



AGENDA REPORT

PROPOSED ACTION: Resolution: Approve the Annual Operating and Capital Budgets for Fiscal Year Ending June 30, 2027; Authorize the Payment of Operating and Other Expenses, and the Payment of Debt Service of the Port of Oakland for the Fiscal Year Ending June 30, 2027; Authorize the Payment of \$316,358,000 of Total Capital Expenditures, as Provided for in the Capital Budget for the Fiscal Year Ending June 30, 2027; Authorize FY 2026 Carryover Spending in FY 2027; Authorize Transfers Between Operating and Capital Budgets Due to Changes in Accounting Treatment; and Find that the Proposed Action is Exempt Under the California Environmental Quality Act. **(Finance & Admin)**

Submitted By: Julie Lam, Chief Financial Officer; Kristi McKenney, Executive Director

Parties Involved: None

Amount: As presented below and in the Budget Summary (Attachment A)

EXECUTIVE SUMMARY: Each year the Port of Oakland (Port) prepares an annual proposed budget for the Board of Port Commissioners' (Board's) consideration for approval. Port Staff recommends approval of the FY 2027 annual budget summarized in Attachment A to this Report. Approval of the operating and capital budgets would authorize the payment of (a) operating and other expenses, (b) debt service of the Port, and (c) approximately \$316,358,000 of capital expenditures. Port Staff additionally recommends the Board to authorize FY 2026 carryover spending into FY 2027 and transfers between operating and capital budgets due to changes in accounting treatment.

BACKGROUND & ANALYSIS

The Charter of the City of Oakland (City), as amended, requires the Port to adopt an annual budget no later than the third Monday of July each year. Port Staff developed the following documents related to the Port's annual budget:

- One-year operating budget for fiscal year ended June 30, 2027
- One-year capital budget for fiscal year ended June 30, 2027
- Five-year operating and cash flow projections for FY 2027 through FY 2031
- Five-year Capital Improvement Plan (CIP) for FY 2027 through FY 2031

A Budget Summary, presented as Attachment A to this Report, contains these documents, as well as related information such as the Port's staffing plan, division-specific operating budgets, debt service payments, cash flow projections, Board reserve amounts, and capital project descriptions. In addition to the June 25, 2026 presentation of this Report, Port Staff made budget presentations to the Board on March 26 and May 14, 2026. Copies of these presentations are included as Attachment B to this Report.

Only the FY 2027 operating and capital budgets are presented for Board approval. Subsequent years of operating expenses, capital expenditures and cash flow projections are informational and presented for planning purposes only. The information contained in this Report is disclosed publicly for general information relating to the Port only. The information and figures herein include projections and forecasts that are based upon certain assumptions and involve known and unknown risks, uncertainties, and other factors that may cause actual results, performance or achievements to differ materially from those expressed or implied by such projections and forecasts. The information and figures herein are subject to change without notice after the date hereof. The overall cost of the Port's capital projects is subject to change, and the variance from the cost estimates reflected herein may be material. The Port is not obligated to and does not plan to issue any updates or revisions to this Agenda Report nor the Budget Summary.

Budget Objectives

The Port's operating and capital budgets aim to (a) support long-term financial strength, resiliency and sustainability, (b) address immediate operational, recruitment and financial challenges while maintaining flexibility and liquidity against operational, financial, political and economic uncertainties, and (c) strategically identify, prioritize and plan major capital projects focused on regulatory compliance, grant project delivery commitments, zero emissions progress, health and safety, revenue generation, asset management, and essential infrastructure investments. Key financial objectives include:

- A balanced budget in which total sources of funds equal or exceed total expenditures;
- An operating budget that targets a minimum debt policy debt service coverage ratio (DSCR) of 1.40x in the aggregate and by revenue division;
- A minimum General Fund cash balance at the end of each fiscal year, or by the end of the five-year projection period, equal to approximately 400 days-cash-on-hand (DCOH) Port wide, and between 365 to 500 DCOH by revenue division, taking into account future anticipated needs such as capital improvements and accrued liabilities;
- A maximum operating expense ratio of 65.0% or less across the Port and within each revenue division (except Port Utility) by fiscal year or by the end of the five-year projection period. If achieving this target requires more than five years, projections over the next five fiscal years should demonstrate annual progress toward the 65.0% ratio;
- Board Reserves at levels consistent with Port policy of approximately \$81.6 million; and
- Discipline of paying down outstanding bonds and commercial paper notes.

Key Factors

The FY 2027 operating and capital budgets were developed considering several key factors highlighted below, as well as updated five-year operating and cash flow projections and an updated five-Year CIP.

Positive Factors

- **Liquidity and Financial Flexibility.** The Port's strong liquidity position, comprised of unrestricted cash and Board reserves, provides financial flexibility to adapt to unanticipated challenges. In the event of a catastrophic event, it is projected cash and cash equivalent balances at the beginning of FY 2027 will be sufficient to cover 769 days of operations at the Port in the absence of operating revenues.
- **Existing Credit Facilities.** The Port maintains a \$200 million direct pay letter of credit (LOC) facility in support of its commercial paper (CP) program. As of June 1, 2026, \$10.2 million in CP remains outstanding. The LOC, which expires on December 31, 2026, allows the Port to fund interim capital expenditures before issuing long-term revenue bonds. Port Staff will commence work on extending or replacing the current LOC facility in anticipation of expiration.
- **Debt Management.** As of July 1, 2026, 97.5% of the Port's outstanding debt is fixed rate. The Port has exposure to short-term interest rate fluctuation on the debt in the form of CP Notes, which accounts for 2.5% of the Port's overall debt portfolio. By matching assets (General Fund investments) and liabilities (i.e., CP) with similar interest rate sensitivities, the Port can hedge 100% of the variable rate risk on its CP debt outstanding.
- **Credit Ratings.** The Port maintains strong long-term credit ratings: A1 from Moody's; and A+ from both S&P and Fitch for senior lien bonds. Intermediate lien bonds are rated one notch lower by all three rating agencies. Strong credit ratings allow the Port to borrow at attractive rates in the market.
- **Economic Support and Operations.** The Port benefits from a strong local and diverse economy, serving as a key gateway for trade and a top travel destination. A large share of Oakland San Francisco Bay Airport (OAK or Airport) traffic is origin and destination, and a significant portion of the maritime cargo moving through the Port maritime facilities (Seaport) is destined to or from greater California markets.
- **Minimum Annual Guarantees and Rent Escalation.** Many of the Port's property rental agreements with tenants include fixed rent (e.g., minimum annual guarantee (MAG)) and/or structured annual rent escalation. These fixed rents are required to be paid regardless of activity, except in very limited circumstances. These provisions provide the Port with revenue predictability during a period of economic uncertainty.

