is expected to fund AIP-eligible Airport capital projects.

From FY 2021 through FY 2025, total AIP grants for OAK (consisting of both AIP entitlement and discretionary funds) are estimated to be about \$56.4 million. In FY 2021 OAK anticipates using approximately \$12.4 million in AIP grants. The AIP grants will be used on grant-eligible portions of airfield and apron-related projects. In addition, the 5-Year CIP includes LLAP funds totaling \$5 million to pay for eligible portions of the Airport Perimeter Dike.

### **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 \$25.8 million in PFCs in FY 2019.

The Port anticipates that approximately \$76.3 million in PFC revenues will fund the costs of certain projects currently in the 5-Year CIP. Amounts available for funding capital projects may vary from projections depending on how quickly air travel demand returns considering travel restrictions imposed to slow the spread of COVID-19, and passenger willingness to travel. 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 2019 totaled approximately \$5.4 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.

Amounts available to rental car shuttle busing operations may vary from projections depending on how quickly air travel demand returns considering travel restrictions imposed to slow the spread of COVID-19, and passenger willingness to travel.

### **Maritime Grants and Other Funding**

In the 5-Year CIP, the Port expects to offset its expenditures with approximately \$105,000 in grant funding for Maritime security projects. 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 \$361.8 million of cash on hand and cash generated from future operations is assumed and applied to the 5-Year CIP.

### **Commercial Paper Note Proceeds**

Based on the current 5-Year CIP, the Port projects issuing approximately \$13.4 million of commercial paper notes to fund projects that are PFC-eligible. The Port anticipates repaying these CP Notes with future PFCs over the next 5 years. However, increases in costs, decreases in PFC collection, or the addition of other PFC-eligible projects to the Port's 5-Year CIP, while not projected, may increase the amount of CP Notes necessary and a long-term financing take-out may be necessary, utilizing Additional Senior or Intermediate Lien Bonds.

## FY 2020-21 CAPITAL BUDGET

### Expenditure and Funding Sources

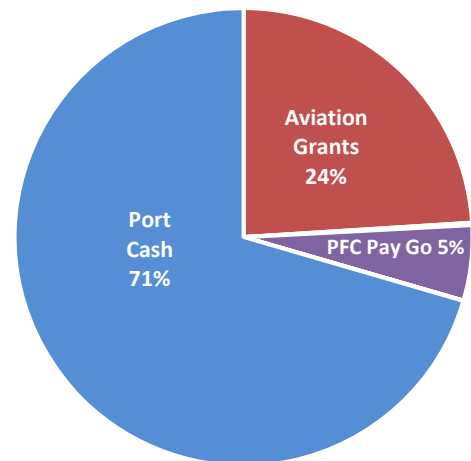
(\$ Thousands)

#### FY 2021 EXPENDITURES

Divisions	Capital Projects	Pre-Development	Misc. Facility Replacement	FY 20-21 Total Expenditure
Aviation	41,704	500	500	42,704
Maritime	23,402	750	250	24,402
CRE	3,904	-	325	4,229
Support	670	-	300	970
<b>Total</b>	<b>69,680</b>	<b>1,250</b>	<b>1,375</b>	<b>72,305</b>

#### FY 2021 FUNDING SOURCES

Funding Source	FY 20-21 Capital Budget
Aviation Grants <sup>1</sup>	17,365
Maritime Grants <sup>1</sup>	105
PFC Pay-Go <sup>2</sup>	3,854
Debt Proceeds (PFC) <sup>3</sup>	-
Cash	50,981
<b>Total</b>	<b>72,305</b>



<sup>1</sup> The Port has not yet obtained grant funding for all capital projects.

<sup>2</sup> Assumes \$1 million of PFCs available at beginning of FY 2021.

<sup>3</sup> Assumes that the Port's CP program will be utilized.

