BUDGET SUMMARY

One-Year Operating and Capital Budget
Fiscal Year Ended June 30, 2017

Five-Year Operating Forecast and Capital Improvement Plan
Fiscal Years ending June 30, 2017 through 2021

PORT OF OAKLAND

ONE-YEAR OPERATING AND CAPITAL BUDGET
FISCAL YEAR 2016-17

AND

FIVE-YEAR OPERATING FORECAST
AND CAPITAL IMPROVEMENT PLAN
FISCAL YEARS 2016-17 THROUGH 2020-21

PORT OF OAKLAND

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June 23, 2016

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.

TABLE OF CONTENTS

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PORT OF OAKLAND

Sara Lee
Chief Financial Officer

June 24, 2016

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

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

Subject: Adopted Operating and Capital Budgets for Fiscal Year Ending June 30, 2017

Dear Board of Port Commissioners:

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

- 1-Year Operating Budget for fiscal year ended June 30, 2017;
- 1-Year Capital Budget for fiscal year ended June 30, 2017;
- 5-Year Operating Forecast for FY 2017 through FY 2021;
- 5-Year Capital Improvement Plan for FY 2017 through FY 2021; 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 2017 Operating and Capital Budgets were adopted by the Board on June 23, 2016. Operating forecasts for subsequent years and the 5-year Capital Improvement Plan (CIP) were presented as informational and conceptual only.

Overview

The Port's financial condition has improved significantly since the lows of 2009 and the Port is located in a healthy local economy. Among the three Bay Area airports, OAK is closest to the majority of the Bay Area population, closest to downtown San Francisco, and experiences minimal weather delays. The Seaport experiences a balanced import-export mix due to its proximity to the Central Valley, shorter transit times to Asia than other West Coast ports, and good connections to Class I railroads. Commercial Real Estate (CRE) serves a vibrant and growing local market. This favorable geographic position results in approximately 87% of the Airport traffic being origin and destination and approximately 85% of the maritime cargo destined for and from local markets, providing resiliency and demand for the use of Airport, Seaport and CRE properties.

The Aviation business is growing rapidly with passenger traffic anticipated to be up approximately 18% over the last two fiscal years. However, a major Maritime terminal operator filed for bankruptcy and vacated the

Port in spring 2016. In addition, expenses continue to rise faster than revenues with personnel costs, security costs and major maintenance expenses leading the way. Lastly, the Port's 5-year CIP remains constrained due in part to relatively high levels of debt service continuing for another 14 years before tapering down.

The development of the FY 2017 Budget included (i) balancing growing Airport demand against time to recover from the loss of major Maritime terminal operator; (ii) maximizing flexibility and protecting against the inherent uncertainties in the recovery of Maritime revenues; (iii) supporting and maintaining day-to-day operations; (iv) continuing progress on major capital projects underway; and (v) focusing on revenue maintenance and enhancement. Port management continues to be very mindful and discerning in the development of its budget, keeping costs down to the extent prudently possible and closely examining past and expected expenditures to tighten budget estimates.

The table below summarizes the Port's FY 2017 Budget.

Uses and Sources of Funds
($000s)

	FY 2017 Budget
Uses of Funds	
Operating Expenses[1]	$205,515
Debt Service[2]	104,359
Capital Expenses – Initial	113,588
Capital Expenses – Pipeline Projects[3]	45,876
Other Expenses[4]	8,425
Total Uses	$477,763
Sources of Funds	
Operating Revenues	$343,169
Grants[5]	33,896
Passenger Facility Charges (PFCs) & Customer Facility Charges (CFCs)[6]	29,475
Commercial Paper (Debt) Proceeds[7]	30,817
Interest Income	1,143
Available Cash	39,263
Total Sources	$477,763

[1] Excludes depreciation.
[2] Includes $4 million repayment of commercial paper notes.
[3] Board authorization is not requested for FY 2017 Pipeline Projects. The Pipeline Project costs are included in the Port's financial planning and cash flow analyses; however, authorization to proceed with the FY 2017 Pipeline Projects are subject to subsequent Board approval during the course of the fiscal year.
[4] Includes commercial paper and bond related fees; General Services and Lake Merritt payments to the City of Oakland; retroactive CalPERS pension payments for Airport service people; deposit to Operating Reserve; and certain deferred maintenance costs that were recorded as prior year loss contingency.
[5] The Port has not yet obtained grant funding for all capital projects included in the budget.
[6] The Port has not yet obtained PFC approvals for all capital projects included in the budget.
[7] Debt proceeds are anticipated for the Port's Terminal 1 renovation project and International Arrivals Building upgrade project and anticipated to be paid by future Passenger Facility Charges. Assumes that the Port's commercial paper program will be utilized in the interim until a long-term bond transaction occurs.

Operating Budget Highlights

Activity Levels

While activity levels are not directly correlated to Aviation and Maritime revenues, they are important indicators about the strength of these business lines. Provided in the table below is a summary of the projected Airport passengers and Seaport Full twenty-foot equivalents (TEUs) for FY 2017. FY 2016 anticipated and FY 2015 actual activity levels are also provided for comparison purposes.

Activity Levels

	FY 2015 Actual	FY 2016 Anticipated	YoY Growth	FY 2017 Budget	YoY Growth
Airport Passengers	10,754,556	11,700,000	8.8%	12,240,000	4.6%
Seaport Full TEUs	1,713,809	1,749,000	2.1%	1,749,000	0.0%

Operating Revenues

The table below summarizes FY 2017 budgeted operating revenues in comparison to FY 2016 anticipated and FY 2015 actual operating revenues.

Summary of Operating Revenues
($000s)

	FY 2015 Actual	FY 2016 Anticipated	YoY Growth	FY 2017 Budget	YoY Growth
Aviation	$157,934	$167,100	5.8%	$180,278	7.9%
Maritime	149,243	140,600	(5.8%)	134,175	(4.6%)
CRE	15,666	15,000	(4.3%)	15,576	3.8%
Utilities	13,743	14,500	5.5%	13,141	(9.4%)
Total	**336,587**	**$337,200**	**0.2%**	**$343,169**	**1.8%**

In comparison to FY 2016 anticipated revenues of $337.2 million, FY 2017 operating revenues are projected to increase $6 million, or 1.8%. Revenue projections reflect expectations of continuing above-average growth at the Airport and the impact of the loss of a major terminal operator at the Seaport.

Aviation revenues budgeted in FY 2017 of $180.3 million are $13.2 million or 7.9% higher than FY 2016 anticipated revenues of $167.1 million. Aviation revenues budgeted in FY 2017 are driven by (i) projected 4.6% activity growth, (ii) higher airline rates and charges due to increased operating expenses and increased passenger volume, (iii) higher parking and ground access revenues due to increased passenger volume, higher revenue per parking transaction, and full year Transportation Network Company fees, (iv) higher terminal concession revenues due to higher passenger volume and spend rate, and (v) higher lease revenues due to scheduled lease adjustments.

Maritime revenues budgeted in FY 2017 of $134.2 million are $6.4 million or 4.6% lower than FY 2016 anticipated revenues of $140.6 million. In spring 2016, a major terminal operator filed for bankruptcy and vacated the Port. The cargo associated with this terminal has been redistributed to the other Port marine terminals. FY 2017 Maritime revenues are based on (i) expectation that cargo will not be diverted and activity levels will be flat, (ii) lower revenues from marine terminals due to the loss of the terminal operator partially offset by higher over-the-Minimum Annual Guarantee (MAG) revenue due to the shifting of cargo to other terminal operators, and (iii) significantly higher space assignment and truck parking revenues based on the fluctuating need of adjacent marine terminals and ancillary services, availability of land, and planned tariff increase.

CRE revenues budgeted in FY 2017 of $15.6 million are $0.6 million or 3.8% higher than FY 2016 anticipated revenues of $15 million. FY 2017 CRE revenues are driven by anticipated increases in parking revenues, percentage rents, and minimum rent adjustments due to lease renewals and schedule rent adjustments.

Utility revenues budgeted in FY 2017 of $13.1 million are $1.4 million or 9.4% lower than FY 2016 anticipated revenues of $14.5 million. FY 2017 Utility revenues are anticipated to be lower due to higher than usual shore power usage in FY 2016 resulting from labor shortages in summer 2015, which caused longer than anticipated vessel plug-in time. FY 2017 budgeted Utility revenues is consistent with the shore-power usage experienced since summer 2015.

Operating Expenses

Overall, Port operating expenses (excluding depreciation) are budgeted in FY 2017 to increase $12.3 million or 6.4% in comparison to FY 2016 Budget.

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

	FY 2015 Actual	FY 2016 Budget	YoY Growth	FY 2017 Budget	YoY Growth
Personnel Costs	$94,158	$102,265	8.6%	$106,812	4.4%
Contractual Services[8]	60,896	70,283	15.4%	75,959	8.1%
General & Administrative[9]	19,611	19,558	(0.3%)	19,819	1.3%
Supplies	4,907	4,326	(11.8%)	4,323	0.1%
Utility Cost of Sales	7,075	7,053	(0.3%)	7,657	8.6%
Departmental Credits[10]	(8,846)	(10,260)	(16.0%)	(9,056)	11.7%
Total	**$177,800**	**$193,226**	**8.7%**	**$205,515**	**6.4%**

The FY 2017 Operating Budget reflects 502 funded full-time equivalents (FTEs), unchanged from FY 2016 Budget[11]. Personnel costs are approximately 52% of the Port's operating expenses and are budgeted to be $106.8 million, an increase of $4.5 million or 4.4% primarily due to increases in wages, pension and medical costs, offset in part by an increase in the vacancy factor from 30 to 35 FTEs. Salaries and wages are budgeted at $55.4 million, an increase of $2.3 million, or 4.3%, due to contractual wage and step increases. The Port's employer pension contribution rate will increase from 32.9% to 34.2% of wages on July 1, 2016 resulting in budgeted pension costs of $19.4 million, a $1.5 million or 8.2% increase. Medical costs for active employees and retirees are budgeted at $23.3 million, $1.2 million or 5.1% higher due to a 4.5% increase in the Kaiser medical premium rates on January 1, 2016, and an assumed 6% increase of medical premiums on January 1, 2017. Changes in other personnel costs are based on recent experience, recent actuarial reports, known or assumed rate increases, and changes to employee labor contracts.

[8] FY 2016 Budget is $1.2 million higher due to re-coding of certain Maritime truck parking expenses to Contractual Services from General and Administrative.
[9] FY 2016 Budget is $1.2 million lower due to re-coding of certain Maritime truck parking expenses from General and Administrative to Contractual Services.
[10] Primarily allocation of certain expenses (notably Engineer staffing costs) to capital expenses.
[11] In October 2015, the Board approved the addition of 5 FTEs, increasing the FY 2016 Budget from 497 to 502 FTEs.

Non-personnel costs are budgeted in FY 2017 to increase by $7.7 million, or 8.5% more than the FY 2016 Budget, including an increase in Contractual Services of $5.7 million or 8.1%, and an increase in General and Administrative expenses of $0.3 million or 1.3%. Key drivers for the increase in non-personnel operating expenses include: (i) major maintenance at the marine terminals, (ii) security services at the Airport, (iii) cooperative marketing, Custom Border Patrol services and long-term planning to accommodate increased passenger growth at the Airport; (iv) scheduled increases in parking, shuttle bus and certain maintenance contracts at the Airport, and (v) increases in maritime truck parking operations offset by higher truck parking revenues. Furthermore, an increase in Utility Cost of Sales of $0.6 million is due to higher usage and corresponding higher Utility revenues, and a decrease in Departmental Credits of $1.2 million or 11.7% is due to less direct labor charged and a lower indirect overhead applied to Port capital projects. Partially offsetting these increases were reductions in maintenance dredging costs, legal contingency, and various discretionary items such as travel, hosting, registration dues and office supplies and equipment.

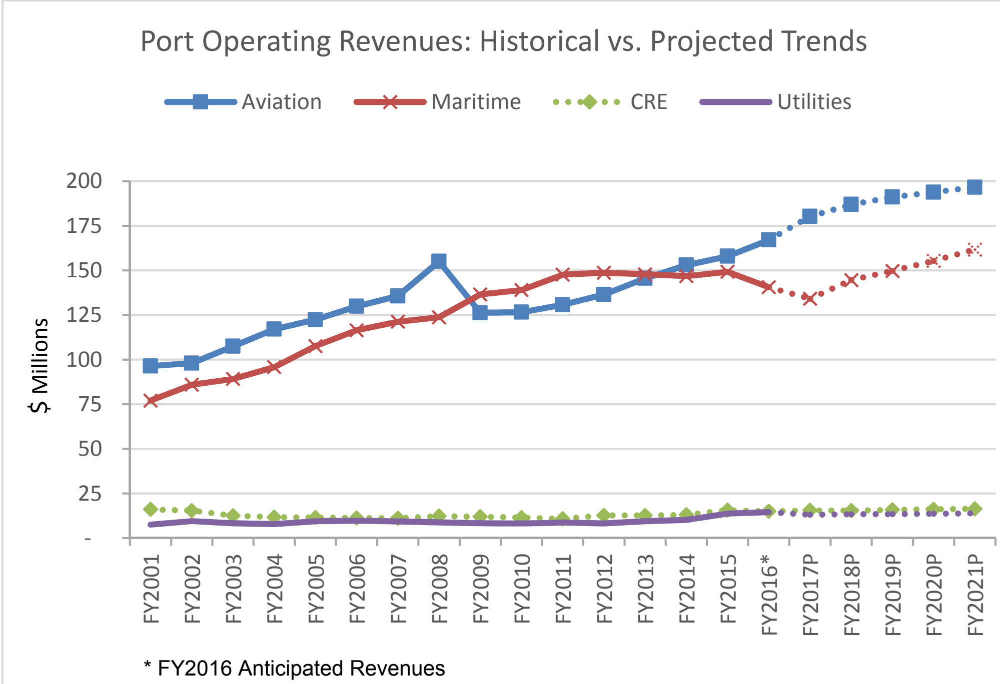
FY 2018-21 Activity, Operating Revenue and Expense Projections

For FY 2018-2021, Airport passengers are assumed to grow at 2.0-2.5% per year and Seaport Full TEUs by 2% per year. Port-wide operating revenues are projected to increase from $343.2 million in FY 2017 to $388.7 million in FY 2021, for an anticipated compound annual growth rate of 3.2%. During this period, the growth in Maritime revenues is anticipated to outpace Aviation as Maritime revenues recover from the loss of a terminal operator and Airport passenger growth assumed to moderate.

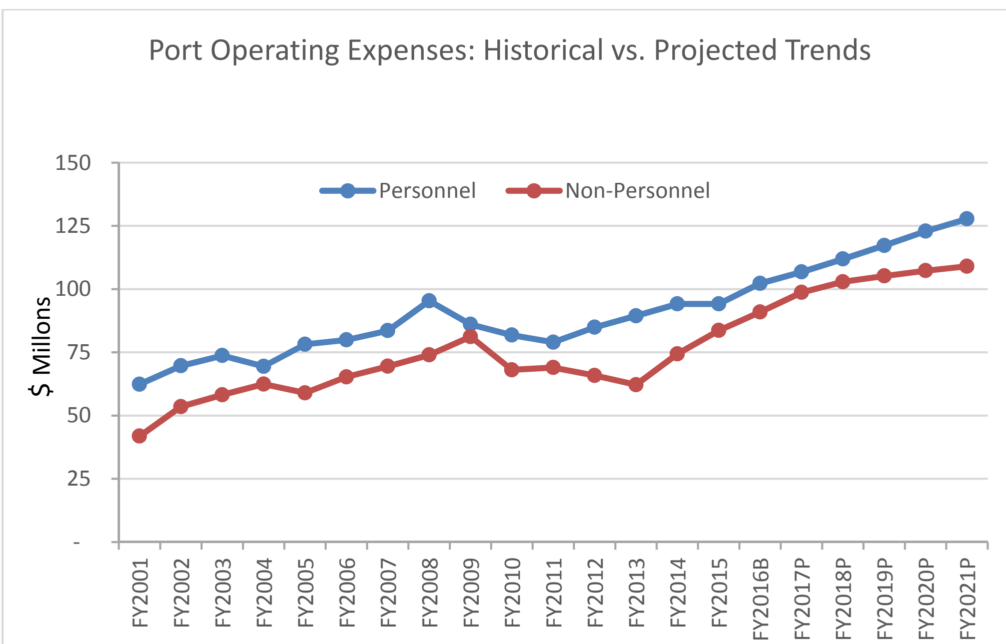
Aviation revenues are assumed to grow from $180.3 million in FY 2017 to $196.6 million in FY 2021 for a compound annual growth rate of 2.2%. Projected Aviation revenues assume passenger growth rate of 2.0–2.5% per year, increases in parking revenues correlated to passenger growth, changes in airline rates and charges based on assumed changes in net expenses, and scheduled lease adjustments. Non-airline terminal revenues are projected to decrease in FY 2018 due to lower anticipated lease renewals, but this is offset by higher airline terminal rates and charges.

Maritime revenues are assumed to grow from $134.2 million in FY 2017 to $161.7 million in FY 2021 for a compound annual growth rate of 4.8%. Projected Maritime revenues assume that Full TEUs grow 2% per year, annual tariff increases commensurate with inflation are realized, a portion of the former Outer Harbor Terminal is leased for container operations at rates generally consistent with existing leases, truck parking revenues increase in FY 2018 due to increased available space on portions of former Outer Harbor Terminal, and additional revenue from the reimbursement of crane raising costs is received.

The chart on the following page shows historical and projected revenues by business lines.



Port-wide operating expenses (excluding depreciation) are projected to increase from $205.5 million in FY 2017 to $236.8 million in FY 2021, for a projected compound annual growth rate of 3.6% as illustrated in the graph below. Operating expense projections take into account anticipated changes, but otherwise assume expenses will grow at 2.5% per annum. Personnel costs are assumed to increase at a compound annual growth rate of 4.6%. This assumes no increase in FTEs from current staffing levels, and is driven by assumed increases in medical premiums of 6% per annum and increases in pension rates from 34.2% in FY 2017 to 42.3% of wages in FY 2021 based on the most recent CalPERS actuarial study forecast. Contractual services, general and administrative costs, and supplies are assumed to grow at a compound annual growth rate of 2.7%, 2.4% and 2.4% respectively.



Capital Budget

For FY 2017, the Board authorized $113.6 million in capital expenditures for projects for which there is already a contractual obligation, as well as limited amounts for pre-development work to scope potential projects and miscellaneous facilities replacement projects[12]. "Contractual obligations" are generally defined as expenditures for which, for example, there is an active contract in place or a lease agreement that requires the Port to take certain actions. This authorization comprises the FY 2017 Capital Budget – Initial which includes the following capital projects, most of which are already in progress:

FY 2017 Capital Budget – Initial

Business Line[13]	*Projects*	*($ millions)*
A	Terminal 1 Renovations	$ 43.6
A	International Arrival Building Upgrades	24.8
M	Cool Port Rail & Electric Infrastructure	9.5
A	Runway Safety Area	8.0
M	Seaport Logistics Complex	4.7
A	Taxiway Repairs	4.0
A	Parking Access and Revenue Control System	3.6
A	ARFF Truck	2.2
M	-50 ft Dredging Project Cost Share	2.0
A	Runway 12/30 Rehabilitation	1.8
M	B35-37 Pavement Replacement	1.7
A,M,C,S	Misc. Facilities Replacement Projects	1.7
M	Mooring Dolphin	1.2
A	Airfield Geometric Survey	1.0
M	Marine Terminal Repairs	0.9
A,M	Pre-Development	0.8
M	Crane Raising and Management System	0.6
A	Lift Station #1 Sewer Improvements	0.4
C	Union Point Basin Environmental Remediation	0.4
A	Airport Pavement Management System	0.3
A	Capital Equipment	0.2
A	M371 Boiler	0.2
M	Sanitary Sewer Upgrades	0.2
A	Airfield Ramp Control	0.1
M	Fiber Optic Expansion and Resiliency	0.0
	Total	**$ 113.6**

In addition, approximately $45.9 million of additional projects are anticipated to commence in FY 2017 subject to Board approval (FY 2017 Pipeline Projects). Authorization to proceed with FY 2017 Pipeline Projects may be provided by the Board on a project-by-project basis, based on the need, financial analysis, cost estimates, alignment with Port goals and strategies, available funding and available staffing resources. For cash flow and financial planning purposes, the FY 2017 Pipeline Projects are assumed to be approved

[12] Miscellaneous facility replacement refers to smaller scope projects or needs that may arise during the course of the fiscal year that are unforeseen or difficult to predict with certainty; these projects are usually less than $100,000.
[13] Aviation (A); Maritime (M); Commercial Real Estate (C), Support (S)

by the Board during the course of the fiscal year. Of the $45.9 million of FY 2017 Pipeline Projects, the two largest projects anticipated to commence are approximately $6 million to fund a portion of the Runway 12/30 rehabilitation project and approximately $6.5 million for Berths 25-26 wharf and related improvements.

Provided in the table below is a summary of the Port's FY 2017 Capital Budget – Initial and Pipeline Projects and anticipated funding sources.

FY 2017 Capital Expenditures
Uses of Funds by Business Line
($ millions)

	FY 2017 Capital Budget - Initial	FY 2017 Pipeline Projects	FY 2017 Total
Aviation	$91.0	$28.9	$119.9
Maritime	21.8	16.7	38.5
CRE	0.7	0.2	0.9
Support	0.1	0.0	0.1
Total	**$113.6**	**$45.9**	**$159.5**

FY 2017 Capital Expenditures
Funding Sources
($ millions)

	FY 2017 Capital Budget - Initial	FY 2017 Pipeline Projects	FY 2017 Total
Aviation Grants	$19.5	$6.9	$26.4
Maritime Grants	6.5	0.4	6.9
PFC Pay-Go	23.2	0	23.2
CP (Debt) Proceeds	23.7	7.1	30.8
CFCs	0	1.0	1.0
Cash	40.7	30.5	71.2
Total	**$113.6**	**$45.9**	**$159.5**

Board-Established Reserves

The following reserves will continue to be maintained for FY 2017:

FY 2017 Board-Established Reserves
($000s)

Operating Reserve[14]	$25,689
Capital Reserve	15,000
Port Bond Reserve	30,000
Total Reserves	**$70,689**

Debt Service, Debt Service Coverage Ratio, and Cash Balance

The Port's debt service payments, projected debt service coverage ratios (DSCRs), and fiscal year ending cash balance are summarized in the table on the following page. The Port's General Fund balance is an important indicator of the Port's financial health. The General Fund balance changes daily and is used to pay day-to-day operating expenses, capital expenditures already under contract and anticipated in the 5-year Capital Improvement Plan, bond debt service payments each year (approximately $63 million on November 1, 2016), and all other accrued liabilities. The General Fund balance also includes items such as security deposits and contractor retention.

[14] Established at 12.5% of Operating Budget (excluding depreciation).

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

($000s)	Actual FY 2015	Anticipated FY 2016	Budget FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020	Projected FY 2021
Senior & Intermediate Lien Bonds	$97,734	$98,420	$99,020	$100,507	$102,016	$96,652	$96,015
DBW Loan	458	458	458	458	458	458	458
Commercial Paper Notes (payable from Operating Revenues)[15]	3,092	4,109	4,431	4,801	4,988	5,362	5,657
Commercial Paper Notes (payable from PFCs)[16]	na	32	451	1,302	1,929	2,939	3,918
Total Debt Service	101,284	103,019	104,359	107,068	109,391	105,411	106,048
Debt Service Coverage Ratio (excl. amount paid by PFCs)[17]	1.63x	1.47x	1.39x	1.45x	1.46x	1.57x	1.62x
General Fund Balance on June 30[18]	$130,659	$195,000	$154,572	$134,017	$129,766	$160,390	$199,995

[15] Includes principal repayment of outstanding CP Notes totaling $4 million per year as part of an overall plan to repay this debt. Does not include debt service paid on CP Notes anticipated to be repaid with PFCs. The interest rate on the CP Notes is assumed to be 0.75% in FY 2017, increasing to 4% in FY 2021.

[16] It is anticipated that approximately $68.7 million of debt payable by PFCs will be issued to finance a portion of the Terminal 1 renovation project and International Arrivals Building upgrade project between FY 2017-2021. It is currently assumed that the Port will utilize its CP program in the interim until a long-term bond financing is undertaken. The interest rate on the CP Notes is assumed to be 0.75% in FY 2017, increasing to 4% in FY 2021.

[17] Debt Service Coverage Ratio is Net Revenues (as defined in the Indentures) divided by debt service on Senior and Intermediate Lien Bonds, DBW Loan, and CP Notes (excluding amounts paid by PFCs).

[18] Other funds held by the Port are (1) Board-dedicated reserves of approximately $70.7 million for emergency operating and capital expenses, (2) PFCs and CFCs, which must be held separately as their use is restricted to eligible Aviation-related capital expenditures, and (3) contractor retention which is held in escrow; it is customary to withhold a percentage of payments until construction is completed. In addition, the Bond Trustee holds for the benefit of bondholders approximately $58 million in cash reserves. This reserve is required by bondholders and was funded by issuing additional debt.

Summary

The annual budget is an essential management tool to plan and sustain our businesses. The Port has an excellent track record of prudent and proactive budget management. I thank our highly skilled professional staff for their dedication to serve as reliable stewards of public resources. I appreciate the Board's support and commitment to the FY 2017 Budget.

Sincerely,

Chief Financial Officer

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PORT OF OAKLAND COMMISSIONERS

Earl S. Hamlin
President

Alan S. Yee
First Vice-President

Michael Colbruno
Second Vice-President

Cestra "Ces" Butner
Commissioner

Andreas Cluver
Commissioner

Arabella Martinez
Commissioner

Joan H. Story
Commissioner

Mission Statement

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

Vision Statement

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

SAN FRANCISCO BAY AREA MAP

PORT OF OAKLAND OVERVIEW

City of Oakland, California

The Port of Oakland (Port) is located within the borders of the City of Oakland (City), in the State of California (State), in the United States of America (U.S.). The City is located in Alameda County, on the eastern shore of the San Francisco Bay and on the Oakland Estuary. The City has a total area of 78.2 square miles, of which 72% is land and 28% is water.[1]

The City is one of 14 cities in Alameda County, and one of the three major cities in the nine-county region known as the San Francisco Bay Area (Bay Area), a large metropolitan area with a population of approximately seven million. The City is bordered on the north by the cities of Berkeley and Emeryville; on the south by the City of San Leandro; on the east by Contra Costa County; and on the west by the City of Alameda, the Oakland Estuary, and the greater San Francisco Bay. The City has an estimated population of 413,775[2], making it the third-largest city in the Bay Area after San Francisco and San Jose and the eighth-largest city in California.[3]

Port of Oakland

The Port area is located in the western part of the City, along approximately 19 miles of waterfront on the Oakland Estuary and San Francisco Bay. The majority of the Port's land was granted by the State in the early 20th century, subject to the State Tidelands Trust, which requires that the land be used for statewide public purposes, including commerce, navigation, and other recognized uses. The Port acts as trustee on behalf of the State for all Port property.

The City has operated a public harbor to serve waterborne commerce since its incorporation in 1852, and an airport since 1927. Management of the Port was delegated to a seven-member Board of Port Commissioners (Board) in 1927 by an amendment to the City Charter. The Commissioners are nominated by the Mayor and appointed by the City Council. They serve staggered four-year terms without compensation, and must be residents of the City.

The Port is an independent department of the City. The Board has complete exclusive power and 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, commercial real estate improvements, or for any other purpose. The Board has the power under the Charter to fix, alter, change or modify the rates, tolls, fees, rentals, and other charges for the use of the Port's facilities, and any services provided in connection with the Port's facilities. The Board appoints an Executive Director to administer operations.

A substantial portion of the Port's revenues are governed by lease, use, license, and other agreements with the tenants and customers of the Port's three business lines – aviation, maritime, and commercial real estate – as further discussed below.

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[1] U.S. Census Bureau 2010.

[2] Ibid.

[3] Ibid.