- **Grant Funding and Infrastructure.** Approximately 43.7% of the FY 2027 Capital Budget is expected to be funded with grants. Some of these grants are in the form of entitlement grants (i.e., the Port receives an allocable share) while other grants are discretionary and require the Port to compete against other organizations for funding. Most of the available Maritime grants are for Seaport infrastructure improvements to support transition to zero-emission operations and to address supply chain challenges.
- **PFC Application Approval.** As of March 31, 2026, the Port's Passenger Facility Charge (PFC) fund balance stands at \$89.3 million. Currently, the use of these funds is restricted to payment of (a) financing costs for select FAA-approved terminal projects originally funded with commercial paper proceeds, and (b) eligible projects approved under PFC-18. Starting in June 2026, Port Staff plans to draw down on PFCs to reimburse the Port for eligible costs of completed capital projects, as well as fund eligible capital projects currently in design or under construction. This will release unrestricted cash that can be redirected to support other Port capital priorities.
- **Debt Service Coverage Ratio.** The Port projects a stable Intermediate Lien Debt Service Coverage Ratio (DSCR) of 2.46x for FY 2026, with projections ranging between 1.94x and 2.62x over the next five fiscal years. These projections reflect key assumptions, including annual passenger growth starting in FY 2028, continued growth in Twenty-foot Equivalent Unit (TEU) cargo volume at the Seaport, growing electricity demand and electric rate increases, and declining vacancies across the Port's commercial real estate portfolio of assets. In addition, the Port actively manages operating expenses and the scope and timing of its five-year CIP to ensure compliance with its minimum Port debt policy DSCR of 1.40x, by revenue division and on a Port-wide consolidated basis.
- **Airport Cost Competitiveness.** The Airport's projected cost per enplanement (CPE) of \$21.18 in FY 2027 remains competitive with San Jose Mineta International Airport (\$19.90), Sacramento International Airport (\$20.65), and San Francisco International Airport (\$28.92). Having a competitive CPE in a region with multiple airport options is crucial for attracting airlines and maintaining passenger traffic.
- **Food and Retail Concession Improvements.** The Airport is nearing the completion of its multi-year program to renovate retail, and food and beverage offerings. The program is designed to provide passengers with options and enhance the overall passenger experience inside the terminal buildings. On the food and beverage front, Trader Vic's/Plum Market remains the only unit left to open, which is scheduled in late July/August of 2026. On the retail side, the I Fly

OAK retail unit is scheduled to open in July 2026, followed by several vending machines by end of 2026.

- **Air Service Development and New Route Additions.** Port Staff actively engages with both incumbent and prospective carriers through the Air Service Development program to expand domestic route offerings and reduce dependence on any single carrier. A notable recent addition is Alaska Airlines' launch of four daily, year-round nonstop flights between OAK and San Diego International Airport (SAN), which commenced service on April 22, 2026. This new service strengthens the Airport's intra-California connectivity and reflects continued investment by Alaska Airlines in the Oakland market. New route additions of this nature are expected to contribute incrementally to FY 2027 passenger volumes and support the Airport's broader recovery trajectory.
- **East Bay Catchment Area Strength.** The Airport's primary catchment area in the East Bay continues to support substantial origin and destination passenger base. The Tri-Valley area which encompasses the cities of Dublin, Livermore, Pleasanton, San Ramon, the town of Danville, and the Census Designated Places of Alamo, Blackhawk, and Diablo, remains one of the Bay Area's most economically dynamic markets anchored by Lawrence Livermore and Sandia National Laboratories, and a concentration of technology, life sciences, and advance manufacturing employers. Planned housing developments approved in Dublin and Livermore are expected to add several thousand residential units over the FY 2027 budget horizon and beyond, supporting future passenger demand from the Airport's core catchment area.
- **Resilience Amid Trade Policy Uncertainty.** Shifts in U.S. trade policy and tariff actions during calendar year 2025 introduced volatility in global containerized trade flows. The impact on the Seaport's cargo volume has been more measured than initially contemplated in prior forecasts. Total container volume at the Seaport in calendar year 2025 was essentially flat (-0.4%) to the prior year, and the Seaport avoided the sharper declines experienced by several other West Coast ports. Year to date volumes in calendar year 2026 show some softness; total TEUs are down 5.7% year-over-year through April 2026. While tariff-related uncertainty continue into FY 2027, the Seaport's mix of imports and exports, as well as its refrigerated agricultural export base, provide some protection against further trade uncertainty.
- **Land Redevelopment Opportunities:** While not expected to impact FY 2027 operating revenues, the Port continues to advance land redevelopment opportunities at both the Howard Terminal site (at Seaport) and the former Hilton hotel site (near Airport), each of which offers the potential for future revenue growth and further diversification of the Port's income stream.

- **Labor Agreements and Workforce Stability:** The Port maintains collective bargaining agreements with its represented workforce that extends through FY 2027 and beyond for all its bargaining units. These multi-year agreements provide a degree of predictability over compensation and benefits costs for the Port's largest operating expense category. The Port also continues to invest in workforce development, succession planning, and retention programs to support long-term operational continuity.

Concerns and Considerations

- **Personnel Costs.** Any COLA increase above the 2.5% assumed on July 1, 2026, may necessitate a mid-year adjustment to Port wide operating expenses to maintain compliance with the Port's minimum debt service coverage targets as outlined in the Port's recently amended debt policy, if said increase is (a) not offset by savings resulting from the time required to ramp staffing from current level of 458 FTEs to 486.5 FTEs (Full FTEs *less* vacancy factor) or (b) operating revenue exceeds budget or (c) operating expenses are lower than budget. A vacancy factor of 47.5 FTEs is assumed in FY 2027 based on recruitment capacity and potential additional vacancies created by retirements during FY 2027.
- **Capital Costs.** The proposed FY 2027 capital budget includes \$316.4 million in planned capital expenditures. Over the five-year planning horizon, known capital expenditures total approximately \$1.45 billion. These project cost estimates are based on the best available information today and are refined further as projects progress through key design completion milestones. Current construction market conditions remain highly volatile, influenced by factors such as tariffs and multi-factor inflation. Recent bids for some Port projects have significantly exceeded earlier estimates, raising concerns that the costs reflected in the five-year CIP may not fully capture the true cost of project delivery. If cost increases for one project are not offset by cost savings on others, the Port may be required to delay, reduce the scope of, or remove certain projects as part of its prioritization process.
- **Debt Borrowing Costs.** Short-term interest rates have moderated from their 2024 peaks but remain elevated relative to the pre-pandemic decade. Market-based forecasts now price in little to no additional easing through 2026, and the Federal Reserve has indicated it could raise rates later in the year if inflation reaccelerates. Long-term tax-exempt borrowing rates remain elevated, and subject to continued upward pressure from federal fiscal dynamics such as increased deficit spending, and concerns about long-term debt trajectory. A material bond market sell-off triggered by a loss of confidence in federal fiscal management remains a risk that could push the Port's all-in borrowing cost beyond the 6.0% assumed in the five-year CIP funding plan. In FY 2027, the immediate impact is higher short-term rates

paid on the Port's CP Notes. This exposure is offset by higher short-term interest rates on Port-General Fund investments held with the City, as discussed earlier.