**5-YEAR CAPITAL IMPROVEMENT PLAN**  
**Expenditure and Funding Sources**  
**FY 2020-21 to FY 2024-25**  
(\$ Thousands)

**5-YEAR EXPENDITURE BY DIVISION**

Divisions	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	Total Estimated Expenditure
Aviation	42,704	89,252	85,725	63,385	36,800	317,866
Maritime	24,402	23,125	43,525	29,450	50,200	170,702
CRE	4,229	2,996	520	620	500	8,865
Support	970	300	300	300	300	2,170
Total	72,305	115,673	130,070	93,755	87,800	499,603

**5-YEAR FUNDING SOURCES**

Funding Source	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	Estimated Funding
Aviation Grants <sup>1</sup>	17,365	11,040	10,780	8,428	13,760	61,373
Maritime Grants <sup>1</sup>	105	-	-	-	-	105
PFC Pay-Go <sup>2</sup>	3,854	14,623	18,263	17,100	9,125	62,965
Debt Proceeds (PFC) <sup>3</sup>	-	7,567	5,802	-	-	13,369
Cash	50,981	82,443	95,225	68,227	64,915	361,791
Total	72,305	115,673	130,070	93,755	87,800	499,603

<sup>1</sup> The Port has not yet obtained grant funding for all capital projects.

<sup>2</sup> Assumes \$1 million of PFCs available at beginning of FY 2021.

<sup>3</sup> Assumes that the Port's CP program will be utilized.

**5-YEAR CAPITAL IMPROVEMENT PLAN****Annual Expenditure By Division and Projects****FY 2020-21 to FY 2024-25**

(\$ Thousands)

<u>DIVISIONS</u>	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 22-23</u>	<u>FY 23-24</u>	<u>FY 24-25</u>	<u>Total</u>
<b>AVIATION</b>						
Perimeter Dike Improvements	11,600	8,940	17,200	17,100	-	54,840
Airfield						
Pavement, Taxiway and Runway Improvements	13,408	13,800	13,400	9,700	17,200	67,508
Other Support Projects	2,248	-	75	835	-	3,158
Subtotal Airfield	15,656	13,800	13,475	10,535	17,200	70,666
Terminal						
Terminal Efficiency and Regulatory Compliance	1,050	3,415	2,700	8,600	4,100	19,865
Customer Service Terminal Upgrades	330	5,735	8,000	3,000	1,000	18,065
Building System Infrastructure Improvements	1,235	4,310	10,200	-	-	15,745
Other Projects	1,190	3,450	2,500	-	-	7,140
Subtotal Terminal	3,805	16,910	23,400	11,600	5,100	60,815
Utilities	7,510	19,815	14,200	11,650	8,000	61,175
Security	2,400	19,050	10,450	9,000	3,000	43,900
Ground Access and Parking	100	8,205	6,500	3,000	3,000	20,805
Facilities Maintenance	-	2,032	-	-	-	2,032
Other	1,633	500	500	500	500	3,633
	42,704	89,252	85,725	63,385	36,800	317,866
<b>MARITIME</b>						
Marine Terminals	1,900	6,100	7,350	5,200	9,000	29,550
Cranes	-	125	1,800	-	-	1,925
Security	250	20	-	-	-	270
Seaport Logistics Complex	11,150	2,900	6,100	100	100	20,350
Dredging	50	-	-	-	13,000	13,050
Utilities	8,500	9,800	20,350	11,250	16,000	65,900
Roadway	410	430	500	9,400	11,000	21,740
Other Projects	2,142	3,750	7,425	3,500	1,100	17,917
	24,402	23,125	43,525	29,450	50,200	170,702
<b>COMMERCIAL REAL ESTATE</b>						
Jack London Square	3,045	1,568	195	175	175	5,158
Embarcadero Cove	308	156	-	-	-	464
Business Park	551	947	-	120	-	1,618
Other	325	325	325	325	325	1,625
	4,229	2,996	520	620	500	8,865
<b>SUPPORT - Equipment and Systems</b>	970	300	300	300	300	2,170
<b>TOTAL</b>	<b>72,305</b>	<b>115,673</b>	<b>130,070</b>	<b>93,755</b>	<b>87,800</b>	<b>499,603</b>

## 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 schedule 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.

<b>Outstanding Debt</b>	<b>Unaudited June 1, 2020</b>
Senior Lien Bonds	\$ 606,165,000
DBW Loan	3,620,502
Intermediate Lien Bonds	181,910,000
CP Notes	61,075,000
Total	\$852,770,502

The current outstanding revenue bonds (Senior Lien and Intermediate Lien) were issued in 2011, 2012, and 2017 at fixed rates ranging from 1.85 % to 5.125% with remaining principal repayments scheduled for FY 2021-2033. The DBW Loan financed the 1999 renovation of the Jack London Square Marinas and has a fixed rate of 4.5%, with remaining principal repayments scheduled for FY 2021-2030.