PORT OF OAKLAND AREA MAP

Port Business Lines and Operations

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

Aviation - Oakland International Airport (OAK; Airport) is one of three major commercial airports serving the Bay Area and has approximately 2,600 acres of aviation-related facilities. OAK is the second busiest Bay Area airport as measured by commercial passengers, with over 300 daily passenger and cargo arrivals and departures. The Airport currently averages 141 passenger departures a day to 53 domestic and international destinations, as well as more than 20 daily all-cargo departures to destinations around the globe. In calendar year (CY) 2015, the Airport served 11.2 million passengers and handled approximately 1.2 billion pounds of air cargo. Aviation generates approximately 48% of the Port's total operating revenues.[4]

Maritime – The Oakland Seaport (Seaport) is one of the top ten container ports in the U.S., comprising approximately 1,300 acres of maritime-related facilities. It serves as the principal ocean gateway for international containerized cargo shipments in Northern California and is one of four major gateways for such shipments on the West Coast of North America. In CY 2015, approximately 2.3 million twenty-foot equivalent units (TEUs) moved through the Seaport. Approximately 91% of this activity was associated with international trade, while the remaining 9% represented domestic trade within the U.S. Maritime generates approximately 47% of the Port's total operating revenues.[5]

Commercial Real Estate - The Port's commercial real estate (CRE) includes all Port properties not used or intended to be used for maritime or aviation purposes. These properties total approximately 837 acres of land along the Oakland Estuary and include warehouses, public parking, hotels, offices, shops, restaurants, as well as public parks and open space. CRE generates approximately 5% of the Port's total operating revenues.[6]

Unlike some U.S. ports, the Port does not receive funding from local tax revenues. The Port is an independent department of the City and, as such, must generate sufficient revenue to financially support its day-to-day business line operations. However, the City does provide a variety of services to the Port, including fire, police, and treasury services. The Port anticipates paying the City approximately $18.7 million in fiscal year (FY) 2017 for these services, as well as for maintenance of Tidelands Trust property, and for parking and utility taxes collected on the City's behalf.

Companies and organizations that operate at the Port create jobs and revenue, and generate tax revenues for the City and State. According to the Port's most recently commissioned economic impact study in 2010, approximately $106 billion of economic activity is associated with the Port's business lines. This activity supports approximately 74,000 direct, induced, and indirect jobs in the region, and nearly 827,000 related

[4] Based on FY 2015 audited financial statements.

[5] Ibid.

[6] Ibid.

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

AVIATION

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

History

OAK has served the air travel and air cargo needs of the Bay Area for 89 years. In 1927, work crews at Oakland Municipal Airport (now the North Field at OAK), constructed what was then the world's longest runway, a 7,020-foot long strip that served as the takeoff point for the first trans-Pacific flight from the U.S. mainland to Hawaii. The Airport received national recognition at its 1927 dedication when Col. Charles A. Lindbergh declared it “one of the finest airports” he had ever seen. It also was the departure point for Australian World War I ace Sir Charles Kingsford-Smith, who made the first flight between North America and Australia in 1928. Famous aviators frequented OAK, including Amelia Earhart, 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 2015, OAK ranked 35th in the U.S. in terms of total passengers and 13th in the U.S. in terms of air cargo tonnage.[8] It was the second busiest Bay Area passenger airport with an approximate market share of 15% and the busiest Bay Area cargo airport with a market share of 57%.

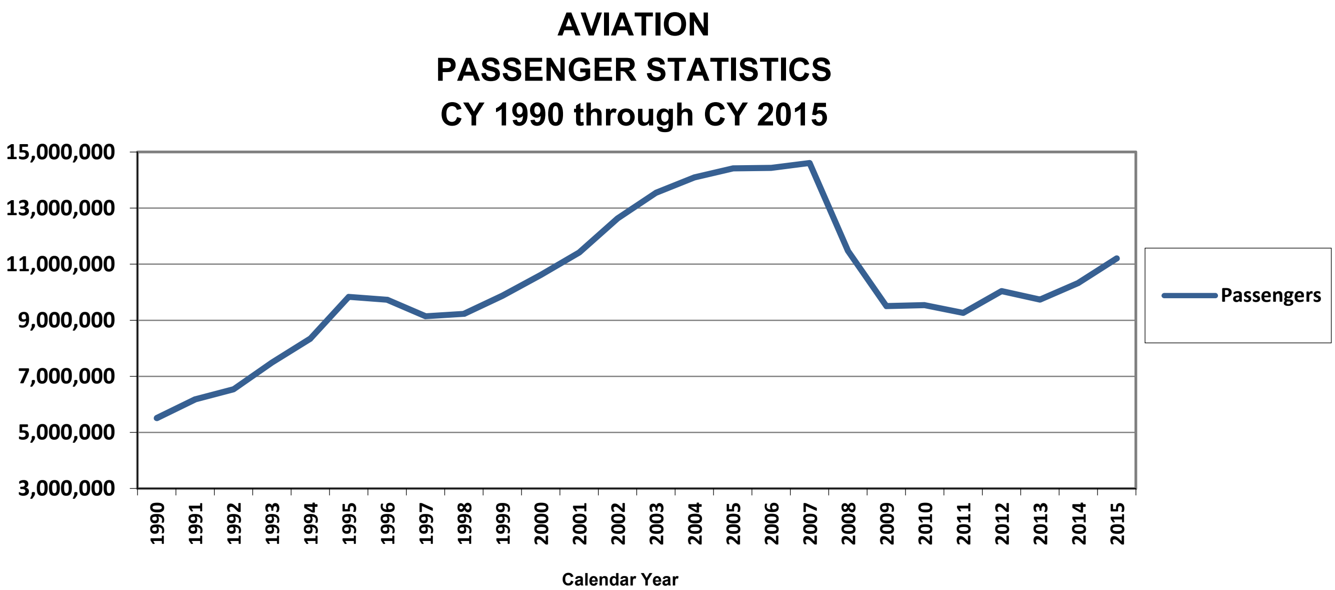
The Airport facilities are located on approximately 2,600 acres of land and include terminals, airfields, parking, air cargo, corporate and general aviation, a municipal golf course, and maintenance facilities. The Airport’s commercial passenger terminals (Terminals 1 and 2) have a total of 29 gates located at South Field. The original airfield (North Field) is presently used by smaller air cargo and corporate and general aviation operators. The North Field also serves commercial airlines as needed.

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

[8] Based on preliminary data from Airports Council International - North America.

Passenger Service

OAK provides easy-to-use airport facilities and convenient access to the Bay Area. In CY 2015, the Airport served 11.2 million passengers. Although below OAK's 2007 peak of 14.6 million, traffic grew 15% between CY 2013 and CY 2015, faster than any other California airport, and the number of nonstop destinations will be at an all-time high of 53 in summer 2016.



Southwest is OAK's largest carrier, accounting for 69% of the Airport's passenger activity and serving 26 nonstop destinations, with as many as 116 daily departures planned for summer 2016. Southwest is adding daily nonstop service to Reno/Tahoe (RNO) and St. Louis (STL) in June 2016. Spirit and Volaris grew more than 40% in CY 2015; and Norwegian operated year-round for the first time and added three times per week service to London Gatwick (LGW) in spring 2016.

OAK PASSENGER ACTIVITY and MARKET SHARE BY CARRIER

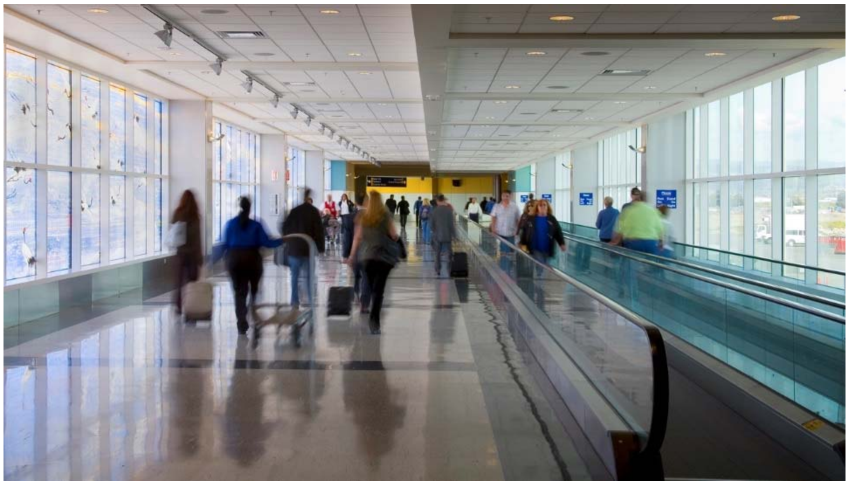
Marketing Airline	Total Passengers Served in CY 2015	Market Share In CY 2015
Southwest	7,779,313	69.4%
Alaska/Horizon[1]	799,208	7.1%
Spirit	492,596	4.4%
Hawaiian	395,756	3.5%
JetBlue	371,810	3.3%
SkyWest Airlines[2]	305,757	2.7%
Delta Airlines	264,881	2.4%
Volaris	216,866	1.9%
Allegiant	190,897	1.7%
US Airways[3]	124,060	1.1%
Mesa Airlines[4]	108,281	1.0%
Norwegian Airlines	100,851	0.9%
American[3]	29,415	0.3%
Compass Delta	21,688	0.2%
Charter/Other	3,684	0.0%
Total	**11,205,063**	**100.0%**

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

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

[3] As a result of its merger with American Airlines, US Airways ceased operations at OAK in October 2015.

[4] Mesa Airlines is a regional carrier that operates at OAK under a contractual agreement with Delta and American Airlines.



OAK PASSENGER AND CARGO STATISTICS

PASSENGERS	CY 2015	CY 2014	% Change
Enplaned	5,603,543	5,167,242	8.4%
Deplaned	5,601,520	5,169,546	8.4%
Total	11,205,063	10,336,788	8.4%
FREIGHT (in 000 lbs)			
Inbound	571,988	579,083	-1.2%
Outbound	599,585	588,872	1.8%
Total	1,171,573	1,167,955	0.3%
MAIL (in 000 lbs)			
Inbound	7,975	8,738	-8.7%
Outbound	4,058	3,883	4.5%
Total	12,033	12,621	-4.7%
TOTAL AIR CARGO (Freight & Mail) (in 000 lbs)	1,183,606	1,180,576	0.3%
LANDED WEIGHT (in 000 lbs)	9,449,870	8,972,705	5.3%
AIRCRAFT OPERATIONS (South and North Fields)	215,750	203,694	5.9%

Air Cargo

In addition to its status as a major passenger airport, OAK serves the top two global air cargo leaders, FedEx and United Parcel Services (UPS). OAK is the North American west coast hub for FedEx. In late 2013, FedEx completed construction of a 200,000± square foot international sort facility to complement its existing 280,000 square foot domestic operation at OAK. It is also renovating and upgrading other on-Airport facilities with a total anticipated investment of approximately $100 million over a five-year span. FedEx performs intermodal sorting and distribution of freight and overnight packages to and from around the world from its state-of-the-art facilities. OAK also serves as the primary Northern California air cargo facility for UPS with a major off-Airport sort facility on land leased from the Port and on-Airport transfer and loading facilities.

Air Cargo Carrier	CY 2015 Volume[1] (million lbs)
FedEx	940
UPS	213
Southwest	16
Other	15

[1] Air Cargo figures include freight and mail.

In CY 2015, OAK handled approximately 1.2 billion pounds of air cargo (freight plus mail), a 0.3% increase over CY 2014. FedEx is the major operator of freight aircraft with an average of 18 flights per day and 940 million pounds of cargo handled in CY 2015. UPS operated an average of four flights a day and handled 213 million pounds of cargo in CY 2015. 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 16 million pounds of cargo in CY 2015. Small general aviation aircraft and a small number of charter aircraft carry the remaining cargo at OAK. Air cargo activity declined significantly during the global economic recession of 2008-2009 and has recovered and stabilized. With its new and improved facilities, FedEx traffic is up 11% since the depth of the recession, and UPS landings have increased 6% since its low in CY 2010.

Corporate Aviation

OAK has two fixed-base operators (FBOs) that serve local, national, and international corporate and dignitary customers with full-service facilities. FBOs provide fueling, maintenance, charter aircraft passenger services, and aircraft parking and storage on OAK's airfield and in Port-owned hangars. The two FBOs are: KaiserAir, Inc. (KaiserAir) which has operated at OAK since 1954; and Signature Flight Support (Signature) (formerly Landmark Aviation), which commenced operations in late 2011 and acquired the holdings of Business Jet Center in 2013. Along with handling general aviation and corporate clients, KaiserAir also operates its proprietary (Part 121) aircraft with weekly scheduled flights to Hawaii. As OAK's newer FBO, Signature brings its expertise from operations at almost 200 airports across the U.S., Canada, Europe, Africa, Asia and South America. Signature has completed a $12 million investment in its leased facilities and expects to make significant capital investments during the first ten years of its lease term to improve Port-owned hangars and other airfield and support facilities.

Major Projects

Capital planning and development programs focus on maintaining, renovating, and enhancing existing assets in order to sustain and grow revenue and provide adequate facilities to meet demand. This work includes monitoring and maintaining major OAK infrastructure, such as the airfield pavement and lighting systems to ensure safe and secure operating conditions, and sewer, water, and power systems to provide uninterrupted critical services. As further discussed in the *Capital Budget and 5-Year Capital Improvement Plan* section, several major projects aimed at ensuring the safety and integrity of Airport facilities, as well as enhancing customer service, will continue in FY 2017.

The most visible among these include:

Terminal 1 Retrofit and Renovation Program

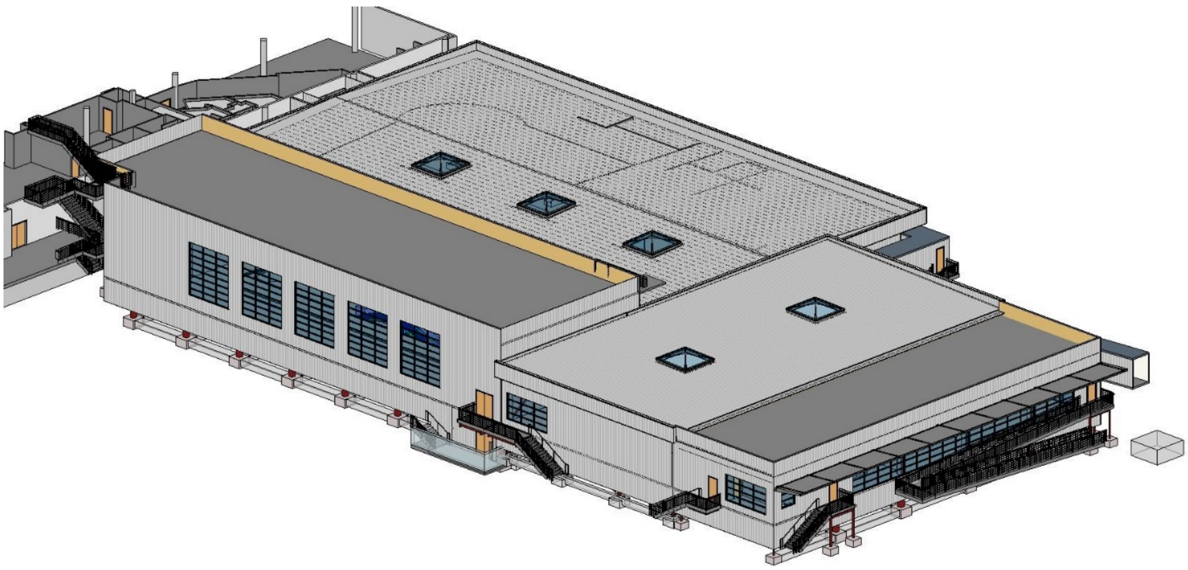
The Port continues to work on the renovation and retrofit of OAK's Terminal 1 (T1 Program), in a phased approach. The T1 Program focuses on replacing aging infrastructure, bringing building systems up to code, and reducing life-cycle costs. The overall program for the terminal renovation is called "Moving Modern".

During FY 2016, the implementation of major life-safety and infrastructure improvements in building M102 was on-going, including the construction of exterior shear walls and micropiles (foundation elements), the demolition of the South Field air traffic control tower, and initiation of the installation of interior seismic bracing and other infrastructure work, which will be accomplished while maintaining full operation of the security checkpoint. The project is expected to be completed in spring 2017. The T1 Program is funded primarily by Passenger Facility Charges (PFCs).

International Arrivals Building (IAB) Upgrade

This project includes upgrades to improve reliability and functionality of the dated facility to better serve the international passenger market, including a new baggage carousel and expanded passenger processing. The project involves coordination with and design approvals with the U.S. Customs and Border Protection (CBP).

During FY 2016, the project concept and schematic design was approved by the CBP, and final design is near completion. The project will be constructed using a Construction Manager at Risk Approach. The IAB Upgrade Project is anticipated to be funded primarily by PFCs and completed in 2017.



Runway Safety Area (RSA) Improvements

All airports were required to comply with Federal Aviation Administration's (FAA) RSA standards by the end of 2015. These standards set forth criteria to enhance safety in the event that an aircraft undershoots, overruns, or veers off a runway. The first major phase of construction for the RSA improvements at OAK began in May 2013 on the primary air carrier Runway 12/30 at the South Field, and was substantially completed in September 2014. Construction of the North Field RSA improvements began in November 2014 and the RSA-compliant runways were completed in November 2015, in advance of the congressionally-mandated deadline of December 31, 2015. Remaining elements of the RSA program (electrical upgrades and vehicle service roads) are expected to be completed in FY 2017 and funded primarily through Airport Improvement Program (AIP) grants.

Runway 12/30 Rehabilitation

Runway 12/30 is the Airport's main commercial air carrier runway. The runway is fully instrumented to allow aircraft operations up to current FAA standards. With 10,000 feet in length, it provides landing and take-off distances that accommodate all types of commercial and air cargo aircraft. A runway pavement overlay project completed in 2001 extended the service life of the runway for an estimated 15 years; accordingly, the runway is due for a new overlay in 2017.

The proposed Runway Rehabilitation Project includes centerline lighting infrastructure replacement and an overlay of approximately 7,800 linear feet of paving. The project requires careful coordination with the FAA, airlines, and community stakeholders to balance operations and community impacts. The project is expected to be funded primarily through AIP grants and completed in FY 2018.

AVIATION OPERATIONS AT-A-GLANCE

Domestic Scheduled Service:	Alaska Airlines/Horizon Air, Allegiant, Delta Air Lines/SkyWest Airlines, Hawaiian Airlines, JetBlue Airways, Southwest Airlines, Spirit Airlines, American Airlines/SkyWest
International Scheduled Service:	Norwegian, Volaris Airlines, SATA Airlines (seasonal)
Major All-Cargo Carriers:	FedEx, UPS
Number of Daily Departures:	162 average and 180 peak (includes passenger and cargo)
Acreage:	Approximately 2,600 acres
Passenger Facilities:	Two terminals (556,000 sq ft), 29 boarding gates
Runways:	10,000-foot runway 6,212-foot runway 5,454-foot runway 3,372-foot runway
Number of Employees:	Approximately 8,000 Port and tenant employees (about one-third of tenant employees are in cargo-related jobs)
Largest Airport Employers:	Southwest Airlines, approximately 2,600 employees (includes crew base staff) FedEx, approximately 1,300 employees Rolls Royce Engine Services, approximately 400 employees UPS, approximately 320 employees Port of Oakland, 255 employees (Aviation Division)
Public Parking:	Approximately 7,000 vehicle capacity
Flight Crew Facilities:	Flight Attendant Base – Southwest Airlines, 1,044 employees Pilot Base – Southwest Airlines, 712 employees Flight Attendant and Pilot Base – Allegiant, 30 employees
Cargo Sort Facilities:	FedEx UPS
U.S. Customs:	International Arrivals Facility (29,000 sq ft)

MARITIME

The Maritime Division is responsible for managing, promoting, developing, and maintaining the Seaport. Most of maritime operating revenues are derived from lease agreements with marine terminal operators who operate on Port property.

PORT OF OAKLAND
SEAPORT

History

In the early and mid-1900s, the shipping business was rapidly expanding in the City due in part to the Panama Canal's opening and World War I. To accommodate the growing maritime activities, 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. Developed in the U.S. in the late 1950s, this new technology transformed shipping worldwide through the use of standardized steel/aluminum containers that are carried by ship, truck, and train. In the 1960s the Port became one of the pioneers of large-scale containerization in the U.S. by becoming the first major port on the U.S. West Coast to build terminals for container ships.

To meet regional, national, and global cargo transport needs for the 21st century, the Port completed a major maritime expansion program in 2002, converting an area formerly occupied by the U.S. Navy into new container terminals, intermodal rail facilities, roadways, and public waterfront open space. Following this expansion, between 2003 and 2007, the Port acquired approximately 241 acres (185 land acres plus 56 acres of submerged land) of the former Oakland Army Base (OAB), ideally located adjacent to existing Seaport facilities. The Port is developing the former OAB into a state-of-the-art logistics center, beginning with a new rail yard scheduled for completion in late 2016. Full redevelopment of the logistics center is anticipated to take several years to complete.

International Gateway Today

The Seaport serves as the principal ocean gateway for international containerized cargo shipments in Northern California and is one of the top ten container ports in North America, based on the number of TEUs handled annually. A TEU is an international standard of measurement for the volume of business that moves through a container port. Containers come in different lengths, but most containers handled at the Seaport are 40 feet long and are therefore equal to two TEUs.

In CY 2015, approximately 2.3 million TEUs, or about 1.3 million containers, moved through the Seaport – a decline of approximately 4.9% from CY 2014. Full (loaded) container activity (for both imports and exports) declined in CY 2015 due to labor/management disputes on the waterfront (which caused a cargo slowdown on the U.S. West Coast) and the strength of the U.S. dollar on the international market (which affected exports). The Port historically has been a strong export seaport, moving California agricultural products and other U.S. goods overseas to foreign markets. However, growth of export cargo is partially dependent on global economic factors such as the strength of the U.S. currency and the availability of containers. In CY 2015, imports accounted for approximately 50% of all full container activity, while exports represented the other half.

In CY 2015, approximately 91% of the Port's trade was with international regions/partners and approximately 9% was domestic. Asia is the Port's most significant trading partner; in CY 2015, about 77% of the full TEUs that moved through the Port either originated from or were destined for Asia.

NORTH AMERICA CONTAINER PORT ACTIVITY BY TEU VOLUME

PORT	CY 2015 TEUs	CY 2014 TEUs	% CHANGE
LOS ANGELES (CA)	8,160,458	8,340,066	-2.2%
LONG BEACH (CA)	7,192,066	6,820,806	5.4%
NEW YORK/NEW JERSEY (NY/NJ)	6,371,720	5,772,303	10.4%
SEA-TAC ALLIANCE	3,529,084	3,393,522	4.0%
SAVANNAH (GA)	3,737,400	3,346,024	11.7%
OAKLAND (CA)	2,277,521[1]	2,394,069	-4.9%

Source: Respective port websites

[1] Includes estimates.

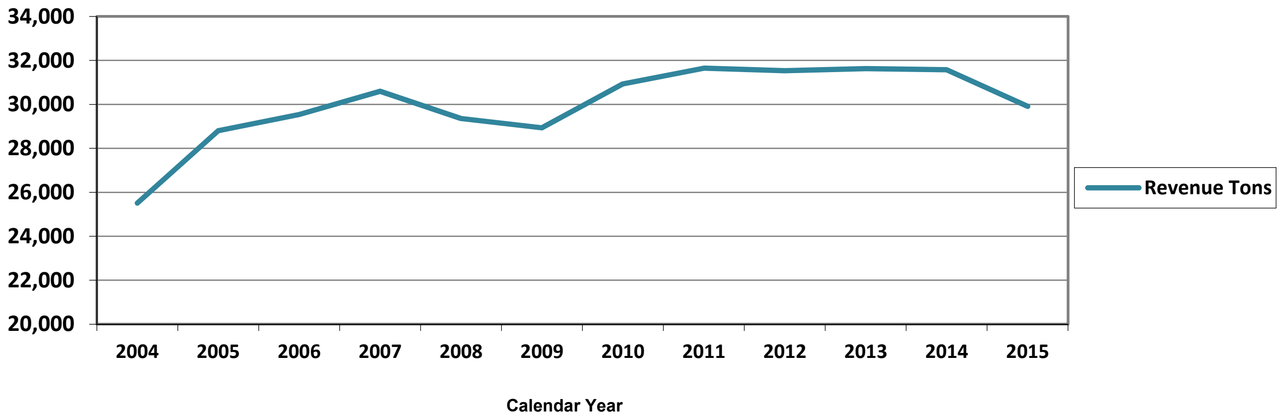
OAKLAND MARITIME CARGO STATISTICS

TYPE	CY 2015 TEUs[1]	CY 2014 TEUs	% CHANGE
IMPORT (FULL)	844,234	845,810	-0.2%
EXPORT (FULL)	858,146	969,378	-11.5%
TOTAL (FULL)	1,702,380	1,815,188	-6.2%
EMPTY	575,141	578,881	0.6%
TOTAL	2,277,521[1]	2,394,069	-4.9%

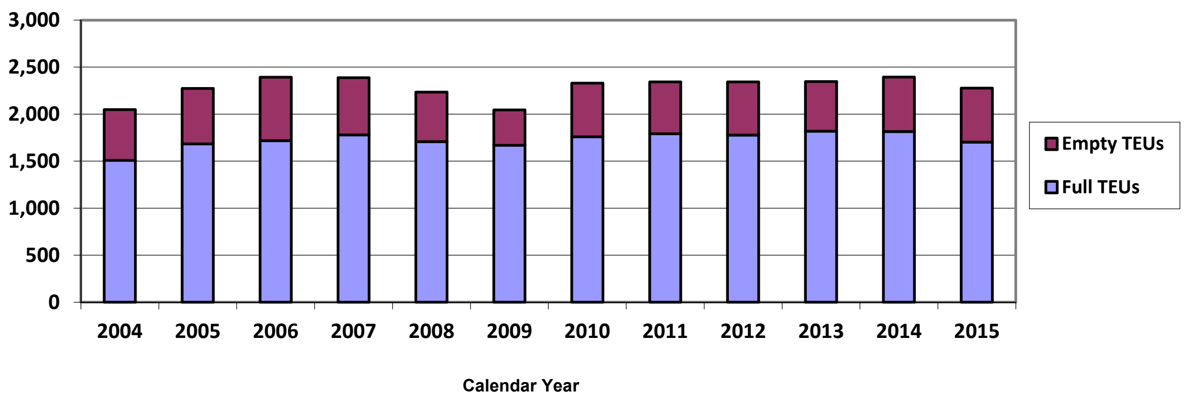
[1] Includes estimates.

MARITIME
CARGO STATISTICS
CY 2004 through CY 2015
(000s)

Revenue Tons[1]



Total TEUs[2]



[1] Containerized cargo only; excludes bulk cargo.

[2] Full TEUs and Total TEUs include restows and shifts. Starting in CY 2012, restows and shifts are no longer counted.

The Port currently offers 18 deep-water berths (most with 50 feet of water depth), four active marine terminals (operated by four terminal operators under five separate agreements), and 33 container cranes, of which 23 are Port-owned. The Charles P. Howard Terminal, which was operated as a container terminal, was vacated in 2014 and is currently being leased to tenants that provide maritime support services on an interim basis until a long-term tenant is identified. The Outer Harbor Terminal (Berths 20-26) closed in spring 2016. Cargo previously handled at this terminal has been redirected to the other four active terminals. A portion of the Outer Harbor Terminal is anticipated to be leased to an existing tenant to allow expansion of its container terminal operations. The balance is being leased, or anticipated to be leased, to a variety of tenants on a short to medium term basis for ancillary maritime purposes, until a long-term tenancy or tenancies is identified.

All major ocean container carriers serve the Port, linking the Bay Area with direct all-water service routes to most of the world's major producing, consuming, and trading economies. Among other California container ports, the Seaport offers some of the shortest transit times to and from Asia, its primary regional trading partner. The Seaport is backed by a network of local roads and interstate freeways, warehouses, as well as two Class I railroads – Burlington Northern Sante Fe Railway Company (BNSF) and Union Pacific Railroad (UP) - that, together, link the Seaport to local, regional, and national markets for containerized goods.