- **Operating Expense Ratio and Profitability.** While the Port and each of its four business lines continue to generate positive cash flow from operations, Port-wide financials are projected to show an operating loss in FY 2027 through FY 2031 after depreciation and amortization. This loss is primarily driven by substantial projected operating deficits within the Aviation division. Achieving profitability on an accounting basis in the Aviation division and Port-wide will require a combination of revenue growth and operating expense management.
- **Airport Activity and Airline Schedule Optimization.** For FY 2027, the Port forecasts approximately 8.0 million annual passengers (MAP) departing and arriving at the Airport, continuing a multi-year decline that has left passenger volumes well below the pre-pandemic levels. The primary driver of the FY 2027 forecast decline is airline schedule optimization rather than a fundamental shift in underlying demand. As airlines continue to recalibrate their systemwide networks in response to post-pandemic travel patterns, weaker corporate demand, constrained fleet availability, and a sharper focus on profitable routes, OAK has experienced a disproportionate reduction in scheduled flights and available seats.
- **Weak Business Travel Demand.** Intra-California business travel, historically meaningful contributor to OAK traffic, has not recovered to pre-pandemic levels as remote and hybrid work arrangements have persisted, and the broader Bay Area economy continues to reflect a higher share of remote-eligible employment. Lower business travel demand means weaker load factors on routes concentrated at OAK, which in turn prompts carriers to redeploy seat capacity away from OAK. Reduced frequencies then make OAK less attractive for the business travelers who remain, since fewer departure times and thinner schedules erode the schedule convenience that historically drove East Bay business travelers to choose OAK over SFO.
- **Inflation and Weakening Labor Market.** Inflation remains persistently high and continues to compress real disposable income, weighing on discretionary leisure travel that has partially offset softer business travel demand at OAK. Slower consumer demand due to continued layoffs in the Bay Area could reduce import container volumes tied to retail consumption. A sharp deterioration in consumer spending or Bay Area employment would likely affect both Aviation and Maritime simultaneously, limiting the diversification benefit the Port has historically enjoyed across its business lines.
- **Impact of High Oil Prices.** Elevated crude oil prices present a significant operating risk to both the Airport and Seaport in FY 2027. For the Airport, higher jet fuel costs accelerate the schedule optimization trends already underway and

increase the likelihood of further frequency reductions on marginal routes and put upward pressure on airfares. In turn, higher airfares dampens both leisure and business demand at a time when OAK passenger volumes are already under pressure. For the Seaport, sustained high oil prices increase cost to shipping lines, trucking companies, and rail companies – all key players in the global supply chain – and to consumers of both imports and exports. If oil prices remain elevated or rise further, the Port faces compounding downside risk to passenger volumes, container throughput, and the broader regional economy that supports both business lines.

- **Impact of Tariffs.** Ongoing U.S. tariff policy and retaliatory measures from key trading partners continues to present material risk to Seaport cargo volumes. As the top refrigerated export gateway in the U.S., the Seaport has significant exposure to agricultural commodities that move primarily to Asian markets, leaving the Seaport vulnerable to sharp month-to-month volatility as trade policy shifts. While the Seaport has demonstrated relative resilience compared to other West Coast ports, sustained tariff pressure compounds the risks from inflation, weakening consumer demand, and elevated fuel costs.
- **Regulatory Compliance and Contractually Obligated Maintenance.** A large portion of the Port's capital and operating expenses in FY 2027 will go towards meeting regulatory requirements, completing grant-funded capital projects, maintenance work, some of which are contractually obligated under existing lease agreements, and reducing Port Staff vacancies. Delivering on all the planned projects remains a challenge.
- **Maritime CIP.** A large percentage of Maritime's CIP in FY 2027 focuses on utility-related improvements and marine terminal improvements to address aging infrastructure so that our facilities can continue to support Maritime's core revenue generating businesses. However, resources to deliver the CIP are limited in part because of the debt burden carried by Maritime through FY 2033, when the last of the bonds issued to fund Vision 2000 will be paid off. To help fund its CIP, the Port has applied for several grants that are project specific. These partially grant-funded projects, with fixed award amounts and firm completion deadlines, are increasingly challenging to deliver; as project designs are completed and construction bids are higher than expected, the Port must absorb the additional costs, placing additional strain on Maritime's ability to fund other equally, if not more important, infrastructure needs.
- **CRE CIP and Financials.** The Port's CRE Division is entering a capital-intensive period anchored by a substantial FY 2027 capital budget, including significant sewer infrastructure investments, that exceeds what the Division can fund from operating cash flow alone. With limited liquidity, CRE is planning a debt issuance

in FY 2027 to fund a portion of the capital program and is relying on intracompany (i.e., intraPort) borrowing from other Port business lines to manage near-term cash flow timing. Revenue growth will be essential to support the capital plan, service the additional debt, and reduce reliance on intracompany funding over time.

[Remainder of this page left blank]

Proposed FY 2027 Budget

Table 1 summarizes the Port's proposed FY 2027 budget.

Table 1
Uses and Sources of Funds FY 2027
(\$000s)

	FY 2027 Proposed Budget
Uses of Funds	
Operating Expenses (Cash Basis) ¹	\$290,921
Debt Service ²	84,618
Capital Expenses	316,358
Other Expenses ³	191,601
Transfer Out to Restricted Account	936
Total Uses	\$884,433
Sources of Funds	
Cash from Operations	\$429,789
Available Cash Reserves	60,223
Grant and Other Reimbursements ⁴	168,484
Passenger Facility Charges (PFCs) ⁵	13,755
Interest Income	17,927
Commercial Paper/Debt	8,200
Other Revenues ⁶	186,056
Total Sources	\$884,433

¹ Excludes depreciation and non-cash adjustments to pension and retiree medical expense.

² Includes \$3.3 million repayment of CP Notes and associated interest. Of this amount, approximately \$0.09 million of CP Notes and associated interest is anticipated to be repaid with PFCs. The interest rate on the CP Notes is assumed to be 3.9% in FY 2027.

³ Includes but not limited to CP Notes and bond related fees, General Services and Lake Merritt payments to the City, adjustment of Operating Reserve, and other non-operating expenses including non-operating pass-through expenses.

⁴ The Port has not yet obtained grant funding for all capital projects included in the budget. Includes capital and operating grants, direct assignment or capacity charges, and omissions insurance coverage payments.

⁵ Ability to apply PFCs to fund capital projects may be contingent on FAA approval of new PFC-19 application.

⁶ Includes non-operating pass-through grant revenues.

Table 2 shows a comparison of the proposed FY 2027 budget to the FY 2026 budget.