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 1.60% to 1.80% in FY 2021 through FY 2025. 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, 2023.

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

### Repayment of CP Notes

As of June 1, 2020, approximately \$41.1 million of the Port's outstanding CP Notes is non-PFC eligible. Going forward, the Port plans to make annual principal repayments ranging between \$4 million and \$7 million during the FY 2022-25 period, as part of an overall plan to repay this debt.

The Port plans to issue approximately \$14.5 million, \$12.7 million, and \$12.8 million in non-PFC CP Notes in FY 2020, FY 2021, and FY 2022, respectively. Proceeds from the sale of future non-PFC CP Notes will be deposited into Bond Fund Accounts held with the Senior and Intermediate Lien Bond Trustee for the sole purposes of paying a portion of the principal and interest due in FY 2021, FY 2022, and FY 2023. Shortly after making each future semi-annual bond debt service payment, the Port plans to request reimbursement from the FAA in accordance with stated CARES Act reimbursement guidelines and procedures. Funds received from the FAA will be used to redeem the non-PFC CP Notes previously issued.

As of June 1, 2020, \$20.0 million of the Port's outstanding CP Notes is PFC-eligible and is expected to be redeemed from future PFC revenues. During the FY 2021-2025 forecast period, the Port will also issue a total of \$13.4 million of new PFC-eligible Notes in order to accommodate capital costs, which will exceed PFC collections during the FY 2022-2023 period. 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 can lead to this result, in which the issuance of additional CP Notes becomes necessary. By the end of FY 2025, it is anticipated that the outstanding balance of PFC-eligible Notes will amount to \$9.5 million.

### **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. As a matter of Port policy, the Board has also established a minimum DSCR of 1.40 for the Intermediate Lien Bonds.

### **Debt Service Coverage Ratios**

The Senior Lien, Intermediate Lien, and Aggregate DSCRs 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 CP Notes (both PFC eligible and non-PFC eligible) ranging between \$7 million and \$16 million, 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 1.60% in FY 2021, increasing to 1.80% in FY 2025.



**DEBT SERVICE COVERAGE****FY 2018-19 TO FY 2024-25**

(\$ Thousands)

	<b><u>Actual</u></b> <b><u>2018-19</u></b>	<b><u>Budget</u></b> <b><u>2019-20</u></b>	<b><u>Budget</u></b> <b><u>2020-21</u></b>	<b><u>Projected</u></b> <b><u>2021-22</u></b>	<b><u>Projected</u></b> <b><u>2022-23</u></b>	<b><u>Projected</u></b> <b><u>2023-24</u></b>	<b><u>Projected</u></b> <b><u>2024-25</u></b>
Operating Revenues	\$396,997	\$398,008	\$339,975	\$371,388	\$392,107	\$415,535	\$425,978
Operating Expenses <sup>1</sup>	(216,032)	(259,639)	(234,922)	(248,662)	(254,320)	(258,463)	(259,183)
Interest Earned <sup>2</sup>	13,139	6,688	4,741	4,195	4,204	4,211	4,498
<b>Net Revenues</b>	<b>194,104</b>	<b>145,057</b>	<b>109,794</b>	<b>126,921</b>	<b>141,991</b>	<b>161,283</b>	<b>171,293</b>
<b><u>Debt Service<sup>3</sup></u></b>							
Debt Service – Senior Lien Bonds	46,133	47,185	57,633	66,712	65,135	64,036	64,035
Debt Service – Senior & Intermediate Lien Bonds & DBW Loan	93,138	93,161	78,585	80,427	80,347	93,163	93,169
Debt Service – Aggregate <sup>4</sup>	100,300	100,899	79,447	88,177	85,952	98,973	97,844
<b><u>Debt Service Coverage Ratio:</u></b>							
Senior Lien <sup>5</sup>	4.21	3.07	1.91	1.90	2.18	2.52	2.67
Intermediate Lien <sup>6</sup>	2.08	1.56	1.40	1.58	1.77	1.73	1.84
Aggregate <sup>7</sup>	1.94	1.44	1.38	1.44	1.65	1.63	1.75

<sup>1</sup> Excludes depreciation and amortization.

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

<sup>3</sup> The amounts listed do not include debt service paid from PFCs, other debt proceeds, or from proceeds of the CARES Act. This is due to the fact that debt service paid from these sources are excluded from DSCR calculations. See Debt Service Schedule table on the succeeding page for debt service payment amounts before the application of other debt proceeds or CARES Act grant.