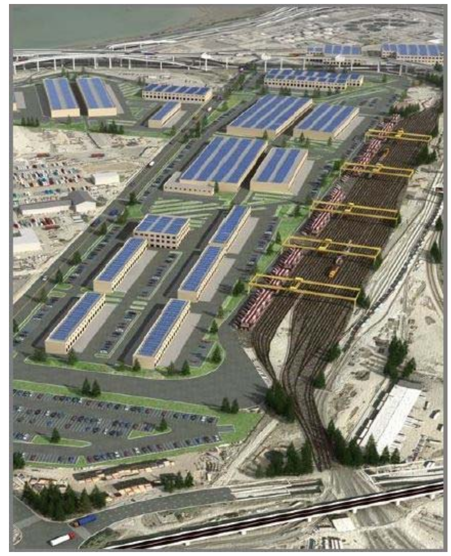
Major Projects

The Port must continuously upgrade and expand its facilities to accommodate future growth, improve its overall competitiveness, and enhance security. As further discussed in the *Capital Budget and 5-Year Capital Improvement Plan* section, various projects are planned to continue or begin in FY 2017 across all areas of the Seaport. Of these, the most significant include:

Seaport Logistics Complex

OAB, a military supply depot built during World War II, was closed by the Base Realignment and Closure (BRAC) Commission in 1993; and portions of the OAB were transferred to either the City or the Port between 2003 and 2007. The Port received approximately 241 acres of OAB property, 185 of which are land and 56 are submerged land. The Port plans to develop its OAB property into a logistics center, including new import cross-dock, export transloading from railcar to container, a new intermodal rail terminal, and related facilities. Development will be phased to match market demand and funding availability.

In 2013, the Port commenced construction activities for the first phase of the new rail yard. The improvements will provide additional railcar storage capacity for current and future customers at the Seaport Logistics Complex, particularly transload, bulk, and break bulk businesses. This first phase of construction is scheduled to be completed by December 2016. At the same time, the Port is currently in exclusive negotiations with a private developer to potentially develop approximately 20 acres of land adjacent to the new rail yard into a new logistics facility.


Rendering of OAB Development at full build-out, including both Port and City-owned property.

Temperature-Controlled Facilities

Following a competitive solicitation for the development and operation of a new temperature controlled transload facility at the Seaport, the Port entered into a lease with Cool Port Oakland, LLC. in October 2015. The lease is contingent upon certain approvals, notably from the California Public Utilities Commission (for an at-grade rail crossing). Construction of the Cool Port Project is expected to start in late summer/early fall 2016, with operations anticipated to commence in fall 2017. The intent of the development is to increase the import and export of perishable food products through Northern California.

Marine Terminal & Roadway Improvements

Over the next five years, the Port expects to make a number of improvements to marine terminals and the key access points to those terminals; this work will address aging infrastructure, the needs of larger ships, and congestion on roadways inside the Seaport. Key projects include crane raising; wharf upgrades for vessels capable of carrying 18,000 TEUs or more; terminal yard reconstruction and expansion; as well as design and construction of a new, grade-separated 7th Street (pending Measure BB, and other State and federal funding).

Security

Since 2001, the Port, State, and U.S. government have focused on seaport security as a critical link in national defense. Leveraging federal security grant programs, the Port continues to implement various improvements to enhance overall security and emergency preparedness. In FY 2017, the Port plans to extend its existing security system (fiber optic network and surveillance cameras) to the new Seaport Logistics Complex being developed on the Port-owned portion of the former OAB. Further, over the next few years, the Port also plans to modernize existing information technology systems that are at the core of seaport security, with a focus on cybersecurity and protection of industrial control systems for critical infrastructure. These improvements support resiliency and promote better information sharing among agencies and stakeholders during emergencies and other security events.

Congestion Relief and Operational Efficiencies

Congestion experienced inside and outside terminal entrance gates has raised concerns about air quality, terminal operation efficiencies and overall efficiency and profitability of the supply chain. In mid to late 2014 and early 2015, “normal” levels of congestion were exacerbated by civil protests that shut down marine terminals intermittently, and by various labor slowdowns during the labor (ILWU – International Longshore Warehouse Union)-management (PMA – Pacific Maritime Association) negotiations for a new longshore contract. While the Port has largely rebounded from this period, the Port continues to intermittently experience long truck queues outside terminal gates. The Port is approaching the congestion challenge with several initiatives, all under the umbrella of the Port Efficiency Task Force (PETF) which launched in August 2015. Members of the PETF include all sectors of the supply chain. The PETF is working on five initiatives: extended gate hours (night gates/Saturday gates have been in operation since February 2016 at some terminals); metrics for wait and turn-times, including real-time data and potential entrance/exit gate modifications; gray chassis pool; Central Valley depot; and ILWU workforce growth (ILWU workforce expanded in the latter half of 2015).

The Port recently provided $1.5 million to help offset the costs for marine terminal operators to operate extended gate hours. The Port has also made available additional land to promote the movement of cargo to an in-port but off-terminal location for ultimate pick up, which eases terminal crowding.

The Port also invested $350,000 to develop a truck traffic measurement tool that uses Bluetooth, GPS, and Wi-Fi to assist harbor truckers. The free application estimates how long a driver can expect to wait to enter marine terminal gates and how long transactions are taking. Drivers and cargo owners can receive up-to-the minute information on turn times. This real-time data allows them to plan transactions around peak periods of marine terminal activity. These Port investments are designed to reduce congestion at the Seaport and accelerate cargo flow. The new application was launched in May 2016.

MARITIME OPERATIONS AT-A-GLANCE

CY 2015 Cargo Vessel Arrivals:	1,433
Shipping Lines:	ANL Container Line, APL, CCNI, China Ocean Shipping Co, China Shipping Agency, CMA-CGM, Evergreen Line, Hamburg Sud, Hanjin Shipping Co, Hapag-Lloyd, Horizon Lines, Hyundai Merchant Marine, “K” Line, Maersk, Matson Navigation, Mediterranean Shipping Company, Mitsui OSK Lines, NYK Line, OOCL, Pacific International, Polynesia Line, United Arab Shipping, U.S. Lines, Wan Hai, Yang Ming Line, Zim Container Line
Container Terminals:	▪ Ben E. Nutter Terminal (Operator: Everport Terminal Services), Inc. ▪ Matson Terminal (Operator: SSA Terminals, LLC) ▪ Oakland International Container Terminal (Operator: SSA Terminals (Oakland), LLC) ▪ TraPac Terminal (Operator: TraPac, LLC) ▪ Charles P. Howard Terminal (currently not in service) ▪ Berths 20-24 Terminal (currently not in service)
Deepwater Ship Berths:	18
Container Gantry Cranes:	33 (23 Port-owned)
Container Terminals Acreage:	Approximately 779 acres
Freeways Serving Port:	Interstate 80 (north & eastbound) 880 (southbound) 580 (eastbound) 980 (eastbound)
Railroads:	BNSF Railway Company Union Pacific Railroad
Principal Exports:	Beverages, Cereals, Edible Fruits/Nuts, Iron/Steel, Meats, Miscellaneous, Oil Seeds/Olaginous Fruits, Preparations of Vegetables, Wood, Wood Pulp
Principal Imports:	Articles of Iron/Steel, Beverages, Coffee/Tea & Spices, Electrical Machinery, Furniture, Glass/Glassware, Miscellaneous, Plastic, Preparations of Vegetables, Wood/Articles of Wood

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

COMMERCIAL REAL ESTATE

The CRE Division oversees approximately 837 acres of land along the Oakland Estuary that is not used for aviation or maritime purposes. Much of this land, particularly land located between the ferry terminal at Jack London Square (JLS) and Hegenberger Road (see *Commercial Real Estate Area Map*, page 70) was historically used for industrial purposes, and over time is being transformed with new development, including entertainment uses, hotels, offices, shops, restaurants, and industrial flex/research development, as well as public parks and open space.

Over the last ten years, the CRE Division has leased most of its properties to developers or tenants under long-term agreements, pursuant to which the developer or tenant is responsible for the development, subleasing, operation and maintenance of the improvements on the properties. The primary challenge for the CRE Division is to enhance profitability of the Port's real estate portfolio in an environment of intense competition, competing public interest groups, and distinct regulatory oversight.

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

<u>Jack London Square</u>

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

The centerpiece of the JLS Phase II Project is a 170,000-square-foot marketplace building called Jack London Market, which was constructed in 2010. With all of the office space on upper floors completely leased, in March 2015, Jack London Square Ventures executed a sublease for the remaining ground floor of the building to a public market operator with significant prior experience. This public market space has now been assigned to the new lessee, CIM Group, who has resumed sublease negotiations for this public market concept with the prior proposed operator. If all the sublease contingencies are met, the planned opening of the new public market could occur in late 2017 once all the individual market vendors are secured and all tenant improvements to the space are completed.

In FY 2017, the CIM Group plans to continue efforts to attract tenants to the remaining available retail spaces in JLS and in a vacant retail space on 2nd Street, and complete the associated tenant improvement work for those tenants. CIM Group has secured new land-use entitlement approvals for two new multi-family residential buildings adjacent to JLS on privately owned land, which if constructed, will enhance and expand the foot traffic and 24-hour vitality of this important asset. CIM Group is also interested in pursuing the potential development of the previously approved full service hotel on the final remaining vacant JLS Phase II ground lease parcel.

Despite a competitive real estate market, about 95% of the office space at JLS is currently leased and several new tenants have been added during the past year. Some examples of new and expanded leases at JLS include:

- Steel Rail Café, a small sandwich/salad café, which opened in September 2015;
- Pacific Maritime Shipping Association signed a new lease for office space in April 2015; and
- Sunset Magazine moved into their new headquarters location, which occupies the entire second floor of the 55 Harrison Street building, in January 2016.

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 undergo substantial redevelopment as a new residential neighborhood by a private developer, Zarsion-OHPI, LLC. 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. This project is expected to be constructed in four to six phases over the next three to ten years.

The Brooklyn Basin Project, approved by the City Council in 2006, is anticipated to include a variety of land uses, including housing (up to 3,100 units), up to 200,000 square feet of neighborhood serving retail space, public open space (approximately 32 acres), marina improvements and public promenades designed to maximize access to the shoreline and Oakland Estuary. Most of the pre-existing buildings on the site have now been demolished. The Brooklyn Basin Project also calls for the renovation of the Clinton Basin and Fifth Avenue marinas. Construction on the project began in March 2014 with the demolition of several structures. Environmental remediation efforts are currently underway, as well as the construction of interim public access improvements. The infrastructure improvements for the first phase of the development are anticipated to be completed in late 2016, with the first residential units slated to commence construction in late 2016.

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

Rendering of future Brooklyn Basin Project.

Parks and Public Access

The Port's waterfront has evolved through the decades to include industrial, commercial, and recreational uses as well as significant public access areas. In 1999, the Port and the City approved The Oakland Estuary Policy Plan, which established public access policies for 5.5 miles of urban waterfront located between the Seaport and Airport. See *Parks and Open Spaces* section under Environmental Stewardship for more information. Approximately 630 acres of public parks and public access is 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.

COMMERCIAL REAL ESTATE OPERATIONS AT-A-GLANCE

Land Area Managed:	Approximately 837 acres
Major Developments Planned or Constructed by Private Developer:	**Jack London Square Phase II Project**: 300,000 sq ft of retail/entertainment/office space (completed); 1,100 space public parking garage (completed); Public access improvements throughout JLS (completed); 250-room full service hotel (planned) **Brooklyn Basin (Formerly called Oak-to-Ninth Avenue)**: 3,100 residential units, 200,000 sq ft of commercial space, 2 marinas and 32 acres of open space (under construction)
Parking:	1,442 public parking spaces in Jack London Square (Port-owned)
Gross Sales:[1]	$ 121.8 million
Current Tenant Mix:	10 Warehouse Agreements 5 Hotel Agreements 11 Restaurant Agreements 12 Retail Agreements 17 Office Agreements 40 Various Other Agreements (Parking, Billboards, Radio Towers, Land, etc.)
Public Access and Open Space:	About 630+ acres of public access and open space is located on Port land in the CRE area, or 75% of the total acreage
Land Use Standards:[2]	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, Regional Water Quality Control Board – San Francisco Region, California Air Resources Board, California Department of Toxic Substances Control, U.S. Coast Guard, U.S. Army Corps of Engineers, and Federal Aviation Administration.

[1] Sales generated by Port tenants and subtenants.

[2] May also apply to Aviation and Maritime properties.

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 97% 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 Divisions, and capital projects related to utilities are included in the Port's 5-Year Capital Improvement Plan (CIP) related to these divisions.

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

PORT SECURITY

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

At the Seaport, recently completed or advanced security projects include: a new intrusion detection and reporting system, full implementation of a truck registry and identification system, Transportation Worker Identification Credential (access control) verifications, and geospatial mapping systems. In addition, the Port continues to manage the Comprehensive Truck Management Program (CTMP) Secure Truck Enrollment Program (STEP) registry. Looking ahead, the Port plans to expand its security system into newly developed areas and modernize existing core systems. The overall goal of these efforts is to support resilience and promote better information sharing among stakeholders during security events.

The Port partners with local, regional, State, and federal law enforcement agencies and the private sector for security purposes. At OAK, the Port partners with the TSA, CBP, and the Alameda County Sheriff's Office to implement TSA and other security-related regulations and best practices, and to evaluate and address law enforcement and security-related issues. The Airport also uses a private security firm for additional security needs. At the Seaport, the Port partners with the U.S. Coast Guard, CBP, California Highway Patrol, Oakland Police Department, Alameda County Sheriff's Office, and maritime tenants and customers to enhance and enforce security measures. Security requirements and regulations continue to evolve as various agencies, such as the DHS, respond to and learn from anticipated threats and security events. The cost of meeting security guidelines is rising as more requirements are put into place and as newly-installed infrastructure must now be operated and maintained at direct cost to the Port. For areas within the CRE portfolio, including public areas such as Jack London Square, the Port relies on private security firms to help ensure safety of the public and security of Port facilities.

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

COMMUNITY CONNECTION

The Port embraces its role as a socially responsible enterprise and recognizes that its business and operations can profoundly affect the community and the environment, and takes special care to promote the economic, social, and environmental well-being of the City, and its neighboring communities. The Port is constantly seeking to improve and enhance its community engagement, building on some of the following programs:

- For over 18 years, the Port has provided summer jobs, work experience and exposure to careers for hundreds of students through its Internship Program. An internship can be a student's very first job or a stepping stone in a career path that can help open up doors and opportunities for the future.
- The Port engages with the community year round at career fairs, business expos, community festivals, and community meetings. The Port connects with people through various other communications channels including online LiveChat, Port Hotline, blog, website, social media, and e-newsletter. The Port offers unique opportunities to learn about our Seaport operations through harbor tours, which are free and open to the public.
- To ensure that our economic benefits are shared in our 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 our three enterprises: Airport, CRE, and Seaport; our grants are made in three program areas: (1) Economic Vitality; (2) Environmental Sustainability; and (3) Workforce Development and Education.
- The Port supports programs and activities that prepare individuals in the community to participate successfully in an increasingly global society. Specifically, the Port focuses on supporting programs and projects that expand access to high-quality education, and prepare and train individuals for careers in Port-related industries. Examples of these activities include, but are not limited to, training and education in trade and logistics, STEM (science, technology, engineering and mathematics), aviation, and building-construction trades.
- The Port holds project-specific meetings in various locations across the City and the region to exchange information and obtain community input on the impact of various Port projects, job opportunities, and overall community benefit attributes of the project.
- The Port works with its stakeholders, including business partners, customers, regulatory agencies, environmental organizations, and the local community to develop and implement environmental stewardship programs, which reduce air pollutant emissions from goods movement and promote a healthier environment and quality of life for the Port’s neighboring communities.
- The 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, truck drivers, brokers, shippers, terminal operators, and ocean carriers. Community members and government/regulatory agencies also attend routinely.

ENVIRONMENTAL STEWARDSHIP

Energy Conservation at Port Headquarters

In 2015, the Port headquarters, located at 530 Water Street, was awarded the Energy Star label by the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Energy (DOE). The Energy Star is a joint program of the EPA and DOE to help Americans save money and protect the environment through the use of energy efficient devices and energy saving practices. To achieve an Energy Star award, a facility must rank among the top 25% most energy-efficient buildings in the market on a scale of 1 to 100. The Port headquarters has received this award nine out of the last ten years.

Energy

The Port is moving forward on several fronts to increase the use of renewable and alternative energy. In 2011, the Board adopted a Renewable Portfolio Standard (RPS) for the Port's wholesale electric power enterprise consistent with the State's RPS requirements contained in Senate Bill X1-2. The RPS establishes that 33% of the Port's electricity purchases for resale be from renewable sources of energy by the year 2020. The California Energy Commission (CEC) currently accepts the following types of renewable electricity generation: solar, wind, geothermal, biogas, biomass, and small hydroelectric. The Port currently receives an allocation of hydroelectric generation from the Western Area Power Administration (WAPA), an agency of the DOE. In November 2007, the Port and Sun Edison, LLC entered into a power purchase agreement for a solar power system located at OAK. The solar power system, which consists of nearly 4,000 panels, generates over 1,000,000 kilowatt hours of energy annually. In September 2012, the Board approved a five-year agreement with the EBMUD Wastewater Treatment Plant to purchase its excess power generation. These purchases are estimated to fulfill the Port's RPS requirements up to 2017. In October 2015, the Board reviewed the Port's renewable energy purchasing plan, including the comprehensive strategy to meet renewable energy requirements through 2030. The purchasing plan also lays the foundation for the Port to meet the recent increase in the RPS as mandated by Senate Bill 350.

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

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

(1) **Prepare a Maritime Electrical Master Plan:** Although the Energy Innovation Study provided an initial high-level assessment of baseline conditions and forecasted energy use based on existing data, more detailed studies are needed of the existing infrastructure and operations to effectively plan and design to meet changing conditions, particularly in the maritime area where loads are projected to double in the next ten years. The Maritime Electric Master Plan is currently on schedule to be complete in summer 2016.

(2) **Evaluate System Reliability and Resiliency Measures:** By focusing on improving energy efficiency, increasing renewable power supplies and incorporating distributed and dispatchable generation, the Port can greatly enhance the sustainability and resiliency of its operations. This will not only help secure the competitiveness of the Port, it will also help reduce its environmental footprint and improve its ability to provide emergency support and critical resources to the surrounding community and the region. This effort is included in the scope of the Maritime Electric Master Plan.

(3) **Prepare a Cost of Service Study:** With the potential need to improve the Port's electrical transmission and distribution system, a Cost of Service study is recommended to design rate structures for retail sales of electricity that is both competitive and provides adequate funds to meet infrastructure improvements. The Cost of Service study is currently on schedule to be complete in fall 2016.

(4) **Build on Existing Energy Efficiency and Renewable Energy Program Success and Explore Additional Opportunities for Energy Efficiency and Renewable Energy:** Future studies, including energy audits, are needed to evaluate additional energy efficiency and renewable energy opportunities throughout the Port.

(5) **Convene Energy Innovation Advisory Team:** The team will be responsible for engaging with key internal and external stakeholders to develop partnerships; reviewing the key metrics and goals; advising on areas to improve energy management at the Port; and pursuing funding, including grants, to support studies, projects and programs. This effort will begin once the Maritime Electrical Master Plan and Cost of Service Study are complete.

<u>Air Quality</u>

The Port's programmatic efforts to improve air quality began in the mid-1990s. These air quality programs anticipated the State's regulatory focus on addressing the effects of air pollutant emissions from goods movement on the environment and public health. The Port has initiated or participated in many emission reduction projects and mitigation programs, including cargo handling equipment retrofits and drayage truck replacements. The Port continues to seek efficiencies in the design of its infrastructure and facilities layout, such as marine terminals and access roads, to provide for less-congested operations at the Seaport and Airport, thereby contributing to a reduction in emissions.

In 2008, the Board voted unanimously to adopt and implement a Maritime Air Quality Policy Statement (Policy Statement), which established the goal to reduce the health risk related to diesel particulate matter (DPM) at the Seaport by 85% by 2020 (using 2005 emissions as the baseline). In support of the Policy Statement, in 2009, the Board adopted the Maritime Air Quality Improvement Plan (MAQIP), which represents the Port's comprehensive policy framework to improve air quality and public health related to emissions from seaport operations. The MAQIP establishes an emissions reduction approach comprised of three strategies:

(1) target emissions reductions earlier than required by regulations;

(2) support enforcement of regulations; and

(3) target emissions reductions above and beyond those required by law.

At the Seaport, the Port is implementing several programs, such as the CTMP and shore-side power connections for vessels at dock[9], to assist tenants and business partners in their compliance with air quality regulations and to curb the effects of emissions from Seaport sources on the natural and human environment. The results of the 2012 Seaport Air Emissions Inventory showed that, between 2005 and 2012, overall DPM emissions at the Seaport decreased by 70%. DPM emissions from drayage trucks fell by 88% from 16 tons in 2005 to two tons in 2012. These results directly reflect the Port's priority goal to reduce truck emissions. DPM emissions from ocean-going vessels, the largest source of emissions at the Seaport, decreased by 72%, primarily through the use of low-sulfur engine fuel. These results represent a major step forward in meeting the Port's 85% health risk reduction goal by 2020.

At the Airport, the 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 provides publicly-available alternative fuel infrastructure, including a compressed natural gas (CNG) fueling station and 21 stalls dedicated to electric vehicle charging. On the airside, the Airport offers pre-conditioned air and 400Hz power at each of the 29 gates used by OAK's twelve air carriers; this provides air carriers with an opportunity to minimize emissions from jet fuel while parked at the gate.

Many of the decisions that impact air quality at OAK are made by Port tenants. The Port continues to build relationships with its local partners and work closely with its tenants to educate and implement a variety of innovative and environmentally beneficial programs. One such program is the electrification of ground support equipment (GSE). OAK's largest air carrier, Southwest Airlines, has electrified most of its fleet that operates out of Terminal 2, and efforts to electrify the GSE fleets that operate out of Terminal 1 are ongoing.

<u>Parks and Open Spaces</u>

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. These are the major public access and open space areas along the Oakland waterfront:

- *Port View Park and Middle Harbor Shoreline Park (MHSP)* – These two parks, located in the Middle Harbor area of the Seaport, are physically connected and together comprise approximately 40 acres of park and open space property adjacent to two of the Seaport marine terminals. MHSP features include a large, informal amphitheater, significant open space and natural areas, interpretive exhibits, an observation tower, nature trails, stunning views, and the City's only major beach on San Francisco Bay. The park provides observation points where visitors can view active marine terminal operations. Port View Park has the added attractions of a play area for children, a small history museum, bayside

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

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 in the vicinity of the San Antonio and Fruitvale neighborhoods, which both have a high population density of children.
- *Martin Luther King, Jr. Regional Shoreline* – This shoreline park comprises approximately 600 acres of land and water area in the Oakland Airport Business Park. The Port leases the acreage to the East Bay Regional Park District (EBRPD). The regional shoreline offers facilities for picnicking, fishing, hiking, bicycling, boating, viewing of natural habitat areas, and related bird watching.
- *Estuary Park and the Jack London Aquatic Center* – Estuary Park is a 7-acre City park located on property leased from the Port. The Port helped fund the construction of the Jack London Square Aquatic Center, a 16,000 square foot multi-purpose boathouse and community center located adjacent to Estuary Park at the entrance to the Lake Merritt Channel.
- *Portions of the San Francisco Bay Trail* – 19 miles of the 450 miles of San Francisco Bay Trail will be located in the City and Port area when this regional public access project is completed. The Port has already constructed and improved numerous segments of the San Francisco Bay Trail 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, and the Hamilton Base Wetlands Restoration in Marin County. As part of the recently completed RSA Project at OAK, the Port conducted an extensive wetlands and endangered species mitigation effort to address potential impacts to approximately 15 acres of fragmented seasonal wetlands, and approximately seven acres of potential and marginal foraging habitat for the California Clapper Rail. The Port worked closely with the private sector and State and federal regulatory agencies to identify suitable wetland mitigation areas, with a preference for enhancement and/or expansion of already established mitigation sites. The Port continues to support U.S. Army Corps of Engineers activities to complete the 180-acre Middle Harbor Enhancement Area (MHEA), a former U.S. Navy vessel berthing area in the Middle Harbor, located adjacent to MHSP. The MHEA is a model project which demonstrates the benefits of reuse of dredged materials (from the Port's 50-foot harbor deepening/dredging project) to restore in-bay shallow water tidal habitat areas.

Green Design

The Port includes green building features in its new developments and facilities, where practicable. The concourse at OAK Terminal 2, for example, was awarded the Leadership in Energy and Environmental Design (LEED) Silver Certification by the U.S. Green Building Council, and was the first airport passenger terminal in the U.S. to receive the "Silver" level of this prestigious award. The Airport's new 236-foot air traffic control tower, which opened in June 2013, has been designed to LEED-Gold standards and incorporates significant green systems, including solar power, geothermal heating, and rainwater storage. The design and construction of OAK's Terminal 1 Retrofit and Renovation Program is following LEED principles and standards; portions of the project are expected to seek LEED certification after completion.

Storm Water Management

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

SOCIAL RESPONSIBILITY

The Port administers policies and programs that contribute to the vitality of the City and surrounding communities. The Port aims to facilitate inclusion, fairness, equity, as well as access to economic opportunities, programs, and services of the Port for the people and businesses in the Port community. Port activities include:

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

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 (NDSLBUP) to ensure non-discrimination in Port contracting processes, and to facilitate small and local business participation in Port public works and services contracts. The NDSLBUP 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 NDSLBUP is a Port policy and can be amended at any time by the Board. To support the NDSLBUP 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).[10]

In 2002, the Board adopted the Alternative Project Delivery Approach (APDA) within the NDSLBUP. This collaborative policy introduced new strategies for facilitating local and small business participation when the project and specifications are not sufficiently defined to allow bidders to identify subcontractors, suppliers, or sub-consultants. (e.g. alternative project delivery methods). The APDA pairs minimum local and small business utilization requirements with financial incentives for exceeding goals and penalties for underachieving.

In order to comply with requirements and assurances for grants awarded by the FAA, the Maritime Administration, and the Federal Highway Administration pursuant to U.S. Department of Transportation, 49 Code of Federal Regulation, Parts 23 and 26, the Port must establish and administer Disadvantaged Business Enterprise (DBE) programs including developing a goal, 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[11] that meet specified minimum threshold requirements to pay all non-exempt employees a Living Wage rate established by City Ordinance and adjusted annually based on the Consumer Price Index (CPI) for the San Francisco, City and San Jose area. The Living Wage rate as of July 1, 2015, is set at $12.53 per hour for employees who receive health benefits and $14.40 per hour for employees who do not receive health benefits. §728 provides covered employers with incentives to provide health benefits to employees, establishes a worker retention policy, and requires applicable employers to provide access to payroll records in order to monitor compliance and to allow labor organization representatives to access the workforce. The provisions of §728 are incorporated in Port Ordinance Number 3666 as amended by Ordinance 3719.

The Port has also developed a number of strategic partnerships to stimulate local workforce utilization. Some of those efforts include partnering with the City and the West Oakland Job Resource Center, the Cypress Mandela reentry program, and the community through the Maritime Aviation Project Labor Agreement (MAPLA) discussed below.

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

[11] 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.

Maritime and Aviation Project Labor Agreement

The MAPLA was adopted by the Board in 2000 and covers capital projects at the Airport and the Seaport. In response to Board policies, the MAPLA was designed to ensure project labor stability, the employment of Port LIA/LBA residents (Local Hire Program), and the utilization of Port-certified small businesses.[12] The MAPLA also maintains a Social Justice Trust Fund, a mechanism used to fund local training and employment programs that has been emulated nationally. Initially adopted for five years (through December 2004), the MAPLA has been extended several times. A new MAPLA was adopted by the Board in 2016 and will be in effect through January 31, 2021. Successes of the MAPLA to date include:

- Almost 4.6 million craft hours have been worked under the MAPLA resulting in 1.37 million LIA craft hours of employment;
- LIA/LBA resident craft hours total over 2.5 million; 59% of the total craft hours were performed by LIA/LBA workers, well over the 50% goal established in the MAPLA;
- Over $145 million in wages were earned by LIA/LBA residents; $68 million went to LIA residents; and
- Contractor contributions of 15 cents per craft hour to the Social Justice Trust Fund has resulted in over $420,000 in grants distributed to community groups working to achieve the Port's local-hire goals.