Table 2
Comparison of Proposed FY 2027 Budget to FY 2026 Budget
(\$000s)

	FY 2027 Proposed Budget	FY 2026 Budget	Change in Comparison to FY 2026 Budget
Operating Revenues	\$405,369	\$417,349	-\$11,980
Operating Expenses before Depreciation	\$292,546	\$299,734	-\$7,188
Operating Income before Depreciation	\$112,823	\$117,615	-\$4,792
Operating Income	-\$15,351	-\$5,852	-\$9,499
Debt Service – Bonds	\$81,295	\$77,630	+\$3,665
Debt Service – Commercial Paper (CP) Notes	\$3,323	\$7,825	-\$4,502
Intermediate Lien Bond Debt Service Coverage Ratio	1.94x	2.00x	-0.06x
Capital Budget	\$316,358	\$243,280	+\$73,078
Board Established Reserves	\$81,568	\$82,467	-\$899
Full Time Equivalent (FTEs)	534	534	0
Anticipated General Fund Balance Excluding Board Reserves on June 30	\$545,919	\$476,485	+\$69,434

Activity Levels

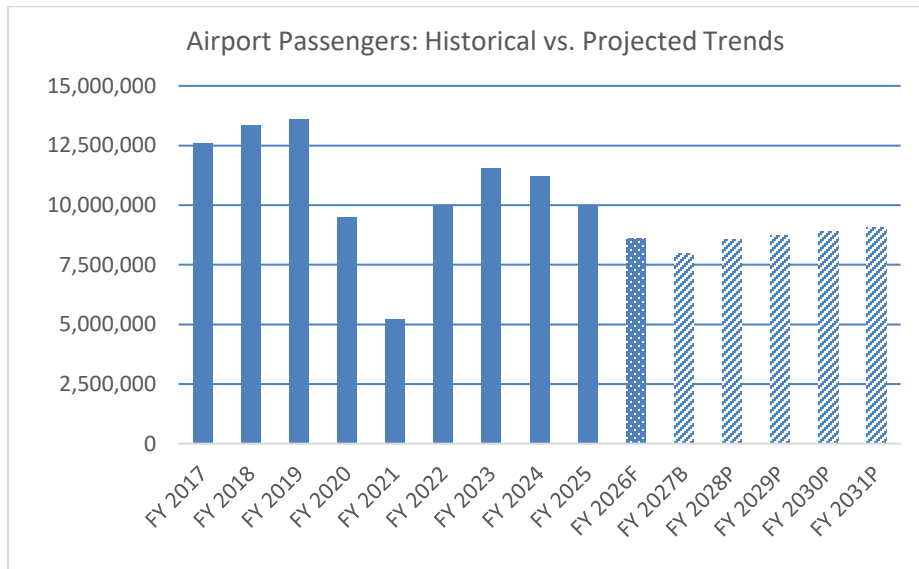
While activity levels are not directly correlated to Aviation and Maritime revenues, they are important indicators of the strength of these business lines. Airport passengers are anticipated to decrease 7.0% in FY 2027 from anticipated FY 2026 levels due to several factors including among others on-going capacity management challenges and demand volatility due to macroeconomic uncertainties (e.g., inflation) impacting overall consumer discretionary spending on travel given household budget pressures. Seaport Full TEUs are anticipated to increase 1.0% in FY 2027 over FY 2026 anticipated levels.

Table 3 shows FY 2025 actual, FY 2026 anticipated, and FY 2027 budgeted Airport passenger and Seaport Full TEU activity levels for comparison purposes.

**Table 3
Airport Passenger and Seaport TEU Activity**

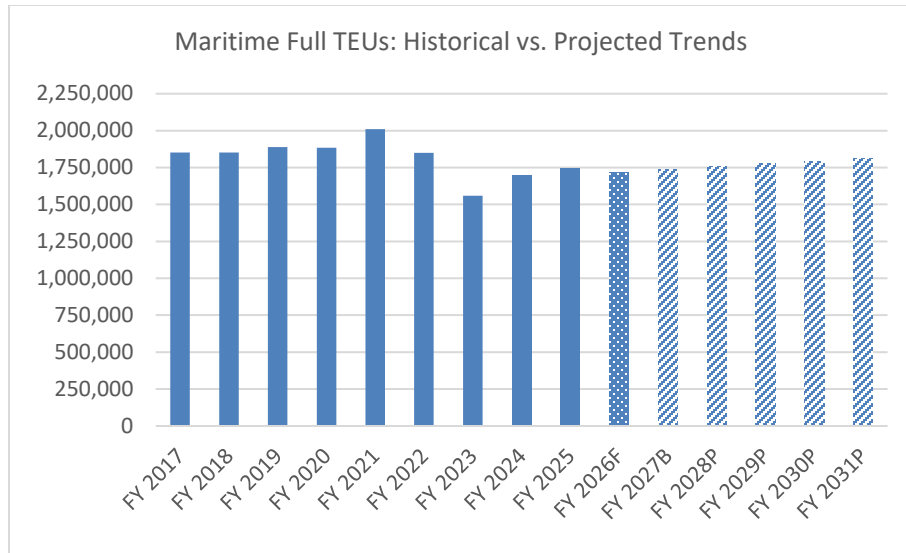
	FY 2025 Actual	FY 2026 Anticipated	YoY Change	FY 2027 Proposed Budget	YoY Change
Airport Passengers	9,953,418	8,587,278	-13.7%	7,986,169	-7.0%
Seaport Full TEUs	1,742,131	1,716,709	-1.5%	1,733,876	+1.0%

For the FY 2028-2031 projection period, Airport passenger growth is assumed to grow by 7.0% in FY2028 and thereafter at 2.0% annually. Seaport Full TEUs are assumed to grow 1.0% annually in FY 2028 through FY 2031. The following charts show historical and projected Airport passengers and Seaport Full TEUs for FY 2017-2031.



Compound Annual Growth Rate
 FY 2017-2019*: +4.0%, FY 2019*-2031 projected: -3.3%
 *FY 2019 is the last full FY before the COVID pandemic

[Remainder of this page left blank]



Compound Annual Growth Rate
 FY 2017-2019*: +1.0%, FY 2019*-2031 projected: -0.4%
 *FY 2019 is the last full FY before the COVID pandemic

Operating Revenues

FY 2027 budgeted operating revenues of \$405.4 million, are \$12.0 million, or -2.9% lower than FY 2026 Budget. In comparison to FY 2026 anticipated operating revenues of \$420.9 million, FY 2027 operating revenues are projected to decrease by \$15.6 million or -3.7%. Table 4 shows FY 2025 actual, FY 2026 budget, FY 2026 anticipated, and FY 2027 budgeted operating revenues by business line for comparison purposes.