<sup>4</sup> Includes planned principal payments on outstanding CP Notes ranging between \$4 million and \$7 million per year during the FY 2022-25 time period, as part of an overall plan to repay this debt. The interest rate on CP Notes is assumed to be 1.60% in FY 2021, increasing to 1.80% in FY 2025.

<sup>5</sup> Senior Lien DSCR equals Net Revenues divided by Debt Service – Senior Lien Bond.

<sup>6</sup> Intermediate Lien DSCR equals Net Revenues divided by Debt Service – Senior & Intermediate Lien Bonds & DBW Loan.

<sup>7</sup> Aggregate DSCR equals Net Revenues divided by Debt Service – Aggregate.

# DEBT SERVICE SCHEDULE

FY 2020-21 to FY 2024-25

(\$Thousands)<sup>1</sup>

Description	FY 2020-21			FY 2021-22			FY 2022-23			FY 2023-24			FY 2024-25		
	Principal	Interest <sup>2</sup>	Total	Principal	Interest <sup>2</sup>	Total	Principal	Interest <sup>2</sup>	Total	Principal	Interest <sup>2</sup>	Total	Principal	Interest <sup>2</sup>	Total
<u>Senior Lien Revenue Bonds</u>															
2011 Refunding Bonds Series O	\$17,185	\$12,214	\$29,399	\$18,040	\$11,363	\$29,403	\$18,940	\$10,461	\$29,401	\$19,890	\$9,514	\$29,404	\$20,880	\$8,519	\$29,399
2012 Refunding Bonds Series P	18,265	17,782	36,047	29,945	16,873	46,818	29,570	15,379	44,949	20,720	13,912	34,632	21,760	12,876	34,636
Subtotal Sr. Lien Rev. Bonds	35,450	29,996	65,446	47,985	28,236	76,221	48,510	25,840	74,350	40,610	23,426	64,036	42,640	21,395	64,035
<u>Loans</u>															
Dept. of Boating & Waterways Loan	295	163	458	308	150	458	322	136	458	336	122	458	351	107	458
<u>Intermediate Lien Revenue Bonds</u>															
2017 Refunding Bonds Series D	5,345	4,643	9,988	5,025	4,383	9,408	6,380	4,098	10,478	14,945	3,565	18,510	15,720	2,799	18,519
2017 Refunding Bonds Series E	11,380	2,209	13,589	1,775	1,880	3,655	2,335	1,777	4,112	2,060	1,667	3,727	2,160	1,562	3,722
2017 Refunding Bonds Series G	2,595	1,026	3,621	2,450	970	3,420	2,865	905	3,770	5,640	792	6,432	5,805	630	6,435
Subtotal Int. Lien Rev. Bonds	19,320	7,878	27,198	9,250	7,233	16,483	11,580	6,780	18,360	22,645	6,024	28,669	23,685	4,991	28,676
<b>Total Sr. &amp; Int. Lien Rev. Bonds and DBW Loan</b>	<b>55,065</b>	<b>38,037</b>	<b>93,102</b>	<b>57,543</b>	<b>35,619</b>	<b>93,162</b>	<b>60,412</b>	<b>32,756</b>	<b>93,168</b>	<b>63,591</b>	<b>29,572</b>	<b>93,163</b>	<b>66,676</b>	<b>26,493</b>	<b>93,169</b>
Commercial Paper (Non-PFC) <sup>3</sup>	--	861	861	7,000	750	7,750	5,142	463	5,605	5,410	400	5,810	4,330	345	4,675
<b>Total including CP Notes (Non-PFC)</b>	<b>55,065</b>	<b>38,898</b>	<b>93,963</b>	<b>64,543</b>	<b>36,369</b>	<b>100,912</b>	<b>65,554</b>	<b>32,219</b>	<b>98,773</b>	<b>69,001</b>	<b>29,972</b>	<b>98,973</b>	<b>71,006</b>	<b>26,838</b>	<b>97,844</b>
Commercial Paper (PFC) <sup>4</sup>	7,782	320	8,102	--	317	317	--	409	409	3,003	435	3,438	13,059	407	13,466
Commercial Paper (CARES) <sup>5</sup>	14,516	--	14,516	12,735	--	12,735	12,821	--	12,821	--	--	--	--	--	--

<sup>1</sup> Summary amounts may not total due to rounding.

