

BUDGET SUMMARY

One-Year Operating and Capital Budget

Fiscal Year ending June 30, 2016

Five-Year Operating Forecast and Capital Improvement Program

Fiscal Years ending June 30, 2016 through 2020



DRAFT JUNE 8, 2015

**ONE-YEAR OPERATING AND CAPITAL BUDGET
FISCAL YEAR 2015-16**

AND

**FIVE-YEAR OPERATING FORECAST
AND CAPITAL IMPROVEMENT PROGRAM
FISCAL YEARS 2015-16 THROUGH 2019-20**



PORT OF OAKLAND

Board of Port Commissioners of the City of Oakland

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Cestra Butner, First Vice President
Earl Hamlin, Second Vice President
Michael Colbruno, Commissioner
James W. Head, Commissioner
Bryan R. Parker, Commissioner
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June 25, 2015

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 Program is subject to change, and the variance from the cost estimates described in this Budget Summary could be material. Failure to complete the projects may adversely affect the Port's ability to generate the currently anticipated revenues.

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Go to <http://www.portofoakland.com/portnyou/public.asp> to see this book online.

PORT OF OAKLAND COMMISSIONERS

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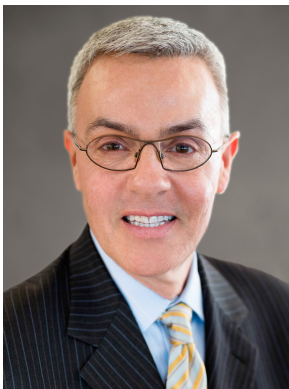
Alan S. Yee
President



Cestra "Ces" Butner
First Vice-President



Earl S. Hamlin
Second Vice-President



Michael Colbruno
Commissioner



James W. Head
Commissioner



Bryan Parker
Commissioner



Victor Uno
Commissioner

Mission Statement

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

Vision Statement

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

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STRATEGIC PLAN

In October 2010, the Board of Port Commissioners (Board) adopted the Port of Oakland Strategic Plan Fiscal Years 2011-2015 (Strategic Plan). The Strategic Plan provides a stable and adaptable policy framework to guide the Port of Oakland (Port) during the five year period from 2010 to 2015. It is envisioned as both an on-going planning process and a documented plan, and serves as a general statement of the Port's vision, mission, guiding principles, goals, and objectives to promote optimal organizational performance and long-term sustainability.

The Strategic Plan sharpens the Port's organizational focus on growth of its core maritime, aviation, and commercial real estate businesses by aligning governance, policies, processes, and resources. The Strategic Plan establishes that, within the organizational culture of the Port, all activities are based upon collaboration, accountability, and innovation. The Strategic Plan guides the Port to long-term sustainability and optimal performance on behalf of all of its stakeholders. Through its commitment to the Strategic Plan, the Port aspires to realize its highest potential for the City of Oakland, the region, the State of California, and the Port's global partners.

The Vision Statement of the Strategic Plan calls for the Port to be innovative and sustainable "through an aggressive focus on business and optimal performance." Looking ahead to Fiscal Year 2016 and beyond, this vision will guide operations, policies, the Port budget, and allocation of resources, as staff updates the Strategic Plan and develops future goals and objectives.

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

Guiding Principles

1. Economic development is the center of the Port's work.
2. Environmental stewardship is a lens for all Port activities.
3. The Port is a public enterprise that uses all appropriate public and private business development models to pursue and ensure its business and strategic goals.
4. The Port seeks opportunities to leverage cross-business line benefits.
5. The Port proactively communicates with its multiple stakeholders.
6. The Port maximizes its assets, investments and resources.
7. Relevant and timely information is fundamental to effective Board stewardship and decision-making.
8. The Port staff is appropriately aligned with the Port's strategic goals.
9. All Port activities must incorporate a full financial assessment.
10. The Port is a high-performing workplace with partnership, accountability and teamwork among staff.
11. The Port delivers the highest value in its services and facilities at the most competitive price.

DRAFT JUNE 8, 2015**Strategic Priority Areas and Goals¹**Sustainable Economic and Business Development

Goal A: Create sustainable growth for the Port and beyond.

Goal B: Maintain and aggressively grow core businesses.

Goal C: Promote equitable community access to employment and business opportunities.

Goal D: Improve the Port's financial position.

Stewardship and Accountability

Goal E: Improve the processes for evaluating and managing capital expenditures for long-term management of Port property and infrastructure.

Goal F: Aggressively obtain maximum amount of external grant and government funding and regulatory relief.

Goal G: Sustain healthy communities through leading-edge environmental stewardship.

Port Workforce and Operations

Goal H: Develop and maintain a high-performing workforce.

Goal I: Align the Port's workforce, organizational structure and personnel management practices for optimal performance of the Port.

Goal J: Improve internal governance practices.

Communications and Information

Goal K: Promote a proactive and responsive communications model.

Goal L: Provide timely and relevant information to support critical analysis and decision-making.

¹ The goals set forth above are subject to change at any time by the Port and may not be achieved depending on the Port's available financial resources and personnel. Each goal is associated with specific objectives. For information about the objectives, please refer to the Port of Oakland Strategic Plan FY 2011-2015 at <http://www.portofoakland.com/portnyou>.

SAN FRANCISCO BAY AREA MAP

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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.²

The City is one of 14 cities in Alameda County, and one of the three major cities in the nine-county region known as the San Francisco Bay Area (Bay Area), a large metropolitan area with a population of approximately seven million. The City is bordered on the north by the cities of Berkeley and Emeryville; on the south by the City of San Leandro; on the east by Contra Costa County; and on the west by the City of Alameda, the Oakland Estuary, and the greater San Francisco Bay. The City has an estimated population of 406,253³, making it the third-largest city in the Bay Area after San Jose and San Francisco, and the eighth-largest city in California.⁴

Port of Oakland

The Port area is located in the western part of the City, along approximately 19 miles of waterfront on the Oakland Estuary and San Francisco Bay. The majority of the Port's land was granted by the State 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-commissioner 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 exclusive control of all Port facilities and property, real and personal, all income and revenues, and all bond proceeds for harbor, airport, commercial real estate improvements, or for any other purpose. The Board has the power under the Charter to fix, alter, change or modify the rates, tolls, fees, rentals, and other charges for the use of the Port's facilities, and any services provided in connection with the Port's facilities. The Board appoints an executive director to administer operations.

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

² U.S. Census Bureau 2010.

³ Ibid.

⁴ Ibid.

PORT OF OAKLAND AREA MAP

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Port Business Lines and Operations

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

Aviation - Oakland International Airport (OAK; Airport) is one of three major commercial airports serving the Bay Area and has approximately 2,600 acres of aviation-related facilities. OAK is the second busiest Bay Area airport, with over 300 daily passenger and cargo arrivals and departures. The Airport currently averages 137 passenger departures a day to 49 domestic and international destinations, as well as more than 20 daily all-cargo departures to destinations around the globe. In calendar year (CY) 2014, the Airport served 10.3 million passengers and handled approximately 1.2 billion pounds of air cargo. Aviation generates approximately 49% of the Port's total operating revenues.⁵

Maritime – The Oakland 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 2014, approximately 2.4 million twenty-foot equivalent units (TEUs) moved through the Oakland seaport. Approximately 90% of this activity was associated with international trade, while the remaining 10% represented domestic trade within the U.S. Maritime generates approximately 47% of the Port's total operating revenues.⁶

Commercial Real Estate - The Port's commercial real estate includes all Port properties not used or intended to be used for maritime or aviation purposes. These properties total approximately 837 acres of land along the Oakland Estuary and include warehouses, public parking, hotels, offices, shops, restaurants, as well as public parks and open space. Commercial real estate generates approximately 4% of the Port's total operating revenues.⁷

Unlike some U.S. ports, the Port does not receive funding from local tax revenues. The Port is a self-sufficient and independent department of the City and, as such, must generate sufficient revenue to financially support its day-to-day business line operations. However, the City does provide a variety of services to the Port, including fire, police, and treasury services. The Port anticipates paying the City approximately \$19 million in FY 2016 for these services, as well as for maintenance of Tidelands Trust property, and for parking and utility taxes collected on the City's behalf.

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

⁵ Based on FY 2014 audited financial statements.

⁶ Ibid.

⁷ Ibid.

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

AVIATION

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

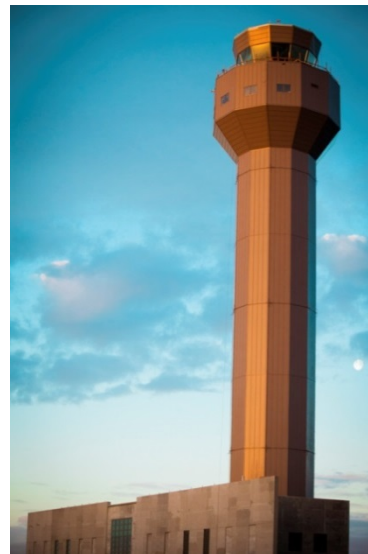
History

OAK has served the air travel and air cargo needs of the Bay Area for 88 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 (formerly 11-29) were opened to accommodate growth and technological advancements in the aviation industry. A second eight-gate terminal (Terminal 2) was opened in 1985 and was expanded to a total of 13 passenger gates in 2007.

Oakland International Airport Today

OAK is one of three international airports serving the Bay Area, the third largest U.S. aviation market behind New York and the Los Angeles Basin, surpassing in 2012 the Chicago and Washington, DC markets. In 2014, OAK ranked 35th in the U.S. in terms of total passengers and 13th in the U.S. in terms of air cargo tonnage.⁹ It is 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.



⁸ 2011. Martin Associates. The Economic Impact of the Port of Oakland – 2010. Also see page 33.

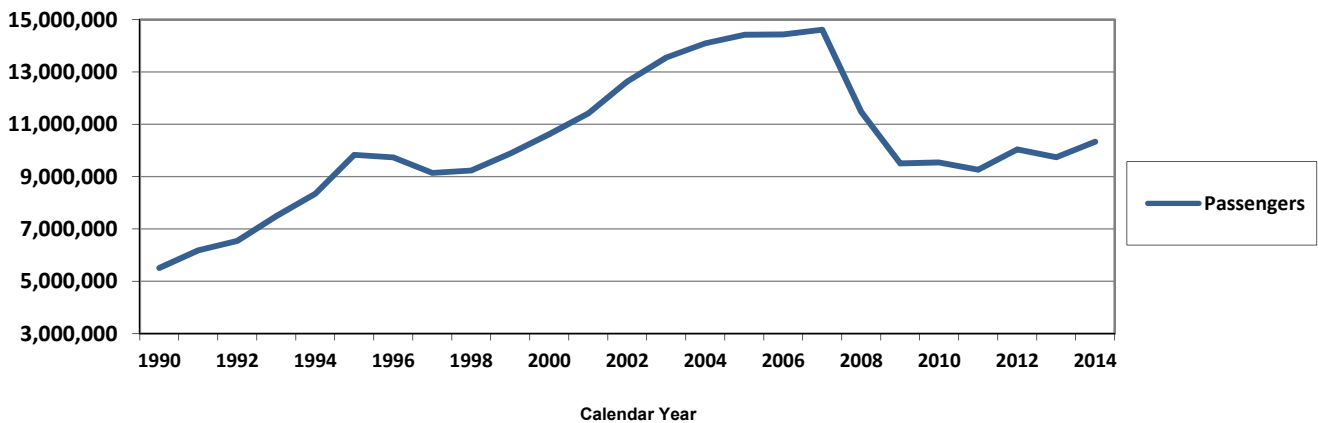
⁹ 2014 North American Airport Traffic Summary (Top 50 Airports) -- Airports Council International - North America (preliminary).

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Passenger Service

OAK provides easy-to-use airport facilities and convenient access to the Bay Area. In CY 2014, the Airport served 10.3 million passengers. Although below OAK's 2007 peak of 14.6 million, traffic grew over 6% in CY 2014, and the number of nonstop destinations will be at an all-time high of 49 in summer 2015.

AVIATION PASSENGER STATISTICS CY 1990 through CY 2014



Southwest is OAK's largest carrier, accounting for 69% of the Airport's passenger activity and serving 20 nonstop destinations, with as many as 109 daily departures planned for summer 2015. Southwest is adding daily nonstop service to Nashville (BNA) and New Orleans (MSY) in June 2015, and Columbus, Ohio (CMH) in August 2015.

Other key contributors to OAK's service offerings in FY 2015 are as follows:

- Volaris added service to three new destinations: Morelia, Leon, and Tijuana.
- Hawaiian Airlines launched seasonal service to Kona and Lihue, Hawaii in summer 2014. Alaska and Hawaiian Airlines each serve four Hawaiian islands non-stop from OAK and will provide almost 1,500 daily departure seats during the 2015 summer peak season, placing OAK 5th among top U.S. gateways to Hawaii. Hawaiian Airlines' business grew 26% at OAK in CY 2014.
- Spirit Airlines continues to expand, initiating year-round service to Houston-Intercontinental in April 2015.

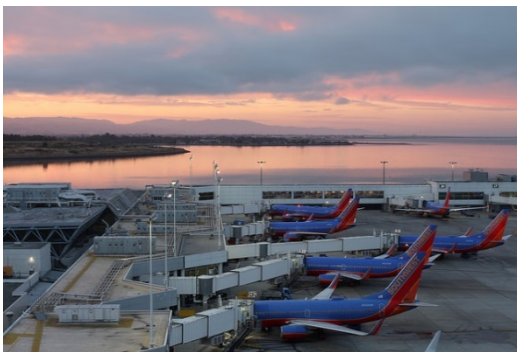
DRAFT JUNE 8, 2015**OAK PASSENGER ACTIVITY and MARKET SHARE BY CARRIER**

Marketing Airline	Total Passengers Served in CY 2014	Market Share In CY 2014
Southwest	7,175,058	69.4%
Alaska/Horizon ¹	770,540	7.5%
JetBlue	401,969	3.9%
Hawaiian	366,206	3.5%
Spirit	350,881	3.4%
SkyWest Airlines ²	272,824	2.6%
Delta Airlines	258,166	2.5%
Allegiant	211,185	2.0%
US Airways	209,649	2.0%
Volaris	152,819	1.5%
Mesa Airlines ³	94,216	0.9%
Norwegian Airlines	64,820	0.6%
Azores Express/SATA	5,746	0.1%
Charter/Other	2,709	0.0%
Total	10,336,788	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 US Airways.

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



DRAFT JUNE 8, 2015**OAK PASSENGER AND CARGO STATISTICS**

PASSENGERS	CY 2014	CY 2013	% Change
Enplaned	5,167,242	4,870,006	6.1%
Deplaned	<u>5,169,546</u>	<u>4,872,881</u>	6.1%
Total	10,336,788	9,742,887	6.1%
FREIGHT (in 000 lbs)			
Inbound	579,083	539,861	7.3%
Outbound	<u>588,872</u>	<u>558,432</u>	5.5%
Total	1,167,955	1,098,293	6.3%
MAIL (in 000 lbs)			
Inbound	8,738	6,887	26.9%
Outbound	<u>3,883</u>	<u>5,992</u>	-35.2%
Total	12,621	12,879	-2.0%
TOTAL AIR CARGO (Freight & Mail) (in 000 lbs)	1,180,576	1,111,172	6.3%
LANDED WEIGHT (in 000 lbs)	8,972,705	8,703,743	3.1%
AIRCRAFT OPERATIONS (South and North Fields)	203,694	201,231	1.2%

Air Cargo

In addition to its status as a major passenger airport, OAK serves the top two global air cargo leaders, FedEx and UPS. OAK is the North American west coast hub for FedEx. 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 2014 Volume¹ (million lbs)
FedEx	962
UPS	185
Southwest	15
Other	7

¹ Air Cargo figures include freight and mail.

In CY 2014, OAK handled approximately 1.2 billion pounds of air cargo (freight plus mail), a 6% increase over CY 2013. FedEx is the major operator of freight aircraft with an average of 17 flights per day and 962 million pounds of freight handled in CY 2014. UPS operated an average of four flights a day and handled 185 million pounds of cargo in CY 2014. 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

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15 million pounds of cargo in CY 2014. 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 is now steadily recovering. With its new and improved facilities, FedEx's 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, which has operated at OAK since 1961; and Landmark Aviation, which commenced operations in late 2011 and acquired the holdings of Business Jet Center in 2013. Along with handling general aviation and corporate clients, KaiserAir also operates its proprietary (Part 121) aircraft with weekly scheduled flights to Hawaii. As OAK's newer FBO, Landmark Aviation brings its expertise from operations at 75 airports across the U.S., Canada, and Europe. Landmark Aviation has completed a \$9 million investment and has another \$1.4 million under construction in its facilities (Hangar 9). Landmark Aviation expects to make significant capital investments during the first ten years of its leases to improve Port-owned hangars and other facilities.

Major Projects

Capital planning and development programs focus on maintaining, renovating, and enhancing existing assets to sustain and grow revenue and provide adequate facilities to meet demand. This work includes monitoring and maintaining major OAK infrastructure, such as the airfield pavement and lighting systems to ensure safe and secure operating conditions, and sewer, water, and power systems to provide uninterrupted critical services. As further discussed in the *Capital Budget and 5-Year Capital Improvement Program* section, several major projects aimed at ensuring the safety and integrity of Airport facilities, as well as enhancing customer service, will continue in FY 2016. The most visible among these include:

Terminal 1 Renovation & Retrofit Program

The Port continues to work on the renovation and retrofit of OAK's Terminal 1 (T1 Program), 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 2015, 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). In addition, the Port offices and supporting functions on the mezzanine level were relocated to prepare for the installation of interior seismic bracing and other infrastructure work, which will be accomplished while maintaining full operation of the security checkpoint. The project includes seismic retrofit, replacement of electrical, mechanical, plumbing, special systems infrastructure, architectural upgrades, and demolition of the South Field air traffic control tower; and is expected to be completed in spring 2017.



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Other Terminal 1 initiatives that began in FY 2015 include the planning and preliminary design for operability improvements for the International Arrivals Building. The 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 T1 Program, which began in 2007, will move forward in a manner that aligns program phases with funding availability and ensures the continuation of operations during construction. The T1 Program is funded primarily by Passenger Facility Charges (PFCs).

Runway Safety Area (RSA) Improvements

All airports are required to comply with Federal Aviation Administration's (FAA) RSA standards by the end of CY 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 is expected to be completed by the congressionally-mandated deadline of December 31, 2015.

BART Oakland Airport Connector

In mid-2011, the Bay Area Rapid Transit District (BART) began construction on the Oakland Airport Connector project. Revenue service began in November 2014, improving access between the Airport and the regional rail transit system using an automated people mover. Since opening, BART ridership has increased significantly as compared to ridership using the AirBART buses. BART was responsible for the design and construction of this project with coordination, input, and financial contribution from the Port (\$45.4 million funded by PFCs).



BART Oakland Airport Connector. Source: BART.

DRAFT JUNE 8, 2015**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 (merged with US Airways December 2013)
International Scheduled Service:	Volaris Airlines, SATA Airlines (seasonal), Norwegian Air Shuttle
Major All-Cargo Carriers:	FedEx, UPS
Number of Daily Departures:	157 average and 176 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 2,400 employees (includes crew base staff) FedEx, approximately 1,300 employees Rolls Royce Engine Services, approximately 400 employees UPS, approximately 320 employees Port of Oakland, 255 employees (Aviation Division)
Public Parking:	Approximately 7,000 vehicle capacity
Flight Crew Facilities:	Flight Attendant Base – Southwest Airlines, 1,044 employees Pilot Base – Southwest Airlines, 712 employees Flight Attendant and Pilot Base – Allegiant, 30 employees
Cargo Sort Facilities:	FedEx UPS
U.S. Customs:	International Arrivals Facility (29,000 sq ft)

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MARITIME

The Maritime Division is responsible for managing, promoting, developing, and maintaining the Oakland seaport and its services and programs. The division is also responsible for providing an interface for waterborne cargo moving between inland points in the U.S. and the Pacific Basin, as well as other points in the world. The majority of maritime operating revenues are derived from lease agreements with marine terminal operators who operate on Port property.