Table 4
Summary of Operating Revenues
(\$000s)

	FY 2025 Actual	FY 2026 Budget	FY 2026 Anticipated	FY 2027 Proposed Budget	Change in Comparison to FY 2026 Budget	Change in Comparison to FY 2026 Anticipated
Aviation	216,722	211,169	212,796	204,604	-3.1%	-3.8%
Maritime	169,181	163,225	165,134	154,302	-5.5%	-6.6%
CRE	15,226	15,319	15,040	15,741	2.8%	4.7%
Port Utility	27,640	27,637	27,966	30,722	11.2%	9.9%
Total	\$428,769	\$417,349	\$420,937	\$405,369	-2.9%	-3.7%

FY 2027 budgeted Aviation revenues assume (i) 7.0% decrease in passengers compared to FY 2026 anticipated actuals, (ii) lower terminal rental revenues (in comparison to FY 2026 anticipated actuals) due to net reduction in leased terminal space areas (including preferential gates and baggage carousels), lower FIS, common gate and secondary gate revenues, (iii) lower airfield cost center revenues in comparison to FY 2026 anticipated

actuals due to true-up credit of \$2.1 million from over-collection in FY 2025, offset by increases in FY 2027 capital and operating expenses in the airfield area, (iv) lower parking revenues due to decrease in passenger traffic at the Airport, and (v) higher space rental revenues reflecting rent increase adjustments pursuant to existing and anticipated lease terms. Terminal concession revenues are expected to decrease from FY 2026 anticipated actuals due to decline in passenger traffic.

FY 2027 budgeted Maritime operating revenues assume Full and Empty TEUs are 1.0% higher in comparison to FY 2026 anticipated actuals. Maritime revenues are based on several factors: lingering uncertainty on federal tariffs impacts to imports and exports, geo-political uncertainty regarding global trade and oil prices; anticipated shifts in cargo between marine terminals; scheduled rent adjustments; temporary removal of revenue-generating land for future improvements, and the full-year impact of new tenancies that began in FY 2026.

FY 2027 budgeted CRE revenues assume higher parking, hotel, retail, office and other rents offset by lower restaurant rents when compared to FY 2026 anticipated actuals.

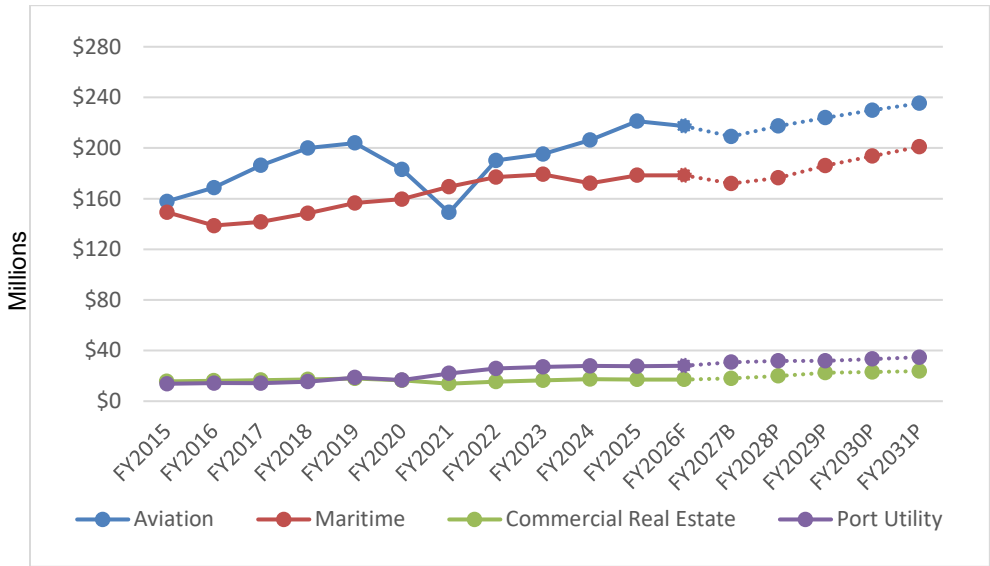
FY 2027 budgeted Port Utility revenues are based on planned electric rate increases and anticipated increases in usage at the airport and harbor.

FY 2028-2031 Operating Revenue Projections

Port-wide operating revenues are projected to increase from \$405.4 million in FY 2027 to \$473.5 million in FY 2031, for a forecasted compound annual growth rate of 4.0% based on a number of assumptions including, but not limited to: passenger recovery and TEU growth rates, changes in Airline rates and charges, changes in transportation mode to and from the Airport, Maritime tariff increases, lease revenues based on existing and anticipated lease terms, and increased electricity usage and rates. The following chart shows historical and projected revenues by business line for FY 2016-2031.

[Remainder of this page left blank]

**Port Operating Revenues (excluding GASB 87):
Historical vs. Projected Trends**



	Compound Annual Growth Rate	
	FY 2016-19*	FY 2019*-31 Projected
Aviation	+6.5%	+1.2%
Maritime	+4.1%	+2.1%
CRE	+3.6%	+2.4%
Port Utility	+9.0%	+5.3%
Port-wide	+5.5%	+1.9%

*FY 2019 is the last full FY before the COVID pandemic

Please see pages 36-107 of the Budget Summary book for more information on the Port's FY 2027 operating revenue budget and FY 2028-2031 operating revenue projections.

[Remainder of this page left blank]

Operating Expenses

Overall, Port operating expenses (excluding depreciation) are budgeted in FY 2027 at \$292.5 million, a decrease of \$7.2 million or -2.4% in comparison to FY 2026 budget as shown in Table 5. The change is driven by Port wide initiatives to control overall operating expenses in light of lower budgeted operating revenues in FY 2027 compared to FY 2026. Certain areas of the Port's operating expense budget were allowed to increase to advance Port strategic goals while other areas of the operating budget were adjusted down to make headroom for additional expenditures elsewhere.

Table 5
Summary of Operating Expenses (excl. Depreciation)
(\$000s)

	FY 2025 Actual	FY 2026 Budget	FY 2027 Proposed Budget	Change in Comparison to FY 2026 Budget
Personnel Costs	\$142,162	\$153,931	\$157,107	\$3,176
Contractual Services	113,764	108,039	100,863	-7,175
General & Administrative	26,114	26,083	25,477	-606
Supplies	7,300	6,947	6,971	24
Utility Cost of Sales	20,332	23,874	22,877	-996
Departmental Credits ¹	-12,405	-12,798	-14,409	-1,611
Intercompany Elimination	-5,166	-6,343	-6,341	2
Total	\$292,101	\$299,734	\$292,546	-\$7,188 or -2.4%

Personnel Expenses

Personnel expenses are approximately 53.7% of the Port's operating expenses (before depreciation) and are budgeted to be \$157.1 million, an increase of \$3.2 million or 2.1% in comparison to FY 2026 budget. Personnel cost increases include a vacancy factor of 47.5 FTEs to reflect current hiring priorities, hiring capacity and normal attrition (up from the 29.5 FTEs in FY 2026 Budget) and are summarized in Table 6. FY 2027 budgeted salaries total \$84.4 million, \$1.1 million higher due to the net impacts of an assumed 2.5% cost of living adjustment (COLA) effective July 1, 2026, 3% COLA increase on January 1, 2026, step increases, offset by increases in vacancy factor. The Port's employer pension expense is anticipated to increase \$0.8 million to \$30.2 million due an increase in pension rate from 34.6% to 35.2%. Medical costs for retirees, and Other Post

¹ Primarily allocation of Engineer staffing costs and related overhead to capital expense.