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

<sup>3</sup> The Port plans to make principal payments on outstanding CP Notes between \$4 million and \$7 million per year during the FY 2022-25 period, as part of an overall plan to repay this debt. The interest rate on CP Notes is assumed to be 1.60% in FY 2021, increasing to 1.80% in FY 2025.

<sup>4</sup> Reflects CP Notes payable from PFCs.

<sup>5</sup> Reflects CP Notes payable from CAREs Act funds.

## 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 ensure 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, 2020:

<b>Board Reserves</b>	
Port Bond Reserve	\$30,000,000
Operating Reserve	29,365,000
Capital Reserve	<u>15,000,000</u>
<b>Total</b>	<b>\$74,365,000</b>

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 2020-21 to FY 2024-25**

(\$ Thousands)

	<b>Projected 2020-21</b>	<b>Projected 2021-22</b>	<b>Projected 2022-23</b>	<b>Projected 2023-24</b>	<b>Projected 2024-25</b>
General Fund <sup>1</sup>	359,844	341,997	291,925	233,494	217,391
Port Bond Reserve Fund	30,000	30,000	30,000	30,000	30,000
Operating Reserve Fund	29,365	31,083	31,790	32,308	32,398
Capital Reserve Fund	15,000	15,000	15,000	15,000	15,000
Beginning Balance	434,209	418,080	368,715	310,802	294,789
<b>Sources</b>					
Operating Revenues	339,125	371,813	392,532	415,535	425,978
PFCs for Debt Service <sup>2</sup>	8,102	317	409	3,438	13,466
Interest Income <sup>3</sup>	4,238	3,692	3,701	3,708	3,994
Other <sup>4</sup>	30,835	12,735	12,821	-	-
Total Receipts	382,300	388,556	409,463	422,681	443,438
AIP, PFC Pay-Go, CFC, Other Grants <sup>5</sup>	21,324	25,663	29,043	25,528	22,885
Debt Proceeds <sup>6</sup>	12,735	12,821	-	-	-
Debt Proceeds (PFC-Supported) <sup>6</sup>	-	7,567	5,802	-	-
Total Capital and Financing Proceeds	34,059	46,051	34,845	25,528	22,885
<b>TOTAL SOURCES</b>	<b>416,359</b>	<b>434,607</b>	<b>444,308</b>	<b>448,209</b>	<b>466,323</b>
<b>Uses</b>					
Operating Expenses	(234,922)	(248,662)	(254,320)	(258,463)	(259,183)
Bond and DBW Debt Service					
Principal	(55,065)	(57,543)	(60,412)	(63,591)	(66,676)
Interest	(38,036)	(35,619)	(32,756)	(29,570)	(26,491)
Total Bond and DBW Debt Service	(93,101)	(93,162)	(93,168)	(93,161)	(93,167)
CP Notes					
Principal <sup>7</sup>	(22,298)	(19,735)	(17,963)	(8,413)	(17,389)
Interest <sup>8</sup>	(1,181)	(1,067)	(872)	(835)	(752)
Total CP Notes Payments	(23,479)	(20,802)	(18,835)	(9,248)	(18,141)
Capital Expenses <sup>9</sup>	(72,305)	(115,673)	(130,070)	(93,755)	(87,800)
Other Payments <sup>10</sup>	(8,682)	(5,673)	(5,828)	(9,595)	(11,240)
<b>TOTAL USES</b>	<b>(432,488)</b>	<b>(483,972)</b>	<b>(502,221)</b>	<b>(464,222)</b>	<b>(469,531)</b>
Net Cash Flow (Sources less Uses)	(16,129)	(49,365)	(57,913)	(16,013)	(3,208)
Ending Balance	418,080	368,715	310,802	294,789	291,581

1 Beginning General Fund balance for FY 2021 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 1.40%, 1.30%, 1.30%, 1.30%, 1.40% in FY 2021 through FY 2025, respectively.

4 Includes proceeds from the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, as well as cash received from deferred rents.

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 \$20 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 1.60%, 1.60%, 1.60%, 1.70%, 1.80% in FY 2021 through FY 2025, respectively and CP Notes balance at end of FY of \$66.0 million, \$66.7 million, \$54.5 million, \$46.1 million, and \$28.7 million, respectively.