The Port and its labor and community partners have benefitted greatly from the MAPLA. The Port has enjoyed more than 15 years of labor peace and the local community has gained jobs and experience through the local hiring goals requirements of the MAPLA. In addition, through the MAPLA's Social Justice Trust Fund, local contractors have become proactive in investing in community training programs.

ECONOMIC IMPACT

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

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

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

- The majority of Port-related jobs are above-average wage jobs;
- Port-related jobs generally cannot be outsourced overseas; and
- Port opportunities range from entry-level to advanced-degrees jobs.

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

[12] The MAPLA sets forth specific goals for the hiring of residents from the Port's LIA and LBA. For more information, please visit http://www.portofoakland.com.

CY 2010 ECONOMIC IMPACTS OF THE PORT

ECONOMIC IMPACT	AVIATION	MARITIME	COMMERCIAL REAL ESTATE	TOTAL PORT
REVENUE ($ millions)				
Business Revenue	$4,216	$2,108	$500	$6,824
Personal Income	$1,868	$2,222	$316	$4,406
Federal/State/Local Taxes	$350	$233	$33	$616
Local Purchases	$271	$522	$58	$851
DIRECT AND OTHER JOBS				
Types of Bay Area jobs:				
Direct	7,680	10,927	3,336	21,943
Induced	5,578	11,600	1,433	18,611
Indirect	1,408	6,306	868	8,582
TOTAL	14,666	28,833	5,637	49,136
VISITOR INDUSTRY JOBS (direct, induced, and indirect)	24,428	---	---	24,428
RELATED JOBS	383,010	443,988	---	826,998

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

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

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FINANCIAL POLICY GUIDELINES

General Guidelines

- The basis on which the budget is prepared is consistent with the basis of accounting used, as promulgated by the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Section 1700.116. The operating budget is presented on the accrual basis of accounting, wherein revenues are recognized when they are earned, not when received, and expenses are recognized when they are incurred, not when paid.
- The Port adopts a balanced budget in which total sources exceed total expenditures.
- All known expected revenues and expenses are reflected.
- Expected future revenue, which may not have signed contracts, is budgeted to the extent such expectation is reasonable.
- Incremental revenue from new capital projects, some of which are completed and others of which are expected to be completed within the budget period, are included as revenue only to the extent such expectation is reasonable.
- The capital planning process and development of the 5-Year CIP is primarily focused on regulatory compliance, life and safety, and revenue maintenance projects. The initial fiscal year Capital Budget is primarily limited to projects for which the Port is already contractually obligated. Additional projects are subject to Board approval during the course of the fiscal year.
- Funding sources for operating and capital expenditures are identified, including Port-generated cash, debt proceeds, grant proceeds, Passenger Facility Charges (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

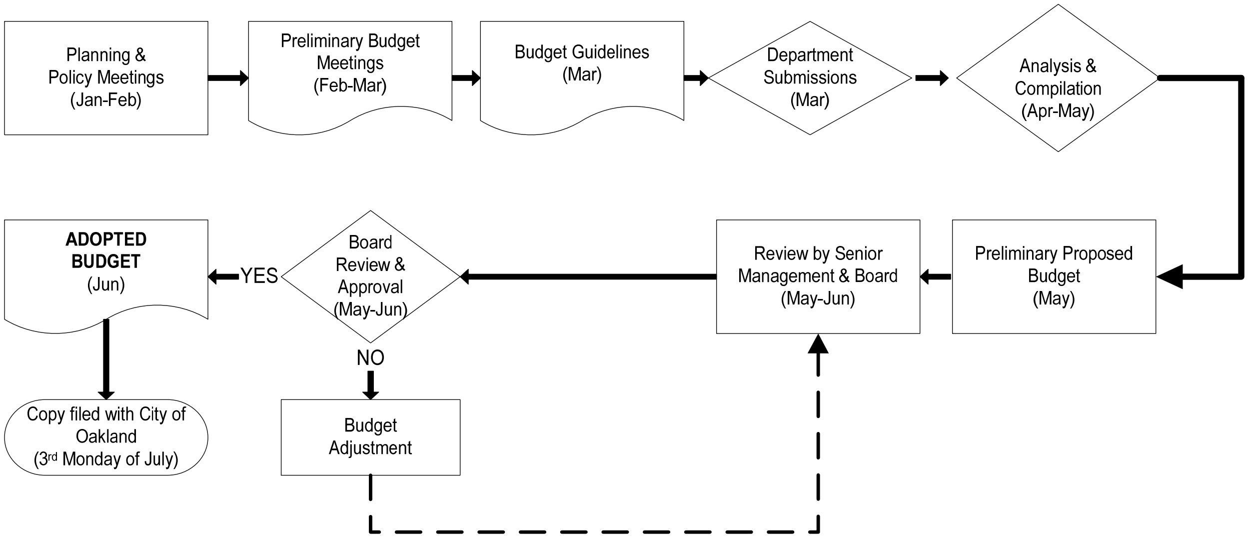
- Port Operating Reserve Fund established at 12.5% of operating expense budget.
- Port Bond Reserve Fund (separate from Debt Service Reserve Funds held by Trustee) established at $30 million.
- Capital Reserve Fund established at $15 million.

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.

OPERATING BUDGET PROCESS



The Port's operating budget is an essential and major component in the Port's overall planning and management process. The operating budget is a plan for each division's operating revenue and expenses and for Port-wide non-operating income and expenses. 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. Subsequent years' operating revenues and expenses are provided in concept only. Copies of the adopted budget are provided to various City officials in accordance with the City Charter. The operating budget may only be amended by a resolution of the Board.

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

OPERATING BUDGET HIGHLIGHTS AND ASSUMPTIONS

OBJECTIVES

- Develop a balanced budget in which total sources exceed total expenditures.
- Develop an operating budget that achieves a minimum aggregate debt service coverage ratio
- [13] (DSCR) in the range of 1.35x - 1.40x.
- Maintain a minimum General Fund cash balance at the end of each fiscal year of at least $100-125 million.[14]

GENERAL

- FY 2017-21 Operating Revenues for Aviation, Maritime, Commercial Real Estate, and Utilities are based on divisional input incorporating known market and competitive factors, existing contracts, and the execution of anticipated future contracts. Projected revenues assume that Port tenants will comply with their contract obligations.
- FY 2017 Operating Expenses incorporate known and anticipated cost increases and decreases, with an emphasis on limiting cost increases to the extent possible.
- FY 2018 through FY 2021 Operating Expense incorporate known and anticipated cost increases and decreases but in general, assumes that expenses unless otherwise identified will grow by 2.5% per annum.
- No assurances can be given that projections and future results discussed in the operating budget will be achieved. Future results, for example, could be adversely impacted by such factors as (i) decreases in revenues and/or business levels, (ii) unanticipated increases in expenditures, (iii) tenant defaults (iv) unavailability of assumed funding sources, (v) construction delays or cost overruns, or (vi) other adverse and unforeseen events or conditions affecting the Port.

FY 2017 REVENUE BUDGET HIGHLIGHTS AND ASSUMPTIONS

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

- Port-wide Operating Revenues are projected to be $343.2 million; $12.9 million or 3.9% higher than FY 2016 Budget. In comparison to FY 2016 anticipated operating revenues of $337.2 million, FY 2017 revenues are anticipated to be higher by $6.0 million, or 1.8%.
- Projected Aviation Revenues of $180.3 are $17.5 million or 10.8% higher in comparison to FY 2016 Budget. In comparison to FY 2016 anticipated revenues of $167.1 million, FY 2017 projected revenues are 7.9% higher.
  - Enplanements are projected to be 6.1 million or 4.6% higher than FY 2016 anticipated enplanements of 5.9 million (or 9.7% higher compared to FY 2016 Budget).

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[13] 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).

[14] Excluding Board Reserves. See *Debt Service and Cash Flow* section.

- Terminal rent revenues are projected to increase $5.7 million primarily due to increased operating costs.
- Landing Fees are anticipated to increase by $3.2 million due to higher rates resulting from higher activity levels and increased operating costs.
- Parking revenues are projected to increase $3.2 million due to increased passenger volume and higher revenue per parking transaction.
- Transportation Network Company (TNC) revenues are anticipated to increase $2.2 million, partially offset by lower taxi and shuttle revenues of $0.3 million.
- Terminal concession revenues are projected to increase $1.1 million due to higher passenger volume and spend rate.
- Lease revenues are projected to increase $1.6 million primarily due to scheduled lease adjustments.
- Other terminal revenues are projected to increase $1.2 million due to increased rates and passenger volumes.

- Projected Maritime Revenues of $134.2 million are $6.5 million or 4.6% lower in comparison to FY 2016 Budget. In comparison to FY 2016 anticipated revenues of $140.6 million, FY 2017 projected revenues are 4.6% lower.
  - Full twenty-foot equivalent units (TEUs) are projected to be 1.75 million, or flat to FY 2016 anticipated actuals.
  - Maritime revenues from marine terminals are projected to decrease $17.3 million due to the closure of Outer Harbor Terminal, partially mitigated by higher revenue in excess of the Minimum Annual Guarantee (MAG) due to the shifting of the cargo to other terminals.
  - Other revenue, mainly land and facility rental revenue from non-marine/rail terminal tenants are projected to be $10.7 million higher primarily due to additional revenue from short-term space assignments that are based on the fluctuating needs of adjacent marine terminals and ancillary services (including truck parking), availability of land, and planned tariff increase.
- Projected CRE Revenues of $15.6 million are $0.9 million or 5.9% higher in comparison to FY 2016 Budget. In comparison to FY 2016 anticipated revenues of $15.0 million, FY 2017 projected revenues are 3.8% higher.
  - CRE revenues are anticipated to be higher due to increases in parking revenues, percentage rents, and minimum rent adjustments due to lease renewals and scheduled rent adjustments, offset by loss of monthly parking revenues due to new Port employee labor contracts.
- Projected Utilities Revenues of $13.1 million are $1.0 million or 8.1% higher in comparison to FY 2016 Budget. In comparison to FY 2016 anticipated revenues of $14.5 million, FY 2017 revenues are 9.4% lower.
  - Shore power revenues are projected to increase in comparison to FY 2016 Budget. However, in comparison to FY 2016 anticipated actuals, shore power revenues are projected to decrease due to higher shore power usage at the Seaport during summer 2015 as a result of labor shortages which led to longer than anticipated vessel plug-in time.

FY 2017 OPERATING EXPENSE BUDGET HIGHLIGHTS AND ASSUMPTIONS

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

- Port-wide Operating Expenses before Depreciation and Amortization are budgeted to increase by $12.3 million or 6.4%.
- Personnel costs are budgeted to increase by $4.5 million or 4.4%; personnel costs represent 52% of the Operating Expense Budget before Depreciation and Amortization.
  - 502 Full-time Equivalents (FTEs); increase of 5 FTEs from the originally adopted FY 2016 Budget.
  - Salaries are higher by $2.3 million or 4.3% due to cost of living adjustments and step increases, partially offset by an increase in the vacancy factor from 30 to 35 FTEs.
  - California Pension Employees Retirement System (CalPERS) employer pension contribution rate will increase from 32.9% to 34.2% on July 1, 2016, resulting in a $1.5 million or 8.4% increase.
  - FY 2017 medical costs are projected to be higher by $0.5 million primarily due to a 4.5% increase in the Kaiser medical premium rates on January 1, 2016 and an assumed 6% increase of medical premiums on January 1, 2017.
  - Retiree medical costs are projected to increase $0.6 million based on most recent actuarial study.
  - Overtime, professional development and vacation accrual lower by $0.3 million based on recent experience and revisions to reimbursable professional development.
  - Workers' compensation budgeted to decrease $0.1 million based on most recent actuarial study projecting claims and costs.
  - Vacancy factor of 35 FTEs included due to retirements, normal attrition, and normal lags in hiring; results in reduction of overall personnel costs of $6.4 million.
- Contractual services are budgeted to increase $5.7 million or 8.1%. General and Administrative expenses are budgeted to increase $0.3 million or 1.3%. Supplies are budgeted flat.

  Significant Increases in Non-Personnel Operating Expenses

  - Major maintenance at the marine terminals increases by $2.7 million.
  - Alameda County Sheriff costs increase by $1.2 million due to contractual rate increases and greater demand due to new airline service offerings.
  - Increase in cooperative marketing of $1.3 million, and Customs Border Patrol (CBP) services of $0.5 million and long-term planning of $0.5 million due to new airline services.
  - Parking lot, ground transportation, and shuttle bus operations increase by $0.7 million due to contractual cost escalations and higher passenger volume.
  - Increase in certain maintenance and waste disposal contracts of $0.7 million.
  - Oakland Fire Department Aircraft Rescue and Fire Fighting (ARFF) increases by $0.5 million.
  - Maritime truck parking operations increase by $0.5 million due to higher volume, offset by higher truck parking revenues.

  Significant Decreases in Non-Personnel Operating Expenses

  - Maintenance dredging costs decrease by $1.6 million due to lower volumes and disposal rates.

- Legal contingency lower by $0.4 million based on recent experience.
- Travel, hosting, dues and registration, and office costs lower by $0.5 million due to cost containment and recent experience.
- Miscellaneous management consultants lower by $0.2 million based on cost containment and recent experience.

- Utility cost of sales increase by $0.6 million, offset by higher utility revenues primarily due to higher shore power usage.
- Absorption of Labor and Overhead to Capital Assets decrease by $1.3 million; that is, the amount of Port salaries, benefits and related overhead (primarily Engineers) that is allocated to the capital budget (not included in operating budget) is lower primarily due to lower indirect overhead rate applied to Port capital projects, partially offset by higher direct salary and benefits.

FY 2017 NON-OPERATING EXPENSE BUDGET HIGHLIGHTS AND ASSUMPTIONS

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

- Interest income of $1.7 million is budgeted slightly higher by 1%. Interest rate on Port funds assumed to be 0.5%.
- Interest expense of $47.9 million, which includes letter of credit (LOC) fees and accounting accruals, is lower by $2.5 million, or 4.9%, due to scheduled repayment of bond principal and lower LOC fees.
  - The Port's revenue bonds and Department of Boating and Waterways (DBW) loan bear interest at fixed rates ranging from 3.0% to 5.125%.
  - The Port assumes a 0.75% interest rate for its outstanding Commercial Paper (CP) Notes.
- Passenger Facility Charges (PFCs) of $23.7 million is $2.2 million or 10.1% higher compared to FY 2016 Budget (or 4.6% higher than FY 2016 anticipated actuals), reflecting the projected enplanement activity level for FY 2017. 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 $6.5 million is 12.5% higher compared to FY 2016 Budget (or 11.8% higher than FY 2016 anticipated actuals). CFCs are used to reimburse rental car and shuttle bus operating costs and to fund improvements of the rental car facility at OAK. See *Capital Budget and 5-Year Capital Improvement Plan* section.
- Other income (expense) reflects $2.4 million in payments to the City for general services and Lake Merritt maintenance and $0.8 million in retroactive CalPERS retirement contribution for Airport servicemen.
- Loss on abandoned capital assets budgeted at $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 2018 TO 2021 REVENUE PROJECTION HIGHLIGHTS AND ASSUMPTIONS

- Port-wide Operating Revenues projected to increase from $343.2 million in FY 2017 to $388.7 million in FY 2021, for a compound annual growth rate of 3.2%.
- Aviation Revenues projected to increase from $180.3 million in FY 2017 to $196.6 million in FY 2021 for a compound annual growth rate of 2.2%.

  - Enplanements assumed to increase 2.0 - 2.5% per year.
  - Landing fees and terminal rent revenues are projected to increase due to assumed increases in operating costs.
  - Parking revenues increase at a rate similar to forecasted passenger growth.
  - Non-airline terminal revenues projected to decrease in FY 2017-18 due to lower anticipated lease renewals; other revenues are projected in accordance with the lease terms.

- Maritime Revenues projected to increase from $134.2 million in FY 2017 to $161.7 million in FY 2021, for a compound annual growth rate of 4.8%.
  - Full TEUs assumed to increase 2% per year.
  - Annual tariff increase commensurate with inflation is assumed for all tenants.
  - Lease revenues are projected in accordance with the lease terms. Leases are generally expected to renew at similar terms. A portion of the former Outer Harbor Terminal is assumed to be leased for container operations at rates generally consistent with existing leases.
  - Certain space assignments are assumed to vacate over time, phased with redevelopment of the OAB. Revenues associated with these agreements are relatively flat through FY 2018 and assumed to grow modestly in FY 2019 through FY 2021. Other space assignment revenues are projected to remain relatively flat. Displaced tenants are assumed to be relocated mostly to portions of the former Outer Harbor Terminal on an interim basis.
  - Truck parking revenues are projected to increase by 43% in FY 2018 due to increased available space and then grow by 2.5% annually to FY 2021. Expansion of truck parking is assumed to occur on portions of the former Outer Harbor Terminal.
  - Additional revenue assumed in FY 2018 through FY 2020 from one terminal operator as reimbursement for costs incurred by the Port to raise certain gantry cranes. Crane raising costs are reflected in the Port's 5-Year CIP.
- CRE Revenues projected to increase from $15.6 million in FY 2017 to $16.4 million in FY 2021, for a compound annual growth rate of 1.4%. CRE revenues assume projected increase in percentage rents, and minimum rent adjustments due to projected lease renewals and scheduled rent adjustments.
- Utilities Revenues projected to increase from $13.1 million in FY 2017 to $14.0 million in FY 2021 for a compound annual growth rate of 1.5%. Utility rates for electricity-retail, electricity-wholesale, shore power, gas, and water (sewer) are assumed to increase 3%, 0%, 0%, 3%, and 5%, respectively. Electricity-wholesale and shore power usage are anticipated to increase 1% and 3%, while electricity-retail, gas, and water (sewer) usage are anticipated to be stable.

FY 2018 TO 2021 OPERATING EXPENSE PROJECTION HIGHLIGHTS AND ASSUMPTIONS

- Operating Expenses before Depreciation and Amortization assumed to increase from $205.5 million in FY 2017 to $236.8 million in FY 2021, for a compound annual growth rate of 3.6% per year from FY 2017 through FY 2021.
- Personnel costs assumed to increase at a compound annual growth rate of 4.6% from FY 2017 through FY 2021.
  - FTEs assumed unchanged at 502.
  - Medical premiums assumed to increase 6.0% per year during this timeframe.

   - Retiree medical costs are assumed to grow at 4% due to closed amortization funding methodology.
   - CalPERS employer pension contribution rate assumed to be 36.7% in FY 2018 rising to 42.3% in FY 2021 based on CalPERS projections provided to the Port. The impact of GASB No. 68, Accounting and Financial Reporting for Pensions, has not been included in the pension contribution rate projections, which may cause pension costs to be higher than projected.
   - Adjustments to salaries based on labor memorandums of understanding (MOU).
   - Assume vacancy factor of 35 FTEs due to retirements, normal attrition and normal lags in hiring; results in reduction of personnel costs of approximately $6.7 million in FY 2018, increasing to $7.6 million in FY 2021.
- Contractual services, general and administrative costs, and supplies take into account anticipated changes, but otherwise assume expenses will grow at 2.5% per year. Contractual services, general and administrative costs, and supplies are assumed to grow at a compound annual growth rate of 2.7%, 2.4% and 2.4% respectively for this time period.
- Utility costs for electricity-retail, electricity-wholesale, shore power, gas, and water (sewer) are assumed to increase 3%, 0%, 0%, 3%, and 5%, respectively. Electricity-wholesale and shore power usage are anticipated to increase 1% and 3%, while electricity-retail, gas, and water (sewer) usage are anticipated to be stable. Utility cost of sales increase is offset by higher utility revenues.

FY 2018 TO 2021 NON-OPERATING REVENUE & EXPENSE PROJECTION HIGHLIGHTS AND ASSUMPTIONS

- Interest income is anticipated to increase as interest earnings rate assumed to increase to 1.0%, 1.5%, 2.5%, and 3.5%, respectively, in FY 2018 through FY 2021.
- Interest expense anticipated to decrease due to scheduled repayment of bond principal offset by higher assumed interest rate on Port's outstanding CP Notes of 1.5%, 2.0%, 3.0%, and 4.0%, respectively, in FY 2018 through FY 2021 and projected increases in outstanding CP Notes based on the 5-Year CIP. See *Capital Budget and 5-Year Capital Improvement Plan* section.
- PFCs projected to increase at the same rate as projected enplanement growth rate.
- CFCs projected to increase at the same rate as projected enplanement growth rate and assumed to continue past current legislative expiration date of December 31, 2018.
- Other income (expense) assumes $2.4 million to the City for general services and Lake Merritt maintenance increasing 2.5% in FY 2018 through FY 2021, respectively, and $0.8 million in retroactive CalPERS retirement contributions for Airport servicemen increasing 3.7% in FY 2018 through FY 2021, respectively.
- Loss on abandoned and demolished assets budgeted at $0.3-$1.5 million annually based on anticipated expectations.
- Grants from government agencies include anticipated Aviation and Maritime grants for reimbursement of certain capital expenditures and is based on the 5-Year CIP. See *Capital Budget and 5-Year Capital Improvement Plan* section.

DEPRECIATION AND AMORTIZATION

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

STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 THROUGH 2021
(In $Thousands)

Division	Actual 2014-15	Budget 2015-16	Budget 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21	Variance 2017B vs. 2016B B/(W)	% Variance 2017B vs. 2016B B/-W
Operating Revenue									
Aviation	$ 157,934	$ 162,778	$ 180,278	$ 186,965	$ 191,082	$ 193,817	$ 196,567	$ 17,500	10.8%
Maritime	149,243	140,632	134,175	144,624	149,726	155,430	161,746	(6,457)	-4.6%
CRE	15,666	14,706	15,576	15,418	15,841	16,175	16,435	870	5.9%
Utilities	13,743	12,160	13,141	13,367	13,475	13,711	13,955	981	8.1%
Total Operating Revenue	**336,587**	**330,276**	**343,169**	**360,373**	**370,124**	**379,132**	**388,703**	**12,894**	**3.9%**
Operating Expenses									
Aviation	(82,422)	(91,489)	(98,740)	(101,233)	(104,831)	(108,532)	(111,865)	(7,251)	-7.9%
Maritime	(8,925)	(10,898)	(11,494)	(12,878)	(13,397)	(13,832)	(14,235)	(596)	-5.5%
Commercial Real Estate	(6,108)	(6,509)	(6,534)	(6,733)	(6,954)	(7,166)	(7,366)	(24)	-0.4%
Engineering & Environmental	(27,195)	(31,840)	(34,273)	(37,464)	(38,812)	(39,926)	(40,240)	(2,433)	-7.6%
Utilities Cost of Sales	(7,075)	(7,053)	(7,657)	(7,803)	(7,952)	(8,105)	(8,263)	(604)	-8.6%
Executive	(4,546)	(5,466)	(5,664)	(5,911)	(6,167)	(6,430)	(6,650)	(198)	-3.6%
Board	(505)	(595)	(561)	(591)	(611)	(637)	(659)	34	5.7%
Audit	(1,141)	(1,356)	(1,440)	(1,510)	(1,583)	(1,658)	(1,718)	(84)	-6.2%
Legal	(3,799)	(4,945)	(4,891)	(5,100)	(5,319)	(5,544)	(5,733)	54	1.1%
Finance & Administration	(12,314)	(14,837)	(15,576)	(16,210)	(16,799)	(17,672)	(18,600)	(739)	-5.0%
Non-Departmental Expenses	(32,204)	(28,218)	(27,386)	(28,366)	(29,275)	(30,232)	(31,303)	832	2.9%
Absorption of Labor & Overhead to Capital Assets	8,432	9,982	8,701	8,963	9,231	9,508	9,794	(1,281)	-12.8%
Depreciation & Amortization	(101,759)	(106,530)	(105,220)	(116,228)	(118,176)	(118,636)	(116,233)	1,311	1.2%
Total Operating Expenses	**(279,559)**	**(299,756)**	**(310,735)**	**(331,063)**	**(340,644)**	**(348,862)**	**(353,071)**	**(10,979)**	**-3.7%**
Operating Income (A)	57,028	30,520	32,435	29,310	29,480	30,270	35,632	1,915	6.3%
Non-Operating Items									
Interest Income	1,783	1,674	1,691	2,899	4,086	6,501	8,998	18	1.1%
Interest Expense	(51,636)	(50,389)	(47,910)	(46,969)	(45,392)	(44,120)	(43,093)	2,479	4.9%
Passenger Facility Charges (PFC's)	21,478	21,501	23,664	24,255	24,862	25,359	25,866	2,162	10.1%
Customer Facility Charges (CFC's)	6,253	5,808	6,536	6,699	6,867	7,004	7,144	728	12.5%
Abandoned Capital Assets	84	(300)	(300)	(400)	(1,500)	(300)	(300)	0	0.0%
Other Income (Expenses)	3,176	(3,267)	(3,153)	(3,242)	(3,333)	(3,426)	(3,523)	114	3.5%
(B)	(18,862)	(24,973)	(19,472)	(16,758)	(14,410)	(8,983)	(4,908)	5,501	22.0%
Capital Contributions									
Grants from Government Agencies **(C)**	73,725	64,286	33,895	45,565	8,001	11,704	8,240	(30,391)	-47.3%
CHANGE IN NET ASSETS (A+B+C)	$ 111,891	$ 69,833	$ 46,857	$ 58,118	$ 23,071	$ 32,991	$ 38,964	$ (22,975)	-32.9%
Net Assets, Beginning of the Year	927,867	1,039,758	1,109,590	1,156,448	1,214,565	1,237,636	1,270,627	69,833	6.7%
Net Assets, End of the Year	**$ 1,039,758**	**$ 1,109,590**	**$ 1,156,448**	**$ 1,214,565**	**$ 1,237,636**	**$ 1,270,627**	**$ 1,309,591**	**$ 46,857**	**4.2%**

Senior Lien Debt Service Coverage Ratio	3.28	2.99	3.26	3.38	3.38	3.38	2.52
Intermediate Lien Debt Service Coverage Ratio	1.68	1.46	1.46	1.52	1.53	1.65	1.72
Aggregate Debt Service Coverage Ratio	1.63	1.40	1.39	1.45	1.46	1.57	1.62
Operating Ratio	52.8%	58.5%	59.9%	59.6%	60.1%	60.7%	60.9%
Funded FTE's (Full-Time Equivalent)	452	502	502	502	502	502	502

OPERATING EXPENSES BY CATEGORY

FOR THE FISCAL YEARS ENDED JUNE 30, 2015 THROUGH 2021

($ Thousands)

	Actual 2014-15	Budget 2014-15	Budget 2015-16	Budget 2016-17	Variance 2017B vs. 2016B/(W)	% Variance 2017B vs. 2016B/(W)	Projected 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21
			[A]	[B]	[B-A=C]					
Personnel Services	$94,158	$100,146	$102,265	$106,812	($4,547)	-4.4%	$111,916	$117,259	$122,922	$127,786
Contractual Services	60,896	67,177	70,283	75,959	(5,676)	-8.1%	79,971	81,839	83,417	84,468
Supplies	4,907	4,342	4,326	4,323	3	0.1%	4,380	4,380	4,488	4,749
General & Administrative	19,611	20,599	19,558	19,819	(261)	-1.3%	20,091	20,642	21,184	21,757
Utilities	7,075	5,698	7,053	7,657	(604)	-8.6%	7,803	7,952	8,105	8,263
Departmental Credits	(8,846)	(11,659)	(10,260)	(9,056)	(1,204)	-11.7%	(9,326)	(9,604)	(9,890)	(10,185)
Depreciation & Amortization	101,759	101,821	106,530	105,220	1,311	1.2%	116,228	118,176	118,636	116,233
Total Operating Expenses	**$279,559**	**$288,124**	**$299,756**	**$310,735**	**($10,979)**	**-3.7%**	**$331,063**	**$340,644**	**$348,862**	**$353,071**

PORT ORGANIZATION

The chart on page 47 illustrates the Port's organizational structure.