Employment Benefit (OPEB), are budgeted at \$13.5 million and projected to decrease \$0.5 million. The decrease in OPEB expense is based on the most recent actuarial report that updated the Port's annual required contributions and required annual expense recognition to account for increased insurance premiums and adjusting for actual vs expected trust investment performance, along with recent OPEB expense trends. Medical costs for active employees are budgeted at \$16.7 million and projected to increase by \$2.1 million reflecting actual medical premiums on January 1, 2026, an assumed increase in medical premiums of 5.75% on January 1, 2027, and updated/assumed employee-elected coverages. Other changes in personnel costs are based on recent experience, recent actuarial reports, or known or assumed rate increases.

Table 6
Summary of Personnel Expenses
(\$000s)

Personnel Expenses	FY 2025 Actual	FY 2026 Budget	FY 2027 Proposed Budget	Change in Comparison to FY 2026 Budget
Salaries and Wages	\$76,134	\$83,271	\$84,365	+\$1,095
Pension	27,894	29,333	30,160	+826
Health Care – Retiree	12,686	14,000	13,500	-500
Health Care – Active	12,691	14,597	16,676	+2,079
Overtime	5,994	4,042	4,351	+309
Workers Compensation	351	2,931	2,000	-931
Vacation/Sick Leave Accruals	2,412	2,404	2,404	0
Other ¹	4,000	3,352	3,651	+299
Total	\$142,162	\$153,931	\$157,107	+\$3,176

Non-Personnel Operating Expenses

Non-personnel costs before Depreciation and Amortization (after Intercompany elimination for Port use electricity in Aviation, Maritime) are budgeted in FY 2027 to decrease by \$10.4 million, or 7.1% lower than the FY 2026 Budget. Shown in Table 7 are the major expenses that drive the net variance to FY 2026 non-personnel expenses.

¹ Includes Medicare, life, disability and accident insurance, temporary help, wellness program, continuing education, professional development, training, professional licenses, unemployment insurance, Section 125 Plan admin fees, college/high school intern program, college tuition program, deferred compensation, meal allowance and physicals.

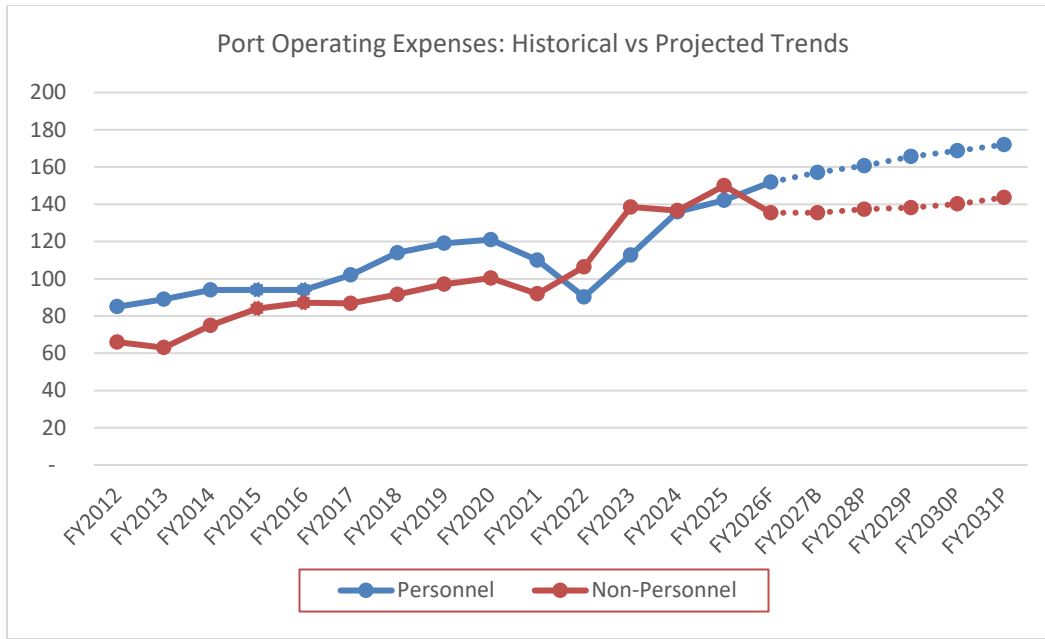
**Significant Non-Personnel Expenses
(\$000s)**

Item	Change in Comparison to FY 2026 Budget
Dredging Program	+\$1,330
Oakland Fire Dept	-1,000
Utilities Cost of Sales – Electricity	-1,013
Major Maintenance - Maritime	-1,075
Contractual Services with Tenants	-1,334
Engineering Consulting	-1,350
Departmental Credits	-1,611
Alameda County Sheriff	-1,930
Truck Parking - Maritime	-2,677
All Other Expenses	+296
Total Non-Personnel Expense Decrease	-\$10,363

FY 2028-2031 Operating Expense Projections

Port-wide operating expenses before Depreciation and Amortization (after Intercompany elimination for Port use electricity in Aviation, Maritime) are projected to increase from \$292.5 million in FY 2027 to \$315.6 million in FY 2031, for a forecasted compound annual growth rate of 1.9%. The forecast assumes FTEs remain flat, salaries adjusted for step increases. CalPERS pension employer contribution rate assumed to increase to 35.4% in FY 2028, 37.0% in FY 2029, 36.5% in FY 2030 and 36.0% FY 2031. No GASB No. 68 adjustments budgeted. Medical premiums are assumed to increase 5.25% in FY 2028, 5% in FY 2029, and 4.75% in FY 2030 and FY 2031, and no additional changes in unfunded retiree medical liability. This results in personnel costs increasing at a compound annual rate of 2.3% from FY 2027 through FY 2031. Non-personnel costs are assumed to increase at a compound annual rate of 1.5% between FY 2027 and FY 2031. Notable deviations patterns include some one-time maintenance of the Washington Street parking garage in FY 2028 along with Environmental consulting, which is forecasted at \$2.9 million in FY 2027, decreasing to \$2.2 million in FY 2028, \$1.2 million in FY 2029, \$0.4 million in FY 2030, and \$0.2 million in FY 2031. The chart below shows historical and projected personnel and non-personnel operating expenses for FY 2016-2031. Please see pages 37-107 of the Budget Summary book for more information on the Port's FY 2027 operating expense budget and FY 2028-2031 operating expense projections.