History

In the early and mid-1900s, the shipping business was rapidly expanding in the City due in part to the Panama Canal's opening and World War I. To accommodate the growing seaport activities, City voters approved bonds in 1925 to finance the construction and development of a municipal port overseen by an autonomous Board. Two years later, the Port was officially established as an independent department of the City. The maritime facilities would serve the Port for the next 40 years with relatively few changes, until containerized shipping dramatically altered seaport operations. Developed in the U.S. in the late 1950s, this new technology transformed shipping worldwide through the use of standardized steel/aluminum containers that are carried by ship, truck, and train. In the 1960s the Port became one of the pioneers of large-scale containerization in the U.S. by becoming the first major port on the U.S. West Coast to build terminals for container ships.

To meet regional, national, and global cargo transport needs for the 21st century, the Port completed a major maritime expansion program in 2002, converting an area formerly occupied by the U.S. Navy into new container terminals, 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 OAB into a state-of-the-art logistics center, beginning with a new rail yard currently under construction. Full redevelopment is anticipated to take several years to complete.

In 2009, the U.S. Army Corps of Engineers substantially completed the -50 Foot Project, which deepened the navigation channels serving the Port to accommodate the newest generation of container ships. The Port also deepened almost all its berths to match the depth of the channel. Maintenance of the -50 Foot Project is critical to the Port's competitiveness as an international gateway.

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 twenty-foot equivalent units (TEUs) handled annually. A TEU is an international standard of measurement for the volume of business that moves through a container port. Containers come in different lengths, but most containers handled at the seaport are 40 feet long and are therefore equal to two TEUs.

In CY 2014, approximately 2.4 million TEUs, or about 1.3 million containers, moved through the seaport. Although the CY 2014 total TEUs was a record for the Port, a labor dispute and other factors contributed

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to a cargo slowdown up and down the U.S. West Coast in late 2014 and early 2015. Throughput was affected at West Coast ports including the Oakland seaport. A tentative labor agreement was reached by the waterfront employers and workers in February 2015, and following that agreement, cargo started to move more efficiently and the cargo backlog at the seaport dissipated within a couple of months. Cargo diverted during the slowdown began returning to the Oakland seaport in spring 2015.

In CY 2014, 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 2014, about 78% 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 2014 TEUs	CY 2013 TEUs	% CHANGE
LOS ANGELES (CA)	8,340,066	7,868,582	6.0%
LONG BEACH (CA)	6,820,806	6,730,573	1.3%
NEW YORK/NEW JERSEY (NY/NJ)	5,772,303	5,467,347	5.6%
SEA-TAC ALLIANCE	3,456,161	3,427,561	0.8%
SAVANNAH (GA)	3,346,024	3,034,014	10.3%
OAKLAND (CA)	2,394,069 ¹	2,346,564	2.0%

Source: Respective port websites

¹ Includes estimates.

OAKLAND MARITIME CARGO STATISTICS

TYPE	CY 2014 TEUs ¹	CY 2013 TEUs	% CHANGE
IMPORT (FULL)	845,810	803,314	5.3%
EXPORT (FULL)	969,378	1,014,796	-4.5%
TOTAL (FULL)	1,815,188	1,818,110	-0.2%
EMPTY	578,881	528,454	9.5%
TOTAL	2,394,069 ¹	2,346,564	2.0%

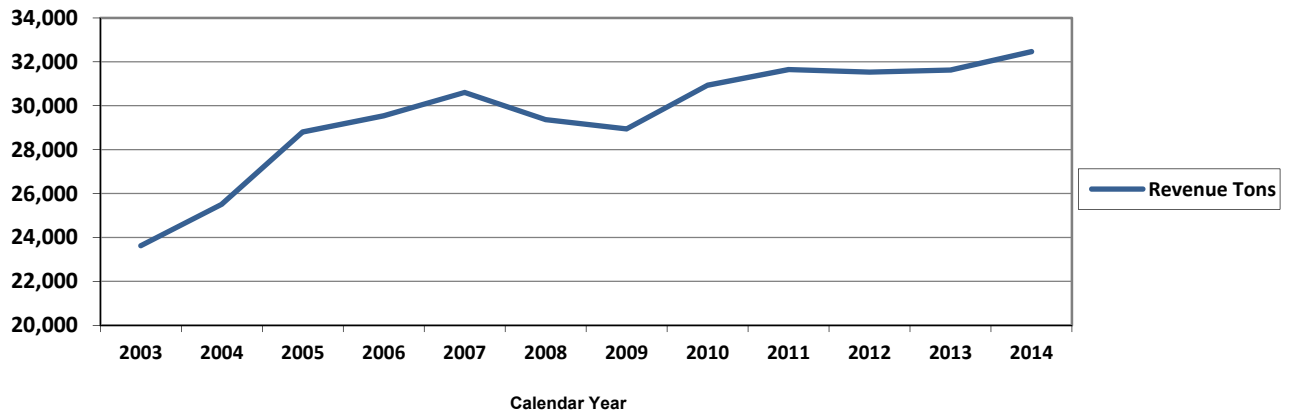
¹ Includes estimates.

Full (loaded) container activity (for both imports and exports) was essentially flat in CY 2014, with the increase in full imports offset by a decrease in full 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 2014, imports accounted for approximately 47% of all full container activity, while exports represented about 53%.

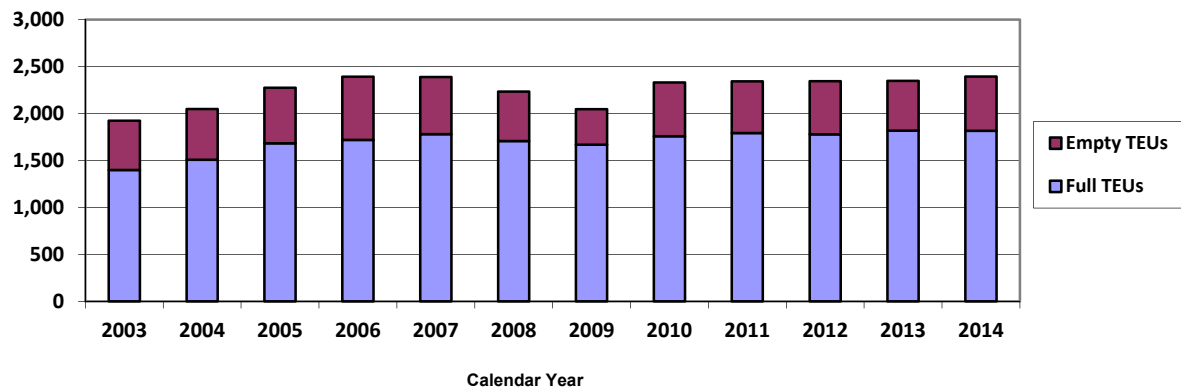
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**MARITIME
CARGO STATISTICS
CY 2003 through CY 2014
(000s)**

Revenue Tons¹



Total TEUs²



¹ Containerized cargo only; excludes bulk cargo.

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

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The Port currently offers 18 deep-water berths (most with 50 feet of water depth), five active marine terminals (operated by four¹⁰ terminal operators under seven separate agreements), and 36 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.

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

Major Projects

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 Program* section, several projects at the Oakland seaport are planned to start or continue in FY 2016. The major projects include:

Oakland Logistics Center

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



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

Maritime Security Projects

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 2016, the Port plans to extend its existing security system (fiber optic network and surveillance cameras) to the Port-owned portion of the former OAB. Further, the Port also plans to modernize existing information technology systems that are at the core of seaport security. These improvements support resiliency and promote

¹⁰ SSA Terminals operates both the Matson Terminal and the Oakland International Container Terminal but is counted as a single operator.

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better information sharing among agencies and stakeholders during emergencies and other security events.

MARITIME OPERATIONS AT-A-GLANCE

CY 2014 Cargo Vessel Arrivals: 1,775

Shipping Lines: ANL Container Line, APL, CCNI, China Ocean Shipping Co, China Shipping Agency, CMA-CGM, Evergreen Line, Great White Fleet, 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)
- Ports America Outer Harbor Terminal (Operator: Ports America Outer Harbor Terminal, LLC)
- TraPac Terminal (Operator: TraPac, Inc.)
- Charles P. Howard Terminal (currently not in service)

Deepwater Ship Berths: 18

Container Gantry Cranes: 36 (23 Port-owned)

Container Terminals Acreage: Approximately 779 acres

Freeways Serving Port: Interstate 80 (north & eastbound)
880 (southbound)
580 (eastbound)
980 (eastbound)

Railroads: BNSF Railway Company
Union Pacific Railroad

Principal Exports: Edible Fruit and Nuts, Meat/Prepared Meat/Fish, Beverages, Cereals/Grain/Seed/Fruit, Preserved Food, Pulp of Wood, Iron/Steel, Plastics, Waste/Residues Food Products

Principal Imports: Machinery, Beverages, Furniture & Bedding, Plastic, Iron/Steel Products, Wood/Wood Products, Glass/Glassware, Paper/Paper Products, Rubber Products, Spices/Coffee & Tea

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

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COMMERCIAL REAL ESTATE

The Port's Commercial Real Estate (CRE) Division oversees approximately 837 acres of land along the Oakland Estuary that is not used for aviation or maritime purposes. Much of this land, particularly land located between the ferry terminal at Jack London Square (JLS) and Hegenberger Road (see *Commercial Real Estate Area Map, page 70*), was historically used for industrial purposes, and over time is being transformed with new development, including 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 Oak-to-Ninth Avenue waterfront district. Within these areas, there are a number of public parks and open space areas. The most significant activity in the CRE Division portfolio is occurring at JLS and Brooklyn Basin (formerly called Oak-to-Ninth Avenue), as summarized below.

Jack London Square

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



Over the last 20 years, the Port has worked to strengthen JLS's traditional reputation as a restaurant, administration, and transportation center with the addition of complementary retail and entertainment venues, including a world-class jazz club. The Port is currently working with a private developer (Jack London Square Ventures) on Jack London Square Phase II (JLS Phase II). The JLS Phase II Project is designed to emphasize JLS's natural character, and enhance the public access and pedestrian experience along the waterfront. Some of the JLS Phase II Project is already completed, and once fully constructed and operational, it is expected to provide important public benefits, including 650 jobs during the construction phase (some have already materialized), up to 2,000 permanent jobs, an additional \$2.9 million in annual taxes for the City, and attractive new public waterfront access.

The centerpiece of this redevelopment 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 entire ground floor of

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the building to a public market operator with significant prior experience. If all the sublease contingencies are met, the planned opening of the new public market will be in late 2016 once all the individual market vendors are secured and all tenant improvements to the space are completed.

In FY 2016, the JLS Phase II developer plans to continue its 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. The developer 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.

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

- Rosenblum Cellars, a new wine tasting venue in the 10 Clay Street building opened in July 2014;
- Plank, a new brew-pub, restaurant, boutique bowling and bocce venue at 98 Broadway opened for business in October 2014;
- Jack's Oyster Bar, a new seafood restaurant, opened in September 2014;
- Steel Rail Café, a small sandwich/salad café, is anticipated to open in July 2015; and
- Pacific Maritime Shipping Association signed a new lease for office space in April 2015.



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

Over the next few years, the Oak-to-Ninth Avenue waterfront district, an old, blighted, and underutilized industrial area centrally located on the Oakland Estuary minutes from JLS and the city downtown, is expected to undergo substantial redevelopment as a new residential neighborhood by a private developer, Zarsion-Oakland Harbor Partners. The concept for the area is to transform the underutilized former maritime industrial district into a revitalized, mixed-use waterfront 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 3-10 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), 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 been demolished. The Brooklyn Basin Project also calls for the renovation of the Clinton Basin and Fifth Avenue marinas. Pursuant to the terms of the executed Purchase and Sale and Ground Lease Agreement between the Port and Zarsion-Oakland Harbor Partners, close of escrow for the 30+/- acres was completed. The execution of the ground lease for the remaining 30+/- acres of land and marina lease for the water acres occurred on June 10, 2013. Construction on the project began in March 2014 with the demolition of several structures. Environmental remediation efforts are currently underway, as well as the construction of interim public access improvements.

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The developers have estimated that the Brooklyn Basin Project will be a \$1.5 billion investment. California Governor Edmund G. Brown Jr. announced the participation of a China-based investment firm, Zarsian Holdings, in the Brooklyn Basin Project in April 2013. The Governor estimated that the Brooklyn Basin Project, when complete, has the potential to deliver 10,000 short and long-term jobs.



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 Oakland seaport and Airport. See *Parks and Open Spaces* section under Environmental Stewardship for more information. Approximately 650 acres of public parks and public access is located within CRE's portfolio of properties.

DRAFT JUNE 8, 2015**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: 250,000 sq ft of retail/entertainment (completed); 1,100 space public parking garage (completed); Public access improvements throughout JLS (largely completed); 200,000 sq ft of office space and/or up to 666 residential units; 250-room full service hotel 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
Parking:	1,442 public parking spaces in Jack London Square (Port-owned)
2013 Gross Sales:¹	\$107.4 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-owned property managed by CRE
Land Use Standards:²	The majority of CRE properties are subject to the City General Plan and City land use jurisdiction as well as Tidelands Trust restrictions. A few of the other regulatory agencies which may have regulations applicable to CRE properties are: Bay Conservation and Development Commission, Regional Water Quality Control Board – San Francisco Region, California Air Resources Board, California Department of Toxic Substances Control, U.S. Coast Guard, U.S. Army Corps of Engineers, and Federal Aviation Administration.

¹ Sales generated by Port tenants and subtenants.

² May also apply to Aviation and Maritime properties.

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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 92% of Port utility revenues and 97% of utility cost of sales were related to the sale of electricity. Revenues and expenses associated with utility services are allocated to the Aviation, Maritime, and Commercial Real Estate Divisions, and capital projects related to utilities are included in the Port's 5-Year Capital Improvement Program (CIP) related to these divisions.

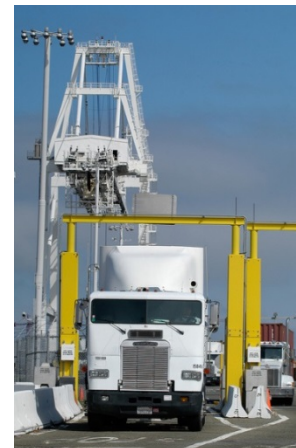
The Port provides and sells natural gas on a very limited, pass-through basis from the local investor-owned utility, Pacific Gas and Electric (PG&E), which serves the Northern California region. The Port provides water distribution and sewer collection infrastructure; the water and sewer treatment services 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 Commercial Real Estate 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.

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



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Jack London Square and Middle Harbor Shoreline Park, the Port relies on private security firms to help ensure safety of the public and security of Port facilities.

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

COMMUNITY CONNECTION

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

- The Port utilizes outreach activities to promote the Port's internship and job opportunities, including ongoing outreach and education to small and local business regarding Port business opportunities. The Port engages with the community year round at career fairs, business expos, community festivals, and community meetings. The Port connects people to Port opportunities through various other communications channels including the Port's website, Facebook page, e-newsletter, and news releases.
- 
- The Port offers unique opportunities to learn about our seaport operations through harbor tours, which are free and open to the public.
 - Community Investments: 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 has continued meeting 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

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carriers, truck drivers, brokers, shippers, terminal operators, and ocean carriers. Community members and government/regulatory agencies also attend routinely.

ENVIRONMENTAL STEWARDSHIP

Energy Conservation at Port Headquarters

In 2014, the Port headquarters, located at 530 Water Street, was awarded the Energy Star label by the United States Environmental Protection Agency (EPA) and the United States Department of Energy (DOE). The Energy Star is a joint program of the EPA and DOE to help Americans save money and protect the environment through the use of energy efficient devices and energy saving practices. To achieve an Energy Star award, a facility must rank among the top 25% most energy-efficient buildings in the market on a scale of 1 to 100. The Port headquarters has received this award seven times in the past eight years.

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 U.S. Department of Energy. In November 2007, the Port and Sun Edison, LLC entered into a power purchase agreement for a solar power system located at OAK. The solar power system, which consists of nearly 4,000 panels, generates over 1,000,000 kilowatt hours of energy annually. In September 2012, the Board approved a five-year agreement with the East Bay Municipal Utility District (EBMUD) Wastewater Treatment Plant to purchase its excess power generation. These purchases are estimated to fulfill the Port's RPS requirements up to 2017. The Port is currently developing and exploring other renewable project opportunities in order to meet the RPS targets adopted by the Board for future years.



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

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. Key findings from the study were developed in October 2014. In FY 2016, Port staff expects to complete the analysis of Port current and projected energy use. Findings and policy recommendations on renewable energy procurement and use will be presented to the Board.

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Air Quality

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 has designed its infrastructure and facilities layout, such as marine terminals and access roads, to provide for less-congested operations at the seaport and Airport, thereby contributing to a reduction in emissions from idling vehicles.

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 ("early actions");
- (2) support enforcement of regulations; and
- (3) target emissions reductions above and beyond those required by law.

At the seaport, the Port is implementing several programs, such as the Comprehensive Truck Management Program (CTMP) and shore-side power connections for vessels at dock¹¹, 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 following projects are underway or recently completed:

- The 2003 Airport Development Program Mitigation Monitoring and Reporting Program includes many air quality initiatives that the Port continues to implement, including the alternative fuel incentive program for Airport-serving taxis and shuttle buses, and a trip reduction program. The trip reduction program encourages Airport employees to seek alternatives to commuting alone, such as vanpooling, carpooling, bicycling, and using BART or other public transportation.
- The Airport continues to explore expansion of its electric vehicle (EV) charging infrastructure. Currently, the Airport maintains a total capacity of 21 individual charging stalls.
- With the installation of pre-conditioned air (PCA) units on eight passenger boarding bridges in Terminal 1, OAK is one of the few airports nationwide offering this amenity at 100 percent of its gates.

¹¹ 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.

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These units supply heated and cooled air to aircraft while parked at the gate, allowing aircraft to turn off jet fuel-powered auxiliary power units (APU). The PCA units reduce fuel consumption, reduce airline costs, and contribute to emissions reductions. This project was completed in November 2014.

- The Port continues to work with tenants and local funding partners to incent conversion of ground support equipment (GSE) to alternative fuels, namely electricity.
- The Airport increased the amount of recycling throughout its facility by 12% in 2014, from 653 tons in 2013 to 732 tons in 2014, and 150 tons of food waste was composted from the terminals. The Airport expanded its recycling program in 2015 by installing recycling receptacles on its curbside areas. This is expected to add at least an additional 8.5 tons of recycling annually.

Parks and Open Spaces

The Port's waterfront has evolved through the decades to include industrial, commercial, and recreational uses as well as significant public access areas. In 1999, the Port and the City approved The Oakland Estuary Policy Plan, which established public access policies for 5.5 miles of urban waterfront located between the seaport and Airport. 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 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 near 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.
- *Damon Slough Seasonal Wetlands* – In 2012, the Board approved the transfer of Damon Slough, an 8-acre seasonal wetland created by the Port, to the EBRPD. The Damon Slough Seasonal Wetlands area is contiguous with the existing Martin Luther King Jr. Regional Shoreline. Under the permits and transfer agreement, the EBRPD is required to maintain the site as a seasonal wetland in perpetuity.
- *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

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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 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 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 at the MLK Shoreline, and the Hamilton Base Wetlands Restoration in Marin County. As part of the current Runway Safety Area Project at OAK, the Port conducted an extensive wetlands and endangered species mitigation effort to address potential impacts to approximately 15 acres of fragmented seasonal wetlands, and approximately seven acres of potential and marginal foraging habitat for the California Clapper Rail. The Port worked closely with 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 United States 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 Middle Harbor Shoreline Park. The MHEA is a model project which demonstrates the benefits of reuse of dredged materials (from the Port's 50-foot harbor deepening/dredging project) to restore in-Bay shallow water 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 T1 Program is following LEED principles and standards; portions of the project are expected to seek LEED certification after completion.