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Port of Oakland
Organization Chart
Fiscal Year 2016-17

502 Funded FTEs (Full-Time Equivalents)

BOARD OF PORT COMMISSIONERS
7 members

PORT ATTORNEY
14 FTEs

AUDIT SERVICES
7 FTEs

SECRETARY of the BOARD
2 FTEs

Executive Office
19 FTEs

- Government Relations
- Communications
- Social Responsibility

FINANCE & ADMINISTRATION
61 FTEs

- Accounting
- Financial Planning
- Purchasing
- Risk Management
- Information Technology
- Human Resources

AVIATION
254 FTEs

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

MARITIME
23 FTEs

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

COMMERCIAL REAL ESTATE
8 FTEs

- Administration
- Asset Leasing & Development
- Building Services

ENGINEERING & ENVIRONMENTAL PLANNING
114 FTEs

- Project Design & Delivery
- Utilities
- Engineering Services
- Environmental Programs & Planning
- Engineering Facilities

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 2014, 2 additional FTEs were added to support the Port's capital program. In FY 2015, 3 additional FTEs were added to support the Port's operational needs and capital program. In FY 2016, 5 additional FTEs were added to support the Port's operational needs and capital program. In FY 2017, there will be no increase in FTEs. A summary of staffing by Division is provided in the chart on page 49.

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STAFF SUMMARY

(FULL-TIME EQUIVALENT)

	Actual 2014-15	Budget 2014-15	Budget[2] 2015-16	Budget 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21
FTEs								
Aviation	222	255	255	254	254	254	254	254
Maritime	20	21	23	23	23	23	23	23
Commercial Real Estate	8	8	8	8	8	8	8	8
Engineering and Environmental Planning	105	112	115	114	114	114	114	114
Finance and Administration	56	60	60	61	61	61	61	61
Executive Office	18	18	18	19	19	19	19	19
Port Attorney	14	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
Total FTEs[1]	**452**	**497**	**502**	**502**	**502**	**502**	**502**	**502**

[1] Number of FTEs on payroll on June 30, 2015.

[2] In October 2015, the Board approved the addition of 5 FTEs, increasing the FY 2015-16 Budget from 497 to 502 FTEs.

PERSONNEL COSTS BY DIVISION[1]

($ Thousands)

	Actual 2014-15	Budget 2014-15	Budget 2015-16	Budget 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21
Aviation	35,886	40,978	42,051	43,925	46,071	48,317	50,632	52,544
Maritime	3,715	4,362	4,876	5,114	5,369	5,637	5,907	6,127
Commercial Real Estate	1,300	1,408	1,452	1,529	1,604	1,684	1,765	1,830
Engineering & Environmental Planning[2]	18,703	21,156	21,547	23,380	24,531	25,737	26,979	27,992
Executive Office	3,502	3,832	3,973	4,317	4,529	4,751	4,979	5,164
Board of Port Commissioners	381	400	420	434	455	477	500	519
Audit Services	1,160	1,294	1,320	1,405	1,474	1,547	1,621	1,681
Port Attorney	3,068	3,386	3,484	3,591	3,769	3,955	4,146	4,300
Finance and Administration	9,478	10,675	10,963	11,698	12,277	12,883	13,663	14,343
Non-Departmental[3]	16,963	12,656	12,179	11,418	11,837	12,272	12,730	13,285
TOTAL PERSONNEL SERVICES[4]	**94,158**	**100,146**	**102,265**	**106,812**	**111,916**	**117,259**	**122,922**	**127,786**

1 Includes, but not limited to: salaries, fringe benefits, retiree medical costs, workers' compensation, overtime, temporary help, wellness program, professional development, continuing education, training, college tuition program, and meal allowance.

2 Includes Harbor Facilities.

3 Non-Departmental personnel costs include, but are not limited to, retiree medical expenses, workers' compensation costs, vacation and sick leave accruals, unemployment insurance, and vacancy factor.

4 Totals may not add up due to rounding.

PERSONNEL COSTS

($ Thousands)

	Actual 2014-15	Budget 2014-15	Budget 2015-16	Budget 2016-17
Salaries and Wages	50,426	52,178	53,100	55,408
Pension	12,073	16,134	17,889	19,363
Health Care – Retirement	12,780	12,929	13,010	13,653
Health Care – Active	8,702	9,647	9,116	9,662
Overtime	3,770	3,104	2,940	2,797
Workers' Compensation	2,792	1,938	2,414	2,306
Vacation/Sick Leave	993	1,656	1,500	1,400
Medicare	782	757	770	803
Life, Disability, Accident Insurance	640	645	640	659
Training and Education	484	757	546	498
Other	716	402	339	262
Total Personnel Costs[1]	**94,158**	**100,146**	**102,265**	**106,812**
FTEs	456[2]	497	502[3]	502
Vacancy Factor	n/a	25	30	35

[1] Totals may not add up due to rounding.

[2] On June 30, 2015, there were 456 FTEs on payroll. 497 FTEs with a vacancy factor of 25 FTEs was budgeted in FY 2014-15.

[3] In October 2015, the Board approved the addition of 5 additional FTEs, increasing the FY 2015-16 Budget from 497 to 502 FTEs.

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AVIATION DIVISION

AVIATION AREA MAP

AVIATION DIVISION
FUNCTION

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

AIRPORT ADMINISTRATION

The Administration Office is responsible for the business development, capital development, and operations of the Airport; and ensures compliance with all federal and State regulations.

AIRSIDE OPERATIONS

Airside Operations provides Airport safety, security, crash, fire and emergency medical services, and manages noise and environmental issues related to the Airport. Staff inspects and maintains the Airport's operational facilities to ensure compliance with prescribed FAA standards.

LANDSIDE OPERATIONS

Landside Operations manages airline terminal facility operations, interacts with airlines for space requirements, ensures that terminal facilities serve Airport customer needs and coordinates with TSA regarding the security checkpoint screening area modifications. This department coordinates with Aviation Facilities Maintenance, and Planning and Development regarding the maintenance and improvement of Airport access roads, walkways and grounds; and manages ground transportation required for support, safety and security of passenger and visitor activities in the terminal complex.

AVIATION SECURITY

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

AVIATION IT

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

AVIATION FACILITIES MAINTENANCE

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

AIRPORT BUSINESS

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

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.

AIRPORT PROPERTIES

Airport Properties manages the leasing, acquisition and disposition of Airport properties, including all commercial airline agreements; principal land and building leases; in-terminal concession, telecommunication services and rental car agreements; as well as agreements with fixed base operators, the airline fuel consortium, aircraft ground handlers, cargo operators, outdoor advertising, and a municipal golf course. 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)

	Actual 2014-15	Budget 2015-16	Budget 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21
Total Passengers	10,755	11,160	12,240	12,547	12,861	13,118	13,380
% Growth	8.7%	3.8%	9.7%	2.5%	2.5%	2.0%	2.0%
Enplaned Passengers	5,377	5,580	6,120	6,273	6,430	6,559	6,690
% Growth	8.7%	3.8%	9.7%	2.5%	2.5%	2.0%	2.0%
Airline Seats	13,901	14,849	15,975	16,374	16,783	17,119	17,461
% Growth	3.3%	6.8%	7.6%	2.5%	2.5%	2.0%	2.0%
Landing Weight	9,171,338	9,795,000	10,323,800	10,557,167	10,821,087	11,054,294	11,292,586
% Growth	2.3%	6.8%	5.4%	2.3%	2.5%	2.2%	2.2%
Parking Transactions	942	970	1,016	1,036	1,057	1,073	1,089
% Growth	6.9%	3.0%	4.7%	2.0%	2.0%	1.5%	1.5%

- Anticipated FY 2015-16 enplaned passengers are 5,852,000 which exceeds budgeted enplanements by 4.9%. Budgeted FY 2016-17 enplanements are 4.6% higher than anticipated FY 2015-16 enplanements.
- Anticipated FY 2015-16 airline seat capacity is 14,789,100 which is less than budgeted seat capacity by 0.4%. Budgeted FY 2016-17 seat capacity is 8.0% higher than anticipated FY 2015-16 seat capacity.
- Anticipated FY 2015-16 landing weight is 9,758,100 which is 0.4% less than budgeted landing weight. Budgeted FY 2016-17 landing weight is 2.6% higher than anticipated FY 2015-16 landing weight.
- Projected growth in parking revenue transaction volume is less than budgeted enplanement growth due to declining demand for short-term parking (which is declining nationally). However, this is offset by increased overnight parking demand, which generates over 92% of total parking revenue. Anticipated FY 2015-16 parking transaction volume of 980,900 exceeds budgeted parking transactions by 1.1%. Budgeted FY 2016-17 transactions is 3.6% higher than anticipated FY 2015-16 parking transactions.

AVIATION DIVISION

OPERATING REVENUES

($ Thousands)

	Actual 2014-15	Budget 2015-16	Budget 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21
Airfield Revenue	32,227	31,165	34,370	39,399	39,351	40,368	40,733
Terminal Rent	30,346	33,613	39,334	44,084	44,003	44,330	45,525
Terminal Concessions	22,019	22,466	23,539	19,755	20,355	20,252	19,790
Other Airport Rentals	28,548	29,349	30,962	30,432	30,778	31,305	31,735
Parking and Ground Access	33,349	34,252	39,244	40,199	41,203	42,027	42,867
Other Terminal	8,201	9,455	10,631	12,561	12,514	12,611	12,946
Fueling Revenue	2,939	2,486	2,207	2,544	2,887	2,933	2,980
Miscellaneous	0	104	104	104	104	104	104
Late Payments & Other Charges	268	8	7	7	7	7	7
Subtotal	158,021	162,898	180,398	187,085	191,202	193,937	196,687
Bad Debt Reserve	(87)	(120)	(120)	(120)	(120)	(120)	(120)
TOTAL	**157,934**	**162,778**	**180,278**	**186,965**	**191,082**	**193,817**	**196,567**

- FY 2015-16: Lower airfield revenue reflects credits from prior years. Higher terminal rent reflects higher operating costs. Increases in terminal concessions and parking and ground access revenue are due to forecasted passenger growth. Other airport rentals increase based on contractual lease adjustments. Other terminal revenue increase due to higher customs room use and baggage fees. Lower fueling revenue due decreased operating costs.

- FY 2016-17: Higher airfield revenue and terminal rent reflect higher operating expenses. Increases in terminal concessions and parking and ground access revenue are due to forecasted passenger growth and commencement of TNC service. Other airport rentals increase based on contractual lease adjustments. Other terminal revenue increase due to increased rates and passenger volume.

- FY 2018-21: Airfield revenue and terminal rent increases reflect higher anticipated operating expenses. Increases in terminal concessions are due to forecasted passenger growth offset by certain leases renegotiated at less favorable terms. Other airport rentals increase based on contractual lease adjustments. Parking and ground access revenues increase based on forecasted passenger growth. Other terminal revenue increases due to increased baggage and customs room use.

AVIATION DIVISION

OPERATING EXPENSES

($ Thousands)

	Actual 2014-15	Budget 2015-16	Budget 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21
Personnel Services	35,886	42,051	43,925	46,071	48,317	50,632	52,544
Contractual Services	42,642	44,976	49,245	49,838	51,085	52,362	53,672
Supplies	2,410	2,190	2,338	2,397	2,456	2,518	2,581
General & Administrative	1,500	2,273	3,232	2,927	2,973	3,020	3,068
Dept'l (Credits) Charges	(17)	0	0	0	0	0	0
TOTAL	**82,422**	**91,489**	**98,740**	**101,233**	**104,831**	**108,532**	**111,865**
FTEs (headcount)	*222*	*255*	*254*	*254*	*254*	*254*	*254*

Personnel Services

- FY 2015-16: Salaries adjusted by approximately CPI. CalPERS pension employer contribution rate increasing from 30.2% to 32.9%. Health care premiums assumed to increase 6% on January 1, 2016. Overtime increased $0.2 million. FY 2014-2015 Actual includes a $1.2 million pension expense credit due to GASB 68.
- FY 2016-17: Salaries adjusted by 2.0% based on labor MOUs plus the transfer of 1 FTE to the Executive Office. CalPERS pension employer contribution rate increasing from 32.9% to 34.2%. Health care premiums assumed to increase 6% on January 1, 2017.
- FY 2017-18 through FY 2020-21: CalPERS pension employer contribution rate assumed to increase to 36.7%, 39.2%, 41.6%, and 42.3%, respectively. Health care premiums assumed to increase by 6% annually. Salaries adjusted by approximately CPI.

Contractual Services

- FY 2015-16: $2.3 million higher due to an increase in Alameda County Sheriff and security expense of $1.6 million, rental car shuttle bus and ground transportation expenses of $0.8 million, parking lot operations of $0.6 million, and ARFF of $0.3 million, partially offset by the cessation of AirBART in November 2014 resulting in savings of $0.8 million and lower repairs and maintenance expense of $0.3 million
- FY 2016-17: $4.3 million higher mainly due to increases in Alameda County Sheriff of $1.2 million; ARFF of $0.5 million; disposal services of $0.5 million due to City's renegotiated disposal contract and higher passenger volume; parking, ground transportation, and shuttle buses of $0.7 million; Aviation planning studies of $0.5 million; additional CBP services to cover increased international service of $0.5 million; and repairs and maintenance related expenses of $0.3 million.

- FY 2017-18: $0.6 million higher mainly due to increases in Alameda County Sheriff of $0.4 million, parking and ground transportation of $0.4 million, AARF of $0.2 million, partially offset by lower aviation planning studies of $0.5 million.
- FY 2018-19 through FY 2020-21: Expenses assumed to increase approximately 2.5% each year.

Supplies

- FY 2015-16: Lower by $0.2 million due to reduced maintenance materials and mechanical supplies.
- FY 2016-17: Increase of $0.1 million due to higher cost of mechanical, safety and electrical supplies.
- FY 2017-18 through FY 2020-21: Expenses assumed to increase approximately 2.5% each year.

General & Administrative

- FY 2015-16: Higher by $0.8 million due to higher marketing of $0.5 million and exhibits and displays of $0.4 million, partially offset by lower travel of $0.1 million.
- FY 2016-17: Expenses increase by $1.0 million primarily due to significant increase in cooperating (airline) marketing of $1.3 million resulting from new domestic and international service offerings at OAK, partially offset by lower exhibits and other marketing expenses of $0.3 million.
- FY 2018-19 through FY 2020-21: Cooperative marketing budgeted at $1.0 million annually based on future service routes while all other expenses assumed to increase approximately 2.5% each year.

MARITIME DIVISION

MARITIME AREA MAP

MARITIME DIVISION

FUNCTION

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

MARITIME ADMINISTRATION AND FINANCE

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

- Administration of all major lease agreements and related matters such as facility pricing, contract negotiations and compliance, billing, tariff adjustments and auditing activity;
- Financial analysis and projections, including budget development and statistical data collection;
- Planning, project management and grant administration for facilities and capital projects;
- Management of environmental, legislative, and regulatory initiatives including regulatory compliance; and
- Long-term operational and strategic planning.

MARITIME BUSINESS DEVELOPMENT AND MARKETING

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

- Seeks opportunities in domestic and foreign markets; formulates and executes market entry strategies; gathers and analyzes statistical data and other market intelligence;
- Develops and maintains business relationships with ocean carriers, terminal operators, beneficial cargo owners (importers/exporters), railroads, and other supply chain partners;
- Actively markets vacant land within the seaport area and manages the entire business development process from solicitation and selection of the optimum business partner to the execution of the final lease agreement;
- Identifies, targets and influences cargo flows using intermodal services and other multimodal logistics capabilities to promote Oakland as a preferred gateway to/from Asia; and
- Coordinates maritime marketing activities to support the Port's public relations and governmental affairs efforts; and manages a marketing communication program that focuses on strategies to differentiate Oakland from other U.S., Canada, and Mexico gateways and grow market share.

MARITIME OPERATIONS AND SECURITY

Operations and Security is responsible for day-to-day liaison with maritime tenants. The wharfingers determine maintenance and repair responsibilities and coordinate with the Engineering Division issuing work orders and assigning priorities based on tenant needs. The wharfingers also serve as the day-to-day liaison with the: U.S. Coast Guard, CBP, San Francisco Bar Pilots, Marine Exchange, and the Harbor Safety Committee, as well as other governmental and related entities. The operations area ensures that Port tariff requirements and marine terminal lease terms are enforced, and markets and manages space assignments (month-to-month leases). Operations is also responsible for implementation of programs that affect day-to-day operations such as the Comprehensive Truck Management Program (CTMP).

Security for the Port is managed by the Port Facilities Security Officer (PFSO). The PFSO acts as a liaison between the U.S. Coast Guard, CBP, local law enforcement and the Port's marine terminal operators for security regulations and enforcement strategies. The PFSO ensures compliance with all mandates of the Federal Maritime Transportation Security Act and U.S. Coast Guard regulations related to maritime security. The PFSO is also responsible for planning, developing and evaluating seaport security programs and public safety activities in the seaport area. In addition, the PFSO manages federal and State security grant programs to fund and implement regional infrastructure protection projects.

MARITIME DIVISION

ACTIVITY LEVELS

	Actual 2014-15	Budget 2015-16	Budget 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21
Number of Deep Water Cargo Vessels	1,471	1,595	1,632	1,632	1,632	1,632	1,632
Full TEUs[1]	1,713,809	1,768,485	1,748,867	1,783,844	1,819,521	1,855,911	1,893,030
Full TEUs % Growth	(6.5)%	3.2%	(1.1)%	2.0%	2.0%	2.0%	2.0%

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

- Activity increases and decreases are not always directly correlated with revenue changes because of Minimum Annual Guarantees (MAGs) and other terms of lease agreements.
- The number of cargo vessels is difficult to project in future years. As larger vessels are deployed, cargo growth could be accommodated on fewer vessels. For simplicity, vessel calls are held flat from FY 2016-17 through FY 2020-21.
- Anticipated FY 2015-16 Number of Deep Water Cargo Vessels is estimated to be 1,632. Vessel call in FY 2016-17 is based on FY 2015-16 anticipated.
- Anticipated FY 2015-16 Full TEUs is approximately 1.1% lower than FY 2015-16 Budget. Budgeted FY 2016-17 Full TEUs is flat to FY 2015-16 Full TEUs.

MARITIME DIVISION
OPERATING REVENUES

($ Thousands)

	Actual 2014-15	Budget 2015-16	Budget 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21
Marine Terminals	126,072	121,215	103,963	111,742	114,234	117,546	121,542
Oakland International Gateway	2,610	2,430	2,495	2,832	2,941	3,056	3,175
Other Revenue	20,601	17,237	27,967	30,300	32,801	35,078	37,279
Miscellaneous	(53)	0	0	0	0	0	0
Subtotal	149,230	140,882	134,425	144,874	149,976	155,680	161,996
Bad Debt Reserve	13	(250)	(250)	(250)	(250)	(250)	(250)
TOTAL	**149,243**	**140,632**	**134,175**	**144,624**	**149,726**	**155,430**	**161,746**

- FY 2015-16: Terminal revenue decrease by $4.9 million due to (a) combining the MAGs of two leases, which results in less over-the-MAG revenue and (b) an anticipated reduction of a MAG for another terminal operator. Other Revenue is lower by $3.4 million primarily due to anticipated reduction in acreage for ancillary services (including truck parking). BNSF lease at the Oakland International Gateway (OIG) is assumed to renew at prior lease terms.
- FY 2016-17: Compared to FY 2015-16 Budget, revenues decrease approximately $6.5 million. Compared to FY 2015-16 anticipated revenue of $140.6 million, the FY 2016-17 Budget represents a decrease in revenue of approximately $6.5 million. The budgeted decrease in FY 2016-17 results from the closure of the Outer Harbor Terminal, offset in part by additional revenue from existing tenants and, to a lesser extent, new revenue from new tenants throughout the Seaport, as well as a tariff increase on certain leases. The additional revenue from existing tenants primarily consists of revenue for cargo activity in excess of MAGs at marine terminals.
- FY 2018-21: Terminals revenue based on forecasted cargo activity growth of 2%, scheduled rent increases per current or anticipated lease terms, and tariff increases. The increase of Other Revenue in FY 2017-18 is primarily due to the anticipated increase of acreage put into service for ancillary services (including truck parking), tenant reimbursements for crane modifications, and tariff increases. While the closure of the Outer Harbor Terminal causes near-term downward revenue pressure, the longer-term outlook is favorable because capacity utilization at the remaining marine terminals is expected to increase, which results in over-MAG revenue and a higher likelihood of favorable lease renewals.

MARITIME DIVISION
OPERATING EXPENSES

($ Thousands)

	Actual 2014-15	Budget 2015-16	Budget 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21
Personnel Services	3,715	4,876	5,114	5,369	5,637	5,907	6,127
Contractual Services	1,808	4,926	5,576	6,682	6,905	7,062	7,222
Supplies	32	15	8	6	6	6	6
General & Administrative	3,369	1,081	796	822	850	858	880
Dept'l (Credits) Charges	0	0	0	0	0	0	0
TOTAL	**8,925**	**10,898**	**11,494**	**12,878**	**13,397**	**13,832**	**14,235**
FTEs (headcount)	*20*	*23*	*23*	*23*	*23*	*23*	*23*

Personnel Services

- FY 2015-16: Salaries adjusted by approximately CPI. CalPERS pension employer contribution rate increasing from 30.2% to 32.9%. Health care premiums assumed to increase 6% on January 1, 2016. Also contributing to the increase is the addition of 2 FTEs. FY 2014-2015 Actual includes a $0.2 million pension expense credit due to GASB 68.
- FY 2016-17: Salaries adjusted by 2% based on labor MOUs. CalPERS pension employer contribution rate increasing from 32.9% to 34.2%. Health care premiums assumed to increase 6% on January 1, 2017.
- FY 2017-18 through FY 2020-21: CalPERS pension employer contribution rate assumed to increase to 36.7%, 39.2%, 41.6%, and 42.3%, respectively. Health care premiums assumed to increase by 6% annually. Salaries adjusted by approximately CPI.

Contractual Services

- FY 2015-16: Higher by $3.1 million primarily due to budgeting truck parking expense of $2.0 million in contractual services instead of general and administrative where it was reported in prior years, increased security costs of $0.8 million, and higher consulting services of $0.2 million.
- FY 2016-17: Higher by $0.6 million primarily due to increased truck parking of $0.5 million (offset by higher truck parking revenues), higher security expenses of $0.4 million, and higher management fees at MHSP, partially offset by lower consulting costs of $0.4 million.
- FY 2017-18: Higher by $1.1 million primarily due to increased ancillary services (including truck parking) as more available space is anticipated.
- FY 2018-19 and FY 2019-21: Other contractual services are assumed to increase 2.5%.

General & Administrative

- FY 2015-16: Lower by $2.3 million primarily due to budgeting of truck parking costs in contractual services instead of general & administrative where it was reported in prior years, partially offset by higher travel costs of $0.2 million.
- FY 2016-17: Lower by $0.3 million primarily due lower port contingency of $0.2 million and travel costs of $0.1 million.
- FY 2017-18 through FY 2020-21: Expenses are assumed to increase on average 2.5% each year.

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COMMERCIAL REAL ESTATE DIVISION

COMMERCIAL REAL ESTATE AREA MAP

COMMERCIAL REAL ESTATE DIVISION

FUNCTION

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

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

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

OPERATING REVENUES

($ Thousands)

	Actual 2014-15	Budget 2015-16	Budget 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21
Jack London Square	7,802	7,289	7,965	7,960	8,128	8,391	8,619
Embarcadero Cove	2,289	2,463	2,741	2,802	2,877	2,886	2,845
Business Park and Distribution Center	2,940	2,739	3,427	3,165	3,330	3,371	3,417
Brooklyn Basin and Other Areas	2,635	2,290	1,518	1,566	1,582	1,602	1,629
Subtotal	15,666	14,781	15,651	15,493	15,916	16,250	16,510
Bad Debt Reserve	0	(75)	(75)	(75)	(75)	(75)	(75)
TOTAL	**15,666**	**14,706**	**15,576**	**15,418**	**15,841**	**16,175**	**16,435**

Jack London Square

- FY 2015-16: Lower parking anticipated due to unusually high parking in FY 2015 and Strictly Sail Boat Show leaving JLS in FY 2016.
- FY 2016-17 through FY 2020-21: Increase in parking revenues, percentage rents, and minimum rent adjustments due to projected lease renewals and scheduled rent adjustments are offset by loss of monthly parking revenues due to new Port employee labor contracts.

Embarcadero Cove

- FY 2014-15 through FY 2020-21: Increase in percentage rents, and minimum rent adjustments due to projected lease renewals and scheduled rent adjustments are offset by vacancy potential.

Business Park and Distribution Center

- FY 2015-16: Lower due to lease expiration and vacancy of certain tenants.
- FY 2016-17 through FY 2020-21: Increase in percentage rents, and minimum rent adjustments due to projected lease renewals and scheduled rent adjustments are offset by vacancy potential.

Brooklyn Basin and Other Areas

- FY 2015-16: Lower anticipated percentage rents for billboards and loss of tower revenue as well as loss of interim revenues from Brooklyn Basin due to payoff of promissory note.
- FY 2016-17: Lower anticipated percentage rents for billboards, loss of tower revenue and first full year post close of escrow on sale of Brooklyn Basin land.
- FY 2017-18 through FY 2020-21: 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 2014-15	Budget 2015-16	Budget 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21
Personnel Services	1,300	1,452	1,529	1,604	1,684	1,765	1,830
Contractual Services	4,576	4,721	4,787	4,906	5,028	5,153	5,282
Supplies	40	82	62	64	65	67	69
General & Administrative	375	437	340	349	372	381	390
Dept'l (Credits) Charges	(183)	(183)	(185)	(190)	(195)	(200)	(205)
TOTAL	**6,108**	**6,509**	**6,534**	**6,733**	**6,954**	**7,166**	**7,366**
FTEs (headcount)	*8*	*8*	*8*	*8*	*8*	*8*	*8*

Personnel Services

- FY 2015-16: Salaries adjusted by approximately CPI. CalPERS pension employer contribution rate increasing from 30.2% to 32.9%. Health care premiums assumed to increase 6% on January 1, 2016. FY 2014-2015 Actual includes a $0.04 million pension expense credit due to GASB 68.
- FY 2016-17: Salaries adjusted by 2.0% based on labor MOUs. CalPERS pension employer contribution rate increasing from 32.9% to 34.2%. Health care premiums assumed to increase 6% on January 1, 2017.
- FY 2017-18 through FY 2020-21: CalPERS pension employer contribution rate assumed to increase to 36.7%, 39.2%, 41.6%, and 42.3%, respectively. Health care premiums assumed to increase by 6% annually. Salaries adjusted by approximately CPI.

Contractual Services

- FY 2015-16: Higher anticipated parking lot operations and security costs at JLS.
- FY 2016-17: Higher anticipated operating costs at JLS for common area and Port headquarters building, partially offset by lower security costs.
- FY 2017-18 through FY 2020-21: Expenses assumed to increase approximately 2.5% each year.

Supplies

- FY 2015-16: Higher Port wide office supplies.
- FY 2016-17: Lower anticipated Port wide office supplies.
- FY 2017-18 through FY 2020-21: Expenses assumed to increase approximately 2.5% each year.

General & Administrative

- FY 2015-16: Projected real estate commissions of $0.1 million recognized as operating expense due to accounting change (offset by new lease revenues).
- FY 2016-17: Elimination of real estate commissions of $0.1 million.
- FY 2017-18 through FY 2020-21: Expenses assumed to increase by 3.5% each year, primarily driven by contractual escalations for the Port's share of marketing and advertising costs at JLS.