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

10 Includes LOC fees, certain non-op. City pymts., retroactive pension contributions for ARFF staff and deferred prior year maintenance.

**STATEMENT OF CASH FLOWS - RESTRICTED****FY 2020-21 to FY 2024-25**

(\$ Thousands)

	<b>Projected 2020-21</b>	<b>Projected 2021-22</b>	<b>Projected 2022-23</b>	<b>Projected 2023-24</b>	<b>Projected 2024-25</b>
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	3,215	3,260	3,302	3,345	3,389
Construction Escrows	3,000	3,000	3,000	3,000	3,000
Beginning Balance	65,123	65,168	65,210	65,253	65,296
<b>Passenger Facility Charge (PFC)</b>					
Beginning Balance <sup>1</sup>	1,000	1,000	1,000	1,000	1,000
PFC Revenues	11,942	14,927	18,659	20,525	22,577
PFC Interest Income <sup>2</sup>	14	13	13	13	14
PFC-Eligible Debt Proceeds <sup>3</sup>	-	7,567	5,802	-	-
Less: Interest on PFC-Eligible CP Notes <sup>4</sup>	(320)	(317)	(409)	(435)	(407)
Less: PFC Capital Expenditures <sup>3</sup>	(3,854)	(22,190)	(24,065)	(17,100)	(9,125)
Less: Repayment of PFC-Eligible CP Notes	(7,782)	-	-	(3,003)	(13,059)
Ending Balance	1,000	1,000	1,000	1,000	1,000
<b>Customer Facility Charge (CFC)</b>					
Beginning Balance <sup>1</sup>	3,215	3,260	3,302	3,345	3,389
CFC Revenues	2,311	2,889	3,611	3,972	4,370
CFC Interest Income <sup>2</sup>	45	42	43	43	47
Less: CFC Capital Expenditures	-	-	-	-	-
Less: CFC Expenditures	(2,311)	(2,889)	(3,611)	(3,972)	(4,370)
Ending Balance	3,260	3,302	3,345	3,389	3,436

1 Beginning fund balances for FY 2021 are estimates; subsequent years are projected.

2 Assumes interest rates of 1.40%, 1.30%, 1.30%, 1.30% 1.40% in FY 2021 through FY 2025, 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 1.60%, 1.60%, 1.60%, 1.70%, 1.80% in FY 2021 through FY 2025, 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
AOA	Air Operations Area
ARFF	Aircraft Rescue and Fire Fighting
ARMOA	Amended and Restated Memorandum of Agreement
ACSO	Alameda County Sheriff's Office
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
NPDES	National Pollutant Discharge Elimination System
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
POU	Publicly Owned Utility
PSPS	Public Safety Power Shutoffs
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
ULCV	Ultra Large Container Vessel
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 41, revenue generated by businesses due to Port activity. The Economic Impact of the Port of Oakland – 2018, Martin Associates.

**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.

**Demonstration project** – a project that provides the means to introduce and experience innovative ideas and approaches and prepare the way for replication and up-scaling.

**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 41, Bay Area jobs wholly-dependent upon the Port's existence. The Economic Impact of the Port of Oakland – 2018, Martin Associates.

**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 41, similar to induced jobs, but generated by businesses re-spending their income on local goods and services. The Economic Impact of the Port of Oakland – 2018, Martin Associates.

**Induced Jobs** - As referenced in the table on page 41, jobs created throughout the local economy because direct job holders spend their wages locally on goods and services such as food, housing and clothing. The Economic Impact of the Port of Oakland – 2018, Martin Associates.

**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 41, purchases of goods and services by firms dependent upon the Port. These support local, indirect jobs. The Economic Impact of the Port of Oakland – 2018, Martin Associates.

**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 41, wages and salaries of direct job holders plus wages and salaries of indirect job holders plus re-spending and consumption. The Economic Impact of the Port of Oakland – 2018, Martin Associates.

**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 41, 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. The Economic Impact of the Port of Oakland – 2018, Martin Associates.

**State/Local Taxes** - As referenced in the table on page 41, 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. The Economic Impact of the Port of Oakland – 2018, Martin Associates.

**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 41, service jobs in the community (hotel, restaurant, retail employees) resulting from the purchases by visitors to the Bay Area arriving via OAK. The Economic Impact of the Port of Oakland – 2018, Martin Associates.

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