DRAFT JUNE 8, 2015**SOCIAL RESPONSIBILITY**

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

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

Equitable Contracting at the Port

In 1997, the Board adopted its Non-Discrimination and Small Local Business Utilization Policy (NDSLBU) to ensure non-discrimination in Port contracting processes, and to facilitate small and local business participation in Port public works and services contracts. The NDSLBU 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 NDSLBU is a Port policy and can be amended at any time by the Board. To support the NDSLBU provisions and process, the Board approved a formal Port certification of small and local businesses. Preference points and/or discounts are awarded to bidders and proposers utilizing Port-certified firms in the Local Impact Area (LIA)/Local Business Area (LBA).¹²

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

In order to comply with requirements and assurances for grants awarded by the Federal Aviation Administration, the Maritime Administration, and the Federal Highway Administration pursuant to U.S. Department of Transportation, 49 Code of Federal Regulation, Parts 23 and 26, the Port must establish and administer Disadvantaged Business Enterprise (DBE) programs including developing a goal, methodology for determining the goal, and monitoring and reporting requirements to determine DBE attainment. The Port is responsible for developing the DBE program plans, outreach plans, goals and methodologies specific to each grant as set forth by the operating agency, administering the programs once approved by the Board and the granting agency, and monitoring and reporting on DBE attainment.

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

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Living Wage and Local Workforce Utilization at the Port

In 2002, the voters of the City passed Measure I, adding to the City Charter Section 728 (§728) entitled, Living Wage and Labor Standards at Port-Assisted Businesses. §728 requires Port Aviation and Maritime businesses¹³ that meet specified minimum threshold requirements to pay all non-exempt employees a Living Wage rate established by City Ordinance and adjusted annually based on the Consumer Price Index for the San Francisco, City and San Jose area. The Living Wage rate as of July 1, 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.

Maritime and Aviation Project Labor Agreement

The MAPLA was adopted by the Board in 2000 and covers capital projects at the Airport and the seaport. In response to Board policies, the MAPLA was designed to ensure project labor stability, the employment of Port LIA/LBA residents (Local Hire Program), and the utilization of Port-certified small businesses.¹⁴ The MAPLA also maintains a “Social Justice Trust Fund,” a mechanism used to fund local training and employment programs that has been emulated nationally. Initially adopted for five years (through December 2004), the MAPLA has been extended several times and is currently in effect through June 30, 2015. Successes of the MAPLA to date include:

- Almost 4.1 million craft hours have been worked under the MAPLA resulting in 1.23 million LIA craft hours of employment;
- LIA/LBA resident craft hours total over 2.4 million; 59% of the total craft hours were performed by LIA/LBA workers, well over the 50% goal established in the MAPLA;
- Over \$141 million in wages were earned by LIA/LBA residents; \$66 million went to LIA residents; and
- Contractors’ contributions of 15 cents per craft hour to the Social Justice Trust Fund has resulted in over \$420,000 in grants distributed to community groups working to achieve the Port’s local-hire goals.

The Port and its labor and community partners have benefitted greatly from the MAPLA. The Port has enjoyed more than ten years of labor peace and the local community has gained jobs and experience

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

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

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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 Port's commercial real estate area. The Port, along with its tenants and customers:

- Supports approximately 74,000 jobs across the region (direct, indirect, and induced);
- Impacts nearly 827,000 jobs across the country (trade, and travel and tourism related-jobs);
- Directly generates more than \$600 million in annual local, State and federal taxes; 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 table below. The Port generally conducts a comprehensive economic impact analysis every five years.

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CY 2010 ECONOMIC IMPACTS OF THE PORT

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

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

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

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FINANCIAL POLICY GUIDELINES

General Guidelines

- The basis on which the budget is prepared is consistent with the basis of accounting used, as promulgated by the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Section 1700.116. The operating budget is presented on the accrual basis of accounting, wherein revenues are recognized when they are earned, not when received, and expenses are recognized when they are incurred, not when paid.
- The Port adopts a balanced budget in which total 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 Capital Improvement Program 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 and Customer Facility Charges.
- The City Charter requires the Port to send its adopted Budget to the City by the third Monday in July.

Bond Covenant

- The Port's Bond Indentures require a minimum debt service coverage ratio (DSCR) of 1.25 for Senior Lien and 1.10 for Intermediate Lien debt service.

Board Reserves

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

Financial Reporting Practice

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

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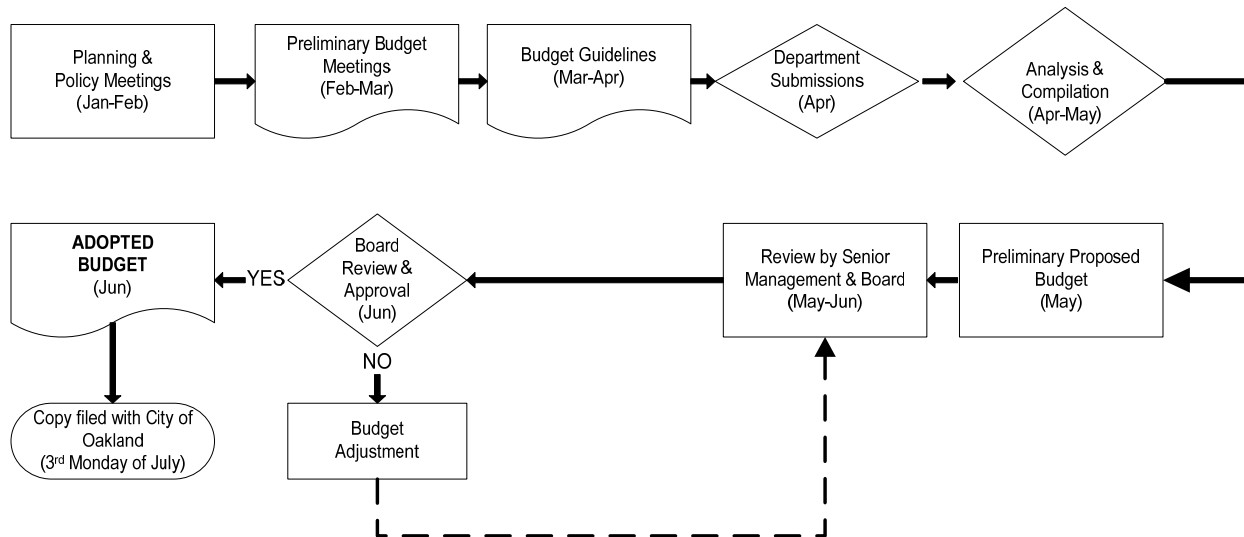
- Monthly unaudited financial statements and quarterly capital budget variance reports are prepared and distributed to the Board to monitor performance and determine if corrective action is needed.
- The external auditors prepare an annual management letter addressed to the Board.
- The Port is an independent department of the City, and accounted for as a discrete component unit of the City. The Port maintains separate accounting records and issues a Comprehensive Annual Financial Report that is incorporated into, but reported separately, in the Comprehensive Annual Financial Report of the City.

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OPERATING BUDGET PROCESS



The Port's operating budget is an essential and major component in the Port's overall planning and management process. The operating budget is a plan for each division's operating 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 new programs, and proposed increases in revenue and expenses, as well as operational needs. Budget instructions, forms and worksheets based upon the outcome of these meetings are distributed in April to all divisions responsible for budget preparation. Each division is also responsible for presenting a seasonally-adjusted proposed budget.

The upcoming fiscal year's operating budget is adopted through resolution of the Board. Subsequent years' operating 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.

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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 ratio¹⁵ (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 million.¹⁶

GENERAL

- FY 2016-20 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 2016 Operating Expenses incorporate known and anticipated cost increases and decreases, with an emphasis on limiting cost increases to the extent possible.
- FY 2017 through FY 2020 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 2016 REVENUE BUDGET HIGHLIGHTS AND ASSUMPTIONS

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

- Port-wide Operating Revenues are projected to be \$330.3 million; \$15.5 million or 4.9% higher than FY 2015 Budget. In comparison to FY 2015 anticipated operating revenues of \$331.1 million, FY 2016 revenues are anticipated to be lower by \$0.8 million, or 0.2%.
- Projected Aviation Revenues of \$162.8 are \$11.2 million or 7.4% higher in comparison to FY 2015 Budget. In comparison to FY 2015 anticipated revenues of \$158.1 million, FY 2016 projected revenues are 3.0% higher.
 - Enplanements are projected to be 5.6 million or 4% higher than FY 2015 anticipated enplanements of 5.4 million (or 11% higher compared to FY 2015 Budget).
 - Terminal rent revenues are projected to increase \$4.3 million primarily due to increased operating costs.

¹⁵ 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 CP Notes (not repaid with PFCs).

¹⁶ Excluding Board Reserves.

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- Parking revenues are projected to increase \$3.9 million due to increased passenger volume and higher revenue per parking transaction.
- Terminal concession revenues are projected to increase \$1.9 million due to higher passenger volume and spend rate.
- Lease revenues are projected to increase \$1.6 million primarily due to scheduled lease adjustments.
- Loss of \$1.0 million of AirBART shuttle bus revenues due to commencement of BART-OAK Connector in November 2014, offset by reduction in AirBART operating expenses.
- Projected Maritime Revenues of \$140.6 million are \$1.1 million or 0.8% higher in comparison to FY 2015 Budget. In comparison to FY 2015 anticipated revenues of \$145.4 million, FY 2016 projected revenues are 3.3% lower.
 - Full (loaded) TEUs are projected to be 1.77 million, or 2.5% higher than FY 2015 anticipated actuals (or 3.8% lower compared to FY 2015 Budget). This percentage growth includes a limited amount of real growth, and primarily represents the expectation that cargo activity will return to normal levels following cargo slow-down and diversion that occurred in the second half of FY 2015.
 - Maritime revenue from marine terminals is projected to be \$3.7 million or 3% less than FY 2015 anticipated actuals due to low cargo activity growth combined with the renewal of certain leases at slightly less favorable economic terms and lower revenue in excess of the Minimum Annual Guarantee (over-the-MAG revenue). Maritime revenue from marine terminals is projected to be \$2.2 million lower compared to FY 2015 Budget.
 - Other revenue, mainly land and facility rental revenue from non-marine/rail terminal tenants is \$1.2 million or about 7% lower than FY 2015 anticipated actuals, primarily due to projected lower revenue from truck parking and certain short-term space assignments that are based on the fluctuating need of adjacent marine terminals. Other revenue, in comparison to FY 2015 Budget is \$3.6 million or 27% higher.
 - Leases expiring in FY 2016 are expected to renew at similar terms. Leases that expired previously and are currently under negotiation are expected to renew with slightly less favorable economic terms in the near term.
 - Does not include the impact of incentive programs that may be considered.
- Projected CRE Revenues of \$14.7 million are \$1.1 million or 7.9% higher in comparison to FY 2015 Budget. In comparison to FY 2015 anticipated revenues of \$14.3 million, FY 2016 projected revenues are 2.8% higher.
 - Anticipated increase in percentage rents, minimum rent adjustments due to lease renewals and scheduled rent adjustments.
- Projected Utilities Revenues of \$12.2 million are \$2.1 million or 20.7% higher in comparison to FY 2015 Budget. In comparison to FY 2015 anticipated revenues of \$13.3 million, FY 2016 revenues are 8.3% lower.
 - Electricity revenues are assumed to increase due to higher shore power usage; however, compared to FY 2015 anticipated actuals, electricity revenues are lower due to unanticipated temporary higher usage in FY 2015 resulting from the labor disruptions at the seaport.

DRAFT JUNE 8, 2015**FY 2016 OPERATING EXPENSE BUDGET HIGHLIGHTS AND ASSUMPTIONS**

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

- Port-wide Operating Expenses before Depreciation and Amortization are budgeted to increase by \$6.9 million or 3.7%.
- Personnel costs are budgeted to increase by \$2.1 million or 2.1%; personnel costs represent 53% of the Operating Expense Budget before Depreciation and Amortization.
 - 497 Full-time Equivalents (FTEs); unchanged from FY 2015.
 - Salaries are higher by \$0.9 million due to adjustments of approximately CPI and step increases, offset by an increase in the vacancy factor from 25 to 30 FTEs.
 - CalPERS employer pension contribution rate will increase from 30.2% to 32.9% on July 1, 2015, resulting in a \$1.8 million or 11.1% increase.
 - FY 2016 medical costs are projected to be lower by \$0.5 million primarily due to a 3.8% decrease in the Kaiser medical premium rates on January 1, 2015, offset by an assumed 6% increase of medical premiums on January 1, 2016.
 - Workers compensation budgeted to increase \$0.5 million based on most recent actuarial study projecting claims and costs.
 - Overtime, professional development and vacation accrual lower by \$0.5 million based on recent experience and revisions to allowable reimbursable professional development expenses which are effective July 1, 2015.
 - Include vacancy factor of, on average 30 FTEs, due to retirements, normal attrition and normal lags in hiring; results in reduction of overall personnel costs of \$5.2 million.
- Contractual services are budgeted to increase \$3.1 million or 4.6%. General and Administrative expenses are budgeted to decrease \$1.0 million or 5.1%. Supplies are budgeted to increase by 0.1%.

Significant Increases in Non-Personnel Operating Expenses

- Alameda County Sheriff costs increase by \$1.4 million due to contractual rate increases and greater demand due to new airline service offerings.
- Truck parking lot operations increase by \$1.2 million due to higher volume, offset by higher truck parking revenues.
- Parking lot and rental car shuttle bus operations increase by \$0.7 million due to reallocation of shuttle bus operator overhead costs resulting from the cessation of AirBART and other scheduled increases, offset by elimination of AirBART operating costs.
- \$0.2 million included to comply with recent adoption of municipal storm water permit regulations.
- Port-use utility costs increase \$0.2 million.
- Computer system licensing and hosting costs increase \$0.2 million.
- \$0.2 million included to replace outdated desktop computers.
- Maintenance dredging costs increase by \$0.1 million due to regulatory disposal requirements and additional dredging at Howard terminal.

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- Community outreach and sponsorships increase \$0.1 million.

Significant Decreases in Non-Personnel Operating Expenses

- Maintenance and repair expenses decrease \$0.7 million at maritime facilities and Airport. Decreases at maritime facilities is a result of aligning available staffing resources to the amount of work that can be accomplished.
- Cessation of AirBART shuttle bus operations coinciding with the commencement of the BART-OAK Connector in November 2014 results in a decrease of \$0.8 million offset by reallocation of certain overhead costs to parking and rental car shuttle operations.
- Outside legal services lower by \$0.4 million based on recent experience.
- Miscellaneous financial and management consultants and bank charges lower by \$0.2 million based on recent experience.
- Utility cost of sales increase by \$1.4 million due primarily to higher electricity use.
- Absorption of Labor and Overhead to Capital Assets decrease by \$1.4 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 2016 NON-OPERATING EXPENSE BUDGET HIGHLIGHTS AND ASSUMPTIONS

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

- Interest income of \$1.7 million is budgeted \$0.4 million higher due to assumed interest rates. Interest rate on Port funds assumed to be 0.5%.
- Interest expense of \$50.4 million, which includes letter of credit (LOC) fees and accounting accruals, is lower by \$1.7 million, or 3.2%, due to scheduled repayment of bond principal.
 - The Port's revenue bonds and Department of Boating and Waterways (DBW) loan bear interest at fixed rates ranging from 2.25% to 5.5%.
 - The Port assumes a 0.75% interest rate for its outstanding Commercial Paper (CP) Notes.
- Passenger Facility Charges (PFCs) of \$21.5 million is \$1.3 million or 6.4% higher compared to FY 2015 Budget (or 4% higher than FY 2015 anticipated actuals), reflecting the projected enplanement activity level for FY 2016. 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 Program* section.
- Customer Facility Charges (CFC) revenue of \$5.8 million is 7.9% higher compared to FY 2015 Budget (or 3% higher than FY 2015 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 Program* section.
- Other income (expense) reflects \$2.3 million in payments to the City for general services and Lake Merritt maintenance, \$0.8 million in retroactive CalPERS retirement contribution for Airport servicemen, and \$0.2 million for building demolition.
- Loss on abandoned capital assets budgeted at \$0.3 million annually.

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- Grants from government agencies include anticipated Aviation and Maritime grants for reimbursement of certain capital expenditures. See *Capital Budget and 5-Year Capital Improvement Program* section.

FY 2017 TO 2020 REVENUE PROJECTION HIGHLIGHTS AND ASSUMPTIONS

- Port-wide Operating Revenues projected to increase from \$330.3 million in FY 2016 to \$361.2 million in FY 2020, for a compound annual growth rate of 2.3%.
- Aviation Revenues projected to increase from \$162.8 million in FY 2016 to \$186.0 million in FY 2020.
 - 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 and concession revenues increase at a rate similar to passenger growth.
 - Lease revenues are projected in accordance with the lease terms. Lease renewals are generally assumed to renew at similar terms.
- Maritime Revenues projected to increase from \$140.6 million in FY 2016 to \$146.9 million in FY 2020.
 - Full TEUs assumed to increase 1 - 3% per year.
 - Annual Tariff increase commensurate with inflation is assumed for all tenants.
 - Lease revenues are projected in accordance with the lease terms. Leases expiring in FY 2018 are anticipated to renew at less favorable economic terms.
 - 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 and FY 2020. Other space assignment revenues are projected to remain relatively flat.
 - Truck parking revenues are projected to be flat over this period and slightly lower than FY 2015 anticipated actuals, due to stabilized truck parking activity following cargo disruptions in the latter half of FY 2015.
 - 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 remain essentially flat. In FY 2016, CRE Revenues are projected to be \$14.7 million and in FY 2020, \$14.4 million. CRE revenues assume lower rental income due to the expiration of contractual payments related to the Brooklyn Basin (formerly known as Oak-to-Ninth Avenue) transaction, partially offset by projected increase in percentage rents, minimum rent adjustments due to lease renewals and scheduled rent adjustments.
- Utilities Revenues projected to increase from \$12.2 million in FY 2016 to \$13.9 million in FY 2020 based primarily on anticipated electricity use and rate increases of 3% and 0% respectively, each year.

FY 2017 TO 2020 OPERATING EXPENSE PROJECTION HIGHLIGHTS AND ASSUMPTIONS

- Operating Expenses before Depreciation and Amortization assumed to increase at a compound annual growth rate of 3.2% per year from FY 2016 through FY 2020.

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- Personnel costs assumed to increase at a compound annual growth rate of 4.2% from FY 2016 through FY 2020.
 - FTEs assumed unchanged at 497.
 - Medical premiums assumed to increase 6.0% per year during this timeframe.
 - Retiree medical costs are assumed to grow at less than 1% due to closed amortization funding methodology.
 - CalPERS employer pension contribution rate assumed to be 35.4% in FY 2017 rising to 41.3% in FY 2020 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 of approximately CPI assumed.
 - Assume vacancy factor of 30 FTEs due to retirements, normal attrition and normal lags in hiring; results in reduction of personnel costs of approximately \$5.5 million in FY 2017, increasing to \$6.3 million in FY 2020.
- Contractual services, general and administrative costs, and supplies take into account anticipated changes, but otherwise assume expenses will grow at 2.5% per year. Contractual services, general and administrative costs, and supplies are assumed to grow at a compound annual growth rate of 1.9%, 2.8% and 1.7% respectively per year for this time period.
- Utility rates for electricity, shore power, water (sewer) and gas are assumed to increase 0%, 0%, 5%, and 3%, respectively. Electricity and shore power usage are anticipated to increase 3%, while water (sewer) and gas usage is anticipated to be stable.

FY 2017 TO 2020 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 2017 through FY 2020.
- 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 2017 through FY 2020 and projected increases in outstanding CP Notes based on 5-Year CIP. See *Capital Budget and 5-Year Capital Improvement Program* 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 2017 through FY 2020, respectively, and \$0.8 million in retroactive CalPERS retirement contributions for Airport servicemen increasing 3.6% in FY 2017 through FY 2020, respectively.
- Loss on abandoned and demolished assets budgeted at \$0.3 million annually.
- Grants from government agencies include anticipated Aviation and Maritime grants for reimbursement of certain capital expenditures and is based on 5-Year CIP. See *Capital Budget and 5-Year Capital Improvement Program* section.