UTILITIES-ENGINEERING DIVISION

PORT UTILITY SERVICE AREA MAP

UTILITIES – ENGINEERING DIVISION
FUNCTION

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

UTILITIES – ENGINEERING DIVISION
REVENUE BY AREA

($ Thousands)

	Actual 2014-15	Budget 2015-16	Budget 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21
South Airport	2,375	2,464	2,321	2,347	2,372	2,398	2,424
North Airport	1,825	1,793	1,972	1,994	2,019	2,042	2,068
Marine Terminals – Retail	586	650	800	824	849	874	900
Marine Terminals – Wholesale	3,460	3,550	3,313	3,344	3,250	3,281	3,513
Marine Terminals – Shore Power	5,181	3,398	4,346	4,466	4,590	4,717	4,848
Commercial Real Estate	102	102	105	108	111	115	118
Oakland Army Base	214	203	284	284	284	284	284
TOTAL	**13,743**	**12,160**	**13,141**	**13,367**	**13,475**	**13,711**	**13,955**

Revenue by Commodity Type

($ Thousands)

	Actual 2014-15	Budget 2015-16	Budget 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21
Electricity – Retail	688	752	905	932	960	989	1,018
Electricity – Wholesale	7,585	7,550	7,470	7,542	7,615	7,688	7,763
Electricity – Capacity	68	250	250	250	125	125	125
Shore Power	5,181	3,398	4,346	4,466	4,590	4,717	4,848
Gas	58	58	58	60	62	64	67
Water (Sewer)	116	152	112	117	123	128	134
Miscellaneous	47	0	0	0	0	0	0
TOTAL	**13,743**	**12,160**	**13,141**	**13,367**	**13,475**	**13,711**	**13,955**

- FY 2015-16: Shore power revenues anticipated to decrease based on current utilization of system. Prior year actuals reflect impact of U.S. West Coast labor disruptions to operations which resulted in longer than anticipated vessel plug-in time. FY 2016 shore power is forecasted at $6.0 million, significantly higher than budget due to labor shortages in summer 2015 which resulted in longer than anticipated vessel plug-in time.
- FY 2016-17: Shore power usage in FY 2017 is estimated based on current utilization of system, while shore power rates in FY 2017 are assumed to remain flat.
- FY 2017-18 through FY 2020-21: Utility rates for electricity-retail, electricity-wholesale, shore power, gas, and water (sewer) are assumed to increase 3%, 0%, 0%, 3%, and 5%, respectively. Electricity-wholesale and shore power usage are anticipated to increase 1% and 3%, while electricity-retail, gas, and water (sewer) usage are anticipated to be stable.

UTILITIES - ENGINEERING DIVISION

COST OF SALES BY AREA

($ Thousands)

	Actual 2014-15	Budget 2015-16	Budget 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21
South Airport	993	1,145	1,167	1,181	1,196	1,210	1,225
North Airport	878	899	905	918	930	943	957
Marine Terminals – Retail	595	650	800	824	849	874	900
Marine Terminals – Wholesale	2,102	2,222	2,234	2,256	2,279	2,302	2,325
Commercial Real Estate	102	102	105	108	111	115	118
Oakland Army Base	96	173	146	147	147	148	149
Shore Power	2,309	1,862	2,300	2,369	2,440	2,513	2,589
TOTAL	**7,075**	**7,053**	**7,657**	**7,803**	**7,952**	**8,105**	**8,263**

COST OF SALES BY COMMODITY TYPE

($ Thousands)

	Actual 2014-15	Budget 2015-16	Budget 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21
Electricity – Retail	697	752	905	932	960	989	1,018
Electricity – Wholesale	3,917	4,242	4,272	4,313	4,355	4,398	4,440
Shore Power	2,309	1,862	2,300	2,369	2,440	2,513	2,589
Gas	50	50	50	52	54	55	57
Water	102	147	130	137	143	150	159
TOTAL	**7,075**	**7,053**	**7,657**	**7,803**	**7,952**	**8,105**	**8,263**

- FY 2015-16: Shore power costs anticipated to decrease based on current utilization of system. Prior year actuals reflect impact of U.S. West Coast labor disruptions to operations which resulted in longer than anticipated vessel plug in time. FY 2016 shore power is forecasted at $3.0 million, significantly higher than budget due to labor shortages in summer 2015 which resulted in longer than anticipated vessel plug-in time.
- FY 2016-17: Shore power usage in FY 2017 is estimated based on current utilization of system, while the unit cost of shore power is assumed to remain flat.

- FY 2017-18 through FY 2020-21: Utility costs for electricity-retail, electricity-wholesale, shore power, gas, and water (sewer) are assumed to increase 3%, 0%, 0%, 3%, and 5%, respectively. Electricity-wholesale and shore power usage are anticipated to increase 1% and 3%, while electricity-retail, gas, and water (sewer) usage are anticipated to be stable.

ENGINEERING AND ENVIRONMENTAL PLANNING DIVISION
FUNCTION

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

ENGINEERING ADMINISTRATION

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

PROJECT DESIGN & DELIVERY - AVIATION

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

PROJECT DESIGN & DELIVERY - MARITIME

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

- The MPDD Department is charged with providing water depth in the channels and berths required for safe and efficient maritime navigation at the Port. This 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.

UTILITIES

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

ENGINEERING SERVICES

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

- ***Specifications*** prepares the project manual that includes project specifications and bidding documents for public works projects, prepares Requests for Proposals (RFPs) for professional services contract, and prepares procurement manuals for procurement of equipment and materials in support of the Project Design and Delivery Departments.
- ***Contract Administration*** is responsible for administering the consultant and construction contracts that are issued by the division and assisting in the management of the MAPLA as well as maintaining a comprehensive project contract file archive.
- ***Document Control*** is responsible for administering the bid process for public works contracts and long-term management of project manuals and engineering documents.

ENVIRONMENTAL PROGRAMS AND PLANNING

The Environmental Programs and Planning Department has primary responsibility to promote the highest levels of environmental stewardship and safety, as well as ensure environmental compliance with all federal, State, and local statutes and regulations in all Port plans, activities, operations, and development programs and projects. Core functions include:

- Environmental planning and assessment in compliance with the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA), including the development of mitigation monitoring and reporting programs;
- Regulatory programs and permitting for Port operations, maintenance and capital improvement projects, and dredging. Coordination with regulatory agencies such as the U.S. Army Corps of Engineers, Regional Water Quality Control Board, Bay Area Air Quality Management District, Bay Conservation and Development Commission, NOAA Fisheries, U.S. Fish and Wildlife Service, California Department of Fish and Wildlife, and FAA;
- Environmental hazardous materials management and remediation, including soil and groundwater pollution clean-up and prevention; air quality planning, programs and inventories; sediment management; handling, abatement and disposal of hazardous materials and waste; environmental remediation of contaminated Port property; and environmental liability insurance recovery support technical services; and
- Environmental policy and advocacy before public regulatory bodies, trade associations, community and environmental organizations; and supporting community relations and media activities to raise awareness of Port environmental stewardship accomplishments. Building permitting and code compliance support for the Port, its tenants and other landowners within the Port area.

ENGINEERING FACILITIES

Engineering Facilities is responsible for maintaining Port-owned utilities, facilities and equipment primarily in the Maritime and CRE areas and, to a lesser extent, at OAK and the Airport Business Park. Engineering Facilities also provides support during construction of capital projects, performs regular and preventive maintenance, administers certain major maintenance projects, and provides first response and stabilization during emergencies and natural disasters. Below are the major functions of the department:

- ***Facilities Management*** plans, leads, organizes and controls the department's budget, programs, resource management and cost allocation. Interfaces with other departments and divisions and oversees job prioritization and general day-to-day operations. Executes and maintains a variety of service level and public works contracts.
- ***General Maintenance*** performs a wide variety of maintenance services within the Seaport and CRE areas. This group plans, coordinates, maintains, inspects and performs roofing, paving, building maintenance, carpentry, painting and striping, miscellaneous signage, landscaping/gardening/weed-abatement, maintenance and sweeping of Port-controlled roads, flood response, storm water pollution prevention, and park maintenance. The General Maintenance group will undertake construction activities when requested.
- ***Utilities Group*** maintains all Port-owned water and power distribution systems within the Seaport and CRE areas and is also responsible for both Port and City-owned facilities at the former OAB. The group reads electric, gas, and water meters, provides fire prevention services throughout the Port, (including OAK); maintains electrical substations, sewer lift stations, street-lighting, building electrical and mechanical systems on Port-owned and Port-responsible buildings, and aboveground and underground utilities through regular and preventative maintenance programs. This group also supports major maintenance and public works projects, and utility heavy construction projects.
- ***Fleet Maintenance*** maintains and services Port vehicles, construction equipment, and aircraft crash and fire rescue vehicles. The group coordinates the operation of the Port's fossil fuel and compressed natural gas fueling stations and conforms its operations to comply with various air quality regulations as well as the California Highway Patrol bi-annual terminal inspections.
- ***Diving Services*** plans, coordinates, and performs inspection and repair of the Port's waterfront marine structures throughout the harbor, as well as in the CRE areas and the Runway 12/30 approach light structure, tide gates and security buoys at OAK. Primary work includes programmed inspection/repair of concrete piles to prevent structural failure of decks/cranes as well as pile inspection during construction. The Diving Services group is capable of providing services such as on-call response for aircraft and ferry boat accidents in the San Francisco Bay, and first response on waterside oil spill containment. The group also performs miscellaneous work and repairs, such as marine fender systems and tide gates, within all Port areas.
- ***Special Projects*** works closely with the MPDD Department to support ongoing port operations and Maritime needs. This section also supports the Port's asset management efforts.
    - ***Crane Design and Maintenance*** performs design and specification services for purchasing, upgrading, modifying, maintaining, inspecting and replacing the Port's container cranes. The group also provides project management and construction administration, and oversees construction inspection, testing, loading, delivery, unloading and commissioning of cranes. The group is responsible for the structural integrity and major operational maintenance of Port-owned container cranes.
    - ***Drafting*** provides computer aided drafting services. Drafting is also responsible for the maintenance and archiving of the record drawings for all Port projects after receiving the as-built drawings from the construction contractors.
    - ***Geomatics (Surveys and Land Records)*** provides survey, mapping and land records management services to support the Port's development needs.

ENGINEERING & ENVIRONMENTAL PLANNING DIVISION
OPERATING EXPENSES

($ Thousands)

	Actual 2014-15	Budget 2015-16	Budget 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21
Personnel Services	18,703	21,547	23,380	24,531	25,737	26,979	27,992
Contractual Services	6,463	8,505	9,285	11,286	11,388	11,219	10,477
Supplies	2,239	1,754	1,609	1,649	1,690	1,733	1,776
General & Administrative	4	128	168	171	174	178	181
Dept'l (Credits) Charges	(214)	(94)	(169)	(173)	(177)	(182)	(186)
TOTAL	**27,195**	**31,840**	**34,273**	**37,464**	**38,812**	**39,926**	**40,240**
FTEs (headcount)	*105*	*115*	*114*	*114*	*114*	*114*	*114*

Personnel Services

- FY 2015-16: Salaries adjusted by approximately CPI. CalPERS pension employer contribution rate increasing from 30.2% to 32.9%. Health care premiums assumed to increase 6% on January 1, 2016. Partially offsetting the increase was the transfer of 2 vacant positions to Maritime. FY 2014-2015 Actual includes a $0.9 million pension expense credit due to GASB 68. FY 2016 FTEs increased from 110 to 115 FTEs resulting from Board action in October 2015.
- FY 2016-17: Salaries adjusted by 2.0% based on labor MOUs and the addition of 5 FTEs plus the transfer of 1 FTE to Finance and Administration Division. CalPERS pension employer contribution rate increasing from 32.9% to 34.2%. Health care premiums assumed to increase 6% on January 1, 2017.
- FY 2017-18 through FY 2020-21: CalPERS pension employer contribution rate assumed to increase to 36.7%, 39.2%, 41.6%, and 42.3%, respectively. Health care premiums assumed to increase by 6% annually. Salaries adjusted by approximately CPI.

Contractual Services

- FY 2015-16: Higher by $2.0 million due to increases in maintenance dredging of $1.2 million resulting from increased disposal volume; repairs and maintenance costs of $0.4 million; hazardous waste and environmental consultants of $0.2 million; and consulting costs of $0.2 million to comply with new storm water regulations.
- FY 2016-17: Higher major maintenance programs in the maritime terminal area and OAB of $2.6 million partially offset by lower maintenance dredging of $1.6 million due to lower disposal volumes and rates.
- FY 2017-18 through FY 2020-21: Major maintenance programs projected at $17.8 million over the 4-year period. Maintenance dredging and major maintenance programs fluctuates year to year while all other expenses assumed to increase approximately 2.5% each year.

Supplies

- FY 2015-16: Higher maintenance material and electrical supplies expenditure is partially offset by the lower cost of fuel and lower landscaping supplies expenditure.
- FY 2016-17: Primarily lower automotive fuel.
- FY 2017-18 through FY 2020-21: Expenses assumed to increase approximately 2.5% each year.

General & Administrative

- FY 2015-16: Lower recovery from the City for costs incurred at OAB and increased auto allowance.
- FY 2016-17: Elimination of recovery from the City for costs incurred at OAB.
- FY 2017-18 through FY 2020-21: Expenses assumed to increase approximately 2.5% each year.

FINANCE AND ADMINISTRATION DIVISION
FUNCTION

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

FINANCE

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

- ***Financial Planning*** facilitates and monitors the Port's operating and capital budgets, prepares financial analyses and forecasts, and develops and coordinates the funding of capital projects. The department is also responsible for cash management, debt management, and debt compliance.

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

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

INFORMATION TECHNOLOGY

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

HUMAN RESOURCES

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

- ***Personnel and Employee Services*** is responsible for the administration of the Personnel Rules and Procedures of the Port of Oakland (Port Personnel Rules) and the City Civil Service Rules; and maintains and administers provisions related to classification and compensation, recruitment and selection, certification, appointment and performance management.

- ***Payroll and Benefits*** is responsible for the effective delivery of services related to payroll, wellness, and benefits administration.

- ***Employee and Labor Relations*** is responsible for the administration of the four labor contracts at the Port; engages with Port labor unions in the negotiation of successor contracts; when appropriate, meets and confers with labor unions over changes in wages, hours, and working conditions; assists and guides management in handling grievances, employee discipline matters, and employee relations issues; and provides support to the Port Attorney's Office for litigation or arbitrations arising out of contract disputes.

- ***Equal Opportunity*** is responsible for policies and programs that ensure the Port is free of discrimination and harassment pursuant to rules and regulations promulgated by the Department of Fair Employment and Housing (DFEH) and the Equal Employment Opportunity Commission (EEOC). Equal Opportunity is also responsible for the Accessibility and Accommodation Program, which prohibits discrimination against persons with disabilities in employment, transportation, public accommodation, communications, governmental activities, and telecommunication.
- ***Workers' Compensation*** maintains and operates a self-insured, self-funded workers' compensation program in compliance with all applicable laws and statues. They investigate each industrial injury or illness, report suspected fraudulent claims, monitor medical treatment, arrange medical consultations, determine eligibility for workers' compensation benefits, provide information on benefits to employees, communicate with Port management on return-to-work status and coordinate with reporting agencies and other Port divisions to resolve work-related illness or injury issues.
- ***Organizational Effectiveness*** is responsible for the delivery of an array of training programs designed to enhance staff morale, and develop and promote an efficient and high performing workforce.
- ***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 2014-15	Budget 2015-16	Budget 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21
Personnel Services	9,478	10,963	11,698	12,277	12,883	13,662	14,343
Contractual Services	2,214	3,085	3,119	3,213	3,282	3,362	3,445
Supplies	152	246	269	219	121	123	274
General & Administrative	470	543	489	501	513	525	538
TOTAL	**12,314**	**14,837**	**15,576**	**16,210**	**16,799**	**17,672**	**18,600**
FTEs (headcount)	*56*	*60*	*61*	*61*	*61*	*61*	*61*

Personnel Services

- FY 2015-16: Salaries adjusted by approximately CPI. CalPERS pension employer contribution rate increasing from 30.2% to 32.9%. Health care premiums assumed to increase 6% on January 1, 2016. FY 2014-2015 Actual includes a $0.4 million pension expense credit due to GASB 68.
- FY 2016-17: Salaries adjusted by 2.0% based on labor MOUs plus the transfer of 1 FTE from the Engineering Division. CalPERS pension employer contribution rate increasing from 32.9% to 34.2%. Health care premiums assumed to increase 6% on January 1, 2017.
- FY 2017-18 through FY 2020-21: CalPERS pension employer contribution rate assumed to increase to 36.7%, 39.2%, 41.6%, and 42.3%, respectively. Health care premiums assumed to increase by 6% annually. Salaries adjusted by approximately CPI.

Contractual Services

- FY 2015-16: Higher labor relations and IT consulting costs, and consolidation of print management to the IT department.
- FY 2016-17: Lower HR and IT consulting costs, partially offset by higher computer systems and transfer of safety consulting costs from Engineering Division.
- FY 2017-18 through FY 2020-21: Expenses assumed to increase approximately 2.5% each year except for actuarial services which vary bi-annually due to reporting requirements related to the Port's retiree medical plan.

Supplies

- FY 2015-16: Primarily higher expendable equipment due to the phased replacement of Port desktop computers.
- FY 2016-17: Transfer of safety supplies from Engineering Division, partially offset by lower expendable equipment in IT.

- FY 2017-18 through FY 2020-21: Anticipated replacement of servers, desktop monitors and computers staggered during this timeframe. All other supplies assumed to increase approximately 2.5% each year.

General & Administrative

- FY 2015-16: Higher land line voice, data, and travel expenses.
- FY 2016-17: Lower travel, land line voice, data, and personnel recruiting expenses.
- FY 2017-18 through FY 2020-21: Expenses assumed to increase approximately 2.5% each year.

EXECUTIVE OFFICE

FUNCTION

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

EXECUTIVE OFFICE

The Executive Director, who is appointed by the Board, is the Port's top management official. In accordance with the Board's policies, the Executive Director is responsible for the formulation, interpretation and implementation of Port policy. Under the general direction of the Executive Director, the Principal Assistant to the Executive Director assists in the development and implementation of the Strategic Plan, helps determine resources necessary to fulfill the Port's goals and objectives, oversees special projects and represents the Executive Director on selected committees.

COMMUNICATIONS

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

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

GOVERNMENT RELATIONS

Government Relations works with other Port divisions to develop and implement legislative, regulatory and advocacy strategies, and to establish the Port's position on legislative and regulatory proposals. This department also takes the lead in identifying and securing other governmental agency funding for Port projects and programs. In addition, the department manages and coordinates the Port's relationships with local, regional, State and federal governments.

SOCIAL RESPONSIBILITY

SRD aims to facilitate inclusion, fairness, equity, and access to economic opportunities, programs and services of the Port for the people and businesses in the Port community through innovative policies and programs, strategic partnerships, and outreach.

- Promotes inclusion of small, local, and/or disadvantaged business enterprises in procurement and contracting opportunities at the Port;
- Promotes the hiring of local residents on Port-related projects;
- Promotes and facilitates job opportunities and sustainable wages for the local community; and
- Defines, develops, and administers comprehensive community education and outreach programs, and manages the community benefits planning for the organization.

EXECUTIVE OFFICE

OPERATING EXPENSES

($ Thousands)

	Actual 2014-15	Budget 2015-16	Budget 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21
Personnel Services	3,502	3,973	4,317	4,529	4,751	4,979	5,164
Contractual Services	552	708	650	666	683	700	718
Supplies	13	8	8	9	9	10	10
General & Administrative	479	778	689	706	723	740	758
TOTAL	**4,546**	**5,466**	**5,664**	**5,911**	**6,167**	**6,430**	**6,650**
FTEs (headcount)	*18*	*18*	*19*	*19*	*19*	*19*	*19*

Personnel Services

- FY 2015-16: Salaries adjusted by approximately CPI. CalPERS pension employer contribution rate increasing from 30.2% to 32.9%. Health care premiums assumed to increase 6% on January 1, 2016. FY 2015 Actual includes a $0.1 million pension expense credit due to GASB 68.
- FY 2016-17: Salaries adjusted by 2.0% based on labor MOUs plus the transfer of 1 FTE from the Aviation Division. CalPERS pension employer contribution rate increasing from 32.9% to 34.2%. Health care premiums assumed to increase 6% on January 1, 2017.
- FY 2017-18 through FY 2020-21: CalPERS pension employer contribution rate assumed to increase to 36.7%, 39.2%, 341.6%, and 42.3%, respectively. Health care premiums assumed to increase by 6% annually. Salaries adjusted by approximately CPI.

Contractual Services

- FY 2015-16: Higher consulting costs for SRD systems development and legislative representative expense.
- FY 2016-17: Primarily higher consulting costs for MAPLA, partially offset by lower SRD consulting and legislative representative expense.
- FY 2017-18 through FY 2020-21: Expenses assumed to increase approximately 2.5% each year.

General and Administrative

- FY 2015-16: Primarily higher sponsorships and community outreach expenses.
- FY 2016-17: Lower sponsorships and travel expenses.
- FY 2017-18 through FY 2020-21: Expenses assumed to increase approximately 2.5% each year.

PORT ATTORNEY'S OFFICE

FUNCTION

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

OPERATING EXPENSES

($ Thousands)

	Actual 2014-15	Budget 2015-16	Budget 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21
Personnel Services	3,068	3,484	3,591	3,769	3,955	4,146	4,300
Contractual Services	631	1,323	1,165	1,194	1,224	1,255	1,286
Supplies	9	21	20	21	21	21	22
General & Administrative	90	117	114	117	119	122	125
TOTAL	**3,799**	**4,945**	**4,891**	**5,100**	**5,319**	**5,544**	**5,733**
FTEs (headcount)	*14*	*14*	*14*	*14*	*14*	*14*	*14*

Personnel Services

- FY 2015-16: Salaries adjusted by approximately CPI. CalPERS pension employer contribution rate increasing from 30.2% to 32.9%. Health care premiums assumed to increase 6% on January 1, 2016. FY 2015 Actual includes a $0.1 million pension expense credit due to GASB 68.
- FY 2016-17: Salaries adjusted by 2.0% based on labor MOUs. CalPERS pension employer contribution rate increasing from 32.9% to 34.2%. Health care premiums assumed to increase 6% on January 1, 2017.
- FY 2017-18 through FY 2020-21: CalPERS pension employer contribution rate assumed to increase to 36.7%, 39.2%, 41.6%, and 42.3%, respectively. Health care premiums assumed to increase by 6% annually. Salaries adjusted by approximately CPI.

Contractual Services

- FY 2015-16: Primarily higher outside legal services of $0.6 million.
- FY 2016-17: Primarily lower outside legal services of $0.1.

- FY 2017-18 through FY 2020-21: Expenses assumed to increase approximately 2.5% each year.

General & Administrative

- FY 2015-16: Higher travel, dues and registration costs.
- FY 2016-17: Lower travel costs anticipated.
- FY 2017-18 through FY 2020-21: Expenses assumed to increase approximately 2.5% each year.

OFFICE OF AUDIT SERVICES

FUNCTION

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

INTERNAL AUDIT

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

FIELD AUDIT

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

OPERATING EXPENSES

($ Thousands)

	Actual 2014-15	Budget 2015-16	Budget 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21
Personnel Services	1,160	1,320	1,405	1,474	1,547	1,621	1,681
Contractual Services	3	5	5	6	6	6	6
Supplies	6	6	5	5	5	5	5
General & Administrative	(29)	25	25	25	25	26	26
TOTAL	**1,141**	**1,356**	**1,440**	**1,510**	**1,583**	**1,658**	**1,718**
FTEs (headcount)	*7*	*7*	*7*	*7*	*7*	*7*	*7*

Personnel Services

- FY 2015-16: Salaries adjusted by approximately CPI. CalPERS pension employer contribution rate increasing from 30.2% to 32.9%. Health care premiums assumed to increase 6% on January 1, 2016. FY 2015 Actual includes a $0.05 million pension expense credit due to GASB 68.
- FY 2016-17: Salaries adjusted by 2.0% based on labor MOUs. CalPERS pension employer contribution rate increasing from 32.9% to 34.2%. Health care premiums assumed to increase 6% on January 1, 2017.
- FY 2017-18 through FY 2020-21: CalPERS pension employer contribution rate assumed to increase to 36.7%, 39.2%, 41.6%, and 42.3%, respectively. Health care premiums assumed to increase by 6% annually. Salaries adjusted by approximately CPI.

General & Administrative

- FY 2015-16: Lower miscellaneous income for audit recoveries.

OFFICE OF THE BOARD OF PORT COMMISSIONERS

FUNCTION

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

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

OPERATING EXPENSES

($ Thousands)

	Actual 2014-15	Budget 2015-16	Budget 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21
Personnel Services	381	420	434	455	478	500	519
Contractual Services	11	4	4	4	4	4	4
Supplies	5	5	5	10	5	5	6
General & Administrative	108	167	118	122	124	127	130
TOTAL	**505**	**595**	**561**	**591**	**611**	**637**	**659**
FTEs (headcount)	*2*	*2*	*2*	*2*	*2*	*2*	*2*

Personnel Services

- FY 2015-16: Salaries adjusted by approximately CPI. CalPERS pension employer contribution rate increasing from 30.2% to 32.9%. Health care premiums assumed to increase 6% on January 1, 2016. FY 2015 Actual includes a $0.01 million pension expense credit due to GASB 68.
- FY 2016-17: Salaries adjusted by 2.0% based on labor MOUs. CalPERS pension employer contribution rate increasing from 32.9% to 34.2%. Health care premiums assumed to increase 6% on January 1, 2017.
- FY 2017-18 through FY 2020-21: CalPERS pension employer contribution rate assumed to increase to 36.7%, 39.2%, 41.6%, and 42.3%, respectively. Health care premiums assumed to increase by 6% annually. Salaries adjusted by approximately CPI.

Supplies

- FY 2017-18: iPad replacement for Commissioners anticipated.

General & Administrative

- FY 2015-16: Primarily higher travel and legal advertising expenses.
- FY 2016-17: Primarily lower legal advertising expenses anticipated.
- FY 2017-18 through FY 2020-21: Expenses assumed to increase approximately 2.5% each year.

NON-DEPARTMENTAL

FUNCTION

Non-Departmental is a cost center that collects Port-wide non-discretionary expense items which are not allocated directly to Port divisions. These expenses include, but are not limited to, retiree medical expenses, workers' compensation costs, vacation and sick leave accruals, unemployment insurance, vacancy factor, certain City services and assessments, telecommunications costs, insurance premiums, utilities for Port usage, and certain legal and environmental costs. Also included is departmental credits, which is mostly labor and overhead costs allocated to the capital budget.

OPERATING EXPENSES

($ Thousands)

	Actual 2014-15	Budget 2015-16	Budget 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21
Personnel Services	16,963	12,179	11,418	11,837	12,272	12,730	13,285
Contractual Services	1,995	2,030	2,121	2,177	2,234	2,295	2,357
General & Administrative	13,245	14,009	13,847	14,352	14,768	15,207	15,661
Departmental Credits	(8,432)	(9,982)	(8,702)	(8,963)	(9,231)	(9,508)	(9,793)
TOTAL	**23,771**	**18,236**	**18,684**	**19,403**	**20,043**	**20,724**	**21,510**
FTEs (headcount)	*0*	*0*	*0*	*0*	*0*	*0*	*0*

Personnel Services

- FY 2015-16: Vacancy factor budgeted at $5.2 million (actual vacancy savings recognized in the divisions where the vacancies reside) and lower workers' compensation of $0.4 million partially offset by higher projected vacation accrual of $0.5 million and retiree medical costs of $0.2 million.
- FY 2016-17: Vacancy factor increases from $5.2 million to $6.4 million (increase from 30 FTEs to 35 FTEs) and lower vacation accrual and workers' compensation costs of $0.2 million partially offset by higher projected retiree medical costs of $0.6 million.
- FY 2017-18 through FY 2020-21: Higher projected retiree medical and workers' compensation costs partially offset by higher vacancy factor due to increase in underlying salary and benefits.

Contractual Services

- FY 2015-16: Higher due to increased costs for City services and assessments.
- FY 2016-17: Higher due to increased costs for City services and Jack London Improvement District (JLID) assessment.
- FY 2017-18 through FY 2020-21: City services and JLID costs assumed to increase approximately 4% and 3% respectively, each year.

General & Administrative

- FY 2015-16: Higher legal contingency of $1.9 million, Port use of utilities primarily at South Airport of $0.5 million, and insurance of $0.1 million partially offset by lower pollution remediation of $1.8 million.
- FY 2016-17: Lower legal contingency of $0.4 million partially offset by higher insurance costs of $0.2 million.
- FY 2017-18 through FY 2020-21: Expenses assumed to increase approximately 2.5% each year with the exception of insurance premiums which are assumed to increase approximately 5% each year.