Millions



	Compound Annual Growth Rate	
	FY 2016-19*	FY 2019*-31 Projected
Personnel	+8.2%	+3.1%
Non-Personnel	+3.6%	+3.3%
Port-wide	+6.0%	+3.2%

*FY 2019 is the last full FY before the COVID pandemic

City Payments

The FY 2027 budget also includes the following payments to the City of Oakland. These payments are included as either operating expenses or non-operating expenses in the budget. Table 8 shows the proposed FY 2027 payment to the City of Oakland. These reflect direct payments and do not include City of Oakland receipts from the generation of other revenues from Port properties and activities such as sales taxes and possessory interest taxes on Port properties.

**Table 8
City Payments
(\$000s)**

Item	FY 2027 Proposed Budget
Aircraft Rescue and Fire Fighting Services	\$5,700
Lake Merritt Maintenance	1,971
General Services	1,353
Maritime & Jack London Square Police Services	1,124
Landscape Lighting Assessment District	700
Community Facility District Payment	600
Personnel, City Clerk and KTOP Services	280
Treasury Services	325
Jack London Improvement District	280
Edgewater Median Maintenance ¹	60
Fireboat/OPD Patrol Boat Maintenance	25
Total	\$12,417
Parking and Utility Taxes	8,954
Total including Taxes	\$21,371

Capital Budget

Capital budget authorization totaling approximately \$316.4 million is requested from the Board for FY 2027, which includes the capital projects shown in Table 9. Amounts shown in Table 9 are expected expenditures in FY 2027 and do not include prior or subsequent fiscal year expenditures for projects spanning multiple fiscal years.

The capital budget has been developed to match overall Port Staffing resources across many departments available based on a prioritization of Port Staff resources for both expense and capital improvements. The FY 2027 budget reflects prioritization of health and life safety, regulatory compliance, zero emissions initiatives, policy and contractual obligations, preservation and generation of revenue, asset management and essential infrastructure investments. Port Staff have applied a resource allocation planning process in an effort to realistically estimate the amount of work that can be accomplished in FY 2027 considering targeted staffing resources.

¹ A payment to the City is not made. Instead, the Port incurs this cost on behalf of City-owned property

Table 9
FY 2027 Capital Budget
(\$ millions)

FY 2027 Capital Budget -- Projects Summary	FY 2027 Capital Budget	% of Capital Budget
Marine (Seaport) Terminals Projects	\$78.9	24.9%
Aviation Terminal Projects	65.9	20.8
Airfield Projects (Primarily Taxiways)	44.2	14.0
Maritime (Seaport) Utility Projects	42.8	13.5
Aviation (Airport) Utility Projects	17.2	5.4
Port Utility Electric Projects	14.1	4.5
CRE: Building & Tenant Improvements	13.3	4.2
Airfield Perimeter Dike Improvements	10.0	3.2
Maritime (Seaport) Capital Equipment	9.0	2.9
Maritime Dredging Projects	6.8	2.1
Aviation Ground Access & Parking Projects	3.6	1.1
Information Technology Equipment & Systems	3.4	1.1
Aviation Capital Equipment	3.3	1.0
Aviation Security Projects	2.2	0.7
Port wide Miscellaneous Facilities Projects	1.3	0.4
Middle Harbor Shoreline Park (MHSP) Improvements	0.5	0.2
Total	\$316.4	100.0%

Table 10 shows a summary of the Port's FY 2027 Capital Budget by business line and anticipated funding sources.

Table 10
FY 2027 Anticipated Capital Expenses – Uses of Funds by Business Line
(\$ millions)

Divisions	FY 2027
Aviation	\$146.8
Maritime	138.8
Port Utility	14.1
CRE	13.3
Support	3.4
Total	\$316.4

FY 2027 Anticipated Capital Expenses Sources of Funds (\$ millions)

Funding Sources	FY 2027
Aviation	
Airport Improvement Program (AIP) Grants ¹	\$24.5
Airport Terminal Program (ATP) Grants ¹	2.1
Airport Infrastructure (AIG) Grants ¹	19.6
Miscellaneous Third-Party Funding	6.0
PFC Pay-Go ²	34.7
Cash	59.9
Total Aviation	\$146.8
Maritime	
CA State Transportation Auth (CalSTA) Grant	\$39.3
MARAD Port Infrastructure Development (PIDP) Grant	16.8
Trade Corridor Enhancement Program (TCEP) Grant	26.6
Other Grants ¹	3.0
LCFS Funds	5.8
Cash	47.3
Total Maritime	\$138.8
Port Utility	
CA State Transportation Auth (CalSTA) Grant	\$1.4
MARAD Port Infrastructure Development (PIDP) Grant	5.0
Other Grants/Direct Assignment/Capacity Charges ¹	1.2
Cash	6.6
Total Port Utility	\$14.1
CRE	
Commercial Paper	\$8.2
Cash	5.1
Total CRE	\$13.3
Support	
Cash	\$3.4

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

² Subject to FAA approval of new PFC application, otherwise funded with cash.

Please see the Capital Budget section of the Budget Summary book, pages 108-136, for additional information on the Port's FY 2027 Capital Budget including detailed list of capital projects and updated 5-Year CIP.

Prior Fiscal Year Carryover Capital Spending

Board authorization is requested to carry-over funding into FY 2027 for certain capital projects included in the Board-approved FY 2026 Capital Budget. This authorization is for project costs that were anticipated to be spent in the last four months of FY 2026 (March-June) but for reasons beyond the Port's control, may be delayed. Therefore, if spending on such projects do not materialize prior to June 30, 2026 then FY 2026 funding will carry forward and remain available in FY 2027.

Funding for these carry-over projects is not included in the FY 2027 Capital Budget as these projects are assumed to have been funded in the prior fiscal year (FY 2026). Whether the actual spending occurs in FY 2026 or FY 2027 has no impact on Port finances or Finance Department's projections of ending cash balances during the five-year projection period.

Transfers Between Operating and Capital Budgets

Board authorization is requested to allow adopted budget expenditures to be transferred between the FY 2027 Operating Budget and the FY 2027 Capital Budget under the following conditions:

1. Approved operating expenses may be transferred to the Capital Budget if:
 - a. Accounting standards necessitate capitalization of the expenditure.
 - b. The transfer can be absorbed within the existing Capital Budget without exceeding the Board-approved total.
2. Capital expenditures may be transferred to the Operating Budget if:
 - a. Accounting standards require the expenditure to be treated as an operating expense.
 - b. The transfer can be absorbed within the existing Operating Budget without exceeding the Board-approved total.

[Remainder of this page left blank]

Board-Established Reserves

Pursuant to Board policy, the following reserves shown in Table 11 will continue to be maintained for FY 2027.