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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, 2014 THROUGH 2020
(In \$Thousands)**

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Division	Actual 2013-14	Budget 2014-15	Budget 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20	Variance 2016B vs. 2015B B/(W)	% Variance 2016B vs. 2015B B/(W)
Operating Revenue									
Aviation	\$ 153,008	\$ 151,541	\$ 162,778	\$ 171,509	\$ 178,683	\$ 182,420	\$ 185,997	\$ 11,237	7.4%
Maritime	146,823	139,515	140,632	142,227	143,192	142,609	146,897	1,116	0.8%
CRE	13,061	13,631	14,706	13,880	14,298	14,442	14,438	1,076	7.9%
Utilities	10,147	10,072	12,160	12,577	13,012	13,342	13,863	2,088	20.7%
Total Operating Revenue	323,040	314,759	330,276	340,193	349,184	352,813	361,194	15,517	4.9%
Operating Expenses									
Aviation	(79,167)	(89,553)	(91,490)	(94,777)	(98,061)	(101,433)	(104,954)	(1,937)	-2.2%
Maritime	(7,746)	(9,237)	(10,898)	(11,205)	(11,391)	(11,782)	(12,191)	(1,661)	-18.0%
Commercial Real Estate	(5,676)	(6,346)	(6,526)	(6,723)	(7,018)	(7,092)	(7,309)	(181)	-2.8%
Engineering & Environmental	(25,271)	(31,514)	(31,840)	(32,692)	(33,386)	(35,006)	(35,972)	(326)	-1.0%
Utilities Cost of Sales	(5,300)	(5,698)	(7,053)	(7,304)	(7,561)	(7,829)	(8,109)	(1,355)	-23.8%
Executive	(4,523)	(5,323)	(5,519)	(5,752)	(5,983)	(6,219)	(6,466)	(197)	-3.7%
Board	(532)	(564)	(595)	(620)	(650)	(670)	(696)	(31)	-5.5%
Audit	(1,125)	(1,330)	(1,356)	(1,422)	(1,486)	(1,552)	(1,622)	(26)	-2.0%
Legal	(3,751)	(4,930)	(4,945)	(5,153)	(5,358)	(5,569)	(5,790)	(14)	-0.3%
Finance & Administration	(12,217)	(13,699)	(14,361)	(14,738)	(15,356)	(16,132)	(16,804)	(662)	-4.8%
Non-Departmental Expenses	(33,243)	(29,490)	(28,624)	(29,127)	(29,689)	(30,277)	(30,752)	867	2.9%
Absorption of Labor & Overhead to Capital Assets	10,006	11,381	9,982	10,282	10,590	10,908	11,235	(1,399)	-12.3%
Depreciation & Amortization	(99,259)	(101,821)	(106,530)	(111,418)	(116,513)	(118,481)	(117,160)	(4,710)	-4.6%
Total Operating Expenses	(267,804)	(288,124)	(299,756)	(310,649)	(321,862)	(331,134)	(336,591)	(11,632)	-4.0%
Operating Income (A)	55,236	26,635	30,520	29,544	27,323	21,679	24,603	3,884	14.6%
Non-Operating Items									
Interest Income	1,373	1,245	1,674	2,854	4,044	6,515	8,940	429	34.4%
Interest Expense	(53,977)	(52,071)	(50,389)	(49,454)	(47,872)	(46,664)	(45,237)	1,681	3.2%
Passenger Facility Charges (PFC's)	19,698	20,212	21,501	22,039	22,590	23,042	23,502	1,289	6.4%
Customer Facility Charges (CFC's)	5,625	5,383	5,808	5,954	6,103	6,225	6,349	425	7.9%
Abandoned Capital Assets	(3,792)	(300)	(300)	(300)	(300)	(300)	(300)	0	0.0%
Other Income (Expenses)	(2,727)	(3,333)	(3,267)	(3,153)	(3,242)	(3,333)	(3,426)	66	2.0%
(B)	(33,799)	(28,863)	(24,973)	(22,059)	(18,677)	(14,515)	(10,173)	3,890	13.5%
Capital Contributions									
Grants from Government Agencies (C)	60,322	99,137	64,286	24,741	21,678	6,404	9,139	(34,851)	-35.2%
CHANGE IN NET ASSETS (A+B+C)	\$ 81,759	\$ 96,909	\$ 69,833	\$ 32,225	\$ 30,324	\$ 13,568	\$ 23,570	\$ (27,077)	-27.9%
Net Assets, Beginning of the Year	1,028,652	1,110,411	1,207,320	1,277,153	1,309,378	1,339,701	1,353,269	96,909	8.7%
Net Assets, End of the Year	\$ 1,110,411	\$ 1,207,320	\$ 1,277,153	\$ 1,309,378	\$ 1,339,701	\$ 1,353,269	\$ 1,376,839	\$ 69,833	5.8%

Senior Lien Debt Service Coverage Ratio	3.34	2.69	2.99	3.36	3.36	3.26	3.28
Intermediate Lien Debt Service Coverage Ratio	1.64	1.37	1.46	1.50	1.51	1.48	1.60
Aggregate Debt Service Coverage Ratio	1.62	1.31	1.40	1.43	1.44	1.40	1.51
Operating Ratio	52.2%	59.2%	58.5%	58.6%	58.8%	60.3%	60.8%
Funded FTE's (Full-Time Equivalent)	458	497	497	497	497	497	497

OPERATING EXPENSES BY CATEGORY
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 THROUGH 2020
(\$ Thousands)

	Actual 2013-14	Budget 2013-14	Budget 2014-15	Budget 2015-16	Variance 2016B vs. 2015B	% Variance 2016B vs. 2015B	Projected 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20
			[A]	[B]	[B-A=C]					
Personnel Services	\$94,147	\$95,086	\$100,146	\$102,265	(\$2,119)	-2.1%	\$106,706	\$111,252	\$115,954	\$120,636
Contractual Services	56,084	63,228	67,177	70,263	(3,087)	-4.6%	71,210	72,197	74,313	75,754
Supplies	4,345	4,018	4,342	4,346	(4)	-0.1%	4,439	4,426	4,529	4,640
General & Administrative	19,117	19,553	20,599	19,558	1,041	5.1%	20,139	20,794	21,234	21,834
Utilities	5,300	5,705	5,698	7,053	(1,355)	-23.8%	7,304	7,561	7,829	8,109
Departmental Credits	(10,448)	(12,087)	(11,659)	(10,260)	(1,399)	-12.0%	(10,566)	(10,882)	(11,207)	(11,542)
Depreciation & Amortization	99,259	98,020	101,821	106,530	(4,710)	-4.6%	111,418	116,513	118,481	117,160
Total Operating Expenses	\$267,804	\$273,523	\$288,124	\$299,756	(\$11,632)	-4.0%	\$310,649	\$321,862	\$331,134	\$336,591

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PORT ORGANIZATION

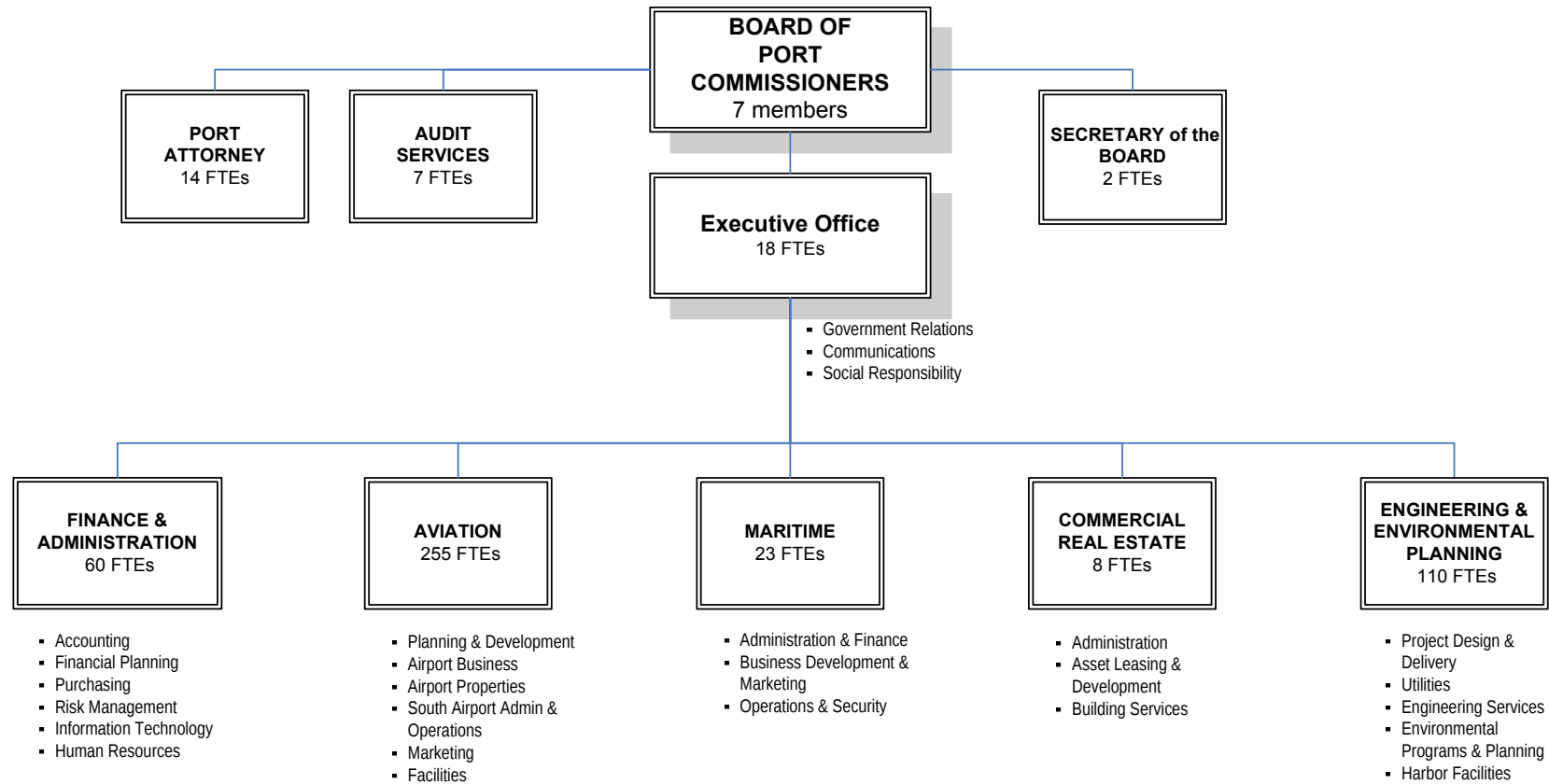
On December 19, 2013, the Board approved a new senior management organizational structure in order to create a management framework better aligned with business outcomes and objectives; encourage cross-departmental collaboration; eliminate functional duplications; improve management efficiencies; and increase accountability. The FY 2016 includes further refinement to the Port organization with the transfer of Harbor Facilities from the Maritime Division to the Engineering and Environmental Planning Division. The chart on page 48 illustrates the Port's organizational structure.

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PORT OF OAKLAND ORGANIZATION CHART

Fiscal Year 2015-16

497 Funded FTEs (Full-Time Equivalents)



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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, there will be no increase in FTEs. A summary of staffing by Division is provided in the chart on page 50.

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STAFF SUMMARY

(FULL-TIME EQUIVALENT)

	Actual 2013-14 ¹	Budget 2013-14	Budget 2014-15	Budget 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20
<u>FTEs</u>								
Aviation	236	255	255	255	255	255	255	255
Maritime	18	21	21	23	23	23	23	23
Commercial Real Estate	8	8	8	8	8	8	8	8
Engineering and Environmental Planning ²	105	107	112	110	110	110	110	110
Finance and Administration	54	61	60	60	60	60	60	60
Executive Office	16	20	18	18	18	18	18	18
Port Attorney	13	13	14	14	14	14	14	14
Audit Services	6	7	7	7	7	7	7	7
Board of Port Commissioners	2	2	2	2	2	2	2	2
Total FTEs	458	494	497	497	497	497	497	497

¹ Number of FTEs on payroll on June 30, 2014.

² Harbor Facilities transferred from Maritime to Engineering.

PERSONNEL COSTS BY DIVISION¹

(\$ Thousands)

	Actual 2013-14	Budget 2013-14	Budget 2014-15	Budget 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20
Aviation	36,406	38,808	40,978	42,051	44,103	46,120	48,196	50,389
Maritime	3,416	4,137	4,362	4,876	5,110	5,345	5,587	5,843
Commercial Real Estate	1,327	1,342	1,408	1,452	1,524	1,594	1,667	1,743
Engineering & Environmental Planning ²	18,168	19,139	21,156	21,547	22,608	23,648	24,717	25,846
Executive Office	3,537	4,346	3,832	3,973	4,168	4,358	4,554	4,760
Board of Port Commissioners	381	377	400	420	440	461	481	503
Audit Services	1,120	1,236	1,294	1,320	1,385	1,449	1,514	1,583
Port Attorney	2,990	2,975	3,386	3,484	3,655	3,823	3,996	4,178
Finance and Administration	9,565	10,384	10,670	10,958	11,499	12,167	12,866	13,459
Non-Departmental ³	17,235	12,343	12,661	12,184	12,213	12,286	12,376	12,330
TOTAL PERSONNEL SERVICES	94,147	95,086	100,146	102,265	106,706	111,252	115,954	120,636

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 Vacancy factor is budgeted in Non-Departmental, but actual savings from vacancies is recognized in each divisions' personnel costs.

DRAFT JUNE 8, 2015**PERSONNEL COSTS**

(\$ Thousands)

	Actual 2013-14	Budget 2013-14	Budget 2014-15	Budget 2015-16
Salaries and Wages	48,575	50,659	52,178	53,100
Pension	13,524	14,181	16,134	17,889
Health Care – Retirement	12,789	12,478	12,929	13,010
Health Care – Active	8,489	8,801	9,647	9,116
Overtime	3,891	2,725	3,104	2,940
Workers' Compensation	3,025	1,820	1,938	2,414
Vacation/Sick Leave	1,032	1,600	1,656	1,500
Medicare	747	734	757	770
Life, Disability, Accident Insurance	675	632	645	640
Training and Education	618	784	757	546
Other	782	671	402	339
Total Personnel Costs	94,147	95,086	100,146	102,265
FTEs	458 ¹	494	497	497
Vacancy Factor	n/a	25	25	30

¹ On June 30, 2014, there were 458 FTEs on payroll. 494 FTEs with a vacancy factor of 25 FTEs was budgeted in FY 2013-14.

AVIATION DIVISION

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AVIATION AREA MAP

DRAFT JUNE 8, 2015



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AVIATION DIVISION FUNCTION

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

AIRPORT EXECUTIVE OFFICE

The Executive Office 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 and Maintenance, and Planning and Development regarding the maintenance and the improvement of Airport access roads, walkways and grounds; and manages ground transportation required for support, safety and security of passenger and visitor activities in the terminal complex.

AVIATION SECURITY

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

AVIATION IT

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

DRAFT JUNE 8, 2015**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 operations and financial forecasts; identifies enhancements to non-airline revenue; and manages Airport parking and bus shuttle services.

AVIATION MARKETING AND COMMUNICATIONS

Aviation Marketing and Communications develops, executes, and manages programs intended to maintain and grow passenger and cargo traffic levels at OAK. 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.

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AVIATION DIVISION

ACTIVITY LEVELS

(Thousands)

	Actual 2013-14	Budget 2014-15	Budget 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20
Enplaned							
Passengers	4,949	5,022	5,580	5,719	5,862	5,979	6,099
% Growth	-0.5%	-0.4%	11.2%	2.5%	2.5%	2.0%	2.0%
Airline Seats	13,170	13,750	14,849	15,220	15,600	15,912	16,231
% Growth	-1.3%	4.4%	8.0%	2.5%	2.5%	2.0%	2.0%
Landing							
Weight	8,781,000	9,079,000	9,795,000	10,039,875	10,290,872	10,496,689	10,706,623
% Growth	-0.03%	3.4%	7.9%	2.5%	2.5%	2.0%	2.0%
Parking							
Transactions	880	882	970	990	1,010	1,025	1,040
% Growth	0.8%	0.6%	3.2%	2.0%	2.0%	1.5%	1.5%

- Anticipated FY 2014-15 enplaned passengers are 5,370,000, which exceeds budgeted enplanements by 6.9%. Budgeted FY 2015-16 enplanements are 4.0% higher than anticipated FY 2014-15 enplanements.
- Anticipated FY 2014-15 airline seat capacity is 13,915,700 which exceeds budgeted seat capacity by 1.2%. Budgeted FY 2015-16 seat capacity is 6.7% higher than anticipated FY 2014-15 seat capacity.
- Anticipated FY 2014-15 landing weight is 9,217,059 which exceeds budgeted landing weight by 1.5%. Budgeted FY 2015-16 landing weight is 6.3% higher than anticipated FY 2014-15 landing weight.
- Projected growth in parking revenue transaction volume is less than budgeted enplanement growth due to trends in demand for short-term parking, which is declining nationally. However this is offset by increased overnight parking volume, which generates over 92% of total parking revenue.
- Anticipated FY 2014-15 parking transactions are 958,600 which exceeds budgeted parking transactions by 8.7%. Budgeted FY 2015-16 transactions is 1.2% higher than anticipated FY 2014-15 parking transactions.

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AVIATION DIVISION OPERATING REVENUES

(\$ Thousands)

	Actual 2013-14	Budget 2014-15	Budget 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20
Airfield Revenue	31,641	31,612	30,853	34,107	36,524	37,476	38,090
Terminal Rent	29,981	29,357	33,613	37,508	41,900	43,297	44,146
Terminal Concessions	20,845	20,535	22,466	22,743	19,509	19,163	18,920
Other Airport Rentals	26,635	27,785	29,349	28,801	30,305	30,491	31,906
Parking and Ground Access	31,848	31,054	34,253	35,065	35,940	36,657	37,388
Other Terminal	7,964	8,302	9,455	10,463	11,651	11,995	12,164
Fueling Revenue	3,914	2,903	2,798	2,830	2,862	3,349	3,391
Miscellaneous	0	104	104	104	104	104	104
Late Payments & Other Charges	143	7	8	8	8	8	8
Subtotal	152,971	151,661	162,898	171,629	178,803	182,540	186,117
Bad Debt Reserve	37	(120)	(120)	(120)	(120)	(120)	(120)
TOTAL	153,008	151,541	162,778	171,509	178,683	182,420	185,997

- FY 2015-16: Lower airfield revenue reflects credits from prior years. Higher terminal rent reflects higher operating expenses. Increases in terminal concessions and parking revenue are due to forecasted passenger growth. Other airport rentals increase based on contractual lease adjustments.
- FY 2017-20: Airfield revenue and terminal rent increases reflect higher anticipated operating expenses. Increases in terminal concessions and parking revenue are due to forecasted passenger growth. Other airport rentals increase based on contractual lease adjustments. In FY 2017-18, the decrease in concession revenue reflects certain lower anticipated lease renewals.

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AVIATION DIVISION OPERATING EXPENSES

(\$ Thousands)

	Actual 2013-14	Budget 2014-15	Budget 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20
Personnel Services	36,406	40,978	42,051	44,102	46,120	48,196	50,389
Contractual Services	38,744	43,747	44,976	46,101	47,253	48,435	49,646
Supplies	2,265	2,207	2,190	2,244	2,301	2,358	2,417
General & Administrative	1,752	2,621	2,273	2,329	2,387	2,443	2,502
Dept'l (Credits) Charges	0	0	0	0	0	0	0
TOTAL	79,167	89,553	91,490	94,777	98,061	101,433	104,954
<i>FTEs (headcount)</i>	236	255	255	255	255	255	255

Personnel Services

- FY 2014-15: Salaries increase due to a contractual 2.5% Cost of Living increase. CalPERS pension employer contribution rate increasing from 27.3% to 30.2%. Health care premiums assumed to increase 9% on January 1, 2015. Overtime lower by \$0.7 million.
- 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 2016-17 through FY 2019-20: CalPERS pension employer contribution rate assumed to increase to 35.4%, 37.4%, 39.3%, and 41.3%, respectively. Health care premiums assumed to increase by 6% annually. Salaries adjusted by approximately CPI.