Departmental Credits

- FY 2015-16: Higher direct salary and benefits partially offset by lower indirect overhead rate applied to capital projects and elimination of administrative overhead.
- FY 2016-17: Lower direct salary and benefits charged to capital projects due to increased maintenance work, in addition to lower indirect overhead rate applied to capital projects.
- FY 2017-18 through FY 2020-21: Primarily higher direct salary and benefits costs due to increases in underlying personnel costs.

CAPITAL BUDGET AND 5-YEAR CAPITAL IMPROVEMENT PLAN

FY 2017 CAPITAL BUDGET - INITIAL AND PIPELINE PROJECTS

For FY 2017, budget authorization of $113.6 million is requested from the Board for projects for which the Board already has a contractual obligation, as well as limited amounts for pre-development work and miscellaneous facility replacement projects. "Contractual obligations" are generally defined as expenditures for which, for example, there is an active contract in place or a lease agreement that requires the Port to take certain actions. This authorization comprises the FY 2017 Capital Budget - Initial which includes the following capital projects:

FY 2017 CAPITAL BUDGET – INITIAL

Business Line[1]	*Projects*	*($ millions)*
A	Terminal 1 Renovations	$ 43.6
A	International Arrival Building Upgrades	24.8
M	Cool Port Rail and Electric Infrastructure	9.5
A	Runway Safety Area	8.0
M	Seaport Logistics Complex	4.7
A	Taxiway Repairs	4.0
A	Parking Access and Revenue Control System	3.6
A	ARFF Truck	2.2
M	-50 ft Dredging Project Cost Share	2.0
A	Runway 12/30 Rehabilitation	1.8
M	B35-37 Pavement Replacement	1.7
A,M,C,S	Misc. Facilities Replacement Projects	1.7
M	Mooring Dolphin	1.2
A	Airfield Geometric Survey	1.0
M	Marine Terminal Repairs	0.9
A,M	Pre-Development	0.8
M	Crane Raising and Management System	0.6
A	Lift Station #1 Sewer Improvements	0.4
C	Union Point Basin Environmental Remediation	0.4
A	Airport Pavement Management System	0.3
A	Capital Equipment	0.2
A	M371 Boiler	0.2
M	Sanitary Sewer Upgrades	0.2
A	Airfield Ramp Control	0.1
M	Fiber Optic Expansion and Resiliency	0.0
	Total	$ 113.6

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

In addition, approximately $45.9 million of additional projects are anticipated to commence in FY 2017 (FY 2017 Pipeline Projects), subject to Board approval. Authorization to proceed with the FY 2017 Pipeline Projects may be provided by the Board on a project-by-project basis, based on the need, financial analysis, cost estimates, alignment with Port goals and strategies, available funding and available staffing resources. For cashflow and financial planning purposes, the FY 2017 Pipeline Projects are assumed to be approved by the Board during the course of the fiscal year. The FY 2017 Pipeline Projects includes the following capital projects:

FY 2017 PIPELINE PROJECTS

Project	*($ millions)*
Airport	
Runway 12/30 Rehabilitation	6.0
Misc. Terminal Projects	3.9
Building M 130 Roof Replacement	3.3
ARFF Roof Replacement	2.2
North Field Taxiway Signs Replacement	2.0
Security Projects	1.7
Utilities Projects	1.6
Rental Car Drive-through Upgrade	1.5
Misc. Ground Access and Parking	1.4
Airport Shuttle Fleet Replacement	1.3
Capital Equipment	1.1
TSA Electronic Baggage Screening	1.1
Misc. Airfield Improvements	0.9
Airport Drive Overlay	0.8
Sub-Total	28.9
Maritime	
B25-26 Wharf and Related Improvements	6.5
Seaport Logistics Complex	5.0
Roadway Improvements	1.8
Misc. Marine Terminal Upgrades	1.5
Wharf Upgrades	1.0
Security Projects	0.5
Capital Equipment	0.5
Sub-Total	16.8
Other	
CRE Tenant Improvements	0.2
Total	$ **45.9**

The diagram on page 111 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 5-Year CIP is updated annually and is currently approximately $498.5 million. The 5-Year CIP does not include significant capacity expansion projects and thus will generally not generate significant new revenues. Criteria for inclusion in the 5-Year CIP is generally limited to:

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

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

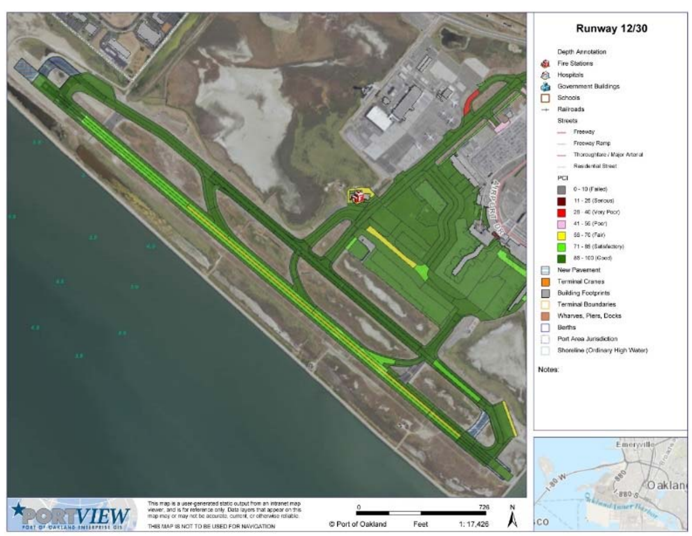
Aviation Projects

The 5-Year CIP includes approximately $376.1 million of projects at the Airport and is divided into eight programmatic areas: Airfield, Terminal, Leased Area, Ground Access and Parking, Security, Utilities, Facilities Maintenance, and Other.

<u>Airfield</u>

Approximately $120.1 million is included in the 5-Year CIP for airfield projects. Projects in this category include (1) Runway 12/30 rehabilitation, (2) Airport perimeter dike improvements, (3) Terminal 1 GSE electrification, and (4) taxiway and apron hangar improvements.

Runway 12/30 Rehabilitation



Runway 12/30 is the Airport's main commercial air carrier runway. The runway is fully instrumented to allow aircraft operations up to current FAA standards. At 10,000 feet in length, the runway provides sufficient landing and take-off distances to accommodate all types of commercial and air cargo aircraft. A runway pavement overlay project completed in 2001 extended the service life of the runway for an estimated 15 years; accordingly, the runway is due for a new overlay in 2016. Approximately 1,200 feet of pavement at each end of the runway received an overlay during the recently completed South Field RSA Project. Planning and design of the pavement overlay for the remaining portion of Runway 12/30 will continue during FY 2017, with construction planned for summer 2017. The project also includes lighting infrastructure upgrades and light can replacement and modifications. Extensive stakeholder coordination (airlines, cargo carriers, FAA, airport operations, community) has been conducted and will continue through the course of the project. The FAA awarded the Port an AIP grant for project costs of $2.5 million for planning and design of the runway. The total project cost is estimated at $54.3 million. The remaining cost of the project is expected to be funded with future AIP grants and PFCs.

Airport Perimeter Dike Improvements Phase 1

The Airport perimeter dike runs for approximately 4.5 miles and separates OAK's South Field airfield from San Francisco Bay waters and protects the essential airfield and terminal facilities. The Port has completed a series of studies that assessed existing geotechnical conditions, vulnerability of the dike to storms, sea level rise, and potential future seismic events, and has identified improvements needed to address those vulnerabilities. Design and environmental review is now complete. The project has been designed to be scalable to allow for construction based on available funding. $9.2 million of dike construction costs has been included in the 5-Year CIP. Approximately 50% of the $9.2 million is expected to be funded by a State Local Levee Assistance Program (LLAP) grant. The LLAP was created in 2006 when California voters approved Proposition 84, which provided funds for programs to evaluate and repair local levees and flood control facilities. This grant was awarded in May 2014 and expires after five years (2019).

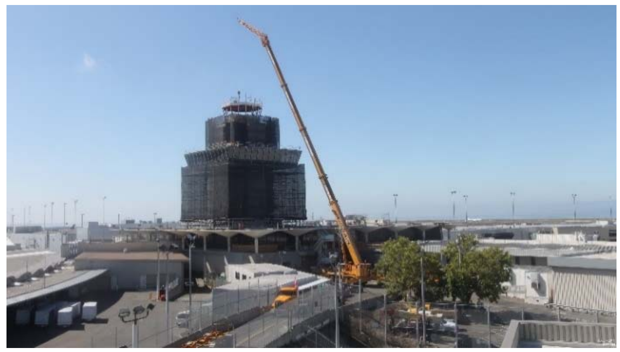
The Port continues to seek alternative funding sources in order to fully construct the approximately $55 million project. Most recently, the Port has been in discussion with the Alameda County Transportation Commission (ACTC) to seek funding through the Measure BB Tax Fund. If successful, the Port would consolidate the construction of the $9 million phase in order to benefit from economies of scale and consolidated mobilization. The fuel pipeline demolition, funded by pipeline owners, is complete.

Installation of Charging Infrastructure for Ground Support Equipment

Airline and ground-handler tenants own the GSE operated at OAK. Approximately 70% of the Airport-wide GSE fleet is based in Terminal 2 and has been electrified. In order to meet the demand from tenants who operate the remaining 30% of GSE, the Port is scoping a project to install electric infrastructure at Terminal 1. This project is estimated to cost $4 million, of which approximately 80% is anticipated to be funded using Voluntary Airport Low Emissions (VALE) grants.

Terminal

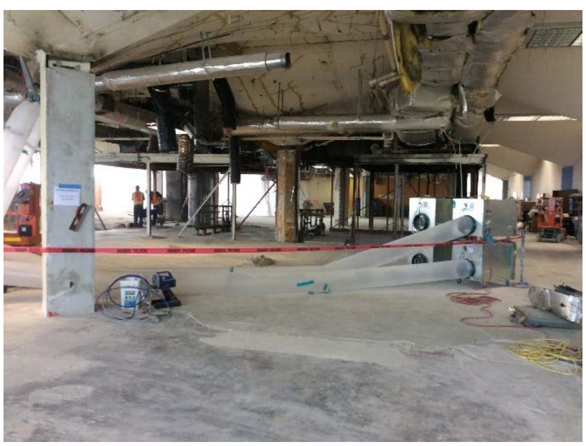
The passenger terminal complex at OAK includes Terminal 1 (16 gates) and Terminal 2 (13 gates). Approximately $196.5 million is included in the 5-year CIP for terminal improvements. Of this amount, approximately $167.8 million is related to the Terminal 1 Retrofit and Renovation Program, including upgrades to the IAB. The remainder, or approximately $28.6 million is related to capital improvements at Terminal 2, including Building M130 roof replacement, TSA recapitalization of electronic baggage screening and modifications to accommodate fleet changes.



Terminal 1 Retrofit and Renovation Program

The Port continues its next phase of the Terminal 1 Program development through renovations required to meet current codes, mitigate life safety issues, replace inefficient and outdated infrastructure, improve passenger service, prolong service life and improve life cycle costs. The overall program for the terminal renovation is called “Moving Modern”. The 5-Year CIP, excluding IAB upgrades, includes approximately $115.5 million for the Terminal 1 Program. These costs are anticipated to be funded largely through PFCs.

The Terminal 1 Program is being implemented in a phased manner that aligns near-term needs, prioritized life safety and other code requirements, and funding availability. Customer and tenant needs are continuously evaluated as projects are designed and implemented. The entire Terminal 1 Program incorporates green building principles. The Port is seeking LEED certification for the design and construction of the Building M102 second level.

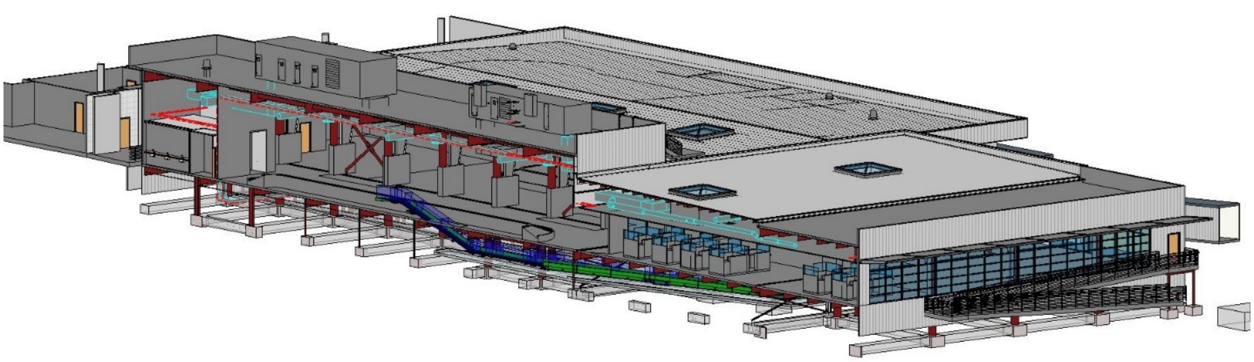


During FY 2016, the exterior seismic work (shear walls and micropiles) for Building M102 was completed and the building systems were demolished to facilitate the interior construction. The South Field air traffic control tower was also demolished and interior work included the installation of seismic bracing and other infrastructure in the high-bay ceiling area, while the security checkpoint remains in operations. Interior renovations that will begin in FY 2017 include a new window wall system to increase natural light, upgraded restrooms, new elevators, a redesign of the second floor administrative offices and public meeting space, and signage enhancements. Construction is expected to be completed in spring 2017.

International Arrivals Building Upgrade

During FY 2015, planning studies, forecasts, and analysis for upgrades to the IAB were undertaken to prioritize the next phase of development for Terminal 1. Conceptual planning for IAB assessed the condition of the existing facilities. It was determined that the existing IAB at OAK is functionally undersized, aged, and does not provide redundant baggage carousels to ensure operational reliability to accommodate current passenger levels and industry standard criteria for international passenger operations. The current conditions could affect the ability of OAK to retain existing service and may limit projected service growth in the future.

The Port has initiated the design for a series of operability improvements including a new baggage claim system which will include two baggage claim devices, expanded passenger queuing and processing area to improve the primary screening operations, installation of Automated Passport Control kiosks (in addition to the eight kiosks installed in FY 2016), updated restroom facilities, and seismic and other building system upgrades. This project will bring the IAB complex up to current standards, extend its useful life, and make it serviceable and functional to safely and efficiently accommodate passengers and air carrier operations up to about 600 passengers per hour. The project is anticipated to be completed in 2017. The project is estimated to cost $40 million, funded primarily with PFCs. The 5-Year CIP also includes an additional $15 million for future IAB improvements.



Terminal 2 Gate Modifications

Southwest Airlines anticipates introducing 787-800 and 787-900 aircraft to the fleet servicing OAK in the next few years. Preliminary analysis has shown that the larger aircraft can be accommodated at some of the existing gates with minor striping modifications to the aircraft gate parking position. Further modifications to accommodate larger aircraft includes fuel pit modifications and passenger boarding bridge replacement at some gates. Design of the phased improvements will be conducted during FY 2017.

TSA Recapitalization of Baggage Screening Equipment

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

The TSA selected OAK as a priority airport to participate in the TSA's program to recapitalize the EDS located within the Checked Baggage Inspection System of Terminal 2. The Port is required to design and implement terminal infrastructure modifications needed for the installation of EDS within the baggage screening area. The Port has entered into an Other Transaction Agreement (OTA) that requires the TSA to largely cover design and construction costs. After the project bids came in more than double the engineer's estimate in December 2015, the Port decided to rebid the project, and the TSA advised the Port to redesign the phasing approach. The redesign is expected to be complete in summer of 2016, rebid in late summer and construction is expected to begin in early 2017. The project construction is now estimated to cost about $9 million, most of which is anticipated to be reimbursed by the TSA.

<u>Leased Area</u>

The Port routinely monitors and implements improvements needed to meet existing lease requirements (apron, foundation, roofing, and walls) and support revenue retention and generation. Some leased facilities at North Field are in poor condition and must be improved in accordance with the Port's contractual obligations to tenants. A thorough assessment of the North Field properties lease requirements has been conducted and an on-going program to address the required improvements is being developed. In addition, there are several projects associated with the rental car facility, in anticipation of the re-bid of the rental car lease agreements in 2017. Eligible rental car facility improvements will be funded through CFCs. Approximately $8 million is included in the 5-Year CIP for this category of improvements.

<u>Ground Access and Parking</u>

This category includes a range of Airport ground access-related projects intended to improve customer service, fulfill regulatory permit obligations, and/or maintain revenues. It includes an upgrade to the parking revenue control equipment, and several roadway and surface parking reconstruction projects. About $21.1 million is included in the 5-Year CIP for these projects.

PARCS Upgrade

The Parking Access and Revenue Control System (PARCS) is critical infrastructure needed to operate the on-Airport revenue parking facilities. The current system needs to be replaced as it is aged and no longer effectively supported by the manufacturer. Procurement and installation of a new system, including new automated vehicle identification (AVI) system equipment, enhancements to the Premier Lot entrance, reconfiguration of Lot 214, and designs for improvements to the Oakland Maintenance Center and Economy Lot, are scheduled to be completed in FY 2017 for a combined cost of approximately $5.1 million.

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. Perimeter roadways that serve terminal and cargo facilities are also included in this project. The entire project cost is estimated at $12.8 million.

Security

Approximately $18.4 million is included in the 5-Year CIP for Airport security projects. Key projects include initiation of terminal modifications and related technology to support employee screening, closed circuit television camera expansion and upgrades, access control upgrades and other security system upgrades.

Utilities

OAK has an extensive utility network, serving approximately 2,600 acres of land area. Water, stormwater, sewer, and electrical infrastructure are vital to the ongoing operation of Airport facilities; failures must be avoided through a combination of maintenance and on-going capital investment. Approximately $6.9 million has been included in the 5-Year CIP for utility infrastructure projects. These projects include water and sewer upgrades, pump house and sewer lift station replacements, and electrical duct bank and distribution upgrades.

Facilities Maintenance

Approximately $0.7 million is included in the 5-Year CIP for facilities maintenance projects including controls for power and energy management systems, and light-emitting diode (LED) lighting upgrades.

Other Projects

Approximately $4.4 million is included in the 5-Year CIP for capital equipment purchases, pre-development work, and miscellaneous facility replacement projects.

Maritime Projects

The 5-Year CIP includes approximately $116.7 million for capital projects at the Seaport.

Seaport Logistics Complex

Between 2003 and 2007, the Port acquired 241 acres of property which formerly was part of the Oakland Army Base (OAB). The City acquired a nearly equal share of the former OAB for its own redevelopment purposes. Since acquiring title to the property, the Port has been remediating the property, upgrading the infrastructure and planning for the redevelopment of the property into a world class trade and logistics center. The new logistics center is anticipated to include new import cross-dock, export transloading from railcar to container, a new intermodal container terminal and related facilities. Redevelopment will be phased to match market demand and funding availability. The City facilities are expected to include a new bulk and break-bulk marine terminal, warehouses, a truck service area, and a recycling center.

In 2012, the Port and City agreed on a $500 million redevelopment program for the first phase of development, funded with State, federal, City, Port, and private monies. Under this first phase of development, the City and its development partners intend to redevelop the entire City-owned portion of the OAB, while the Port is currently building the first phase of the new rail terminal on Port-owned OAB property. The first phase of the new rail yard includes approximately 40,000 feet of storage track, plus a 7,700-ft departure track (support and manifest yards, respectively), providing the Port with the ability to accommodate two arriving and two departing trains daily. The rail yard is anticipated to spur customer growth, particularly for heavy export products which can be brought to the Seaport by rail, unloaded and placed into a container within the overweight corridor. Initially, the rail yard will serve current transload providers in the Seaport, while also accommodating future cargo associated with new facilities such as new logistics buildings on both the City and Port-owned properties of the former OAB. The new rail yard is scheduled to be operational in early 2017.

The 5-Year CIP includes approximately $18.8 million for development of the Port's Seaport Logistics Complex, broken down as follows:

- Approximately $2.5 million is for the Port's rail work in FY 2017. While the rail is largely grant funded, the grants are expected to be fully utilized by the end of FY 2016 and no additional grant funding is expected in FY 2017.
- $5.9 million is estimated for the first phase of the logistics facilities. The Port is currently negotiating with a developer for the phased development of new logistics facilities on the former OAB lands. This development would include new warehouse construction for logistics companies serving various businesses such as imported consumer products and exported agricultural products. Eventually, a new intermodal rail yard may be constructed as well, but no funding has been included for this work.
- $2 million is to be deposited into a Community Trust Fund. In the Amended and Restated Memorandum of Agreement (ARMOA) covering the former OAB, the Port and the City agreed to pay into a Community Trust Fund. Once the City and its developer contribute, the Port is committed to make an equal contribution, not to exceed $2 million.
- $8.4 million is for a variety of related work items, including pavement and site development for interim leasing.

Temperature-Controlled Facilities

Following a competitive solicitation in 2014 for the development and operation of a new temperature controlled transload facility at the Seaport, the Port entered into a lease with Cool Port Oakland, LLC in October 2015. The lease is contingent upon certain approvals, notably from the California Public Utilities Commission (for an at-grade rail crossing). Construction of the Cool Port Project is expected to launch in late summer/early fall 2016, with operations commencing in fall 2017. The intent of the development is to increase the import and export of perishable food products through Northern California. The 5-Year CIP includes $9.5 million for this development project, of which $6.5 million is anticipated to be reimbursed by a combination of grants and the developer.

Marine Terminal & Roadway Improvements

Over the next 5 years, the Port expects to make a number of improvements to marine terminals and the key access points to those terminals in order to address aging infrastructure, the needs of larger ships, congestion on roadways inside the Seaport, and to repurpose marine terminal property for interim leasing following closure of the Outer Harbor Terminal (Berths 20-24) in April 2016. Key projects include crane raising; wharf upgrades for vessels capable of carrying 18,000 TEUs or more; terminal yard reconstruction as part of the expansion of existing marine terminals; gate modifications to mitigate congestion; as well as design and construction of a new, grade-separated 7th Street (pending additional funding).

Approximately $49.8 million is included in the 5-Year CIP for these projects, of which $6.5 million is to support the environmental and preliminary design work for the 7th Street Grade Separation Project that is being performed by the ACTC. A variety of other projects comprise an additional $43.3 million of improvements on marine terminals.

Maritime Security

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

Key security projects in FY 2017 include completing the expansion of a fiber optic network to better integrate surveillance and monitoring systems, extending the existing security system (fiber optic network and surveillance cameras) to the Port-owned portion of the former OAB, and modernizing existing information technology systems that are at the core of security for the Maritime facilities. These improvements support Port resiliency and promote better information sharing among agencies and stakeholders during emergencies. Approximately $6.9 million is included in the 5-Year CIP for security projects. Approximately $3.9 million of the security projects are anticipated to be funded with grants. On-going operation and maintenance costs are typically the responsibility of the Port.

Other Projects

Other identified projects at the Seaport total approximately $31.7 million in the 5-Year CIP. These projects include:

- Navigational Channel Deepening Project: The Port and the U.S. Army Corps of Engineers plan to improve the MHEA, a shallow water habitat adjacent to the Port's Middle Harbor Shoreline Park, which was built by the Port as a mitigation measure for the Port's 50-foot dredging project. Additionally, the

Port and U.S. Army Corps of Engineers are working to complete the dredging project through formal project close out procedures. These expenditures have been delayed over the last few years; therefore, the 5-Year CIP continues to include $4 million for these activities.

- Approximately $17.2 million for utility upgrades such as substation replacement, sanitary sewer, and emergency power systems.
- $4 million is included for the Middle Harbor Shoreline Park, primarily for the evaluation and repair of a section of the dike along the Oakland Estuary.
- Capital equipment, totaling about $2.5 million over five years to perform critical facility maintenance and improvements, as well as $4 million for miscellaneous projects and pre-development that cannot be predicted at this time for the 5-year period.

Commercial Real Estate Projects

The 5-Year CIP includes about $3.5 million for projects related to CRE. Approximately $1.4 million in the 5-Year CIP is budgeted for building and tenant improvement allowance, primarily for new leases in the Airport Business Park and Jack London Square.

Support Division

The 5-Year CIP includes $2.2 million for items such as network upgrades, and other Port business systems needs.

PROJECTS NOT INCLUDED IN THE 5-YEAR CIP

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

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

Aviation

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

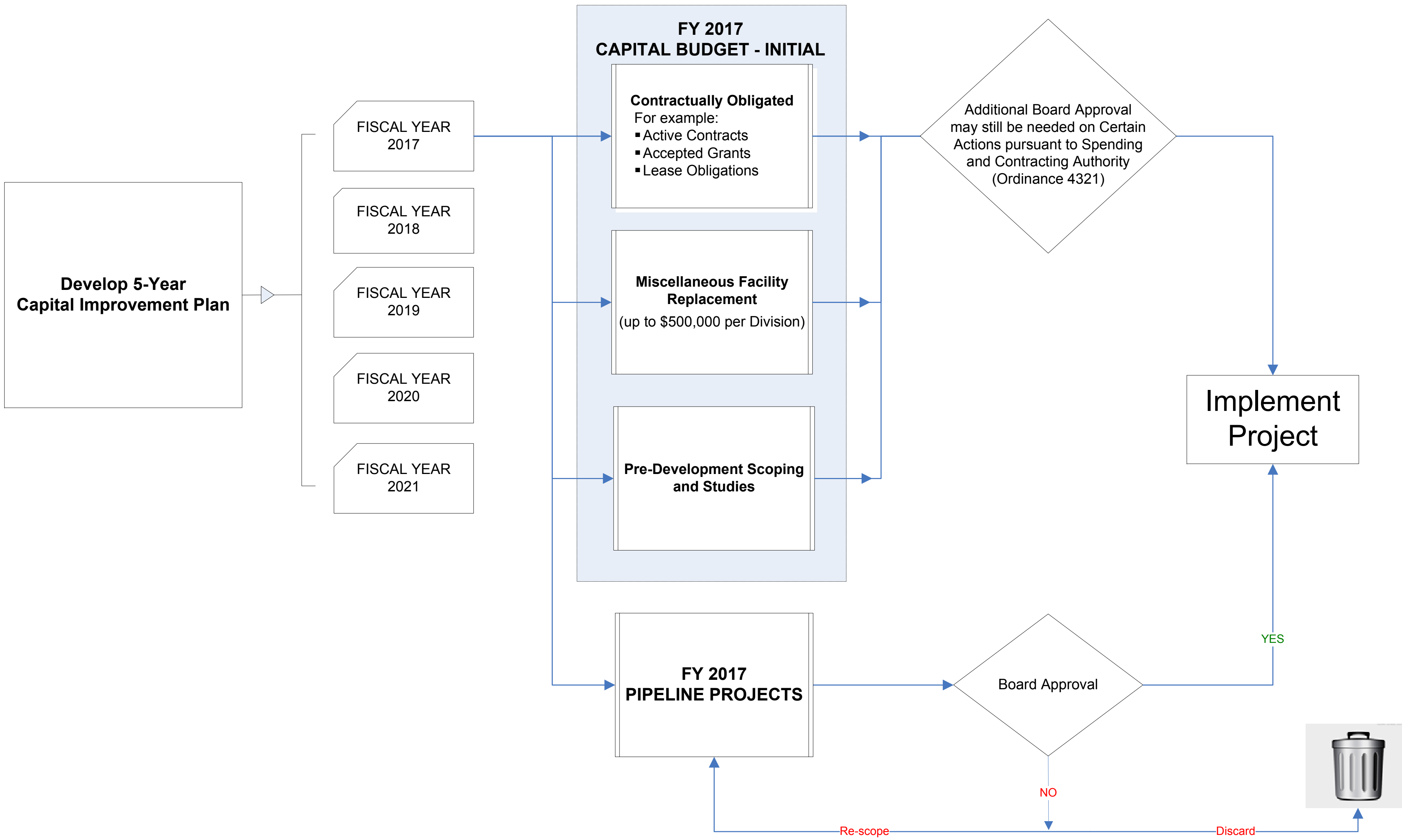
- The scope of the Terminal 1 Retrofit and Renovation Program and Terminal 2 improvements are limited due to available funding, and does not completely fund the infrastructure improvements needed for the ticketing building (M101) and concourse (M103) in Terminal 1 and expanded facilities at Terminal 2.
- Utility infrastructure, including electrical, water, and sewer, is in need of repair at numerous points in the system. Improvements have been limited to high priority items in order to reduce and phase expenditures.
- Perimeter dike improvements have been limited to available funding. Total costs are estimated to be $55 million; only $9.2 million of Phase 1 costs are reflected in the 5-Year CIP.
- North Field facilities improvements have been limited to contractually obligated improvements and high priority facility repair or demolition.