Table 11
Board-Established Reserves
(\$000s)

	FY 2027
Operating Reserve ¹	\$36,568
Capital Reserve	15,000
Port Bond Reserve	30,000
Total Reserves	\$81,568

Please see pages 145-146 of the Budget Summary book for additional information on Board-established reserves.

Debt Service and Debt Service Coverage Ratios

The Port's bond debt service payments and projected debt service coverage ratio for FY 2027 are shown in Table 12.

Table 12
Debt Service and Debt Service Coverage Ratio
(\$000s)

	FY 2027
Net Revenues ²	\$157,917
Bond Debt Service (Senior & Intermediate)	\$81,295
Bond Intermediate Lien Debt Service Coverage Ratio ³	1.94x

In FY 2027, the Port's debt service payment on its bonds is \$81.3 million and planned CP debt service (not included in the table above) will be paid from a combination of Port revenues and PFCs.

The Port's debt service coverage ratio (DSCR) measures net operating revenues (that is, operating revenues less operating expenses) in comparison to debt service. Operating expense paid from non-operating revenues, and debt service paid from grant allocations are excluded from the coverage calculation. DSCR is an important financial metric that

¹ Established at 12.5% of Operating Budget (excluding depreciation).

² Pursuant to the Port's Senior and Intermediate Lien Trust Indenture, "Net Revenues" represent Operating Revenues, less Operation & Maintenance Expense, plus interest income. However, Operation & Maintenance Expense payable from non-operating revenues are excluded from the calculation.

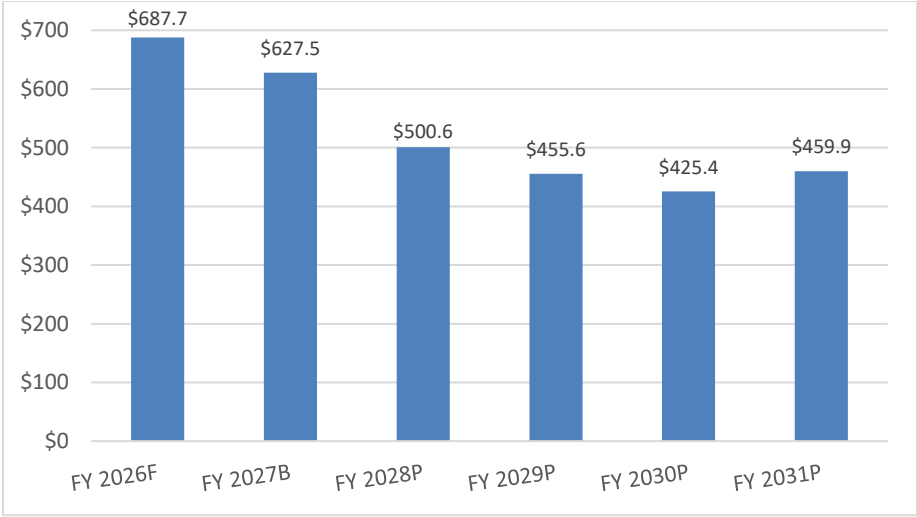
³ Bond Debt Service Coverage Ratio equals Net Revenues (as defined in the Bond Indentures) divided by the sum of the debt service on the Senior, DBW Loan and Intermediate Lien Bonds.

reflects both the resiliency and strength of the Port's current and projected future operating performance to meet debt service payments. In FY 2027, the Intermediate Lien debt service coverage ratio is projected to be 1.94x based on the methodology specified in the Port's Intermediate Lien Bond Indenture. Please see pages 138-144 of the Budget Summary book for additional information on debt service.

General Fund Cash Balance

The Port's General Fund balance is an important indicator of the Port's financial health. The General Fund balance changes daily and is used to pay day-to-day operating expenses, capital expenditures already under contract and anticipated in the 5-year CIP, semi-annual bond debt service payments, and all other accrued liabilities. The graph below illustrates the projected General Fund cash balance on June 30, 2026 through June 30, 2031. The projected General Fund balance reflects the proposed FY 2027 operating and capital budgets, as well as the Port's updated 5-year financial forecast, including the 5-year CIP. Please see pages 146-151 of the Budget Summary book for additional information on cash flow.

Projected June 30 General Fund Ending Balance¹
\$ in Millions



¹ Excludes other restricted funds (such as PFCs, CFCs, contractor retention and Bond Trustee held reserves).

OTHER FINDINGS AND PROVISIONS

ENVIRONMENTAL REVIEW

The proposed action was analyzed under the California Environmental Quality Act (CEQA) and was found to be:

Categorically exempt under the following CEQA Guidelines Section:

Choose an item.

"Common Sense" exemption under CEQA Guidelines Section 15061(b)(3).

Other/Notes:

BUDGET

Administrative (No Impact to Operating, Non-Operating, or Capital Budgets); OR

Operating Non-Operating Capital

Analysis: The proposed action would establish FY 2027 operating revenue and expense; non-operating revenue and expense; and capital budgets.

STAFFING

No Anticipated Staffing Impact.

Anticipated Change to Budgeted Headcount.

Reason: The Proposed action would set FY 2027 staffing level at 534 FTEs, however, a vacancy factor of 47.5 FTEs to reflect normal attrition effectively reduces active staffing levels to 486.5 FTEs.

Other Anticipated Staffing Impact (e.g., Temp Help).

Reason:

MARITIME AND AVIATION PROJECT LABOR AGREEMENT (MAPLA):

Applies? No (Not Aviation or Maritime CIP Project) – proposed action is not covered work on Port’s Capital Improvement Program in Aviation or Maritime areas above the threshold cost.

Additional Notes:

LIVING WAGE (City Charter § 728):

Applies?

No (Not Covered Entity) – proposed action involves entity not covered by Living Wage requirements because it is not a covered service provider or tenant, does not employ at least 21 employees, or receive from or pay to Port at least \$50,000.

Additional Notes:

SUSTAINABLE OPPORTUNITIES:

Applies? Yes.

GENERAL PLAN (City Charter § 727):

Conformity Determination:

<p><u>Reason:</u> The proposed action will provide sustainable opportunities for the Port to maintain operations and continue implementing the Port's Strategic Plan as outlined below.</p>	<p>Not Required – conformity determination not required because proposed action does not change use of or make alterations to an existing facility, or create a new facility.</p>
<p>STRATEGIC PLAN. The proposed action would help the Port achieve the following goal(s) in the Port's Strategic Plan:</p> <ul style="list-style-type: none"><input checked="" type="checkbox"/> Capture Our Market and Grow the Economic Base<input checked="" type="checkbox"/> Modernize and Upgrade Infrastructure<input checked="" type="checkbox"/> Transition to Zero-Emissions and Build Climate Resilience<input checked="" type="checkbox"/> Maximize Land Use Value and Revenues<input checked="" type="checkbox"/> Workforce Training and Jobs Development<input checked="" type="checkbox"/> Create Opportunities for Local Businesses and Community Economic Development	