Contractual Services

- FY 2014-15: \$5.0 million increase due to increases in Oakland Fire Department Aircraft Rescue and Fire Fighting (ARFF) of \$1.8 million, repairs and maintenance related expenses of \$0.9 million, security costs of \$0.8 million, Alameda County Sheriff expense of \$0.6 million, parking lot and rental car shuttle bus of \$0.6 million, parking lot operations of \$0.5 million, other professional consulting services of \$0.4, and ground transportation management of \$0.2 million, partially offset by lower AirBart shuttle bus expense of \$0.8 million.
- FY 2015-16: Higher by \$0.9 million due to increases in Alameda County Sheriff of \$1.4 million, and parking lot shuttle bus of \$0.4 million, partially offset by lower AirBART shuttle bus expense of \$0.8 million due to the cessation of bus service with the commencement of BART Oakland Airport Connector in November 2014.
- FY 2016-17 through FY 2019-20: Expenses assumed to increase approximately 2.5% each year.

Supplies

- FY 2014-15: Lower by \$0.1 million primarily due to maintenance and mechanical supplies.

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- FY 2015-16: Lower due to office supplies and training & testing supplies.
- FY 2016 -17 through FY 2019-20: Expenses assumed to increase approximately 2.5% each year.

General & Administrative

- FY 2014-15: Higher by \$0.9 million primarily due to increased marketing expenses of \$0.8.
- FY 2015-16: Expenses lower \$0.4 million due to lower marketing expenses partially offset by higher auto allowance.
- FY 2016-17 through FY 2019-20: Expenses assumed to increase approximately 2.5% each year.

MARITIME DIVISION

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MARITIME AREA MAP

DRAFT JUNE 8, 2015



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MARITIME DIVISION FUNCTION

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

MARITIME ADMINISTRATION AND FINANCE

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

- Administration 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 Maritime Business Development and Marketing Department:

- Seeks opportunities in domestic and foreign markets; formulates and executes market entry strategies; gathers and analyzes statistical data and other market intelligence;
- Develops and maintains business relationships with ocean carriers, terminal operators, beneficial cargo owners (importers/exporters), railroads, and other supply chain partners;
- 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;
- 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.

DRAFT JUNE 8, 2015**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 U.S. Customs, U.S. Coast Guard, the San Francisco Bar Pilots, the Marine Exchange, and the Harbor Safety Committee, as well as other governmental and related entities. The operations area ensures that Port tariff requirements and marine terminal lease terms are enforced, and markets and manages space 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, U.S. Customs and Border Protection, 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 Port security grant programs to fund and implement regional infrastructure protection projects.

MARITIME DIVISION
ACTIVITY LEVELS

	Actual 2013-14	Budget 2014-15	Budget 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20
Number of Deep Water Cargo Vessels	1,886	1,952	1,595	1,595	1,595	1,595	1,595
Full TEUs ¹	1,832,559	1,839,013	1,768,485	1,786,172	1,821,893	1,876,553	1,932,847
Full TEUs % Growth	2.2%	0.4%	-3.8%	1.0%	2.0%	3.0%	3.0%

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

- Activity increases and decreases are not always directly attributable to 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 2015-16 through FY 2019-20.
- Anticipated FY 2014-15 Number of Deep Water Cargo Vessels is estimated to be 1,595. Vessel call in FY 2015-16 is based on FY 2014-15 anticipated.
- Anticipated FY 2014-15 Full TEUs is 1,725,000, approximately 6.2% lower than FY 2014-15 Budget. Budgeted FY 2015-16 Full TEUs is 2.5% higher than anticipated FY 2014-15 Full TEUs.

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MARITIME DIVISION OPERATING REVENUES

(\$ Thousands)

	Actual 2013-14	Budget 2014-15	Budget 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20
Marine Terminals	127,836	124,945	121,215	123,765	122,643	119,719	122,420
Oakland International Gateway	2,140	2,208	2,430	2,528	2,656	2,809	2,928
Other Revenue	15,697	13,612	17,237	16,184	18,143	20,331	21,799
Miscellaneous	1,053	(1,000)	0	0	0	0	0
Subtotal	146,726	139,765	140,882	142,477	143,442	142,859	147,147
Bad Debt Reserve	97	(250)	(250)	(250)	(250)	(250)	(250)
TOTAL	146,823	139,515	140,632	142,227	143,192	142,609	146,897

- FY 2014-15: Terminals revenue decreases by \$2.9 million due to anticipated shifts in cargo activity among terminal operators, which would result in less over-the-MAG revenue. Other revenue is lower by \$2.1 million primarily due to anticipated reduction in acreage for the truck parking. BNSF lease at Oakland International Gateway (OIG) is assumed to renew at prior lease terms. Miscellaneous revenue reflects Interior Point Intermodal (IPI) Incentive Program of \$1.0 million.
- FY 2015-16: Compared to FY 2014-15 Budget, revenues increase approximately \$1.1 million. However, compared to FY 2014-15 anticipated revenue of \$145.5 million, the FY 2015-16 Budget represents a decrease in revenue of approximately \$4.9 million. The budgeted decrease in FY 2015-16 results primarily from anticipated renewal of certain leases at slightly less favorable economic terms, less over-the-MAG revenue, lower truck parking revenue, and low cargo activity growth.
- FY 2017-20: Tariff increase assumed. Terminals revenue based on forecasted cargo activity growth of 1-3%, scheduled rent increases per lease term and anticipated renegotiated lease terms. Other revenue decreases in FY 2016-17 primarily due to anticipation of certain space assignments in the former OAB area being vacated to accommodate the development of a logistics center, and increases thereafter due to the anticipated redevelopment of the former OAB into a logistics center and tenant reimbursement for crane modifications.

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**MARITIME DIVISION
OPERATING EXPENSES**

(\$ Thousands)

	Actual 2013-14	Budget 2014-15	Budget 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20
Personnel Services	3,416	4,362	4,876	5,110	5,345	5,587	5,843
Contractual Services	2,162	3,105	4,926	4,985	4,911	5,032	5,157
Supplies	6	5	15	5	5	5	5
General & Administrative	2,162	1,766	1,081	1,105	1,130	1,158	1,186
Dept'l (Credits) Charges	0	0	0	0	0	0	0
TOTAL	7,746	9,237	10,898	11,205	11,391	11,782	12,191
<i>FTEs (headcount)</i>	<i>18</i>	<i>21</i>	<i>23</i>	<i>23</i>	<i>23</i>	<i>23</i>	<i>23</i>

Personnel Services

- FY 2014-15: Salaries increase due to a contractual 2.5% Cost of Living increase. CalPERS pension employer contribution rate increasing from 27.3% to 30.2%. Health care premiums assumed to increase 9% on January 1, 2015. Also contributing to the increase is the addition of 3 FTEs.
- FY 2015-16: 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 2016-17 through FY 2019-20: CalPERS pension employer contribution rate assumed to increase to 35.4%, 37.4%, 39.3%, and 41.3%, respectively. Health care premiums assumed to increase by 6% annually. Salaries adjusted by approximately CPI.

Contractual Services

- FY 2014-15: Higher by \$0.9 million primarily due to increase in consulting services of \$0.4 million, and security of \$0.4 million, partially offset by lower management fees at Middle Harbor Shoreline Park of \$0.1 million.
- FY 2015-16: Higher by \$1.8 million primarily due to recoding (\$1.2 million) and increase (\$0.8 million) of truck parking costs to contractual services offset by lower security costs and management fees at Middle Harbor Shoreline Park (MHSP) of \$0.2 million.
- FY 2016-17: Slightly higher primarily due to higher consulting costs and management fees at MHSP.
- FY 2017-18: Lower by \$0.1 million due to decreased security costs of \$0.2 million partially offset by higher management fees and consulting costs.
- FY 2018-19 and FY 2019-20: Other contractual services are assumed to increase 2.5%.

DRAFT JUNE 8, 2015**Supplies**

- FY 2015-16: Higher primarily due to costs associated with space reconfiguration at 530 Water St. for Maritime staff.
- FY 2016-17 through FY 2019-20: Supplies increasing by 2.5% each year.

General & Administrative

- FY 2014-15: Lower by \$0.4 million primarily due to decreased truck parking expenses of \$0.8 million partially offset by higher travel of \$0.2 million, and security of \$0.1 million.
- FY 2015-16: Lower by \$0.7 million primarily due to recoding of truck parking costs of \$0.8 million to contractual services offset by higher travel of \$0.1 million.
- FY 2016-17 through FY 2019-20: Expenses are assumed to increase by 2.5% each year.

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COMMERCIAL REAL ESTATE DIVISION



COMMERCIAL REAL ESTATE AREA MAP



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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 2013-14	Budget 2014-15	Budget 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20
Jack London Square	6,709	6,856	7,289	7,423	7,574	7,557	7,577
Embarcadero Cove	2,014	2,261	2,463	2,437	2,529	2,642	2,646
Business Park and Distribution Center	2,321	2,151	2,739	2,669	2,831	2,857	2,812
Brooklyn Basin and Other Areas	2,012	2,437	2,290	1,426	1,439	1,461	1,478
Subtotal	13,056	13,706	14,781	13,955	14,373	14,517	14,513
Bad Debt Reserve	5	(75)	(75)	(75)	(75)	(75)	(75)
TOTAL	13,061	13,631	14,706	13,880	14,298	14,442	14,438

Jack London Square

- FY 2014-15 through FY 2019-20: Increase in percentage rents, minimum rent adjustments due to projected lease renewals and scheduled rent adjustments.

Embarcadero Cove

- FY 2014-15 through FY 2019-20: Increases in percentage rents, minimum rent adjustments due to projected lease renewals and scheduled rent adjustments are offset by vacancy potential.

DRAFT JUNE 8, 2015**Business Park and Distribution Center**

- FY 2014-15: Lower due to lease expiration and vacancy of long term tenants and one time short term tenant agreement in FY 2013-14.
- FY 2015-16 through FY 2019-20: Increases in percentage rents, minimum rent adjustments due to projected lease renewals and scheduled rent adjustments are offset by vacancy potential.

Brooklyn Basin and Other Areas

- FY 2014-15: Higher due to contractual payment for Brooklyn Basin partially offset by lower billboards revenue.
- FY 2015-16: Lower anticipated percentage rents for billboards and loss of tower revenue
- FY 2016-17: Lower anticipated rental income due to the completion of contractual payments related to the Brooklyn Basin (formerly known as Oak-to-Ninth Avenue) transaction.
- FY 2017-18 through FY 2019-20: Projected increase in percentage rents, minimum rents due to lease renewals and scheduled rent adjustments.

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COMMERCIAL REAL ESTATE DIVISION

OPERATING EXPENSES

(\$ Thousands)

	Actual 2013-14	Budget 2014-15	Budget 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20
Personnel Services	1,327	1,408	1,452	1,524	1,594	1,667	1,743
Contractual Services	4,121	4,632	4,721	4,839	4,959	5,082	5,209
Supplies	87	114	99	102	104	107	110
General & Administrative	302	374	437	446	553	433	450
Dept'l (Credits) Charges	(161)	(183)	(183)	(188)	(193)	(197)	(203)
TOTAL	5,676	6,346	6,526	6,723	7,018	7,092	7,309
<i>FTEs (headcount)</i>	8	8	8	8	8	8	8

Personnel Services

- FY 2014-15: Salaries increase due to a contractual 2.5% Cost of Living increase. CalPERS pension employer contribution rate increasing from 27.3% to 30.2%. Health care premiums assumed to increase 9% on January 1, 2015.
- FY 2015-16: 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 2016-17 through FY 2019-20: CalPERS pension employer contribution rate assumed to increase to 35.4%, 37.4%, 39.3%, and 41.3%, respectively. Health care premiums assumed to increase by 6% annually. Salaries adjusted by approximately CPI.

Contractual Services

- FY 2014-15: Increased operating costs at parking lots, Port administration building, and Jack London Square, and higher management consultants.
- FY 2015-16: Higher anticipated operating costs at JLS and for security, partially offset by lower parking lot operations.
- FY 2016-17 through FY 2019-20: Expenses assumed to increase approximately 2.5% each year.

Supplies

- FY 2014-15: Higher Port wide office supplies.
- FY 2015-16 through FY 2019-20: Expenses assumed to increase approximately 2.5% each year.

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General & Administrative

- FY 2014-15: Higher postage, promotional expense, travel, and dues and registration.
- 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 through FY 2019-19: Expenses assumed to increase by 2.5% each year.

UTILITIES-ENGINEERING DIVISION

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PORT UTILITY SERVICE AREA MAP

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UTILITIES – ENGINEERING DIVISION

FUNCTION

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

UTILITIES – ENGINEERING DIVISION

REVENUE BY AREA

(\$ Thousands)

	Actual 2013-14	Budget 2014-15	Budget 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20
South Airport	2,314	2,171	2,464	2,539	2,615	2,695	2,829
North Airport	1,897	1,912	1,793	1,848	1,905	1,965	2,025
Marine Terminals – Retail	553	400	650	670	690	710	732
Marine Terminals – Wholesale	3,370	3,450	3,550	3,649	3,751	3,731	3,839
Marine Terminals – Shore Power	1,373	1,712	3,398	3,564	3,741	3,928	4,122
Commercial Real Estate	102	102	102	102	102	102	102
Oakland Army Base	538	325	203	205	208	211	214
TOTAL	10,147	10,072	12,160	12,577	13,012	13,342	13,863

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(\$ Thousands)

	Actual 2013-14	Budget 2014-15	Budget 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20
Electricity – Retail	655	502	752	772	792	812	834
Electricity – Wholesale	7,445	7,450	7,550	7,772	8,000	8,237	8,531
Electricity – Capacity	109	150	250	250	250	125	125
Shore Power	1,373	1,712	3,398	3,564	3,741	3,928	4,122
Gas	59	56	58	60	62	64	67
Water (Sewer)	415	177	152	159	167	176	184
Water – Capacity	41	0	0	0	0	0	0
Miscellaneous	50	25	0	0	0	0	0
TOTAL	10,147	10,072	12,160	12,577	13,012	13,342	13,863

- FY 2014-15: Shore power revenues higher based on anticipated utilization of the system.
- FY 2015-16: Shore power revenues anticipated to increase based on current utilization of system.
- FY 2016-17 through FY 2019-20: Utility rates for electricity, shore power, water (sewer) and gas are assumed to increase 0%, 0%, 5%, and 3%, respectively. Electricity and shore power usage are anticipated to increase 3%, while water (sewer) and gas usage is anticipated to be stable.

DRAFT JUNE 8, 2015**UTILITIES - ENGINEERING DIVISION****COST OF SALES BY AREA**

(\$ Thousands)

	Actual 2013-14	Budget 2014-15	Budget 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20
South Airport	1,037	1,080	1,145	1,179	1,216	1,252	1,290
North Airport	987	990	899	929	958	988	1,020
Marine Terminals – Retail	543	400	650	670	690	710	732
Marine Terminals – Wholesale	1,859	2,073	2,222	2,289	2,357	2,428	2,501
Commercial Real Estate	102	102	102	102	102	102	102
Oakland Army Base	223	173	173	180	185	192	199
Shore Power	549	880	1,862	1,955	2,053	2,157	2,265
TOTAL	5,300	5,698	7,053	7,304	7,561	7,829	8,109

COST OF SALES BY COMMODITY TYPE

(\$ Thousands)

	Actual 2013-14	Budget 2014-15	Projected 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20
Electricity – Retail	645	502	752	772	792	812	834
Electricity – Wholesale	3,783	4,092	4,242	4,370	4,500	4,635	4,775
Shore Power	549	880	1,862	1,955	2,053	2,157	2,265
Gas	49	47	50	52	54	55	57
Water	274	177	147	155	162	170	178
TOTAL	5,300	5,698	7,053	7,304	7,561	7,829	8,109

- FY 2014-15: Increase in shore power based on anticipated utilization of system. Wholesale electricity higher due to increased use at South Airport.
- FY 2015-16: Shore power anticipated to increase based on current utilization of system.
- FY 2016-17 through FY 2019-20: Utility rates for electricity, shore power, water (sewer) and gas are assumed to increase 0%, 0%, 5%, and 3%, respectively. Electricity and shore power usage are anticipated to increase 3%, while water (sewer) and gas usage is anticipated to be stable.

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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. The Engineering and Environmental Planning Division is responsible for:

- Administration and effective and accountable project management of Port-funded (including grant funded) design/construction contracts in support of the Port's capital and major maintenance programs;
- Environmental programs and planning, including employee health and safety programs;
- Management, operation, development, and maintenance of the Port's utility systems in the aviation and maritime areas, including revenue-generating systems;
- Administration and execution of the Port's maintenance dredging program and oversight of the federal contracts to deepen and maintain the Inner and Outer Harbor Channels;
- Administration of land and bathymetric surveying and mapping;
- Administration of the bid process for publicly bid construction contracts;
- Custodial management of the Port's engineering records on all Port assets;
- Building permits for the Port, its tenants and other landowners in the Port area; and code compliance support; and
- Maintenance of Port owned assets and infrastructure.

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 Airport 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 the Social Responsibility Division (SRD), the APDD team ensures that there is consideration for the use of local businesses in executing the program. Also, working with other departments, the APDD team supports the application for and implementation of outside grants/funding sources as these relate to Airport projects.

PROJECT DESIGN & DELIVERY - MARITIME

The Maritime Project Design & Delivery (MPDD) Department provides engineering, project management, construction management and other technical services (such as cost estimating, scheduling, facility

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inspections/assessments, inspection of tenant improvements, and technical studies) to support the Port's Maritime and Commercial Real Estate businesses. Preparation of Plans and Specifications are accomplished largely through outside professional services contracts with oversight and management being provided by the department. In conjunction with SRD, the MPDD team ensures that there is consideration for the use of local businesses in executing the program. Also, working with other departments, the MPDD team supports the application for and implementation of outside grants/funding sources as these relate to seaport projects.

- **Dredging** is charged with providing water depth in the channels and berths required for safe and efficient maritime navigation at the Port. This includes berth maintenance dredging, federal channel maintenance dredging, and deepening projects as applicable.

UTILITIES

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

- **Utilities Section** provides the technical expertise to manage the Port's utility distribution systems, including power (both gas and electricity), water, sewer and communications. It also ensures that the Port plans, operates and upgrades its utility systems in an effective and efficient manner in compliance with all rules and regulations. It reviews and supports tenant improvement projects as well as the Port's capital projects.
- **Utilities Administration Section** ensures that the Port is efficient in its purchase of electricity, sets electricity rates and related services, as well as manages billing, Port-use utilities accounts, and other utility financial matters.

ENGINEERING SERVICES

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

- **Specifications** prepares the project manual that includes project specifications and bidding documents for public works projects, prepares Requests for Proposals (RFPs) for professional services contract, and prepares procurement manuals for procurement of equipment and materials in support of the Project Design and Delivery Departments. This section also works closely with SRD and the Port Attorney's Office and, at times, contractors, to ensure bidders comply with contract provisions as well as Port policies, such as the NDSLBP.
- **Drafting** provides computer aided drafting services to the Engineering and Environmental Planning Division and others. Drafting is also responsible for the maintenance and archiving of the record drawings for all Port projects after receiving the as-built drawings from the construction contractors.
- **Geomatics** (Surveys and Land Records) provides survey, mapping and land records management services to support the Port's development needs.
- **Permits** provides building permit and code compliance support for the Port, its tenants and other landowners within the Port area. Additionally, this section maintains permit files and records, and provides technical assistance to Port staff regarding compliance with the Americans with Disabilities Act (ADA).

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- **Contract Administration** is responsible for administering the consultant and construction contracts that are issued by the Engineering and Environmental Planning Division and assisting in the management of the MAPLA.
- **Document Control** is responsible for administering the bid process for public works contracts and long-term management of project manuals and engineering documents.

ENVIRONMENTAL PROGRAMS AND PLANNING

The Environmental Programs and Planning (EP&P) Department has primary responsibility to promote the highest levels of environmental stewardship and safety, as well as ensure compliance with all federal, State, and local statutes and regulations in all Port plans, activities, operations, and development programs and projects. EP&P provides professional and technical leadership, project management and support services to all Port departments and divisions to achieve the Port's Strategic Plan goal of sustaining healthy communities through leading edge environmental stewardship.

- **EP&P Administration and Safety** is chiefly responsible for EP&P department operations and safety. It leads the Port's environmental advocacy and policy efforts before local, State, national and international environmental agencies and organizations, including resource and regulatory agencies, and advises on strategic environmental and planning initiatives and policies. Environmental health and safety includes emergency spill response, employee injury protection and safety, Cal-OSHA compliance, and disaster preparedness and business recovery.