Maritime

In addition to the projects outlined herein, the Maritime Division recognizes the need for a comprehensive and systematic upgrade of the Seaport facilities. Aging roadway, wharf, electrical, and utility infrastructure are difficult to address while maintaining full operations, and also presents significant financial challenge. Certain projects are not included in the 5-Year CIP, or are only partially included, because the Port continues to explore alternative strategies to perform and fund certain improvements. These projects include:

- Seaport Logistics Complex Phase II, including future intermodal track improvements
- Maritime roadway infrastructure to minimize at-grade rail conflicts, and improve traffic flow
- Wharf and other marine terminal infrastructure to serve the largest vessels in deployment
- Utility Infrastructure

CAPITAL EXPENDITURE APPROVAL PROCESS



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, and/or cash are not available as anticipated, the Port will need to use other sources of funds for these projects, such as additional CP Note proceeds, additional Intermediate Lien Bonds, additional Senior Lien Bonds, increased Airline Rates and Charges, or the Port will not undertake or complete these projects.

Federal Aviation Administration Airport Improvement Program (AIP) Funds

The AIP funds approximately 80% of eligible Airport projects. The Port is required to fund the other 20%. The Port’s share may come from PFCs or internally generated cash. The Port typically receives AIP grant reimbursements 90 days after expenditures are made.

From FY 2017 through FY 2021, total AIP grants for OAK (consisting of both AIP entitlement and discretionary funds) are estimated to be about $79.6 million. In FY 2017, OAK anticipates using approximately $19.5 million in AIP grants. The AIP grants will be used on grant-eligible portions of airfield and apron-related projects for both North Field and South Field.

Passenger Facility Charges (PFC)

PFC is a user fee charged by the Airport and collected by the airlines when tickets are sold to revenue passengers enplaning at OAK. The current PFC is $4.50 per enplaned revenue passenger. Non-revenue passengers, such as airline employees, do not pay a PFC. Airlines retain $0.11 (2.4%) per PFC and disburse the remaining amount collected to the Port. PFCs are due to the Port by the last day of the month following the month in which they are collected. Initiated at OAK in September 1992, PFCs are approved by the FAA and are used to fund eligible capital improvement projects. The Port received approximately $21.5 million in PFCs in FY 2015.

In the 5-Year CIP, the Port includes approximately $179.6 million of PFC-funded projects and anticipates collecting $124 million based on the current passenger forecast and a PFC level of $4.50. It is also assumed that $1 million of PFCs will be available at the beginning of FY 2017 and that costs to finance PFC projects will be reimbursed with PFCs. The difference between PFC-funded project costs and available PFCs is assumed to be funded with debt payable from PFCs.

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 2015 totaled approximately $6.3 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 for which the Port has special authority to do through December 31, 2018. CFCs are assumed to continue past the current legislative expiration date. In the 5-Year CIP, $5.5 million of CFCs are assumed to be used for capital costs.

Maritime Grants and Other

In the 5-Year CIP, the Port expects to receive a total of approximately $3.9 million in grant funding for security projects and $6.5 million as reimbursement from grants and the private developer for improvements related to the Cool Port project.

Port Cash

Approximately $206.7 million of cash on hand and cash generated from future operations is assumed and applied to the5-Year CIP.

Debt

To the extent the above-listed funding sources are insufficient to pay for project costs, the Port would issue debt, to be repaid by future revenues, to fund a portion of the capital costs. Based on the current 5-Year CIP, the Port projects that it will need to issue approximately $68.7 million of debt secured by PFCs to pay for a portion of the projects that are PFC-eligible. It is currently assumed that the Port will utilize its CP program in the interim, until a long-term bond financing is undertaken. The actual timing of a long-term financing secured by PFCs has not yet been determined and will be based upon actual capital expenditures and market conditions.

FY 2016-17 CAPITAL BUDGET - INITIAL AND PIPELINE PROJECTS

Expenditure and Funding Sources

($ Thousands)

FY 2017 EXPENDITURES

Divisions	Capital Budget - Initial: Contractual Obligations	Pre-Development	Misc. Facility Replacement	Total	Pipeline Projects	FY 16-17 Total Expenditure
Aviation	89,992	500	500	90,992	28,898	119,890
Maritime	20,757	250	750	21,757	16,740	38,497
CRE	358	0	325	683	238	921
Support	56	0	100	156	0	156
Total	111,163	750	1,675	113,588	45,876	159,464

FY 2017 FUNDING SOURCES

Funding Source	FY 16-17 Capital Budget - Initial	FY 16-17 Pipeline Projects	FY 16-17 Total Expenditure
Aviation Grants[1]	19,460	6,942	26,402
Maritime Grants/Other [1]	6,500	368	6,868
PFC Pay-Go[2]	23,218	0	23,218
Debt Proceeds (PFC)[3]	23,737	7,080	30,817
CFCs	0	950	950
Cash	40,673	30,536	71,209
Total	113,588	45,876	159,464

[1] The Port has not yet obtained grant funding for all capital projects.

[2] Assumes $1 million of PFCs available at beginning of FY 2017.

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

5-YEAR CAPITAL IMPROVEMENT PLAN
Expenditure and Funding Sources
FY 2016-17 to FY 2020-21
($ Thousands)

5-YEAR EXPENDITURE BY DIVISION

Divisions	FY 16-17[1]	FY 17-18	FY 18-19	FY 19-20	FY 20-21	Total Estimated Expenditure
Aviation	119,890	123,540	58,175	43,743	30,800	376,148
Maritime	38,497	30,400	24,790	11,022	11,988	116,697
CRE	921	1,097	325	643	477	3,463
Support	156	500	500	500	500	2,156
Total	159,464	155,537	83,790	55,908	43,765	498,464

5-YEAR FUNDING SOURCES

Funding Source	FY 16-17[1]	FY 17-18	FY 18-19	FY 19-20	FY 20-21	Estimated Funding
Aviation Grants[2]	26,402	43,480	6,576	11,704	8,240	96,402
Maritime Grants/Other[2]	6,868	2,085	1,425	-	-	10,378
PFC Pay-Go[3]	23,218	23,713	22,937	22,426	18,628	110,922
Debt Proceeds (PFC)[4]	30,817	26,700	9,612	1,522	-	68,651
CFCs	950	2,700	1,800	-	-	5,450
Cash	71,209	56,859	41,440	20,256	16,897	206,661
Total	159,464	155,537	83,790	55,908	43,765	498,464

[1] Includes FY 2017 Capital Budget - Initial and FY 2017 Pipeline Projects.

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

[3] Assumes $1 million of PFCs available at beginning of FY 2017.

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

5-YEAR CAPITAL IMPROVEMENT PLAN
Annual Expenditure By Division and Projects
FY 2016-17 to FY 2020-21
($ Thousands)

DIVISIONS	FY16-17[1]	FY17-18	FY18-19	FY19-20	FY20-21	Total
AVIATION						
Airfield						
Runway 12-30 Rehabilitation	7,750	46,500	0	0	0	54,250
Runway Safety Area Improvements	8,000	2,100	0	0	0	10,100
Perimeter Dike Improvements	200	4,000	5,000	0	0	9,200
Taxiway Improvements	4,005	0	1,370	2,730	8,900	17,005
Apron Hangar Improvements	0	0	1,125	9,600	1,400	12,125
Terminal 1 GSE Electrification	200	500	2,000	1,300	0	4,000
Other Projects	8,280	3,550	600	1,000	0	13,430
Subtotal Airfield	28,435	56,650	10,095	14,630	10,300	120,110
Terminal						
Terminal 1 Renovation & Retrofit	37,345	31,200	19,000	18,000	10,000	115,545
International Arrivals Building Upgrades	28,075	9,225	5,000	5,000	5,000	52,300
Terminal 2 Projects	10,831	5,350	5,000	2,000	5,000	28,181
Other Projects	480	0	0	0	0	480
Subtotal Terminal	76,731	45,775	29,000	25,000	20,000	196,506
Leased Area	1,500	1,500	1,400	3,613	0	8,013
Ground Access and Parking						
Airport Drive and Air Cargo Way	800	5,000	6,980	0	0	12,780
PARC System Upgrade	4,282	830	0	0	0	5,112
Other Projects	2,140	1,100	0	0	0	3,240
Subtotal Ground Access & Parking	7,222	6,930	6,980	0	0	21,132
Security	1,650	7,850	8,900	0	0	18,400
Utilities	1,875	3,725	1,300	0	0	6,900
Facilities Maintenance	100	610	0	0	0	710
Other	2,377	500	500	500	500	4,377
TOTAL AVIATION	119,890	123,540	58,175	43,743	30,800	376,148

[1] Includes FY 2017 Capital Budget - Initial and FY 2017 Pipeline Projects.

5-YEAR CAPITAL IMPROVEMENT PLAN
Annual Expenditure By Division and Projects
FY 2016-17 to FY 2020-21
($ Thousands)

DIVISIONS	FY16-17[1]	FY17-18	FY18-19	FY19-20	FY20-21	Total
MARITIME						
Marine Terminals						
Berths 20-26 Terminal Improvements	6,500	3,200	2,000	0	0	11,700
Berths 33-34 Terminal Improvements	1,850	0	7,000	0	0	8,850
Wharf Upgrades for 18K TEU Vessels	1,000	1,000	1,000	0	0	3,000
Marine Terminal Gate Modifications	500	2,000	0	0	0	2,500
Other Projects	2,900	0	0	0	0	2,900
Subtotal Marine Terminals	12,750	6,200	10,000	0	0	28,950
Cranes	570	6,720	3,420	3,420	120	14,250
Security	2,252	2,780	1,900	0	0	6,932
Seaport Logistics Center	7,965	7,350	3,500	0	0	18,815
Dredging	2,000	2,000	0	0	0	4,000
Utilities	150	350	1,720	5,352	9,618	17,190
Roadway	1,810	1,750	1,000	1,000	1,000	6,560
Cool Port Rail Infrastructure and Electric Service	9,500	0	0	0	0	9,500
Other Projects	1,500	3,250	3,250	1,250	1,250	10,500
TOTAL MARITIME	38,497	30,400	24,790	11,022	11,988	116,697
COMMERCIAL REAL ESTATE						
Jack London Square	173	313	0	101	152	739
Embarcadero Cove	358	40	0	0	0	398
Business Park	65	419	0	217	0	701
Other	325	325	325	325	325	1,625
TOTAL COMMERCIAL REAL ESTATE	921	1,097	325	643	477	3,463
SUPPORT						
Equipment and Systems	156	500	500	500	500	2,156
TOTAL SUPPORT	156	500	500	500	500	2,156
TOTAL	159,464	155,537	83,790	55,908	43,765	498,464

[1] Includes FY 2017 Capital Budget - Initial and FY 2017 Pipeline Projects.

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DEBT SERVICE

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

Outstanding and Planned Debt

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

Outstanding Debt

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

Outstanding Debt	Unaudited May 2, 2016
Senior Lien Bonds	$ 667,845,000
DBW Loan	4,677,514
Intermediate Lien Bonds	361,230,000
CP Notes	80,723,000
Total	$1,114,475,514

The current outstanding revenue bonds (Senior Lien and Intermediate Lien) were issued in October 2007 through October 2012 at fixed rates ranging from 3.00% to 5.125% with principal repayment scheduled for FY 2017-2033. 2011 Series O Senior Lien Bonds were issued on August 16, 2011 to refund the 2000 Series K Senior Lien Bonds for debt service savings. 2012 Series P and Q Senior Lien Bonds were issued on October 10, 2012 to refund the 2002 Series L, M and N Senior Lien Bonds, also for debt service savings. The DBW Loan financed the 1999 renovation of the Jack London Square Marinas and has a fixed rate of 4.5%.

The Port initiated a $300 million CP program in 1998 to provide flexibility to borrow funds on short notice to (1) fund a portion of the capital program, (2) provide interim financing for cash management (e.g. lags in grant reimbursement), and (3) provide emergency funding. CP Notes may be repaid with cash, PFCs, or long-term debt and may be re-borrowed from time to time. For FY 2017 through FY 2021, the Port plans to make principal repayments on outstanding CP Notes totaling $4 million per year, as part of an overall plan to repay this debt. The interest rate on the CP Notes is variable and resets every 1 to 270 days and is assumed to range from 0.75% to 4.00% in FY 2017 through FY 2021. Under the CP Indenture, the maximum CP Notes interest rate is 12% with a maximum term of 270 days.

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

The Port has extended the JPMorgan LOC for one year until June 30, 2017 but at a reduced amount of $50 million, and plans to substitute the Wells Fargo LOC with a LOC provided by Bank of America National Association for $150 million for three years until June 30, 2019.

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

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

Planned Debt

Based on the 5-Year CIP (see *Capital Budget and 5-Year Capital Improvement Plan* section), the Port projects that from FY 2017 through FY 2021, it will need to issue approximately $68.7 million of debt payable by PFC revenues to pay for a portion of the projects that are PFC-eligible. It is currently assumed that the Port will utilize its CP program in the interim, until a long-term bond financing is undertaken. The average annual interest rate on the outstanding CP Notes during this 5-year time period is assumed to range from 0.75% to 4.00%. The actual timing of a long-term financing secured by PFCs has not yet been determined and will be based upon actual capital expenditures and market conditions.

Debt Covenants

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

Debt Service Coverage Ratios

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

DEBT SERVICE COVERAGE

FY 2014-15 TO FY 2020-21

($ Thousands)

	Actual 2014-15	Budget 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21
Operating Revenues	$336,587	$330,276	$343,169	$360,373	$370,124	$379,132	$388,703
Net Operating Expenses[1]	(173,685)	(187,701)	(200,033)	(209,859)	(217,366)	(224,997)	(231,479)
Interest Earned [2]	1,741	1,639	1,646	2,801	3,964	6,295	8,641
Net Revenues	164,643	144,214	144,782	153,315	156,722	160,431	165,865
Debt Service:							
Debt Service – Senior Lien Bonds	50,146	48,220	44,389	45,396	46,381	47,459	65,720
Debt Service – Senior & Intermediate Lien Bonds & DBW Loan	98,192	98,907	99,478	100,965	102,474	97,110	96,473
Debt Service – Aggregate (excl. amounts paid by PFCs)[3]	101,284	103,344	103,909	105,766	107,462	102,472	102,130
Debt Service Coverage Ratio:							
Senior Lien [4]	3.28	2.99	3.26	3.38	3.38	3.38	2.52
Intermediate Lien [5]	1.68	1.46	1.46	1.52	1.53	1.65	1.72
Aggregate[6]	1.63	1.40	1.39	1.45	1.46	1.57	1.62

1 Excludes depreciation and amortization, and operating expenses paid with CFCs and certain grants.

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

3 Includes debt service on Senior and Intermediate Lien Bonds, DBW Loan and CP Notes that are to be repaid with Operating Revenues, including the Port's plan to make principal payments on outstanding CP Notes totaling $4 million per year, as part of an overall plan to repay this debt. Does not include debt service on CP Notes anticipated to be repaid with PFCs. The interest rate on CP Notes is assumed to be 0.75% in FY 2016-17, increasing to 4.00% in FY 2020-21.

4 Senior Lien DSCR equals Net Revenues divided by Debt Service – Senior Lien Bond.

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

6 Aggregate DSCR equals Net Revenues divided by Debt Service – Aggregate (excluding amounts paid by PFCs).

DEBT SERVICE SCHEDULE

FY 2016-17 TO FY 2020-21

($Thousands)[1]

Description	FY 2016-17			FY 2017-18			FY 2018-19			FY 2019-20			FY 2020-21		
	Principal	Interest[2]	Total	Principal	Interest[2]	Total	Principal	Interest[2]	Total	Principal	Interest[2]	Total	Principal	Interest[2]	Total
Senior Lien Revenue Bonds															
2011 Refunding Bonds Series O	11,360	14,973	26,333	$12,935	14,405	27,340	$14,565	$13,760	$28,325	$16,370	$13,033	$29,403	$17,185	$12,214	$29,399
2012 Refunding Bonds Series P	0	18,056	18,056	0	18,056	18,056	0	18,056	18,056	0	18,056	18,056	18,265	18,056	36,321
Subtotal Sr. Lien Rev. Bonds	11,360	33,029	44,389	12,935	32,461	45,396	14,565	31,816	46,381	16,370	31,089	47,459	35,450	30,270	65,720
Loans															
Dept. of Boating & Waterways Loan	247	211	458	258	200	458	270	188	458	282	176	458	295	163	458
Intermediate Lien Revenue Bonds															
2007 Refunding Bonds Series A	2,905	7,720	10,625	2,430	7,588	10,018	2,560	7,464	10,024	2,675	7,335	10,010	8,930	7,047	15,977
2007 Refunding Bonds Series B	18,055	6,335	24,390	19,440	5,428	24,868	20,930	4,456	25,386	21,965	3,421	25,386	11,740	2,578	14,318
2007 Refunding Bonds Series C	16,665	2,951	19,616	18,145	2,080	20,225	19,075	1,150	20,225	13,460	337	13,797	0	0	0
Subtotal Int. Lien Rev. Bonds	37,625	17,006	54,631	40,015	15,096	55,111	42,565	13,070	55,635	38,100	11,093	49,193	20,670	9,625	30,295
Subtotal Sr. & Int. Lien Rev. Bonds and DBW Loan	49,232	50,246	99,478	53,208	47,757	100,965	57,400	45,074	102,474	54,752	42,358	97,110	56,415	40,058	96,473
Commercial Paper (Non-PFC)[3]	4,000	431	4,431	4,000	801	4,801	4,000	988	4,988	4,000	1,362	5,362	4,000	1,657	5,657
Commercial Paper (PFC)[4]	0	451	451	0	1,302	1,302	0	1,929	1,929	0	2,939	2,939		3,918	3,918
Total Debt Service	$53,232	$51,128	$104,359	$57,208	$49,860	$107,068	$61,400	$47,991	$109,391	$58,752	$46,659	$105,411	60,415	45,633	106,048

[1] Summary amounts may not total due to rounding.

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

[3] The Port plans to make principal payments on outstanding CP Notes totaling $4 million per year, as part of an overall plan to repay this debt. The interest rate on CP Notes is assumed to be 0.75% in FY 2016-17, increasing to 4.0% in FY 2020-21.

[4] Based on the 5-Year CIP, the Port plans to issue approximately $68.7 million of CP Notes payable by PFC revenues to fund a portion of the costs of the Airport's Terminal 1 renovation project. It is currently assumed that the Port will utilize its CP program in the interim, until a long-term bond financing is undertaken. However, as discussed in the *Capital Budget and 5-Year Capital Improvement Plan* section, the Port has not yet obtained funding for all capital projects described, some of which may ultimately not be implemented by the Port.

CASH FLOW

Flow of Funds

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

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

Board Established Cash Reserves

The following reserves will be established as of July 1, 2016:

Board Reserves	
Port Bond Reserve	$30,000,000
Operating Reserve	25,689,000
Capital Reserve	15,000,000
Total	**$70,689,000**

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

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

Restricted Cash

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

1. Bond Reserve/Rebate Funds – As stated in the indentures, series-specific bond reserve funds are to be used to pay debt service if the Port has insufficient funds to pay the scheduled debt service for the applicable series. Rebate funds are held under the Indenture to hold rebate payments to be made to the U.S. Treasury.

2. Bond Construction Funds – Funds received from bond proceeds to pay for qualifying capital improvement projects while under construction.

3. Passenger Facility Charge (PFC) – A user fee charged by OAK and collected by the airlines for revenue passengers enplaning air carrier flights. The Federal Aviation Administration approves the PFCs that are used to fund eligible capital improvements for specific projects at the Airport.

4. Customer Facility Charge (CFC) – A per-contract fee charged by rental car companies on behalf of OAK. CFCs are used to fund ground transportation (including buses and shuttle services) and construction related to rental car facilities.

5. Construction Escrows – Portion of the amount due to a contractor is set aside until the project has been signed off and placed into service.

STATEMENT OF CASH FLOWS

FY 2016-17 to FY 2020-21

($ Thousands)

	Projected 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20	Projected 2020-21
General Fund[1]	195,000	154,572	134,017	129,766	160,390
Port Bond Reserve Fund	30,000	30,000	30,000	30,000	30,000
Operating Reserve Fund	25,689	26,855	27,809	28,778	29,605
Capital Reserve Fund	15,000	15,000	15,000	15,000	15,000
Beginning Balance	265,689	226,427	206,825	203,544	234,995
Sources					
Operating Revenue	343,169	360,373	370,124	379,132	388,703
Grants and CFCs for Operating Expenses	5,482	4,977	5,102	5,229	5,360
PFCs for Debt Service[2]	451	1,302	1,929	2,939	3,918
Interest Income[3]	1,143	2,298	3,461	5,792	8,138
Total Receipts	350,245	368,950	380,615	393,092	406,119
AIP, PFC Pay-Go, CFC, Other Grants[4]	57,438	71,978	32,738	34,130	26,868
Debt Proceeds (PFC-Supported)[5]	30,817	26,700	9,612	1,522	-
Total Capital and Financing Proceeds	88,255	98,678	42,350	35,652	26,868
TOTAL SOURCES	438,500	467,628	422,965	428,744	432,987
Uses					
Operating Expenses	(205,515)	(214,836)	(222,468)	(230,226)	(236,839)
Debt Service					
Principal[6]	(53,232)	(57,208)	(61,400)	(58,752)	(60,415)
Interest[7]	(51,127)	(49,860)	(47,991)	(46,659)	(45,633)
Total Debt Service Payments	(104,359)	(107,068)	(109,391)	(105,411)	(106,048)
Capital Expenses[8]	(159,464)	(155,537)	(83,790)	(55,908)	(43,765)
Other Payments[9]	(8,425)	(9,788)	(10,598)	(5,747)	(5,904)
TOTAL USES	(477,763)	(487,230)	(426,247)	(397,293)	(392,555)
Net Cash Flow (Sources less Uses)	(39,263)	(19,602)	(3,281)	31,451	40,432
Ending Balance	226,427	206,825	203,544	234,995	275,427

1 Beginning General Fund balance for FY 2017 is an estimate. General Fund balances in subsequent years are projected.
2 PFCs used to reimburse portion of eligible CP Notes debt service payments.
3 Excludes non-cash interest accrual.
4 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.*
5 Assumes that the Port's CP program will be utilized in the interim until a long-term bond transaction occurs.
6 Includes $4 million principal repayment of outstanding CP Notes in each year.
7 Assumes interest rates of 0.75%, 1.50%, 2.00%, 3.00%, 4.00% in FY 2017-21 respectively and outstanding CP Notes balance of $117.5 million, $140.2 million, $145.9 million, $143.4 million, and $139.4 million, respectively.
8 Based on the Port's 5-year CIP. See *Capital Budget and 5-Year Capital Improvement Plan* section.
9 Includes, but not limited to letter of credit fees, certain non-operating City payments, retroactive pension contributions for certain aircraft rescue fire fighters personnel and deferred prior year maintenance.

STATEMENT OF CASH FLOWS - RESTRICTED

FY 2016-17 to FY 2020-21

($ Thousands)

	Projected 2016-17	**Projected 2017-18**	**Projected 2018-19**	**Projected 2019-20**	**Projected 2020-21**
Bond Reserve Funds	57,908	57,908	57,908	57,908	57,908
Bond Construction Funds	-	-	-	-	-
Passenger Facility Charge	1,000	1,000	250	250	250
Customer Facility Charge	8,000	8,770	7,880	7,963	9,937
Construction Escrows	3,000	3,000	3,000	3,000	3,000
Beginning Balance	69,908	70,678	69,037	69,121	71,095
Passenger Facility Charge (PFC)					
Beginning Balance[1]	1,000	1,000	250	250	250
PFC Revenues	23,664	24,255	24,862	25,359	25,866
PFC Interest Income	5	10	4	6	9
Less: PFC Debt Service	(451)	(1,302)	(1,929)	(2,939)	(3,918)
Less: PFC Capital Expenditures[2]	(54,035)	(50,413)	(32,549)	(23,948)	(18,628)
Ending Balance	1,000	250	250	250	3,578
Customer Facility Charge (CFC)					
Beginning Balance[1]	8,000	8,770	7,880	7,963	9,937
CFC Revenues	6,536	6,699	6,867	7,004	7,144
CFC Interest Income	40	88	118	199	348
Less: CFC Capital Expenditures	(950)	(2,700)	(1,800)	-	-
Less: CFC Operating Expenses	(4,856)	(4,977)	(5,102)	(5,229)	(5,360)
Ending Balance	8,770	7,880	7,963	9,937	12,069

[1] Beginning fund balances for FY 2017 are estimates; subsequent years are projected.

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

ACRONYMS

ACTC	Alameda County Transportation Commission
AIP	Airport Improvement Program
APDA	Alternative Project Delivery Approach
APDD	Aviation Project Design & Delivery
ARFF	Aircraft Rescue and Fire Fighting
ARMOA	Amended and Restated Memorandum of Agreement
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
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
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

EPA	U.S. Environmental Protection Agency
ERP	Enterprise Resource Planning
FAA	Federal Aviation Administration
FBI	Federal Bureau of Investigation
FTE	Full-Time Equivalent
FY	Fiscal Year
FBO	Fixed Base Operator
GASB	Governmental Accounting Standards Board
GSE	Ground Support Equipment
HR	Human Resources
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
NDSLBUP	Non-Discrimination and Small Local Business Utilization Policy
NEPA	National Environmental Policy Act
OAB	Oakland Army Base
OAK	Oakland International Airport
OCIP	Owner-Controlled Insurance Program
OIG	Oakland International Gateway (formerly known as Joint Intermodal Terminal - “JIT”)
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
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 Companies
TSA	Transportation Security Administration
TWG	Truckers Working Group
UP	Union Pacific Railroad
UPS	United Parcel Service, Inc.
VALE	Voluntary Airport Low Emissions
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*

Business Revenue - As referenced in the table on page 34, revenue generated by businesses due to Port activity. Source: 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010.

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

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

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

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

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

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

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

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

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

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

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

Direct Jobs - As referenced in the table on page 34, Bay Area jobs wholly-dependent upon the Port's existence. Source: 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010.

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

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

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

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

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

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

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

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

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

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

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

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

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

Indirect Jobs - As referenced in the table on page 34, similar to induced jobs, but generated by businesses re-spending their income on local goods and services. Source: 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010.

Induced Jobs - As referenced in the table on page 34, jobs, generally but not necessarily in the Bay Area, which are generated by direct job holders spending their salaries on goods and services. Source: 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010.

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

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

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

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

Local Purchases - As referenced in the table on page 34, purchases of goods and services by firms dependent upon the Port. These support local, indirect jobs. Source: 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010.

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

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

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

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

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

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

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

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

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

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

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

Personal Income - As referenced in the table on page 34, wages and salaries of direct job holders plus wages and salaries of indirect job holders plus re-spending and consumption. Source: 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010.

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

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

Related Jobs - As referenced in the table on page 34, jobs with companies that ship or receive goods through the seaport or Airport to the extent such jobs are directly connected to the companies' activities at the Port. Source: 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010.

State/Local Taxes - As referenced in the table on page 34, includes airline ticket tax, State and local income tax, sales tax, motor vehicle registration and licensing tax, State motor fuel tax, county property tax and local City tax. This includes direct, induced/local consumption, and indirect taxes. Source: 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010.

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

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

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

Visiting Industry Jobs - As referenced in the table on page 34, direct, induced, and indirect jobs supported in the Bay Area visitor industry as a result of out-of-town passengers using the OAK. Source: 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010.

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