- **Environmental Aviation/Commercial Real Estate, and Maritime**

Core functions include:

- Environmental planning and assessment in compliance with the California Environmental Quality Act (CEQA) and the National Environmental Policy Act (NEPA), including the development of mitigation monitoring and reporting programs;
- Regulatory programs and permitting for Port operations, maintenance and development projects, including dredging of berths and storm water permit, and 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 Federal Aviation Administration;
- Environmental hazardous materials management and remediation, including surface and groundwater pollution prevention; air quality planning, programs and inventories; sediment management; handling, abatement and disposal of hazardous materials and waste; environmental remediation of contaminated Port property; and environmental liability insurance recovery support technical services; 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.

DRAFT JUNE 8, 2015**HARBOR FACILITIES**

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

- **Facilities Management** plans, leads, organizes and controls the department's budget, programs, resource management and cost allocation. It interfaces with other departments and divisions and oversees job prioritization and general day-to-day operations.
- **General Maintenance** performs a wide variety of maintenance services within the harbor and CRE areas. This group plans, coordinates, maintains, inspects and performs roofing, paving, building maintenance, carpentry, painting and striping, miscellaneous signage, landscaping/gardening/weed-abatement, maintenance and sweeping of Port-controlled roads, flood response and park maintenance. The General Maintenance group will undertake construction activities when requested.
- **Utilities Group** maintains all Port-owned water and power distribution systems within the harbor and CRE areas and is also responsible for both Port and City-owned facilities at the former OAB. The group reads electric, gas, and water meters, provides fire prevention services throughout the Port, including OAK, maintains electrical substations, sewer lift stations, streetlights, and railroad crossing protection on Port-owned roads. This group also supports implementing major public works projects, and sometimes takes the lead on certain 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 (formerly 11-29) approach light structure, tide gates and security buoys at OAK. Primary work includes programmed inspection/repair of concrete piles to prevent structural failure of decks/cranes as well as pile inspection during construction. The Diving Services group is capable of providing 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.
- **Crane Design and Maintenance** performs design and specification services for purchasing, upgrading, modifying, maintaining, surplus and replacing the Port's container cranes. The group also provides project management and construction administration, and oversees construction inspection, testing, loading, delivery, unloading and commissioning of cranes. The group is responsible for the structural integrity and major operational maintenance of Port-owned container cranes.

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ENGINEERING & ENVIRONMENTAL PLANNING DIVISION OPERATING EXPENSES

(\$ Thousands)

	Actual 2013-14	Budget 2014-15	Budget 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20
Personnel Services	18,168	21,156	21,547	22,608	23,648	24,716	25,846
Contractual Services	5,428	8,572	8,505	8,175	7,783	8,287	8,075
Supplies	1,884	1,865	1,754	1,798	1,843	1,889	1,936
General & Administrative	(47)	15	128	207	211	215	219
Dept'l (Credits) Charges	(162)	(94)	(94)	(96)	(99)	(101)	(104)
TOTAL	25,271	31,514	31,840	32,692	33,386	35,006	35,972
<i>FTEs (headcount)</i>	<i>105</i>	<i>112</i>	<i>110</i>	<i>110</i>	<i>110</i>	<i>110</i>	<i>110</i>

Personnel Services

- FY 2014-15: Salaries increase due to a contractual 2.5% Cost of Living increase. CalPERS pension employer contribution rate increasing from 27.3% to 30.2%. Health care premiums assumed to increase 9% on January 1, 2015. 2 additional FTE's added.
- 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 2016-17 through FY 2019-20: CalPERS pension employer contribution rate assumed to increase to 35.4%, 37.4%, 39.3%, and 41.3%, respectively. Health care premiums assumed to increase by 6% annually. Salaries adjusted by approximately CPI.

Contractual Services

- FY 2014-15: Primarily higher maintenance and repairs of \$1.5 million and maintenance dredging costs.
- FY 2015-16: Lower repairs and maintenance costs of \$0.8 million partially offset by higher consulting costs related to comply with new storm water regulations.
- FY 2016-17 through FY 2019-20: Maintenance dredging fluctuates year to year while all other expenses assumed to increase approximately 2.5% each year.

Supplies

- FY 2014-15: Lower automotive fuel and vehicle maintenance mostly offset by higher maintenance, electrical, and painting supplies.
- FY 2015-16: Lower maintenance materials partially offset by higher landscaping supplies and automotive fuel.
- FY 2016-17 through FY 2019-20: Expenses assumed to increase approximately 2.5% each year.

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General & Administrative

- FY 2014-15: Lower recovery from the City for costs incurred at OAB.
- 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 2019-20: Expenses assumed to increase approximately 2.5% each year.

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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 Comprehensive Annual Financial Report (CAFR). Additionally, Accounting works closely with the Port's Audit Services Division on internal audits and with Financial Planning on certain reports and studies.
- **Financial Planning** facilitates and monitors the Port's operating and capital budgets, prepares financial analyses and forecasts, and develops and coordinates the funding of capital projects. The department is also responsible for cash management, debt management, and debt compliance.
- **Purchasing** facilitates and manages the acquisition of supplies, equipment and services for the Port, except for those items and services which are procured through construction bids (public works).
- **Risk Management** is responsible for identifying, evaluating and recommending risk transfer of insurable loss exposures faced by the Port. The department coordinates and directs various risk transfer functions, including risk analysis, insurance purchase, claims administration, selection of agents/brokers, allocation of risk charges to operating departments, and recovery from insurance companies. Risk Management reviews Port contracts, and recommends and tracks insurance protection levels for tenants, vendors, consultants and suppliers. The department also administers the Port's Owner-Controlled Insurance Program (OCIP) for capital improvement projects.

INFORMATION TECHNOLOGY

The Information Technology Department is responsible for the planning, development, management, operation, security, and maintenance of the Port's business systems and technology portfolio, including the Enterprise Resource Planning (ERP) system. The department collaborates with Port divisions to provide long-term technology 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.

DRAFT JUNE 8, 2015**HUMAN RESOURCES**

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

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

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FINANCE AND ADMINISTRATION DIVISION

OPERATING EXPENSES

(\$ Thousands)

	Actual 2013-14	Budget 2014-15	Budget 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20
Personnel Services	9,565	10,670	10,958	11,499	12,167	12,866	13,459
Contractual Services	2,389	2,802	3,014	2,847	2,918	2,991	3,066
Supplies	37	96	246	246	122	122	123
General & Administrative	226	131	143	146	149	153	156
TOTAL	12,217	13,699	14,361	14,738	15,356	16,132	16,804
<i>FTEs (headcount)</i>	<i>54</i>	<i>61</i>	<i>60</i>	<i>60</i>	<i>60</i>	<i>60</i>	<i>60</i>

Personnel Services

- FY 2014-15: Salaries increase due to a contractual 2.5% Cost of Living increase. CalPERS pension employer contribution rate increasing from 27.3% to 30.2%. Health care premiums assumed to increase 9% on January 1, 2015.
- FY 2015-16: 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 2016-17 through FY 2019-20: CalPERS pension employer contribution rate assumed to increase to 35.4%, 37.4%, 39.3%, and 41.3%, respectively. Health care premiums assumed to increase by 6% annually. Salaries adjusted by approximately CPI.

Contractual Services

- FY 2014-15: Higher computer systems and information technology consultants.
- FY 2015-16: Higher outside consultants for computer systems and information technology, actuarial studies, and implementation of learning management partially offset by lower financial consultants and external auditor services.
- FY 2016-17 through FY 2019-20: 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 2014-15: Primarily higher expendable equipment due to the phased replacement of Port desktop computers.
- FY 2015-16: Primarily higher expendable equipment due to the phased replacement of Port desktop computers.
- FY 2016-17 through FY 2019-20: Phased replacement of Port desktop computers completed. Expenses assumed to increase approximately 2.5% each year.

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General & Administrative

- FY 2014-15: Lower primarily due to elimination of executive recruiting costs.
- FY 2015-16: Slightly higher due to increased personnel recruiting and travel.
- FY 2016-17 through FY 2019-20: Expenses assumed to increase approximately 2.5% each year.

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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

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

- Promotes inclusion of small, local, and/or disadvantaged business enterprises in procurement and contracting opportunities at the Port;
- Promotes the hiring of local residents on Port-related projects;
- Promotes and facilitates job opportunities and sustainable wages for the local community; and

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- 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 2013-14	Budget 2014-15	Budget 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20
Personnel Services	3,537	3,832	3,973	4,168	4,358	4,554	4,760
Contractual Services	598	751	758	777	796	816	837
Supplies	13	14	10	11	13	13	13
General & Administrative	375	725	778	796	816	836	856
TOTAL	4,523	5,323	5,519	5,752	5,983	6,219	6,466
<i>FTEs</i>							
<i>(headcount)</i>	16	20	18	18	18	18	18

Personnel Services

- FY 2014-15: Salaries increase due to a contractual 2.5% Cost of Living increase. CalPERS pension employer contribution rate increasing from 27.3% to 30.2%. Health care premiums assumed to increase 9% on January 1, 2015. Partially offsetting these increases are one-time relocation and moving costs for the new Executive Director in FY 2013-14 and the elimination of 2 FTEs.
- FY 2015-16: 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 2016-17 through FY 2019-20: CalPERS pension employer contribution rate assumed to increase to 35.4%, 37.4%, 39.3%, and 41.3%, respectively. Health care premiums assumed to increase by 6% annually. Salaries adjusted by approximately CPI.

Contractual Services

- FY 2014-15: Primarily higher legislative representative and consulting services.
- FY 2015-16: Higher consulting for SRD systems development.
- FY 2016-17 through FY 2019-20: Expenses assumed to increase approximately 2.5% each year.

General and Administrative

- FY 2014-15: Increased sponsorships, community outreach.
- FY 2015-16: Primarily higher sponsorships and community outreach.
- FY 2016-17 through FY 2019-20: Expenses assumed to increase approximately 2.5% each year.

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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 2013-14	Budget 2014-15	Budget 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20
Personnel							
Services	2,990	3,386	3,484	3,655	3,823	3,996	4,178
Contractual							
Services	660	1,400	1,323	1,356	1,390	1,425	1,461
Supplies	8	25	21	22	22	23	23
General & Administrative	92	120	117	120	123	125	128
TOTAL	3,751	4,930	4,945	5,153	5,358	5,569	5,790
<i>FTEs</i>							
<i>(headcount)</i>	<i>13</i>	<i>14</i>	<i>14</i>	<i>14</i>	<i>14</i>	<i>14</i>	<i>14</i>

Personnel Services

- FY 2014-15: Salaries increase due to a contractual 2.5% Cost of Living increase. CalPERS pension employer contribution rate increasing from 27.3% to 30.2%. Health care premiums assumed to increase 9% on January 1, 2015. Addition of 1 FTE.
- FY 2015-16: 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 2016-17 through FY 2019-20: CalPERS pension employer contribution rate assumed to increase to 35.4%, 37.4%, 39.3%, and 41.3%, respectively. Health care premiums assumed to increase by 6% annually. Salaries adjusted by approximately CPI.

Contractual Services

- FY 2014-15: Higher outside legal services.
- FY 2015-16: Primarily lower outside legal services of \$0.1 million partially offset by higher record retention services.

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- FY 2016-17 through FY 2019-20: Expenses assumed to increase approximately 2.5% each year.

General & Administrative

- FY 2014-15: Primarily higher dues & registration expenses and travel.
- FY 2015-16: Lower travel.
- FY 2016-17 through FY 2019-20: Expenses assumed to increase approximately 2.5% each year.

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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 2013-14	Budget 2014-15	Budget 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20
Personnel Services	1,120	1,294	1,320	1,386	1,449	1,514	1,583
Contractual Services	3	5	5	5	6	6	6
Supplies	3	6	6	6	6	6	7
General & Administrative	0	25	25	25	25	26	26
TOTAL	1,125	1,330	1,356	1,422	1,486	1,552	1,622
<i>FTEs (headcount)</i>	6	7	7	7	7	7	7

Personnel Services

- FY 2014-15: Salaries increase due to a contractual 2.5% Cost of Living increase. CalPERS pension employer contribution rate increasing from 27.3% to 30.2%. Health care premiums assumed to increase 9% on January 1, 2015.
- FY 2015-16: 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 2016-17 through FY 2019-20: CalPERS pension employer contribution rate assumed to increase to 35.4%, 37.4%, 39.3%, and 41.3%, respectively. Health care premiums assumed to increase by 6% annually. Salaries adjusted by approximately CPI.

General & Administrative

- FY 2014-15: Lower miscellaneous income for audit recoveries.

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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 2013-14	Budget 2014-15	Budget 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20
Personnel Services	381	400	420	440	461	481	503
Contractual Services	27	4	4	4	4	4	4
Supplies	42	10	5	5	10	5	6
General & Administrative	82	150	167	171	175	179	183
TOTAL	532	564	595	620	650	670	696
<i>FTEs (headcount)</i>	<i>2</i>	<i>2</i>	<i>2</i>	<i>2</i>	<i>2</i>	<i>2</i>	<i>2</i>

Personnel Services

- FY 2014-15: Salaries increase due to a contractual 2.5% Cost of Living increase. CalPERS pension employer contribution rate increasing from 27.3% to 30.2%. Health care premiums assumed to increase 9% on January 1, 2015.
- FY 2015-16: 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 2016-17 through FY 2019-20: CalPERS pension employer contribution rate assumed to increase to 35.4%, 37.4%, 39.3%, and 41.3%, respectively. Health care premiums assumed to increase by 6% annually. Salaries adjusted by approximately CPI.

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Contractual Services

- FY 2014-15: Transfer of Board meeting internet hosting to Information Technology.
- FY 2015-16: Assumed flat.
- FY 2016-17 through FY 2019-20: Expenses assumed to increase approximately 2.5% each year.

Supplies

- FY 2014-15: Primarily lower electrical supplies for Board Room audio visual upgrades.
- FY 2015-16: Lower expected expendable equipment.
- FY 2016-17 through FY 2019-20: Expenses assumed to increase approximately 2.5% each year.

General & Administrative

- FY 2014-15: Primarily higher travel, receptions, and dues & registration expenses.
- FY 2015-16: Primarily higher legal advertising anticipated.
- FY 2016-17 through FY 2019-20: Expenses assumed to increase approximately 2.5% each year.

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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 2013-14	Budget 2014-15	Budget 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20
Personnel Services	17,235	12,661	12,184	12,213	12,286	12,376	12,330
Contractual Services	1,953	2,158	2,030	2,121	2,177	2,235	2,295
General & Administrative	14,174	14,672	14,409	14,793	15,226	15,666	16,127
Departmental Credits	(10,126)	(11,381)	(9,982)	(10,282)	(10,590)	(10,908)	(11,235)
TOTAL	23,237	18,109	18,641	18,845	19,099	19,369	19,517
<i>FTEs (headcount)</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>

Personnel Services

- FY 2014-15: Lower primarily due to vacancy factor of \$4.3 million budgeted in Non-Departmental while the actual savings from open headcount are recognized in each of the divisions' personnel costs. In addition, lower workers compensation of \$1.1 million partially offset by higher vacation accrual costs of \$0.6 million and retiree medical of \$0.2 million.
- FY 2015-16: Higher vacancy factor of \$0.9 million (increase from 25 FTEs to 30 FTEs) and lower vacation accrual costs of \$0.2 million partially offset by higher workers compensation of \$0.5 million and projected retiree medical costs of \$0.1 million.
- FY 2016-17 through FY 2019-20: 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 2013-14: Higher due to increased City services and assessments.
- FY 2015-16: Decrease due to lower projections for City Special Services and LLAD (Landscaping and Lighting Assessment District).

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- FY 2016-17 through FY 2019-20: City Special Services and JLID (Jack London Improvement District) assumed to increase approximately 2.5% and 3% respectively, each year.

General & Administrative

- FY 2014-15: Primarily higher legal contingency of \$1.0 million, higher insurance premium costs of \$0.4 million, and higher Port water use of \$0.2 million, partially offset by lower pollution remediation expenses of \$1.0 million.
- FY 2015-16: Lower legal contingency and bank charges partially offset by higher Port use of utilities primarily at South Airport.
- FY 2016-17 through FY 2019-20: 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 2014-15: Primarily higher direct labor and indirect overhead rate applied to capital projects.
- FY 2015-16: Primarily lower indirect overhead rate applied to capital projects and elimination of administrative overhead, partially offset by higher direct salary and benefits.
- FY 2016-17 through FY 2019-20: Primarily higher direct salary and benefits costs due to increases in personnel costs.

DRAFT JUNE 8, 2015**CAPITAL BUDGET AND 5-YEAR CAPITAL IMPROVEMENT PROGRAM****FY 2016 CAPITAL BUDGET - INITIAL AND PIPELINE PROJECTS**

For FY 2016, budget authorization of \$133.1 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 2016 Capital Budget - Initial which includes the following capital projects:

FY 2016 CAPITAL BUDGET – INITIAL

<i>Business Line¹</i>	<i>Projects</i>	<i>(\$ millions)</i>
A	Runway Safety Area	\$ 37.0
A	Terminal 1 Renovations	36.9
M	Oakland Army Base Redevelopment	32.3
A	BART Connector Payment	8.0
A	TSA Recapitalization EDS	4.3
M	B33-34 Fire Water System	2.8
M	-50 ft Dredging Project Cost Share	2.0
A	Air Cargo Way – Repave	1.9
A,M	Various Capital Equipment	1.2
A	Upgrade CCTV Head End	0.8
A	Replace Pump House 6	0.7
M	Fiber Optic Expansion and Resiliency	0.4
M	MHSP Elevator Replacement	0.4
A	Lift Station Sewer Improvements	0.4
C	Environmental Remediation Union Pt	0.4
A	Airfield Ramp Control	0.4
M	Marine Terminal Pavement Enhancement (Chemcrete)	0.4
M	OAB Security System Expansion	0.2
M	Roadway LED Installations	0.2
M	Sanitary Sewer Upgrades and Replacement	0.2
S	IT System Resiliency	0.1
A,M	Pre-Development	0.8
A,M,C	Misc. Facilities Replacement Projects	1.4
Total		\$ 133.1

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

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In addition, approximately \$34.0 million of additional projects are anticipated to commence in FY 2016 (FY 2016 Pipeline Projects), subject to Board approval. Authorization to proceed with the FY 2016 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 2016 Pipeline Projects are assumed to be approved by the Board during the course of the fiscal year. The FY 2016 Pipeline Projects includes the following capital projects:

FY 2016 PIPELINE PROJECTS

<i>Project</i>	<i>(\$ millions)</i>
Airport	
Ground Access and Parking Improvements	\$ 7.5
International Arrivals Building Operability	5.0
Utilities	2.8
Other	2.8
Security	2.5
Airfield Improvements	2.3
Leased Area Improvements	0.8
Sub-Total	23.7
Maritime	
Rail Infrastructure at Marine Support Center	3.0
Roadway Improvements	2.1
Security	1.6
Marine Terminal Improvements	0.9
Crane Improvements	0.8
Sub-Total	8.3
Other	
CRE Tenant Improvements	0.9
IT Emergency Back-up Generator	0.8
Modernize Website	0.2
Server Firewall	0.2
Total	\$ 34.0

The diagram on page 110 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.

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5-YEAR CAPITAL IMPROVEMENT PROGRAM

The 5-Year CIP is updated annually and is currently approximately \$480 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 \$361.1 million of projects at the Airport and is divided into seven programmatic areas: Airfield, Terminal, Leased Area, Ground Access and Parking, Security, Utilities, and Other.

Airfield

Approximately \$112.2 million is included in the 5-Year CIP for airfield projects. Projects in this category include runway safety area improvements, perimeter dike improvements, critical pavement rehabilitation, Airport pavement management system update, and projects triggered by the opening of the new air traffic control tower (ramp control).

Runway Safety Area Improvement Project

The FAA requires that commercial airports regulated under Part 139 have standard Runway Safety Areas (RSAs) where practicable. The FAA has a high-priority, congressionally mandated program to enhance safety by upgrading the RSAs at commercial airports. The FAA provides approximately 80% of the funding to support these upgrades. RSAs enhance the safety of aircraft that undershoot, overrun, or veer off the runway. RSAs are required at both ends and along the sides of runways to provide greater accessibility for firefighting and rescue equipment during such incidents. Construction of the South Field improvements began in May 2013 and was substantially completed in September 2014, though work on the runway is expected to continue through summer 2015. The substantially completed project includes runway paving, two new taxiways, drainage improvements, upgraded FAA navigational aids, and upgraded airfield lighting. North Field design is complete and the bid was awarded in August 2014. Construction of North



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Field improvements are scheduled to be substantially complete by December 31, 2015. Approximately \$37 million remains in the 5-Year CIP to complete construction of the South Field and North Field RSA improvements. Although not all of the grant funding is in place, the 5-Year CIP assumes that this project will be awarded with approximately \$62.8 million of Airport Improvement Program (AIP) grants.

Perimeter Dike Improvements Phase 1

The perimeter dike separates OAK's South Field airfield from San Francisco Bay waters and protects the essential airfield and terminal facilities. The Port has completed a series of studies that assessed existing geotechnical conditions, vulnerability of the dike to storms, sea level rise, and potential future seismic events, and has identified improvements needed to address those vulnerabilities. Design and environmental review is underway and is expected to be completed in FY 2016. The project has been designed to be scalable to allow for construction based on available funding. \$10 million of dike construction costs has been included in the 5-Year CIP. Approximately 50% of the \$10 million is expected to be funded by two State Local Levee Assistance Program ("LLAP") grants. 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 \$51 million project. Most recently, the Port has been in discussion with Alameda County Transportation Commission (ACTC) to seek funding through the Measure BB Tax Fund. If successful, the Port would consolidate the construction of the \$10 million phase (scheduled for FY 2017) in order to benefit from economies of scale and consolidated mobilization. A portion of fuel pipeline related work is currently in demolition and being funded by pipeline owners and is not included in the 5-Year CIP.

Runway 12/30 Upgrades

Runway 12/30 is the Airport's main commercial air carrier runway. The runway is fully instrumented to allow aircraft operations up to current FAA standards. With 10,000 feet in length, it provides landing and take-off distances that accommodate all types of commercial and air cargo aircraft. 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. As described above, the South Field RSA project included a new pavement overlay on a portion of the runway. Planning and design of a pavement overlay project for the remaining portion of Runway 12/30 is scheduled to be performed during FY 2016, with construction planned for summer 2017. About \$28 million is included in the 5-Year CIP for this pavement overlay project, of which \$22.4 million is expected to be funded using future AIP grants.

Installation of Charging Infrastructure for Ground Support Equipment (GSE)

Airline and ground-handler tenants own the GSE operated at OAK. Approximately 70% of the Airport-wide GSE fleet is based in Terminal 2 and has been electrified. In order to meet the demand from tenants who operate the remaining 30% of GSE, the Port is scoping a project to install electric

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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 (T1; 16 gates) and Terminal 2 (T2; 13 gates). An extensive expansion and renovation of T2 was completed in 2006. Capital projects in the 5-Year CIP associated with T2 include scheduled re-roofing of Building M130 and the TSA Recapitalization for Baggage Screening Equipment. The majority of the other capital improvements are focused on T1. Approximately \$187.2 million is included in the 5-Year CIP for terminal-related improvements, of which \$47.3 million is included in FY 2016. These costs are anticipated to be largely funded through Passenger Facility Charges (PFCs).

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”. Approximately \$179 million is included in the 5-Year CIP for the T1 Program, which will be mostly funded with PFCs.



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

The T1 Mechanical Building construction, including equipment installation and advanced hydronics, was completed in FY 2014, and new mechanical and electrical systems were activated. Inefficient steam boilers were replaced with condensing hot water boilers. The boilers and chillers are designed to be staged based on demand and controlled by a state-of-the-art energy management system to maximize performance and efficiency.



The renovation and seismic retrofit of Building M104 was completed in FY 2015, and included seismic upgrades, architectural enhancements, interior space modifications for work space, new roofing and drainage, replacement of heating, ventilation and air conditioning (HVAC) systems, replacement of lighting and lighting control systems, upgrade of the fire alarm system, and installation of a new fire protection system.

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

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During FY 2015, much of the exterior seismic work (shear walls and micropiles) was completed and Port staff occupying the second floor mezzanine offices were relocated to temporary space (the Shepard-Glenn Building) to facilitate the installation of the interior construction. Interior work to be accomplished in FY 2016 is anticipated to include the installation of seismic bracing and other infrastructure in the high-bay ceiling area, while the security checkpoint remains in operations. Interior renovations are anticipated to 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.

During FY 2015, planning studies, forecasts, and analysis for upgrades to the International Arrival Building (IAB) were undertaken to prioritize the next phase of development for T1. 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 new processing technologies/equipment, updated restroom facilities, and seismic and other building upgrades. This project will bring the IAB complex up to current manageable 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. Design is expected to be completed and construction begun during FY 2016. The project is anticipated to be funded primarily using PFCs and is programmed to be completed in 2017.

TSA Recapitalization of Baggage Screening Equipment

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

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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. Design is now completed and approved by the TSA; it is expected that construction will begin in fall 2015 and will be completed during FY 2016. This project construction is estimated to cost about \$5.7 million, most of which is anticipated to be funded by the TSA.

Leased Area

The Port routinely monitors and implements improvements needed to meet existing lease requirements (apron, foundation, roofing, and walls) and support revenue retention and generation. Some leased facilities at North Field are in poor condition and must be improved in accordance with the Port's contractual obligations to tenants. A thorough assessment of the North Field properties lease requirements has been conducted and an on-going program to address the required improvements is being developed. Approximately \$4.8 million is included in the 5-Year CIP for this category of improvements.

Ground Access and Parking

This category includes a range of Airport ground access-related projects intended to improve customer service, fulfill regulatory permit obligations, and/or maintain revenues. It includes an upgrade to the parking revenue control equipment, and several roadway and surface parking reconstruction projects. About \$23.7 million is included in the 5-Year CIP for these projects.

Air Cargo Way Repavement

Air Cargo Way is a nearly 3,000 linear foot roadway that connects Ron Cowan Parkway with the FedEx air cargo metroplex, the FAA air traffic control tower, the materials management site, and the Aircraft Rescue and Fire Fighting (ARFF) facility. The pavement of Air Cargo Way is well beyond its useful life and in need of repair. A project to repave Air Cargo Way was initiated in FY 2015 and is scheduled to be completed in FY 2016 for an estimated \$1.9 million.

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. Selection, procurement, and installation of a new system is scheduled to be completed in FY 2016 for an estimated cost of \$3.5 million.

BART-Oakland Airport Connector

The BART-Oakland Airport Connector project was completed during FY 2015 and opened for service on November 22, 2014. The total project cost was \$484.1 million. The Port's total contribution to the project is \$45.4 million, funded by PFCs. Approximately \$10 million of the Port's contribution remains to be paid and is included in the 5-Year CIP.

Security

Approximately \$16.3 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, completion of a perimeter fencing project for an air cargo building, cyberlock replacement, access control upgrades and other security system upgrades.

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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 \$8.9 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.

Other

Approximately \$7.9 million is included in the 5-Year CIP for miscellaneous Aviation Division projects, including Aircraft Rescue and Firefighting (ARFF) replacement trucks, information technology and telecommunications upgrades (including common use self-service kiosks and implementation of automated passport control kiosks), capital equipment purchases, and pre-development studies.

Maritime Projects

The 5-Year CIP includes approximately \$111.6 million for capital projects at the seaport.

Redevelopment of the Former Oakland Army Base (OAB)

Between 2003 and 2007, the Port acquired 241 acres of property which formerly was part of the OAB. The City acquired a nearly equal share of the former base 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 will 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 new rail yard includes approximately 40,000 feet of storage track, plus a 7,700-ft departure track, 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 cargo associated with new facilities such as the City's bulk cargo marine terminal and new logistics buildings. Port staff is negotiating with a rail operator to provide service. The new rail yard is scheduled for full operation in early 2016.

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Approximately \$33.4 million is included in the 5-Year CIP for the Port's rail work, of which \$31.3 million is included in FY 2016. Approximately \$26.1 million of the project costs is expected to be funded by State and federal grants.

The Port is currently negotiating with various parties for the phased development of new logistics facilities on the former OAB lands ("Phase 2"). 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. At this time, no funding has been included in the 5-Year CIP for this Phase 2 work.

In the Amended and Restated Memorandum of Agreement (ARMOA) covering the OAB, the Port and the City agreed to pay into a Community Trust Fund. Once the City and its developer contribute, the Port committed to make an equal contribution, not to exceed \$2 million. The 5-Year CIP includes \$2 million for the Community Trust Fund, of which the first \$1 million is expected to be expended in FY 2016.

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 2016 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 \$17.4 million is included in the 5-Year CIP for security projects. Approximately \$6.1 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.



DRAFT JUNE 8, 2015**Other Projects**

Other identified projects at the seaport total approximately \$58.9 million in the 5-Year CIP. These projects include:

- Pavement and sub-grade improvements, fire water system reconstruction, container crane upgrades, shore power system upgrades, and similar projects at various marine terminals. These projects total about \$32 million over five years.
- 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.
- The 5-Year CIP includes approximately \$8.4 million for sewer system upgrades.
- Roadway improvements, ranging from lighting improvements to monitoring systems for traffic congestion, including \$1.5 million for preliminary planning/design for the 7th Street Grade Separation project which the Port hopes to ultimately fund with public transportation funding such as Measure BB. These projects total about \$2.6 million over five years.
- Various other projects, including potential new rail infrastructure at the Maritime Support Center, adjacent to the Port-owned rail yard operated by BNSF, which total \$9.5 million over the next five years.
- Capital equipment, totaling about \$2.4 million over five years, to perform critical facility maintenance and improvements.

Commercial Real Estate Projects

The 5-Year CIP includes about \$3.9 million for projects related to CRE. Approximately \$3.3 million in the 5-Year CIP is budgeted for tenant improvement allowance, primarily for new leases in the Airport Business Park and Jack London Square.

Support Division

The 5-Year CIP includes \$3.3 million for items such as network upgrades, website modernization, and the purchase of an emergency backup generator for the IT system at the Port's administrative headquarters' building.

PROJECTS NOT INCLUDED IN THE 5-YEAR CIP

The Port's planned capital projects have been greatly reduced (both in scope and number) in recent years due to budgetary and staffing constraints. The Port continues to assess and explore alternative funding strategies for projects not included in the current 5-Year 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 lower the rate of cargo and enplanement growth and adversely affect Port revenues.

DRAFT JUNE 8, 2015**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 T1 Retrofit and Renovation Program has been limited to available funding, and does not completely fund the infrastructure improvements needed for the ticketing building (M101) and concourse (M103).
- Additional terminal facility improvements are required to meet the Port's strategic goal of growing air passengers. Aircraft fleet and service changes for Southwest are projected to occur within the 5-Year CIP and will require additional and expanded facilities at Terminal 2.
- Utility infrastructure, including electrical, water, and sewer, is in need of repair at numerous points in the system. Improvements have been limited to 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 \$50.1 million; only \$10.1 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.

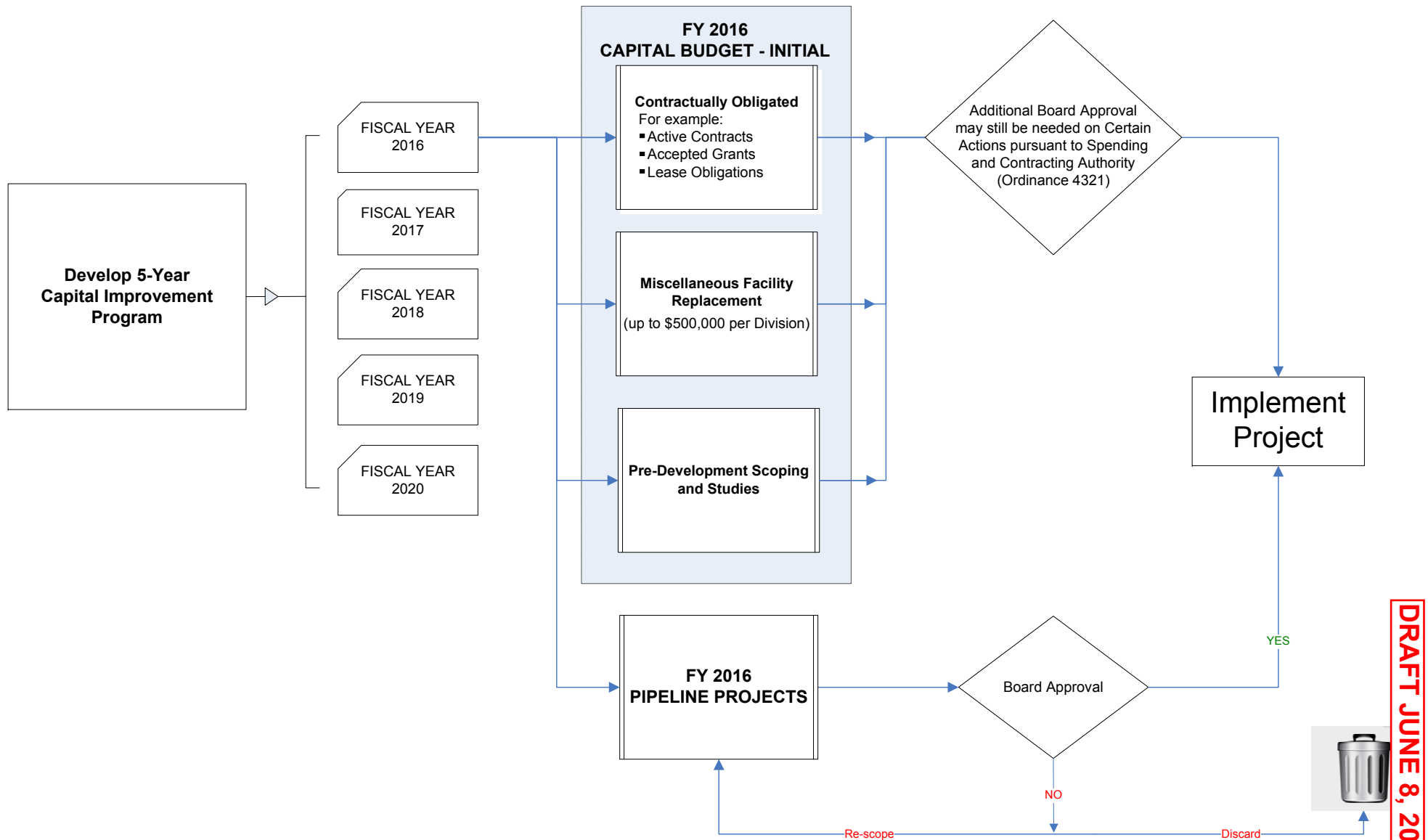
Maritime

Maritime continues to explore alternative strategies to fund certain marine infrastructure projects. Maritime projects under consideration that are not included or only partially included in the 5-Year CIP are:

- Logistics center, Phase 2 (redevelopment of former OAB);
- Various roadway infrastructure upgrades/replacements;
- Various wharf and other marine terminal infrastructure upgrades/replacements;
- Certain utility infrastructure improvements; and
- Purchase or modification of container cranes to service larger ships coming on line.

CAPITAL EXPENDITURE APPROVAL PROCESS

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CAPITAL PROJECT FUNDING SOURCES

Capital projects at the Port are funded by grants, PFCs, CFCs, Port-generated cash, and debt. A description of the anticipated funding sources for Port capital projects is described below.

The Port has not yet secured all the funding for the projects in the 5-Year CIP. Further, the Port can provide no assurance that anticipated grants will be received in full, that reimbursable Port costs will be reimbursed in a timely manner, or that changes in project circumstances will not preclude award or receipt of grant funds. The amount projected to be available from each funding source is based on the estimated cost of certain projects and various other assumptions. Such estimates and assumptions are subject to change. Any such changes could have an impact on the Port's plans for funding the 5-Year CIP, and such changes could be material. If grants, PFCs, 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 2016 through FY 2020, total AIP grants for OAK (consisting of both AIP entitlement and discretionary funds) are estimated to be about \$81 million. From FY 2010 through FY 2014, OAK received a total of approximately \$95.4 million in AIP grants. In FY 2016, OAK anticipates using approximately \$30.9 million in AIP grants. The AIP grants will be used on grant-eligible portions of airfield and apron-related projects for both North and South Fields of the Airport.

Passenger Facility Charges (PFC)

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

In the 5-Year CIP, the Port includes approximately \$168.8 million of PFC-funded projects and anticipates collecting \$112.7 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 2016 and that costs to finance PFC projects will be reimbursed with PFCs. The difference between PFC-funded project costs and available PFCs is assumed to be funded with debt payable from PFC revenues.

DRAFT JUNE 8, 2015**Customer Facility Charges (CFC)**

Effective April 2002, the rental car companies operating at OAK are required to collect a \$10 per-transaction CFC from their rental customers. CFCs are received approximately 20 days after the month in which they are collected. CFC revenues in FY 2014 totaled approximately \$5.6 million. Future CFC revenues 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. In the current 5-Year CIP, \$1.1 million of CFCs are assumed to be used for capital costs.

Maritime Grants

The Port expects to receive a total of approximately \$32.2 million in grant funding for seaport projects from FY 2016 through FY 2020. Of this total, \$6.1 million is for security projects and \$26.1 million is for the OAB redevelopment. The funding for the OAB redevelopment includes monies from the State's Trade Corridor Improvement Fund (TCIF), which are shared between the Port and City. The Port's share is \$65.8 million and the City's share is the balance of \$176.3 million. City improvements funded by TCIF include the reconstruction of Maritime Street and new utility systems.

Port Cash

Approximately \$185.3 million of cash is assumed to be generated from operations and applied to the 5-Year CIP.

Debt

To the extent the above-listed funding sources are insufficient to pay for project costs, the Port would consider the issuance of debt, to be repaid by future revenues, to fund a portion of the capital costs. Based on the current 5-Year CIP, the Port projects that it will need to issue approximately \$64.2 million of debt secured by PFC revenues to pay for a portion of the projects that are PFC-eligible. It is currently assumed that the Port will utilize its CP program in the interim, until a long-term bond financing is undertaken. The actual timing of a long-term financing secured by PFC revenues has not yet been determined and will be based upon actual capital expenditures and market conditions.

DRAFT JUNE 8, 2015**FY 2015-16 CAPITAL BUDGET - INITIAL AND PIPELINE PROJECTS****Expenditure and Funding Sources**

(\$ Thousands)

FY 2016 EXPENDITURES

Divisions	Capital Budget - Initial				Pipeline Projects	FY 15-16 Total Expenditure
	Contractual Obligations	Pre-Development	Misc. Facility Replacement	Total		
Aviation	91,258	500	500	92,258	23,709	115,967
Maritime	39,168	250	500	39,918	8,280	48,198
CRE	358	0	325	683	913	1,596
Support	133	0	100	233	1,100	1,333
Total	130,917	750	1,425	133,092	34,002	167,094

FY 2016 FUNDING SOURCES

Funding Source	FY 15-16 Capital Budget - Initial	FY 15-16 Pipeline Projects	FY 15-16 Total Expenditure
Aviation Grants ¹	33,880	2,680	36,560
Maritime Grants ¹	26,150	800	26,950
PFC Pay-Go ²	21,146	0	21,146
Debt Proceeds (PFC) ³	24,528	4,460	28,988
CFCs	0	800	800
Cash	27,388	25,262	52,650
Total	133,092	34,002	167,094

¹ The Port has not yet obtained grant funding for all capital projects.² Assumes \$1 million of PFCs available at beginning of FY 2016.³ Assumes that the Port's CP program will be utilized in the interim until a long-term bond transaction occurs.

DRAFT JUNE 8, 2015**5-YEAR CAPITAL IMPROVEMENT PROGRAM****Expenditure and Funding Sources****FY 2015-16 to FY 2019-20**

(\$ Thousands)

5-YEAR EXPENDITURE BY DIVISION

Divisions	FY 15-16¹	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Total Estimated Expenditure
Aviation	115,967	119,469	48,652	37,118	39,923	361,129
Maritime	48,198	23,605	24,290	11,920	3,570	111,583
CRE	1,596	978	625	331	408	3,938
Support	1,333	500	500	500	500	3,333
Total	167,094	144,552	74,067	49,869	44,401	479,983

5-YEAR FUNDING SOURCES

Funding Source	FY 15-16¹	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Estimated Funding
Aviation Grants ²	36,560	21,872	18,728	6,404	9,139	92,703
Maritime Grants ²	26,950	2,250	2,950	-	-	32,150
PFC Pay-Go ³	21,146	21,597	18,684	22,279	20,940	104,646
Debt Proceeds (PFC) ⁴	28,988	32,155	-	-	3,050	64,193
CFCs	800	250	-	-	-	1,050
Cash	52,650	66,428	33,705	21,186	11,272	185,241
Total	167,094	144,552	74,067	49,869	44,401	479,983

¹ Includes FY 2016 Capital Budget - Initial and FY 2016 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 2016.⁴ Assumes that the Port's CP program will be utilized in the interim until a long-term bond transaction occurs.

DRAFT JUNE 8, 2015**5-YEAR CAPITAL IMPROVEMENT PROGRAM****Annual Expenditure By Division and Projects****FY 2015-16 to FY 2019-20**

(\$ Thousands)

DIVISIONS	FY15-16¹	FY16-17	FY17-18	FY18-19	FY19-20	Total
AVIATION						
Airfield						
Runway Safety Area Improvements	36,990	0	0	0	0	36,990
Runway 12-30 Rehabilitation	1,000	18,000	9,000	0	0	28,000
Perimeter Dike Improvements	100	10,000	0	0	0	10,100
Other Projects	1,605	7,940	8,160	8,005	11,423	37,133
Subtotal Airfield	39,695	35,940	17,160	8,005	11,423	112,223
Terminal						
T1 Renovation & Retrofit	41,550	64,750	20,000	25,000	28,000	179,300
Other Projects	5,798	2,100	0	0	0	7,898
Subtotal Terminal	47,348	66,850	20,000	25,000	28,000	187,198
Leased Area	800	0	400	3,613	0	4,813
Ground Access and Parking						
BART	8,000	2,000	0	0	0	10,000
Airport Drive and Air Cargo Way	2,690	2,100	2,100	0	0	6,890
Other Projects	6,657	200	0	0	0	6,857
Subtotal Ground Access & Parking	17,347	4,300	2,100	0	0	23,747
Security	3,295	5,034	7,992	0	0	16,321
Utilities	3,883	4,500	500	0	0	8,883
Other	3,599	2,845	500	500	500	7,944
TOTAL AVIATION	115,967	119,469	48,652	37,118	39,923	361,129

¹ Includes FY 2016 Capital Budget - Initial and FY 2016 Pipeline Projects.

DRAFT JUNE 8, 2015**5-YEAR CAPITAL IMPROVEMENT PROGRAM****Annual Expenditure By Division and Projects****FY 2015-16 to FY 2019-20**

(\$ Thousands)

<u>DIVISIONS</u>	FY15-16¹	FY16-17	FY17-18	FY18-19	FY19-20	Total
MARITIME						
Marine Terminals						
B33-34 Fire Water System	2,800	0	0	0	0	2,800
Shore Power Program	0	2,000	0	0	0	2,000
Other Projects	1,250	625	0	0	0	1,875
Subtotal Marine Terminals	4,050	2,625	0	0	0	6,675
Cranes	770	7,370	13,670	3,420	120	25,350
Security	2,170	4,150	7,890	3,150	0	17,360
Oakland Army Base	32,260	2,610	480	0	0	35,350
Dredging	2,000	2,000	0	0	0	4,000
Utilities	150	900	1,000	4,100	2,200	8,350
Roadway	2,290	350	0	0	0	2,640
Other	4,508	3,600	1,250	1,250	1,250	11,858
TOTAL MARITIME	48,198	23,605	24,290	11,920	3,570	111,583
COMMERCIAL REAL ESTATE						
Jack London Square (JLS)	218	0	625	268	33	1,144
Embarcadero Cove	358	0	0	63	139	560
Business Park	695	978	0	0	236	1,909
Other	325	0	0	0	0	325
TOTAL COMMERCIAL REAL ESTATE	1,596	978	625	331	408	3,938

¹ Includes FY 2016 Capital Budget - Initial and FY 2016 Pipeline Projects.

DRAFT JUNE 8, 2015**5-YEAR CAPITAL IMPROVEMENT PROGRAM****Annual Expenditure By Division and Projects****FY 2015-16 to FY 2019-20**

(\$ Thousands)

<u>DIVISIONS</u>	FY15-16¹	FY16-17	FY17-18	FY18-19	FY19-20	Total
SUPPORT						
IT System Resiliency	133	0	0	0	0	133
Website Modernization	200	0	0	0	0	200
Server Firewall/DMZ	150	0	0	0	0	150
Emergency Backup Generator	750	0	0	0	0	750
Other	100	500	500	500	500	2,100
TOTAL SUPPORT	1,333	500	500	500	500	3,333
TOTAL	167,094	144,552	74,067	49,869	44,401	479,983

¹ Includes FY 2016 Capital Budget - Initial and FY 2016 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 notes (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 1, 2015
Senior Lien Bonds	\$ 682,855,000
DBW Loan	4,913,945
Intermediate Lien Bonds	392,790,000
CP Notes	74,398,000
Total	\$1,154,956,945

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 2016-2033. 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 2016 through FY 2020, 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 2016 through FY 2020. Under the CP Indenture, the maximum CP Notes interest rate is 12% with a maximum term of 270 days.

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

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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 Program* section), the Port projects that from FY 2016 through FY 2020, it will need to issue approximately \$64.2 million of debt payable by PFC revenues to pay for a portion of the projects that are PFC-eligible. It is currently assumed that the Port will utilize its CP program in the interim, until a long-term bond financing is undertaken. The average annual interest rate on the outstanding CP Notes during this 5-year time period is assumed to range from 0.75% to 4.00%. The actual timing of a long-term financing secured by PFC revenues has not yet been determined and will be based upon actual capital expenditures and market conditions.

Debt Covenants

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

Debt Service Coverage Ratios

The Senior Lien, Intermediate Lien, and Aggregate DSCR are shown in the 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.

DRAFT JUNE 8, 2015**DEBT SERVICE COVERAGE****FY 2013-14 TO FY 2019-20**

(\$ Thousands)

	<u>Actual</u> <u>2013-14</u>	<u>Budget</u> <u>2014-15</u>	<u>Budget</u> <u>2015-16</u>	<u>Projected</u> <u>2016-17</u>	<u>Projected</u> <u>2017-18</u>	<u>Projected</u> <u>2018-19</u>	<u>Projected</u> <u>2019-20</u>
Operating Revenues	\$323,040	\$314,759	\$330,276	\$340,193	\$349,184	\$352,813	\$361,194
Net Operating Expenses ¹	(163,590)	(180,996)	(187,701)	(193,746)	(200,360)	(207,540)	(214,190)
Interest Earned ²	1,319	1,231	1,639	2,781	3,932	6,241	8,565
Net Revenues	160,769	134,994	144,214	149,228	152,756	151,514	155,569
<u>Debt Service:</u>							
Debt Service – Senior Lien Bonds	48,069	50,146	48,220	44,418	45,425	46,409	47,487
Debt Service – Senior & Intermediate Lien Bonds & DBW Loan	98,191	98,193	98,907	99,507	100,994	102,502	97,138
Debt Service – Aggregate (excl. amounts paid by PFCs) ³	99,276	102,775	103,344	104,322	106,002	107,895	102,834
<u>Debt Service Coverage Ratio:</u>							
Senior Lien ⁴	3.34	2.69	2.99	3.36	3.36	3.26	3.28
Intermediate Lien ⁵	1.64	1.37	1.46	1.50	1.51	1.48	1.60
Aggregate ⁶	1.62	1.31	1.40	1.43	1.44	1.40	1.51

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 2015-16, increasing to 4.00% in FY 2019-20.

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 2015-16 TO FY 2019-20

(\$Thousands)¹

Description	FY 2015-16			FY 2016-17			FY 2017-18			FY 2018-19			FY 2019-20		
	Principal	Interest ²	Total	Principal	Interest ²	Total	Principal	Interest ²	Total	Principal	Interest ²	Total	Principal	Interest ²	Total
<u>Senior Lien Revenue Bonds</u>															
2011 Refunding Bonds Series O	\$14,440	\$15,695	\$30,135	11,360	14,973	26,333	\$12,935	\$14,405	\$27,340	\$14,565	\$13,760	\$28,325	\$16,370	\$13,032	\$29,402
2012 Refunding Bonds Series P	0	18,084	18,084	0	18,084	18,084	0	18,084	18,084	0	18,084	18,084	0	18,085	18,085
Subtotal Sr. Lien Rev. Bonds	14,440	33,779	48,220	11,360	33,057	44,418	12,935	32,489	45,425	14,565	31,844	46,409	16,370	31,117	47,487
<u>Loans</u>															
Dept. of Boating & Waterways Loan	236	222	458	247	211	458	258	200	458	270	188	458	282	176	458
<u>Intermediate Lien Revenue Bonds</u>															
2007 Refunding Bonds Series A	2,715	7,860	10,575	2,905	7,720	10,625	2,430	7,588	10,018	2,560	7,464	10,024	2,675	7,335	10,010
2007 Refunding Bonds Series B	17,625	7,160	24,785	18,055	6,335	24,390	19,440	5,428	24,868	20,930	4,456	25,386	21,965	3,421	25,386
2007 Refunding Bonds Series C	11,220	3,648	14,868	16,665	2,951	19,616	18,145	2,080	20,225	19,075	1,150	20,225	13,460	673	14,133
Subtotal Int. Lien Rev. Bonds	31,560	18,668	50,229	37,625	17,006	54,631	40,015	15,096	55,111	42,565	13,070	55,635	38,100	11,093	49,193
Subtotal Sr. & Int. Lien Rev. Bonds and DBW Loan	46,236	52,669	98,907	49,232	50,274	99,506	53,208	47,785	100,994	57,400	45,102	102,502	54,752	42,386	97,138
Commercial Paper (Non-PFC) ³	4,000	438	4,438	4,000	816	4,816	4,000	1,008	5,008	4,000	1,392	5,392	4,000	1,697	5,697
Commercial Paper (PFC) ⁴	0	360	360	0	1,202	1,202	0	1,603	1,603	0	2,404	2,404		3,327	3,327
Total Debt Service	\$50,236	\$53,467	\$103,703	\$53,232	\$52,293	\$105,525	\$57,208	\$50,396	\$107,604	\$61,400	\$48,898	\$110,298	\$58,752	\$47,410	\$106,162

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 2015-16, increasing to 4.0% in FY 2019-20.

⁴ Based on the 5-Year CIP, the Port plans to issue approximately \$64.2 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 Program* section, the Port has not yet obtained funding for all capital projects described, some of which may ultimately not be implemented by the Port.

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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, 2015:

Board Reserves	
Port Bond Reserve	\$30,000,000
Operating Reserve	24,153,000
Capital Reserve	15,000,000
Total	\$69,153,000

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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.

DRAFT JUNE 8, 2015**STATEMENT OF CASH FLOWS****FY 2015-16 to FY 2019-20**

(\$ Thousands)

	Projected 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20
General Fund ¹	140,000	150,063	121,494	127,109	142,150
Port Bond Reserve Fund	30,000	30,000	30,000	30,000	30,000
Operating Reserve Fund	24,153	24,904	25,669	26,582	27,429
Capital Reserve Fund	15,000	15,000	15,000	15,000	15,000
Beginning Balance	209,153	219,967	192,162	198,691	214,579
Sources					
Operating Revenue	330,276	340,193	349,184	352,813	361,194
Grants and CFCs for Operating Expenses	5,524	5,486	4,988	5,113	5,241
PFCs for Debt Service ²	360	1,202	1,603	2,404	3,327
Interest Income ³	1,135	2,278	3,429	5,737	8,062
Other ⁴	28,977	-	-	-	-
Total Receipts	366,272	349,159	359,203	366,067	377,824
AIP, PFC Pay-Go, CFC, Other Grants ⁵	85,456	45,969	40,362	28,683	30,078
Debt Proceeds	-	-	-	-	-
Debt Proceeds (PFC-Supported) ⁶	28,988	32,155	-	-	3,050
Total Capital and Financing Proceeds	114,444	78,124	40,362	28,683	33,128
TOTAL SOURCES	480,716	427,283	399,565	394,750	410,952
Uses					
Operating Expenses	(193,226)	(199,231)	(205,349)	(212,653)	(219,431)
Debt Service					
Principal ⁷	(50,236)	(53,232)	(57,208)	(61,400)	(58,752)
Interest ⁸	(53,467)	(52,293)	(50,396)	(48,899)	(47,410)
Total Debt Service Payments	(103,703)	(105,525)	(107,604)	(110,299)	(106,162)
Capital Expenses ⁹	(167,094)	(144,552)	(74,067)	(49,869)	(44,401)
Other Payments ¹⁰	(5,879)	(5,779)	(6,016)	(6,042)	(6,111)
TOTAL USES	(469,903)	(455,087)	(393,037)	(378,862)	(376,105)
Net Cash Flow (Sources less Uses)	10,813	(27,804)	6,529	15,888	34,847
Ending Balance	219,967	192,162	198,691	214,579	249,426

1 Beginning General Fund balance for FY 2016 is an estimate. General Fund balances in subsequent years are projected.

2 PFCs used to reimburse portion of eligible CP Notes debt service payments.

3 Excludes non-cash interest accrual.

4 Includes proceeds from Oak-to-9th sale and lagged grant receipts.

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

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

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

8 Assumes interest rates of 0.75%, 1.50%, 2.00%, 3.00%, 4.00% in FY 2016-20 respectively and outstanding CP Notes balance of \$106.4 million, \$134.5 million, \$130.5 million, \$126.5 million, and \$125.6 million, respectively.

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

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

DRAFT JUNE 8, 2015**STATEMENT OF CASH FLOWS - RESTRICTED****FY 2015-16 to FY 2019-20**

(\$ Thousands)

	Projected 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19	Projected 2019-20
Bond Reserve Funds	57,908	57,908	57,908	57,908	57,908
Bond Construction Funds	-	-	-	-	-
Passenger Facility Charge	1,000	1,000	250	2,557	980
Customer Facility Charge	6,000	6,290	7,190	8,413	9,735
Construction Escrows	3,000	3,000	3,000	3,000	3,000
Beginning Balance	67,908	68,198	68,348	71,878	71,623
Passenger Facility Charge (PFC)					
Beginning Balance ¹	1,000	1,000	250	2,557	980
PFC Revenues	21,501	22,039	22,590	23,042	23,502
PFC Interest Income	5	10	4	64	34
Debt Proceeds (PFC) ²	28,988	32,155	-	-	3,050
Less: PFC Debt Service	(360)	(1,202)	(1,603)	(2,404)	(3,327)
Less: PFC Capital Expenditures ³	(50,134)	(53,752)	(18,684)	(22,279)	(23,990)
Ending Balance	1,000	250	2,557	980	250
Customer Facility Charge (CFC)					
Beginning Balance ¹	6,000	6,290	7,190	8,413	9,735
CFC Revenues	5,808	5,954	6,103	6,225	6,349
CFC Interest Income	30	63	108	210	341
Less: CFC Capital Expenditures	(800)	(250)	-	-	-
Less: CFC Operating Expenses	(4,748)	(4,867)	(4,988)	(5,113)	(5,241)
Ending Balance	6,290	7,190	8,413	9,735	11,184

¹ Beginning fund balances for FY 2016 are estimates; subsequent years are projected.

² Assumes that the Port's CP program will be utilized in the interim until a long-term bond transaction occurs.

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

DRAFT JUNE 8, 2015**ACRONYMS**

ACDBE	Airport Concession Disadvantaged Business Enterprise
ACTC	Alameda County Transportation Commission
ADA	Americans with Disabilities Act
AIP	Airport Improvement Program
AP	Administrative Policy
APDA	Alternative Project Delivery Approach
APDD	Aviation Project Design & Delivery
APL	American President Lines
APU	Auxiliary Power Unit
ARFF	Aircraft Rescue and Fire Fighting
ARMOA	Amended and Restated Memorandum of Agreement
ATCT	Air Traffic Control Tower
AVI	Automated Vehicle Identification
BART	Bay Area Rapid Transit
BCDC	San Francisco Bay Conservation and Development Commission
BNSF	Burlington Northern-Santa Fe
BRAC	Base Realignment and Closure
CAFR	Comprehensive Annual Financial Report
CalPERS	California Public Employees Retirement System
CARB	California Air Resources Board
CAS	Corporate Administrative Services
CBP	U.S. Customs and Border Protection
CEC	California Energy Commission
CEQA	California Environmental Quality Act
CFC	Customer Facility Charge
CIP	Capital Improvement Program
CP	Commercial Paper
CRE	Commercial Real Estate
CTMP	Comprehensive Truck Management Program
CY	Calendar Year
DBE	Disadvantaged Business Enterprise
DBW	Department of Boating and Waterways
DHS	Department of Homeland Security
DOE	Department of Energy
DPM	Diesel Particulate Matter

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DSCR	Debt Service Coverage Ratio
EBMUD	East Bay Municipal Utility District
EBRPD	East Bay Regional Park District
EBSP	Electronic Baggage Screening Program
EDS	Explosives Detection Systems
EII	Energy Innovation Initiative
EMS/APL	Eagle Marine Services/American President Lines
EPA	Environmental Protection Agency
EP&P	Environmental Programs and Planning
ERP	Enterprise Resource Planning
EV	Electric Vehicle
FAA	Federal Aviation Administration
FTE	Full-Time Equivalent
FY	Fiscal Year
FBO	Fixed Base Operator
GASB	Governmental Accounting Standards Board
GSE	Ground Support Equipment
IAB	International Arrivals Building
IBEW	International Brotherhood of Electrical Workers
IFPTE	International Federation of Professional and Technical Engineers
IPI	Interior Point Intermodal
IT	Information Technology
JLID	Jack London Improvement District
JLS	Jack London Square
LAX	Los Angeles International Airport
LBA	Local Business Area
LEED	Leadership in Energy and Environmental Design
LIA	Local Impact Area
LLAP	State Local Levee Assistance Program
LOC	Letter of Credit
MAG	Minimum Annual Guarantee
MAPLA	Maritime and Aviation Project Labor Agreement
MAQIP	Maritime Air Quality Improvement Plan
MHEA	Middle Harbor Enhancement Area
MHSP	Middle Harbor Shoreline Park
MOU	Memoranda of Understanding

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MPDD	Maritime Project Design & Delivery
NDSLBP	Non-Discrimination and Small Local Business Utilization Policy
NEPA	National Environmental Policy Act
OAB	Oakland Army Base
OAK	Oakland International Airport
OCIP	Owner-Controlled Insurance Program
OIG	Oakland International Gateway (formerly known as Joint Intermodal Terminal - "JIT")
OPEB	Other Post Employment Benefits
OTA	Other Transaction Agreement
PARCS	Parking Access and Revenue Control System
PCA	Pre-Conditioned Air
PFC	Passenger Facility Charge
PFSO	Port Facilities Security Officer
PG&E	Pacific Gas and Electric
RAC	Rental Car Consortium
RFID	Radio Frequency Identification
RFP	Request for Proposals
RPS	Renewable Portfolio Standard
RSA	Runway Safety Area
SBE	Small Business Enterprise
SEIU	Service Employees International Union
SFO	San Francisco International Airport
SLC	Salt Lake City International Airport
STEP	Secure Truck Enrollment Program
T1	Terminal 1
T1MB	Terminal 1 Mechanical Building
T2	Terminal 2
TCIF	Trade Corridor Improvement Fund
TEU	Twenty-Foot Equivalent Unit
TSA	Transportation Security Administration
TWG	Truckers Working Group
UPS	United Parcel Service, Inc.
VALE	Voluntary Airport Low Emissions
VSBE	Very Small Business Enterprise
WAPA	Western Area Power Administration
WCE	Western Council of Engineers

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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 33, 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.

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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 33, 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 33, 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.

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Induced Jobs - As referenced in the table on page 33, 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 33, 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.

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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 33, 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 33, 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 33, 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 33, 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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